INTESA SANPAOLO

Annual Report 2007

This is an English translation of the Italian original "Bilanci 2007" and has been prepared solely for the convenience of the reader.
The Italian version 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;*
- *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 refer only to the date hereof. Accordingly, there can be no assurance that the Group will achieve its projected results.

Supervisory Board of
11 April 2008

Ordinary Shareholders' Meeting of
28 and 30 April 2008

Report and consolidated financial statements of the Intesa Sanpaolo Group 2007

Report and Parent Company's financial statements 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.

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INTESA SANPAOLO - PARENT COMPANY'S REPORT ON OPERATIONS AND FINANCIAL STATEMENTS

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 Gian Luigi 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

	2007	2006 restated (*)	Changes amount	Changes %	2006 (**)
Income statement (in millions of euro)					
Net interest income	9,886	8,907	979	11.0	4,757
Net fee and commission income	6,195	6,379	-184	-2.9	2,902
Profits (losses) on trading	1,008	1,799	-791	-44.0	891
Income from insurance business	441	452	-11	-2.4	-
Operating income	18,008	17,915	93	0.5	8,740
Operating costs	-9,268	-9,628	-360	-3.7	-4,698
Operating margin	8,740	8,287	453	5.5	4,042
Net adjustments to loans	-1,372	-1,306	66	5.1	-778
Net income	7,250	4,707	2,543	54.0	2,559
Balance sheet (in millions of euro)					
Loans to customers	335,273	321,271	14,002	4.4	190,830
Direct customer deposits	373,753	363,247	10,506	2.9	202,762
Indirect customer deposits	657,919	649,475	8,444	1.3	300,823
of which: Assets under management	*265,183*	*293,472*	*-28,289*	*-9.6*	*58,881*
Total assets	572,902	575,512	-2,610	-0.5	291,781
Shareholders' equity	51,558	32,484	19,074	58.7	18,166
Operating structure					
Number of employees	96,198	100,019	-3,821		56,665
Italy	*70,734*	*75,266*	*-4,532*		*40,656*
Abroad	*25,464*	*24,753*	*711*		*16,009*
of which: atypical labour contracts	*426*	*287*	*139*		-
Number of financial advisors	4,280	4,216	64		-
Number of branches (a)	7,329	7,239	90		3,972
Italy	*6,050*	*6,001*	*49*		*3,168*
Abroad	*1,279*	*1,238*	*41*		*804*

(*) 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, where necessary restated in accordance to IFRS 5.

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

	2007	2006 restated (*)	2006 (**)
Profitability ratios (%)			
Cost / Income	51.5	53.7	53.8
Net income / Average shareholders' equity (ROE) [a]	18.9	16.2	16.3
Economic Value Added (EVA)[b] (in millions of euro)	4,465	1,912	1,109
Risk ratios (%)			
Net doubtful loans / Loans to customers	0.9	0.8	0.9
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	71.5	72.3	67.1
Capital ratios (%)			
Tier 1 capital [c] net of preference shares / Risk-weighted assets (Core Tier 1)	5.9		5.5
Tier 1 capital [c] / Risk-weighted assets	6.5		6.3
Total capital [d] / Risk-weighted assets	9.0		9.5
Risk-weighted assets (in millions of euro)	371,532		202,088
Basic earnings per share (basic EPS) [e] – euro	0.57		0.37
Diluted earnings per share (diluted EPS) [f] – euro	0.57		0.37
Shares			
Number of ordinary shares (thousands)	11,849,332		6,015,588
Share price at period-end - ordinary share (euro)	5.397		5.785
Average share price for the period - ordinary share (euro)	5.579		4.903
Average market capitalisation (in millions of euro)	71,058		33,724
Book value per share (euro) [g]	4.506		2.615
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.

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

(a) Ratio between net income and average of share capital, share premium reserve, reserves and valuation reserves.

(b) 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.

(c) 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.

(d) 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.

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

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

(g) Figures for 2006 not restated. Book value per share as at 31.12.2007 does not consider treasury shares.

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

Income statement (in millions of euro)	Banca dei Territori		Corporate & Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	2007	2006 restated (*)	2007	2006 restated (*)	2007	2006 restated (*)	2007	2006 restated (*)	2007	2006 restated (*)	2007	2006 restated (*)
Operating income	11,841	11,232	2,803	2,697	288	331	1,899	1,572	274	274	722	683
Operating costs	-6,190	-6,324	-887	-890	-92	-91	-986	-885	-100	-96	-345	-337
Operating margin	5,651	4,908	1,916	1,807	196	240	913	687	174	178	377	346

Balance sheet (in millions of euro)	Banca dei Territori		Corporate & Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	31.12.2007	31.12.2006 restated (*)	31.12.2007	31.12.2006 restated (*)	31.12.2007	31.12.2006 restated (*)	31.12.2007	31.12.2006 restated (*)	31.12.2007	31.12.2006 restated (*)	31.12.2007	31.12.2006 restated (*)
Loans to customers	191,279	179,585	85,653	79,571	33,910	36,331	23,215	18,573	8	-	897	1,065
Direct customer deposits	205,419	199,499	69,481	64,616	7,626	8,020	26,683	23,733	3	-	9,056	8,085

Profitability ratios (%)	Banca dei Territori		Corporate & Investment Banking		Public Finance		International Subsidiary Banks		Eurizon Capital		Banca Fideuram	
	2007	2006 restated (*)	2007	2006 restated (*)	2007	2006 restated (*)	2007	2006 restated (*)	2007	2006 restated (*)	2007	2006 restated (*)
Cost / Income	52.3	56.3	31.6	33.0	31.9	27.5	51.9	56.3	36.5	35.0	47.8	49.3
ROE before tax (a)	39.9	35.7	23.4	25.6	16.7	20.8	42.9	40.0	77.6	88.0	98.5	96.6
Economic Value Added (EVA) (in millions of euro)	1,970	1,547	446	460	29	38	322	238	106	125	216	189

(*) Figures restated, where necessary, 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.

Intesa Sanpaolo in 2007
Executive Summary

Intesa Sanpaolo in 2007

Intesa Sanpaolo's Annual Report 2007 shows a consolidated net income of 7,250 million euro, up 54% on 2006 restated on a consistent basis.

As outlined in the previous interim Reports, the year was influenced by non-recurring transactions and market events which considerably affected margins and net income.

In particular, the merger between Intesa and SANPAOLO IMI, two Groups which already had a widespread presence in Italy, required the disposal of certain important equity investments and numerous branches in order to comply with prescriptions of the Italian Competition Authority. Such transactions led to the registration of considerable capital gains in the income statement. Conversely, the integration process, which commenced after the merger came into effect, required massive investments to realise the new unified operating structure and, especially, incentive-driven employee exit plans.

The balance of these non-recurring economic components was positive for 3,183 million euro, net of taxes.

On the other hand, a negative impact of approximately 500 million euro is attributable to the financial markets crisis which commenced last summer with increases in insolvency rates of US subprime mortgages, that reached an unpredictable scale and spread progressively to other sectors, causing generalised product illiquidity and price downturns.

Considering the different contributions to net income, within operating income the appreciable results of lending and deposit collecting activities were absorbed by the reduction in net fee and commission income and, especially, by the strongly negative trend of profits on trading.

Net interest income confirmed the strong growth recorded in the previous quarters and closed the year at 9,886 million euro, up 11% on 2006. This greater income was partly eroded by the reduction in net fee and commission income (-2.9%, to 6,195 million euro), essentially ascribable to the lower contribution of placement of securities and asset management, and further reduced by the negative trend of the profits on trading. In fact, profits on trading, which in the first nine months of the year had been resilient, recorded a negative result in the fourth quarter, and decreased, on an annual basis, to 1,008 million euro (-44%). The practically stable trend of other captions in the sector led to operating income of 18 billion euro in 2007, with a contained increase compared to the previous year

The trend of operating costs was in line with expectations and in the twelve months recorded a 3.7% decrease to 9,268 million euro. Personnel expenses recorded a 4.6% decline and, on the one hand, benefited from the positive effect of the recalculation of employee termination indemnities, and on the other hand included higher costs for the renewal of the national labour contract and the higher costs related to the strong growth of the international network. Also administrative expenses and adjustments decreased, respectively by 1.2% and 7.3%.

The positive trend recorded by operating costs improved operating margin by 5.5%, to 8,740 million euro.

Provisions for risks and charges increased to 524 million euro and reflected the economic effects of the close of certain significant legal litigations. Net adjustments to loans also increased (to 1,372 million euro), affected by the negative situation of certain equity investments, but remained in any case in line with the level foreseen in the Business Plan.

In 2007 the tax component was particularly significant and recorded a considerable increase (+31.4% to 2,672 million euro). In fact, the reduction of tax rates and the different tax regime on dividends introduced starting from 2008 by the last Finance Law determined the need to adjust deferred tax liabilities recorded in the financial statements with a negative balance of approximately 375 million euro, with no benefit on current taxes due for 2007, which still reflected previous tax rates.

Income after tax from discontinued operations (3,790 million euro) mostly reflected the capital gains on the numerous transactions which were part of the complex agreement with Crédit Agricole, net of charges attributable to such agreement, as well as the capital gain made on the disposal of Biverbanca.

Merger and restructuring related charges (607 million euro) included all expenses attributable to the integration between the Intesa and the SANPAOLO IMI Groups, that is the charges which would not have been borne if the transaction had not taken place.

Lastly, the effect of purchase cost allocation (net of tax) included the charges, for interest and amortisation, attributable to the revaluation of loans, real estate and the recognition of new intangible assets, in application of IFRS 3, on business combinations.
As concerns quarterly development, the last part of the year was affected by a series of negative events which drove net income down to 395 million euro. In particular, the deterioration of financial markets was considerable especially starting from November, whereas higher tax burdens were attributable to the approval of the 2008 Finance Law at the end of the year. Furthermore, certain litigations were closed at the end of the year and, for the portion which had not been provisioned in previous years, influenced the result of the last quarter, which in any case was also affected by the physiological increase of operating costs and net adjustments to loans.

On a divisional basis, the breakdown of economic results highlights the considerable improvement of the most significant structures, even though to different extents. The Banca dei Territori Division, which with its 5,300 branches represents the most important operating entity, realised a 5.4% revenue growth in 2007, a 2.1% costs reduction and, thus, an improvement in operating margin exceeding 15% and in income before tax from continuing operations of 18.6%.
The Corporate and Investment Banking Division recorded a more contained revenue growth (+3.9%), with practically stable operating costs and an operating margin 6% higher than that of 2006.
Factors related to public finance decisions and the interruption of large public works negatively affected the trend of the Public Finance Division, which recorded revenue decreases and stable costs with operating margin down by approximately 18%.
International Subsidiary Banks recorded extremely positive results with significantly increasing revenues (+20.8%), which helped to absorb the higher growth-related costs (+11.4%).
Operating margin rose by almost 33% and income before tax from continuing operations increased 28.3%.
The Asset Management Division recorded a downward trend: Eurizon Capital generated stable income, slightly increasing operating costs (+4.2%) and a slightly lower operating margin (-2.2%). Lastly, Banca Fideuram recorded positive results, with a growth in revenues of 5.6%, in costs of 2.4% and, therefore a rise in operating margin of 8.7% and in income before tax from continuing operations of 17.6%.

Also the most significant balance sheet figures increased. As at 31 December 2007 the Group's loans to customers amounted to 335 billion euro, with a 4.4% improvement on the figure of the end of 2006. Customer financial assets, which exceeded 1,000 billion euro, recorded a contained rise (+1.8%), with a more considerable increase in direct customer deposits (+2.8%) compared to indirect customer deposits (+1.3%) which, in the asset management component, were affected by the negative financial markets trends.

Purchase cost allocation of the merger between Intesa and SANPAOLO IMI

The application of IFRS 3 to the business combination between Intesa and SANPAOLO IMI was particularly important in the 2007 Annual Report. As already illustrated in the 2006 pro forma report and outlined in the 2007 interim reports, the merger must be accounted for using the "purchase price method" which provides for the determination of the fair value of net assets of the acquired entity on the date on which the merger comes into effect and the allocation of the cost of the transaction, attributing any excess with respect to such value to goodwill.
The methodology applied and its results are briefly outlined hereafter, whereas a detailed description is provided in a specific chapter of the Notes to the consolidated financial statements.
The 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, (iii) of capital instruments issued by the acquirer in exchange for acquisition of control, and (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: 5.85 euro) on the day before the date when the merger came into legal effect (1 January 2007).

The total 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 (fees to advisors and professionals, costs for reports, expert opinions, etc.).
The cost of the acquisition was therefore 34,203 million euro, and is compared with the consolidated shareholders' equity of SANPAOLO IMI, which equalled 13,728 million euro, determining a "merger difference" of 20,475 million euro.
Based on IFRS, the cost of the acquisition (merger difference) must be allocated to the fair value of assets and liabilities, recognising potential liabilities and new intangible assets and, for any residual value, recognising goodwill.
Fair value measurement of assets and liabilities involved (i) financial instruments recognised at cost, i.e. loans, securities held to maturity, securities issued and medium-/long-term customer deposits, (ii) real estate, (iii) equity investments not subject to line-by-line consolidation.
No potential liabilities were recorded, whereas the following intangibles were recognised: (i) customer related assets: asset management, placement of policies and customer funds (core deposits); (ii) marketing related assets: brand name.
The first estimates made in the 2006 pro forma report indicated revaluation of assets for 1.9 billion euro and intangible assets for 8 billion euro, a tax effect of 3 billion euro and goodwill of 13 billion euro. The net charge on the 2007 income statement had been estimated at 400 million euro.
The definitive calculation led to a positive fair value of assets and liabilities of 1,855 million euro and intangible assets of 8,065 million euro; the relative tax expense amounted to 3,548 million euro and the goodwill to 14,103 million euro.
The charge in the income statement was 541 million euro; the impact in 2007 was contained by the registration in the income statement of deferred taxes for 532 million euro (-10 million euro accounted for in Effect of purchase cost allocation (net of tax) and +1 million euro in Income (Loss) after tax from discontinued operations).

The integration process of the Intesa Sanpaolo Group

The interim reports provided an update on the integration process which progressed during the whole of 2007: in the first three months of the year the decisions on the operating 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 of 2007. Concerning the latter, in the second quarter, the integration of the IT platforms to support Group banks and companies started. The project – which will permit the construction of a common platform of models, processes, products and systems as scheduled in the merger programme, with the migration of Group Banks to the target system within the end of 2008 – pursued the following objectives:

- implementing the migration of banks to the target platform, leading to the unification of the commercial offer and the standardisation of models and operating processes; the changeover is planned gradually, concretely testing solutions and results via the migration of certain pilot units and subsequently 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 operating resources and, where necessary, customers.

The activities have been organised into specific task forces involving user company departments, commercial and management structures, as well as the company departments responsible for organisational and IT development. The coordination of the project strictly oversees its progress, reporting on a monthly basis to the technical operational committee and periodically updating the guidance committee, comprising corporate governance managers.
The project, which will be completed by the end of 2008, 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, that is by the revision of territorial coverage which also includes the sale of Intesa Sanpaolo branches to the Banche dei Territori Division.
In the third quarter, after the planning phase had been completed, the project entered the realisation phase, beginning the implementation of the IT, organisation and training activities.

At the same time, the organisational and IT activities to implement the unified management of Intesa Sanpaolo were concluded at the end of the transitory period granted by the Bank of Italy (the "Mandatory Requirements"). Mandatory reporting has been unified from the deadline of June 2007, and a single ABI code for all settlement activities has been adopted. From 24 September 2007 Intesa Sanpaolo presented itself to the market as a single operating entity.
In the fourth quarter, these activities continued in line with the schedule set forth in the Master Plan of organisational and IT activities, according to a programme divided into three main areas:
- Commercial, aimed at unifying the product catalogue, harmonising pricing and special agreements, close/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.

In particular, the definition of the unified target catalogue for retail and SME customers was completed, starting from the two banks' commercial offer. The target catalogue contains commercial products which may be adapted on the basis of customer needs. Target organisational solutions, in terms of models and processes, were consolidated and the operating plans for the delivery of training were defined, preparing the necessary materials and infrastructures. The roll out of IT systems and the relevant test phases of the upgrades of the ICT system commenced and the first simulation of migration of a set of branches was completed successfully.
To permit the complete rationalisation of the ICT systems and operations, in the last three months of 2007 the Integration project DOF / Migration Banca IMI was also activated, and pursues the objective of realising the IT System and the Operations in support of the Capital Markets business of the new Banca IMI – after the integration with Banca Caboto – through the introduction of a single ICT system.
The criteria which guided the selection of the IT System and the operating system were first and foremost the safeguard of the needs of the business (in terms of selection of the most effective and flexible IT applications and continuation of all the specific functionalities in support of front office activities), the minimisation of migration times and risks, as well as the maximisation of cost synergies.
The DOF integration project and the migration of Banca IMI to the target system started in November and the preparation of the Master Plan for the IT and organisation activities and the synchronisation with the other programming initiatives under way was concluded.
Lastly, implementation commenced in January 2008 and involves both reference IT structures and the Organisation and the Business Divisions. Completion of the project is expected for January 2009.

The Business Plan

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 according to the strategic guidelines set out by the Business Plan, both relating to the organisation and to product innovation and customer service enhancement.

The integration and growth processes have been described in the interim reports, illustrating the progress of organisational interventions and commercial initiatives. The objectives of the operating business units are set out below and the most significant results of the last part of the year are also described.

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, numerous strategic initiatives have already been developed, aimed at:
- redesigning the organisational structure of the network, in order to establish a unique and distinctive model, which is also simple and unified. In this regard, during the year the project for the review of territorial distribution was begun. Approximately 145 Retail markets were identified, including approximately 30 branches each, based on geographical vicinity and characteristics of the territory;
- ensuring the maximum operating effectiveness and efficiency, reducing administrative work loads to increase resources destined to commercial activities, 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 for the rationalisation of the current product catalogue.

In the last part of the year, in particular, to respond to the requests of ***Retail*** customers, concerned by the increase in interest rates, specific solutions were identified to redesign the characteristics of floating rate mortgages, for the purpose of guaranteeing the customer a reduction in the monthly payment and a greater stability in the instalment, without additional fees and with fast and simplified procedures.
Again for the purpose of improving assistance for loans, an offer of insurance policies combined with mortgages were developed, both for newly-disbursed and for existing mortgages, which cover unexpected events of the borrower (death, invalidity, sickness, unemployment etc.).
Moreover, following the coming into effect of the new regulations regarding investment services (MIFID), to raise the level of customer protection, an operating model was adopted which entails that all transactions are subjected to the adequacy test, which assesses them with respect to the financial profile of the single investor, ensuring training of all commercial personnel.
As concerns initiatives for ***Small Business*** customers, the Progetto Piccole imprese e Professionisti (Small Business and Professionals Project) was launched in mid-October and includes:
- three new current accounts: Conto Business Light, Conto Business Illimitato and Conto Professionisti, differentiated on the various customer profiles which also simplify former Sanpaolo and former Intesa products, with a monthly management fee which is fixed till 2010 and depends on the number of services included in each account;
- PrestoBusiness: a loan which supports investments connected to the business and ranges from 5,000 to 75,000 euro, without analysis and instalment collection fees and without penalties for advance reimbursement and with the commitment to assess applications within five working days from delivery of the documentation;
- the guarantee "Satisfied or Reimbursed" - unique in Italy - which in case of closure of the account within six months from the opening, gives the customer the right to reimbursement of costs sustained.

Thanks to the collaboration with Edison, customers with Conto Professionisti may benefit from "Idea Professional", which offers electricity at a set price for 24 months, thus safeguarding the customer from energy price oscillations in a scenario of constantly-increasing tariffs.
Furthermore, an agreement was signed with the Members of APER (Association of Electricity Producers from Renewable Sources), providing for special terms for access to medium-long term loans for the realisation of plants for the production of electricity from renewable sources, targeted to both SMEs and Small Businesses. The agreement dedicates particular attention to photovoltaic systems, responding to the considerable growth rates forecast for this sector, also thanks to the incentives sources introduced by Conto Energia (Ministerial Decree 19/02/2007).
As regards the ***Private*** segment, strategic initiatives were defined in the year to integrate the two Group's Private structures and favour synergies with the Retail, SME and Corporate segments for the development of current and prospect Private customers. The segmentation process continued and was aimed at identifying particularly sophisticated customer segments, with dedicated managers and with a specific service and product offering.
In particular, for the purpose of improving commercial effectiveness and territorial presence and guaranteeing the improvement of service levels, the organisational structure of the Private Banking Department was reviewed with the creation of 13 territorial areas which have been charged with the

shared management of the Private outlets of both Intesa Sanpaolo Private Banking and the network Banks of the Group. The development and integration projects of the off shore private banking structures and of the companies which provide fiduciary services have commenced.

Banca Prossima started operations at the beginning of November. It 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 operates through the branches of the Group, with 60 local offices for more complex operations, and counts on a team of 100 specialists throughout the country. All income generated by Banca Prossima will be used for developing the bank itself.

In November, as part of the review of the strategic guidelines of the Eurizon Group, it was decided to reposition *Eurizon Vita* and its subsidiaries in Banca dei Territori. The new organisational positioning is aimed at favouring a more immediate approach and an improved knowledge of customers.

Eurizon Vita confirms its leadership in the life insurance business, with increasing attention to on developing pension products. In 2007, new initiatives were launched, such as Individual Pensions and Pension Funds. Business rose sharply on guaranteed lines, and the number of pension advisors increased.

The property-casualty insurance business consolidated its relations with Banca dei Territori by expanding its product range and the upcoming opening of the business to the former Intesa branches. Continuous innovation and the search of alternative sales channels should also be noted.

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, 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 Relations* 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.

At the same time, activities continued for the consolidation and development of relations with reference customers, which leverage on an offer combining traditional and specialised services. Specifically, the Mid Corporate segment continues its dynamic trend, with over one hundred Wholesale and Investment Banking deals concluded in 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 of assistants to support the activities of the Global Relationship Managers.

For the purpose of consolidating and strengthening Transaction Services, mainly focused on the distribution of transactional products, initiatives were taken for the optimisation of Cash Services (collections and payments) and for the development and acquisition of new relationships for Depositary Bank and Fund Administration activities, such as the verification of the legitimacy of the issue and reimbursement of quotas of funds, of allocation of income from funds, of the correctness of the calculation of value of the quotas of funds.

The project for the rationalisation of Security Services activities in Luxembourg commenced.

With reference to the *Investment Banking* area, the coverage of Corporate customers was strengthened with a highly specialised product offer, for example advisory services for corporate restructurings or advisory and interventions in complex extraordinary finance transactions.

In the *Capital Markets* area, on 1 October 2007 the merger by integration between Banca Caboto and Banca IMI led to the formation of the new Banca IMI, taking over all specialised activities and Investment Banking and Capital Markets products. The main objectives of the new legal entity are: to maintain and consolidate the leadership position in the domestic market; to increase the propensity to innovation aimed at the development of original services and solutions; to ensure high service levels according to a logic of trust and partnership with customers; to strengthen presence in foreign markets; to invest in technology and human resources to guarantee efficiency and excellence in relations with customers.

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 commenced 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.
Starting from May, with the definition of unified programming responsibilities to cover the main commercial line and staff functions, the two banks operated on the market in a unitary fashion in view of the imminent integration. In December the relevant legal process was completed; with effect as of 1 January 2008, Banca Intesa Infrastrutture e Sviluppo took on the new name of Banca Infrastrutture, Innovazione e Sviluppo (BIIS) and the legal entity transaction was completed through the total de-merger of Banca OPI in the following areas:
- Banking (including real estate and infrastructure leasing activities), merged into BIIS,
- SINLOC – Sistema iniziative Locali, merged into FIN.OPI,
- FIN.OPI, transferred to the parent company and transformed into an Investment Management & Advisory Firm, specialised in the management of closed-ended funds in the infrastructure and public utilities sectors.

A new bank, leader in Italy in Public finance and among the top European specialists in this sector was formed: it is the sign of the Group’s strong and visible commitment to playing an important role in favour of the development and growth of the country.
Moreover, BIIS has the competencies and the experience to operate in all international markets: proof of this are the numerous transactions already completed, for a total amount exceeding 3 billion euro, in important European cities and in the countries of the Mediterranean basin alongside local public administrations more attentive to investments in infrastructures.

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 the 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 mergers in Bosnia, Hungary, Albania and Serbia.
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 Hungary, in parallel to the integration between CIB and IEB to form the second bank in the country in terms of total assets, commercial initiatives continued, with particularly significant results in the mortgage sector, and the strengthening of the distribution network, both as concerns traditional outlets and the network of ATM points; the latter is destined to be further strengthened in the next few months also following the recent agreement signed with the supermarket chain Lidl;
- in Slovakia, during the year, VUB recorded strong development in the mortgages sector, where the new business increased by over 50% year over year. The commercial strategy for Asset Management activities was redefined and led to a strong development in the sale of mutual funds, which more than doubled on an annual basis. A new type of current account was introduced, which was highly successful (106,000 subscriptions between account switching and new account openings);
- in Slovenia, Banka Koper continued to expand the commercial offer: prepaid cards for independent professionals, earnings plans linked to mutual investment funds, Amex cards, fixed rate mortgages, 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, loans via internet, use of credit scoring systems for non profit loans. In evidence also brokerage activities, with the implementation of a new trading on line channel (PBZ Investor), structured finance and Asset Management;
- in Bosnia, the diversification of UPI’s range of products and services continued intensely accompanied by commercial initiatives targeted to the increasing cross-selling;
- in Serbia (BIB) the range of products and services was updated and expanded with the introduction of new types of mortgages, credit cards, current account packages, loans and bancassurance products and with further evolution of the e-banking channels;
- in Albania, the integration of American Bank of Albania (ABA) and Banca Italo Albanese (BIA) occurred in 2007 aimed at forming, in 2008, the second bank in the country in terms of total assets. The range of products and services for the retail segment was further developed (new types of mortgages, launch of specific account packages for some professional categories);

- in Romania (Sanpaolo IMI Bank Romania) new loan and deposit products are being designed and launched: current account packages, company credit cards, car loans, unguaranteed loans with the assistance of scoring 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; a new type of personal loan was introduced, and the residential mortgage product was launched;
- in Egypt (Bank of Alexandria), the organisational model was revised, with the introduction of a department dedicated to the retail segment. 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 loan volumes, specifically as regards mortgages, and in the expansion of the customer base, generalised across all countries, but above all in Albania (+38%), Romania (+20%), Russia (+17%), Serbia (+15%), and Hungary (+10%).

The new strategic guidelines of the former **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.
In the last quarter of 2007 the main strategic guidelines of the plan for relaunching Banca Fideuram were defined in detail and its main objective for 2008 will be to consolidate its market leadership, leveraging to the full, consistent with the new reference regulations, on the competitive advantage deriving from a business model strongly oriented to transparency and consulting and based on long-term customer relationships.
The new approach has as its strong point the use of new risk-return concepts applied to the selection of the instruments better suited to respond to customer needs.
In the last quarter the processes necessary for the incorporation of the activities of former Nextra into Eurizon Capital – acquired at year-end – continued in particular: the interventions for the reorganisation or the structures within the scope; the review of the range of products, both Italian and Luxembourg; the transfer to Eurizon Capital of the management of retail individual portfolio schemes previously under the Intesa Sanpaolo Group.
Operations were aimed at the realisation of synergies within the Intesa Sanpaolo Group.

As concerns **costs and investments**, the 2007-2009 Business Plan aims to achieve a target cost/income ratio of 42% at period-end as a result of cost management which, despite the continuation of significant growth-related and business-innovation investments, will permit a considerable reduction in operating costs, as a result of synergies and rationalisations in the Bank’s activities.
In 2007 the ”normalised” cost/income ratio was 52.9% (51.5% considering the non-recurring recoveries on Employee termination indemnities), with a 0.8 percentage point reduction with respect to as at 31 December 2006.
With regard to cost control, the first benefits of the synergies from the merger were highlighted by administrative expenses. Costs recorded a reduction in consultancy fees and advertising expenses.
”Normalised” personnel expenses (gross of the non-recurring recoveries on Employee termination indemnities), were in line with the previous year, due to the combined effect of staff reduction and the increase in average unit cost attributable to labour contract rises.
As concerns business development, investments amounted to 726 million euro (in addition to investments related to the integration for an exchange value of approximately 280 million euro), approximately 22% of the amount envisaged by the plan for the three years 2007-2009, and were destined mainly to the ongoing development and rationalisation of ICT, to the optimisation and enhancement of operating points and to the development of innovative channels and systems to support marketing activities.

As already indicated in the previous reports, within the framework of its Business Plan which set out a staff reduction of 6,500 people, on 1 August 2007 Intesa Sanpaolo 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 1 December 2006.
Adhesion to the Solidarity Allowance refers to 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: i) a number of apprentices will be recruited equal to 50% of the reduction of the branch commercial staff; ii) the advance confirmation of apprentices – for a maximum of up to 50% of those in service as at 1 August 2007 – with an indefinite-term contract after 24 months instead of the 48 months provided for by law; and, lastly, iii) 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 570 million euro were recorded in the consolidated income statement, in addition to the approximately 800 million euro accounted for in 2006 relating to the previous agreement.

Within the strategic **operations** set forth in the 2007-2009 Business Plan for the consolidation of the domestic leadership, as already illustrated in the previous reports, the preliminary agreement for the acquisition of control of Cassa di Risparmio di Firenze was signed at the end of July. The acquisition 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. At the end of January 2008, Intesa Sanpaolo acquired 40.3% of Carifirenze's share capital, by means of a share swap of own ordinary shares with Carifirenze shares held by Ente Cassa di Risparmio di Firenze, Fondazione Cassa di Risparmio di Pistoia e Pescia, Fondazione Cassa di Risparmio della Spezia and So.Fi.Ba.R. – Società Finanziaria di Banche Romagnole, at 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 reached a 58.9% interest in Carifirenze's share capital. Therefore, Intesa Sanpaolo launched a Mandatory Public Offer on 30.8% of Carifirenze's share capital – i.e. on all the ordinary shares of Carifirenze not held by Intesa Sanpaolo and Ente Firenze – at a price of 6.735 euro per share inclusive of the coupon to receive any dividend distributed by Carifirenze related to financial year 2007. The maximum disbursement expected at the start of the acceptance period is approximately 1.7 billion euro.
On this point, Intesa Sanpaolo's Ordinary Shareholders' Meeting of 2 October 2007 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 was concluded on 7 November, and was carried out using the methods communicated to the market at that time.
In November, the Management Board approved a project for the setting up of a Società di Investimento Immobiliare Quotata (SIIQ), a listed real estate investment company. Intesa Sanpaolo intends to take the opportunity of developing a new business offered by Law 296/2006 and to set up listed companies having the management of real estate portfolios and generation of lease income as the core business to which beneficial tax treatment applies. The process for listing the new company named IMMIT Immobili Italiani started on the beginning of February 2008.
At the end of 2007, Intesa Sanpaolo and Banca Monte dei Paschi di Siena finalised the sale of the 55% stake held by Intesa Sanpaolo in Biverbanca – Cassa di Risparmio di Biella e Vercelli – to Banca Monte dei Paschi di Siena, agreed in June, for an exchange value of 399 million euro. In 2008, the agreed acquisition of Montepaschi's depositary bank services will be finalised, conditional upon obtaining the required authorisations.
Regarding international development, in February 2008 Intesa Sanpaolo and the controlling shareholders of JSC Pravex Bank – Ukraine's commercial bank entirely dedicated to retail banking activities with households, through a network of approximately 560 branches – signed an agreement for the acquisition of 100% of the share capital of JSC Pravex Bank. As at 30 June 2007, JSC Pravex Bank had total assets of approximately 1 billion dollars, loans to customers of approximately 587 million dollars, customer deposits of approximately 592 million dollars and shareholders' equity of approximately 114 million dollars. For the six months ended 30 June 2007 JSC Pravex Bank's net income amounted to 7.5 million dollars. At closing, Intesa Sanpaolo will pay a countervalue of approximately 750 million dollars. Total consideration will also include a post closing adjustment to be based on Pravex's IFRS net book value at the date of completion. The execution of the transaction is subject to obtaining the relevant approvals both in Italy and Ukraine.
Again as concerns international growth, please note that the Group started important initiatives on the Chinese market through the acquisition of equity investments in local players in the field of commercial banking, bancassurance and asset management. In particular, Intesa Sanpaolo was the first Italian bank

to make a direct investment in a Chinese bank through the acquisition of the 19.99% stake in Qingdao City Commercial Bank (QCCB), for a total consideration of approximately 135 million dollars. The Bank is 90% owned by Haier and the municipality. Foreign investment in Chinese domestic banks is capped at 25%, with a single foreign investor allowed no more than a 20% stake. As at 31 December 2006, QCCB had total assets of 3 billion dollars, loans to customers of 1.8 billion dollars, deposits of 2.3 billion dollars and shareholders' equity of 157 million dollars. For the twelve months ended 31 December 2006, its net income amounted to 3.8 million dollars. The bank has a network of 39 branches. Intesa Sanpaolo also entered in the life insurance field in China with the acquisition of 19.9% of the share capital of Union Life and signed an reciprocal commitments for the acquisition of 49% of Penghua Fund Management, one of the main asset management companies in the Chinese market.

As already known, in the context of the merger between Banca Intesa and SANPAOLO IMI, the definition of relations with Crédit Agricole was particularly important. Already in 2006 Banca Intesa and Crédit Agricole signed a specific agreement which provided for numerous reciprocal commitments, executed as scheduled starting from the first months of 2007. In particular, in the first quarter the equity investments in Cariparma and FriulAdria were sold to Crédit Agricole. Later, Intesa Sanpaolo contributed 29 branches to FriulAdria and 173 branches to Cariparma, all from the former Banca Intesa network. Lastly, in December 2007, Intesa Sanpaolo and Crédit Agricole S.A. took the last step in unwinding CAAM SGR (which changed its corporate name to Eurizon Investimenti SGR), their joint venture in asset management in Italy. This final phase involved the purchase by Intesa Sanpaolo of the activities attributable to the 65% stake in Nextra Investment Management sold by Banca Intesa to Crédit Agricole in December 2005. In addition, Intesa Sanpaolo and Crédit Agricole agreed on the exercise of their respective options over the sale to Crédit Agricole of Intesa Sanpaolo's 49% interest in AGOS, their joint venture in the consumer credit business in Italy. AGOS will carry on its business as a subsidiary of Sofinco, a Crédit Agricole S.A. company. This transaction is expected to be finalised in 2008, once the necessary authorisations have been obtained.

In authorising the merger between Banca Intesa and SANPAOLO IMI, the Italian Competition Authority set out some further conditions, in addition to the implementation of the commitments made with Crédit Agricole, in particular the disposal of further branches and the spin-off of bancassurance activities.
On this point, at the beginning of October, Intesa Sanpaolo signed agreements to sell branches with Banca Carige, Credito Valtellinese, Veneto Banca and Banca Popolare di Bari. The 198 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);
- 36 branches to Veneto Banca in the provinces of Imperia (5), Venice (12), Padua (7), Udine (9) and Rovigo (3);
- 6 branches to Banca Popolare Alto Adige in the province of Venice;
- 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, 274 million euro; Banca Popolare Alto Adige, 54 million euro; Banca Popolare di Bari, 181 million euro. These amounts were subject to a possible adjustment mechanism, depending on the total amount of deposits (direct and indirect) at the date of sale of the branches.
On the basis of figures at the end of 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 euro. Operating income attributable to such deposits amounted to 290 million euro. The disposal of the above operating units was concluded in the first months of 2008, after the release of the required authorisations from the competent Authorities.
Again in compliance with requirements set forth by the Italian Competition Authority, regarding the production and management of life insurance policies, the Intesa Sanpaolo Group has established a new insurance company through the spin-off of two business lines from EurizonVita and Intesa Vita.
The new insurance company – whose purpose 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 – is named Sud Polo Vita S.p.A. and started operations at the beginning of November.

Intesa Sanpaolo
Report on operations and consolidated financial statements

Report on operations

The Intesa Sanpaolo Group

Intesa Sanpaolo

- Head Office Departments

Public Finance
- Banca Infrastrutture Innovazione e Sviluppo (1)

Corporate & Investment Banking Division
- Banca IMI
- Banca Intesa France
- IMI Investimenti
- Intesa Mediofactoring
- Intesa Sanpaolo Bank Ireland
- Société Européenne de Banque
- Zao Banca Intesa

Banca dei Territori Division
- Intesa Sanpaolo
- Banca CR Firenze (2)
- 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
- Banca Prossima
- EurizonTutela
- EurizonVita
- Intesa Previdenza
- Intesa Sanpaolo Private Banking
- IntesaTrade
- Leasint (3)
- Mediocredito Italiano
- Neos Banca
- Sanpaolo Bank Luxembourg
- Sanpaolo Fiduciaria
- Setefi
- Sirefid
- Sud Polo Vita

International Subsidiary Banks Division
- American Bank of Albania (4)
- Banka Koper
- Banca Intesa Beograd (5)
- Bank of Alexandria
- Central-European International Bank (6)
- Intesa Sanpaolo Bank Romania
- KMB Bank
- Privredna Banka Zagreb
- UPI Banka
- Všeobecná Úverova Banka

Other Group Subsidiaries
- Banca Fideuram (7)
- Eurizon Capital (7)

(1) Company formed from the integration of Banca Intesa Infrastrutture e Sviluppo and Banca OPI.
(2) Company included in the Group as of 29 January 2008.
(3) Merger by incorporation of Sanpaolo Leasint into Intesa Leasing as of 1 January 2008.
(4) Merger by incorporation of Banca Italo Albanese into American Bank of Albania as of 1 January 2008.
(5) Merger by incorporation of Panonska Banka into Banca Intesa Beograd as of 1 January 2008.
(6) Merger by incorporation of Inter-Europa Bank into Central-European International Bank as of 1 January 2008.
(7) In the new Group structure, Banca Fideuram and Eurizon Capital are autonomous Business Units.

The macroeconomic scenario and lending and deposit collecting activities

The macroeconomic scenario

In 2007 the world economy practically met the forecast of modest slowdown made in December 2006, whereas the financial system revealed unforeseeable criticalities that progressively eroded investor confidence in economic prospects.

The methods of evaluating credit risks often proved to be too optimistic. Risk premiums, even in the presence of abundant liquidity and low interest rates, turned out to be too low. Credit risks were generally underestimated within the international financial system. Financial innovation allowed US banks to transfer a large portion of exposure to non-primary borrowers to other investors. In a self-sustained mechanism, American household debt, bank assets and system risks increased.

The rise in credit exposure was fuelled by the rise in real estate prices in the United States, favoured by a long period of unusually low interest rates. The financial turbulence that started in August 2007 is the reaction to the excessive credit exposure and to the deep crisis of the American real estate sector. The continuation of the expansive phase of the real estate cycle had already been affected by the physiological increase in the cost of money in 2006. In 2007 residential housing investments recorded a drastic reduction and building activities returned to the levels of the previous decade. At the same time, defaults on subprime mortgage loans registered a strong rise and signs started to appear of an increase in doubtful loans in other credit segments.

Starting from August, financial market activities recorded a strong slowdown and financial institutions registered a higher propensity to hold liquidity for precaution. Some large world financial institutions suffered very heavy losses which led to a climate of uncertainty that fuelled interbank interest rate rises on all main currencies.

Growth in the American economy was sustained for the whole of the year by consumption and by improvement in the balance of trade, that offset the crisis in the construction sector. The average change in GDP over the twelve months was 2.2%; the unemployment rate remained low, rising to 5% only at the end of the year. More evident signs of slowdown emerged in December and could affect 2008. Growth for the current year is forecast under 2%.

Until the explosion of the crisis in the interbank money market, the Federal Reserve had maintained a cautiously restrictive stance, due to inflation pressure above expectation. From September it cut interest rates by a total of 300 basis points, bringing the target on federal funds to 2.25%. Markets expect new cuts in official rates during 2008.

The eurozone economy recorded a lower slowdown compared to the forecast of the end of 2006: GDP’s average expansion over the twelve months is currently estimated at 2.6%, against 2.9% in the previous year. Growth was sustained by the positive trend of fixed investments, whilst the strong exchange rate and slowdown in world demand reduced the contribution from foreign trade.

Before the explosion of turbulence in the European money market, the European Central Bank raised the interest rate on main refinancing operations to 4% and announced a further tightening of monetary conditions. Afterwards, the ECB refrained from new interventions, but also excluded cuts in official rates as a response to the financial crisis, which was instead faced with a number of technical measures finalised to maintain overnight interest rates close to target and to substitute the interbank market in providing liquidity to financial institutions. In 2008, with the worsening of credit terms, the market started to incorporate a loosening in monetary policy between the end of 2008 and the beginning of 2009. Growth should considerably slow down to 1.5%, but projected inflation over the next two years remains high.

Energy and farm raw material prices registered a strong upward pressure for the whole of 2007 and contractual renewals for 2008 give rise to concern.

The Italian economy also benefited from a relatively positive industrial situation. Italy took part in the expansive phase of investments which characterised the continent, whilst private consumption played a relatively more significant role compared to the rest of the eurozone. Average contribution from net exports was poor. Average growth over the twelve months was estimated at 1.5%, against 1.8% in 2006. There is a generalised expectation of a significant slowdown for 2008, to growth rates under 1%.

The emerging economies continued to achieve an average growth rate in real terms (estimated around 8%) higher than the average of the world economy (equal to 5.2%). The expansion was particularly significant in Asia (China and India above all), in Russia, in former Soviet Republics and in certain Central-Eastern European countries. In Latin America, Mexico slowed down considerably, affected by the weakness of the US economic situation, whereas the other large economies (Brazil and Argentina) continued to register significant growth rates. The emerging economies overall benefited from the rise in exports, from stabilising monetary and fiscal policies, initiated a few years ago, that reduced their vulnerability to external shocks, from a broad availability of funds – a substantial portion coming from abroad – to finance consumption and investments and, finally, from the rise in raw material prices that improved their exports and favoured the formation of a rising balance of trade. Higher costs of imported raw materials (especially food and energy) and high utilisation of production capacity induced however a generalised acceleration of inflation, more marked in certain Asian countries like China and India, the Middle East, the Baltic republics and in certain Eastern European countries.
In 2007 rating agencies upgraded various countries, particularly in Latin America and in Central-Eastern Europe. Fiscal discipline and improvement of net financial position were the main reasons that sustained the upgrading for Hungary, Brazil, Chile and Mexico. The only significant downgrading regarded Venezuela and was mainly determined by rising political interference in the management of the economy.

As said, the market crisis created an unprecedented mistrust in the interbank market, which impaired its role as re-distributor of the liquidity supplied by the Central Bank. Spreads between euribor rates and the rates on European Central Bank's main refinancing operations rose to unforeseeable levels: three-month euribor peaked to 4.95% on 12 December; the one-month rate increased from 4.17% to a peak of 4.91% on 29 November, returning to 4.20% only at the beginning of 2008. ECB's liquidity management led to a partial correction of anomalies.
Ten-year Bund yields reached their annual peak on 9 July, at 4.68%. Flight to quality flows associated to the progressive worsening of the financial crisis gradually drove yields down to 4.09% in September. After a temporary rebound, rates resumed their decline to the low of 4.02% in November. December was characterised by a new and temporary rebound and on 31 December a 38 basis point increase was registered from the end of 2006.
The rise in risk aversion and tensions related to the proceeding of the Finance Law penalised the Italian Republic's debt: after having touched a 14 basis point low in February, the yield spread against the ten-year Bund peaked to 38 basis point in November, decreasing however to 31 basis points on 31 December.
Currency markets were characterised by a widespread weakness of the dollar, which lost ground on all fronts. The euro/dollar exchange rate remained on an upward trend up to a all-time peak of 1.4966 in November; on 31 December it was at 1.4589, 10.5% up from the end of 2006. The worsening of the credit crisis in the US led to a further depreciation of the dollar in 2008: the euro/dollar exchange rate momentarily touched a new high of 1.5904. The strengthening of the euro also concerned other bilateral exchange rates, such as those against the Swiss franc, yen and pound.
In 2007, the fall of the dollar, the substantial foreign capital flows, fuelled by both speculative moves and direct investments, and surpluses in the balances of payments determined a generalised appreciation of the emerging countries' currencies, mostly characterised today by floating exchange rates, with respect to the US currency. The sharpest rises were referred to certain currencies of Central-Eastern European countries, in the wake of the strong euro, to the high-yield currencies like the Turkish lira and the Brazilian real (both gained over 17%) and to certain Asian currencies.
Spreads on sovereign debts in currency of the emerging countries, after having decreased to all-time lows last spring, progressively rose again, closing 2007 with a generalised increase from the end of 2006 (the JPM Emerging Markets Bond Index Plus (EMBI+) spread widened by 70 basis points between the end of 2006 and the end of 2007), boosted by rising concerns on market stability generated by the US subprime crisis. The increase in spreads was also due to fears on the prospects of the economy and on the management of economic policies of some countries, namely Argentina and Venezuela.
In 2007 the investment grade loan market recorded a considerable widening of spreads. This is attributable in particular to the consequences of the crisis of high-risk American loans which triggered a risk reassessment process, very evident in the second half of the year mostly on the short-term security market. Widespread rises in spreads were also registered for various non-financial corporate loan sectors and referred to both cash segment and derivatives. This was mainly driven by the weak position of financial issuers (+66.5 basis points against +35.7 basis points of non-financial corporate loans), which was more hit by the effects of the devaluations linked to the Residential Mortgage Backed Securities (RMBS) connected to subprime loans. Within the financial sector, significant rises occurred in spreads of

both Insurance and Bank securities. Approximately 136 billion euro of new investment grade corporate securities were placed, moderately exceeding the financial needs of the segment for the year. Expectations of a rise in interest rates favoured new issues especially in the first months of the year. Afterwards, the financial turbulence caused a marked slowdown in investment grade issues by both corporates and banks. Breakdown by issue showed a net preference for fixed-rate with respect to the floating-rate structures, with a certain predominance of 6-10 year maturities.
On aggregate, world stock markets registered peaks in November, with only two corrective phases in 2007 (in April and then in July-August). Performance was mainly driven by emerging markets. In these countries the positive performance of the economy favoured a generalised increase in equity prices, much more than in mature markets: the MSCI Emerging Countries index rose over 30% during 2007. China (+97%), India (+47%) and Brazil (+44%) lead the performance ranking.
Starting from mid November, investor confidence began to deteriorate considerably, particularly in the American market. The S&P500 index closed 2007 with a modest rise (3.5%), though with strong sector differences. In fact, whilst the Energy (+32.4%), Materials (+20.0%) and Utility (+15.8%) sectors recorded substantial rises, the Financial sector, which makes up 17% of the aggregate, registered a 20.8% fall, characterising 2007 as the year of the subprime loan crisis. In fact, tensions in the credit market, which burst in the summer, hit both money and equity markets. During 2007, the Euro Stoxx index recorded a slightly positive performance (4.9%), with a fairly bullish trend in the first half of the year, partly eroded starting from the summer by the explosion of the crisis related to subprime loans and by the consequent turbulence. In fact, in the last three months of the year volatility rose considerably. Breakdown by sector shows that the Chemical, Automobile, Utility, Telecom and Industrial sectors outperformed the market, whereas the Insurance, Travel and Leisure, Bank and Financial sectors were penalised by the repercussions of the American loan crisis and of the weakness of the segments more directly linked to consumption. The Mibtel index recorded a 7.8% decline in 2007, as a result of the financial sector, which in the Italian market has a greater weight in the composition of the Stock Exchange index.

Italian lending and deposit collecting activities

In 2007 in Italy Bank interest rates increased gradually till the end of the summer, and then surged starting from September, as a result of the sharp rise in money market yields. The confidence crisis that hit the credit sector, pushing up interbank financing cost for the European banks, triggered a phase of gradual tightening of the conditions of access to credit, that, according to expectations of the banks participating in ECB’s last enquiry on eurozone’s credit, should continue also in the first part of 2008. Bank interest rates should have reached a peak in January 2008. A subsequent decrease is expected, with the forecast of loosening of monetary policy to support growth.
The increase in the cost of money was slower than the rise in money yields for both enterprises and households, also due to the evolution of bond yields and of interest rates on customer deposits (including repurchase agreements).
Thanks to higher growth rates registered in the lending segment, the spread between lending and funding rates settled at 3.18% on average over the twelve months (+16 basis points on the 2006 average), reaching 3.29% at the end of the period (+17 basis points on the end of 2006). With regard to unit margins of intermediation activities, the comparison of the figures at the beginning and the end of the year showed that the short-term mark-up[1] declined from 2.28 to 2.03%, whereas the contribution margin of current accounts[2] (mark-down) rose from 2.48% to 3.06%. Consequently, the short-term spread increased to 5.09%, gaining 33 basis points with respect to the level recorded twelve months earlier.
In 2007 loans granted by the Italian banks continued to record a very strong trend, as in the other eurozone countries. The average expansion over the twelve months of performing loans was slightly higher than in 2006. The most substantial contribution to the development of lending and deposit collecting activities was once again the medium- and long-term component, which represented over 64% of the total. Nevertheless short-term loans registered a significant acceleration.
These trends benefited to a large extent from the marked strengthening of corporate demand, encouraged by the positive economic situation. Conditions of access to credit for the production sector remained favourable for a good portion of the year, showing signs of moderate tightening only in the fourth quarter, following the turbulence in financial markets. At the same time, the evolution of

[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.

household loans was less brilliant than in the previous year, due to low growth in the real estate market and, especially in the last part of the year, to the rise in indexed interest rates.
From the spring a considerable slowdown was registered in both residential mortgages and consumer credit. In conjunction with the start of the subprime loan crisis, securitisations of residential mortgages fell drastically, whilst the other type of retail financing not addressed to housing or to consumption recorded an acceleration.
The deceleration of mutual fund demand did not stop the structural increase of household exposure, characterised by reassuring sustainability margins, as confirmed by the ratio between debt and available income. Nevertheless, in view of the rise in interest rates, the cost of debt (interest and capital) continued to increase.
As to the corporate sector, in 2007 lending activities recorded a very intense and accelerated trend. More precisely, loans to non-financial businesses showed higher growth rates for medium and large enterprises. In particular, in the last months of the year, also due to the unfavourable funding conditions in financial markets resulting from the subprime loan crisis, large companies increased their recourse to banks.
The positive economic situation, in both sales and investments, led to a rise in bank lending on all maturities, more accentuated for long-term loans (with maturity over 5 years) and slightly more contained for short- and medium-term loans.
The acceleration of lending and deposit collecting activities with enterprises referred to both the industrial and service sectors. In particular, the trend in loans to the manufacturing industry strengthened, also due to the performance of exports that, despite the appreciation of the exchange rate, registered a significant expansion in important sectors, such as metal products, transport, mechanical and furniture. In view of industry's good performance, loans to the building and service industries continued to record a strong expansion in the year.
The intense trend in loans to the production sector reflected the fact that enterprises continued to be moderately confident on the development of production, orders and investments. This cautious optimism, slightly more perceived in industry than in services, also reflected the achievement of the economic objectives set out for 2007. Furthermore, the majority of enterprises had a capital expenditure equal or exceeding that planned at the end of 2006[3].
Bank lending and deposit collecting activities continued to register good quality in the loans to customers portfolio, with a ratio between doubtful loans and total loans practically unchanged from the beginning of the year. Growth of insolvent enterprises remained at very moderate levels for the whole of the year, whereas, starting from May, an acceleration of doubtful positions was registered in household loans, which partly decreased towards the end of the year. Considering the extreme attention paid to the credit market and to the fundamentals of the bank sector at the international level, that trend originated fears of deterioration, also in Italy, of the quality of the household loan portfolio, attributable to difficulties in the payment of loan instalments, and of the consumer loan portfolio. Therefore, banks did not tighten offer conditions, in view not only of the weakening of demand but also of the presumably temporary nature of the rises in interbank reference rates for floating-rate loans, the most popular type of contract with retail customers.
In 2007 the development of domestic funding – according to the harmonised definition[4] – was intense, even if in slight deceleration compared to the previous year. Persistently high growth rates in customer deposits allowed the Italian banks to ease the effects of funding difficulties in the interbank market.
Bank funding mainly focused on bond issues, but also on current accounts. In the last part of the year the trend in current accounts was intense, presumably reflecting investors' renewed lack of confidence on high-risk financial investments. Finally, in the second half of the year repurchase agreements registered more moderate growth rates compared to the first half.
The high risk aversion, deriving from fears of economic recession and, above all, from negative financial market trends, affected asset management products, in particular mutual funds. This influenced the performance of bank indirect customer deposits (third party securities under administration and management), that was stagnating for the whole of 2007. In particular, the asset management component (individual portfolio management schemes and mutual funds) recorded a significant reduction in value. In fact, in the last few months the trend in recomposition of investment portfolios strengthened, with a shift to Government securities away from shares and mutual funds.

[3] Bank of Italy, Business Outlook Survey of Industrial and Service Firms, November 2006.
[4] Sum of current accounts (including bank cashiers' cheques), deposits with notice period (saving deposits), deposits with predefined maturity (current accounts and term deposits, certificates of deposit), repurchase agreements and bonds (including subordinated liabilities). All contract types, with the exception of bonds, refer to Italian customers, excluding the Central Administration, in euro and foreign currency. Bonds refer to the total amount issued, irrespective of residence and sector of the holder.

Economic results

General aspects

A condensed income statement has been prepared for the purpose of permitting a more immediate understanding of results for the period. With respect to the compulsory form provided for by Bank of Italy Circular 262/05, figures for 2006 have been restated on a consistent basis to consider changes in the consolidation area and certain captions have been reclassified to make them better suited to illustrate operating development.

Presentation of restated figures

The non-recurring operations in the year mean that the figures for 2007 cannot be compared to those of the previous year. For the purpose of permitting a consistent comparison, annual and quarterly income statement figures for 2006 are restated to account for the components that were reclassified to the captions pertaining to the groups of non-current assets held for sale and discontinued operations, the merger between Banca Intesa and SANPAOLO IMI, the related operations with Credit Agricole which occurred in the year (the sale of the equity investments in Cassa di Risparmio di Parma e Piacenza and in Banca Popolare FriulAdria and the contribution of branches in favour of the latter), and any other variations which occurred in the consolidation area.
Specifically, as regards the merger which came into legal, accounting and tax effect as of 1 January 2007, with reference to 2006, income statement figures for the Intesa and Sanpaolo IMI Groups were aggregated; moreover, the most significant reciprocal income statement items between the two groups have been eliminated, according to the criteria normally used in consolidation procedures.
Again for the purpose of a consistent comparison, income statements as at 31 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).
For the sake of completeness, the reclassified forms and the detailed tables also set out the figures, restated as provided for by IFRS 5, originally published in the financial statements as at 31 December 2006 for the former Gruppo Intesa.

Reclassification criteria of the income statement

To provide a more effective representation of income statement and balance sheet aggregates, certain captions are restated and aggregated with respect to the income statement set out in the financial statement forms. Reclassifications – detailed in the reconciliation presented in the attachments to the present volume in compliance with Consob requirements provided for with Communication 6064293 of 28 July 2006 – are listed below.
Reclassifications of the income statement concerned:

- dividends on shares classified as assets available for sale and as assets held for trading are reallocated in Profits (Losses) on trading; likewise, the implicit cost for the financing of the purchase of shares held for trading is transferred from interest to Profits (Losses) on trading;
- the portions of Net interest income, Net fee and commission income and Profits (Losses) on trading related to the insurance business are recorded under a specific caption;
- interest rate differentials matured and collected on currency interest rate swaps which set out the exchange of two floating rates, classified as held for trading, stipulated to hedge floating rate funding in foreign currency, are recorded in Net interest income considering their close correlation;
- Fair value adjustments in hedge accounting are registered in Net interest income due to their close correlation;
- Profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities are included in profits (losses) on trading;
- Profits (losses) on financial assets and liabilities designated at fair value, are reallocated to Profits (Losses) on trading;
- administrative expenses are net of recoveries from customers;

- Profits and losses on disposal or repurchase of loans are posted in Net adjustments to loans;
- Net impairment losses on other financial activities, related to guarantees, commitments and credit derivatives, are registered in Net adjustments to loans;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in forecast expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
- net impairment of property, equipment and intangible assets, is excluded from Net adjustments to property, equipment and intangible assets – that thus solely express depreciation and amortisation – and are included in a residual caption which records Net impairment losses on financial assets available for sale, investments held to maturity and other financial activities;
- Profits (Losses) on disposal of investments in associates and companies subject to joint control and Profits (Losses) on disposal of investments are recorded in Profits (losses) on investments held to maturity and on other investments, after the deduction of the net income recorded by investments carried at equity which is posted in a specific caption in operating income;
- merger and restructuring related charges are reclassified net of the tax effect in a separate caption from Personnel expenses and Administrative expenses;
- the economic effect of purchase cost allocation which, net of the tax effect, is indicated in a specific caption. It represents the adjustments to financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3.

Reclassified consolidated income statement

(in millions of euro)

	2007	2006 restated (*)	Changes amount	Changes %	2006 (**)
Net interest income	9,886	8,907	979	11.0	4,757
Dividends and profits (losses) on investments carried at equity	334	278	56	20.1	171
Net fee and commission income	6,195	6,379	-184	-2.9	2,902
Profits (Losses) on trading	1,008	1,799	-791	-44.0	891
Income from insurance business	441	452	-11	-2.4	-
Other operating income (expenses)	144	100	44	44.0	19
Operating income	**18,008**	**17,915**	**93**	**0.5**	**8,740**
Personnel expenses	-5,375	-5,633	-258	-4.6	-2,649
Other administrative expenses	-3,060	-3,096	-36	-1.2	-1,560
Adjustments to property, equipment and intangible assets	-833	-899	-66	-7.3	-489
Operating costs	**-9,268**	**-9,628**	**-360**	**-3.7**	**-4,698**
Operating margin	**8,740**	**8,287**	**453**	**5.5**	**4,042**
Goodwill impairment	-	-	-	-	-
Net provisions for risks and charges	-524	-336	188	56.0	-137
Net adjustments to loans	-1,372	-1,306	66	5.1	-778
Net impairment losses on other assets	-67	-11	56		1
Profits (Losses) on investments held to maturity and on other investments	81	168	-87	-51.8	112
Income (Loss) before tax from continuing operations	**6,858**	**6,802**	**56**	**0.8**	**3,240**
Taxes on income from continuing operations	-2,672	-2,033	639	31.4	-972
Merger and restructuring related charges (net of tax)	-607	-562	45	8.0	-222
Effect of purchase cost allocation (net of tax)	-10	-	10	-	-
Income (Loss) after tax from discontinued operations	3,790	674	3,116		623
Minority interests	-109	-174	-65	-37.4	-110
Net income	**7,250**	**4,707**	**2,543**	**54.0**	**2,559**

(*) 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.

Quarterly development of the reclassified consolidated income statement

(in millions of euro)

	2007				2006 restated (*)				
	Fourth quarter	Third quarter restated (**)	Second quarter restated (**)	First quarter restated (**)	Fourth quarter	Third quarter	Second quarter	First quarter	Average of the quarters
Net interest income	2,613	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	103	67	118	46	105	42	93	38	70
Net fee and commission income	1,517	1,515	1,576	1,587	1,592	1,542	1,610	1,635	1,595
Profits (Losses) on trading	-64	302	332	438	633	348	326	492	450
Income from insurance business	85	93	162	101	168	90	99	95	113
Other operating income (expenses)	30	48	26	40	47	9	27	17	25
Operating income	**4,284**	**4,477**	**4,659**	**4,588**	**4,905**	**4,261**	**4,362**	**4,387**	**4,479**
Personnel expenses	-1,462	-1,384	-1,126	-1,403	-1,523	-1,374	-1,373	-1,363	-1,408
Other administrative expenses	-907	-711	-740	-702	-917	-706	-753	-720	-774
Adjustments to property, equipment and intangible assets	-232	-205	-204	-192	-272	-216	-217	-194	-225
Operating costs	**-2,601**	**-2,300**	**-2,070**	**-2,297**	**-2,712**	**-2,296**	**-2,343**	**-2,277**	**-2,407**
Operating margin	**1,683**	**2,177**	**2,589**	**2,291**	**2,193**	**1,965**	**2,019**	**2,110**	**2,072**
Goodwill impairment	-	-	-	-	-	-	-	-	-
Net provisions for risks and charges	-263	-68	-101	-92	-181	-48	-37	-70	-84
Net adjustments to loans	-450	-279	-322	-321	-435	-295	-285	-291	-327
Net impairment losses on other assets	-49	4	-20	-2	-7	-5	-2	3	-3
Profits (Losses) on investments held to maturity and on other investments	39	-1	8	35	95	3	66	4	42
Income (Loss) before tax from continuing operations	**960**	**1,833**	**2,154**	**1,911**	**1,665**	**1,620**	**1,761**	**1,756**	**1,701**
Taxes on income from continuing operations	-724	-543	-726	-679	-309	-520	-576	-628	-508
Merger and restructuring related charges (net of tax)	-126	-401	-66	-14	-562	-	-	-	-141
Effect of purchase cost allocation (net of tax)	290	-100	-100	-100	-	-	-	-	-
Income (Loss) after tax from discontinued operations	-1	744	129	2,918	142	151	208	173	169
Minority interests	-4	-37	-34	-34	-40	-56	-47	-31	-44
Net income	**395**	**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.

One year after the start of its full operations the Intesa Sanpaolo Group, formed from the merger between Banca Intesa and SANPAOLO IMI, closed 2007 with a net income totalling 7,250 million euro. This result was achieved in a particularly difficult context due to both the economic slowdown and the financial market crisis and the integration between the two Groups, which proceeded as programmed in the Business Plan. The 54% growth rate with respect to net income for 2006, restated on a consistent basis, benefited from operating margin and non-recurring income. The first increased by 5.5% also thanks to the containment of operating costs while income recorded an only marginal increase, due to the contraction in profits on trading. Non-recurring components, referred to the capital gains mostly realised on the sales to Crédit Agricole of Cariparma, FriulAdria and 202 branches, amounting to approximately 3,300 million euro, and also took into account the effects of the unwinding of the joint venture in the asset management field with the French group and the tax effect, which was contained by the benefits of the participation exemption applied to the sale of equity investments.
Quarterly development shows a rise in the first nine months of the year, followed by a decrease in the fourth quarter, affected by the negative trend of world financial markets. In the last quarter of 2007 income (loss) from discontinued operations decreased as a result of the impairment relative to the Intesa Sanpaolo's purchase of the activities attributable to Nextra, sold in 2005 to Crédit Agricole.

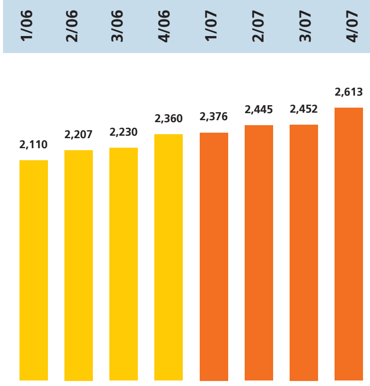
Operating income

In 2007 Intesa Sanpaolo generated operating income of 18,008 million euro, slightly higher than in the previous year. This result reflects the opposite trends recorded by its various components: the rises in net interest income (+11%), which represents over half of revenues, in dividends and profits on investments carried at equity (+20.1%) and in other operating income (+44%) were almost entirely absorbed by the decrease in profits/losses on trading (-44%) and net fee and commission income (-2.9%) and by the moderate decline in income from insurance business (-2.4%).

Net interest income

(in millions of euro)

	2007	2006 restated (*)	Changes amount	Changes %	2006 (**)
Relations with customers	13,218	11,091	2,127	19.2	5,718
Relations with banks	-647	-421	226	53.7	-236
Securities issued	-5,954	-4,756	1,198	25.2	-2,665
Differentials on hedging derivatives	92	442	-350	-79.2	309
Financial assets held for trading	1,783	1,417	366	25.8	1,128
Investments held to maturity	250	195	55	28.2	105
Financial assets available for sale	717	537	180	33.5	132
Non-performing assets	477	492	-15	-3.0	302
Other net interest income	-63	-99	-36	-36.4	-44
Interest margin	**9,873**	**8,898**	**975**	**11.0**	**4,749**
Fair value adjustments in hedge accounting	**13**	**9**	**4**	**44.4**	**8**
Net interest income	**9,886**	**8,907**	**979**	**11.0**	**4,757**



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.

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

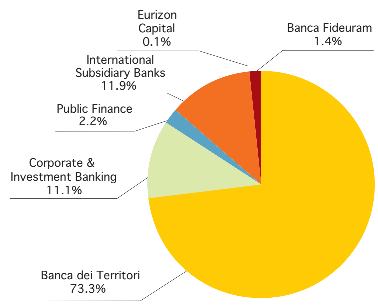
Net interest income for 2007 amounted to 9,886 million euro, almost one billion higher than in 2006. Net interest income from operations with customers, which in the table above also includes components related to securities issued and differentials on hedging derivatives, totalled 7,356 million euro, up 579 million euro (+8.5%) on 2006. This evolution was driven by both the rise in intermediated volumes, especially thanks to the development of lending, and interest rate trends, which benefited from the rise spreads on funding, only partly offset by the reduction in the margin on loans. The rise in net interest income attributable to financial investments equalled 601 million euro (+28%). The positive trends were partly absorbed by higher costs for relations with banks (+226 million euro; +53.7%), consequent to the higher net debt position with banks in the first half, which was mostly reabsorbed in the second half. The acceleration in the fourth quarter of 2007 is attributable to the improvement in the interbank balance.
The quarterly development of this caption showed a progressive increase during the year, continuing and intensifying the trend observed in 2006.

(in millions of euro)

	2007	2006 restated (*)	Changes amount	Changes %
Banca dei Territori	6,978	6,210	768	12.4
Corporate & Investment Banking	1,053	946	107	11.3
Public Finance	212	205	7	3.4
International Subsidiary Banks	1,133	920	213	23.2
Eurizon Capital	8	7	1	14.3
Banca Fideuram	132	79	53	67.1
Total business areas	**9,516**	**8,367**	**1,149**	**13.7**
Corporate Centre	370	540	-170	-31.5
Intesa Sanpaolo Group	**9,886**	**8,907**	**979**	**11.0**

(*) 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



The net interest income improved for all business areas. Specifically, the rise in net interest income generated by the Banca dei Territori Division, which contributes 73% of the result produced by the business areas, was 12.4%, mainly due to the retail and private areas and the leasing activities. Growth for International Subsidiary Banks was 23.2%, Corporate & Investment Banking grew by 11.3%, Public Finance by 3.4%, Banca Fideuram by 67.1% and Eurizon Capital by 14.3%. The decline recorded by the Corporate Centre is attributable to Treasury management which was affected by the tensions on the interbank market in the second half of the year.

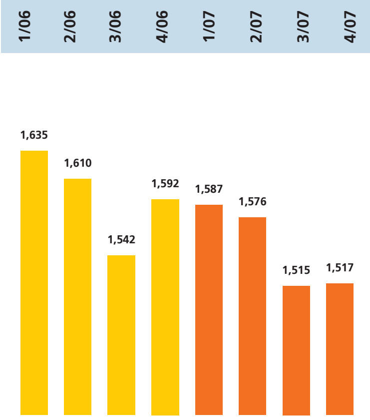
Dividends and profits on investments carried at equity

In 2007 dividends collected from unconsolidated equity investments (22 million euro that refer to the stake in the Bank of Italy) and profits on investments carried at equity (312 million euro) totalled 334 million euro, compared to 278 million euro in 2006.

Net fee and commission income

(in millions of euro)

	2007	2006 restated (*)	Changes amount	Changes %	2006 (**)
Guarantees given	232	202	30	14.9	138
Collection and payment services	431	408	23	5.6	260
Current accounts	922	1,015	-93	-9.2	530
Credit and debit cards	401	392	9	2.3	264
Commercial banking activities	**1,986**	**2,017**	**-31**	**-1.5**	**1,192**
Dealing and placement of securities	881	1,033	-152	-14.7	806
Currency dealing	67	66	1	1.5	35
Portfolio management	1,425	1,523	-98	-6.4	112
Distribution of insurance products	811	775	36	4.6	327
Other	240	237	3	1.3	116
Management, dealing and consultancy activities	**3,424**	**3,634**	**-210**	**-5.8**	**1,396**
Other net fee and commission income	**785**	**728**	**57**	**7.8**	**314**
Net fee and commission income	**6,195**	**6,379**	**-184**	**-2.9**	**2,902**



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.

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

In 2007 Intesa Sanpaolo's net fee and commission income totalled 6,195 million euro, representing 34% of revenues. The 2.9% decrease on the corresponding period of the previous year was due both to the decisions made at the time of the integration of the distribution networks and to market factors. The Bank decided to favour customers by aligning commissions applied by Intesa Sanpaolo to the best terms practiced by the two banks before the merger and not applying – as an obvious consequence of the unification – commissions to ATM/cash dispenser transactions by customers of one of the two banks in the network of the other bank. Moreover, commissions on commercial banking activities decreased on account of the distribution of "product" accounts featuring lower management fees than traditional current accounts, though this drop was partly offset by the growth in other areas of banking activity.

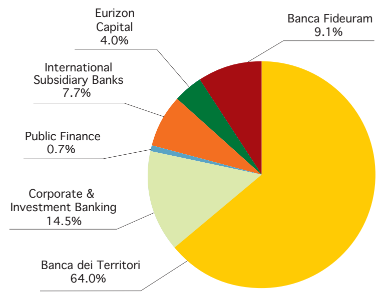
The decrease in net commissions is mostly attributable to management, dealing and consulting activities. With respect to 2006, commissions on dealing and placement of securities dropped and, to a lower extent, commissions on portfolio management, on account of the contraction in asset management, due to both the decrease in assets under management and the negative performance of the funds. In the presence of high financial market volatility, customers turned to simpler and more liquid products with lower added value for the bank.

Quarterly development shows a progressive decrease in net fee and commission income during the whole of the year, with a resilient trend only in the fourth quarter, especially as a result of the rise in commercial activities.

(in millions of euro)

	2007	2006 restated (*)	Changes amount	Changes %
Banca dei Territori	4,076	4,216	-140	-3.3
Corporate & Investment Banking	922	941	-19	-2.0
Public Finance	47	63	-16	-25.4
International Subsidiary Banks	492	421	71	16.9
Eurizon Capital	256	241	15	6.2
Banca Fideuram	575	599	-24	-4.0
Total business areas	**6,368**	**6,481**	**-113**	**-1.7**
Corporate Centre	-173	-102	71	69.6
Intesa Sanpaolo Group	**6,195**	**6,379**	**-184**	**-2.9**

(*) 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.

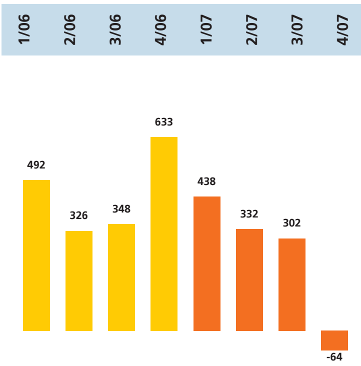


The decrease in net fee and commission income is also clear from the breakdown by business area: in most business areas this caption decreased with respect to 2006. The only exceptions were: the International Subsidiary Banks Division (+16.9%), which benefited from the rise in lending and payment transactions, and Eurizon Capital (+6.2%), thanks to the asset management commissions generated by the rise in retail management products and the increase in the number of management mandates. Banca dei Territori, which produced 64% of the business units' net fee and commission income, posted a 3.3% decrease in these revenues with respect to the previous year, mostly attributable to the retail area, markedly on asset management and current accounts. Conversely, commissions generated by the private and consumer credit activities increased. Decreases in net fee and commission income were recorded by the Corporate & Investment Banking Division (-2%) and the Public Finance Division (-25.4%), mostly as a result of lower structured finance operations.

Profits (Losses) on trading

(in millions of euro)

	2007	2006 restated (*)	Changes amount	Changes %	2006 (**)
Trading result (Securities and connected credit derivatives, foreign exchange, financial derivatives)	407	885	-478	-54.0	525
Other credit derivatives	-301	15	-316		47
Other financial assets / liabilities: foreign exchange differences	308	325	-17	-5.2	189
Profits (Losses) on financial assets / liabilities held for trading	**414**	**1,225**	**-811**	**-66.2**	**761**
Profits (Losses) on disposal of financial assets available for sale and repurchase of financial liabilities	**456**	**436**	**20**	**4.6**	**99**
Dividend and similar income on shares available for sale	**138**	**138**	**-**	**-**	**31**
Profits (Losses) on trading	**1,008**	**1,799**	**-791**	**-44.0**	**891**



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.

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

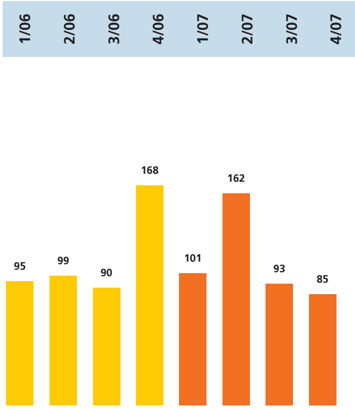
In 2007 Profits (Losses) on trading, that included profits (losses) on trading, on other credit derivatives and on foreign exchange differences, profits (losses) on disposal of financial assets and liabilities available for sale and dividends and other income from such assets, totalled 1,008 million euro, down 44% compared to the previous year.
The decrease in Profits (Losses) on trading worsened in the last part of the year, as a result of the significantly negative market performances due to the already-mentioned subprime mortgage crisis.
The mark to market for quoted instruments and its application to non-quoted instruments within Internal Models, which necessarily had to abide by the most stringent reference parameters of the market, resulted in realised and/or unrealised losses write-downs of approximately 500 million euro – as detailed in the specific chapter in Part E of the Notes to the consolidated financial statements – which almost

entirely referred to the Parent Company. On the contrary, the disposal of the stake in Borsa Italiana following the acceptance of the Tender Offer of the London Stock Exchange, which was completed in September, generated a capital gain of 169 million euro.
A detailed analysis shows, with respect to 2006, that there was a drop in profits on financial assets/liabilities held for trading, in particular on trading profits; likewise, profits on trading of credit derivatives significantly dropped and were the most severely affected by the crisis in the markets.
Quarterly development was influenced by the trend of the market and shows a gradual slowdown in the results of the first three quarters of 2007 and a negative result in the fourth quarter.

Income from insurance business

(in millions of euro)

	2007			2006 restated [*]			Changes	
	Life	Casualty	Total	Life	Casualty	Total	amount	%
Premiums and payments [a]	-341	80	-261	-418	29	-389	-128	-32.9
net premiums	*1,608*	*108*	*1,716*	*2,813*	*52*	*2,865*	*-1,149*	*-40.1*
net charges for claims	*-4,767*	*-28*	*-4,795*	*-2,650*	*-23*	*-2,673*	*2,122*	*79.4*
net charges for changes in technical reserves	*2,818*	*-*	*2,818*	*-581*	*-*	*-581*	*3,399*	
Net income from financial instruments designated at fair value through profit and loss [b]	369	-	369	264	-	264	105	39.8
Net income from securities (including UCITS) classified as Financial assets available for sale and Financial assets held for trading [c]	753	7	760	1,006	3	1,009	-249	-24.7
Other income/charges from insurance business [d]	-370	-57	-427	-415	-17	-432	-5	-1.2
Income from insurance business	**411**	**30**	**441**	**437**	**15**	**452**	**-11**	**-2.4**



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 EurizonVita, totalled 441 million euro, with a 2.4% drop with respect to 2006.
This result reflects the significant decrease in financial management, affected by market instability in the last part of 2007, which led to a contraction in the profits, interest and dividends generated by the assets which cover the insurance products and the free portfolio of the insurance company. This contraction more than offset the improvement in the margin on the insurance business represented by the imbalance between premiums and net charges, and determined the negative trend of the overall result.
Premiums collected in 2007 exceeded 7 billion euro (1.7 billion euro "insurance" and 5.3 billion euro "financial", not indicated in the table), with an approximately 1 billion euro rise with respect to 2006, realised through unit- and index-linked policies and lower issues relative to traditional products. Net premiums decreased due to the considerable surrendering and expiries in the year.
The quarterly development of income from insurance business showed a peak in the second quarter of 2007, which benefited from a significant contribution of dividends, exceeding 50 million euro. The third and, especially, the fourth quarter posted a downward trend, due to the effects of the interest rate rises in the first half and market turmoil in the second half of the year.

Other operating income (expenses)

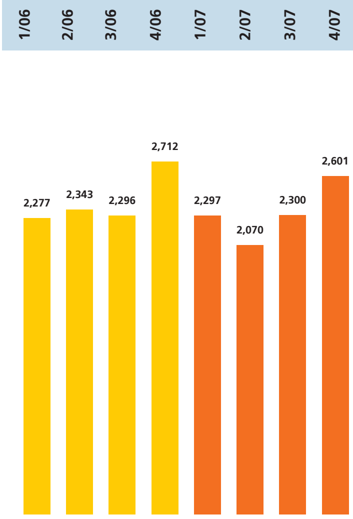
Other operating income (expenses) is a residual caption which comprises various types of income and expenses, such as real estate rentals, income and expenses on consumer credit activities and leasing, amortisation of leasehold improvements. The caption does not include recovery of expenses and taxes and duties, which are directly deducted from administrative expenses. Other operating income equalled

144 million euro, up 44% with respect to 2006 mostly as a result of higher payments on services rendered to third parties.

Operating costs

(in millions of euro)

	2007	2006 restated (*)	Changes amount	Changes %	2006 (**)
Wages and salaries	4,010	3,951	59	1.5	1,853
Social security charges	1,016	1,028	-12	-1.2	490
Other	349	654	-305	-46.6	306
Personnel expenses	**5,375**	**5,633**	**-258**	**-4.6**	**2,649**
Information technology expenses	791	772	19	2.5	412
Management of real estate assets	692	720	-28	-3.9	250
General structure costs	464	421	43	10.2	389
Professional and legal expenses	439	493	-54	-11.0	166
Advertising and promotional expenses	199	270	-71	-26.3	144
Indirect personnel costs	138	157	-19	-12.1	71
Other costs	316	261	55	21.1	107
Indirect taxes and duties	619	623	-4	-0.6	301
Recovery of expenses and charges	-598	-621	-23	-3.7	-280
Administrative expenses	**3,060**	**3,096**	**-36**	**-1.2**	**1,560**
Property and equipment	455	486	-31	-6.4	251
Intangible assets	378	413	-35	-8.5	238
Adjustments	**833**	**899**	**-66**	**-7.3**	**489**
Operating costs	**9,268**	**9,628**	**-360**	**-3.7**	**4,698**



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.

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

In 2007 operating costs amounted to 9,268 million euro, with a 3.7% decline with respect to 2006, due to the decrease in the main cost components and in personnel expenses, which posted a 258 million euro drop.

The breakdown shows that personnel expenses totalled 5,375 million euro, down 4.6% on the previous year. The decrease is attributable to the actuarial recalculation of employee termination indemnities required, as of 1 January 2007, due to the supplementary social security reform, which led to the reversal to the income statement of part of the specific fund. As known, this effect does not represent a decrease in the charge for the company, but a recalculation of the liability according to a different actuarial method, which leads to a different distribution of the liability over the employees' working life and, therefore, a different registration over time in the income statement. Excluding this non-recurring effect, which leads to a 255 million euro decrease, personnel cost was stable, due to opposing trends. The rise was produced by provisions for the charges due to the renewal at the end of 2007 of the national labour contract (Contratto Collettivo Nazionale di Lavoro - CCNL) which expired at the end of 2005, and from the increases in expenses of all the international companies due to their expansion policies. These phenomena offset the positive effects of the decrease, in average terms, of headcount which mostly referred to the Parent Company.

Administrative expenses, net of charges connected to the integration process recorded in a specific caption in the reclassified income statement, amounted to 3,060 million euro, 1.2% down with respect to the previous year. This trend was mostly attributable to the decreases in advertising and promotional expenses also because the comparative figure included charges related to the sponsorship of the Turin 2006 Winter Olympics. Also professional and legal expenses and management of real estate assets posted considerable decreases. Conversely, costs for information services which represent approximately 26% of administrative expenses rose, as well as general structure costs, which rose as a result of the increase in tariffs.

Adjustments to property, equipment and intangibles decreased to 833 million euro from 899 million euro of 2006 (-7.3%). The decrease was essentially due to information technology.

Quarterly breakdown of operating costs showed figures for 2007 lower than the quarterly average for the previous year, with the sole exception of the fourth quarter which recorded the typical year-end rise.

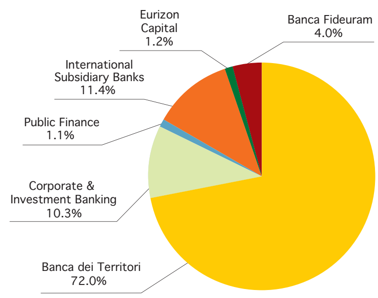
In 2007 the cost/income ratio totalled 51.5%, with a decrease of over 2 percentage points with respect to 2006. This decrease was mostly driven by the rise in efficiency deriving from the integration process testified by the decline in operating costs.

(in millions of euro)

	2007	2006 restated (*)	Changes amount	Changes %
Banca dei Territori	6,190	6,324	-134	-2.1
Corporate & Investment Banking	887	890	-3	-0.3
Public Finance	92	91	1	1.1
International Subsidiary Banks	986	885	101	11.4
Eurizon Capital	100	96	4	4.2
Banca Fideuram	345	337	8	2.4
Total business areas	**8,600**	**8,623**	**-23**	**-0.3**
Corporate Centre	668	1,005	-337	-33.5
Intesa Sanpaolo Group	**9,268**	**9,628**	**-360**	**-3.7**

(*) 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.

Business areas



The fall in the Group's operating costs with respect to 2006 was mostly ascribable to the Corporate Centre which registered a 33.5% drop, in particular thanks to the registration of the release of the employee termination indemnities resulting from the actuarial recalculation. With reference to the business areas, Banca dei Territori – which generated 72% of all business area costs – presented a contraction of operating costs (-2.1%), thanks to all components. The figure for the Corporate & Investment Banking Divisions (-0.3%) was virtually in line with 2006, posting a decline in personnel expenses and adjustments, almost entirely offset by the rise in administrative expenses, and Public Finance (+1.1%, due to higher personnel expenses). The rise in operating costs of the International Subsidiary Banks (+11.4%) was generated by the expansion of all cost captions and was justified by the strong expansion under way. Also Eurizon Capital and Banca Fideuram recorded higher operating costs, (4.2% and 2.4% respectively), due to higher administrative costs.

Operating margin

Operating margin for 2007 totalled 8,740 million euro, with a 5.5% rise over 2006. This trend was mostly driven by the contraction in all operating cost components and, to a lesser degree, by the growth in income. The comparative figure for 2006 had benefited from significant non-recurring income from the sale of equity investments, while 2007 was negatively affected by the charges related to the measurements following the crisis in world financial markets.

Net provisions for risks and charges

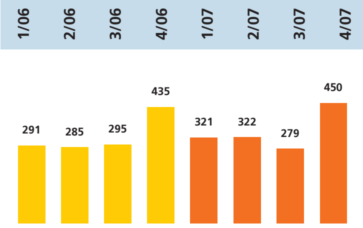
Net provisions for risks and charges totalled 524 million euro, compared to the 336 million euro of 2006. These are recorded in probable charges deriving from revocatory actions, claims for damages, lawsuits and other disputes and are updated on the basis of the litigations under way and the assessment of their possible outcomes. The rise in provisions, particularly significant in the fourth quarter, is attributable to various causes; i) the decision to define all reciprocal relations and claims due to the litigations with Parmalat and Mekfin Finmek, in Extraordinary administration. In both cases, Intesa Sanpaolo, confirming the absolute fairness and bona fide which had inspired the conduct of Group companies, decided upon a settlement for the purpose of avoiding the uncertainty related to long and complex litigations, with significant administrative costs. Charges recorded in the income statement, net of the relevant allowances, respectively totalled 64 million euro and 67 million euro; ii) the conciliation tables relative to the Parmalat bonds of customers of the former SANPAOLO IMI group required the setting up of a specific allowance. Likewise, allowances were set up for the settlement of the litigation relative to the disposal in 2005 of doubtful loans to Castello Finance (company established by Merrill Lynch and Fortress) and Sudameris Brasile, sold in 2003 to ABN Amro Real. Lastly, the need to cover the losses of the Cassa di previdenza complementare (supplementary pension fund) of the former Istituto Bancario Italiano, led to further provisions of 26 million euro in the year.

Net adjustments to loans

In 2007 the Group posted net adjustments to loans of 1,372 million euro, up 5.1% on the previous year. The rise is attributable to higher analytical adjustments, which totalled 1,244 million euro. On the contrary, lump-sum adjustments, 128 million euro decreased, though they still permitted a 0.7% coverage of performing loans, as at the end of 2006.

(in millions of euro)

	2007	2006 restated (*)	Changes amount	Changes %	2006 (**)
Doubtful loans	-831	-692	139	20.1	-547
Other non-performing loans	-369	-337	32	9.5	-163
Performing loans	-128	-282	-154	-54.6	-107
Net impairment losses on loans	**-1,328**	**-1,311**	**17**	**1.3**	**-817**
Net adjustments to guarantees and commitments	**-44**	**5**	**-49**		**39**
Net adjustments to loans	**-1,372**	**-1,306**	**66**	**5.1**	**-778**



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.

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

The rise in the caption referred to both doubtful loans, for which net adjustments amounted to 831 million euro, and, to a lesser extent, to other non-performing loans on which overall net adjustments totalled 369 million euro. Assessments on performing loans required net adjustments of 128 million euro, mostly involving provisions made in relation to the initiative taken in March 2007 to redefine the terms of certain mortgages in favour of customers. Lastly, net adjustments to guarantees and commitments of 44 million euro were recorded in relation to off-balance sheet credit risk exposure.
As concerns quarterly development, adjustments to loans in the first two quarters of 2007 were stable, though higher than in the third quarter; in particular, the first was affected by the aforesaid provisions on mortgage contracts, the second by higher adjustments to non-performing loans. Finally, the fourth quarter presented an amount higher than the previous quarters due to higher adjustments on doubtful loans recorded by the Parent Company and some subsidiaries.

Net impairment losses on other assets

Net impairment of other assets recorded in 2007 totalled 67 million euro, compared to the 11 million euro posted in the previous year. The figure was attributable to the measurement of assets available for sale.

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

Profits on investments held to maturity and on other investments amounted to 81 million euro compared to 168 million euro for 2006. The figure for 2006 included profits of 64 million euro, connected to a spin-off of real estate assets and disposals of real estate and works of art, and for 63 million euro relative to the listing of Banca Generali.

Income before tax from continuing operations

Income before tax from continuing operations totalled 6,858 million euro, with a slight increase (+0.8%) with respect to the previous year: the positive trend of income before tax from continuing operations was absorbed by the rise in provisions for risks and charges and adjustments to loans and other assets as well as by lower profits on investments held to maturity and other investments. Excluding non-recurring elements of trading activities, recoveries of the employee termination indemnities and charges for the Parmalat and Mekfin Finmek settlements, income before tax from continuing operations recorded a rise of over 15%.

Taxes on income from continuing operations

Provisions for taxes for the period, both current and deferred, totalled 2,672 million euro, compared to 2,033 million euro in 2006. The tax on continuing operations, which reflects tax regulations in force in the various countries in which the Group operates, implies a 39% tax-rate.

As of 1 January 2008, Finance Law 2008 modified corporate income tax: it decreased the IRES rate, abrogated the integral exemption of dividends in fiscal consolidation and reduced the nominal IRAP rate. These changes, though they did not directly impact 2007 income, produced indirect effects due to IAS 12, connected to the need to adapt to the new tax rates deferred tax assets and liabilities recorded in the financial statements. This led to a net negative effect of 285 million euro in the consolidated income statement for 2007.
The Finance Law also led to an increase in taxes on dividends with respect to the previous provisions which led to higher deferred taxes of 90 million euro in the 2007 consolidated financial statements.

Merger and restructuring related charges (net of tax)
Merger and restructuring related charges (net of tax) totalled 607 million euro, 80% attributable to the Parent Company. Of this amount, 385 million euro refers to early retirement programmes. In particular, 350 million euro refers to the provision for expenses that relate to the agreement of 1 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. The caption also includes other administrative expenses that directly relate to the integration of the two banks and the companies of the two former Groups.

Effect of purchase cost allocation (net of tax)
The caption presents the negative effects, in terms of interest adjustments and amortisation, attributable to the revaluation of loans, real estate, financial assets and liabilities and the recognition of new intangible assets, in application of IFRS 3, upon registration of the merger. Such effects, after the completion of the process for the allocation of the cost of the Sanpaolo IMI Group at year-end and considering the change in the rates on deferred taxes on Purchase Price Allocation (PPA), totalled 10 million euro for the whole year. This figure requires an in-depth analysis, provided in the Notes to the consolidated financial statements. The amount charged to the income statement 2007 was 541 million euro: 537 million euro allocated to this caption, the remaining 4 million euro to the caption Income (loss) after tax from discontinued operations, since referred to the former Sanpaolo IMI Group branches under disposal.
For the sake of consistency, this caption includes the reversal of deferred tax liabilities due to the decrease in tax rates provided for by Finance Law 2008. The final component which had a positive sign amounted to 532 million euro, of which 527 million euro recorded in this caption and 5 million euro in the caption indicated above relative to discontinued operations.
Basically, the reversal of deferred tax offsets for 2007 (and solely for 2007) almost entirely the tax charge for the year.

Income (Loss) from discontinued operations (net of tax)
The caption, 3,790 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 1 April and 1 July 2007 (3,490 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 included, with the opposite sign, impairment of 196 million euro, recorded in the fourth quarter of 2007, related to the repurchase of Nextra Investment Management – sold by Banca Intesa in December 2005 to Crédit Agricole – following the unwinding of the joint venture in the Italian asset management field between Intesa Sanpaolo and the French group, transaction included in the agreement of 11 October 2006 which provided for the relations between Banca Intesa and Crédit Agricole.
The caption also included the capital gain from the sale to Banca Monte dei Paschi di Siena of Cassa di Risparmio di Biella e Vercelli (262 million euro), completed on 20 December 2007, and the net income generated by the Cassa till that date (27 million euro).
Finally, it included income of 88 million euro generated by the 120 branches sold to Veneto Banca, Credito Valtellinese, Banca Popolare di Bari and Banca Popolare Alto Adige in February 2008, and the 78 branches sold to Banca Carige with effects as of 10 March 2008, as well as the effect of the purchase cost allocation on the branches of the former Sanpaolo IMI group.

Net income
Net income for the period reached 7,250 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.

Balance sheet aggregates

General aspects

A condensed balance sheet has been prepared for the purpose of permitting a more immediate understanding of results for the period. With respect to the compulsory form provided for by Bank of Italy Circular 262/05, figures for 2006 have been restated on a consistent basis to consider changes in the consolidation area and certain captions have been aggregated.

Presentation of restated figures and reclassification criteria of the balance sheet

As already described in the comments to the income statement, the non-recurring operations in the year mean that the figures for 2007 cannot be compared to those of 2006. For the purpose of permitting a consistent comparison, also balance sheet aggregates at the end of 2006 and of the previous quarters are restated to account for – in addition to the components that in 2007 were reclassified to the captions pertaining to the groups of non-current assets held for sale and discontinued operations – the merger between Banca Intesa and SANPAOLO IMI and the related operations in the year (the sale of the equity investments in Cassa di Risparmio di Parma e Piacenza and in Banca Popolare FriulAdria and the contribution of branches in favour of the latter), and any other variations which occurred in the consolidation area, and in particular the disposal of Biverbanca.

Specifically, as regards the merger which came into legal, accounting and tax effect as of 1 January 2007, with reference to 2006 figures:

- balance sheet figures for the Intesa and Sanpaolo IMI Groups were aggregated;
- the share capital was increased to consider the new shares issued on 1 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 allocated for the period, was allocated as share premium to the caption "Reserves";
- the most significant reciprocal balance sheet items between the two former groups have been eliminated, according to the criteria normally used in consolidation procedures.

Again for the purpose of a consistent comparison of balance sheet aggregates, figures as at 31 December 2006 and at the end of the previous quarters include for a consistent consolidation area 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).

For the sake of completeness, the reclassified forms and the detailed tables also set out the figures, restated as provided for by IFRS 5, originally published in the financial statements as at 31 December 2006 for the former Gruppo Intesa.

For a more immediate representation of the balance sheet and financial situation, a condensed table of consolidated assets and liabilities has been prepared, which contains the following reclassifications:

- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of Hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios in Other assets/liabilities;
- the aggregation in just one caption of Property and equipment and Intangible assets;
- the aggregation of Due to customers and Securities issued in just one caption;
- the aggregation in just one caption of allowances for specific purpose (Employee termination indemnities and Allowances for risks and charges);
- the presentation of Reserves as an aggregate and net of the treasury shares.

The relevant amounts are indicated in detail in the reconciliation table provided as one of the attachments to the present volume, in compliance with Consob requirements set forth by Communication 6064293 of 28 July 2006.

Again, for the purposes of a more effective representation of the composition of the aggregates, in the detailed tables and/or in the relative comments, derivatives recorded in Financial assets/liabilities held for trading and Due from/Due to banks are presented net.

