Consolidated Report as at 30th September 2007

This is an English translation of the Italian original "Relazione consolidata al 30 settembre 2007" and has been prepared solely for the convenience of the reader.
The version in Italian takes precedence and will be made available to interested readers upon request to Intesa Sanpaolo S.p.A.

This document 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.

Consolidated Report
as at 30th September 2007

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 6,646,547,922.56 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.

Contents

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

Supervisory Board

Chairman	Giovanni BAZOLI
Deputy Chairmen	Antoine BERNHEIM Rodolfo ZICH
Members	Carlo BAREL DI SANT'ALBANO Pio BUSSOLOTTO Rosalba CASIRAGHI Giovanni COSTA Franco DALLA SEGA Gianluca FERRERO Angelo FERRO Pietro GARIBALDI Fabrizio GIANNI Giulio LUBATTI Giuseppe MAZZARELLO Eugenio PAVARANI Gianluca PONZELLINI Gian Guido SACCHI MORSIANI Ferdinando TARGETTI Livio TORIO

Management Board

Chairman	Enrico SALZA
Deputy Chairman	Orazio ROSSI
Managing Director and Chief Executive Officer	Corrado PASSERA
Members	Elio CATANIA Giuseppe FONTANA Gianluigi GARRINO Giovanni Battista LIMONTA Virgilio MARRONE Emilio OTTOLENGHI Giovanni PERISSINOTTO Marcello SALA

General Management

General Manager and Deputy to the CEO	Pietro MODIANO
General Manager	Francesco MICHELI

Manager responsible for preparing the Company's financial reports	Bruno PICCA
Independent Auditors	RECONTA ERNST & YOUNG S.p.A.

Intesa Sanpaolo Group - Financial highlights and alternative performance measures

Statement of income (in millions of euro)	**30.09.2007**	**30.09.2006** restated (*)	**Changes** amount	%
Net interest income	7,263	6,537	726	11.1
Net fee and commission income	4,677	4,786	-109	-2.3
Profits (losses) on trading	1,072	1,166	-94	-8.1
Income from insurance business	356	284	72	25.4
Operating income	13,713	12,999	714	5.5
Operating costs	-6,662	-6,911	-249	-3.6
Operating margin	7,051	6,088	963	15.8
Net adjustments to loans	-922	-871	51	5.9
Net income	6,855	3,811	3,044	79.9

Balance sheet (in millions of euro)	**30.09.2007**	**31.12.2006** restated (*)	**Changes** amount	%
Loans to customers	325,314	321,271	4,043	1.3
Direct customer deposits	366,652	363,247	3,405	0.9
Indirect customer deposits	639,057	608,136	30,921	5.1
of which: Assets under management	209,003	216,727	-7,724	-3.6
Total assets	576,176	575,280	896	0.2
Shareholders' equity	53,982	32,484	21,498	66.2

Operating structure	**30.09.2007**	**31.12.2006** restated (*)	**Changes** amount	%
Number of employees	98,236	100,509	-2,273	
Italy	*73,261*	*75,932*	*-2,671*	
Abroad	*24,975*	*24,577*	*398*	
of which: atypical labour contracts	*294*	*284*	*10*	
Number of financial advisors	4,285	4,216	69	
Number of branches (**)	7,367	7,516	-149	
Italy	*6,103*	*6,290*	*-187*	
Abroad	*1,264*	*1,226*	*38*	

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

(**) Including Retail Branches, Private Banking Branches, SME Branches and Corporate Branches.

	30.09.2007	30.09.2006 restated (*)	31.12.2006 restated (*)
Profitability ratios (%)			
Cost / Income	48.6	53.2	53.7
Net income / Average shareholders' equity (ROE) (a)	11.0	17.4	16.2
Net income / Adjusted average shareholders' equity (b)	18.1		
Economic Value Added (EVA®)(c) (in millions of euro)	4,817	1,813	
Risk ratios (%)			
Net doubtful loans / Loans to customers	0.9		0.8
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	71.4		72.3
Capital ratios (%)			
Tier 1 capital (d) net of preference shares / Risk-weighted assets (Core Tier 1)	7.3		
Tier 1 capital (d) / Risk-weighted assets	8.0		
Total capital (e) / Risk-weighted assets	10.7		
Risk-weighted assets (in millions of euro)	360,920		
Basic earnings per share (basic EPS) (f) – euro	0.54		
Diluted earnings per share (diluted EPS) (g) – euro	0.54		
Shares			
Number of ordinary shares (thousands) (h)	11,849,332	6,015,588	6,015,588
Share price at period-end - ordinary share (euro)	5.404	5.185	5.785
Average share price for the period - ordinary share (euro)	5.651	4.740	4.903
Average market capitalisation (in millions of euro) (h)	71,994	35,684	33,724
Book value per share (euro) (h)	4.223	2.524	2.615
Adjusted book value per share (euro) (i)	2.632		
Long-term rating			
Moody's	Aa2		
Standard & Poor's	AA-		
Fitch	AA-		

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

(a) Ratio between net income and average of share capital, share premium reserve, reserves and valuation reserves. Net income as at 30.09.2007 excludes the net capital gain made on the sale of Cariparma, FriulAdria and Branches to Crédit Agricole. The figure for the period is annualised.

(b) Ratio between i) net income excluding non-recurring merger and restructuring related charges and amortisation of merger cost and ii) the sum of average of share capital, share premium reserve, revaluation reserve, deducting the merger difference. Net income as at 30.09.2007 excludes the net capital gain made on the sale of Cariparma, FriulAdria and Branches to Crédit Agricole. Figure for the period is annualised.

(c) The indicator represents the economic value generated in the period in favour of shareholders, since it is the portion of net income for the period which remains after having remunerated shareholders' equity via the cost of capital. The latter represents the opportunity cost and is determined using the Capital Asset Pricing Model.

(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.

(f) Net income attributable to holders of ordinary shares compared to the weighted average number of outstanding ordinary shares.

(g) The dilutive effect is calculated with reference to the programmed issues of new ordinary shares.

(h) Figures for 2006 not restated.

(i) Shareholders' equity after the deduction of merger difference.

Intesa Sanpaolo Group – Financial highlights and alternative performance measures by business area

Statement of income (in millions of euro)	**Banca dei Territori**		**Corporate & Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Financial Group**	
	30.09.2007	30.09.2006 restated (*)	30.09.2007	30.09.2006 restated (*)	30.09.2007	30.09.2006 restated (*)	30.09.2007	30.09.2006 restated (*)	30.09.2007	30.09.2006 restated (*)
Operating income	8,496	7,956	2,126	2,075	216	223	1,391	1,139	1,114	990
Operating costs	-4,450	-4,523	-637	-642	-72	-68	-689	-619	-436	-418
Operating margin	4,046	3,433	1,489	1,433	144	155	702	520	678	572

Balance sheet (in millions of euro)	**Banca dei Territori**		**Corporate & Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Financial Group**	
	30.09.2007	31.12.2006 restated (*)	30.09.2007	31.12.2006 restated (*)	30.09.2007	31.12.2006 restated (*)	30.09.2007	31.12.2006 restated (*)	30.09.2007	31.12.2006 restated (*)
Loans to customers	187,026	179,093	79,620	78,939	33,268	36,331	21,928	18,573	2,727	2,384
Direct customer deposits	172,549	173,945	62,776	64,416	5,689	8,020	25,890	23,733	31,866	30,483

Profitability ratios (%)	**Banca dei Territori**		**Corporate & Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Financial Group**	
	30.09.2007	30.09.2006 restated (*)	30.09.2007	30.09.2006 restated (*)	30.09.2007	30.09.2006 restated (*)	30.09.2007	30.09.2006 restated (*)	30.09.2007	30.09.2006 restated (*)
Cost / Income	52.4	56.9	30.0	30.9	33.3	30.5	49.5	54.3	39.1	42.2
ROE before tax (a)	42.4	38.8	26.2	30.2	16.1	19.4	51.8	45.9	67.7	55.2
Economic Value Added (EVA®) (in millions of euro)	1,455	1,118	414	451	3	23	302	198	336	300

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area and in business unit constituents.

(a) Ratio between Income (Loss) before tax from continuing operations and Allocated capital. The figure is annualised.

Intesa Sanpaolo in the first nine months of 2007 - Executive summary

The third quarter of 2007 was characterised by the crisis which hit the international financial markets at the beginning of August, induced by the deterioration, of unpredictable scope, in the sector of US subprime mortgages.
The negative trends of markets led to a reduction of the contribution of trading to forming economic results. Despite this, net income for the nine months increased by almost 80% compared to the same period of 2006, reaching 6,855 million euro. The contribution of the third quarter amounted to 1,496 million euro.

Intesa Sanpaolo in the first nine months of 2007

As in the previous periods, the results for the first nine months were significantly comprised by non-recurring income and cost components. Specifically, the sale of the equity investments in Cassa di Risparmio di Parma e Piacenza, and in Banca Popolare FriulAdria and branches to Crédit Agricole and other smaller sales, contributed extraordinary income of 3,575 million euro net of taxes, while merger and restructuring related charges and charges linked to the allocation of the purchase cost of the Sanpaolo IMI Group had a total effect of 781 million euro on net income.
Removing these extraordinary components and other non-recurring components specified below from the results indicated, net income for the nine months reaches 3,760 million, an increase of 3.7% on the same period of 2006, which has also been recalculated on a normalised basis.
Specifically, revenue increased by 5.5%, as a result of the contribution from net interest income, and increased by 726 million (+ 11.1%), due to the positive performance of assets and spreads.
Fee and commission income decreased slightly (- 2.3%). In the third quarter, as in the previous quarters, they were affected by commercial initiatives benefiting customers, developed within the process of integration of the banking networks.
The decrease in the result of financial activities (- 8.1%) was, on the contrary, the direct result of the performance of financial markets following the subprime mortgage crisis. On a normalised basis, taking into account non-recurring income components attributable to the capital loss (30 million euro) deriving from the sale of part of the stake in Santander and the capital gain on the conversion of Borsa Italiana shares into London Stock Exchange shares (169 million euro), the decrease amounts to 11.4%.
The comparison of revenue on a quarterly basis, also influenced by seasonal factors, sees all income components decreasing in various measures, compared to the second quarter of 2007, with the only exception being net interest income, which improved on its contribution in the previous period. Comparing revenue for the third quarter 2007 and those of the same period of 2006 reveals an almost across the board increase.
Operating costs (- 3.6% compared to September 2006), confirm the decreasing trend recorded in the first six months of the year, thanks above all to the recalculation of Employee termination indemnities carried out in the Half-year report. Without taking into account the positive effect of this operation, the trend in operating costs remained stable. On a quarterly basis, operating costs decreased slightly.
The cost/income ratio for the nine months, on a normalised basis, dropped by 2.6 points during the two periods of comparison, standing at 51%.
Thus, the operating margin reached 7,051 million, an increase of almost 16%, with slightly less growth (11.4%) on a normalised basis.
Within provisions for risks and charges and net adjustments to loans, between the two periods compared, financial requirements increased significantly, due to contingent factors illustrated in previous reports. In the third quarter, the incidence of these adjustments significantly decreased.
Income from continuing operations, with 5,892 million euro, improved slightly less than 15% on the result of the same period of 2006. In normalised terms, the result grew by 9.6%.
The tax effect on ordinary operations fell slightly between the two periods of comparison, while the caption “Income from non-current assets held for sale and discontinued operations” – which had a balance of 3,791 million – includes, net of the tax burden, the capital gain and results for the period of the equity investments and branches sold to Crédit Agricole as well as the results for the period of other assets

which are being sold, meaning Biverbanca and the 198 branches whose sale was requested by the Italian Competition Authority, for which preliminary agreements have already been subscribed.
Lastly, merger and restructuring related charges were accounted for amounting to 481 million euro, net of taxes. Of these, the most significant part is represented by charges regarding the agreement dated 1st August for further recourse to the Solidarity Allowance and other early retirement incentive plans (394 million euro net of taxes). The remaining amount (87 million) comprises general expenses directly attributable to the merger of the two Groups.
As concerns main balance sheet aggregates, total assets reached 576 billion euro, in line with the figure as at 31st December 2006; loans to customers totalled 325 billion euro, with a 1.3% rise; direct customer deposits almost reached 367 billion euro (+0.9%) and indirect customer deposits amounted to 639 billion euro (+5% approximatively).
Overall, customer funds managed by the Group reached 978 billion euro (compared to 945 billion euro), with an increase of 3.5%.

The consolidation process of the Intesa Sanpaolo Group

As illustrated in the Half-year Report, at the end of July the preliminary agreement for the acquisition of control of Cassa di Risparmio di Firenze was signed, which will significantly strengthen the Group's competitive position in the 5 regions of Centre-North Italy, specifically in Tuscany, where the Carifirenze branch network is concentrated. Intesa Sanpaolo will acquire 40.3% of Carifirenze's share capital, by means of a share swap of own ordinary shares from Ente Cassa di Risparmio di Firenze, Fondazione Cassa di Risparmio di Pistoia e Pescia, Fondazione Cassa di Risparmio della Spezia and Spezia and So.Fi.Ba.R. – Società Finanziaria di Banche Romagnole, with a share swap ratio of 1.194 Intesa Sanpaolo ordinary shares for each Carifirenze share. As a result of the stake already held (approximately 18.6%) and the aforementioned share swap, Intesa Sanpaolo will reach a 58.9% interest in Carifirenze's share capital. Therefore, Intesa Sanpaolo will launch a Mandatory Public Offer according to the European Directive (recently introduced in Italian regulations) on the remaining 41.1% of Carifirenze's share capital, at the same price used for the calculation of the share swap ratio (6.73 euro per share). The conclusion of the operation, subject to the formalisation of agreements and the necessary authorisations, is planned for the first few months of 2008.
Thus, the Intesa Sanpaolo Ordinary Shareholders' Meeting of 2 October authorised that own ordinary shares be acquired and made available, up to a maximum number of 800 million, to equip the Management Board with own ordinary shares to be used in strategic interventions, including extraordinary finance transactions, or purchases or other extraordinary transactions (such as strategic partnership agreements within the framework of corporate development plans), excluding capital reductions, to be realised, wholly or in part, through the sale, swap or assignment of own shares, or other deals which may require the availability of own shares.
This framework includes the programme for the purchase of approximately 399 million own ordinary shares to acquire control of Carifirenze, which concluded on 7 November, and was carried out using the methods communicated to the market at that time which also included, in order to minimise the risk of exposure to the trend in the market price of the own shares to be purchased, hedging through the use of equity swap derivatives. The effective cost of the programme was equal to 2,158 million, to which 61 million will be added, for the settlement of the derivatives contract.
Regarding the agreement for Intesa Sanpaolo's purchase of a company carrying out depositary bank services on behalf of Montepaschi, agreed in June with Banca Monte dei Paschi di Siena, through which Intesa Sanpaolo will consolidate its activities in the securities services sector, in line with the strategic objectives of the Business Plan 2007-2009, and in compliance with the measures set forth by the Italian Competition Authority, the required due diligence activities are currently being carried out. As described in further detail in the half-year report, the agreement includes the supply of the service to the Banca Monte dei Paschi di Siena Group's undertakings for collective investments in transferable securities (UCITS) for a ten-year period with a service quality in keeping with best market standards.
At the beginning of October, Intesa Sanpaolo subscribed with Banca Carige, Credito Valtellinese, Veneto Banca and Banca Popolare di Bari agreements to sell 198 branches, according to provisions set forth by the Italian Competition Authority in relation to the merger between Banca Intesa and Sanpaolo IMI. The branches being sold, which in total represent a market share of 0.6%, are located in 11 regions and 16 provinces. The breakdown of the branches is as follows:
- 78 branches to Banca Carige in the provinces of Turin (14), Aosta (1), Como (19), Pavia (6), Venice (18), Padua (15), Rovigo (1) and Sassari (4);
- 35 branches to Credito Valtellinese, in the provinces of Turin (19), Alessandria (4) and Pavia (12);

- 42 branches to Veneto Banca in the provinces of Imperia (5), Venice (18), Padua (7), Udine (9) and Rovigo (3);
- 43 branches to Banca Popolare di Bari in the provinces of Pesaro (2), Terni (11), Naples (15), Caserta (10) and Brindisi (5).

The consideration for the sale of the 198 branches amounts to 1,900 million euro, broken down as follows: Banca Carige, 996 million euro; Credito Valtellinese, 395 million euro; Veneto Banca, 328 million euro; Banca Popolare di Bari, 181 million euro. These amounts are subject to a possible adjustment mechanism, depending on the total amount of deposits (direct and indirect) at the date the branches are sold.
As at 31st December 2006 loans to customers of the branches to be sold amounted to 3.5 billion euro, and total deposits amounted to 11.6 billion euro, of which direct deposits amounted to 3.4 billion. Operating income attributable to such deposits amounted to 290 million euro. The conclusion of the operation is planned for the first quarter of 2008, subject to the receipt of the required authorisations from the competent Authorities.
Lastly, at the beginning of November, in compliance with that set forth by the Italian Competition Authority in the provision authorising the merger by incorporation of Sanpaolo IMI into Banca Intesa, the new insurance company named Sud Polo Vita S.p.A. began operations. The purpose of this company is the production, exclusive distribution and management of life insurance policies through the branches of Banco di Napoli, Intesa Sanpaolo (for the Campania, Puglia, Basilicata, and Calabria regions) and Savings Banks under the control of Intesa Casse del Centro.

The Business Plan

As illustrated in the previous half-year report, with the Business Plan 2007-2009, the Intesa Sanpaolo Group set an objective of considerable and sustainable growth, developing the relationship based on trust with its stakeholders and leveraging on all management variables: revenue growth, cost control, asset and risk optimisation.
The main objectives of the Plan may be summarised as follows:
- consolidate excellence in client relations, combining proximity to the local territories of Group Banks with the advantages that only a large international bank may guarantee, in terms of product range extension and the quality and attractiveness of conditions;
- support the management of companies, accompanying them in all their development phases and assisting them in their difficult moments;
- sustain Italy's development, participating in the execution of infrastructures and favouring innovation within the Public Administration;
- foster the personal and professional growth of personnel through strong investments in competencies, values and behaviour of the employees, as fundamental preconditions for a clear, friendly and lasting relationship with customers;
- guarantee value creation for shareholders, pursuing ambitious growth programmes in all sectors and maintaining high efficiency and soundness levels.

During the year, all the Divisions implemented numerous initiatives both relating to the organisation and to product innovation and customer service enhancement.

The **Banca dei Territori Division** has the mission of growing, confirming its excellence in client relations by means of its strong presence in the regions, the high level of expertise of its commercial staff, and its role as the leading Bank in the country as well as establishing new standards of excellence in all aspects of customer service.
To achieve the Plan's objectives, 16 strategic initiatives are being developed, aimed at:
- redesigning the organisational structure of the network, in order to establish a single, distinct organisational model, which is also simple and unified. In this regard, during the period the project for the review of territorial distribution was begun. 130 Retail markets were identified, including approximately 30 branches each (belonging to one of the two former Intesa and former Sanpaolo networks), based on geographical vicinity and characteristics of the territory;
- ensuring the maximum operating effectiveness and efficiency, strengthening customer analysis technology, developing a technological centre of excellence by adopting a single commercial workstation;
- maintaining leadership in product and service innovation, launching a process of rationalisation of the current catalogue and, at the same time, improving the quality of the catalogue.

During the third quarter, the objective of ensuring service continuity for customers was pursued, dedicating specific attention to shared customers, while carefully monitoring risks. The assignment of shared corporate customers to a single reference manager was completed, defining policy and delegated powers consistent with the pursuit of growth and credit risk containment targets.
With specific reference to new initiatives for Retail customers, at the end of September, an agreement with INPS (Social Security National Institute) was signed, to extend personal loans to approximately 8 million pensioners based on loans backed by assignment of one-fifth of salary. The agreement sets forth a simple, quick, transparent procedure, with favourable conditions for the customer.
Lastly, we note that since the beginning of November, Banca Prossima has been operational. This is the first European bank dedicated exclusively to social enterprises and non-profit organisations, which derives from the experience matured in the long-standing relationship with the third sector as well as from the activities of Laboratorio Banca Società, which is dedicated to designing and developing innovative banking services for customer segments with greater difficulties in obtaining loans: University students, social enterprises, laid-off workers, households including non-self-sufficient persons. The new bank, whose equity amounts to 120 million euro, will operate through the over 6,000 branches of the Group, with 60 local presidiums for more complex operations, and will be able to count on a network of 100 specialists throughout the country. All income of Banca Prossima will be used for developing the bank itself.

The **Corporate & Investment Banking Division** has the mission to serve Italian and International Corporations and Financial Institutions by means of Corporate Branches, Foreign Branches, Representative Offices and the Group's International Corporate Subsidiaries, creating value through the offer of corporate banking products and services (ordinary and specialised credit, transaction services, trade finance etc.), as well as through Investment Banking (M&A advisory, structured finance), Capital Market, Merchant Banking and Factoring activities for the entire Group.
More specifically, within Corporate Relationships a project commenced that focuses on the identification of new hubs for back-office operations and on the definition of a service model which guarantees a further improvement in customer management.
The activities for consolidating and developing relations with target customers continued. Specifically, the Mid Corporate segment continues its dynamic trend, with over sixty Investment Banking deals concluded in the first nine months of the year.
As regards Financial Institutions, in the first months of the current year the new organisational model became operational with the introduction of a dedicated Marketing unit and the formation of a task force to support the activities of the Global Relationship Manager. For Foreign Customers, a set of priority target counterparties in Eastern Europe was identified, for which a commercial development plan has already been launched (among others, it is worth noting Ljubljanska Banka and Rietumu Banka).
With reference to the Investment Banking area, the coverage of Corporate customers was strengthened with a highly specialised product offer. In addition, coverage on international markets is being strengthened.
The Capital Markets area addressed its actions to the development and enhancement of service models which entail strengthening distribution capacity, launching new products and expanding origination capacity.
Merchant Banking activities also demonstrated high strategic value.

Within the Business Plan, the purpose of the **Public Finance** Business Unit is to serve Governments, Public Entities, Local Entities, Public Utilities, Healthcare structures and General Contractors by developing financing activities and ordinary bank operations, project financing, securitisations, financial advisory, assisting initiatives and investment projects in key infrastructures, healthcare, research and projects of public utility.
In this perspective, the integration project between Banca Intesa Infrastrutture e Sviluppo and Banca OPI was defined and will create a unique competence centre in Italy, capable of favouring the cooperation between Public and Private sectors at the service of the growth of the Country. The project already approved by the Boards and authorised by the Supervisory Authority, sets out as of 1st January 2008, the total de-merger of Banca OPI in the following areas:
- Banking (including real estate and infrastructure leasing activities), which will be merged into BIIS;
- SINLOC – Sistema iniziative Locali, which will be merged into FIN.OPI;
- FIN.OPI, which will be merged into the parent company and will be transformed into an Investment Management & Advisory Firm, specialised in the management of closed-end funds in the infrastructure and public utilities sectors.

In view of the imminent merger between BIIS and Banca OPI, the coordination between the two banks was strengthened. Unitary operations on the market started in May 2007, with significantly growing results. In fact, in the third quarter the Public Finance Business Unit (which consolidates BIIS and Banca OPI as well as the relations of Intesa Sanpaolo that shall be progressively transferred to the two banks) recorded a strong growth in loans, progress in revenues and in the cost/income ratio in line with Plan forecasts.

The strategic guidelines defined in the Business Plan for the **International Subsidiary Banks** Division are mainly oriented to an improvement in the Group's competitive positioning in the countries where it is present, realising revenue synergies on one hand, especially by leveraging on Centres of Excellence (leasing, credit cards, consumer credit, etc.) and costs synergies on the other hand, with effects from the aggregation in Bosnia, Hungary, Albania and Serbia. In various countries the distribution network was strengthened in the nine months with the opening of new branches and new ATM and POS terminals. Branches opened were as follows: 2 in Hungary (another 7 are planned within the end of the year), 4 in Slovenia, 8 in Croatia (2 were closed), 3 in Bosnia, 5 in Albania and 5 in Romania, while in Serbia the distribution network was rationalised, leading to the closure of 12 branches of BIB and the opening of 7 branches of Panonska.
Specific attention was paid to commercial development activities, for the renewal, expansion and diversification of the range of products offered, especially those targeted to retail customers:
- In Slovakia, during the year, VUB recorded strong development in the mortgages sector (new business increased by over 60% year over year). The commercial strategy for Asset Management activities was redefined, creating closer relationships with the Group companies and traditional commercial partners. A new type of current account was also introduced, which was highly successful (80,000 subscriptions between account switching and new account openings);
- In Slovenia, Banka Koper continued to expand its range of products and services (prepaid cards for independent professionals, earnings plans linked to mutual investment funds, Amex cards, fixed rate mortgages with terms of up to 20 years, commercial initiatives aimed at better placement of mortgages and greater cooperation with real estate agencies);
- On the Croatian market, PBZ launched new products and services for retail customers (home/car loans in local currency, disbursement of loans via internet, use of credit scoring systems for non-profit loans, etc.). It is also worth noting the operations of PBZ Card, the leader in Croatia in the credit card market, which further expanded its range of products (a card for farmers, cards for independent professionals provided within current account packages, cards for SMEs, etc.) and its points of use;
- in Bosnia, the diversification of UPI's range of products and services continued (new types of car loans, new types of deposit accounts for young people and pensioners, new types of loans for farmers, etc.), accompanied by commercial initiatives targeted to the increasing cross-selling (current account packages with remuneration linked to the number of products used, the possibility of current account overdrafts for those who directly deposit their salaries, debit cards, etc.);
- in Serbia (BIB and Panonska) the range of products and services was updated and expanded with the introduction of new types of mortgages (for home renovation, for non-residents, in Swiss Francs, etc.), credit cards, current account packages (for pensioners, employees, farmers), loans (for farmers, leasing, factoring, etc.) and with further evolution of the e-banking channels (use of credit cards via Internet, payment using mobile phones, etc.);
- in Albania BIA and ABA further developed the range of products and services for the retail segment (new types of mortgages, launch of specific account packages for some professional categories, etc.); in addition, worth mentioning is the launch of a new debit card, in May, which in only four months recorded the placement of over 4,600 cards;
- in Romania (Sanpaolo IMI Bank Romania) new loan and deposit products are being studied/designed (current account packages, company credit cards, car loans, unguaranteed loans with the assistance of scoring systems, etc.), as well as a new branch layout and Customer Relationship Management systems;
- in Russia (KMB) the weight of the retail segment is not very significant in terms of volumes of loans, which continue to be fed above all by the growth of the SME segment. In the third quarter 2007, a new type of personal loan was introduced, and the residential mortgage product was launched;
- in Egypt (BOA), the organisational model was revised, with the introduction of a department dedicated to the retail segment, which previously did not exist. Also from the commercial point of view, efforts were concentrated on the retail segment (personal loans, car loans and credit cards).

The commitment to territorial and commercial development translated into significant growth in volumes, specifically as regards mortgages, and in the expansion of the customer based, generalised across all countries, but above all in Albania (+27%), Serbia (+23%), Russia (+15%), Romania (+14%) and Hungary (+7%).

The new strategic guidelines of the **Eurizon Group** aim at fully exploiting the value of the single business areas of the Group, Banca Fideuram, Eurizon Capital and Eurizon Vita, repositioning within the Parent Company Intesa Sanpaolo the direction and control activities performed by Eurizon Financial Group, with a view to guaranteeing the necessary coordination of strategic decisions, while searching for synergies on operating activities.
The plan for relaunching Banca Fideuram (the leading network of financial advisors in Italy, with approximately 69 billion in Assets under Management as at September 2007 and over 4,200 private bankers), focuses on growth and consolidation of the position of leadership on its market of reference, with the goal of bringing the company to successful listing within a short time. The activities foreseen from a commercial point of view are as follows:
- in terms of products and services offered, rationalisation and strengthening of the company's investment solutions, flanked by the best products offered by third party companies;
- the diffusion of the financial planning platform, in order to ensure a distinctive service model which is cutting-edge in a regulatory and competitive framework undergoing constant change;
- the development of private customers through the implementation of a new range of dedicated products and services and the high level of personalisation based on customers' needs;
- the strengthening of the distribution platform, with investments for growth of the financial advisor network, through recruitment of the leading professionals on the market.

In the third quarter 2007, integration processes began which, once the required authorisation is obtained from the Italian Supervisory Authority, will lead to the incorporation of the former Nextra area into Eurizon Capital. In addition, the management of individual retail portfolios which are still under the banks of the Intesa Sanpaolo Group is being transferred to Eurizon Capital.
In terms of product policy, the amendments required by the introduction of the MiFid Directive have been initiated, and the process of rationalisation of the range of mutual investment funds has begun.
EurizonVita confirms its leadership position in the life insurance business, while it is focusing greater attention on developing pension products. In 2007, new products were launched, such as Individual Pensions (FIP) and Pension Funds, business rose sharply on guaranteed lines, and the number of pension advisors increased.
The property-casualty insurance business consolidated is relations with Banca dei Territori by expanding its range of products available to customers and the upcoming opening of the business to the former Intesa branches.

As previously indicated in the half-year report, on 1st August 2007 Intesa Sanpaolo, within the framework of its Business Plan which outlined a staff reduction of 6,500 people, reached an agreement with all the Trade Unions of the banking sector relating to a further recourse to the Solidarity Allowance on a voluntary basis for a staff reduction of 1,500 in 2008 and 800 in 2009. This activation is similar to that agreed upon on 1st December 2006 under which as at 30th June 2007, approximately 4,200 employees subscribed.
Activation of the Solidarity Allowance will involve the employees of the Group's Italian companies who qualify for pension within 60 months from activation. For the purpose of ensuring an adequate service level: a number of apprentices will be recruited equal to 50% of the reduction of the branch commercial staff; ii) apprentices - for a maximum of up to 50% of those in service as at 1st August 2007 - can be recruited under an indefinite-term contract after 24 months instead of the 48 months provided by law; and, lastly, definite-term recruitment is envisaged to offset maternity leaves in the branch network and support the ICT migration process.
With respect to this agreement, charges before tax of approximately 523 million euro are expected to be recorded in the consolidated statement of income for period, in addition to the approximately 800 million euro accounted for in 2006 relating to the previous agreement.

The integration process between Banca Intesa and SANPAOLO IMI

The previous reports provided an update on the integration process: in the first three months of the year all the decisions on the organisational structure were taken and all the managers responsible for the units were appointed; client attribution across the Business Units was also defined. Moreover, the distribution model was aligned both for retail customers and for corporate and enterprise customers and integrated solutions have been implemented for guidance and control systems relating to management and operating reports, to risk control tools and to lending procedures. Lastly, the first joint commercial initiatives were launched with the support of specific advertising campaigns. The Group's target ICT system was also identified in the first quarter.
As concerns the latter, in the second quarter, the integration of the IT platforms to support Group Banks and Companies started implementation. The project will permit the construction of a common platform of

models, processes, products and systems as scheduled in the merger programme, with the objective of migrating Group Banks to the target system within the end of 2008.
The project pursued the following objectives:

- implementing the migration of banks to the target platform, permitting the unification of the commercial offer and the standardisation of models and operating processes; changeover will occur gradually, testing the solutions via the migration of one pilot unit and subsequently by groups of branches;
- training the resources of the Head office departments and of the network to use the new ICT system and the target operating processes;
- managing the post conversion period, via initiatives to support/assist customers and resources defined in the migration strategy.

In the third quarter, these activities continued in line with the schedule set forth in the Master Plan of organisational and IT activities, according to a project divided into three main areas:

- Commercial, aimed at unifying the product catalogue, harmonising pricing and special agreements, closing/switch of non-migratable products;
- Organisation and Resources, aimed at managing the alignment of processes and operating models, training of the resources involved and supporting the initial use of the new IT instruments;
- Systems and Technologies, aimed at preparing target software applications, managing the two systems in the transitory periods, managing IT migration and the integration of technological infrastructures.

The project has been organised into specific task forces involving user company departments, commercial and management structures, as well as the company departments responsible for IT and organisational development. The coordination of the project strictly oversees the progress of the project, reporting on a monthly basis to the technical operational committee and periodically updating the guidance committee, comprising corporate governance managers.
Once the planning phase was completed, the project entered the realisation phase, beginning the implementation of the IT, organisation and training activities.
The project will be completed within 2008 and entails the start of the migration process of former Intesa branches to the Target system starting from April 2008. This migration phase will be completed by summer 2008 and will be followed by territorial reorder which also includes the sale of Intesa Sanpaolo branches to the Banche dei Territori Division.

As regards compliance with mandatory requirements, for which specific task forces have been formed with the objective of managing organisational and IT activities at the end of the transitory period granted by the Bank of Italy, during the first half of the year the specific certification activities are fully operational with the interventions in the Payment Systems and Finance Back Office area. In full compliance with the planning of activities, during the third quarter, the IT and organisational interventions were completed, allowing for the unification of mandatory reporting to the Bank of Italy from the deadline of June 2007, and the use of a single ABI code starting from 24th September for all settlement activities, the date from which Intesa Sanpaolo presented itself to the market as a single operating entity.