Reclassified consolidated balance sheet

(in millions of euro)

Assets	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %	31.12.2006 (**)
Financial assets held for trading	52,759	66,216	-13,457	-20.3	46,328
Financial assets designated at fair value through profit and loss	19,998	20,685	-687	-3.3	-
Financial assets available for sale	36,914	41,096	-4,182	-10.2	5,518
Investments held to maturity	5,923	5,951	-28	-0.5	2,823
Due from banks	62,831	56,241	6,590	11.7	30,363
Loans to customers	335,273	321,271	14,002	4.4	190,830
Investments in associates and companies subject to joint control	3,522	3,106	416	13.4	2,183
Property, equipment and intangible assets	30,905	9,236	21,669		4,309
Tax assets	3,639	4,964	-1,325	-26.7	2,502
Non-current assets held for sale and discontinued operations	4,222	32,458	-28,236	-87.0	69
Other assets	16,916	14,288	2,628	18.4	6,856
Total Assets	**572,902**	**575,512**	**-2,610**	**-0.5**	**291,781**

Liabilities and Shareholders' Equity	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %	31.12.2006 (**)
Due to banks	67,688	74,745	-7,057	-9.4	39,954
Due to customers and securities issued	346,483	337,090	9,393	2.8	202,762
Financial liabilities held for trading	24,608	22,043	2,565	11.6	15,648
Financial liabilities designated at fair value through profit and loss	27,270	26,157	1,113	4.3	-
Tax liabilities	3,806	2,284	1,522	66.6	1,474
Liabilities associated with non-current assets held for sale and discontinued operations	3,265	31,459	-28,194	-89.6	63
Other liabilities	20,181	19,521	660	3.4	9,589
Technical reserves	21,571	22,540	-969	-4.3	-
Allowances for specific purpose	5,681	5,971	-290	-4.9	3,273
Share capital	6,647	6,646	1	-	3,613
Reserves	36,962	19,922	17,040	85.5	10,785
Valuation reserves	699	1,209	-510	-42.2	1,209
Minority interests	791	1,218	-427	-35.1	852
Net income	7,250	4,707	2,543	54.0	2,559
Total Liabilities and Shareholders' Equity	**572,902**	**575,512**	**-2,610**	**-0.5**	**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.

Quarterly development of the reclassified balance sheet

(in millions of euro)

Assets	2007				2006 restated (*)			
	31/12	30/9 restated (**)	30/6 restated (**)	31/3 restated (**)	31/12	30/9	30/6	31/3
Financial assets held for trading	52,759	63,110	81,626	77,643	66,216	69,648	68,863	73,587
Financial assets designated at fair value through profit and loss	19,998	20,204	20,987	21,015	20,685	20,476	20,030	21,376
Financial assets available for sale	36,914	39,130	40,966	41,311	41,096	39,232	36,344	34,565
Investments held to maturity	5,923	5,846	5,972	5,898	5,951	5,448	5,450	5,345
Due from banks	62,831	64,005	62,825	63,346	56,241	59,608	58,032	61,033
Loans to customers	335,273	325,314	329,292	326,582	321,271	307,362	301,428	298,846
Investments in associates and companies subject to joint control	3,522	3,153	3,063	3,043	3,106	3,106	3,022	2,951
Property, equipment and intangible assets	30,905	8,062	8,208	8,597	9,236	7,847	7,830	7,339
Tax assets	3,639	4,675	4,192	4,558	4,964	5,050	5,159	5,384
Non-current assets held for sale and discontinued operations	4,222	7,025	12,578	12,905	32,458	31,836	33,152	30,821
Other assets	16,916	15,549	13,373	13,901	14,288	11,676	14,000	12,905
Merger difference	-	20,335	20,255	20,725	-	-	-	-
Total Assets	**572,902**	**576,408**	**603,337**	**599,524**	**575,512**	**561,289**	**553,310**	**554,152**

Liabilities and Shareholders' Equity	2007				2006 restated (*)			
	31/12	30/9 restated (**)	30/6 restated (**)	31/3 restated (**)	31/12	30/9	30/6	31/3
Due to banks	67,688	73,522	91,834	82,383	74,745	77,653	69,721	78,007
Due to customers and securities issued	346,483	338,691	343,189	340,998	337,090	323,198	319,853	311,264
Financial liabilities held for trading	24,608	27,682	28,548	28,675	22,043	23,722	23,130	27,650
Financial liabilities designated at fair value through profit and loss	27,270	27,961	28,238	27,317	26,157	25,871	25,386	25,955
Tax liabilities	3,806	2,103	1,810	2,890	2,284	2,828	2,611	2,565
Liabilities associated with non-current assets held for sale and discontinued operations	3,265	6,273	11,886	12,719	31,459	30,356	32,126	29,782
Other liabilities	20,181	18,902	17,102	24,003	19,521	16,272	21,103	20,027
Technical reserves	21,571	20,155	21,312	22,218	22,540	22,603	22,000	21,893
Allowances for specific purpose	5,681	6,159	5,629	6,016	5,971	5,093	5,032	5,302
Share capital	6,647	6,647	6,647	6,646	6,646	6,646	6,646	6,629
Reserves	36,962	39,546	39,517	39,486	19,922	20,632	20,523	21,248
Valuation reserves	699	934	1,283	1,120	1,209	974	968	913
Minority interests	791	978	983	1,051	1,218	1,630	1,595	1,647
Net income	7,250	6,855	5,359	4,002	4,707	3,811	2,616	1,270
Total Liabilities and Shareholders' Equity	**572,902**	**576,408**	**603,337**	**599,524**	**575,512**	**561,289**	**553,310**	**554,152**

(*) 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)

	31.12.2007	% breakdown	31.12.2006 restated (*)	% breakdown	Changes amount	Changes %	31.12.2006 (**)
Current accounts	31,384	9.4	36,358	11.3	-4,974	-13.7	22,878
Mortgages	155,718	46.4	148,521	46.2	7,197	4.8	84,995
Advances and other loans	129,507	38.6	113,808	35.4	15,699	13.8	70,675
Repurchase agreements	3,459	1.0	9,799	3.1	-6,340	-64.7	2,971
Loans represented by securities	7,609	2.3	5,151	1.6	2,458	47.7	4,351
Non-performing loans	7,596	2.3	7,634	2.4	-38	-0.5	4,960
Loans to customers	**335,273**	**100.0**	**321,271**	**100.0**	**14,002**	**4.4**	**190,830**

(*) 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.

Despite the slowdown in the Italian economy and the financial crisis under way, which were elements of severe uncertainty and impacted on bank deposit collecting and lending activities, as at 31 December 2007 the Group's loans to customers, including loans represented by securities issued by customers, reached 335 billion euro. The 4.4% growth rate from the beginning of the year is especially ascribable to corporate counterparties and customers abroad. For SMEs the trend was contained also as a result of physiological factors related to the merger of two large groups, first and foremost the rationalisation of credit lines of common customers. An analysis of single components shows increases in advances and loans (+13.8%), which are typically part of the demand from businesses, in mortgages (+4.8%), which represent 46% of loans to customers, and in loans represented by securities (+47.7%), which constitute a rapidly developing alternative form of funding. There were negative variations in overdrafts on current accounts (-13.7%) as a result of customers' preference for more long-term types of financing, and repurchase agreements (-64.7%) which, given their financial nature, are highly volatile. In terms of risk, non-performing loans posted a 0.5% decrease, despite a rise in loans to customers, due to the attentive monitoring of the credit-granting process.

In the domestic medium-/long-term loan market, disbursements to households were approximately 21 billion euro, while those to companies exceeded 12 billion euro.

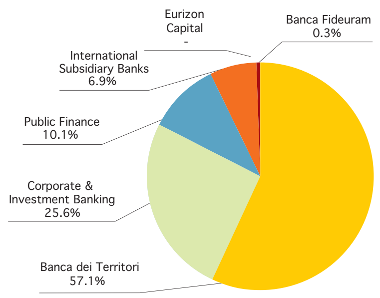
As at 31 December 2007, the Group's share of the domestic market (calculated on the harmonised time-series defined for countries in the eurozone) was 16.9% for total loans, down by 3.6 percentage points with respect to the end of 2006. This considerable decrease was affected by a statistical distortion due to the inclusion, as of October 2007, of the activities of Cassa Depositi e Prestiti in the banking system's aggregate figure provided by the Bank of Italy. The decrease was also affected, relative to the Group's operations, 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 little over half a percentage point.

(in millions of euro)

	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %
Banca dei Territori	191,279	179,585	11,694	6.5
Corporate & Investment Banking	85,653	79,571	6,082	7.6
Public Finance	33,910	36,331	-2,421	-6.7
International Subsidiary Banks	23,215	18,573	4,642	25.0
Eurizon Capital	8	-	8	-
Banca Fideuram	897	1,065	-168	-15.8
Total business areas	**334,962**	**315,125**	**19,837**	**6.3**
Corporate Centre	311	6,146	-5,835	-94.9
Intesa Sanpaolo Group	**335,273**	**321,271**	**14,002**	**4.4**

(*) 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 business area shows a 6.5% increase achieved by Banca dei Territori, which represents 57% of the total aggregate attributable to the Group's business areas, through medium-/long-term disbursements to retail and private customers, to satisfy demand for mortgages and consumer lending and to SMEs, which benefited from the recovery in production in the first part of the year. A positive trend was also seen in loans from the International Subsidiary Banks (+25%), which benefited from the high potential for development of the markets of Central-Eastern Europe and the Mediterranean area, as well as by Corporate & Investment Banking (+7.6%), in the large and mid corporate segments. With regard to the evolution of lending to public works and infrastructures granted by Banca Intesa Infrastrutture e Sviluppo and Banca OPI, the 6.7% decline from the beginning of the year was mostly due to the slowdown in the public sector and the gradual reimbursement of large loans granted to tax collection companies at the end of last year. 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)

	31.12.2007		31.12.2006 restated (*)		Change	31.12.2006 (**)
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure	
Doubtful loans	2,927	0.9	2,681	0.8	246	1,662
Substandard and restructured loans	3,702	1.1	3,830	1.2	-128	2,859
Past due loans	967	0.3	1,123	0.3	-156	439
Non-performing loans	**7,596**	**2.3**	**7,634**	**2.3**	**-38**	**4,960**
Performing loans	320,068	95.4	308,486	96.1	11,582	181,519
Loans represented by performing securities	7,609	2.3	5,151	1.6	2,458	4,351
Loans to customers	**335,273**	**100.0**	**321,271**	**100.0**	**14,002**	**190,830**

(*) 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.

A more detailed numerical description of asset quality is contained in the section dedicated to credit risks in the Part E of the Notes. The Group's high asset quality improved further: from the beginning to the end of 2007 non-performing loans posted a 38 million euro decrease, with a 2.3% incidence on loans to customers, in line with the end of 2006. The trend recorded during the year is attributable to a decrease in substandard loans, restructured loans, past due loans which offset the rise in doubtful loans. Coverage of non-performing loans, pursued via prudential provisional policies extended to all commercial banks, reached 54% as at 31 December 2007, with an increase with respect to the 53% of the end of the last year.

In particular, doubtful loans totalled 2,927 million euro, with a 246 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, 3,702 million euro, recorded a 128 million euro decrease with respect to 31 December 2006; the degree of coverage, adequate to cover the intrinsic risk of this type of portfolio, was 29%.

Past due loans amounted to 967 million euro, with a 156 million euro decrease and a degree of coverage of 12%.

Cumulated collective adjustments on performing loans came to 2,234 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 congruous 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)

	31.12.2007		31.12.2006 restated (*)		Changes		31.12.2006 (**)
		% breakdown		% breakdown	amount	%	
Direct customer deposits	373,753	37.2	363,247	36.8	10,506	2.9	202,762
Indirect customer deposits	657,919	65.5	649,475	65.8	8,444	1.3	300,823
Netting (a)	-26,959	-2.7	-25,982	-2.6	977	3.8	-
Customer financial assets	**1,004,713**	**100.0**	**986,740**	**100.0**	**17,973**	**1.8**	**503,585**

(*) 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.

(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 2007, customer financial assets reached 1,005 billion euro, with a 1.8% rise from the beginning of the year thanks to the trend of direct and indirect customer deposits, specifically regarding assets under administration. Conversely, assets under management recorded an outflow which involved its main components. This decrease was significantly influenced by the increasing risk-aversion of investors, attributable to the fears of economic recession and the uncertainties of the financial markets, after the subprime mortgage crisis emerged.
Please note that the trend of the overall aggregate was also influenced by the sale of GEO funds in July 2007 for over 5 billion euro.
Furthermore, note that in the last part of the year the Crédit Agricole and Intesa Sanpaolo Groups unwound their joint venture in asset management. The transaction was realised through the contribution of a business line by CAAM Sgr to Crédit Agricole Asset Management Sgr – both companies belonging to the Crédit Agricole Group – with effects as of 1 December 2007; subsequently CAAM Sgr, changed its name to Eurizon Investimenti Sgr, and was acquired by Intesa Sanpaolo. In terms of indirect customer deposits the transaction led to an expansion in the consolidation area due to the direct consolidation of Eurizon Investimenti Sgr which permitted the acquisition of the directly delegated asset management mandates performed with other parties. Furthermore, this transaction led to a reclassification of operations from assets under administration to assets under management (approximately 37 billion euro), which was also reproduced on the figures as at 31 December 2006, to permit a consistent comparison.

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)

	31.12.2007		31.12.2006 restated (*)		Changes		31.12.2006 (**)
		% breakdown		% breakdown	amount	%	
Current accounts and deposits	178,759	47.8	176,062	48.5	2,697	1.5	108,220
Repurchase agreements and securities lending	21,319	5.7	24,112	6.6	-2,793	-11.6	8,784
Bonds	97,350	26.0	88,556	24.4	8,794	9.9	61,926
of which designated at fair value (***)	*4,214*	*1.1*	*3,174*	*0.9*	*1,040*	*32.8*	-
Certificates of deposit	13,315	3.6	9,078	2.5	4,237	46.7	6,012
Subordinated liabilities	16,393	4.4	18,656	5.1	-2,263	-12.1	10,729
Financial liabilities of the insurance business designated at fair value (***)	23,056	6.2	22,978	6.3	78	0.3	-
Other deposits	23,561	6.3	23,805	6.6	-244	-1.0	7,091
of which designated at fair value (***)	-	-	*5*	-	*-5*		-
Direct customer deposits	**373,753**	**100.0**	**363,247**	**100.0**	**10,506**	**2.9**	**202,762**

(*) 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.

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

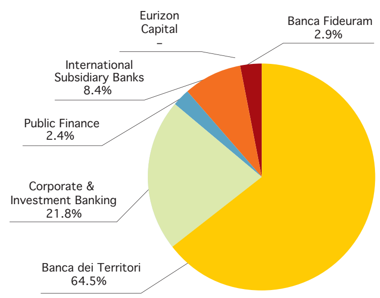
Direct customer deposits amounted to 374 billion euro, up 2.9% from the beginning of the year. Breakdown by contract type shows the increase in certificates of deposit (+46.7%), bonds (+9.9%), especially in those measured at fair value (+32.8%). A lower growth rate was posted by current accounts and deposits (+1.5%). Subordinated liabilities and repurchase agreements decreased (respectively -12.1% and -11.6%), while other deposits, mostly made up of commercial paper, and financial liabilities of the insurance business were practically stable.
At the end of year the Group's domestic market share (according to the ECB's harmonised definition) totalled 17.5%. This figure fell by 3.6 percentage points from the beginning of the year, mostly as a result of the aforesaid statistical effect ascribable, as of October 2007, to the inclusion of the activities of Cassa Depositi e Prestiti, and therefore of deposits with the post offices, in the banking system's aggregate figure provided by the Bank of Italy. The decrease was also affected, as concerns the Group's operations, by the sale of 202 branches to Crédit Agricole. Net of these effects, the decrease in market share was approximately eight-tenths of a percentage point.

(in millions of euro)

	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %
Banca dei Territori	205,419	199,499	5,920	3.0
Corporate & Investment Banking	69,481	64,616	4,865	7.5
Public Finance	7,626	8,020	-394	-4.9
International Subsidiary Banks	26,683	23,733	2,950	12.4
Eurizon Capital	3	-	3	-
Banca Fideuram	9,056	8,085	971	12.0
Total business areas	**318,268**	**303,953**	**14,315**	**4.7**
Corporate Centre	55,485	59,294	-3,809	-6.4
Intesa Sanpaolo Group	**373,753**	**363,247**	**10,506**	**2.9**

(*) 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



The breakdown by business area shows that direct customer deposits of Banca dei Territori, which represent 65% of the total aggregate attributable to the business areas, posted a 3% increase, attributable to short term components. More substantial rises were recorded by International Subsidiary Banks (+12.4%), in particular in deposits, Banca Fideuram (+12%), for activities related to assets under management, and Corporate & Investment Banking (+7.5%), due to securities issued. On the contrary, decreases were recorded by Public Finance (-4.9%), due to the lower requirements for bond issues to be deposited with the ECB, and the Corporate Centre (-6.4%).

Indirect customer deposits

(in millions of euro)

	31.12.2007	31.12.2007 % breakdown	31.12.2006 restated (*)	31.12.2006 restated (*) % breakdown	Changes amount	Changes %	31.12.2006 (**)
Mutual funds	106,942	16.3	123,559	19.0	-16,617	-13.4	2,010
Open-ended pension funds	1,518	0.2	1,377	0.2	141	10.2	-
Portfolio management	76,293	11.6	85,031	13.1	-8,738	-10.3	26,863
Life technical reserves and financial liabilities	63,834	9.7	65,376	10.1	-1,542	-2.4	30,008
Relations with institutional customers	16,596	2.5	18,129	2.8	-1,533	-8.5	-
Assets under management	**265,183**	**40.3**	**293,472**	**45.2**	**-28,289**	**-9.6**	**58,881**
Assets under administration and in custody	**392,736**	**59.7**	**356,003**	**54.8**	**36,733**	**10.3**	**241,942**
Indirect customer deposits	**657,919**	**100.0**	**649,475**	**100.0**	**8,444**	**1.3**	**300,823**

(*) 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.

Indirect customer deposits increased by 1.3% since the beginning of the year and reached 658 billion euro.
This trend was supported by assets under administration, which increased by 10.3% in relation to higher customer requests for government securities and bonds, which prefer for their portfolios securities issued

by high standing issuers, instead of non-investment grade bonds and equities. Assets under management posted a 9.6% decrease to 265 billion euro. The aggregate, which represents over 40% of indirect customer deposits, showed decreases in mutual funds (-13.4%) and portfolio management (-10.3%), as well as life technical reserves and financial liabilities (-2.4%). In the insurance business the new business of EurizonVita and Intesa Vita in 2007 exceeded 9 billion euro, offset by the progressive ageing of the policy portfolio which increased the significance of the phenomenon of surrendering of policies. Relations with institutional customers also declined (-8.5%). Conversely, open-ended pension funds and individual insurance-type pension plans (+10.2%) increased even though they have a more limited incidence on overall assets under management.

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

(in millions of euro)

	31.12.2007		31.12.2006 restated (*)		Changes		31.12.2006 (**)
		% breakdown		% breakdown	amount	%	
Bonds and other debt securities held for trading and designated at fair value through profit and loss	35,251	73.3	54,139	83.5	-18,888	-34.9	31,144
of which designated at fair value through profit and loss	*11,066*	*23.0*	*12,900*	*19.9*	*-1,834*	*-14.2*	-
Equities and quotas of UCITS held for trading and designated at fair value through profit and loss	17,491	36.4	14,931	23.0	2,560	17.1	2,202
of which designated at fair value through profit and loss	*8,910*	*18.5*	*7,780*	*12.0*	*1,130*	*14.5*	-
Other assets designated at fair value through profit and loss	22	-	5	-	17		-
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**52,764**	**109.7**	**69,075**	**106.5**	**-16,311**	**-23.6**	**33,346**
Financial liabilities held for trading	**-3,252**	**-6.8**	**-4,276**	**-6.6**	**-1,024**	**-23.9**	**-2,341**
Net value of financial derivatives	-1,568	-3.3	53	0.1	-1,621		-323
Net value of credit derivatives	205	0.4	6	-	199		-2
Net value of trading derivatives	**-1,363**	**-2.9**	**59**	**0.1**	**-1,422**		**-325**
Financial assets / liabilities, net	**48,149**	**100.0**	**64,858**	**100.0**	**-16,709**	**-25.8**	**30,680**

(*) 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.

Financial assets held for trading, net of the related liabilities, and financial assets designated at fair value through profit and loss amounted to 48 billion euro, with a 25.8% 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 is attributable to bonds and other debt securities held for trading and measured at fair value, to the rise in the value of financial liabilities held for trading, including short selling, and to the decrease in the net value of financial derivatives. On the contrary, equities held for trading and measured at fair value increased.

Financial assets available for sale

Financial assets available for sale totalled 37 billion euro, down by 10.2% with respect to the figure as at 31 December 2006. The decrease was concentrated in the portfolio of Eurizon Vita.
The caption was mostly made up of debt securities not held for trading purposes of 31,175 million euro, down 4.4% with respect to the figure at the end of 2006. It also included equities, which totalled 5,127 million euro, with a 33.2% decrease. The main equity stakes referred to: Assicurazioni Generali (651 million euro), London Stock Exchange/Borsa Italiana (379 million euro), and Natixis (269 million euro).
Financial assets available for sale are measured at fair value with balancing entry in the specific shareholders' equity reserve.

(in millions of euro)

	31.12.2007	% breakdown	31.12.2006 restated (*)	% breakdown	Changes amount	Changes %	31.12.2006 (**)
Bonds and other debt securities	31,175	84.4	32,615	79.3	-1,440	-4.4	2,486
Equities and quotas of UCITS	5,127	13.9	7,673	18.7	-2,546	-33.2	2,252
Securities available for sale	**36,302**	**98.3**	**40,288**	**98.0**	**-3,986**	**-9.9**	**4,738**
Loans available for sale	**612**	**1.7**	**808**	**2.0**	**-196**	**-24.3**	**780**
Financial assets available for sale	**36,914**	**100.0**	**41,096**	**100.0**	**-4,182**	**-10.2**	**5,518**

(*) 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.

Net interbank position

At the end of December 2007 the imbalance of the net interbank position was 4.8 billion euro, significantly lower than beginning of the year (18.5 billion euro), due to disinvestments of financial portfolios.

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

(in millions of euro)

	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %	31.12.2006 (**)
Investments in associates and companies subject to joint control	627	5	622		1
Property and equipment	13	42	-29	-69.0	61
Other	-	-	-	-	-
Individual assets	**640**	**47**	**593**		**62**
Discontinued operations	**3,582**	**32,411**	**-28,829**	**-88.9**	**7**
of which: loans to customers	*3,353*	*27,505*	*-24,152*	*-87.8*	-
Liabilities associated with non-current assets held for sale and discontinued operations	**-3,265**	**-31,459**	**-28,194**	**-89.6**	**-63**
Non-current assets held for sale and discontinued operations and related liabilities	**957**	**999**	**-42**	**-4.2**	**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.

(**) Figures relative to Gruppo Intesa.

This caption contains assets and related liabilities which no longer refer to continuing operations as they are undergoing disposal. As at 31 December 2007 the most significant amounts referred to the 198 branches sold in the first quarter of 2008 to Veneto Banca, Banca Carige, Credito Valtellinese, Banca Popolare di Bari and Banca Popolare Alto Adige, as provided for in the agreement signed on 5 October 2007. As at 31 December 2006 the caption included figures for the subsidiaries Cariparma and FriulAdria, sold on 1 March 2007, and the assets of the 202 branches sold on 1 April and 1 July 2007 to FriulAdria.

Shareholders' equity

As at 31 December 2007 the Group's shareholders' equity, including net income for the period, totalled 52,349 million euro compared to the 52,233 million euro as of 1 January 2007, which included the effects of the merger. The increase in shareholders' equity is attributable to net income generated in the period, which offset the distribution of ordinary and extraordinary dividends, the decrease in valuation reserves and the purchase of treasury shares.

Valuation reserves

As at 31 December 2007 the valuation reserves posted a 510 million euro reduction with respect to the end of the previous year, essentially attributable to the decrease in fair value of financial assets available for sale. Only cash flow hedges increased and recorded a 50 million euro rise.

(in millions of euro)

	Valuation reserves as at 31.12.2006	Change in the period	Valuation reserves as at 31.12.2007	
				% breakdown
Financial assets available for sale	628	-479	149	21.3
Property and equipment	-	-	-	-
Cash flow hedges	83	50	133	19.0
Legally-required revaluations	344	-1	343	49.1
Other	154	-80	74	10.6
Valuation reserves	**1,209**	**-510**	**699**	**100.0**

Regulatory capital

Regulatory capital and related capital ratios as at 31 December 2006 were determined using the instructions issued by the Bank of Italy which consider IAS/IFRS principles. Figures are compared with those published in Gruppo Intesa's 2006 Annual report.

(in millions of euro)

	31.12.2007 [(a)]	31.12.2006 [(*)]
Regulatory capital		
Tier 1 capital	24,288	12,708
of which: preferred shares	*2,545*	*1,581*
Tier 2 capital	11,304	8,039
Minus items to be deducted	-2,629	-1,556
REGULATORY CAPITAL	**32,963**	**19,191**
Tier 3 subordinated loans	550	-
TOTAL REGULATORY CAPITAL	**33,513**	**19,191**
Risk-weighted assets		
Credit risks	342,137	189,100
Market risks	27,289	11,525
Other capital requirements	2,106	1,463
RISK-WEIGHTED ASSETS	**371,532**	**202,088**
Capital ratios %		
Core Tier 1	5.9	5.5
Tier 1	6.5	6.3
Total capital ratio	9.0	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 20 July 2006, and as such continue to be deducted from total capital.

[(*)] Figures related to Gruppo Intesa.

At the end of 2007, regulatory capital – which takes into account the definitive effects of the process for the allocation of the purchase cost of SANPAOLO IMI and the proposed dividend distribution in 2008 –

amounted to 32,963 million euro and total capital, including Tier 3 subordinated loans, amounted to 33,513 million euro, against risk-weighted assets of 371,532 million euro, mostly deriving from credit risks and, to a lesser extent, from market risks. The Total capital ratio equalled 9%; the Group's Tier 1 ratio totalled 6.5%. The ratio between Tier 1 capital net of preferred shares and risk-weighted assets (Core Tier 1) was 5.9%.

Reconciliation of the Parent Company's shareholders' equity and net income with consolidated shareholders' equity and net income

(in millions of euro)

	Shareholders' equity	*of which net income as at 31.12.2007*
Parent Company's balances as at 31 December 2007	**48,443**	***5,811***
Effect of consolidation of subsidiaries subject to control	2,575	*3,102*
Effect of valuation at equity of companies subject to joint control and other significant equity investments	336	*312*
Elimination of adjustments to equity investments	156	*145*
Dividends collected during the period	-	*-1,553*
Adjustment in the consolidated financial statements of the capital gain on the sale to Crédit Agricole	-	*-569*
Other	48	*2*
Consolidated balances as at 31 December 2007	**51,558**	***7,250***

Breakdown of consolidated results by business area and geographical area

The organisation model of the Intesa Sanpaolo Group is based on six Business Units: "Banca dei Territori", "Corporate & Investment Banking", "Public Finance", "International Subsidiary Banks", "Eurizon Capital", "Banca Fideuram". In addition there is the Corporate Centre, which includes the Treasury Department, 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. Furthermore, this Division includes EurizonVita, the insurance company which provides insurance services for pension plans and protection of persons and assets.
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 Capital is the company specialised in providing collective and individual asset management products to the Group's internal banking networks also focused on strengthening its presence in the open market segment through specific distribution agreements with other networks and institutional investors.
Banca Fideuram, through its network of private bankers, performs asset gathering activities serving customers with medium to high savings potential.

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

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

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 2006 and balance sheet figures as at 31 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.

Please note that, the positive effects of the updated calculation of the Employee termination indemnities were not attributed to the single Divisions, but were entirely attributed to the Corporate Centre.

(in millions of euro)

	Banca dei Territori	Corporate & Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income								
2007	11,841	2,803	288	1,899	274	722	181	18,008
2006 restated (*)	11,232	2,697	331	1,572	274	683	1,126	17,915
% change [(a)]	5.4	3.9	-13.0	20.8	-	5.7	-83.9	0.5
Operating costs								
2007	-6,190	-887	-92	-986	-100	-345	-668	-9,268
2006 restated [(*)]	-6,324	-890	-91	-885	-96	-337	-1,005	-9,628
% change [(a)]	-2.1	-0.3	1.1	11.4	4.2	2.4	-33.5	-3.7
Operating margin								
2007	5,651	1,916	196	913	174	377	-487	8,740
2006 restated [(*)]	4,908	1,807	240	687	178	346	121	8,287
% change [(a)]	15.1	6.0	-18.3	32.9	-2.2	9.0		5.5
Income (Loss) before tax from continuing operations								
2007	4,559	1,659	181	721	166	337	-765	6,858
2006 restated [(*)]	3,843	1,617	224	561	176	286	95	6,802
% change [(a)]	18.6	2.6	-19.2	28.5	-5.7	17.8		0.8
Loans to customers								
31.12.2007	191,279	85,653	33,910	23,215	8	897	311	335,273
31.12.2006 restated [(*)]	179,585	79,571	36,331	18,573	-	1,065	6,146	321,271
% change [(b)]	6.5	7.6	-6.7	25.0	-	-15.8	-94.9	4.4
Direct customer deposits								
31.12.2007	205,419	69,481	7,626	26,683	3	9,056	55,485	373,753
31.12.2006 restated [(*)]	199,499	64,616	8,020	23,733	-	8,085	59,294	363,247
% change [(b)]	3.0	7.5	-4.9	12.4	-	12.0	-6.4	2.9

[(*)] Figures, where necessary, 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 2007 and 2006 restated.

[(b)] The change expresses the ratio between 31.12.2007 and 31.12.2006 restated.

BUSINESS AREAS

Banca dei Territori

(in millions of euro)

Income statement/Alternative performance indicators	2007	2006 restated (*)	Changes amount	Changes %
Net interest income	6,978	6,210	768	12.4
Dividends and profits (losses) on investments carried at equity	109	131	-22	-16.8
Net fee and commission income	4,076	4,216	-140	-3.3
Profits (Losses) on trading	178	175	3	1.7
Income from insurance business	443	453	-10	-2.2
Other operating income (expenses)	57	47	10	21.3
Operating income	**11,841**	**11,232**	**609**	**5.4**
Personnel expenses	-3,600	-3,645	-45	-1.2
Other administrative expenses	-2,561	-2,649	-88	-3.3
Adjustments to property, equipment and intangible assets	-29	-30	-1	-3.3
Operating costs	**-6,190**	**-6,324**	**-134**	**-2.1**
Operating margin	**5,651**	**4,908**	**743**	**15.1**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-106	-107	-1	-0.9
Net adjustments to loans	-985	-955	30	3.1
Net impairment losses on other assets	-2	-7	-5	-71.4
Profits (Losses) on investments held to maturity and on other investments	1	4	-3	-75.0
Income (Loss) before tax from continuing operations	**4,559**	**3,843**	**716**	**18.6**
Allocated capital	11,421	10,763	658	6.1
Profitability ratios (%)				
Cost / Income ratio	52.3	56.3	-4.0	-7.1
ROE before tax	39.9	35.7	4.2	11.8
EVA® (in millions of euro)	1,970	1,547	423	27.3

(in millions of euro)

	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %
Loans to customers	191,279	179,585	11,694	6.5
Direct customer deposits	205,419	199,499	5,920	3.0
of which: due to customers	*137,504*	*132,737*	*4,767*	*3.6*
securities issued	*44,859*	*43,784*	*1,075*	*2.5*
financial liabilities designated at fair value through profit and loss	*23,056*	*22,978*	*78*	*0.3*
Indirect customer deposits	324,763	336,905	-12,142	-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 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 exceeding one million euro. The 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, Cassa di Risparmio del Friuli Venezia Giulia and Banca dell'Adriatico). In order to serve non-profit entities, Banca Prossima, operational since 5 November 2007, was created 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 had not yet been completed in 2007 (Cassa dei Risparmi di Forlì e della Romagna), as well as product companies specialised in industrial credit (Mediocredito Italiano, former Banca Intesa Mediocredito and Banca CIS), leasing (formed from the merger between Intesa Leasing and Sanpaolo Leasint) and consumer credit (Neos Banca and Agos Itafinco). Lastly, this Division also includes the insurance companies EurizonVita, Sud Polo Vita, 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 the management of electronic payment systems and 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 clients in 2007 increased by approximately 200,000.

The Banca dei Territori Division closed 2007 with an income before tax from continuing operations of 4,559 million euro, with a 716 million euro rise compared to the previous year (+18.6%).
Operating income equalled 11,841 million euro, representing 66% of the Group's consolidated operating income, and recorded a 609 million euro increase with respect to the previous year (+5.4%). This performance benefited in particular from the positive evolution of net interest income that amounted to 6,978 million euro with a 12.4% increase over 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, 4,076 million euro, registered a 3.3% reduction compared to the previous year. 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 (2.1%), attributable to the savings achieved on administrative expenses and, to a lesser degree, on personnel expenses, due to the reduction in staff which more than offset the higher provisions allocated against the charges generated by the renewal, at the end of 2007, of the national collective labour contract which expired at the end of 2005. The figure 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 percentage points in the cost/income ratio, down to 52.3%.
Operating margin amounted to 5,651 million euro, with a 15.1% rise compared to 2006.
The Division absorbed 49% of Group capital, virtually in line with the level recorded in the previous year. In absolute terms, capital registered an increase and totalled 11,421 million euro, mainly due to the expansion of loans. The good trend of operating margin raised annualised ROE before tax to 39.9%. Value creation recorded a substantial increase (+423 million euro), from 1,547 million euro to 1,970 million euro.
Balance sheet figures at the end of December 2007 evidenced loans to customers of 191,279 million euro (+6.5% on an annual basis) through medium-/long-term disbursements to retail and private customers, represented by mortgages and consumer loans, as well as by loans to SMEs, which benefited from the recovery in production in the first part of the year. Direct customer deposits, at 205,419 million euro, rose 3% mainly due to the increase in the short-term components. Indirect customer deposits reached 324,763 million euro, down 3.6% from the end of December 2006, 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, spread over the national territory (approximately 5,300 including those of the non-divisional banks). This area served over 10 million customers as at the end of December 2007.

In 2007 numerous activities were carried out aimed at the integration and unification of the systems of the two former banks (Intesa and SANPAOLO IMI), in order to guarantee the best customer service and to ensure a single territorial presence. In particular, the Area/Market organisational model was simplified, through a streamlined structure, closer to the territory that reduces overlapping of the networks. A project was started to introduce a single organisational model for branches, with a clear definition of professional roles and optimisation of services. In this context training activities were particularly important, with over 700,000 days used in the year. With regard to the IT system, in 2007 projects were developed to make information shareable, constantly updated and rapidly usable. The main initiative referred to the creation of a single workstation, named ABC, which has been operational since February 2008. Lastly, in the year there were significant activities regarding the standardisation of the sales offer, which led to 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.

The first integration project of the product catalogue referred to current accounts: starting from March 2007 the distribution of Zerotondo, a current account completely free and inclusive of basic and direct bank services was extended to the former Intesa network. At the end of December, the number of Zerotondo accounts exceeded 720,000 units.

The standardisation and updating activities also referred to the offer aimed at employees of companies, institutions and associations, through the creation of opportunities from the spreading, management and development of commercial agreements. Today the Group has approximately 3,000 agreements, at national and local level, with companies, intermediaries, public entities and associations. The conclusion of the agreement with INPS (National Social Security Institute) for the assignment of one-fifth of pension should also be mentioned for 2007.

Particular attention was paid to young people from 18 to 35 through the offer of specific solutions. Progetto Giovani was launched in June and offers a mortgage and a loan characterised by flexibility options, insurance coverage, economic conditions and valuation criteria of access to credit conceived to meet effectively and in a dynamic and innovative way the needs of that specific customer segment. Over 16,000 disbursements have been made since the launch.

In 2007 borrowers were given the possibility to convert existing floating-rate mortgages to fixed-rate mortgages, prolonging the residual maturity without charges. In the last part of the year a new financial product was launched which, thanks to the agreement signed with INPS for the granting of loans guaranteed with the assignment of one-fifth of pension, offers bank loans at considerably more attractive and competitive terms than the market. Lastly, the new Prestito Personale Intesa Sanpaolo, characterised by high flexibility to meet individual customer needs, started distribution. Activities for the selection and granting of loans to households were performed, from the beginning of 2007, through a new methodology based on web technology which uses CFS – Consumer Financial Services, a subsidiary of Neos Banca.

With regard to saving products, the MiFID Directive on investment services came into effect in November, introducing new rules to make even more transparent the relations between customers and banks and establishing criteria to classify customers and a code of behaviour to be adopted by banks towards customers. In this context, the aim of guaranteeing the best assistance in the selection of investments and providing personal advice in line with customer expectation and needs, led to the adoption of the advisory operating model which assigns a financial profile and a preventive evaluation of each investment.

The social security reform came into effect in 2007, one year ahead of the original date of 2008, in particular with reference to the silence-assent condition for the transfer of employees' termination indemnities to pension funds. With the aim of enabling companies, both management and employees, to better comprehend the new discipline, an intense road show was organised, with over 100 meetings in the national territory on the pension reform, supplementary pension funds, and fiscal and contributory incentives. The offer of supplementary pension plans is included in bancassurance activities that the Group carries out both in the life insurance sector, through products combining capital protection with higher returns generated by professional asset management, and in the damage sector, through the protection of the individual, of his/her family and assets and through structuring solutions to cover corporate risks.

In support of small businesses the project "Progetto Piccole Imprese e Professionisti" was launched, which includes three new current accounts designed for various customer profiles and a loan obtainable in a few days. This is supplemented by tailor-made commercial services and initiatives. Further actions are the "Finanziamento Energia Business" designed to support corporate investments aimed at achieving energy savings and exploiting renewable sources, and the initiative "ProteggiMutuo", which offers 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 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. The electronic invoicing system "Easy Fattura" was launched and implemented in the year. This innovative product allows customer companies to simplify their administrative procedures. Further initiatives were taken in the energy, tourism, research and innovation sectors, in which the bank intends to position itself as a leading player by offering specific lending solutions. Moreover, a new approach to loans to businesses through a segmentation of customers based on their financial behaviour was implemented and, for medium-/long-term loans, an excellence and innovation centre was programmed within Banca Intesa Mediocredito (that was named Mediocredito Italiano from March 2008) for the management of liabilities, in support of the development of enterprises and of the territory. In the field of new instruments for business financing, a significant promotion programme was implemented for the Alternative Capital Market, which became operational during the year and represents a new opportunity for Italian SMEs that intend to fund expansion projects, with approximately one thousand visits to potential customers. Lastly, in the last part of the year, to support customer expansion in foreign markets, a specialised centre was formed to support the internationalisation of the Italian companies, which provides assistance for operating corporate needs, and is a proactive reference point suggesting projects and making innovative proposals to enterprises and to the country.

The Private Banking Department performs its activities through the 101 Parent Company private branches and modules and the network banks (104 including those of regional banks), and through the 68 branches of the subsidiary Intesa Sanpaolo Private Banking. At the end of December 2007 customers served totalled almost 73,000. In the year initiatives were implemented to reorganise Head Office and Private Area structures, in order to effectively cover geographical areas. The 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 in insurance, individual portfolio management schemes and third party UCITS. Furthermore, customer segmentation activities continued, with the identification of a segment followed by dedicated managers ("executive" private bankers) and with an offer of customer services and products (including private equity).

The regional banks Intesa Casse del Centro, Banca di Trento e Bolzano and 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 2007 the eight Saving Banks in Central Italy, united under the control of Intesa Casse del Centro, showed, on an aggregate basis, a 7.8% 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 13% rise in income before tax from continuing operations, notwithstanding no non-recurring profits on investments and higher net adjustments to loans.

Banca di Trento e Bolzano posted income before tax from continuing operations of 27 million euro, up by 3.9% with respect to the previous year. Operating income registered a rise of 7.1% attributable to the positive trend of interest margin, deriving from the increase in intermediated volumes and by the widening of the spread with customers, and of profits on trading, which benefited from the non-recurring income relative to the sale of the equity investment in Mediocredito Trentino–Alto Adige. The positive trend in revenues and the contained growth in operating costs were partially eroded by higher provisions for risks and charges and higher net adjustments to loans.

As of 19 March 2007 Cassa dei Risparmi di Forlì took the name of Cassa dei Risparmi di Forlì e della Romagna and adopted the target SANPAOLO ICT system and at the same time started distributing the product catalogue of the former SANPAOLO network. In order to strengthen control of commercial relationships in the territory in which it operates, the bank was involved in the project for the territorial reorder of the Romagna Area, which began on 10 September and concluded on 1 October and led to the exchange of branches between the 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 2007, the two companies disbursed loans exceeding 3,300 million euro. In the year, a project was approved for the creation, within the Intesa Sanpaolo Group, of a centre specialised in medium-/long-term loans, subsidised loans, research and development and leasing through the concentration of these activities into Banca Intesa Mediocredito (which took the name of Mediocredito Italiano in March 2008).
In 2007 Banca Intesa Mediocredito posted an income before tax from continuing operations of 51 million euro, with a 6.9% growth rate compared to the previous year, due to the containment of operating costs, lower provisions for risks and charges and lower net adjustments to loans.
Banca CIS closed 2007 with an income before tax from continuing operations of 28 million euro, up 37% compared to 2006. This result benefited from the growth in operating income, favoured by the good performance of net interest income and other operating income, by contained operating costs and lower net adjustments to loans, influenced by significant write-backs in performing loans deriving from the adoption of the methodologies of the internal rating model.

In 2007 leasing activities were carried out through the companies Intesa Leasing and Sanpaolo Leasint. Starting from 1 January 2008 Leasint, the Group's new leasing company formed from the merger by incorporation of Sanpaolo Leasint into Intesa Leasing, started operations.
The two companies, which together are the second player on the domestic market with a market share close to 14%, in 2007 stipulated contracts for an exchange value of 6.8 billion euro.
Intesa Leasing recorded an income before tax from continuing operations of 73 million euro, with a 25% growth rate with respect to 2006, due to higher revenues which more than offset the increase in operating costs, in provisions for risks and charges and in net adjustments to loans.
Sanpaolo Leasint's income statement recorded a rise of over 29% in income before tax from continuing operations, (which totalled 73 million euro), achieved through the positive trend of operating income and the lower net adjustments to loans.

Consumer credit activities were performed in 2007 through the Neos group and Agos Itafinco.
The Neos group highlighted a 9.8% decline in operating margin due to lower operating income, affected by the contraction in spreads and higher operating costs linked to the consolidation of the activities of CFS - Consumer Financial Services. The year closed with a loss before tax from continuing operations of 40 million euro, due to a prudent appraisal of the existing portfolio. Loans registered a significant increase with respect to the previous year also thanks to the contribution of the subsidiary CFS which is consolidating its operations as product factory also in personal loans granted by the branches of the Group's commercial banks. Breakdown by segment shows a strongly upward trend in personal loans, in loans backed by assignment of one-fifth of salary and in car loans, against a reduction in targeted loans.
Agos, the joint venture established with Crédit Agricole, in which the Group held a 49% stake in 2007, contributed to the consolidated net income for the year with a net income of 35 million euro, up with respect to 2006. The agreement for the sale to Crédit Agricole of the 49% stake was signed on 27 December 2007.

With regard to EurizonVita, on 19 June 2007 the Management Board and the Supervisory Board of Intesa Sanpaolo resolved not to proceed with the listing of Eurizon Financial Group and to develop separately the three different business lines included in the group: EurizonVita, Eurizon Capital and Banca Fideuram.
Consistent with the strategic decisions undertaken, the sub-holding Eurizon Financial Group was incorporated into Intesa Sanpaolo, with effective date 31 December 2007, and EurizonVita was placed within the Banca dei Territori. In 2007, the insurance company implemented the consolidation of its product range for the banking channel, with a view to repositioning investment terms to medium-/long-term maturities, and reallocating the business in the traditional segment to the financial segment, specifically unit- and index-linked policies, which are increasingly preferred by customers. The distribution of pension products dedicated to mass market customers started from the beginning of 2007. 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.

With regard to casualty branch products, the offer of the banking channel was expanded with the introduction of the new "Protection Insurance" policies, to be combined with mortgages and loans and the launch of the new product "Prospettiva Salute", an insurance package for the protection of the person.
In 2007 EurizonVita posted an income before tax from continuing operations of 300 million euro, down 12.1% with respect to the previous year, due to a reduction in income from insurance business affected by the write-downs of assets covering insurance products. The rise in operating costs (+22.7%) is attributable to the investments made to improve the IT platform.
The investment portfolio, 42,255 million euro, was made up for 65% by securities designated at fair value, mainly for unit- and index-linked products, and for 35% by securities available for sale, mainly for revaluable policies. The insurance policies portfolio totalled 40,703 million euro, including 17,258 million euro in life technical reserves, 22,691 million euro in financial unit- and index-linked policies classified as deposits, and a marginal amount of policies with specific assets, reserves of open-ended pension funds, and technical reserves for casualty branches. In the year EurizonVita registered a gross flow, including both products classified as insurance products and policies with financial content, of 7,084 million euro (+16% with respect to the previous year), with rises mainly in financial products. Overall collection, including the casualty business, totalled 7,232 million euro, up by 17%.
In terms of new business, in 2007 collections totalled 6,206 million euro (+17.3% compared to 2006), of which 4,181 million euro through the network banks, 1,995 million euro through private bankers of Banca Fideuram and 30 million euro through other channels.

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 2007 of 69 million euro, down with respect to the previous year, in line with the evolution of the new business which recorded a slowdown in the year.

In compliance with the indications of the Italian Competition Authority, Sud Polo Vita was established. This new insurance company, operational from 1 November 2007, was formed from the partial spin-off of the business lines 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.

The activities of Intesa Previdenza in 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 December 2007 Intesa Previdenza managed net assets of 1,721 million euro (+14% from the end of 2006), over half of which related to open-ended pension funds and the remaining part to closed-ended funds. The net flow for the period was positive for both categories of pension funds.

In 2007 Sanpaolo Bank (Luxembourg) carried out multibusiness activities with particular reference to International Advisory, Dealing Room, Depositary Bank and private banking and recorded an income before tax from continuing operations of 78 million euro, in line with the previous year.

Setefi, specialised in the management of electronic payment systems, acts as 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 2007, activities were focused on maintaining and developing market shares and profitability as well as on containing risk profiles and generated an 11% growth rate in intermediated volumes over the twelve months. The number of directly-issued and managed cards rose to approximately 4 million (+5%), while own and third-party POS terminals increased to 137,000 (+6%). The income statement for 2007 recorded a progress of 9% in income before tax from continuing operations, that exceeded 55 million euro.

Corporate & Investment Banking

(in millions of euro)

Income statement/Alternative performance indicators	2007	2006 restated (*)	Changes amount	Changes %
Net interest income	1,053	946	107	11.3
Dividends and profits (losses) on investments carried at equity	20	19	1	5.3
Net fee and commission income	922	941	-19	-2.0
Profits (Losses) on trading	769	754	15	2.0
Income from insurance business	-	-	-	-
Other operating income (expenses)	39	37	2	5.4
Operating income	**2,803**	**2,697**	**106**	**3.9**
Personnel expenses	-396	-412	-16	-3.9
Other administrative expenses	-474	-459	15	3.3
Adjustments to property, equipment and intangible assets	-17	-19	-2	-10.5
Operating costs	**-887**	**-890**	**-3**	**-0.3**
Operating margin	**1,916**	**1,807**	**109**	**6.0**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-35	-27	8	29.6
Net adjustments to loans	-178	-178	-	-
Net impairment losses on other assets	-38	-6	32	
Profits (Losses) on investments held to maturity and on other investments	-6	21	-27	
Income (Loss) before tax from continuing operations	**1,659**	**1,617**	**42**	**2.6**
Allocated capital	7,095	6,319	776	12.3
Profitability ratios (%)				
Cost / Income ratio	31.6	33.0	-1.4	-4.2
ROE before tax	23.4	25.6	-2.2	-8.6
EVA® (in millions of euro)	446	460	-14	-3.0

(in millions of euro)

	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %
Loans to customers	85,653	79,571	6,082	7.6
Direct customer deposits	69,481	64,616	4,865	7.5
of which: due to customers	*35,953*	*38,206*	*-2,253*	*-5.9*
securities issued	*29,314*	*23,236*	*6,078*	*26.2*
financial liabilities designated at fair value through profit and loss	*4,214*	*3,174*	*1,040*	*32.8*

(*) 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 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 for the development of exports;
- 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 and originates new bond issues and IPOs;
- 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 the "new" 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 2007 with an operating income of 2,803 million euro (which represented 16% of the Group's consolidated figure), with a 106 million euro increase with respect to 2006 (+3.9%).
Volumes intermediated by the Division showed a significant increase from the beginning of 2007 (+7.6%) confirming a rise in operations in both domestic and foreign networks. This development is related to lending activities, as well as to a rise in customer deposits, mainly linked to cash management activities of the Corporate Relations Department. Loans to customers registered a 7.6% increase confirming the commercial effort made to support corporate lending characterised also by important investment banking and structured finance operations. Particular benefit came from the expansion in operating volumes of the large corporate, corporate foreign networks and, to a lesser degree, mid-corporate segments. This expansion in loans was achieved maintaining a contained portfolio risk profile, evidenced by practically unchanged net adjustments to loans despite lower write-backs with respect to the previous year.
Direct customer deposits recorded a 7.5% rise, sustained by funding from medium-sized companies, large corporates and financial institutions.
With regard to income statement aggregates, net interest income amounted to 1,053 million euro, with an 11.3% rise with respect to 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 disbursements and also benefited from the stability of the mark-down. Net fee and commission income, 922 million euro, fell 2% compared to 2006, particularly influenced by the lower commissions on the investment banking component attributable to the Corporate Relations Department. Comparison between the two years 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 2006, and 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 769 million euro, demonstrated positive performance (+2%) notwithstanding the negative financial markets situation. Operating costs remained practically stable (+0.3%), at 887 million euro, compared to 2006. As a result of the trend in revenues and costs described above, operating margin, 1,916 million euro, recorded a 6% increase compared to the previous year. Income before tax from continuing operations, 1,659 million euro, registered a 2.6% increase, partly eroded by higher capital losses on equity investments held in the merchant banking portfolio.
The Division absorbed 30% of Group capital, higher than in 2006. In absolute terms, capital registered an increase resulting from the rise in credit risks, referred to the on-balance sheet component, due to the expansion of loans to the mid and, in particular, large corporate segments, and the market risks correlated to capital market activities. The positive trend of income before tax from continuing operations, was more than offset by the growth in capital allocated: the result was a decrease in ROE before tax from 25.6% to 23.4%. Value creation recorded a slight decline with respect to 2006 also due to unfavourable market conditions.
The cost/income ratio decreased by over 1 percentage point, to 31.6%.

In 2007, the Corporate Relations Department applied the new customer management model, following the process of redistribution of portfolios, completed in May, which involved the Corporate & Investment Banking and the Banca dei Territori Divisions and the Public Finance Business Unit. It was by far the market leader in 2007, with a share exceeding 25%, and an even greater share in the foreign multinational segment. The current service model confirmed its effectiveness in the development of structured finance operations (in particular syndicated lending, acquisition finance and project finance) and investment banking also in the mid corporate segment: in 2007, 114 operations were concluded, in line with the previous year. The adoption of the new model was coupled with the launch of products to sustain growth and strengthen corporate capitalisation (mezzanines) and with initiatives in support of the opening of capital to third party investors, also specialised in expansion in 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 Bank took part in all operations concluded in 2007, notwithstanding the unfavourable market context in the second half, especially for capital market operations.

With reference to the International Network Department, the distribution network directly covers 34 countries and is made up of 14 wholesale branches, 23 representative offices, one operating desk, four subsidiaries, and one advisory firm. Activities in 2007 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 year was characterised by intense activities for the integration of the overlapping structures abroad and the adoption of a single IT system. Moreover the business of bank subsidiaries abroad that are included in the Department's perimeter was reorganised. The integration referred to the two Irish subsidiaries, the branches of New York, London, Hong Kong, Tokyo, Shanghai and the representative offices in Moscow, Paris, Mumbai, Beijing, Warsaw, Ankara/Istanbul and Zagreb (whose activities were transferred to the subsidiary Privredna Banka Zagreb). Lastly, the procedures commenced for the transformation of Banca Intesa France into the Paris branch of the Parent Company, which will presumably occur by June 2008 with the concomitant closure of the representative office.
The Department is responsible for the operations of the following banks abroad:

- 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 2007 the company recorded net income of 26 million euro, up 10.5% compared to 2006, thanks to an increase in revenue, specifically in commission and interest, which more than balanced the rise in operating costs;
- Intesa Bank Ireland, formed in November through the merger of Intesa Bank Ireland with Sanpaolo IMI Bank Ireland, which operates in Ireland mainly in wholesale banking and dealing in financial markets. It closed 2007 with net income of 39 million euro, up 6.6% compared to 2006 thanks to the increase in revenues, especially commissions, against an increase in operating costs;
- 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. Its net income for the year was almost 3 million euro against a practically breakeven result in 2006. This performance was favoured by a rise in operations with customers, which sustained revenues, in particular interest margin and net fee and commission income;
- Banca Intesa France, which posted lower operating income with respect to the previous year, due to the natural and advanced reimbursement of certain loans at the beginning of 2007. However, operations showed signs of recovery starting from March, which enabled the granting of new loans for 300 million euro.

Within the Financial Institutions Department, 2007 was characterised by the implementation of the project, related to the new segmentation and coverage of customers, with the objective of increasing penetration and cross-selling of high value added products and of efficiently managing the risk/return ratio. From the organisational and commercial standpoint, this led to the integration of the customer portfolio and the centralisation of the relevant responsibilities to the relationship managers. With the purpose of successfully facing new challenges, the Department identified a number of priority actions with customers, introducing higher focus on Group companies, a targeted offer to insurance customers, higher weight to advisory activities and to the sale of active capital management products, improvement of reciprocity relations with investment banks and targeted development of the business abroad, with particular attention to Central-Eastern Europe encouraging the cooperation between product factories and Group banks present in the area. The worsening of the market context and the extension of the financial crisis determined a strong contraction in funds disbursed through new operations and a greater selectivity in loan decisions. However, the changed scenario allowed to increase spreads on the stock of expiring loans and prices on new loans especially to primary borrowers, in both bank and para-bank, Italian and foreign, segments. In international payments, the Department confirmed the upward trend in volumes and revenues with respect to 2006 and consolidated the offer of services to existing customers in custody activities, also due to the products developed in 2006 and to the broadening of the service range. With the role of correspondent bank, operating volumes increased 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 Department in 2007 important operations in some of the main sectors were closed. In the project finance segment, 11 important operations were implemented, with primary roles, in particular in the following sectors: energy, shipping, and telecom. The leveraged & acquisition finance segment finalised the structuring and disbursement of credit facilities in support of the acquisition of corporate groups (AEB group, Intercos, Ali and Sirti), as well as debt refinancing (Coin group and Global Garden Products group). Concerning origination activities, credit facilities were disbursed in relation to corporate acquisitions, leveraged buyouts or medium-term refinancing. With regard to the real estate segment, the leadership was consolidated by further developing the business model that combines the financial support to real estate assets (lending) and the structuring of financing (advisory) for real estate acquisitions and developments. The most notable lending operations concluded were the participation as mandated lead arranger in the financing of the real estate fund Domus (promoted by Beni Stabili SGR) and of the real estate fund Delamain (Rinascente group promoted by Pirelli Real Estate). In advisory activities the most important was the support to the increase in value of Intesa Sanpaolo's real estate assets through the creation of a listed real estate investment company (SIIQ). As to securitisations, the securitisation of the commercial receivables of the Prysmian group (400 million euro), the securitisation of the pan-European commercial receivables of MAC S.p.A. (50 million euro) and the second tranche of the securitisation of the health receivables of the Abruzzo Region were finalised. Moreover, mandates were acquired for some of the most important structured finance operations concluded in the Italian market: Sorgenia, Autogrill, Sorin, Kedrion, Castelgarden, Ali Spa, Isab Energy, Intercos, F.lli Elia, Multinvest, A2A, Domus Beni Stabili and Malfatano Resort. Lastly, the Weather/Wind group assigned Banca IMI the role as mandated lead arranger and bookrunner in the issue of collateralised PIK Notes for 1.2 billion euro on behalf of a vehicle company owned by Weather Capital.
In 2007 M&A activities achieved positive results. The most significant activities referred to: i) the assistance given to Tiscali in the acquisition of Broadband and Voce from the British company Pipex, to ASM Brescia in the merger with AEM Milano and to the Iride group in the sale to Terna, ii) advisory activities in the definition of the new structure of the Telecom group, as well as in favour of the company Buongiorno in the purchase of 100% of iTouch Ventures Limited and of the Albanian Government in the privatisation process of Albtelecom Sh.A.

The mission of the Merchant Banking Department is value creation for the Group through the acquisition and management of equity investments, equity-linked instruments, as well as participation to closed-ended 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 dedicated wholly-owned subsidiaries. This Department also includes two asset management companies (SGR) managing private equity funds for SMEs, in which investors external to the Group have holdings. As at 31 December 2007 the merchant banking portfolio (held directly and through subsidiaries) amounted to 2.4 billion euro, of which 2.1 billion euro invested in 53 companies and 0.3 billion euro in 49 funds. Among the investments in support of the development and internationalisation of primary unlisted companies, the joint venture with Pirelli & C. Real Estate, the further investment tranche in the Grande Jolly project in partnership with NH Hotel and the entry in the capital of International Entertainment should be noted. Disinvestments include the liquidation of Synesis (the holding company that held the majority stake of the Fidis Retail Italia group, sold to the Fiat group in December 2006), the total disinvestment of Azimut, Abac Group, Intervalv and Italjolly, the partial disinvestment of H3G and the start of a process of partial and progressive sale on the market of the Fiat position. Moreover, in 2007 investment activities in private equity funds managed by SGR subsidiaries, that held a portfolio of 16 equity investments in SMEs, for an exchange value close to 75 million euro, continued. At the end of the year there was the disinvestment of an equity investment held by MerMec (Fondo di promozione del capitale di rischio per il Mezzogiorno, Fund for the promotion of private equity in Southern Italy), which generated a significant net income to distribute to investors.

On 25 October the transactions that led Telco (a company jointly held by Intesa Sanpaolo, Assicurazioni Generali, Mediobanca, Sintonia and Telefonica), to receive a total of 749,827,264 ordinary Telecom Italia shares, equal to a 5.6% stake from Mediobanca and the Generali Group companies, and purchase 100% of the share capital of Olimpia, which in turn owned 2,407,345,359 Telecom Italia ordinary shares, equal to 18% of the ordinary capital of Telecom, for 4,161 million euro, were finalised. On 23 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 acquire stakes in Telco.

The Corporate & Investment Banking Division also comprises the activities of the Capital Markets Department which includes Banca IMI and Banca Caboto that, until 30 September 2007, operated as separate legal entities. The incorporation of Banca IMI into Banca Caboto was resolved upon on 30 July 2007, and the creation of the "new" Banca IMI came into effect as of 1 October 2007. This new company, which also includes 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, integrated financial services to companies and institutional investors, both Italian and foreign. The reorganisation following the merger led to the separation of capital market activities in three different product lines: i) Risk Trading, which is in charge of trading and market making activities in cash and derivative instruments by managing and developing the flows of reference customers, ii) Capital Management, which manages treasury activities and overall requirements of liquidity and funding of the bank through the definition of strategies aimed at managing and optimising liquidity and, lastly, iii) Market Hub, which is in charge of brokerage and execution activities for captive and non captive customers on cash and derivative products available on electronic platforms. Moreover, with the aim of increasing service effectiveness and product specialisation, four customer-oriented origination and selling areas were created: Financial Institutions, Retail & Private Banking Investments, Corporate & Public Authorities and Banca dei Territori.
Banca IMI closed 2007, characterised by a difficult market context due to the liquidity crisis and to non-recurring activities linked to the merger, with a net income, in terms of contribution to the Group result, of 154 million euro, down 25% on the previous year. This trend is attributable to lower revenues, mainly affected by a negative trend of the fixed income and forex trading segments and of the primary market, as well as by higher provisions for risks and charges that were not entirely balanced by savings in operating costs. Revenues, at 583 million euro, fell 3.6%, attributable to the reduction in net interest income (-22 million euro) and in profits on trading (-4.1%). Operating costs, at 300 million euro, were down 6% , mainly due to lower costs incurred for variable personnel expenses. Income before tax from continuing operations, at 254 million euro, registered a 10.4% reduction with respect to 2006.

As to equity capital markets activities, even if 2007 recorded a decline in Italy due to the aforementioned market instability, Banca IMI confirmed its traditional positioning in the segment as leader in terms of number of placements and capital increases. The main operations carried out as global or joint global coordinator include the IPOs of Maire Tecnimont, Zignago Vetro, SAT-Aeroporto Toscano, Pramac and the Acque Potabili secondary offer. Public tender offers include Fastweb, Banca Popolare di Intra, Jolly Hotels, Tecla, Banca Fideuram, I.Net and Marzotto where the bank acted as financial advisor for the bidder or broker in charge of collecting acceptances. Capital increases include those of Snia and Juventus. Particularly significant accelerated bookbuildings were Isagro, Edison, Piaggio & C. where it acted as sole bookrunner as well as the private placement of shares of Fondo Immobiliare Pubblico Regione Siciliana as placement agent. As to activities in debt capital markets, the bank registered a rise with respect to 2006 in both number and total volume and took part as lead manager to 60 bond issues, for an exchange value of approximately 14 billion euro. In the Sovereigns compartment, Banca IMI took part, as joint lead manager and bookrunner, in the reopening of Greece's inflation-linked bonds and acted as co-lead manager in the placement of Turkey's fixed-rate issue for a total amount of approximately 3 billion euro. For Financial Institutions the bank was joint lead manager and bookrunner in the senior issues of Findomestic Banca, Mediocredito Trentino Alto Adige, Credito Valtellinese, Alpha Credit Group, Banca Popolare di Bari, Banca Popolare di Vicenza, Banca delle Marche. Moreover the bank originated the subordinated bonds of Veneto Banca, Banca delle Marche and Centro Leasing; it also acted as arranger in the updating of the EMTN (Euro Medium Term Note) programme of Centro Leasing, Veneto Banca and Findomestic Banca. For Corporate Relations customers, in 2007 the bank acted as joint lead manager and bookrunner for the Eurobond issues of Ifil, Enel and ENI, for the inflation-linked issue of Terna and as coordinator of the offer and responsible for the placement in the retail issues of Enel. In the securitisation and asset-backed securities sectors, in 2007, a synthetic securitisation was carried out on loans granted by Intesa Sanpaolo to SMEs and backed by Unionfidi and Confidi Province Lombarde. In addition, Banca IMI acted as joint lead manager and bookrunner of Ducato Consumer in the securitisation of consumer loans originated by Bipitalia Ducato, and as joint lead manager of "Red&Black" in the securitisation of consumer loans issued by Société Générale; it was also joint lead manager in the securitisations of residential mortgages originated by BNL, "Vela Home 4", and, by Royal Bank of Scotland, "Arran Residential Mortgages"; in the local authorities sector, the bank was joint lead manager and bookrunner for the bond issued by the Friuli-Venezia Giulia Region. The bank also acted as joint arranger and consent coordinator of the bond issued by the Municipalities of Naples and Venice and acted as rating advisor of the Municipality of Naples.

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 national leader, reached 25.7 billion euro in 2007, with new business decreasing by 3% compared to 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 31 December 2007 increased by 5.9% to 4.3 billion euro. Operating income equalled 138 million euro, down by 1.9% due to the negative performance of fee and commission income (-6.1%). This decrease can be attributed to both the reduction in intermediated volumes and the pricing applied to customers, due to the more competitive market context. Net income, in the presence of lower net adjustments and provisions, amounted to 43 million euro, up by over 40% compared to the previous year.

Public Finance

(in millions of euro)

Income statement/Alternative performance indicators	2007	2006 restated (*)	Changes amount	Changes %
Net interest income	212	205	7	3.4
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	47	63	-16	-25.4
Profits (Losses) on trading	22	63	-41	-65.1
Income from insurance business	-	-	-	-
Other operating income (expenses)	7	-	7	-
Operating income	**288**	**331**	**-43**	**-13.0**
Personnel expenses	-37	-34	3	8.8
Other administrative expenses	-55	-57	-2	-3.5
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-92**	**-91**	**1**	**1.1**
Operating margin	**196**	**240**	**-44**	**-18.3**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-1	-1	-	-
Net adjustments to loans	-10	-10	-	-
Net impairment losses on other assets	-4	-5	-1	-20.0
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**181**	**224**	**-43**	**-19.2**
Allocated capital	1,083	1,078	5	0.5
Profitability ratios (%)				
Cost / Income ratio	31.9	27.5	4.4	16.0
ROE before tax	16.7	20.8	-4.1	-19.6
EVA® (in millions of euro)	29	38	-9	-23.7

(in millions of euro)

	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %
Loans to customers	33,910	36,331	-2,421	-6.7
Direct customer deposits	7,626	8,020	-394	-4.9
of which: due to customers	*5,602*	*5,004*	*598*	*12.0*
securities issued	*2,024*	*3,016*	*-992*	*-32.9*

(*) 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.
In 2007 Public Finance performed its activities through Banca OPI and Banca Intesa Infrastrutture e Sviluppo (BIIS) which operated as a single unit from the first few months of 2007 and merged, with effect

as of 1 January 2008, creating the leading Italian bank in public finance and one of the leading players in Europe.
The Public Finance sector in Italy is undergoing a phase of reassessment and reallocation of resources, characterised by the partial interruption of large public works, by uncertainties also at the local level and by a rising diffidence towards more advanced financial instruments (also due to the impact on public opinion of certain negative events, limited to certain market operators), which determined a severe slowdown in bank loans granted to Public Administrations and in related financial advisory and origination activities. Within a stagnating and strongly competitive domestic market, due to higher interest shown by major international players and highly competitive pricing policies, and in an international context affected by a liquidity crisis, which limited the possibilities of active portfolio management activities, Public Finance closed 2007 with an operating income of 288 million euro, 43 million euro down with respect to 2006 (-13%). However, the comparison between the two years is influenced by the effects of non-recurring operations, amounting to 3 million euro in 2007 (non-recurring income of BIIS linked to the sale of tax collection companies stipulated in 2006) and to 46 million euro in 2006 (generated by sales and/or advance extinction of Banca OPI’s non-recurring assets). Excluding such effects, revenues remained stable, notwithstanding the negative market context.
Net interest income (212 million euro) recorded a 3.4% rise with respect to the previous year, due to the increase in loans to customers (+15.1% in average terms including the operations related to the subscription of securities) partly eroded by a slight decrease in spreads. Excluding non-recurring operations, the margin grew by 9.3%. Net fee and commission income, equal to 47 million euro, decreased by 25.4% (-14.5% net of the non-recurring components). Profits on trading (22 million euro) registered a 65.1% reduction, attributable to both the slowdown in the reference market and the high comparative figure for 2006 which benefited from the launch on the market of significant investment banking operations. Net of non-recurring components, income decreased by 38.9%.
Operating costs (92 million euro) recorded a 1.1% rise due to an increase in personnel expenses linked to the increase in staff, concentrated in the second half of 2006 in support of business development. The cost/income ratio equalled 31.9%, consistent overall with the mix of transactional operations, of lending/funding and structured finance activities managed by the Business Unit.
Operating margin (196 million euro) registered a 44 million euro contraction compared to 2006, but a one million euro reduction excluding the effects of the aforementioned non-recurring operations. Income before tax from continuing operations (181 million euro) recorded a 43 million euro decline due to both the aforementioned non-recurring components (on a normalised basis it was stable at 178 million euro) and the Municipality of Taranto’s financial difficulties, that affect Banca OPI’s results for 2007 and were almost entirely responsible for adjustments to loans.
The capital allocated amounted to 1,083 million euro, virtually in line with the previous year (+0.5%). Annualised ROE before tax showed a reduction from the values of 2006 due to trends described in economic results and capital.

With regard to the main balance sheet figures, the decline on an annual basis of loans to customers (-6.7%) was affected by a short-term financing operation with tax collection counterparties for approximately 4,600 million euro, disbursed in the last few days of 2006 and reimbursed in 2007. Excluding this operation the aggregate would have shown a 6.9% rise. Direct customer deposits (7,626 million euro) recorded a 4.9% reduction from the end of December 2006, mainly attributable to securities issued, affected by the failed renewal of Banca OPI’s own bonds, following the activation of a different funding policy adopted by the company which leverages on the possibility of using as collateral a portion of the assets with the ECB.

Although in an unfavourable market context, activities in favour of the cooperation between public and private sectors were expanded in 2007, with the definition of numerous operations of primary importance.

In order to assist and promote the development of large infrastructures in the country, activities aimed at favouring the realisation of the Brescia-Milano (BreBeMi) motorway continued with the purchase by Intesa Sanpaolo of the 39.3% equity stake held by Autostrade per l'Italia in Autostrade Lombarde. Advisory activities for the realisation of the motorway link “Pedemontana Lombarda” were concluded and the consultancy for the “Superstrada a pedaggio Pedemontana Veneta” continued. Disbursements in favour of ANAS for the realisation of the Mestre motorway link and for the improvement of Statale Salaria were concluded, whereas disbursements for the Salerno-Reggio Calabria motorway and for the routes Asti-Cuneo, Torino-Milano, Siracusa-Gela continued. The assistance to enterprises and syndicates participating

to ANAS tenders should be noted, in particular for the realisation of four motorways in Central and Southern Italy.
In support of health services, universities and scientific research, an important contribution was given to the containment of the liquidity crises of the regional health systems, completing the collection in favour of health suppliers of health receivables from the Abruzzo Region (securitisation "D'Annunzio Finance") and of the health system of the Piedmont, Lazio and Molise Regions (transfer without recourse), defining the transfer without recourse of loans held by the member clinics of the AIOP– Italian Association of Private Hospitals towards the Lazio Region. For the development of research activities of the San Raffaele Scientific University Institute of Milan, the Business Unit acted as leader of the project and the relevant loans were entirely disbursed, with EIB funding; moreover, loans were granted to San Matteo General Hospital at Pavia, for a surgery department with 500 new beds and 14 operating theatres, to Milan University, for the realisation of the Veterinary University Pole at Lodi, and to Bergamo University for the modernisation of university structures.
The following initiatives were particularly significant for the improvement of public and public utility services: the stipulation of a loan to "SET – Società Energetica Teverola S.p.A." for the realisation and operation of a gas-fuelled power plant; the syndicated financing of "Acegas" (Trieste) investments; the financing of wind-power plants in Puglia and, within waste disposal activities, the refinancing of Frullo Energia Ambiente S.p.A. (HERA group). In the water sector, the Business Unit consolidated its role as partner of SMAT (Turin), which was granted guarantees to support the obtainment of EIB subsidised funds for the realisation of investments; moreover it granted medium-term loans to Multiservizi Ancona and took part in a syndicated loan in favour of Acquedotto Pugliese. Telete gave the mandate, together with other banks, to assist in the structuring of project financing for the realisation of the investments related to the complete water cycle in the ATO 1-Lazio Nord-Viterbo as well as similar mandate as advisor for the plan to develop ATO 3 Umbria.
The Business Unit continued to support the financial balance in the public sector with stipulations and disbursements to finance long-term investments to numerous Local Entities (including the Veneto, Campania, Piedmont and Lazio Regions, the Municipalities of Rome and Turin, the Province of Brescia), as well as large disbursements in favour of collection concessionaires E.TR. and ESATRI (Gruppo Equitalia, formerly Riscossione S.p.A.). The Province of Genoa's debt was restructured and mandates from the Municipalities of Venice and Naples, syndicated with other banks, were received. Activities related to bonds issued by various entities continued and the agreement was stipulated for the multi-bond issues (BOC) for the Towns of the Province of Ascoli Piceno. The Municipality of Turin appointed the Intesa Sanpaolo Group joint arranger and joint bookrunner for the EMTN programme which will be initiated by Public Finance in 2008.
As concerns urban projects and projects for territorial development, disbursements were made for the realisation of the western branch of the Centro Intermodale Merci of Novara (work of primary national interest as set out in the Legge Obiettivo 443/01 – Infrastructure Framework Law) and of hotel infrastructures near Malpensa airport, as well as for the upgrading of the G. Marconi Airport of Bologna. A syndicated loan was stipulated in favour of Società per Cornigliano S.p.A. (Genova) for the reconversion of former Riva steel factories and project financing was defined for the car park of the exhibition system at Bologna and for the new industrial and logistic centre in the Municipality of Ghedi (Brescia). Lastly, the mandate was received from EUR S.p.A., together with other banks, for the origination of the loan for the Nuovo Centro Congressi in Rome.
For the efficient management of current bank operations, the Business Unit assisted the Municipality of Milan in activating IT orders with digital signature and took part in a tender called by INAIL (later awarded to Intesa Sanpaolo jointly with other entities), to provide a general cash management service, which enables beneficiaries to collect social security benefits on the whole national territory.
Within public and infrastructure finance activities abroad, the role of Mandated Lead Arranger was assigned, together with other entities, for the financing of the third tranche of the "M6" motorway in Hungary. Moreover, the Business Unit took part to the financing of the Irish "M3" motorway, of an incinerator in Austria and of a waste disposal plant on Majorca, it financed the Istanbul Electricity, Tramway and Tunnels Administration for a new underground line as well as five Portuguese development companies, operating in the Autonomous Region of Madeira and controlled by the Region, for the construction of industrial, cultural and tourist infrastructures. With regard to activities in securities, a private placement of securities issued by "Aguas de Portugal SGPS", the most important Portuguese operator in the treatment of drinking water and sewage and in solid waste disposal, was originated and underwritten; quotas were subscribed of bond issues of various European energy utilities and of the Republics of Greece, Hungary, Lithuania and South Africa, of the Kingdom of Morocco, of the Municipality of Kiev and of Institut Català de Finances (public agency of Catalonia, responsible for

financial policy). Lastly, with the aim to assist and promote the development of the Egyptian economy and the international cooperation in the Mediterranean area, a Memorandum of Understanding was subscribed with the "National Committee for Robikki Leather Municipality", promoted by the Egyptian Ministry of Trade and Industry and aimed at structuring and issuing innovative bond instruments to fund the infrastructures to be built in a leather district near Cairo.

International Subsidiary Banks

(in millions of euro)

Income statement/Alternative performance indicators	2007	2006 restated (*)	Changes amount	Changes %
Net interest income	1,133	920	213	23.2
Dividends and profits (losses) on investments carried at equity	1	-1	2	
Net fee and commission income	492	421	71	16.9
Profits (Losses) on trading	279	222	57	25.7
Income from insurance business	-	-	-	-
Other operating income (expenses)	-6	10	-16	
Operating income	**1,899**	**1,572**	**327**	**20.8**
Personnel expenses	-494	-433	61	14.1
Other administrative expenses	-370	-349	21	6.0
Adjustments to property, equipment and intangible assets	-122	-103	19	18.4
Operating costs	**-986**	**-885**	**101**	**11.4**
Operating margin	**913**	**687**	**226**	**32.9**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-24	-10	14	
Net adjustments to loans	-172	-147	25	17.0
Net impairment losses on other assets	-2	11	-13	
Profits (Losses) on investments held to maturity and on other investments	6	20	-14	-70.0
Income (Loss) before tax from continuing operations	**721**	**561**	**160**	**28.5**
Allocated capital	1,680	1,404	276	19.7
Profitability ratios (%)				
Cost / Income ratio	51.9	56.3	-4.4	-7.8
ROE before tax	42.9	40.0	3.0	7.4
EVA® (in millions of euro)	322	238	84	35.3

(in millions of euro)

	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %
Loans to customers	23,215	18,573	4,642	25.0
Direct customer deposits	26,683	23,733	2,950	12.4
of which: due to customers	*25,497*	*22,524*	*2,973*	*13.2*
securities issued	*1,186*	*1,209*	*-23*	*-1.9*

(*) 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 for exploring and analysing new growth opportunities in markets where the Group already has a presence and in new markets. The Division also coordinates the operations of international subsidiaries and their relations with the Parent Company's head office structures and the Corporate & Investment Banking Division's branches and offices abroad. The Division is made up of the following three 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 Intesa Sanpaolo Bank Romania in 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 charge of developing relations in the Mediterranean basin where the Group has a presence through Bank of Alexandria. Consistent with the 2007-2009 Business Plan, the integration between the banking subsidiaries 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) was finalised with effect as of 1 January 2008.

The distribution structure, including recent acquisitions, directly covers 12 countries and is made up of approximately 1,250 branches.

The Division's income statement includes the effects of the line-by-line consolidation of American Bank of Albania, starting from 1 January 2007. For the purpose of guaranteeing a consistent comparison, the figures related to 2006 were restated, backdating the accounting effects of the acquisitions of Banca Italo Albanese, Panonska Banka, Bank of Alexandria and American Bank of Albania to 1 January 2006.
In 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 20.8% compared to 2006, amounting to 1,899 million euro.
Specifically, net interest income reached 1.133 million euro, with a 23.2% rise compared to the 920 million euro of the previous year. The increase is attributable to the growth in intermediated volumes (+17.9%), sustained by the rise in loans to customers (+25%) and direct customer deposits (+12.4%). The rise in net interest income is attributable for 31 million euro to Bank of Alexandria, which benefited from far higher spreads in relation to the close of particularly expensive funding and non-interest-earning loans with the public sector, for 49 million euro to Vseobecna Uverova Banka and for 38 million euro to Banca Intesa Beograd, due to the growth registered by the two banks.
Net fee and commission income grew by 16.9% (492 million euro compared to 421 million euro), specifically due to Privredna Banka Zagreb (+29 million euro), Central-European International Bank (+20 million euro) and Vseobecna Uverova Banka (+11 million euro). This trend benefited from higher revenues connected to the positive development of loans to customers, as well as the increase in operations, especially in payment operations carried out by customers.
Profits on trading rose to 279 million euro from 222 million euro in 2006, mainly due to the favourable performance of Bank of Alexandria (+47 million euro) and Central-European International Bank (+13 million euro) linked to trading in securities and capital gains on securities held for trading.
Operating costs grew by 11.4%, reaching 986 million euro. Personnel expenses increased by 14.1%, with growth generalised over all companies, following the expansion of the distribution network, the adjustment of salaries to inflation and a different incentive policy. Bank of Alexandria and Vseobecna Uverova Banka are exceptions and presented a reduction in average terms, respectively approximately 653 and 306 employees following the realisation of restructuring and efficiency plans. Administrative expenses and amortisation and depreciation respectively increased 6% and 18.4%, primarily determined by the rise in operating centres, with a consequent impact on logistic and infrastructure expenses.
Allocated capital represented 7% of the Group's capital, and amounted to 1,680 million euro, up on the level recorded in the previous year. The aforementioned economic results and capital determined an increase in ROE before tax to 42.9% (from 40% of 2006). Value creation, expressed in terms of EVA®, strongly increased to 322 million euro.

In 2007, Banka Koper recorded an operating income of 88 million euro, with a 6.5% rise on 2006. The higher net interest income (+17.9%) and greater fee and commission income (+8.2%) deriving from the credit card business and indirect customer deposits more than offset the reduction in profits on trading (-62%), due to the fall in volumes traded in securities and foreign exchange. Net interest income benefited from the increase in average loans to customers (+16.6%), mainly sustained by the retail component, and by the improvement in spreads. Operating costs recorded a 5.7% increase mainly as a result of the rise in IT expenses and the expansion of the network. Net income equalled 24 million euro, down 27% compared to 2006. The compared 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 186 million euro, with a 34.7% increase compared to 2006. Operating income grew by 21.8%, 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 (+35% loans to customers; +25% customer deposits) whereas profits on trading benefited from the sale of an equity investment held in the Prague Stock Exchange. Operating costs amounted to 185 million euro, up 11.1%. Excluding the effect of currency appreciation, costs were virtually stable 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 impairment losses on other assets were almost nonexistent against net write-backs of 16 million euro registered in 2006 due to a substantial sale of bonds. As a result of the aforementioned effects, net income rose 19.4% to 120 million euro.

The Central-European International Bank (CIB) group showed a positive trend in operating income (+10.7% to 411 million euro) in 2007 which amply balanced the growth in operating costs determining a cost/income ratio of 47.9%. Among revenues, the rise in net fee and commission income (+22.6% to 109 million euro) reflected higher operations in loans, current accounts and credit cards; the increase in profits on trading (+11.7% to 119 million euro) was attributable in particular, to foreign exchange activities and to higher contribution from trading derivatives; net interest income (+6.4%) increased thanks to the rise in average intermediated volumes (+32.7% direct customer deposits; +17.2% loans to customers). Operating costs reached 197 million euro, up 9.2%. Their trend was influenced by personnel expenses, linked to the increase in staff following the opening of new branches, as well as by higher amortisation/depreciation on new investments. On the contrary, administrative expenses, mostly for advertising, decreased due to the joint venture with the Tesco chain. Taking account of net adjustments to loans (-3.7%), due to higher corporate portfolio quality, and of integration charges incurred for the merger with Inter-Europa Bank, net income amounted to 114 million euro, up 17.9% with respect to the previous year.

The Inter-Europa Bank (IEB) group recorded operating income for 2007 of 75 million euro, with an 11.4% increase on 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 (+33.4% loans to customers; +27.3% direct customer deposits), while profits on trading were impacted by the inclusion, in the basis of comparison, of non-recurring income deriving from the disposal of an equity investment in 2006. Operating costs showed a 14.2% rise due to i) personnel expenses (+20.5%) as a result of a different incentive policy, ii) administrative expenses (+8.2%) in relation to higher advertising expenses, and iii) the expansion of back office activities. Operating margin increased by 6.2% compared to 2006. As a result of higher adjustments to loans required by the adaptation to the different accounting methodology applied by CIB (with which the company merged with effect as of 1 January 2008), net income decreased by 67.2% with respect to the previous year.

In 2007, the Privredna Banka Zagreb (PBZ) group’s operating income reached 436 million euro (+11.1%) benefiting from the positive contribution of almost all components. The trend of revenues enabled the offsetting of higher operating costs (+10.2%) deriving from the expansion of the distribution network and by the subsequent rise in the number of staff, as well as by higher marketing expenses related to the launch of new products. Net interest income (+9%) benefited from the marked increase in intermediated volumes (average loans to customers +19.3%) only partly offset by a slight decline in the spread mainly due to restrictive measures enforced by Croatian supervisory authorities. Net fee and commission income (+24.7%) was driven mainly by the development of credit cards and by assets under management. On the contrary, profits on trading showed a downturn of 16.2% compared to 2006 due to lower traded volumes. Net income, which also benefited from the decrease in net adjustments to loans and other assets, thanks to the adoption of a more sophisticated system of credit scoring mainly for SMEs, amounted to 156 million euro with an 18.4% increase.

Banca Intesa Beograd registered an operating margin for 2007 of 72 million euro, with a 77.1% increase with respect to 2006. The increase in operating income (+41.2%) amply offset the rise in operating costs (+17.2%) determined by higher personnel expenses. Revenues were positively influenced by the favourable trend of net interest income (+66.5%) that benefited from the increase in average volumes with customers (loans to customers +44.6%; direct customer deposits +40.7%) and by the rise in spreads. Net fee and commission income improved significantly (+17.2%), mainly attributable to payment services. Profits on trading, on the other hand, decreased (-17.1%) as a result of both the reduction in trading margins on currencies and lower income on securities trading, due to less favourable market conditions. After provisions for risks and charges, adjustments and taxes for a total of 22 million euro and considering 7 million euro of integration charges incurred for the merger with Panonska Banka on 1 January 2008, net income amounted to 43 million euro, with a 97.9% increase.

In 2007 Panonska Banka posted a loss of 4 million euro, compared to a virtually breakeven position in 2006, due to higher net adjustments to loans required by the adoption of IFRS principles. Revenues, at 22 million euro, rose by 10 million euro (+89.8%) due to the increase in net interest income, related to higher average loans to customers (+49.7%), and net fee and commission income. Operating costs recorded a 4.2% increase, due to the rise both in personnel expenses and in amortisation/depreciation, mainly on IT investments.

UPI Banka closed 2007 with an operating margin of 7 million euro, with a 29.7% increase compared to the previous year. The rise in revenues (+18%) was complemented by an increase in operating costs (+13.1%) due to the expansion of the network. The rise in revenues is attributable to net interest income (+27.5%) that benefited from higher average loans to customers (+39.8%), following the expansion of the branch network and the introduction of new products for retail customers. Also direct customer deposits increased (+21.2% to 353 million euro). Net income amounted to 0.6 million euro, up on the 2006 figure (0.3 million euro).

In 2007 Banca Italo Albanese's operating margin improved, up to 1.7 million euro compared to the 1.3 million euro of the previous year. Revenues rose to 6.4 million euro, a strong increase determined by the performance of net interest income (+27.8%) attributable to higher average loans to customers (+39.9%) and average direct customer deposits (+26.9%). Net income amounted to one million euro against a net loss of 3.5 million euro in 2006, but the comparison is influenced by non-recurring net adjustments to loans 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 as of 1 January 2007. The economic results of 2007 showed net income of 6.9 million euro, whilst balance sheet data at the end of the period showed annual increases in both loans to customers (+24.6%) and direct customer deposits (+15.1%).

Intesa Sanpaolo Bank Romania registered an operating margin of 6.3 million euro, with a strong progress with respect to 2006: in fact, the rise in operating income (+52.5%) was only partially eroded by the increase in costs (+43.4%). As concerns revenues, net fee and commission income recorded a good performance, mainly driven by higher operations on loans and, to a lesser degree, on bank transfers and guarantees, and profits on trading registered a positive trend mainly as a result of higher profits on exchange rate activities on behalf of customers. Net interest income was practically stable, as the increase in average volumes with customers (+82.6% loans to customers; +35.7% direct customer deposits) was offset by the reduction in the spread and by the significant use of interbank funding. The growth in operating costs can be attributed to the development of the distribution network and to the related advertising and marketing initiatives. Net income amounted to 4.9 million euro down 20.9% following higher provisions for litigations and lower reversals of excess allowances for risks and charges than in 2006.

KMB Bank is a leading bank in lending and leasing activities for small and medium-sized enterprises in the Russian Federation. The 2007 income statement closed with a net income of 16 million euro compared to 9 million euro recorded in 2006. The increase was mainly due to net interest income, that benefited from higher intermediated volumes: average loans to customers reached 757 million euro and direct customer deposits 567 million euro, with a progress of 57.6% and 101.7%, respectively. On the contrary, spreads to customers decreased compared to the previous year mainly as a result of the reduction in lending interest rates. Operating costs rose by 30.6% 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. Net adjustments to loans rose by 58% in line with the strong growth in loans to customers.

Bank of Alexandria achieved a net income of 70 million euro, against 17 million euro in 2006, thanks to a 67 million euro increase in revenues (+63%) with virtually unchanged costs (+2 million euro). Operating income recorded a positive performance due to profits on trading (up from 11 to 58 million euro, thanks to the disposal of investments, to capital gains on securities held for trading and to profits on mutual funds trading) and to net interest income which rose to 84 million euro against the 52 million euro of

2006. The rise in net interest income reflected operations development and far higher spreads in 2007, following the closure of particularly expensive funding contracts and of non-interest-earning loans to the public sector that characterised the previous year. As regard costs, in 2006, a restructuring and efficiency plan was launched, which contained operating costs. Administrative expenses dropped 26.5%, due to tighter cost control and the lack of the non-recurring advisory fees paid in 2006 for the privatisation of the bank; personnel expenses, however, increased by 13%, following a different computation of bonuses and of disbursements linked to the early retirement plan.

Eurizon Capital

(in millions of euro)

Income statement/Alternative performance indicators	2007	2006 restated (*)	Changes amount	Changes %
Net interest income	8	7	1	14.3
Dividends and profits (losses) on investments carried at equity	10	21	-11	-52.4
Net fee and commission income	256	241	15	6.2
Profits (Losses) on trading	-	-	-	-
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	5	-5	
Operating income	**274**	**274**	**-**	**-**
Personnel expenses	-43	-43	-	-
Other administrative expenses	-56	-50	6	12.0
Adjustments to property, equipment and intangible assets	-1	-3	-2	-66.7
Operating costs	**-100**	**-96**	**4**	**4.2**
Operating margin	**174**	**178**	**-4**	**-2.2**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-8	-2	6	
Net adjustments to loans	-	-	-	-
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**166**	**176**	**-10**	**-5.7**
Allocated capital	214	200	14	7.0
Profitability ratios (%)				
Cost / Income ratio	36.5	35.0	1.5	4.3
ROE before tax	77.6	88.0	-10.4	-11.9
EVA® (in millions of euro)	106	125	-19	-15.2

(in millions of euro)

	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %
Assets under management	180,693	207,352	-26,659	-12.9

(*) Figures restated on a consistent basis, considering the changes in the consolidation area. In particular, Eurizon Investimenti, which in the income statement is carried/valued at equity, is included.

Eurizon Capital SGR is the company specialised in providing collective and individual asset management products to the Group's internal banking networks and it operates in the open market segment through specific distribution agreements with other networks and institutional investors. Eurizon Capital controls the subsidiaries Eurizon Capital (Luxembourg) and Eurizon Alternative Investments which promote and manage, respectively, funds incorporated under Luxembourg law and alternative funds. At the end of 2007 the area of this business unit was extended following the unwinding of CAAM SGR by Intesa Sanpaolo and Crédit Agricole. This operation entailed the purchase by Intesa Sanpaolo of the activities attributable to Nextra Investment Management sold by Banca Intesa to Crédit Agricole in December 2005. The transaction was carried out in two steps. First, CAAM SGR contributed a business line to the French group, and then CAAM SGR changed its name to Eurizon Investimenti SGR and re-entered into Intesa Sanpaolo with its remaining activities, (66 billion euro of assets under management, of which 37 billion euro already included in consolidated indirect customer deposits and reclassified from assets under

administration to assets under management), working side by side with Eurizon Capital in the asset management activities.
In the year the product range was affected by numerous rationalisation and reinforcement initiatives.
As regards funds of funds, "Sanpaolo Garantito Giugno 2012", a fund dedicated to retail customers which enables the investor to take part in financial markets with guaranteed invested capital, was launched and the "Global Property" segment of "Sanpaolo Manager Selection", which invests in real estate, became operational. Two non-harmonised Italian funds, the "Total Return A3 and A5" funds, that foresee the possibility of partly investing in hedge funds, commenced distribution.
As regards portfolio management, activities of rationalisation and revision of some existing products were carried out. In particular, within the "Private Solution" portfolio management scheme, which offers the possibility of investing not only in proprietary funds but also in third party funds and in securities, new components were inserted that make the product more flexible to meet investor needs. In "Gestione Investimento Private", a line characterised by a higher equity component and a lower threshold of entry was added to the three existing lines.
Within the products dedicated to institutional customers, distribution started for "Alpha Fund", a Luxembourg multi-segment fund with an active management approach on markets where considerable overperformances are expected, and for the "Volatility target", an Italian speculative fund, whose investment policy is aimed at achieving positive absolute performances associated to medium/high volatility; moreover, in 2007 the "Asian Trend" line, specialised in Asiatic stock markets, was launched.
With the purpose of continuing the strategy of internationalisation and opening to third party distributors, activities were differentiated according to the different economic, legislative and commercial situations of each geographical area. In Asia Eurizon Capital signed an agreement with Galaxy Security Investment Consulting Enterprise, a company specialised in the distribution of third party products and in the receipt of mandates from institutional customers, for the distribution in Taiwan of funds of the Luxembourg subsidiary Eurizon Capital SA. In Singapore an agreement was signed for the distribution of a selection of Luxembourg funds through Philips Sec., a local private banking player active in Singapore and Hong Kong. Furthermore, a product partnership commenced with Fullerton, a primary Singapore player. In Eastern Europe commercial activities commenced with the Intesa Sanpaolo Group's foreign structure. In Latin America commercial actions were directed to the extension of active relations to make the most of the forthcoming extension of regulatory limits to investments in foreign funds by local pension funds.
Within the reorganisation of Intesa Sanpaolo's asset management activities, in addition to the numerous rationalisation and reinforcement initiatives of the product range, individual portfolio management schemes of the former Intesa network were transferred to Eurizon Capital SGR, which were renamed with the brand of the product company.

Overall assets under management of Eurizon Capital (including Eurizon Investimenti) totalled 180.7 billion euro at the end of December 2007, down 12.9% on an annual basis, due to: i) the reduction in EurizonVita's separate management (under management by Eurizon Capital) attributable to the reserves of traditional products, ii) the expiry of an important asset management mandate, and iii) the outflow of mutual funds, which affected all the main players in the sector.
Operating income for 2007, amounting to 274 million euro, was in line with the previous year, benefiting from higher commissions from asset management activities generated by the increase in retail operations and in the number of asset management mandates. Income before tax from continuing operations totalled 166 million euro, down 5.7% compared to 2006 due to higher operating costs and higher provisions for risks and charges. Capital absorbed amounted to 214 million euro, up 7% compared to 2006. ROE before tax reached 77.6%, in line with high values characteristic of this Business Unit, due to limited absorption of capital compared to the considerable volumes of assets managed by the company and placed by the geographically widespread banking networks of the Group. EVA®, which measures value creation, decreased from 125 million euro to 106 million euro.

Banca Fideuram

(in millions of euro)

Income statement/Alternative performance indicators	2007	2006	Changes	
			amount	%
Net interest income	132	79	53	67.1
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	575	599	-24	-4.0
Profits (Losses) on trading	5	9	-4	-44.4
Income from insurance business	-	-	-	-
Other operating income (expenses)	10	-4	14	
Operating income	**722**	**683**	**39**	**5.7**
Personnel expenses	-113	-120	-7	-5.8
Other administrative expenses	-225	-205	20	9.8
Adjustments to property, equipment and intangible assets	-7	-12	-5	-41.7
Operating costs	**-345**	**-337**	**8**	**2.4**
Operating margin	**377**	**346**	**31**	**9.0**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-42	-58	-16	-27.6
Net adjustments to loans	2	-2	4	
Net impairment losses on other assets	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**337**	**286**	**51**	**17.8**
Allocated capital	342	296	46	15.5
Profitability ratios (%)				
Cost / Income ratio	47.8	49.3	-1.5	-3.0
ROE before tax	98.5	96.6	1.9	2.0
EVA® (in millions of euro)	216	189	27	14.3

(in millions of euro)

	31.12.2007	31.12.2006	Changes	
			amount	%
Assets under management	50,753	52,051	-1,298	-2.5

The tender offer on Banca Fideuram's shares launched in the previous year, which allowed acquisition of full control of the bank, was concluded in 2007.
Following the strategic decisions made in relation to the reorganisation of the activities of the Eurizon Financial Group, as already described above, Banca Fideuram's leadership was further strengthened through the development of its traditional strong points, such as private banking. Activities were concluded in 2007 for the creation of a technology platform, shared by Fideuram Investimenti and Eurizon Capital, in support of the asset management business. With reference to the product range, actions were undertaken in 2007 to strengthen the core business, to develop highly innovative products, to identify very advanced multi-manager solutions and to provide investment services tailored for private customers. During the year the offer was characterised by new products referred to mutual funds, portfolio management, unit-linked policies and certificates. Moreover, the supplementary social security reform and the coming into force of the MiFID legislation required a review of distributed products. As for mutual funds, the offer of flexible funds was improved through the formation of "Fonditalia Flexible Dynamic" and "Fideuram Master Selection Absolute Return", to meet asset management market demand which privileges flexible funds for their particular contribution to portfolio diversification.

Concerning "Fideuram Multimanager", four new distribution agreements were concluded for the placement of the Anima, Henderson, Janus and Kairos funds. Lastly, the Umbrella Fund of Credit Suisse was included in the range and, for Sanpaolo Invest, the distribution of the Sicav JPMorgan Funds commenced. In confirmation of the strategic importance of private banking in the core business of the Banca Fideuram group, the offer was enriched with alternative products developed by important asset management companies. As for individual portfolio management, the Capital Elite GPF was launched, where underlying funds are selected by advisors chosen by Fideuram Investimenti. The bank signed the first agreement with Symphonia SGR, a company with recognised experience in asset management services, for the realisation of a dedicated portfolio management scheme. Among insurance products the Irish unit-linked "Fideuram Suite" policy was enriched with new solutions characterised by a higher consultancy content and by greater flexibility in the selection of underlying funds. At the end of December 2007 the open-ended pension fund of Fideuram Investimenti was sold to EurizonVita. With regard to asset administration products, 2007 was characterised by the extension of the offer of thematic certificates within the "Fideuram Stars" platform linked to market indices (Sprint Certificate), to baskets of commodities (Multigeo 100 Plus), to the performance of the main companies operating in the alternative energy sector (Alternative Energy Certificate) or enabling investors to exploit the performance of the best of four investment strategies (4best Certificate). The sale of the business lines of Banque Privèe Fideuram Wargny and of the shares of Fideuram Wargny Gestion S.A. to the French group Viel & Cie was concluded in 2007.

At the end of 2007 assets under management totalled 69 billion euro, up by 1.5% on an annual basis, thanks to the positive net collection of life insurance products, third party funds and assets under administration. Assets under management, which make up 74% of total volumes, showed a 2.5% reduction attributable to the financial market crisis that especially affected portfolio management activities.
The net flow for the year amounted to 1,617 million euro compared to 1,818 million euro of 2006. This trend is attributable to asset management funding, which was negative for 892 million euro, with a significant reduction compared to 2006 (-1,573 million euro). Assets under administration, at 2,509 million euro, registered a considerable rise with respect to the previous year (+1,372 million euro). At the end of December 2007 there were 4,280 private bankers, a rise of 64 units from the end of December 2006.
Income before tax from continuing operations amounted to 337 million euro, with a 17.8% rise compared to the previous year. This result benefited from the improvement in net interest income (attributable to the growth in intermediated volumes, the rise in market interest rates and to new investment policies) which, together with lower provisions and net write-backs, more than balanced the reduction in net fee and commission income and the increase in operating costs. Improved efficiency is confirmed by the reduction in the cost/income ratio to 47.8% from 49.3% of the previous year.
The capital absorbed in 2007 by Banca Fideuram amounted to 342 million euro, up 15.5% on the previous year due to the rise in operations. Good economic results, coupled with the above-mentioned capital absorption, determined an increase in annualised ROE before tax to 98.5%. High profitability is typical of the asset gathering segment which collects large saving volumes against a limited absorption of capital.

Corporate Centre

The Corporate Centre is responsible not only for direction, coordination and control of the whole Group, but also for treasury and strategic finance activities and proprietary portfolio management. Therefore, the Corporate Centre includes the central structures that perform holding company activities or support operating units through centralised services. In the last part of 2007 Group Finance was involved in an organisational review, which determined a reassessment of activities whose effects will be seen in the coming years. The three macro-areas: "Treasury", "Funding", and "Operating ACM (active capital management) and Structured Operations" were again integrated into the newly-formed Treasury Department; the fourth area of the former Group Finance related to "Proprietary portfolio" activities was transferred to the Corporate & Investment Banking Division.

The Corporate Centre closed 2007 with an operating income of 181 million euro, with a marked reduction (-83.9%) with respect to the figure of the previous year, due to adjustments to credit derivatives and other financial products caused by the subprime crisis. Operating costs recorded a reduction, due to the recalculation of TFR/Employee termination indemnities. Both operating margin (–487 million euro) and income before tax from continuing operations (-765 million euro) registered negative figures.

The Treasury Department includes activities aimed at the integrated management of liquidity, financial risks and settlement risks; with reference to the latter Intesa Sanpaolo maintained its leadership, at the domestic level, within the payment systems in euro, with average daily operations of 46 billion euro (in terms of settled volumes) and 29,000 operations (in terms of number of settled transactions). The role of "critical player" of Intesa Sanpaolo in the settlements in euro is confirmed by a market share of approximately 1% at the European level (TARGET and EBA) and of approximately 20% in the Italian market (BIREL – TARGET).
Volume of loans that may be used as collateral through the "ABACO" (Attivi BAncari COllateralizzati) procedure of the Bank of Italy increased steadily. This system enables the Bank to allocate these loans for liquidity management and as collateral of the infra-day advance. This instrument, being a collateral usable for ECB's refinancing operations, became particularly important during the liquidity crisis triggered by the defaults on American subprime mortgages. As for the TARGET2 project, Intesa Sanpaolo was the only Italian bank to join the new Eurosystem's gross settlement system as of 2007, thanks to its preparatory activities for the migration of the Parent Company to the new platform and to the tests performed by the Frankfurt, Munich and Vienna branches, whose countries were included in the first migration window.

With regard to the money market, 2007 was characterised by opposing situations in the two halves: the first half was characterised by a continuation of ECB's restrictive monetary policy (interest rates were increased by 25 basis points in the March and June 2007 meetings) and by a situation of relative stability for the Federal Reserve, which maintained rates at 5.25%, peak of the cycle reached at the end of June 2006. Conversely, starting from August the liquidity crisis which arose following the explosion of the subprime mortgage crisis significantly affected the money market and, consequently, the strategies and attitudes of the operating desks. In compliance with the internal rules set out by the Bank's "Liquidity Policy" a number of measures were implemented to generate liquidity and at the same time the average life of short-term deposits was extended. Funding was also pursued through the use of Commercial Papers in USD, through the New York branch, as well as the use of ECP/CD through the Irish subsidiaries.

In management of treasury securities and liquidity portfolios, the adopted strategy aimed at self-financing through repo operations, as well as at a gradual divestment, starting from the second half, in both the Head Office and the branches abroad. The progressive widening of spreads related to financials and ABSs induced the Treasury Department to implement a reduction, mainly related to the most volatile component of the financials portfolio. The securities portfolio, with rating not lower than AAA, was maintained due to the short residual life and to its possible use to raise funds via the ECB's tenders for repurchase agreements.

The "funding" macro-area is responsible for medium-/long-term funding, through both domestic bond issues and recourse to international markets. In 2007 the total amount of Intesa Sanpaolo S.p.A.'s bond issues placed in the domestic market amounted to 12.5 billion euro. Breakdown by type of placed securities shows 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%. Within placed securities a prevalence was registered for the component consisting of plain vanilla securities with an incidence of 97.9%, whereas

the weight of structured bonds was 2.1%. Breakdown by maturity showed a concentration on maturity of two and three years, respectively 24.1% and 61.7% of the total; of the remaining bonds, 6.8% was represented by five-year bonds, 4.3% by 6-year bonds and the remaining 3.1% by 4-year bonds. In 2007 medium-/long-term funding operations were concluded on the international markets for a total of approximately 7.1 billion euro through the Medium Term Notes (MTN) programme of Intesa Sanpaolo: 6.9% of the total was issued by the Irish subsidiaries, whereas the rest was directly placed by Intesa Sanpaolo. 49.2% of these issues was made up of three public issues and the remaining 50.8% was represented by private placements.
International deposits recorded a slowdown in the fourth quarter of 2007 following the crisis of American subprime mortgages. Advantage was taken from this period of stagnation to advance the annual documentary update of the MTN programme with respect to the foreseen deadline of February 2008. Intesa Sanpaolo returned to the Lower Tier 2 subordinated bond market with a private placement for 250 million GBP (equal to approximately 360.6 million euro) with selected British institutional investors. Private placements recorded a predominance of zero coupon securities, mainly targeted at insurance companies, for a total of approximately 1.75 billion euro in present value.
With regard to structured finance operations, activities were more intense in the first part of 2007 with the structuring of the Intesa Sec. 3 securitisation, which implied the transfer in December 2006 of a portfolio of performing residential mortgages to a special purpose vehicle (established ex Law 130/99) and which was concluded in March 2007 with the issue on the market of new RMBSs for an exchange value of 3,644,150,000 euro, broken down in five classes of securities with different rating and different degree of subordination, listed on the Luxembourg Stock Exchange.

Concerning governance functions, organisational development activities mainly referred to the aforementioned progress of the integration processes.
Furthermore, the business continuity solutions adopted by Intesa and SANPAOLO IMI in 2006 in compliance with Supervisory Instructions regarding "Business Continuity in case of emergency" were integrated and adapted in 2007. In particular, the two Banks had defined their own crisis management models, identifying processes and roles needed to guarantee proper levels of operating continuity and of protection of company resources; following the merger and the definition of the new organisational structure, pre-existing rules had to be unified to ensure univocal and consistent processes and roles, defining the new Crisis management organisational model (MOCG) of Intesa Sanpaolo.
The model does not replace the activities performed by the various company structures in emergency situations, but it operates with them and allows, through an adequate interfunctional coordination, to improve information and decisions at all company levels, thus ensuring operating management of the emergency. The MOCG is therefore the model to direct and coordinate crisis management activities. This might also entail the use of the technological, organisational and logistic solutions set out in the company Operating Continuity Plans (for instance, the disaster recovery plan).
Lastly, the Planning Document on Security, provided for by Art. 34, par. 1, letter g) of Legislative Decree 196 of 30 June 2003, "Code for the protection of personal data", was prepared and updated as provided for by Rule 19 of the Technical Regulations, attachment B of the same Decree.

The considerable increase in training days delivered (810,000, of which over 90% in working hours, with respect to 664,000 in 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.
In 2007, the incentive-driven exit plans 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 (30 June 2007, extended to 31 July for those entitled to pensions), 4,300 employees had applied, of which almost 1,000 for retirement. The exit of these employees, planned gradually throughout 2007 in consideration of operating needs, was 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 1 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				
2007	15,178	2,937	-107	18,008
2006 restated (*)	14,969	2,446	500	17,915
% change (a)	1.4	20.1		0.5
Loans to customers				
31.12.2007	293,340	34,321	7,612	335,273
31.12.2006 restated (*)	285,073	21,000	15,198	321,271
% change (b)	2.9	63.4	-49.9	4.4
Direct customer deposits				
31.12.2007	278,501	72,802	22,450	373,753
31.12.2006 restated (*)	278,514	54,424	30,309	363,247
% change (b)	-	33.8	-25.9	2.9

(*) 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 2007 and 2006 restated.

(b) The change expresses the ratio between 31.12.2007 and 31.12.2006 restated.

With regard to secondary segment reporting, based on geographical area, the activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. In fact, 84% of revenues, 87% 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 area (Egypt).
As regards the performance of operations in 2007, Europe demonstrated sharp growth trends both in operating income and in volumes of loans and deposits.

The shareholder base, stock price performance and other information

Shareholder base

As at 31 December 2007, 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. To date, also Ente C.R. Firenze holds an equity stake exceeding 2%. As a result of the share swap of C.R. Firenze shares with Intesa Sanpaolo shares which has already been described, Ente C.R. Firenze holds 400,287,395 ordinary shares, representing 3.38% of ordinary share capital.

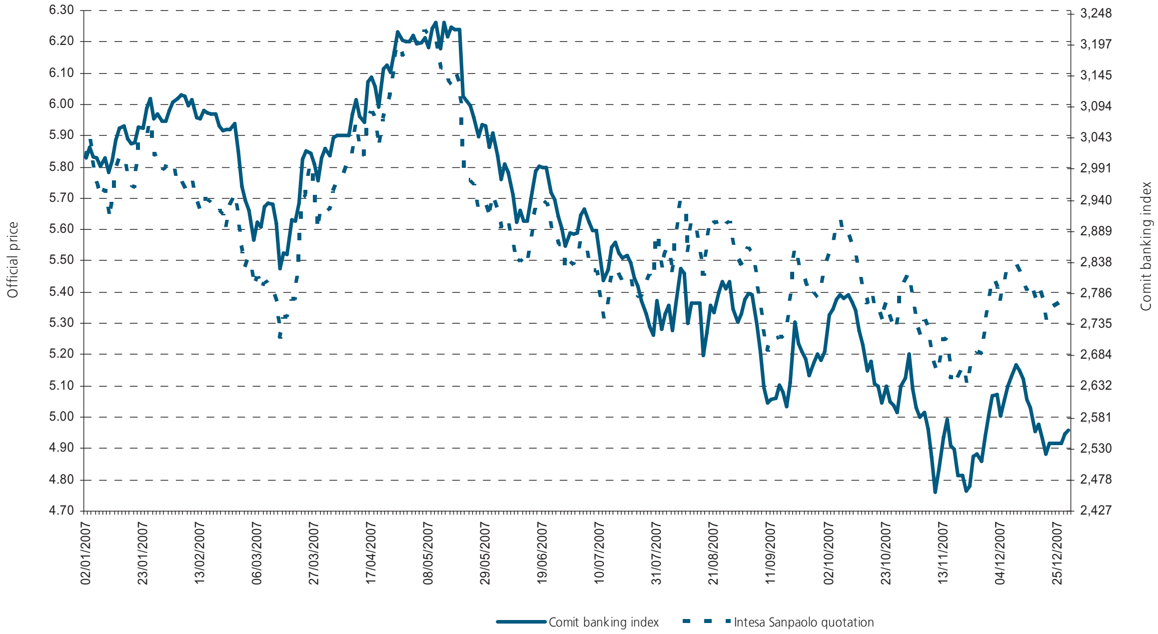
Shareholder	Ordinary shares (*)	% held on ordinary share capital
Compagnia di San Paolo	943,225,000	7.96%
Carlo Tassara S.p.A.	698,708,241	5.90%
Crédit Agricole S.A.	659,781,237	5.57%
Assicurazioni Generali	601,411,667	5.08%
Fondazione Cariplo	554,578,319	4.68%
Fondazione C.R. di Padova e Rovigo	545,264,450	4.60%
Intesa Sanpaolo S.p.A. (*)	398,904,617	3.37%
Fondazione C.R. in Bologna	323,334,757	2.73%
Giovanni Agnelli e C. Sapaz	289,916,165	2.45%

(*) Own shares purchased to serve the share swap for the acquisition of Carifirenze.

Stock price performance

After the positive first part of the year which was in line with the European average, the performance of the Italian stock market started to underperform the European index from mid May and ended the year down by 7.8% compared to a 4.9% progress in the DJ Euro Stoxx index.
This result was affected by the performance of the banking sector that, after an initial positive phase driven by new mergers and acquisitions, registered – with the increasing fears of a financial crisis and of a slowdown in the economy – a negative trend, which led the sector index to close 2007 with a 13.7% drop. The banking sector recorded a more contained decrease in the eurozone (-8.8%).
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 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 2007, and registered a cyclic trend in the second part of the year – with a first rebound in August that was annulled in September, a second in October, followed by a decline to the minimum for the year in November (approximately -12% with respect to the beginning of 2007), and a last recovery in December – to close the year 7.4% lower compared to 2 January 2007, corresponding to half the drop registered by the sector index.
At the end of 2007, the price of the Intesa Sanpaolo saving share dropped 11.7% compared to 2 January 2007, thus increasing its discount with respect to the ordinary share to 8%, from approximately 3% at the beginning of the year.

As at the end of 2007, the capitalisation of Intesa Sanpaolo amounted to 68.6 billion euro, compared to the 74.3 billion euro of 2 January 2007.



Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and saving shares carrying different rights for 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 both ordinary and saving shares was determined considering the 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 outstanding.

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.

	31.12.2007		31.12.2006 (*)	
	Ordinary shares	Saving shares	Ordinary shares	Saving shares
Weighted average number of shares	11,765,727,729	932,401,829	6,002,261,619	932,418,561
Income attributable to the various categories of shares *(millions of euro)*	6,698	552	2,206	353
Basic EPS (*euro*)	0.57	0.59	0.37	0.38
Diluted EPS (*euro*)	0.57	0.59	0.37	0.38

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

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 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 and at year-end – is influenced by the significant increase in shareholders' equity connected to the merger.

(in millions of euro)

	31.12.2007	2007	2006	2005	2004	2003
Market capitalisation	68,588	71,058	33,724	26,258	20,414	17,140
Shareholders' equity	51,558	51,558	17,435	15,337	15,328	14,521
Price / book value	**1.33**	**1.38**	**1.93**	**1.71**	**1.33**	**1.18**

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.

Pay-out ratio

The index expresses the ratio between net income and the portion paid out as dividends. The performance of the index is proof of the considerable attention paid to investor expectations.

(in millions of euro)

	2007	2006	2005	2004	2003
Net income (*)	7,250	2,559	3,025	1,884	1,214
Dividends (**)	4,867	4,867	1,532	729	330
Pay-out ratio	**67%**	**190%**	**51%**	**39%**	**27%**

(*) Average shareholders' equity for the years prior to 2005 has not been restated to consider IAS/IFRS.

(**) Dividends in 2003 do not consider the exchange value of the free distribution of own shares which using book value of shares (3.180 euro per share) was overall equal to 1,013 million euro.

Dividends in 2006 and 2007 were calculated with reference to shares outstanding at the date of payment. For 2006 the figure considers the share capital increase due to the merger of Sanpaolo IMI with and into Banca Intesa with legal effects as of 1 January 2007 and the distribution of reserves of 3,195 million euro. For 2007 the figure considers the own shares held as at 31 December 2007 swapped in January 2008 with Carifirenze shares.

Dividend yield

The indicator measures percentage return on the share, calculated as the ratio between dividends for the year and market price in the reference year. This return, determined using the average annual stock price, was at a satisfactory level, also taking into account financial market trends.

(in euro)

	2007	2006	2005	2004	2003
Ordinary share					
Dividend per share (*)	0.380	0.380	0.220	0.105	0.049
Average stock price	5.579	4.903	3.857	3.072	2.600
Dividend yield	6.81%	7.75%	5.70%	3.42%	1.88%
Saving share					
Dividend per share (*)	0.391	0.391	0.231	0.116	0.060
Average stock price	5.309	4.620	3.550	2.403	1.887
Dividend yield	7.36%	8.46%	6.51%	4.83%	3.18%

(*) Dividends in 2003 do not consider the exchange value of the free distribution of own shares which using book value of shares (3.180 euro per share) was overall equal to 1,013 million euro.

Rating

After the merger with SANPAOLO IMI came into effect as of 1 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

Other information

Intesa Sanpaolo exercises, as provided for by article 2497 and subsequent articles of the Italian Civil Code, management and coordination activities for its direct and indirect subsidiaries, including companies which, on the basis of current laws, are not part of the Banking group.
The list of companies subject to joint control (carried at equity) and subject to significant influence as at 31 December 2007 is provided in the Notes to the consolidated financial statements (Part A and Part B - Assets - Section 10).
Information on compensation and transactions with related parties carried out by the Bank or by the Group is provided in Part H of the Notes to the consolidated financial statements.
Details on Parent Company and subsidiary companies shares held by Supervisory and Management Board Members and General Managers and on aggregate by other Key Managers (art. 79 of Issuers Regulation 11971/99) are provided in Part H of the Notes to the consolidated financial statements.
A detailed indication of the compensation paid to Supervisory and Management Board Members and to the Parent Company’s General Managers and, on aggregate, to other Key Managers (art. 78 of Issuers Regulation 11971/99 and subsequent amendments), as well as the stock option plans reserved to Supervisory and Management Board Members, General Managers and Key Managers is provided in Part H of the Notes to the Parent Company’s financial statements.
Information on the Corporate Governance system of the Intesa Sanpaolo Group is contained in a separate volume.
For information on ownership structures ex art. 123-bis of the Consolidated Law on Finance, see the “Governance” section on the Bank’s website, www.intesasanpaolo.com.

Social and environmental responsibility

In July 2007 Intesa Sanpaolo adopted a Group Code of Ethics that lays out company identity, mission and values and defines a relationship model for the bank and all its internal and external stakeholders: customers, shareholders, employees, suppliers, the environment and the community. The process that resulted in the formulation and adoption of the Code of Ethics arose from shared values and principles in handling the relationship with each stakeholder. It involved all departments of the new Group and was the culmination of the social and environmental responsibility track that already characterised the strategic directions of the different companies preceding the merger. This powerful statement of identity served as the basis for the 2007-2009 Business Plan, which defined its intervention approaches in relation to the concept of sustainable development. In other words, this means pursuing the Bank's growth while also stimulating the growth of the entire economic system, focusing the utmost attention on creating value – not only financial but also social and environmental – and sustaining the community and the environment in the long term.

The Code of Ethics, which was approved by the Management Board and the Supervisory Board, also sets out the implementation and control mechanisms through which top governance bodies receive ongoing communication regarding ordinary operations as well as the management of unforeseen situations. Mechanisms for managing reports of non-compliance on the part of stakeholders were fine-tuned and formalised in 2007. This was done to find ways to resolve these cases and also because they identify critical areas and determine processes of improvement so that the values of the Code of Ethics can be a living and truly operational part of company life.

Parallel to the process of value definition, 2007 also saw the release of the first of the internal regulations to ensure the concrete implementation of the principles that derive from this framework into the management processes of key areas in the Bank's business. An environmental policy was issued that defines the approach to be taken in preventing, managing and reducing environmental impacts caused, directly or indirectly, by the activities of the Group. The implementation of the policy is a continuous process; some important goals, especially those involving the management of direct environmental impacts, have been achieved, while others are still being worked on. Another policy issued is the one that forbids central and local Group structures from initiating new transactions to finance customers where the trade or productions of arms and weapon systems is involved, even though this would be allowed by National Law 185/90. However, the policy issued includes the option of evaluating, on an individual basis as they arise, cases that, while being classified as transactions foreseen by law 185/90, do not have features that are inconsistent with the spirit of an "unarmed bank."

Throughout 2007 the structuring of the value and regulatory framework on social responsibility took place alongside the definition of its management model. At its heart is the Group's Social and Environmental Report, which allows our various stakeholders to evaluate to what degree activities carried out during the year are consistent with the values of the Code of Ethics. This makes it possible to measure their own achievements via a set of indicators built on internal project goals and those proposed by the Global Reporting Initiative, which is the main international reference point in terms of social reporting. The Group has chosen to adhere voluntarily to this standard to ensure the transparency and comparability of the initiatives taken by sector players. The social report is also an opportunity to analyse the suggestions and possible critical points that come to light in the process of consulting with stakeholders. There are a variety of ways to collect these, ranging from interviews with association representatives and opinion leaders to focus groups and surveys, in addition to analysing information from various forms of communication. The suggestions collected through these forms of dialogue become the basis for drawing up an action plan and the related improvement goals. A description of critical areas and the commitments to address them in a transparent manner forms the bases for making it possible, year after year, to check to what extent those commitments have been respected and their efficacy in responding to problems in an adequate way.

The Group has adopted a social responsibility management model that establishes a criterion of self-accountability of the Bank departments working on guaranteeing the application of the values and principles of social responsibility in their ordinary business activities. The CSR unit plays a support, advisory

and, when necessary, coordination role, but each department is at the forefront in, and responsible for, commitments, projects, actions and relations. In order to ensure that CSR principles actually permeate ordinary company activities, "CSR Referees" have been appointed within each department. They are staff members who work within the departments on a daily basis but also cooperate actively with the CSR Unit. The "Referees" are the ones who, throughout the organisation, transmit the culture of social responsibility. They open up the channels of dialogue with the reference stakeholders in their area of activity, they define improvement goals and they assist their colleagues in carrying out projects, managing instances of non-compliance with the Code of Ethics and reporting on activities.
In terms of the commitments undertaken, the work has incorporated in a more thorough way the principles needed to promote dialogue between companies, international organisations and civil society, especially as regards respect for the environment and human rights, as foreseen by participation in significant international protocols and agreements such as the Global Compact and UNEP-FI (UN) and the Equator Principles of the IFC (World Bank).
The constancy of our commitment has been confirmed by our inclusion in the social responsibility stock indices FTSE4Good (started in 2001 by the Financial Times and the London Stock Exchange), in the ASPI eurozone index (Advanced Sustainable Performance Index) and in the Ethibel Investment Register.

Relationship with stakeholders

Customers are always at the centre of the Bank's attention and ensuring they have excellent products and services is Bank's fundamental commitment. The new service model adopted in 2007 is highly oriented, on the one hand, to offering families investment services of high quality standard that are consistent with their needs and goals and, on the other hand, to supporting all the needs of continuing and extraordinary financial management throughout the life cycle of companies.
The thorough process of re-thinking the model was set in motion, in part, with the introduction of the MIFID Directive on investment services. It was decided to adopt the advisory service model, in order to raise the level of customer protection and the quality of service offered, and encourage informed investments. All this culminated in a complex inter-functional project started by the Bank long before the regulations actually took effect and it has meant a significant organisational, educational and communications effort. The range of products offered to customers has been simplified and completely overhauled, to make them not only better-suited to customer needs but also to make them meet quality standards that respect the model of best execution for the customer. Informing customers of these new aspects was carried out thoroughly and quickly in order to ensure the utmost transparency in relationships with customers.
Special attention was paid to young people and those who, due to unstable work conditions, are penalised in accessing credit. In 2007 finance products were created that are specifically dedicated to supporting the needs and plans of this customer segment. To respond to the growing need for security amongst families, due to rising interest rates on mortgages, innovative finance renegotiation options were designed, without cost to the customer, and the necessary steps were taken in preparing to market new flexible mortgages starting at the beginning of 2008. The latter will allow customers to periodically interrupt the payment of instalments and to extend or shorten maturity depending on their financial situation at any given time. In this way the bank would like to contribute to a proper and sustainable debt level for families and provide them with advice on their most important financial choices.
In terms of services offered to corporate customers, 2007 also saw a great deal of support for innovation and internationalisation through the creation of the "Polo di Padova" (Padua Centre), which furnishes highly specialised resources to assist Italian companies in foreign markets. Internationalisation, renewed competitiveness and innovation are also the underlying goals of the Intesa Sanpaolo Eurodesk department in Brussels. It provides technical and institutional assistance in accessing European Union funding and it supplies services that facilitate the meeting and creation of contact networks between researchers, managers and business people around the themes of research and innovation. As regards those customers in the category that includes Government, Public Entities, Local Bodies, Public Utilities, Health and General Contractors, the new Public Finance Business Unit works on all fronts to provide a complete range of options to assist investment projects in large public works, health services, research and public utility in general.

As regards **employee** stakeholders, the theme of integration characterised strategies and many initiatives in 2007. Management training programmes were carried out to consolidate the identity of the new

Group and a number of initiatives aimed to facilitate the building and strengthening of working teams within the business areas and the Head Office departments. Integration and the involvement of people were also pursued through internal communications to renew, unify and integrate the various media tools (Intranet, House Organ and Web TV), thereby providing all colleagues with the opportunity to participate in a straightforward and transparent way in company events and to express their opinions. In this respect, mention can be made of both structured listening initiatives, such as internal working climate studies, and some interviews that allowed the establishment of contact – even if in a reported manner – between the voice of staff and that of management. 2007 was also remarkable for the considerable commitment made to consulting and cooperating with Trade Unions on issues related to the merger that formed the new Group, especially those concerning the harmonisation of remuneration and regulatory agreements. Moreover, there was mutual commitment to containing costs and preventing employment tensions, including those correlated with the profitability and growth goals in the 2007-2009 Business Plan. This constructive consultation process led to the signing of important agreements: the new Industrial Relations Protocol (8 March 2007 agreement); the formulation of an offer open to 2,300 employees to access the Credit Sector Solidarity Allowance (1 August 2007 agreement); the identification of timeframes and methods to ensure uniform treatment regarding assessment and incentives (2 May and 6 June 2007 agreements); and the conclusion of a multi-faceted group of agreements to harmonise regulations in terms of mobility, working hours, part-time and flexible work and workers' representatives on safety (20 December 2007 and 30 January 2008 agreements).
The adoption of a single assessment and incentive system underscores another strategic theme in 2007 – that of the professional growth of employees. In this respect, a true development platform has been set up for Personnel Heads and Managers. It is based on tools, systems and processes that meet the three fundamental requirements that management and growth policies are based on: *merit*, which is considered the essential motor of growth; *equity*, an element that aims to ensure management is based on the logic of real integration and eliminates concepts of origin, group membership or organisational power; and *sustainability*, a requisite that addresses the need to guarantee medium- to long-term prospects for employees that are rooted in growth based on the development of the competencies of our human capital.
To support the choices inherent in development projects, and to reinforce the criteria of merit, equity and sustainability, computerised tools have been introduced which, on the one hand, aim to ensure stability in the strategic process and, on the other, seek to monitor the contribution made by human resources and their processes to business profits, thereby highlighting the contribution human capital makes to creating value.

In regard to stakeholders who are **shareholders**, the process of integration as outlined in the merger plan progressed further in 2007, within the timelines expected, to consolidate the Italian leadership and become a forefront, international player. In 2007 communications directed at the financial community focused on the strategic objectives of the 2007-2009 Business Plan, on the achievement of these and on the timely disclosure of company affairs, making it easier for financial analysts, rating agencies and investors to see what results had been achieved. In 2007 it was also possible to guarantee equal access to information for all shareholders and for all stakeholders, by making information easily accessible and useable in a timely, simple and unproblematic fashion through a range of channels. These include, for instance, Internet, conference calls to a toll-free number, brochures and the sending, at no cost, of financial statements by simply requesting them through the Bank's website.

Moreover, in 2007 the policy towards stakeholders who are **suppliers** stressed the quality and reliability of services and innovation.
The directions for development pursued in terms of Group procurement policies were consolidated by redefining the procurement management system. The focus on the effective management of spending by optimising processes and introducing innovative technological solutions that have led to an increase in transparency and to the goal of a consumption model oriented to reducing waste.

The interests of the **environment** stakeholder were most significantly defended through the Intesa Sanpaolo Environmental Policy that was approved by the Management Board on 20 February 2007.
The policy defines the bank's approach to reducing its ecological footprint on the environment, by managing the impact of its own activities (direct impacts) and those of third parties it works with (indirect impacts) in as responsible manner as possible.

In terms of direct impact, one of the foremost initiatives carried out in the first few months of the year was the certification of the Environmental Management System in accordance with UNI EN ISO 14001 rules. The purpose of the Environmental Management System is mainly the proper management of the consumption of resources (energy, water, etc), installed systems (e.g. those limiting emissions), waste produced (this also serves to promote, whenever possible, recycling and/or reduction), and renovation work in properties provided for in the contract and being monitored. Intesa Sanpaolo is committed to the continuous reduction of CO_2 emissions. By the end of 2007 approximately 80% of the electrical energy used in Intesa Sanpaolo offices and Group branches in Italy came from hydroelectric sources. Another significant step towards cutting down toxic emissions was taken with the introduction of Mobility Management, a tool that, through the Mobility Manager, promotes an integrated approach towards improving mobility within the company, safeguarding and enhancing the environment, and consolidating and spreading the culture of sustainable mobility. The quality of the actions taken to reduce direct impacts have received recognition from the European Green Light programme. The integrated management of direct and indirect impacts is entrusted to a dedicated office – namely the Environmental Sustainability Office, which was opened at the end of 2007 and is coordinated by the Group's Energy Manager.
The bank's commitment in favour of renewable energy and energy savings has also materialised in its participation in the Sustenergy campaign (Sustainable Energy for Europe 2005-2008). It was started by the European Commission to promote the goal of energy efficiency. Intesa Sanpaolo was the first bank in Europe to be recognised as a "Partner" in the campaign, thanks to the reduction of direct impacts as well as the broad range of financing for households and companies to support the rationalisation of consumption and clean energy. Besides a differentiated range of options for customers, attention to reducing indirect impacts also took shape in the implementation of the Equator Principles, which are the World Bank guidelines on the financing of projects. This approach started implementation in December 2007 by way of a training course for colleagues directly involved in the procedures needed to apply the Principles. The course was designed and carried out with the support of one of the companies selected by the World Bank to deliver training courses on these issues.

The relationship with the **community** stakeholder led to a particular involvement in the development of the areas in which the Group operates and in supporting the Third Sector. For the latter a specialised bank has been formed (Banca Prossima). In 2007 micro-credit projects also continued, with the very first one having started in 2003 in agreement with the Compagnia di San Paolo. The organisational model for this project was subsequently used in later initiatives and it is based on a partnership between the bank, bank foundation and non-profit associations. The commitment has also continued with international cooperation projects such as Project Malawi. Organised in cooperation with the Cariplo Foundation, it sees the direct involvement of local government authorities and certain important Italian and international NGOs (Non-Governmental Organisations). As regards donations and event sponsorship, the main inspiring principle for action in 2007 was to address the expectations and requests of local communities, by offering support for those initiatives having the greatest breadth in terms of cultural, sports and social solidarity activities. A number of initiatives were also undertaken to support the safeguarding of Italy's historical and artistic heritage. The "Restituzioni" (Restitutions) programme is aimed at restoring state-owned works of art and over the span of nearly twenty years it has saved more than six hundred works of art from decay and oblivion. Using the same approach to protect, restore and catalogue its own cultural assets, Intesa Sanpaolo has ensured a constant commitment to a multi-faceted plan to make others aware of the Group's artistic wealth.

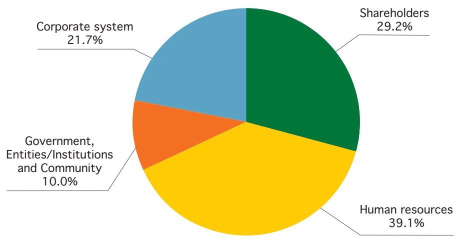
Distribution of Value Added

The Intesa Sanpaolo Group achieved solid net production in 2007 and, at the same time, kept a close check on consumption, realising Total Gross Value Added of 17 billion euro. This amount expresses the value of the wealth produced, which is distributed amongst the various parties (stakeholders) with which the Group interacts in various ways on a day-to-day basis.
Though to different degrees, all the stakeholder categories benefited from the distribution of the Value Added. In particular:

- shareholders received 29.2% of the Value Added, mainly by way of the dividend distributed, which was 4.9 billion euro. Of this, approximately a quarter went to the Foundations that hold equity stakes in the Bank and so, indirectly, it flows to the community in the form of social, cultural and charitable initiatives;

- human resources benefited from 39.1% of the Gross Value Added created, which was a total of 6.6 billion euro. In particular, this item includes 573 million euro (before taxes) in integration charges. This includes the best possible estimate of future costs arising from the agreements signed with Trade Unions in order to allow for a more effective integration of human resources in the Group following the merger;
- the Government system and Community directly received resources totalling 1.7 billion euro, which was 10% of the Value Added. To a great extent, this was income tax. The community was attributed a benefit of over 30 million euro, made up mostly of profits assigned to the "Allowance for charitable, social and cultural contributions";
- finally, 21.7% of the Value Added, which was 3.7 billion euro, remained within the Corporate system in the form of retained earnings and amortisation and depreciation; this amount should be seen as an investment that the other stakeholder categories make each year in order to keep the company organisation efficient and allow it to develop.

Distribution of value added	in millions of euro	%
Shareholders	4,973	29.2%
Human resources	6,648	39.1%
Government, Entities/Institutions and Community	1,699	10.0%
Corporate system	3,693	21.7%
GROSS TOTAL VALUE ADDED	**17,013**	**100.0%**



Forecast for 2008

Forecasts for 2008 are for a gradual deceleration of the growth in bank lending and deposit collecting activities, consistent with expectations of a more moderate growth in the real economy.
For the next few months, banks will continue to face difficulties with regard to funding on the interbank market even if the Italian credit market does not seem to be affected by the worst aspects of the subprime mortgage crisis. However, a possible protraction of the crisis till after mid 2008 could have significant repercussions on bank operations, especially related to small to medium-sized entities that are not very diversified or which depend on wholesale funding. Assuming limited impacts of the current turbulence on the credit markets, a solid, though decelerating expansion in funding is forecast. A gradual decrease in the growth rates of all funding instruments is forecast; a slowdown is expected for bonds on account of the slackening in the growth rate of long-term loans.
As to loans to customers, companies' demand for loans is expected to decrease from the peaks of 2007, as part of a weaker market trend. Furthermore, banks are expected to continue the process aimed at repricing risk, with a gradual restriction of credit access conditions for companies, especially with lower ratings.
Loans to households should continue the slight slowdown. Household debt will continue to be favoured by structural elements, such as the still limited use of consumer credit.
Concerning the income statement results of the banking system, forecasts for 2008 envisage a rise in operating margin in line with 2007. The trend of traditional lending and deposit collecting activities will continue to provide a significant contribution to the development of revenues even though the trend for interest margin is expected to slow down. In parallel, estimated growth in income from services should slightly recover from the lows of 2007. However, the trends of these revenues will continue to be weak, mostly as a result of the intensification of competition between intermediaries and the impacts, in terms of lower commissions, deriving from the Mifid Directive and domestic provisions, such as the elimination of penalties on the advanced termination of mortgages and the possible elimination of the commission on the highest overdraft.
With regard to operating costs, the expected scenario foresees a contained rise, in line with the trend of recent years: efforts to increase efficiency will continue to represent an important lever for value creation.
Concerning adjustments and prudential provisions, in 2008 banks are expected to maintain a more cautious stance with respect to previous years, even though a serious deterioration in the quality of loans to households and companies is not expected.

The Intesa Sanpaolo Group closed 2007 with improving economic margins, despite the unpredictable consequences produced by the subprime mortgage crisis.
In 2008 these negative consequences should progressively ebb and, therefore, revenues should start to grow more vigorously, also sustained by an improvement in the financial component.
For operating costs, the rigorous controls enacted should continue to produce positive economic effects, while the cost of credit should remain on programmed levels.
Lastly, non-recurring transactions are programmed again for this year and will produce significant effects on the income statement, though lower than in 2007.

The Management Board

Milan, 20 March 2008

Certification of the consolidated financial statements pursuant to Art. 81-ter of Issuers Regulation 11971/99, as subsequently amended and integrated

1. The undersigned Corrado Passera (as Managing Director and CEO) and Bruno Picca (as Manager responsible for preparing the Company's financial reports) of Intesa Sanpaolo, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of 24 February 1998, do hereby certify to:
   - the adequacy in relation to the Company features and
   - the actual application

   of the administrative and accounting procedures employed to draw up the 2007 consolidated financial statements.

2. The verification of the adequacy and effective application of administrative and accounting procedures employed to draw up the consolidated financial statements as at 31 December 2007 was performed in a context of redefinition of the company processes and IT systems following the merger between Intesa and SANPAOLO IMI and occurred on the basis of methodologies defined by Intesa Sanpaolo which are consistent with the COSO and, for the IT component, COBIT frameworks, which are the international commonly accepted models for internal control systems[1].

3. The undersigned also certify that the consolidated financial statements as at 31 December 2007:
   - correspond to the results of the books and accounts;
   - have been prepared according to IAS/IFRS issued by IASB, endorsed by the European Commission, and as such are suitable to provide a true and fair representation of the situation of the assets and liabilities, the economic and financial situation of the issuer and of the companies included in the consolidation.

20 March 2008

Corrado Passera
Managing Director and CEO

Bruno Picca
Manager responsible for preparing
the Company's financial reports

[1] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBjectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

Independent Auditors’ Report on the Consolidated financial statements

Ernst & Young

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998
(TRANSLATION FROM THE ORIGINAL ITALIAN TEXT)

To the Shareholders of
Intesa Sanpaolo S.p.A.

1. We have audited the consolidated financial statements of Intesa Sanpaolo S.p.A. and its subsidiaries (the Intesa Sanpaolo Group) as of and for the year ended December 31, 2007, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such consolidated financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Management Board. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements include the comparative data of the preceding year. As described in the explanatory notes, the comparative information related to the consolidated financial statements of the preceding year, on which we issued our auditors' report on March 29, 2007, have been modified pursuant to the International Financial Reporting Standard 5. We have examined the methods adopted to restate the comparative financial data for the same period of the preceding year and the information presented in the explanatory notes in this respect for the purpose of our opinion on the consolidated financial statements as of and for the year ended December 31, 2007.

3. In our opinion, the consolidated financial statements of Intesa Sanpaolo S.p.A. at December 31, 2007 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the measures issued to implement art. 9 of the Italian Legislative Decree No. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of Intesa Sanpaolo S.p.A. (the Intesa Sanpaolo Group) for the year then ended.

Turin, March 27, 2008

Reconta Ernst & Young S.p.A.
Signed by: Guido Celona, partner

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Consolidated financial statements

Consolidated balance sheet

(in millions of euro)

Assets		31.12.2007	31.12.2006 (*)
10.	Cash and cash equivalents	3,463	1,895
20.	Financial assets held for trading	52,759	46,328
30.	Financial assets designated at fair value through profit and loss	19,998	-
40.	Financial assets available for sale	36,914	5,518
50.	Investments held to maturity	5,923	2,823
60.	Due from banks	62,831	30,363
70.	Loans to customers	335,273	190,830
80.	Hedging derivatives	3,017	873
90.	Fair value change of financial assets in hedged portfolios (+/-)	12	-1
100.	Investments in associates and companies subject to joint control	3,522	2,183
110.	Technical insurance reserves reassured with third parties	34	-
120.	Property and equipment	5,191	2,928
130.	Intangible assets	25,714	1,381
	of which		
	- goodwill	*17,587*	*926*
140.	Tax assets	3,639	2,502
	a) current	*1,956*	*1,100*
	b) deferred	*1,683*	*1,402*
150.	Non-current assets held for sale and discontinued operations	4,222	69
160.	Other assets	10,390	4,089
Total Assets		**572,902**	**291,781**

(*) Figures relative to Gruppo Intesa.

Consolidated balance sheet

(in millions of euro)

Liabilities and Shareholders' Equity		31.12.2007	31.12.2006 (*)
10.	Due to banks	67,688	39,954
20.	Due to customers	206,592	122,733
30.	Securities issued	139,891	80,029
40.	Financial liabilities held for trading	24,608	15,648
50.	Financial liabilities designated at fair value through profit and loss	27,270	-
60.	Hedging derivatives	2,234	1,878
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	-4	-
80.	Tax liabilities	3,806	1,474
	a) current	*683*	*903*
	b) deferred	*3,123*	*571*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	3,265	63
100.	Other liabilities	17,951	7,711
110.	Employee termination indemnities	1,488	1,158
120.	Allowances for risks and charges	4,193	2,115
	a) post employment benefits	*486*	*310*
	b) other allowances	*3,707*	*1,805*
130.	Technical reserves	21,571	-
140.	Valuation reserves	699	1,209
150.	Reimbursable shares	-	-
160.	Equity instruments	-	-
170.	Reserves	5,712	5,226
180.	Share premium reserve	33,457	5,559
190.	Share capital	6,647	3,613
200.	Treasury shares (-)	-2,207	-
210.	Minority interests (+/-)	791	852
220.	Net income (loss)	7,250	2,559
Total Liabilities and Shareholders' Equity		**572,902**	**291,781**

(*) Figures relative to Gruppo Intesa.

Consolidated income statement

(in millions of euro)

		2007	2006 (*)
10.	Interest and similar income	24,527	10,071
20.	Interest and similar expense	-14,250	-5,571
30.	**Interest margin**	**10,277**	**4,500**
40.	Fee and commission income	7,327	3,324
50.	Fee and commission expense	-1,383	-422
60.	**Net fee and commission income**	**5,944**	**2,902**
70.	Dividend and similar income	781	488
80.	Profits (Losses) on trading	-166	482
90.	Fair value adjustments in hedge accounting	27	8
100.	Profits (Losses) on disposal or repurchase of	266	52
	a) loans	*-156*	*-47*
	b) financial assets available for sale	*420*	*79*
	c) investments held to maturity	-	-
	d) financial liabilities	*2*	*20*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	320	-
120.	**Net interest and other banking income**	**17,449**	**8,432**
130.	Net losses / recoveries on impairment	-1,143	-598
	a) loans	*-1,045*	*-629*
	b) financial assets available for sale	*-62*	*-12*
	c) investments held to maturity	-	*4*
	d) other financial activities	*-36*	*39*
140.	**Net income from banking activities**	**16,306**	**7,834**
150.	Net insurance premiums	1,717	-
160.	Other net insurance income (expense)	-2,134	-
170.	**Net income from banking and insurance activities**	**15,889**	**7,834**
180.	Administrative expenses	-9,381	-4,864
	a) personnel expenses	*-6,041*	*-3,018*
	b) other administrative expenses	*-3,340*	*-1,846*
190.	Net provisions for risks and charges	-577	-151
200.	Net adjustments to / recoveries on property and equipment	-438	-241
210.	Net adjustments to / recoveries on intangible assets	-921	-239
220.	Other operating expenses (income)	163	298
230.	**Operating expenses**	**-11,154**	**-5,197**
240.	Profits (Losses) on investments in associates and companies subject to joint control	338	220
250.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-
260.	Goodwill impairment	-196	-
270.	Profits (Losses) on disposal of investments	41	52
280.	**Income (Loss) before tax from continuing operations**	**4,918**	**2,909**
290.	Taxes on income from continuing operations	-1,549	-863
300.	**Income (Loss) after tax from continuing operations**	**3,369**	**2,046**
310.	Income (Loss) after tax from discontinued operations	3,987	623
320.	**Net income (loss)**	**7,356**	**2,669**
330.	Minority interests	-106	-110
340.	**Parent Company's net income (loss)**	**7,250**	**2,559**
	Basic EPS - Euro	**0.57**	**0.37**
	Diluted EPS - Euro	**0.57**	**0.37**

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

Changes in consolidated shareholders' equity as at 31 December 2007

(in millions of euro)

	31.12.2007												
	Share capital		Share premium reserve	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**	**36,652**	**5,141**	**85**	**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				**-403**	**3**	**-478**	**50**	**-2**	**-80**				**-910**
- minority interests	**-204**		**-21**	**-166**		**-**		**1**	**-9**				**-399**
Operations on shareholders' equity													
Issue of new shares													
- Group	1										52		**53**
- minority interests	21		6								3		**30**
Purchase of treasury shares													
- Group											-2,200		**-2,200**
- minority interests													
Extraordinary dividends			-3,195										**-3,195**
Changes in equity instruments													
Derivatives on treasury shares													
Stock options				9									**9**
Net income (loss) for the period													
- Group												**7,250**	**7,250**
- minority interests												**106**	**106**
SHAREHOLDERS' EQUITY AS AT 31.12.2007	**6,493**	**488**	**33,578**	**5,842**	**88**	**156**	**133**	**352**	**70**	**-**	**-2,207**	**7,356**	**52,349**
- Group	**6,162**	**485**	**33,457**	**5,624**	**88**	**150**	**133**	**342**	**74**	**-**	**-2,207**	**7,250**	**51,558**
- minority interests	**331**	**3**	**121**	**218**	**-**	**6**	**-**	**10**	**-4**	**-**	**-**	**106**	**791**

[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 31 December 2006

(in millions of euro)

	31.12.2006 [*]												
	Share capital		Share premium reserve	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**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR													
Reserves													
- Group				**1,483**								**-1,483**	**-**
- minority interests				**59**								**-59**	**-**
Dividends and other allocations [(a)]												**-1,590**	**-1,590**
CHANGES IN THE PERIOD													
Changes in reserves													
- Group				**-2**		**239**	**122**	**-1**	**20**				**378**
- minority interests	**-53**		**-9**	**-15**		**-1**	**2**	**-2**	**-1**				**-79**
Operations on shareholders' equity													
Issue of new shares													
- Group	17		49										**66**
- minority interests	13			55									**68**
Purchase of treasury shares													
- Group													**-**
- minority interests													
Extraordinary dividends													
Changes in equity instruments													
Derivatives on treasury shares													
Stock options													
Net income (loss) for the period													
- Group												**2,559**	**2,559**
- minority interests												**110**	**110**
SHAREHOLDERS' EQUITY AS AT 31.12.2006	**3,455**	**488**	**5,674**	**5,418**	**85**	**634**	**83**	**353**	**159**	**-**	**-**	**2,669**	**19,018**
- 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**

[(*)] Figures relative to Gruppo Intesa.

[(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)

	31.12.2007	31.12.2006 (*)
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**6,171**	**5,934**
- net income (+/-)	7,356	2,669
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	-125	256
- gains/losses on hedging activities (-/+)	-27	-11
- net losses/recoveries on impairment (+/-)	1,149	1,001
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	1,359	503
- net provisions for risks and charges and other costs/revenues (+/-)	1,056	349
- net insurance premiums to be collected (-)	-39	-
- other insurance revenues/charges to be collected (-/+)	-2,488	-
- taxes and duties to be settled (+)	1,884	1,301
- net adjustments to/recoveries on disposal groups net of tax effect (-/+)	-	-
- other adjustments (+/-)	-3,954	-134
2. Cash flow from / used in financial assets	**-286**	**-23,484**
- financial assets held for trading	15,247	4,485
- financial assets designated at fair value through profit and loss	1,515	-
- financial assets available for sale	5,067	-1,169
- due from banks: repayable on demand	-1,136	-815
- due from banks: other	-5,603	-3,182
- loans to customers	-13,411	-22,116
- other assets	-1,965	-687
3. Cash flow from / used in financial liabilities	**337**	**19,888**
- due to banks: repayable on demand	-4,102	1,021
- due to banks: other	-3,973	7,198
- due to customers	-1,016	7,860
- securities issued	10,856	8,754
- financial liabilities held for trading	-429	-5,603
- financial liabilities designated at fair value through profit and loss	1,113	-
- other liabilities	-2,112	658
Net cash flow from (used in) operating activities	**6,222**	**2,338**
B. INVESTING ACTIVITIES		
1. Cash flow from	**5,775**	**451**
- sales of investments in associates and companies subject to joint control	283	292
- dividends collected on investments in associates and companies subject to joint control	22	35
- sales/reimbursements of investments held to maturity	-	-
- sales of property and equipment	472	110
- sales of intangible assets	34	22
- sales of subsidiaries and business branches	4,964	-8
2. Cash flow used in	**-4,680**	**-1,255**
- purchases of investments in associates and companies subject to joint control	-1,841	-132
- purchases of investments held to maturity	-227	-440
- purchases of property and equipment	-552	-309
- purchases of intangible assets	-1,063	-277
- purchases of subsidiaries and business branches	-997	-97
Net cash flow from (used in) investing activities	**1,095**	**-804**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-2,207	-
- share capital increases	-	134
- dividend distribution and other	-4,928	-1,590
Net cash flow from (used in) financing activities	**-7,135**	**-1,456**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**182**	**78**
RECONCILIATION		
Cash and cash equivalents at beginning of period	3,279	1,797
Net increase (decrease) in cash and cash equivalents	182	78
Cash and cash equivalents: foreign exchange effect	2	20
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3,463**	**1,895**

LEGEND: (+) from (–) used in

(*) Figures relative to Gruppo Intesa.

Notes to the consolidated financial statements

Part A – Accounting policies

A.1 – GENERAL CRITERIA

SECTION 1 – DECLARATION OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

As set forth by Legislative Decree 38 of 28 February 2005, the Intesa Sanpaolo Group's Consolidated financial statements have 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 provided for by Community Regulation 1606 of 19 July 2002.

The Consolidated financial statements as at 31 December 2007 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005 which issued Circular 262/05. These Instructions set out compulsory financial statement forms and their means of preparation, as well as the contents of the notes to the financial statements.

In the preparation of the Consolidated financial statements, the principles in force as at 31 December 2007 have been used (including the interpretation documents called SIC and IFRIC), as endorsed by the European Commission and listed in detail in a specific table included in the attachments to this Annual report. With respect to principles endorsed as at 31 December 2006 particularly noteworthy, since applicable to banking activities, is the subsequent endorsement (EC Regulation 108/2006) of principle IFRS 8 - Operating segments, which will become effective for reports referred to periods beginning on or after 1 January 2009.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The Consolidated financial statements are made up of the Balance sheet, the Income statement, the Changes in shareholders' equity, the Statement of cash flows and the Notes to the financial statements; the Report on operations, on the economic results achieved and on the Intesa Sanpaolo Group's balance sheet and financial position has also been included. In compliance with provisions of Art.5 of Legislative Decree 38/2005, the Consolidated financial statements have been drawn up in euro as functional currency.

The amounts indicated in the Consolidated financial statements and in the Notes to the consolidated financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.

The Consolidated financial statements are prepared with the application of the general principles set out by IAS 1 and the specific accounting principles endorsed by the European Commission and illustrated in Part A.2 of the present Notes to the consolidated financial statements, 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.

No exceptions to the application of IAS/IFRS have been made.

The Report on operations and the Notes to the consolidated financial statements contain all information required by international accounting standards, by current regulations, by the Bank of Italy and by Consob (Italian Securities Exchange Commission), in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair representation of the Group's situation.

The balance sheet as at 31 December 2007 and the relevant details in the Notes to the consolidated financial statements under Non-current assets held for sale and discontinued operations include the captions relative to the 198 branches to be sold following the measure issued by the Italian Competition Authority as well as captions relative to the imminent disposal of Banque Palatine and Agos.

The income statement and the relevant details in the Notes to the consolidated financial statements under Income (Loss) after tax from discontinued operations, in addition to the economic components

relative to the aforementioned discontinued operations, also include captions relative to Cariparma and FriulAdria – sold on 1 March 2007 – to the 29 branches transferred to FriulAdria on 1 April 2007, to the 173 branches sold to Cariparma on 1 July 2007 and to the Biverbanca sale finalised on 20 December 2007.
The Consolidated financial statement forms and the Notes to the consolidated financial statements present, in addition to figures for the reference period, the comparative figures as at 31 December 2006 of Gruppo Intesa, restated - as regards economic components - to consider the aforesaid disposals in compliance with provisions of IFRS 5. The Attachments include a table which sets out the reconciliation between such comparative figures and the income statement originally published in the Annual report 2006.

Contents of consolidated financial statement forms

Consolidated balance sheet and Consolidated income statement
The compulsory forms of the balance sheet and income statement are made up of captions, subcaptions and further informative details (specified as the "of which" items in the captions and subcaptions). For the purposes of completeness with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2007 and for 2006 are in any case included. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

Changes in consolidated shareholders' equity
Changes in consolidated shareholders' equity are presented by inverting the lines and the columns with respect to the same form provided for by Circular 262/2005 of the Bank of Italy. The form presents shareholders' equity accounts and changes which occurred in the reference year and in the previous year, broken down in share capital (ordinary and saving shares), reserves, reserves from retained earnings, valuation reserves and net income. Treasury shares are deducted from shareholders' equity. No other equity instruments other than ordinary and saving shares have been issued.
Share capital, reserves and net income are divided into the portion pertaining to the Group and to minority interests.

Consolidated statement of cash flows
The statement of cash flows registered in the reference year and in the previous year is prepared using the indirect method, on the basis of which cash flows from operating activities are represented by net income adjusted for the effects of non-cash transactions.
Cash flows are broken down into flows from operating activities, from investing activities and from financing activities.
In the form, cash flows generated in the year are indicated without sign, whereas cash flows absorbed are preceded by the minus sign.

Contents of Notes to the consolidated financial statements
The Notes to the consolidated financial statements include the information provided for by International Financial Reporting Standards and Circular 262/2005 of the Bank of Italy.

SECTION 3 – CONSOLIDATION AREA AND CONSOLIDATION METHODS

Consolidation area
The consolidated financial statements include Intesa Sanpaolo and the companies which it directly and indirectly controls and consider in the consolidation area – as specifically set out by the new 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 recurs, 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 it 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 in 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 Intesa Sanpaolo Group holds a 42.3% stake, is an exception since, considering its peculiarity, it is maintained at cost and is therefore not carried at equity.
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 exceeding 20% 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.

With respect to the situation as at 31 December 2006 resulting from the Annual reports of Banca Intesa and SANPAOLO IMI, please note the acquisition of the American Bank of Albania, at the end of the first half of 2007, the entrance of Sud Polo Vita, the new entity operating in the bancassurance sector established in the second half of 2007, in addition to the already mentioned exit from the perimeter of Cassa di Risparmio di Parma e Piacenza, Banca Popolare FriulAdria and Biverbanca.
Control of Eurizon Investimenti (former CAAM Sgr) was acquired at the end of the year following the purchase of the activities attributable to the 65% stake of Nextra Investment Management. Consequently consolidation is limited to balance sheet amounts.
Various intergroup reorganisations occurred in the year, which produce no effects on the consolidation area. See the comments on economic results and on breakdown of results by business area for a description of such reorganisations.

The following table indicates the investments in subsidiaries which are included in the full consolidation area of the Consolidated financial statements as at 31 December 2007.

Consolidated companies

	Companies	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
A. CONSOLIDATED COMPANIES						
	Parent Company					
	Intesa Sanpaolo S.p.A. Capital Euro 6,646,547,922.56 in shares of Euro 0.52	Torino				
A. 1 Companies subject to full consolidation						
1	American Bank of Albania (c) Capital Usd 33,399,000.00 in shares of Euro 2.23	Tirana	1	Intesa Sanpaolo	80.00	
2	Arten Sicav (d)	Luxembourg	4	EurizonLife	91.00	
3	Atlantis Sociedad Anonima Capital ARP 3,489,505 in shares of ARP 1	Buenos Aires	1	Intesa Holding International Sudameris	18.75 81.25	
4	B.I. Private Equity Ltd Capital Euro 100,000 in shares of Euro 1	Dublin	1	Private Equity International	100.00	
5	B.O.F. A.S. (e) Capital SKK 500,000 in shares of SKK 2.5	Bratislava	1	Vseobecna Uverova Banka	70.00	
6	B.O.F. poist'ovaci makler s.r.o. Capital SKK 500,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
7	Banca Cis S.p.A. Capital Euro 170,276,569.35 in shares of Euro 51.65	Cagliari	1	Intesa Sanpaolo Banca Intesa Mediocredito	44.63 55.37	
8	Banca dell'Adriatico S.p.A. (former Sanpaolo Banca dell'Adriatico) Capital Euro 232,652,000 in shares of Euro 1	Pesaro	1	Intesa Sanpaolo	100.00	
9	Banca di Trento e Bolzano S.p.A. Capital Euro 55,103,550.84 in shares of Euro 0.52	Trento	1	Intesa Sanpaolo Finanziaria BTB	8.29 62.96	
10	Banca Fideuram S.p.A. Capital Euro 186,255,207.16 in shares of Euro 0.19	Roma	1	Intesa Sanpaolo	100.00	
11	Banca IMI S.p.A. (former Banca Caboto S.p.A.) Capital Euro 662,464,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
12	Banca Imi Securities Corp Capital Usd 44,500,000 in shares of Usd 1,000	New York	1	Imi Capital Markets USA Corp.	100.00	
13	Banca Intesa (France) S.A. Capital Euro 160,270,853.25 in shares without nominal value	Paris	1	Intesa Sanpaolo	100.00	
14	Banca Intesa a.d., Beograd Capital RSD 13,136,100,000.00 in shares of RSD 100,000	Novi Beograd	1	Intesa Holding International	93.00	
15	Banca Intesa Infrastrutture e Sviluppo S.p.A. Capital Euro 346,300,000 in shares of Euro 1	Roma	1	Intesa Sanpaolo	100.00	
16	Banca Intesa Mediocredito S.p.A. Capital Euro 500,000,000 in shares of Euro 1 Capital Euro 52,000,000 in shares of Euro 4	Milano	1	Intesa Sanpaolo	100.00	
17	Banca Italo Albanese Sh.A. (f) Capital All 1,307,824,109.5 in shares of All 8,437,574.90	Tirana	1	Intesa Sanpaolo	80.00	
18	Banca OPI S.p.A. Capital Euro 500,000,000 in shares of Euro 1,000	Roma	1	Intesa Sanpaolo	100.00	
19	Banca Prossima S.p.A. Capital Euro 10,000,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
20	Banco di Napoli S.p.A.(former Sanpaolo Banco di Napoli S.p.A.) Capital Euro 800,000,000 in shares of Euro 10	Napoli	1	Intesa Sanpaolo	100.00	
21	Bank of Alexandria Capital EGP 800,000,000 in shares of EGP 5	Cairo	1	Intesa Sanpaolo	80.00	
22	Banka Koper d.d. (g) Capital Euro 22,173,218.16 in shares of Euro 41.73	Koper	1	Intesa Sanpaolo	99.82	
23	Banque Privée Fideuram S.A.(former Banque Privée Fideuram Wargny S.A.) Capital Euro 132,530,240 in shares of Euro 40	Paris	1	Financiere Fideuram	99.95	
24	BCI U.S. Funding LLC I (h) Capital USD 10,000,000 in "common shares" of USD 10,000	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
25	BCI U.S. Funding LLC II (i) Capital Euro 27,500,000 in "common shares" of Euro 1,000	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
26	BCI U.S. Funding LLC III (j) Capital GBP 6,000,000 in "common shares" of GBP 1,000	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
27	Canova Sicav (d)	Luxembourg	4	EurizonLife	100.00	
28	Carifano - Cassa di Risparmio di Fano S.p.A. (k) Capital Euro 77,289,674.04 in shares of Euro 5.16	Fano	1	Intesa Casse del Centro	30.00	87.00
29	Cassa dei Risparmi di Forlì e della Romagna S.p.A. (former Cassa dei Risparmi di Forlì S.p.A.) Capital Euro 150,644,526 in shares of Euro 1	Forlì	1	Intesa Sanpaolo	60.84	
30	Cassa di Risparmio del Friuli Venezia Giulia S.p.A. (former Friulcassa S.p.A.) Capital Euro 180,263,000 in shares of Euro 10	Gorizia	1	Intesa Sanpaolo	100.00	

Companies		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
31	Cassa di Risparmio della Provincia di Viterbo S.p.A. Capital Euro 49,407,056.31 in shares of Euro 0.51	Viterbo	1	Intesa Casse del Centro Cassa di Risparmio di Rieti	75.81 0.05	82.02 0.06
32	Cassa di Risparmio di Ascoli Piceno S.p.A. Capital Euro 70,755,020 in shares of Euro 258.23	Ascoli Piceno	1	Intesa Casse del Centro	66.00	
33	Cassa di Risparmio di Città di Castello S.p.A. Capital Euro 23,750,000 in shares of Euro 0.50	Città di Castello (Perugia)	1	Intesa Casse del Centro	82.19	
34	Cassa di Risparmio di Foligno S.p.A. Capital Euro 17,720,820 in shares of Euro 0.52	Foligno (Perugia)	1	Intesa Casse del Centro	70.47	
35	Cassa di Risparmio di Padova e Rovigo S.p.A. Capital Euro 628,869,000 in shares of Euro 10	Padova	1	Intesa Sanpaolo	100.00	
36	Cassa di Risparmio di Rieti S.p.A. Capital Euro 47,339,291 in shares of Euro 51.65	Rieti	1	Intesa Casse del Centro	85.00	
37	Cassa di Risparmio di Spoleto S.p.A. Capital Euro 42,489,053 in shares of Euro 1	Spoleto (Perugia)	1	Intesa Casse del Centro	60.13	
38	Cassa di Risparmio di Terni e Narni S.p.A. Capital Euro 21,000,000 in shares of Euro 6	Terni	1	Intesa Casse del Centro	75.00	
39	Cassa di Risparmio di Venezia S.p.A. Capital Euro 254,536,000 in shares of Euro 10	Venezia	1	Intesa Sanpaolo	100.00	
40	Cassa di Risparmio in Bologna S.p.A. Capital Euro 561,692,000 in shares of Euro 10	Bologna	1	Intesa Sanpaolo	100.00	
41	Central-European International Bank Ltd. Capital HUF 40,500,000,000 in shares of HUF 1,000	Budapest	1	Intesa Holding International	100.00	
42	Centurion Financial Services Ltd. Capital BAM 560,169	Sarajevo	1	PBZ Card	100.00	
43	Centurion Financne Storitve d.o.o. Capital Euro 1,648,305.79	Ljubljana	1	Banka Koper PBZ Card	75.00 25.00	
44	CIB Car Trading Limited Liability Company Capital HUF 10,000,000	Budapest	1	CIB Credit	100.00	
45	CIB Credit Ltd Capital HUF 50,000,000 in shares of HUF 1,000,000	Budapest	1	CIB Leasing CIB Real Estate	98.00 2.00	
46	CIB Factor Financial Service Ltd. Capital HUF 103,500,000 in shares of HUF 100,000	Budapest	1	CIB REAL Property Utilisation and Services CIB Service Property Utilisation and Services	50.00 50.00	
47	CIB Insurance Broker Ltd. Capital HUF 10,000,000 in shares of HUF 10,000	Budapest	1	CIB Leasing	100.00	
48	CIB Inventory Management Limited Liability Company Capital HUF 100,000,000 in shares of HUF 1	Budapest	1	Central-European International Bank	100.00	
49	CIB Investment Fund Management Ltd. Capital HUF 300,000,000 in shares of HUF 10,000	Budapest	1	Central-European International Bank CIB REAL Property Utilisation and Services	93.34 6.66	
50	CIB Leasing Ltd. Capital HUF 1,520,000,000 in shares of HUF 10,000	Budapest	1	CIB Rent Operative Leasing	100.00	
51	CIB Real Estate Ltd. Capital HUF 50,000,000 in shares of HUF 1,000,000	Budapest	1	CIB Leasing	100.00	
52	CIB REAL Property Utilisation and Services Ltd. Capital HUF 4,400,000,000 in shares of HUF 10,000	Budapest	1	Central-European International Bank CIB Service Property Utilisation and Services	26.00 74.00	
53	CIB Rent Operative Leasing Ltd. Capital HUF 800,000,000 in shares of HUF 4,444.44	Budapest	1	Central-European International Bank	100.00	
54	CIB Residential Property Leasing Ltd. Capital HUF 50,010,000 in shares of HUF 10,000	Budapest	1	CIB Credit	100.00	
55	CIB Service Property Utilisation and Services Ltd. Capital HUF 15,300,000,000 in shares of HUF 10,000	Budapest	1	Central-European International Bank	100.00	
56	CIL Bajor Co. Ltd. Capital HUF 20,000,000 in shares of HUF 10,000,000	Budapest	1	CIB Insurance Broker CIB Real Estate	50.00 50.00	
57	CIL Danubius Co. Ltd Capital HUF 20,000,000 in shares of HUF 10,000,000	Budapest	1	CIB Insurance Broker CIB Real Estate	50.00 50.00	
58	CIL Nagyteteny Ltd. Capital HUF 3,000,000	Budapest	1	CIB Real Estate CIB Leasing	50.00 50.00	
59	CIL Vaci ut Property Utilisation Limited Liability Company Capital HUF 3,000,000	Budapest	1	CIB Insurance Broker CIB Real Estate	50.00 50.00	
60	CIL - FOOD 2006 Ltd Capital HUF 3,000,000	Budapest	1	CIB Leasing CIB Real Estate	50.00 50.00	
61	Cimabue Sicav (d)	Luxembourg	4	EurizonLife	100.00	
62	Consumer Finance Holding a.s. Capital SKK 1,600,000,000	Kezmarok	1	Vseobecna Uverova Banka	100.00	
63	Consumer Financial Services S.r.l. Capital Euro 1,500,000	Bologna	1	Neos Banca	100.00	

Companies		Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
64	Duomo Funding PLC (l)	Dublin	4	Intesa Sanpaolo	-	
65	Eolo Investments B.V. (m)	Amsterdam	4	Eurizon Vita	-	
66	Epsilon Associati SGR S.p.A. Capital Euro 5,200,000 in shares of Euro 0.52	Milano	1	Eurizon Investimenti SGR	93.75	
67	ERFI 2000 Ingatlan kft Capital sociale Huf 2,247,600,000 in shares of Euro 1	Budapest	1	Cib Service Property Utilisation and Services	100.00	
68	Eurizon Alternative Investments S.G.R. S.p.A. Capital Euro 6,500,000 in shares of Euro 100	Milano	1	Eurizon Capital SGR	100.00	
69	Eurizon Capital S.A. Capital Euro 5,000,000 in shares of Euro 100	Luxembourg	1	Eurizon Capital SGR	100.00	
70	Eurizon Capital S.G.R. S.p.A. Capital Euro 15,000,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
71	Eurizon A.I. SGR S.p.A. Capital Euro 4,420,000 in shares of Euro 130	Milano	1	Eurizon Investimenti SGR Intesa Sanpaolo	90.00 10.00	
72	Eurizon Investimenti SGR S.p.A. Capital Euro 24,172,200 in shares of Euro 61.65	Milano	1	Intesa Sanpaolo	100.00	
73	Eurizon Vita S.p.A. Capital Euro 294,822,508 in shares of Euro 1	Torino	1	Intesa Sanpaolo	99.96	
74	EurizonLife Ltd Capital Euro 625,000 in shares of Euro 1	Dublin	1	Eurizon Vita	100.00	
75	Eurizonsolutions S.p.A. (former Universo Servizi S.p.A.) Capital Euro 12,466,299 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
76	EurizonTutela S.p.A. Capital Euro 27,912,258 in shares of Euro 1	Torino	1	Eurizon Vita	100.00	
77	Euro-Tresorerie S.A. Capital Euro 200,038,320 in shares of Euro 15.30	Paris	1	Financiere Fideuram	100.00	
78	Fideuram Asset Management (Ireland) Ltd Capital Euro 1,000,000 in shares of Euro 1,000	Dublin	1	Banca Fideuram	100.00	
79	Fideuram Bank S.A. Capital Euro 30,000,000 in shares of Euro 1,225.94	Luxembourg	1	Banca Fideuram	100.00	
80	Fideuram Bank (Suisse) A.G. Capital CHF 15,000,000 in shares of CHF 1,000	Lugano	1	Fideuram Bank	99.97	
81	Fideuram Fiduciaria S.p.A. Capital Euro 1,551,000 in shares of Euro 517	Roma	1	Banca Fideuram	100.00	
82	Fideuram Fund Bond Global Emerging Markets (d)	Luxembourg	4	Eurizon Vita	64.74	
83	Fideuram Fund Bond Global High Yield (d)	Luxembourg	4	Eurizon Vita	68.44	
84	Fideuram Fund Equity Europe (d)	Luxembourg	4	Eurizon Vita	88.50	
85	Fideuram Fund Equity Global Emerging Markets (d)	Luxembourg	4	Eurizon Vita	85.05	
86	Fideuram Fund Equity Italy (d)	Luxembourg	4	Eurizon Vita	89.48	
87	Fideuram Fund Equity Japan (d)	Luxembourg	4	Eurizon Vita	87.93	
88	Fideuram Fund Equity Pacific Ex Japan (d)	Luxembourg	4	Eurizon Vita	70.99	
89	Fideuram Fund Equity Usa (d)	Luxembourg	4	Eurizon Vita	90.62	
90	Fideuram Fund Equity Usa Growth	Luxembourg	4	Eurizon Vita	100.00	
91	Fideuram Fund Equity Usa Value	Luxembourg	4	Eurizon Vita	100.00	
92	Fideuram Fund Euro Bond Long Risk (d)	Luxembourg	4	Eurizon Vita	80.96	
93	Fideuram Fund Euro Bond Low Risk (d)	Luxembourg	4	Eurizon Vita	66.29	
94	Fideuram Fund Euro Bond Medium Risk (d)	Luxembourg	4	Eurizon Vita	73.43	
95	Fideuram Fund Euro Corporate Bond (d)	Luxembourg	4	Eurizon Vita	75.90	
96	Fideuram Fund Euro Defensive Bond (d)	Luxembourg	4	Eurizon Vita	65.25	
97	Fideuram Fund Euro Short Term (d)	Luxembourg	4	Eurizon Vita	56.86	
98	Fideuram Fund Europe Listed Consumer Discretionary Equity (d)	Luxembourg	4	Eurizon Vita	95.05	
99	Fideuram Fund Europe Listed Consumer Staples Equity (d)	Luxembourg	4	Eurizon Vita	94.83	
100	Fideuram Fund Europe Listed Energy Materials Utilities Equity (d)	Luxembourg	4	Eurizon Vita	91.58	
101	Fideuram Fund Europe Listed Financials Equity (d)	Luxembourg	4	Eurizon Vita	94.17	
102	Fideuram Fund Europe Listed Health Care Equity (d)	Luxembourg	4	Eurizon Vita	90.44	
103	Fideuram Fund Europe Listed Industrials Equity (d)	Luxembourg	4	Eurizon Vita	84.20	
104	Fideuram Fund Europe Listed T.T. Equity (d)	Luxembourg	4	Eurizon Vita	87.10	
105	Fideuram Fund Inflation Linked (d)	Luxembourg	4	Eurizon Vita	67.58	
106	Fideuram Fund Zero Coupon 2008 (d)	Luxembourg	4	Eurizon Vita	100.00	
107	Fideuram Fund Zero Coupon 2009 (d)	Luxembourg	4	Eurizon Vita	100.00	
108	Fideuram Fund Zero Coupon 2010 (d)	Luxembourg	4	Eurizon Vita	100.00	

Companies		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
109	Fideuram Fund Zero Coupon 2011 (d)	Luxembourg	4	Eurizon Vita	100.00	
110	Fideuram Fund Zero Coupon 2012 (d)	Luxembourg	4	Eurizon Vita	100.00	
111	Fideuram Fund Zero Coupon 2013 (d)	Luxembourg	4	Eurizon Vita	100.00	
112	Fideuram Fund Zero Coupon 2014 (d)	Luxembourg	4	Eurizon Vita	100.00	
113	Fideuram Fund Zero Coupon 2015 (d)	Luxembourg	4	Eurizon Vita	100.00	
114	Fideuram Fund Zero Coupon 2016 (d)	Luxembourg	4	Eurizon Vita	100.00	
115	Fideuram Fund Zero Coupon 2017 (d)	Luxembourg	4	Eurizon Vita	100.00	
116	Fideuram Fund Zero Coupon 2018 (d)	Luxembourg	4	Eurizon Vita	100.00	
117	Fideuram Fund Zero Coupon 2019 (d)	Luxembourg	4	Eurizon Vita	100.00	
118	Fideuram Fund Zero Coupon 2020 (d)	Luxembourg	4	Eurizon Vita	100.00	
119	Fideuram Fund Zero Coupon 2021 (d)	Luxembourg	4	Eurizon Vita	100.00	
120	Fideuram Fund Zero Coupon 2022 (d)	Luxembourg	4	Eurizon Vita	100.00	
121	Fideuram Fund Zero Coupon 2023 (d)	Luxembourg	4	Eurizon Vita	100.00	
122	Fideuram Fund Zero Coupon 2024 (d)	Luxembourg	4	Eurizon Vita	100.00	
123	Fideuram Fund Zero Coupon 2025 (d)	Luxembourg	4	Eurizon Vita	100.00	
124	Fideuram Fund Zero Coupon 2026 (d)	Luxembourg	4	Eurizon Vita	100.00	
125	Fideuram Fund Zero Coupon 2027 (d)	Luxembourg	4	Eurizon Vita	100.00	
126	Fideuram Fund Zero Coupon 2028 (d)	Luxembourg	4	Eurizon Vita	100.00	
127	Fideuram Fund Zero Coupon 2029 (d)	Luxembourg	4	Eurizon Vita	100.00	
128	Fideuram Fund Zero Coupon 2030 (d)	Luxembourg	4	Eurizon Vita	100.00	
129	Fideuram Fund Zero Coupon 2031 (d)	Luxembourg	4	Eurizon Vita	100.00	
130	Fideuram Fund Zero Coupon 2032 (d)	Luxembourg	4	Eurizon Vita	100.00	
131	Fideuram Fund Zero Coupon 2033 (d)	Luxembourg	4	Eurizon Vita	100.00	
132	Fideuram Fund Zero Coupon 2034 (d)	Luxembourg	4	Eurizon Vita	100.00	
133	Fideuram Fund Zero Coupon 2035 (d)	Luxembourg	4	Eurizon Vita	100.00	
134	Fideuram Fund Zero Coupon 2036 (d)	Luxembourg	4	Eurizon Vita	100.00	
135	Fideuram Fund Zero Coupon 2037 (d)	Luxembourg	4	Eurizon Vita	100.00	
136	Fideuram Gestions S.A. Capital Euro 10,000,000 in shares of Euro 100	Luxembourg	1	Banca Fideuram Eurizon Vita	99.94 0.06	
137	Fideuram Investimenti S.G.R. S.p.A. Capital Euro 25,850,000 in shares of Euro 517	Roma	1	Banca Fideuram	99.50	
138	Fideuram Wargny Gestion S.A.M. Capital Euro 2,500,000 in shares of Euro 100	Monaco	1	Banque Privée Fideuram Wargny	99.96	
139	FINAMERIS S.A. - Société d'Investissements et de Financements Immobiliers Capital Euro 762,245 in shares without nominal value	Paris	1	Banca Intesa (France)	99.99	
140	Financière Fideuram S.A. Capital Euro 236,761,600 in shares of Euro 25	Paris	1	Banca Fideuram	100.00	
141	Finanziaria B.T.B. S.p.A. Capital Euro 56,832,921.60 in shares of Euro 0.52	Trento	1	Intesa Sanpaolo	99.29	
142	Fin. OPI S.p.A. Capital Euro 150,000,000 in shares of Euro 5	Torino	1	Banca OPI	100.00	
143	Finor Leasing d.o.o. Capital Euro 2,045,000	Koper	1	Banka Koper	100.00	
144	Fondo Caravaggio Sicav (d)	Luxembourg	4	EurizonLife	100.00	
145	Fondo Doppia Opportunità (d)	Luxembourg	4	EurizonLife	100.00	
146	IE Befektetesi Alapkezelo Rt. Capital HUF 300,000,000 in shares of HUF 1,000,000	Budapest	1	Inter-Europa Bank	100.00	
147	IE-New York Broker Rt Capital HUF 20,025,000 in shares of HUF 75,000	Budapest	1	Inter-Europa Bank	100.00	
148	IE-Services Szolgaltato es Kereskedelmi Kft Capital HUF 1,050,000 in shares of HUF 1,000	Budapest	1	Inter-Europa Bank	100.00	
149	IMI Capital Markets USA Corp. Capital USD 5,000 in shares of USD 1	New York	1	IMI Investments	100.00	
150	IMI Finance Luxembourg S.A. Capital Euro 100,000 in shares of Euro 200	Luxembourg	1	IMI Investments	100.00	
151	IMI Investimenti S.p.A. Capital Euro 579,184,200 in shares of Euro 5	Bologna	1	Intesa Sanpaolo	100.00	
152	IMI Investments S.A. Capital USD 150,000,000 in shares of USD 1,000	Luxembourg	1	Banca IMI	100.00	
153	Inter-Europa Bank Nyrt Capital HUF 5,438,750,000 in shares of HUF 1,000 Capital HUF 1,579,820,000 in shares of HUF 10,000	Budapest	1	Intesa Sanpaolo	100.00	

	Companies	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
154	Inter-Europa Beruhazo Kft Capital HUF 7,078,700,000 in shares of HUF 1	Budapest	1	Inter-Europa Bank	100.00	
155	Inter Europa Ertekesitesi Kft. Capital HUF 30,000,000 in shares of HUF 1	Budapest	1	Inter-Europa Bank	100.00	
156	Intesa Bank Ireland Plc. (in voluntary liquidation) Capital Euro 8,000,000 in shares of Euro 50	Dublin	1	Intesa Sanpaolo	100.00	
157	Intesa Bank Overseas Ltd. Capital USD 10,000,000 in shares of USD 1	Grand Cayman	1	Intesa Sanpaolo	100.00	
158	Intesa Casse del Centro S.p.A. Capital Euro 774,240,078 in shares of Euro 1	Spoleto (Perugia)	1	Intesa Sanpaolo	96.07	
159	Intesa Distribution International Services S.A. Capital Euro 1,500,000 in shares of Euro 25	Luxembourg	1	Intesa Distribution Services Société Européenne de Banque	99.97 0.03	
160	Intesa Distribution Services S.r.l. Capital Euro 5,000,000	Milano	1	Intesa Sanpaolo	100.00	
161	Intesa Funding LLC Capital USD 10,000 in shares of USD 1	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
162	Intesa Global Finance Company Ltd Capital Euro 100,000 in shares of Euro 1	Dublin	1	Intesa Holding International	100.00	
163	Intesa Investimenti S.p.A. Capital Euro 1,000,000,000 in shares of Euro 1,000	Milano	1	Intesa Sanpaolo	100.00	
164	Intesa Lease Sec S.r.l. Capital Euro 60,000	Milano	1	Intesa Sanpaolo	60.00	
165	Intesa Leasing d.o.o. Beograd Capital Euro 5,350,000	Novi Beograd	1	Banca Intesa a.d., Beograd CIB Leasing	51.00 49.00	
166	Intesa Leasing S.p.A. Capital Euro 38,451,895.56 in shares of Euro 0.52	Milano	1	Intesa Sanpaolo	100.00	
167	Intesa Mediofactoring S.p.A. Capital Euro 220,000,000 in shares of Euro 100	Milano	1	Intesa Sanpaolo	100.00	
168	Intesa Preferred Capital Company L.L.C. (n) Capital Euro 46,000,000 in shares of Euro 1	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
169	Intesa Previdenza - Società di Intermediazione Mobiliare S.p.A. Capital 15,300,000 in shares of Euro 500	Milano	1	Intesa Sanpaolo	78.53	
170	Intesa Real Estate S.r.l. Capital Euro 4,625,000	Milano	1	Intesa Sanpaolo	100.00	
171	Intesa Sanpaolo Bank Ireland Plc (former Sanpaolo IMI Bank Ireland Plc) Capital Euro 400,500,000 in shares of Euro 1	Dublin	1	Intesa Sanpaolo	100.00	
172	Intesa Sanpaolo Holding International S.A. Capital Euro 4,052,848,126 in shares of Euro 311	Luxembourg	1	Intesa Sanpaolo	100.00	
173	Intesa Sanpaolo Private Banking S.p.A. (former Banca Intesa Private Banking S.p.A.) Capital Euro 52,000,000 in shares of Euro 4	Milano	1	Intesa Sanpaolo	100.00	
174	Intesa Sanpaolo Romania S.A. Commercial Bank (former Banca Commerciale Sanpaolo IMI Bank Romania S.A.) (o) Capital Ron 140,000,000.00 in shares of Ron 10	Arad	1	Intesa Sanpaolo	98.65	
175	Intesa Sec. S.p.A. Capital Euro 100,000 in shares of Euro 100	Milano	1	Intesa Sanpaolo	60.00	
176	Intesa Sec. 2 S.r.l. Capital Euro 15,000	Milano	1	Intesa Sanpaolo	60.00	
177	Intesa Sec. 3 S.r.l. Capital Euro 70,000	Milano	1	Intesa Sanpaolo	60.00	
178	Intesa Sec. Npl S.p.A. Capital Euro 129,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	60.00	
179	Intesa Sec. Npl 2 S.r.l. Capital Euro 70,000	Milano	1	Intesa Sanpaolo	100.00	
180	IntesaBci Preferred Capital Company L.L.C. III (p) Capital Euro 11,000,000 in shares of Euro 1	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
181	IntesaBci Preferred Securities Investor Trust Capital Euro 1,000 in shares of Euro 1,000	Newark	1	IntesaBci Preferred Capital Company III	100.00	
182	IntesaTrade Sim S.p.A. Capital Euro 30,000,000 in shares of Euro 16	Milano	1	Intesa Sanpaolo	100.00	
183	Inversiones Mobiliarias S.A.- IMSA Capital PEN 26,666,332.83 in shares of PEN 0.03	Lima	1	Intesa Sanpaolo	99.82	
184	Invest Holding d.o.o. Capital HRK 30,000,000	Karlovac	1	Privredna Banka Zagreb	56.38	
185	KMB - Leasing Capital RUB 3,000,000 in shares of RUB 100	Moscow	1	Small Business Credit Bank	100.00	
186	LDV Holding B.V. Capital Euro 2,700,000 in shares of Euro 450	Amsterdam	1	IMI Investimenti	100.00	
187	Lelle SPC - Real Estate investment and trading co. Capital HUF 270,000,000 in shares of HUF 100,000	Budapest	1	CIB Real Estate CIB Insurance Broker	99.96 0.04	

	Companies	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
188	Levanna Sicav (d)	Luxembourg	4	EurizonLife	100.00	
189	Lima Sudameris Holding S.A. in liquidation Capital PEN 168,190,806.15 in shares of PEN 0.09	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13	
190	Lux Gest Asset Management S.A. (former Luxicav Conseil S.A.) Capital Euro 200,000 in shares of Euro 25	Luxembourg	1	Société Européenne de Banque	99.99	
191	Margit Business Center Limited Liability Company Capital HUF 221,000,000	Budapest	1	Central-European International Bank	100.00	
192	Medimurska Banka d.d. Capital HRK 127,900,000 in shares of HRK 400	Čakovec	1	Privredna Banka Zagreb	96.39	
193	Neos Banca S.p.A. Capital Euro 89,818,181.70 in shares of Euro 0.26	Bologna	1	Intesa Sanpaolo	99.49	
194	Neos Finance S.p.A. Capital Euro 52,018,308 in shares of Euro 6	Bologna	1	Neos Banca	100.00	
195	NHS Investments S.A. Capital Euro 168,000,000 in shares of Euro 1,000	Luxembourg	1	IMI Investimenti	100.00	
196	Nuova Real Estate S.p.A. Capital Euro 1,600,000 in shares of Euro 1	Torino	1	Intesa Sanpaolo	100.00	
197	OOO Intesa Realty Russia Capital RUB 10,000	Moscow	1	Intesa Sanpaolo	100.00	
198	Panonska Banka A.D. Capital RSD 3,220,357,300 in shares of RSD 4,100	Novi Sad	1	Intesa Sanpaolo	99.96	
199	PBZ Card d.o.o. Capital HRK 50,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
200	PBZ Invest d.o.o. Capital HRK 5,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
201	PBZ Leasing d.o.o. Capital HRK 15,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
202	PBZ Nekretnine d.o.o. Capital HRK 3,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
203	PBZ Stambena stedionica d.d. Capital HRK 95,000,000 in shares of HRK 100	Zagreb	1	Privredna Banka Zagreb	100.00	
204	Private Equity International S.A. (#) Capital Euro 252,999,968 in shares of Euro 26	Luxembourg	1	Intesa Sanpaolo	100.00	
205	Privredna Banka Zagreb d.d. Capital HRK 1,907,476,900 in shares of HRK 100	Zagreb	1	Intesa Holding International	76.59	
206	Recovery a.s. Capital SKK 1,000,000 in shares of SKK 10,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
207	Romulus Funding Corporation (l)	Delaware	4	Intesa Sanpaolo	-	
208	Sanpaolo Bank S.A. Capital Euro 140,000,000 in shares of Euro 83.06	Luxembourg	1	Intesa Sanpaolo	100.00	
209	Sanpaolo Bank (Suisse) S.A. Capital CHF 20,000,000 in shares of CHF 500	Lugano	1	Sanpaolo Bank	99.98	
210	Sanpaolo Fiduciaria S.p.A. Capital Euro 1,032,000 in shares of Euro 5.16	Milano	1	Intesa Sanpaolo	100.00	
211	Sanpaolo IMI Bank (International) S.A. Capital Euro 172,238,000 in shares of Euro 5	Funchal	1	Intesa Sanpaolo	100.00	
212	Sanpaolo IMI Capital Company I L.l.c. (q) Capital Euro 45,001,000	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
213	Sanpaolo IMI Fondi Chiusi S.G.R. S.p.A. Capital Euro 2,000,000 in shares of Euro 1,000	Bologna	1	IMI Investimenti	100.00	
214	Sanpaolo IMI Insurance Broker S.p.A. Capital Euro 204,000 in shares of Euro 1	Bologna	1	Intesa Sanpaolo	100.00	
215	Sanpaolo IMI Investimenti per lo Sviluppo SGR S.p.A. Capital Euro 2,000,000 in shares of Euro 1,000	Napoli	1	IMI Investimenti	100.00	
216	Sanpaolo IMI US Financial Co. Capital USD 1,000 in shares of Euro 1	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
217	Sanpaolo Immobiliere S.A. Capital Euro 250,000 in shares of Euro 25	Luxembourg	1	Sanpaolo Bank Eurizon Capital SA	99.99 0.01	
218	Sanpaolo Invest Ireland Ltd Capital Euro 500,000 in shares of Euro 1	Dublin	1	Banca Fideuram	100.00	
219	Sanpaolo Invest SIM S.p.A. Capital Euro 14,980,000 in shares of Euro 140	Roma	1	Banca Fideuram	100.00	
220	Sanpaolo Leasint S.p.A. Capital Euro 33,591,600 in shares of Euro 5.16	Milano	1	Intesa Sanpaolo	100.00	
221	Sanpaolo Real Estate S.A. Capital Euro 3,000,000 in shares of Euro 12	Luxembourg	1	Sanpaolo Bank	100.00	
222	Scala Advisory S.A. Capital Euro 75,000 in shares of Euro 25	Luxembourg	1	Intesa Sanpaolo Société Européenne de Banque	99.97 0.03	

Companies		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
223	SEB Trust Limited Capital Euro 410,000 in shares of Euro 1	St Helier Jersey	1	Société Européenne de Banque	100.00	
224	SEP S.p.A. Capital Euro 1,560,000 in shares of Euro 0.52	Torino	1	Intesa Sanpaolo	100.00	
225	Servitia S.A. Capital Euro 1,500,000 in shares without nominal value	Luxembourg	1	Société Européenne de Banque	100.00	
226	Setefi S.p.A. Capital Euro 8,450,000 in shares of Euro 52	Milano	1	Intesa Sanpaolo	100.00	
227	Small Business Credit Bank (former KMB Bank) Capital RUB 3,237,182,000 in shares of RUB 12,350	Moscow	1	Intesa Holding International	75.00	
228	Società Italiana di Revisione e Fiduciaria – S.I.RE.F. S.p.A. Capital 2,600,000 in shares of Euro 0.52	Milano	1	Intesa Sanpaolo	100.00	
229	Société Européenne de Banque S.A. Capital Euro 45,000,000 in shares without nominal value	Luxembourg	1	Intesa Holding International	100.00	
230	SP Lux Sicav II (d)	Luxembourg	4	EurizonLife	100.00	
231	Split 2 S.r.l. (r)	Treviso	4	Sanpaolo Leasint -		
232	SPQR II S.r.l. (l)	Roma	4	Banca Opi		
233	Sud Polo Vita S.p.A. Capital Euro 84,464,122.20 in shares of Euro 0.20	Torino	1	Intesa Sanpaolo Eurizon Vita	98.79 1.18	
234	Sudameris S.A. Capital Euro 49,671,600 in shares without nominal value	Paris	1	Intesa Holding International	99.87	
235	Tiepolo Sicav (d)	Luxembourg	4	EurizonLife	100.00	
236	UPI Banka d.d. Capital BAM 37,146,800 in shares of BAM 100	Sarajevo	1	Intesa Holding International Privredna Banka Zagreb	58.20 18.95	
237	Vseobecna Uverova Banka a.s. Capital SKK 12,978,108,000	Bratislava	1	Intesa Holding International	96.50	
238	VUB Asset Management Sprav. Spol a.s. Capital SKK 50,000,000 in shares of SKK 100,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
239	VUB Factoring a.s. Capital SKK 67,194,000 in shares of SKK 9,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
240	VUB Leasingova a.s. Capital SKK 11,000,000 in shares of SKK 1,000,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
241	ZAO Banca Intesa Capital RUB 750,000,000 in shares of RUB 595.24	Moscow	1	Intesa Sanpaolo	100.00	

(a) Type of relationship:
1 - majority of voting rights at Ordinary Shareholders' Meeting;
2 - dominant influence at Ordinary Shareholders' Meeting;
3 - agreements with other Shareholders;
4 - other forms of control;
5 - unitary management as defined in Art. 26.1 of "Legislative Decree 87/92";
6 - unitary management as defined in Art. 26.2 of "Legislative Decree 87/92";
7 - joint control;
8 - associate.
(b) Available voting rights at Ordinary Shareholders' Meeting. Voting rights are presented only if other than the equity stake held in the company's capital.
(c) Please note that there is a put option sold/call option purchased from minority shareholder on 20% of the share capital.
(d) Collective investment entity in which the EurizonVita Group holds the majority of risks and benefits (SIC 12).
(e) Please note that there is a put option sold/call option purchased from minority shareholders on 30% of share capital.
(f) Please note that there is a put option sold/call option purchased from minority shareholder on 20% of share capital.
The disposal of a 3.871% stake in favour of Società Italiana per le Imprese all'Estero (the Italian company for businesses abroad - SIMEST) was finalised in July 2006, did not lead to the derecognition of the related shareholding in light of the contractual clauses which characterise the transaction.
(g) Please note that there is a put option sold/call option purchased from minority shareholders on 8.6% of the share capital.
(h) Considering the "preferred share" issued by BCI US Funding Trust for a total of 200,001,000 dollars the equity stake equals 4.76%.
(i) Considering the "preferred shares" issued by BCI US Funding Trust for a total of 550,001,000 euro the equity stake equals 4.76%.
(j) Considering the "preferred shares" issued by BCI US Funding Trust for a total of 120,001,000 pounds the equity stake equals 4.76%.
(k) As at 31.12.07 the Parent Company held 8,482,083 shares in pledge (equal to 56.628% of the share capital) whilst Cassa di Risparmio di Foligno held 55,000 shares (0.367%).
Such pledged shares do not lead to current economic benefits and therefore do not lead to changes in % held.
(l) Company for which holds the majority of risks and benefits (sic12); the group does not hold any equity stake in the share capital.
(m) SDS - Società a Destinazione Specifica (special purpose entity) for the issuing of structured products to cover Index-Linked products (SIC 12).
(n) Considering the "preferred shares" issued by BCI US Funding Trust for a total of 200,000,000 euro the equity stake equals 18.70%.
(o) The Parent Company holds options for the acquisition of the remaining 1.35% of the stake.
(p) Considering the "preferred shares" issued by BCI US Funding Trust for a total of 500,001,000 euro the equity stake equals 2.15%.
(q) Considering the "preferred shares" issued by BCI US Funding Trust for a total of 1,000,000,000 euro the equity stake equals 4.31%.
(r) SDS - Società a Destinazione Specifica (special purpose entity) for the securitisation of leasing loans (pursuant to Law 130 of 30 April 1999) (SIC 12); the group does not hold any equity stake in the share capital.
(#) Stakes deriving from merchant banking activities.