The Intesa Sanpaolo Group

Intesa Sanpaolo

- Group Finance
- Head Office Departments

Public Finance
- Banca Intesa Infrastrutture e Sviluppo
- Banca OPI

Corporate & Investment Banking
- Banca Caboto (1)
- Banca IMI (1)
- Banca Intesa France
- IMI Investimenti
- Intesa Bank Ireland
- Intesa Mediofactoring
- Intesa Sanpaolo Bank Ireland
- Société Européenne de Banque
- Zao Banca Intesa

Banca dei Territori
- Banca Intesa
- Sanpaolo
- Banca dell'Adriatico
- Banca di Trento e Bolzano
- Banco di Napoli
- Cassa dei Risparmi di Forlì e della Romagna
- Cassa di Risparmio del Friuli Venezia Giulia
- Cassa di Risparmio di Padova e Rovigo
- Cassa di Risparmio di Venezia
- Cassa di Risparmio in Bologna
- Intesa Casse del Centro
- Banca CIS
- Intesa Leasing
- Intesa Mediocredito
- Intesa Previdenza
- Intesa Sanpaolo Private Banking
- IntesaTrade
- NEOS Banca
- Sanpaolo Bank Luxembourg
- Sanpaolo Fiduciaria
- Sanpaolo Leasint
- Setefi
- Sirefid

International Subsidiary Banks
- American Bank of Albania
- Banca Italo Albanese
- Banka Koper
- Banca Intesa Beograd
- Bank of Alexandria
- Central-European International Bank
- Inter-Európa Bank
- KMB Bank
- Panonska Banka
- Privredna Banka Zagreb
- Sanpaolo IMI Bank Romania
- UPI Banka
- Všeobecná Úverova Banka

Eurizon Financial Group
- Banca Fideuram (2)
- Eurizon Capital Sgr (2)
- EurizonVita (3)

(1) Merged starting from 1st October 2007, under the company name Banca IMI
(2) Company directly reporting to the Parent Company following the merger of Eurizon Financial Group into Intesa Sanpaolo
(3) Company included in the Banca dei Territori Division following the merger of Eurizon Financial Group into Intesa Sanpaolo

Consolidated financial statements

Consolidated balance sheet

(in millions of euro)

Assets	30.09.2007	31.12.2006 restated (*)	Changes amount	Changes %	31.12.2006 (**)
Financial assets held for trading	63,034	66,140	-3,106	-4.7	46,328
Financial assets designated at fair value through profit and loss	20,204	20,685	-481	-2.3	-
Financial assets available for sale	39,130	41,096	-1,966	-4.8	5,518
Investments held to maturity	5,845	5,950	-105	-1.8	2,823
Due from banks	64,005	56,241	7,764	13.8	30,363
Loans to customers	325,314	321,271	4,043	1.3	190,830
Investments in associates and companies subject to joint control	3,153	3,106	47	1.5	2,183
Property, equipment and intangible assets	8,042	9,216	-1,174	-12.7	4,309
Tax assets	4,647	4,936	-289	-5.9	2,502
Non-current assets held for sale and discontinued operations	7,025	32,458	-25,433	-78.4	69
Other assets	15,442	14,181	1,261	8.9	6,856
Merger difference	20,335	-	20,335	-	-
Total Assets	**576,176**	**575,280**	**896**	**0.2**	**291,781**

Liabilities and Shareholders' Equity	30.09.2007	31.12.2006 restated (*)	Changes amount	Changes %	31.12.2006 (**)
Due to banks	73,522	74,745	-1,223	-1.6	39,954
Due to customers and securities issued	338,691	337,090	1,601	0.5	202,762
Financial liabilities held for trading	27,682	22,043	5,639	25.6	15,648
Financial liabilities designated at fair value through profit and loss	27,961	26,157	1,804	6.9	-
Tax liabilities	2,088	2,269	-181	-8.0	1,474
Liabilities associated with non-current assets held for sale and discontinued operations	6,273	31,459	-25,186	-80.1	63
Other liabilities	18,784	19,403	-619	-3.2	9,589
Technical reserves	20,155	22,540	-2,385	-10.6	-
Allowances for specific purpose	6,151	5,963	188	3.2	3,273
Share capital	6,647	6,646	1	-	3,613
Reserves	8,453	10,783	-2,330	-21.6	10,785
Merger reserves	31,093	9,139	21,954		-
Valuation reserves	934	1,209	-275	-22.7	1,209
Minority interests	887	1,127	-240	-21.3	852
Net income	6,855	4,707	2,148	45.6	2,559
Total Liabilities and Shareholders' Equity	**576,176**	**575,280**	**896**	**0.2**	**291,781**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

(**) Figures relative to Gruppo Intesa.

Consolidated statement of income

(in millions of euro)

	30.09.2007	30.09.2006 restated (*)	Changes amount	Changes %	30.09.2006 (**)
Net interest income	7,263	6,537	726	11.1	3,467
Dividends and profits (losses) on investments carried at equity	231	173	58	33.5	112
Net fee and commission income	4,677	4,786	-109	-2.3	2,201
Profits (Losses) on trading	1,072	1,166	-94	-8.1	699
Income from insurance business	356	284	72	25.4	-
Other operating income (expenses)	114	53	61		20
Operating income	**13,713**	**12,999**	**714**	**5.5**	**6,499**
Personnel expenses	-3,910	-4,107	-197	-4.8	-1,933
Other administrative expenses	-2,152	-2,178	-26	-1.2	-1,126
Adjustments to property, equipment and intangible assets	-600	-626	-26	-4.2	-346
Operating costs	**-6,662**	**-6,911**	**-249**	**-3.6**	**-3,405**
Operating margin	**7,051**	**6,088**	**963**	**15.8**	**3,094**
Goodwill impairment	-	-	-	-	-
Net provisions for risks and charges	-261	-155	106	68.4	-67
Net adjustments to loans	-922	-871	51	5.9	-481
Net impairment losses on other assets	-18	-4	14		-3
Profits (Losses) on investments held to maturity and on other investments	42	73	-31	-42.5	50
Income (Loss) before tax from continuing operations	**5,892**	**5,131**	**761**	**14.8**	**2,593**
Taxes on income from continuing operations	-1,946	-1,722	224	13.0	-790
Merger and restructuring related charges (net of tax)	-481	-	481	-	-
Effect of purchase cost allocation (net of tax)	-300	-	300	-	-
Income (Loss) after tax from discontinued operations	3,791	532	3,259		457
Minority interests	-101	-130	-29	-22.3	-87
Net income	**6,855**	**3,811**	**3,044**	**79.9**	**2,173**
Basic EPS - Euro	**0.54**				**0.31**
Diluted EPS - Euro	**0.54**				**0.31**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

(**) Figures relative to Gruppo Intesa, restated in accordance to IFRS 5.

Changes in consolidated shareholders' equity as at 30th September 2007

(in millions of euro)

	30.09.2007													
	Share capital		Share premium reserve	Reserves		Merger reserves	Valuation reserves				Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity
	ordinary shares	saving shares		retained earnings	other		available for sale	cash flow hedges	legally-required revaluations	other				
AMOUNTS AS AT 1.1.2007 Gruppo Intesa														
- Group	**3,128**	**485**	**5,559**	**5,141**	**85**	**-**	**628**	**83**	**344**	**154**	**-**	**-**	**2,559**	**18,166**
- minority interests	**327**	**3**	**115**	**277**	**-**	**-**	**6**	**-**	**9**	**5**	**-**	**-**	**110**	**852**
EFFECTS OF THE MERGER														
Banca Intesa capital increase	3,033					31,093								**34,126**
Minority interests former Sanpaolo IMI Group	187		21	-6								-3	54	**253**
Intesa Sanpaolo Group treasury shares												-59		**-59**
AMOUNTS AS AT 1.1.2007 Intesa Sanpaolo Group														**-**
- Group	**6,161**	**485**	**5,559**	**5,141**	**85**	**31,093**	**628**	**83**	**344**	**154**	**-**	**-59**	**2,559**	**52,233**
- minority interests	**514**	**3**	**136**	**271**	**-**	**-**	**6**	**-**	**9**	**5**	**-**	**-3**	**164**	**1,105**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR														
Reserves														
- Group				**877**									**-877**	**-**
- minority interests				**113**									**-113**	**-**
Dividends and other allocations [(a)]													**-1,733**	**-1,733**
CHANGES IN THE PERIOD														
Changes in reserves														
- Group				**22**	**-7**		**-305**	**40**	**-2**	**-8**				**-260**
- minority interests	**-153**		**-27**	**-113**			**-1**		**1**	**-5**				**-298**
Operations on shareholders' equity														
Issue of new shares														
- Group	1											52		**53**
- minority interests	21		6									3		**30**
Purchase of treasury shares														
- Group												-30		**-30**
- minority interests														
Extraordinary dividends			-3,195											**-3,195**
Changes in equity instruments														
Derivatives on treasury shares														
Stock options					8									**8**
Net income (loss) for the period														
- Group													**6,855**	**6,855**
- minority interests													**101**	**101**
SHAREHOLDERS' EQUITY AS AT 30.09.2007	**6,544**	**488**	**2,479**	**6,311**	**86**	**31,093**	**328**	**123**	**352**	**146**	**-**	**-37**	**6,956**	**54,869**
- Group	**6,162**	**485**	**2,364**	**6,040**	**86**	**31,093**	**323**	**123**	**342**	**146**	**-**	**-37**	**6,855**	**53,982**
- minority interests	**382**	**3**	**115**	**271**	**-**	**-**	**5**	**-**	**10**	**-**	**-**	**-**	**101**	**887**

[(a)] The caption includes dividends and the amount attributable to the Allowances for charitable contributions, as well as the dividends of consolidated companies attributable to minority interests.

Changes in consolidated shareholders' equity as at 30th September 2006

(in millions of euro)

	30.09.2006													
	Share capital		Share premium reserve	Reserves		Merger reserves	Valuation reserves				Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity
	ordinary shares	saving shares		retained earnings	other		available for sale	cash flow hedges	legally-required revaluations	other				
AMOUNTS AS AT 1.1.2006 Gruppo Intesa														
- Group	**3,111**	**485**	**5,510**	**3,660**	**85**	**-**	**389**	**-39**	**345**	**134**	**-**	**-**	**3,025**	**16,705**
- minority interests	**367**	**3**	**124**	**178**	**-**	**-**	**7**	**-2**	**11**	**6**	**-**	**-**	**107**	**801**
EFFECTS OF THE MERGER														**-**
- Group	**3,033**					**9,903**						**-46**		**12,890**
- minority interests	**104**			**81**					**5**			**-14**	**57**	**233**
AMOUNTS AS AT 1.1.2006 Intesa Sanpaolo Group														
- Group	**6,144**	**485**	**5,510**	**3,660**	**85**	**9,903**	**389**	**-39**	**345**	**134**	**-**	**-46**	**3,025**	**29,595**
- minority interests	**471**	**3**	**124**	**259**	**-**	**-**	**7**	**-2**	**16**	**6**	**-**	**-14**	**164**	**1,034**
ALLOCATION OF NET INCOME														
OF THE PREVIOUS YEAR														
Reserves														
- Group				**1,483**									**-1,483**	**-**
- minority interests				**72**									**-72**	**-**
Dividends and other allocations [a]													**-1,634**	**-1,634**
CHANGES IN THE PERIOD														
Changes in reserves														
- Group				**-4**			**106**	**77**	**3**	**-41**				**141**
- minority interests	**-49**		**-10**	**-71**				**2**	**-2**	**1**				**-129**
Operations on shareholders' equity														
Issue of new shares														
- Group	17		49											**66**
- minority interests	31		11											**42**
Purchase of treasury shares														
- Group												-7		**-7**
- minority interests														
Extraordinary dividends														
Changes in equity instruments														
Derivatives on treasury shares														
Stock options														
Net income (loss) for the period														
- Group													**3,811**	**3,811**
- minority interests													**130**	**130**
Pro forma adjustments														
- Group														
- minority interests				**554**										**554**
SHAREHOLDERS' EQUITY AS AT 30.09.2006	**6,614**	**488**	**5,684**	**5,953**	**85**	**9,903**	**502**	**38**	**362**	**100**	**-**	**-67**	**3,941**	**33,603**
- Group	**6,161**	**485**	**5,559**	**5,139**	**85**	**9,903**	**495**	**38**	**348**	**93**	**-**	**-53**	**3,811**	**32,064**
- minority interests	**453**	**3**	**125**	**814**	**-**	**-**	**7**	**-**	**14**	**7**	**-**	**-14**	**130**	**1,539**

[a] The caption includes dividends and the amount attributable to the Allowances for charitable contributions, as well as the dividends of controlled companies attributable to minority interests.

Consolidated statement of cash flows

(in millions of euro)

	30.09.2007	30.09.2006 (*)
A. OPERATING ACTIVITIES		
1. Cash flow from operations	6,155	5,797
2. Cash flow from / used in financial assets	613	-15,887
3. Cash flow from / used in financial liabilities	-6,963	11,338
Net cash flow from (used in) operating activities	**-195**	**1,248**
B. INVESTING ACTIVITIES		
1. Cash flow from	5,650	926
2. Cash flow used in	-1,118	-1,011
Net cash flow from (used in) investing activities	**4,532**	**-85**
C. FINANCING ACTIVITIES	**-4,964**	**-1,521**
Net cash flow from (used in) financing activities	**-4,964**	**-1,521**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-627**	**-358**
RECONCILIATION		
Cash and cash equivalents at beginning of period (**)	3,279	1,797
Net increase (decrease) in cash and cash equivalents	-627	-358
Cash and cash equivalents: foreign exchange effect	3	-41
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,655**	**1,398**

LEGENDA: (+) from (–) used in

(*) Figures relative to Gruppo Intesa.

(**) The figure relating to 1st January 2007 includes the Cash of the former Intesa Group and the former Sanpaolo IMI Group and is net of the Cash relating to the subsidiaries Cassa di Risparmio di Parma e Piacenza, Banca Popolare FriulAdria, Cassa di Risparmio di Biella e Vercelli and the branches being disposed.

Report on operations

The macroeconomic scenario and lending and deposit collecting activities

The macroeconomic scenario

Summer 2007 will be remembered for the significant liquidity crisis which hit the monetary market and the bond market, linked to US subprime mortgages. Since its start, this phenomenon had an effect at the international level, involving Central Banks all over the world in the objective of restabilising the organised operation of markets, through the introduction of large amounts of liquidity into the system. At company level, the crisis heavily affected the accounts of US banks and several German and UK banks. In the United Kingdom, the monetary authorities were forced to counteract the run on customer deposits of a very large bank through extraordinary measures.

The economic situation in the United States deteriorated further due to a new crisis in the building sector, and the depletion of the reserves which had enabled an improvement in the cycle in the second quarter. Growth in labour slowed down, the expansion of consumer and business credit began to contract, and business confidence indicators worsened. The Federal Reserve initially left the official interest rates unchanged, but with the explosion of the liquidity crisis it first notified the markets that its assessment of risks had changed and then, on 18th September, lowered the official interest rate by 50 basis points. At the end of September, the markets had incorporated expectations of further interest rate decreases equal to 50-75 basis points.

A visible deterioration in confidence was also seen in the Eurozone, though without significantly affecting GDP growth. Indices of services and the manufacturing industry showed a downturn, compatible with the slowdown of general economic growth. Growth in industrial production became more sporadic. Confidence was negatively influenced by the financial turbulence, the high price of fuel and the appreciation of the euro, but also by lower than expected growth in demand.

In the presence of forecasts of economic growth equal to the long-term trend, and average inflation at the upper end of the target range, and monetary aggregates which are still expanding, the European Central Bank initially forecast a new increase in the rates on main refinancing operations, but the continuing difficult situation of the European financial markets led the ECB to decide not to increase restrictions on the current monetary conditions. The strengthening of the euro, the rise in interbank rates, which took place in the presence of unchanged official interest rates, and the slowdown in economic figures drove market players to forecast stable monetary policy rates at 4%.

In Italy, the performance of industrial production was uncertain, but the forecast indicators lead to predictions that the expansion of growth will continue in the last few months of the year in line with forecasts. However, investigations on the economic trend for industry and services do not show encouraging forecasts, and the outlook for 2008 is falling.

The trend in emerging economies in the first nine months of 2007 remained strong, and more lively than the overall trend in developed countries. China, India, Russia and Brazil had high rates of growth, providing more than half the contribution to the change in global GDP. The repercussions of the slowdown of the US economy on emerging markets and the turbulence in financial markets have remained at low levels. Despite the fact that external funding conditions were rendered more restrictive, Emerging Markets were able to benefit from more favourable conditions within international trade and flows of foreign direct investment, as well as from the positive effects of lesser debt exposure compared to the past.

Economic activity was particularly sustained in Asia. In China, in the third quarter, industrial production grew at high rates, and the change in GDP should remain above 11%. Also in India, economic activity was sustained: despite the slight slowdown in the economy, the change in GDP for the entire year is estimated at around 8%.

On the contrary, production was more contained in Latin America, partly due to structural reasons, attributable to a lesser ability of the area to attract foreign investment compared to Asia, and partly due to cyclical factors, such as in Brazil, where growth was partly slowed by virtuous debt consolidation policies, and in Mexico, where foreign trade was affected by the slowdown in the US economy. Industrial production indices stood at around 5-6% in Brazil and Argentina, while in Mexico they dropped below 1%.

Among the main economies of Central and Eastern Europe, the speed of GDP growth has been highest in the Czech Republic, Slovakia, Poland and Romania. In Hungary, as a result of tax consolidation policies, the

GDP trend is slowing down, with a change of 1.2% in the second quarter, compared to 2.6% in the previous quarter. Thanks to the inflow of foreign investments, and despite a still fragile political context, the Balkans maintained good growth rates. Industrial production of Serbia increased to 5% in the second quarter; production of Croatia, while slightly slowing down, was approximately 7%.
In Russia, thanks to internal demand and the favourable cycle of energy commodities, GDP growth in the second quarter was again at about 8%. As indicated by the good performance of industrial production (5.8% in July and August), economy activity remained strong also in the third quarter. The economies of the Middle East and North Africa also benefited from the trend in the price of energy commodities and foreign trade flows.

The US subprime mortgage crisis led to a contagion mechanism which involved, in order, the asset-backed securities market, the commercial paper market and, lastly, the monetary market. The most surprising aspect of the crisis was the sudden involvement of the European market in mid-August. The increased counterparty risk and greater demand for liquidity by banks led to anomalous increases in 3 and 6-month euribor rates, which, at the end of September were still 75-80 basis points higher than the rate on main refinancing operations. The trend in overnight rates became extremely volatile. Repeated injections of liquidity by the ECB maintained the daily rate close to target, but were not able to bring the euribor rates back into the normal range. Symptoms of tension also emerged in the spreads between interest rate swaps and government security yields, which rose by 10 basis points on 10-year securities compared to three months before. Government securities benefited from both precautionary portfolio reallocations and the worsened economic confidence. Despite the rise in mid-September, compared to the end of June, 10-year yields fells by 22 basis points, and 2-year yields by 41 basis points.
The summer crisis imprinted a negative overall trend on the European credit market. The situation of the last few months show a generalised enlargement of spreads, both in the cash segment and the derivatives segment. The quick revaluation of risk primarily affected the short-term debt sector and the structured products market. In many cases, the complexity of financial structures and operations used to realise risk transfer strategies lengthened the repricing process and allowed the effects of the crisis to propagate further in other sectors. Volatility and rises in spreads with respect to government securities were fuelled by renewed concerns over the trend of the sub-prime loan market in USA and over the excessive exposure of certain hedge funds in that segment, through credit derivatives. In this context, the investment grade segment was subject to a significant increase in spreads, specifically due to the negative trends in financial and banking securities. The increased aversion to risk was even more pronounced on the speculative securities sector. In the high yield securities segment, the expansion of spreads linked to this correction phase was even greater. The most negative performances were seen in issues with a rating of BB and lower (CCC and lower).
The last few weeks of the third quarter were characterised by a tightening of risk premiums. The positive climate which was created in international markets following the reduction in official US interest rates resulted in a good recovery in propensity towards risk, which was especially clear in the speculative segment and the derivatives market. It should be noted that following recent turbulence, there was an increase in the volatility of corporate bonds, with greater sensitivity to data regarding the current trend and outlook for the economy cycle, and the expectations regarding monetary policy measures.
On currency markets, the tension regarding the dollar was reignited, as it fell to the lowest levels of the last thirty years in terms of effective exchange rate. The euro, weakened in the first phase of the crisis, subsequently benefited from the growing expectations of a cut in the official US interest rates, which was then confirmed by the measures taken. The EUR-USD exchange rate thus passed from 1.3358 on 16th August to a historical high of 1.4278 on 28th September, which was then exceeded after the end of the quarter.
As regards stock markets, despite the crisis which characterised financial markets during the summer period, almost all of the main worldwide indices closed the first nine months of the year with a positive performance, with particularly good performance on the emerging markets. At September 2007, the S&P500 index recorded progress of 7.6% compared to the end of 2006, with a performance index greater than that of the European stock markets: +6.1% for the DJ Euro Stoxx index. On the contrary, the Nikkei 225 index closed in the negative, with a decrease of 2.6% in the same period of time.
The Italian stock market, penalised by the increased weight of the banking sector within the indices, recorded a decrease of 2.7% in the first nine months of the year.

Italian lending and deposit collecting activities

In the third quarter of 2007, the interest rates used by banks continued to rise, on the back of the significant increase in interbank rates, set off, starting from August, by the turbulence which hit the credit market following the subprime mortgage crisis. With regard to the effects of this event, Italian banks polled in the ECB lending survey in October stated that they had implemented measures for the gradual restriction of credit access conditions for companies, mainly through an increase in the interest rates applied to the riskiest customers. The conditions applied to households for the disbursement of loans did not record significant restrictions, nor should they during the last part of the year. The increase in interest rates similarly involved loans as well as deposits, thus at the end of September, the interest margin stood at 3.19%, 6 basis points above the level at the end of 2006. The rising trend in bank interest rates is expected to continue also in the last quarter of the year, also reflecting a more than likely structural increase in the cost of credit. As regards the trend in margins, the short-term mark-up[1] dropped at the end of the third quarter from 2.28 at the beginning of the year to 2.10, while the contribution margin (mark-down) on demand funding[2] confirmed the gradually upward trend, from 2.48 to 2.87%. The short-term spread, at 4.97% at the end of September, gained 21 eurocents from the beginning of the year.

The trend in lending activities was intense, fuelled by conditions that, despite interest rate rises, remained favourable, in both nominal and real terms. The main contribution to the positive trend of lending activities came from the sustained demand for corporate loans, which reflects an underlying framework favourable to business. During the year, the satisfactory growth in internal demand and the strengthening of manufacturing exports were the drivers for the recovery of short-term lending.

In the nine months ending in September, loans (net of doubtful loans) registered a yearly increase which remains strong. Growth was virtually evenly spread on all maturities, even if longer-term loans showed a gradual slowdown. The deceleration in long-term loans was essentially determined by the slowdown in the annual growth of household loans. Growth rates recorded by residential mortgages, that appeared more affected by interest rate rises, was also affected by the stabilisation of real estate prices. The increase in interest rates also negatively affected the demand for consumer loans, whose overall trend is still positive, but significantly reduced compared to the double digit increases registered up until last May. Growth rates in loans for different purposes recorded an upward trend.

Corporate lending activities were very intense, with growth rates substantially in line with those recorded on average in the eurozone. Despite the fact that growth was mainly sustained by the medium- and long-term segments (loans with maturity over five years), the short-term segment also rose sharply. Funds disbursed by banks mainly served to fund fixed investments, inventories and working capital. The growth in lending was consistent in all sectors of goods and services. Demand for loans in the manufacturing sector increased significantly, accompanied by sharper growth in loans to the construction and service sectors.

The positive growth of loans was accompanied by the continued low levels of risk indicators: The ratio between doubtful loans and loans remained stable, despite the slight increase in doubtful loans. Specifically, the acceleration of doubtful consumer loans increased its trend, a symptom of possible difficulties due to the sudden rise in interest rates for index-linked loans. On the contrary, during the quarter, business doubtful loans remained substantially in line with the previous months.

As regards deposits, during the summer, the growth in deposit collecting activities by the Italian banking system remained strong, while slightly slowing down.

Specifically, the trend in demand funding during the summer was in line with that observed since the beginning of the year, confirming the continuing avoidance of financial investments with higher risk profiles. The search for returns combined with the short-term orientation is also confirmed in the third quarter by the continued expansion of government securities in the deposits administered by banks on behalf of customers. Within the framework of indirect deposits (net of banking bonds and certificates of deposit, at nominal value) slightly growing on average in the first six months, assets under administration registered a significant increase, above all as regards treasury bills (BOT) and BTPs. Instead, assets under management (in securities and mutual funds) continued to face serious difficulties.

1 Difference between the interest rates applied to households and companies on loans with maturity under one year and one-month euribor.

2 Difference between one-month euribor and interest rates on household and company current accounts.

Results for the period

Economic results

Quarterly development of the reclassified consolidated statement of income

(in millions of euro)

	2007			2006 restated (*)				
	Third quarter	Second quarter restated (**)	First quarter restated (**)	Fourth quarter	Third quarter	Second quarter	First quarter	Average of the quarters
Net interest income	2,452	2,440	2,371	2,360	2,230	2,202	2,105	2,224
Dividends and profits (losses) on investments carried at equity	67	118	46	105	42	93	38	70
Net fee and commission income	1,515	1,576	1,586	1,592	1,542	1,610	1,634	1,595
Profits (Losses) on trading	302	332	438	633	348	326	492	450
Income from insurance business	93	162	101	168	90	99	95	113
Other operating income (expenses)	48	26	40	48	9	27	17	25
Operating income	**4,477**	**4,654**	**4,582**	**4,906**	**4,261**	**4,357**	**4,381**	**4,476**
Personnel expenses	-1,384	-1,125	-1,401	-1,523	-1,374	-1,372	-1,361	-1,408
Other administrative expenses	-711	-740	-701	-917	-706	-753	-719	-774
Adjustments to property, equipment and intangible assets	-205	-204	-191	-272	-216	-217	-193	-225
Operating costs	**-2,300**	**-2,069**	**-2,293**	**-2,712**	**-2,296**	**-2,342**	**-2,273**	**-2,406**
Operating margin	**2,177**	**2,585**	**2,289**	**2,194**	**1,965**	**2,015**	**2,108**	**2,071**
Goodwill impairment	-	-	-	-	-	-	-	-
Net provisions for risks and charges	-68	-101	-92	-181	-48	-37	-70	-84
Net adjustments to loans	-279	-322	-321	-435	-295	-285	-291	-327
Net impairment losses on other assets	4	-20	-2	-7	-5	-2	3	-3
Profits (Losses) on investments held to maturity and on other investments	-1	8	35	95	3	66	4	42
Income (Loss) before tax from continuing operations	**1,833**	**2,150**	**1,909**	**1,666**	**1,620**	**1,757**	**1,754**	**1,699**
Taxes on income from continuing operations	-543	-725	-678	-310	-520	-575	-627	-508
Merger and restructuring related charges (net of tax)	-401	-66	-14	-562	-	-	-	-141
Effect of purchase cost allocation (net of tax)	-100	-100	-100	-	-	-	-	-
Income (Loss) after tax from discontinued operations	744	129	2,918	142	151	208	173	169
Minority interests	-37	-31	-33	-40	-56	-44	-30	-43
Net income	**1,496**	**1,357**	**4,002**	**896**	**1,195**	**1,346**	**1,270**	**1,177**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

(**) Figures restated on a consistent basis, considering the changes in the consolidation area and discontinued operations, restated in accordance to IFRS 5.

For the first nine months of 2007, the results for the Intesa Sanpaolo Group were positive and greater than those of the same period in 2006, continuing along the growth trend of the preceding quarters this year. This development, though slower in the third quarter on account of the turbulence the financial markets are going through with the subprime mortgage crisis, is set within the integration process arising from the merger, which is proceeding according to the Business Plan.

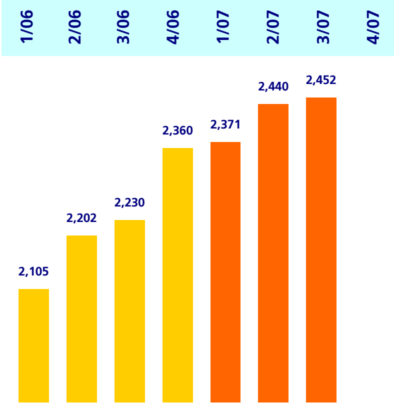
Operating income

Net operating income amounted to 13,713 million euro, up by 5.5% compared to the first nine months of 2006. The increase was led by the net interest income dynamics (+11.1%) which represent over one half of revenues. Dividends and profits on investments carried at equity, income from the insurance business and other operating income also contributed to the increase. On the other hand, net fee and commission income and profits on trading decreased.

Net interest income

(in millions of euro)

	30.09.2007	30.09.2006 restated (*)	Changes amount	Changes %
Relations with customers	9,656	7,991	1,665	20.8
Relations with banks	-668	-440	228	51.8
Securities issued	-4,063	-3,160	903	28.6
Differentials on hedging derivatives	7	338	-331	-97.9
Financial assets held for trading	1,276	1,039	237	22.8
Investments held to maturity	178	133	45	33.8
Financial assets available for sale	546	365	181	49.6
Non-performing assets	377	359	18	5.0
Other net interest income	-71	-106	-35	-33.0
Interest margin	**7,238**	**6,519**	**719**	**11.0**
Fair value adjustments in hedge accounting	**25**	**18**	**7**	**38.9**
Net interest income	**7,263**	**6,537**	**726**	**11.1**



Quarterly development of net interest income

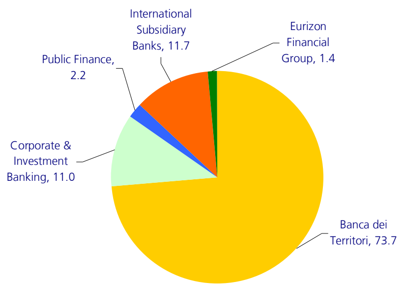
(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

Net interest income, at 7,263 million euro, recorded a 726 million euro increase in the period (+11.1%). Operations with customers, which in the table above also include components related to securities issued and differentials on hedging derivatives, were positive and derived from the growth, over twelve months, of intermediated volumes, mainly on account of increased lending and rates which benefited from the increase in the spread on funding that was only partly offset by the reduction in the spread on loans. The increase in net interest income related to customers was 431 million euro (+8.3%) while the portion relating to financial investments was 463 million euro (+30.1%); these increases were in part absorbed by the higher net charges on relations with banks (+228 million euro or +51.8%), due to the increase in the net debt positions which was partially reabsorbed in the third quarter of 2007.
The performance of this caption for the quarter was on the upturn in the third quarter of 2007, compared to the preceding quarters of the year, though at slower rates on account of the increase in the cost of interbank deposits.

(in millions of euro)

	30.09.2007	30.09.2006 restated (*)	Changes amount	Changes %
Banca dei Territori	5,159	4,517	642	14.2
Corporate & Investment Banking	769	691	78	11.3
Public Finance	152	152	-	-
International Subsidiary Banks	822	661	161	24.4
Eurizon Financial Group	97	57	40	70.2
Total business areas	**6,999**	**6,078**	**921**	**15.2**
Corporate Centre	264	459	-195	-42.5
Intesa Sanpaolo Group	**7,263**	**6,537**	**726**	**11.1**

Business areas



(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

An analysis by business sector shows that all business areas contributed positively to the interest margin, except for Public Finance which posted amounts that were in line with those of the first nine months of 2006. The Bance dei Territtori Division, which contributes 74% of the result produced by the business areas, posted growth of 14.2% in net interests, mainly on account of the retail and private areas and the leasing activities. Growth for International Subsidiary Banks was 24.4%, Corporate & Investment Banking grew by 11.3% and the Eurizon Financial Group grew by 70.2%. The drop registered by the Corporate Centre is mainly due to Finance which was affected by the recomposition of the securities portfolio in favour of fixed income assets with lower spreads and a worsening of overall results on account of the crisis in the financial markets.

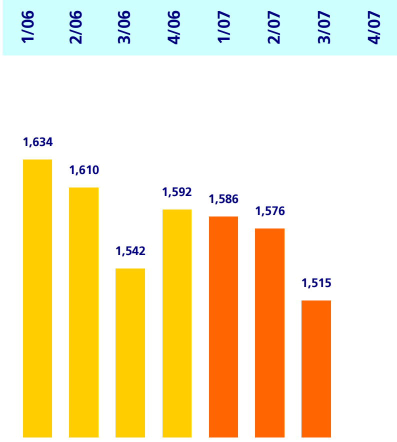
Dividends and profits on equity investments carried at equity

In the first nine months of 2007, dividends collected from unconsolidated equity investments (23 million euro that refer to the stake in the Bank of Italy) and profits on investments carried at equity (208 million euro) totalled 231 million euro, compared to173 million euro in the same period of 2006 and were mostly attributable to the equity investments held by the Parent Company. The rise in profits on investments carried at equity was generated by Banque Palatine, CAAM Sgr, Agos and Pirelli & C.

Net fee and commission income

(in millions of euro)

	30.09.2007	30.09.2006 restated (*)	Changes	
			amount	%
Guarantees given	172	151	21	13.9
Collection and payment services	327	302	25	8.3
Current accounts	672	757	-85	-11.2
Credit and debit cards	289	283	6	2.1
Commercial banking activities	**1,460**	**1,493**	**-33**	**-2.2**
Dealing and placement of securities	665	793	-128	-16.1
Dealing in currencies	48	49	-1	-2.0
Portfolio management	1,081	1,151	-70	-6.1
Distribution of insurance products	603	575	28	4.9
Other	178	185	-7	-3.8
Management, dealing and consultancy activities	**2,575**	**2,753**	**-178**	**-6.5**
Other net fee and commission income	**642**	**540**	**102**	**18.9**
Net fee and commission income	**4,677**	**4,786**	**-109**	**-2.3**



Quarterly development of net fee and commission income

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

Net fee and commission income in the first nine months of 2007 amounted to 4,677 million euro, or 34% of net operating income. The 2.3% decrease on the corresponding period of the previous year, as already mentioned, also stemmed from the decision to integrate the distribution networks, to favour customers by aligning commissions applied by Intesa Sanpaolo to the best terms practiced by the two banks and not applying commissions to ATM/cash dispenser transactions by customers of one of the two banks in the network of the other bank.

Income from commissions was also adversely affected by the slowing down in the assets under management area on account of the performance of the funds and management activity and the negative performance due to the volatility of the financial markets. To this was added a less favourable asset mix led by the preferences expressed by customers for simpler products with lower added value. There was also a drop in dealing and placement of securities while activity on the capital markets was also more contained, especially with regard to the primary market. Commissions on commercial banking activities were down on account of the distribution of "product" accounts featuring lower management fees than traditional current accounts, though this drop was partially compensated for by the growth in other areas of banking activity.

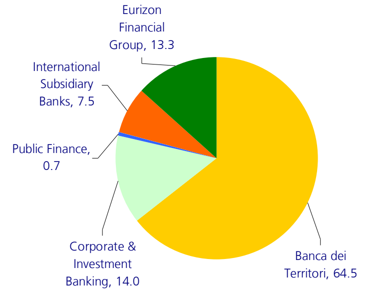
Quarterly development confirms the slowdown in net fee and commission income, including on account of the events during the summer season.

(in millions of euro)

	30.09.2007	30.09.2006 restated [(*)]	Changes amount	Changes %
Banca dei Territori	3,081	3,183	-102	-3.2
Corporate & Investment Banking	667	715	-48	-6.7
Public Finance	33	45	-12	-26.7
International Subsidiary Banks	358	311	47	15.1
Eurizon Financial Group	634	616	18	2.9
Total business areas	**4,773**	**4,870**	**-97**	**-2.0**
Corporate Centre	-96	-84	12	14.3
Intesa Sanpaolo Group	**4,677**	**4,786**	**-109**	**-2.3**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

Business areas

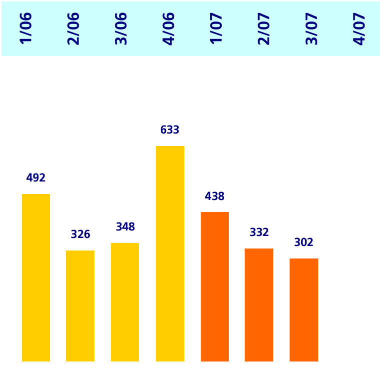


Commissions generated by Banca dei Territori, which represented 65% of those originated by the business areas, dropped by 3.2% in the first half of 2006, this being mainly attributable to the Retail Area, and namely to assets under management and current accounts and the commercial policies focused on the placement of products with lower up-front fees and the preference shown by customers for "product" accounts, which offer special terms. In contrast, we note the upwards trend of the commissions generated by consumer credit, due to the expanded activity in this area. Commissions earned by Corporate & Investment Banking, in the Corporate Relations, Merchant Banking and Capital Markets area dropped by 6.7%. In the other business areas, fees and commissions generated by International Subsidiary Banks increased (+15.1%), due to the positive trend of current accounts, loans and guarantees, as did the commissions for assets under management, bancassurance and assets under administration of the Eurizon Financial Group (+2.9%).

Profits on trading

(in millions of euro)

	30.09.2007	30.09.2006 restated [(*)]	Changes amount	Changes %
Trading result (interest rate, equities, foreign exchange)	638	811	-173	-21.3
Credit derivatives	-77	18	-95	
Other financial assets / liabilities: foreign exchange differences	67	96	-29	-30.2
Profits (Losses) on financial assets / liabilities held for trading	**628**	**925**	**-297**	**-32.1**
Profits (Losses) on disposal of financial assets available for sale and repurchase of financial liabilities	**311**	**125**	**186**	
Dividend and similar income on shares available for sale	**133**	**116**	**17**	**14.7**
Profits (Losses) on trading	**1,072**	**1,166**	**-94**	**-8.1**



Quarterly development of profits (losses) on trading

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

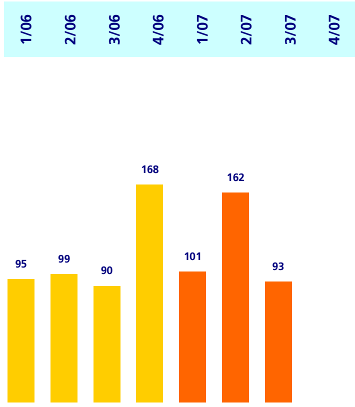
Profits (Losses) on trading include profits and losses on disposal of financial assets held for trading or available for sale and dividends and other income from such assets.
The result in the first nine months of the year amounted to 1,072 million euro, down by 8.1% on the same period in 2006, with trading in equities being the hardest hit.
The trend of the financial compartment had already made itself felt in prior periods, but was particularly emphasized in the third quarter on account of the heavily negative performance of the markets following the aforementioned sub-prime mortgage crisis.
The mark to market for listed instruments and its application to non-listed instruments within internal models, which necessarily had to abide by the most stringent reference parameters of the market, resulted in write-downs that absorbed the 169 million euro contribution from the disposal of the Borsa Italiana shares following subscription to the Offer of the London Stock Exchange which was completed in September.

In particular, on 30th September the indirect exposure to sub prime USA through ABS and CDO (including the single ABCP vehicle, Romulus) which is actively managed through derivative hedging had a net notional value that was reduced to 11 million; the impact on the income statement for the first nine months of the year was relatively contained. Indeed, the net write-downs to reflect the change in the fair value of these financial instruments amounted to 54 million euro, of which 49 million euro was in the third quarter.
A detailed analysis has shown, compared to the first nine months of 2006, that there was a drop in profits on financial assets/liabilities held for trading and particularly on trading profits and credit derivatives, which was only partially offset by the increase in the profits on disposal of financial assets available for sale and the dividends thereof.
The progress for the quarter of this caption shows that there is a gradual slowdown in the results for 2007, in line with the trend of the market.

Income from insurance business

(in millions of euro)

	30.09.2007			30.09.2006 restated [*]			Changes	
	Life	Casualty	**Total**	Life	Casualty	**Total**	**amount**	**%**
Premiums and payments [a]	-193	57	-136	-327	20	-307	-171	-55.7
net premiums	*1,132*	*78*	*1,210*	*2,176*	*36*	*2,212*	*-1,002*	*-45.3*
net charges for claims	*-3,684*	*-21*	*-3,705*	*-1,890*	*-16*	*-1,906*	*1,799*	*94.4*
net charges for changes in technical reserves	*2,359*	*-*	*2,359*	*-613*	*-*	*-613*	*2,972*	
Net income from financial instruments designated at fair value through profit and loss [b]	291	-	291	240	-	240	51	21.3
Net income from securities (including UCITS) classified as Financial assets available for sale and Financial assets held for trading [c]	523	5	528	680	1	681	-153	-22.5
Other income/charges from insurance business [d]	-286	-41	-327	-319	-11	-330	-3	-0.9
Income from insurance business	**335**	**21**	**356**	**274**	**10**	**284**	**72**	**25.4**



Quarterly development of income from insurance business

[*] Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

[a] The caption includes collections, payments and provisions for the integration of reserves referred solely to products considered insurance products for IAS/IFRS purposes. The corresponding items regarding products which do not present these characteristics are, instead, accounted for using the same method as for financial movements. The related economic components are included in the caption Net income from financial instruments designated at fair value through profit and loss".

[b] The caption includes net income from the measurement of assets and liabilities connected to products considered financial products for IAS/IFRS purposes and those deriving from the measurement of assets accounted for applying the so-called Fair Value Option.

[c] The caption registers realised profits and interest / dividends collected on financial assets covering products considered insurance products for IAS/IFRS purposes and on the trading portfolio of the insurance company.

[d] The caption includes all other income / charges connected to products considered insurance products for IAS/IFRS purposes, including commission expense.

Income from the insurance business, which contains revenue items referring to the life and casualty companies of the Eurizon Financial Group, totalled 356 million euro, up by 25.4% compared to the first nine months of 2006.
Though the result is better than the corresponding period last year, the results of the insurance and financial businesses were more contained during the quarter compared to the two preceding quarters this year, on account of the effects of the interest rate hike and the aforementioned turbulence in the markets.
The improvement of the insurance business and the positive trend of the financial business the performance of which, in unstable market conditions, was in line with that of the corresponding period last year, contributed significantly to the result for the first nine months. The improvement in the insurance business is mainly the result of the portfolio dynamics and in particular, the growth in new business in unit and index linked products. Indeed, the portfolios of the group companies were recomposed to focus on the financial component of products, to the detriment of traditional components.
The marked drop in the results for the third quarter of 2007 on the latter is attributable to the drop in market values as well as to the uneven contributions of dividends, which had contributed over 50 million euro in the preceding period.

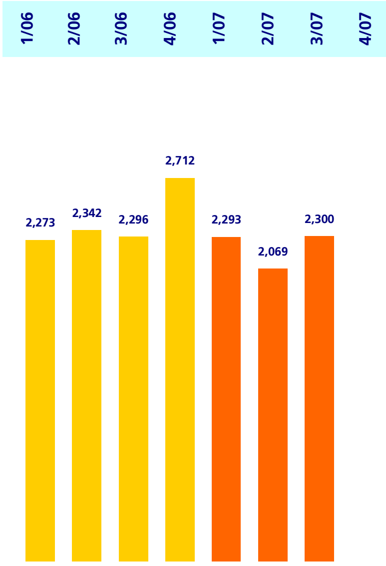
Other operating income (expenses)

Other operating income (expenses) is a residual caption which comprises income and expenses of various natures, such as real estate rentals, income and expenses on consumer credit activities and leasing, amortisation of leasehold improvements and expenses for litigations and for customer restorations not covered by specific provisions. The caption does not include recovery of expenses and taxes and duties, which are directly deducted from administrative expenses. Other operating income equalled 114 million euro, against the 53 million euro of the first nine months of 2006, mostly due to the higher amount of services rendered to third parties.

Operating costs

(in millions of euro)

	30.09.2007	30.09.2006 restated (*)	Changes amount	Changes %
Wages and salaries	2,985	2,868	117	4.1
Social security charges	756	751	5	0.7
Other	169	488	-319	-65.4
Personnel expenses	**3,910**	**4,107**	**-197**	**-4.8**
Information technology expenses	588	567	21	3.7
Management of real estate assets	499	522	-23	-4.4
General structure costs	345	308	37	12.0
Professional and legal expenses	267	332	-65	-19.6
Advertising and promotional expenses	114	161	-47	-29.2
Indirect personnel costs	85	107	-22	-20.6
Other costs	240	175	65	37.1
Indirect taxes and duties	90	88	2	2.3
Recovery of expenses and charges	-76	-82	-6	-7.3
Administrative expenses	**2,152**	**2,178**	**-26**	**-1.2**
Property and equipment	339	350	-11	-3.1
Intangible assets	261	276	-15	-5.4
Adjustments	**600**	**626**	**-26**	**-4.2**
Operating costs	**6,662**	**6,911**	**-249**	**-3.6**



Quarterly development of operating costs

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

The operating costs for the first nine months of 2007 amounted to 6,662 million euro, down by 3.6% compared to the first nine months of last year, on account of the drop in the three cost components and mainly the personnel expenses caption which decreased by 197 million.

In fact, personnel expenses were 3,910 million euro, down by 4.8% compared to the first nine months of 2006. The drop is due to the actuarial recalculation of the TFR (Employee Termination Indemnities) which was required by the entry into force of the supplementary social security reform on 1st January 2007 that resulted in part of the allowence being added back to the income statement. This amount (255 million euro) does not represent decreased cost for the company but a recalculation of the debt using a different actuarial method and this resulted in a different distribution of the cost over the working life of the employees and, therefore, a different allocation over time to the income statement. Apart from this effect which is non-recurring, the personnel expenses have increased slightly on account of the allowances for the presumed charges that will arise upon renewal of the CCNL (national collective labour contract) which ended at the end of 2005 and localised expenses at the banks located in Central Eastern Europe and the Eurizon Group following the significant growth of the operations of these companies and therefore of their personnel. These phenomena have offset the positive effects deriving form the decrease of personnel as a whole, which mainly affected the Parent Company.

Other administrative expenses of 2,152 million euro were down by 1.2% compared to the first nine months of last year. We specify that the expenses connected to the integration process are registered in a specific caption in the reclassified statement of income. This trend was mostly attributable to the decreases in legal and professional expenses, advertising and promotional expenses that is also due to the fact that the comparative figure included charges related to the sponsorship of the Turin 2006 Winter Olympics. Conversely, costs for information services which represent approximately 27% of administrative expenses were up, as are general overheads the increase in which is related to the increases in tariffs and other expenses.

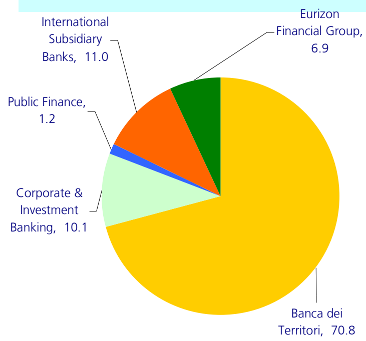
Adjustments on property, equipment and intangible assets, which totalled 600 million euro, recorded a 4.2% decrease, compared to the first nine months of last year, this being attributable to the information technology compartment.
The breakdown of the operating costs for the quarter results in amounts for 2007 that are lower than the quarterly average of the preceding period; in particular regarding the third quarter, operating expenses dropped by 1.1% compared to those of the second quarter on account of the reduction in administrative expenses.
Attentive cost containment and the development of revenues generated an improvement of 4.6 percentage points in the cost/income ratio with respect to the corresponding period of 2006. The ratio of operating costs to operating income dropped from 53.2% to 48.6%; excluding non-recurring components, the efficiency ratio equals 51%, which is 2.6 percentage points less than the comparative figure for the first nine months of 2006.

(in millions of euro)

	30.09.2007	30.09.2006 restated (*)	Changes amount	Changes %
Banca dei Territori	4,450	4,523	-73	-1.6
Corporate & Investment Banking	637	642	-5	-0.8
Public Finance	72	68	4	5.9
International Subsidiary Banks	689	619	70	11.3
Eurizon Financial Group	436	418	18	4.3
Total business areas	**6,284**	**6,270**	**14**	**0.2**
Corporate Centre	378	641	-263	-41.0
Intesa Sanpaolo Group	**6,662**	**6,911**	**-249**	**-3.6**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

Business areas



As concerns breakdown by business area, Banca dei Territori, which generated 71% of total operating costs of business areas, registered a 1.6% decrease in costs with respect to the first nine months of 2006: the slight rise in personnel expenses was more than offset by the decrease in other administrative expenses. The Corporate & Investment Banking costs were also slightly down (-0.8%) on account of lower personnel expenses. Conversely, the operating costs relating to other areas of activity were up: the costs of the International Subsidiary Banks were up by 11.3% on account of all cost components, Public Finance had increased costs by 5.9% on account of the personnel and administrative expenses and lastly the costs of the Eurizon Financial Group were up by 4.3% on account of personnel expenses and adjustments. Employee termination indemnities earmarked for the Corporate Centre were released.

Operating margin

Thanks to the positive trend posted by revenues and the decrease in costs, operating margin for the first three quarters of 2007 totalled 7,051 million euro, up by 15.8% compared to the same period of the previous year. Net of non-recurring effects, the growth rate is 11.4%.

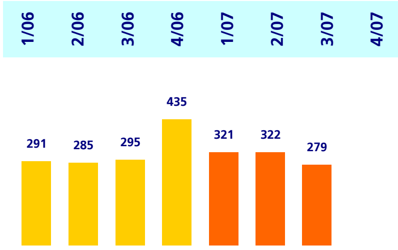
Net provisions for risks and charges

Net provisions for risks and charges totalled 261 million euro, compared to the 155 million euro for the first nine months of 2006. These are recorded on probable charges deriving from revocatory actions, claims for damages, lawsuits and other disputes and are updated on the basis of the litigations under way and the assessment of their possible outcomes. As stated in previous Reports, the increased provisions mainly are attributable to lawsuits brought against the Parent Company and bankruptcy revocatory actions of the latter and refer to the possible settlement of several claims for damages, lawsuits and other disputes and the necessity of covering losses emerging in one of the autonomous employee supplementary pension funds held for the employees of the Instituto Bancario Italiano.

Net adjustments to loans

(in millions of euro)

	30.09.2007	30.09.2006 restated (*)	Changes amount	Changes %
Doubtful loans	-428	-412	16	3.9
Other non-performing loans	-319	-245	74	30.2
Performing loans	-196	-227	-31	-13.7
Net impairment losses on loans	**-943**	**-884**	**59**	**6.7**
Net adjustments to guarantees and commitments	**21**	**13**	**8**	**61.5**
Net adjustments to loans	**-922**	**-871**	**51**	**5.9**



Quarterly development of net adjustments to loans

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

Net adjustments to loans recorded in the period totalled 922 million euro, up by 5.9% compared to the 871 million euro in the first nine months of the previous year. The rise is attributable to higher analytical adjustments, which totalled 747 million euro and were mainly concentrated in substandard positions. Lump-sum adjustments, equal to 196 million euro, make it possible to maintain a degree of coverage of performing loans exceeding 0.7%, similar to the coverage at the end of 2006.
The rise in the caption referred to both doubtful loans, which are related to net adjustments of 428 million euro, and other non-performing loans on which overall net adjustments totalled 319 million euro. Assessments on performing loans required net adjustments of 196 million euro, mostly involving provisions made, in compliance with IAS 39, in relation to the initiative taken in March 2007 to redefine the terms of certain mortgages in favour of customers. Lastly, net recoveries of 21 million euro were posted on non-cash credit risk relative to guarantees and commitments outstanding.
On a quarterly basis, adjustments were down in the third quarter of 2007 compared to the preceding two quarters of this year, there being, in the first quarter, the aforementioned provisions for some mortgages and major adjustments on non-performing loans in the second quarter.

Net impairment losses on other assets
Net impairment of other assets recorded in the first nine months of 2007 totalled 18 million euro, compared to the 4 million euro posted in the corresponding period of 2006, and were determined by financial assets available for sale and the net present value of the advance of the substitution tax on the mathematical reserves of insurance companies.

Profits (Losses) on investments held to maturity and on other investments
Profits on investments held to maturity and on other investments amounted 42 million euro compared to the 73 million euro recorded in the first nine months of 2006. The comparative figure for 2006 included profits of 37 million euro connected to a spin-off of real estate assets.

Income before tax from continuing operations
Income before tax from continuing operations of 5,892 million euro, posted a 14.8% growth rate due to the good performance of income and the decrease in operating costs which more than offset the rise in provisions for risks and charges and net impairment of loans and other assets and the lower profits on investments held to maturity and other investments.

Taxes on income from continuing operations
Provisions for taxes for the period, both current and deferred, amounted to 1,946 million euro compared to 1,722 million euro for the first three quarters of last year. The tax on continuing operations, which reflects tax regulations in force in the various countries in which the Group operates, implies a 33% tax-rate which is lower than the 33.6% rate for the first nine months of 2006.

Merger and restructuring related charges (net of tax)
Merger and restructuring related charges (net of tax) totalled 481 million euro and were mostly attributable to the Parent Company. Of this amount, 394 million euro refers to early retirement programmes. In particular, 350 million euro refers to the provision for expenses that relate to the agreement of 1st August for the activation of the solidarity fund for approximately 2,300 people. The amount represents the present value of future expenses, net of taxes. Administrative expenses that directly relate to the integration of the two banks and the companies of the two old Groups amounted to 87 million euro.

Effect of purchase cost allocation (net of tax)
The caption presents the negative effects, in terms of interest adjustments, amortisation and depreciation and capital gains/losses, attributable to the revaluation of loans, real estate, financial assets and the registration of new intangible assets, in application of IFRS 3, upon recognition of the merger, such effects, until the completion of the process for the allocation of the cost of the Sanpaolo IMI Group (planned within the end of the year), were estimated at 400 million euro for the entire year. An amount equal to ¾ of the charge assumed for the entire year was expensed in the first nine months.

Income (Loss) after tax from discontinued operations
The caption, 3,791 million euro, mainly reflects the effects of assets sold to Crédit Agricole. In particular, the figure includes the capital gain deriving from the sale of Cariparma, FriulAdria and of 202 branches sold on 1st April and 1st July 2007 (3,575 million euro) and the results generated by the two subsidiaries before the sale (45 million euro) and by the 202 branches (72 million euro).
The caption also includes the net result generated in the period (27 million euro) by Cassa di Risparmio di Biella e Vercelli, in which Intesa Sanpaolo holds a 55% equity investment, which is currently under disposal to Banca Monte dei Paschi di Siena as provided for in the agreement signed in June.
Finally, the profits of 72 million euro from the 198 branches being sold to Banca Carige, Credito Valtellinese, Veneto Banca and Banca Popolare di Bari, based on the agreement subscribed on 5th October 2007, are included.

Net income
Net income for the period reached 6,855 million euro, net of taxes on income and including income after tax from discontinued operations, the effect of purchase cost allocation (net of tax), merger and restructuring related charges (net of tax) and minority interests. Normalised net income, that is, net income for the period adjusted to consider the aforementioned non-recurring components of profit on trading, the actuarial effects of employee termination indemnities as well as the capital gains on the sales of Cariparma, FriulAdria and the 202 branches, merger and restructuring related charges and the effect of purchase cost allocation, totalled 3,760 million euro, with a 3.7% growth rate compared to the first half of 2006.

Balance sheet aggregates

Balance sheet figures as at 30th September 2007, illustrated below and set forth in the balance sheet table in the section regarding the financial statements, were compared with the end 2006 balances, restated on a consistent basis to reflect the merger, the sales to Crédit Agricole and the changes within the consolidation area, as well as reclassifications of discontinued operations.

Quarterly development of the reclassified consolidated balance sheet

(in millions of euro)

Assets	**2007**			**2006** restated (*)			
	30/9	**30/6** restated (**)	**31/3** restated (**)	**31/12**	**30/9**	**30/6**	**31/3**
Financial assets held for trading	63,034	81,550	77,567	66,140	69,572	68,787	73,511
Financial assets designated at fair value through profit and loss	20,204	20,987	21,015	20,685	20,476	20,030	21,376
Financial assets available for sale	39,130	40,966	41,292	41,096	39,232	36,344	34,546
Investments held to maturity	5,845	5,971	5,642	5,950	5,447	5,449	5,089
Due from banks	64,005	62,825	63,187	56,241	59,608	58,032	60,874
Loans to customers	325,314	329,292	326,379	321,271	307,362	301,428	298,643
Investments in associates and companies subject to joint control	3,153	3,063	3,043	3,106	3,106	3,022	2,951
Property, equipment and intangible assets	8,042	8,188	8,568	9,216	7,827	7,810	7,310
Tax assets	4,647	4,164	4,530	4,936	5,022	5,131	5,356
Non-current assets held for sale and discontinued operations	7,025	12,578	12,905	32,458	31,836	33,152	30,821
Other assets	15,442	13,266	13,791	14,181	11,569	13,893	12,795
Merger difference	20,335	20,255	20,725	-	-	-	-
Total Assets	**576,176**	**603,105**	**598,644**	**575,280**	**561,057**	**553,078**	**553,272**

Liabilities and Shareholders' Equity	**2007**			**2006** restated (*)			
	30/9	**30/6** restated (**)	**31/3** restated (**)	**31/12**	**30/9**	**30/6**	**31/3**
Due to banks	73,522	91,834	82,258	74,745	77,653	69,721	77,882
Due to customers and securities issued	338,691	343,189	340,512	337,090	323,198	319,853	310,778
Financial liabilities held for trading	27,682	28,548	28,675	22,043	23,722	23,130	27,650
Financial liabilities designated at fair value through profit and loss	27,961	28,238	27,317	26,157	25,871	25,386	25,955
Tax liabilities	2,088	1,795	2,875	2,269	2,813	2,596	2,550
Liabilities associated with non-current assets held for sale and discontinued operations	6,273	11,886	12,719	31,459	30,356	32,126	29,782
Other liabilities	18,784	16,984	23,881	19,403	16,154	20,985	19,905
Technical reserves	20,155	21,312	22,218	22,540	22,603	22,000	21,893
Allowances for specific purpose	6,151	5,621	6,008	5,963	5,085	5,024	5,294
Share capital	6,647	6,647	6,646	6,646	6,646	6,646	6,629
Reserves	8,453	8,424	8,393	10,783	10,730	10,713	10,554
Merger reserves	31,093	31,093	31,093	9,139	9,903	9,811	10,694
Valuation reserves	934	1,283	1,120	1,209	974	968	913
Minority interests	887	892	927	1,127	1,539	1,504	1,523
Net income	6,855	5,359	4,002	4,707	3,811	2,616	1,270
Total Liabilities and Shareholders' Equity	**576,176**	**603,105**	**598,644**	**575,280**	**561,057**	**553,078**	**553,272**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

(**) Figures restated on a consistent basis, considering the changes in the consolidation area and discontinued operations, restated in accordance to IFRS 5.

Loans to customers

(in millions of euro)

	30.09.2007		31.12.2006 restated (*)		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	30,283	9.3	36,358	11.3	-6,075	-16.7
Mortgages	154,292	47.5	148,521	46.2	5,771	3.9
Advances and other loans	119,481	36.7	113,808	35.4	5,673	5.0
Repurchase agreements	6,241	1.9	9,799	3.1	-3,558	-36.3
Loans represented by securities	7,472	2.3	5,151	1.6	2,321	45.1
Non-performing loans	7,545	2.3	7,634	2.4	-89	-1.2
Loans to customers	**325,314**	**100.0**	**321,271**	**100.0**	**4,043**	**1.3**

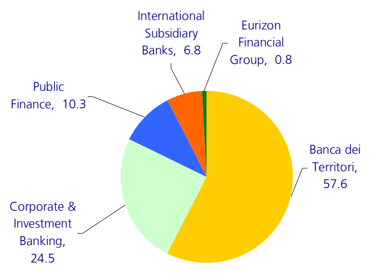
(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

At the end of the first nine months of 2007, loans to Group customers, including disbursements performed through the subscription of customer debt securities, amounted to 325 billion euro, an increase of 1.3% since the beginning of the year. Compared to the trend recorded in June, a slowdown has occurred, mainly due to the falling trends in overdrafts on current accounts and repurchase agreements. An analysis of single components compared to the beginning of the year shows development in advances and loans (+5%), which are typically part of the demand from businesses, in mortgages (+3.9%), which represent 47% of loans to customers, and in loans represented by securities, which constitute a rapidly developing alternative form of funding. There were negative variations in overdrafts on current accounts (-16.7%), as a result of customers' preference for more long-term types of financing, and repurchase agreements (-36.3%) which, given their financial nature, have a high level of volatility. Lastly, attentive monitoring of the loan granting process permitted a 1.2% reduction in non-performing loans.
In the domestic medium/long term loan market, disbursements to households exceeded 15 billion euro, while those to companies reached 9 billion euro.
At the end of the first nine months of 2007, the Group's share of the domestic market (calculated on the harmonised time-series defined for countries in the eurozone) was 19% for total loans, down by 1.7 percentage points with respect to the end of 2006. This decrease was affected by the reimbursement of considerable non-recurring financing granted toward the end of 2006 in favour of tax-collection counterparties, and by the sale of 202 branches to Crédit Agricole. Net of these effects, the decrease in market share would be 0.8 percentage points.

(in millions of euro)

	30.06.2007	31.12.2006	Changes	
		restated (*)	amount	%
Banca dei Territori	187,026	179,093	7,933	4.4
Corporate & Investment Banking	79,620	78,939	681	0.9
Public Finance	33,268	36,331	-3,063	-8.4
International Subsidiary Banks	21,928	18,573	3,355	18.1
Eurizon Financial Group	2,727	2,384	343	14.4
Total business areas	**324,569**	**315,320**	**9,249**	**2.9**
Corporate Centre	745	5,951	-5,206	-87.5
Intesa Sanpaolo Group	**325,314**	**321,271**	**4,043**	**1.3**

Business areas



(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

Breakdown by business area shows a 4.4% increase achieved by Banca dei Territori, which represents 58% of the total aggregate attributable to the Group's business areas, through disbursements to retail and private customers, to satisfy demand for consumer lending and to SMEs, which benefited from the recovery in production. Positive performance was also achieved by loans from the International Subsidiary Banks (+18.1%), which benefited from the high potential for development of the markets of Central Eastern Europe and the Mediterranean Basin, as well as by Corporate & Investment Banking (+0.9%). With regard to the evolution of lending to public works and infrastructures granted by Banca Intesa Infrastrutture e Sviluppo and Banca OPI, the 8.4% decline from the beginning of the year was mostly due to the gradual reimbursement of large loans granted to tax collection companies at the end of last year; this decrease was offset by the development of lending activities through the subscription of securities issued by customers. The decrease in loans by the Corporate Centre is mainly attributable to treasury repurchase agreements.

Loans to customers: loan portfolio quality

(in millions of euro)

	30.09.2007		31.12.2006 restated (*)		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	2,864	0.9	2,681	0.8	183
Substandard and restructured loans	3,758	1.1	3,830	1.2	-72
Past due loans	923	0.3	1,123	0.4	-200
Non-performing loans	**7,545**	**2.3**	**7,634**	**2.4**	**-89**
Performing loans	310,297	95.4	308,486	96.0	1,811
Loans represented by performing securities	7,472	2.3	5,151	1.6	2,321
Loans to customers	**325,314**	**100.0**	**321,271**	**100.0**	**4,043**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

A more detailed numerical description of asset quality is contained in the section dedicated to credit risks in the Risk management chapter. The Group's high asset quality further improved: from the beginning of the year to the end of September 2007, in a context of increasing loans, non-performing loans decreased by 89 million euro, with a lower incidence on loans to customers (2.3%, down from 2.4% at the end of 2006). Coverage of non-performing loans, pursued via prudential provisional policies extended to all commercial banks, reached 54% as at 30th September 2007 with an increase with respect to the end of last year.

In particular, doubtful loans totalled 2,864 million euro, with a 183 million euro rise from the beginning of the year; the incidence on total loans to customers was 0.9%, with a degree of coverage of 71%.

Substandard and restructured loans, 3,758 million euro, recorded a 72 million euro decrease with respect to 31st December 2006; the degree of coverage, adequate to cover the intrinsic risk of this type of portfolio, was 29%.

Past due loans amounted to 923 million euro, with a 200 million euro decrease and a degree of coverage of 11%.

Cumulated collective adjustments on performing loans equalled 2,308 million euro. This figure represented 0.7% of gross exposure related to performing loans to customers, stable with respect to the figure recorded at the end of the previous period and suitable to face the risk of performing loans. Risk implicit in performing loans is calculated collectively on the basis of the risk configuration of the entire portfolio analysed via models which consider the Probability of Default (PD) and the Loss Given Default (LGD) for each loan.

Customer financial assets

(in millions of euro)

	30.09.2007		31.12.2006 restated (*)		Changes	
		% breakdown		% breakdown	amount	%
Direct customer deposits	366,652	37.5	363,247	38.4	3,405	0.9
Indirect customer deposits	639,057	65.3	608,136	64.3	30,921	5.1
Netting (a)	-27,583	-2.8	-25,982	-2.7	1,601	6.2
Customer financial assets	**978,126**	**100.0**	**945,401**	**100.0**	**32,725**	**3.5**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

(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 and fund-based bonds designated at fair value issued by Group companies and placed by the networks).

At the end of the first nine months of 2007, customer financial assets reached 978 billion euro, with a 3.5% rise from the beginning of the year thanks to the trend of indirect customer deposits, specifically regarding assets under administration and, in lesser proportion, to direct customer deposits. Conversely, assets under management recorded an outflow which involved its main components. This decrease was significantly influenced by the choice of customers to opt for easily marketable and low risk investments, choices influenced by the tensions in the financial markets, above all during the third quarter of 2007, also in relation to the effects of the subprime mortgage crisis.
It is noted that the trend of the overall aggregate was influenced by the sale of GEO funds in July 2007 for over 5 billion euro; calculated on a consistent basis, the growth in customer financial assets rises to 4.1%.

Direct customer deposits

The table below sets out amounts due to customers, securities issued, included those designated at fair value and certain insurance policies, with mainly financial features.

(in millions of euro)

	30.09.2007		31.12.2006 restated (*)		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	174,226	47.5	176,062	48.5	-1,836	-1.0
Repurchase agreements and securities lending	26,810	7.3	24,112	6.6	2,698	11.2
Bonds	92,696	25.3	88,556	24.4	4,140	4.7
of which designated at fair value (**)	*3,913*	*1.1*	*3,174*	*0.9*	*739*	*23.3*
Certificates of deposit	13,246	3.6	9,078	2.5	4,168	45.9
Subordinated liabilities	16,340	4.5	18,656	5.1	-2,316	-12.4
Financial liabilities of the insurance business designated at fair value (**)	24,045	6.5	22,978	6.3	1,067	4.6
Other deposits	19,289	5.3	23,805	6.6	-4,516	-19.0
of which designated at fair value (**)	*3*	*-*	*5*	*-*	*-2*	*-40.0*
Direct customer deposits	**366,652**	**100.0**	**363,247**	**100.0**	**3,405**	**0.9**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

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

Direct customer deposits amounted to 367 billion, an increase of 0.9% since the beginning of the year. Breakdown by contract type shows the increase in certificates of deposit (+45.9%) and repurchase agreements (+11.2%), which savers focused on due to their characteristics of low risk and easy realisation, bonds (+4.7%) and financial liabilities in the insurance business (-4.6%). These trends were offset by the decrease in subordinated liabilities, current accounts, and other forms of deposits, including commercial paper.
As at 30th September 2007 the Group's domestic market share (according to the ECB's harmonised definition) totalled 19.6%. This figure fell by 1.2 percentage points from the beginning of the year, also

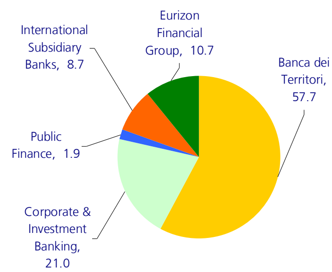
due to the decrease in deposits due to the sale of 202 branches to Crédit Agricole in April and July 2007; net of the effect of the sale of these branches, the decrease would be equal to 0.7 percentage points.