Consolidation methods

Full consolidation

This method involves the "line by line" aggregation of the individual amounts reported in the balance sheets and income statements of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests, in a specific caption, in equity and in the result for the period, the residual value is eliminated against the book value of the subsidiaries concerned.

Any positive differences arising on consolidation, after the allocation to the assets and liabilities of the consolidated subsidiary, are recorded in the caption Intangible assets as goodwill or other intangible assets at the date of first consolidation. Negative differences are recognised in the income statement.

Assets, liabilities, income and expenses between consolidated companies are totally eliminated.

All business combinations are registered applying the "purchase method" provided for by IFRS 3, based on which assets, liabilities and potential liabilities of purchased company are recorded at fair value at the date of acquisition. Any excess in the price paid with respect to the aforementioned fair value is recorded under goodwill or as other intangible assets; should the price be lower, the difference is recorded in the income statement.

The "purchase method" is applied starting from the date of acquisition, that is from the moment in which control of the acquired company is obtained. Therefore, the economic results of a subsidiary acquired in the reference period are included in the Consolidated financial statements starting from the date of acquisition. Likewise, economic results of a subsidiary sold are included in the Consolidated financial statements until the date in which control ceased.

Once a year (or every time that there is evidence of impairment losses) an impairment test is carried out for goodwill. This requires the identification of the cash-generating unit to which goodwill is allocated. Any impairment losses are determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, if lower. Such recoverable amount is equal to the higher between the fair value of the cash-generating unit less costs to sell and the relative value in use. The consequent adjustments are posted in the income statement.

The difference between sale price and book value at the date of disposal (including foreign exchange differences recorded in shareholders' equity on consolidation, over time) is accounted for in the income statement.

The financial statements of the Parent Company and of other companies used to prepare the Consolidated financial statements refer to the same date. In certain cases, for subsidiaries which are not material, the last approved financial statements (annual or interim) are used.

Where necessary – and without prejudice to absolutely marginal cases – the financial statements of companies which are drawn up using different accounting criteria are restated to be compliant with the standards used by the Group.

Measurement using the equity method

Associates and companies subject to joint control are consolidated with the equity method. For the latter, Intesa Sanpaolo opted for the use of this consolidation method instead of proportional consolidation, as provided for by IAS 31.

The equity method requires the initial recognition of the equity investment at cost and its subsequent value adjustment based on the stake in the company's shareholders' equity.

Any difference between the value of the equity investment and the shareholders' equity of the company involved is recorded in the book value of the company.

The valuation of the portion of shareholders' equity does not consider any potential voting rights.

The portion of the company's results for the period pertaining to the Group are recorded in a specific caption of the consolidated income statement.

If there is evidence that the value of an investment in an associate or a company subject to joint control may have decreased, the recoverable amount is estimated, considering the present value of expected cash flows, including the value of final disposal of the investment. If the recoverable amount is under book value the relative difference is recorded in the income statement.

For consolidation of companies subject to joint control, financial statements as at 31 December 2007 have been used.

For consolidation of investments in associates, the most recent approved (annual or interim) figures have been used. In certain marginal cases the companies do not apply IAS/IFRS and, therefore, for such companies it was verified that the adoption of IAS/IFRS would not have produced significant effects on the Intesa Sanpaolo Group's Consolidated financial statements.

Conversion of financial statements in currencies other than euro

The financial statements of the companies which do not operate in the eurozone are translated into euro applying to the assets and liabilities in the balance sheet the spot exchange rate at period-end and to the income statement the average exchange rate.

Foreign exchange differences from the conversion of the financial statements of such companies, deriving from the application of different foreign exchange rates to assets and liabilities and the income statement, are recorded in Valuation reserves under shareholders' equity. Foreign exchange differences on the shareholders' equity of the subsidiaries are also recorded in Valuation reserves.

All foreign exchange differences are reversed to the income statement of the year in which the foreign operation is sold.

SECTION 4 – SIGNIFICANT EVENTS SUBSEQUENT TO FINANCIAL STATEMENT DATE

The Carifirenze transaction

In January Intesa Sanpaolo completed the share swap of own ordinary shares against ordinary shares of Cassa di Risparmio di Firenze owned by Ente Cassa di Risparmio di Firenze, Fondazione Cassa di Risparmio di Pistoia e Pescia, Fondazione Cassa di Risparmio di La Spezia and Sofibar, equal to 40.3% of the share capital of Carifirenze. Intesa Sanpaolo consequently acquired the control of Carifirenze, owning a total shareholding equal to 58.9% of Carifirenze's share capital, due to the combination of the aforementioned share swap and the stake already held (approximately 18.6%).

Subsequently, Intesa Sanpaolo launched a mandatory complete-acquisition public tender offer pursuant to articles 102, 106, par. 1 and 109, par. 1 and 2 of TUF as amended by Legislative Decree of 19 November 2007 and - until the regulations and implementation instructions provided for by the same Decree come into effect - in accordance with current implementation instructions, where compatible, contained in Issuers Regulation. The obligation to promote the Offer arose for Intesa Sanpaolo, jointly with Ente Cassa di Risparmio di Firenze, as they are the entities which acted together in the transaction whose completion led Intesa Sanpaolo to acquire the control of Carifirenze. The transaction may be summarised as follows:

(i) on 26 July 2007, the Offeror Intesa Sanpaolo, on one side, and Ente Firenze, Fondazione Cassa di Risparmio di Pistoia e Pescia, Fondazione Cassa di Risparmio di La Spezia and So.Fi.Ba.R - Società Finanziaria di Banche Romagnole S.p.A. (jointly the "Shareholders of the Cassa"), on the other side, executed a share swap agreement and shareholders' agreement, providing for, among other things, the terms and conditions of the share swap of a total of 398,904,617 own ordinary shares of Intesa Sanpaolo against a total of 334,090,969 ordinary shares of Carifirenze - representing 40.308% of the Issuer's outstanding share capital at the Offer Document date - held by the Shareholders of the Cassa;

(ii) on 29 January 2008, the Share Swap was completed, following which Intesa Sanpaolo acquired control of Carifirenze, having reached a 58.876% interest in the current share capital of Carifirenze - which before the finalisation of the transaction described was 18.569% of the ordinary share capital of the Cassa - and thus exceeding the 30% threshold pursuant to art. 106, par. 1, of TUF;

(iii) on 29 January 2008, the shareholders' agreement concerning Carifirenze, relevant pursuant to art. 122 of TUF and executed by Intesa Sanpaolo and Ente Firenze on 26 July 2007 (the "Post Share Swap Agreement") became effective.

In any case, the obligation to launch the Offer - as set forth in the Share Swap Agreement and in the Post Share Swap Agreement - was met exclusively by Intesa Sanpaolo, which shall entirely bear all costs, including the payment of the relative consideration, keeping Ente Firenze harmless from any related costs and charges.

The Offer refers to 255,569,436 ordinary shares of Carifirenze, having a nominal value of 1.00 euro each, enjoyment as of 1 January 2007, that is, all the issued ordinary shares of Carifirenze excluding the 573,266,581 ordinary shares of Carifirenze owned by Intesa Sanpaolo and by Ente Firenze.

The shares subject to the public tender offer represent 30.835% of Carifirenze's share capital. The number of shares could decrease should Intesa Sanpaolo purchase further shares of Carifirenze outside the Offer up to the expiry of the acceptance period, without prejudice to the provisions of art. 41, par. 2, lett. b), and art. 42, par. 2, of Issuers Regulation.

Intesa Sanpaolo will pay to each person who will accept the Offer a consideration in cash equal to 6.735 euro for each "cum dividend" Share (that is, inclusive of the coupon to receive any dividend distributed by Carifirenze related to financial year 2007) tendered.

Moreover, any dividend of Carifirenze accrued as at 31 December 2007 could be distributed - if so resolved upon by the competent corporate bodies - before the date of payment and/or the completion of the procedures related to any eventual obligation to acquire provided for by art. 108, par. 1 and 2, of TUF and/or any eventual squeeze-out right provided for by art. 111 of TUF.
Please note that on 3 March 2008, the Board of Directors of Carifirenze resolved to propose to the Shareholders' Meeting to be held on 10 April 2008, a dividend of 0.13 euro per share with payment on 29 May 2008.
Therefore, Intesa Sanpaolo will offer the parties to which the Offer is made - both within the Offer and within the eventual procedures for the obligation to acquire provided for by art. 108, par. 1 and 2, of TUF and/or for the squeeze-out right provided for by art. 111 of TUF - for the purposes of the respect of the equal treatment principle, the following alternatives:

(i) deliver the "cum dividend" Shares (that is, inclusive of the coupon to receive any dividend distributed by Carifirenze related to 2007), for a consideration of 6.735 euro; or
(ii) deliver the "ex dividend" Shares (that is, not inclusive of the coupon to receive any dividend distributed by Carifirenze related to 2007), for a unit consideration of 6.735 euro deducted the value of any dividend for 2007 collected by the holder.

The Consideration was calculated pursuant to art. 106, par. 2, of TUF, and is equal to the highest price paid by Intesa Sanpaolo and/or by Ente Firenze for the purchase of "cum dividend" shares of Carifirenze (that is, inclusive of the coupon to receive any dividend distributed by Carifirenze related to financial year 2007) in the twelve months preceding 25 July 2007, which is the date of the first communication to the market, pursuant to art. 66 of Issuers Regulation, of the transaction that, with the execution of the Share Swap, determined the obligation to launch the Offer, and its essential terms. Please note that in the period between 25 July 2007 and the date of execution of the Share Swap (on 29 January 2008), Intesa Sanpaolo and Ente Firenze did not acquire shares of Carifirenze at a price higher than the Consideration.
The acceptance period of the Offer is from 10 March to 1 April 2008. The Offer entails a maximum disbursement equal to approximately 1,720 million euro and is not subject to any condition precedent and in particular it is not conditional upon the achievement of a minimum threshold of acceptances.
For further details on the transaction see the specific communications made to the market.

Other events

Various mergers undertaken as part of the rationalisation of Group structure became effective as of 1 January 2008 and involved both Italian and international subsidiaries.
In Italy, the integration between Banca Intesa Infrastrutture e Sviluppo S.p.A. - which, as of the same date, took on the new corporate name of Banca Infrastrutture Innovazione e Sviluppo S.p.A. or in short BIIS S.p.A. - and Banca per la Finanza alle Opere Pubbliche e alle Infrastrutture S.p.A. (Banca OPI) came into effect. The operation was realised through the total spin-off of Banca OPI. BIIS maintained all the legal relationships previously referred to Banca Intesa Infrastrutture e Sviluppo S.p.A.; all assets, liabilities and legal relationships previously referred to Banca OPI were assigned completely and totally unchanged to BIIS, with the exception of the equity investments held by Banca OPI in Fin.OPI S.p.A. and in SINLOC S.p.A., which were assigned, respectively, to Intesa Sanpaolo S.p.A. and Fin.OPI S.p.A.
Leasint – the company formed from the merger by incorporation of Sanpaolo Leasint into Intesa Leasing – is also operational from the beginning of the year and it is a leading player in Italy with an overall portfolio of over 70,000 clients and 16 billion euro of loans.
As concerns presence abroad, in Albania, American Bank of Albania absorbed Banca Italo Albanese; in Serbia, Banca Intesa Beograd merged with Panonska Banka and in Hungary CIB absorbed Inter-Europa Bank. In parallel the rebranding of International Banks commenced and will proceed in 2008 in every country according to different timing and means, with the sole exception of Albania where it will occur in 2009.

On 4 February 2008, Intesa Sanpaolo and the controlling shareholders of JSC Pravex Bank, executed an agreement for the acquisition of 100% of the share capital of Pravex. Completion of the transaction is expected during the next months, after the obtainment of the necessary authorisations in Italy and Ukraine. Pravex is a commercial bank entirely dedicated to retail banking activities with households, with a network of approximately 560 branches (which represent the sixth largest network in the country), over 2,000 point-of-sale consumer finance outlets located in major commercial retails chains, and approximately 280 ATM machines. Pravex provides personal, mortgage, and auto loans and revolving credit cards and is one of the three major Ukrainian providers of point-of-sale consumer finance to approximately 1.2 million clients.

Pravex's financial statements as at 30 June 2007, prepared according to IFRS, showed total assets of approximately 1 billion dollars, loans to customers of approximately 587 million dollars – financed entirely with customer deposits of approximately 592 million dollars – and shareholders' equity of approximately 114 million dollars. For the six months ended 30 June 2007 Pravex IFRS net income amounted to 7.5 million dollars.
At closing, Intesa Sanpaolo will pay an exchange value of approximately 750 million dollars. Total consideration shall also include a post closing dollar for dollar adjustment to be based on Pravex's IFRS net book value at the date of completion.
As already reported, on 14 February, after having obtained the necessary authorisations, 36 branches of the Intesa Sanpaolo Group have been sold to Veneto Banca for a total consideration of 274 million euro. This disposal which came into effect as of 18 February 2008 includes branches located in the provinces of Imperia (5 branches), Venezia (12), Padova (7), Udine (9) and Rovigo (3).This transaction is the first step in the fulfilment of the sale-and-purchase framework agreements signed on 5 October 2007, subsequently amended and integrated, which relate to the disposal of 198 branches of the Intesa Sanpaolo Group expected to be completed by the end of this March. The above is in compliance with decision 16249 issued by the Italian Competition Authority on 20 December 2006 relative to the Banca Intesa and Sanpaolo IMI merger.
On 21 February the following further disposals have been finalised and came into effect as of 25 February 2008: 35 branches, for a total consideration of 395 million euro, to the Credito Valtellinese Group, of which 12 to Credito Artigiano in the Pavia province and 23 to Credito Piemontese in the provinces of Alessandria (4) and Torino (19); 6 branches, for a total consideration of 54 million euro, to Banca Popolare Alto Adige in the Venezia province; 43 branches, for a total consideration of 181 million euro, to Banca Popolare di Bari in the provinces of Pesaro (2), Terni (11), Napoli (15), Caserta (10) and Brindisi (5).
Finally, the sale of the remaining 78 branches - in the provinces of Torino (14), Aosta (1), Como (19), Pavia (6), Venezia (18), Padova (15), Rovigo (1) and Sassari (4) - to Banca Carige was finalised on 7 March with effect as of 10 March 2008 for a total consideration of 996 million euro.

On 20 February Intesa Sanpaolo presented to all the representative Consumers' Associations at national level a proposal to initiate a free Conciliation Procedure for the customers of the former Sanpaolo IMI who had bought Parmalat shares. The initiative is based on the positive experience gained during recent years with the conciliation procedure carried out for former Gruppo Intesa customers holding Parmalat bonds - this led to the examination of 12,000 applications of which approximately 50% were reimbursed, with joint committees being established between the firm and the associations. The extended procedure will cover approximately 24,000 customers of the former Sanpaolo IMI Group who had purchased Parmalat bonds now converted to Parmalat shares and warrants. As from 7 April 2008 customers can apply for admission to the conciliation procedure. The evaluations will again be carried out by 5 joint committees divided according to regional responsibilities. Each committee will consist of one representative of the associations and one from the Bank. They will examine applications received from customers, case by case. The committee will base their judgment on the transparency and shared criteria already used in the previous case (ability and experience with investments, consistency between the risk profile and the amount of the investment, the role played by the bank, ratings or lack of, information supplied). In the proposal the Bank undertakes to communicate the initiative to all customers who may potentially have access to the conciliation and to make available the regulatory documents containing all information relating to access to the procedure through the Subsidiaries, the offices of the Consumers' Associations and the Internet site of Intesa Sanpaolo.

SECTION 5 - OTHER ASPECTS

The merger between Banca Intesa and SANPAOLO IMI

As already reported, the merger between Banca Intesa and SANPAOLO IMI has been accounted for using IFRS 3 on business combinations. For detailed information on this specific aspect see Part G of the Notes to the consolidated financial statements.

The sale of assets to Crédit Agricole and the provision of the Italian Competition Authority

In the context of the merger between Banca Intesa and SANPAOLO IMI, the definition of relations with Crédit Agricole, a shareholder and member of the Voting Syndicate of Banca Intesa, was particularly important. On 11 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 1 March 2007 Intesa Sanpaolo and Crédit Agricole signed the contract for the purchase of the two equity stakes. Later, with effect as of 1 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 income statement for the second quarter of 2007. The remaining 173 former Banca Intesa branches under disposal were contributed to Cariparma with effect as of 1 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 recorded in Intesa Sanpaolo’s consolidated income statement 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.
Furthermore, again following the provisions of the Italian Competition Authority, Intesa Sanpaolo and Crédit Agricole decided to unwind the partnership in the asset management field.
As regards implementation of the aforesaid requests made by the Antitrust Authorities, and especially with regard to the disposal of the branches, please note that on 5 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 direct and indirect customer deposits at these branches on the date of sale.
As reported in the paragraph on significant events subsequent to the close of the year, the disposal of the aforementioned branches was finalised in February and March.
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 euro. Once these transactions have been completed, the Intesa Sanpaolo Group following the acquisition from Alleanza Assicurazioni of a 14.98% stake, holds, both directly and indirectly, a 99.97% stake of Sud Polo Vita. Authorisation from ISVAP on 22 October 2007 meant that Sud Polo Vita could start operations on 1 November. As provided under the aforesaid provision, Sud Polo Vita exclusively distributes class I, III and V insurance policies through the Banco di Napoli network, the former Banca Intesa branches in Campania, Puglia, 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 approximately 60 employees and currently manages an actuarial reserve of approximately 5.5 billion euro.

In the preparation of this Annual Report, in applying IFRS 5, the aforementioned events (with the exclusion of the Sud Polo Vita transaction) were considered by: i) recording the income statement components of Cariparma and Banca Popolare FriulAdria in the caption Income/Loss after tax from discontinued operations; ii) registering the income statement components pertaining to the branches under disposal on 1 April and 1 July 2007 and the capital gains made under the caption “Income/Loss after tax from discontinued operations”; iii) posting the balance sheet and income statement components

pertaining to the branches under disposal as at 31 December 2007, following the request from the Antitrust Authorities, under the captions recording discontinued operations.
As concerns the asset management sector, at the end of December, Intesa Sanpaolo acquired from the Crédit Agricole Group the asset management activities of Nextra sold to Crédit Agricole in December 2005.

Other aspects

The Intesa Sanpaolo Group used the faculty contained in Art. 82, par. 2, of Issuers Regulation 11971 of 14 May 1999 and subsequent amendments, of making the draft Parent Company's financial statements and the draft consolidated financial statements as at 31 December 2007 available for Shareholders and the market within 90 days from the end of period – instead of the quarterly report as at the same date. The quarterly development of the income statement is also presented for the purpose of providing the market consistent information with that disclosed in the previous interim reports.
It must be noted that Intesa Sanpaolo prepared and published in the terms and according to the means set out by Consob, Consolidated reports as at 31 March 2007, as at 30 June 2007 (which was subject to a limited audit by Reconta Ernst & Young) and as at 30 September 2007.
Reconta Ernst & Young audited the Consolidated financial statements as at 31 December 2007, in execution of the resolution of the Shareholders' Meeting of 20 April 2006, which appointed it independent auditor for the years from 2006 to 2011, included.

Option for the national fiscal consolidation provisions

Intesa Sanpaolo and the Group's Italian companies (with the exclusion of Banca di Trento e Bolzano, FinBTB, Cassa dei Risparmi di Forlì e della Romagna and the newly-established companies: Sud Polo Vita, Banca Prossima and IMMIT) have adopted the so-called "national fiscal consolidation", set forth by Articles 117-129 of the new Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides for an option, based on which the total net income or fiscal loss of every controlled subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries and, consequently, a sole tax debit/credit).
Based on this option, Group companies which opted for the "national fiscal consolidation" determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent Company. If one or more companies have a negative taxable income, in presence of a consolidated income in the year or of highly probable future taxable incomes, the fiscal losses are transferred to the Parent Company.

A. 2 – MAIN FINANCIAL STATEMENT CAPTIONS

The Accounting principles adopted in the preparation of the Annual report 2007 have remained unchanged with respect to those adopted for Gruppo Intesa's Annual report 2006. 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. 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. In particular, in application of IAS 19 "Employee Benefits", Employee termination indemnities until 31 December 2006 were 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 1 January 2007 the reform of supplementary social security as per Legislative Decree 252 of 5 December 2005, each employee had to decide to allocate the Employee termination indemnities under accrual as of 1 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 31 December 2006, and to the amounts under accrual as of 1 January 2007. In particular:

- employee termination indemnities accrued from 1 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 31 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 31 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 1 January 2007.

Following the change in applicable regulations, Employee termination indemnities as at 31 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 income statement. The positive effect recorded in the 2007 income statement amounted to 255 million euro before tax.

The following illustration of accounting principles adopted by Intesa Sanpaolo refers to the following phases: classification, recognition, measurement and derecognition of asset and liability captions. For each of these phases the description of related economic effects, if significant, is also indicated.

1. Financial assets held for trading

Classification criteria

This category includes debt securities and equities and the positive value of derivative contracts held for trading. Derivative contracts also include those embedded in combined financial instruments which are subject to separate accounting when:

- their characteristics and risks are not closely related to the characteristics of the host contract;
- embedded instruments, even though separate, fully meet the definition of derivative;
- combined instruments are not measured at fair value with changes in fair value recognised through profit and loss.

Recognition criteria
Initial recognition of financial assets occurs at settlement date, for debt securities and equities and at trade date for derivative contracts.
On initial recognition, financial assets held for trading are recorded at fair value, without considering transaction costs or revenues directly attributable to the instrument.
Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to meet the definition of derivative are recorded separately from the host contract at fair value.

Measurement criteria
After initial recognition financial assets held for trading are recorded at fair value. The effects of the application of this measurement criterion are recorded in the income statement.
For the determination of the fair value of financial instruments quoted on active markets, market quotes are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc. Equities and derivative instruments which have equities as underlying assets, for which it is not possible to determine a reliable fair value according to the guidelines listed above, are maintained at cost.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their ownership has been transferred.
In case it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when, even partial, control is maintained, then the assets continue to be recognised for the entity’s continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

2. Financial assets available for sale

Classification criteria
The present category includes the financial assets that do not fall within any of the other categories such as Loans, Financial assets held for trading, Investments held to maturity or Financial assets designated at fair value through profit and loss. In particular, this caption is made up of i) bonds which are not held for trading and which are not included in Loans, in Investments held to maturity or designated at fair value through profit and loss, ii) equity investments which are not held for trading and do not qualify as investments in subsidiaries, associates or entities subject to joint control, including private equity investments and private equity funds as well as iii) the portions of syndicated loans that, from inception, are destined for sale.

Recognition criteria
Initial recognition of the financial asset occurs at settlement date for debt securities and equities and at disbursement date for loans.
On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument. If, in the cases provided for by accounting principles, recognition occurs following the reclassification of Investments held to maturity, recognition value is represented by fair value at the time of transfer.

Measurement criteria
After initial recognition, Financial assets available for sale are measured at fair value, through the registration in the income statement of the value corresponding to amortised cost, while gains or losses

deriving from a change in fair value are recorded in a specific reserve in shareholders' equity, until the financial asset is derecognised or a permanent loss occurs. On the sale of the financial asset or on recognition of a loss, the cumulated profit or loss must be reversed, all or in part, to the income statement.
Fair value is determined on the basis of criteria already illustrated for financial assets held for trading.
Equities included in this category and any derivative instruments which have equities as underlying assets, for which it is not possible to determine a reliable fair value, are maintained at cost.
Financial assets available for sale are assessed to identify if they show objective evidence of a decline in fair value.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate, or through specific valuation methodologies as concerns equities.
If the reasons for impairment cease to exist, following an event which occurred after the registration of the impairment, value recoveries are posted through the income statement in the case of loans or debt securities, and through shareholders' equity in the case of equities. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their ownership has been transferred.
In case it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when, even partial, control is maintained, then the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

3. Investments held to maturity

Classification criteria
Listed debt securities with fixed or determinable payments and fixed maturity, which the entity has the positive intention and ability to hold to maturity, are classified in this category.

Recognition criteria
Initial recognition of financial assets occurs at settlement date.
On initial recognition financial assets classified in the present category are recorded at fair value, inclusive of any costs and revenues directly attributable to the asset. If inclusion in this category occurs following the reclassification of Financial assets available for sale, the fair value of the asset at the date of reclassification is used as the new amortised cost of the asset.

Measurement criteria
After the initial recognition, Investments held to maturity are valued at amortised cost, using the effective interest method.
Profits or losses referred to investments held to maturity are recorded in the income statement when assets are derecognised or impaired, and through the amortisation process of the difference between book value and the value reimbursable at maturity.
Investments held to maturity are assessed to identify if they show objective evidence of possible impairment.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the income statement.

If the reasons for impairment cease to exist following an event which occurred after the registration of impairment losses, value recoveries are posted through the income statement. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their ownership has been transferred.
In case it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when, even partial, control is maintained, then the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

4. Loans

Classification criteria

Loans include loans to customers and due from banks, both disbursed directly and acquired by third parties, which entail fixed or in any case determinable payments, which are not quoted on an active market and which are not classified at inception in Financial assets available for sale.
The caption Loans to customers also includes commercial loans, repurchase agreements with the obligation to resell at a later date, and securities underwritten at issue or via private placements, with determined or determinable payments, not quoted in active markets.

Recognition criteria

Initial recognition of a loan occurs at date of subscription of the contract that normally coincides with disbursement date, based on the fair value of the financial instrument, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.

Measurement criteria

After initial recognition, loans are measured at amortised cost, equal to initial value increased/decreased by principal repayments, adjustments/recoveries and amortisation – calculated applying the effective interest method – of the difference between amount disbursed and amount to be reimbursed at maturity, typically attributable to the costs/revenues directly connected to the single loan. The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual maturity of the loan.
The amortised cost method is not used for loans whose short maturity implies that the application of the discounting approach leads to immaterial effects. Such loans are recorded at historical cost. An analogous measurement criterion is applied to loans with unspecified maturity or with notice period.
Loans are reassessed for the purpose of identifying those which, due to events occurred after initial recognition, show objective evidence of possible impairment. These include doubtful loans, substandard, restructured or past due loans according to the rules issued by the Bank of Italy, consistent with IAS/IFRS regulations.
Such non-performing loans are subject to an individual assessment process and the adjustment of each loan is equal to the difference between carrying value at the time of valuation (amortised cost) and present value of expected future cash flows, calculated applying the original effective interest rate.

Forecast future cash flows consider expected recovery times, presumed recoverable amount of any guarantees as well as costs which it is deemed will be sustained for the recovery of the exposure.
The original effective rate of each loan remains unchanged over time even though the relationship has been restructured with a variation of the contractual interest rate and even though the relationship, in practice, no longer bears contractual interest.
The adjustment is recorded in the income statement.
The original value of loans is reinstated in subsequent periods to the extent that the reasons which had led to the impairment cease to exist, provided that such valuation is objectively attributed to an event which occurred subsequent to the impairment. The recovery is recorded in the income statement and must not lead the carrying amount of the loan to exceed the amortised cost had no impairment losses been recognised in previous periods.
Recoveries on impairment include time value effects.
Loans for which no individual evidence of impairment exists are subject to collective measurement. This measurement occurs for groups of loans with the same credit risk characteristics and the relevant percentage losses are estimated considering historical loss data, based on objective elements observable at measurement date, which enable to estimate the intrinsic loss for each loan category. The valuation also considers the risk of the borrower's country of residence.
Collective adjustments are recorded in the income statement.

Derecognition criteria
Loans sold are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the loans. Conversely, if a significant part of the risks and rewards relative to the sold loans is maintained, they continue to be recorded in assets, even though their ownership has been transferred.
In case it is not possible to ascertain the substantial transfer of risks and rewards, the loans are derecognised where no control over the loans has been maintained. If this is not the case, when, even partial, control is maintained, then the loans continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of loans sold and to variations in the relevant cash flows.
Lastly, loans sold are derecognised if the entity retains the contractual rights to receive the cash flows of the loan, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

5. 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.
Intesa Sanpaolo classified in this category only certain debt securities with incorporated derivatives or debt securities subject to financial hedging.
Financial assets designated at fair value through profit and loss are recorded in the balance sheet at fair value, usually equal to the consideration paid. Any subsequent measurement of changes of fair value is recorded in the income statement.

6. Hedging transactions

Types of hedges
Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such risk should actually occur.
The following types of hedging transactions are used:
- fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or on a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities with fair value hedges, including "core deposits", as permitted by IAS 39 endorsed by the European Commission;
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is used to

stabilise the interest flow on variable rate funding to the extent that the latter finances fixed rate investments;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in foreign currency.

Only hedging transactions which involve counterparties outside the Group may qualify for hedge accounting.

Measurement criteria
Hedging derivatives are measured at fair value. In particular:
- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (as concerns the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect;
- in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

Derivatives are designated as hedging instruments if there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective at inception and prospectively over the entire period of the hedge.
The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction.
A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is in the limits set out by the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.
Effectiveness is assessed at every close of annual or interim financial statements using:
- *prospective tests*, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- *retrospective tests*, which highlight the degree of hedge effectiveness reached in the period to which they refer. In other words, they measure to what extent results achieved differ from perfect hedging.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet.

7. Investments in associates and companies subject to joint control

Recognition, classification and measurement criteria
The caption includes investments in companies subject to joint control and associates.
Companies are considered as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by Intesa Sanpaolo, directly or indirectly, and another entity. Furthermore, a company is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the company is shared based on contractual agreements with other entities.
Companies are considered associates, that is subject to significant influence, when the Parent Company, directly or indirectly, holds at least 20% of voting rights or if the Parent Company – with a lower equity stake – has the power of participating to the determination of financial and management policies of the company based on specific juridical relations, such as the participation to voting syndicates.
Certain companies in which Intesa Sanpaolo, directly or indirectly, holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguard of its economic interests.
The caption also includes the equity stake in Bank of Italy.

If there is evidence of impairment, recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.
If recoverable amount is lower than carrying value, the difference is recorded in the income statement.
If the reasons for impairment are removed following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

Derecognition criteria
Investments in associates and companies subject to joint control are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold transferring substantially all the risks and rewards connected to the assets.

8. Property and equipment

Classification criteria
Property and equipment include land, buildings used in operations, investment property, technical plants, furniture and fittings and any type of equipment.
They are tangible items that are held for use in the production or supply of goods or services, for rental to third parties and are expected to be used during more than one period.
The caption also includes the goods used in financial lease contracts, even though the ownership remains in the books of the leaser.

Recognition criteria
Property and equipment are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be operational.
Extraordinary maintenance expenses which lead to a rise in future economic benefits are attributed to increase the value of assets, while other ordinary maintenance costs are recorded in the income statement.

Measurement criteria
Property and equipment, including investment buildings, are measured at cost, net of depreciation and impairment losses.
Property and equipment are systematically depreciated, adopting the straight-line method over their useful life. Depreciable amount is represented by the cost of the good since the residual value at the end of the depreciation period is not deemed to be significant. Buildings are depreciated for a portion deemed to be fit to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in carrying value of the assets.
The following are not depreciated:
- land, irrespectively of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life;
- works of art, since the useful life of a work of art cannot be estimated and its value is normally destined to increase over time.

If there is some evidence that an asset may have been impaired, carrying value of the asset and its recoverable amount are compared. Any impairment losses are recorded in the income statement.
If the reasons for impairment cease to exist, a value recovery is recorded which may not exceed the value that the asset would have had, net of depreciation, determined in absence of previous impairments.

Derecognition criteria
Property and equipment are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

9. Intangible assets

Classification criteria

Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include goodwill, which represents the positive difference between purchase cost and fair value of assets and liabilities pertaining to the acquired company.

Recognition and measurement criteria

Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets are realised and if the cost of the asset may be reliably determined. If this is not the case the cost of the intangible asset is recorded in the income statement in the year in which it was sustained.
For assets with finite useful life, the cost is amortised on a straight-line basis or in decreasing portions determined on the basis of the economic benefits expected from the asset. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment test.
If there is any indication that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the income statement, is equal to the difference between the book value of the assets and the recoverable amount.
In particular intangible assets include:

- technology related intangibles, such as software, which are amortised on the basis of their obsolescence and over a maximum period of five years;
- customer related intangibles represented, in business combinations, by asset management, insurance and core deposits portfolios. Such assets, all with a finite life, are originally measured by discounting the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. They are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration or in decreasing portions corresponding to the duration of the contract in case of relations with predetermined expiry. More specifically, asset management relations are amortised over a period of 8-10 years, core deposits in 18 years and relations from insurance contracts in decreasing portions corresponding to the residual maturity of the policies;
- marketing related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered with indefinite life since it is deemed to contribute for an indefinite period of time to the formation of income flows.

Lastly, intangible assets include goodwill.
Goodwill may be recorded when the positive difference between fair value of shareholders' equity acquired and the purchase cost of the equity investment (inclusive of accessory costs) is representative of the future income-generation potential of the equity investment.
If such difference should be negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the income statement.
Once a year (or every time that there is evidence of impairment losses) an impairment test is carried out for goodwill. This requires the identification of the cash-generating unit to which goodwill is allocated. The cash generating units of the Intesa Sanpaolo Group correspond to the operating divisions presented in segment reporting. Any impairment losses are determined on the basis of the difference between the recognition value of goodwill and its recoverable amount, if lower. Such recoverable amount is equal to the higher between the fair value of the cash-generating unit, less any cost to sell, and the relative value in use. The consequent adjustments are posted in the income statement.

Derecognition criteria

Intangible assets are derecognised from the balance sheet on disposal and if no future economic benefits are expected.

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

Non-current assets/liabilities for which a disposal process has commenced and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. Such assets/liabilities are measured at the lower between carrying value and their fair value less costs to sell.

The income and charges (net of tax impact) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the income statement in a separate caption.

11. Current and deferred tax

Income tax, calculated according to domestic tax regulations, is accounted for as a cost in compliance with the accruals concept, in line with the method followed to include, in the financial statements, the costs and income that generated them. Therefore, they represent the balance of current and deferred taxation relating to the net result for the period. Current tax assets and liabilities include the tax balances of the Bank due to the relevant Italian and foreign tax authorities. More specifically, these captions include the net balance of current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax charges due for the period, assessed according to the tax regulations currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes borne or tax credits of previous years that the Bank claimed against taxes payable in future years.

Current tax assets also include tax credits in respect of which a tax refund claim has been filed by the Bank with the relevant tax authorities.

Considering the Group's adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.

Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.

Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden and to the deductible temporary differences if these are likely to be recovered. Deferred tax assets and liabilities related to the same tax and due in the same period are compensated.

In the years where deductible temporary differences are greater than taxable temporary differences, the related deferred tax assets are included under balance sheet assets among "deferred tax assets". On the other hand, in the years where taxable temporary differences are greater than deductible temporary differences, the related deferred taxes are included under balance sheet liabilities among deferred tax liabilities.

If deferred tax assets and liabilities refer to items affecting the Income statement, the counterbalance is represented by income taxes.

Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, evaluations of available-for-sale financial assets or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).

Deferred taxation on equity reserves that will become taxable "however used" is charged against shareholders' equity. Deferred taxation relating to revaluations arising on conversion to the euro, credited directly to a specific reserve named "Reserve pursuant to article 21 of Legislative Decree 213/98", which qualify for deferred taxation, is charged directly against this reserve. No provision is made for reserves subject to taxation only in the event of distribution, since the size of the available reserves which have already been taxed, gives rise to the belief that the Bank will not undertake any transactions which may lead to tax the untaxed reserves.

Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.

Deferred taxation on shareholders' equity items of consolidated companies is not recorded in the financial statements if it is unlikely that any tax liability will actually arise, also bearing in mind the permanent nature of the investment.

12. Allowances for risks and charges

Post employment benefits

Company post employment benefits are set up based on agreements and qualify as defined benefit plans. Liabilities related to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected Unit Credit Method. This method sets out that future obligations are forecast using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each period of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The rate used to discount future flows is the average market yield curve on measurement dates. The present value of the liability at the reference date of the financial statements is also adjusted by the fair value of any plan assets.

Actuarial profits and losses are recognised in the income statement, on the basis of the "corridor approach" only for the part of profits and losses which are not recorded at the end of the previous period which exceeds the higher between 10% of the present value of the defined benefit obligation and 10% of fair value of plan assets; this excess is recorded in the income statement on the basis of the expected average remaining working life of the participants to the plan or in the year in the case of retired personnel.

Other allowances

Other allowances for risks and charges record provisions related to legal obligations or connected to labour relationships or to litigations, also fiscal, originated from a past event for which a disbursement will probably arise to settle the obligations, provided that the amount of the disbursement may be estimated reliably.

Where time value is significant, provisions are discounted using current market rates. Provisions and increases due to time value are recorded in the income statement.

The caption also includes long-term benefits to employees, whose charges are determined with the same actuarial criteria described for post employment benefits. Actuarial profits and losses are all immediately recognised in the income statement.

13. Payables and securities issued

Classification criteria

Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.

It also includes the payables recorded by the bank in the capacity of leasor in financial lease transactions.

Recognition criteria

Initial recognition of such financial liabilities occurs at the date of subscription of the contract, which normally coincides with the time of collection of the sums deposited or the issue of debt securities.

Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.

An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.

Derecognition criteria
Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the income statement.
Placement of own securities, after their repurchase, is considered a new issue with recognition at the new placement price.

14. Financial liabilities held for trading
The caption includes the negative value of fair value measurement of derivatives held for trading as well as the negative value of embedded derivatives in combined contracts but which are not closely correlated to the latter. It also includes liabilities determined by short selling generated by securities trading activities.
All financial liabilities held for trading are measured at fair value through profit and loss.

15. Financial liabilities designated at fair value through profit and loss
The Intesa Sanpaolo 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 reported, 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 income statement.
Bonds issued by subsidiaries whose return is correlated to the performance of investment fund portfolios are also designated at fair value and recorded as balance sheet 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 as at the date of issue is recorded in the income statement on an accrual basis over the bond life term.

16. Foreign currency transactions

Initial recognition
Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Reporting at subsequent balance sheet dates
At every close of annual or interim financial statements, captions in foreign currency are measured as follows:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit and loss in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit and loss, any exchange component of that gain or loss is recognised through profit and loss.

17. Insurance assets and liabilities

Insurance products

Products for which insurance risk is deemed significant include, among other things: 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 income statement under income; they include all amounts matured during the year as a result of insurance contracts signed, net of cancellations; likewise, all premiums ceded to reinsurers are recorded under current year 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 shareholders' equity as regards the insurance companies' portion. If, on the other hand, the securities are recorded at fair value in the income statement, the difference between the book value and the market value is recorded in the income statement 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 retrocession 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 income statement;
- the Group deems the discretional participation in profits (DPF) is equal to the quotas for contractual retrocession 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;
- the products are evaluated 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 are essentially index-linked policies and part of the unit-linked ones, 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 evaluated at fair value, whereas the specific asset products not included under separate management are valued at amortised cost;
- the income statement 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 or 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 income statement 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.

18. Other information

Treasury shares

Any treasury shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

Accruals, prepayments and deferrals

Accruals, prepayments and deferrals for the year which include income and charges for the period, matured on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities they relate to.

Leasehold improvements

The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. Such costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

Employee termination indemnities

Following the coming into effect of the Finance Law 2007, which anticipated to 1 January 2007 the reform of supplementary social security as per Legislative Decree 252 of 5 December 2005, employee termination indemnities refer to the sole portion accrued until 31 December 2006. It represents a "post employment benefit" classified as "defined benefit plan" and is therefore recognised in the financial statements on the basis of the actuarial value determined using the "Projected Unit Credit Method" without applying the pro-rata of the service rendered. This stems from the consideration that current service cost of employee termination indemnities, accrued as at 1 January 2007, was almost entirely already accrued and for its revaluation for the years to come, it will not lead to significant benefits for employees.
For the purposes of actualisation, the rate used is the average market yield curve on measurement dates, weighted based on percentage amount paid and advanced, for each maturity with respect to the total to be paid and advanced until the expiry of the entire obligation.
Costs to service the plan are accounted for in personnel expenses as the net amount of interest accrued and any expected income plan assets and actuarial gains and losses. The latter are recorded using the "corridor approach" that is as the excess cumulated actuarial gains/losses, recorded at the end of the previous period with respect to 10% of present value of the defined benefit obligation. This excess is recorded in the income statement on the basis of the expected average remaining working life of the participants to the plan.
Following the reform, the employee termination indemnities accrued from 1 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, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation methodologies.

Provisions for guarantees and commitments

Provisions made on an individual and collective basis, relative to estimated possible disbursements connected to credit risk relative to guarantees and commitments, determined applying the same criteria set out above with respect to loans, are recorded under Other liabilities, as set out by the Instructions of the Bank of Italy.

Share-based payments
Share-based payments are recorded in the income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.
In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned. The combination of the two values supplies the fair value of the assigned instrument.
Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

Recognition of revenues and costs
Revenues are recognised when they are collected or, in case of sale of goods or products, when it is probable that the economic benefits will be received and these benefits may be measured reliably, in case of services, when these have been rendered. In particular:
- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost;
- overdue interest, which may be provided for by the relevant contracts is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement in the financial year when their distribution is approved;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered;
- revenues from the sale of financial instruments, determined by the difference between transaction amount paid or received and the fair value of the instrument, are recognised in the income statement at the time of the transaction if the fair value is determinable with reference to parameters or transactions recently closed on the same market. If such values are not easily observable or present a reduced liquidity, the financial instrument is recognised at a value equal to the price of the transaction, net of the commercial margin; the difference with respect to the fair value is recorded in the income statement during the life of the transaction via a progressive reduction, in the valuation model, of the corrective factor connected to the scant liquidity of the instrument;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, unless most of the risks and rewards related to the asset are maintained.

Revenue and costs are recorded in the income statement for the periods to which their income relates. If matching can only be attributed generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately charged to the income statement.

Use of estimates and assumptions in preparing the financial statements
The preparation of financial statements requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the potential assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, often founded on past experience, which are used to formulate reasonable assumptions to be made in measuring operating phenomena. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.
The main cases for which subjective evaluations are required to be made by management include:
- the measurement of impairment losses on loans and, generally, other financial assets;
- the determination of the fair value of financial instruments to be used in statement schedules;
- the use of measurement models for determining the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;

- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets;
- the demographic (linked to the estimated mortality of ensured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the bases for calculating integrative reserves.

Fair value measurement

The fair value is the amount for which an asset may be exchanged or a liability settled between knowledgeable, willing counterparties in an arm's length transaction. Underlying the definition of fair value is an assumption that an entity is a going concern without any need to liquidate or curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value reflects the credit quality of the instrument since it incorporates counterparty risk.

Financial instruments

For financial instruments, the fair value is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other financial instruments.

A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency. The following instruments are considered quoted on an active market which respects the characteristics indicated above: mutual funds, spot exchange rates, futures, options, equities listed on a regulated market and bonds for which it is possible to continuously derive at least a bid and ask price on a quotation service with a bid-ask spread under an interval deemed to be congruous. Lastly, also hedge funds are considered quoted on an active market if they provide for a monthly liquidation of the quotas or, if they do not, if they present liquidability conditions no higher than four months. Conversely, all other securities, derivatives and hedge funds which do not fall in the categories described above are not considered quoted on an active market.

For financial instruments quoted on active markets the current bid price is used for financial assets and the current asking price for financial liabilities, struck on the most advantageous active market to which Banca Intesa had access at the close of the reference period.

For financial instruments for which the bid-ask spread is scarcely significant or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.

In the case of absence of an active and liquid market the fair value of financial instruments is mostly determined via the use of valuation techniques which have the objective of establishing the price of a hypothetical arm's length transaction, motivated by normal business considerations, at measurement date. Valuation techniques incorporate all factors that market participants consider in setting a price: time value using the risk free rate, insolvency risk, prepayment and surrender risk, volatility of the financial instrument, as well as, if relevant, foreign exchange rates, raw material prices and stock prices.

In the presence of high risk or parameters which are not directly observable on the market for more innovative financial products, the fair value resulting from valuation techniques is prudentially decreased through the application of a correction factor, determined on the basis of the degree of complexity of the valuation model used and the liquidity of the financial instrument. Since liquidity risk tends to decrease as the instrument reaches maturity, the aforementioned correction factor is multiplied by a number which decreases on the basis of the financial product's residual life.

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.

As concerns bonds and derivatives, valuation techniques have been defined and refer to current market values of similar instruments, to the time value and to option pricing models, marginally referring to the specific elements of the entity being valued and considering the parameters deductible from the market. The identification and application of the latter is carried out on the basis of the liquidity, depth and transparency of reference markets. When using a calculation model, the need to make an adjustment to incorporate counterparty credit risk is considered.

In particular, bonds are measured by discounting future cash flows provided for in the contract, adjusted to consider issuer risk.

For derivatives, in consideration of their number and complexity, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.
For equities a hierarchy and an order of valuation techniques have been developed which considers: direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, comparable transactions of companies operating in the same sectors and offering products/services similar to those of the equity investment to be measured, the application of average significant market multiples of comparable companies with respect to balance sheet and income statement aggregates of the equity investment and, lastly, financial, equity and balance sheet individual valuation methods.
As concerns loans available for sale and assets and liabilities measured at cost or amortised cost, fair value for balance sheet purposes or included in the Notes to the consolidated financial statements is calculated as set out below:

- for medium- and long-term assets and liabilities, other than initial disbursements, measurement is mainly carried out by discounting future cash flows. This is defined applying a risk neutral approach, that is using a risk-free rate and correcting contractual future cash flows to consider the counterparty's credit risk, represented by the parameters Probability of Default (PD) and Loss Given Default (LGD);
- for on demand assets and liabilities, with short or indefinite maturities and for initial disbursements, book value net of collective/individual adjustments, represents a good proxy of fair value;
- for securities issued with floating rates and with fixed rates and short-term maturities, book value at inception is deemed to be a reasonable proxy of the fair value considering that it reflects both the changes of the yield curve and the valuation of the credit risk associated to the issuer;
- for securities issued with fixed rates and a medium- or long-term maturity and for structured bonds with fair value hedges, the book value determined for the purposes of hedge accounting already considers market risk. For these securities, in the determination of the fair value indicated in the Notes to the consolidated financial statements, changes in the credit spread are not considered because of their immateriality.

Non-financial assets

As concerns investment property, for which the fair value is calculated only for the purposes of information to be provided in the Notes to the consolidated financial statements, reference is made to values determined, mainly via independent expert opinions, considering transactions at current prices in an active market for similar real estate properties, in the same location and conditions as well as subject to similar conditions in terms of rentals and other contracts.

Amortised cost measurement

Amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the net carrying amount of the financial asset or financial liability. For the calculation of the present value the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability – or for a shorter period when certain conditions recur (for example review of market interest rates).
After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost is different depending on the fact that financial assets/liabilities have fixed or variable rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the financing. For financial assets/liabilities with variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.

Loans, investments held to maturity and financial assets available for sale, payables and securities issued are measured at amortised cost.

Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.

Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the client. Such commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for distribution, for non-use, for advance termination, for underwriting, for facility and arrangement. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions of services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction and, lastly, intergroup costs and income.

With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation to syndicated loans and lastly, up-front commissions correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front commissions correlated to loans disbursed at rates under market rates, income for the participation of syndicated loans and brokerage commissions received.

As concerns securities not classified as held for trading, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since immaterial.

For securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and compensation paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/review expenses for the annual update of prospectuses, the costs for the use of indexes and commissions which originate during the life of the bond issue.

Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective interest rate of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous registration in the income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, also structured assets and liabilities which are not recognised at fair value through profit and loss for which the embedded derivative has been separated from the financial instrument are measured at amortised cost.

The amortised cost measurement criteria is not applied to financial assets/liabilities hedged for which fair value changes related to the risk hedged are recorded through profit and loss. The financial instrument is again measured at amortised cost in case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraph relative to measurement criteria of due to and from banks and customers and securities issued, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable.

Impairment of assets

Financial assets

At every balance sheet date financial assets not classified in Financial assets held for trading are subject to impairment test for the purpose of assessing if there is objective evidence for deeming that the carrying value of such assets is not fully recoverable.
A permanent loss occurs if there is objective evidence of a reduction in future cash flows with respect to those originally estimated, following specific events; the loss must be quantified in a reliable way and must be incurred and not merely expected.
The measurement of impairment is carried out on an individual basis for financial assets which present specific evidence of losses and collectively for financial assets for which individual measurement is not required or which do not lead to adjustments. Collective measurement is based on the identification of portfolios of financial assets with the same risk characteristics with respect to the borrower/issuer, the economic sector, the geographic area, the presence of any guarantees and other relevant factors.
With reference to loans to customers and due from banks, positions attributed the status of doubtful, substandard, restructured or past due according to the definitions of Bank of Italy, consistent with IAS/IFRS, are subject to individual measurement.
Such non-performing loans undergo an individual measurement process and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider expected recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure. Cash flows relative to loans which are deemed to be recovered in the short term are not discounted, since the time value is immaterial.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series, founded on observable elements at measurement date, that enable to estimate the value of the latent loss in each loan category. Measurement also considers the risk connected to the borrower's country of residence.
The determination of provisions on performing loans is carried out identifying the highest possible synergies (as permitted by the various legislations) with the supervisory approach contained in the "New capital accord" generally known as Basel 2. In particular, the parameters of the calculation model set out in the new supervisory provisions, namely, Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation. The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarise the relevant factors considered by IAS/IFRS for the determination of the homogenous categories and for the calculation of provisions. The time period of a year used for the determination of the probability of default is considered suitable to approximate the notion of incurred loss, that is, the loss based on current events but not yet included by the entity in the review of the risk of the specific customer, set forth by international accounting principles.
For financial assets available for sale, a negative change in fair value is considered impairment only if the loss is deemed to be a reduction in value; in this case cumulated loss recorded in the year and any valuation reserve are registered in the income statement. The impairment test is applied if one of the following conditions occurs: decrease in the fair value exceeding 20% of the original book value or decrease in the fair value persisting for a period of 24 months. Furthermore, for equities, the presence of one of these two elements is considered objective evidence of impairment: decrease in the rating by over 2 notches, market capitalisation significantly under book value, the launch of a debt restructuring programme, a significant contraction in book value of shareholders' equity.
For the valuation techniques used to calculate fair value, see the relevant chapter.

Investments in associates and companies subject to joint control

Consolidated direct and indirect investments are subject to the impairment test; in particular, with reference to goodwill recorded in the Intesa Sanpaolo Group's consolidated financial statements, deriving from the registration of investments at a value exceeding the relevant shareholders' equity, the impairment test is conducted via the estimate of the recoverable amount of cash-generating units represented by the juridical entity or by a specific business to which such goodwill has been allocated.

The impairment test is conducted on an annual basis for each investment which leads to recording goodwill in the Parent Company or consolidated financial statements, and only in the presence of signs of impairment (represented by the situations already indicated above with reference to financial assets available for sale) for the remaining investments.
The impairment test entails the determination of recoverable amount, represented by the higher between fair value less costs to sell and value in use.
As concerns valuation techniques used to calculate fair value less costs to sell, see the relevant chapter.
Value in use is the present value of expected future cash flows from the asset undergoing the impairment process; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors such as for example the illiquidity of the asset, which may affect the appreciation by market participants of expected future cash flows from the asset.
Value in use is determined by discounting future cash flows (DCF - Discounted Cash Flow).

Other non-financial assets
Property, equipment and intangible assets with definite useful life are subject to impairment test if there is the indication that the book value of the asset may no longer be recovered. Recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use if determinable and if it is higher than fair value.
As concerns property, fair value is mostly determined on the basis of an opinion prepared by an independent expert. The expert opinion is periodically renewed every time there is a change in real estate market trends which might lead to deem that previous estimates are no longer accurate and in any case every three years. Impairment is recorded only in the case that the fair value less costs to sell or value in use is lower than carrying value for a continuous period of three years.
For other property, equipment and intangible assets (other than goodwill) it is assumed that carrying value normally corresponds to value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment, in case of damages, exit from the production process or other similar non-recurring circumstances.

Business combinations
The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.
For this purpose the transfer of control occurs when more than one-half of the voting rights is acquired, or when, even if the combining entity does not acquire more than one-half of the other entity's voting rights, control is obtained since, as a consequence of the combination, the acquirer has the power: (i) over one-half of voting rights of another company, by virtue of an agreement with other investors, (ii) to govern the financial and operating policies of the other entity on the basis of Articles of Association or an agreement, (iii) to appoint or remove the majority of the members of the company's governing body, (iv) to cast the majority of the votes at meetings of the company's governing body.
IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity stakes, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.
The acquisition, and therefore the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange normally coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.
The cost of a business combination must be determined as the sum of (i) fair value, at transaction date, of assets sold, liabilities undertaken and capital instruments issued by the acquirer in exchange of acquisition of control; (ii) any accessory costs directly attributable to the business combination.
In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments) purchase price is the agreed-upon consideration. In case settlement does not occur in the

short-term, fair value of any deferred component is calculated by discounting the amounts payable to their present value; in case payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see the relevant paragraph and note that, in case of shares listed on active markets, fair value is represented by stock exchange quotations at acquisition date or, should that not be available, the last quotation available.
Purchase cost at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration is not included in purchase cost since it is already considered either in the fair value of equity instruments or as a reduction in the premium or an increase in the discount on the initial issue of debt instruments.
For the purpose of determining the cost of the business combination, the price identified as illustrated above is increased by the external costs sustained to execute the transaction such as, for example, professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees. The cost of the business combination excludes any future costs which might be sustained following the acquisition of control since they do not represent liabilities supported or acquired by the acquirer in exchange of control over the acquired entity (for example costs sustained after the obtaining of control to determine the fair value of assets and liabilities, costs for organisational, IT or legal advice which refers to the integration of operations and not the acquisition itself), integration costs, costs for the quotation and issue of financial liabilities which are an integral part of the operation of issue of liabilities as provided for by IAS 39.
Business combinations must be accounted for using the “purchase method” which entails the registration (i) of assets, liabilities and contingent liabilities acquired at their fair value at acquisition date including any identifiable intangible assets not recognised in the acquiree’s financial statements, (ii) of minority interests proportionally to their interest in the net fair values of such elements, (iii) of goodwill pertaining to the Group determined as the difference between the cost of the business combination and the interest held in the net fair value of the identifiable assets, liabilities and contingent liabilities. The difference is allocated to the Cash-generating units identified within the Intesa Sanpaolo Group. Any positive difference between the Group’s interest in the net fair value of assets, liabilities and contingent liabilities acquired and the cost of the business combination is recorded in the income statement.
The identification of the fair value of assets, liabilities and contingent liabilities of the acquired entity may be provisionally determined within the end of the year in which the combination is realised and must be definitively determined within twelve months from acquisition date.
If control is achieved in stages, each transaction is registered separately and assets, liabilities and contingent liabilities acquired are recorded at fair value on the date of each exchange transaction. In particular, for every purchase of an interest, deemed to be qualified, the fair value of assets and liabilities is identified, within the limits of materiality. On the date of realisation of the business combination, that is on the date of acquisition of control, the portion of assets and liabilities acquired before the acquisition is revalued and the revaluation is recorded in shareholders' equity.
Registration of further minority stakes in already-controlled companies occurs based on the so-called ‘economic entity” theory, which states that the consolidated financial statements represent all the resources available for the company intended as an entity which is economically autonomous from those who exercise control over the company. Therefore, considering the group as a whole the differences between acquisition cost and book value of acquired minority stakes are posted under the Group’s shareholders' equity. Likewise, sales of minority stakes without the loss of control do not generate profits/losses in the income statement but changes in the group’s shareholders' equity.
The following combinations are outside the scope of IFRS 3: transactions aimed at acquiring control over one or more entities which are not part of the company’s business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (so-called business combinations involving entities under common control). Such transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – that the reporting entity must use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the transaction,

these are accounted for safeguarding the consistency of the values of the acquiree in the financial statements of the acquirer.
Mergers are examples of concentrations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.
Mergers which entail the establishment of a new legal entity and mergers by incorporation (which entail that an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:

- if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
- if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values of the merged company.

Criteria for the preparation of segment reporting

The attribution of economic and balance sheet results to the various sectors 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 allowed 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 evolution of the new organisational model, six areas of activities with specific operating characteristics have been identified: Banca dei Territori, Corporate & Investment Banking, Public Finance, International Subsidiary Banks, Eurizon Capital and Banca Fideuram. 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 income statement (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 at multiple Internal Transfer Rates for the various maturities permits the correct attribution of net interest income to the divisions of the Parent Company. Specific agreements with 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 entities/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); for the insurance business reference is made to capital absorbed by insurance risk and for asset management 0.2% of assets under management.
Geographical areas which make up secondary segment reporting disclosures are defined on the basis of the territorial breakdown of Group activities and consider both the economic and strategic importance and the potential of the reference markets. Such areas are identified by geographic groups defined on the basis of the residence of the juridical entities which make up the Group: Italy, Europe, Other Countries.

Part B – Information on the consolidated balance sheet

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

1.1 Cash and cash equivalents: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
a) Cash	2,878	-	13	2,891	1,620
b) On demand deposits with Central Banks	572	-	-	572	275
TOTAL	**3,450**	**-**	**13**	**3,463**	**1,895**

(*) Figures relative to Gruppo Intesa.

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		Total 31.12.2007	Total 31.12.2006 (*)
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted		
A. Cash assets								
1. Debt securities	7,883	9,315	197	5	-	-	17,400	24,519
1.1 structured securities	*136*	*295*	-	-	-	-	*431*	*639*
1.2 other debt securities	*7,747*	*9,020*	*197*	*5*	-	-	*16,969*	*23,880*
2. Equities	1,407	-	-	-	-	-	1,407	888
3. Quotas of UCITS	6,245	928	-	-	-	-	7,173	1,264
4. Loans	-	-	-	-	-	-	-	-
4.1 repurchase agreements	-	-	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-	-	-
5. Non-performing assets	4	5	-	-	-	-	9	4
6. Assets sold not derecognised	5,297	1,480	-	-	-	-	6,777	6,672
Total A	**20,836**	**11,728**	**197**	**5**	**-**	**-**	**32,766**	**33,347**
B. Derivatives								
1. Financial derivatives	907	17,424	2	200	-	-	18,533	12,474
1.1 trading	*907*	*17,208*	-	*58*	-	-	*18,173*	*12,458*
1.2 fair value option	-	*1*	-	*131*	-	-	*132*	-
1.3 other	-	*215*	*2*	*11*	-	-	*228*	*16*
2. Credit derivatives	-	1,460	-	-	-	-	1,460	507
2.1 trading	-	*1,460*	-	-	-	-	*1,460*	*506*
2.2 fair value option	-	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-	*1*
Total B	**907**	**18,884**	**2**	**200**	**-**	**-**	**19,993**	**12,981**
TOTAL (A+B)	**21,743**	**30,612**	**199**	**205**	**-**	**-**	**52,759**	**46,328**

(*) Figures relative to Gruppo Intesa.

Cash assets are classified as quoted or unquoted based on the fact that such assets have or do not have a price in an active market, as illustrated in Part A – Accounting policies.
Quoted derivatives include only derivatives listed in regulated markets.
In compliance with Bank of Italy instructions, variation margins with Clearing Houses related to futures are recorded under Loans to customers.
Equities measured at cost represent an immaterial portion of the subcaption.
Subcaption A.6. Assets sold not derecognised includes securities related to repurchase agreements.

2.2 Financial assets held for trading: borrower/issuer breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
A) CASH ASSETS					
1. Debt securities	**17,198**	**202**	**-**	**17,400**	**24,519**
a) Governments and Central Banks	3,254	4	-	3,258	3,075
b) Other public entities	997	-	-	997	168
c) Banks	5,981	31	-	6,012	9,748
d) Other issuers	6,966	167	-	7,133	11,528
2. Equities	**1,407**	**-**	**-**	**1,407**	**888**
a) Banks	208	-	-	208	133
b) Other issuers	1,199	-	-	1,199	755
- insurance companies	*95*	-	-	*95*	*71*
- financial institutions	*128*	-	-	*128*	*57*
- non-financial companies	*976*	-	-	*976*	*605*
- other	-	-	-	-	*22*
3. Quotas of UCITS	**7,173**	**-**	**-**	**7,173**	**1,264**
4. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
5. Non-performing assets	**9**	**-**	**-**	**9**	**4**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	5	-	-	5	-
c) Banks	-	-	-	-	-
d) Other counterparties	4	-	-	4	4
6. Assets sold not derecognised	**6,777**	**-**	**-**	**6,777**	**6,672**
a) Governments and Central Banks	4,283	-	-	4,283	4,236
b) Other public entities	118	-	-	118	-
c) Banks	705	-	-	705	996
d) Other issuers	1,671	-	-	1,671	1,440
Total A	**32,564**	**202**	**-**	**32,766**	**33,347**
B) DERIVATIVES					
a) Banks	15,174	158	-	15,332	10,501
b) Customers	4,617	44	-	4,661	2,480
Total B	**19,791**	**202**	**-**	**19,993**	**12,981**
TOTAL (A+B)	**52,355**	**404**	**-**	**52,759**	**46,328**

(*) Figures relative to Gruppo Intesa.

Concerning the subcaption Non-performing assets, see Part E – Information on risks and relative hedging policies, Section – Credit risk.

With reference to the letter of 19 March 2008, with which Consob asked Intesa Sanpaolo to provide, among other information, specific information on financial derivatives held for trading with customers, please note that the Intesa Sanpaolo Group is active in the sale of "over the counter" (OTC) derivatives to various customer segments, through three main poles (in terms of volumes traded):

– Banca dei Territori Division, for the sale of derivative products to retail and business customers with consolidated turnover under 150 million euro, through the branch network of Intesa Sanpaolo and the Group's Italian banks. Derivatives sold by the network are hedged back to back with a swap house which, in most cases, is Banca IMI;

- Corporate Division, for the sale of derivative products to corporate customers with consolidated turnover over 150 million euro, through the branch network of Intesa Sanpaolo and the Group's Italian banks. Derivatives sold by the network are hedged back to back with Banca IMI;
- Public Finance Business Unit, for the sale of derivative products to public entities, through the specialised banks OPI and BIIS (which were merged, as of 1 January 2008, in Banca Infrastrutture Innovazione e Sviluppo). Derivatives sold are hedged back to back with Banca IMI.

Customer needs that the Intesa Sanpaolo Group aims to satisfy through derivative instruments are diverse and depend on customer segment. In short, the following picture emerges:

1) retail and business customers served by Banca dei Territori acquire derivative instruments for investment or to hedge financial risks, with a few typical differences:
   i) companies stipulate derivative contracts to hedge risks, mostly interest rate and foreign exchange risk;
   ii) individuals normally do not stipulate derivatives explicitly with the Intesa Sanpaolo Group as counterparty, with the exception of contracts aimed at hedging interest rate risk on retail mortgages;
2) customers of the Corporate Division (mostly large businesses, mainly qualified operators) sign derivative contracts for hedging/managing risks, mostly interest rate and foreign exchange risk;
3) entities of the Public Administration, served by the specialised banks OPI and BIIS of the Public Finance Business Unit, sign derivative contracts to manage their liquidity and modify/hedge their debt positions.

The centres of responsibility which sign such contracts with customers (essentially, Intesa Sanpaolo, network banks, OPI and BIIS) do not take market risks, since these are systematically hedged back to back, in most cases with the Group's securities house, Banca IMI. The latter hedges the risks transferred to it dynamically and collectively, in respect of assigned limits, for the purpose of maximising financial effectiveness. Counterparty risk is not transferred.

Considering only relations with customers, as at 31 December 2007, the Intesa Sanpaolo Group presented, in relation to derivatives trading with retail customers, non-financial companies and public entities (therefore excluding banks, financial and insurance companies) a positive fair value of 1,364 million euro (1,339 million euro considering netting agreements). For the sake of completeness, please note that, for the sole Parent Company, the corresponding figure, at the end of 2007, totalled 478 million euro (477 million euro considering netting agreements).

Conversely, negative fair value determined with the same criteria, for the same types of contracts, with the same counterparties, totalled 870 million euro (483 million euro for the sole Parent Company) again as at 31 December 2007 and considering netting agreements.

Please note that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues (which are almost exclusively reported in the tables in Sections 4 and 5 of Part B of the Notes to the consolidated financial statements – Information on the consolidated balance sheet – Liabilities), as well as the relative hedges with banks and financial companies.

2.3 Financial assets held for trading: trading derivatives

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Financial assets held for trading: trading derivatives	**19,993**	**12,981**
Banking group	*19,791*	*12,981*
Insurance companies	*202*	-
Other companies	-	-

(*) Figures relative to Gruppo Intesa.

2.3.1 Banking group

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	31.12.2007	31.12.2006 (*)
A) QUOTED DERIVATIVES							
1) Financial derivatives	**3**	**3**	**901**	**-**	**-**	**907**	**209**
with exchange of underlying asset	1	3	58	-	-	62	27
- *options bought*	*1*	-	*58*	-	-	*59*	*26*
- *other derivatives*	-	*3*	-	-	-	*3*	*1*
without exchange of underlying asset	2	-	843	-	-	845	182
- *options bought*	*2*	-	*843*	-	-	*845*	*182*
- *other derivatives*	-	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**3**	**3**	**901**	**-**	**-**	**907**	**209**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	**13,450**	**1,836**	**2,019**	**-**	**119**	**17,424**	**12,265**
with exchange of underlying asset	22	1,780	204	-	7	2,013	699
- *options bought*	*1*	*275*	*166*	-	*7*	*449*	*81*
- *other derivatives*	*21*	*1,505*	*38*	-	-	*1,564*	*618*
without exchange of underlying asset	13,428	56	1,815	-	112	15,411	11,566
- *options bought*	*2,045*	*42*	*1,776*	-	*72*	*3,935*	*1,647*
- *other derivatives*	*11,383*	*14*	*39*	-	*40*	*11,476*	*9,919*
2) Credit derivatives	**-**	**-**	**-**	**1,460**	**-**	**1,460**	**507**
with exchange of underlying asset	-	-	-	1,239	-	1,239	492
without exchange of underlying asset	-	-	-	221	-	221	15
Total B	**13,450**	**1,836**	**2,019**	**1,460**	**119**	**18,884**	**12,772**
TOTAL (A + B)	**13,453**	**1,839**	**2,920**	**1,460**	**119**	**19,791**	**12,981**

(*) Figures relative to Gruppo Intesa.

The table above presents a breakdown of derivatives on the basis of underlying risk.

2.3.2 Insurance companies

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	31.12.2007	31.12.2006 (*)
A) QUOTED DERIVATIVES							
1) Financial derivatives	**-**	**-**	**2**	**-**	**-**	**2**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	2	-	-	2	-
- *options bought*	-	-	-	-	-	-	-
- *other derivatives*	-	-	*2*	-	-	*2*	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**-**	**-**	**2**	**-**	**-**	**2**	**-**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	**165**	**11**	**24**	**-**	**-**	**200**	**-**
with exchange of underlying asset	-	11	-	-	-	11	-
- *options bought*	-	-	-	-	-	-	-
- *other derivatives*	-	*11*	-	-	-	*11*	-
without exchange of underlying asset	165	-	24	-	-	189	-
- *options bought*	*14*	-	*22*	-	-	*36*	-
- *other derivatives*	*151*	-	*2*	-	-	*153*	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total B	**165**	**11**	**24**	**-**	**-**	**200**	**-**
TOTAL (A + B)	**165**	**11**	**26**	**-**	**-**	**202**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

2.3.3 Other companies

No amounts pertaining to other companies were recorded.

2.4 Financial assets held for trading (other than those sold not derecognised and non-performing): annual changes

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Financial assets held for trading (other than those sold not derecognised and non-performing)	**25,981**	**26,671**
Banking group	*25,779*	*26,671*
Insurance companies	*202*	*-*
Other companies	*-*	*-*

(*) Figures relative to Gruppo Intesa.

2.4.1 Banking group

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**24,519**	**888**	**1,264**	**-**	**26,671**
B. Increases	**751,360**	**51,581**	**33,491**	**-**	**836,432**
B.1 purchases	736,397	49,502	32,649	-	818,548
of which business combinations	*6,026*	*286*	*4,789*	-	11,101
B.2 positive fair value differences	62	50	202	-	314
B.3 other changes	14,901	2,029	640	-	17,570
C. Decreases	**-758,680**	**-51,062**	**-27,582**	**-**	**-837,324**
C.1 sales	-704,666	-48,393	-27,119	-	-780,178
of which business combinations	-	-	-	-	-
C.2 reimbursements	-41,298	-	-92	-	-41,390
C.3 negative fair value differences	-851	-102	-118	-	-1,071
C.4 other changes	-11,865	-2,567	-253	-	-14,685
D. Final amount	**17,199**	**1,407**	**7,173**	**-**	**25,779**

2.4.2 Insurance companies

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**-**	**-**	**-**	**-**	**-**
B. Increases	**448**	**17**	**-**	**-**	**465**
B.1 purchases	156	17	-	-	173
of which business combinations	*46*	-	-	-	46
B.2 positive fair value differences	4	-	-	-	4
B.3 other changes	288	-	-	-	288
C. Decreases	**-246**	**-17**	**-**	**-**	**-263**
C.1 sales	-172	-17	-	-	-189
of which business combinations	-	-	-	-	-
C.2 reimbursements	-68	-	-	-	-68
C.3 negative fair value differences	-6	-	-	-	-6
C.4 other changes	-	-	-	-	-
D. Final amount	**202**	**-**	**-**	**-**	**202**

2.4.3 Other companies

No amounts pertaining to other companies were recorded.

SECTION 3 - FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS - CAPTION 30

3.1 Financial assets designated at fair value through profit and loss: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Financial assets designated at fair value	**19,998**	**-**
Banking group	*660*	*-*
Insurance companies	*19,338*	*-*
Other companies	*-*	*-*

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

3.1.1 Banking Group

(in millions of euro)

	31.12.2007		31.12.2006 (*)	
	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	113	521	-	-
1.1. structured securities	*5*	*-*	-	-
1.2. other debt securities	*108*	*521*	-	-
2. Equities	-	-	-	-
3. Quotas of UCITS	13	1	-	-
4. Loans	-	-	-	-
4.1 structured	-	-	-	-
4.2 other	-	-	-	-
5. Non-performing assets	-	-	-	-
6. Assets sold not derecognised	-	12	-	-
Total	**126**	**534**	**-**	**-**
Cost	**127**	**541**	**-**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

3.1.2 Insurance companies

(in millions of euro)

	31.12.2007		31.12.2006 (*)	
	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	9,905	515	-	-
1.1. structured securities	-	-	-	-
1.2. other debt securities	*9,905*	*515*	-	-
2. Equities	3,379	152	-	-
3. Quotas of UCITS	115	5,250	-	-
4. Loans	-	22	-	-
4.1 structured	-	-	-	-
4.2 other	-	*22*	-	-
5. Non-performing assets	-	-	-	-
6. Assets sold not derecognised	-	-	-	-
Total	**13,399**	**5,939**	**-**	**-**
Cost	**14,080**	**5,988**	**-**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

Assets designated as at fair value essentially included assets in which money is collected through insurance policies where the total risk is retained by the insured (so-called Class D).

3.1.3 Other companies

No amounts pertaining to other companies were recorded.

3.2 Financial assets designated at fair value through profit and loss: borrower/issuer breakdown

(in millions of euro)

	Banking Group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Debt securities	**634**	**10,420**	**-**	**11,054**	**-**
a) Governments and Central Banks	160	7,266	-	7,426	-
b) Other public entities	71	439	-	510	-
c) Banks	247	1,361	-	1,608	-
d) Other issuers	156	1,354	-	1,510	-
2. Equities	**-**	**3,531**	**-**	**3,531**	**-**
a) Banks	-	447	-	447	-
b) Other issuers	-	3,084	-	3,084	-
- insurance companies	-	*159*	-	*159*	-
- financial institutions	-	*188*	-	*188*	-
- non-financial companies	-	*2,737*	-	*2,737*	-
- other	-	-	-	-	-
3. Quotas of UCITS	**14**	**5,365**	**-**	**5,379**	**-**
4. Loans	**-**	**22**	**-**	**22**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	3	-	3	-
d) Other counterparties	-	19	-	19	-
5. Non-performing assets	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
6. Assets sold not derecognised	**12**	**-**	**-**	**12**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	12	-	-	12	-
d) Other issuers	-	-	-	-	-
TOTAL	**660**	**19,338**	**-**	**19,998**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

3.3 Financial assets designated at fair value through profit and loss (other than those sold not derecognised and non-performing): annual changes

3.3.1 Banking Group

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**-**	**-**	**-**	**-**	**-**
B. Increases	**1,738**	**4**	**16**	**-**	**1,758**
B.1 purchases	1,507	4	2	-	1,513
of which business combinations	*770*	*4*	*2*	-	776
B.2 positive fair value differences	8	-	-	-	8
B.3 other changes	223	-	14	-	237
C. Decreases	**-1,104**	**-4**	**-2**	**-**	**-1,110**
C.1 sales	-192	-4	-2	-	-198
of which business combinations	-	-	-	-	-
C.2 reimbursements	-328	-	-	-	-328
C.3 negative fair value differences	-19	-	-	-	-19
C.4 other changes	-565	-	-	-	-565
D. Final amount	**634**	**-**	**14**	**-**	**648**

3.3.2 Insurance companies

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**-**	**-**	**-**	**-**	**-**
B. Increases	**13,417**	**4,019**	**5,832**	**36**	**23,304**
B.1 purchases	12,706	3,633	5,537	5	21,881
of which business combinations	*12,119*	*3,483*	*4,292*	*5*	19,899
B.2 positive fair value differences	108	41	14	-	163
B.3 other changes	603	345	281	31	1,260
C. Decreases	**-2,997**	**-488**	**-467**	**-14**	**-3,966**
C.1 sales	-1,321	-6	-236	-	-1,563
of which business combinations	-	-	-	-	-
C.2 reimbursements	-1,235	-	-	-	-1,235
C.3 negative fair value differences	-94	-296	-143	-	-533
C.4 other changes	-347	-186	-88	-14	-635
D. Final amount	**10,420**	**3,531**	**5,365**	**22**	**19,338**

3.3.3 Other companies

No amounts pertaining to other companies were recorded.

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - CAPTION 40

4.1 Financial assets available for sale: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		Total 31.12.2007		Total 31.12.2006 (*)	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	5,846	5,674	16,556	21	247	44	22,649	5,739	1,774	698
1.1 Structured securities	*51*	*473*	-	-	*247*	*44*	*298*	*517*	*166*	*90*
1.2 Other debt securities	*5,795*	*5,201*	*16,556*	*21*	-	-	*22,351*	*5,222*	*1,608*	*608*
2. Equities	1,991	1,414	1,176	-	-	-	3,167	1,414	1,149	1,071
2.1 Measured at fair value	*1,991*	*1,382*	*1,176*	-	-	-	*3,167*	*1,382*	*1,149*	*1,057*
2.2 Measured at cost	-	*32*	-	-	-	-	-	*32*	-	*14*
3. Quotas of UCITS	65	348	22	111	-	-	87	459	-	31
4. Loans	-	612	-	-	-	-	-	612	-	780
5. Non-performing assets	-	-	-	-	-	-	-	-	-	-
6. Assets sold not derecognised	2,353	434	-	-	-	-	2,353	434	12	3
TOTAL	**10,255**	**8,482**	**17,754**	**132**	**247**	**44**	**28,256**	**8,658**	**2,935**	**2,583**

(*) Figures relative to Gruppo Intesa.

Concerning the subcaption Non-performing assets, see Part E – Information on risks and relative hedging policies, Section – Credit risk.

4.2 Financial assets available for sale: borrower/issuer breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Debt securities	**11,520**	**16,577**	**290**	**28,387**	**2,472**
a) Governments and Central Banks	3,653	13,722	-	17,375	1,129
b) Other public entities	3,441	383	-	3,824	159
c) Banks	1,723	1,034	-	2,757	259
d) Other issuers	2,703	1,438	290	4,431	925
2. Equities	**3,405**	**1,176**	**-**	**4,581**	**2,220**
a) Banks	740	31	-	771	295
b) Other issuers	2,665	1,145	-	3,810	1,925
- insurance companies	*737*	*28*	-	*765*	*634*
- financial institutions	*343*	*12*	-	*355*	*209*
- non-financial companies	*1,572*	*1,105*	-	*2,677*	*972*
- other	*13*	-	-	*13*	*110*
3. Quotas of UCITS	**413**	**133**	**-**	**546**	**31**
4. Loans	**612**	**-**	**-**	**612**	**780**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	13	-	-	13	7
d) Other counterparties	599	-	-	599	773
5. Non-performing assets	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
6. Assets sold not derecognised	**2,788**	**-**	**-**	**2,788**	**15**
a) Governments and Central Banks	1,074	-	-	1,074	12
b) Other public entities	-	-	-	-	-
c) Banks	803	-	-	803	3
d) Other counterparties	911	-	-	911	-
TOTAL	**18,738**	**17,886**	**290**	**36,914**	**5,518**

(*) Figures relative to Gruppo Intesa.

4.3 Financial assets available for sale: hedged assets

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Financial assets available for sale: hedged assets	**5,565**	**979**
Banking group	*4,176*	*979*
Insurance companies	*1,389*	-
Other companies	-	-

(*) Figures relative to Gruppo Intesa.

(**) As at 31.12.2007 hedged financial assets available for sale sold not derecognised amounted to 1,414 million euro.

4.3.1 Banking group

(in millions of euro)

Assets/Type of hedge	Hedged assets			
	31.12.2007		31.12.2006 (*)	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	4,176	-	979	-
2. Equities	-	-	-	-
3. Quotas of UCITS	-	-	-	-
4. Loans	-	-	-	-
5. Portfolio	-	-	-	-
TOTAL	**4,176**	**-**	**979**	**-**

(*) Figures relative to Gruppo Intesa.

4.3.2 Insurance companies

(in millions of euro)

Assets/Type of hedge	Hedged assets			
	31.12.2007		31.12.2006 (*)	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	1,389	-	-	-
2. Equities	-	-	-	-
3. Quotas of UCITS	-	-	-	-
4. Loans	-	-	-	-
5. Portfolio	-	-	-	-
TOTAL	**1,389**	**-**	**-**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

4.3.3 Other companies

No amounts pertaining to other companies were recorded.

4.4 Financial assets available for sale: assets with specific hedges

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Financial assets with specific fair value hedges	**5,590**	**1,389**	**-**	**6,979**	**979**
a) Interest rate risk	5,590	1,389	-	6,979	979
b) Price risk	-	-	-	-	-
c) Foreign exchange risk	-	-	-	-	-
d) Credit risk	-	-	-	-	-
e) Various risks	-	-	-	-	-
2. Financial assets with specific cash flow hedges	**-**	**-**	**-**	**-**	**-**
a) Interest rate risk	-	-	-	-	-
b) Foreign exchange risk	-	-	-	-	-
c) Other	-	-	-	-	-
TOTAL	**5,590**	**1,389**	**-**	**6,979**	**979**

(*) Figures relative to Gruppo Intesa.

4.5 Financial assets available for sale (other than those sold not derecognised and non-performing): annual changes

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Financial assets available for sale (other than those sold not derecognised and non-performing)	**34,126**	**5,503**
Banking group	*15,950*	*5,254*
Insurance companies	*17,886*	*-*
Other companies	*290*	*249*

(*) Figures relative to Gruppo Intesa.

4.5.1 Banking group

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**2,223**	**2,220**	**31**	**780**	**5,254**
B. Increases	**16,040**	**4,693**	**584**	**181**	**21,498**
B.1 purchases	15,869	3,907	544	181	20,501
of which business combinations	*11,601*	*3,620*	*233*	*28*	*15,482*
B.2 positive fair value differences	45	322	18	-	385
B.3 write-backs recognised in	1	-	-	-	1
- income statement	*1*	*X*	*-*	*-*	*1*
- shareholders' equity	-	-	-	-	-
B.4 transfers from other portfolios	-	30	-	-	30
B.5 other changes	125	434	22	-	581
C. Decreases	**-6,743**	**-3,508**	**-202**	**-349**	**-10,802**
C.1 sales	-3,968	-2,992	-190	-265	-7,415
of which business combinations	-	-	-	-	-
C.2 reimbursements	-1,033	-24	-7	-	-1,064
C.3 negative fair value differences	-288	-286	-4	-1	-579
C.4 impairment losses recognised in	-7	-48	-	-	-55
- income statement	*-7*	*-48*	*-*	*-*	*-55*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-	-	-18	-18
C.6 other changes	-1,447	-158	-1	-65	-1,671
D. Final amount	**11,520**	**3,405**	**413**	**612**	**15,950**

4.5.2 Insurance companies

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**-**	**-**	**-**	**-**	**-**
B. Increases	**30,184**	**2,450**	**174**	**-**	**32,808**
B.1 purchases	29,913	2,244	157	-	32,314
of which business combinations	*18,135*	*1,478*	*71*	-	*19,684*
B.2 positive fair value differences	67	16	2	-	85
B.3 write-backs recognised in	-	-	-	-	-
- income statement	-	*X*	-	-	-
- shareholders' equity	-	-	-	-	-
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	204	190	15	-	409
C. Decreases	**-13,607**	**-1,274**	**-41**	**-**	**-14,922**
C.1 sales	-12,787	-1,067	-15	-	-13,869
of which business combinations	-	-	-	-	-
C.2 reimbursements	-252	-	-	-	-252
C.3 negative fair value differences	-230	-49	-2	-	-281
C.4 impairment losses recognised in	-	-	-	-	-
- income statement	-	-	-	-	-
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-	-	-	-
C.6 other changes	-338	-158	-24	-	-520
D. Final amount	**16,577**	**1,176**	**133**	**-**	**17,886**

4.5.3 Other companies

Financial assets available for sale of other companies showed a 41 million euro increase following purchases of 72 million euro and negative fair value differences and impairment of 31 million euro (see Part E Section 3 – Risks of other companies).

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		Total 31.12.2007		Total 31.12.2006 (*)	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
1. Debt securities	4,233	4,201	-	-	-	-	4,233	4,201	2,795	2,746
1.1 Structured securities	-	-	-	-	-	-	-	-	-	-
1.2 Other debt securities	*4,233*	*4,201*	-	-	-	-	*4,233*	*4,201*	*2,795*	*2,746*
2. Loans	-	-	-	-	-	-	-	-	-	-
3. Non-performing assets	1	1	-	-	-	-	1	1	1	1
4. Assets sold not derecognised	1,689	1,689	-	-	-	-	1,689	1,689	27	28
TOTAL	**5,923**	**5,891**	**-**	**-**	**-**	**-**	**5,923**	**5,891**	**2,823**	**2,775**

(*) Figures relative to Gruppo Intesa.

For the illustration of the criteria for the determination of the fair value reference should be made to Part A – Accounting policies.

5.2 Investments held to maturity: borrowers/issuers

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Debt securities	**4,233**	**-**	**-**	**4,233**	**2,795**
a) Governments and Central Banks	3,890	-	-	3,890	2,428
b) Other public entities	8	-	-	8	101
c) Banks	281	-	-	281	212
d) Other issuers	54	-	-	54	54
2. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
3. Non-performing assets	**1**	**-**	**-**	**1**	**1**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	1	-	-	1	1
4. Assets sold not derecognised	**1,689**	**-**	**-**	**1,689**	**27**
a) Governments and Central Banks	1,689	-	-	1,689	27
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
TOTAL	**5,923**	**-**	**-**	**5,923**	**2,823**

(*) Figures relative to Gruppo Intesa.

Concerning the subcaption Non-performing assets, see Part E – Information on risks and relative hedging policies, Section – Credit risk.

5.3 Investments held to maturity: hedged assets

5.3.1 Banking group

No amounts pertaining to the Banking group were recorded.

5.3.2 Insurance companies

No amounts pertaining to insurance companies were recorded.

5.3.3 Other companies

No amounts pertaining to other companies were recorded.

5.4 Investments held to maturity (other than assets sold not derecognised and non-performing): annual changes

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Investments held to maturity (other than assets sold not derecognised and non-performing)	**4,233**	**2,795**
Banking group	*4,233*	*2,795*
Insurance companies	-	-
Other companies	-	-

(*) Figures relative to Gruppo Intesa.

5.4.1 Banking group

(in millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**2,795**	**-**	**2,795**
B. Increases	**3,470**	**-**	**3,470**
B.1 purchases	3,172	-	3,172
of which business combinations	*3,172*	-	*3,172*
B.2 write-backs	-	-	-
B.3 transfers from other portfolios	-	-	-
B.4 other changes	298	-	298
C. Decreases	**-2,032**	**-**	**-2,032**
C.1 sales	-	-	-
of which business combinations	-	-	-
C.2 reimbursements	-352	-	-352
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-1,680	-	-1,680
D. Final amount	**4,233**	**-**	**4,233**

5.4.2 Insurance companies

No amounts pertaining to insurance companies were recorded.

5.4.3 Other companies

No amounts pertaining to other companies were recorded.

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Due from banks: breakdown	**62,831**	**30,363**
Banking group	*62,728*	*30,334*
Insurance companies	*103*	*-*
Other companies	*-*	*29*

(*) Figures relative to Gruppo Intesa.

6.1.1 Banking group

(in millions of euro)

	31.12.2007	31.12.2006 (*)
A. Due from Central Banks	**8,168**	**4,393**
1. Time deposits	2,357	521
2. Compulsory reserve	4,653	2,908
3. Repurchase agreements	1,055	960
4. Other	103	4
B. Due from banks	**54,560**	**25,941**
1. Current accounts and deposits	7,295	2,448
2. Time deposits	8,418	5,155
3. Other loans	37,956	18,211
3.1 Repurchase agreements	*32,291*	*15,718*
3.2 Financial leases	*-*	*-*
3.3 Other	*5,665*	*2,493*
4. Debt securities	829	127
4.1 Structured	*307*	*-*
4.2 Other	*522*	*127*
5. Non-performing assets	7	-
6. Assets sold not derecognised	55	-
TOTAL (book value)	**62,728**	**30,334**
TOTAL (fair value)	**62,709**	**30,308**

(*) Figures relative to Gruppo Intesa.

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

Concerning the subcaption Non-performing assets, see Part E – Information on risks and relative hedging policies, Section – Credit risk.

6.1.2 Insurance companies

(in millions of euro)

	31.12.2007	31.12.2006 (*)
A. Due from Central Banks	**-**	**-**
1. Time deposits	-	-
2. Compulsory reserve	-	-
3. Repurchase agreements	-	-
4. Other	-	-
B. Due from banks	**103**	**-**
1. Current accounts and deposits	3	-
2. Time deposits	-	-
3. Other loans	-	-
3.1 Repurchase agreements	-	-
3.2 Financial leases	-	-
3.3 Other	-	-
4. Debt securities	100	-
4.1 Structured	-	-
4.2 Other	*100*	-
5. Non-performing assets	-	-
6. Assets sold not derecognised	-	-
TOTAL (book value)	**103**	**-**
TOTAL (fair value)	**103**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

6.1.3 Other companies

No amounts pertaining to other companies were recorded.

6.2 Due from banks: assets with specific hedges

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Due from banks: assets with specific hedges	**729**	**112**
Banking group	*729*	*112*
Insurance companies	-	-
Other companies	-	-

(*) Figures relative to Gruppo Intesa.

6.2.1 Banking group

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Due from banks with specific fair value hedges	**542**	**6**
a) Interest rate risk	542	6
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Due from banks with specific cash flow hedges	**187**	**106**
a) Interest rate risk	50	55
b) Foreign exchange risk	137	51
c) Other	-	-
TOTAL	**729**	**112**

(*) Figures relative to Gruppo Intesa.

6.2.2 Insurance companies

No amounts pertaining to insurance companies were recorded.

6.2.3 Other companies

No amounts pertaining to other companies were recorded.

6.3 Financial leases

As at 31 December 2007 there were no lease receivables from banks.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Loans to customers: breakdown	**335,273**	**190,830**
Banking group	*334,857*	*190,322*
Insurance companies	*39*	*-*
Other companies	*377*	*508*

(*) Figures relative to Gruppo Intesa.

7.1.1 Banking group

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Current accounts	31,384	22,877
2. Repurchase agreements	3,459	2,972
3. Mortgages	155,718	84,995
4. Credit card loans, personal loans and transfer of one fifth of salaries	14,032	6,487
5. Financial leases	19,116	9,223
6. Factoring	6,548	5,044
7. Other operations	89,580	48,718
8. Debt securities	6,116	3,993
8.1 Structured securities	*153*	-
8.2 Other debt securities	*5,963*	*3,993*
9. Non-performing assets	7,596	4,957
10. Assets sold not derecognised	1,308	1,056
TOTAL (book value)	**334,857**	**190,322**
TOTAL (fair value)	**334,518**	**191,448**

(*) Figures relative to Gruppo Intesa.

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Loans deriving from factoring activities include:

- receivables acquired without recourse for which the substantial transfer to the factoring company of the risks and rewards has been verified;
- loans deriving from factoring activities, that is advances on with recourse transactions;
- advances made to the seller in factoring without recourse transactions for which the precondition of the transfer of risks and rewards from the seller to the factor is not verified.

Concerning the subcaption Non-performing assets, see Part E – Information on risks and relative hedging policies, Section – Credit risk.

7.1.2 Insurance companies

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Current accounts	-	-
2. Repurchase agreements	-	-
3. Mortgages	-	-
4. Credit card loans, personal loans and transfer of one fifth of salaries	-	-
5. Financial leases	-	-
6. Factoring	-	-
7. Other operations	39	-
8. Debt securities	-	-
8.1 Structured securities	-	-
8.2 Other debt securities	-	-
9. Non-performing assets	-	-
10. Assets sold not derecognised	-	-
TOTAL (book value)	**39**	**-**
TOTAL (fair value)	**39**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

7.1.3 Other companies

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Current accounts	-	-
2. Repurchase agreements	-	-
3. Mortgages	-	-
4. Credit card loans, personal loans and transfer of one fifth of salaries	-	47
5. Financial leases	74	91
6. Factoring	-	-
7. Other operations	47	9
8. Debt securities	256	358
8.1 Structured securities	*50*	*79*
8.2 Other debt securities	*206*	*279*
9. Non-performing assets	-	3
10. Assets sold not derecognised	-	-
TOTAL (book value)	**377**	**508**
TOTAL (fair value)	**377**	**509**

(*) Figures relative to Gruppo Intesa.

7.2 Loans to customers: borrower/issuer breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Debt securities	**6,116**	**-**	**256**	**6,372**	**4,351**
a) Governments	742	-	-	742	-
b) Other public entities	1,570	-	-	1,570	1,624
c) Other issuers	3,804	-	256	4,060	2,727
- non-financial companies	*520*	-	-	*520*	*136*
- financial institutions	*1,052*	-	*256*	*1,308*	*520*
- insurance companies	*2,054*	-	-	*2,054*	*2,071*
- other	*178*	-	-	*178*	-
2. Loans	**319,837**	**39**	**121**	**319,997**	**180,463**
a) Governments	3,365	-	-	3,365	2,538
b) Other public entities	13,732	-	-	13,732	3,949
c) Other counterparties	302,740	39	121	302,900	173,976
- non-financial companies	*201,990*	-	*74*	*202,064*	*113,994*
- financial institutions	*20,761*	*3*	-	*20,764*	*13,639*
- insurance companies	*108*	-	-	*108*	*677*
- other	*79,881*	*36*	*47*	*79,964*	*45,666*
3. Non-performing assets	**7,596**	**-**	**-**	**7,596**	**4,960**
a) Governments	1	-	-	1	2
b) Other public entities	133	-	-	133	134
c) Other counterparties	7,462	-	-	7,462	4,824
- non-financial companies	*5,240*	-	-	*5,240*	*3,540*
- financial institutions	*48*	-	-	*48*	*72*
- insurance companies	*1*	-	-	*1*	-
- other	*2,173*	-	-	*2,173*	*1,212*
4. Assets sold not derecognised	**1,308**	**-**	**-**	**1,308**	**1,056**
a) Governments	-	-	-	-	-
b) Other public entities	120	-	-	120	28
c) Other counterparties	1,188	-	-	1,188	1,028
- non-financial companies	*30*	-	-	*30*	-
- financial institutions	*1,087*	-	-	*1,087*	*1,002*
- insurance companies	-	-	-	-	-
- other	*71*	-	-	*71*	*26*
TOTAL	**334,857**	**39**	**377**	**335,273**	**190,830**

(*) Figures relative to Gruppo Intesa.

7.3 Loans to customers: assets with specific hedges

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Loans to customers: assets with specific hedges	**21,366**	**2,073**
Banking group	*21,366*	*2,073*
Insurance companies	-	-
Other companies	-	-

(*) Figures relative to Gruppo Intesa.

7.3.1 Banking group

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Loans to customers with specific fair value hedges	**21,321**	**1,923**
a) Interest rate risk	21,321	1,923
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Loans to customers with specific cash flow hedges	**45**	**150**
a) Interest rate risk	-	-
b) Foreign exchange risk	45	150
c) Other	-	-
TOTAL	**21,366**	**2,073**

(*) Figures relative to Gruppo Intesa.

7.3.2 Insurance companies

No amounts pertaining to insurance companies were recorded.

7.3.3 Other companies

No amounts pertaining to other companies were recorded.

7.4 Financial leases

(in millions of euro)

Time bands	31.12.2007						
	Explicit loans	Loans for assets to be leased	Minimum lease payments			Gross investment	
			Capital	*of which guaranteed residual value*	Interest		*of which unguaranteed residual value*
Up to 3 months	189	1,774	866	*16*	187	1,053	*100*
Between 3 and 12 months	-	-	2,450	*40*	528	2,978	*306*
Between 1 and 5 years	-	-	8,283	*99*	1,711	9,994	*1,012*
Over 5 years	-	-	6,163	*60*	1,418	7,581	*1,247*
Unspecified maturity	214	-	238	-	-	238	*3*
Total, gross	**403**	**1,774**	**18,000**	***215***	**3,844**	**21,844**	***2,668***
Adjustments	-59	-1	-306	-	-	-306	-83
- individual	*-59*	-	*-102*	-	-	*-102*	*-27*
- collective	-	*-1*	*-204*	-	-	*-204*	*-56*
Total, net	**344**	**1,773**	**17,694**	***215***	**3,844**	**21,538**	***2,585***

SECTION 8 – HEDGING DERIVATIVES – CAPTION 80 OF ASSETS

Concerning the objectives and the strategies underlying hedging transactions see the information provided in Part E – Information on risks and relative hedging policies, Section 2 – Market risks.
Solely derivatives traded on regulated markets are considered quoted derivatives. For futures, on the basis of the instructions issued by the Bank of Italy, the relative margins are recorded under the caption Loans to customers.

8.1 Hedging derivatives: breakdown by type of derivative and underlying asset

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Hedging derivatives: breakdown by type of derivative and underlying asset	**3,017**	**873**
Banking group	*2,813*	*873*
Insurance companies	*204*	-
Other companies	-	-

(*) Figures relative to Gruppo Intesa.

8.1.1 Banking group

(in millions of euro)

Type of derivatives/Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	Total
A) QUOTED DERIVATIVES						
1) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) UNQUOTED DERIVATIVES						
1) Financial derivatives	**2,604**	**200**	**-**	**-**	**9**	**2,813**
with exchange of underlying asset	-	200	-	-	9	209
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	*200*	-	-	*9*	*209*
without exchange of underlying asset	2,604	-	-	-	-	2,604
- *options bought*	*17*	-	-	-	-	*17*
- *other derivatives*	*2,587*	-	-	-	-	*2,587*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**2,604**	**200**	**-**	**-**	**9**	**2,813**
TOTAL (A+B) 31.12.2007	**2,604**	**200**	**-**	**-**	**9**	**2,813**
TOTAL (A+B) 31.12.2006 (*)	**854**	**19**	**-**	**-**	**-**	**873**

(*) Figures relative to Gruppo Intesa.

The table indicates positive values of hedging derivatives.
The respective assets/liabilities hedged are indicated in specific tables included in the illustration of the single captions.

8.1.2 Insurance companies

(in millions of euro)

Type of derivatives/Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	Total
A) QUOTED DERIVATIVES						
1) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) UNQUOTED DERIVATIVES						
1) Financial derivatives	**4**	**-**	**-**	**-**	**-**	**4**
with exchange of underlying asset	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
without exchange of underlying asset	4	-	-	-	-	4
- *options bought*	-	-	-	-	-	-
- *other derivatives*	*4*	-	-	-	-	*4*
2) Credit derivatives	**-**	**-**	**-**	**200**	**-**	**200**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	200	-	200
Total B	**4**	**-**	**-**	**200**	**-**	**204**
TOTAL (A+B) 31.12.2007	**4**	**-**	**-**	**200**	**-**	**204**
TOTAL (A+B) 31.12.2006 (*)	**-**	**-**	**-**	**-**	**-**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa

8.1.3 Other companies

No amounts pertaining to other companies were recorded.

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)	**3,017**	**873**
Banking group	*2,813*	*873*
Insurance companies	*204*	-
Other companies	-	-

(*) Figures relative to Gruppo Intesa.

8.2.1 Banking group

(in millions of euro)

Operations/Type of hedge	Fair value						Cash flow	
	Specific					Generic	Specific	Generic
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks			
1. Financial assets available for sale	267	-	-	1	-	X	-	X
2. Loans	864	-	-	X	147	X	-	X
3. Investments held to maturity	X	23	-	X	-	X	2	X
4. Portfolio	X	X	X	X	X	-	X	-
Total assets	**1,131**	**23**	**-**	**1**	**147**	**-**	**2**	**-**
1. Financial liabilities	918	21	-	X	6	X	10	X
2. Portfolio	X	X	X	X	X	514	X	40
Total liabilities	**918**	**21**	**-**	**-**	**6**	**514**	**10**	**40**

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge. These refer to fair value hedges of liabilities issued and fair value hedges of loans and Financial assets available for sale. Cash flow hedges mostly refer to floating rate securities used to fund fixed rate investments.

8.2.2 Insurance companies

(in millions of euro)

Operations/Type of hedge	Fair value						Cash flow	
	Specific					Generic	Specific	Generic
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks			
1. Financial assets available for sale	4	-	-	-	-	X	-	X
2. Loans	-	-	200	X	-	X	-	X
3. Investments held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	-	X	-
Total assets	**4**	**-**	**200**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

8.2.3 Other companies

No amounts pertaining to other companies were recorded.

SECTION 9 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 90

9.1 Fair value change of financial assets in hedged portfolios: breakdown by hedged portfolio

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Positive fair value change	**12**	**-**	**-**	**12**	**-**
1.1. of specific portfolios	12	-	-	12	-
a) loans	*12*	-	-	*12*	-
b) assets available for sale	-	-	-	-	-
1.2. overall	-	-	-	-	-
2. Negative fair value change	**-**	**-**	**-**	**-**	**-1**
2.1. of specific portfolios	-	-	-	-	-1
a) loans	-	-	-	-	*-1*
b) assets available for sale	-	-	-	-	-
2.2. overall	-	-	-	-	-
TOTAL	**12**	**-**	**-**	**12**	**-1**

(*) Figures relative to Gruppo Intesa.

9.2 Banking group assets hedged by macrohedging of interest rate risk: breakdown

(in millions of euro)

Hedged assets	31.12.2007	31.12.2006 (*)
1. Loans	22,773	21,000
2. Assets available for sale	3	-
3. Portfolio	-	-
TOTAL	**22,776**	**21,000**

(*) Figures relative to Gruppo Intesa.

The figure refers to the nominal value of coupons on floating rate mortgages hedged through fair value macrohedging for the period from the date in which the coupon is set to the date of payment.

SECTION 10 – INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – CAPTION 100

10.1 Investments in companies subject to joint control (carried at equity) and in companies subject to significant influence: information on equity stakes

		Registered office	Type of relationship (a)	Investment Direct ownership	Investment % held	Votes available %
A. COMPANIES SUBJECT TO JOINT CONTROL						
1	Agos S.p.A. (c) Capital Euro 61,120,800 in shares of Euro 520	Milano	7	Intesa Sanpaolo	49.00	49.00
2	Allfunds Bank S.A. Capital Euro 27,040,620 in shares of Euro 30	Madrid	7	Intesa Sanpaolo	50.00	50.00
3	Augusto S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
4	Colombo S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
5	Diocleziano S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
6	Green Initiative Carbon Asset s (GICA) S.a. Capital Chf 3,500,000 in shares of Chf 100	Lugano	7	Fin.Opi	25.00	25.00
7	I2 Capital S.p.A. (#) Capital Euro 34,427,356 in shares of Euro 1	Ivrea	7	Intesa Sanpaolo	7.57	7.57
8	International Entertainment S.p.A. Capital Euro 120,000 in shares of Euro 1	Roma	7	Intesa Sanpaolo	50.00	50.00
9	Leonardo Technology S.p.A. (#) Capital Euro 160,000 in shares of Euro 1	Milano	7	Intesa Sanpaolo	25.00	25.00
10	Luxiprivilege Conseil S.a. Capital Euro 75,000 in shares of Euro 25	Luxembourg	7	Societée Europeenne de Banque	50.00	50.00
11	Monte Mario 2000 S.r.l. Capital Euro 51,480	Roma	7	Intesa Real Estate	47.50	47.50
12	PBZ Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management Capital HRK 56,000,000 in shares of HRK 1,000	Zagreb	7	Privredna Banka Zagreb	50.00	50.00
13	Shangai Sino-Italy Business Advisory Company Ltd Capital USD 1,200,000 in shares of USD 1	Shanghai	7	Intesa Sanpaolo	40.00	40.00
14	TLX S.p.A. Capital Euro 5,000,000 in shares of Euro 1	Milano	7	Banca IMI	50.00	50.00
15	Vub Generali Dochodkova Spravcovska Spolocnost A.s. Capital SKK 304,000,000 in shares of SKK 1,000,000	Bratislava	7	Vseobecna Uverova Banka	50.00	50.00
16	Centradia Group Ltd (in liq.) Capital Euro 64,842,335 in shares of Euro 1	London	7	Intesa Sanpaolo	30.45	30.45
B. INVESTMENT IN ASSOCIATES						
1	Aeroporti Holding S.r.l. Capital Euro 50,000,000	Torino	4	Imi Investimenti	35.31	35.31
2	AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l. Capital Euro 87,500	Milano	4	Intesa Sanpaolo	42.86	42.86
3	Autostrade Lombarde S.p.A. Capital Euro 95,000,000 in shares of Euro 10	Brescia	4	Intesa Sanpaolo	39.30	39.30
4	Banca Impresa Lazio S.p.A. Capital Euro 10,000,000 in shares of Euro 10,000	Roma	4	Intesa Sanpaolo	12.00	12.00
5	Banque Palatine S.A. (c) Capital Euro 413,212,040 in shares of Euro 20	Paris	4	Intesa Sanpaolo	36.36	36.36
6	Cassa di Risparmio di Fermo S.p.A. Capital Euro 39,241,087.50 in shares of Euro 51.65	Fermo	4	Intesa Sanpaolo	33.33	33.33
7	Cassa di Risparmio di Firenze S.p.A. (d) Capital Euro 828,724,733 in shares of Euro 1	Firenze	4	Intesa Sanpaolo	18.57	18.58
8	Centrale dei Bilanci S.r.l. Capital Euro 30,000,000	Torino	4	Intesa Sanpaolo Banca C.I.S.	24.26 0.15	24.26 0.15
9	Collegamento Ferroviario Genova-Milano S.p.A. Capital Euro 30,000 in shares of Euro 0.25	Genova	4	Banca Intesa Infrastrutture e Sviluppo	20.00	20.00

		Registered office	Type of relationship (a)	Investment Direct ownership	% held	Votes available %
10	Consorzio per gli Studi Universitari a Distanza S.c.a.r.l. Capital Euro 45,000	Cagliari	4	Banca C.I.S.	33.33	33.33
11	CR Firenze Gestion Internationale S.A. Capital Euro 500,000 in shares of Euro 100	Luxembourg	4	Intesa Sanpaolo	20.00	20.00
12	Egypt International Towers Co. Capital EGP 26,547,000	Cairo	4	Bank of Alexandria	27.86	27.86
13	Equitalia-Polis S.p.A. (former GEST Line S.p.A.) (c) Capital Euro 3,422,500 in shares of Euro 500	Napoli	4	Intesa Sanpaolo	15.00	15.00
14	Esaote S.p.A.(former Imaging S.p.A.) (#) Capital Euro 30,000,000 in shares of Euro 1	Milano	4	Intesa Sanpaolo Imi Investimenti	37.95 19.99	37.95 19.99
15	Euromilano S.p.A.(#) Capital Euro 6,500,000 in shares of Euro 100	Milano	4	Intesa Sanpaolo	37.50	37.50
16	Europrogetti e Finanza S.p.A. Capital Euro 9,769,760 in shares of Euro 0.52	Roma	4	Intesa Sanpaolo	15.97	15.97
17	F.I.L.A. Fabbrica Italiana Lapis e Affini S.p.A. (#) Capital Euro 2,917,215 in shares of Euro 1.62	Milano	4	Intesa Sanpaolo	24.75	24.75
18	Gepafin S.p.A. Capital Euro 1,509,786 in shares of Euro 6	Perugia	4	C.R. Spoleto C.R.Terni e Narni C.R. Foligno C.R. Città di Castello	8.26 7.73 7.33 1.33	8.26 7.73 7.33 1.33
19	Global Menkul Degerler A.S. (c) Capital TRY 17,000,000	Istanbul	4	Banca IMI	20.00	20.00
20	Grande Jolly S.r.l. (#) Capital Euro 56,638,103	Milano	4	Intesa Sanpaolo	7.00	7.00
21	I. Tre Iniziative Immobiliari Industriali S.p.A. Capital Euro 510,000 in shares of Euro 0.51	Rovigo	4	C.R. Padova e Rovigo	20.00	20.00
22	Infragruppo S.p.A. Capital Euro 156,939,500 in shares of Euro 1	Bergamo	4	IMI Investimenti	21.71	21.71
23	Intesa Soditic Trade Finance Ltd. Capital USD 5,000,000 in shares of USD 1	London	4	Intesa Holding International	50.00	50.00
24	Intesa Vita S.p.A. Capital Euro 394,226,300 in shares of Euro 5	Milano	4	Intesa Sanpaolo	50.00	44.44
25	Italfondiario S.p.A. Capital Euro 20,000,000 in shares of Euro 1	Roma	4	Intesa Sanpaolo	11.25	11.25
26	Mater-Bi S.p.A. (#) Capital Euro 14,560,000 in shares of Euro 0.52	Milano	4	Intesa Sanpaolo	34.48	34.48
27	Misr Alexandria Mutual Fund Co. Capital EGP 30,000,000	Cairo	4	Bank of Alexandria	25.00	25.00
28	Montalbano Technology S.p.A. (#) Capital Euro 746,726 in shares of Euro 1	Genova	4	Intesa Sanpaolo	13.64	13.64
29	NH Italia S.r.l. (#) Capital Euro 82,363,636	Milano	4	Intesa Sanpaolo	45.00	45.00
30	Obiettivo Nord - Est Sicav S.p.a. Capital Euro 26,566,439 in shares of Euro 6.39	Venezia Marghera	4	Intesa Sanpaolo	9.63	9.63
31	Penghua Fund Management Co. Ltd. Capital CNY 150,000,000 in shares of Euro 1	Shenzhen	4	Intesa Sanpaolo	49.00	49.00
32	Pietra S.r.l. (#) Capital Euro 40,000	Milano	4	Intesa Sanpaolo	22.22	22.22
33	Pirelli & C. S.p.A. (#) Capital Euro 2,721,233,841.56 in shares of Euro 0.52	Milano	4	Intesa Sanpaolo	1.58	1.58
34	Pirelli Re Integrated Facility Management B.V. (#) Capital Euro 18,000 in shares of Euro 1	Amsterdam	4	Intesa Sanpaolo	49.00	49.00
35	Praxis Calcolo S.p.A. Capital Euro 1,056,000 in shares of Euro 1	Milano	4	IMI Investimenti LDV Holding	14.52 14.51	14.52 14.51
36	R.C.N. Finanziaria S.p.A. (#) Capital Euro 32,135,988 in shares of Euro 0.50	Mantova	4	Intesa Sanpaolo	23.96	23.96
37	Rizzoli Corriere della Sera MediaGroup S.p.A. (#) Capital Euro 762,019,050 in shares of Euro 1	Milano	4	Intesa Sanpaolo	4.68	4.68

		Registered office	Type of relationship (a)	Investment Direct ownership	Investment % held	Votes available %
38	Sagat S.p.A. Capital Euro 10,165,200 in shares of Euro 5.16	Torino	4	IMI Investimenti	12.40	12.40
39	Sanpaolo IMI Private Equity Scheme B.V. (c) Capital Euro 100,000 in shares of Euro 100	Amsterdam	4	Ldv Holding	23.50	23.50
				Intesa Sanpaolo Equity Management	20.00	20.00
40	SI Holding S.p.A. Capital Euro 27,000,000 in shares of Euro 0.60	Milano	4	Intesa Sanpaolo	36.74	36.74
				Cariforlì	0.25	0.25
41	SIA - SSB S.p.A. Capital Euro 22,091,286.62 in shares of Euro 0.13	Milano	4	Intesa Sanpaolo	26.83	26.83
				Banca Imi	1.39	1.39
				Banca di Trento e Bolzano	0.13	0.13
				C.R. Forlì e della Romagna	0.04	0.04
				C.R. della Provincia di Viterbo	0.03	0.03
				C.R. DI Rieti	0.03	0.03
				C.R. di Città di Castello	0.02	0.02
				C.R. di Ascoli Piceno	0.02	0.02
				C.R. di Terni e Narni	0.02	0.02
				C.R. di Foligno	0.02	0.02
				Banca Fideuram	0.02	0.02
				C.R. di Spoleto	0.01	0.01
42	Sinloc - Sistema Iniziative Locali S.p.A. Capital Euro 26,367,600 in shares of Euro 5.16	Torino	4	FIN.OPI	10.00	10.00
				Banca OPI	8.15	8.15
43	Slovak Banking Credit Bureau s.r.o. Capital SKK 300,000	Bratislava	4	Vseobecna Uverova Banka	33.33	33.33
44	Società Gestione per il Realizzo S.p.A. Capital Euro 2,946,459 in shares of Euro 0.10	Roma	4	Intesa Sanpaolo	38.34	38.34
				Carifano	0.95	0.95
				Banca Fideuram	0.63	0.63
45	Tangenziali Esterne Milano S.p.A. Capital Euro 5,250,000 in shares of Euro 3.75	Milano	4	Intesa Sanpaolo	5.00	5.00
46	Telco S.p.A. (#) Capital Euro 4,849,038,420 in shares of Euro 2.50	Milano	4	Intesa Sanpaolo	10.65	10.65
47	Termomeccanica S.p.A. (#) Capital Euro 3,625,432.72 in shares of Euro 0.52	La Spezia	4	Intesa Sanpaolo	27.81	27.81
48	Uno A Erre Italia S.p.A. (#) Capital Euro 13,857,951 in shares of Euro 0.01	Arezzo	4	Intesa Sanpaolo	13.51	13.51
				Banca Intesa Mediocredito	11.14	11.14
49	Aeroporto di Napoli S.p.A. (in liq.) Capital Euro 102,000 in shares of Euro 0.51	Napoli	4	Intesa Sanpaolo	20.00	20.00
50	Consorzio Bancario SIR S.p.A. (in liq.) Capital Euro 1,515,151.42 in shares of Euro 0.01	Roma	4	Intesa Sanpaolo	32.86	32.86
				Banca C.I.S.	5.63	5.63
51	Evoluzione 94 S.p.A. (in liq) Capital Euro 8,414,826.15 in shares of Euro 0.05	Milano	4	Intesa Sanpaolo	24.10	24.10
				C.R. Bologna	2.55	2.55
				C.R. Friuli Venezia Giulia	1.97	1.97
52	Idra Partecipazioni S.p.A. (in liq.) Capital Euro 3,849,299.48 in shares of Euro 0.52	Milano	4	Intesa Sanpaolo	18.62	18.62
				Ldv Holding	11.56	11.56
53	Ifas Gruppo S.p.A. (in liq.) (#) Capital Euro 1,200,000 in shares of Euro 0.30	Torino	4	Intesa Sanpaolo	45.00	45.00
54	Impianti S.r.l. (in liq.) Capital Euro 92,953	Milano	4	Intesa Sanpaolo	26.27	26.27
				Banca di Trento e Bolzano	1.69	1.69
55	Integra S.r.l. (in liq.) Capital Euro 34,564	Belluno	4	C.R. Padova e Rovigo	29.64	29.64
56	Mega International S.p.A. (composition with creditors) Capital Euro 918,000 in shares of Euro 0.51	Ravenna	4	Neos Banca	48.00	48.00
57	P.B. S.r.l. (in liq.) (#) Capital Euro 119,000 in shares of Euro 1	Milano	4	Intesa Sanpaolo	42.24	42.24
58	Progema S.r.l. (in liq.) Capital Euro 46,440	Torino	4	SEP	10.00	10.00
				Neos Banca	10.00	10.00

		Registered office	Type of relationship (a)	Investment Direct ownership	% held	Votes available %
59	Sviluppo Garibaldi Repubblica S.p.A. (in liq.) Capital Euro 454,546 in shares of Euro 1	Milano	4	Intesa Sanpaolo	33.00	33.00

(a) Type of relationship:
1 - majority of voting rights at Ordinary Shareholders' Meeting;
2 - dominant influence at Ordinary Shareholders' Meeting;
3 - agreements with other Shareholders;
4 - companies subject to significant influence;
5 - unitary management as defined in Art. 26.1 of "Legislative Decree 87/92";
6 - unitary management as defined in Art. 26.2 of "Legislative Decree 87/92";
7 - joint control;
8 - the majority of risks and benefits (SIC 12).
(b) Equity ratio. The percentage is indicated only when it differs from direct stake in the capital;
(c) Company undergoing disposal;
(d) The Parent Company acquired control over the company on 29 January 2008.
(#) Stakes deriving from merchant banking activities.

The illustration of the criteria and the methods for the definition of the consolidation area and the motivations which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

10.2 Investments in companies subject to joint control and companies subject to significant influence: financial highlights

(in millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
A. COMPANIES CARRIED AT EQUITY						
A.1. Subject to joint control					**147**	
1. Agos S.p.A.	8,978	820	73	413	-	-
2. Allfunds Bank S.A.	268	262	23	78	123	-
3. Augusto S.r.l.	-	-	-	-	-	-
4. Colombo S.r.l.	-	-	-	-	-	-
5. Diocleziano S.r.l.	-	-	-	-	-	-
6. Green Initiative Carbon Assets (GICA) (a)	-	-	-	-	1	-
7. I2 Capital S.p.A.	382	77	-9	135	10	-
8. International Entertainment S.p.A.(a)						-
9. Leonardo Technology S.p.A.	16	-	-	-	-	-
10. Luxiprivilège Conseil S.A.	-	-	-	-	-	-
11. Monte Mario 2000 S.r.l.	1	-	-	-	-	-
12. PBZ Croatia Osiguranje Public Limited Company	13	5	2	13	6	-
13. Shanghai Sino-Italy Business Advisory Company Limited	-	-	-	-	-	-
14. Tlx S.p.A.	7	10	-	5	3	-
15. VUB Generali dochodkova spravcovska spolocnost, a.s.	9	3	-	9	4	-
16. Centradia Group Ltd (in liq.)	-	-	-	-	-	-
A.2. Investment in associates					**2,781**	
1. Aeroporti Holding S.r.l.	52	-	-	50	19	-
2. AL.FA.-Un' Altra Famiglia Dopo di Noi	-	-	-	-	-	-
3. Autostrade Lombarde S.p.A.	147	1,845		97	44	-
4. Banca Impresa Lazio S.p.A.	18		-2	7	1	-
5. Banque Palatine S.A.	7,651	554	74	603	-	-
6. Cassa di Risparmio di Fermo S.p.A.	1,354	92	9	150	50	-
7. Cassa di Risparmio di Firenze S.p.A.	28,881	859	181	1,697	665	1,016
8. Centrale dei Bilanci - S.r.l.	198	-	-	110	32	-
9. Collegamento Ferroviario Genova-Milano S.p.A.	-	-	-	-	-	-
10. Consorzio per gli Studi Universitari a Distanza S.c.a.r.l.	-	-	-	-	-	-
11. CR Firenze Gestion Internationale S.A.	34	72	19	21	10	-
12. Egypt International Towers Co.	16	-	-	11	3	-
13. Equitalia-Polis S.p.A.	1,818	251	32	54	-	-
14. Esaote S.p.A.	319		3	107	63	-
15. Euromilano S.p.A.	219	30	3	36	14	-
16. Europrogetti e Finanza S.p.A.	47	11	3	10	2	-
17. F.I.L.A. Fabbrica Italiana Lapis e Affini S.p.A.	157	180	7	27	14	-
18. Gepafin S.p.A.	3	2	-	1	-	-
19. Global Menkul Degerler A.S.	23	21		14	-	-
20. Grande Jolly S.r.l.	961	275	44	166	15	-
21. I.TRE - Iniziative Immobiliari Industriali S.p.A.	20	4	-	-	-	-
22. Infragruppo S.p.A.	326	1	-3	150	28	-
23. Intesa Soditic Trade Finance Ltd	5	4	-	5	2	-
24. Intesa Vita S.p.A.	25,664	4,028	138	1,586	609	-
25. Italfondiario S.p.A.	97	100	23	47	3	-
26. Mater-Bi S.p.A.	34	1	-	32	11	-
27. Misr Alexandria for Financial Investments Co.	5	-	-	4	1	-
28. Montalbano Technology S.p.A.	3	-	-	-	-	-
29. NH Italia S.r.l.	1,083	299	36	312	148	-
30. Obiettivo Nord - Est Sicav S.p.A.	24	-	-	27	3	-
31. Penghua Fund Management Co. Ltd	96	102	41	69	75	-
32. Pietra S.r.l.	-	-	-	-	5	-
33. Pirelli & C. S.p.A.	10,829	5,845	130	3,858	63	64
34. Pirelli Re - Facility Management Netherlands B.V.	70			67	38	-
35. Praxis Calcolo S.p.A.	17	18	-	11	3	-
36. R.C.N. Finanziaria S.p.A.	221	5	-9	4	1	-
37. Rizzoli Corriere della Sera MediaGroup S.p.A.	3,804	2,057	165	1,239	145	106
38. Sagat S.p.A.	208	67	7	60	17	-
39. Sanpaolo Imi Private Equity Scheme B.V.	-	-	-	-	-	-
40. Si Holding S.p.A.	3,670	1,026	8	53	55	-
41. SIA-SSB S.p.A. (b)	124	178	-	68	57	-
42. Sinloc - Sistema Iniziative Locali S.p.A.	48	1	-	43	8	-
43. Slovak Banking Credit Bureau s.r.o.	-	1	-	-	-	-
44. Società Gestione per il Realizzo S.p.A.	62	7	3	55	22	-

(in millions of euro)

	Total assets	Revenues	Net income	Shareholders' equity	Book value	Fair value
45. Tangenziali Esterne Milano S.p.A.	6	-	-	5	-	-
46. Telco S.p.A.	8,769	18	-36	5,124	545	-
47. Termomeccanica S.p.A.	544	252	-5	6	2	-
48. Uno A Erre Italia S.p.A.	77	157	-7	9	2	-
49. Aeroporti di Napoli (in liq.)	-	-	-	-	-	-
50. Consorzio Bancario SIR S.p.A. (in liq.)	-	-	-	-500	-	-
51. Evoluzione 94 S.p.A. (in liq.)	11		-1	11	3	-
52. Idra Partecipazioni S.p.A. (in liq.)		8	3	-	-	-
53. Ifas Gruppo S.p.A. (in liq.)	23	-	-4	-9	-	-
54. Impianti S.r.l. (in liq.)	7		-1	-117	-	-
55. Integra S.r.l. (in liq.)	-	-	-	-	-	-
56. Mega International S.p.A. (composition with creditors)	3	-	-	-	-	-
57. P.B. S.r.l. (in liq.)	8	-	-	7	3	-
58. Progema (in liq.)	-	-	-	-	-	-
59. Sviluppo Garibaldi Repubblica S.p.A. (in liq.)	-	-	-	-	-	-
Total companies carried at equity					**2,928**	
Banca d'Italia					552	
Other minor (c)					42	
Totale					**3,522**	

a) Newly-established company.

b) Figures of the surviving company SSB as at 31.12.2006.

c) Mostly includes marginal companies: i) in liquidation and/or terminating activities and ii) start-ups with no balance sheet. In particular:
- Universo Servizi S.p.A.
- ISP cb Ipotecario S.r.l.
- ISP cb Pubblico S.r.l.
- ISP sec 4 S.r.l.

10.3 Investments in associates and companies subject to joint control: annual changes

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
A. Initial amount	**2,183**	**-**	**-**	**2,183**	**2,091**
B. Increases	**2,608**	**-**	**-**	**2,608**	**640**
B.1 purchases	2,244	-	-	2,244	132
of which business combinations	*1,562*			*1,562*	-
B.2 write-backs	-	-	-	-	-
B.3 revaluations	324	-	-	324	202
B.4 other changes	40	-	-	40	306
C. Decreases	**-1,269**	**-**	**-**	**-1,269**	**-548**
C.1 sales	-283	-	-	-283	-292
C.2 impairment losses	-19	-	-	-19	-30
C.3 other changes	-967	-	-	-967	-226
D. Final amount	**3,522**	**-**	**-**	**3,522**	**2,183**
E. Total revaluations	**949**	**-**	**-**	**949**	**625**
F. Total impairment losses	**55**	**-**	**-**	**55**	**36**

(*) Figures relative to Gruppo Intesa.

10.4 Commitments referred to investments in companies subject to joint control

Please note that there is an agreement with Crédit Agricole which is made up of a call option sold and a put option purchased on Intesa Sanpaolo's stake in Agos; on 27 December 2007 Intesa Sanpaolo and Crédit Agricole agreed to exercise the respective options of the sale of Intesa Sanpaolo's entire 49% stake in Agos to Crédit Agricole. Based on this agreement, the equity investment in Agos was recognised in discontinued operations.

10.5 Commitments referred to investments in companies subject to significant influence

Please note that there is an agreement with Alleanza Assicurazioni which is made up of a call option sold and a put option with as underlying the equity investment in Intesa Vita, in which Intesa Sanpaolo holds a 50% stake.

SECTION 11 – TECHNICAL INSURANCE RESERVES REASSURED WITH THIRD PARTIES – CAPTION 110

11.1 Technical insurance reserves reassured with third parties: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
A. Casualty branch	**22**	**-**
A.1 premiums reserves	12	-
A.2 claims reserves	10	-
A.3 other reserves	-	-
B. Life branch	**12**	**-**
B.1 mathematical reserves	12	-
B.2 reserves for amounts to be disbursed	-	-
B.3 other reserves	-	-
C. Technical reserves for investment risks to be borne by the insured	-	-
C.1 reserves for contracts with disbursements connected with investment funds and market indices	-	-
C.2 reserves from pension fund management	-	-
D. Total insurance reserves carried by reinsurers	34	-

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

11.2 Change in caption 110 Technical insurance reserves reassured with third parties

Technical insurance reserves reassured with third parties exclusively refer to the contribution of subsidiaries formerly controlled by Sanpaolo IMI. These decreased by 12 million euro with respect to the figure reported at the time of entry of the aforesaid Companies within the Group.

SECTION 12 – PROPERTY AND EQUIPMENT – CAPTION 120

12.1 Property and equipment: breakdown of assets measured at cost

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
A. Property and equipment used in operations					
1.1 owned	4,972	23	63	5,058	2,910
a) land	*1,572*	*16*	*3*	*1,591*	*721*
b) buildings	*2,617*	*6*	*58*	*2,681*	*1,609*
c) furniture	*237*	*1*	-	*238*	*187*
d) electronic equipment	*441*	-	*1*	*442*	*317*
e) other	*105*	-	*1*	*106*	*76*
1.2 acquired in leasing	25	-	-	25	2
a) land	*16*	-	-	*16*	-
b) buildings	*8*	-	-	*8*	*1*
c) furniture	-	-	-	-	-
d) electronic equipment	-	-	-	-	-
e) other	*1*	-	-	*1*	*1*
Total A	**4,997**	**23**	**63**	**5,083**	**2,912**
B. Investment property					
2.1 owned	57	50	-	107	16
a) land	*19*	*33*	-	*52*	*5*
b) buildings	*38*	*17*	-	*55*	*11*
2.2 acquired in leasing	1	-	-	1	-
a) land	*1*	-	-	*1*	-
b) buildings	-	-	-	-	-
Total B	**58**	**50**	**-**	**108**	**16**
TOTAL (A + B)	**5,055**	**73**	**63**	**5,191**	**2,928**

(*) Figures relative to Gruppo Intesa.

12.2 Property and equipment: breakdown of assets measured at fair value or revalued

Caption not applicable to Intesa Sanpaolo Group.

12.3 Property and equipment used in operations: annual changes

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Property and equipment used in operations	**5,083**	**2,912**
Banking group	*4,997*	*2,862*
Insurance companies	*23*	-
Other companies	*63*	*50*

(*) Figures relative to Gruppo Intesa.

12.3.1 Banking group

(in millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**717**	**2,591**	**642**	**1,747**	**270**	**5,967**
A.1 Total net adjustments	-	-1,025	-455	-1,431	-194	-3,105
A.2 Net initial carrying amount	**717**	**1,566**	**187**	**316**	**76**	**2,862**
B. Increases	**988**	**1,429**	**180**	**424**	**959**	**3,980**
B.1 Purchases	982	1,358	138	392	900	3,770
of which business combinations	*982*	*1,267*	*99*	*105*	*716*	*3,169*
B.2 Capitalised improvement costs	-	30	-	-	-	30
B.3 Write-backs recognised in	-	-	-	-	1	1
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	6	41	42	32	58	179
C. Decreases	**-117**	**-370**	**-130**	**-299**	**-929**	**-1,845**
C.1 Sales	-113	-232	-21	-33	-48	-447
of which business combinations	*-1*	*-5*	-	-	-	*-6*
C.2 Depreciation	-	-110	-46	-239	-29	-424
C.3 Impairment losses recognised in	-	-10	-	-	-	-10
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	*-10*	-	-	-	*-10*
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-1	-13	-3	-3	-	-20
a) investment property	-	*-1*	-	-	-	*-1*
b) non-current assets held for sale and discontinued operations	*-1*	*-12*	*-3*	*-3*	-	*-19*
C.7 Other changes	-3	-5	-60	-24	-852	-944
D. Net final carrying amount	**1,588**	**2,625**	**237**	**441**	**106**	**4,997**
D.1 Total net adjustments	-	1,145	501	1,670	222	3,538
D.2 Gross final carrying amount	**1,588**	**3,770**	**738**	**2,111**	**328**	**8,535**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.3.2 Insurance companies

(in millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Total net adjustments	-	-	-	-	-	-
A.2 Net initial carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**17**	**7**	**3**	**-**	**7**	**34**
B.1 Purchases	17	7	3	-	7	34
of which business combinations	*17*	*7*	*1*	-	*7*	*32*
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-1**	**-1**	**-2**	**-**	**-7**	**-11**
C.1 Sales	-1	-	-2	-	-4	-7
of which business combinations	*-1*	-	*-2*	-	*-4*	*-7*
C.2 Depreciation	-	-1	-	-	-3	-4
C.3 Impairment losses recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**16**	**6**	**1**	**-**	**-**	**23**
D.1 Total net adjustments	-	1	-	-	3	4
D.2 Gross final carrying amount	**16**	**7**	**1**	**-**	**3**	**27**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.3.3 Other companies

(in millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**4**	**44**	**-**	**1**	**1**	**50**
A.1 Total net adjustments	-	-	-	-	-	-
A.2 Net initial carrying amount	**4**	**44**	**-**	**1**	**1**	**50**
B. Increases	**1**	**27**	**-**	**1**	**2**	**31**
B.1 Purchases	1	27	-	1	-	29
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	2	2
C. Decreases	**-2**	**-13**	**-**	**-1**	**-2**	**-18**
C.1 Sales	-	-4	-	-	-2	-6
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-1	-	-	-	-1
C.3 Impairment losses recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-2	-8	-	-1	-	-11
D. Net final carrying amount	**3**	**58**	**-**	**1**	**1**	**63**
D.1 Total net adjustments	-	1	-	-	-	1
D.2 Gross final carrying amount	**3**	**59**	**-**	**1**	**1**	**64**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.4 Investment property: annual changes

(in millions of euro)

	Banking group		Insurance companies		Other companies		Total	
	Land	Buildings	Land	Buildings	Land	Buildings	Land	Buildings
A. Gross initial carrying amount	**5**	**11**	**-**	**-**	**-**	**-**	**5**	**11**
A.1 Total net adjustments	-	-	-	-	-	-	-	-
A.2 Net initial carrying amount	**5**	**11**	**-**	**-**	**-**	**-**	**5**	**11**
B. Increases	**110**	**39**	**38**	**18**	**-**	**-**	**148**	**57**
B.1 Purchases	75	29	38	18	-	-	113	47
of which business combinations	*62*	*24*	*38*	*12*	-	-	*100*	*36*
B.2 Capitalised improvement costs	-	-	-	-	-	-	-	-
B.3 Positive fair value differences	-	-	-	-	-	-	-	-
B.4 Write-backs	1	-	-	-	-	-	1	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-	-	-
B.6 Transfer from property used in operations	-	1	-	-	-	-	-	1
B.7 Other changes	34	9	-	-	-	-	34	9
C. Decreases	**-95**	**-12**	**-5**	**-1**	**-**	**-**	**-100**	**-13**
C.1 Sales	-95	-12	-5	-	-	-	-100	-12
of which business combinations	*-3*	*-6*	-	-	-	-	*-3*	*-6*
C.2 Depreciation	-	-	-	-1	-	-	-	-1
C.3 Negative fair value differences	-	-	-	-	-	-	-	-
C.4 Impairment losses	-	-	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-	-
C.6 Transfer to other assets	-	-	-	-	-	-	-	-
a) property used in operations	-	-	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-	-	-
D. Net final carrying amount	**20**	**38**	**33**	**17**	**-**	**-**	**53**	**55**
D.1 Total net adjustments	-	-	-	-	-	-	-	-
D.2 Gross final carrying amount	**20**	**38**	**33**	**17**	**-**	**-**	**53**	**55**
E. Fair value measurement	**19**	**38**	**33**	**17**	**-**	**-**	52	55

12.5 Commitments to purchase property and equipment

No significant commitments to purchase property and equipment were recorded as at 31 December 2007.

SECTION 13 – INTANGIBLE ASSETS - CAPTION 130

13.1 Intangible assets: breakdown by type of asset

(in millions of euro)

	Banking group		Insurance companies		Other companies		31.12.2007		31.12.2006 (*)	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**16,551**	**X**	**1,036**	**X**	**-**	**X**	**17,587**	**X**	**926**
A.1.1 Group	x	16,551	x	1,036	x	-	x	17,587	x	926
A.1.2 Minority interests	x	x	x	x	x	x	x	x	x	x
A.2 Other intangible assets	**5,190**	**2,384**	**553**	**-**	**-**	**-**	**5,743**	**2,384**	**455**	**-**
A.2.1 Assets measured at cost	5,190	2,384	553	-	-	-	5,743	2,384	455	-
a) Internally generated intangible assets	*377*	-	*1*	-	-	-	*378*	-	*294*	-
b) Other assets	*4,813*	*2,384*	*552*	-	-	-	*5,365*	*2,384*	*161*	-
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**5,190**	**18,935**	**553**	**1,036**	**-**	**-**	**5,743**	**19,971**	**455**	**926**

(*) Figures relative to Gruppo Intesa.

With reference to Intangible assets with indefinite useful life (goodwill), see Part A – Accounting policies, concerning the determination of adjustments, and Part G – Business combinations, for the description of transactions concluded during 2007.

The diverse allocation of goodwill between "Cash Generating Units" is reported in the following table.

(in millions of euro)

Goodwill	31.12.2007	31.12.2006
Banca dei Territori	9,453	274
Corporate & Investment Banking	3,013	-
Public Finance	10	-
International Subsidiary Banks	1,899	625
Eurizon Capital	1,653	27
Banca Fideuram	1,559	-
Total	**17,587**	**926**

13.2 Intangible assets: annual changes

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Intangible assets	**25,714**	**1,381**
Banking group	*24,125*	*1,381*
Insurance companies	*1,589*	-
Other companies	-	-

(*) Figures relative to Gruppo Intesa.

The increases in intangible assets from business combinations include assets involved in the process for the allocation of the purchase cost of the Sanpaolo IMI Group. For further details on the criteria applied in the registration of such assets see Part G of these Notes to the consolidated financial statements.
The new figures recorded as part of the aforesaid process are:
- intangible assets: core deposits 2,175 million euro (finite life)

- intangible assets: asset management portfolio 2,790 million euro (finite life)
- intangible assets: insurance portfolio 716 million euro (finite life)
- intangible assets: brand name 2,384 million euro (indefinite life)

Furthermore the purchase cost allocation process led to the registration of goodwill for a total of 16,126 million euro (of which 2,023 million euro already recorded in the financial statements of the Sanpaolo IMI Group as at 31 December 2006).

13.2.1 Banking group

(in millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**926**	**1,210**	**-**	**602**	**-**	**2,738**
A.1 Total net adjustments	-	-916	-	-441	-	-1,357
A.2 Net initial carrying amount	**926**	**294**	**-**	**161**	**-**	**1,381**
B. Increases	**15,999**	**353**	**-**	**5,319**	**2,384**	**24,055**
B.1 Purchases	15,998	353	-	5,285	2,384	24,020
of which business combinations	*15,998*	*190*	-	*5,156*	*2,384*	*23,728*
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- *shareholders' equity*	*X*	-	-	-	-	-
- *income statement*	*X*	-	-	-	-	-
B.5 Positive foreign exchange differences	1	-	-	-	-	1
B.6 Other changes	-	-	-	34	-	34
C. Decreases	**-374**	**-270**	**-**	**-667**	**-**	**-1,311**
C.1 Sales	-2	-1	-	-31	-	-34
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-196	-269	-	-549	-	-1,014
- Amortisation	X	-263	-	-542	-	-805
- Write-downs recognised in	-196	-6	-	-7	-	-209
shareholders' equity	*X*	-	-	-	-	
income statement	*-196*	-6	-	*-7*	-	*-209*
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- *shareholders' equity*	*X*	-	-	-	-	-
- *income statement*	*X*	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-87	-	-87
C.5 Negative foreign exchange differences	-80	-	-	-	-	-80
C.6 Other changes	-96	-	-	-	-	-96
D. Net final carrying amount	**16,551**	**377**	**-**	**4,813**	**2,384**	**24,125**
D.1 Total net adjustments	196	647	-	990	-	1,833
E. Gross final carrying amount	**16,747**	**1,024**	**-**	**5,803**	**2,384**	**25,958**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2.2 Insurance companies

(in millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Total net adjustments	-	-	-	-	-	-
A.2 Net initial carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**1,036**	**4**	**-**	**688**	**-**	**1,728**
B.1 Purchases	1,036	4	-	688	-	1,728
of which business combinations	*1,036*	-	-	*656*	-	*1,692*
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- *shareholders' equity*	*X*	-	-	-	-	-
- *income statement*	*X*	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-3**	**-**	**-136**	**-**	**-139**
C.1 Sales	-	-2	-	-	-	-2
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-1	-	-102	-	-103
- Amortisation	X	-1	-	-102	-	-103
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- *shareholders' equity*	*X*	-	-	-	-	-
- *income statement*	*X*	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-34	-	-34
D. Net final carrying amount	**1,036**	**1**	**-**	**552**	**-**	**1,589**
D.1 Total net adjustments	-	1	-	102	-	103
E. Gross final carrying amount	**1,036**	**2**	**-**	**654**	**-**	**1,692**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

13.2.3 Other companies

No amounts pertaining to other companies were recorded.

13.3 Other information

There were no relevant commitments for the purchase of intangible assets as at 31 December 2007.

SECTION 14 – TAX ASSETS AND LIABILITIES – CAPTION 140 AND CAPTION 80

14.1 Deferred tax assets: breakdown

Deferred tax assets, recorded with reference to temporary deductible differences, amounted to 1,683 million euro and mostly referred to adjustments to loans (445 million euro) and to allowances for risks and charges and for guarantees for a total of 482 million euro.

14.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 3,123 million euro and the balancing entry is mostly in the income statement (2,903 million euro) as well as in shareholders' equity (220 million euro). The former mostly refer to the residual portion of deferred tax liabilities registered following the purchase cost allocation of the acquisition of the Sanpaolo IMI Group (2,687 million euro).

14.3 Changes in deferred tax assets (through profit and loss)

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Initial amount	**1,360**	**-**	**-**	**1,360**	**1,357**
2. Increases	**2,656**	**109**	**-**	**2,765**	**507**
2.1 Deferred tax assets recognised in the period	909	36	-	945	467
a) related to previous years	*55*	-	-	*55*	*66*
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	*7*	-	-	*7*	-
d) other	*847*	*36*	-	*883*	*401*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	119	17	-	136	40
2.4 Business combinations	1,628	56	-	1,684	-
3. Decreases	**-2,511**	**-39**	**-**	**-2,550**	**-504**
3.1 Deferred tax assets eliminated in the period	-761	-35	-	-796	-455
a) reversals	*-759*	*-35*	-	*-794*	*-455*
b) write-offs	*-2*	-	-	*-2*	-
c) due to changes in accounting criteria	-	-	-	-	-
3.2 Tax rate reductions	-418	-3	-	-421	-
3.3 Other decreases	-854	-1	-	-855	-49
3.4 Business combinations	-478	-	-	-478	-
4. Final amount	**1,505**	**70**	**-**	**1,575**	**1,360**

(*) Figures relative to Gruppo Intesa.

14.4 Changes in deferred tax liabilities (through profit and loss)

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Initial amount	**428**	**-**	**1**	**429**	**392**
2. Increases	**4,241**	**355**	**4**	**4,600**	**122**
2.1 Deferred tax liabilities recognised in the period	250	28	2	280	75
a) related to previous years	*10*	*-*	*-*	*10*	*15*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*240*	*28*	*2*	*270*	*60*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	49	35	-	84	47
2.4 Business combinations	3,942	292	2	4,236	-
3. Decreases	**-2,027**	**-84**	**-**	**-2,111**	**-85**
3.1 Deferred tax liabilities eliminated in the period	-428	-35	-	-463	-41
a) reversals	*-421*	*-31*	*-*	*-452*	*-33*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*-7*	*-4*	*-*	*-11*	*-8*
3.2 Tax rate reductions	-686	-43	-	-729	-
3.3 Other decreases	-852	-6	-	-858	-44
3.4 Business combinations	-61	-	-	-61	-
4. Final amount	**2,642**	**271**	**5**	**2,918**	**429**

(*) Figures relative to Gruppo Intesa.

14.5 Changes in deferred tax assets (recorded in equity)

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Initial amount	**42**	**-**	**-**	**42**	**69**
2. Increases	**72**	**157**	**-**	**229**	**7**
2.1 Deferred tax assets recognised in the period	16	39	-	55	6
a) related to previous years	*-*	*-*	*-*	*-*	*-*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*16*	*39*	*-*	*55*	*6*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	19	6	-	25	1
2.4 Business combinations	37	112	-	149	-
3. Decreases	**-55**	**-123**	**-**	**-178**	**-34**
3.1 Deferred tax assets eliminated in the period	-9	-79	-	-88	-30
a) reversals	*-9*	*-79*	*-*	*-88*	*-30*
b) write-offs	*-*	*-*	*-*	*-*	*-*
c) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
3.2 Tax rate reductions	-17	-19	-	-36	-
3.3 Other decreases	-12	-25	-	-37	-4
3.4 Business combinations	-17	-	-	-17	-
4. Final amount	**59**	**34**	**-**	**93**	**42**

(*) Figures relative to Gruppo Intesa.

14.6 Changes in deferred tax liabilities (recorded in equity)

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Initial amount	**140**	**-**	**2**	**142**	**56**
2. Increases	**2,537**	**153**	**-**	**2,690**	**109**
2.1 Deferred tax liabilities recognised in the period	54	24	-	78	89
a) related to previous years	*2*	-	-	*2*	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*52*	*24*	-	*76*	*89*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	16	3	-	19	20
2.4 Business combinations	2,467	126	-	2,593	-
3. Decreases	**-2,467**	**-143**	**-2**	**-2,612**	**-23**
3.1 Deferred tax liabilities eliminated in the period	-42	-102	-2	-146	-21
a) reversals	*-33*	*-102*	-	*-135*	*-2*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-9*	-	*-2*	*-11*	*-19*
3.2 Tax rate reductions	-25	-15	-	-40	-
3.3 Other decreases	-26	-26	-	-52	-2
3.4 Business combinations	-2,374	-	-	-2,374	-
4. Final amount	**210**	**10**	**-**	**220**	**142**

(*) Figures relative to Gruppo Intesa.

SECTION 15 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 150 OF ASSETS AND CAPTION 90 OF LIABILITIES

15.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

(in millions of euro)

	Banking Group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
A. Non-current assets held for sale					
A.1 Investments in associates and companies subject to joint control	627	-	-	627	1
A.2 Property and equipment	13	-	-	13	61
A.3 Intangible assets	-	-	-	-	-
A.4 Other	-	-	-	-	-
Total A	**640**	**-**	**-**	**640**	**62**
B. Discontinued operations					
B.1 Financial assets held for trading	1	-	-	1	-
B.2 Financial assets designated at fair value through profit and loss	-	-	-	-	-
B.3 Financial assets available for sale	-	-	-	-	-
B.4 Investments held to maturity	-	-	-	-	-
B.5 Due from banks	79	-	-	79	1
B.6 Loans to customers	3,353	-	-	3,353	2
B.7 Investments in associates and companies subject to joint control	-	-	-	-	-
B.8 Property and equipment	5	-	-	5	-
B.9 Intangible assets	81	-	-	81	-
B.10 Other	63	-	-	63	4
Total B	**3,582**	**-**	**-**	**3,582**	**7**
C. Liabilities associated with non-current assets held for sale					
C.1 Debts	-	-	-	-	-
C.2 Securities	-	-	-	-	-
C.3 Other	-	-	-	-	-
Total C	**-**	**-**	**-**	**-**	**-**
D. Liabilities associated with discontinued operations					
D.1 Due to banks	125	-	-	125	50
D.2 Due to customers	2,985	-	-	2,985	9
D.3 Securities issued	53	-	-	53	-
D.4 Financial liabilities held for trading	1	-	-	1	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
D.6 Allowances	29	-	-	29	-
D.7 Other	72	-	-	72	4
Total D	**3,265**	**-**	**-**	**3,265**	**63**

(*) Figures relative to Gruppo Intesa.

15.2 Other information

There is no other significant information to note.

15.3 Information on companies subject to significant influence not carried at equity

It must be noted that as at 31 December 2007, the Group did not have any investments in companies subject to significant influence not carried at equity classified as held for sale.

SECTION 16 – OTHER ASSETS – CAPTION 160

16.1 Other assets: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	TOTAL
Amounts to be debited - under processing	1,685	-	-	1,685
Amounts to be debited - deriving from securities transactions	750	-	-	750
Transit items	1,704	-	-	1,704
Cheques drawn on the bank settled	51	-	-	51
Cautionary deposits on behalf of third parties	42	-	-	42
Transit items relating to insurance business	-	356	-	356
Amounts due from tax authorities relating to insurance business	5,185	486	131	5,802
Other	-	-	-	-
TOTAL 31.12.2007	**9,417**	**842**	**131**	**10,390**
TOTAL 31.12.2006 (*)	**4,028**	**-**	**61**	**4,089**

(*) Figures relative to Gruppo Intesa.

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Due to Central Banks	**13,218**	**-**	**-**	**13,218**	**6,554**
2. Due to banks	**54,427**	**43**	**-**	**54,470**	**33,400**
2.1 Current accounts and deposits	7,729	3	-	7,732	6,745
2.2 Time deposits	20,593	-	-	20,593	12,514
2.3 Loans	13,348	-	-	13,348	4,137
2.3.1 Financial leases	-	-	-	-	-
2.3.2 Other	*13,348*	-	-	*13,348*	*4,137*
2.4 Debts for commitments to repurchase own equity instruments	92	-	-	92	-
2.5 Liabilities related to assets sold not derecognised	12,529	-	-	12,529	9,825
2.5.1 Repurchase agreements	*12,529*	-	-	*12,529*	*9,825*
2.5.2 Other	-	-	-	-	-
2.6 Other debts	136	40	-	176	179
TOTAL	**67,645**	**43**	**-**	**67,688**	**39,954**
Fair value	**67,524**	**43**	**-**	**67,567**	**39,954**

(*) Figures relative to Gruppo Intesa.

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies. Repurchase agreements related to assets sold not derecognised are included for 1,935 million euro in subcaption 1. Due to Central Banks and for 5,247 million euro in subcaption 2.5.1 Repurchase agreements.

1.2 Breakdown of caption 10 Due to banks: subordinated debts

The complete list of subordinated debts is presented in Part F – Information on capital.
The amount included in caption Due to banks totalled 5 million euro.
Insurance and Other companies have not issued any subordinated debts.

1.3 Breakdown of caption 10 Due to banks: structured debts

The Group's structured debts amounted to 356 million euro.
Insurance and Other companies have not issued any structured debts.

1.4 Breakdown of caption 10 Due to banks: debts with specific hedges

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Due to banks with specific fair value hedges	**1,875**	**576**
a) Interest rate risk	1,401	576
b) Foreign exchange risk	-	-
c) Various risks	474	-
2. Due to banks with specific cash flow hedges	**3,294**	**-**
a) Interest rate risk	3,294	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**5,169**	**576**

(*) Figures relative to Gruppo Intesa.

1.5 Financial lease payables

The Group has no financial lease payables to banks.

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Current accounts and deposits	152,220	-	-	152,220	89,600
2. Time deposits	26,538	-	-	26,538	18,620
3. Public funds under administration	165	-	-	165	69
4. Loans	16,646	-	-	16,646	1,096
4.1 Financial leases	-	-	-	-	-
4.2 Other	*16,646*	-	-	*16,646*	*1,096*
5. Debts for commitments to repurchase own equity instruments	239	-	-	239	-
6. Liabilities related to assets sold not derecognised	8,020	-	-	8,020	10,582
6.1 Repurchase agreements	*8,020*	-	-	*8,020*	*10,582*
6.2 Other	-	-	-	-	-
7. Other debts	2,569	195	-	2,764	2,766
TOTAL	**206,397**	**195**	**-**	**206,592**	**122,733**
Fair value	**206,390**	**195**	**-**	**206,585**	**122,733**

(*) Figures relative to Gruppo Intesa.

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

2.2 Breakdown of caption 20 Due to customers: subordinated debts

The complete list of subordinated debts is presented in Part F – Information on capital. The amount included in caption Due to customers totalled 65 million euro as at 31 December 2007.

2.3 Breakdown of caption 20 Due to customers: structured debts

Structured debts included in caption Due to customers are immaterial.

2.4 Breakdown of caption 20 Due to customers: debts with specific hedges

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Due to customers with specific fair value hedges	**541**	**125**
a) Interest rate risk	541	19
b) Foreign exchange risk	-	-
c) Various risks	-	106
2. Due to customers with specific cash flow hedges	**45**	**-**
a) Interest rate risk	45	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**586**	**125**

(*) Figures relative to Gruppo Intesa.

2.5 Financial lease payables

Financial lease payables included in caption Due to customers are immaterial.

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		31.12.2007		31.12.2006 (*)	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
A. Quoted securities	**31,180**	**30,942**	**-**	**-**	**-**	**-**	**31,180**	**30,942**	**13,798**	**13,784**
1. bonds	30,171	29,933	-	-	-	-	30,171	29,933	13,798	13,784
1.1 structured	*9,850*	*9,844*	-	-	-	-	*9,850*	*9,844*	*11,668*	*11,668*
1.2 other	*20,321*	*20,089*	-	-	-	-	*20,321*	*20,089*	*2,130*	*2,116*
2. other	1,009	1,009	-	-	-	-	1,009	1,009	-	-
2.1 structured	-	-	-	-	-	-	-	-	-	-
2.2 other	*1,009*	*1,009*	-	-	-	-	*1,009*	*1,009*	-	-
B. Unquoted securities	**108,662**	**108,284**	**-**	**-**	**49**	**49**	**108,711**	**108,333**	**66,231**	**66,165**
1. bonds	78,290	77,912	-	-	-	-	78,290	77,912	54,489	54,420
1.1 structured	*4,234*	*4,234*	-	-	-	-	*4,234*	*4,234*	*8,899*	*8,899*
1.2 other	*74,056*	*73,678*	-	-	-	-	*74,056*	*73,678*	*45,590*	*45,521*
2. other	30,372	30,372	-	-	49	49	30,421	30,421	11,742	11,745
2.1 structured	*15*	*15*	-	-	-	-	*15*	*15*	*1,035*	*1,035*
2.2 other	*30,357*	*30,357*	-	-	*49*	*49*	*30,406*	*30,406*	*10,707*	*10,710*
TOTAL	**139,842**	**139,226**	**-**	**-**	**49**	**49**	**139,891**	**139,275**	**80,029**	**79,949**

(*) Figures relative to Gruppo Intesa.

In the table above quoted securities include issues traded on the Government bond market (MOT). The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

3.2 Breakdown of caption 30 Securities issued: subordinated securities

The complete list of subordinated securities is presented in Part F – Information on capital. The amount included in caption Securities issued totalled 16,328 million euro.

3.3 Breakdown of caption 30 Securities issued: securities with specific hedges

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Securities with specific fair value hedges	**59,190**	**30,085**
a) Interest rate risk	55,155	25,491
b) Foreign exchange risk	159	-
c) Various risks	3,876	4,594
2. Securities with specific cash flow hedges	**1,274**	**-**
a) Interest rate risk	1,274	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**60,464**	**30,085**

(*) Figures relative to Gruppo Intesa.

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Financial liabilities held for trading: breakdown	**24,608**	**15,648**
Banking group	*24,546*	*15,648*
Insurance companies	*62*	-
Other companies	-	-

(*) Figures relative to Gruppo Intesa.

4.1.1 Banking group

(in millions of euro)

	31.12.2007				31.12.2006 (*)			
	Nominal value	Fair value quoted	Fair value unquoted	Fair value (**)	Nominal value	Fair value quoted	Fair value unquoted	Fair value (**)
A. CASH LIABILITIES								
1. Due to banks	**3,217**	**3,135**	**82**	**3,217**	**1,489**	**-**	**1,620**	**1,620**
2. Due to customers	**34**	**34**	**-**	**34**	**717**	**721**	**-**	**720**
3. Debt securities	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**X**
3.1 Bonds	-	-	-	X	-	-	-	X
3.1.1 structured	-	-	-	*X*	-	-	-	*X*
3.1.2 other bonds	-	-	-	*X*	-	-	-	*X*
3.2 Other	-	-	-	X	-	-	-	X
3.2.1 structured	-	-	-	*X*	-	-	-	*X*
3.2.2 other	-	-	-	*X*	-	-	-	*X*
Total A	**3,251**	**3,169**	**82**	**3,251**	**2,206**	**721**	**1,620**	**2,340**
B. DERIVATIVES								
1. Financial derivatives	**X**	**1,154**	**18,887**	**X**	**X**	**268**	**12,529**	**X**
1.1 Trading	X	1,154	18,491	X	X	268	10,970	X
1.2 Fair value option	X	-	29	X	X	-	-	X
1.3 Other	X	-	367	X	X	-	1,559	X
2. Credit derivatives	**X**	**-**	**1,254**	**X**	**X**	**-**	**510**	**X**
2.1 Trading	X	-	1,254	X	X	-	510	X
2.2 Fair value option	X	-	-	X	X	-	-	X
2.3 Other	X	-	-	X	X	-	-	X
Total B	**X**	**1,154**	**20,141**	**X**	**X**	**268**	**13,039**	**X**
TOTAL (A+B)	**X**	**4,323**	**20,223**	**X**	**X**	**989**	**14,659**	**X**

(*) Figures relative to Gruppo Intesa.

(**) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Subcaptions A.1 Due to banks and A.2 Due to customers include short selling related to repurchase agreements.

4.1.2 Insurance companies

(in millions of euro)

	31.12.2007				31.12.2006 (*)			
	Nominal value	Fair value		Fair value (**)	Nominal value	Fair value		Fair value (**)
		quoted	unquoted			quoted	unquoted	
A. CASH LIABILITIES								
1. Due to banks	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	X	-	-	-	X
3.1 Bonds	-	-	-	X	-	-	-	X
3.1.1 structured	-	-	-	X	-	-	-	X
3.1.2 other bonds	-	-	-	X	-	-	-	X
3.2 Other	-	-	-	X	-	-	-	X
3.2.1 structured	-	-	-	X	-	-	-	X
3.2.2 other	-	-	-	X	-	-	-	X
Total A	-	-	-	-	-	-	-	-
B. DERIVATIVES								
1. Financial derivatives	X	3	59	X	X	-	-	X
1.1 Trading	X	3	18	X	X	-	-	X
1.2 Fair value option	X	-	36	X	X	-	-	X
1.3 Other	X	-	5	X	X	-	-	X
2. Credit derivatives	X	-	-	X	X	-	-	X
2.1 Trading	X	-	-	X	X	-	-	X
2.2 Fair value option	X	-	-	X	X	-	-	X
2.3 Other	X	-	-	X	X	-	-	X
Total B	-	3	59	-	-	-	-	-
TOTAL (A+B)	-	3	59	-	-	-	-	-

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

(**) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

4.1.3 Other companies

No amounts pertaining to other companies were recorded.

4.2 Breakdown of caption 40 Financial liabilities held for trading: subordinated liabilities

The Intesa Sanpaolo Group does not have any subordinated liabilities classified in caption Financial liabilities held for trading.

4.3 Breakdown of caption 40 Financial liabilities held for trading: structured debts

The Intesa Sanpaolo Group does not have any structured debts classified in caption Financial liabilities held for trading.

4.4 Financial liabilities held for trading: derivatives

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Financial liabilities held for trading: derivatives	**21,357**	**13,307**
Banking group	*21,295*	*13,307*
Insurance companies	*62*	*-*
Other companies	*-*	*-*

(*) Figures relative to Gruppo Intesa.

4.4.1 Banking group

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	31.12.2007	31.12.2006 (*)
A) QUOTED DERIVATIVES							
1) Financial derivatives	***2***	***2***	***1,150***	**-**	**-**	***1,154***	***268***
with exchange of underlying asset	-	2	89	-	-	91	48
- *options issued*	-	-	*89*	-	-	*89*	*47*
- *other derivatives*	-	*2*	-	-	-	*2*	*1*
without exchange of underlying asset	2	-	1,061	-	-	1,063	220
- *options issued*	*2*	-	*1,061*	-	-	*1,063*	*219*
- *other derivatives*	-	-	-	-	-	-	*1*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**2**	**2**	**1,150**	**-**	**-**	**1,154**	**268**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	***13,895***	***2,764***	***2,190***	**-**	***38***	***18,887***	***12,529***
with exchange of underlying asset	1	2,681	211	-	-	2,893	741
- *options issued*	*1*	*111*	*169*	-	-	*281*	*89*
- *other derivatives*	-	*2,570*	*42*	-	-	*2,612*	*652*
without exchange of underlying asset	13,894	83	1,979	-	38	15,994	11,788
- *options issued*	*2,641*	*24*	*1,792*	-	*7*	*4,464*	*1,873*
- *other derivatives*	*11,253*	*59*	*187*	-	*31*	*11,530*	*9,915*
2) Credit derivatives	**-**	**-**	**-**	***1,254***	**-**	***1,254***	***510***
with exchange of underlying asset	-	-	-	1,143	-	1,143	492
without exchange of underlying asset	-	-	-	111	-	111	18
Total B	**13,895**	**2,764**	**2,190**	**1,254**	**38**	**20,141**	**13,039**
TOTAL (A + B)	**13,897**	**2,766**	**3,340**	**1,254**	**38**	**21,295**	**13,307**

(*) Figures relative to Gruppo Intesa.

Derivatives are considered quoted only if traded on regulated markets. In compliance with Bank of Italy instructions, variation margins with Clearing Houses related to futures are recorded under caption Due to customers.

4.4.2 Insurance companies

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	31.12.2007	31.12.2006 (*)
A) QUOTED DERIVATIVES							
1) Financial derivatives	**-**	**-**	***3***	**-**	**-**	***3***	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
- *options issued*	-	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	3	-	-	3	-
- *options issued*	-	-	-	-	-	-	-
- *other derivatives*	-	-	*3*	-	-	*3*	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**-**	**-**	**3**	**-**	**-**	**3**	**-**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	***56***	***1***	***2***	**-**	**-**	***59***	**-**
with exchange of underlying asset	-	1	-	-	-	1	-
- *options issued*	-	-	-	-	-	-	-
- *other derivatives*	-	*1*	-	-	-	*1*	-
without exchange of underlying asset	56	-	2	-	-	58	-
- *options issued*	-	-	-	-	-	-	-
- *other derivatives*	*56*	-	*2*	-	-	*58*	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total B	**56**	**1**	**2**	**-**	**-**	**59**	**-**
TOTAL (A + B)	**56**	**1**	**5**	**-**	**-**	**62**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

4.4.3 Other companies

No amounts pertaining to other companies were recorded.

4.5 Financial cash liabilities (excluding "short selling") held for trading: annual changes

Caption Financial cash liabilities is exclusively made up of short selling.

SECTION 5 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS – CAPTION 50

5.1 Financial liabilities designated at fair value: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Financial liabilities held for trading: derivatives	**27,270**	**-**
Banking group	*4,214*	*-*
Insurance companies	*23,056*	*-*
Other companies	*-*	*-*

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

5.1.1 Banking group

(in millions of euro)

	31.12.2007				31.12.2006 (*)			
	Nominal value	Fair value		Fair value (**)	Nominal value	Fair value		Fair value (**)
		quoted	unquoted			quoted	unquoted	
1.Due to banks	-	-	-	X	-	-	-	X
1.1 structured	-	-	-	*X*	-	-	-	*X*
1.2 other	-	-	-	*X*	-	-	-	*X*
2. Due to customers	-	-	-	X	-	-	-	X
2.1 structured	-	-	-	*X*	-	-	-	*X*
2.2 other	-	-	-	*X*	-	-	-	*X*
3. Debt securities	4,306	-	4,214	4,214	-	-	-	X
3.1 structured	*4,306*	-	*4,214*	*X*	-	-	-	*X*
3.2 other	-	-	-	*X*	-	-	-	*X*
TOTAL	**4,306**	**-**	**4,214**	**4,214**	**-**	**-**	**-**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

(**) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

5.1.2 Insurance companies

(in millions of euro)

	31.12.2007				31.12.2006 (*)			
	Nominal value	Fair value		Fair value (**)	Nominal value	Fair value		Fair value (**)
		quoted	unquoted			quoted	unquoted	
1.Due to banks	-	-	-	X	-	-	-	X
1.1 structured	-	-	-	*X*	-	-	-	*X*
1.2 other	-	-	-	*X*	-	-	-	*X*
2. Due to customers	23,056	-	23,056	23,056	-	-	-	X
2.1 structured	-	-	-	*X*	-	-	-	*X*
2.2 other	*23,056*	-	*23,056*	*23,056*	-	-	-	*X*
3. Debt securities	-	-	-	X	-	-	-	X
3.1 structured	-	-	-	*X*	-	-	-	*X*
3.2 other	-	-	-	*X*	-	-	-	*X*
TOTAL	**23,056**	**-**	**23,056**	**23,056**	**-**	**-**	**-**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

(**) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Liabilities designated at fair value as at 31 December 2007 included amounts collected by the Group's insurance companies through the issuing of mainly financial policies against investments where the risks are borne wholly by subscribers.

The nominal value of policies relating to the insurance companies is indicated at fair value.

5.1.3 Other companies

No amounts pertaining to other companies were recorded.

5.2 Breakdown of caption 50 Financial liabilities designated at fair value: subordinated liabilities

The Intesa Sanpaolo Group has no subordinated liabilities classified as Financial liabilities designated at fair value.

5.3 Financial liabilities designated at fair value: annual changes

(in millions of euro)

	Due to banks	Due to customers	Debt securities	Total
A. Initial amount	**-**	**-**	**-**	**-**
B. Increases	**-**	**28,809**	**4,403**	**33,212**
B.1 issues	-	610	1,018	**1,628**
B.2 sales	-	27,680	3,356	**31,036**
of which business combinations	-	*22,801*	*3,356*	*26,157*
B.3 positive fair value differences	-	-	29	**29**
B.4 other changes	-	519	-	**519**
C. Decreases	**-**	**-5,753**	**-189**	**-5,942**
C.1 sales	-	-	-122	**-122**
C.2 reimbursements	-	-4,904	-58	**-4,962**
C.3 negative fair value differences	-	-155	-8	**-163**
C.4 other changes	-	-694	-1	**-695**
D. Final amount	**-**	**23,056**	**4,214**	**27,270**

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

6.1. Hedging derivatives: breakdown by type of derivative and underlying asset

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Hedging derivatives: breakdown by type of derivative and underlying asset	**2,234**	**1,878**
Banking group	*2,213*	*1,878*
Insurance companies	*20*	-
Other companies	*1*	-

(*) Figures relative to Gruppo Intesa.

6.1.1 Banking group

(in millions of euro)

Type of derivatives/Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	Total
A) QUOTED DERIVATIVES						
1) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
- *options issued*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
- *options issued*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) UNQUOTED DERIVATIVES						
1) Financial derivatives	**2,043**	**155**	**-**	**-**	**2**	**2,200**
with exchange of underlying asset	26	155	-	-	1	182
- *options issued*	-	-	-	-	-	-
- *other derivatives*	*26*	*155*	-	-	*1*	*182*
without exchange of underlying asset	2,017	-	-	-	1	2,018
- *options issued*	*1*	-	-	-	-	*1*
- *other derivatives*	*2,016*	-	-	-	*1*	*2,017*
2) Credit derivatives	**-**	**-**	**-**	**13**	**-**	**13**
with exchange of underlying asset	-	-	-	13	-	13
without exchange of underlying asset	-	-	-	-	-	-
Total B	**2,043**	**155**	**-**	**13**	**2**	**2,213**
TOTAL (A+B) 31.12.2007	**2,043**	**155**	**-**	**13**	**2**	**2,213**
TOTAL (A+B) 31.12.2006 (*)	**1,804**	**74**	**-**	**-**	**-**	**1,878**

(*) Figures relative to Gruppo Intesa.

The table indicates negative values of hedging derivatives.
The respective assets/liabilities hedged are indicated in specific tables included in the illustration of the single captions.

6.1.2 Insurance companies

(in millions of euro)

Type of derivatives/Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	Total
A) QUOTED DERIVATIVES						
1) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
- *options issued*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
- *options issued*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) UNQUOTED DERIVATIVES						
1) Financial derivatives	**20**	**-**	**-**	**-**	**-**	**20**
with exchange of underlying asset	-	-	-	-	-	-
- *options issued*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
without exchange of underlying asset	20	-	-	-	-	20
- *options issued*	-	-	-	-	-	-
- *other derivatives*	*20*	-	-	-	-	*20*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**20**	**-**	**-**	**-**	**-**	**20**
TOTAL (A+B) 31.12.2007	**20**	**-**	**-**	**-**	**-**	**20**
TOTAL (A+B) 31.12.2006 (*)	**-**	**-**	**-**	**-**	**-**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

6.1.3 Other companies

The table shows a figure of 1 million euro which is immaterial.

6.2. Hedging derivatives: breakdown by hedged portfolio and type of hedge

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Hedging derivatives: breakdown by hedged portfolio and type of hedge	**2,234**	**1,878**
Banking group	*2,213*	*1,878*
Insurance companies	*20*	*-*
Other companies	*1*	*-*

(*) Figures relative to Gruppo Intesa.

6.2.1 Banking group

(in millions of euro)

Operations/Type of hedge	Fair value						Cash flow	
	Specific					Generic	Specific	Generic
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks			
1. Financial assets available for sale	81	-	-	-	-	X	-	X
2. Loans	181	-	-	X	1	X	-	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	1	X	-
Total assets	**262**	**-**	**-**	**-**	**1**	**1**	**-**	**-**
1. Financial liabilities	1,781	73	-	X	-	X	11	X
2. Portfolio	X	X	X	X	X	66	X	18
Total liabilities	**1,781**	**73**	**-**	**-**	**-**	**66**	**11**	**18**

The table indicates negative fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge. These mostly refer to specific fair value hedges of liabilities issued and specific fair value hedges of loans and financial assets available for sale. Cash flow hedges mostly refer to floating rate securities used to fund fixed rate investments.

6.2.2 Insurance companies

(in millions of euro)

Operations/Type of hedge	Fair value						Cash flow	
	Specific					Generic	Specific	Generic
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks			
1. Financial assets available for sale	20	-	-	-	-	X	-	X
2. Loans	-	-	-	X	-	X	-	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	-	X	-
Total assets	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

6.2.3 Other companies

The table shows a figure of 1 million euro which is immaterial.

SECTION 7 - FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS – CAPTION 70

7.1 Fair value change of financial liabilities in hedged portfolios

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Positive fair value change of financial liabilities	35	-	-	35	-
2. Negative fair value change of financial liabilities	-39	-	-	-39	-
TOTAL	**-4**	**-**	**-**	**-4**	**-**

(*) Figures relative to Gruppo Intesa.

7.2 Financial liabilities hedged by macrohedging of interest rate risk: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Debts	-	-
2. Portfolio	1,185	-
TOTAL	**1,185**	**-**

(*) Figures relative to Gruppo Intesa.

The balance of the changes in value of liabilities subject to macrohedging (MCH) against interest rate risk is recorded in this caption. Taking advantage of the option that emerged in the definition of the IAS 39 carve out, the Group adopted the abovementioned macrohedging, limited to coverage of core deposits.

SECTION 8 – TAX LIABILITIES – CAPTION 80

For information on this section, see Section 14 of Assets

SECTION 9 - LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 90

For information on this section, see Section 15 of Assets.

SECTION 10 – OTHER LIABILITIES – CAPTION 100

10.1 Other liabilities: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	TOTAL
Due to suppliers	1,331	44	26	1,401
Amounts due to third parties	3,011	-	-	3,011
Transit items	1,040	-	-	1,040
Illiquid balances from portfolio transactions	600	-	-	600
Adjustments for portfolio items to be settled	3,836	-	-	3,836
Amounts to be credited and items under processing	1,175	3	-	1,178
Personnel charges	32	-	-	32
Due to social security entities	534	-	-	534
Guarantees given and commitments	-	1,750	-	1,750
Other items relating to insurance business	564	109	1	674
Other	3,871	-	24	3,895
TOTAL 31.12.2007	**15,994**	**1,906**	**51**	**17,951**
TOTAL 31.12.2006 (*)	**7,695**	**-**	**16**	**7,711**

(*) Figures relative to Gruppo Intesa.

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
A. Initial amount	**1,158**	**-**	**-**	**1,158**	**1,102**
B. Increases	**1,100**	**11**	**1**	**1,112**	**162**
B.1 Provisions in the year	88	3	-	91	133
B.2 Other	1,012	8	1	1,021	29
C. Decreases	**-775**	**-7**	**-**	**-782**	**-106**
C.1 Benefits paid	-245	-2	-	-247	-97
C.2 Other	-530	-5	-	-535	-9
D. Final amount	**1,483**	**4**	**1**	**1,488**	**1,158**

(*) Figures relative to Gruppo Intesa.

Subcaption B.1 Provisions in the year includes:
- interest cost for 70 million euro;
- current service cost for 21 million euro.

Subcaption C.1 refers to benefits paid as at 31 December 2007.

Subcaption C.2 Other shows a -215 million euro decrease due to the supplementary social security reform (Legislative Decree 252, 5/12/2005). This effect includes -255 million euro referred to the recalculation of the obligation and 40 million euro of unrecognised actuarial losses of the previous year recorded through profit and loss.
As of 1 January 2007, the Finance Law and the relevant implementation decrees introduced significant modifications in the regulations of employee termination indemnities, including the option given to workers as concerns the destination of their employee termination indemnities under accrual. In particular, the new flows of employee termination indemnities may be destined by the worker to specific pension plans or maintained at the employer (in this last case, the employer will pay employee termination provisions to a treasury account at INPS).

11.2 Other information

The present value of employee termination indemnities which qualify as unfunded defined benefit plans totalled 1,490 million euro at the end of 2007, while at the end of 2006 it amounted to 1,198 million euro.
Actuarial gains not recognised in the income statement, in application of the “corridor approach”, totalled 21 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Post employment benefits	486	-	-	486	310
2. Other allowances for risks and charges	3,695	12	-	3,707	1,805
2.1 Legal disputes	1,209	1	-	1,210	969
2.2 Personnel charges	1,354	10	-	1,364	472
2.3 Other	1,132	1	-	1,133	364
TOTAL	**4,181**	**12**	**-**	**4,193**	**2,115**

(*) Figures relative to Gruppo Intesa.

Subcaption 1 – Post employment benefits includes both allowances for defined benefit plans, illustrated in point 12.3 below, and "internal" allowances for defined contribution plans.
Contents of caption 2 – Other allowances for risks and charges are illustrated in point 12.4 below.

12.2 Allowances for risks and charges: annual changes

(in millions of euro)

	Banking group		Insurance companies		Other companies		Total	
	Post employment benefits	Other allowances	Post employment benefits	Other allowances	Post employment benefits	Other allowances	Post employment benefits	Other allowances
A. Initial amount	**310**	**1,804**	**-**	**-**	**-**	**1**	**310**	**1,805**
B. Increases	**353**	**3,145**	**-**	**19**	**-**	**-**	**353**	**3,164**
B.1 Provisions in the year	28	860	-	5	-	-	28	865
B.2 Time value changes	11	67	-	-	-	-	11	67
B.3 Changes due to discount rate variations	-	-	-	-	-	-	-	-
B.4 Other	3	274	-	1	-	-	3	275
B.5 Business combinations	311	1,944	-	13	-	-	311	1,957
C. Decreases	**-177**	**-1,254**	**-**	**-7**	**-**	**-1**	**-177**	**-1,262**
C.1 Uses in the year	**-24**	**-1,000**	**-**	**-7**	**-**	**-**	**-24**	**-1,007**
C.2 Changes due to discount rate variations	-	-13	-	-	-	-	-	-13
C.3 Other	-153	-241	-	-	-	-1	-153	-242
of which business combinations	*-151*	*-195*	-	-	-	-	-	-
D. Final amount	**486**	**3,695**	**-**	**12**	**-**	**-**	**486**	**3,707**

Provisions to Other allowances also include the time value of allowances; changes due to variations in the discount rate with respect to the previous year are immaterial.

12.3 Post employment defined benefit plans

1. Illustration of the funds

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank, according to IAS 19 "Employee Benefits", is determined via the "projected unit credit method" by an independent actuary.

The defined benefit plans, in which Intesa Sanpaolo S.p.A. is co-obliged, can be distinguished in:
- internal supplementary pension funds;
- external supplementary pension funds.

Internal funds include:

- Supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo: the fund was established in implementation of collective agreements to guarantee the payment of integrations for personnel formerly in service at Cariplo passed to Esatri Esazione Tributi S.p.A. and operates solely via defined benefits in favour of employees already retired as at 31 December 2000. The size of the integration is determined, on the basis of payment criteria and in compliance with the principle of capitalisation, from the conversion of the capital matured by each plan participant at the time of retirement;
- Supplementary pension fund in favour of employees of Mediocredito Lombardo "Trattamento integrativo delle pensioni di legge a favore dei dipendenti del Mediocredito Lombardo": the fund involves all employees of Mediocredito Lombardo S.p.A. in service on 1 January 1967 or employed until 28 April 1993. Starting from 24 April 1993, with the entry into force of the Law introducing pension funds (Legislative Decree 124 of 21 April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund. The supplementary pension is determined as the difference between 80% of the last theoretical wage for pension purposes, adjusted to consider if the employee matured or not 35 years of service at the company and the size of the pension matured according to the law; in any case the supplementary pension may not exceed an amount determined annually. An agreement was signed with Trade Unions in 2006 that set out the transformation of the regime for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits) a lump-sum has been identified which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the "employee in service" section was extinguished. The agreement with Trade Unions also provides for a process – still to be activated – destined to propose to pensioners, as an extraordinary measure, one-off payments to liquidate their pension position;
- Supplementary pension fund in favour of top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana": the fund refers to integrative provisions allocated until a certain date on the basis of an institutive resolution made by the Board of Directors on 30 October 1963 in favour of top management of Banca Commerciale Italiana. The benefit is determined on the basis of a coefficient which is the combination of two parameters, age and period in the specific post. The integration is the difference between the total guaranteed pension treatment (measured by multiplying the coefficient by the annual compensation received at the cease of service with the exclusion of any variable components) and the gross annual pension, matured on the basis of the "Assicurazione generale obbligatoria" (AGO), and of "Fondo di Previdenza Integrativo Aziendale". In 2006, following the start of the liquidation of "Fondo pensione per il personale della Banca Commerciale Italiana", the Bank took over the charge corresponding to the difference between the value of the benefit borne by AGO and the higher value of the contractual commitment for the beneficiaries who requested it;
- three defined benefit plans in force at the London branch, relative to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules by the various funds, on the basis of the annual gross wage received in the last year of service;
- A defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service at the Bank for at least 5 years. The benefit is considered to be matured even if the employment relationship ceases in advance. The benefit is calculated on the basis of the highest average wage considering three consecutive years out of

the last 10 years of service, or, if the employment relationship ceases before, on the basis of the average wage in the last three years of service;
- Pension fund in favour of employees of Cassa di Risparmio di Venezia "Fondo di previdenza per il Personale della Cassa di Risparmio di Venezia": the fund is set to cover future liabilities for beneficiaries according to means set forth by internal regulations. Intesa Sanpaolo S.p.A. contributes to the fund for employees from Cassa di Risparmio di Venezia.

External funds include:
- Supplementary pension fund in favour of employees of Istituto Bancario San Paolo di Torino "Cassa di Previdenza Integrativa per il Personale dell'Istituto Bancario San Paolo di Torino", a fund with legal status and full economic independence and independent asset management. Intesa Sanpaolo S.p.A. is jointly responsible for the commitments of the "Cassa" to beneficiaries, pensioners and third parties;
- Complementary pension fund for the Employees of Banco di Napoli "Fondo di Previdenza Complementare per il Personale del Banco di Napoli – Sezione A", an entity with legal status and independent asset management. Intesa Sanpaolo S.p.A. is jointly responsible for the fund's commitments to employees enrolled in the plan and other beneficiaries from former Banco di Napoli; to retired employees receiving Supplementary Pension Checks, formerly the Sanpaolo Imi internal fund; to the employees of the Cassa di Risparmio di Bologna, formerly enrolled in the Complementary pension fund for the Employees of the Cassa, transferred to the Complementary pension fund for the employees of the Banco di Napoli in 2004; and the current and retired employees of the Banca Popolare dell'Adriatico, formerly enrolled in the Company pension fund for the employees of the former Banca Popolare dell'Adriatico, transferred to the Fund in question on 30/6/2006; to the employees of the Cassa di Risparmio di Forlì, formerly enrolled in the Complementary pension fund for the employees of said Cassa, transferred to the mentioned fund as at 1/1/2007;
- Pension fund for the employees of the former Crediop hired before 30 September 1989, a fund with legal status and full economic independence. Intesa Sanpaolo S.p.A. is jointly responsible for the commitments of the "fund" with its employees in service and retired, from former Crediop;
- Pension fund for the employees of Cariplo, a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998;
- Supplementary pension fund in favour of pensioners of Cassa di Risparmio di Padova e Rovigo "Cassa di previdenza del Personale della Cassa di Risparmio di Padova e Rovigo – Sezione Pensionati" , a fund with legal status and full economic independence pursuant to article 12 of the Italian Civil Code and independent asset management. Cassa di Risparmio di Padova e Rovigo does not pay any contributions but has made the commitment that it will cover any technical imbalance, emerging from an ad hoc expert opinion issued by an actuary.

Lastly, please note that also saving banks under the control of Intesa Casse del Centro provide defined benefit pension plans for non-active employees. The purpose of such funds is to integrate the annual pensions paid by INPS to reach a combined total of 75% of the last wage received by each plan participant.

2. Changes in the exercise of the funds

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank is determined via the "projected unit credit method" and is recorded in the balance sheet net of any plan assets. Furthermore, actuarial gains and losses calculated in the process of valuation of the plan are recorded using the "corridor approach".

(in millions of euro)

Defined benefit obligations	31.12.2007		
	Employee termination indemnities	Internal plans	External plans
Initial amount	**1,198**	**269**	**-**
Current service costs	21	4	21
Recognised past service costs	-	-	-
Unrecognised past service costs	-	-	-
Interest costs	70	16	119
Recognised actuarial losses	-	-	-
Unrecognised actuarial losses	-40	6	-
Positive exchange differences	-	-	-
Increases - business combinations	1,003	139	1,821
Participants' contributions	-	-	11
Recognised actuarial gains	-	-	-
Unrecognised actuarial gains	-21	-25	-91
Negative exchange differences	-	-9	-
Benefits paid	-247	-19	-241
Decreases - business combinations	-141	-50	-
Curtailments	-	-	-
Settlements	-	-	-
Other increases	19	7	950
Other decreases	-372	-	-
Final amount	**1,490**	**338**	**2,590**
Total unrecognised actuarial gains	**-21**	**-25**	**-91**
Total unrecognised actuarial losses	**-**	**6**	**-**

Liabilities of the defined benefit obligations pension plan	31.12.2007		
	Employee termination indemnities	Internal plans	External plans
Unfunded plans	1,489	5	-
Partly funded plans	-	-	-
Wholly funded plans	-	333	2,590

The following tables show annual changes in the present value of both the defined benefit obligation and fair value of plan assets of the former Gruppo Intesa as at 31 December 2006.

(in millions of euro)

Annual changes in the present value of the defined benefit obligations	**31.12.2006 (*)**
A. Initial amount	**289**
B. Increases	**17**
B.1 Current service cost	6
B.2 Interest cost	12
B.3 Contributions by plan participants	-
B.4 Actuarial gains and losses	-8
B.5 Positive foreign exchange differences	-
B.6 Past service cost	-
B.7 Other	7
C. Decreases	**-37**
C.1 Benefits paid	-18
C.2 Curtailments	-
C.3 Settlements	-19
C.4 Negative foreign exchange differences	-
C.5 Other	-
D. Final amount	**269**
Portion funded	**101**
Portion not funded	**168**

(*) Figures relative to Gruppo Intesa.

(in millions of euro)

Annual changes of fair value of plan assets	**31.12.2006** (*)
A. Initial amount	**64**
B. Increases	**10**
B.1 Expected return on plan assets	5
B.2 Contributions by the employer	3
B.3 Contributions by plan participants	-
B.4 Actuarial gains and losses	2
B.5 Positive foreign exchange differences	-
B.6 Other	-
C. Decreases	**-1**
C.1 Benefits paid	-1
C.2 Negative foreign exchange differences	-
C.3 Settlements	-
C.4 Other	-
D. Final amount	**73**

(*) Figures relative to Gruppo Intesa.

3. Changes in the year of plan assets and other information

The following tables show the changes in plan assets for certain defined benefit plans and their composition.

(in millions of euro)

Plan assets	31.12.2007	
	Internal plans	External plans
Initial amount (*)	**76**	**-**
Expected return	18	115
Recognised actuarial losses	-	-
Unrecognised actuarial losses	-3	-24
Positive exchange differences	-	-
Employer contributions	9	11
Participants' contributions	-	-
Recognised actuarial gains	-	-
Unrecognised actuarial gains	-	8
Negative exchange differences	-7	-
Benefits paid	-20	-241
Effect of fund reductions	-	-
Effect of fund terminations	-	-
Increases- business combinations	170	1,624
Other changes	1	1,070
Final amount	**244**	**2,563**
Total unrecognised actuarial gains	**-**	**8**
Total unrecognised actuarial losses	**-3**	**-24**

(*) Figures relative to Gruppo Intesa.

(in millions of euro)

	31.12.2007			
	Internal plans	%	External plans	%
Equities	43	17.6	432	16.9
Debt securities	169	69.3	1,269	49.5
Real estate assets	3	1.2	495	19.3
Insurance activities	12	4.9	135	5.3
Other assets	17	7.0	232	9.1
TOTAL	**244**	**100.0**	**2,563**	**100.0**

The following table shows the percentage composition of the plan assets of the former Gruppo Intesa as at 31 December 2006.

Plan assets (%)	**31.12.2006** (*)
Equities	60.5
Debt securities	19.2
Real estate assets	2.8
Other assets	17.5
Total	**100.0**

(*) Figures relative to Gruppo Intesa.

4. Reconciliation of present value of the defined benefit obligation present value of plan assets and assets and liabilities recognised in the balance sheet

Defined benefit plans presented the following balance sheet situation.

(in millions of euro)

	31.12.2007		
	Employee termination indemnities	**Internal plans**	**External plans**
1. Present value of the defined benefit obligations	1,490	338	2,590
2. Fair value of the plan assets	-	244	2,563
A. Fund status	**-1,490**	**-94**	**-27**
1. Unrecognised actuarial gains (sum of cumulated gains)	21	25	66
2. Unrecognised actuarial losses (sum of cumulated losses)	-	-3	24
3. Unrecognised past service costs	-	-	-
4. Unrecognised assets because not reimbursable	-	-	9
5. Fair value of assets reimbursable by third parties	-	-	-
B. Total	**21**	**22**	**99**
Recognised assets	**-**	**247**	**-**
Recognised liabilities (*)	**1,511**	**360**	**126**

(*) Employee termination indemnities do not include the quotas relative to the branches under disposal for 23 million euro.

Reconciliation of present value of the defined benefit obligation and fair value of plan assets and liability recognised in the balance sheet	**31.12.2006 (*)**
Present value of the defined benefit obligation	269
Fair value of plan assets	73
Difference between present value of the defined benefit obligation and fair value of plan assets	196
Actuarial gains/losses not recognised	-3
Liability (Asset) recognised in the balance sheet	193
Corridor limit	29

(*) Figures relative to Gruppo Intesa.

5. Description of the main actuarial assumptions

The following table indicates the actuarial assumptions and the minimum and maximum interest rates used in the various countries in which the allowances for post employment benefits are established.

Employee termination indemnities	31.12.2007
Discount rate	4.8%
Expected increase in salaries	3.0%
Inflation rate	2.0%

Actuarial assumptions	31.12.2007			
	Discount rates	Expected rate of return	Expected rates of wage rises	Annual inflation rate
INTERNAL PLANS				
Pension fund for the employees of Cassa di Risparmio di Venezia	5.0%	4.3%	4.0%	2.0%
Pension fund for the employees of Mediocredito Lombardo	4.9%	-	-	2.0%
Pension fund for the tax-collection employees of former Cariplo	4.8%	4.3%	-	2.0%
Pension fund for Managers of former Comit (API)	4.8%	-	-	2.0%
London branch pension fund	5.0%	-	4.5%	3.0%
New York branch pension fund	5.8%	7.5%	3.0%	2.5%
Cassa di Risparmio di Viterbo fund	4.9%	4.3%	2.0%	2.0%
Cassa di Ascoli Piceno fund	4.9%	4.3%	2.0%	2.0%
Cassa di Città di Castello fund	4.9%	4.3%	2.0%	2.0%
Cassa di Foligno fund	4.9%	4.3%	2.0%	2.0%
Cassa di Rieti fund	4.9%	4.3%	2.0%	2.0%
Cassa di Spoleto fund	4.9%	4.3%	2.0%	2.0%
Cassa di Terni e Narni fund	4.9%	4.3%	2.0%	2.0%
EXTERNAL PLANS				
Supplementary pension fund for Employees of Istituto Bancario San Paolo di Torino	5.0%	4.3%	4.0%	2.0%
Supplementary pension fund for Employees of Banco di Napoli - Sec. A	4.9%	4.3%	4.0%	2.0%
Pension fund for the employees of former Cariplo	4.8%	3.8%	-	2.0%
Pension fund for the employees of former Crediop	4.3%	4.0%	5.0%	2.0%
Employee pension fund Cariparo-retired employees section	4.9%	4.3%	-	2.0%

Main actuarial assumptions	31.12.2006 (*)	
	minimum	maximum
a. Discount rates	4.00	5.50
b. Expected return of plan assets	4.25	7.50
c. Expected rates of wage rises	3.00	4.25
d. Medical cost trend rates	n.a.	n.a.
e. Expected rate of pension rises	1.50	3.50
f. Inflation rate	2.00	2.95

(*) Figures relative to Gruppo Intesa.

6. Comparative information

(in millions of euro)

	31.12.2007		
	Employee termination indemnities	**Internal plans**	**External plans**
Present value of the defined benefit obligations	1,490	338	2,590
Fair value of the plan assets	-	244	2,563
Fund status	**-1,490**	**-94**	**-27**
Adjustments to plan assets	-	-	-
Adjustments to liabilities deriving from the plan	-	-	-

12.4 Allowances for risks and charges – Other allowances

Other allowances mostly refers to provisions for legal disputes, revocatory actions and other litigations.

The allowance for personnel includes charges for incentive-driven exit plans and charges connected to the assignment, for free, of shares to employees.

Other mostly referred to provisions for the sale of equity investments, for tax litigations and other allowances.

(in millions of euro)

	31.12.2007
2. Other allowances	
2.1 legal disputes	1,210
2.2 personnel charges	1,364
staff leaving incentives	*1,095*
seniority bonuses to employees	*163*
other personnel expenses	*106*
2.3 other risks and charges	1,133
other indemnities due to agents of the distribution network	*133*
renegotiation of mortgage loans	*28*
customers' complaints on Cirio, Argentina and Parmalat placements	-
other	*972*
TOTAL	**3,707**

SECTION 13 – TECHNICAL RESERVES – CAPTION 130

13.1 Technical reserves: breakdown

(in millions of euro)

	Direct work	Indirect work	31.12.2007	31.12.2006 (*)
A. Casualty branch	**148**	**-**	**148**	**-**
A.1 premiums reserves	104	-	104	-
A.2 claims reserves	43	-	43	-
A.3 other reserves	1	-	1	-
B. Life branch	**17,457**	**-**	**17,457**	**-**
B.1 mathematical reserves	16,747	-	16,747	-
B.2 reserves for amounts to be disbursed	407	-	407	-
B.3 other reserves	303	-	303	-
C. Technical reserves for investment risks to be borne by the insured	**3,966**	**-**	**3,966**	**-**
C.1 reserves for contracts with disbursements connected with investment funds and market indices	3,542	-	3,542	-
C.2 reserves from pension fund management	424	-	424	-
D. Total insurance reserves carried by reinsurers	**21,571**	**-**	**21,571**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

13.2 Technical reserves: annual changes

(in millions of euro)

	31.12.2007
A. Casualty branch	**148**
Initial amount as at 31.12.2006	-
Business combinations	110
Change in the reserve (+/-)	38
B. Life branch and other technical reserves	**21,423**
Business combinations	22,430
Change in premiums	1,476
Change in payments	-4,605
Changes due to income and other bonuses recognised to insured parties (+/-)	358
Changes due to exchange differences (+/-)	-5
Changes in other technical reserves (+/-)	1,769
C. Total technical reserves	**21,571**

SECTION 14 – REIMBURSABLE SHARES – CAPTION 150

Caption not applicable to the Intesa Sanpaolo Group.