(in millions of euro)

	30.09.2007	31.12.2006 restated (*)	Changes amount	Changes %
Banca dei Territori	172,549	173,945	-1,396	-0.8
Corporate & Investment Banking	62,776	64,416	-1,640	-2.5
Public Finance	5,689	8,020	-2,331	-29.1
International Subsidiary Banks	25,890	23,733	2,157	9.1
Eurizon Financial Group	31,866	30,483	1,383	4.5
Total business areas	**298,770**	**300,597**	**-1,827**	**-0.6**
Corporate Centre	67,882	62,650	5,232	8.4
Intesa Sanpaolo Group	**366,652**	**363,247**	**3,405**	**0.9**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

Business areas



Breakdown by Group business area shows that direct customer deposits of Banca dei Territori, which represents 58% of the total aggregate attributable to the business areas, posted a slight decrease of -0.8%. The areas Corporate & Investment Banking (-2.5%) and Public Finance (-29.1%) were also down. Conversely, a positive trend was recorded by both International Subsidiary Banks (+9.1%), confirming the good opportunities for development in the markets where they operate, and Eurizon Financial Group (+4.5%). The progress of direct customer deposits of the Corporate Centre (+8.4%) was principally due to securities, also in relation to the issues by Intesa Sec 3 of mortgage backed securities following the securitisation carried out in December 2006.

Indirect customer deposits

(in millions of euro)

	30.09.2007	% breakdown	31.12.2006 restated (*)	% breakdown	Changes amount	Changes %
Mutual funds	67,859	10.6	70,467	11.6	-2,608	-3.7
Open-ended pension funds	1,489	0.2	1,377	0.2	112	8.1
Portfolio management	58,397	9.1	60,954	10.0	-2,557	-4.2
Life technical reserves and financial liabilities	64,293	10.1	65,800	10.8	-1,507	-2.3
Relations with institutional customers	16,965	2.7	18,129	3.0	-1,164	-6.4
Assets under management	**209,003**	**32.7**	**216,727**	**35.6**	**-7,724**	**-3.6**
Assets under administration and in custody	**430,054**	**67.3**	**391,409**	**64.4**	**38,645**	**9.9**
Indirect customer deposits	**639,057**	**100.0**	**608,136**	**100.0**	**30,921**	**5.1**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

Indirect customer deposits increased by 5.1% and reached 639 billion euro. This trend was supported by assets under administration, which increased by 9.9% in relation to higher customer requests for government securities and bonds. On the contrary, the increase in volatility of financial markets and customers' lower propensity for risk generated a decrease in the main components of assets under management, which fell by 3.6%. Assets under management, which represent a third of indirect customer deposits totalled 209 billion euro. Breakdown of the caption shows decreases in mutual funds (-3.7%) and individual portfolio management schemes (-4.2%), as well as technical reserves and financial liabilities in the life insurance business (-2.3%) which was rising until June 2007. In the insurance business the new business of EurizonVita and Intesa Vita in the first nine months of 2007 reached almost 8 billion euro, offset by the progressive ageing of the policy portfolio which increased the significance of the phenomenon of surrendering of policies. Relationships with institutional customers were also falling (-6.4%). On the opposite trend were the results of open-end pension funds and individual insurance-type pension plans (+8.1%) which, nonetheless, had a lower incidence overall on assets under management.

Net financial assets held for trading and financial assets designated at fair value through profit and loss

(in millions of euro)

	30.09.2007		31.12.2006 restated (*)		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities held for trading and designated at fair value through profit and loss	42,552	76.6	54,139	83.6	-11,587	-21.4
of which designated at fair value through profit and loss	*11,345*	*20.4*	*12,900*	*19.9*	*-1,555*	*-12.1*
Equities and quotas of UCITS held for trading and designated at fair value through profit and loss	17,797	32.0	14,855	22.9	2,942	19.8
of which designated at fair value through profit and loss	*8,848*	*15.9*	*7,780*	*12.0*	*1,068*	*13.7*
Other assets designated at fair value through profit and loss	11	-	5	-	6	
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**60,360**	**108.6**	**68,999**	**106.5**	**-8,639**	**-12.5**
Financial liabilities held for trading	**-4,584**	**-8.2**	**-4,276**	**-6.6**	**308**	**7.2**
Net value of financial derivatives	-230	-0.4	53	0.1	-283	
Net value of credit derivatives	10	-	6	-	4	66.7
Net value of trading derivatives	**-220**	**-0.4**	**59**	**0.1**	**-279**	
Financial assets / liabilities, net	**55,556**	**100.0**	**64,782**	**100.0**	**-9,226**	**-14.2**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

Financial assets held for trading, net of the related liabilities, and financial assets designated at fair value through profit and loss amounted to 56 billion euro, with a 14.2% decrease with respect to the figure at the end of 2006. Financial liabilities designated at fair value through profit and loss are included in direct customer deposits.
The decreasing trend can be attributed to securities, financial assets held for trading and financial assets designated at fair value, mainly due to bonds, to the increase in the value of financial liabilities held for trading, represented by short selling, and the decrease in the net value of financial derivatives.

Financial assets available for sale

Financial assets available for sale totalled 39 billion euro, lower than the figure as at 31st December 2006. The caption is made up of debt securities not held for trading of 31,249 million euro, down by 4.2% with respect to the figure as at 31st December 2006. It also included equities for 7,322 million euro, down by 4.6%. The main equity investments included under equities were: Santander Central Hispano (651 million euro), Assicurazioni Generali (647 million euro) and Natixis (318 million euro).
Financial assets available for sale are measured at fair value with recognition of changes in a specific valuation reserve under shareholders' equity.

(in millions of euro)

	30.09.2007		31.12.2006 restated (*)		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities	31,249	79.9	32,615	79.3	-1,366	-4.2
Equities and quotas of UCITS	7,322	18.7	7,673	18.7	-351	-4.6
Securities available for sale	**38,571**	**98.6**	**40,288**	**98.0**	**-1,717**	**-4.3**
Loans available for sale	**559**	**1.4**	**808**	**2.0**	**-249**	**-30.8**
Financial assets available for sale	**39,130**	**100.0**	**41,096**	**100.0**	**-1,966**	**-4.8**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

Net interbank position

At the end of September 2007, the net interbank position was still negative, but the imbalance, equal to 9.5 billion euro, significantly decreased from the beginning of the year, due to disinvestments of financial portfolios and increased deposits represented by securities.

Non-current assets held for sale and discontinued operations and related liabilities

(in millions of euro)

	30.09.2007	31.12.2006 restated (*)	Changes amount	Changes %
Investments in associates and companies subject to joint control	1	5	-4	-80.0
Property and equipment	27	42	-15	-35.7
Other discontinued operations	-	-	-	-
Individual assets	**28**	**47**	**-19**	**-40.4**
Discontinued operations	**6,997**	**32,411**	**-25,414**	**-78.4**
of which: loans to customers	*5,499*	*27,505*	*-22,006*	*-80.0*
Liabilities associated with non-current assets held for sale and discontinued operations	**-6,273**	**-31,459**	**-25,186**	**-80.1**
Non-current assets held for sale and discontinued operations and related liabilities	**752**	**999**	**-247**	**-24.7**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

This caption contains assets and related liabilities which no longer refer to continuing operations as they are undergoing disposal. As at 30th September 2007, the most significant amounts referred to Cassa di Risparmio di Biella e Vercelli, which will be sold to the Monte dei Paschi di Siena Group, as set forth in the agreements of 4th June 2007, and the 198 branches being sold to Banca Carige, Credito Valtellinese, Veneto Banca and Banca Popolare di Bari, based on the agreement subscribed on 5th October 2007. The caption as at 31st December 2006 also included the figures of the subsidiaries Cariparma and FriulAdria, sold on 1st March 2007, and the assets related to the 202 branches sold on 1st April 2007 and 1st July 2007 to FriulAdria.

Shareholders' equity

As at 30th September 2007 the Group’s shareholders' equity, included net income for the period, totalled 53,982 million euro compared to the 52,233 million euro as of 1st January 2007, which included the effects of the merger. The increase in shareholders' equity is attributable to net income generated in the period, which amply offset the distribution of ordinary and extraordinary dividends, and to the decrease in valuation reserves.

Valuation reserves Riserve da valutazione

Compared to 31st December 2006, valuation reserves decreased by 275 million euro, mainly due to the decrease in financial assets available for sale. This trend was mitigated by the increase in cash flow hedges.

(in millions of euro)

	Valuation reserves as at 31.12.2006	Change in the period	Valuation reserves as at 30.09.2007	% breakdown
Financial assets available for sale	628	-305	323	34.6
Property and equipment	-	-	-	-
Cash flow hedges	83	40	123	13.2
Legally-required revaluations	344	-2	342	36.6
Other	154	-8	146	15.6
Valuation reserves	**1,209**	**-275**	**934**	**100.0**

Regulatory capital

Regulatory capital and capital ratios as at 30th September 2007 have been determined applying the instructions issued by the Bank of Italy which consider IAS/IFRS. Figures as at 30th September 2007 are compared with those published in Gruppo Intesa's 2006 Annual report.

(in millions of euro)

Regulatory capital and capital ratios	30.06.2007 [(a)]	31.12.2006 [(*)]
Regulatory capital		
Tier 1 capital	28,771	12,708
of which: preferred shares	*2,563*	*1,581*
Tier 2 capital	11,450	8,039
Minus items to be deducted	-2,232	-1,556
REGULATORY CAPITAL	**37,989**	**19,191**
Tier 3 subordinated loans	599	-
TOTAL REGULATORY CAPITAL	**38,588**	**19,191**
Risk-weighted assets		
Credit risks	331,771	189,100
Market risks	27,582	11,525
Other capital requirements	1,567	1,463
RISK-WEIGHTED ASSETS	**360,920**	**202,088**
Capital ratios %		
Core Tier 1	7.3	5.5
Tier 1	8.0	6.3
Total capital ratio	10.7	9.5

[(a)] In compliance with provisions of Bank of Italy Circular 263/2006, in the calculation of capital ratios elements deducted from total capital for supervisory purposes have been deducted separately and for an equal amount from Tier 1 and Tier 2 capital, with the exception of the contributions deriving from the insurance business that refer to relationships which arose prior to 20th July 2006, and as such continue to be deducted from total capital.

[(*)] Figures related to Gruppo Intesa.

As at 30th September 2007, regulatory capital – which does not take into consideration the purchase of own shares following 30th September, in relation to the aforementioned acquisition of Carifirenze – amounted to 37,989 million. Total capital, including Tier 3 subordinated loans, amounted to 38,588 million euro, against risk-weighted assets of 360,920 million euro, mostly deriving from credit risks and, to a lower extent, from market risks. The Total capital ratio equalled 10.7%; the Group's Tier 1 ratio totalled 8%. The ratio between Tier 1 capital net of preferred shares and risk-weighted assets (Core Tier 1) totalled 7.3%.

Breakdown of consolidated results by business area and geographical area

The organisation model of the Intesa Sanpaolo Group is based on five Business Units: "Banca dei Territori", "Corporate & Investment Banking", "Public Finance", "International Subsidiary Banks", and "Eurizon Financial Group". In addition there is the Corporate Centre which includes Group Finance, for guidance, coordination and control of the whole Group.
In line with the provisions of IAS 14 regarding Segment Reporting, a management approach has been taken with primary reporting based on the segmentation into business areas, as this reflects the responsibilities introduced with the Group's new organisational structure. In addition to responding to an organisational logic, the business areas are an aggregation of business lines similar in the type of products and services they sell and in their regulatory context of reference.
Specifically, the Banca dei Territori Division, which is in charge of the traditional lending and deposit collecting activities in Italy and of the related financial services, has the mission to serve retail (households, personal, small businesses) and private customers, in addition to the small and medium-sized enterprises, creating value through widespread coverage of the country, attention to local market needs and maximising the brands of the Business Unit banks and the companies specialised in industrial credit, leasing and consumer credit.
The Corporate & Investment Banking Division, dedicated to corporate customers and financial institutions in Italy and abroad, has the task of creating value through the offer of corporate banking products and services for their customers and investment banking, capital markets, merchant banking and factoring for the entire Group.
Public Finance is responsible for customers in government, public entities, local authorities, public utilities, healthcare structures and general contractors and for developing activities related to medium/long term lending, project financing, securitisations, financial advisory and purchase of equity stakes in initiatives and investment projects in the reference segments.
The International Subsidiary Banks Division has the mission of supervising and coordinating activities in markets abroad, where Intesa Sanpaolo is present through subsidiary and partly-owned commercial banks performing retail activities, defining strategies aimed at identifying growth opportunities and managing relations with the centralised structures of the Parent Company and with international branches and representative offices belonging to the Corporate & Investment Banking Division.
Eurizon Financial Group has the task of providing insurance and financial services for investment of savings, pension plans and protection of persons and assets.
Following the upcoming incorporation of the sub-holding Eurizon Financial Group into the Parent Company Intesa Sanpaolo, EurizonVita fall under the Banca dei Territori Division, while Eurizon Capital and Banca Fideuram will directly report to the Parent Company.

The table below shows the main data summarising the trend of the business areas of the Intesa Sanpaolo Group in the first nine months of 2007.

The itemised analysis of the business areas hereafter contains a description of the products and services offered, the type of customers served and the initiatives carried out in the third quarter; it also illustrates statement of income figures, the main balance sheet figures as well as the most significant profitability ratios.

(in millions of euro)

	Banca dei Territori	Corporate & Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Financial Group	Corporate Centre	Total
Operating income							
30.09.2007	8,496	2,126	216	1,391	1,114	370	13,713
30.09.2006 restated (*)	7,956	2,075	223	1,139	990	616	12,999
% change (a)	6.8	2.5	-3.1	22.1	12.5	-39.9	5.5
Operating costs							
30.09.2007	-4,450	-637	-72	-689	-436	-378	-6,662
30.09.2006 restated (*)	-4,523	-642	-68	-619	-418	-641	-6,911
% change (a)	-1.6	-0.8	5.9	11.3	4.3	-41.0	-3.6
Operating margin							
30.09.2007	4,046	1,489	144	702	678	-8	7,051
30.09.2006 restated (*)	3,433	1,433	155	520	572	-25	6,088
% change (a)	17.9	3.9	-7.1	35.0	18.5	-68.0	15.8
Income (Loss) before tax from continuing operations							
30.09.2007	3,299	1,323	130	598	643	-101	5,892
30.09.2006 restated (*)	2,699	1,370	158	425	533	-54	5,131
% change (a)	22.2	-3.4	-17.7	40.7	20.6	87.0	14.8
Loans to customers							
30.09.2007	187,026	79,620	33,268	21,928	2,727	745	325,314
31.12.2006 restated (*)	179,093	78,939	36,331	18,573	2,384	5,951	321,271
% change (b)	4.4	0.9	-8.4	18.1	14.4	-87.5	1.3
Direct customer deposits							
30.09.2007	172,549	62,776	5,689	25,890	31,866	67,882	366,652
31.12.2006 restated (*)	173,945	64,416	8,020	23,733	30,483	62,650	363,247
% change (b)	-0.8	-2.5	-29.1	9.1	4.5	8.4	0.9

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area and in business unit constituents.

(a) The change expresses the ratio between 30.09.2007 and 30.09.2006 restated.

(b) The change expresses the ratio between 30.09.2007 and 31.12.2006 restated.

BUSINESS AREAS

Banca dei Territori

(in millions of euro)

Statement of income/Alternative performance indicators	30.09.2007	30.09.2006 restated (*)	Changes amount	Changes %
Net interest income	5,159	4,517	642	14.2
Dividends and profits (losses) on investments carried at equity	79	90	-11	-12.2
Net fee and commission income	3,081	3,183	-102	-3.2
Profits (Losses) on trading	142	140	2	1.4
Income from insurance business	-	-	-	-
Other operating income (expenses)	35	26	9	34.6
Operating income	**8,496**	**7,956**	**540**	**6.8**
Personnel expenses	-2,651	-2,639	12	0.5
Other administrative expenses	-1,780	-1,864	-84	-4.5
Adjustments to property, equipment and intangible assets	-19	-20	-1	-5.0
Operating costs	**-4,450**	**-4,523**	**-73**	**-1.6**
Operating margin	**4,046**	**3,433**	**613**	**17.9**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-74	-65	9	13.8
Net adjustments to loans	-674	-669	5	0.7
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	1	-	1	-
Income (Loss) before tax from continuing operations	**3,299**	**2,699**	**600**	**22.2**
Allocated capital	10,391	9,296	1,095	11.8
Profitability ratios (%)				
Cost / Income ratio	52.4	56.9	-4.5	-7.9
ROE before tax (annualised)	42.4	38.8	3.6	9.3
EVA® (in millions of euro)	1,455	1,118	337	30.1

(in millions of euro)

	30.09.2007	31.12.2006 restated (*)	Changes amount	Changes %
Loans to customers	187,026	179,093	7,933	4.4
Direct customer deposits	172,549	173,945	-1,396	-0.8
of which: due to customers	*130,615*	*130,934*	*-319*	*-0.2*
securities issued	*41,934*	*43,011*	*-1,077*	*-2.5*
Indirect customer deposits	324,617	325,352	-735	-0.2

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area and in business unit constituents.

The Banca dei Territori Division, which represents the Group's core business, comprises: the Retail Area, which serves private customers (households with financial assets up to 75,000 euro and individual customers with financial assets between 75,000 euro and one million euro), small businesses (family businesses and small 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 of over one

million euro. Operations summarised above are performed through the Parent Company Intesa Sanpaolo and the network banks integrated into the IT system (Banco di Napoli, Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Friulcassa and Banca dell'Adriatico). In order to serve non-profit entities, Banca Prossima was created, operational since 5th November 2007, through the Group's branches, with 60 local presidiums and 100 specialists throughout the country. This sector also includes the regional banks for which the IT integration process had not yet started (Intesa Casse del Centro, Banca di Trento e Bolzano) or segmentation activities have not yet been completed (Cassa dei Risparmi di Forlì e della Romagna), as well as product companies specialised in industrial credit (Banca Intesa Mediocredito and Banca CIS), leasing (Intesa Leasing and Sanpaolo Leasint) and consumer credit (Neos Banca and Agos Itafinco). Lastly, this Division also includes the insurance companies Intesa Vita and Intesa Previdenza, Sanpaolo Bank (Luxembourg) which operates in international private banking, the fiduciary service companies SIREFID and Sanpaolo Fiduciaria, Setefi, the company specialised in management of electronic payment systems, Si Holding where the Group has a 37% interest, which wholly owns CartaSi, the inter-bank company leader in the Italian credit card market.
The organisational structure in Italy is distributed across 26 territorial areas/network bank directorates, responsible for the coordination of the operations and the initiatives targeting customers on the basis of the specific needs of the territory of reference, by taking advantage of the direct relationship with the customer base.
The net flow of new clients in the first nine months of 2007 increased by over 150,000.

The Banca dei Territori Division closed the first nine months of 2007 with an income before tax from continuing operations of 3,299 million euro, with a 600 million euro rise compared to the corresponding period of the previous year (+22.2%).
Operating income equalled 8,496 million euro, represented 62% of the Group's consolidated operating income, and recorded a 540 million euro increase with respect to the same period of the previous year (+6.8%). This performance benefited in particular from the positive evolution of net interest income that amounted to 5,159 million euro with a 14.2% increase over the first nine months of 2006. The rise in interest income was favoured by the expansion in intermediated volumes with customers, particularly in loans, and by the broadening of the mark-down on customer deposits.
Net fee and commission income, 3,081 million euro, registered a 3.2% reduction compared to the same period of 2006. This reduction derives from a commercial policy aimed at creating value for customers and is attributable to various phenomena such as i) the launch of a new type of current account with more contained costs for customers, ii) lower recourse to placement of products with high up-front commissions and iii) reassessment of the mix of financial assets in customer portfolios in favour of less profitable components for the bank.
Operating costs registered a reduction (1.6%), attributable to the savings achieved on administrative expenses which more than offset the moderate increase in personnel expenses, influenced by the provisions for the possible renewal of the national collective labour contract which expired at the end of 2005. It does not include the updated calculation of the Employee termination indemnities, the positive effects of which were entirely attributed to the Corporate Centre.
The expansion in revenues, together with the trend in operating costs, led to a reduction of 4.5 percentage points in the cost/income ratio, down to 52.4%.
Operating margin amounted to 4,046 million euro, with a 17.9% rise compared to the first nine months of 2006.
The Division absorbed 46% of Group capital, an increase with respect to the level recorded in the same period of last year. In absolute terms, capital registered an increase, standing at 10,391 million euro, mainly due to the expansion of loans. The good trend of operating margin raised annualised ROE before tax to 42.4%. Value creation recorded a substantial increase (+337 million euro), from 1,118 million euro to 1,455 million euro.
Balance sheet figures as at the end of September 2007 evidenced loans to customers at 187,026 million euro (+4.4% from the end of December 2006) and direct customer deposits down by 0.8% due to the contraction in securities issued. Indirect customer deposits reached 324,617 million euro, a slight decrease (-0.2%) from the beginning of the year, mainly due to the reduction in individual portfolio management and life technical reserves which more than offset the growth in assets under administration.

The Retail Area is in charge of a network of approximately 4,800 branches, diffusely spread in the national territory (approximately 5,400 including those of the non-divisional banks). This area served 9.9 million customers as at the end of September 2007.

As regards the private segment, in the third quarter of the year, the activities regarding the standardisation of the sales offer on the network, which took form in the application for customers of the best conditions previously applied by the two banks, the extension of the products most appreciated by the public to both networks, and the unification of commercial initiatives. Joint intersegment initiatives were flanked by differentiated sales actions in order to take into account the specific characteristics and needs of the various customer segments, clearly households and personal. In addition to developing actions aimed at consolidating relations with existing customers, significant attention was placed on increasing the number of clients. For banking products activities continued to define the new unified range of current accounts and to rationalise the offer. At the end of September, the number of Zerotondo accounts, which, since March, have been sold also through the former Intesa network, exceeded 580,000 units. Rationalisation activities were firstly concentrated on debit cards, and then continued on existing accounts. The standardisation and updating of the offer aimed at company and institutional employees is underway.
Regarding loan products, new methodology was introduced at the beginning of the year (currently only in the former SANPAOLO network) for the selection and granting of personal loans to households which leverages on CFS – Consumer Financial Services, a subsidiary of Neos Banca, and uses an IT application based on web technology, fully integrated with the Bank's procedures.
Within retail home mortgages, the new offer strategy – common to both networks – allows the Group to align the main product characteristics, the standard interest rates and the faculties of derogation assigned to areas/network banks. Furthermore, the initiative aimed at conceding holders of indexed mortgages the possibility of renegotiating loans applying a fixed interest rate and/or prolonging residual life to contain the excessive rise in reimbursement charges, continued.
With regard to loans, the distribution of the new Prestito Personale Intesa Sanpaolo, characterised by high flexibility to meet individual customer needs, continued successfully.
One of the most important commercial initiatives of the third quarter was the launch in June of Progetto Giovani, a dedicated offer for young people which includes a mortgage and a loan, "Mutuo Giovani" and "Prestito Giovani", two products characterised by flexibility options, insurance coverage, economic conditions and valuation criteria of reliability/access to credit conceived to meet effectively and in a dynamic and innovative way the needs of that specific customer segment.
In relation to investment products, several products which have particular success with savers have been extended to both networks, and the process of unification of the product range continued.
In the small business segment, the unification and rationalisation of the range of products and services and commercial lines continued, with the progressive launch of new products and services. In July, the new range of current accounts for this segment was launched ("Conto Business Illimitato", "Conto Business Light" and "Conto Professionisti"), which substitute the previous products of the former Intesa and former Sanpaolo networks, and represents the first step in the new strategy for small business and professionals, based on simplicity and timeliness. In this view, in September, the loan PrestoBusiness was launched, which is characterised by the commitment taken on to provide customers with an answer within five working days from delivery of the requested documentation. PrestoBusiness is the second loan for small businesses in the new, single catalogue, following the Energia Business loan launched in the first few days of August. It is also worth noting a new initiative named ProteggiMutuo, aimed at offering guarantees and protection to mortgage subscribers.

The activities of the SME Area focus on SMEs with a turnover between 2.5 and 150 million euro or with granted loans exceeding one million euro. Distribution is based on a network of 286 specialised operating points that effectively cover the whole national territory (approximately 300, including those of the banks not included in the divisional model). The consolidated territorial presence permits strong links with customers and with local communities and rapid and highly-effective decision-making.
Commercial activities in the third quarter of 2007 were focused on harmonising the range of products and services offered to customers, in order to ensure a single commercial approach throughout the entire sales network. Initiatives aimed at supporting customers expanding to foreign markets are being launched, as this expansion is a key element for company development and recovery of competitiveness on the international front. Further initiatives in the energy and tourism sectors are planned. The bank intends to position itself as a leading operator in terms of financial products and services. In the quarter, the electronic invoicing system "Easy Fattura" became operational. This innovative product allows customer companies to simplify their administrative procedures. Support for companies that intend to invest in research and development continued, through a division dedicated to specific loans. In the field of new instruments for business financing, a significant disclosure action throughout the country was promoted, regarding the Alternative Capital Market, which became operational during the year, with approximately one thousand visits to potential customers. Specific attention was paid to the acquisition of new

customers, through the provision of specific sales offers. Lastly, a new project aimed at segmenting customers based on their financial behaviour and developing a new approach to loans to businesses is being defined.

The Private Banking Department performs its activities through the Parent Company's private branches and modules and the network banks, as well as through the subsidiary Intesa Sanpaolo Private Banking. The first nine months of 2007 highlighted a positive trend in revenues, linked to the expansion of the customer base and of the relevant assets: at the end of September 2007 customers served exceeded 74,000. In the third quarter of the year, commercial action was focused on the launch of a single, integrated offer of products and services for the Group's private customers. The development and launch of new products continued in insurance, individual portfolio management schemes and third party UCITs. Lastly, customer segmentation activities continued, with the identification of a segment followed by dedicated managers ("executive" private bankers) and with an offer of customers services and products (including private equity).

The regional banks, in which the IT integration process was not started (Intesa Casse del Centro and Banca di Trento e Bolzano) or the segmentation activities were not completed (Cassa dei Risparmi di Forlì e della Romagna), are not included in segment reporting on a divisional basis and are therefore analysed hereunder as autonomous legal entities.

In the first nine months of 2007, the eight Saving Banks in Central Italy, united under the control of Intesa Casse del Centro, highlighted, on an aggregate basis, an 9% rise in operating income, driven by net interest income which still represented the main source of revenues. The contained rise of costs and lower net provisions for risks and charges led to an approximately 18% rise in income before tax from continuing operations, notwithstanding no non-recurring profits on investments.

Banca di Trento e Bolzano highlighted income before tax from continuing operations of 18 million euro, down with respect to the corresponding period of the previous year; the decrease was influenced by both the comparative figure, which benefited from non-recurring profits originated by trading activities, and the increase in operating costs and net adjustments to loans. Operating income registered a rise of 2.5% mainly attributable to the positive trend of interest margin, deriving from the increase in intermediated volumes and by the widening of the spread with customers.

In order to strengthen control of commercial relationships in the territory in which it operates, Cassa dei Risparmi di Forlì e della Romagna was involved in the project for the territorial reorder of the Romagna Area, which began on 10th September and concluded on 1st October, which led to the exchange of branches among the Romagna bank and Cassa di Risparmio in Bologna, Banca dell'Adriatico and Intesa Sanpaolo.

Industrial credit is carried out through Banca Intesa Mediocredito, which operates on the whole national territory except Sardinia, and Banca CIS, reference point for production investments in that Region. In the first nine months of the year the two companies disbursed loans amounting to approximately 2,200 million euro. In September, a project was approved for the creation, within the Intesa Sanpaolo Group, of a centre specialised in medium/long-term loans, facilitated loans, research and leasing through the concentration of these activities into Banca Intesa Mediocredito (which shall take the name of Mediocredito Italiano).
In the first nine months of 2007 Banca Intesa Mediocredito posted an income before tax from continuing operations of 68 million euro, an increase of 29% compared to the corresponding period of the previous year. This trend was determined by revenue growth attributable to increased interest income and dividends, and lower net adjustments to loans.
Banca CIS closed the first nine months with an income before tax from continuing operations equal to 18 million euro, an increase of 5% compared to the same period of 2006. This result benefited from the growth in operating income, favoured by the good performance of interest income, commission income, and other operating income, which more than offset the increased operating costs and higher net adjustments to loans.

Leasing activities are carried out through the companies Intesa Leasing and Sanpaolo Leasint. Based on the aforementioned project, the merger of the two companies and the transfer of the equity investment to Banca Intesa Mediocredito is set for the beginning of 2008.

The two companies, which together are the third player on the domestic market with a market share exceeding 13%, in the first nine months of 2007 stipulated contracts for a countervalue of 4.4 billion euro, approximately 60% of which referred to real estate leasing.
Intesa Leasing recorded an income before tax from continuing operations of 50 million euro, with a 44% growth rate with respect to the same period of 2006, due to higher revenues which more than offset the increase net in net adjustments to loans and provisions for risks and charges.
Sanpaolo Leasint's statement of income recorded a rise of over 24% in income before tax from continuing operations, (which totalled 52 million euro), achieved through the positive trend of operating income which amply offset the higher net adjustments to loans.

Consumer credit activities are performed through the Neos group and Agos Itafinco.
The Neos group closed the first nine months of 2007 with an income before tax from continuing operations of 2 million euro, lower than that recorded in the first nine months of 2006, due to the contraction in spreads, higher operating costs linked to the consolidation of CFS's operations and higher net adjustments to loans. Loans registered a significant increase with respect to the corresponding period of the previous year also thanks to the contribution of the subsidiary CFS – Consumer Financial Services which is consolidating its operations as product factory also in personal loans granted by the branches of Group commercial banks. Breakdown by segment shows a strongly upward trend in personal loans, in loans backed by assignment of one-fifth of salary, in car loans and in targeted loans.
Agos, the joint venture established with Crédit Agricole, in which the Group holds a 49% stake, contributed to the consolidated net income for the first nine months of 2007 with a net income of 28 million euro, up with respect to the same period of 2006.

The Banca dei Territori Division's operating margin also benefited from commission income for the distribution of Intesa Vita insurance products placed through the branch network. Intesa Vita is a subsidiary of the Generali group and is consolidated at equity. The company registered a contribution to the Group's net income for the first nine months of 47 million euro, down with respect to the corresponding period of the previous year, in line with the evolution of the new business which recorded a slowdown in the period.

The activities of Intesa Previdenza in the third quarter 2007 were characterised by initiatives linked to the reform of supplementary social security, and led to the stipulation of agreements with employers for the promotion of collective supplementary pension solutions as well as the collection of subscriptions from employees. At the end of September 2007 Intesa Previdenza managed net assets of 1,646 million euro (+9% from the end of 2006), related for over one half to open-end pension funds (+6% from the beginning of the year) and the remaining part to closed-end funds (+11% from December 2006). The net flow for the period was positive overall for both categories of pension funds.

In the third quarter Sanpaolo Bank (Luxembourg) continued its multibusiness activities with particular reference to that of International Advisory, Dealing Room, Depositary Bank and private banking and recorded an income before tax from continuing operations of 59 million euro.

Setefi, specialised in management of electronic payment systems, performs the duties of acquirer for retailers, issues own credit cards and manages the Moneta cards for Group banks. The company uses its own network of POS terminals. In the third quarter of 2007, activities were focused on maintaining and developing market shares and profitability as well as on containing risk profiles with a 10% growth rate in intermediated volumes over the twelve months. The number of directly-issued and managed cards rose to 3.8 million, while own and third-party POS terminals increased to approximately 135,000 (+5%). The statement of income for the first half of 2007 recorded a progress of 11% in income before tax from continuing operations, that reached 40 million euro.

Corporate & Investment Banking

(in millions of euro)

Statement of income/Alternative performance indicators	30.09.2007	30.09.2006 restated (*)	Changes amount	Changes %
Net interest income	769	691	78	11.3
Dividends and profits (losses) on investments carried at equity	13	21	-8	-38.1
Net fee and commission income	667	715	-48	-6.7
Profits (Losses) on trading	649	615	34	5.5
Income from insurance business	-	-	-	-
Other operating income (expenses)	28	33	-5	-15.2
Operating income	**2,126**	**2,075**	**51**	**2.5**
Personnel expenses	-289	-302	-13	-4.3
Other administrative expenses	-335	-327	8	2.4
Adjustments to property, equipment and intangible assets	-13	-13	-	-
Operating costs	**-637**	**-642**	**-5**	**-0.8**
Operating margin	**1,489**	**1,433**	**56**	**3.9**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-4	-	4	-
Net adjustments to loans	-156	-86	70	81.4
Net impairment losses on other assets	-6	-5	1	20.0
Profits (Losses) on investments held to maturity and on other investments	-	28	-28	
Income (Loss) before tax from continuing operations	**1,323**	**1,370**	**-47**	**-3.4**
Allocated capital	6,751	6,062	689	11.4
Profitability ratios (%)				
Cost / Income ratio	30.0	30.9	-0.9	-2.9
ROE before tax (annualised)	26.2	30.2	-4.0	-13.3
EVA® (in millions of euro)	414	451	-37	-8.2

(in millions of euro)

	30.09.2007	31.12.2006 restated (*)	Changes amount	Changes %
Loans to customers	79,620	78,939	681	0.9
Direct customer deposits [(a)]	62,776	64,416	-1,640	-2.5
of which: due to customers	*33,243*	*38,006*	*-4,763*	*-12.5*
securities issued	*25,620*	*23,236*	*2,384*	*10.3*

[(a)] Direct customer deposits include Banca IMI's bonds designated at fair value.

[(*)] Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and ii) the changes in the consolidation area and in business unit constituents.

The Corporate & Investment Banking Division includes:

- the Corporate Relations Department, which manages the relations with large and mid-sized corporations (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 Bank Ireland, Intesa Sanpaolo Bank Ireland, Banca Intesa France, 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;
- the Investment Banking Department, which creates structured finance products and provides M&A consultancy services to the Group's clients;
- the Merchant Banking Department, which operates in the private equity area also through the companies Private Equity International (PEI) and IMI Investimenti;
- the Capital Markets Department, which operates through Banca Caboto and Banca IMI in the capital markets activities for the Group's clients and institutional operators in market making activities;
- the Finance Operations Department, which supplies specific functions of post trading and IT in the finance area.

This Division also comprises the activities of Intesa Mediofactoring.