SECTION 15 – GROUP SHAREHOLDERS' EQUITY – CAPTIONS 140, 160, 170, 180, 190, 200 AND 220

15.1 Group shareholders' equity: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Share capital	**6,647**	**3,613**
2. Share premium reserve	**33,457**	**5,559**
3. Reserves	**5,712**	**5,226**
4. (Treasury shares)	**-2,207**	**-**
a) Parent Company	-2,207	-
b) subsidiaries	-	-
5. Valuation reserves	**699**	**1,209**
6. Capital instruments	**-**	**-**
7. Net income (loss) pertaining to the Group	**7,250**	**2,559**
TOTAL	**51,558**	**18,166**

(*) Figures relative to Gruppo Intesa.

15.2 Share capital and Treasury shares: breakdown

For information of this section, see point 15.4 below.

15.3 Share capital – Parent Company's number of shares: annual changes

	Ordinary	Other
A. Initial number of shares	**6,015,588,662**	**932,490,561**
- fully paid-in	6,015,588,662	932,490,561
- not fully paid-in	-	-
A.1 Treasury shares (-)	**-**	**-**
A.2 Shares outstanding: initial number	**6,015,588,662**	**932,490,561**
B. Increases	**5,840,979,788**	**-**
B.1 New issues	5,833,743,705	-
- for consideration	5,833,743,705	-
business combinations	*5,833,529,082*	-
conversion of bonds	-	-
exercise of warrants	-	-
other	*214,623*	-
- for free	-	-
in favour of employees	-	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	7,236,083	-
B.3 Other	-	-
C. Decreases	**-406,140,700**	**-**
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-406,140,700	-
C.3 Disposal of companies	-	-
C.4 Other	-	-
D. Shares outstanding: final number	**11,450,427,750**	**932,490,561**
D.1 Treasury shares (+)	398,904,617	-
D.2 Final number of shares	**11,849,332,367**	**932,490,561**
- fully paid-in	11,849,332,367	932,490,561
- not paid-in	-	-

15.4 Share capital: other information

The share capital of the Bank as at 31 December 2007 amounted to 6,647 million euro, divided into 11,849,332,367 ordinary shares and 932,490,561 unconvertible saving shares, with a nominal value of 0.52 euro each. Each ordinary share gives the right to one vote in the Shareholders' Meeting.

Saving shares, which may be in bearer form, give the power to intervene and vote in the Special Meeting of saving shares holders.

Saving shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in one year the dividend is less than 5% of the nominal value of the unconvertible saving shares, the difference will be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the dividend per saving share will be 2% of nominal value higher than for ordinary shares.

In case of distribution of reserves the saving shares have the same rights as other shares. In the case of liquidation of the Company, saving shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.

Treasury shares held as at 31 December 2007 by the Parent Company (for an exchange value of 2,160 million euro) are to service the share swap for the acquisition of the control of Carifirenze

executed on 29 January 2008; as at 31 December Intesa Sanpaolo shares were also held by Banca IMI (for an exchange value of 32 million euro), in relation to its institutional trading activities, and by collective investment entities (for an exchange value of 15 million euro) owned by the Group's insurance companies and consolidated as provided for by IAS/IFRS.
At the date of these financial statements share capital was fully paid-in and liberated.

15.5 Reserves: other information

Reserves amounted to 5,712 million euro and included: legal reserve, statutory reserve, concentration reserves (Law 218 of 30/7/1990, art. 7, par. 3, and Law 218 of 30/7/1990, par. 7), consolidation reserve and other reserves.
The legal reserve, set up as provided for by the law, must be at least one fifth of share capital; it was set up in the past by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.
The statutory or extraordinary reserve was set up as provided for by the Articles of Association by the allocation of residual net income after dividend distribution to ordinary and saving shares. Such reserve also includes unclaimed and forfeited dividends, as provided for by the Articles of Association.
Concentration reserves ex Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.
Consolidation reserves were generated following the elimination of the book value of equity investments against the corresponding portion of the shareholders' equity of each investment.
See Part F – Information on capital for a detailed description of individual reserves.

15.6 Valuation reserves: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Financial assets available for sale	227	-56	-21	150	628
2. Property and equipment	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Foreign investment hedges	-	-	-	-	-
5. Cash flow hedges	133	-	-	133	83
6. Foreign exchange differences	72	-	2	74	154
7. Non-current assets held for sale and discontinued operations	-	-	-	-	-
8. Legally-required revaluations	342	-	-	342	344
TOTAL	**774**	**-56**	**-19**	**699**	**1,209**

(*) Figures relative to Gruppo Intesa.

15.7 Valuation reserves: annual changes

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Valuation reserves	**699**	**1,209**
Banking group	*774*	*1,209*
Insurance companies	*-56*	-
Other companies	*-19*	-

(*) Figures relative to Gruppo Intesa.

15.7.1 Banking group

(in millions of euro)

	Financial assets available for sale	Property and equipment	Intangible assets	Foreign investment hedges	Cash flow hedges	Foreign exchange differences	Non-current assets held for sale and discontinued operations	Legally-required revaluations
A. Initial amount	**628**	**-**	**-**	**-**	**83**	**154**	**-**	**344**
B. Increases	**462**	**-**	**-**	**-**	**139**	**1**	**-**	**-**
B.1 fair value increases	359	-	-	-	139	1	-	-
B.2 other changes	103	-	-	-	-	-	-	-
C. Decreases	**-863**	**-**	**-**	**-**	**-89**	**-83**	**-**	**-2**
C.1 fair value decreases	-514	-	-	-	-84	-83	-	-
C.2 other changes	-349	-	-	-	-5	-	-	-2
D. Final amount	**227**	**-**	**-**	**-**	**133**	**72**	**-**	**342**

15.7.2 Insurance companies

(in millions of euro)

	Financial assets available for sale	Property and equipment	Intangible assets	Foreign investment hedges	Cash flow hedges	Foreign exchange differences	Non-current assets held for sale and discontinued operations	Legally-required revaluations
A. Initial amount	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**269**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 fair value increases	82	-	-	-	-	-	-	-
B.2 other changes	187	-	-	-	-	-	-	-
C. Decreases	**-325**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 fair value decreases	-257	-	-	-	-	-	-	-
C.2 other changes	-68	-	-	-	-	-	-	-
D. Final amount	**-56**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

15.7.3 Other companies

(in millions of euro)

	Financial assets available for sale	Property and equipment	Intangible assets	Foreign investment hedges	Cash flow hedges	Foreign exchange differences	Non-current assets held for sale and discontinued operations	Legally-required revaluations
A. Initial amount	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**
B.1 fair value increases	-	-	-	-	-	2	-	-
B.2 other changes	-	-	-	-	-	-	-	-
C. Decreases	**-21**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 fair value decreases	-13	-	-	-	-	-	-	-
C.2 other changes	-8	-	-	-	-	-	-	-
D. Final amount	**-21**	**-**	**-**	**-**	**-**	**2**	**-**	**-**

15.8 Valuation reserve of financial assets available for sale: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		31.12.2007		31.12.2006 (*)	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	22	-230	39	-110	-	-21	61	-361	10	-33
2. Equities	643	-219	42	-28	-	-	685	-247	646	-
3. Quotas of UCITS	18	-3	3	-2	-	-	21	-5	5	-
4. Loans	1	-5	-	-	-	-	1	-5	-	-
TOTAL	**684**	**-457**	**84**	**-140**	**-**	**-21**	**768**	**-618**	**661**	**-33**

(*) Figures relative to Gruppo Intesa.

15.9 Valuation reserve of financial assets available for sale: annual changes

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Valuation reserve of financial assets available for sale	**150**	**628**
Banking group	*227*	*628*
Insurance companies	*-56*	*-*
Other companies	*-21*	*-*

(*) Figures relative to Gruppo Intesa.

15.9.1 Banking group

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans
1. Initial amount	**-23**	**646**	**5**	**-**
2. Positive fair value differences	**62**	**383**	**16**	**2**
2.1 fair value increases	48	295	15	2
2.2 reversal to the income statement of negative reserves	3	3	-	-
- *impairment*	-	-	-	-
- *disposal*	*3*	*3*	-	-
2.3 other changes	11	85	1	-
3. Negative fair value differences	**-247**	**-605**	**-6**	**-6**
3.1 fair value decreases	-227	-282	-4	-2
3.2 impairment losses	-7	-48	-	-2
3.3 reversal to the income statement of positive reserves: disposal	-3	-219	-2	-
3.4 other changes	-10	-56	-	-2
4. Final amount	**-208**	**424**	**15**	**-4**

15.9.2 Insurance companies

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans
1. Initial amount	**-**	**-**	**-**	**-**
2. Positive fair value differences	**145**	**118**	**6**	**-**
2.1 fair value increases	64	16	2	-
2.2 reversal to the income statement of negative reserves	27	1	-	-
- *impairment*	-	-	-	-
- *disposal*	*27*	*1*	-	-
2.3 other changes	54	101	4	-
3. Negative fair value differences	**-216**	**-104**	**-5**	**-**
3.1 fair value decreases	-206	-49	-2	-
3.2 impairment losses	-	-	-	-
3.3 reversal to the income statement of positive reserves: disposal	-10	-55	-3	-
3.4 other changes	-	-	-	-
4. Final amount	**-71**	**14**	**1**	**-**

15.9.3 Other companies

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans
1. Initial amount	**-**	**-**	**-**	**-**
2. Positive fair value differences	**-**	**-**	**-**	**-**
2.1 fair value increases	-	-	-	-
2.2 reversal to the income statement of negative reserves	-	-	-	-
- *impairment*	-	-	-	-
- *disposal*	-	-	-	-
2.3 other changes	-	-	-	-
3. Negative fair value differences	**-21**	**-**	**-**	**-**
3.1 fair value decreases	-13	-	-	-
3.2 impairment losses	-8	-	-	-
3.3 reversal to the income statement of positive reserves: disposal	-	-	-	-
3.4 other changes	-	-	-	-
4. Final amount	**-21**	**-**	**-**	**-**

SECTION 16 - MINORITY INTERESTS – CAPTION 210

16.1 Minority interests: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Share capital	334	-	-	334	330
2. Share premium reserve	121	-	-	121	115
3. Reserves	217	1	-	218	277
4. (Treasury shares)	-	-	-	-	-
5. Valuation reserves	12	-	-	12	20
6. Equity instruments	-	-	-	-	-
7. Profit (Loss) on minority interests	106	-	-	106	110
TOTAL	**790**	**1**	**-**	**791**	**852**

(*) Figures relative to Gruppo Intesa.

As at 31 December 2007, minority interests amounted to 334 million euro, broken down into 331 million euro relative to ordinary shares and 3 million euro referred to preferred shares.
As at 31 December 2007 share capital was fully paid-in and liberated.

16.2 Valuation reserves: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1. Financial assets available for sale	6	-	-	6	6
2. Property and equipment	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Foreign investment hedges	-	-	-	-	-
5. Cash flow hedges	-	-	-	-	-
6. Foreign exchange differences	-4	-	-	-4	5
7. Non-current assets held for sale and discontinued operations	-	-	-	-	-
8. Legally-required revaluations	10	-	-	10	9
TOTAL	**12**	**-**	**-**	**12**	**20**

(*) Figures relative to Gruppo Intesa.

16.3 Equity instruments: breakdown and annual changes

Caption not applicable to the Intesa Sanpaolo Group.

16.4 Valuation reserve of financial assets available for sale: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		31.12.2007		31.12.2006 (*)	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	3	-2	-	-	-	-	3	-2	-	-
2. Equities	4	-	-	-	-	-	4	-	6	-
3. Quotas of UCITS	1	-	-	-	-	-	1	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-
TOTAL	**8**	**-2**	**-**	**-**	**-**	**-**	**8**	**-2**	**6**	**-**

(*) Figures relative to Gruppo Intesa.

16.5 Valuation reserves: annual changes

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Valuation reserves	**12**	**20**
Banking group	*12*	*20*
Insurance companies	-	-
Other companies	-	-

(*) Figures relative to Gruppo Intesa.

16.5.1 Banking group

(in millions of euro)

	Financial assets available for sale	Property and equipment	Intangible assets	Foreign investment hedges	Cash flow hedges	Foreign exchange differences	Non-current assets held for sale and discontinued operations	Legally-required revaluations
A. Initial amount	**6**	**-**	**-**	**-**	**-**	**5**	**-**	**9**
B. Increases	**12**	**-**	**-**	**-**	**-**	**-**	**-**	**1**
B.1 fair value increases	10	-	-	-	-	-	-	-
B.2 other changes	2	-	-	-	-	-	-	1
C. Decreases	**-12**	**-**	**-**	**-**	**-**	**-9**	**-**	**-**
C.1 fair value decreases	-4	-	-	-	-	-9	-	-
C.2 other changes	-8	-	-	-	-	-	-	-
D. Final amount	**6**	**-**	**-**	**-**	**-**	**-4**	**-**	**10**

16.5.2 Insurance companies

No amounts pertaining to insurance companies were recorded.

16.5.3 Other companies

No amounts pertaining to other companies were recorded.

Other information

1. Guarantees and commitments

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2007	31.12.2006 (*)
1) Financial guarantees given	**13,436**	**-**	**-**	**13,436**	**7,650**
a) Banks	516	-	-	516	941
b) Customers	12,920	-	-	12,920	6,709
2) Commercial guarantees given	**37,079**	**-**	**-**	**37,079**	**19,082**
a) Banks	2,569	-	-	2,569	1,594
b) Customers	34,510	-	-	34,510	17,488
3) Irrevocable commitments to lend funds	**63,673**	**-**	**-**	**63,673**	**30,948**
a) Banks	10,996	-	-	10,996	7,038
- of certain use	*7,019*	-	-	*7,019*	*4,201*
- of uncertain use	*3,977*	-	-	*3,977*	*2,837*
b) Customers	52,677	-	-	52,677	23,910
- of certain use	*10,329*	-	-	*10,329*	*2,859*
- of uncertain use	*42,348*	-	-	*42,348*	*21,051*
4) Underlying commitments on credit derivatives: protection sales	**63,884**	**-**	**-**	**63,884**	**44,371**
5) Assets pledged as collateral of third party commitments	**5,547**	**-**	**-**	**5,547**	**760**
6) Other commitments	**2,505**	**-**	**-**	**2,505**	**2,343**
TOTAL	**186,124**	**-**	**-**	**186,124**	**105,154**

(*) Figures relative to Gruppo Intesa.

2. Assets pledged as collateral of liabilities and commitments

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Financial assets held for trading	9,871	7,177
2. Financial assets designated at fair value through profit and loss	46	-
3. Financial assets available for sale	1,784	23
4. Investments held to maturity	1,984	133
5. Due from banks	2,735	248
6. Loans to customers	9,268	1,529
7. Property and equipment	5	3
TOTAL	**25,693**	**9,113**

(*) Figures relative to Gruppo Intesa.

Points 1. Financial assets held for trading, 2. Financial assets designated at fair value through profit and loss, 3. Financial assets available for sale, 4. Investments held to maturity refer to securities pledged as collateral for repurchase agreements.

3. Information on operating leases

The costs recorded in the year referred to motor vehicles, office equipment and central and peripheral software are allocated in the appropriate captions on the basis of the nature of the asset; the portion of potential lease payments included is immaterial.

4. Breakdown of investments related to unit-linked and index-linked policies

(in millions of euro)

	Disbursements connected with pension funds and market indices	Disbursements in connection with pension fund management	31.12.2007
Assets in the balance sheet	6,370	408	6,778
Infra-group assets	19,165	16	19,181
Total Assets	**25,535**	**424**	**25,959**
Financial liabilities in the balance sheet	19,010	-	19,010
Technical reserves in the balance sheet	3,542	424	3,966
Infra-group liabilities	139	-	139
Total Liabilities	**22,691**	**424**	**23,115**

5. Management and dealing on behalf of third parties

5.1 Banking group

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Dealing in financial instruments on behalf of third parties		
a) Purchases	907,640	855,427
1. settled	*904,599*	*854,426*
2. to be settled	*3,041*	*1,001*
b) Sales	908,000	903,922
1. settled	*906,299*	*902,454*
2. to be settled	*1,701*	*1,468*
2. Portfolio management		
a) individual	76,293	57,784
b) collective	108,460	1,097
3. Custody and administration of securities		
a) third party securities held in deposit: related to depositary bank activities (excluding individual portfolio management schemes)	54,849	56,385
1. securities issued by companies included in the consolidation area	*615*	*288*
2. other securities	*54,234*	*56,097*
b) other third party securities held in deposit (excluding individual portfolio management schemes): other	604,350	440,239
1. securities issued by companies included in the consolidation area	*102,126*	*41,235*
2. other securities	*502,224*	*399,004*
c) third party securities deposited with third parties	572,154	413,505
d) portfolio securities deposited with third parties	50,381	51,190
4. Other	**94,855**	**434**

(*) Figures relative to Gruppo Intesa.

5.2 *Insurance companies*

Liabilities related to management and dealing on behalf of third parties of insurances companies are immaterial.

5.3 *Other companies*

Liabilities related to management and dealing on behalf of third parties of other companies are immaterial.

Part C – Information on the consolidated income statement

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1. Interest and similar income: breakdown

(in millions of euro)

	2007	2006 (*)
Interest and similar income: breakdown	**24,527**	**10,071**
Banking group	*23,669*	*10,035*
Insurance companies	*804*	*-*
Other companies	*54*	*36*

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

1.1.1 Banking group

(in millions of euro)

	Performing financial assets		Non-performing financial assets	Other assets	2007	2006 (*)
	Debt securities	Loans				
1. Financial assets held for trading	1,621	-	-	-	1,621	1,178
2. Financial assets designated at fair value through profit and loss	20	-	-	-	20	-
2. Financial assets available for sale	654	32	-	-	686	117
3. Investments held to maturity	241	-	-	-	241	105
4. Due from banks	231	2,519	-	13	2,763	998
5. Loans to customers	274	17,349	264	112	17,999	7,417
7. Hedging derivatives	X	X	X	19	19	220
8. Assets sold not derecognised	18	265	-	-	283	3
9. Other assets	X	X	X	37	37	-3
TOTAL	**3,059**	**20,165**	**264**	**181**	**23,669**	**10,035**

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

The subcaption Financial assets held for trading also includes interest income on securities relative to repurchase agreements.
Interest income on non-performing assets refers to interest, other than that recorded in the caption Write-backs, accrued in the year as well as collected interest on overdue loans.

1.1.2 Insurance companies

(in millions of euro)

	Performing financial assets		Non-performing financial assets	Other assets	2007	2006 (*)
	Debt securities	Loans				
1. Financial assets held for trading	2	-	-	-	2	-
2. Financial assets available for sale	712	-	-	-	712	-
3. Investments held to maturity	-	-	-	-	-	-
4. Due from banks	-	1	-	-	1	-
5. Loans to customers	-	-	-	-	-	-
6. Financial assets designated at fair value through profit and loss	94	-	-	-	94	-
7. Hedging derivatives	X	X	X	-5	-5	-
8. Assets sold not derecognised	-	-	-	-	-	-
9. Other assets	X	X	X	-	-	-
TOTAL	**808**	**1**	**-**	**-5**	**804**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

1.1.3 Other companies

(in millions of euro)

	Performing financial assets		Non-performing financial assets	Other assets	2007	2006 (*)
	Debt securities	Loans				
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets designated at fair value through profit and loss	28	-	-	-	28	16
3. Financial assets available for sale	-	-	-	-	-	-
4. Investments held to maturity	19	6	-	-	25	-
5. Due from banks	-	-	-	-	-	-
6. Loans to customers	-	-	-	-	-	20
7. Hedging derivatives	X	X	X	1	1	-
8. Assets sold not derecognised	-	-	-	-	-	-
9. Other assets	X	X	X	-	-	-
TOTAL	**47**	**6**	**-**	**1**	**54**	**36**

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

1.2 Interest and similar income: differentials on hedging transactions

(in millions of euro)

	Banking group	Insurance companies	Other companies	2007	2006 (*)
A. Positive differentials on					
A.1 specific fair value hedges of assets	1,059	-	2	1,061	171
A.2 specific fair value hedges of liabilities	1,523	-	-	1,523	1,272
A.3 generic hedges of interest rate risk	1,283	1	-	1,284	-
A.4 specific cash flow hedges of assets	296	-	-	296	3
A.5 specific cash flow hedges of liabilities	24	-	-	24	8
A.6 generic cash flow hedges	216	-	-	216	53
A.7 hedging assets liabilities HFT	83	-	-	83	-
A.8 hedging assets liabilities DAAFV	-	-	-	-	-
Total A	**4,484**	**1**	**2**	**4,487**	**1,507**
B. Negative differentials on					
B.1 specific fair value hedges of assets	-828	-	-	-828	-91
B.2 specific fair value hedges of liabilities	-1,857	-	-	-1,857	-1,099
B.3 generic hedges of interest rate risk	-1,233	-3	-	-1,236	-1
B.4 specific cash flow hedges of assets	-258	-	-	-258	-1
B.5 specific cash flow hedges of liabilities	-27	-	-	-27	-12
B.6 generic cash flow hedges	-188	-	-1	-189	-83
B.7 hedging assets liabilities HFT	-74	-	-	-74	-
B.8 hedging assets liabilities DAAFV	-	-3	-	-3	-
Total B	**-4,465**	**-6**	**-1**	**-4,472**	**-1,287**
TOTAL (A - B)	**19**	**-5**	**1**	**15**	**220**

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

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

The balance as at 31 December 2007 included 3,260 million euro relative to financial assets in foreign currency.

1.3.2 Interest income on financial lease receivables

Interest income on financial leases amounted to 1,009 million euro.

1.3.3 Interest income on loans using public funds under administration

As at 31 December 2007, interest income on loans using public funds under administration was immaterial.

1.4 Interest and similar expense: breakdown

(in millions of euro)

	2007	2006 (*)
Interest and similar expense: breakdown	**14,250**	**5,571**
Banking group	*14,185*	*5,533*
Insurance companies	*14*	*-*
Other companies	*51*	*38*

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

1.4.1 Banking group

(in millions of euro)

	Debts	Securities	Other liabilities	2007	2006 (*)
1. Due to banks	3,446	X	43	3,489	1,313
2. Due to customers	4,839	X	1	4,840	1,536
3. Securities issued	X	5,788	-	5,788	2,628
4. Financial liabilities held for trading	5	40	-	45	53
5. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
6. Financial liabilities associated to assets sold not derecognised	23	-	-	23	-1
7. Other liabilities	X	X	-	-	4
8. Hedging derivatives	X	X	-	-	-
TOTAL	**8,313**	**5,828**	**44**	**14,185**	**5,533**

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

The subcaptions Due to banks and Due to customers also include interest expense on repurchase agreements.

1.4.2 Insurance companies

(in millions of euro)

	Debts	Securities	Other liabilities	2007	2006 (*)
1. Due to banks	-	X	2	2	-
2. Due to customers	-	X	-	-	-
3. Securities issued	X	-	-	-	-
4. Financial liabilities held for trading	-	-	-	-	-
5. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
6. Financial liabilities associated to assets sold not derecognised	-	-	-	-	-
7. Other liabilities	X	X	12	12	-
8. Hedging derivatives	X	X	-	-	-
TOTAL	**-**	**-**	**14**	**14**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

1.4.3 Other companies

(in millions of euro)

	Debts	Securities	Other liabilities	2007	2006 (*)
1. Due to banks	-	X	-	-	-
2. Due to customers	-	X	-	-	-
3. Securities issued	X	51	-	51	38
4. Financial liabilities held for trading	-	-	-	-	-
5. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
6. Financial liabilities associated to assets sold not derecognised	-	-	-	-	-
7. Other liabilities	X	X	-	-	-
8. Hedging derivatives	X	X	-	-	-
TOTAL	**-**	**51**	**-**	**51**	**38**

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

1.5 Interest and similar expense: differentials on hedging transactions

Information on differentials on hedging transactions is illustrated in table 1.2, since the balance is included, both for 2006 and for 2007, in interest income.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency financial liabilities

Interest and similar expense as at 31 December 2007 included 2,991 million euro relative to financial liabilities in foreign currency.

1.6.2 Interest expense on financial lease payables

The amount of interest expense on financial lease payables was immaterial.

1.6.3 Interest expense on public funds under administration

Interest expense on public funds under administration was immaterial.

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

(in millions of euro)

	2007	2006 (*)
Fee and commission income: breakdown	**7,327**	**3,324**
Banking group	*6,906*	*3,322*
Insurance companies	*403*	*-*
Other companies	*18*	*2*

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

2.1.1 Banking group

(in millions of euro)

	2007	2006 (*)
A) Guarantees given	**280**	**146**
B) Credit derivatives	**1**	**-**
C) Management, dealing and consultancy services	**3,626**	**1,480**
1. trading in financial instruments	143	51
2. currency dealing	70	38
3. portfolio management	1,695	101
3.1. individual	*359*	*80*
3.2. collective	*1,336*	*21*
4. custody and administration of securities	103	60
5. depositary bank	158	72
6. placement of securities	597	710
7. orders collection	186	90
8. consultancy services	26	7
9. distribution of third party services	648	351
9.1. portfolio management	*186*	*19*
9.1.1. individual	*54*	*19*
9.1.2. collective	*132*	*-*
9.2. insurance products	*446*	*326*
9.3. other products	*16*	*6*
D) Collection and payment services	**588**	**367**
E) Servicing related to securitisations	**3**	**3**
F) Services related to factoring	**88**	**96**
G) Tax collection services	**-**	**-**
H) Other services	**2,320**	**1,230**
TOTAL	**6,906**	**3,322**

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

Subcaption H - Other services mostly recorded commissions on deposits, current accounts and overdrafts of 915 million euro, fees on credit and debit cards of 556 million euro as well as commissions on loans of 560 million euro.

2.1.2 Insurance companies

(in millions of euro)

	2007	2006 (*)
A) Guarantees given	**-**	**-**
B) Credit derivatives	**-**	**-**
C) Management, dealing and consultancy services	**-**	**-**
1. trading in financial instruments	-	-
2. currency dealing	-	-
3. portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. custody and administration of securities	-	-
5. depositary bank	-	-
6. placement of securities	-	-
7. orders collection	-	-
8. consultancy services	-	-
9. distribution of third party services	-	-
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	-	-
9.3. other products	-	-
D) Collection and payment services	**-**	**-**
E) Servicing related to securitisations	**-**	**-**
F) Services related to factoring	**-**	**-**
G) Tax collection services	**-**	**-**
H) Other services	**403**	**-**
TOTAL	**403**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

2.1.3 Other companies

(in millions of euro)

	2007	2006 (*)
A) Guarantees given	**-**	**-**
B) Credit derivatives	**1**	**1**
C) Management, dealing and consultancy services	**17**	**1**
1. trading in financial instruments	-	-
2. currency dealing	-	-
3. portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. custody and administration of securities	-	-
5. depositary bank	-	-
6. placement of securities	-	-
7. orders collection	-	-
8. consultancy services	-	-
9. distribution of third party services	17	1
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	*17*	*1*
9.3. other products	-	-
D) Collection and payment services	**-**	**-**
E) Servicing related to securitisations	**-**	**-**
F) Services related to factoring	**-**	**-**
G) Tax collection services	**-**	**-**
H) Other services	**-**	**-**
TOTAL	**18**	**2**

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

2.2 Fee and commission income: distribution channels of products and services: Banking group

(in millions of euro)

	2007	2006 (*)
A) Group branches	**2,181**	**1,142**
1. portfolio management	1,130	101
2. placement of securities	544	710
3. third party services and products	507	331
B) "Door-to-door" sales	**698**	**7**
1. portfolio management	562	7
2. placement of securities	10	-
3. third party services and products	126	-
C) Other distribution channels	**46**	**13**
1. portfolio management	3	12
2. placement of securities	43	-
3. third party services and products	-	1

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

2.3 Fee and commission expense: breakdown

(in millions of euro)

	2007	2006 (*)
Fee and commission expense: breakdown	**1,383**	**422**
Banking group	*1,196*	*421*
Insurance companies	*173*	*-*
Other companies	*14*	*1*

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

2.3.1 Banking group

(in millions of euro)

	2007	2006 (*)
A) Guarantees received	**48**	**8**
B) Credit derivatives	**4**	**8**
C) Management, dealing and consultancy services	**682**	**84**
1. trading in financial instruments	74	37
2. currency dealing	3	3
3. portfolio management	25	5
3.1 own customers	*24*	*4*
3.2 delegated	*1*	*1*
4. custody and administration of securities	70	28
5. placement of financial instruments	41	8
6. "door-to-door" sale of financial instruments, products and services	469	3
D) Collection and payment services	**157**	**107**
E) Other services	**305**	**214**
TOTAL	**1,196**	**421**

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

Subcaption E – Other services includes 155 million euro of fees on credit and debit cards.

2.3.2 Insurance companies

(in millions of euro)

	2007	2006 (*)
A) Guarantees received	**-**	**-**
B) Credit derivatives	**-**	**-**
C) Management, dealing and consultancy services	**5**	**-**
1. trading in financial instruments	-	-
2. currency dealing	-	-
3. portfolio management	5	-
3.1 own customers	*-*	*-*
3.2 delegated	*5*	*-*
4. custody and administration of securities	-	-
5. placement of financial instruments	-	-
6. "door-to-door" sale of financial instruments, products and services	-	-
D) Collection and payment services	**-**	**-**
E) Other services	**168**	**-**
TOTAL	**173**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

2.3.3 Other companies

Fee and commission expense pertaining to other companies refer to the caption Other services for 14 million euro.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		2007		2006 (*)	
	Dividends	Income from quotas of UCITS	Dividends	Income from quotas of UCITS	Dividends	Income from quotas of UCITS	Dividends	Income from quotas of UCITS	Dividends	Income from quotas of UCITS
A. Financial assets held for trading	465	22	-	-	-	-	465	22	447	3
B. Financial assets available for sale	136	2	60	-	-	-	196	2	27	-
C. Financial assets designated at fair value through profit and loss	-	-	70	4	-	-	70	4	-	-
D. Investments in associates and companies subject to joint control	22	-	-	-	-	-	22	-	11	-
TOTAL	**623**	**24**	**130**	**4**	**-**	**-**	**753**	**28**	**485**	**3**

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

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

4.1 Profits (Losses) on trading: breakdown

(in millions of euro)

	2007	2006 (*)
Profits (Losses) on trading: breakdown	**-166**	**482**
Banking group	*-189*	*480*
Insurance companies	*22*	*-*
Other companies	*1*	*2*

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

4.1.1 Banking group

(in millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**314**	**2,236**	**-1,071**	**-2,320**	**-841**
1.1 Debt securities	62	434	-851	-519	-874
1.2 Equities	50	1,484	-102	-1,615	-183
1.3 Quotas of UCITS	202	291	-118	-165	210
1.4 Loans	-	-	-	-	-
1.5 Other	-	27	-	-21	6
2. Financial liabilities held for trading	**40**	**354**	**-53**	**-423**	**-82**
2.1 Debt securities	18	142	-44	-104	12
2.2 Other	22	212	-9	-319	-94
3. Foreign exchange	**X**	**X**	**X**	**X**	**306**
4. Derivatives	**35,957**	**60,130**	**-34,802**	**-60,636**	**428**
4.1 Financial derivatives	34,285	59,455	-33,326	-59,953	240
- On debt securities and interest rates	*31,227*	*53,008*	*-30,077*	*-53,573*	*585*
- On equities and stock indexes	*2,608*	*5,419*	*-2,773*	*-5,342*	*-88*
- On currencies and gold	*X*	*X*	*X*	*X*	*-221*
- Other	*450*	*1,028*	*-476*	*-1,038*	*-36*
4.2 Credit derivatives	1,672	675	-1,476	-683	188
TOTAL	**36,311**	**62,720**	**-35,926**	**-63,379**	**-189**

For details on subprime exposure and its effect on the 2007 income statement see Part E – Notes to the consolidated financial statements.

4.1.2 Insurance companies

(in millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**4**	**20**	**-6**	**-1**	**17**
1.1 Debt securities	4	2	-6	-	-
1.2 Equities	-	18	-	-1	17
1.3 Quotas of UCITS	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Other	-	-	-	-	-
3. Foreign exchange	**X**	**X**	**X**	**X**	**-8**
4. Derivatives	**13**	**29**	**-4**	**-25**	**13**
4.1 Financial derivatives	13	29	-4	-25	13
- On debt securities and interest rates	*11*	*16*	*-3*	*-7*	*17*
- On equities and stock indexes	*2*	*12*	*-1*	*-18*	*-5*
- On currencies and gold	*X*	*X*	*X*	*X*	-
- Other	-	*1*	-	-	*1*
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**17**	**49**	**-10**	**-26**	**22**

4.1.3 Other companies

Net result pertaining to other companies was immaterial (1 million euro in 2007).

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 Fair value adjustments in hedge accounting: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	2007	2006 (*)
A. Income from					
A.1 fair value hedge derivatives	1,484	44	-	1,528	63
A.2 financial assets hedged (fair value)	142	3	-	145	14
A.3 financial liabilities hedged (fair value)	429	-	-	429	1,034
A.4 cash flow hedge: derivatives	-	-	-	-	-
A.5 currency assets and liabilities	-	-	-	-	-
Total A	**2,055**	**47**	**-**	**2,102**	**1,111**
B. Expenses for					
B.1 fair value hedge derivatives	-945	-7	-	-952	-1,038
B.2 financial assets hedged (fair value)	-970	-25	-	-995	-8
B.3 financial liabilities hedged (fair value)	-114	-	-	-114	-53
B.4 cash flow hedge: derivatives	-1	-1	-	-2	-
B.5 currency assets and liabilities	-12	-	-	-12	-4
Total B	**-2,042**	**-33**	**-**	**-2,075**	**-1,103**
TOTAL (A - B)	**13**	**14**	**-**	**27**	**8**

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

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

6.1 Profits (Losses) on disposal or repurchase: breakdown

(in millions of euro)

	2007	2006 (*)
Profits (Losses) on disposal or repurchase: breakdown	**266**	**52**
Banking group	*287*	*52*
Insurance companies	*-21*	*-*
Other companies	*-*	*-*

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

6.1.1 Banking group

(in millions of euro)

	2007			2006 (*)		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	2	-	2	2	-	2
2. Loans to customers	159	-317	-158	11	-60	-49
3. Financial assets available for sale	505	-64	441	84	-5	79
3.1 Debt securities	*27*	*-24*	*3*	*5*	*-5*	*-*
3.2 Equities	*447*	*-40*	*407*	*75*	*-*	*75*
3.3 Quotas of UCITS	*29*	*-*	*29*	*3*	*-*	*3*
3.4 Loans	*2*	*-*	*2*	*1*	*-*	*1*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**666**	**-381**	**285**	**97**	**-65**	**32**
Financial liabilities						
1. Due to banks	-	-3	-3	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	30	-25	5	74	-54	20
Total liabilities	**30**	**-28**	**2**	**74**	**-54**	**20**

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

6.1.2 Insurance companies

(in millions of euro)

	2007			2006 (*)		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	159	-180	-21	-	-	-
3.1 Debt securities	*41*	*-155*	*-114*	-	-	-
3.2 Equities	*113*	*-25*	*88*	-	-	-
3.3 Quotas of UCITS	*5*	*-*	*5*	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**159**	**-180**	**-21**	**-**	**-**	**-**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

6.1.3 Other companies

No amounts pertaining to other companies were recorded.

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE - CAPTION 110

7.1 Profits (losses) on financial assets/liabilities designated at fair value: breakdown

(in millions of euro)

	2007	2006 (*)
Profits (Losses) on financial assets/liabilities designated at fair value	**320**	**-**
Banking group	*7*	*-*
Insurance companies	*313*	*-*
Other companies	*-*	*-*

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

7.1.1 Banking group

(in millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**8**	**31**	**-19**	**-15**	**5**
1.1 Debt securities	8	31	-19	-15	5
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCITS	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**8**	**2**	**-29**	**-1**	**-20**
2.1 Debt securities	8	2	-29	-1	-20
2.2 Other	-	-	-	-	-
3. Foreign exchange	**X**	**X**	**X**	**X**	**-**
4. Derivatives	**22**	**-**	**-**	**-**	**22**
4.1 Financial derivatives	22	-	-	-	22
- On debt securities and interest rates	-	-	-	-	-
- On equities and stock indexes	*22*	-	-	-	*22*
- On currencies and gold	*X*	*X*	*X*	*X*	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**38**	**33**	**-48**	**-16**	**7**

7.1.2 Insurance companies

(in millions of euro)

	Revaluations	Profits on trading	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**207**	**879**	**-584**	**-374**	**128**
1.1 Debt securities	152	310	-145	-111	206
1.2 Equities	41	339	-296	-167	-83
1.3 Quotas of UCITS	14	229	-143	-83	17
1.4 Loans	-	1	-	-13	-12
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**152**	**15**	**-**	**-**	**167**
2.1 Debt securities	-	-	-	-	-
2.2 Other	152	15	-	-	167
3. Foreign exchange	**X**	**X**	**X**	**X**	**-**
4. Derivatives	**136**	**127**	**-168**	**-103**	**18**
4.1 Financial derivatives	108	127	-112	-103	46
- On debt securities and interest rates	*101*	*98*	*-106*	*-62*	*31*
- On equities and stock indexes	*7*	*29*	*-6*	*-41*	*-11*
- On currencies and gold	*X*	*X*	*X*	*X*	*26*
- Other	*-*	*-*	*-*	*-*	*-*
4.2 Credit derivatives	28	-	-56	-	-28
TOTAL	**495**	**1,021**	**-752**	**-477**	**313**

7.1.3 Other companies

No amounts pertaining to other companies were recorded.

SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – CAPTION 130

8.1 Net impairment losses on loans: breakdown

(in millions of euro)

	2007	2006 (*)
Net impairment losses on loans: breakdown	**-1,045**	**-629**
Banking group	*-1,045*	*-629*
Insurance companies	-	-
Other companies	-	-

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

8.1.1 Banking group

(in millions of euro)

	Impairment losses			Recoveries				2007	2006 (*)
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-1	-5	-	18	-	15	27	-
B. Loans to customers	-106	-1,749	-487	206	803	5	256	-1,072	-629
C. Total	**-106**	**-1,750**	**-492**	**206**	**821**	**5**	**271**	**-1,045**	**-629**

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

8.1.2 Insurance companies

No amounts pertaining to insurance companies were recorded.

8.1.3 Other companies

No amounts pertaining to other companies were recorded.

8.2 Net impairment losses on financial assets available for sale: breakdown

(in millions of euro)

	2007	2006 (*)
Net impairment losses on financial assets available for sale: breakdown	**-62**	**-12**
Banking group	*-54*	*-12*
Insurance companies	*-*	*-*
Other companies	*-8*	*-*

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

8.2.1 Banking group

(in millions of euro)

	Impairment losses		Recoveries		2007	2006 (*)
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-7	1	-	-6	-4
B. Equities	-	-48	-	-	-48	-8
C. Quotas of UCITS	-	-	-	-	-	-
D. Financing to banks	-	-	-	-	-	-
E. Financing to customers	-	-	-	-	-	-
F. Total	**-**	**-55**	**1**	**-**	**-54**	**-12**

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

8.2.2 Insurance companies

No amounts pertaining to insurance companies were recorded.

8.2.3 Other companies

(in millions of euro)

	Impairment losses		Recoveries		2007	2006 (*)
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-8	-	-	-8	-
B. Equities	-	-	-	-	-	-
C. Quotas of UCITS	-	-	-	-	-	-
D. Financing to banks	-	-	-	-	-	-
E. Financing to customers	-	-	-	-	-	-
F. Total	**-**	**-8**	**-**	**-**	**-8**	**-**

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

8.3 Net impairment losses on investments held to maturity: breakdown

(in millions of euro)

	2007	2006 (*)
Net impairment losses on investments held to maturity: breakdown	**-**	**4**
Banking group	*-*	*4*
Insurance companies	*-*	*-*
Other companies	*-*	*-*

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

8.3.1 Banking group

(in millions of euro)

	Impairment losses			Recoveries				2007	2006 (*)
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Debt securities	-	-	-	-	-	-	-	-	4
B. Financing to banks	-	-	-	-	-	-	-	-	-
C. Financing to customers	-	-	-	-	-	-	-	-	-
D. Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**

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

8.3.2 Insurance companies

No amounts pertaining to insurance companies were recorded.

8.3.3 Other companies

No amounts pertaining to other companies were recorded.

8.4 Net impairment losses on other financial activities: breakdown

(in millions of euro)

	2007	2006 (*)
Net impairment losses on other financial activities: breakdown	**-36**	**39**
Banking group	*-34*	*39*
Insurance companies	*-2*	*-*
Other companies	*-*	*-*

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

8.4.1 Banking group

(in millions of euro)

	Impairment losses			Recoveries				2007	2006 (*)
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-52	-24	-	28	-	23	-25	18
B. Credit derivatives	-	-	-1	-	-	-	1	-	1
C. Commitments to lend funds	-	-37	-4	-	32	-	1	-8	20
D. Other operations	-	-1	-	-	-	-	-	-1	-
E. Total	**-**	**-90**	**-29**	**-**	**60**	**-**	**25**	**-34**	**39**

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

8.4.2 Insurance companies

(in millions of euro)

	Impairment losses			Recoveries				2007	2006 (*)
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-	-	-	-	-	-	-	-
D. Other operations	-	-2	-	-	-	-	-	-2	-
E. Total	**-**	**-2**	**-**	**-**	**-**	**-**	**-**	**-2**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

8.4.3 Other companies

As at 31 December 2007 no amounts pertaining to other companies were recorded.

SECTION 9 - NET INSURANCE PREMIUMS - CAPTION 150

9.1 Net insurance premiums: breakdown

(in millions of euro)

Premiums deriving from insurance business	Direct work	Indirect work	2007	2006 (*)
1. Life branch	1,609	-	1,609	-
1.1 Gross accounted premiums (+)	1,613	-	1,613	-
1.2 Premiums ceded for reinsurance (-)	-4	-	-4	-
2. Casualty branch	108	-	108	-
2.1 Gross accounted premiums (+)	148	-	148	
2.2 Premiums ceded for reinsurance (-)	-10	-	-10	-
2.3 Changes in the gross amount			-	
of premium reserve (+/-)	-30	-	-30	-
2.4 Changes in premium reserves			-	
reassured with third parties (+/-)	-	-	-	-
3. Total net premiums	1,717	-	1,717	-

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

SECTION 10 - OTHER NET INSURANCE INCOME (EXPENSE) - CAPTION 160

10.1 Other net insurance income (expense): breakdown

(in millions of euro)

	2007	2006 (*)
1. Net change in technical reserves	2,923	-
2. Claims accrued and paid during the year	-4,897	-
3. Other income/charges arising from insurance business	-160	-
TOTAL	**-2,134**	**-**

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

10.2 Breakdown of subcaption Net change in technical reserves

(in millions of euro)

Net change in technical reserves	2007	2006 (*)
1. Life branch	**2,923**	**-**
A. Mathematical reserves	*2,430*	-
A.1 Gross annual amount	*2,429*	-
A.2 Amount reinsured with third parties (-)	*1*	-
B. Other technical reserves	-32	-
B.1 Gross annual amount	*-32*	-
B.2 Amount reinsured with third parties (-)	-	-
C. Technical reserves for investment risks to be borne by the insured	525	-
C.1 Gross annual amount	*525*	-
C.2 Amount reinsured with third parties (-)	-	-
2. Casualty branch	**-**	**-**
Changes in other technical reserves of casualty branch other than claims fund, net of ceded reinsurance	-	-

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

10.3 Breakdown of subcaption Claims accrued and paid during the year

(in millions of euro)

Charges associated to claims	**2007**	**2006 (*)**
Life branch: charges associated to claims, net of reinsurance ceded	**-4,867**	**-**
A. Amounts paid	-4,570	-
A.1 Gross annual amount	*-4,571*	-
A.2 Amount reinsured with third parties (-)	*1*	-
B. Change in funds for amounts to be disbursed	-297	-
B.1 Gross annual amount	*-299*	-
B.2 Amount reinsured with third parties (-)	*2*	-
Casualty branch: charges associated to claims, net of recoveries and reinsurance ceded	**-30**	**-**
C. Amounts paid	-21	-
C.1 Gross annual amount	*-21*	-
C.2 Amount reinsured with third parties (-)	-	-
D. Change in recoveries net of quotas borne by reinsurers	-	-
E. Change in damage fund	-9	-
E.1 Gross annual amount	*-8*	-
E.2 Amount reinsured with third parties (-)	*-1*	-

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

10.4 Breakdown of subcaption Other income/charges arising from insurance business

(in millions of euro)

	2007	**2006 (*)**
Other income	**116**	**-**
Life branch	116	-
Casualty branch	-	-
Other expenses	**-276**	**-**
Life branch	-267	-
Casualty branch	-9	-

(*) As at 31.12.2006 the caption was not applicable to Gruppo Intesa.

SECTION 11 - ADMINISTRATIVE EXPENSES - CAPTION 180

11.1 Personnel expenses: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	2007	2006 (*)
1) Personnel employed	**5,910**	**92**	**3**	**6,005**	**3,005**
a) wages and salaries	3,938	67	2	4,007	1,853
b) social security charges	999	17	1	1,017	490
c) termination indemnities	170	-	-	170	1
d) supplementary benefits	20	-	-	20	3
e) provisions for termination indemnities	-172	2	-	-170	109
f) provisions for post employment benefits	40	-	-	40	14
- defined contribution plans	*1*	-	-	*1*	*1*
- defined benefit plans	*39*	-	-	*39*	*13*
g) payments to external pension funds	136	3	-	139	73
- defined contribution plans	*135*	*3*	-	*138*	*74*
- defined benefit plans	*1*	-	-	*1*	*-1*
h) costs from share based payments	37	-	-	*37*	21
i) other benefits in favour of employees	742	3	-	745	441
2) Other personnel	**10**	**2**	**-**	**12**	**-3**
3) Directors	**23**	**1**	**-**	**24**	**16**
TOTAL	**5,943**	**95**	**3**	**6,041**	**3,018**

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

11.2 Average number of employees by categories: Banking group

	Banking group	Insurance companies	Other companies	2007	2006 (*)
Personnel employed	**96,765**	**580**	**408**	**97,753**	**48,649**
a) managers	1,680	32	11	1,723	697
b) total officers	33,711	172	202	34,085	17,324
of which 3rd and 4th level	12,136	33	110	*12,279*	*6,978*
c) other employees	61,374	376	195	61,945	30,628
Other personnel	**293**	**47**	**19**	**359**	**450**
TOTAL	**97,058**	**627**	**427**	**98,112**	**49,099**

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

11.3 Post employment defined benefit plans: total expense

(in millions of euro)

	2007		
	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-21	-4	-21
Financial costs of determining the present value of the defined benefit obligations	-70	-16	-119
Expected return from the fund's assets	-	18	115
Reimbursement from third parties	-	-	-
Actuarial gains recognised	-	-	-
Actuarial losses recognised	-	-	-
Past service cost	-	-	-
Curtailment of the fund	-	-	-
Settlement of the fund	-	-	-
Assets incurred in the year and not recognised	-	-	-

The present table illustrates the economic components referred to Allowances for risks and charges - post employment benefits recorded in caption 120 – a, under liabilities in the Consolidated balance sheet.

11.4 Other benefits in favour of employees

The balance of the subcaption as at 31 December 2007 amounted to 745 million euro, of which 572 million euro referred to charges relative to incentive-driven exit plans. The residual 173 million euro essentially referred to contributions for health assistance, lunch vouchers and premiums of insurance policies stipulated in favour of employees.

11.5 Other administrative expenses: breakdown

(in millions of euro)

	TOTAL
Expenses for maintenance of information technology and electronic equipment	749
Telephonic, teletransmission and transmission expenses	167
Information technology expenses	**916**
Rentals and service charges - real estate	369
Security services	81
Cleaning of premises	59
Expenses for maintenance of real estate assets	73
Energy costs	115
Property costs	11
Management of real estate assets	**708**
Printing, stationery and consumables expenses	70
Transport and related services expenses (including counting of valuables)	101
Information expenses	126
Postal and telegraphic expenses	167
General structure costs	**464**
Expenses for consultancy fees	328
Legal and judiciary expenses	93
Insurance premiums - banks and customers	122
Professional and legal expenses	**543**
Advertising and promotional expenses	**215**
Services rendered by third parties	**137**
Indirect personnel costs	**138**
Other costs	**198**
Indirect taxes and duties	**619**
Recovery of taxes and duties	**-501**
Recovery of other expenses	**-97**
TOTAL 2007	**3,340**
TOTAL 2006 (*)	**1,846**

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

Other administrative expenses in 2007 include 263 million euro of integration charges gross of the tax effect.

SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 190

12.1 Net provisions for risks and charges: breakdown

(in millions of euro)

	Provisions	Uses	2007
Net provisions for legal disputes	-420	13	-407
Net provisions for other personnel charges	-13	54	41
Net provisions for risks and charges	-211	-	-211
TOTAL	**-644**	**67**	**-577**

The amounts listed above include a 39 million euro funds increase due to time value.

SECTION 13 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT – CAPTION 200

13.1 Net adjustments to property and equipment: breakdown

(in millions of euro)

	2007	2006 (*)
Net adjustments to property and equipment: breakdown	**-438**	**-241**
Banking group	*-432*	*-240*
Insurance companies	*-5*	*-*
Other companies	*-1*	*-1*

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

13.1.1 Banking group

(in millions of euro)

	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Owned	-423	-10	2	-431
- used in operations	*-423*	*-10*	*1*	*-432*
- investment	-	-	*1*	*1*
A.2 Acquired in financial leases	-1	-	-	-1
- used in operations	*-1*	-	-	*-1*
- investment	-	-	-	-
TOTAL	**-424**	**-10**	**2**	**-432**

For the determination of impairment losses, see the illustration provided in Part A – Accounting policies.

13.1.2 Insurance companies

(in millions of euro)

	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Owned	-5	-	-	-5
- used in operations	*-4*	-	-	*-4*
- investment	*-1*	-	-	*-1*
A.2 Acquired in financial leases	-	-	-	-
- used in operations	-	-	-	-
- investment	-	-	-	-
TOTAL	**-5**	**-**	**-**	**-5**

13.1.3 Other companies

Net adjustments to property and equipment was immaterial.

SECTION 14 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 210

14.1 Net adjustments to intangible assets: breakdown

(in millions of euro)

	2007	2006 (*)
Net adjustments to intangible assets: breakdown	**-921**	**-239**
Banking group	*-818*	*-239*
Insurance companies	*-103*	-
Other companies	-	-

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

14.1.1 Banking group

(in millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-748	-13	-	-761
- internally generated	*-263*	*-6*	-	*-269*
- other	*-485*	*-7*	-	*-492*
A.2 Acquired in financial leases	-57	-	-	-57
TOTAL	**-805**	**-13**	**-**	**-818**

For the determination of impairment losses, see the illustration provided in Part A – Accounting policies.

14.1.2 Insurance companies

(in millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-103	-	-	-103
- internally generated	*-1*	-	-	*-1*
- other	*-102*	-	-	*-102*
A.2 Acquired in financial leases	-	-	-	-
TOTAL	**-103**	**-**	**-**	**-103**

14.1.3 Other companies

No amounts pertaining to other companies were recorded.

SECTION 15 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 220

15.1 Other operating expenses: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	TOTAL
Other expenses for consumer credit and leasing transactions	39	-	-	39
Settlements for legal disputes	16	-	-	16
Amortisation of leasehold improvements	31	-	-	31
Contributions to National Guarantee Fund	7	-	-	7
Other non-recurring expenses	72	-	-	72
Other	89	-	26	115
TOTAL 31.12.2007	**254**	**-**	**26**	**280**
TOTAL 31.12.2006 (*)	**141**	**-**	**1**	**142**

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

Details relative to operating leases are provided in Part B – Information on the consolidated balance sheet, section Other information.

15.2 Other operating income: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	TOTAL
Recovery of expenses	45	1	-	46
Income IT companies	11	8	-	19
Insurance reimbursements	2	-	-	2
Reimbursements for services rendered to third parties	138	-	-	138
Income related to consumer credit and leasing	70	-	-	70
Rentals and recovery of expenses on real estate	19	-	-	19
Other non-recurring income	33	1	1	35
of which: recovery of tax credits in litigation	-	-	-	-
Other	83	1	30	114
TOTAL 31.12.2007	**401**	**11**	**31**	**443**
TOTAL 31.12.2006 (*)	**435**	**-**	**5**	**440**

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

SECTION 16 – PROFITS (LOSSES) ON INVESTMENTS IN ASSOCIATES AND COMPANIES SUBJECT TO JOINT CONTROL – CAPTION 240

16.1 Profits (Losses) on investments in associates and companies subject to joint control: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	2007	2006 (*)
1) Companies subject to joint control					
A. Revenues	63	-	-	63	34
1. Revaluations	*63*	-	-	*63*	*34*
2. Profits on disposal	-	-	-	-	-
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-1	-	-	-1	-1
1. Write-downs	*-1*	-	-	*-1*	-
2. Impairment losses	-	-	-	-	-
3. Losses on disposal	-	-	-	-	-
4. Other	-	-	-	-	*-1*
Net result	**62**	**-**	**-**	**62**	**33**
2) Investments in associates					
A. Revenues	295	-	-	295	244
1. Revaluations	*261*	-	-	*261*	*153*
2. Profits on disposal	*34*	-	-	*34*	*91*
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-19	-	-	-19	-57
1. Write-downs	*-12*	-	-	*-12*	*-30*
2. Impairment losses	*-6*	-	-	*-6*	-
3. Losses on disposal	*-1*	-	-	*-1*	*-27*
4. Other	-	-	-	-	-
Net result	**276**	**-**	**-**	**276**	**187**
TOTAL	**338**	**-**	**-**	**338**	**220**

For companies subject to joint control and subject to significant influence, income from registration at fair value of such equity stakes is recorded under Revaluations.

SECTION 17 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE - CAPTION 250

17.1 Valuation differences on property, equipment and intangible assets measured at fair value: breakdown

Caption not applicable to the Intesa Sanpaolo Group.

SECTION 18 – GOODWILL IMPAIRMENT - CAPTION 260

18.1 Goodwill impairment: breakdown

See Part A – Accounting policies for details on the means of determination of goodwill impairment. Goodwill impairment refers to a write-down (196 million euro) referred to the subsidiary Eurizon Investimenti SGR.

SECTION 19 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 270

19.1 Profits (Losses) on disposal of investments: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	2007	2006 (*)
A. Real estate assets	42	-	-	42	52
- profits on disposal	*44*	-	-	*44*	*53*
- losses on disposal	*-2*	-	-	*-2*	*-1*
B. Other assets [a]	-1	-	-	-1	-
- profits on disposal	1	-	-	*1*	8
- losses on disposal	*-2*	-	-	*-2*	*-8*
Net result	**41**	**-**	**-**	**41**	**52**

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

(a) Included profits and losses on disposal of subsidiaries.

SECTION 20 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 290

20.1 Taxes on income from continuing operations: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	2007	2006 (*)
1. Current taxes (-)	-2,095	-62	-1	-2,158	-916
2. Changes in current taxes of previous years (+/-)	-2	-	-	-2	42
3. Reduction in current taxes of the year (+)	7	-	-	7	61
4. Changes in deferred tax assets (+/-)	-292	6	-	-286	-15
5. Changes in deferred tax liabilities (+/-)	864	26	-	890	-35
6. Taxes on income for the year (-) (-1+/-2+3+/-4+/-5)	**-1,518**	**-30**	**-1**	**-1,549**	**-863**

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

20.2 Reconciliation of theoretical tax charge to total income tax expense for the period

	%
Theoretical taxes for the year	38.3
Impact of participation exemption	-5.4
Impact of lower tax rates for foreign companies	-6.8
Impact of non-deductible IRAP on personnel expenses	5.9
Impact of non-deductible IRAP on adjustments to loans	1.1
Impact of 2008 Budget Law (revised tax rates and taxable income)	-3.4
Other charges and non-deductible provisions	1.8
Actual rate	**31.5**

SECTION 21 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 310

21.1 Income (Loss) after tax from discontinued operations: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	2007	2006 (*)
Discontinued operations					
1. Income	651	-	-	651	1,976
2. Charges	-409	-	-	-409	-953
3. Valuation differences on discontinued operations and related liabilities	-2	-	-	-2	-2
4. Profits (Losses) on disposal	4,082	-	-	4,082	4
5 Taxes and duties	-335	-	-	-335	-402
Income (Loss)	**3,987**	**-**	**-**	**3,987**	**623**

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

21.2 Breakdown of taxes on discontinued operations

(in millions of euro)

	2007	2006 (*)
1. Current taxes (-)	-342	-431
2. Changes in deferred tax assets (+/-)	7	28
3. Changes in deferred tax liabilities (-/+)	-	1
4. Income taxes (-1 +/-2 +/-3)	**-335**	**-402**

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

SECTION 22 – MINORITY INTERESTS - CAPTION 330

22.1 Breakdown of caption 330 Minority interests

Minority interests amounted to 106 million euro. Among the higher contributions, those of the Intesa Casse del Centro group (37 million euro), the Privredna Banka Zagreb group (36 million euro), and Bank of Alexandria (14 million euro) should be noted.

SECTION 23 – OTHER INFORMATION

There is no information further to that already provided in the previous sections.

SECTION 24 – EARNINGS PER SHARE

Earnings per share

	31.12.2007		31.12.2006 (*)	
	Ordinary shares	Saving shares	Ordinary shares	Saving shares
Weighted average number of shares	11,765,727,729	932,401,829	6,002,261,619	932,418,561
Income attributable to the various categories of shares *(millions of euro)*	6,698	552	2,206	353
Basic EPS (*euro*)	0.57	0.59	0.37	0.38
Diluted EPS (*euro*)	0.57	0.59	0.37	0.38

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

Weighted average number of ordinary shares (fully diluted)

For further information on this section, see the chapter Shareholder base, stock price performance and other information in the Report on operations.

Part D – Segment reporting

A. PRIMARY SEGMENT

For information on the preparation criteria of segment reporting and breakdown by business area, see respectively Part A – Accounting policies of these Notes to the consolidated financial statements and the specific chapter of the Report on operations.

A.1 Breakdown by business area: income statement 2007 [(a)]

(in millions of euro)

	Banca dei Territori	Corporate & Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre (b)	Total
Net interest income	6,978	1,053	212	1,133	8	132	370	9,886
Dividends and profits (losses) on investments carried at equity	109	20	-	1	10	-	194	334
Net fee and commission income	4,076	922	47	492	256	575	-173	6,195
Profits (Losses) on trading	178	769	22	279	-	5	-245	1,008
Income from insurance business	443	-	-	-	-	-	-2	441
Other operating income (expenses)	57	39	7	-6	-	10	37	144
Operating income	**11,841**	**2,803**	**288**	**1,899**	**274**	**722**	**181**	**18,008**
Personnel expenses	-3,600	-396	-37	-494	-43	-113	-692	-5,375
Other administrative expenses	-2,561	-474	-55	-370	-56	-225	681	-3,060
Adjustments to property, equipment and intangible assets	-29	-17	-	-122	-1	-7	-657	-833
Operating costs	**-6,190**	**-887**	**-92**	**-986**	**-100**	**-345**	**-668**	**-9,268**
Operating margin	**5,651**	**1,916**	**196**	**913**	**174**	**377**	**-487**	**8,740**
Goodwill impairment	-	-	-	-	-	-	-	-
Net provisions for risks and charges	-106	-35	-1	-24	-8	-42	-308	-524
Net adjustments to loans	-985	-178	-10	-172	-	2	-29	-1,372
Net impairment losses on other assets	-2	-38	-4	-2	-	-	-21	-67
Profits (Losses) on investments held to maturity and on other investments	1	-6	-	6	-	-	80	81
Income (Loss) before tax from continuing operations	**4,559**	**1,659**	**181**	**721**	**166**	**337**	**-765**	**6,858**

A.2 Breakdown by business area: balance sheet as at 31 December 2007 [(a)]

(in millions of euro)

	Banca dei Territori	Corporate & Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre (b)	Total
Loans to customers	191,279	85,653	33,910	23,215	8	897	311	335,273
Direct customer deposits	205,419	69,481	7,626	26,683	3	9,056	55,485	373,753
of which: due to customers	*137,504*	*35,953*	*5,602*	*25,497*	*3*	*8,660*	*-6,627*	*206,592*
securities issued	*44,859*	*29,314*	*2,024*	*1,186*	-	*396*	*62,112*	*139,891*
financial liabilities designated at fair value through profit and loss	*23,056*	*4,214*	-	-	-	-	-	*27,270*

[(a)] Figures from the reclassified forms as described in the Report on operations.

[(b)] Netting between segments is reported by the Corporate Centre.

B. SECONDARY SEGMENT

For information on the preparation criteria of segment reporting and breakdown by geographical area, see respectively Part A – Accounting policies of these Notes to the consolidated financial statements and the specific chapter of the Report on operations.

B.1 Breakdown by geographical area: income statement 2007 [(a)]

(in millions of euro)

	Italy	Europe	Other countries	Total
Net interest income	8,216	1,474	196	9,886
Dividends and profits (losses) on investments carried at equity	269	44	21	334
Net fee and commission income	5,052	1,074	69	6,195
Profits (Losses) on trading	1,210	212	-414	1,008
Income from insurance business	360	81	-	441
Other operating income (expenses)	71	52	21	144
Operating income	**15,178**	**2,937**	**-107**	**18,008**
Personnel expenses	-4,717	-570	-88	-5,375
Other administrative expenses	-2,529	-493	-38	-3,060
Adjustments to property, equipment and intangible assets	-700	-126	-7	-833
Operating costs	**-7,946**	**-1,189**	**-133**	**-9,268**
Operating margin	**7,232**	**1,748**	**-240**	**8,740**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-463	-54	-7	-524
Net adjustments to loans	-1,221	-165	14	-1,372
Net impairment losses on other assets	-51	-15	-1	-67
Profits (Losses) on investments held to maturity and on other investments	79	1	1	81
Income (Loss) before tax from continuing operations	**5,576**	**1,515**	**-233**	**6,858**

B.2 Breakdown by geographical area: balance sheet as at 31 December 2007[(a)]

	Italy	Europe	Other countries	Total
Loans to customers	293,340	34,321	7,612	335,273
Direct customer deposits	278,501	72,802	22,450	373,753
of which: due to customers	*166,255*	*33,262*	*7,075*	*206,592*
securities issued	*98,790*	*25,726*	*15,375*	*139,891*
financial liabilities designated at fair value through profit and loss	*13,456*	*13,814*	-	*27,270*

Breakdown by geographical area is carried out with reference to the country of residence of Group entities.

[(a)] Figures from the reclassified forms as described in the Report on operations.

Part E – Information on risks and relative hedging policies

SECTION 1 – RISKS OF THE BANKING GROUP

The Intesa Sanpaolo Group attaches great importance to risk management and control as conditions to ensure reliable and sustainable value creation in a context of controlled risk, protect the Group's financial strength and reputation, permit a transparent representation of the risk profile of its portfolios.
This is testified by the great efforts made in the last few years to obtain the validation by Supervisory authorities of the Internal Models for market risks and for credit derivatives, to align operating methodologies and standard practices to the indications contained in the recent regulations which discipline the definition of capital requirements to cover credit and operational risks: on this point see the paragraph dedicated to the Basel 2 Project.
The definition of operating limits related to market risk indicators, the use of risk measurement instruments in granting and monitoring loans and controlling operational risk and the use of capital at risk measures for management reporting and assessment of capital adequacy within the Group represent fundamental milestones in the operational application of the strategic and management guidelines defined by the Supervisory Board and the Management Board along the Bank's entire decision-making chain, down to the single operating units and to the single desk.
The main principles in risk management and control are:

- clear identification of responsibility for acceptance of risk;
- measurement and control systems in line with international best practices;
- organisational separation between the functions that carry out day-to-day operations and those that carry out controls.

The policies relating to the acceptance of risks are defined by the Supervisory Board and the Management Board of the Parent Company with support from specific operating Committees, the most important of which are the Internal Audit Committee and the Group Risk Governance Committee.
From an operating standpoint, measurement of risks and their quantification in capital measures support company decisions and therefore represent a key metric to orient management decisions and define the Group's financial structure, maximising shareholder return.
Risk coverage, in consideration of the nature, frequency and potential impact of the risk, is based on the constant balance between mitigation/hedging actions, control procedures/processes and finally capital protection.
The Group also defines, as required by "Pillar II" of the new Basel 2 regulations, its risk tolerance:

- to guarantee a sound management of the public and social objectives of financial stability of intermediaries, ensuring that risk is covered with high quality capital resources at a 99.9% confidence level deemed to be congruous, even in conditions of severe stress (1 case on 25);
- to ensure, alongside this general objective, the coverage of liabilities with customers and the market at a target 99.96% confidence level, in line with the solvency of entities with an agency rating of AA-.

To complete this strategy, the Group aims to maintain over the medium term a target Core Tier 1 Ratio of 6%.
The Group also details such general principles in policies, limits and criteria applied to the various risk categories and business areas with specific risk tolerance sub-thresholds, in a complex framework of governance, control limits and procedures. The risks considered, monitored and covered are:

- credit risk. This category also includes concentration risk, country risk and residual risks, both from securitisations and uncertainty on credit recovery rates;
- market risk (trading book), including position, settlement and concentration risk on the trading portfolio;
- financial risk (banking book), mostly represented by interest rate and foreign exchange rate risk;
- operational risk, including legal risk;
- liquidity risk;
- strategic risk;
- risk on equity investments not subject to line by line consolidation;
- risk on real estate assets owned for whichever purpose;
- reputation risk;

- insurance risk.

The Parent Company is in charge of overall direction, management and control of risks. Group companies that generate credit and/or financial risks are assigned autonomy limits and each has its own control structure. For the main Group subsidiaries these functions are performed, on the basis of an outsourcing contract, by the Parent Bank's risk control functions, which periodically report to the Board of Directors and the Audit Committee of the subsidiary.

For the purposes described above, Intesa Sanpaolo uses a wide-ranging set of tools and techniques for risk assessment and management, detailed in this Part of the Notes to the consolidated financial statements.

Assessments of each single type of risk for the Group are integrated in a summary amount – the economic capital – defined as the maximum "unexpected" loss the Group might incur over a year. The economic capital provides information for company decisions through the system of capital allocation to the business lines and contributes to calculating risk-weighted profitability (RORAC – Return On Risk Adjusted Capital) at the level of both single transactions (especially the pricing of new loan transactions) and portfolios and individual business lines.

The Basel 2 Project

In June 2004, the Basel Committee on Banking Supervision published the final version of the Capital Accord ("Basel 2"), adopted by the European Union at the end of 2005 through the Directive on Capital Adequacy and by Italy with Legislative Decree 297 of 27 December 2006.

Very briefly, the Accord provides for new quantitative rules to establish the minimum capital requirement to cover credit, market and operational risks:

- for credit risks, the new rules introduce a greater degree of correlation between capital requirements and risks by acknowledging ratings and other credit risk measurement tools. The Accord sets out a Standard approach together with two increasingly sophisticated approaches based on internal risk management tools;
- the legal regulations currently in force for market risks continue to apply;
- the new Accord introduces capital absorption for operational risks, which can also be measured using three increasingly analytical approaches.

Lastly, capital adequacy must also be ensured for a wider range of risks which must at least include: financial risks in the banking book, liquidity risks, strategic risks, risks on equity investments and insurance activities, risks deriving from securitisations, residual credit risks and reputation risks.

The regulations are designed to promote the adoption of more sophisticated methods, in both credit risks and operational risks, through a lower absorption of capital. However, in order to access these options, the banks must satisfy a set of minimum requirements for risk management and control methodologies, to be verified by the Supervisory authority.

Most of the advantages will come from the management and operating results obtained from the systematic application of the new methodologies that should make it possible to improve risk management and control capabilities as well as increase the efficiency and effectiveness of customer service.

In order to take advantage of these opportunities, in 2007 Intesa Sanpaolo launched the "Basel 2 Project", with the mission of preparing the Group for the adoption of advanced approaches, building on the pre-merger experiences of Intesa and SANPAOLO IMI.

As concerns credit risks, the Corporate rating model and the Group's credit process were defined in 2007, in compliance with the rules of the New Accord. The latter sets out the use of internal ratings as the essential element in credit approval and management decisions. The process started application in October 2007 and will permit to submit the request for the validation of the "Foundation" approach of the Internal Rating Based methodology in 2008. The completion of the rating models and credit processes for the Retail segments and the loss given default models on a unified basis for the entire Group is programmed for 2008, with the objective of accessing advanced models in 2009.

As regards operational risks, preparatory works are in their final phases and will permit the submission of the request for validation for the Advanced Method in 2008.

Furthermore, in 2008 the Group will present the first report of the prudential control process for capital adequacy as "class 1" banking group, according to Bank of Italy classification, based on the extensive use of internal methodologies for measurement of risk, internal capital and total capital available.

Internal controls system and auditing

Intesa Sanpaolo, to ensure a sound and prudent management, combines business profitability with an attentive risk-acceptance activity and an operating conduct based on fairness.
Therefore, the Bank, in line with legal and supervisory regulations in force and consistently with the Code of conduct of listed companies, has adopted an internal controls system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.
Intesa Sanpaolo's internal controls system is built on the set of rules procedures and organised structures which are aimed at ensuring the respect of company strategies and the achievement of the following objectives:

- the effectiveness and efficiency of Company processes;
- the safeguard of asset value and protection from losses;
- reliability and integrity of accounting and management information;
- transaction compliance with the law, supervisory regulations as well as policies, plans, procedures and internal regulations;

The Bank, in compliance with the indications of the Supervisory authorities, identified the following four macro types of controls:

- line controls, aimed at ensuring the correct application of day-to-day activities and single transactions. Normally, such controls are carried out by the productive structures (business or support) or incorporated in IT procedures or executed as part of back office activities;
- risk management controls, which are aimed at contributing to the definition of risk management methodologies, at verifying the respect of limits assigned to the various operating functions and at controlling the consistency of operations of single productive structures with assigned risk-return targets. These are not normally carried out by the productive structures;
- compliance controls, made up of policies and procedures which identify, assess, check and manage the risk of non-compliance with laws, Supervisory authority measures or self-regulating codes, as well as any other rule which may apply to the Bank;
- internal auditing, aimed at identifying anomalous trends, violations of procedures and regulations, as well as assessing the overall functioning of the internal controls system. It is performed by structures which are independent from productive structures.

The internal controls system is periodically reviewed and adapted in relation to business development and the reference context.
In particular, Intesa Sanpaolo's internal auditing is performed by the Internal Auditing Department which directly depends from the Managing Director and CEO, to the Chairman of the Management Board and reports to the Control Committee.
Internal Auditing has the responsibility of ensuring a constant and independent surveillance of the regular progress of the Bank's operations and processes for the purpose of preventing or identifying any anomalous or risky behaviour or situation, assessing the functionality of the overall internal controls system and its adequacy in ensuring the effectiveness and efficiency of company processes, safeguarding asset value and loss protection and reliability and completeness of accounting and management information, compliance of transactions with both policies set out by the Company's administrative bodies and internal and external regulations.
Furthermore, it provides consulting to the Bank's and the Group's departments, also through participation in projects, for the purpose of adding value and improving effectiveness of control, risk management and organisation governance processes.
The Internal Auditing Department has a structure and a control model which is organised consistently with the divisional model of Intesa Sanpaolo and the Group.
In 2007, a Compliance function operated within the Internal Auditing Department. It is responsible for guaranteeing over time the presence of rules, procedures and standard practices which effectively prevent violations or infringements of regulations in force with respect to financial intermediation, anti-money laundering, usury, transparency and embargos, and it is the Group's competence centre on such regulations.
In 2008 the structure will be transferred from the Internal Auditing Department, also in compliance with the indications of the Supervisory authorities.
Surveillance was performed directly for the Parent Company Intesa Sanpaolo and for Banche dei Territori, as well as for a limited number of subsidiaries with an outsourcing contract; second level control was conducted for other Group companies (indirect surveillance).

Direct surveillance was carried out in particular via:

- the control of the operational processes of network and central structures, with verifications, also through on-site interventions, on the functionality of line controls in place, of the respect of internal and external regulations, of the reliability of operational structures and delegation mechanisms, of correctness of available information in the various activities and of their adequate use with free and independent access to functions data and documentation and application of adequate tools and methodologies;
- the surveillance, via distance monitoring integrated by on-site visits, over the credit origination and management process, verifying its adequacy with respect to the risks control system and the functioning of measurement mechanisms in place;
- the surveillance over the process for the measurement, management and control of the Group’s exposure to market, counterparty, operational and credit risks, periodically reviewing internal validation activities of the models elaborated for Basel 2 and Prudential Supervisory regulations;
- the valuation of adequacy and effectiveness of information technology system development and management processes, to ensure their reliability, security and functionality;
- the surveillance, also via on-site visits, over the processes related to financial operations and over the adequacy of related risks control systems;
- the control of compliance with the behavioural rules and of the correctness of procedures adopted on investment services as well as compliance with regulations in force with respect to the separation of the assets of customers;
- the verification of the operations performed by foreign branches, with interventions by internal auditors both local and from the Head Office.

In 2007 Internal Auditing Department supervised all the main integration projects paying particular attention to control mechanisms in the new Bank’s models and processes and, in general, to the efficiency and the effectiveness of the controls system under construction within the Group.

Indirect surveillance was conducted via direction and functional coordination of the Auditing structures in subsidiaries, for the purpose of ensuring control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both the structural and operational profile. Furthermore, direct review and verification interventions were also performed in its institutional capacity as Parent Company.

In conducting its duties, the Internal Auditing Department used methodologies for the preliminary analysis of risks in the various areas. Based on the valuations made and on the consequent priorities, Internal Auditing prepared and submitted to the prior analysis of the Control Committee, of the Management Board and of the Supervisory Board an Annual Intervention Plan, on the basis of which it operated during the year completing all programmed audits.

Any weak points have been systematically notified to the Departments involved for prompt improvement actions which are monitored by follow-up activities.

The valuations of the internal controls system deriving from the checks have been periodically transmitted to the Control Committee, to the Management Board and to the Supervisory Board which request detailed updates also on the state of solutions under way to mitigate weak points; furthermore, the most significant events have been promptly signalled to the Control Committee.

An analogous approach is used with respect to the responsibilities of administrative bodies ex Legislative Decree 231/01 for the Control Committee, as Surveillance body.

1.1. CREDIT RISK

Credit strategies and policies address:
- portfolio diversification, limiting the concentration of exposures on single counterparties/groups, single sectors or geographical areas;
- efficient selection of the single borrowers via an attentive creditworthiness analysis aimed at containing default risk, notwithstanding the objective of privileging commercial lending or loans to support new production capacity with respect to merely financial interventions;
- control of relationship characteristics, carried out with information technology procedures and systematic surveillance over the relationships which present irregularities, both aimed at rapidly identifying any signs of deterioration in risk exposures.

The constant monitoring of loan portfolio quality is pursued by the adoption of specific operating checks for all the phases of loan management (analysis, granting, monitoring, management of non-performing loans).
The management of credit risk profiles of the loan portfolio is assured, starting from the analysis and granting phases, by:
- regulations on Credit policies;
- checks on the existence of the necessary conditions for creditworthiness, with particular focus on the client's current and prospective capacity to produce satisfactory income and congruous cash flows;
- the assessment of the nature and size of proposed loans, considering the actual requirements of the counterparty requesting the loan, the performance of the relationship already in progress and the presence of any relationship between the client and other borrowers.

QUALITATIVE INFORMATION

Credit risk management policies

Organisation
Credit governance, independent of business lines, has responsibility over the definition of Credit policies and the update of credit procedures and processes at Group level. With regard to the acceptance phase, it ensures the investigation and approval, as well as the release of opinions for transactions which exceed approval limits. Furthermore, Credit governance is also responsible for the control and prevention of the deterioration of credit quality, as well as the definition of non-performing loan management and control policies.
Approval limits attributed to the credit approval functions of the Parent Company and of subsidiaries are defined in terms of total Bank/Banking Group exposure to each counterparty/economic group, with a case-by-case approach and require the attribution of an internal rating to each counterparty at the time of granting and monitoring and the periodic update of the rating at least once a year. The rating and any credit risk mitigation factors, influence the determination of the credit approval competence of each delegated body, which is formulated to ensure its credit risk equivalence in terms of capital absorbed.
With reference to subsidiaries, Intesa Sanpaolo defined lines of conduct with respect to credit risk acceptance, for the purpose of preventing excessive concentrations, limiting potential losses and ensuring credit quality.
In the credit-granting phase, coordination mechanisms have been introduced with which Intesa Sanpaolo exercises its direction, governance and support of the Group:
- "Credit policies", which discipline the conduct to be followed when taking on credit risk with customers;
- "Credit-granting limit", intended as the overall limit of loans which may be granted by companies of the Intesa Sanpaolo Group to the larger Economic Groups;
- "Compliance opinion" on credit-granting to large customers (single name or Economic Group) which exceeds certain thresholds.

Risk Management is responsible, at Group level, for the definition and the development of credit risk measurement methodologies, with the objective of ensuring alignment to best practice, as well as for the analysis of the risk profile and the preparation of summary reports for the Bank's top management on the changes in the credit quality of the Group's assets.
Control structures operating within the single Companies are responsible for the measurement and monitoring the portion of the loan book assigned to them.

For the main subsidiaries such functions are performed, on the basis of an outsourcing contract, by the Parent Company's risk control functions which periodically report to the Board of Directors and the Audit Committee of the subsidiary.
With reference to concentration risk, limits are periodically defined for single counterparties and for significant industrial and geographical aggregates. Post loan origination interventions are aimed at acting on the risk profile of the entire portfolio, using all the opportunities present on the secondary loan market, in view of an active management of business assets.

Management, measurement and control systems
Intesa Sanpaolo has developed a set of instruments which ensure analytical control over the quality of the loans to customers and financial institutions, and loans subject to country risk.
Risk management uses rating models that have been developed by both Banca Intesa and SANPAOLO IMI and are differentiated according to the borrower's segment (Corporate, Small Business, Mortgage, Personal Loans, Sovereigns, Italian public sector entities, Financial institutions). These models make it possible to summarise the credit quality of the counterparty in a measurement, the rating, which reflects the probability of default over a period of one year, adjusted on the basis of the average level of the economic cycle. Statistical calibrations have rendered these ratings fully consistent with those awarded by rating agencies, forming a single scale of reference.
The review of rating models for the Corporate segment was completed in 2007; the new Intesa Sanpaolo Corporate rating was introduced in the Group's Basel 2-compliant credit-granting processes starting from October 2007. Ratings are generally attributed by branches, with the exception of certain types of counterparties (mostly large groups and complex conglomerates, non-banking financial institutions and insurance companies), which are assigned to a specialised unit in the Head Office since they require expert assessments.
The re-development on an integrated basis of rating models, credit-granting processes for the Retail segment and loss given default models is programmed for the first half of 2008 and is aimed at accessing more advanced models in 2009.
As mentioned above, ratings and credit-risk mitigation factors (guarantees, facility types and covenants) are used in credit-granting processes as part of the determination of autonomy limits; ratings also contribute to defining Credit policies.
Furthermore, the rating system includes a behavioural score available on a monthly basis, which is the main element used for monitoring credit. It interacts with processes and procedures for loan management and credit risk control and allows timely assessments to be formulated when any anomalies arise or persist. Moreover, as part of the progressive convergence of the processes and procedures of the Intesa Sanpaolo Group, the positions to which the synthetic risk index mentioned above attributes a high risk valuation, which is confirmed over time, are intercepted by the Non-performing Loan Process. This process, supported by a dedicated information technology procedure, already available for the Intesa network and the Banking subsidiaries of its former Group, and extended from the first months of 2008 to the Sanpaolo network and the Banking subsidiaries of its former Group, enables constant monitoring, largely with automatic interventions, of all the phases for the management of anomalous positions. The positions which present an anomalous trend are classified in different processes based on the risk level, including the automatic classification in non-performing assets, as described in the paragraph on non-performing financial assets.
The entire loan portfolio is subject to a specific periodic review carried out for each counterparty/economic group by the competent central or peripheral structures based on the credit line limits.
The Credit Information Portal offers Intesa network operating units of both the Banca dei Territory Division and of the Corporate and Investment Banking Division access via the Bank's Intranet to a wide range of monthly reports dedicated to the loan portfolio of competence and to a series of "Alerts" which identify the potentially-critical situations among those analysed. The review of contents and layout of the Credit Information Portal and its extension to the Sanpaolo network/network banks is programmed for 2008.
The exchange of basic information flows among different Group entities is assured by the Group's "Centrale Rischi" (exposure monitoring and control system) and by "Posizione Complessiva di Rischio" (global risk position), that highlight and analyse credit risks for each client/economic group both towards the Group as a whole and towards individual Group companies.
Directional control of credit risks is achieved through a portfolio model which summarises the information on asset quality in risk indicators, including expected loss and capital at risk.

The expected loss is the product of exposure at default, probability of default (derived from the rating) and loss given default. The latter is measured with reference to an economic rather than an accounting concept of loss, based on the discounting of recoveries net of internal and external costs associated to recovery activities.
The expected loss represents the average of the loss distribution, whereas the capital at risk is defined as the maximum "unexpected" loss that the Group may incur with a confidence level of 99.96%, corresponding to the level of risk implied by the rating of Intesa Sanpaolo senior debt assigned by the ratings agencies (AA- from Standard & Poor's and Fitch, Aa3 from Moody's).
The expected loss, transformed into "incurred loss" as indicated by IAS 39, is used in the collective assessment of loans, while capital at risk is the fundamental element in the assessment of the Group's capital adequacy. Both indicators are also used in the value-based management reporting system.
The credit portfolio model also allows identification of the undesired concentration effects and extent and content of actions:
- aimed at ex ante limitation of exposures with significant concentration effects, in particular with reference to so-called "large exposures", to loans subject to country risk and to loans to financial institutions;
- aimed at ex post correction of the profile, through the secondary loan market, through specific judgement metrics based on maximisation of overall portfolio value.

A specific concentration index is calculated periodically for all domestic counterparties (which are intrinsically more concentrating for the Group) and impacts on the estimated value creation for each counterparty and on commercial and credit policy decisions.

Techniques for the mitigation of credit risk

The techniques for the mitigation of credit risk are the elements that contribute to reducing the loss given default. They include guarantees, facility types and covenants.
The evaluation of the mitigating factors is performed through a procedure that assigns a loss given default to each individual loan, assuming the highest values in the case of ordinary non-guaranteed financing and decreasing in accordance with the strength given to any mitigating factors present.
The loss given default values are subsequently aggregated at customer level in order to provide a summary evaluation of the strength of the mitigating factors on the overall credit relation.
Within the credit granting and management process, Credit policies favour higher mitigating factors for counterparties classified by the rating system as non investment grade and for certain types of medium-long term exposures.
The "very strong" and "strong" mitigating factors include pledges on financial collateral and residential mortgages. Other mitigating guarantees include pledges on non-financial assets, non-residential mortgages and personal guarantees issued by unrated parties, provided they have sufficient personal assets.
The strength of the personal guarantees issued by rated parties typically banks/insurance companies, Credit Guarantee Consortia and corporations, is instead assessed on the basis of the guarantor's credit quality.

Non-performing financial assets

For classification of non-performing exposures in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures expired and/or past due by over 180 days), the Bank applies regulations issued by the Bank of Italy, integrated by internal provisions which set criteria and automatic rules for the transfer of loans to the various risk categories.
For 2007 the technical-organisational and methodological procedures used to manage and monitor non-performing financial assets remained unchanged for both networks (Sanpaolo and Intesa).
With reference to loans expired or past due by over 180 days, restructured loans and substandard loans, the structures responsible for their management were identified, on the basis of pre-determined thresholds of increasing significance, within the operational areas (solely for the Sanpaolo network), in the decentralised organisational units that carried out specialist activities (for both the Sanpaolo network and the Intesa network) and by Credit governance which was responsible for the entire management and coordination of these matters.
As concerns the Sanpaolo network, the management of doubtful loans is centralised in specialised head office functions which, in carrying out relevant recovery actions, relied on personnel located throughout the branch network. Within these actions, in order to identify the strategies to be implemented for single

positions, judicial and non-judicial solutions are examined in terms of costs and benefits, also considering the financial impact of the estimated recovery times.
The valuation is reassessed every time events capable of significantly changing recovery prospects become known to the Bank. In order to identify such events rapidly, the information set relative to borrowers is periodically monitored and the development of out-of-court agreements and the various phases of the judicial procedures under way are constantly controlled.
Concerning the Intesa network, the management of doubtful loans, excluding loans under 15,500 euro which are sold without recourse to third parties, was outsourced to Italfondiario. The management and assessment activities were performed with criteria similar to internal management. Judicial and out-of-court solutions adopted, in addition to the loan valuation decisions, were constantly monitored by Credit Governance, which directly intervened in the decision for proposals exceeding the autonomy limits delegated to Italfondiario.
The classification of positions within non-performing financial assets and in the relative management systems was undertaken on proposal of both central and local territorial structures owners of the commercial relation or of specialised central and local territorial structures in charge of loan monitoring and recovery.
For financial statement purposes, the classification in substandard loans also occurs automatically for exposures which exceed objective payment terms, such as loans expired or past due by over 180 days as well as positions which meet the Objective substandard loan conditions defined by the Bank of Italy.
Only for the Intesa network, automatic classification described above is also reported in credit management systems.
The return to performing of exposures classified as Substandard, Restructured and Doubtful, is governed by specific internal regulations, and can only take place on the proposal of the abovementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist and subject to the binding opinion, where envisaged, of the structure responsible for credit control.
Exposures classified in “loans expired and past due by over 180 days” the return to performing occurs automatically as the exposure is reimbursed.
The overall doubtful loans portfolio is continually monitored through a predetermined control system and periodic managerial reporting.
In 2007, for the purpose of aligning the systems used by the Intesa network and the Sanpaolo network, a target non-performing loan management procedure was defined. The procedure was rolled out in Intesa Sanpaolo (Sanpaolo network) in January 2008 and will be extended to the Network Banks by the end of April and to the Intesa network by the end of July.
This procedure is based on the same:
- automatic classification procedures, already present in the Intesa network, which will permit a complete alignment of the loan management systems, the warning systems and the reporting systems;
- automatic management of the credit-granting decisions of the Sanpaolo network.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1. Performing and non-performing exposures: amounts, adjustments, changes, economic and geographical breakdown
In the tables in this section the information related to country risk is not presented separately in compliance with the methodological decision made by the Intesa Sanpaolo Group for collective assessment of performing loans based on parameters that include ”country risk”.

A.1.1. Breakdown of financial assets by portfolio classification and credit quality (book value)

(in millions of euro)

	Banking group						Other companies		Total
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk	Other Assets	Non-performing	Other	
1. Financial assets held for trading	-	15	-	15	-	52,325	-	404	52,759
2. Financial assets available for sale	-	-	-	-	-	18,738	-	18,176	36,914
3. Investments held to maturity	-	1	-	-	-	5,922	-	-	5,923
4. Due from banks	-	-	-	7	-	62,721	-	103	62,831
5. Loans to customers	2,927	3,512	190	967	-	327,262	-	415	335,273
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	660	-	19,338	19,998
7. Financial assets under disposal	-	61	-	13	-	3,359	-	-	3,433
8. Hedging derivatives	-	-	-	-	-	2,813	-	204	3,017
Total 31.12.2007	**2,927**	**3,589**	**190**	**1,002**	**-**	**473,800**	**-**	**38,640**	**520,148**
Total 31.12.2006 (*)	**1,665**	**2,762**	**101**	**439**	**-**	**270,987**	**4**	**846**	**276,804**

(*) Figures relative to Gruppo Intesa.

A.1.2. Breakdown of financial assets by portfolio classification and credit quality (gross and net values)

(in millions of euro)

	Non-performing assets				Other assets			Total (net exposure)
	Gross exposure	Individual adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
A. Banking group								
1. Financial assets held for trading	31	-1	-	30	X	X	52,325	52,355
2. Financial assets available for sale	-	-	-	-	18,738	-	18,738	18,738
3. Investments held to maturity	1	-	-	1	5,922	-	5,922	5,923
4. Due from banks	14	-7	-	7	62,766	-45	62,721	62,728
5. Loans to customers	16,567	-8,541	-430	7,596	329,504	-2,242	327,262	334,858
6. Financial assets designated at fair value through profit and loss	-	-	-	-	X	X	660	660
7. Financial assets under disposal	90	-15	-1	74	3,374	-15	3,359	3,433
8. Hedging derivatives	-	-	-	-	X	X	2,813	2,813
Total A	**16,703**	**-8,564**	**-431**	**7,708**	**420,304**	**-2,302**	**473,800**	**481,508**
B. Other consolidated companies								
1. Financial assets held for trading	-	-	-	-	X	X	404	404
2. Financial assets available for sale	-	-	-	-	18,176	-	18,176	18,176
3. Investments held to maturity	-	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	103	-	103	103
5. Loans to customers	-	-	-	-	415	-	415	415
6. Financial assets designated at fair value through profit and loss	-	-	-	-	X	X	19,338	19,338
7. Financial assets under disposal	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	X	X	204	204
Total B	**-**	**-**	**-**	**-**	**18,694**	**-**	**38,640**	**38,640**
Total 31.12.2007	**16,703**	**-8,564**	**-431**	**7,708**	**438,998**	**-2,302**	**512,440**	**520,148**
Total 31.12.2006	**9,448**	**-4,477**	**-**	**4,971**	**225,784**	**-1,143**	**271,833**	**276,804**

(*) Figures relative to Gruppo Intesa.

A.1.3. On- and off-balance sheet exposures to banks: gross and net values

(in millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
A.1 Banking group				
a) Doubtful loans	7	-7	-	-
b) Substandard loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	7	-	-	7
e) Country risk	-	X	-	-
f) Other assets	73,558	X	-45	73,513
Total A.1	**73,572**	**-7**	**-45**	**73,520**
A.2 Other companies				
a) Non-performing	-	-	-	-
b) Other	1,646	-	-	1,646
Total A.2	**1,646**	**-**	**-**	**1,646**
TOTAL A	**75,218**	**-7**	**-45**	**75,166**
B. OFF-BALANCE SHEET EXPOSURES				
B.1 Banking group				
a) Non-performing	3	-	-	3
b) Other	23,119	X	-18	23,101
Total B.1	**23,122**	**-**	**-18**	**23,104**
B.2 Other companies				
a) Non-performing	-	-	-	-
b) Other	57	X	-	57
Total B.2	**57**	**-**	**-**	**57**
TOTAL B	**23,179**	**-**	**-18**	**23,161**

A.1.4. On-balance sheet exposures to banks: changes in non-performing exposures and exposures subject to "Country risk"

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial gross exposure	**24**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	**-**	**-**	**-**	**-**	**-**
B. Increases	**4**	**1**	**-**	**7**	**31**
B.1 inflows from performing exposures	-	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	1	-	-	7	-
B.4. business combinations	3	1	-	-	31
C. Decreases	**-21**	**-1**	**-**	**-**	**-31**
C.1 outflows to performing exposures	-	-	-	-	-
C.2 write-offs	-17	-	-	-	-
C.3 repayments	-1	-	-	-	-
C.4 credit disposals	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-	-
C.6 other decreases	-3	-1	-	-	-31
C.7. business combinations	-	-	-	-	-
D. Final gross exposure	**7**	**-**	**-**	**7**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.5. On-balance sheet exposures to banks: changes in total adjustments

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial total adjustments	**24**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**4**	**1**	**-**	**-**	**1**
B.1 impairment losses	1	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	-	-	-	-	-
B.4. business combinations	3	1	-	-	1
C. Decreases	**-21**	**-1**	**-**	**-**	**-1**
C.1 recoveries on impairment losses	-	-	-	-	-
C.2 recoveries on repayments	-1	-	-	-	-
C.3 write-offs	-17	-	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-	-
C.5 other decreases	-3	-1	-	-	-1
C.6. business combinations	-	-	-	-	-
D. Final total adjustments	**7**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.6. On- and off-balance sheet exposures to customers: gross and net values

(in millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
A.1 Banking group				
a) Doubtful loans	10,267	-7,101	-239	2,927
b) Substandard loans	5,019	-1,324	-120	3,575
c) Restructured exposures	262	-72	-	190
d) Past due exposures	1,120	-60	-71	989
e) Country risk	-	X	-	-
f) Other assets	379,961	X	-2,258	377,703
Total A.1	**396,629**	**-8,557**	**-2,688**	**385,384**
A.2 Other companies				
a) Non-performing	-	-	-	-
b) Other	36,588	-	-	36,588
Total A.2	**36,588**	**-**	**-**	**36,588**
TOTAL A	**433,217**	**-8,557**	**-2,688**	**421,972**
B. OFF-BALANCE SHEET EXPOSURES				
B.1 Banking group				
a) Non-performing	610	-202	-2	406
b) Other	163,548	X	-309	163,239
Total B.1	**164,158**	**-202**	**-311**	**163,645**
B.2 Other companies				
a) Non-performing	-	-	-	-
b) Other	13	X	-	13
Total B.2	**13**	**-**	**-**	**13**
TOTAL B	**164,171**	**-202**	**-311**	**163,658**

A.1.7. On-balance sheet exposures to customers: changes in non-performing exposures and exposures subject to "country risk"

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial gross exposure	**5,052**	**3,774**	**138**	**454**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**7,722**	**6,542**	**362**	**4,021**	**94**
B.1 inflows from performing loans	350	2,901	37	2,613	-
B.2 transfers from other non-performing exposure categories	1,855	1,181	79	53	-
B.3 other increases	611	760	91	439	-
B.4. business combinations	4,906	1,700	155	916	94
C. Decreases	**-2,507**	**-5,297**	**-238**	**-3,355**	**-94**
C.1 outflows to performing loans	-68	-1,115	-30	-1,419	-
C.2 write-offs	-891	-133	-5	-7	-
C.3 repayments	-822	-1,781	-98	-779	-
C.4 credit disposals	-210	-5	-13	-	-
C.5 transfers to other non-performing exposure categories	-85	-1,939	-80	-1,066	-
C.6 other decreases	-155	-97	-1	-28	-94
C.7. business combinations	-276	-227	-11	-56	-
D. Final gross exposure	**10,267**	**5,019**	**262**	**1,120**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.8. On-balance sheet exposures to customers: changes in total adjustments

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial total adjustments	**3,385**	**1,014**	**37**	**15**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**5,985**	**1,506**	**79**	**194**	**31**
B.1 impairment losses	1,277	747	27	20	-
B.2 transfers from other non-performing exposure categories	362	82	16	6	-
B.3 other increases	544	155	2	16	-
B.4. business combinations	3,802	522	34	152	31
C. Decreases	**-2,030**	**-1,076**	**-44**	**-78**	**-31**
C.1 recoveries on impairment losses	-346	-240	-9	-48	-
C.2 recoveries on repayments	-306	-128	-16	-2	-
C.3. write-offs	-894	-133	-6	-7	-
C.4 transfers to other non-performing exposure categories	-43	-406	-9	-8	-
C.5. other decreases	-226	-96	-1	-9	-
C.6. business combinations	-215	-73	-3	-4	-31
D. Final total adjustments	**7,340**	**1,444**	**72**	**131**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.2. Classification of exposures based on external and internal ratings

A.2.1. Breakdown of on- and off-balance sheet exposures by external rating classes

Breakdown by external rating class is based on ratings assigned by Standard and Poor's and Moody's; where two ratings for the one customer are available, the more prudential of the two is adopted.
As the ratings refer to loans to the public and banking sectors and corporate customers of high standing, external rating classes are concentrated at the investment grade level.
The column of the ratings under B- includes non-performing exposures.

(in millions of euro)

	External rating classes						Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Under B-		
A. On-balance sheet exposures	**52,344**	**31,610**	**8,028**	**2,570**	**449**	**8,456**	**355,447**	**458,904**
B. Derivatives	**12,496**	**2,854**	**83**	**98**	**1**	**42**	**3,221**	**18,795**
B.1. Financial derivatives	12,409	2,735	78	60	-	21	2,034	17,337
B.2. Credit derivatives	87	119	5	38	1	21	1,187	1,458
C. Guarantees given	**5,539**	**3,012**	**3,139**	**759**	**16**	**298**	**37,752**	**50,515**
D. Commitments to lend funds	**24,324**	**21,659**	**12,531**	**4,169**	**1,864**	**114**	**62,896**	**127,557**
Total	**94,703**	**59,135**	**23,781**	**7,596**	**2,330**	**8,910**	**459,316**	**655,771**

A.2.2. Breakdown of on- and off-balance sheet exposures by internal rating classes (book value)

The breakdown by internal rating class is based on all ratings available in the credit risk management system. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.
Unrated loans account for 31% of all loans and refer to customer segments for which a rating model is not yet available (loans to private parties), to counterparties for which the roll-out of new internal models is still underway, to Group companies whose mission is not related to credit and loans, and to international subsidiaries in Eastern Europe and other emerging nations, which have yet to be fully integrated into the credit risk management system. For the purposes of calculating the risk indicators, unrated counterparties are assigned an estimated rating on the basis of the average probabilities of default, deriving from the past experience of the respective sectors.
When unrated counterparties and non-performing assets are excluded, rating classes at investment grade account for an overwhelming majority of 73% of all loans, whilst 19% of all loans fall within the BB+/BB- range; 8% of all loans fall into higher risk classes (of which under 1% are below B-).

(in millions of euro)

	External rating classes							Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Under B-	Non-performing exposures		
A. On-balance sheet exposures	**60,198**	**57,225**	**88,464**	**64,498**	**25,022**	**2,521**	**7,687**	**153,289**	**458,904**
B. Derivatives	**12,575**	**2,893**	**277**	**308**	**106**	**25**	**21**	**2,590**	**18,795**
B.1. Financial derivatives	12,488	2,774	272	270	105	4	21	1,403	17,337
B.2. Credit derivatives	87	119	5	38	1	21	-	1,187	1,458
C. Guarantees given	**8,138**	**7,583**	**14,032**	**10,066**	**3,727**	**95**	**273**	**6,601**	**50,515**
D. Commitments to lend funds	**28,299**	**23,649**	**19,418**	**8,962**	**4,144**	**84**	**114**	**42,887**	**127,557**
Total	**109,210**	**91,350**	**122,191**	**83,834**	**32,999**	**2,725**	**8,095**	**205,367**	**655,771**

A.3. Breakdown of guaranteed exposures by type of guarantee

A.3.1. Guaranteed on-balance sheet exposures to banks and customers

(in millions of euro)

	GUARANTEED EXPOSURES TO BANKS		GUARANTEED EXPOSURES TO CUSTOMERS		TOTAL
	Totally guaranteed	Partly guaranteed	Totally guaranteed	Partly guaranteed	
EXPOSURE	**17,277**	**282**	**153,841**	**43,921**	**215,321**
COLLATERAL (1)					
Real estate assets	-	-	109,270	13,874	123,144
Securities	16,613	-	6,406	3,882	26,901
Other assets	-	-	1,786	4,214	6,000
GUARANTEES (1)					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	*180*	*177*	*357*
Other counterparties	-	-	-	*17*	*17*
Guarantees given					
Governments	*2*	*33*	*8,104*	*1,914*	*10,053*
Other public entities	*5*	*24*	*559*	*103*	*691*
Banks	*657*	*159*	*1,551*	*2,221*	*4,588*
Other counterparties	*1*	*31*	*35,226*	*10,232*	*45,490*
TOTAL GUARANTEES (1)	**17,278**	**247**	**163,082**	**36,634**	**217,241**

(1) Fair value of the guarantee or, if difficult to determine, contractual value.

A.3.2. Guaranteed off-balance sheet exposures to banks and customers

(in millions of euro)

	GUARANTEED EXPOSURES TO BANKS		GUARANTEED EXPOSURES TO CUSTOMERS		TOTAL
	Totally guaranteed	Partly guaranteed	Totally guaranteed	Partly guaranteed	
EXPOSURE	**183**	**61**	**17,717**	**7,457**	**25,418**
COLLATERAL (1)					
Real estate assets	-	-	6,616	832	7,448
Securities	-	-	742	750	1,492
Other assets	3	7	1,973	337	2,320
GUARANTEES (1)					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	-	-	-
Other counterparties	-	-	-	-	-
Guarantees given					
Governments	-	-	*2,104*	-	*2,104*
Other public entities	-	-	*11*	*40*	*51*
Banks	*178*	*21*	*649*	*999*	*1,847*
Other counterparties	*2*	*2*	*8,904*	*1,378*	*10,286*
TOTAL GUARANTEES (1)	**183**	**30**	**20,999**	**4,336**	**25,548**

(1) Fair value of the guarantee or, if difficult to determine, contractual value.

A.3.3. Non-performing guaranteed on-balance sheet exposures to banks and customers

(in millions of euro)

	GUARANTEED EXPOSURES TO BANKS				GUARANTEED EXPOSURES TO CUSTOMERS			
	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%
EXPOSURE	**-**	**-**	**-**	**-**	**2,815**	**1,178**	**1,107**	**345**
AMOUNT GUARANTEED	**-**	**-**	**-**	**-**	**3,256**	**1,178**	**1,099**	**75**
COLLATERAL [(1)]								
Real estate assets	-	-	-	-	2,756	797	553	23
Securities	-	-	-	-	50	18	45	12
Other assets	-	-	-	-	7	13	203	3
GUARANTEES [(1)]								
Credit derivatives								
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other counterparties	-	-	-	-	-	-	-	-
Guarantees given								
Governments and Central Banks	-	-	-	-	-	*2*	*12*	-
Other public entities	-	-	-	-	*17*	*1*	*5*	-
Banks	-	-	-	-	*8*	*1*	*5*	-
Financial institutions	-	-	-	-	*4*	*1*	*1*	-
Insurance companies	-	-	-	-	*2*	*6*	-	-
Non-financial companies	-	-	-	-	*41*	*10*	*14*	*1*
Other counterparties	-	-	-	-	*679*	*452*	*265*	*36*
TOTAL GUARANTEES [(1)]	**-**	**-**	**-**	**-**	**3,564**	**1,301**	**1,103**	**75**
EXCESS FAIR VALUE GUARANTEE	**-**	**-**	**-**	**-**	**308**	**123**	**-**	**-**

(1) Fair value of the guarantee or, if difficult to determine, guaranteed exposure.

A.3.4. Non-performing guaranteed off-balance sheet exposures to banks and customers

(in millions of euro)

	GUARANTEED EXPOSURES TO BANKS				GUARANTEED EXPOSURES TO CUSTOMERS			
	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%
EXPOSURE	**-**	**-**	**-**	**-**	**109**	**24**	**67**	**21**
AMOUNT GUARANTEED	**-**	**-**	**-**	**-**	**109**	**25**	**62**	**3**
COLLATERAL [(1)]								
Real estate assets	-	-	-	-	7	2	7	-
Securities	-	-	-	-	39	8	31	2
Other assets	-	-	-	-	5	1	2	-
GUARANTEES [(1)]								
Credit derivatives								
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other counterparties	-	-	-	-	-	-	-	-
Guarantees given								
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	*1*	-
Banks	-	-	-	-	*1*	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	*7*	-	*1*	-
Other counterparties	-	-	-	-	*64*	*14*	*43*	*1*
TOTAL GUARANTEES [(1)]	**-**	**-**	**-**	**-**	**123**	**25**	**85**	**3**
EXCESS FAIR VALUE GUARANTEE	**-**	**-**	**-**	**-**	**14**	**1**	**-**	**-**

(1) Fair value of the guarantee or, if difficult to determine, guaranteed exposure.

B. BREAKDOWN AND CONCENTRATION OF LOANS

B.1. Breakdown of on- and off-balance sheet exposures to customers by sector

(in millions of euro)

	ON-BALANCE SHEET EXPOSURES					TOTAL ON-BALANCE SHEET EXPOSURES	OFF-BALANCE SHEET EXPOSURES					TOTAL OFF-BALANCE SHEET EXPOSURES	TOTAL 31.12.2007	TOTAL 31.12.2006 (*)
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures		Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures			
GOVERNMENTS AND CENTRAL BANKS														
Gross exposure	2	19	-	-	21,543	21,564	34	18	-	-	1,353	1,405	22,969	14,588
Specific impairment losses	-2	-19	-	-	-	-21	-33	-	-	-	-	-33	-54	-3
Portfolio impairment losses	-	-	-	-	-10	-10	-	-	-	-	-8	-8	-18	-1
Net exposure	-	-	-	-	21,533	21,533	1	18	-	-	1,345	1,364	22,897	14,584
OTHER PUBLIC ENTITIES														
Gross exposure	1	1	-	137	20,062	20,201	-	1	-	-	5,968	5,969	26,170	8,927
Specific impairment losses	-1	-	-	-	-	-1	-	-	-	-	-	-	-1	-
Portfolio impairment losses	-	-	-	-1	-45	-46	-	-	-	-	-3	-3	-49	-8
Net exposure	-	1	-	136	20,017	20,154	-	1	-	-	5,965	5,966	26,120	8,919
FINANCIAL INSTITUTIONS														
Gross exposure	294	84	12	6	32,571	32,967	15	4	-	-	19,601	19,620	52,587	45,239
Specific impairment losses	-284	-60	-2	-	-	-346	-14	-1	-	-	-	-15	-361	-308
Portfolio impairment losses	-	-	-	-	-104	-104	-	-	-	-	-18	-18	-122	-27
Net exposure	10	24	10	6	32,467	32,517	1	3	-	-	19,583	19,587	52,104	44,904
INSURANCE COMPANIES														
Gross exposure	-	-	-	2	3,906	3,908	-	-	-	-	2,041	2,041	5,949	4,580
Specific impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio impairment losses	-	-	-	-	-2	-2	-	-	-	-	-5	-5	-7	-1
Net exposure	-	-	-	2	3,904	3,906	-	-	-	-	2,036	2,036	5,942	4,579
NON-FINANCIAL COMPANIES														
Gross exposure	7,781	3,461	240	518	211,150	223,150	181	261	76	-	129,561	130,079	353,229	188,626
Specific impairment losses	-5,617	-956	-68	-27	-	-6,668	-86	-61	-3	-	-	-150	-6,818	-3,705
Portfolio impairment losses	-26	-18	-	-16	-1,716	-1,776	-1	-1	-	-	-257	-259	-2,035	-1,102
Net exposure	2,138	2,487	172	475	209,434	214,706	94	199	73	-	129,304	129,670	344,376	183,819
OTHER COUNTERPARTIES														
Gross exposure	2,189	1,454	10	457	90,729	94,839	4	11	5	-	5,024	5,044	99,883	51,020
Specific impairment losses	-1,197	-289	-2	-33	-	-1,521	-2	-2	-	-	-	-4	-1,525	-559
Portfolio impairment losses	-213	-102	-	-54	-381	-750	-	-	-	-	-18	-18	-768	-181
Net exposure	779	1,063	8	370	90,348	92,568	2	9	5	-	5,006	5,022	97,590	50,280

(*) Figures relative to Gruppo Intesa.

B.2. Breakdown of financing loans to resident non-financial companies

(in millions of euro)

Counterparties	**31.12.2007**
- wholesale and retail trade, recovery and repairs	*22,697*
- construction and public works	*18,179*
- energy products	*12,083*
- metal products, excluding cars and means of transport	*6,035*
- means of transport	*5,716*
- other non-financial resident companies	*119,291*
Total	**184,001**

B.3. Breakdown of on- and off-balance sheet exposures to customers by geographical area (book value)

(in millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	exposure		exposure		exposure		exposure		exposure	
	gross	*net*	*gross*	*net*	*gross*	*net*	*gross*	*net*	*gross*	*net*
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	9,250	2,796	716	106	11	1	6	-	284	24
A.2. Substandard loans	4,174	2,957	759	567	28	9	11	1	47	41
A.3. Restructured exposures	245	178	13	10	1	-	3	2	-	-
A.4. Past due exposures	1,091	962	18	17	1	1	-	-	10	9
A.5. Other exposures	305,522	303,712	61,244	60,893	5,688	5,665	2,701	2,685	4,806	4,748
Total A	**320,282**	**310,605**	**62,750**	**61,593**	**5,729**	**5,676**	**2,721**	**2,688**	**5,147**	**4,822**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	170	90	30	7	-	-	-	-	34	1
B.2. Substandard loans	229	173	46	37	-	-	-	-	20	20
B.3. Restructured exposures	80	77	-	-	-	-	1	1	-	-
B.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
B.5. Other exposures	81,310	81,125	60,290	60,187	20,124	20,115	1,168	1,166	656	646
Total B	**81,789**	**81,465**	**60,366**	**60,231**	**20,124**	**20,115**	**1,169**	**1,167**	**710**	**667**
TOTAL (A+B) 31.12.2007	**402,071**	**392,070**	**123,116**	**121,824**	**25,853**	**25,791**	**3,890**	**3,855**	**5,857**	**5,489**
TOTAL 31.12.2006 (*)	**217,952**	**213,206**	**62,436**	**61,581**	**28,668**	**28,623**	**1,784**	**1,750**	**2,140**	**1,925**

(*) Figures relative to Gruppo Intesa.

B.4. Breakdown of on- and off-balance sheet exposures to banks by geographical area (book value)

(in millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	exposure		exposure		exposure		exposure		exposure	
	gross	*net*	*gross*	*net*	*gross*	*net*	*gross*	*net*	*gross*	*net*
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	1	-	6	-	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	7	7	-	-	-	-	-	-
A.5. Other exposures	19,882	19,880	43,217	43,181	4,203	4,201	2,730	2,726	3,526	3,525
Total A	**19,883**	**19,880**	**43,230**	**43,188**	**4,203**	**4,201**	**2,730**	**2,726**	**3,526**	**3,525**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Restructured exposures	-	-	3	3	-	-	-	-	-	-
B.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
B.5. Other exposures	7,951	7,950	12,562	12,555	998	996	1,316	1,309	292	291
Total B	**7,951**	**7,950**	**12,565**	**12,558**	**998**	**996**	**1,316**	**1,309**	**292**	**291**
TOTAL (A+B) 31.12.2007	**27,834**	**27,830**	**55,795**	**55,746**	**5,201**	**5,197**	**4,046**	**4,035**	**3,818**	**3,816**
TOTAL 31.12.2006	**14,343**	**14,337**	**44,912**	**44,888**	**2,083**	**2,065**	**2,371**	**2,357**	**832**	**829**

(*) Figures relative to Gruppo Intesa.

B.5. Large risks

Large risks	
a) Amount (in millions of euro)	14,659
b) Number	3

C. SECURITISATION AND ASSET SALES

C.1. Securitisations

Qualitative information
Securitisations structured in the year are described in the paragraphs below.

SPQR II
For the purpose of reducing funding cost and increasing asset liquidity, in November and December 2007 Banca OPI finalised a securitisation exclusively aimed at securitising a securities portfolio which could not have been used for refinancing with the European Central Bank.
As part of the transaction, the Bank sold to a Special Purpose Vehicle a portfolio of debentures issued by Italian public entities, of a total nominal value of approximately 2 billion euro, which, since such debentures are not listed in a European regulated market may not be used for refinancing with the Central Bank. The Special Purpose Vehicle in turn, issued Senior bonds which are rated and listed, and Junior bonds. Both types of securities were purchased by Banca OPI, which destined the Senior class as collateral to its funding with the European Central Bank, via transactions closed through the Parent Company Intesa Sanpaolo.
For IAS/IFRS purposes the securitisation does not qualify for derecognition since Banca OPI maintains all the risks and benefits of transferred assets. Consequently, Banca OPI's financial statements as at 31 December 2007 included the securitised debentures under assets sold not derecognised.

Quantitative information

C.1.1. Breakdown of exposures deriving from securitisations by quality of underlying asset

On-balance sheet

(in millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	exposure		exposure		exposure	
	gross	*net*	*gross*	*net*	*gross*	*net*
A. Originated underlying assets	**1,956**	**1,954**	**165**	**149**	**180**	**186**
a) Non-performing	-	-	*88*	*73*	*19*	*24*
b) Other	*1,956*	*1,954*	*77*	*76*	*161*	*162*
B. Third party underlying assets	**7,543**	**6,951**	**757**	**693**	**55**	**55**
a) Non-performing	-	-	-	-	-	-
b) Other	*7,543*	*6,951*	*757*	*693*	*55*	*55*
Total	**9,499**	**8,905**	**922**	**842**	**235**	**241**

Some positions set out in the table above are included in structured credit derivatives which were affected to different extents by the financial market crisis: 5,441 million euro of gross exposures and 5,024 million euro net, in any case almost entirely attributable to exposures not included in US subprime exposures. For further information on the relative economic and risk effects, see the chapter on market risks in this Part of the Notes to the consolidated financial statements.

Off-balance sheet

(in millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	exposure		exposure		exposure		exposure		exposure		exposure	
	gross	*net*	*gross*	*net*	*gross*	*net*	*gross*	*net*	*gross*	*net*	*gross*	*net*
A. Originated underlying assets	**13**	**13**	**-**	**-**	**18**	**18**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	*13*	*13*	-	-	*18*	*18*	-	-	-	-	-	-
B. Third party underlying assets	**-**	**-**	**54**	**54**	**2**	**2**	**-**	**-**	**1,179**	**1,179**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	*54*	*54*	*2*	*2*	-	-	*1,179*	*1,179*	-	-
TOTAL	**13**	**13**	**54**	**54**	**20**	**20**	**-**	**-**	**1,179**	**1,179**	**-**	**-**

C.1.2. Breakdown of exposures deriving from main "originated" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(in millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**27**	**-**	**77**	**-16**	**75**	**6**
A.1 Intesa Lease Sec						
- performing leasing contracts	*14*	-	-	-	-	-
A.2 Intesa Sec 2						
- performing residential mortgages	*13*	-	*4*	-	*42*	-
A.3 Intesa Sec						
- performing mortgages	-	-	-	-	*9*	*1*
A.4 Intesa Sec Npl						
- doubtful mortgages	-	-	*73*	*-16*	*24*	*5*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**1,927**	**-2**	**72**	**-**	**111**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	*55*	*-1*	-	-	*26*	-
C.2 Da Vinci						
- Loans to the aircraft sector	*6*	*-1*	*2*	-	-	-
C.3 Vespucci						
- Asset Backed Securities e Collateralised Debt Obligations	-	-	*70*	-	-	-
C.4 Split 2						
- performing leasing contracts	*16*	-	-	-	*18*	-
C.5 SPQR II						
- performing AFS issued by public entities	*1,850*	-	-	-	*67*	-
TOTAL	**1,954**	**-2**	**149**	**-16**	**186**	**6**

The securitisations in the previous table include those for which the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1. Based on such exemption, assets or liabilities sold and derecognised, based on previous accounting principles and deriving from securitisations prior to 1 January 2004, have not been recorded in the financial statements, even if derecognition does not meet the requirements of IAS 39.

Off-balance sheet

(in millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Intesa Sec												
- performing mortgages	*13*	-	-	-	-	-	-	-	-	-	-	-
A.2 Intesa Sec Npl												
- doubtful mortgages	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Da Vinci												
- loans to the aircraft sector	-	-	-	-	*18*	-	-	-	-	-	-	-
TOTAL	**13**	**-**	**-**	**-**	**18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C.1.3. Breakdown of exposures deriving from main "third party" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(in millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 Atlantide						
- *loans to suppliers*	*642*	-	-	-	-	-
A.2 AYT Cedulas						
- *public sector financing*	*226*	*-5*	-	-	-	-
A.3 Cartesio						
- *loans*	*141*	-	-	-	-	-
A.4 CPG tranche AEM						
- *public utilities*	*62*	-	-	-	-	-
A.5 Credel						
- *election reimbursements*	*71*	-	-	-	-	-
A.6 Crediti sanitari regione Sicilia						
- *receivables from local authorities*	*187*	-	-	-	-	-
A.7 D'Annunzio						
- *receivables*	*166*	-	-	-	-	-
A.8 Diocleziano						
- *land, industrial and public entities mortgages*	*57*	*1*	-	-	-	-
A.9 Duchess (*)						
- *securities*	*178*	*-3*	-	-	-	-
A.10 ESPF (*)						
- *securities*	*120*	*-149*	-	-	-	-
A.11 Euterpe						
- *amounts due from tax authorities - utilities*	*150*	-	-	-	-	-
A.12 Fort Sheridan (*)						
- *securities*	*109*	*-37*	-	-	-	-
A.13 Geldilux						
- *loans*	*344*	*-3*	-	-	-	-
A.14 Jupiter (*)						
- *securities*	*114*	*-41*	-	-	-	-
A.15 Kea Financial						
- *receivables*	*96*	-	-	-	-	-
A.16 Landmark (*)						
- *securities*	*50*	*-6*	-	-	-	-
A.17 Pinem (*)						
- *securities*	*94*	*-172*	-	-	-	-
A.18 Posillipo Finance						
- *securities*	*181*	-	-	-	-	-
A.19 Rhodium (*)						
- *securities*	*151*	*-15*	-	-	-	-
A.20 SCIP						
- *real estate assets*	*78*	-	-	-	-	-
A.21 Soc. Cart. Crediti INPS						
- *social security benefits*	*781*	*-3*	-	-	-	-
A.22 Smstr (*)						
- *securities*	*124*	*-32*	-	-	-	-
A.23 Società di Cartolarizzazione Italiana Crediti 1						
- *personal loans*	*219*	*-1*	-	-	-	-
A.24 Stone tower (*)						
- *securities*	*68*	*-8*	-	-	-	-
A.25 Trinacria Healthcare						
- *health receivables*	*100*	-	-	-	-	-
A.26 Portfolio of investment grade ABS subject to unitary management	*117*	-	-	-	-	-
A.27 Residual portfolio divided in 496 securities	*2,325*	*-113 (**)*	*693*	*-64 (***)*	*55*	-
TOTAL	**6,951**	**-587**	**693**	**-64**	**55**	**-**

(*) Position included in packages, whose credit risk is entirely hedged by a specific credit default swap (CDS). The adjustment highlighted was, therefore, practically identical to the positive fair value of the derivative. For further information on the relevant economic and risk impacts, please see the paragraph of the Notes to the consolidated financial statements dedicated to structured credit products hereafter.

(**) Of which - 38 million euro related to securities included in packages.

(***) Of which -14 million euro related to securities included in packages.

Off-balance sheet

(in millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 Duomo												
- Asset Backed Securities and Collateralised debt obligations	-	-	-	-	-	-	-	-	*797*	-	-	-
A.2 Manzoni												
- Asset Backed Securities	-	-	-	-	*2*	-	-	-	-	-	-	-
A.3 Romulus												
- Asset Backed Securities and Collateralised debt obligations	-	-	*54*	-	-	-	-	-	*382*	-	-	-
Total	**-**	**-**	**54**	**-**	**2**	**-**	**-**	**-**	**1,179**	**-**	**-**	**-**

C.1.4. Breakdown of exposures to securitisations by financial assets portfolio and by type

(in millions of euro)

	On-balance sheet exposures (*)			Off-balance sheet exposures		
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior
Financial assets held for trading	4,569	636	39	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	910	122	49	-	-	-
Investments held to maturity	-	-	-	-	-	-
Loans (**)	1,499	12	42	13	1,233	2
Total 31.12.2007	**6,978**	**770**	**130**	**13**	**1,233**	**2**
Total 31.12.2006 (***)	**8,770**	**1,890**	**107**	**50**	**-**	**42**

(*) Excluding on- and off-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised from assets for a total respectively of 79 million euro and of 20 million euro.

(**) This caption includes off-balance sheet exposures referred to "Guarantees given" and "Credit lines".

(***) Figures relative to Gruppo Intesa.

C.1.5. Total amount of securitised assets underlying junior securities or other forms of backing

(in millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	**4,171**	**451**
A.1 Fully derecognised	313	X
1. Doubtful loans	*125*	*X*
2. Substandard loans	-	*X*
3. Restructured exposures	-	*X*
4. Past due exposures	-	*X*
5. Other assets	*188*	*X*
A.2 Partly derecognised	-	X
1. Doubtful loans	-	*X*
2. Substandard loans	-	*X*
3. Restructured exposures	-	*X*
4. Past due exposures	-	*X*
5. Other assets	-	*X*
A.3 Not derecognised	3,858	451
1. Doubtful loans	*6*	-
2. Substandard loans	*4*	-
3. Restructured exposures	-	-
4. Past due exposures	*1*	-
5. Other assets	*3,847*	*451*
B. Third party underlying assets	**136**	**115**
1. Doubtful loans	-	-
2. Substandard loans	-	-
3. Restructured exposures	-	-
4. Past due exposures	2	-
5. Other assets	134	115

C.1.6. Interests in special purpose vehicles

Name	Direct ownership	Registered office	% Stake
Intesa Sec	Intesa Sanpaolo	Milano	60.00%
Intesa Sec 2	Intesa Sanpaolo	Milano	60.00%
Intesa Sec 3	Intesa Sanpaolo	Milano	60.00%
Intesa Sec Npl	Intesa Sanpaolo	Milano	100.00%
Intesa Sec Npl 2	Intesa Sanpaolo	Milano	100.00%
Augusto	Intesa Sanpaolo	Milano	5.00%
Colombo	Intesa Sanpaolo	Milano	5.00%
Diocleziano	Intesa Sanpaolo	Milano	5.00%

The vehicles ISP CB Ipotecario, ISP CB Pubblico and Intesa Sec 4, were formed in 2007 to support future securitisations. They are wholly owned by the Parent Company with registered offices in Milano.

C.1.7. Servicer activities – collection of securitised loans and repayment of securities issued by special purpose vehicles

Servicer	Special purpose vehicles	Securitised assets (in millions of euro)		Collections of loans in the year (in millions of euro)		Percentage of reimbursed securities (period-end figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa Sanpaolo	Intesa Sec	-	39	-	29	-	100.0	-	88.6	-	-
Intesa Sanpaolo	Intesa Sec 2	-	680	-	264	-	69.0	-	-	-	-
Italfondiario	Intesa Sec Npl	125	-	64	-	100.0	-	43.9	-	-	-
Intesa Sanpaolo	Intesa Sec 3	7	3,032	-	758	-	-	-	-	-	-
Sanpaolo Leasint	Split 2	9	943	-	531	-	44.2	-	-	-	-
Intesa Leasing	Intesa Lease Sec	-	463	-	332	-	73.0	-	-	-	-
Total		**141**	**5,157**	**64**	**1,914**						

C.1.8. Banking group's special purpose vehicles

Intesa Sec

Securitisation of performing mortgages

(in millions of euro)

A. Securitised assets			**39**
A.1 loans		37	
- loans outstanding	*35*		
- past due loans	*2*		
A.2 securities		-	
A.3 other assets		2	
- accrued income on IRS	*1*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**13**
B.1 debt securities		-	
B.2 equities		-	
B.3 liquidity		13	
C. Securities issued			**46**
C.1 class A1		-	
C.2 class A2		30	
C.3 class B		8	
C.4 class C		8	
D. Financing received			**-**
E. Other liabilities			**3**
E.1 due to Parent Company		1	
E.2 accrued expenses – interest on securities issued		1	
E.3 accrued expenses on IRS		1	
E.4 "additional return" allowance		-	
F. Interest expense on securities issued			**3**
G. Commissions and fees			**-**
G.1 servicing		-	
G.2 other services		-	
H. Other expenses			**3**
H.1 interest expense		3	
H.2 additional return		-	
I. Interest income on securitised assets			**3**
L. Other revenues			**3**
L.1 interest income		3	

Intesa Sec 2

Securitisation of performing residential mortgages

(in millions of euro)

A. Securitised assets			**680**
A.1 loans		653	
- loans outstanding	*632*		
- past due loans	*21*		
A.2 securities		-	
A.3 other assets		27	
- accrued income on IRS	*4*		
- suspended items for DPP	*18*		
- tax credits	*5*		
B. Investments of the funds collected from loan management			**96**
B.1 debt securities		-	
B.2 equities		-	
B.3 liquidity		96	
C. Securities issued			**698**
C.1 class A1		-	
C.2 class A2		597	
C.3 class B		40	
C.4 class C		61	
D. Financing received			**19**
E. Other liabilities			**31**
E.1 due to Parent Company		5	
E.2 other DPP liabilities		18	
E.3 accrued expenses – interest on securities issued		3	
E.4 accrued expenses on IRS		5	
F. Interest expense on securities issued			**37**
G. Commissions and fees			**1**
G.1 servicing		1	
G.2 other services		-	
H. Other expenses			**56**
H.1 interest expense		44	
H.2 cost of liquidation DPP of the period		12	
I. Interest income on securitised assets			**46**
L. Other revenues			**50**
L.1 interest income		49	
L.2 revenues from penalties for advanced extinguishment and other		1	

Intesa Sec 3

Securitisation of performing residential mortgages

(in millions of euro)

A. Securitised assets			**3,039**
A.1 loans		3,010	
- loans outstanding	*2,977*		
- past due loans	*33*		
A.2 securities		-	
A.3 other assets		29	
- accrued income on IRS	*28*		
- tax credits/ others	*1*		
B. Investments of the funds collected from loan management			**729**
B.1 debt securities		-	
B.2 equities		-	
B.3 liquidity		729	
C. Securities issued			**3,644**
C.1 class A1		1,275	
C.2 class A2		1,275	
C.3 class A3		948	
C.4 class B		73	
C.5 class C		73	
D. Financing received			**23**
E. Other liabilities			**86**
E.1 due to Parent Company		1	
E.2 allowance for "additional return"		24	
E.3 accrued expenses – interest on securities issued		30	
E.4 accrued expenses on IRS		31	
F. Interest expense on securities issued			**122**
G. Commissions and fees			**5**
G.1 servicing		4	
G.2 securities placement commissions		1	
H. Other expenses			**183**
H.1 interest expense		159	
H.2 additional return		24	
I. Interest income on securitised assets			**183**
L. Other revenues			**140**
L.1 interest income		138	
L.2 revenues from penalties for advanced extinguishment and other		2	

Intesa Sec Npl

Securitisation of non-performing mortgages

(in millions of euro)

A. Securitised assets			**125**
A.1 loans		117	
- loans outstanding	*13*		
- past due loans	*99*		
- loans for overdue interest	*5*		
A.2 securities		-	
A.3 other assets		8	
- cap premium paid	*7*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**32**
B.1 debt securities		-	
B.2 equities		-	
B.3 liquidity		32	
C. Securities issued			**159**
C.1 class A		-	
C.2 class B		-	
C.3 class C		-	
C.4 class D		118	
C.5 class E		41	
D. Financing received			**2**
E. Other liabilities			**65**
E.1 amounts due for services rendered		4	
E.2 accrued expenses – interest on securities issued		59	
E.3 other accrued expenses		-	
E.4 floor option premium		2	
F. Interest expense on securities issued			**15**
G. Commissions and fees			**4**
G.1 servicing		4	
G.2 other services		-	
H. Other expenses			**9**
H.1 interest expense		1	
H.2 other expenses		4	
H.3 losses on overdue interest		3	
H.4 forecasted losses on loans		1	
I. Interest income on securitised assets			**16**
L. Other revenues			**18**
L.1 interest income		1	
L.2 recovery of legal expenses		1	
L.3 write-backs		16	

Split 2

Securitisation of loans arising from leasing contracts

(in millions of euro)

A. Securitised assets		**952**
A.1 loans	952	
A.2 securities	-	
A.3 other assets	-	
B. Investments of the funds collected from loan management		**156**
B.1 debt securities	-	
B.2 equities	-	
B.3 liquidity	156	
C. Securities issued		**1,074**
C.1 class A	947	
C.2 class B	64	
C.3 class C	45	
C.4 class D	18	
D. Financing received		**30**
E. Other liabilities		**2**
F. Interest expense on securities issued		**54**
G. Commissions and fees		**1**
G.1 servicing	1	
G.2 other services	-	
H. Other expenses		**-**
I. Interest income on securitised assets		**50**
L. Other revenues		**5**

SPQR II

Performing securities AFS issued by public entities

(in millions of euro)

A. Securitised assets		**1,908**
A.1 loans	-	
A.2 securities	1,903	
A.3 other assets	5	
B. Investments of the funds collected from loan management		**34**
B.1 debt securities	-	
B.2 equities	-	
B.3 liquidity	7	
B.4 Investments and cash equivalents	20	
B.5 Accrued income and prepaid expenses	7	
C. Securities issued		**1,917**
C.1 Class A1	1,850	
C.4 Class D	67	
D. Financing received		**-**
E. Other liabilities		**25**
E.1 Accrued expenses and deferred income	14	
E.2 Due to the originator	11	
F. Interest expense on securities issued		**7**
G. Commissions and fees		**-**
H. Other expenses		**7**
I. Interest income on securitised assets		**14**
L. Other revenues		**-**

Intesa Lease Sec

Securitisation of performing loans arising from leasing contracts

(in millions of euro)

A. Securitised assets			**463**
A.1 loans		462	
- principal	*437*		
- credits for invoiced leasing instalments	*25*		
A.2 securities		-	
A.3 other assets		1	
B. Investments of the funds collected from loan management			**43**
B.1 debt securities		19	
B.2 equities		-	
B.3 liquidity		24	
C. Securities issued			**481**
C.1 class A1		-	
C.2 class A2		129	
C.3 class A3		246	
C.4 class B		84	
C.5 class C		22	
D. Financing received			**-**
E. Other liabilities			**32**
E.1 other accrued expenses and deferred income		1	
E.2 allowance for "additional return"		31	
F. Interest expense on securities issued			**30**
G. Commissions and fees			**1**
G.1 servicing		1	
G.2 other services		-	
H. Other expenses			**46**
H.1 interest expense		25	
H.2 other expenses		3	
H.3 losses on loans		1	
H.4 forecasted losses on loans		2	
H.5 additional return		15	
I. Interest income on securitised assets			**44**
L. Other revenues			**31**
L.1 interest income		27	
L.2 value recoveries		2	
L.3 other revenues		2	

C.2. Sales

C.2.1. Financial assets sold not derecognised

(in millions of euro)

	Cash assets					Derivatives	Total 31.12.2007	Total 31.12.2006
	Debt securities	Equities	UCITS	Loans	Non-performing assets			
FINANCIAL ASSETS HELD FOR TRADING	**6,777**	**-**	**-**	**-**	**-**	**-**	**6,777**	**6,672**
- Financial assets sold totally derecognised (book value)	6,777	-	-	-	-	-	6,777	6,672
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**12**	**-**	**-**	**-**	**-**	**X**	**12**	**-**
- Financial assets sold totally derecognised (book value)	12	-	-	-	-	X	12	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	X	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	X	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**2,787**	**-**	**-**	**-**	**-**	**X**	**2,787**	**15**
- Financial assets sold totally derecognised (book value)	2,787	-	-	-	-	X	2,787	15
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	X	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	X	-	-
INVESTMENTS HELD TO MATURITY	**1,689**	**X**	**X**	**-**	**-**	**X**	**1,689**	**27**
- Financial assets sold totally derecognised (book value)	1,689	X	X	-	-	X	1,689	27
- Financial assets sold partly derecognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly derecognised (full value)	-	X	X	-	-	X	-	-
DUE FROM BANKS	**55**	**X**	**X**	**-**	**-**	**X**	**55**	**-**
- Financial assets sold totally derecognised (book value)	55	X	X	-	-	X	55	-
- Financial assets sold partly derecognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly derecognised (full value)	-	X	X	-	-	X	-	-
LOANS TO CUSTOMERS	**1,237**	**X**	**X**	**71**	**-**	**X**	**1,308**	**1,056**
- Financial assets sold totally derecognised (book value)	1,237	X	X	71	-	X	1,308	1,056
- Financial assets sold partly derecognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly derecognised (full value)	-	X	X	-	-	X	-	-
Total 31.12.2007	**12,557**	**-**	**-**	**71**	**-**	**-**	**12,628**	**X**
Total 31.12.2006	**7,770**	**-**	**-**	**-**	**-**	**-**	**X**	**7,770**

Financial assets sold not derecognised are made up of securities relative to repurchase agreements.

C.2.2. Financial liabilities corresponding to financial assets sold not derecognised

(in millions of euro)

	Due to customers		Due to banks		Total 31.12.2007	Total 31.12.2006 (*)
	Fully derecognised	Partly derecognised	Fully derecognised	Partly derecognised		
Financial assets held for trading	869	-	5,908	-	6,777	6,631
Financial assets measured at fair value	-	-	12	-	12	-
Financial assets available for sale	1,315	-	1,472	-	2,787	15
Investments held to maturity	1,689	-	-	-	1,689	27
Due from banks	55	-	-	-	55	-
Loans to customers	1,066	-	242	-	1,308	1,053
Total	**4,994**	**-**	**7,634**	**-**	**12,628**	**7,726**

(*) Figures relative to Gruppo Intesa.

The sole financial liabilities associated to financial assets sold not derecognised referred to reverse repurchase agreements, as shown in tables 1.1 Due to banks and 2.1 Due to customers.

D. MODELS FOR THE MEASUREMENT OF CREDIT RISK

At year-end, expected losses on core banks (Basel 2 validation area) made up 0.40% of all loans, in line with the figure as at 31 December 2006.

Economic capital totalled 3.5% of all loans, down 0.1% on the end-2006 "combined" figure, thanks to the diversification benefits of the integration.

1.2. MARKET RISKS

The Intesa Sanpaolo Group policies relating to financial risk acceptance are defined by the Parent Company's Statutory Bodies, supported by specific Committees, among which the Group Risk Governance Committee and Group Financial Risks Committee.

The Group Risk Governance Committee is in charge, among other things, of proposing to the Statutory bodies Group risk management strategies and policies to ensure compliance with the guidelines and indications of Supervisory authorities concerning risk governance and for assessing the adequacy of the Group's economic and regulatory capital. The Committee coordinates the activities of the specific technical committees which cover financial and operational risks and is chaired by the Managing Director and CEO.

The Group Financial Risks Committee is responsible for the definition of risk measurement criteria and methodologies, the operating limit structure and the verification of the risk profile of the Parent Company and subsidiaries. The Committee, chaired by the Head of Value Creation Governance, operates on the basis of the operating and functional powers delegated by the Statutory bodies and on the basis of the coordination action of the Group Risk Governance Committee.

The Group's overall financial risks profile and the opportune interventions aimed at changing it are examined, at least monthly, by the Group Financial Risks Committee.

The Parent Company's Risk Management Department is responsible for the development of corporate risk measurement and monitoring methodologies as well as for the proposals on the Bank's and the Group's system of operating limits. Risk Management is also responsible in outsourcing for the risk measurement for certain operating units on the basis of specific service contracts.

REGULATORY TRADING BOOK
1.2.1. INTEREST RATE RISK – REGULATORY TRADING BOOK
1.2.3. PRICE RISK – REGULATORY TRADING BOOK

Consistent with the use of internal risk measurement models, the sections relative to interest rate and price risk have been grouped within the relevant portfolio.

QUALITATIVE INFORMATION

The activities for the quantification of trading risks are based on daily and period estimates of sensitivity of the trading portfolios of Intesa Sanpaolo and Banca IMI, which represent the main portion of the Group's market risks, to adverse market movements of the following risk factors:

- interest rates;
- equity and market indices;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps;
- spreads in issued bonds
- correlation instruments.

Internal Model validation

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 regulatory capital requirement of the former Banca IMI component as at 31 December 2007 continued to be calculated with the standard approach; the extension of the internal model to this component is planned for the first quarter of 2008.

However, operating VaR is already provided here on a unified basis.

Operating VaR

The analysis of market risk profiles relative to the trading book and the banking book uses various quantitative indicators and VaR is the most important. Since VaR is a synthetic indicator which does not fully identify all types of potential loss, risk management has been enriched with other measures, in particular simulation measures for the quantification of risks from illiquid parameters (dividends,

correlation, hedge fund). VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and 1-day holding period.
The following paragraphs provide the estimates and evolution of operating VaR, defined as the sum of VaR, and of simulation on illiquid parameters, for the trading book of Intesa Sanpaolo and Banca IMI (also comprehensive of items available for sale which are not attributable to equity stakes).

Fine-tuning of VaR in relation to the financial market crisis
As a result of the subprime market crisis, a methodology to measure risk in the Collateralised Debt Obligations (CDO) book was developed in the fourth quarter of 2007. The subprime crisis generated an increase in market volatility and first and foremost in the credit market: it impacted on the performance of collateral present in CDOs causing oscillations in the prices of the latter. Before the crisis such instruments presented a risk – in terms of spread volatility – which was practically zero. The risk of such instruments which emerged following the market crisis was constantly monitored in the fourth quarter and managed also via liquid and transferable hedging instruments on the index market.
Estimated risk of the CDO book, calculated with a methodology similar to that for simulation on illiquid parameters, at year-end totalled 4.9 million euro.

Stress tests
Stress tests measure the value changes of instruments or portfolios due to changes in risk factors of unexpected intensity and correlation, or extreme events, as well as changes representative of expectations of the future evolution of market variables. Stress tests are applied weekly to market risk exposures, typically adopting scenarios based on historical trends recorded by risk factors, for the purpose of identifying past worst case scenarios, or defining variation grids of risk factors to highlight the direction and non-linearity of trading strategies.

Sensitivity and greeks
Sensitivity measures make risk profiling more accurate, especially in the presence of option components. These measure the risk attributable to a change in the value of a financial position to predefined changes in valuation parameters such as a one basis point increase in interest rates.

Level measures
Level measures are risk indicators which are based on the assumption of a direct relationship between the size of a financial position and the risk profile. These are used to monitor issuer/sector/country risk exposures for concentration analysis, through the identification of notional value, market value or conversion of the position in one or more benchmark instruments (so-called equivalent position).

QUANTITATIVE INFORMATION

Daily operating VaR evolution

In the fourth quarter of 2007 market risks originated by Intesa Sanpaolo and Banca IMI increased and brought the average daily operating VaR to 31.7 million euro (average for the fourth quarter of 2007). That level increases to approximately 37 million euro considering the risk of CDOs described above.

As concerns the whole of 2007, the average risk profile (26.5 million euro) decreased with respect to 2006 (34.9 million euro). The average operating VaR of 2006 is explained by equity investments designated at fair value sold in 2006. Furthermore, the merger between former Banca IMI and former Banca Caboto – which in 2006 had operated as separate legal entities – was completed in 2007.

Daily Operating VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 4th and the 3rd quarter of 2007 [(a)]

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	23.5	22.1	25.3	20.0	18.5	16.5
Banca IMI	8.2	6.5	11.1	6.7	6.1	6.9
Group	**31.7**	**29.4**	**35.2**	**26.7**	**24.6**	**23.4**

[(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 and Banca IMI; minimum and maximum values for Intesa Sanpaolo 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.

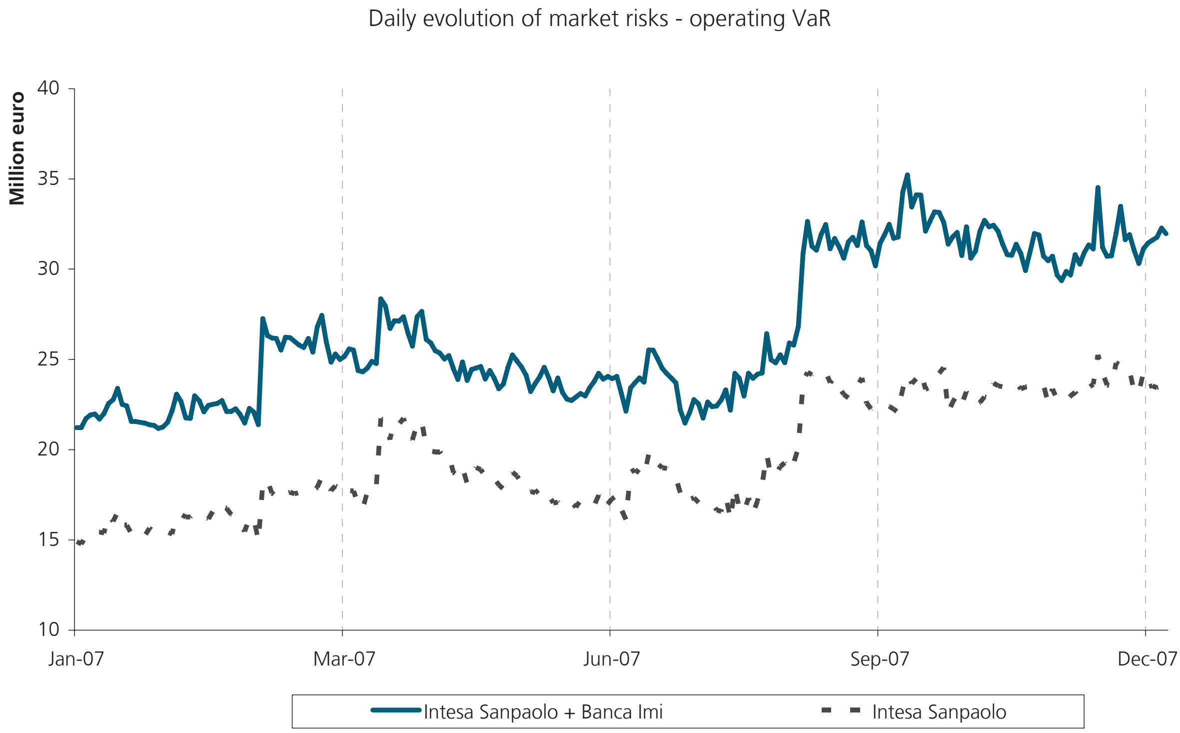
Daily Operating VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison 2007-2006[(a)]

(in millions of euro)

	2007				2006		
	average	minimum	maximum	last day	average	minimum	maximum
Intesa Sanpaolo	19.6	14.8	25.3	22.8	28.3	14.3	43.0
Banca IMI	6.9	4.3	11.1	9.1	6.6	4.3	8.2
Group	**26.5**	**21.2**	**35.2**	**31.9**	**34.9**	**18.9**	**47.0**

[(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 and Banca IMI; minimum and maximum values for Intesa Sanpaolo 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.

Daily operating VaR for Intesa Sanpaolo and Banca IMI rose in 2007. This trend, in particular starting from August 2007, is explained, both for Intesa Sanpaolo and Banca IMI, by increased market volatility following the subprime crisis.
The rise was partly offset by the disposal, in the second half, of a significant portion of the securities portfolio subject to issuer risk (approximately 5.3 billion euro).



For Intesa Sanpaolo the breakdown of risk profile in the fourth quarter of 2007 with regard to the various factors shows the prevalence of spread risk which represented 32% of total operating VaR. Equity risk was the most significant component for Banca IMI with 37% of the total.

Contribution of risk factors to overall operating VaR [(a)]

4th quarter 2007	Shares	Hedge fund	Rates	Credit spread	Foreign exchange	Other parameters
Intesa Sanpaolo	22%	25%	16%	32%	5%	-
Banca IMI	37%	-	24%	36%	2%	1%
Group	**29%**	**15%**	**19%**	**33%**	**4%**	**-**

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

As concerns the hedge fund portfolio, the table above shows the breakdown of exposures to highlight the degree of diversification of adopted strategies.

Contribution of strategies to portfolio breakdown [a]

	31.12.2007	31.12.2006 (*)
- Relative Value / Arbitrage	19%	19%
- Event Driven	26%	22%
- Multistrategy, Funds of Funds	10%	16%
- Credit / Emerging	2%	2%
- Directional	11%	12%
- Equity Hedge / long-short	32%	29%
Total hedge funds	**100%**	**100%**

(*) Figures relative to Gruppo Intesa.

(a) The table sets out on every line the percentage of total cash exposures calculated on amounts at period-end.

Backtesting

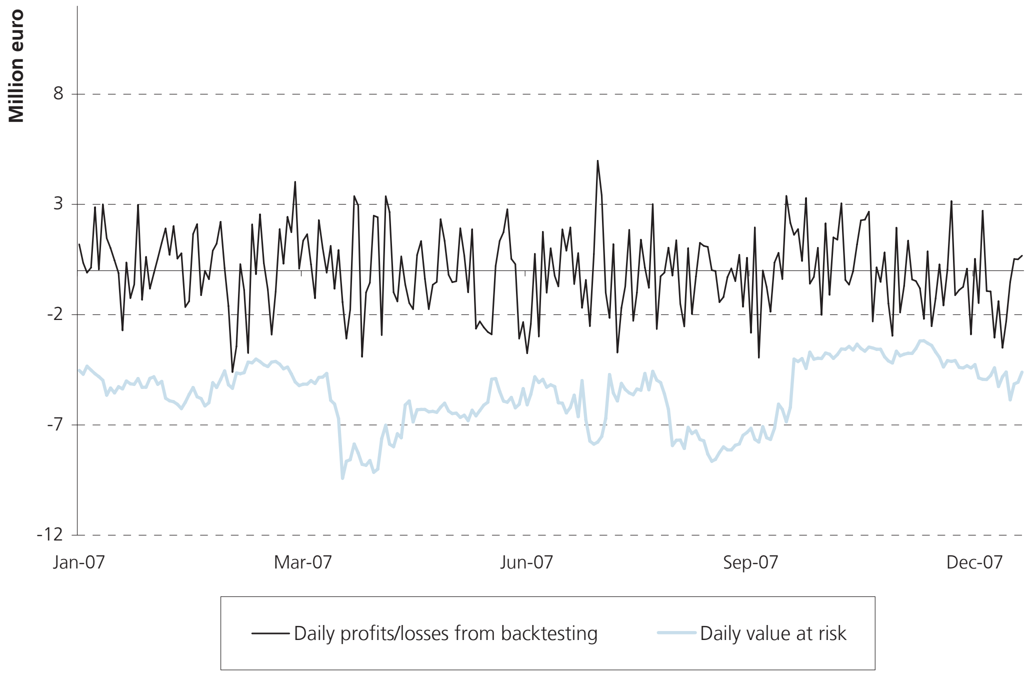
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

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

Backtesting allows verification of the model's capability of correctly seizing, from a statistical viewpoint, the variability in the daily valuation of trading positions, covering an observation period of one year (approximately 250 estimates). Any critical situations relative to the adequacy of the Internal Model are represented by situations in which daily profits/losses based on backtesting highlight more than three occasions, in the year of observation, in which the daily loss is higher than the value at risk estimate.

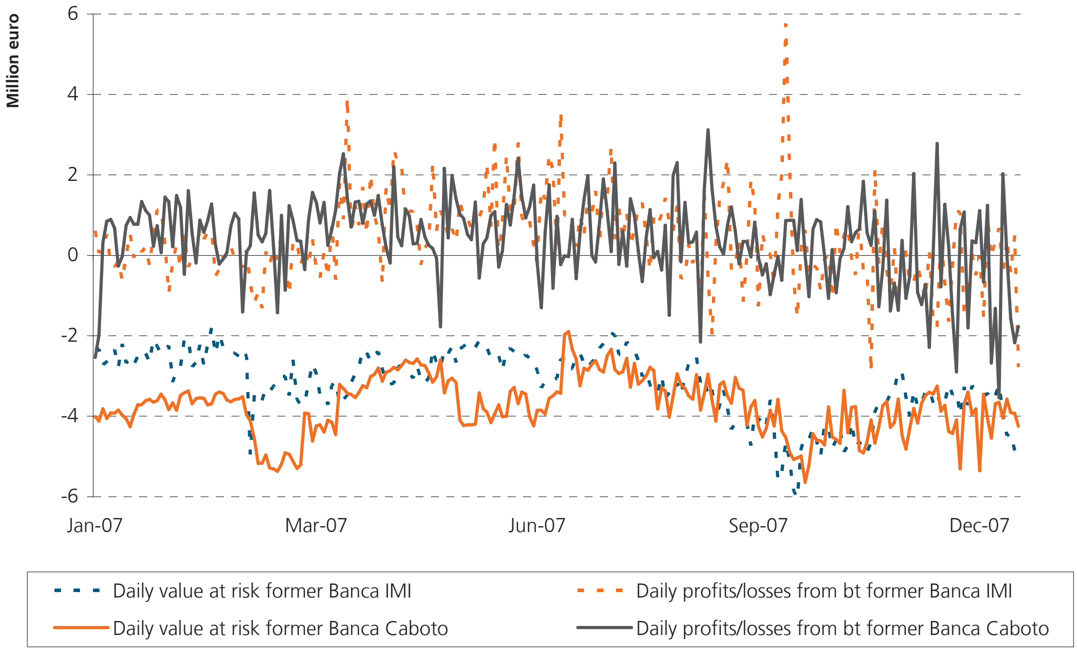
Backtesting in Intesa Sanpaolo

Intesa Sanpaolo's regulatory backtesting, set out in the following graph, does not present any critical situations. Critical situations occur if daily profits and losses from backtesting prove to be higher than the VaR estimate in more than three occasions in the observation period.



Backtesting in Banca IMI

Former Banca Caboto's regulatory backtesting, set out in the following graph, does not present any critical situations. The graph sets out, solely for information purposes (dotted lines), the backtesting relative to the former Banca IMI portfolio which has no regulatory significance.



Regulatory trading book: on-balance sheet exposures to equities and UCITS

(in millions of euro)

	Book values	
	Listed	Unlisted
A. Equities	**1,407**	**-**
A.1. Shares	1,407	-
A.2. Innovative equity instruments	-	-
A.3. Other equities	-	-
B. UCITS	**6,245**	**928**
B.1. Italian	431	3
- harmonised open-end	366	2
- not harmonised open-end	47	-
- closed-end	18	1
- reserved	-	-
- speculative	-	-
B.2. Other EU Countries	5,808	17
- harmonised open-end	5,808	5
- not harmonised open-end	-	12
- not harmonised closed-end	-	-
B.3. Non-EU Countries	6	908
- open-end	4	822
- closed-end	2	86
Total	**7,652**	**928**

Issuer risk

Issuer risk in the trading portfolio is analysed in terms of marking to market, by aggregating exposures by rating classes and it is monitored using a system of operating limits based on both rating classes and concentration indices.

Breakdown of exposures by type of issuer/rating class for Intesa Sanpaolo and Banca IMI [(a)]

	Total	of which				
		Corporate	Financial	Emerging	Covered	Securitis.
Intesa Sanpaolo	62%	-1%	36%	5%	11%	49%
Banca IMI	38%	10%	66%	3%	-	21%
Group	**100%**	**3%**	**48%**	**4%**	**7%**	**38%**

[(a)] The table sets out in the Total column the contribution of Intesa Sanpaolo and Banca IMI to issuer risk exposures. The other columns indicate percentage breakdown of issuer risk exposures.

Period-end percentage on area total, excluding Government bonds, own bonds and including cds.

The breakdown of the portfolio subject to issuer risk shows the prevalence of securities of the financial and securitisation segments. Almost all the portfolio is made up of securities classified as investment grade.

Operating limits

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas, consistent with operating and strategic guidelines defined by top management. The attribution and control of limits at the various hierarchical levels implies the assignment of delegated powers to the heads of business areas, aimed at achieving the best trade-off between a controlled risk environment and the need for operating flexibility. The actual functioning of the limit system and of delegated powers is based on the basic concepts of hierarchy and interaction described below.
The application of such principles led to the definition of a structure of limits in which the distinction between first level and second level limits is particularly important:

- first level limits: are approved by the Management Board, after the opinion of the Group Financial Risks Committee. Limit variations are proposed by the Risk Management Department, after the opinion of the Heads of Operating Departments. Limit absorption trends and the relative congruity analysis are periodically assessed by the Group Financial Risks Committee.
- second level limits: have the objective of controlling operations of the various desks on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures.

The use of operating VaR autonomy limits in Intesa Sanpaolo, in the component sub-allocated to organisational units, was on average 60% in 2007, with a maximum use of 92%; VaR operating limits in Banca IMI equalled on average 60%, with a maximum use of 80%.

Determination of the fair value of financial assets and liabilities

IAS/IFRS prescribe that funded and unfunded products in the trading portfolio must be recorded at fair value through profit and loss.
The existence of official prices in an active market represents the best evidence of fair value and these prices must be used with priority (effective market quotes) for the registration of financial assets and liabilities in the trading portfolio. If there is no active market, fair value is determined using valuation techniques aimed at ultimately establishing what the transaction price would have been on the measurement date, in an arm-length exchange, motivated by normal business considerations. Such techniques include:

- reference to market values indirectly connected to the instrument to be valued and presumed from products with the same risk profile (comparable approach);
- valuations performed using – even partly – inputs not identified from parameters observed on the market, which are estimated also by way of assumptions made by the person making the assessment (mark-to-model).

The choice between the aforesaid methodologies is not optional, since they must be applied according to a hierarchy: more specifically, if a published price quotation in an active market exists, one of the other valuation approaches may not normally be used.

Some of the factors typically incorporated in valuation techniques, and more significant for structured credit products, are: issuer spread, that is, the risk premium for the borrower with respect to the risk-free rate; volatility, that is, the size of estimated future variations of the price of the instrument; correlations between each structure’s value of underlying assets and recovery rates in case of default, necessary to estimate expected losses on collateral. These and other parameters may be used either individually or, normally, together.
In the recent financial crisis, as mentioned above, the secondary market became very illiquid and this led to a progressive lack of significant prices.
This marked market deterioration has required an improvement in the valuation techniques used for unlisted instruments, through the inclusion of other factors which more effectively represent the new levels. This process is actually expressly prescribed by IAS 39, which requires that an entity periodically calibrate the valuation technique and test it for validity using prices from any observable current market transactions in the same instrument or based on any available observable market data.
In this context, Intesa Sanpaolo in any case decided to continue to apply a strict market criterion for products which, before the crisis, were valued using prices published by an active market or using the comparable approach; in certain cases, a change from the first to the second methodology was necessary, but to date no changes to valuations using the mark-to-model approach has occurred for instruments valued using one of the other two methodologies.
In other words, the mark-to-model technique was basically applied, with opportune calibrations, to products which, before the crisis, were valued in this way, that is CDOs (funded and unfunded). For these products, Intesa Sanpaolo uses an estimate of the expected fair value of the structures, via a quantitative

model which estimates losses on collateral with a simulation of the relevant cash flows. The most significant factors considered in the simulation – for each collateral – are the risk-neutral probability of default derived from market spreads, recovery rates and the correlation between the value of collaterals present in the structure. For year-end valuations, a process aimed at improving robustness of factors considered in the pricing of such instruments was implemented. The aforesaid quantitative component was fine-tuned to incorporate, where possible, market inputs (in particular using synthetic indices such as the ABX) and other risk elements considered by market participants in the new scenario. After this first step, credit analyses on underlying assets were fine-tuned to incorporate valuation elements not included in the quantitative model and specific credit stress tests were conducted which led to further price adjustments to consider market illiquidity.

In detail: valuation methods

As described above, the hierarchy of fair value measurement attributes utmost priority to effective market quotes for identical assets and liabilities and a lower priority to non-observable and more discretional inputs (mark-to-model approach).
Therefore, Fair Value is determined using one of the following approaches with a clear order of preference:

1. *Effective market quotes*
   - In this case the valuation is the price of the same identical financial instrument to be measured on the basis of prices quoted on an active market.

   The percentage of instruments valued with the aforesaid methodology on the total of instruments measured at fair value is set out below:
   Financial assets: 55.5%
   Financial liabilities: 8.0%

2. *Valuation techniques: comparable approach*
   - In this case the valuation is not based on the price of the same identical financial instrument to be measured, but on prices or quoted credit spreads on instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model).
   - If third party quotes are not available to measure a specific instrument, this approach requires the search for similar transactions on active markets which are comparable in terms of risk factors with the instrument to be measured.
   - Calculation methodologies (pricing models) used in the comparable approach reproduce prices of financial instruments quoted on active markets (model calibration) and do not contain discretional parameters – parameters for which values may not be presumed from quotes of financial instruments present on active markets or fixed at levels capable of reproducing quotes on active markets – which significantly influence the final valuation.

   The percentage of instruments valued with the aforesaid methodology on the total of instruments measured at fair value is set out below:
   Financial assets: 39.8%
   Financial liabilities: 91.3%

3. *Valuation techniques: Mark to Model Approach*
   - In this case valuations are based on inputs which are not presumed from parameters which may be observed on the market and therefore imply estimates and assumptions.
   - In particular, with this approach the valuation of the financial instrument uses a calculation methodology (pricing model) which is based on specific assumptions on:
     - the development of future cash-flows, which may be affected by future events which may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour of a given group.
     - the estimate of specific input parameters not quoted on active markets, for which information acquired from prices and spreads observed on the market is in any case preferred. Where these are not available, past data on the specific risk of the underlying asset or specialised reports are used (e.g. reports prepared by Rating agencies or primary market players).

The percentage of instruments valued with the aforesaid methodology on the total of instruments measured at fair value is set out below:

Financial assets: 4.7%

Financial liabilities: 0.7%

On the basis of a sensitivity analysis performed on the main inputs (parameters) of the aforesaid pricing model, an adverse change in such inputs would lead to the following negative impacts on the fair value of the instruments under examination:

Parameter	Change	Impact on fair value (million euro)
correlation	+100 basis points	- 1.5
recovery rate	-100 basis points	- 1.4

Structured credit products

From last August markets recorded a significant deterioration, originating from the US subprime mortgage sector, following the increase in the insolvency rate of subprime borrowers. Leverage reached extremely high levels generated by the securitisation of portfolios of subprime mortgages to transform them into financial products eligible for investment by banks and institutional investors, which had become standard practice in the last few years.

In the fourth quarter, the market deteriorated further and this directly led to a marked decrease in the value of structured credit products with underlying subprime mortgages and, indirectly produced the progressive deterioration of credit spreads of financial instruments with similar underlying assets, such as US non-subprime residential mortgages ("contagion effect"), as well as the liquidity crunch which progressively spread to structured credit products with underlying assets not originated in the US or represented by non-residential loans, including securitised debentures with a higher subordination.

All the structured credit products affected by the financial crisis are classified under the trading[1] portfolio; the related economic effects shown in the tables below exclusively impacted on "Profits (Losses) on trading - Caption 80" and as such were also recorded in Profits (Losses) on trading in the reclassified income statement (overall 1,008 million euro compared to the 1,799 million euro of the year before).

The information set out below refers to the entire Group; where present, any effects and positions, which are in any case immaterial, ascribable to entities other than the Parent Company, are specifically highlighted in the comments and/or in the tables.

US subprime exposures

A universally agreed-upon definition of subprime mortgages does not exist. In short, this classification refers to mortgaged lending which is riskier since it is granted to borrowers which have previously defaulted or because the debt-to-income or loan-to-value ratio is high.

As at 31 December 2007, the Intesa Sanpaolo Group:

- did not have mortgages definable as subprime in its portfolio, since the Group's policy does not envisage granting of this kind;
- did not issue guarantees connected to the aforementioned products.

That being said, for US subprime exposure, Intesa Sanpaolo intends all cash investments in securities (ABS and funded CDOs) and derivative positions (unfunded CDOs) with collateral mainly made up of US residential mortgages other than in the "prime" sector (i.e. Home Equity Loans, residential mortgages with B&C ratings and similar products) granted in the years 2005/06/07, irrespective of the FICO score[2] and the Loan-to-Value[3]. For loans with vintage[4] before 2005, the probability of loss is differentiated on the basis of the specific characteristics of the collateral: the component characterised by high probability of loss, which has been identified – and defined subprime – considering RMBS with FICO score under 629 and Loan-to-Value over 90%, was immaterial.

The risk on these investments was managed and reduced via "short" positions on ABX indices.

[1] Excluding a portion of the Romulus vehicle portfolio (entity subject to full consolidation), classified in securities available for sale, a credit line of 68 million euro granted to a bank involved in the origination of subprime and Alt-A mortgages (see v. of par. "Contagion" area) as well as securities held by Banca Intesa Infrastrutture e Sviluppo and Banca OPI classified almost fully under Loans & Receivables not implying any particular risks (see par. Monoline risk).

[2] Indicator of the borrower's credit quality (usually between 300 and 850) used in the United States to classify credit, based on the statistical analysis of credit archives referred to individuals.

[3] The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.

[4] Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgages underlying securitisations since, especially in the US, the phenomenon of mortgages granted to entities with inadequate income and with low prior assessment of documentation became significant as of 2005.

US subprime exposure

(in millions of euro)

Product	**Position as at 31/12/07**		**2007 income statement Profits (Losses) on trading**			
	Nominal value	**Risk exposure** (*) (including write-downs and writebacks)	**Realised gains/losses**	**Write-downs and write-backs**	**Total**	
					whole year	*of which 4Q*
Funded ABS	28	9	-51	-19	-70	*-46*
Funded CDO	26	7	-	-19	-19	*-16*
Unfunded super senior CDOs [1]	205	48	-	-157	-157	*-104*
Other [2]	10	9	-	-	-	-
"Long" positions	**269**	**73**	**-51**	**-195**	**-246**	***-166***
Mezzanine short position	-	-	14	-	14	*7*
ABX hedges	220	122	-30 [#]	99	69	*46*
"Short" positions	**220**	**122**	**-16**	**99**	**83**	***53***
	"long"	**"short"**				
Net position	**49**	**49**	**-67**	**-96**	**-163**	***-113***

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

[1] With Mezzanine collateral. Including a position with underlying made up for approximately one third of subprime mortgages. This table includes the sole portion represented by subprime mortgages, whereas the residual exposure is reported in the "contagion" area.

[2] Risk position of the Romulus vehicle (fully consolidated entity), classified in securities available for sale. The relevant fair value decrease was recorded in the specific reserve under shareholders' equity.

Romulus is an asset-backed commercial paper conduit vehicle, set up to offer customers an alternative financing channel via access to the international commercial paper market. At the end of 2007, the portfolio of investments included 317 million euro of financial assets available for sale and 757 million euro of loans to customers. Of the 317 million euro of securities, 10 million euro were attributable to the US subprime segment, 28 million euro to the "contagion" area (See Table Multisector CDOs and Alt-A), 279 to other structured credit products. Negative fair value changes recorded on securities available for sale totalled 19 million euro and were recorded in the specific reserve under shareholders' equity, of which 1 million euro recorded on positions included in the subprime segment (See table US subprime exposure), 2 million euro on positions attributed to the so-called "contagion" area (See Table Multisector CDOs), 16 million euro on securities which fall under other structured credit products; in addition to these, losses of 8 million euro were recorded in the income statement, in Caption 130 (a) – Net losses/recoveries on impairment on loans.

[#] Including 36 million euro paid up-front on "short" positions outstanding as at 31 December 2007.

The net nominal "long" exposure of 49 million euro as at 31 December 2007 compares with 33 million euro reported as at 30 June 2007 and 11 million euro as at 30 September 2007. In terms of risk exposure, there is a "long" position of 73 million euro as at 31 December 2007, which, considering "short" positions of 122 million euro, leads to a net "short" exposition of 49 million euro.
In the year, the overall impact on the income statement ascribable to these positions was -163 million euro, of which -113 million euro in the fourth quarter.

"Contagion"area

As described above, the subprime mortgage crisis led to a sort of "contagion effect" which affected first of all products with underlying US residential mortgages present in the Intesa Sanpaolo Group's portfolio described below:

i. ***Multisector CDOs*** – Such products are almost entirely represented by unfunded super senior CDOs, with collateral represented by US RMBS (58%), CMBS (6.5%), HY CBOs (4.4%), consumer ABS (1.5%), European ABS (18.8%). Over 59% of the US RMBS component had a vintage prior to 2005 and an immaterial exposure to subprime (on average 4.5%).
Such transactions, with AAA rating and a protection (attachment point[5]) on average of 30%, were written down for 14% of nominal value.
Considering unrealised gains/losses, net risk exposure as at 31 December 2007 totalled 393 million euro.
In the year, the overall impact on the income statement ascribable to these positions was -57 million euro, of which -43 million euro in the fourth quarter. Considering, for the sake of completeness, the Group's investment in funds which already at the end of 2006 had taken "short" positions on the US residential market and which had an impact on the income statement of +40 million euro in the year, the balance of the impact on the 2007 income statement was -17 million euro, of which -29 million euro in the fourth quarter.

"Contagion area": Multisector CDOs

(in millions of euro)

Product	Position as at 31/12/07		2007 income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Unfunded super senior CDOs	431	375	1	-58	-57	*-43*
Other (funded) (1)	20	18	-	-	-	-
"Long" positions	**451**	**393**	**1**	**-58**	**-57**	***-43***
"Short" positions of funds	**68**	**115**	**-**	**40**	**40 (*)**	***14***
Total			**1**	**-18**	**-17**	***-29***

(1) Risk position of the Romulus vehicle (fully consolidated entity), classified in securities available for sale. The relevant fair value decrease was recorded in the specific reserve under shareholders' equity.

(*) In addition to 7 million euro of capital gains recorded in 2006.

ii. ***Alt-A - Alternative A Loans***: ABS (securities) with underlying residential mortgages normally of high quality, characterised however by penalising factors, mostly for incomplete documentation, which do not permit their classification in standard prime contracts; 100% of these securities in the Group's portfolio have a AAA rating, 2005 vintage and are valued on the basis of effective market quotes.
Considering unrealised gains/losses, net risk exposure as at 31 December 2007 totalled 93 million euro.
In the year, the overall impact on the income statement ascribable to these positions was -20 million euro, of which -19 million euro in the fourth quarter.

[5] Level over which a protection seller covers the losses of the protection buyer.

"Contagion" area: Alt-A - Alternative A Loans

(in millions of euro)

Product	Position as at 31/12/07		2007 income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Alt-A Agency [1]	53	52	-	-1	-1	*-1*
Alt-A No Agency	48	41	-12	-7	-19	*-18*
Other[2]	8	-	-	-	-	-
"Long" positions	**109**	**93**	**-12**	**-8**	**-20**	***-19***

[1] Securities issued by the Federal National Mortgage Association (FNMA).

[2] Risk position of the Romulus vehicle (fully consolidated entity), classified in securities available for sale. On this position, losses of 8 million euro were recorded in the income statement, in Caption 130 (a) – Net losses/recoveries on impairment of loans.

iii. ***TruPS – Trust Preferred Securities of REITs (Real Estate Investment Trust):*** financial instruments similar to preferred shares issued by real estate trustees to finance residential or commercial initiatives; such products are almost entirely represented by unfunded super senior CDOs which have on average an attachment point of 47% and have been written down for 38% of nominal value.
Considering unrealised gains/losses, net risk exposure as at 31 December 2007 totalled 146 million euro.
In the year, the overall impact on the income statement ascribable to these positions was -85 million euro, of which -72 million euro in the fourth quarter.

"Contagion" area: TruPS – Trust Preferred Securities of REITs

(in millions of euro)

Product	Position as at 31/12/07		2007 income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
Funded CDOs	4	3	-	-1	-1	*-1*
Unfunded super senior CDOs	227	143	1	-85	-84	*-71*
"Long" positions	**231**	**146**	**1**	**-86**	**-85**	***-72***

iv. ***Prime CMOs***: securities issued with guarantee mostly represented by loans assisted by mortgages on residential buildings. Such securities have a AAA rating, 2005 vintage and are valued on the basis of effective market quotes.

"Contagion" area: Prime CMOs

(in millions of euro)

Product	Position as at 31/12/07		2007 income statement Profits (Losses) on trading			
	Nominal value	Risk exposure (including write-downs and write-backs)	Realised gains/losses	Write-downs and write-backs	Total	
					whole year	*of which 4Q*
CMOs (Prime)	56	55	-	-1	-1	*-1*
"Long" positions	**56**	**55**	**-**	**-1**	**-1**	***-1***

v. ***Credit line*** of 68 million euro granted to a bank involved in the origination of subprime and Alt–A mortgages, on which no specific provisioning has been made or is programmed, also considering the planned acquisition by another entity.

Monoline risk

Intesa Sanpaolo presents no direct exposure to monoline insurers (insurance companies specialised in the coverage of default risk of bonds issued by both public entities and corporates), but only indirect positions connected to hedging derivatives purchased from monoline insurers to buy protection on the default risk of assets held by the Group, which therefore only generate counterparty risk. Such hedging derivatives are part of two types of activities performed by Intesa Sanpaolo: packages and fully hedged credit derivatives transactions.

Intesa Sanpaolo's activities in packages are made up of the purchase of assets (typically bonds), whose credit risk is entirely hedged by a specific credit default swap (CDS). Therefore, these products only present counterparty risk referred to the entity which provided the hedge and their rationale lies in the existence of asymmetries between the cash and derivatives market, of the same underlying asset, which it is possible to exploit without direct exposure to market risks.

In the 2007 financial statements, both the security and the connected derivative have been valued with the mark-to-model methodologies indicated in the introduction, also considering any available prices, if lower; such valuations did not have any impact on Profits (Losses) on trading, with the exception of those referred to the counterparty risk component, mostly due to transactions in which the hedge was stipulated with monoline insurers, for which a credit risk adjustment has been calculated, determined on the basis of the cost of a protection CDS on the default of the monoline insurer, with nominal value equal to the current and potential future exposure (so-called add-on) and expiry equal to the average residual life of the underlying assets.

As at 31 December 2007, credit risk exposure on the aforesaid protection purchases from monoline insurers amounted to 54 million euro, on which write-downs of 14 million euro were recorded. Even though, as illustrated above, packages do not lead to market risk connected with the nature of the underlying asset, for the sake of completeness, please note that, assets which are part of packages include, for 210 million euro of nominal value, securities with US RMBS collateral with a significant subprime content[6].

Intesa Sanpaolo's activities in fully hedged derivatives are made up of the simultaneous purchase and sale of protection on the same reference entity (underlying asset) with two different counterparties. Also in this case, activities do not lead to market risk generated by the underlying asset and their rationale lies in the possibility of exploiting certain segmentations in the international market, without incurring in directional risks, but with the sole counterparty risk generated by the "short" position in the protection purchase. As at 31 December 2007, the transactions of this type with protection purchases from monoline insurers led to a credit risk exposure of 32 million euro. The risks of this exposure are further mitigated by the fact that Intesa Sanpaolo has a "right of substitution" of the monoline insurer, which is however prudently not considered in the valuation.

In conclusion, credit risk exposure with monoline insurers due to counterparty risk amounted to 86 million euro, with provisions of 25 million euro for the downgrade of the counterparty, and protection single name CDS amounting to approximately 13 million euro have also been purchased. Please note that 68% of exposure to monoline insurers referred to MBIA, while the remaining 32% referred to other monoline insurers with ratings from A to AAA.

[6] The percentage in US subprime was 33.5%.

Monoline risk

(in millions of euro)

Product	Position as at 31/12/07				2007 income statement Profits (Losses) on trading	
	Nominal value of the underlying asset	Fair value of the underlying asset	Credit risk exposure to monoline insurers (fair value of the CDS) pre write-down	Credit risk exposure to monoline insurers (fair value of the CDS) post write-down	Fair value write-down of the hedge from Monoline insurers	
					whole year	*of which 4Q*
Positions in packages:						
Subprime	210	161	49	36	-13	*-13*
Other underlying assets (1)	56	51	5	4	-1	*-1*
Sub-total	**266**	**212**	**54**	**40**	**-14**	***-14***
Positions in other derivatives:						
Other underlying assets	362	330	32	21	-11	*-11*
Total	**628**	**542**	**86**	**61**	**-25**	***-25***

(1) Underlying other than US RMBS, both European and US.

For the sake of completeness, please note that there is another form of exposure to monoline insurers, which does not generate particular risk situations.

It stems from the investment in securities for which the monoline insurer provides a credit enhancement[7] to the issuing vehicle, for the purpose of making the issue "eligible" for certain types of investors through the achievement of a certain rating (normally AAA). Such securities[8], (nominal value as at 31 December 2007: 1,273 million euro), were made up for 80% of ABS with underlying Italian health receivables and for the remaining portion by financings of infrastructures; are all recorded in the banking book, approximately 90% in the Loans & Receivables (L&R) portfolio and for the remaining portion in securities available for sale. The positions were granted primarily on the basis of the creditworthiness of the underlying borrower and therefore, irrespective of the credit enhancement offered by the monoline insurer. It must be noted that the major borrowers are all Investment Grade and that ABS with underlying Italian health receivables are also all assisted by delegated regional payment.

Other structured credit products

The Intesa Sanpaolo Group's remaining portfolio of structured credit products was not affected, or was affected in only a limited way, by the financial market turmoil. In particular:

i Non-monoline packages
This category includes packages with assets with specific hedges stipulated with primary international banks generally with a AA rating (in one case AAA and in one case A rating), which as at 31 December 2007 amounted to 2,487 million euro in terms of nominal value[9]: the credit exposure to these institutions amounted to 459 million euro for which an impact of 5 million euro emerged on Profits (Losses) on trading, attributable to systematic adjustments which are made on the entire derivatives universe to incorporate the credit risk adjustment in fair value which, in this particular case, reflects a minimum counterparty risk, also considering that the transactions are mostly the object of a specific collateral agreement.

ii ABS/funded CDOs

[7] Techniques or instruments used by an issuer to improve the rating of its issues (establishment of deposits for guarantee, granting of liquidity lines, etc.).
[8] Held by Banca Intesa Infrastrutture e Sviluppo (for 1,024 million euro) and Banca OPI (for 249 million euro), which as of 1 January 2008, were incorporated into Banca Infrastrutture Innovazione e Sviluppo.
[9] Underlying assets were mostly made up of CLOs and ABS CDOs with a limited portion of US Subprime (equal to approximately 22%).

- European ABS/CDOs
  The portfolio as at 31 December 2007 amounted to 2,298 million euro of nominal value: 12% concentrated on ABS of receivables (Credit Card, Leasing, Personal Loans, etc.), 35% RMBS (of which almost half was Italian), 12% CMBS, 15% CDOs and 26% CLOs (mainly of small and medium enterprises). It is a portfolio characterised by high credit quality (AAA 77%, AA/A 18%, BBB 3%). During the year, the impact on the income statement ascribable to this portion of the portfolio amounted to -78 million euro (-74 from write-downs[10], -4 from sales on the market).
- US ABS/CDOs
  This category includes securities with US underlying, with collateral mostly represented by Credit Card and Student Loans.
  The portfolio, 148 million euro of nominal value as at 31 December 2007, comprised 60% of AAA, 31% of AA/A and 9% BBB positions. During the year, the impact on the income statement ascribable to this portion of the portfolio amounted to -15 million euro (-9 from write-downs, -6 from sales on the market).

iii. Funded ABS/CDOs ascribable to the Romulus vehicle
Securities classified in available for sale with mainly US underlying: Credit Cards, leveraged loans, student loans. As at 31 December 2007, they amounted to 279 million euro of nominal value and the relevant fair value decrease for 16 million euro was recorded in the specific reserve under shareholder's equity.
The portfolio comprises 99% of AAA exposures.

iv. Unfunded super senior Multisector CDOs
This component, 760 million euro of nominal value as at 31 December 2007, comprised super senior positions with High Grade, widely diversified collateral or characterised by high credit quality RMBS and therefore not included in the "contagion" area. Collateral is mostly invested in CMBS and corporate loans for 60.5%, average collateral represented by US RMBS totalled only 23.3% while the subprime component was 3.2%. Such structures presented an average attachment point of 18.3%, all with a AAA rating, and 89% with a pre-2005 vintage. During the year, the impact on the income statement ascribable to this portion of the portfolio amounted to -16 million euro.

v. Unfunded super senior Corporate Risk CDOs
Super senior in this residual category were mostly characterised by collateral subject to corporate risk and amounted to 2,488 million euro of nominal value as at 31 December 2007. More in detail, the US collateral component was 37% (mainly represented by CLOs), the European component was 36% (of which 44% referred to Italian consumer credit and 36% to CLOs) and the emerging markets' component was 27% (bonds and project finance). Such structures presented an average attachment point of 37%. During the year, the impact on the income statement ascribable to this portion of the portfolio amounted to -71 million euro.

vi. Other unfunded positions
These comprise short positions almost entirely on mezzanine tranches of unfunded CDOs (to buy protection) with mainly European underlying, for a total of 396 million euro of nominal value as at 31 December 2007. During the year, the impact on the income statement ascribable to this portion of the portfolio amounted to +2 million euro.

Information on activities performed through Special Purpose Entities (SPEs)
With its letter of 19 March 2008, the Commissione Nazionale per le Società e la Borsa asked Intesa Sanpaolo to provide specific information on the "sponsored" Special Purpose Entities (SPEs) in the Parent Company's financial statements and the Group's financial statements for 2007.
The novelty of the request and the complexity of the subject require a synthetic illustration of the various types and operations of these entities.
For the purpose of this analysis, legal entities established to pursue a specific, clearly-defined and limited objective are considered Special Purpose Entities:
- to raise finance on the market by issuing specific financial instruments;
- to acquire, sell, manage specific assets, separating them from the financial statements of the Originator;

[10] Of which -9 million euro ascribable to Banca IMI.

- to develop and/or finance a specific business initiative, capable of generating, through an economic activity, cash flows which permit the complete reimbursement of the debt;
- to finance the acquisition of a target company which, through its economic activity, will be capable of generating cash flows for the SPE which permit the complete reimbursement of the debt;
- to manage the credit risk connected to their portfolio of financial assets through both protection purchases and sales with counterparties represented by SPEs (used by both the American market and the European market for synthetic portfolio securitisations). In such transactions the Bank accepts credit risk or counterparty risk with the SPE, depending on the nature of transaction.

The sponsor of the transaction is an entity which requests the structuring of a transaction in a SPE for the purpose of reaching certain objectives. In some cases the Bank is the sponsor and establishes a SPE with the objective of raising finance, securitising its assets, offering customers a financial service.
There are no changes in the consolidation criteria with respect to those adopted in the previous year.
The types of transactions in SPEs related to Intesa Sanpaolo's current operations are set out below.

Funding SPEs
Entities established abroad to raise finance on particular markets. The SPEs issue financial instruments, normally guaranteed by Intesa Sanpaolo, and reverse funding to the Parent Company.
These SPEs, which are controlled by Intesa Sanpaolo and are part of the Group's consolidation area *ex* IAS 27, are:
BCI US Funding LLC I, BCI US Funding LLC II, BCI US Funding LLC III, Intesa Funding LLC , Intesa Bank Overseas Ltd., Sanpaolo IMI US Financial CO., Intesa Preferred Capital Company LLC., IntesaBCI Preferred Capital Company LLCIII, IntesaBCI Preferred Securities Investor Trust, Sanpaolo IMI Capital Company LLC1. The table below sets out the information requested by Consob, as at 31 December 2007.

(in millions of euro)

SPE SECURITISATION		Vehicle data		Liquidity lines		Guarantees given		Issued securities	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount ctv Euro	amount	IAS classification	Valuation
BCI US FUNDING LLCI	Funding	148	-	-	-	(1)	136	136			
BCI US FUNDING LLCII	Funding	585	-	-	-	(1)	550	550	4	HFT	Fair value
BCI US FUNDING LLCIII	Funding	178	-	-	-	(1)	164	164			
INTESA FUNDING LLC	Funding	6,426	-	-	-	(1)	6,426	6,426			
INTESA BANK OVERSEAS LTD.	Funding	1,005	-	-	-	(1)	996	996	5	HFT	Fair value
SANPAOLO IMI US FINANCIAL CO	Funding	4,495	-	-	-	-	-	4,471			
INTESA PREFERRED CAPITAL COMPANY LLC	Funding	243	-	-	-	-	-	200			
INTESABCI PREFERRED CAPITAL COMPANY LLC III	Funding	529	-	-	-	(1)	515	515	515	Loan receivable	Amo. cost
INTESABCI PREFERRED SECURITIES INVESTOR TRUST	Funding	517	-	-	-	(1)	517	517			
SANPAOLO IMI CAPITAL COMPANY LLC1	Funding	1,059	-	-	-	(1)	1,000	1,000			

(1) Subordinated guarantee given by Intesa Sanpaolo.

SPEs for insurance products
Entities (UCITS) established for the purpose of investing internal funds of unit linked and index linked products of Eurizon Vita and Eurizon Life. The latter retain the majority of the risk and rewards; SPEs for insurance products are consolidated ex IAS27 / SIC 12.
In the Group there are 63 entities of this type with total assets of approximately 12 billion euro.

Securitisation SPEs
Funding SPEs which permit an entity to raise resources with the securitisation of part of its assets. In particular, the spin-off of a package of balance sheet assets (generally loans) and its subsequent transfer to a vehicle which, to finance the purchase, issues securities later placed on the market or through a private placement. Resources raised in this way are reversed to the seller while commitments with underwriters, are met using the cash flows generated by the loans sold.
SPEs of this type, which are part of the consolidation area as at 31 December 2007 ex IAS 27 or SIC 12, are: Intesa Sec S.p.A., Intesa Sec 2 S.r.l., Intesa Sec 3 S.r.l., Intesa Sec NPL S.p.A., Intesa Sec NPL 2 S.r.l., Intesa Lease Sec S.r.l., Split 2 S.r.l.; furthermore, please note the companies ISP CB Ipotecario S.r.l,. ISP CB Pubblico S.r.l. and ISP Sec 4 S.r.l., which were not operational as at 31 December 2007.
These companies, incorporated under Italian law, have been used to securitise the performing assets (mortgage loans, leasing contracts) or non-performing assets (mortgage loans) of Intesa Sanpaolo or Group companies.

Augusto, Colombo and Diocleziano are securitisation vehicles of assets (residential mortgages), mostly to finance of long-term mortgages and public works, of companies subject to joint control and later sold. Securities held are measured at fair value, as in previous years.
The table below sets out the information requested by Consob, as at 31 December 2007.

(in millions of euro)

SPE SECURITISATION		Vehicle data		Liquidity lines		Guarantees given		Issued securities	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount ctv Euro	amount	IAS classification	Valuation
INTESA SEC SPA (1)	performing mortgages	52	-	-	-	(6)	13	46	9	AFS	Fair value
INTESA SEC 2 SRL (2)	residential mortgages	776	1	-	-	-	-	698	59	42 L/R +17 HFT	Cost/fair value
INTESA SEC 3 SRL (3)	residential mortgages	3,768	-	-	-	-	-	3,644	81	22 L/R +59 HFT	Cost/fair value
INTESA SEC NPL SPA (4)	non-performing loans	157	38	-	-	-	-	159	97	AFS	Fair value
INTESA SEC NPL 2 SRL	securitisations under definition	77									
INTESA LEASE SEC SRL	leasing contracts	506	4	-	-	-	-	481	14	HFT	Fair value
SPLIT 2 SRL	performing leasing contracts	1,078						1,075	35	18 HTM +17 HFT	Cost/fair value
ISP CB IPOTECARIO SRL	mortgaged loans (5)										
ISP CB PUBBLICO SRL	public entities financing (5)										
ISP SEC 4 SRL	performing residential mortgages (5)										
AUGUSTO SRL (7)	land financing (100%)	51	-	-	-	-	-	58	22	AFS	Fair value
COLOMBO SRL	public works financing	122	-	-	-	-	-	119			
DIOCLEZIANO SRL	Land loans (82%) Public works (12%) Indus. (6%)	174	-	-	-	-	-	180	57	AFS	Fair value

(1) ISP made the commitment to support the vehicle, through a limited recourse subordinated financing, in relation to any higher charge or liability of fiscal, legal, regulatory or supervisory nature other than the securities and operating costs deriving from the securitisation.

(2) ISP made the commitment to support the vehicle, through a limited recourse subordinated financing, in relation to any higher charge or liability of fiscal, legal, regulatory or supervisory nature other than the securities and operating costs deriving from the securitisation. ISP also granted a subordinated loan of 18.7 million euro with which the vehicle set up the cash reserve which makes up the credit enhancement of the operation required by the rating agencies.

(3) ISP granted a limited recourse subordinated financing of 22.5 million euro with which Intesa SEC3 set up the cash reserve which makes up the credit enhancement of the operation required by the rating agencies.

(4) ISP granted a guarantee and indemnity contract of 0.9 million euro, in case of declarations or guarantees which lead to a reduction in loan value. Moreover, the bank made the commitment to support the vehicle, through a limited recourse subordinated financing, in relation to any higher charge or liability of fiscal, legal, regulatory or supervisory nature relative to the life of the company other than the securities and operating costs deriving from the securitisation (1.2 million euro). Cumulated losses shall be absorbed by tranche E (equity) held by ISP whose value was adjusted in previous years.

(5) Companies which had not started operations as at 31/12/07. Pursuant to the Articles of Association the first financial statements will be closed as at 31/12/2008.

(6) Stand-by letter of credit/surety given by ISP to Calyon Milano as guarantee of a liquidity line granted in favour of the vehicle company by Calyon Milano.

(7) The company issued two series of bonds with diverse portfolios as underlying assets. The figures represent the sum of the issues.

Furthermore, Intesa Sanpaolo controls pursuant to the aforesaid SIC 12: Romulus Funding Corporation, a company which acquires financial assets, represented by loans or securities, with eligibility criteria originated by Bank customers, financing the purchase via the issue of Asset Backed Commercial Papers; Duomo Funding PLC, an entity which performs an activity similar to that of Romulus Funding Plc. but, is limited to the European market, and is financed with funding contracts with Romulus.
Measuring at fair value the assets of Romulus classified as available for sale, the shareholders' equity reserve was debited by 19 million euro. Intesa Sanpaolo, for the guarantee given to Romulus, set up an allowance for risks and charges of 8 million euro.
The table below sets out the information requested by Consob, as at 31 December 2007.

(in millions of euro)

ROMULUS AND DUOMO		Vehicle data		Liquidity lines		Guarantees given		Issued securities	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount ctv Euro	amount	IAS classification	Valuation
ROMULUS FUNDING CORP.	Asset back commercial paper conduit	1,059 (1)		941	391		54	1,083	1,034	Loan receivable	Amortised cost
DUOMO FUNDING CORP.	purchase of assets and Romolus financing	713		1,028	797		-	-	-		

(1) of which 711 million euro for loans disbursed to Duomo, for transactions reported in the latter's financial statements.

Intesa Sanpaolo does not hold any stake in SPQR II S.r.l. but the company is consolidated since the Group has retained the majority of costs and benefits (SIC 12).
The table below sets out the information requested by Consob, with reference to 31 December 2007.

(in millions of euro)

SPQR 2		Vehicle data		Liquidity lines		Guarantees given		Issued securities	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount ctv Euro	amount	IAS classification	Valuation
SPQR II SRL	performing AFS securities	1,942	-	-	-	-	-	1,917	1,917	AFS	Fair value

Lastly, Intesa Sanpaolo acquired protection on its credit exposures from two vehicles (“Da Vinci” and “Vespucci”) sponsored by other financial institutions.

Financial Engineering SPEs

These SPEs undertake investments and funding which allow better risk/return combinations than those generated by standard transactions, due to their particular structure aimed at optimising accounting, tax and/or regulatory issues. These structures have been established to respond to the needs of primary customers and to provide solutions that offer financing at competitive interest rates and investments with higher returns.

Intesa Sanpaolo controls and consolidates Intesa Investimenti S.p.A., a company established to invest in quotas of Italian and international UCITS, in quotas and shares of other Italian and international entities and in Government securities of G7 countries, with the simultaneous subscription of a commitment to resell at a future date and at a predetermined price; all assisted by swaps aimed at assuring an adequate profitability of the investment. Intesa Sanpaolo replicates every transaction, again with a repo with Intesa Investimenti, whose shares are in turn the object of an analogous contract with investing customers. Currently the shareholders' equity of the company is entirely deposited with Intesa Sanpaolo.

The table below sets out the information requested by Consob, with reference as at 31 December 2007.