The Corporate & Investment Banking Division closed the first nine months of 2007 with an operating income of 2,126 million euro (which represented 15.5% of the Group's consolidated figure), with a 51 million euro increase with respect to the same period of the previous year (+2.5%).
Volumes intermediated by the Division remained substantially stable from the beginning of the year, due to a moderate development of loans.
With regard to statement of income aggregates, net interest income amounted to 769 million euro, with an 11.3% rise with respect to the same period of the previous year, notwithstanding the higher competition in the reference market which determined an erosion in the mark-up. The increase in net interest income was driven by the growth in loan issuing and also benefited from the enlargement of the mark-down on company liquidity. Net fee and commission income, 667 million euro, evidenced a reduction compared to the corresponding period of the previous year (-6.7%), particularly influenced by the decline recorded in capital market activities and by the lower commissions on Corporate Relations Department's transactional services. Comparison between the two periods is penalised by the economic effects of a significant operation in the telecommunications sector, resulting in increased fee and commission income for the months of July and August in the previous year, against fee and commission expense paid in 2007 for the syndication of the loan to the other banks participating in the operation. Profits (losses) on trading, equal to 649 million euro, demonstrated positive performance (+5.5%). Operating costs remained substantially stable (-0.8%), standing at 637 million euro compared to 642 million euro in the first nine months of 2006. As a result of the trend in revenues and costs described above, the operating margin reached 1,489 million euro, an increase of 3.9% compared to the same period of 2006. On the contrary, income before tax from continuing operations demonstrated a decrease of 3.4%, mainly due to the increase in net adjustments to loans (+70 million euro) attributable to the absence, in the first nine months of 2007, of the write-backs accounted for in the second and third quarters of 2006.
The Division absorbed 30% of Group capital, an increase with respect to the level recorded in the first nine months of 2006. In absolute terms, capital registered an increase resulting from both the rise in credit risks, due to the expansion of loans to the mid, large and foreign network corporate segments, and the market risks correlated to operations in capital markets. The decrease in income before tax from continuing operations, together with the growth in capital allocated resulted in a decrease in annualised RoE before tax from 30.2% to 26.2% and a reduction in value creation from 451 million euro to 414 million euro.
The cost/income ratio decreased by almost 1 percentage point, to 30%.

With regard to the customer segments managed by the Corporate Relations Division, in the third quarter of the year the new customer management model became operational, following the process of redistribution of portfolios, completed in May, which involved the Corporate & Investment Banking Division, the Banca dei Territori Division and the Public Finance Business Unit. The first nine months of 2007 demonstrated a position of market leadership, with a total share exceeding 25%, and an even greater share in the foreign multinational segment. The current service model confirmed its effectiveness in the development structured finance operations (in particular syndicated lending, acquisition finance and project finance) and investment banking also in the mid corporate segment: in the third quarter 2007, fourteen operations were concluded (over eighty operations from the beginning of the year). The adoption of the new model was coupled with the launch of products dedicated to growth and strengthening of corporate capitalisation (mezzanines) and with initiatives in support of the opening of capital to third party investors (sponsorship for listing on the MAC), also specialised in development on single countries

(Mandarin Fund - private equity fund dedicated to corporate clients that intend to expand their operations onto the Chinese market). With regard to the Italian large corporate segment, the market context, which was positive until the first part of the year, led customers to postpone several large deals to the last quarter.

With reference to the International Network Department, the distribution network directly covers 34 countries and is made up of 16 wholesale branches, 23 representative offices, one operating desk, five subsidiaries, and one advisory firm. Activities in the third quarter continued in line with the mission, aimed at encouraging and supporting the internationalisation of Italian companies, promoting and assisting the investments and activities of foreign multinationals on the European market (with priority given to the Italian market), maximising cross-selling opportunities of products and services offered by the Division, by other Divisions and by the Group's product companies. The integration and rationalisation of the overlapping structures abroad, which began in the first half continued during the period. Specifically, the procedures regarding the branches of London and Tokyo and representative offices in Warsaw and Paris were concluded, and the Zagreb office was closed, transferring its activities to the subsidiary Privredna Banka Zagreb. Furthermore, the preliminary activities continued for the merger of the two Irish subsidiaries (Intesa Bank Ireland and Intesa Sanpaolo Bank Ireland), to be concluded in November 2007.
The Division is also responsible for the operations of the following foreign banks:

- Société Européenne de Banque which operates in the Luxembourg financial market, mainly in support of corporate customers as well as in the private banking and mutual fund management areas. In the first nine months of 2007 the company recorded net income of 14 million euro, an increase of 7.8% compared to the first nine months of 2006, thanks to an increase in revenue, specifically in commission and trading income, which balanced the rise in operating costs;
- Intesa Bank Ireland, which operates mainly in wholesale banking and dealing in financial markets, registered a decrease in revenues which, in the presence of stable operating costs, resulted in a slight reduction in net income (-2%) which amounted to 12 million euro;
- Intesa Sanpaolo Bank Ireland, which also operates in Ireland mainly in the wholesale banking and dealing in financial markets closed the first nine months of 2007 with net income of almost 20 million euro, thanks to the significant increase in revenues, which was supported by the trend in interest income;
- Zao Banca Intesa, the bank established to assist Italian enterprises operating in the Russian market and those interested in operating there, offering commercial and financial services to corporate customers, achieved a positive net income for the period of 2 million euro against a substantially similar result in the first nine months of 2006. The performance of net income was favoured by a rise in operations with customers, which sustained revenues;
- Banca Intesa France posted lower operating income with respect to the first nine months of 2006, due to the natural and advance reimbursement of certain loans at the beginning of the year. However, operations showed signs of recovery starting from March, which enabled the granting of new loans for 300 million euro.

Within the Financial Institutions Division, in the third quarter, the integration of the customer portfolio and the centralisation of the relevant responsibilities to the relationship managers continued. The granting and promotion of investment banking services, up until the third quarter, was in line with the previous months, both in terms of the number of operations and in terms of profitability thereof. The worsening of liquidity conditions, specifically in the interbank market, starting from mid-August, generated greater selectivity in loan decisions. Within international payments, the Division confirmed the upward trend in volumes and revenues registered in the previous year, consolidated the offering of services to existing customers in custody activities, also due to the new products developed in 2006 and to the broadening of the range of services and, lastly, with the role of correspondent bank, increased operating volumes as a result of the investment policies on multi-manager funds for institutional customers and of placement activities for foreign funds.

Within the Investment Banking Division, in the third quarter 2007, significant mandates were acquired regarding some of the most important structured finance operations concluded on the Italian market. In addition, execution on the secondary market continued, in relation to the sale and purchase of several of the most important loans in the managed portfolio. With regard to the real estate segment, in the first nine months of 2007, the Division consolidated its leadership position, which was reached by further developing the business model that combines analysed loans for 3.3 billion euro and structured credit lines for 1.6 billion euro, of which 1.1 billion subscribed.

The mission of the Merchant Banking Department is value creation for the Group through acquisition and management of equity investments, equity-linked instruments, as well as participation to closed-end funds which invest in equity. The activity is mainly carried out using own capital of the Group, both through an internal department of the Bank and through fully-owned dedicated subsidiaries. This Division also includes two asset management companies (SGR) managing private equity funds for SMEs, in which investors external to the Group are involved. As at 30th September 2007 the merchant banking portfolio (direct and through subsidiaries) included 54 equity investments, amounting to a total of approximately 1.7 billion euro, of which 0.2 billion euro invested in closed-end funds, and the remaining amount in specialised assets.

The Corporate & Investment Banking Division also comprises the activities of the Capital Markets Department which includes Banca IMI and Banca Caboto that, in the reference period, operated as separate legal entities. On 30th July 2007, the incorporation of Banca IMI into Banca Caboto was resolved, which resulted in, effective from 1st October, the creation of the "new" Banca IMI. This new company, which also incorporates the capital markets and investment banking business units of the Parent Company Intesa Sanpaolo, positions itself as a new corporate bank which is capable of offering innovative, complete financial services to companies and institutional players, both Italian and foreign.
The financial results, which on the whole were positive, were achieved in a market characterised by a liquidity crisis, as well as in the presence of extraordinary activities linked to the merger. Operating income amounted to 464 million euro, an increase of 3.7% compared to the same period of the previous year. The trend in revenues can be attributed to the profits on trading (+10.8%), which offset the fall in fee and commission income and interest income. Operating costs (210 million euro) registered a decline attributable in particular to personnel expenses. Income before tax from continuing operations amounted to 248 million euro, higher than the amount for the same period of 2006 (+10.7%).

With regard to Banca IMI, the tension deriving from the crisis in the US subprime mortgage sector affected the performance of quarterly results for financial market activities and, in particular, trading activities. On the distribution side, sales financial institutions activities were significantly affected by the liquidity crisis, which resulted in a significant reduction in volumes traded on secondary markets and the almost complete closing of the primary market. Structuring of hedging for Parent Company ALM partially offset, together with the constant development of the segment regarding certificates placed with third party banking networks, the decrease in assets recorded in the credit products sector. Activities in favour of retail customers were addressed in particular to customers of the Group banks, involving bond issues and index-linked issues of EurizonVita. The distribution to corporate customers was mainly focused on opening new plain vanilla hedging positions, to benefit from the reduction in medium/long-term rates. On the contrary, the number of more complex products stipulated sharply decreased. As to equity capital markets activities, during the third quarter, Banca IMI carried out the role of assigned broker for the coordination of subscriptions for the IPOs launched by Wizard (a vehicle of the Marzotto family) on Marzotto convertible ordinary and saving shares. The bank also participated in the offer of Schering-Plough Corporation shares, a company listed on the NYSE, and acted in the role of co-manager for the secondary offer of USD 1.6 billion, carried out in the first half of August. In the financial institutions sector, the bank provided assistance to the Parent Company in the sale of Group branches to the consortium composed of Banca Carige, Banca Popolare di Bari, Credito Valtellinese and Veneto Banca.

Banca Caboto's operations in the third quarter of 2007 were affected by the crisis in the US subprime mortgage sector, leading to a decrease in activities on both the bond market, which became difficult to access due to the expansion of spreads and the sharper volatility, and the stock market. In this framework, Banca Caboto directed five operations, in five different roles: global coordinator and sponsor of the IPO of SAT- Società Aeroporto Toscano Galileo Galilei; assigned intermediary for the coordination of subscriptions of the total voluntary tender offers launched by Gamma RE on the Tecla and Berenice closed-end real estate funds, and the tender offer launched by Galane on the Berenice fund; and bookrunner regarding ABB (Accelerated Book Building) on Edison shares. Activities on secondary markets evidenced a positive performance compared to the same period of 2006 with reference to government securities, while operations with customers recorded a downturn due to the increased aversion to risk and the "fly to liquidity" and "fly to quality" phenomena which accentuated the orientation towards short-term maturities and government securities with lower profitability. Brokerage on Italian markets for retail customers, in the first nine months, recorded an increase of 32% in brokered volumes. Results of operations in interest rate and inflation derivatives and intermediation of listed derivatives showed increases of 25% and 6% respectively, compared to the same period of 2006.

On 25th October the operations that led Telco (a company participated in by Intesa Sanpaolo, Assicurazioni Generali, Mediobanca, Sintonia, together with Telefonica) to acquire a 23.6% stake in the ordinary share capital of Telecom Italia were finalised. This transaction, including the financing provided by Intesa Sanpaolo and Mediobanca, is described in further detail among the significant subsequent events.

The Corporate & Investment Banking Division is also responsible for the operations carried out by Intesa Mediofactoring, which registered a reduction in intermediated volumes from the beginning of the year. Turnover, for which the company is leader in the national ranking, reached 18.6 billion euro in the first nine months of 2007, with new business decreasing compared to the same period of 2006. Despite the decrease in intermediated volumes, average loans remained at the same levels as those of the previous year, while the stock of loans outstanding as at 30th September 2007 increased by 1.1%. Operating income equalled 101 million euro, down by 5.5% due to the negative performance of fee and commission income (-5.2%). This decrease can be attributed to both the reduction in intermediated volumes and the pricing applied to customers, as effects of the more competitive market context. Net income, while in the presence of fewer net adjustments and provisions, amounted to 35 million euro, down by 7.6%.

Public Finance

(in millions of euro)

Statement of income/Alternative performance indicators	30.09.2007	30.09.2006 restated (*)	Changes amount	Changes %
Net interest income	152	152	-	-
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	33	45	-12	-26.7
Profits (Losses) on trading	25	26	-1	-3.8
Income from insurance business	-	-	-	-
Other operating income (expenses)	6	-	6	-
Operating income	**216**	**223**	**-7**	**-3.1**
Personnel expenses	-27	-24	3	12.5
Other administrative expenses	-45	-44	1	2.3
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-72**	**-68**	**4**	**5.9**
Operating margin	**144**	**155**	**-11**	**-7.1**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-	-	-	-
Net adjustments to loans	-8	3	-11	
Net impairment losses on other assets	-6	-	6	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**130**	**158**	**-28**	**-17.7**
Allocated capital	1,080	1,090	-10	-0.9
Profitability ratios (%)				
Cost / Income ratio	33.3	30.5	2.8	9.2
ROE before tax (annualised)	16.1	19.4	-3.3	-17.0
EVA® (in millions of euro)	3	23	-20	-87.0

(in millions of euro)

	30.09.2007	31.12.2006 restated (*)	Changes amount	Changes %
Loans to customers	33,268	36,331	-3,063	-8.4
Direct customer deposits	5,689	8,020	-2,331	-29.1
of which: due to customers	*4,125*	*5,004*	*-879*	*-17.6*
securities issued	*1,564*	*3,016*	*-1,452*	*-48.1*

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and ii) the changes in the consolidation area and in business unit constituents.

The Public Finance Business Unit is responsible for customers in government, public entities, local authorities, public utilities, general contractors, and public and private healthcare structures, developing activities related to lending and day-to-day banking operations, project financing, securitisations, financial advisory, with the aim of favouring the cooperation between public and private entities and supporting initiatives and investment projects in large infrastructures, healthcare, research and public utilities in general.

Public Finance is composed of Banca OPI and Banca Intesa Infrastrutture e Sviluppo (BIIS) which have been operating as a single unit since the first few months of 2007. Their forthcoming integration, expected by the end of the current year, will lead to the setting up of the leading Italian bank in public finance and one of the leaders in Europe.

Public Finance closed the first nine months of 2007 with an operating income of 216 million euro, 7 million euro down with respect to the same period of the previous year (-3.1%). However, the comparison between the two periods is influenced by the effects of non-recurring operations, amounting to 3 million euro in the first nine months of 2007 (non-recurring income of BIIS linked to the sale of tax collection companies stipulated in 2006) and to 23 million euro in the first nine months of 2006 (generated by sales and/or advance extinction of Banca OPI's assets, at economic conditions better than the current ones; the relevant contracts were stipulated in the previous years and are not deemed to be replicable in the current market context and within normal active portfolio management activities). Excluding such effects, revenues would register a 13 million euro increase (+6.7%).
Net interest income (152 million euro) remained substantially stable compared to the same period of the previous year, due to the development loans to customers (+19% in average terms including the operations related to the subscription of securities) partly attenuated by a slight decrease in spreads. Nonetheless, excluding non-recurring operations, the margin grew by 9.3%. Net fee and commission income, equal to 33 million euro, decreased by 26.7% (-10.8% net of the aforementioned non-recurring components) due to a delay in the closing of structured operations, as ordinary operations were in line with the previous year. Profits on trading (25 million euro) registered a 3.8% reduction, attributable to both the slowdown in the reference market and the high comparative figure for 2006 which benefited from the aforementioned non-recurring operations and the launch on the market of significant investment banking operations. Net of non-recurring components, income increased by 4.2%.
Operating costs (72 million euro) recorded a 5.9% rise due to an increase in personnel expenses linked to the increase in Banca OPI's employees, which occurred to a greater extent in the second half of 2006 in support of business development. The cost/income ratio equalled 33.3%, consistent overall with the mix of transactional operations, of lending/funding and structured finance activities managed by the Business Unit.
Operating margin (144 million euro) registered a 11 million euro contraction compared to the same period of the previous year, but an 9 million euro increase (+7.5%) excluding the effects of the aforementioned non-recurring operations. Income before tax from continuing operations (130 million euro) recorded a 28 million euro decline (-17.7%) due to both the aforementioned non-recurring components (down by 8 million euro on a normalised basis) and the City of Taranto's financial difficulties, that affect Banca OPI's results for the first nine months of 2007 being almost entirely responsible for adjustments to loans.
The capital allocated amounted to 1,080 million euro, slightly less than the levels of the first nine months of 2006. Annualised ROE before tax highlighted a reduction from the values of the same period of the previous year due to trends described in economic results and capital.

With regard to the main balance sheet figures, the decline of loans to customers (-8.4%) from the beginning of the year was partly offset by the positive performance of activities related to the subscription of customer securities. Excluding an important short-term operation with tax collection counterparties for approximately 4,600 million euro, concluded in the last few days of 2006 and reimbursed at the end of the first half, the aggregate would evidence a 4.8% rise.

The public infrastructures sector in Italy is undergoing a phase of reassessment and reallocation of resources, also following the various priorities set out by the new Government and the investments that are under definition consistently with public finance conditions. In this context, characterised by the partial interruption of large public works and financial operations in the public sector, by uncertainties at the local level (also due to elections in primary local authorities), by strong market competition following higher interest shown by major international players and highly competitive pricing policies, development activities in favour of the cooperation between public and private sectors were further expanded, with the definition of numerous operations of primary importance for the country.
In particular, in the third quarter, in order to assist and promote the development of large infrastructures in the country, activities aimed at favouring the realisation of both the road system in Lombardy and the Brescia-Milano (BreBeMi) motorway continued.
Activities in support of health services, universities and scientific research continued, and an operation was defined for the transfer without recourse of loans held by the member clinics of the AIOP– Italian Association of Private Hospitals to the Lazio Region.
In favour of the improvement of public and public utility services, the following is noted: the stipulation of a medium-term loan to SET – Società Energetica Teverola S.p.A., a joint venture created for the realisation and operation of a gas-fuelled power plant; project financing for a new wind-energy plant in the Province of Foggia. Within structuring activities, Intesa Sanpaolo acted as arranger for GORI S.p.A., concessionaire

for the management of the integrated Water System in the Ambito Territoriale Ottimale "Sarnese Vesuviano", for the realisation of the investment plan set out in the relevant Piano d'Ambito in the water sector.
Regarding the support of the financial balance in the public sector, in the third quarter, disbursements were made to the Province of Brescia to finance long-term investments and securities issued by the Cassa del Trentino, controlled by the Autonomous Province of Trento, to support investments in local autonomies within the province.
Within public & infrastructure finance activities abroad, quotas were subscribed of bond loans issued by Institut Català de Finances, the government agency in the region of Catalonia, responsible for the implementation of financial policy.

International Subsidiary Banks

(in millions of euro)

Statement of income/Alternative performance indicators	30.09.2007	30.09.2006 restated (*)	Changes amount	Changes %
Net interest income	822	661	161	24.4
Dividends and profits (losses) on investments carried at equity	1	-	1	-
Net fee and commission income	358	311	47	15.1
Profits (Losses) on trading	213	166	47	28.3
Income from insurance business	-	-	-	-
Other operating income (expenses)	-3	1	-4	
Operating income	**1,391**	**1,139**	**252**	**22.1**
Personnel expenses	-347	-309	38	12.3
Other administrative expenses	-254	-236	18	7.6
Adjustments to property, equipment and intangible assets	-88	-74	14	18.9
Operating costs	**-689**	**-619**	**70**	**11.3**
Operating margin	**702**	**520**	**182**	**35.0**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-8	-2	6	
Net adjustments to loans	-100	-115	-15	-13.0
Net impairment losses on other assets	-	4	-4	
Profits (Losses) on investments held to maturity and on other investments	4	18	-14	-77.8
Income (Loss) before tax from continuing operations	**598**	**425**	**173**	**40.7**
Allocated capital	1,542	1,237	305	24.7
Profitability ratios (%)				
Cost / Income ratio	49.5	54.3	-4.8	-8.8
ROE before tax (annualised)	51.8	45.9	5.9	12.9
EVA® (in millions of euro)	302	198	104	52.5

(in millions of euro)

	30.09.2007	31.12.2006 restated (*)	Changes amount	Changes %
Loans to customers	21,928	18,573	3,355	18.1
Direct customer deposits	25,890	23,733	2,157	9.1
of which: due to customers	*24,602*	*22,524*	*2,078*	*9.2*
securities issued	*1,288*	*1,209*	*79*	*6.5*

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and ii) the changes in the consolidation area.

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. The Division also coordinates operations of international subsidiaries and their relations with the Parent Company's centralised structures 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, including the banking subsidiaries in Central-Eastern Europe (Banka Koper in Slovenia, Vseobecna Uverova Banka in

Slovakia, Central-European International Bank and Inter-Europa Bank in Hungary) and in South-Eastern Europe (Privredna Banka Zagreb in Croatia, Banca Intesa Beograd and Panonska Banka in Serbia, UPI Banka in Bosnia-Herzegovina, Banca Italo Albanese and American Bank of Albania in Albania and Sanpaolo IMI Bank Romania); the Commonwealth of Independent States Banking Area, which includes the subsidiary KMB Bank in the Russian Federation; the South Mediterranean and Asia Banking Area, in chare of developing relations in the Mediterranean basin where the Group has a presence through Bank of Alexandria. Consistently with the 2007-2009 Business Plan, an integration is foreseen for the two banking subsidiaries each operating in Serbia (Banca Intesa Beograd and Panonska Banka), in Albania (Banca Italo Albanese and American Bank of Albania) and in Hungary (Central-European International Bank and Inter-Europa Bank).
The distribution structure, including frequent acquisitions, directly covers 12 countries and is made up of over 1,200 branches.

The Division's statement of income includes the effects of the line-by-line consolidation of American Bank of Albania, starting from 1st July 2007. With the purpose of guaranteeing a consistent comparison, the figures related to the first nine months of 2006 were restated, applying the accounting effects of the acquisitions of Banca Italo Albanese, Panonska Banka and Bank of Alexandria to 1st January 2006, and the of the acquisition of American Bank of Albania to 1st July 2006.
In the first nine months of 2007, the Division's activities evidenced high growth rates with reference to all economic margins and to all operating aggregates.
Operating income recorded an increase of 22.1% compared to the first nine months of 2006, amounting to 1,391 million euro.
Specifically, interest income reached 822 million euro, an increase of 24.4% compared to 661 million in the same period of the previous year. The increase is attributable to the growth in intermediated volumes (+13%), sustained by the rise in loans to customers (+18.1%) and direct customer deposits (+9.1%). The rise in interest income is attributable for 23 million euro to Bank of Alexandria, which benefited from far higher spreads in relation to the close of particularly burdensome funding and non-interest-earning loans with the public sector, for 32 million euro to Vseobecna Uverova Banka and for 31 million euro to Banca Intesa Beograd, attributable not only to higher operations of the two banks, but also, partly, to the exchange rate effect linked to the appreciation of local currencies. The rise in interest rates was driven by banks in the CEE area, specifically, the monetary policy of the central banks in Hungary and Slovakia aimed at keeping inflation under control and sustaining the exchange rate, and can therefore be related, as concerns operations in euro, to the interest rate rises decided by the ECB.
Net fee and commission income grew by 15.1% (358 million euro compared to 311 million euro), specifically due to Privredna Banka Zagreb (+19 million euro) and Central-European International Bank (+14 million euro). This trend benefited from both increased related revenues and the positive development of loans to customers, as well as the increase in operations, payment operations in particular, carried out by customers.
Profits on trading rose to 213 million euro from 166 million in the same period of 2006, mainly due to the favourable performance of the Bank of Alexandria (+32 million euro) and the Central-European International Bank (+24 million euro) linked to trading in securities and the appreciation of securities held for trading.
Operating costs grew by 11.3%, reaching 689 million euro. Personnel expenses increased by 12.3%, with growth generalised over all companies, following, above all the expansion of the distribution network. Bank of Alexandria and Vseobecna Uverova Banka are exceptions which presented a reduction in average terms, respectively approximately 890 and 350 employees following the realisation of restructuring and efficiency plans. Administrative expenses and amortisation and depreciation evidenced an increase of respectively 7.6% and 18.9%, primarily determined by the expansion of the distribution network, with a consequent impact on logistic and infrastructure expenses.
Allocated capital represented 7% of the Group's capital, and amounted to 1,542 million euro, up on the level recorded in the first nine months of 2006. The aforementioned economic results and capital determined an increase in annualised RoE before tax to 51.8% (from 45.9% in the same period of 2006). Value creation, expressed in terms of EVA, demonstrated a sharp increase, reaching 302 million euro.

Banka Koper, in the first nine months of del 2007, recorded an operating income of 65 million euro, greater than that of the same period of 2006. The higher net interest income, (+14.7%) and greater fee and commission income (+7.7%) deriving from the credit card business and indirect customer deposits more than offset the reduction in profits on trading (-46.6%), due to the fall in trading volumes on securities and foreign exchange. Interest income benefited from the increase in average loans to customers

(+17.5%), mainly sustained by the retail component, and by the improvement in spreads. Operating costs recorded an increase of 13.7% mainly as a result of the increase in IT expenses and the expansion of the network. Net income equalled 18 million euro, down by 43% compared to the first nine months of 2006. The comparative period however benefited from revenues generated by sales of equity investments for 13.6 million euro.

The Vseobecna Uverova Banka (VUB) group recorded an operating margin of 140 million euro, a 31.4% increase compared to the first nine months of 2006. Operating income grew by 20.2%, partly as a result of local currency appreciation, and partly due to the positive performance of net interest income and profits on trading. More specifically, net interest income benefited from the increase in average volumes with customers (+31.3% loans to customers; +26% customer deposits) whereas profits on trading benefited from the transfer of shares available for sale. Operating costs amounted to 133 million euro, an increase of 10.2%. Excluding the effect of currency appreciation, costs decreased by 0.7% thanks to the positive impact of the efficiency plan, which determined a contraction in the average number of employees and savings in administrative expenses. Net income rose by 37.5% as a result of the abovementioned effects.

The Central-European International Bank (CIB) group posted net income for the first nine months of 2007 of 105 million euro, an increase of 42.5% compared to the same period of last year. The positive trend in revenues (+18.7% to 308 million euro) amply balanced the growth in operating costs determining a cost/income ratio at 45%. Among revenues, we note the rise in net fee and commissions (+20.6% to 80 million euro) and the increase in profits on trading (+36.4% to 91 million euro) attributable, in particular, to trading on securities and the appreciation of securities held for trading. Net interest income, instead, remained almost unchanged: the rise in intermediated volumes (+39.8% direct customer deposits; +16.2% loans to customers) was offset by the contraction in the spread following the increase in the system’s competitiveness. Operating costs reached 139 million euro, up by 17.8%. Their trend was influenced by personnel expenses, linked to the increase in staff following the opening of new branches, as well as by the expenses for the launch of a new advertising campaign related to residential mortgages.

The Inter-Europa Bank (IEB) group recorded operating income for the first nine months of 2007 of 57 million euro, up 10.4% on the same period of the previous year, driven by net interest income which more than offset the drop in profits on trading. Net interest income benefited from the significant progress in average volumes with customers (+33.6% loans to customers; +40.4% direct customer deposits), while profits on trading was impacted by the inclusion, in the basis of comparison, of non-recurring revenues deriving from the transfer of an equity investment in 2006. Operating costs showed an increase of 17.1% determined by all components: personnel expenses (+17.2%) as a result of a different incentive policy; organisational-administrative expenses (+15.1%) and amortisation and depreciation (+27%) in relation to higher advertising expenses as well as the expansion of back office activities. The operating margin remained at the same levels of the first nine months of 2006, while net income decreased by 6.5% due to increased adjustments to loans.

In the first nine months of 2007, the Privredna Banka Zagreb (PBZ) group’s operating income reached 325 million euro (+12.9%) benefiting from the positive contribution of all components. The trend of revenues enabled the offsetting of higher operating costs (+11.1%) deriving from the expansion of the distribution network and by the subsequent personnel increase, as well as by higher marketing expenses related to the launch of new products. The cost/income ratio decreased by approximately one percentage point, to 48.7%. With regard to revenues, net interest income (+11.8%) benefited from the marked increase in intermediated volumes (loans to customers +20.4%) only partly offset by a small drop in the spread mainly due to higher funding cost. Fee and commission income (+22.1%) was driven mainly by the development of credit cards (188,000 new cards issued in the first nine months of 2007). On the contrary, profit on trading evidenced a downturn of 8.6% compared to the first nine months of 2006. Net income, also benefiting from the decrease in net adjustments to loans, stood at 126 million euro, an increase of 19.7%.

Banca Intesa Beograd registered an operating margin for the first nine months of 2007 of 53 million euro, with a 57.4% increase with respect to the corresponding period of 2006. The increase in operating income (+33.6%) amply offset the rise in operating costs (+15.2%) determined by the increase in employees. Revenues were positively affected by the favourable trend of net interest income (+77.9%) that benefited from the expansion of operations, the rise in the spread and the increase in average volumes with customers (loans to customers +40.8%; direct customer deposits +43.6%). Fee and commission income improved significantly (+15%), mainly attributable to the payment services sector. Profits on trading, instead, decreased (-57%) as a result of both the reduction in trading margins on currencies and lower income on securities trading, in particular bonds, due to less favourable market conditions. Net income amounted to 34 million euro, a 46.3% increase.

In the first nine months of 2007 Panonska Banka realised net income of 4.5 million euro, compared to a loss in the first nine months of the previous year. Revenues recorded a 35.2% growth rate due to the rise in net interest income, related to the increase in loans to customers (+46.3%), and in net fee and commission income. The increase in the latter (+38.6%), determined by higher number of transactions with customers, especially of payments, offset the reduction in profits on trading and in other operating income. Operating costs recorded an 11.4% increase, due to the rise both in personnel expenses and in administrative expenses and amortisation/depreciation, following the expansion of the network.

UPI Banka closed the first nine months of 2007 with an operating margin of 4.8 million euro, an increase 12.1% compared to the same period of 2006. The increase in revenues (+17.4%) was almost entirely absorbed by higher operating costs due to the expansion of the network. The rise in revenues is attributable to net interest income (+28.5%) that benefited from higher loans to customers (+34%), following the expansion of the branch network and the introduction of new products for retail customers. Also direct customer deposits recorded an increase (+21.4% to 348 million euro). Net income amounted to 0.4 million euro, down from the 2.4 million euro of the first nine months of 2006, due to higher net adjustments to loans.

In the first nine months of 2007 Banca Italo Albanese highlighted a marked improvement in operating margin, up to 1.7 million euro compared to 0.8 million euro in the same period of the previous year. Revenues rose to 4.7 million euro, a strong increase determined by the performance of net interest income (+32.1%) attributable to the increase in average loans to customers (+49.6%) and in average direct customer deposits (+27.9%). Net income amounted to 0.9 million euro against a net loss of 4.7 million euro in the first nine months of 2006, but it must be noted that the comparison is influenced by non-recurring net adjustments to loans of 5.4 million euro, made the previous year to comply with Group accounting criteria.

American Bank of Albania, acquired at the end of June, was consolidated on a line-by-line basis effective 1st July 2007. The economic results of the first nine months evidenced net income of 2 million euro, whilst balance sheet data at the end of the period demonstrated, on an annual basis, increases in both loans to customers (+30%) and direct customer deposits (+15.8%).

Sanpaolo IMI Bank Romania registered an operating margin of 5.3 million euro, a 34.4% increase with respect to the first nine months of 2006: in fact, the rise in operating income (+40.2%) was only partially eroded by the increase in costs (+42.8%). As concerns revenues, net fee and commission income recorded good performance, mainly related to the development of lending activities and profits on trading. Net interest income demonstrated substantially stability, as the increase in average volumes with customers (+77.7% loans to customers; +36.4% direct customer deposits) was balanced by the reduction in the spread due to the significant use of interbank liabilities. The growth in operating costs can be attributed to advertising initiatives and the development of the distribution network. Net income amounted to 4.6 million euro, an increase of 15.7%.

KMB Bank is a leading bank in lending and leasing activities for small and medium-sized enterprises in the Russian Federation. In the first nine months of 2007 the statement of income closed with a net income of 15 million euro compared to 6 million euro recorded in the corresponding period of 2006. The increase was mainly due to net interest income, that benefited from higher intermediated volumes: average loans to customers reached 711 million euro and direct customer deposits 510 million euro, highlighting progress of 58.1% and 105.7%, respectively. On the contrary, spreads to customers decreased compared to the first nine months of 2006 mainly as a result of the reduction in lending interest rates. Operating costs rose by 22.9% due to the increase in personnel expenses determined by the rise in the number of employees and in administrative expenses, in particular real estate and advertising, following the expansion of operations.

Bank of Alexandria achieved a net income of 65 million euro, against 7 million euro registered in the first nine months of 2006, thanks to both an increase in revenues (+63.8%) and a reduction in costs (-17%). Operating income recorded a positive performance due to profits on trading (up from 10 to 42 million euro, thanks to the transfer of investments, to the appreciation of the securities held for trading and to profits on mutual funds trading) and to net interest income of 59 million euro against the 36 million euro of the corresponding period of 2006. The latter was related to far higher spreads in the first nine months of 2007, following the closure of particularly burdensome funding contracts and of non-interest-earning loans to the public sector that characterised the corresponding period of the previous year. As regard costs, in 2006, a restructuring and efficiency plan was launched, which allowed the bank to save on operating costs. Personnel expenses recorded a 18.1% reduction, due to the reduction in the number of employees, whereas administrative expenses evidenced a 25.2% drop, due to tighter cost control and the lack of the non-recurring advisory fees paid in 2006 for the privatisation of the bank.

Eurizon Financial Group

(in millions of euro)

Statement of income/Alternative performance indicators	30.09.2007	30.09.2006 restated (*)	Changes amount	Changes %
Net interest income	97	57	40	70.2
Dividends and profits (losses) on investments carried at equity	11	13	-2	-15.4
Net fee and commission income	634	616	18	2.9
Profits (Losses) on trading	7	5	2	40.0
Income from insurance business	356	284	72	25.4
Other operating income (expenses)	9	15	-6	-40.0
Operating income	**1,114**	**990**	**124**	**12.5**
Personnel expenses	-203	-182	21	11.5
Other administrative expenses	-211	-217	-6	-2.8
Adjustments to property, equipment and intangible assets	-22	-19	3	15.8
Operating costs	**-436**	**-418**	**18**	**4.3**
Operating margin	**678**	**572**	**106**	**18.5**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-28	-40	-12	-30.0
Net adjustments to loans	-2	1	-3	
Net impairment losses on other assets	-5	-	5	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**643**	**533**	**110**	**20.6**
Allocated capital	1,270	1,292	-22	-1.7
Profitability ratios (%)				
Cost / Income ratio	39.1	42.2	-3.1	-7.3
ROE before tax (annualised)	67.7	55.2	12.5	22.7
EVA® (in millions of euro)	336	300	36	12.0

(in millions of euro)

	30.09.2007	31.12.2006	Changes amount	Changes %
Assets under management	166,448	171,204	-4,756	-2.8
of which: life technical reserves and financial liabilities	*45,389*	*46,105*	*-716*	*-1.6*

(*) Figures restated on a consistent basis, considering changes in the consolidation area.

In the first nine months of 2007 the operating scope of Eurizon Financial Group (Eurizon) included the insurance business run by EurizonVita, the asset-gathering activities performed by the Banca Fideuram group's network of financial advisors serving customers with medium to high savings potential and asset management activities carried out by Eurizon Capital.

On 19th June 2007 the Management Board and the Supervisory Board of Intesa Sanpaolo resolved not to proceed with the listing of Eurizon in its current configuration, but to continue the development and enhancement of the three different business lines included in the group: EurizonVita, Eurizon Capital and Banca Fideuram.
Consistently with the strategic decisions undertaken, the sub-holding Eurizon Financial Group will be incorporated into Intesa Sanpaolo, with effective date 31st December 2007.

In the first nine months of 2007 income before tax from continuing operations for the business area evidenced a 20.6% increase to 643 million euro with respect to the 533 million euro of the corresponding period of 2006. In particular, Eurizon recorded a 12.5% increase in operating income compared to the first nine months of the previous year. This trend reflected the increase in income from insurance business (+25.4%) mainly due to the good performance of financial management and collected insurance premiums. A contribution was also given by higher net interest income (+70.2%) linked to the decisions taken on Banca Fideuram's securities portfolio that permitted the bank to take advantage of the rise in interest rates. Operating costs rose by 4.3%, due to the increase in the number of employees.
As at 30th September 2007 the group's customer funds amounted to 191 billion euro (of which over 166 billion euro related to the assets under management segment), a 0.7% increase from the beginning of the year.
The capital absorbed by the business area, which makes up 6% of the Group's capital, amounted to 1,270 million euro, a 1.7% increase with respect to the first nine months of 2006. Good economic results, coupled with the above-mentioned capital absorption, determined an increase in annualised RoE before tax to 67.7% (from 55.2% in the first nine months of 2006). EVA, which measures value creation, rose from 300 million euro to 336 million euro.

In the third quarter of 2007, EurizonVita continued the consolidation of its product range for the banking channel, with a view to repositioning investment terms to medium/long-term durations, and reallocating the business in the traditional segment to the financial segment, specifically unit and index linked, which are becoming the preference of customers.
The distribution of pension products dedicated to mass market customers continued, through the new EurizonVita network of social security experts. In particular, three multi-branch products including an individual pension plan (EurizonVita Progetto Pensione) characterised by no entry commission and high flexibility were made available to the network.
In fulfilment of the indications of the Italian Competition Authority, the process of creation of Sud Polo Vita continued. This new insurance company, operational from 1st November 2007, was formed from the partial split-off of the business branches of EurizonVita and Intesa Vita. The portfolio of policies regarding Banco di Napoli, Intesa Casse del Centro and the former Intesa branches in the regions of Campania, Puglia, Basilicata and Calabria were transferred to Sud Polo Vita. Sud Polo Vita will distribute its products through 1,117 branches located in Central and Southern Italy, with which it will have an exclusive distribution contract for six years.
EurizonVita highlighted income before tax from continuing operations of 265 million euro in the first nine months of 2007, an increase of 21.9% compared to the compared to the same period of 2006 thanks to the good performance of income from banking, as well as the contribution of the insurance business, determined by the increase in new business
The rise in operating costs (+51.8%) is attributable to the investments made to improve the group's IT platform.
The investment portfolio, 46,597 million euro, was made up for 62% of securities designated at fair value, mainly for unit and index linked products, and for 38% of securities available for sale, mainly for revaluable policies. The insurance policies portfolio totalled 44,668 million euro, including 19,950 million euro in life technical reserves, 24,187 million euro in financial unit and index linked policies classified as deposits, and a marginal amount of policies with specific assets, reserves of open-end pension funds, and technical reserves for casualty branches
In the period EurizonVita registered a net flow, including both products classified as insurance products and policies with financial content, of 5,819 million euro (+33% with respect to the first nine months of 2006), with rises mainly in financial products. The overall collection, including the casualty business, totalled 5,921 million euro, up by 33%.
In terms of new business, in the first nine months of 2007 collections were 5,265 million euro (+37% compared to the corresponding period of the previous year), of which 3,659 million euro through the network banks (+12%), 1,586 million euro through private bankers of Banca Fideuram (+177%) and 20 million euro through other distribution networks (including the new network of EurizonVita).

After the transfer of Banca Fideuram's IT platform to Universo Servizi (now Eurizon Solutions) in 2006, in the first nine months of 2007 activities for the creation of a technology platform, shared by Fideuram Investimenti and Eurizon Capital, in support of the asset management business, were concluded. Customer funds at the end of September 2007 totalled 69 billion euro, with increases of 2.2% from the beginning of the year and of 4.9% over the twelve months, mainly due to the positive performance of operations and

to the net collection of life products, third party funds and assets under administration. Private bankers amounted to 4,285, a rise of 69 from the end of December 2006.
The net flow for the period amounted to 828 million euro, compared to 1,230 million euro in the first nine months of 2006. Collection through mutual funds and individual portfolio management was negative for 1,893 million euro whereas the flow of life insurance and pension funds and asset administration products showed substantial increases (respectively of 655 million euro and 2,066 million euro).
New business in the life segment reached 1,586 million euro (+177 compared to the first nine months of 2006).
Income before tax from continuing operations equalled 260 million euro, a 21.1% increase compared to the first nine months of the previous year. Income for the period benefited from the improvement in interest income (attributable to the growth in intermediated volumes, the rise in market interest rates and to new investment policies), and of profits on trading that, together with lower provisions, more than balanced the increase in operating costs.

Eurizon Capital SGR is the company specialised in providing collective and individual asset management products to the Group's internal banking networks as well as in developing the 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, set up to promote and manage, respectively, funds under Luxembourg law and alternative funds.
At the end of September 2007 customer funds totalled 113 billion euro, with a 3.7% contraction from the beginning of the year, due to the reduction in EurizonVita's separate management attributable to the reserves of traditional products and to the outflow of mutual funds.
Operating income for the first nine months of 2007, equal to 202 million euro, increased by 9.8% compared to the same period of the previous year. Income before tax from continuing operations equalled 130 million euro, a 12.7% increase compared to the first nine months of 2006. The improvement in efficiency is confirmed by the reduction in the cost/income ratio to 35.4% from 37.3% of the corresponding period of the previous year.

Corporate Centre

The Corporate Centre is responsible not only for guidance, coordination and control of the whole Group, but also for treasury and strategic finance activities and proprietary portfolio management. Therefore, Corporate Centre includes the central structures that perform holding company activities or support operating units through centralised services.

As regards treasury activities, in the third quarter of 2007, the Bank confirmed its leadership as an Italian player in domestic and cross-border payment systems in euro. Activities in terms of volumes and number of settled transactions amounted to 43 billion euro. The amount of loans allocated through the "ABACO" (Attivi BAncari COllateralizzati) procedure of the Bank of Italy increased steadily. This system enables the Bank to allocate these loans for the management of liquidity and as collateral of infra-day settlements. Furthermore, the interbank operations settled directly with the Ministry of Economy and Finance (application OPTES) both on own account and on behalf of other banks intensified.
With regard to monetary markets, the liquidity crisis which arose following the explosion of the subprime mortgage crisis significantly affected the strategies of the monetary market desk: specifically, measures were implemented aimed at freeing up liquidity, through the decision not to renew maturing investment operations, and the average life of short-term deposits was extended, as they are normally concentrated on the very short term. As regards issue programmes, the use of Commercial Papers in USD was intensified, through the New York branch, as well as the use of ECP/CD through the Irish subsidiaries.

Within the proprietary portfolio, in the third quarter, the funds investment component grew further compared to the first two quarters, mainly due to gross performance.
The credit market was characterised by strong repricing of credit risk, which generated high volatility of spreads. In this context, both risk positions and, to a lesser extent, the corporate bond portfolio, were reduced.
The stock market, after difficulties in July and August, took off again in September, recovering part of its losses. The volatility of the stock market was the highest of the last three years, confirming the trend towards increasing risk premium demonstrated in the first half of the year. In this scenario, the desk decreased the total risk of the portfolio, and implemented modulated hedging strategies, through short positions in futures and through the purchase of put options on indices and single securities.
In the fixed-income segment, the third quarter of 2007 was influenced the events which led to the volatility of the desk's results: the subprime mortgage crisis, which determined the marked widening of swap spreads on government securities, resulted in the reduction in most positions. The consequent liquidity crisis which hit the monetary market, and the diminished funding capacity on the interbank market reduced the number of covered bonds held in the portfolio.
"Emerging markets" were subject to significant expansion of credit spreads in the third quarter. Different trends were observed in sovereign and corporate bonds: the former returned to pre-crisis levels; corporate bonds and, in particular, financials, were subject to progressive deterioration of spreads and a worsening of liquidity. This context penalised above all the financial sectors of Russia and Kazakhstan, formerly leading issuers on international markets, as a result of concerns over the impossibility of refinancing on these markets.
In the area of structured credit products, operations were strongly influenced by the crisis in the US subprime mortgage sector, and its extension to the European market, involving all asset classes. Risk aversion and lack of confidence in the real exposure of counterparties to subprime risk resulted in a strong contraction of liquidity on the market. The ABS portfolio was further reduced compared to June-July.

The "operating management of AVM (active value management)" gives operating support to the strategies set out by the active value management unit which reports to the Value Governance Area, through the implementation on financial markets of the interventions necessary for active management of credit, market and "banking book" risks; in particular, with reference to Asset & Liability Management activities, interest rate risk is monitored and managed measuring first of all the sensitivity of market value of banking book positions against changes in the yield curve at various maturities; furthermore, specific context analysis regarding the evolution of interest rates, as well as behavioural hypotheses on certain particular items are considered. The structural component of liquidity risk is managed through monitoring cash imbalances expected for maturity buckets, in function of liquidity polices defined internally. The analysis of imbalances on medium/long-term maturities enables the direction of planning of bond issues.

With regard to funding activities, in the third quarter, the total amount of Intesa Sanpaolo's bond issues placed in the domestic market amounted to 2 billion euro. Breakdown by type of placed securities showed a prevalence of the component consisting of plain vanilla securities with an incidence of 97.8%, whereas the weight of structured bonds was 2.2%. Breakdown by maturity showed a concentration on maturity of two years (20.8% of the total) and three years (75.6%); of the remaining deposits, 3.6% is represented by five -year bonds. International deposits recorded a slowdown in the third quarter 2007. Specifically 964 million euro was collected exclusively through private placement. In private placements, the innovative factor was represented by a predominance of zero coupon securities, mainly targeted to insurance companies, for a total of 1.5 billion in actual value, of which 692 million euro issued in the third quarter. Bonds denominated in euro have an absolute prevalence with 92% of total volume from the beginning of the year, whilst within securities in foreign currencies, private placements in yen are rising (5%).

The considerable increase in training days delivered (709,000, of which 93% in working days, with respect to 449,000 in the first nine months of 2006) is the proof, on the one hand, of the boost in integration processes and, on the other hand, of the enhancement of human resources as a crucial element in the pursuit of the sustainable growth objectives set out in the Business Plan. At the same time, the initiatives for early retirement incentive programmes continued, mainly through extraordinary recourse to the Solidarity Allowance of the banking sector (pursuant to Ministerial Decrees 158 of 2000 and 226 of 2006). At the deadline for voluntary subscription of the initiative (30th June 2007, extended to 31st July for those entitled to pensions), 4,300 employees had applied, of which almost 1,000 for retirement. The redundancy/retirement of these employees, planned gradually throughout 2007 in consideration of operating needs, will be partly balanced by new recruitments to ensure adequate service levels to branches and to support ICT integration activities. Following the agreement signed by the company with the trade unions on 1st August 2007, access to the Solidarity Allowance was extended to 2008 and 2009; consequently, 1,500 exits in 2008 and a further 800 in 2009 are expected. This initiative will enable the Group to absorb excess staff and to implement a drastic rejuvenation of personnel, with consequent benefits in terms of savings in personnel expenses which represent important cost synergies.

GEOGRAPHICAL AREAS

(in millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
30.06.2007	11,377	2,014	322	13,713
30.06.2006 restated [(*)]	11,090	1,623	286	12,999
% change [(a)]	2.6	24.1	12.6	5.5
Loans to customers				
30.06.2007	285,633	24,483	15,198	325,314
31.12.2006 restated [(*)]	285,073	21,000	15,198	321,271
% change [(b)]	0.2	16.6	-	1.3
Direct customer deposits				
30.06.2007	273,723	61,076	31,853	366,652
31.12.2006 restated [(*)]	278,514	54,424	30,309	363,247
% change [(b)]	-1.7	12.2	5.1	0.9

[(*)] Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

[(a)] The change expresses the ratio between 30.09.2007 and 30.09.2006 restated.

[(b)] The change expresses the ratio between 30.09.2007 and 31.12.2006 restated.

With regard to secondary segment reporting, based on geographical area, activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. In fact, 83% of revenues, 88% of loans to customers and 75% of direct customer deposits were realised in Italy. Abroad the group has a significant presence in Central and South-Eastern Europe (Croatia, Slovenia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina, Albania and Romania), in the Russian Federation and in the Mediterranean basin (Egypt).
As regards the performance of operations in the first nine months of 2007, Europe demonstrated sharp growth trends both in operating income and in volumes of deposits and loans.

Risk management

BASIC PRINCIPLES

The Intesa Sanpaolo policies relating to risk acceptance are defined by the Parent Company's Statutory Bodies (Supervisory Board and Management Board), with support from specific Committees.
The Parent Company performs guidance, management and overall control of risks. Group companies operate within the operating limits they have been assigned.
The long experience matured by Intesa and SANPAOLO IMI in risk management techniques enables the Group to use a wide array of metrics and instruments for the measurement and management of risks.
In the first months of the year they have been involved in a first phase of integration which enabled, among other things, the preparation of a control framework for Group risks capable of assessing risks taken on the basis of regulatory and economic prospects; the comparison with capital endowment allows monitoring of Group capital adequacy and is periodically reported to Top Management.
Risk measurements and their quantification in capital measures provide information for company decisions through the capital allocation system to the business lines and contribute to calculating risk-weighted profitability (RORAC – Return On Risk Adjusted Capital); they are therefore a key system to guide operations and to define the financial structure of the Group, maximising return for shareholders.

CREDIT RISKS

Intesa Sanpaolo has a set of instruments to ensure analytical control over the quality of loans to customers and financial institutions, and loans subject to country risk.
As regards, in particular, loans to customers, rating models have been developed, differentiated according to the economic sector and size of the counterparty (Corporate, Italian Public Entities, Small Businesses, Mortgage, and Personal Loans).
In recent years, Intesa and SANPAOLO IMI developed projects in the context of which new credit processes were implemented that, in accordance with the New Basel Accord (Basel 2), provided for the use of internal ratings as an essential part of deliberations on loan granting and management.
The original mission of the Basel 2 Project of both banks was to prepare for the adoption of the advanced approaches from the moment the New Accord came into force at the beginning of 2007. The merger has meant a rescheduling of the Project so as to proceed with the work necessary to integrate models and processes. Adoption of the advanced models has therefore been postponed until 2008.
The ratings are not just a direct instrument to manage and control credit risk, but are also a primary element for managerial control of credit risk, through the credit risk portfolio model, which synthesises the information on asset quality in terms of risk indicators, including expected losses and absorbed capital; the latter may be calculated according to supervisory rules (Basel 1 and Basel 2) or according to internal metrics (economic capital).

Credit quality

The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting. In particular, such activities are performed using measurement methods and performance controls that permit the construction of synthetic risk indicators. They interact with processes and procedures for loan management and for credit risk control and allow timely assessments to be formulated when any anomalies arise or persist.
The positions to which the synthetic risk index attributes a high risk valuation, which is confirmed over time, are intercepted and allocated to different categories based on the risk profile. Exposures with entities in default or in basically similar situations are classified under doubtful loans; exposures with entities in temporary difficulties, deemed solvable in a congruous period of time, are classified under substandard loans; positions for which the bank (or a group of banks), due to the deterioration of the economic and financial conditions of the borrower, permits a modification in the original contractual terms, are classified under restructured loans. Lastly, non-performing loans include loans past due by over 180 days.

(in millions of euro)

	30.09.2007			31.12.2006 restated (*)			Changes
	Gross exposure	**Total adjustments**	**Net exposure**	**Gross exposure**	**Total adjustments**	**Net exposure**	**Net exposure**
Doubtful loans	10,015	-7,151	2,864	9,666	-6,985	2,681	183
Substandard and restructured loans	5,263	-1,505	3,758	5,327	-1,497	3,830	-72
Past due loans	1,042	-119	923	1,282	-159	1,123	-200
Non-performing loans	**16,320**	**-8,775**	**7,545**	**16,275**	**-8,641**	**7,634**	**-89**
Performing loans	312,605	-2,308	310,297	310,700	-2,214	308,486	1,811
Performing loans represented by securities	7,479	-7	7,472	5,151	-	5,151	2,321
Loans to customers	**336,404**	**-11,090**	**325,314**	**332,126**	**-10,855**	**321,271**	**4,043**

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

The table confirms, also for the period under review, the high asset quality of the Group. Indeed, non performing loans have been reduced by 89 million euro. Related hedging reached 53.8%, a rise of 0.7 points over the end of the previous year. More specifically, doubtful loans did increase by 183 million euro but only represented 0.9% of total loans, with coverage of around 71%. Substandard and restructured loans that fell by 72 million euro compared to 31st December 2006 were helped by provisions of approximately 29%. There was a significant drop in past due loans, with a coverage exceeding 11%. Lump-sum provisions to the performing portfolio stand at 0.7% of gross loans, the same percentage as for the end of last year and suitable to face the risk of regular loans. Risk implicit in performing loans is calculated collectively on the basis of the risk configuration of the entire portfolio analysed via models which consider the Probability of Default (PD) and the Loss Given Default (LGD) for each loan.

MARKET RISKS

TRADING BOOK

The activities for the quantification of trading risks are based on daily and periodic estimates of sensitivity of the trading portfolios of Intesa Sanpaolo, Banca Caboto and Banca IMI/Banca Caboto (merger effective from 1st October 2007), which represent the main portion of the Group's market risks, to adverse market movements relatively to the following risk factors:

- interest rates;
- equities and market indices;
- investment funds;
- foreign exchange rates;
- implicit volatilities;
- spreads in Credit Default Swaps;
- spreads in issued bonds;
- correlation instruments.

For certain of the abovementioned risk factors, the Supervisory Authority validated the internal models for the regulatory measurement of capital absorption of both Banca Intesa (2001) and Banca Caboto (2003). In 2004 the model related to Banca Intesa's credit derivatives (credit default swaps) was also validated.

The analysis of market risk profiles relative to the trading book uses various quantitative indicators of which 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 simulations with which to quantify risks from illiquid parameters (dividends, correlation, hedge funds).

The paragraphs below provide the estimates and evolution of operating VaR, defined as the sum of VaR and of simulation on illiquid parameters. VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and one-working day holding period.

In the third quarter of 2007 market risks originated by Intesa Sanpaolo, Banca Caboto and Banca IMI rose slightly compared to the averages for the second quarter of 2007, due to the volatility of various asset classes that arose after the subprime mortgage crisis. Operating VaR for the period equalled 26.7 million euro (average for the third quarter of 2007).

Daily operating VaR of the trading portfolio for Intesa Sanpaolo, Banca Caboto and Banca IMI[a]

(in millions of euro)

	2007					2006			
	average 3rd quarter	minimum 3rd quarter	maximum 3rd quarter	average 2nd quarter	average 1st quarter	average 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	20.0	16.1	24.4	18.5	16.5	16.0	26.1	34.4	36.1
Banca Caboto (*)	3.4	2.0	4.8	3.4	4.1	4.4	4.3	3.9	2.9
Banca IMI	3.3	1.9	5.6	2.7	2.8	2.4	1.9	2.4	n.d. (**)
Group	**26.7**	**21.4**	**32.6**	**24.6**	**23.4**	**22.8**	**32.3**	**40.7**	**39.0**

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

(*) Not including Banca Caboto's stress on illiquid parameters for the current quarter.

(*) For Banca IMI the Board of Directors resolved upon the adoption of measurement of financial risks based on historical VaR on 7th April 2006. Estimates are therefore available starting from the 2nd quarter of 2006.

For Intesa Sanpaolo, the breakdown of risk profile in the third quarter of 2007 with regard to the various factors shows the prevalence of equity risk which represented 32% of overall operating VaR; the same holds true for Banca Caboto (57% of the total) and for Banca IMI (37% of the total).

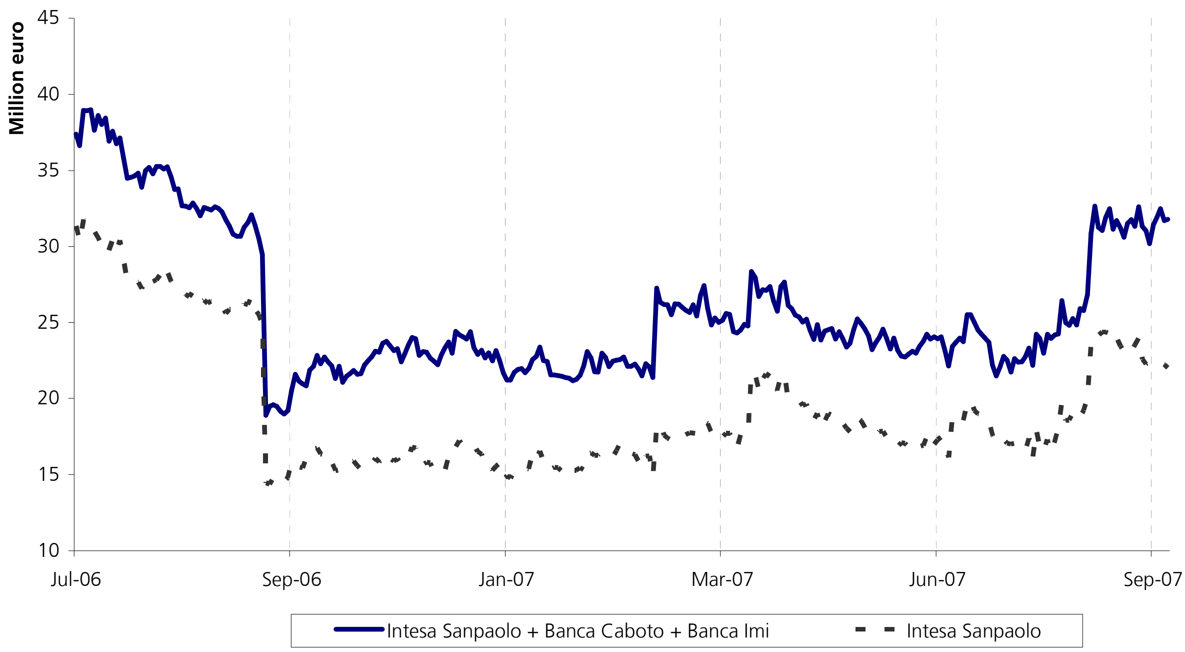
Contribution of risk factors to overall operating VaR [a]

3rd quarter 2007	Shares	Rates	Credit spread	Foreign Exchange	Hedge fund	Other parameters
Intesa Sanpaolo	32%	20%	22%	5%	20%	1%
Banca Caboto	57%	25%	18%	-	-	-
Banca IMI	37%	28%	31%	4%	-	1%
Group	**38%**	**22%**	**23%**	**3%**	**13%**	**1%**

[a] Each line in the table sets out the contribution of risk factors considering the overall operating VaR 100%, calculated as the average of daily estimates in the second quarter 2007, broken down between Intesa Sanpaolo, Banca Caboto and Banca IMI.

The trend of operating VaR in the last 12 months is shown below. The average level over the last quarter has increased on account of increased market volatility.

Daily evolution of market risks - operating VaR



BANKING BOOK

Market risk originated by the banking book arises primarily in the Parent Company and in the main subsidiaries that carry out retail and corporate banking. The banking book also includes exposure to market risks deriving from the equity investments in listed companies not fully consolidated or carried at equity held by the Parent Company, FIN.OPI, IMI International and Sanpaolo IMI Internazionale.
The following methods are used to measure market risks of the Group's banking book:
- Value at Risk (VaR);
- Sensitivity analysis.

Value at Risk is calculated as the maximum "unexpected" potential loss in the portfolio's market value that could be recorded over a ten day holding period with a statistical 99% confidence interval (parametric VaR). VaR is also used to consolidate exposure to financial risks of the various Group companies which perform banking book activities, thereby taking into account diversification benefits.

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 and volatility). As regards interest rate risk, adverse movement is defined as a parallel and uniform shift of +100 basis points of the interest rate curve. The measurements include the risk originated by customer sight loans and deposits, whose features of stability and of partial and delayed reaction to interest rate fluctuations have been studied by analysing a large collection of historical data, obtaining a maturity representation model through equivalent deposits.
Furthermore, sensitivity of the interest margin 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.

Hedging activity of interest rate risk is aimed (i) at protecting the banking book from variations in the fair value of loans and deposits due to movements in the interest rate curve or (ii) at 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 by the Parent Company with third parties or with other Group companies (mainly Banca IMI and Banca Caboto). The latter, in turn, replicate the transactions on the market so that the hedging deals 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 one refers to the fair value hedge of assets and liabilities specifically identified (micro-hedging), mainly bonds issued or acquired by the bank and loans to customers. Moreover, macro-hedging is carried out on the stable portion of on demand deposits and in order to cover the risk of fair value changes intrinsic in the instalments under accrual generated by floating rate operations. The Bank is exposed to this risk in the period from the date in which the rate is set and the date of payment of these net interests.
Another hedging method used is the cash flow hedge which has the purpose of stabilising interest flow on variable rate funding to the extent that the latter finances fixed-rate investments.
The Risk Management Department is in charge of measuring the effectiveness of interest rate risk hedges for the purpose of hedge accounting, in compliance with international accounting standards.

In the first nine months of 2007, the interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, showed an average value of 229 million euro, compared with 297 million euro of the pro forma figure of the end of 2006, reaching 70 million euro at the end of September.
Sensitivity of the interest margin – assuming a 100 basis point increase in interest rates – at the end of September amounted to 194 million euro (–196 million euro in case of reduction), in line with the pro forma figures at the end of 2006 (+205 million euro and –192 million euro, respectively, in case of increase/reduction of interest rates).
Interest rate risk, measured in terms of VaR (Value at Risk), in the first three quarters of 2007 was equal on average to 83 million euro (the pro forma figure at the end of 2006 was 93 million euro), with value of 33 million euro at the end of September.
Price risk generated by minority stakes in listed companies, almost entirely accounted for under the AFS principle, equalled an average of 200 million euro in the first nine months of 2007, measured through VaR (99% confidence level, 10-working day holding period), a drop compared to the pro forma figure of the end of 2006 (248 million euro), reaching 156 million euro at the end of September. The decrease is mainly attributable to the reduction of the portfolio as a result of the disposal of major shareholdings.

OPERATIONAL AND LEGAL RISKS

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 risks include legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual or out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.

In recent years, both Intesa and Sanpaolo IMI had commenced projects for the implementation of advanced operational risk management models; though the adopted approach is similar, the complete integration of the methodological and organisational components requires that the objective of adoption of the advanced models be postponed until 2008.

The Group has a centralised function within the Risk Management Department for the management of the Group's operational risks. 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 the Top Management. In compliance with current requirements, the Group's organisational units have been involved into the process and each of them was assigned the responsibility for the identification, assessment, management and mitigation of its operational risks; specific officers and departments have been identified within these organisational units to be responsible for Operational Risk Management

The Group's internal model is designed to combine all the main quantitative (historical loss data) and qualitative information sources (scenario analysis).

The quantitative component is based on the statistical analysis of historical loss data, relating to internal or external events (including through the participation in consortium initiatives such as "Database Italiano Perdite Operative" – Italian Operating Loss Database – managed by the Italian Banking Association and Operational Riskdata eXchange Association).

The qualitative component focuses on the assessment of the risk exposure of each unit and is based on the structured collection of subjective estimates aimed at assessment of specific scenarios identified on the basis of event types set out in the New Capital Accord (Basel 2).

Capital-at-Risk is therefore identified as the measurement indicator at Group level, net of insurance cover, required to bear the maximum potential loss (worst loss); Capital-at-Risk is estimated using a Loss Distribution Approach model (actuarial statistical model to calculate the Value-at-Risk of operating losses), applied on quantitative and qualitative data assuming a one-year estimation period, with a level of confidence of 99.96% (99.90% for regulatory measurement).

The Group utilises a traditional operational risk transfer policy (insurance) with the objective of mitigating the impact of any unexpected losses, and thus contributing to the reduction of Capital-at-Risk.

Legal risks

As concerns legal risks, there are no significant variations with respect to the 2006 Annual reports of the Intesa Group and the Sanpaolo IMI Group or the Half Year Report as at 30th June 2007.

We further note that, with regard to the litigation with subsidiaries of the Mekfin/Finmek group in Extraordinary Administration referring to a claw back action in the amount of 431 million euro, three recently served claw back actions amounting to 29.3 million euro and further claw back actions threatened that amount to a total exceeding 26 million euro, the Bank has resolved to negotiate a solution that would set all claims made or to be made against our Group at a level not to exceed 70 million euro with a waiver of the amounts granted to cover costs of the insolvency proceedings amounting to 10.6 million euro.

Insofar as the penal proceedings at the Court of Rome regarding the selling of bonds issued by the Cirio Group and the management of the financing relations between this group and numerous credit institutions, the Judge of the preliminary hearing issued an order on the 25th September 2007 for the acquittal of three former Sanpaolo IMI executives that were involved in the proceedings. The penal court therefore confirmed the conviction the company had always expressed insofar as the regularity of its operations and the total non-involvement of its executives in this case under penal investigation.

INSURANCE RISKS

Life branch

The typical risks of a life insurance portfolio can be divided into three main categories of risk: premium risk, life underwriting risk and reserve risk.
Premium risks are protected initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on the sustainability and profitability (both at product level and at the portfolio level, including all of the liabilities). During the definition of a product, profit testing is used, with the objective of measuring profitability and identifying any weaknesses beforehand.
Life underwriting risks arise when an unfavourable trend is recorded in the actual loss ratio compared with the trend estimated when the rate was calculated, and these risks are reflected in the level of "reserves". The loss ratio refers not only to actuarial loss, but also financial loss (guaranteed interest rate risk). The Company guards against these risks by means of 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 (for example, checking that all the variables required for the calculation such as yields, quotations, technical foundations, parameters for the supplementary reserves, and recalculation of the value of single contracts are correctly saved in the system) as well as overall verifications, by comparing results with the estimates produced on a monthly basis. Specific attention is paid to checking the correct assumption of contracts, by checking the relative portfolio against the reconstruction of movements during the period, divided by purpose, and checking the consistency of the amounts settled compared with the movements of reserves.
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.

Casualty branch

The risks of a casualty insurance portfolio are essentially premium and reserve risk.
Premium risks are protected initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on the sustainability and profitability (both at product level and at the portfolio level, including all of the liabilities).
Reserve risk is guarded against through the exact calculation of technical reserves. In particular, for companies which exercise casualty branches, technical reserves may be divided into: premium reserve, damage fund, reserve for the participation to profits and reversals, other technical reserves and reserve for equalisation.
The premium reserve is divided into the reserve for premium fractions and the reserve for current risks. The reserve is to cover the risks of casualties and the related expenses which could arise after the close of the period within the limits of coverage of the premiums paid by the insured.
The reserve for premium fractions is made up of premiums recorded in the period but which refer to the subsequent periods according to the pro rata temporis method.
The reserve for current risks represents a provision which must be allocated if the estimated cost of expected casualties, determined on the basis of a forecasting model, shows that the reserve for premium fractions is insufficient.
The damage fund represents the provision for casualties occurred in the current year and previous years not yet settled at the end of the year. These provisions correspond to the overall amount of sums which, based on a prudent assessment made on the basis of objective elements, are deemed to be necessary to pay the casualties and the related liquidation expenses. The reserve is valued at ultimate cost, to consider all predictable future charges.
Furthermore, a reserve for equalisation has also been set up for the purpose of normalising the fluctuations of casualty rates in future years for natural disaster risks and other technical reserves to cover risks, especially those taken in the sickness branch for irrevocable multi-year contracts.
Regarding the assumption of risk, the policies are checked at the time of purchase, using an automatic system which checks the parameters for assumption associated with the tariff of reference to verify the correspondence of the portfolio with the technical and rate settings agreed with the sales network.
The check not only concerns the form but also the substance and, in particular, allows for verification of the exposure in terms of capital – limits of liability.

Subsequently, statistical checks are carried out to verify potentially anomalous situations (such as concentration by area or by type of risk) and to keep under control accumulation at the level of individual persons (with particular reference to policies that provide cover in the accident and sickness branches). This is also carried out in order to provide the Group's insurance office suitable indications of the portfolio characteristics in order to prepare the annual reinsurance plan.

ALM and 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 with the objective of both strengthening risk governance and managing and controlling risk-based capital has been launched.

With reference to investment portfolios, set up both as coverage of obligations with the insured and in relation to free capital, the Investment Policy is the control and monitoring instrument for market and credit risks.

The Policy 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 over a one-year holding period and with a 99% confidence level). Investment decisions, portfolio evolution and compliance with operating limits, articulated in the diverse types, are discussed, normally on a monthly basis, by specific investment committees.

In order to measure and manage all risks (actuarial and financial) better, a simulation tool, named FAP (Financial Analysis Program), is also used with the objective of measuring the intrinsic value, fair value of the liabilities and economic capital. The FAP is based on a dynamic Asset Liability Management (ALM) model that forecasts stochastically-generated economic scenarios, simulating the evolution of the value of assets and liabilities based on the technical features of the products, the trend in significant financial variables and a management rule which guides investments and disinvestments. This model measures the capital required to cover actuarial and financial risk factors. Among the former, the FAP models risks deriving from the dynamics of an extreme surrendering of policies, from sharp changes in mortality and longevity, and from pressure on costs; among the latter, the FAP takes into consideration scenarios of stress over year-long time spans on interest rates, on credit spread and on stock market trends.

By means of the ALM, FAP makes it possible to compute the sensitivity of liabilities with respect to movements of market risk factors in order to manage the financial assets covering technical provisions efficiently.

Investment portfolios

The investments of the insurance subsidiaries of the Intesa Sanpaolo Group are made using free capital and to cover obligations with customers.

The latter essentially refer to traditional revaluable life policies and index-linked and unit-linked policies, pension funds and casualty policies.

The former offer the insured, apart from participation in the profit from the fund management, a minimum guaranteed level and therefore generate proprietary financial and credit risks for the insurance company - risks that are linked to the characteristics of the investment portfolio with regard to the commitments made to the insured. Index-linked and unit-linked policies, which usually do not present direct risks, are in any case monitored with regard to reputation risks.

As at 30th September 2007, the investment portfolios at book value amounted to 47,012 million euro. Of these, the share regarding traditional revaluable life policies, casualty policies and free capital amounted to 18,608 million euro, while the residual amount (28,404 million euro), mostly comprised investments related to index- and unit-linked policies and pension funds.

Considering the various types of risks, the analysis of investment portfolios, set forth below, concentrates on the assets included in the "at-risk portfolio".

In terms of breakdown by asset class, 93% of assets was comprised of bonds (68% Government bonds, 13% corporate bonds, 12% liquidity) while assets subject to equity price risk amounted to approximately 7%.

Financial derivative instruments are used, consistently with the guidelines set by the specific framework resolution, to hedge financial risks of the investment portfolio or for the purpose of effective management. Financial derivatives are not used for speculation as this is not authorised.

The fair value of derivatives is -1.7 million euro. Breakdown of the bond portfolio by maturity compared to total assets was as follows is 5.5% short-term (under one year), 35.5% medium-term, and 52% long-term (over five years). Concentration on medium-long term maturities is the result of an Investment Policy which

aims at keeping low levels of mismatch between assets under separate management and the corresponding commitments to customers.
The bond portion of the portfolio ha san average financial duration of 3.3 years. With regard to financial assets used for hedging mathematical reserves only, the bond portfolio has a duration of 3.5 years, with account taken of the hedging derivatives. The sensitivity of mathematical reserves, to shifts in the interest rates is equal to a duration of 3.49 years, in line with assets.
Analysis of the bond portfolio in terms of fair value sensitivity to the interest rate movements highlights that a parallel shift in the curve of +100 basis points leads to a negative change of approximately 775 million euro. In this hypothetical scenario, the value of hedging derivatives would record a positive change of 144 million euro which would partly offset the corresponding loss in debt securities.
The investment portfolio has an extremely high credit quality. Bonds with very high ratings (AAA/AA) represented approximately 79% of total investments, while a further 11% had ratings of A. The securities in the low investment grade area (BBB) represented 3% of the total, while the share of speculative grade or unrated securities was almost zero.
The high level of credit quality also emerges from the breakdown by issuer/counterparty: securities issued by governments and central banks represented 79.5% of the total, while financial companies (mainly banks) contributed approximately 9% of the exposure.
At the end of the first six months of 2007, free capital investments amounted to 1,227 million euro (market value) with a Value at Risk of 13.8 million euro, a 99% confidence interval and a 10-day holding period.

The shareholder base, stock price performance and other information

Shareholder base

Intesa Sanpaolo's shareholder base – detailed in the following table – shows the holders of shares exceeding 2%, for whom Italian regulation (art.120 of the Consolidated Law on Finance "TUF") sets forth that holdings exceeding that threshold of the voting capital of a listed company shall be communicated to both the company and CONSOB.

Shareholder	Ordinary shares (*)	% held on ordinary share capital
Compagnia di San Paolo	943,225,000	7.96%
Carlo Tassara S.p.A.	698,708,241	5.90%
Crédit Agricole S.A.	659,781,237	5.57%
Assicurazioni Generali	601,411,667	5.07%
Fondazione Cariplo	554,578,319	4.68%
Fondazione C.R. di Padova e Rovigo	545,264,450	4.60%
Fondazione C.R. in Bologna	323,334,757	2.73%
Giovanni Agnelli e C. Sapaz	289,916,165	2.45%

(*) Held directly or indirectly. Does not include own shares purchased after 30 September 2007 within the Carifirenze operation.

Transactions with related parties

Procedural aspects

Intesa Sanpaolo has identified the individuals and juridical entities with the characteristics that make them eligible to be considered "related parties" defined based on the indications given by IAS 24, applied with reference to the specific organisational structure and to the new governance system adopted by the Bank.
In relation to the latter, the new Regulation for the management of transactions with related parties was issued, approved by the Management Board, which sets out the guidelines (procedural, decision-making and information requirements) for closing transactions with related parties and, in particular, for "significant" transactions, i.e. the most significant transactions in terms of financial, economic or balance sheet impact, which must be submitted to the exclusive approval of the Management Board of the Parent Company or of the Board of Directors of the subsidiaries. The application of the Regulation is directed to guarantee the transparency and substantial and procedural correctness in the management of such transactions within the Group.
The Regulation sets forth that "significant" transactions, identified using qualitative and/or quantitative criteria, must be submitted to the approval of the Management Board of the Bank if they exceed 3 million euro for the Parent Company (20 million euro if the counterparty is a Group company) and 1 million euro for other companies (10 million euro if intergroup).
Moreover, transactions with related parties must be submitted to the approval of the Management Board, if they exceed 25% of Tier 1 capital/shareholders' equity of each company (and in any case if they exceed 25 million euro if carried out by the Parent Company). Similar approval must be given for the granting to companies of the Banking group or the Group of: (i) payments connected to equity interest (payments for future capital increases, coverage of losses, etc.), hybrid capital instruments; (ii) subordinated loans, even as bonds, certificates of deposit, eligible to be included in shareholders' equity for supervisory purposes of the subsidiary (iii) loans not destined to support the ordinary operations of the subsidiary.

The following transactions are also within the competence of the Management Board: granting loans to related parties not belonging to the Banking group exceeding 0.5% of the consolidated shareholders' equity for supervisory purposes for the Parent Company or 0.5% of the shareholders' equity for supervisory purposes/shareholders' equity of each company; transactions on non-performing loans (substandard loans, doubtful loans, restructured loans or loans under restructuring) exceeding the powers attributed to the head of the Credit Governance Area and in any case all transactions, both financial and commercial, whose economic value exceeds 20 million euro (other than those mentioned above and excluding bank funding at market conditions).
Lastly, the following transactions must always be submitted to the approval of the Management Board: those transactions that due to their subject, the nature of the counterparties, consideration, means or timing of execution may impact the safekeeping of company value, or the fairness/completeness of information, also accounting information, relative to Intesa Sanpaolo (moreover, any such transactions must be disclosed to the market pursuant to art. 71 bis of CONSOB Regulation 11971/99).
Where the nature, value or other aspects of a transaction with related parties make this necessary, the Management Board may be assisted by independent experts for the provision of financial, and/or legal and/or technical advice (fairness opinion and legal opinion).
Furthermore, in adhesion to the recommendations of the new Corporate Governance Code, the resolutions proposed to the Parent Company, for the transactions referring to it which present an economic value which is higher than more than double the thresholds indicated above, are subordinated to the prior opinion of the Control Committee formed within the Supervisory Board.
Significant transactions with related parties carried out by the Parent Company or by subsidiaries must be reported quarterly to the Supervisory Board, by the Management Board, pursuant to art. 150 of Consolidated Law on Finance, so to provide a complete picture of the most significant transactions carried out, as well as the volumes and the main characteristics of all of delegated transactions.
Group companies must also adopt a regulation equivalent to that defined by the Parent Company, as indicated in the Regulation and compliant with IAS 24, to also regulate transactions of the company with "its related parties".
With regard to transactions with entities that carry out functions of management, administration and control of the Bank, in addition to the application of art. 2391 of the Italian Civil Code, the special regulations on the obligations of banking representatives set forth in art. 136 of Legislative Decree 385/1993 (Consolidated Law on Banking) and the Supervisory Instructions are also applied; they require, in any case, the prior unanimous approval by the Management Board, and the unanimous approval by the Supervisory Board. Those who carry out administrative, management and control functions at Group banks or companies also must not undertake obligations of any nature or perform acts of buying or selling, directly or indirectly, with the relevant company, or undertake financial transactions with another Group company or bank without a decision by the appropriate bodies of the contracting company or bank, taken as set forth above. In these cases, furthermore, the obligation or act must have the approval of the Parent Company.

Information regarding transactions with related parties
In the third quarter of 2007 relations with related parties were attentively monitored and no situations emerged other than those typical of standard bank relations with individual and corporate customers. The transactions fell within the scope of the ordinary activities and were entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above.
In particular, no transactions of an "atypical or unusual nature" were carried out, the relevance/importance of which might give rise to doubts with regard to the safety of the net shareholders' equity and the protection of minority shareholders, either with related parties or with subjects other than related parties.
Policy as concerns the relations between various economic entities which make up the Group remained unchanged, and also the relationships with other related parties other than subsidiaries, associates and companies subject to joint control were unchanged. Normally, these transactions are regulated at market rates or are aligned with the most favourable conditions applied to personnel, when the necessary conditions exist. Transactions with infra-Group related parties, as they netted at the level of the consolidated financial statements, are not included in this report.
No particularly significant transactions took place with related parties during the quarter.

The stock option plan

As already indicated in the preceding infra-annual report, 214,623 new Intesa Sanpaolo ordinary shares, with regular rights were issued on 25th April 2007 following the exercise by the Management of the merged company SANPAOLO IMI and its subsidiaries, of corresponding subscription rights relative to a stock option plan approved by the Board of Directors of the aforementioned Company on 17th December 2002, on the basis of the specific mandate conferred to the same Board by the Shareholders' Meeting of SANPAOLO IMI of 30th April 2002. This led to an increase in the ordinary share capital of Intesa Sanpaolo of 111,603.96 euro, as well as an increase in the share premium reserve of 379,410.54 euro.
Moreover, we remind you that on 14th November 2005 the Board of Directors of SANPAOLO IMI had exercised the power delegated by the Shareholders' Meeting of 30th April 2002 to resolve upon a stock option plan and assigned options to executives who held key positions within the Group. The plan – redefined after the merger – following the resolution of the Shareholders' Meeting of 1st December 2006, provides for the assignment of 30,059,750 rights which may be exercised after the payment of the dividend for financial year 2008 and no later than 30th April 2012 at a price of 3.951 euro.

The stock granting plan

At the end of the first half of 2007, Intesa Sanpaolo concluded its programme for the purchase and free assignment of ordinary shares to employees, resolved upon by the Shareholders' meetings of 1st December 2006 and 3rd May 2007. The Italian subsidiaries involved in the plan also concluded their stock granting plan relative the Parent Company's shares resolved upon at their respective Meetings and similar in aims and terms to that of the Parent Company. From 28th May 2007, the date on which the programme was started, the Group, through Banca IMI, purchased a total – in compliance with provisions of the Italian Civil Code, the resolutions of the Shareholders' Meetings and according to operating methods set forth in the regulations providing for the organisation and management of markets – of 10,293,907 Intesa Sanpaolo ordinary shares (equal to approximately 0.09% of the ordinary share capital), for a total counter value of 57,719,618.04 euro; the Parent Company purchased 7,220,124 shares, for a counter value of 40,485,219.07 euro. The shares were assigned to employees on 27th June. Please see the Half Year Report for a detailed description.

Purchases of own shares

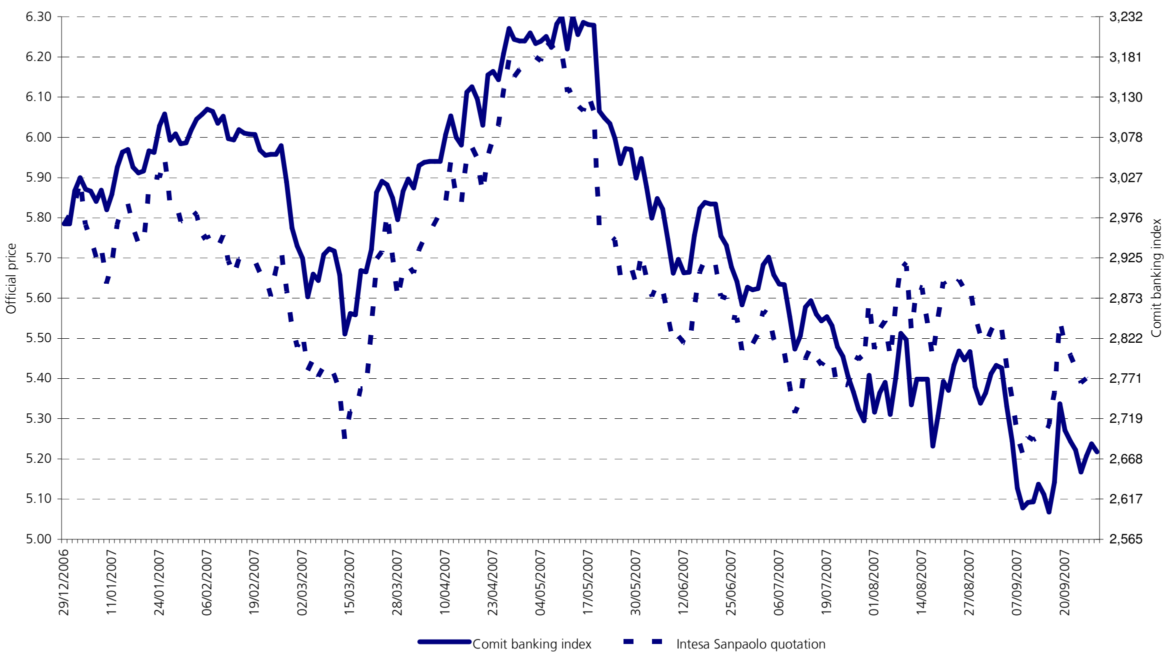
On 7th November 2007, the program for the purchase of ordinary shares to be used in the swap for the acquisition of control of Carifirenze as authorised by the Shareholders' Meeting held on 2nd October 2007 was concluded. As from 3rd October 2007, the date on which the programme began, Intesa Sanpaolo purchased a total of 398,904,617 ordinary shares of Intesa Sanpaolo (or 3.366% of the ordinary share capital), against an amount of 2,158,380,397.58 euro. The purchase transactions were carried out according to the provisions of the Italian civil code and the restrictions set by the Shareholders' Meeting authorisations. Pursuant to the "TUF" (the Consolidated Law on Finance) and the Issuer Regulations, the purchases were carried out on regulated markets according to the operating procedures set forth in the organization and management regulations of the markets. Furthermore, the purchases were carried out at daily volumes that did not exceed 25% of the average daily share volume of the Intesa Sanpaolo ordinary shares traded in the month preceding the communication of the programme to the public (72.3 million euro of shares was the average daily volume in the month of September 2007), pursuant to EC Regulation no. 2273/2003.

Stock price performance

Following the positive first part of the year which was in line with European average performances, the performance of Italian stock exchange deviated from that of other European markets as from the middle of the month of May and ended the first nine months of the year down by 2.7% despite a 6.1% increase in the DJ Euro Stoxx index for the same period.
This performance was affected by the performance of the banking sector as a whole, as following an initial positive phase that was buoyed by new mergers and acquisitions, a negative trend started from the month of May onwards which was intensified on account of fears of a financial crisis, bringing the sector index down 9.8% for the first nine months of 2007. The sector's drop in the Eurozone was less marked (-5.4%).

The price of the Intesa Sanpaolo ordinary share registered – after the progressive decrease in the first two and half months of 2007 – a rapid acceleration between mid-March and the first ten days of May, also following the publication of the 2006 results of Banca Intesa and SANPAOLO IMI and of the 2007-2009 Intesa Sanpaolo Business Plan, which led the share to reach levels approximately 7% higher than those of the beginning of the year. From the date of payment of the dividend the price returned to values lower than those of the beginning of the year and, following a rebound in August that was cancelled in September, the first nine months closed 7.3% lower compared to 2nd January 2007.
At the end of September 2007, the price of the Intesa Sanpaolo saving share dropped 9.3% compared to 2nd January 2007, thus increasing its discount with respect to the ordinary share to 5.5%, from approximately 3% at the beginning of the year.
As at the end of September 2007, the capitalisation of Intesa Sanpaolo amounted to 68.8 billion euro, compared to the 74.3 billion euro at 2nd January 2007.

Intesa Sanpaolo ordinary shares quotation and banking index



Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and saving shares carrying different rights insofar as the allocation of net income, which have been taken into account for the determination of the portion of net income attributable to each category of share.
Net income attributable to each type of share was determined considering most recent dividends resolved upon for each type of share and then allocating the residual portion of net income, in the hypothetical assumption of its total distribution, to the same extent to all shares.
The indicator Earnings per share (EPS) is presented both in the "basic" and in the "diluted" formulation: basic EPS is calculated by dividing income theoretically attributable to holders of different categories of shares by the weighted average number of the shares outstanding; diluted EPS is calculated considering the dilutive effect of the forecast issues of ordinary shares, which, in any case, do not determine material effects and permit, therefore, the full convergence of the two ratios.

	30.09.2007		30.06.2006 (*)	
	Ordinary shares	**Saving shares**	**Ordinary shares**	**Saving shares**
Weighted average number of shares	11,840,519,966	932,406,664	5,997,770,455	932,490,561
Income attributable to the various categories of shares *(millions of euro)*	6,348	507	1,875	298
Basic EPS (*euro*)	0.54	0.54	0.31	0.32
Diluted EPS (*euro*)	0.54	0.54	0.31	0.32
Basic EPS annualised (**) (*euro*)	0.71	0.73	0.42	0.43
Diluted EPS annualised (**) (*euro*)	0.71	0.73	0.42	0.43

(*) Figures for 2006 refer to Gruppo Intesa and have not been restated to consider the merger.

(**) Net income is not indicative of forecast net income for the whole of 2007, since it is obtained by annualising net income for the period.

Price/book value

The index identifies the value attributed by the market to the share capital of a listed company and, therefore, indirectly to the entire value of its activities. Though it is affected by the exogenous factors which influence stock prices, the index measures the greater or lower confidence which financial analysts and the financial community have in the profitability prospects and the capital strength of the company. For the Intesa Sanpaolo Group, the index – calculated on average figures for the first nine months of the year and at year-end – is influenced by the significant increase in shareholders' equity connected to the merger.

(in millions of euro)

	30.09.2007	9M 2007	2006	2005	2004	2003	2002
Market capitalisation	68,798	71,994	33,724	26,258	20,414	17,140	16,856
Shareholders' equity	53,982	53,982	17,435	15,337	15,328	14,521	14,061
Price / book value	**1.27**	**1.33**	**1.93**	**1.71**	**1.33**	**1.18**	**1.20**

Figures for the periods prior to 2007 refer to Gruppo Intesa and have not been restated to consider the merger. Average shareholders' equity for the years prior to 2005 has not been restated to consider IAS/IFRS.

Rating

After the merger with SANPAOLO IMI on 1st January 2007, Intesa Sanpaolo received confirmation of all ratings assigned to Banca Intesa and Fitch upgraded the Support Rating to 1 from 2.
In April, following the update of the methodology used to determine ratings, Moody's upgraded the rating on long-term debt (to Aa2 from Aa3) and downgraded the financial strength rating BFSR (to B- from B).

	Rating Agency		
	Moody's	**Standard & Poor's**	**Fitch**
Short-term debt	P-1	A-1+	F1+
Long-term debt	Aa2	AA-	AA-
Outlook	Stable	Stable	Stable
Financial strength	B-	-	-
Individual	-	-	B
Support	-	-	1

Projections for the whole year

The scenario forecasted for the last quarter of 2007 involves a gradual slowdown in the growth of intermediated funds, in line with the anticipated slowdown in the economy. For some time to come, banks will continue to face difficulties with regard to funding on the interbank market, though this will not take the form of strict credit restrictions. However, a protracted slowdown in the interbank market and an intensification of the subprime mortgage crisis could have significant repercussions, especially on small to medium sized financial institutions that are not very diversified or which depend on wholesale funding.
In light of the reasonable possibility of a limited rebound from the current turbulence on the credit markets, the outlook for the fourth quarter points to an adjustment in the growth of corporate credit, within a context that continues to favour economic activity. Furthermore, a gradual restriction of credit access conditions for companies seems quite likely, especially for higher risk companies.
Loans to households should continue along the current trend, which reflects the increase in the cost of credit. Loans to households will continue to be motivated by structural elements, such as the still limited use of consumer credit.
With regard to direct customer deposits, it is expected that the current trends in interest rates will continue over the next few months. In particular, demand deposits are expected to increase over the current levels, while a slowdown is expected for bonds on account of the slackening in the rate of growth of long-term loans. For banks, the difficulties of receiving financing on the interbank market and from institutional investors are expected to continue at least until the end of the year.
At the end of 2007, any increases in assets under management are expected to be modest. In particular, the growth rate of assets managed by mutual funds is expected to be very limited, in line with that of 2006, also due to a negative performance as concerns deposits. The trend in life technical reserves will instead continue to benefit from the current positive general trend, despite the slowdown.
2007 is expected to be a satisfactory year for bank accounts, though less so than last year. Net interest income is expected to increase especially as a result of the positive trend of intermediated volumes and the improvement in unit margins. The trend in non-interest income should instead prove to be rather pale compared to brilliant 2006, as it also reflects portfolio recomposition in favour of assets which are not under management, the reduction of commissions applied to services connected with current accounts and mortgages, the pressure on margins on payment systems and the lower dividends from shares and equity investments. The scenario for operating costs is also one of contained growth, in line with the trend of the most recent years.

The last quarter of 2007 looks positive for the Intesa Sanpaolo Group. Revenues should continue along the trend of the last nine months, with some improvement in the financial component. Any cost increases are expected to be due to seasonality. With the contribution of non-recurring components, net income is expected to be significant.

The Management Board

Milan, 14th November 2007

Accounting policies

Criteria for the preparation of the report

Declaration of compliance with international accounting standards

The Consolidated report of the Intesa Sanpaolo Group has been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as provided for by Community Regulation 1606 of 19th July 2002.
The Consolidated report as at 30th September 2007 has been prepared based on the application of international accounting standards as set forth by CONSOB Resolution 11971 of 14th May 1999 and subsequent amendments and integrations. This quarterly report was drawn up in compliance with IAS 34 requirements on interim reports. Specifically, the Intesa Sanpaolo Group used the option of preparing the quarterly report in short form, instead of the full presentation required for the annual report.
In the preparation of the quarterly report, the IAS/IFRS principles in force at 30th September 2007 have been used (including SIC and IFRIC interpretation documents), as endorsed by the European Commission.
We note that the quarterly report is not subject to auditing.

General preparation principles

The Consolidated quarterly report comprises summary statements of the balance sheet, the statement of income, the changes in shareholders' equity, the statement of cash flows and also includes the report on operations.
The accounting statements are drawn up in a summary/reclassified form on the basis of criteria that is more suited to representing the accounting items in accordance with comparative operating principles. In the statement of income, the items are recorded in accordance with the instructions provided under the Bank of Italy Circular no. 262/2005 with the following aggregations/reclassifications reported on the forms provided under this Circular:

- net interest includes: interest rate differential assets and liabilities matured and collected on currency interest rate swaps which set out the exchange of two floating rates, stipulated to hedge floating rate funding in foreign currency; net profits from the hedging operations; the repayment of time value on loans, traceable to the amortised cost criterion, in the absence of changes in expected future flows; the time value of the employee termination indemnities and the provisions for risks and charges;
- the following are recorded in the profits on trading: dividends on shares classified as financial assets available for sale and held for trading; the implicit cost for the financing of the purchase of trading shares; the profits and losses from the sale or repurchase of financial assets available for sale or the financial liabilities; the net result from the financial assets and liabilities measured at fair value;
- by convention, the insurance companies contribution has been recorded under "Income from insurance business" instead of on a line-by-line basis;
- administrative expenses are recorded net of recoveries from customers;
- net adjustments to loans include the profits and losses from the sale or repurchase of loans, and the net adjustments for impairment of other financial operations, related to guarantees, obligations, and derivatives on loans;
- net impairment losses on other assets comprise – in addition to net impairment losses on financial assets available for sale, investments held to maturity and other financial activities – any net impairment of property, equipment and intangible assets;
- the 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 recorded by investments carried at equity is posted in a specific caption in operating income together with the dividends;
- merger and restructuring related charges between Banca Intesa and SANPAOLO IMI are recorded after tax under their own heading.
- the effects of the allocation of the purchase cost, after tax, are recorded as a separate item.

Certain other types of groupings were made in the balance sheet with respect to the forms provided under Circular 262/2005, and regard:

- the inclusion of hedging derivatives and fair value change of financial assets/liabilities in hedged portfolios in Other assets/Other liabilities;
- the aggregation in just one item of property, equipment and intangible assets;
- the grouping of the amounts due to customers and securities issued into just one item;
- the grouping into just one item of allowances for specific purpose (employee termination indemnities and allowances for risks and charges);
- the presentation of Reserves as an aggregate, and net of the treasury shares.

In compliance with the provisions of art. 5 of Legislative Decree 38/2005, the quarterly report has been drawn up in euros as the functional currency. The amounts indicated in the financial statements and the report on operations are expressed in millions of euros unless otherwise specified.
The quarterly report is prepared with the application of the general principles set out by IAS 1 and the specific accounting principles endorsed by the European Commission, as well as in compliance with the general assumptions set forth by the Framework for the preparation and presentation of financial statements issued by IASB. The report contains all information required by IAS 34, by current regulations and by CONSOB (public authority responsible for regulating the Italian securities market), in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a more complete representation of the Group's situation.
The balance sheet statement as at 30th September 2007 presents components relative to non-current assets held for sale and discontinued operations, the captions relative to the 198 branches to be sold following notification of the Italian Competition Authority, as well as the captions pertaining to Biverbanca, in consideration of the agreement for the sale of the equity stake signed in June.
The statement of income as at 30th September 2007 includes in Income (Loss) after tax, the groups of non-current assets held for sale and discontinued operations, the economic components relative to the aforementioned transactions, and also those related to Cariparma and FriulAdria – sold on 1st March 2007 – and to 29 branches transferred to FriulAdria on 1st April 2007 and to 173 branches sold to Cariparma on 1st July 2007.

Presentation of the restated figures

The non recurring operations that occurred in the period mean that the figures at 30th September 2007 cannot be compared to those of the 2006 financial period and the previous quarters.
In order to compare the figures, the equity and financial data at 31st December 2006 and the previous quarters are restated to account for the components that were reclassified to the items pertaining to the groups of non-current assets held for sale and being discontinued, the merger operations between Banca Intesa and SANPAOLO IMI, the related operations with Credit Agricole, and any other variations occurring within the consolidation area in the current financial period.
Specifically, as regards the merger which came into legal, accounting and tax effects as of 1st January 2007, with reference to 2006 figures:

- balance sheet and statement of income figures for the Intesa and Sanpaolo IMI Groups were aggregated;
- the share capital was increased to consider the new shares issued on 1st January 2007 and attributed to the shareholders of the merged company in substitution of annulled SANPAOLO IMI shares. The difference between the above-mentioned capital increase and the shareholders' equity of the Sanpaolo IMI Group, with the exclusion of net income for the period which was left to a specific caption, was allocated to the caption "Merger reserve";
- the most significant reciprocal balance sheet and statement of income items between the two groups have been eliminated, according to the criteria normally used in consolidation procedures.

Regarding the sale of assets to Crédit Agricole, the components involved in the sale of the equity holdings in the Cassa di Risparmio di Parma e Piacenza and the Banca Popolare FriulAdria and the transfer of the branches on 1st April and 1st July 2007 were restated under the items pertaining to the groups of non-current assets held for sale and discontinued. In addition the components forming part of the previous sales of branches connected to the provisions of the Italian Competition Authority and the equity and financial amounts in Biverbanca which was also due to be discontinued, were also restated under these same items.
Again for the purpose of a consistent comparison of balance sheet and statement of income aggregates, figures as at 31st December 2006 and the previous quarters include the figures of the other companies acquired by the former SANPAOLO IMI in 2006 (Bank of Alexandria, Panonska Banka, Banca Italo Albanese and Cassa dei Risparmi di Forlì e della Romagna), in order to keep the consolidation area consistent.

Accounting Principles

The accounting principles adopted in the preparation of the quarterly report, for classification, recognition, measurement and derecognition of asset and liability captions, and the means of recognition of revenues and costs, have remained practically unchanged with respect to those adopted for Gruppo Intesa's Annual report 2006 to which, therefore, reference must be made. Such principles have been integrated by the accounting principles - illustrated hereafter - relative to the Insurance Assets and Liabilities and Financial Assets and Liabilities measured at fair value adopted by the Sanpaolo IMI Group. Furthermore, it must be noted that, as part of hedge accounting, portfolios of Financial Assets and Liabilities with fair value hedges include "core deposits", as permitted by IAS 39 endorsed by the European Commission.

It must be noted that as part of the integration between the two Groups the need for alignment of accounting processes and estimation criteria could emerge. In particular, with reference to financial assets and liabilities and financial activities in general, such processes will be progressively realised during the year, and in any case, in the Annual Report 2007. Such alignments are not deemed to lead to significant changes. Before the definition of integrated financial management policies, during the year, management guidelines implemented by the two Groups were continued and therefore in this report the means of classification of financial instruments and hedging policies and hedge accounting were not revised.

Furthermore, due to the integration the operating segments of the new Group have been revised as better specified in the chapter regarding Segment reporting.

Lastly, the coming into effect of the supplementary social security reform led to changes in the registration of Employee termination indemnities, also illustrated hereafter.

Insurance Assets and Liabilities

Insurance products

Products for which insurance risk is deemed significant include: temporary first branch death policies and income and mixed policies with guaranteed fixed conversion rates at the time of issue, and certain types of unit-linked policies and damage cover. As regards these products, IAS/IFRS substantially confirm the national accounting standards concerning insurance. In brief, IFRS 4 sets forth:

- gross premiums are to be recorded in the statement of income under income; they include all amounts matured during the period as a result of insurance contracts signed, net of cancellations; likewise, all premiums ceded to reinsurers are recorded under current period costs;
- if gross premiums are collected and recorded under income, the corresponding commitment towards the insured is accrued in mathematical reserves, such amount being calculated on a contract-by-contract basis using the prospective method taking into account demographic/financial assumptions currently used by the market;
- the insurance products entered under separate management are valued by applying shadow accounting whereby the differences between the book value and the market value of securities classified as available-for-sale investments are allocated to technical reserves as regards the insured parties' portion and to net equity as regards the insurance companies' portion. If, on the other hand, the securities are designated at fair value through profit and loss, the difference between the book value and the market value is recorded in the statement of income giving rise to a change in technical reserves equal to the amount of the insured parties' portion;
- the Group deems the discretional participation in profits (DPF) is equal to the rates for contractual reconveyance guaranteed in policies for insured parties;
- liabilities related to DPF products are given as a whole with no distinction between the guaranteed and discretional components.

Financial products included under separate management

Financial products included under separate management despite their not being subject to significant insurance risk, and which therefore contain discretionary profit-sharing features, include the majority of life policies and mixed first branch policies, as well as fifth branch capitalisation policies. These are accounted for according to the principles set forth in IFRS 4. These principles may be summarised as:

- the products are shown in the financial statements according to principles that are very similar to the principles that are locally in force on the subject; any premiums, payments and changes in technical reserves being recorded in the statement of income;
- the Group deems the discretionary profit-sharing features (DPF) are equal to the quotas for contractual reconveyance guaranteed in policies for insured parties;

- liabilities related to DPF products are given as a whole with no distinction between the guaranteed and discretionary components;
- the products are measured using shadow accounting.

Financial products not included under separate management

Financial products without a significant insurance risk and which are not included under separate management, and therefore do not envisage discretionary profit-sharing features, are stated in the financial statements as financial liabilities and are valued at fair value, on the basis of the envisaged option (Fair Value Option), or at amortised cost. These financial products essentially include index-linked policies and part of unit-linked policies, as well as policies with specific assets not included under separate management. These products are accounted for according to the principles set forth in IAS 39, as summarised below:

- the portion of index- and unit-linked policies that are considered investment contracts are measured at fair value, whereas the specific asset products not included under separate management are measured at amortised cost;
- the statement of income does not reflect the premiums relating to these products, but just the revenue components, represented by charges and commissions, and the cost components, comprising provisions and other charges; it also reflects the costs and revenues represented by the changes in the fair value of the liabilities incurred against these contracts. More specifically, the international accounting standards, contained in IAS 39 and 18, provide that, for the liabilities designated at fair value, income and costs relating to the products in question be identified and classified under two headings: (i) origination, to be recorded in the statement of income at the time the product is issued and (ii) investment and management services, to be amortised over the life of the product which depends on how the service is provided. In addition, as regards specific asset products not included under separate management, incremental cost and income items are included in the calculation of the amount to be amortised;
- the insurance component included in the index- and unit-linked products, where it can be unbundled, is independently valued and recorded.

Financial assets designated at fair value through profit and loss

IAS/IFRS endorsed by the European Commission enable the classification as financial instruments designated at fair value through profit and loss of any financial asset thus defined at the moment of acquisition, in compliance with the cases contemplated in the reference regulations.
In line with IASB indications, the Group essentially classified investments with respect to insurance polices where the total risk is borne by the policyholders in this category, thereby reducing or eliminating any “accounting biases” with the corresponding financial liabilities. This category also includes quotas of mutual funds and debt securities with incorporated derivatives or debt securities subject to financial hedging.

Financial liabilities designated at fair value through profit and loss

The Group exercised the fair value option for liabilities, designating insurance policies (with predominantly financial characteristics and investments under which total risk is borne by the insured parties) and certain issues of structured securities with characteristics similar to the former. Investments relating to such forms of deposits, as already noted, were also designated at fair value, thereby eliminating or considerably reducing "accounting biases" that would otherwise arise from measuring assets and liabilities on different bases. The effects of initial recognition of liabilities at fair value on the balance sheet are recorded in the statement of income.
Bonds issued by subsidiaries whose return is correlated to the performance of baskets of investment funds are also designated at fair value and recorded in the balance sheet under assets. The adoption of the fair value option for this category of structured financial instruments enables their recording in the financial statements on a basis that reflects the natural hedging approach taken through their structuring.
These liabilities are recorded at fair value as at the date of issue through the application of the fair value option, and include the value of any embedded derivatives, net of placement fees paid. The difference between the amounts collected upon issue, net of placement fees, and the fair value of the bonds at the date of issue is recorded in the statement of income on an accrual basis over the life of the bond.

Employee termination indemnities

In application of IAS 19 “Employee Benefits”, Employee termination indemnities until 31st December 2006 was considered a “post employment benefit” classified as a “defined benefit plan”. Therefore, it had to be

recognised in the financial statements on the basis of the actuarial value determined using the "Projected Unit Credit Method".
Following the coming into effect of the Finance Law 2007, which anticipated to 1st January 2007 the reform of supplementary social security as per Legislative Decree 252 of 5th December 2005, each employee had to decide to allocate the Employee termination indemnities under accrual as of 1st January 2007 either to forms of supplementary social security or to maintain it at the employer and be transferred by the latter to a specific fund managed by INPS (Social Security National Institute).
The coming into effect of the aforesaid reform led to a change in the accounting treatment of the fund with reference both to the amounts accrued until 31st December 2006, and to the amounts under accrual as of 1st January 2007.
In particular:

- employee termination indemnities under accrual as of 1st January 2007 are considered a "defined contribution plan" irrespective of allocation by employee to supplementary social security, or to the Treasury allowance at INPS. Therefore, such amounts must be determined on the basis of amounts due without the application of actuarial calculation methodologies;
- employee termination indemnities accrued as at 31st December 2006 continue to be considered a "defined benefit plan" with the consequent need to continue carrying out an actuarial valuation which however, with respect to the calculation methodology applied until 31st December 2006, no longer leads to the proportional attribution of the benefit to the employment period. This stems from the fact that the employment period to be measured is considered entirely accrued due to the change in the accounting nature of the amounts that will be accrued as of 1st January 2007.

Following the change in applicable regulations, Employee termination indemnities as at 31st December 2006 were recalculated according to the new actuarial methodology. The difference deriving from the actuarial recalculation is a reduction in the defined benefit plan and any gains or losses which arise (including actuarial components which were previously not recorded in application of the corridor approach), in application of IAS 19, are recorded in the statement of income. As previously noted in the half year report, the positive effect recorded in the statement of income for the first half year period of 2007 amounted to 255 million euro before tax.

Consolidation area and consolidation methods

Consolidation area

The consolidated financial statements include Intesa Sanpaolo and the companies which it directly or indirectly controls and consider in the consolidation area – as specifically set out by the IAS/IFRS principles – also the companies operating in dissimilar sectors from the Parent Company, as well as private equity investments. Similarly, special purpose entities (SPE/SPV) are included when the requisite of effective control is fulfilled, even if there is no direct or indirect stake in the company.
Companies are considered subsidiaries when Intesa Sanpaolo, directly or indirectly, holds more than half of the voting rights or when the Parent Company has a lower portion of voting rights but has the power to appoint the majority of directors of the company or determine its financial or operating policies. In the measurement of voting rights also "potential" rights are considered if they are currently exercisable or convertible into effective voting rights at any time.
Companies are considered to be subject to joint control if their voting rights and the control of their economic activities are equally shared by Intesa Sanpaolo, directly or indirectly, and another entity. Furthermore, a company is qualified as subject to joint control if, even though voting rights are not equally shared, control on its economic activities and its strategies is shared on the basis of contractual agreements.
Companies are considered associates, that is, subject to significant influence, when Intesa Sanpaolo, directly or indirectly, holds at least 20% of voting rights (including "potential" voting rights as described above) or when the Parent Company – despite a lower percentage of voting rights due to specific legal agreements such as the participation of voting syndicates – has the power of participating in the determination of the financial and operating policies of the company. The equity investment in the Bank of Italy, in which the Group holds a 42.3% stake, is an exception since, considering its peculiarity, it is not carried at equity, but maintained at cost.
Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital, and in any case of limited absolute amount, are excluded from the consolidation area and are classified in Financial assets available for sale since Intesa Sanpaolo, directly or indirectly, exclusively holds

rights on a portion of the rewards of the investment, does not have access to management policies and may exercise limited governance rights to safeguard its economic interests.
Companies for which the shares have been received as pledges with voting rights are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares.
Furthermore, certain investments in subsidiaries, associates and companies subject to joint control are excluded from the consolidation area as they are immaterial.

With respect to the situation as at 31st December 2006 resulting from the Annual reports of Banca Intesa and SANPAOLO IMI, the acquisition of the American Bank of Albania, at the end of the first half of 2007, in addition to the already mentioned exit from the perimeter of Cassa di Risparmio di Parma e Piacenza and of Banca Popolare FriulAdria are to be recorded. It should also be noted that in 2006, SANPAOLO IMI acquired the Cassa dei Risparmi di Forlì, Panonska Banka, and the Bank of Alexandria in the third quarter, and the Banca Italo Albanese in the second quarter.
Following the change in the consolidation area in 2007, the restated financial statements and related quarterly instalments are attached, including the American Bank of Albania up to 1st January 2006, in order to provide comparative equity and financial information.

Consolidation methods

The methods used for the consolidation of the figures of subsidiaries (*full consolidation*) and for the consolidation of associates and of companies subject to joint control (*equity method*) have remained unchanged from those adopted for Gruppo Intesa's Annual report 2006 to which, therefore, reference must be made.
The financial statements of the Parent Company and of other companies used to prepare the report refer to 30th September 2007. In certain cases, for subsidiaries which are not material, the last official figures are used.
Where necessary – and without prejudice to absolutely 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 the companies which do not operate in the eurozone are translated into euro applying the spot exchange rate at period-end to the assets and liabilities in the balance sheet and the average exchange rate to the statement of income.

Criteria for the preparation of segment reporting

The attribution of economic and balance sheet results to the various business areas is based on the accounting principles used in the preparation and presentation of the consolidated financial statements and is consistent with provisions set out in IAS 14. Use of the same accounting standards enabled segment data and consolidated data to be effectively reconciled.
Please note that following the integration of Gruppo Intesa and the Sanpaolo IMI Group and the consequent new organisational model, five areas of activities with specific operating characteristics have been identified: the Banca dei Territori Division, the Corporate & Investment Banking Division, the Public Finance Business Unit, the International Subsidiary Banks Division and Eurizon Financial Group. In addition to these operating areas there are two support structures: Group Finance and the Head office departments concentrated in the Corporate Centre.
To represent results more effectively and favour a better understanding of the components that generated them, for each reportable segment the reclassified statement of income (to income before tax from continuing operations) is presented with values that express the contribution made by each segment to the Group's results.
As concerns the measurement of revenues and costs deriving from inter-segment transactions, the application of a contribution model based on multiple Internal Transfer Rates permits the correct attribution of net interest income to the divisions of the Parent Company. Specific agreements between Group companies regulate the application of transfer pricing for economic components relative to transactions which set out the distribution of results between product factories/service units and relationship units/customer units. Each sector has been charged direct costs and, for the part pertaining to it, operating costs of central organisms other than those typical of holding structures. Therefore, for services carried out by central structures for operating business units, charges have been calculated on the

basis of services actually rendered, leaving the allocation to the Corporate Centre of costs related to the performance of direction and control activities.
Furthermore, each Business area has been attributed its allocated capital, represented by 6% of RWA (Risk Weighted Assets) with the exception of Eurizon Financial Group which, in consideration of the business performed, in addition to 6% of RWA, has also been allocated 0.2% of assets under management and capital absorbed by insurance risk.
Business area profitability has been expressed in terms of Return on Equity before tax, calculated as the ratio between each segment's income before tax from continuing operations and allocated capital.
Value creation is measured by EVA® (Economic Value Added), which represents the economic value generated in the period in favour of shareholders, that is, net income for the period that remains after the remuneration of shareholders' equity via the cost of capital. The latter represents the opportunity cost determined using the Capital Asset Pricing Model.
For the purposes of comparing performances, where necessary, the economic data relative to the first nine months of 2006 and balance sheet figures as at 31st December 2006 were reconstructed on a consistent basis to consider i) the revised operating segments following the merger between Banca Intesa and SANPAOLO IMI ii) the related transactions with Crédit Agricole and iii) the changes in the consolidation area and in business unit constituents.
Geographical areas which make up secondary segment reporting disclosures are defined on the basis of the territorial breakdown of Group activities and consider the economic and strategic importance, as well as the potential, of the reference markets. Secondary segments are identified by three geographic areas defined on the basis of the residence of the juridical entities which make up the Group: Italy, Europe and rest of the world.

Other aspects

The Intesa Sanpaolo Group will avail of the option provided under article 82, paragraph 2, of the CONSOB Resolution of 14th May 1999 as amended, to make the 2007 annual reports and consolidated reports available for the shareholders and the market in place of the fourth quarter report within ninety days from the end of the year.

Other notes

The business combination between Banca Intesa and SANPAOLO IMI

As already illustrated in detail in the previous interim reports, the merger between Banca Intesa and SANPAOLO IMI has been accounted for using the international standard, IFRS 3, on business combinations. IFRS 3 requires that an acquirer be identified in any business combination. Banca Intesa – based on quantitative factors relative to the number of outstanding and newly-issued shares and the size of the two Groups, and since it was the entity which issued the shares – was identified as the acquirer as provided for under IFRS 3. Moreover, this principle requires that the cost of a business combination be determined as the sum of the fair value, at transaction date: (i) of assets sold, (ii) of liabilities undertaken and (iii) capital instruments issued by the acquirer in exchange for acquisition of control. To this value must be added (iv) costs directly attributable to the business combination. In the business combination between Intesa and SANPAOLO IMI, since Banca Intesa did not take over assets or liabilities, the cost of the acquisition is represented by the fair value at transaction date (that is from the date of the issue of new securities, which coincides with the date in which the merger came into legal effect), of the shares which the surviving company, Banca Intesa, issued in exchange for the shares of the merged company SANPAOLO IMI. Since such shares were listed, the fair value of the Intesa share is represented by the stock price on the market (reference price) on the day before the date in which the merger came into legal effect.

The cost was therefore determined as 34,126 million euro to which the attributable costs of the transaction, equal to 77 million euro, must be added. This amount is compared with the consolidated shareholders' equity of the Sanpaolo IMI Group, which equalled 14,338 million euro, determining a "merger difference" in the consolidated financial statements of 19,865 million euro.

The cost of the business combination must be allocated to assets, liabilities and potential liabilities as well as to intangible assets not recorded in the balance sheet of the Sanpaolo IMI Group, within the limits of their fair value. After this allocation any further residual value must be recorded as goodwill, which will be subject to an impairment test once a year.

Considering the complexity of this process, which requires valuations of several and diversified assets and liabilities of the entities that make up the acquired Group, accounting standards permit that the precise allocation of the cost be recorded within twelve months from the date of acquisition.

At the time of preparation of this report, the determination of the fair value of assets and liabilities and the purchase cost allocation process have not yet been completed. Only for information purposes - at consolidated level - the provisional estimates led to a revaluation of loans of approximately 0.9 billion euro and of real estate assets of approximately one billion euro, as well as the recognition of new intangible assets (intangible assets with finite or indefinite useful life) of approximately eight billion euro. After an estimated fiscal effect of approximately three billion euro, the net residual value of the above-mentioned "merger difference", amounting to approximately 13 billion euro, will be recorded as goodwill. Such revaluations, as well as intangible assets with finite useful life, will produce negative effects in the 2007 statement of income, in terms of interest adjustments and amortisation, estimated at approximately 400 million euro net of tax (300 million euro in the first nine months of 2007). This amount is expected to decline progressively over the years.

Considering that estimates are provisional, in the Consolidated balance sheet as at 30th September 2007 the difference between acquisition cost and consolidated shareholders' equity of the Sanpaolo IMI Group has been recorded, like other consolidation effects, in the caption "Merger difference". Using the same approach, the estimated impacts of the above allocations on the Consolidated statement of income as at 30th September 2007 are recorded under the caption "Effect of purchase cost allocation, net of tax".

Lastly, it must be noted that the 31,093 million euro difference between the fair value of the shares issued on 1st January 2007 and the increase in nominal share capital to effect the exchange has been provisionally recorded in the caption "Merger reserves".

The sale of the Crédit Agricole business and the provisions of the Italian Competition Authority

In the context of the merger between Banca Intesa and SANPAOLO IMI, as already illustrated in Banca Intesa's 2006 Annual report and in previous interim reports of Intesa Sanpaolo, the definition of relations with Crédit Agricole, a shareholder and member of the Voting Syndicate of Banca Intesa, was particularly important. On 11th October 2006 Banca Intesa signed an agreement with Crédit Agricole for the sale to the latter of the equity stakes in Cassa di Risparmio di Parma e Piacenza and in Banca Popolare FriulAdria as well as of 202 branches of Banca Intesa and/or its subsidiaries. As provided for by the agreement, on 1st March 2007 Intesa Sanpaolo and Crédit Agricole signed the contract for the purchase of the two equity stakes. Later, with effect as of 1st April 2007, Intesa Sanpaolo contributed 29 former Banca Intesa branches to FriulAdria. The resulting shares from the contribution were sold to Cariparma (which controls Banca Popolare FriulAdria and is controlled by Crédit Agricole) for a consideration of 136 million euro. A capital gain of approximately 68 million euro was recognised in Intesa Sanpaolo's consolidated statement of income for the second quarter of 2007. The remaining 173 former Banca Intesa branches included in the sale were contributed to Cariparma with effect as of 1st July 2007, whereas the resulting shares from the contribution were sold partly to Crédit Agricole and partly to Fondazione Cariparma for a consideration of 1,194 million euro, with a capital gain exceeding 800 million euro before tax, recorded in Intesa Sanpaolo's consolidated statement of income for the third quarter of 2007.
The Italian Competition Authority authorised the merger between Intesa and SANPAOLO IMI but set out further requirements in addition to the aforementioned sale of assets to Crédit Agricole. In particular, additional requirements referred to the disposal of further branches and a line of business consisting of an organised set of assets and structures aimed at the production and management of insurance policies placed through 1,133 branches.
Again following the provisions of the Italian Competition Authority, Intesa Sanpaolo and Crédit Agricole decided to unwind the partnership in the asset management field. Therefore, Intesa Sanpaolo will purchase the asset management business, which previously belonged to Nextra and had been sold to Crédit Agricole in December 2005, from the French Group.
As regards implementation of the aforesaid requests made by the Antitrust Authorities, and especially with regard to the disposal of the branches, we note that on 5th October 2007, Intesa Sanpaolo agreed to sell 198 Group branches to the consortium comprising Banca Carige, Banca Popolare di Bari, Credito Valtellinese, and Veneto Banca for a total amount of 1.9 billion euro, subject to a price adjustment in accordance with the actual amount of the direct and indirect customer deposits at these branches on the date of sale. The transaction involving the sale of the branches to the purchasers is expected to be completed in the first quarter of 2008, conditional upon obtaining the necessary authorisation from the authorities.
Regarding the production and management of the life insurance policies, the Intesa Sanpaolo Group has established a new insurance company (called Sud Polo Vita) through the spin-off of two business lines from EurizonVita and Intesa Vita. The total value of the spun-off portfolio was 547 million[3]. Once these transactions have been completed, Intesa Sanpaolo will hold an 85% share, both directly and indirectly, while Alleanza Assicurazioni will hold a 14.98% share[4]. Authorisation from ISVAP on 22 October last meant that Sud Polo Vita could start up operations on 1st November. As provided under the aforesaid provision, Sud Polo Vita will exclusively distribute class I, III and V insurance policies through the Banco di Napoli network, the former Banca Intesa branches in Campania, Apulia, Basilicata and Calabria, and branches of the savings banks controlled by Intesa Casse del Centro. Sud Polo Vita has an independent organisational structure with respect to the other Group companies. It employs 60 employees and currently manages an actuarial reserve of about 5.5 billion euro.
In the preparation of this Report, in applying IFRS 5, the aforementioned events – as already indicated – were considered by: i) recording the statement of income components for the first two months of 2007 of Cariparma and Banca Popolare FriulAdria before the deconsolidation and the capital gain realised in the caption Income/Loss after tax from discontinued operations; ii) registering the statement of income components pertaining to the branches under disposal on 1st April and 1st July 2007 and the capital gains made under the caption "Income/Loss after tax from discontinued operations"; iii) posting the balance sheet and statement of income components pertaining to the198 branches under disposal, following the

[3] Another business line worth 21 million will be sold directly by Intesa Vita to Sud Polo Vita in March 2008 once the necessary computer migration has been completed.

[4] ISP will re-purchase Alleanza's portion. Once it has re-purchased this portion, Intesa Sanpaolo will hold a 99.97% share in the capital of Sud Polo Vita. The remaining 0.03% will be held by minority shareholders from the Eurizon Vita de-merger.

request from the Antitrust Authorities, under the captions recording discontinued operations.
The effects of the purchase of the assets previously owned by Nextra which will be completed by the end of this year or at the beginning of 2008, will be accounted for in the 2007 financial statements and the 2008 interim reports in accordance with settlement of the terms and the means by which the transactions will occur.

Significant subsequent events

As previously noted, on 5th October, Intesa Sanpaolo agreed to sell 198 branches to Banca Carige, Credito Valtellinese, Veneto Banca and Banca Popolare di Bari, in order to comply with Decision no. 16249 of the Italian Competition Authority, issued on 20th December 2006, regarding the merger between Banca Intesa and Sanpaolo IMI. The 198 branches which have a total market share of 0.6% are distributed over 11 Regions and 16 Provinces. The branches will be distributed as follows:

- 78 Banca Carige branches in the Provinces of Turin (14), Aosta (1), Como (19), Pavia (6), Venice (18), Padua (15), Rovigo (1) and Sassari (4);
- 35 Credito Valtellinese branches in the Provinces of Turin (19), Alessandria (4) and Pavia (12);
- 42 Veneto Banca branches in the Provinces of Imperia (5), Venice (18), Padua (7), Udine (9) and Rovigo (3);
- 43 Banca Popolare di Bari branches in the Provinces of Pesaro (2), Terni (11), Naples (15), Caserta (10) and Brindisi (5).

Amount of consideration for the sale of the 198 branches is 1,900 million euro, apportioned as follows: Banca Carige, 996 million euro; Credito Valtellinese, 395 million euro; Veneto Banca, 328 million euro; and Banca Popolare di Bari, 181 million euro. These amounts may be adjusted in accordance with the total volume of customer deposits (direct and indirect) at the date of sale of the branches.

As at 31st December 2006, loans to customers from the branches included in the sale amounted to a total of 3.5 billion euro, total deposits amounted to 11.6 billion euro, with direct customer deposits of 3.4 billion euro. The operating income for 2006 amounted to 290 million euro.

The transaction involving the sale of the branches to the purchasers is expected to be completed in the first quarter of 2008, conditional upon obtaining the necessary authorisation from the authorities.

Regarding the life insurance sector, the Intesa Sanpaolo Group established a new insurance company (called Sud Polo Vita) through the spin-off of two business lines from EurizonVita and Intesa Vita, in execution of Decision no. 1624 of 20th December 2006 of the Italian Competition Authority, as previously described above. The company began operations at the beginning of November.

On 25th October the transactions that led Telco (a company participated in by Intesa Sanpaolo, Assicurazioni Generali, Mediobanca, Sintonia together with Telefonica), to receive a total of 749,827,264 ordinary Telecom Italia shares, equal to 5.6% of the capital, and purchase 100% of the share capital of Olimpia, who in turn was owner of 2,407,345,359 Telecom Italia ordinary shares, equal to 18% of the ordinary capital of Telecom, for 4,161 million euro, from Mediobanca and the Generali Group companies, were finalised. On 23rd October 2007, ANATEL (the Brazilian telecommunications authority) resolved to authorise finalisation of the operation, providing certain measures to be adopted following completion of the purchase with reference to the Brazilian market. 3,248 million euro of the purchase of Olimpia S.p.A. was funded by an increase in the capital of Telco, and the remainder through a financing made available by Intesa Sanpaolo and Mediobanca in favour of Telco for a maximum amount of 1,100 million euro, with 925 million euro disbursed to date. The Telco shareholders' meeting also resolved a further capital increase of up to 900 million euro to reimburse the aforesaid financing and to permit further qualified Italian investors to invest in the Telco company.

Banca Prossima started up operations at the beginning of November. It is the first European bank to deal exclusively with non-profit companies. The new Group bank will draw on the experience matured over ten years of working with non-profit and charity organisations, in addition to three years working with Laboratorio Banca Società which plans and executes innovative banking services for the financially weakest sectors of society: university students, non-profit companies, temporarily laid off workers, families with members who are not self-sufficient.

The new bank will have share capital of 120 million euro and will operate through the 6,000 Group branches. It will avail of 60 local presidiums for more complex operations and will also have a network of 100 specialists working in the territory. Banca Prossima will offer a complete range of products and specific services, set up in collaboration with non-profit and charity organisations and established for non-profit companies and religious institutions. More specialised evaluation tools will also be developed like the non-profit Company Rating model. All profits made by Banca Prossima will be used for further development of the bank: a part will be used to maintain the capital value, to ensure the continuation of this undertaking. The remaining part will be put into the "Fund for the Development of Non-Profit Organisations" to support projects that would otherwise not be able to access funding. One of Banca Prossima's objectives over the next three years is to serve at least 10,000 non-profit organisations in addition to the 50,000 that Intesa Sanpaolo works with to date.

As previously noted, the programme to purchase its own ordinary shares was completed on 7th November last to support the swap for the acquisition of control of Carifirenze, authorised by the shareholders meeting held on 2nd October 2007. From when the programme started on 3rd October last, Intesa Sanpaolo purchased a total of 398,904,617 ordinary Intesa Sanpaolo shares (equal to 3.366% of the ordinary share capital), for a total countervalue of 2,158,380,397.58 euro. The actual cost of the purchase programme equals that countervalue, to which 61 million euro must be added to settle the equity swap derivative contract, with the underlying asset being the entire number of the Intesa Sanpaolo ordinary shares included in the swap transaction, agreed on 25th July last to minimise the risk of exposure to market price fluctuations of its own shares to be purchased, and 0.8 percent in related commissions. In relation to the time still necessary for the Italian Competition Authority and insurer regulator ISVAP to authorise the acquisition of control in Carifirenze (the Bank of Italy has already issued its authorisation), we believe that the share swap of our ordinary shares with Carifirenze shares, and the subsequent mandatory public offer of all the Carifirenze shares which are not held could be expected to take place in the first few months of 2008.

Declaration of the manager responsible for preparing the Company’s financial reports

I hereby declare, pursuant to art. 154 bis, par. 2 of Legislative Decree 58/98, that the accounting figures contained in the present report correspond to the records, books and accounts of the Company.

The manager responsible for preparing
the Company’s financial reports

B. Picca

Attachments

Restated consolidated accounting statements to take account of the changes in the consolidation area in 2007

Consolidated balance sheet

(in millions of euro)

Assets	30.09.2007	31.12.2006 (*)	Changes amount	Changes %
Financial assets held for trading	63,034	66,140	-3,106	-4.7
Financial assets designated at fair value through profit and loss	20,204	20,685	-481	-2.3
Financial assets available for sale	39,130	41,096	-1,966	-4.8
Investments held to maturity	5,845	5,950	-105	-1.8
Due from banks	64,005	56,241	7,764	13.8
Loans to customers	325,314	321,271	4,043	1.3
Investments in associates and companies subject to joint control	3,153	3,106	47	1.5
Property, equipment and intangible assets	8,042	9,216	-1,174	-12.7
Tax assets	4,647	4,936	-289	-5.9
Non-current assets held for sale and discontinued operations	7,025	32,458	-25,433	-78.4
Other assets	15,442	14,181	1,261	8.9
Merger difference	20,335	-	20,335	-
Total Assets	**576,176**	**575,280**	**896**	**0.2**

Liabilities and Shareholders' Equity	30.09.2007	31.12.2006 (*)	Changes amount	Changes %
Due to banks	73,522	74,745	-1,223	-1.6
Due to customers and securities issued	338,691	337,090	1,601	0.5
Financial liabilities held for trading	27,682	22,043	5,639	25.6
Financial liabilities designated at fair value through profit and loss	27,961	26,157	1,804	6.9
Tax liabilities	2,088	2,269	-181	-8.0
Liabilities associated with non-current assets held for sale and discontinued operations	6,273	31,459	-25,186	-80.1
Other liabilities	18,784	19,403	-619	-3.2
Technical reserves	20,155	22,540	-2,385	-10.6
Allowances for specific purpose	6,151	5,963	188	3.2
Share capital	6,647	6,646	1	-
Reserves	8,453	10,783	-2,330	-21.6
Merger reserves	31,093	9,139	21,954	
Valuation reserves	934	1,209	-275	-22.7
Minority interests	887	1,127	-240	-21.3
Net income	6,855	4,707	2,148	45.6
Total Liabilities and Shareholders' Equity	**576,176**	**575,280**	**896**	**0.2**

(*) Figures restated considering the change in the consolidation area occurred in 2007.

Quarterly progress in the balance sheet data

(in millions of euro)

Assets	2007			2006 restated (*)			
	30/9	30/6	31/3 (*)	31/12	30/9	30/6	31/3
Financial assets held for trading	63,034	81,550	77,567	66,140	69,572	68,787	73,511
Financial assets designated at fair value through profit and loss	20,204	20,987	21,015	20,685	20,476	20,030	21,376
Financial assets available for sale	39,130	40,966	41,311	41,096	39,232	36,344	34,565
Investments held to maturity	5,845	5,971	5,897	5,950	5,447	5,449	5,344
Due from banks	64,005	62,825	63,346	56,241	59,608	58,032	61,033
Loans to customers	325,314	329,292	326,582	321,271	307,362	301,428	298,846
Investments in associates and companies subject to joint control	3,153	3,063	3,043	3,106	3,106	3,022	2,951
Property, equipment and intangible assets	8,042	8,188	8,577	9,216	7,827	7,810	7,319
Tax assets	4,647	4,164	4,530	4,936	5,022	5,131	5,356
Non-current assets held for sale and discontinued operations	7,025	12,578	12,905	32,458	31,836	33,152	30,821
Other assets	15,442	13,266	13,794	14,181	11,569	13,893	12,798
Merger difference	20,335	20,255	20,725	-	-	-	-
Total Assets	**576,176**	**603,105**	**599,292**	**575,280**	**561,057**	**553,078**	**553,920**

Liabilities and Shareholders' Equity	2007			2006 restated (*)			
	30/9	30/6	31/3 (*)	31/12	30/9	30/6	31/3
Due to banks	73,522	91,834	82,383	74,745	77,653	69,721	78,007
Due to customers and securities issued	338,691	343,189	340,998	337,090	323,198	319,853	311,264
Financial liabilities held for trading	27,682	28,548	28,675	22,043	23,722	23,130	27,650
Financial liabilities designated at fair value through profit and loss	27,961	28,238	27,317	26,157	25,871	25,386	25,955
Tax liabilities	2,088	1,795	2,875	2,269	2,813	2,596	2,550
Liabilities associated with non-current assets held for sale and discontinued operations	6,273	11,886	12,719	31,459	30,356	32,126	29,782
Other liabilities	18,784	16,984	23,885	19,403	16,154	20,985	19,909
Technical reserves	20,155	21,312	22,218	22,540	22,603	22,000	21,893
Allowances for specific purpose	6,151	5,621	6,008	5,963	5,085	5,024	5,294
Share capital	6,647	6,647	6,646	6,646	6,646	6,646	6,629
Reserves	8,453	8,424	8,393	10,783	10,730	10,713	10,554
Merger reserves	31,093	31,093	31,093	9,139	9,903	9,811	10,694
Valuation reserves	934	1,283	1,120	1,209	974	968	913
Minority interests	887	892	960	1,127	1,539	1,504	1,556
Net income	6,855	5,359	4,002	4,707	3,811	2,616	1,270
Total Liabilities and Shareholders' Equity	**576,176**	**603,105**	**599,292**	**575,280**	**561,057**	**553,078**	**553,920**

(*) Figures restated considering the change in the consolidation area occurred in 2007.

Consolidated statement of income

(in millions of euro)

	30.09.2007 (*)	30.09.2006 (*)	Changes amount	Changes %
Net interest income	7,273	6,547	726	11.1
Dividends and profits (losses) on investments carried at equity	231	173	58	33.5
Net fee and commission income	4,678	4,787	-109	-2.3
Profits (Losses) on trading	1,072	1,166	-94	-8.1
Income from insurance business	356	284	72	25.4
Other operating income (expenses)	114	53	61	
Operating income	**13,724**	**13,010**	**714**	**5.5**
Personnel expenses	-3,913	-4,110	-197	-4.8
Other administrative expenses	-2,153	-2,179	-26	-1.2
Adjustments to property, equipment and intangible assets	-601	-627	-26	-4.1
Operating costs	**-6,667**	**-6,916**	**-249**	**-3.6**
Operating margin	**7,057**	**6,094**	**963**	**15.8**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-261	-155	106	68.4
Net adjustments to loans	-922	-871	51	5.9
Net impairment losses on other assets	-18	-4	14	
Profits (Losses) on investments held to maturity and on other investments	42	73	-31	-42.5
Income (Loss) before tax from continuing operations	**5,898**	**5,137**	**761**	**14.8**
Taxes on income from continuing operations	-1,948	-1,724	224	13.0
Merger and restructuring related charges (net of tax)	-481	-	481	-
Effect of purchase cost allocation (net of tax)	-300	-	300	-
Income (Loss) after tax from discontinued operations	3,791	532	3,259	
Minority interests	-105	-134	-29	-21.6
Net income	**6,855**	**3,811**	**3,044**	**79.9**
Basic EPS - Euro	**0.54**			
Diluted EPS - Euro	**0.54**			

(*) Figures restated on a consistent basis, considering i) the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole and ii) the changes in the consolidation area.

Quarterly progress of the statement of income

(in millions of euro)

	2007			2006 (*)				
	Third quarter	Second quarter (*)	First quarter (*)	Fourth quarter	Third quarter	Second quarter	First quarter	Average of the quarters
Net interest income	2,452	2,445	2,376	2,360	2,230	2,207	2,110	2,227
Dividends and profits (losses) on investments carried at equity	67	118	46	105	42	93	38	70
Net fee and commission income	1,515	1,576	1,587	1,592	1,542	1,610	1,635	1,595
Profits (Losses) on trading	302	332	438	633	348	326	492	450
Income from insurance business	93	162	101	168	90	99	95	113
Other operating income (expenses)	48	26	40	47	9	27	17	25
Operating income	**4,477**	**4,659**	**4,588**	**4,905**	**4,261**	**4,362**	**4,387**	**4,479**
Personnel expenses	-1,384	-1,126	-1,403	-1,523	-1,374	-1,373	-1,363	-1,408
Other administrative expenses	-711	-740	-702	-917	-706	-753	-720	-774
Adjustments to property, equipment and intangible assets	-205	-204	-192	-272	-216	-217	-194	-225
Operating costs	**-2,300**	**-2,070**	**-2,297**	**-2,712**	**-2,296**	**-2,343**	**-2,277**	**-2,407**
Operating margin	**2,177**	**2,589**	**2,291**	**2,193**	**1,965**	**2,019**	**2,110**	**2,072**
Goodwill impairment	-	-	-	-	-	-	-	-
Net provisions for risks and charges	-68	-101	-92	-181	-48	-37	-70	-84
Net adjustments to loans	-279	-322	-321	-435	-295	-285	-291	-327
Net impairment losses on other assets	4	-20	-2	-7	-5	-2	3	-3
Profits (Losses) on investments held to maturity and on other investments	-1	8	35	95	3	66	4	42
Income (Loss) before tax from continuing operations	**1,833**	**2,154**	**1,911**	**1,665**	**1,620**	**1,761**	**1,756**	**1,700**
Taxes on income from continuing operations	-543	-726	-679	-309	-520	-576	-628	-508
Merger and restructuring related charges (net of tax)	-401	-66	-14	-562	-	-	-	-141
Effect of purchase cost allocation (net of tax)	-100	-100	-100	-	-	-	-	-
Income (Loss) after tax from discontinued operations	744	129	2,918	142	151	208	173	169
Minority interests	-37	-34	-34	-40	-56	-47	-31	-44
Net income	**1,496**	**1,357**	**4,002**	**896**	**1,195**	**1,346**	**1,270**	**1,177**

(*) Figures restated considering the change in the consolidation area occurred in 2007.

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