(in millions of euro)

FINANCIAL ENGINEERING		Vehicle data		Liquidity lines		Guarantees given		Issued securities	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount ctv Euro	amount	IAS classification	Valuation
INTESA INVESTIMENTI SPA	Financial Engineering	1,059	-	-	-	-	-	-	-		

Project Financing SPEs

These are financing instruments for "capital intensive" projects, which are based on the economic or financial validity of the industrial or infrastructural project, and are independent from the standing/creditworthiness of the sponsors who developed the "entrepreneurial" idea. The financing of the initiative is based on the project's capacity to generate positive cash flows, sufficient to reimburse loans received and guarantee an adequate risk-adjusted return on invested capital.

Such vehicles are established by sponsor "entrepreneurs", mostly abroad to benefit from operating and legal/bureaucratic efficiency.

Intesa Sanpaolo has financed some of these entities, as normal borrowers, without acting as sponsor.

None of these SPEs is consolidated, since the Bank does not hold any stake or interest in the share capital of these companies and no presumed control assumptions apply. Where there are guarantees represented by pledges of shares of the SPE, contractual terms exclude the possibility of exercise of voting rights by the Bank.

Asset Backed SPEs

These are transactions aimed at acquisition / construction / management of physical assets by SPEs financed by one or more entities. Their recovery prospects mostly depend upon the cash flows generated by the assets. The assets generate cash flows in their recurring operations (e.g. rentals, goods transportation contracts, etc.) or in their non-recurring operations (e.g. a real estate disposal plan). Generally the assets are also the real guarantee for the financing obtained from the vehicle.

Intesa Sanpaolo has financed entities of this type, as normal borrowers, without any direct equity investments or any other interests which might lead to presume the role of sponsor. The risk accepted is always a normal credit risk and the benefits are represented by the return on the financing granted.

The Group consolidates only those entities in which it holds the majority of voting rights. The SPEs of this type are held solely by an international subsidiary (the volume of this type of assets amounted to approximately 100 million euro).

Leveraged & Acquisition Finance SPEs

The Bank originates structured transactions to support the acquisition of companies or business lines, through special purpose entities which, after the acquisition of the equity stake in the target company, are normally merged by incorporation into the latter. The target companies generally have good economic prospects, stable cash flows in the medium term and low original leverage levels. Intesa Sanpaolo has financed entities of this type, as normal borrowers, without acting as sponsor.

None of these SPEs is consolidated, since the risks and benefits of the acquisition project are retained by the financed entity.

Furthermore, the guarantees to support the transaction are solely instrumental for the granting of the financing and are never directed to the acquisition of direct or indirect control over the vehicle.

Credit Derivatives SPEs

Credit derivatives are contracts which permit the synthetic transfer of credit risk of a specific borrower from the protection buyer to the protection seller. Especially in structures connected to synthetic securitisations, it is possible to achieve the transfer of credit risk of a portfolio of assets from a SPE to the Bank, both by the simple sale of protection derivatives or by the purchase of securities with embedded credit derivatives. In certain cases (e.g. monoline) the SPE is protection seller and offers the Bank the possibility of hedging risk on portfolios of assets.

There are never equity investments or other interests which might lead to the role of sponsor.

None of these SPEs is consolidated, since there are never any equity investments or forms of indirect control by the Bank. The relations with the parties are fundamentally based on the stipulation of derivative contracts or the acquisition of securities with embedded credit derivatives. This never leads to the transfer to the Bank of most of the risks and benefits deriving from the activities of the vehicle.

BANKING BOOK
1.2.2. INTEREST RATE RISK – BANKING BOOK

QUALITATIVE INFORMATION

A. Banking book: general aspects, interest rate risk management processes and measurement methods

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 and other Group companies.
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 10-day holding period with a 99% confidence level (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, an 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. This measure highlights the effect of variations in market interest rates on the portfolio being measured, and excludes assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a predictor of the future levels of the interest margin.

B. Fair value hedging
C. Cash flow hedging

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 with third parties or with other Group companies (mainly Banca IMI). 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 the relevant 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 (macro cash flow hedge). In other cases, cash flow hedges are applied to specific assets or liabilities.
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.

QUANTITATIVE INFORMATION

Banking book: internal models and other sensitivity analysis methodologies

Sensitivity of the interest margin – considering a 100 basis point increase in interest rates – amounted as at 31 December 2007 to 204 million euro (–205 million euro in case of reduction), in line with the pro forma figures as at 31 December 2006 (+205 million euro and –192 million euro, respectively in case of increase/decrease in interest rates).
The aforesaid potential impact would be reflected, in case of invariance of the other income components, also in the Bank’s year-end profit and loss net of tax.

Interest rate risk generated by the Intesa Sanpaolo Group’s banking book, measured through shift sensitivity analysis, registered in 2007 an average value of 100 million euro and 369 million euro at year-end; these figures compare with a pro forma figure of 297 million euro at the end of 2006.

Interest rate risk, measured in terms of VaR, amounted to an average 83 million euro during 2007 (the pro forma figure at the end of 2006 was 93 million euro), with a minimum value of 33 million euro and a maximum value of 123 million euro. At the end of December 2007 VaR totalled 104 million euro.

1.2.4 PRICE RISK – BANKING BOOK

A. General aspects, price risk management processes and measurement methods

As indicated in paragraph 1.2.2, the banking book includes exposures to market risks deriving from equity investments in listed companies not subject to full consolidation which are mostly held by the Parent Company and the companies Fin. Opi, Imi Investimenti and Intesa Sanpaolo Holding International.

The measurement of price risk generated by the portfolio of minority stakes in listed companies, mostly accounted for under the AFS (Available For Sale) principle, occurs through the VaR method (99% confidence level, 10-day holding period).

B. Price risk hedging

Hedging activities were not performed during the year to cover the price risk of the banking book.

QUANTITATIVE INFORMATION

The table below provides a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for listed assets recorded under AFS.

Impact on Shareholders' Equity

(in millions of euro)

Price shock	
-10%	10%
-191	191

1. Banking book: on-balance sheet exposure

(in millions of euro)

Exposure types	Book values	
	Listed	Unlisted
A. Equities	**1,991**	**1,414**
A.1. Shares	1,652	1,306
A.2. Innovative equity instruments	-	-
A.3. Other equities	339	108
B. UCITS	**65**	**348**
B.1. Italian	17	308
- harmonised open-end	*13*	*231*
- not harmonised open-end	-	-
- closed-end	*4*	*31*
- reserved	-	*24*
- speculative	-	*22*
B.2. Other EU Countries	48	22
- harmonised open-end	*22*	-
- not harmonised open-end	*19*	-
- not harmonised closed-end	*7*	*22*
B.3. Non-EU Countries	-	18
- open-end	-	*18*
- closed-end	-	-
Total	**2,056**	**1,762**

The table does not include equity investments in companies recorded under caption 100 of Assets, as detailed in table 10.2 in Part B of this Annual report and exclusively referred to the Banking Group.

2. Banking book: internal models and other sensitivity analysis methodologies

Price risk generated by minority stakes in listed companies, measured in terms of VaR, amounted to an average of 179 million euro in 2007, down with respect to the pro forma figure as at 31 December 2006 (248 million euro) as a result of the progressive disposal during the year of significant shareholdings. At 31 December 2007, VaR was 113 million euro which also represents the minimum value in the year (the maximum value was 256 million euro).

1.2.5. FOREIGN EXCHANGE RISK

QUALITATIVE INFORMATION

A. General aspects, foreign exchange risk management processes and measurement methods

"Foreign exchange risk" is defined as the possibility that foreign exchange rate fluctuations produce significant changes, both positive and negative, in the Group's balance sheet aggregates. The key sources of exchange rate risk lie in:

- foreign currency loans and deposits held by corporate and retail customers;
- purchases of securities, equity investments and other financial instruments in foreign currencies;
- conversion into domestic currency of assets, liabilities and income of branches and subsidiaries abroad;
- trading of foreign banknotes;
- collection and/or payment of interest, commissions, dividends, administrative costs, etc. in foreign currencies.

More specifically, "structural" foreign exchange risk refers to the exposures deriving from the commercial operations and strategic investment decisions of the Intesa Sanpaolo Group.

Foreign exchange transactions, spot and forward, are carried out mostly by Banca IMI which operates also in the name and on behalf of the Parent Company with the task of guaranteeing pricing throughout the Bank and the Group while optimizing the proprietary risk profile deriving from brokerage of foreign currencies traded by customers.

The main types of financial instruments traded included: spot and forward foreign exchange transactions in foreign currencies, forex swaps, domestic currency swaps, and foreign exchange options.

B. Foreign exchange risk hedging activities

Foreign exchange risk deriving from operating positions in foreign currency in the banking book is systematically transferred from the business units to the Parent Company's Treasury Department, for the purpose of guaranteeing the elimination of such risk. Similar risk containment is performed by the Group's various companies as concerns their banking book. Essentially, foreign exchange risk is mitigated by the practice of raising funds in the same currency as assets. Residual or held for trading exposures are included in the trading book where foreign exchange risk is measured and subjected to daily VaR limits.

As concerns equity shareholdings in Group companies held in foreign currencies, risk hedging policies are assessed for each position by the Group Risk Governance Committee and the Group Financial Risks Committee, taking into consideration the advantages and the costs embedded in hedging transactions.

Foreign exchange hedging interventions entered into in the year referred to (i) the disposal of equity investments, (ii) net income in foreign currency generated by the Parent Company's branches abroad and (iii) dividends in foreign currency collected from the main international subsidiaries.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and derivatives

(in millions of euro)

	Currencies					
	US dollar	GB pound	Swiss franc	Yen	Egyptian pound	Other currencies
A. FINANCIAL ASSETS	**22,242**	**3,775**	**5,565**	**1,266**	**3,841**	**19,408**
A.1 Debt securities	5,446	622	137	129	785	5,028
A.2 Equities	861	417	12	42	23	408
A.3 Loans to banks	6,167	1,319	331	420	2,042	3,464
A.4 Loans to customers	9,765	1,417	5,085	675	867	10,485
A.5 Other financial assets	3	-	-	-	124	23
B. OTHER ASSETS	**1,186**	**166**	**15**	**49**	**-**	**213**
C. FINANCIAL LIABILITIES	**43,284**	**12,028**	**1,762**	**1,843**	**3,452**	**18,804**
C.1 Due to banks	14,740	1,600	513	447	219	2,630
C.2 Due to customers	9,028	1,311	602	432	2,977	13,645
C.3 Debt securities	19,516	9,117	647	964	256	2,529
C.4 Other financial liabilities	-	-	-	-	-	-
D. OTHER LIABILITIES	**575**	**229**	**4**	**25**	**-**	**62**
E. FINANCIAL DERIVATIVES	**71,283**	**16,609**	**8,461**	**5,358**	**-**	**61,288**
- Options	5,424	441	363	1,002	-	1,019
long positions	*1,739*	*156*	*315*	*442*	-	*474*
short positions	*3,685*	*285*	*48*	*560*	-	*545*
- Other derivatives	65,859	16,168	8,098	4,356	-	60,269
long positions	*43,741*	*12,212*	*2,156*	*2,453*	-	*30,699*
short positions	*22,118*	*3,956*	*5,942*	*1,903*	-	*29,570*
TOTAL ASSETS	**68,908**	**16,309**	**8,051**	**4,210**	**3,841**	**50,794**
TOTAL LIABILITIES	**69,662**	**16,498**	**7,756**	**4,331**	**3,452**	**48,981**
IMBALANCE (+/-)	**-754**	**-189**	**295**	**-121**	**389**	**1,813**

The 1,813 million euro imbalance in "Other currencies" is affected by net assets of subsidiaries abroad denominated in local currency, whose changes, until disposal, impact solely on the Group's Shareholders' equity.

2. Internal models and other sensitivity analysis methodologies

Management of foreign exchange risk relative to trading activities is inserted in the operating procedures and in the estimation methodologies of the internal model based on VaR calculations, as already illustrated.

Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 92 million euro as at 31 December 2007. This potential impact would only affect Shareholders' equity, as specified above.

1.2.6. FINANCIAL DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1. Regulatory trading book: period-end and average notional values

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2007		Total 31.12.2006 (*)	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	**-**	**115,611**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**115,611**	**-**	**42,951**
2. Interest rate swaps	**-**	**1,250,221**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,250,221**	**-**	**606,359**
3. Domestic currency swaps	**-**	**-**	**-**	**-**	**-**	**1,258**	**-**	**-**	**-**	**1,258**	**-**	**857**
4. Currency interest rate swaps	**-**	**-**	**-**	**-**	**-**	**13,194**	**-**	**-**	**-**	**13,194**	**-**	**11,514**
5. Basis swaps	**-**	**55,512**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**55,512**	**-**	**56,094**
6. Exchange of stock indexes	**-**	**-**	**-**	**1,392**	**-**	**-**	**-**	**-**	**-**	**1,392**	**-**	**224**
7. Exchange of real indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8. Futures	**133,981**	**-**	**1,570**	**-**	**167**	**-**	**53**	**-**	**135,771**	**-**	**75,883**	**-**
9. Caps	**-**	**251,407**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**251,407**	**-**	**173,636**
- Bought	-	104,574	-	-	-	-	-	-	-	104,574	-	65,677
- Issued	-	146,833	-	-	-	-	-	-	-	146,833	-	107,959
10. Floors	**-**	**147,939**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**147,939**	**-**	**107,417**
- Bought	-	74,842	-	-	-	-	-	-	-	74,842	-	54,628
- Issued	-	73,097	-	-	-	-	-	-	-	73,097	-	52,789
11. Other options	**75,948**	**61,866**	**19,868**	**32,412**	**4**	**12,866**	**-**	**450**	**95,820**	**107,594**	**35,119**	**33,484**
- Bought	48,979	33,471	10,391	13,852	1	6,658	-	242	59,371	54,223	21,003	14,849
Plain vanilla	*48,979*	*33,443*	*10,391*	*11,991*	*1*	*6,102*	-	*208*	*59,371*	*51,744*	*21,003*	*12,036*
Exotic	-	*28*	-	*1,861*	-	*556*	-	*34*	-	*2,479*	-	*2,813*
- Issued	26,969	28,395	9,477	18,560	3	6,208	-	208	36,449	53,371	14,116	18,635
Plain vanilla	*26,969*	*27,723*	*9,477*	*16,021*	*3*	*5,974*	-	*206*	*36,449*	*49,924*	*14,116*	*18,044*
Exotic	-	*672*	-	*2,539*	-	*234*	-	*2*	-	*3,447*	-	*591*
12. Forward contracts	**1,334**	**109**	**57**	**-**	**-**	**73,568**	**-**	**-**	**1,391**	**73,677**	**-**	**46,824**
- Purchases	615	60	49	-	-	36,412	-	-	664	36,472	-	16,814
- Sales	719	49	8	-	-	20,245	-	-	727	20,294	-	12,410
- Currency against currency	-	-	-	-	-	16,911	-	-	-	16,911	-	17,600
13. Other derivatives	**-**	**4,059**	**-**	**34**	**-**	**379**	**-**	**182**	**-**	**4,654**	**-**	**8,769**
TOTAL	**211,263**	**1,886,724**	**21,495**	**33,838**	**171**	**101,265**	**53**	**632**	**232,982**	**2,022,459**	**111,002**	**1,088,129**
AVERAGE VALUES	**156,904**	**1,467,077**	**13,820**	**27,546**	**11**	**79,907**	**43**	**305**	**170,778**	**1,574,835**	**123,671**	**1,134,498**

(*) Figures relative to Gruppo Intesa.

A.2. Banking book: period-end and average notional amounts

A.2.1. Hedging

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2007		Total 31.12.2006 (*)	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	**94,431**	-	-	-	-	-	-	-	**94,431**	-	**60,141**
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	**3,660**	-	-	-	**3,660**	-	**2,478**
5. Basis swaps	-	**3,030**	-	-	-	-	-	-	-	**3,030**	-	**2,421**
6. Exchange of stock indexes	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Caps	-	**482**	-	-	-	-	-	-	-	**482**	-	**13**
- Bought	-	482	-	-	-	-	-	-	-	482	-	13
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floors	-	**361**	-	-	-	-	-	-	-	**361**	-	-
- Bought	-	269	-	-	-	-	-	-	-	269	-	-
- Issued	-	92	-	-	-	-	-	-	-	92	-	-
11. Other options	-	**118**	-	**105**	-	-	-	-	-	**223**	-	**1,649**
- Bought	-	43	-	105	-	-	-	-	-	148	-	1,579
Plain vanilla	-	*43*	-	*65*	-	-	-	-	-	*108*	-	*1,388*
Exotic	-	-	-	*40*	-	-	-	-	-	*40*	-	*191*
- Issued	-	75	-	-	-	-	-	-	-	75	-	70
Plain vanilla	-	*75*	-	-	-	-	-	-	-	*75*	-	*70*
Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	**8**	-	-	-	**8**	-	**66**
- Purchases	-	-	-	-	-	6	-	-	-	6	-	8
- Sales	-	-	-	-	-	2	-	-	-	2	-	55
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	3
13. Other derivatives	-	-	-	-	-	**217**	-	-	-	**217**	-	-
TOTAL	-	**98,422**	-	**105**	-	**3,885**	-	-	-	**102,412**	-	**66,768**
AVERAGE VALUES	-	**136,513**	-	**882**	-	**3,966**	-	-	-	**141,361**	-	**52,899**

(*) Figures relative to Gruppo Intesa.

A.2.2. Other derivatives

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2007		Total 31.12.2006 (*)	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	**889**	-	-	-	-	-	-	-	**889**	-	**17**
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate *swaps*	-	-	-	-	-	**14**	-	-	-	**14**	-	**15**
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	-
6. Exchange of stock indexes	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Caps	-	**594**	-	-	-	-	-	-	-	**594**	-	**376**
- Bought	-	64	-	-	-	-	-	-	-	64	-	7
- Issued	-	530	-	-	-	-	-	-	-	530	-	369
10. Floors	-	**6,937**	-	-	-	-	-	-	-	**6,937**	-	**7,279**
- Bought	-	7	-	-	-	-	-	-	-	7	-	-
- Issued	-	6,930	-	-	-	-	-	-	-	6,930	-	7,279
11. Other options	-	**1,884**	-	**5,103**	-	**578**	-	**3**	-	**7,568**	-	**8,624**
- Bought	-	259	-	484	-	-	-	-	-	743	-	36
Plain vanilla	-	*249*	-	*461*	-	-	-	-	-	*710*	-	*36*
Exotic	-	*10*	-	*23*	-	-	-	-	-	*33*	-	-
- Issued	-	1,625	-	4,619	-	578	-	3	-	6,825	-	8,588
Plain vanilla	-	*1,515*	-	*3,041*	-	*519*	-	*3*	-	*5,078*	-	*5,986*
Exotic	-	*110*	-	*1,578*	-	*59*	-	-		*1,747*	-	*2,602*
12. Forward contracts	-	-	-	-	-	**2**	-	-	-	**2**	-	-
- Purchases	-	-	-	-	-	2	-	-	-	2	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	**108**
TOTAL	-	**10,304**	-	**5,103**	-	**594**	-	**3**	-	**16,004**	-	**16,419**
AVERAGE VALUES	-	**9,952**	-	**8,291**	-	**91**	-	-	-	**18,334**	-	**18,795**

(*) Figures relative to Gruppo Intesa.

The tables above show nominal amounts of derivatives recorded separately from the combined financial instruments. These derivatives are classified in the financial statements under assets/liabilities held for trading.

A.3. Financial derivatives: purchase and sale of underlying assets

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2007		Total 31.12.2006 (*)	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Trading book for supervisory purposes	**209,194**	**1,833,281**	**21,495**	**32,446**	**171**	**102,834**	**53**	**632**	**230,913**	**1,969,193**	**111,002**	**1,031,811**
1. Operations with exchange of underlying asset	20,671	4,467	3,784	3,621	171	98,533	53	-	24,679	106,621	4,655	59,711
- Purchases	*6,205*	*4,128*	*1,252*	*1,288*	*47*	*50,942*	*16*	-	*7,520*	*56,358*	*1,995*	*24,914*
- Sales	*14,466*	*339*	*2,532*	*2,333*	*41*	*26,749*	*37*	-	*17,076*	*29,421*	*2,660*	*16,372*
- Currency against currency	-	-	-	-	*83*	*20,842*	-	-	*83*	*20,842*	-	*18,425*
2. Operations without exchange of underlying asset	188,523	1,828,814	17,711	28,825	-	4,301	-	632	206,234	1,862,572	106,347	972,100
- Purchases	*120,340*	*985,211*	*9,064*	*13,912*	-	*2,395*	-	*280*	*129,404*	*1,001,798*	*63,892*	*439,072*
- Sales	*68,183*	*843,603*	*8,647*	*14,913*	-	*1,893*	-	*352*	*76,830*	*860,761*	*42,455*	*532,927*
- Currency against currency	-	-	-	-	-	*13*	-	-	-	*13*	-	*101*
B. Banking book	**-**	**105,696**	**-**	**5,117**	**-**	**4,479**	**-**	**3**	**-**	**115,295**	**-**	**80,766**
B.1 Hedging	-	95,392	-	105	-	3,885	-	-	-	99,382	-	64,347
1.Operations with exchange of underlying asset	-	-	-	-	-	3,668	-	-	-	3,668	-	2,544
- Purchases	-	-	-	-	-	*3,032*	-	-	-	*3,032*	-	*1,989*
- Sales	-	-	-	-	-	*468*	-	-	-	*468*	-	*55*
- Currency against currency	-	-	-	-	-	*168*	-	-	-	*168*	-	*500*
2. Operations without exchange of underlying asset	-	95,392	-	105	-	217	-	-	-	95,714	-	61,803
- Purchases	-	*57,424*	-	*105*	-	*160*	-	-	-	*57,689*	-	*22,665*
- Sales	-	*37,968*	-	-	-	*57*	-	-	-	*38,025*	-	*39,138*
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	10,304	-	5,012	-	594	-	3	-	15,913	-	16,419
1. Operations with exchange of underlying asset	-	-	-	1,014	-	14	-	-	-	1,028	-	15
- Purchases	-	-	-	*219*	-	-	-	-	-	*219*	-	-
- Sales	-	-	-	*795*	-	-	-	-	-	*795*	-	-
- Currency against currency	-	-	-	-	-	*14*	-	-	-	*14*	-	*15*
2. Operations without exchange of underlying asset	-	10,304	-	3,998	-	580	-	3	-	14,885	-	16,404
- Purchases	-	*1,240*	-	*20*	-	*2*	-	-	-	*1,262*	-	*2,093*
- Sales	-	*9,064*	-	*3,978*	-	*578*	-	*3*	-	*13,623*	-	*14,311*
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-

(*) Figures relative to Gruppo Intesa.

A.4. Over the counter financial derivatives: positive fair value – counterparty risk

(in millions of euro)

	Debt securities and interest rates			Equities and stock indexes			Foreign exchange rates and gold			Other values			Diverse underlying assets	
	Gross	**Net**	**Future exposure**	**Gross**	**Net**	**Future exposure**	**Gross**	**Net**	**Future exposure**	**Gross**	**Net**	**Future exposure**	**Net**	**Future exposure**
A. Trading book for supervisory purposes														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 public entities	476	4	88	-	-	-	-	-	-	-	-	-	4	-
A.3 banks	1,114	6,381	274	68	1,227	44	207	1,135	123	-	-	-	2,382	2,862
A.4 financial institutions	309	5,181	112	58	743	22	45	67	23	-	-	-	730	393
A.5 insurance companies	249	249	5	4	11	-	2	1	2	-	-	-	-	-
A.6 non-financial companies	514	26	171	29	-	7	269	3	79	11	-	13	4	5
A.7 other counterparties	3	-	1	-	-	-	16	-	3	-	-	-	-	-
Total 31.12.2007	**2,665**	**11,841**	**651**	**159**	**1,981**	**73**	**539**	**1,206**	**230**	**11**	**-**	**13**	**3,120**	**3,260**
Total 31.12.2006 (*)	**1,820**	**8,544**	**432**	**396**	**865**	**46**	**312**	**328**	**161**	**-**	**-**	**-**	**1,459**	**1,263**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	97	716	40	-	7	28	40	19	13	-	-	-	45	29
B.4 financial institutions	261	308	1	-	-	5	117	-	10	-	-	-	51	12
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	-	-	-	-	-	3	-	-	-	-	-	-	-	-
B.7 other counterparties	1	-	1	-	-	1	-	-	-	-	-	-	-	-
Total 31.12.2007	**359**	**1,024**	**42**	**-**	**7**	**37**	**157**	**19**	**23**	**-**	**-**	**-**	**96**	**41**
Total 31.12.2006 (*)	**125**	**729**	**12**	**-**	**-**	**-**	**-**	**19**	**2**	**-**	**-**	**-**	**65**	**30**

(*) Figures relative to Gruppo Intesa.

A.5. Over the counter financial derivatives: negative fair value – financial risk

(in millions of euro)

	Debt securities and interest rates			Equities and stock indexes			Foreign exchange rates and gold			Other values			Diverse underlying assets	
	Gross	**Net**	**Future exposure**	**Gross**	**Net**	**Future exposure**	**Gross**	**Net**	**Future exposure**	**Gross**	**Net**	**Future exposure**	**Net**	**Future exposure**
A. Trading book for supervisory purposes														
A.1 Governments and Central Banks	-	-	-	-	-	-	1	-	-	-	-	-	-	-
A.2 public entities	244	-	41	-	-	-	19	-	12	-	-	-	-	-
A.3 banks	1,295	4,052	250	77	1,253	21	486	2,022	114	-	-	-	2,220	2,024
A.4 financial institutions	1,849	4,911	79	254	1,127	13	39	71	27	-	-	-	139	141
A.5 insurance companies	37	8	4	81	31	-	6	-	4	-	-	-	30	1
A.6 non-financial companies	287	5	141	16	-	-	77	8	34	1	-	1	4	5
A.7 other counterparties	21	-	1	179	-	-	21	4	1	-	-	-	-	-
Total 31.12.2007	**3,733**	**8,976**	**516**	**607**	**2,411**	**34**	**649**	**2,105**	**192**	**1**	**-**	**1**	**2,393**	**2,171**
Total 31.12.2006 (*)	**1,638**	**7,739**	**436**	**405**	**501**	**123**	**603**	**198**	**176**	**-**	**-**	**-**	**772**	**1,072**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	76	939	23	2	-	-	4	96	1	-	-	-	85	52
B.4 financial institutions	1	222	1	-	-	-	-	2	2	-	-	-	7	6
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	5	2	-	-	-	-	5	-	-	-	-	-	-	-
B.7 other counterparties	659	-	-	339	-	-	2	-	-	-	-	-	-	-
Total 31.12.2007	**741**	**1,163**	**24**	**341**	**-**	**-**	**11**	**98**	**3**	**-**	**-**	**-**	**92**	**58**
Total 31.12.2006 (*)	**855**	**1,774**	**79**	**618**	**-**	**123**	**14**	**6**	**11**	**-**	**-**	**-**	**7**	**8**

(*) Figures relative to Gruppo Intesa.

A.6. Residual maturity of over the counter financial derivatives: notional amounts

(in millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Trading book for supervisory purposes	**815,662**	**696,242**	**510,323**	**2,022,227**
A.1 Financial derivatives on debt securities and interest rates	721,187	664,592	502,566	1,888,345
A.2 Financial derivatives on equities and stock indexes	8,402	19,949	5,532	33,883
A.3 Financial derivatives on foreign exchange rates and gold	85,895	11,280	2,191	99,366
A.4 Financial derivatives - other	178	421	34	633
B. Banking book	**77,836**	**26,500**	**14,495**	**118,831**
B.1 Financial derivatives on debt securities and interest rates	74,571	20,766	13,759	109,096
B.2 Financial derivatives on equities and stock indexes	2,542	2,696	2	5,240
B.3 Financial derivatives on foreign exchange rates and gold	723	3,035	734	4,492
B.4 Financial derivatives - other	-	3	-	3
Total 31.12.2007	**893,498**	**722,742**	**524,818**	**2,141,058**
Total 31.12.2006 (*)	**501,130**	**413,042**	**257,144**	**1,171,316**

(*) Figures relative to Gruppo Intesa.

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end and average notional amounts

(in millions of euro)

	Trading book for supervisory purposes		Other operations	
	single counterparty	more counterparties (*basket*)	single counterparty	more counterparties (*basket*)
1. Protection purchases				
1.1 Physical settlement	30,657	29,183	97	-
Credit default swap	*30,657*	*29,183*	*97*	-
Credit default option	-	-	-	-
Credit linked notes	-	-	-	-
1.2 Cash settlement	386	2,193	391	-
Credit default swap	*295*	*2,193*	*391*	-
Total rate of return swap	*91*	-	-	-
Credit linked notes	-	-	-	-
Total 31.12.2007	**31,043**	**31,376**	**488**	**-**
Total 31.12.2006 (*)	**24,981**	**14,681**	**-**	**437**
Average values	**29,717**	**23,773**	**299**	**-**
2. Protection sales				
2.1 Physical settlement	28,895	31,443	-	-
Credit default swap	*28,895*	*31,374*	-	-
Credit linked notes	-	*69*	-	-
2.2 Cash settlement	202	3,087	-	105
Credit default swap	*62*	*3,087*	-	*105*
Credit linked notes	-	-	-	-
Total rate of return swap	*140*	-	-	-
Total 31.12.2007	**29,097**	**34,530**	**-**	**105**
Total 31.12.2006 (*)	**23,484**	**20,887**	**-**	**-**
Average values	**27,514**	**28,315**	**-**	**53**

(*) Figures relative to Gruppo Intesa.

Part of the contracts in force as at 31 December 2007, set out in the table above, is included in structured credit derivatives which were affected to different extents by the financial market crisis: 4,675 million euro of protection purchases and 5,171 million euro of protection sales, in any case almost entirely attributable to exposures not included in US subprime exposures.
For further information on the relative economic and risk effects, see the chapter on market risks in this Part of the Notes to the consolidated financial statements.

B.2. Credit derivatives: positive fair value - counterparty risk

(in millions of euro)

	Notional amount	Positive fair value	Future exposure
A. Trading book for supervisory purposes	**50,270**	**1,330**	**990**
A.1 Protection purchases with	45,267	1,292	990
1. Governments and Central Banks	-	-	-
2. Other public entities	*8*	*13*	*1*
3. Banks	*31,144*	*1,038*	*624*
4. Financial institutions	*14,115*	*241*	*365*
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
A.2 Protection sales with	5,003	38	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*3,458*	*25*	-
4. Financial institutions	*1,545*	*13*	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
B. Banking book	**-**	**-**	**-**
B.1 Protection purchases with	-	-	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	-	-	-
4. Financial institutions	-	-	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
B.2 Protection sales with	-	-	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	-	-	-
4. Financial institutions	-	-	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
Total 31.12.2007	**50,270**	**1,330**	**990**
Total 31.12.2006 (*)	**46,612**	**507**	**125**

(*) Figures relative to Gruppo Intesa.

B.3. Credit derivatives: negative fair value - financial risk

(in millions of euro)

	Notional amount	Negative fair value
Trading book for supervisory purposes		
1. Protection purchases with		
1.1 Governments and Central Banks	-	-
1.2 Other public entities	-	-
1.3 Banks	10,886	109
1.4 Financial institutions	6,267	69
1.5 Insurance companies	-	-
1.6 Non-financial companies	-	-
1.7 Other counterparties	-	-
Total 31.12.2007	**17,153**	**178**
Total 31.12.2006 (*)	**34,350**	**470**

(*) Figures relative to Gruppo Intesa.

B.4. Residual maturity of credit derivatives contracts: notional amounts

(in millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Trading book for supervisory purposes	**14,828**	**89,866**	**21,352**	**126,046**
A.1 Credit derivatives with "qualified reference obligation"	12,028	71,559	16,861	100,448
A.2 Credit derivatives with "unqualified reference obligation"	2,800	18,307	4,491	25,598
B. Banking book	**-**	**155**	**437**	**592**
B.1 Credit derivatives with "qualified reference obligation"	-	11	-	11
B.2 Credit derivatives with "unqualified reference obligation"	-	144	437	581
Total 31.12.2007	**14,828**	**90,021**	**21,789**	**126,638**
Total 31.12.2006 (*)	**12,230**	**56,739**	**15,501**	**84,470**

(*) Figures relative to Gruppo Intesa.

1.3 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, liquidity risk management processes and measurement methods

Liquidity risk is defined as the possibility that an institution is unable to meet its payment obligations due to its incapacity to liquidate assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of easily unwinding positions in financial assets without negatively and significantly affecting their price due to the inadequate market depth or temporary market disruptions (market liquidity risk).
Intesa Sanpaolo's liquidity policy defines the guidelines for liquidity risk management and the contingency liquidity plan. The departments which are in charge of ensuring the correct application of liquidity policy are the Treasury Department, responsible for liquidity management, and the Risk Management Department, responsible for monitoring indicators and verifying the respect of limits. Intesa Sanpaolo directly manages its own liquidity, coordinates its liquidity management in all currencies at Group level and ensures the adoption of adequate control techniques and procedures.
The monitoring of liquidity risk is based on two types of indicators: (i) liquidity indices subject to limits and (ii) crisis indices subject to various alert thresholds, with daily measurement and emergency procedures in case of escalation. The first include short-term gaps, medium- long-term structural liquidity mismatches, balance sheet ratios, inter-bank market exposure measures and funding concentration ratios; the second include certain indicators specific to Intesa Sanpaolo, both short-term (such as spreads on inter-bank funding) and medium- long-term (e.g. spreads on Intesa Sanpaolo bond issues) and certain systemic indicators, also both short-term and medium-long term (such as spreads on the financial and industrial sector).
The liquidity position is periodically presented and discussed in the Group Financial Risks Committee.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities–

Currency of denomination: euro

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**52,042**	**11,592**	**8,306**	**18,593**	**28,037**	**25,927**	**22,766**	**114,044**	**118,086**
A.1 Government bonds	-	-	78	89	73	1,096	1,367	5,359	4,548
A.2 Listed debt securities	37	5	14	9	114	102	689	3,924	4,417
A.3 Other debt securities	44	180	306	527	432	492	480	5,475	10,926
A.4 Quotas of UCITS	416	82	-	-	-	19	-	-	6,217
A.5 Loans	51,545	11,325	7,908	17,968	27,418	24,218	20,230	99,286	91,978
- Banks	*9,163*	*6,209*	*4,086*	*7,974*	*8,902*	*7,552*	*1,782*	*2,130*	*438*
- Customers	*42,382*	*5,116*	*3,822*	*9,994*	*18,516*	*16,666*	*18,448*	*97,156*	*91,540*
Cash liabilities	**152,005**	**17,745**	**9,066**	**13,344**	**22,947**	**18,239**	**14,856**	**68,633**	**34,592**
B.1 Deposits	145,291	6,195	5,165	4,945	8,285	7,741	2,170	2,479	2,844
- Banks	*10,888*	*3,402*	*2,735*	*2,607*	*3,479*	*5,372*	*1,059*	*1,104*	*1,643*
- Customers	*134,403*	*2,793*	*2,430*	*2,338*	*4,806*	*2,369*	*1,111*	*1,375*	*1,201*
B.2 Debt securities	6,135	1,161	674	1,946	5,583	8,095	12,216	62,215	27,012
B.3 Other liabilities	579	10,389	3,227	6,453	9,079	2,403	470	3,939	4,736
Off-balance sheet transactions	**6,320**	**19,614**	**7,646**	**15,153**	**39,499**	**14,118**	**19,020**	**52,075**	**17,300**
C.1 Financial derivatives with exchange of capital	797	10,457	6,453	11,219	19,728	9,598	11,709	13,668	3,108
- Long positions	*501*	*4,410*	*1,861*	*4,090*	*8,058*	*4,650*	*7,803*	*2,642*	*1,664*
- Short positions	*296*	*6,047*	*4,592*	*7,129*	*11,670*	*4,948*	*3,906*	*11,026*	*1,444*
C.2 Deposits and loans to be settled	363	300	56	-	-	-	-	-	-
- Long positions	*360*	*-*	*-*	-	-	-	-	-	-
- Short positions	*3*	*300*	*56*	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	5,160	8,857	1,137	3,934	19,771	4,520	7,311	38,407	14,192
- Long positions	*1,018*	*5,327*	*1,134*	*3,914*	*18,485*	*3,152*	*2,927*	*2,791*	*6,358*
- Short positions	*4,142*	*3,530*	*3*	*20*	*1,286*	*1,368*	*4,384*	*35,616*	*7,834*

Currency of denomination: US dollar

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**2,737**	**1,232**	**442**	**1,910**	**2,106**	**945**	**2,052**	**6,565**	**3,860**
A.1 Government bonds	3	-	3	-	-	-	8	5	37
A.2 Listed debt securities	70	-	2	-	46	69	289	159	1,384
A.3 Other debt securities	-	336	2	215	359	25	425	1,034	799
A.4 Quotas of UCITS	576	-	-	-	-	-	-	-	-
A.5 Loans	2,088	896	435	1,695	1,701	851	1,330	5,367	1,640
- Banks	*1,761*	*358*	*99*	*677*	*837*	*422*	*900*	*1,058*	*25*
- Customers	*327*	*538*	*336*	*1,018*	*864*	*429*	*430*	*4,309*	*1,615*
Cash liabilities	**6,633**	**9,257**	**5,866**	**6,399**	**8,761**	**1,791**	**2,588**	**2,239**	**85**
B.1 Deposits	6,572	5,022	3,575	2,479	5,017	984	247	132	38
- Banks	*2,209*	*3,514*	*2,411*	*2,008*	*4,103*	*695*	*100*	*23*	*21*
- Customers	*4,363*	*1,508*	*1,164*	*471*	*914*	*289*	*147*	*109*	*17*
B.2 Debt securities	6	4,224	2,274	3,882	3,641	793	2,296	2,107	47
B.3 Other liabilities	55	11	17	38	103	14	45	-	-
Off-balance sheet transactions	**1,000**	**10,636**	**5,530**	**12,141**	**25,217**	**9,044**	**6,131**	**11,716**	**6,467**
C.1 Financial derivatives with exchange of capital	463	10,248	5,286	11,790	19,126	5,090	4,571	5,465	412
- Long positions	*248*	*7,266*	*4,166*	*7,168*	*9,969*	*2,621*	*2,114*	*4,229*	*113*
- Short positions	*215*	*2,982*	*1,120*	*4,622*	*9,157*	*2,469*	*2,457*	*1,236*	*299*
C.2 Deposits and loans to be settled	503	89	39	21	180	173	-	-	-
- Long positions	*503*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*89*	*39*	*21*	*180*	*173*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds	34	299	205	330	5,911	3,781	1,560	6,251	6,055
- Long positions	*27*	*270*	*205*	*323*	*5,679*	*3,580*	*1,243*	*476*	*1,952*
- Short positions	*7*	*29*	*-*	*7*	*232*	*201*	*317*	*5,775*	*4,103*

Currency of denomination: Pound sterling

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**751**	**86**	**272**	**142**	**802**	**244**	**92**	**409**	**584**
A.1 Government bonds	-	-	-	-	-	-	-	1	54
A.2 Listed debt securities	-	-	-	-	-	-	-	13	55
A.3 Other debt securities	-	-	-	-	265	-	2	26	214
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	751	86	272	142	537	244	90	369	261
- Banks	*566*	*52*	*53*	*85*	*247*	*232*	*62*	*17*	*-*
- Customers	*185*	*34*	*219*	*57*	*290*	*12*	*28*	*352*	*261*
Cash liabilities	**2,319**	**2,657**	**370**	**986**	**1,329**	**606**	**530**	**3,143**	**236**
B.1 Deposits	588	1,049	238	202	302	130	62	7	-
- Banks	*240*	*520*	*149*	*172*	*135*	*71*	*5*	*1*	*-*
- Customers	*348*	*529*	*89*	*30*	*167*	*59*	*57*	*6*	*-*
B.2 Debt securities	1,725	1,303	132	784	1,027	476	468	3,136	236
B.3 Other liabilities	6	305	-	-	-	-	-	-	-
Off-balance sheet transactions	**103**	**869**	**768**	**3,286**	**2,293**	**1,237**	**991**	**4,309**	**366**
C.1 Financial derivatives with exchange of capital	41	801	768	3,272	2,289	1,237	977	4,307	366
- Long positions	*26*	*354*	*452*	*1,765*	*1,711*	*828*	*607*	*4,264*	*183*
- Short positions	*15*	*447*	*316*	*1,507*	*578*	*409*	*370*	*43*	*183*
C.2 Deposits and loans to be settled	61	61	-	-	-	-	-	-	-
- Long positions	*61*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*61*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds	1	7	-	14	4	-	14	2	-
- Long positions	*-*	*3*	*-*	*14*	*4*	*-*	*-*	*2*	*-*
- Short positions	*1*	*4*	*-*	*-*	*-*	*-*	*14*	*-*	*-*

Currency of denomination: Yen

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**169**	**35**	**53**	**139**	**192**	**56**	**184**	**163**	**200**
A.1 Government bonds	-	-	-	-	-	-	-	2	23
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	6	72
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	169	35	53	139	192	56	184	155	105
- Banks	*108*	*4*	*-*	*55*	*33*	*8*	*141*	*69*	*-*
- Customers	*61*	*31*	*53*	*84*	*159*	*48*	*43*	*86*	*105*
Cash liabilities	**175**	**183**	**116**	**84**	**501**	**177**	**54**	**188**	**320**
B.1 Deposits	175	164	92	15	310	32	1	18	31
- Banks	*6*	*61*	*90*	*-*	*289*	*-*	*-*	*-*	*-*
- Customers	*169*	*103*	*2*	*15*	*21*	*32*	*1*	*18*	*31*
B.2 Debt securities	-	19	24	69	191	145	53	170	289
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**27**	**718**	**353**	**274**	**531**	**375**	**233**	**205**	**343**
C.1 Financial derivatives with exchange of capital	-	675	341	273	521	375	230	190	341
- Long positions	*-*	*458*	*181*	*128*	*421*	*60*	*154*	*182*	*316*
- Short positions	*-*	*217*	*160*	*145*	*100*	*315*	*76*	*8*	*25*
C.2 Deposits and loans to be settled	21	-	-	1	-	-	3	15	2
- Long positions	*21*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*-*	*-*	*1*	*-*	*-*	*3*	*15*	*2*
C.3 Irrevocable commitments to lend funds	6	43	12	-	10	-	-	-	-
- Long positions	*-*	*22*	*12*	*-*	*10*	*-*	*-*	*-*	*-*
- Short positions	*6*	*21*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

Currency of denomination: Swiss franc

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**155**	**57**	**123**	**155**	**459**	**213**	**307**	**1,588**	**2,496**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	26	110
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	155	57	123	155	459	213	307	1,562	2,386
- Banks	*77*	*17*	*64*	*36*	*43*	*10*	*-*	*60*	*26*
- Customers	*78*	*40*	*59*	*119*	*416*	*203*	*307*	*1,502*	*2,360*
Cash liabilities	**365**	**287**	**136**	**241**	**282**	**70**	**275**	**10**	**77**
B.1 Deposits	365	267	101	191	39	38	8	10	51
- Banks	*60*	*246*	*11*	*113*	*4*	*25*	*4*	*-*	*49*
- Customers	*305*	*21*	*90*	*78*	*35*	*13*	*4*	*10*	*2*
B.2 Debt securities	-	20	35	50	243	32	267	-	26
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**221**	**571**	**439**	**1,300**	**1,647**	**401**	**207**	**522**	**30**
C.1 Financial derivatives with exchange of capital	22	375	426	1,300	1,624	389	203	520	30
- Long positions	*22*	*96*	*137*	*131*	*289*	*115*	*145*	*479*	*25*
- Short positions	*-*	*279*	*289*	*1,169*	*1,335*	*274*	*58*	*41*	*5*
C.2 Deposits and loans to be settled	153	141	12	-	23	-	-	2	-
- Long positions	*153*	*-*	*-*	*-*	*23*	*-*	*-*	*2*	*-*
- Short positions	*-*	*141*	*12*	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds	46	55	1	-	-	12	4	-	-
- Long positions	*1*	*47*	*1*	*-*	*-*	*12*	*4*	*-*	*-*
- Short positions	*45*	*8*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

Currency of denomination: Other currencies

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**1,907**	**1,838**	**674**	**1,886**	**2,161**	**2,124**	**3,104**	**6,453**	**3,699**
A.1 Government bonds	31	126	26	414	479	407	436	1,787	1,185
A.2 Listed debt securities	-	3	-	201	167	46	22	277	14
A.3 Other debt securities	130	5	2	6	56	101	64	123	43
A.4 Quotas of UCITS	107	-	-	-	-	-	-	-	183
A.5 Loans	1,639	1,704	646	1,265	1,459	1,570	2,582	4,266	2,274
- Banks	*640*	*1,434*	*514*	*741*	*693*	*564*	*687*	*172*	*79*
- Customers	*999*	*270*	*132*	*524*	*766*	*1,006*	*1,895*	*4,094*	*2,195*
Cash liabilities	**6,353**	**2,981**	**1,305**	**2,192**	**2,541**	**1,373**	**1,608**	**2,864**	**653**
B.1 Deposits	6,303	2,874	1,240	2,053	2,474	1,229	1,398	1,825	198
- Banks	*432*	*735*	*351*	*307*	*498*	*86*	*135*	*94*	*167*
- Customers	*5,871*	*2,139*	*889*	*1,746*	*1,976*	*1,143*	*1,263*	*1,731*	*31*
B.2 Debt securities	50	107	65	131	67	144	210	1,039	455
B.3 Other liabilities	-	-	-	8	-	-	-	-	-
Off-balance sheet transactions	**156**	**1,927**	**479**	**3,190**	**3,640**	**1,914**	**2,267**	**1,488**	**2,087**
C.1 Financial derivatives with exchange of capital	49	1,440	467	3,008	3,565	1,822	2,101	1,442	324
- Long positions	*39*	*965*	*302*	*1,674*	*2,449*	*1,241*	*1,029*	*668*	*272*
- Short positions	*10*	*475*	*165*	*1,334*	*1,116*	*581*	*1,072*	*774*	*52*
C.2 Deposits and loans to be settled	20	20	-	-	-	-	-	-	-
- Long positions	*20*	-	-	-	-	-	-	-	-
- Short positions	-	*20*	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	87	467	12	182	75	92	166	46	1,763
- Long positions	*79*	*416*	*12*	*182*	*75*	*92*	*166*	*41*	*1,763*
- Short positions	*8*	*51*	-	-	-	-	-	*5*	-

2. Breakdown by sector of financial liabilities

(in millions of euro)

	Governments and Central Banks	Other public entities	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Due to customers	3,174	5,863	20,686	2,551	67,267	106,856
2. Securities issued	69	26	32,073	130	536	102,205
3. Financial liabilities held for trading	27	263	2,830	819	428	12,614
4. Financial liabilities at fair value	-	-	-	-	-	-
Total 31.12.2007	**3,270**	**6,152**	**55,589**	**3,500**	**68,231**	**221,675**
Total 31.12.2006 (*)	**2,398**	**4,558**	**27,184**	**3,308**	**44,195**	**122,822**

(*) Figures relative to Gruppo Intesa.

3. Geographical breakdown of financial liabilities

(in millions of euro)

	Italy	Other European countries	America	Asia	Rest of the World
1. Due to customers	165,138	31,053	3,869	939	5,398
2. Due to banks	18,088	30,901	5,387	7,475	5,794
3. Securities issued	98,852	24,713	15,528	294	455
4. Financial liabilities held for trading	4,935	18,192	1,317	93	9
5. Financial liabilities at fair value	4,214	-	-	-	-
Total 31.12.2007	**291,227**	**104,859**	**26,101**	**8,801**	**11,656**
Total 31.12.2006 (*)	**184,634**	**50,496**	**14,737**	**6,368**	**2,129**

(*) Figures relative to Gruppo Intesa.

1.4. OPERATIONAL RISK

QUALITATIVE INFORMATION

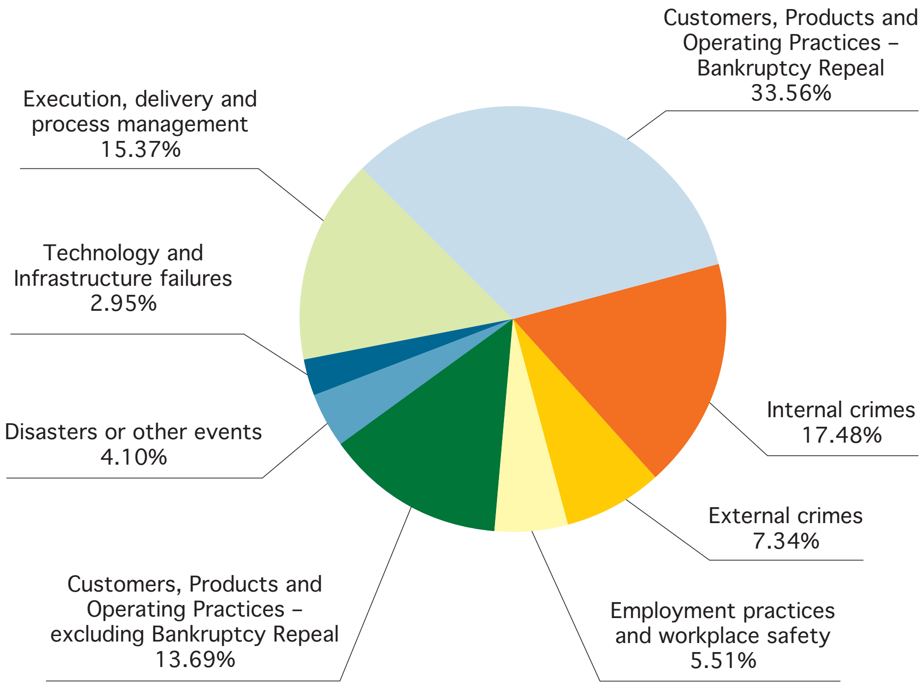
Operational risk is defined as the risk of suffering losses due to inadequacy or failures of processes, human resources and internal systems, or as a result of external events. Operational risks include legal risk, that is, the risk of losses deriving from breach of laws or regulations, contractual or out-of-contract responsibilities or other disputes; strategic and reputation risks are not included.
The Intesa Sanpaolo Group has defined the overall operational risk management framework by setting up a Group policy and organisational process for measuring, managing and controlling operational risk.
The control of operational risk was attributed to the Management Board, which identifies risk management policies, and to the Supervisory Board, which is in charge of their approval and verification, as well as of the guarantee of the functionality, efficiency and effectiveness of the risk management and controls system.
The Group Operational Risk Committee (made up of the heads of the areas of the corporate centre and of the business areas more involved in operational risk management), has the task of periodically verifying the Group's overall operational risk profile, defining any corrective actions, coordinating and monitoring the effectiveness of the main mitigation activities and approving the operational risk management transfer strategies.
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 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 (collection and structured census of information relative to operational events, scenario analyses and evaluation of the business environment and internal control factors).
Intesa Sanpaolo's Internal Model is designed to combine all the main quantitative (internal and external historical incurred loss data) and qualitative information sources (scenario analysis and operating valuation context).
The quantitative component is based on the assessment of historical data on internal events (recorded by organisational units, verified by the central function and managed by a dedicated IT system) and external events (including 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) applying actuarial techniques that entail the separate study of event frequency and impact and the subsequent formation, through Montecarlo simulations, of the annual loss distribution curve and consequently of risk measures.
The qualitative component focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by Management (subsidiary companies, Parent Company's business areas, Corporate Centre) with the objective of assessing the potential economic impact of particularly serious operational events; such assessments, processed with statistical-actuarial techniques, calculate an unexpected loss estimate which is subsequently integrated in the measurement obtained by the analysis of historical loss data.
Capital-at-Risk is therefore identified as the minimum amount 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 operational losses), applied on quantitative and qualitative data assuming a one-year estimation period, with a level of confidence level of 99.96% (99.90% for regulatory measurement); the methodology also applies a corrective factor, which derives from the qualitative analyses of the risk of the evaluation of the business environment and internal control factors, to take account of the effectiveness of internal controls in the various organisational units.
The Intesa Sanpaolo Group has activated 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.

Monitoring of operational risks is performed by an integrated reporting system, which provides management with the information necessary for the management and/or mitigation of the operational risk.
Quantitative data, reported monthly by the Operating Units, is then analysed by the Operational Risk Management function: the reports highlight the main operational events recorded in the reference period, as well as provide an analysis of the trend of risk exposure and a comparison with forecast losses from the scenario analyses of the previous year.
Quantitative information is managed internally and analysed using a proprietary classification system compliant with that provided for by the Supervisory authority.
In order to support the operational risk management process on a continuous basis, during the year a structured training programme was defined for employees actively involved in the process for the management and mitigation of operational risk.

QUANTITATIVE INFORMATION

The first simulation of capital absorption for Operational risks with the Standard Approach for the Group calculated a value of approximately 2.4 billion euro. The result obtained with the internal model was on similar levels; the Economic Capital absorbed by operational risks at Group level, with a 99.96% confidence level and diversified with the other risk types, totalled 2.2 billion euro. Breakdown of operational risk by type of event is set out below.

Breakdown of Economic Capital referred to 2007.



To cover the phenomena described above, the Intesa Sanpaolo Group took part in industry initiatives aimed at increasing transparency and continued interventions for improving processes and controls aimed at risk mitigation and loss containment.

Legal risks

Legal risks are analysed by the Parent Company and Group companies. Provisions are made to the Allowances for risks and charges, in the presence of legal obligations for which it is probable that funds will be disbursed to meet such obligations and where it is possible to make a reliable estimate of the disbursement.

The most complex legal procedures are described in the paragraphs below.

Litigation regarding anatocism
After March 1999, the Italian Court of Cassation changed its previous opinion and declared the quarterly capitalisation of interim interest payable on current accounts to be illegitimate, assuming that the relevant clauses in bank contracts do not integrate the contract with a "regulatory" standard practice, but rather with a "commercial" practice, and therefore, such clauses are not adequate to derogate from the prohibition of anatocism pursuant to Art. 1283 of the Italian Civil Code.
The subsequent Legislative Decree 342 of 1999 confirmed the legitimacy of capitalisation of interest on current accounts, as long as interest is calculated with the same frequency on deposits and loans. From April 2000 (date in which this regulation came into effect), quarterly capitalisation of both interest income and expense was applied to all current accounts. Therefore the dispute on this issue concerns only those contracts which were stipulated before the indicated date.
With the decision of the United Sections on 4 November 2004, the Court of Cassation again excluded the possibility that said use may be considered regulatory. Even though court decisions have generally complied with the ruling by the United Sections, the possibility of defending in court the lawfulness of the Bank's past conduct still exists since many judges in the reliquidation of the accounts apply the technical and accounting criteria proposed by banks which often decrease, even significantly, the restitutions request of account holders.
The overall number of pending cases is at an insignificant level in absolute terms, and is the subject of constant monitoring. The risks related to these disputes are covered by prudential allocations to the provisions for other risks and charges.

Litigation regarding bonds in default
Group policy on management of complaints on financial instruments sold sets out a case-by-case assessment, with particular attention paid to the suitability of the instruments with respect to the position of the single investor.
More specifically, for Parmalat bonds, Intesa Sanpaolo recently decided, in agreement with all the representative Consumer Associations at national level, to extend the free conciliation procedure - successfully applied for former Gruppo Intesa customers - to customers of the former SANPAOLO IMI Group who had bought Parmalat securities.
The extended procedure will cover approximately 27,000 customers of the former SANPAOLO IMI Group who had purchased Parmalat bonds now converted into shares and warrants of the new Parmalat.
Valuations will be based on the equitable treatment criterion and will be carried by five joint committees divided according to regional responsibilities. Each committee will consist of a representative of the Associations and one from the Bank. All customers who may be interested shall receive a specific communication illustrating the initiative.
The customers of the former SANPAOLO IMI Group may also continue to use the support offered, for the exercise of reimbursement actions against the parties responsible for the default, by the Parmalatbond Clienti SANPAOLO IMI Committee: the latter, in January 2008, signed a settlement with Deloitte & Touche which sets out the payment to each customer, who bought a Parmalat bond in the period in which Deloitte audited Parmalat's accounts, of a percentage of the value of the investment according to decreasing percentages as the size of the investment rises, with an average of approximately 4%. If all the potential parties involved adhere to the offer there would be an overall recovery between 14 – 16 million euro.
For Argentina bonds, complaints are managed by the ordinary procedure in place for any other financial product, according to a specific valuation of single positions. Like all other legal risk measurement procedures provisions deemed to be congruous are recorded.

The Cirio group default
In November 2002, the Cirio Group, one of the largest Italian groups operating in the agro-industrial sector, was declared insolvent in the repayment of a loan issued on the Euromarket. This event led to a cross default on all its existing issues. The bonds issued by the Cirio Group had a nominal value totalling approximately 1.25 billion euro. Both the former Gruppo Intesa and the former Sanpaolo IMI Group – like the other major banking groups – had granted loans to the Cirio group.
In April 2007, 10 companies of the Cirio group in Extraordinary Administration notified Intesa Sanpaolo and Banca Caboto, as well as five other banks, considered to be severally liable, of the filing of a claim for the reimbursement of alleged damages deriving from:

- the worsening of the default of the Cirio group, from the end of 1999 to 2003, favoured also by the issue in the 2000/2002 period of 6 bond issues; the damages thereof are quantified – adopting three different criteria – with the main criteria in 2,082 million euro and, with the control criteria, in 1,055 million euro or 421 million euro;
- the impossibility by the Extraordinary Administration procedures of undertaking bankruptcy repeal, for undetermined amounts, because the default of Cirio group companies was postponed in time;
- the payment of fees of 9.8 million euro for the placement of the various bond issues.

Our Group deems that such claims are totally unfounded and it is confident that it will be capable of contrasting such claims both as concerns the merit of the case and on the basis of the lack of capacity to act in court proceeding for Extraordinary Administration bodies.
Intesa Sanpaolo and the other notified banks filed a request to the Court for the date of the hearing to be set, for the purpose of avoiding a long proceeding and favouring a rapid decision on the controversy.

Certain corporate officers of the Sanpaolo IMI Group have been involved, together with numerous other representatives of other banks, in the criminal proceedings filed by the Public prosecutor of the Court of Rome, in relation to the Cirio group default both as concerns management of financing activities between the Bank and the aforesaid group, and for securities trading activities with customers referred to bonds issued by the same group.
With the sentence of 25 September 2007 the examining judge set out the acquittal of the former Sanpaolo IMI Group officers "because the fact is not a crime", thus confirming the conviction always expressed by the Bank on the absolute regularity in the conduct of its managers in this matter.

Equitalia Polis S.p.A. (former Gest Line S.p.A.) – Tax-collection litigation.
With two transactions, in September 2006 and in February 2008, the Bank, as part of the State's internalisation of tax-collection activities, sold to Equitalia (company owned by Agenzia delle Entrate and INPS) 85% of the equity investment in Gest Line, now Equitalia Polis, which performed tax-collection activities in the former Sanpaolo IMI Group.
Gest Line's alleged irregularities in performing tax-collection activities in the period from the late 80s and the early 90s led to drawn-out litigation with tax-collection authorities mostly referred to the concession in Bologna. At the time of disposal of the aforesaid equity investment, the Bank released specific guarantees, in addition to those provided for by the law for the State's internalisation of tax-collection activities, which also cover liabilities deriving from the aforesaid litigation.
Gest Line adhered to the amnesty for administrative irregularities introduced by Law 311/04. Moreover, as part of the pending litigation, doubts were raised by certain Tax-Collection Offices and Administrative Judges concerning the extension of the provisions of the aforesaid amnesty. The conversion of Law Decree 248/2007 provides a clarification on the interpretation of the amnesty which should positively affect the litigation, favouring its possible extinction.
In any case, before the final declaration that the matter of the litigation ceases to exist, which is under the jurisdiction of the Italian Court of Auditors, the litigation is covered by congruous provisions.

IMI SIR dispute
Other assets include 1.3 billion euro regarding the presumed realisable value of the loan granted to Consorzio Bancario Sir S.p.A. in liquidation, which was definitively enforced by the Civil Section of the Italian Court of Cassation through sentence 2469/03 which referred the case to the Rome Court of Appeal, for the sole purpose of deciding if approximately 14.5 million euro should be deducted or not from the sum of 506 million euro paid at the time by IMI to the heirs of Mr. Rovelli and object of the reimbursement claim promoted by the Bank against the aforesaid Consorzio. The same sentence also confirmed the right of the Consorzio to be held harmless by Ms. Primarosa Battistella (heir of Mr. Rovelli) and by Eurovalori s.r.l., as concerns the payment, in favour of the Bank, of the sums which the Consorzio has been condemned to pay.
As regards criminal proceedings, the Italian Court of Cassation, with sentence of 4 May 2006, confirmed the responsibility of the defendants regarding the crime of corruption, with the exception of Ms. Primarosa Battistella and her son Mr. Felice Rovelli, who were released for different reasons which do not exclude, among other things, their non-involvement in the crime. Moreover, the Court of Cassation recognised the Bank's right, as successor of IMI, to compensation of not only moral damages, but also of monetary damages from the persons convicted for corruption.
A series of civil law actions derived from the sentence of the criminal court: (i) in 2006 SANPAOLO IMI presented an appeal to the Rome Court of Appeal to revoke the sentence muddied by the crime of corruption (handed down by the Rome Court of Appeal on 26 November 1990) and, at the same time, to

order Ms. Primarosa Battistella to repay IMI the amount paid in 1994 in compliance with the sentence mudded by the corruption; (ii) in 2006 Consorzio Bancario Sir appealed to the Rome Court of Appeal to revoke the abovementioned sentence of the same court through which the Consorzio, on the basis of the aforesaid sentence which had resolved the controversy in favour of Mr. Rovelli, was ordered to reimburse SANPAOLO IMI the amount IMI paid to the Rovelli heirs; (iii) in 2007 Intesa Sanpaolo, as successor of SANPAOLO IMI, filed with the Court of Rome, on the basis of the sentence of the criminal court, a claim to obtain damages, quantified in approximately 1 billion euro, against the corrupted judge, corrupting parties and the Republic of Italy which, pursuant to law 117/1988, is severally liable with the magistrate for the damages due to the latter’s illicit conduct in the exercise of his/her functions.
In July 2007 a settlement defining all pending litigations occurred between Mr. Oscar Rovelli, who is under investigation for money-laundering by the Prosecutor of the Court of Monza (which is being debated before the examining judge), his mother Ms. Primarosa Battistella, the other components of the Rovelli family and the Bank. The agreement, which is limited to the sole responsibility ascribable to the latter, entails the payment to Intesa Sanpaolo of 200 million euro (most of which in cautionary deposits as provided for by both Italian and US penal authorities, which are responsible for the release of the necessary authorisations for the transfer of such funds in favour of the Bank as party offended by the crime of corruption), in addition to the sale to the Bank of considerable tax credits which will arise for Ms. Battistella as a consequence of the revocation of the sentence muddied by corruption. The agreement is subject to certain suspension terms, which have not yet been completely occurred. As soon as these occur it will become fully effective, and will enable the Bank to collect the sum provided for.

SECTION 2 – RISKS OF INSURANCE COMPANIES

2.1 INSURANCE RISKS

Life branch

The typical risks of a life insurance portfolio (managed by Eurizon Vita, Eurizon Life and Sud Polo Vita) 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. In EurizonVita the process for the release of a product requires the prior authorisation of the Product Committee, made up of the heads of all company functions and the General management, to which the results of the profit test and the sensitivity analyses is presented.
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 to 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.
Among the risks that require particular attention mention is also made here of the risks connected with hedging of costs. To this end EurizonVita has developed a detailed analysis model that allows it to analyze costs by product macro-category and by life cycle of the product itself. This tool, which is shared by several departments of the Company (such as Administration, Management Control and Actuary), is used to monitor costs, the correct rating and the sustainability of the 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 financial area and yield guarantees are also highly important in defining risks.
In the tables below, the structure of the mathematical reserves is shown by expiry date, and the structure of the guaranteed minimum yield.

(in thousands of euro)

Detail of mathematical reserves of life branch: maturity	Mathematical	%
up to 1 year	2,228,786	10.74%
1 to 5 years	9,556,589	46.07%
6 to 10 years	3,081,467	14.86%
11 to 20 years	1,501,534	7.24%
over 20 years	4,374,960	21.09%
TOTAL	**20,743,336**	**100.00%**

Almost 60% of the portfolio had expiry dates which do not exceed five years, the rest is mainly represented by supplementary pension contracts.

(in thousands of euro)

Breakdown of risk concentration by type of guarantee	Premiums	%	Total Reserves	%
Insurance and investment products with guaranteed annual yield				
0% - 1%	20,455	1.26%	451,708	2.17%
from 1% to 3%	999,094	61.37%	9,775,134	46.94%
from 3% to 5%	246,899	15.17%	6,866,820	32.98%
Insurance products	**361,382**	**22.20%**	**3,728,438**	**17.91%**
Shadow reserve	**-**		**-10,875**	
TOTAL	**1,627,830**	**100.00%**	**20,811,225**	**100.00%**

In this regard, in order to monitor all risks (underwriting and financial) better, EurizonVita uses a tool for simulating assets and liabilities, named FAP (Financial Analysis Programme) which has the objective of measuring value and risk.
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

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 health 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.
The casualty branch reserves are dismantled in the table below based on observations of the development of the reserves over the four previous years, and reflect the average claims management time for the various branches, consistent with the time required for assessment of the various types of damages covered by the guarantees provided in the policies.

(in thousands of euro)

Development of Casualty Branch Reserves	Year of generation/event					
	2003	2004	2005	2006	2007	TOTAL
Reserve amount:						
as at 31/12 generation year N					22,010	22,010
as at 31/12 year N+1				7,777		7,777
as at 31/12 year N+2			2,794			2,794
as at 31/12 year N+3		881				881
as at 31/12 year N+4	678					678
Total claims paid	**117**	**92**	**1,993**	**9,652**	**12,420**	**24,274**
Claims reserve booked as at 31/12/2007	**678**	**881**	**2,794**	**7,777**	**22,010**	**34,140**
Final claims reserve for previous years						**8,417**
Total claims reserve booked as at 31.12.2007						**42,557**

Among the risk concentration factors used for calculating the rates, with specific reference to the Motor TPL and Health branches, the table below shows the breakdown of premiums for each Italian region.

(in thousands of euro)

Regional breakdown of premiums	
Regions	**Premiums**
Piemonte	50,023
Val D'Aosta	230
Liguria	1,466
Lombardia	9,229
Trentino Alto Adige	172
Veneto	15,524
Friuli Venezia Giulia	2,568
Emilia Romagna	19,446
Marche	1,119
Toscana	1,799
Umbria	874
Lazio	15,003
Campania	21,168
Abruzzo	4,215
Molise	161
Puglia	1,920
Basilicata	199
Calabria	674
Sicilia	1,582
Sardegna	613
TOTAL	**147,985**

The concentration of premiums in the Piemonte region is due to the presence of a significant portfolio of collective subscription policies, contracted by the banks in the Intesa Sanpaolo Group, to hedge insolvency risks for loans linked to financing (Credit Personal Insurance) disbursed by the former SANPAOLO IMI branches.
In terms of other Casualty products, risks are distributed homogeneously throughout the area in proportion to population density.

2.2 FINANCIAL RISKS

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).
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 (underwriting and financial), 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 underwriting 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 system, the 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

As at 31 December 2007, the investment portfolios of Group companies, recorded at book value, amounted to 47,058 million euro; of these, the share regarding traditional revaluable life policies and free capital (Class C portfolio or portfolio at risk) amounted to 18,955 million euro, while the other component (Class D portfolio or portfolio with total risk retained by the insured) mostly comprised investments related to index- and unit-linked policies and pension funds totalled 28,103 million euro.
Considering the various types of risks, the analysis of investment portfolios, described below, concentrates on the assets included in the "at-risk portfolio".

Financial assets under separate management and free capital

In terms of breakdown by asset class, as at 31 December 2007, 93.3% of assets, i.e. 17,713 million euro, was comprised of bonds, while assets subject to equity price risk represented 6.7% of the total and amounted to 1,267 million euro. Positions in derivatives made up a residual portion.
Investments with EurizonVita's free capital amounted to 1,017 million euro (market values) and presented a risk in terms of Value at Risk (99% confidence level, 10-day holding period) equal to 12.1 million euro.

Interest rate risk exposure

The breakdown by maturity of bonds showed 4.5% short-term (under 1 year), 37.2% medium-term and 51.6% long-term (over five years). Concentration on medium-long term maturities stems from an Investment Policy which is aimed at maintaining within certain limits contained in the mismatch between sensitivity of assets held in assets under separate management and the corresponding commitments to customers.

(in thousands of euro)

Financial assets	Book value	%	Duration
Fixed-rate bonds	**13,853,027**	**72.99%**	**5.70**
up to 1 year	709,684	3.74%	
1 to 5 years	5,199,403	27.39%	
over 5 years	7,943,940	41.86%	
Floating rate/indexed bonds	**3,859,944**	**20.33%**	**0.50**
up to 1 year	145,167	0.76%	
1 to 5 years	1,867,178	9.84%	
over 5 years	1,847,599	9.73%	
TOTAL	**17,712,971**	**93.32%**	**4.56**
Equities or similar capital securities	**1,267,055**	**6.68%**	
TOTAL AS AT 31.12.2007	**18,980,026**	**100.00%**	

The portion of the portfolio represented by bonds had an average duration of 4.5 years. Portfolio management uses hedging derivatives which are activated also on the basis of the expected future market trends. The synthetic duration of the portfolio of financial assets to cover Reserves, considering hedging derivatives, was approximately 3.4 years. Reserves relative to assets under separate management had a duration of approximately 3.8 years.
The sensitivity of the fair value of the portfolio of financial assets to interest rate movements is summarised in the table below which highlights both exposure of the securities portfolio and the effect of positions represented by hedging derivatives which reduce its sensitivity. For example, a parallel shift in

the yield curve of +100 basis points leads to a negative fair value change in the bond portfolios of 808 million euro. In this scenario, the value of hedging derivatives increases by 141 million euro which party offsets the capital loss registered by bonds.

(in thousands of euro)

	Book value	%	Fair value changes due to interest rate fluctuations	
			+1%	-1%
Fixed-rate bonds	13,853,027	72.99%	-789,095	789,095
Floating rate/indexed bonds	3,859,944	20.33%	-19,137	19,137
Equities or similar capital securities	1,267,055	6.68%	-	-
Interest rate risk hedging effect	-	-	141,044	-170,545
Total	**18,980,026**	**100.00%**	**-667,188**	**637,687**

Exchange risk exposure

The investment portfolio is not appreciably exposed to foreign exchange risk: over 99% of investments are made up of assets denominated in euro. The rest hedges the reserves of the insurance policies which lead to payments in foreign currency.

Credit risk exposure

The investment portfolio presented an extremely high asset quality: as shown in the table below, AAA/AA bonds represented approximately 77% of total investments and A bonds 13%. Low investment grade securities (BBB) were 3% of the total and the portion of speculative grade or unrated was marginal.

(in thousands of euro)

Breakdown of financial assets by issuer rating	Book value	%
Bonds	**17,712,971**	**93.32%**
AAA	4,086,780	21.53%
AA	10,519,669	55.42%
A	2,476,174	13.05%
BBB	593,191	3.13%
Speculative grade	2,532	0.01%
Unrated	34,625	0.18%
Equities or similar capital securities	**1,267,055**	**6.68%**
TOTAL	**18,980,026**	**100.00%**

High credit quality also emerges from the breakdown of exposure by issuer/counterparty: securities issued by Governments, Central banks and other Public entities represented 78.5% of the total, while financial companies (mostly banks) contributed for 14% of exposure.
With respect to sensitivity to credit risk, intended as market spread shocks of ± 100 basis points, the fair value change of corporate bonds, as at 31 December 2007, totalled 44 million euro.

Financial derivative instruments

Financial derivatives are used to hedge financial risks of the investment portfolio or for effective management, consistent with the guidelines set in the relevant Framework resolution.
The table below illustrates book value of financial derivatives as at 31 December 2007. Please note that the capital losses recorded in hedging derivatives are offset, due to the very nature and purpose of the instruments, by capital gains on the positions hedged.

(in thousands of euro)

Type of underlying	Interest rates		Equities, equity indices, commodities, exchange rates		TOTAL	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Effective management derivatives	-	2,239	-	8,348	-	10,587
Hedging derivatives	-	-35,294	-	-	-	-35,294
TOTAL	**-**	**-33,055**	**-**	**8,348**	**-**	**-24,707**

SECTION 3 – RISKS OF OTHER COMPANIES

QUALITATIVE INFORMATION

The risks of other companies are essentially concentrated in the companies Romulus Funding Corporation and Duomo Funding, which are asset-backed commercial paper conduit vehicles, established to support Intesa Sanpaolo's strategy of offering customers an alternative financing channel via access to the international commercial paper market.
Risk Management performs management and overall risk control; in particular, interest rate and foreign exchange risk which might arise as part of the operations of the two companies must be hedged in compliance with the relevant risk management policies set by the Intesa Sanpaolo Group.
As already indicated for Banking Group risks, risk management performs dynamic hedging on the OTC derivatives market to manage both volatility and interest rate risk, as well as listed derivatives to optimise interest rate strategies.
Companies are not generally permitted to take a position in foreign exchange.
Moreover, the Parent Company has defined an Investment Policy which sets out the objectives and limits of securities investments.

QUANTITATIVE INFORMATION

At the end of 2007, the investment portfolio of the Romulus vehicle included 317 million euro of Financial assets available for sale and 757 million euro of Loans to customers. As part of the analysis of the impact of the financial crisis on structured credit products, the 317 million euro of securities was posted:
- for 10 million euro to the subprime segment;
- for 28 million euro to the "contagion" area (Multisector CDOs and Alt-A);
- for 279 million euro to other structured credit products.

Negative fair value changes were recorded in Securities available for sale for 19 million euro with a balancing entry in the specific shareholders' equity reserve, broken down as follows;
- 1 million euro for positions included in the subprime segment;
- 2 million euro for positions in the "contagion" area (Multisector CDOs and Alt-A);
- 16 million euro for securities which are part of other structured credit products.

At the end of 2007, the portfolio of the Duomo vehicle was made up – in addition to due from Group banks – of 207 million euro of loans to customers. The financial crisis had no significant impact on the assets held by the vehicle.

Part F – Information on capital

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

Qualitative information

Capital management concerns the set of policies and decisions required to define the dimension of shareholders' equity, as well as the optimal combination of the various alternative capitalisation instruments, in order to ensure that shareholders' equity and capital ratios of the Intesa Sanpaolo Group and its subsidiaries are consistent with their risk profile and comply with supervisory requirements.
The Intesa Sanpaolo Group is subject to capital adequacy requirements set out by the Basel Committee according to the provisions issued by the Bank of Italy. On the basis of such provisions, at consolidated level, the ratio between regulatory shareholders' equity and risk-weighted assets must be at least equal to 8%; compliance with requirements is verified half-yearly by the Bank of Italy.
The verification of compliance with supervisory requirements and consequent capital adequacy is dynamic over time and depends upon the objectives set out in the Business Plan.
The first verification occurs in the process of assignment of budget objectives: based on the growth trends expected for loans, other assets and income statement aggregates, credit, market and operational risks are quantified and their compatibility with compulsory capital ratios for individual banks and for the Group as a whole is verified.
Compliance with capital adequacy is obtained via various levers, such as pay-out policy, definition of strategic finance operations (capital increases, issue of convertible bonds, subordinated bonds, etc.) and the management of loan policy on the basis of counterparty risk.
In the year, compliance with capital ratios for each bank and for the whole Group is monitored on a quarterly basis and if necessary appropriate actions are taken to direct and control balance sheet aggregates.
A further step in preventive analysis and control of the Group's capital adequacy occurs whenever extraordinary operations (such as acquisitions, disposals, etc.) are resolved upon. In this case, on the basis of the information on the operation to be conducted, its impact on capital ratios is estimated and any necessary actions to ensure compliance with the requirement set forth by Supervisory Authorities are planned.

Quantitative information

A breakdown of the Group’s shareholders' equity, including the annual changes in reserves, is provided in detail in Section 15 of Liabilities in the Notes to the consolidated financial statements.
The following table details shareholders’ equity captions.

(in millions of euro)

	Amount
Share capital	**6,647**
Share premium reserve	**33,457**
Reserves	**5,712**
Legal reserve	*1,329*
Statutory reserve	*945*
Concentration reserve (as per Art. 7, par. 3 of Law 218 of 30/7/1990)	*232*
Concentration reserve (as per Art. 7 of Law 218 of 30/7/1990)	*302*
Consolidation reserve	*2,854*
Other reserves	*50*
Valuation reserves	**699**
Legally-required revaluations	*342*
Valuation reserve from translation of financial statements in foreign currency	*74*
Valuation reserve of financial assets available for sale	*150*
Valuation reserve of cash flow hedges	*133*
Treasury shares	**-2,207**
Net income	**7,250**
Total	**51,558**

Trading on treasury shares

During the year, Intesa Sanpaolo and Group companies – on the basis of specific Shareholders’ Meeting authorisations – carried out the following transactions on treasury shares:

Ordinary shares:

Initial number	0
Purchased	438,291,463
Sold	30,297,288
End-of-year number	407,994,175

Unconvertible saving shares:

Initial number	0
Purchased	129,230
Sold	26,230
End-of-year number	103,000

The purchases and sales of ordinary shares include transactions connected to the assignment for free of ordinary shares to employees of Intesa Sanpaolo and Group companies, described in detail in the present Notes to the consolidated financial statements Part I – Share-based payments and the purchase of treasury shares by the Parent Company to serve the share swap with Carifirenze shares that took place on 29 January 2008.

SECTION 2 – REGULATORY CAPITAL AND CAPITAL RATIOS

2.1. Scope of application of regulations

Regulatory capital and capital ratios have been calculated on the basis of new instructions (Circular 263 of December 2006 and 12th update of Circular 155 of February 2008) issued by the Bank of Italy following the new prudential provisions for banks and banking groups introduced by the New Basel Capital Accord (Basel 2).
Concerning the determination of capital ratios, the new discipline will be adopted as of 2008; as at 31 December 2007 the previous discipline was applied (Basel 1).

2.2. Bank regulatory capital

Qualitative information

Regulatory capital is calculated as the sum of positive components, with certain limits, and negative components, on the basis of their capital quality; positive components, in order to be eligible for the calculation of capital absorptions, must be fully available for the Bank.
Regulatory capital is made up of Tier 1 capital and Tier 2 capital, adjusted by the "prudential filters" and net of certain deductions; in particular:

- Tier 1 capital includes paid-in share capital, reserves, innovative and non-innovative capital instruments, retained net income for the period; plus positive "prudential filters". The total of these elements, net of treasury shares or quotas, intangible assets, losses recorded in previous years and in the current year, "other negative components", as well as negative Tier 1"prudential filters", make up "Tier 1 capital before elements to be deducted".
  Tier 1 capital is made up of the difference between "Tier 1 capital before elements to be deducted" and 50 per cent of "elements to be deducted";
- Tier 2 capital includes valuation reserves, innovative and non-innovative capital instruments not included in Tier 1 capital, hybrid capital instruments, Tier 2 subordinated liabilities, unrealised capital gains on equity investments, excess value adjustments with respect to expected losses and other positive elements; plus positive "prudential filters" of Tier 2 capital. The total of these elements, less net unrealised capital losses on equity investments, negative elements related to loans, other negative elements, and negative Tier 2 "prudential filters", makes up "Tier 2 capital before elements to be deducted".

Tier 2 capital is made up of the difference between "Tier 2 capital before elements to be deducted" and 50 per cent of "elements to be deducted".

Each caption of Tier 1 and Tier 2 capital includes minority interests pertaining to the Banking group and to third parties.
The most significant prudential filters for the Intesa Sanpaolo Group are calculated applying the following provisions:

- for financial assets available for sale, relatively to equities, quotas of UCITS and debt securities, unrealised profits and losses are offset: the balance, if negative, reduces Tier 1 capital; if positive it contributes for 50% to Tier 2 capital. Furthermore, any unrealised profits and losses on loans classified among assets available for sale are excluded;
- for hedges, unrealised profits and losses on cash flow hedges, recorded in a specific reserve, are sterilised.

"Tier 1 capital before elements to be deducted" and "Tier 2 capital before elements to be deducted" must be deducted 50 per cent each, according to the means described above, respectively of equity investments, and – where they present the characteristics to be eligible for computation in the issuer's regulatory capital – of innovative and non-innovative capital instruments, hybrid capital instruments and subordinated instruments in banks, financial companies and insurance companies.
Concerning equity investments and subordinated instruments held in insurance companies, until 31 December 2012 they are deducted from Total capital, instead of 50 per cent each from Tier 1 and Tier 2, if acquired before 20 July 2006.

The main contractual characteristics of innovative instruments, hybrid capital instruments and subordinated liabilities which, together with share capital and reserves, are included in the calculation of

Tier 1 and Tier 2 capital, are summarised in the following tables.

Tier 1 capital

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimburse-ment as of	Currency	Original amount in currency	Contribution to capital for supervisory purposes (in millions of euro)
BCI US Funding LLC I	8.01% fixed rate; as of 15 Jul 2008: 3-month Libor + 3.25%	yes	15 Jul 1998	perpetual	15 Jul 2008	Usd	200,000,000	136
BCI US Funding LLC II	3-month Libor + 1.60%; as of 15 Jul 2008: 3-month Libor + 2.93%	yes	15 Jul 1998	perpetual	15 Jul 2008	Eur	550,000,000	545
BCI US Funding LLC III	8.25% fixed rate as of 15 Jul 2008: 3 month Libor + 3.20%	yes	15 Jul 1998	perpetual	15 Jul 2008	Gbp	120,000,000	164
Intesa Preferred LLC I	3-month Euribor + 1.75%; as of 30 Jun 2008: 3-month Euribor + 3.25%	yes	30 Jun 1998	perpetual	30 Jun 2008	Eur	200,000,000	200
Intesa Preferred LLC III	6.988%; as of 12 Jul 2011: 3-month Euribor + 2.60%	yes	12 Jul 2001	perpetual	12 Jul 2011	Eur	500,000,000	500
SANPAOLO IMI Capital Company I	8.126%; as of 10 Nov 2010: 1-year Euribor + 3,5 % p.a.	yes	10-Nov-2000	perpetual	10 Nov 2010	Eur	1,000,000,000	1,000
Total preference shares and innovative equity instruments (Tier I)								**2,545**

Tier 2 capital

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimburse-ment as of	Currency	Original amount in currency	Contribution to capital for supervisory purposes (in millions of euro)
Intesa Sanpaolo	5% fixed rate	no	29 Dec 1998	30 Dec 2008	NO	Lit	495,000,000,000	255
Intesa Sanpaolo	6-month Euribor + 0.70%	no	29 Dec 1998	30 Dec 2008	NO	Lit	5,000,000,000	2
Intesa Bank Overseas	3-month Libor + 0.85%	no	02 Jan 1998	02 Jan 2008	NO	Lit	200,000,000,000	101
Intesa Bank Overseas	3-month Libor + 0.85%	no	02 Jan 1998	02 Jan 2008	NO	Usd	500,000,000	337
Intesa Bank Overseas	3-month Libor + 0.625%	no	10 Apr 1998	10 Apr 1998	NO	Lit	250,000,000,000	129
Intesa Bank Overseas	3-month Libor + 0.625%	no	10 Jun 1998	10 Jun 2008	NO	Lit	800,000,000,000	414
Total hybrid instruments (Upper Tier II)								**1,238**
Banca di Trento e di Bolzano	1st year: 4.00%; 2nd year: 4.10%; for the following coupon 71% of the 10-year euro swap rate and never under 3%	no	04 Apr 2003	04 Apr 2010	NO	Eur	9,000,000	5
Banca di Trento e di Bolzano	1st year: 3.00%; 2nd year: 3.30%; 3rd year: 3.70%; 4th year: 4.10%; 5th year: 4.50%; 6th year: 5.10%; 7th year: 5.70%	no	04 Apr 2003	04 Apr 2010	NO	Eur	16,000,000	10
Intesa Sanpaolo	3-month Libor	no	01 Feb 1998	01 Feb 2008	01 Feb 2003	Lit	700,000,000,000	72
Intesa Sanpaolo	3-month Libor	no	01 Jun 1998	01 Jun 2008	01 Jun 2003	Lit	362,430,000,000	37
Intesa Sanpaolo	5.15% fixed rate	no	09 Jun 1998	10 Jun 2008	NO	Lit	100,000,000,000	10
Intesa Sanpaolo	1st coupon: 8%, 2nd and 3rd: 6.375%, for the following coupons:13.8% minus 2 times 12-month Libor (max 5.3%-min 4.5%)	no	16 Jun 1998	17 Jun 2013	NO	Lit	500,000,000,000	169
Intesa Sanpaolo	1st coupon: 8%, 2nd and 3rd: 6.375%, for the following coupons: 13.8% minus 2 times 12-month Libor (max 5.3%-min 4.5%)	no	30 Jun 1998	01 Jul 2013	NO	Lit	200,000,000,000	71
Intesa Sanpaolo	4.40% fixed rate	no	16 Nov 1998	17 Nov 2008	NO	Lit	300,000,000,000	31
Intesa Sanpaolo	4.40% fixed rate	no	09 Dec 1998	10 Dec 2008	NO	Lit	200,000,000,000	21
Intesa Sanpaolo	1st coupon: 8%, 2nd: 5% and 3rd: 4%, for the following coupons: 70% of 10-year euro swap rate	no	09 Mar 1999	09 Mar 2014	NO	Lit	480,000,000,000	210
Intesa Sanpaolo	1st coupon: 8%, 2nd: 5.5% and 3rd: 4%, for the following coupons: 65% of 10-year euro swap rate with a minimum of 4%	no	15 Jul 1999	15 Jul 2014	NO	Eur	250,000,000	218
Intesa Sanpaolo	5.30% fixed rate	no	22 Oct 1999	01 Jan 2010	NO	Eur	150,000,000	90
Intesa Sanpaolo	5.10% fixed rate	no	17 Nov 1999	17 Nov 2009	17 Nov 2005	Eur	350,000,000	138
Intesa Sanpaolo	5.20% fixed rate	no	07 Dec 1999	01 Jan 2010	NO	Eur	90,000,000	54
Intesa Sanpaolo	5.30% fixed rate	no	21 Jan 2000	01 Jan 2010	NO	Eur	100,000,000	60
Intesa Sanpaolo	5.50% fixed rate	no	16 Feb 2000	01 Jan 2010	NO	Eur	41,000,000	24
Intesa Sanpaolo	6.11% fixed rate; as of 23 Feb 2005 97% of 30-year euro swap mid rate	no	23 Feb 2000	23 Feb 2015	NO	Eur	65,000,000	64
Intesa Sanpaolo	92% of 30-year euro swap mid rate; never lower than the preceding	no	12 Mar 2001	23 Feb 2015	NO	Eur	50,000,000	50
Intesa Sanpaolo	5.35% fixed rate	no	09 Apr 2001	09 Apr 2011	NO	Eur	125,478,000	100

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimburse-ment as of	Currency	Original amount in currency	Contribution to capital for supervisory purposes (in millions of euro)
Intesa Sanpaolo	5.20% fixed rate	no	15 Jan 2002	15 Jan 2012	NO	Eur	265,771,000	265
Intesa Sanpaolo	5.50% fixed rate	no	12 Apr 2002	12 Apr 2012	NO	Eur	126,413,000	118
Intesa Sanpaolo	5.85% fixed rate; as of 8 May 2009 3-month Euribor + 1.25%	yes	08 May 2002	08 May 2014	08 May 2009	Eur	500,000,000	497
Intesa Sanpaolo	3-month Euribor + 0.25%	yes	08 Feb 2006	08 Feb 2016	08 Feb 2011	Eur	1,500,000,000	1,489
Intesa Sanpaolo	5.50% fixed rate; as of 19 December 2011 3-month GBP Libor + 0.99%	yes	19 Jul 2006	19 Dec 2016	19 Dec 2011	Gbp	1,000,000,000	1,354
Intesa Sanpaolo	6.375% fixed rate; as of 12 November 2012 3-month GBP Libor	yes	12 Oct 2007	12 Oct 2017	12 Oct 2012	Gbp	250,000,000	341
Intesa Sanpaolo	5.55% fixed rate	no	31 Jul 2001	31 Jul 2008	NO	Eur	300,000,000	60
Intesa Sanpaolo	5.16% fixed rate	no	02 Oct 2001	02 Oct 2008	NO	Eur	200,000,000	40
Intesa Sanpaolo	5.75% fixed rate	no	15 Sep 1999	15 Sep 2009	NO	Eur	150,000,000	60
Intesa Sanpaolo	6.375% fixed rate	no	06 Apr 2000	06 Apr 2010	NO	Eur	500,000,000	300
Intesa Sanpaolo	3.72% fixed rate; as of 3 August 2009 6-month Euribor + 0.60% p.a.	yes	03 Aug 2004	03 Aug 2014	03 Aug 2009	Eur	133,793,000	126
Intesa Sanpaolo	2.90% fixed rate; as of 1 August 2010 6-month Euribor + 0.74% p.a.	yes	01 Aug 2005	01 Aug 2015	01 Aug 2010	Eur	20,000,000	20
Intesa Sanpaolo	5.375% fixed rate	no	13 Dec 2002	13 Dec 2012	NO	Eur	300,000,000	298
Intesa Sanpaolo	up to 20 Feb 2013 excluded: 3-month Euribor + 0.25% p.a.; subsequently 3-month Euribor + 0.85% p.a.	yes	20 Feb 2006	20 Feb 2018	20 Feb 2013	Eur	750,000,000	749
Intesa Sanpaolo	up to 9 Jun 2010 excluded: 3.75% p.a.; subsequently: 3-month Euribor + 1.05% p.a.	yes	09 Jun 2003	09 Jun 2015	09 Jun 2010	Euro	350,000,000	345
Intesa Sanpaolo	up to 18 Mar 2019 excluded: 5.625% p.a.; subsequently: 3-month Sterling LIBOR + 1.125% p.a.	yes	18 Mar 2004	18 Mar 2024	18 Mar 2019	Gbp	165,000,000	225
Intesa Sanpaolo	up to 28 Jun 2011 excluded: 3-month Euribor + 0.30% p.a.; subsequently: 3-month Euribor + 0.90% p.a.	yes	28 Jun 2004	28 Jun 2016	28 Jun 2011	Eur	700,000,000	698
Intesa Sanpaolo	up to 2 mar 2015 excluded: 3.75%p.a.; subsequently: 3-month Euribor + 0.89% p.a.	yes	02 Mar 2005	02 Mar 2020	02 Mar 2015	Eur	500,000,000	496
Intesa Sanpaolo	up to 19 Apr 2011 excluded: 3-month Euribor + 0.20% p.a.; subsequently: 3-month Euribor + 0.80% p.a.	yes	19 Apr 2006	19 Apr 2016	19 Apr 2011	Eur	500,000,000	492
Intesa Sanpaolo	up to 26 Jun 2013 excluded: 4.375% p.a.; subsequently: 3-month Euribor + 1.00% p.a.	yes	26 Jun 2006	26 Jun 2018	26 Jun 2013	Eur	500,000,000	500
Banca Fideuram	6-month Euribor + 0.50% p.a.	no	01 Oct 1999	01 Oct 2009	NO	Eur	200,000,000	80

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement as of	Currency	Original amount in currency	Contribution to capital for supervisory purposes (in millions of euro)
Banco di Napoli	up to 29 Sep 2008 excluded: 6-month Euribor + 0.46% p.a.; subsequently 6-month Euribor + 1.06% p.a.	yes	29 Sep 2003	29 Sep 2013	29 Sep 2008	Eur	74,500,000	62
Banco di Napoli	up to 1 Jul 2008 excluded: 6-month Euribor + 0.48% p.a.; subsequently 6 month Euribor + 1.08% p.a.	yes	01 Jul 2003	01 Jul 2013	01 Jul 2008	Eur	157,500,000	150
Cassa dei Risparmi di Forlì e della Romagna	up to 10 Jun 2005 included: 3-month Euribor + 0.40% p.a.; subsequently: 3-month Euribor + 1.00% p.a.	yes	10 Jun 2005	10 Jun 2015	10 Jun 2010	Eur	70,000,000	53
Total eligible subordinated liabilities (Lower Tier II)								**10,252**

Tier 3 capital

Subordinated debts have been issued which are eligible to be considered in Tier 3 Capital, net of infra-group operations to "cover" market risks.

Issuer	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement as of	Currency	Original amount in currency	Contribution to capital for supervisory purposes (in millions of euro)
Intesa Sanpaolo	3-month Euribor + 0.15% p.a.	no	20 Dec 2005	07 Jan 2008		Eur	550,000,000	550
Total Tier III subordinated liabilities								**550**
Total								**14,585**

Quantitative information

(in millions of euro)

	31.12.2007	31.12.2006 (*)
A. Tier 1 capital before the application of prudential filters	**25,252**	**12,731**
B. Tier 1 capital prudential filters	-189	-23
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	*-189*	*-23*
C. Tier 1 before items to be deducted (A+B)	**25,063**	**12,708**
D. Items to be deducted from Tier 1	**775**	**778**
E. Total Tier 1 capital (C-D)	**24,288**	**11,930**
F. Tier 2 capital before the application of prudential filters	**12,287**	**8,339**
G. Tier 2 capital prudential filters	-208	-300
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	*-208*	*-300*
H. Tier 2 before items to be deducted (F+G)	**12,079**	**8,039**
I. Items to be deducted from Tier 2	**775**	**778**
L. Total Tier 2 capital (H-I)	**11,304**	**7,261**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**2,629**	-
N. Regulatory capital (E+L-M)	**32,963**	**19,191**
O. Tier 3 capital	**550**	**-**
P. Regulatory capital including Tier 3 (N+O)	**33,513**	**19,191**

(*) Figures relative to Gruppo Intesa.

2.3. Capital adequacy

Qualitative information

On the basis of Supervisory instructions, the Banking Group's regulatory capital must be at least 8% of total risk-weighted assets (total capital ratio) in relation to the credit risk profile, valued on the basis of category of borrowing counterparties, maturity, country risk and guarantees received.
Furthermore, banks must comply with capital requirements on market risks calculated on the whole trading portfolio separately for the various types of risk: position risk on debt securities and equities, settlement risk, counterparty risk and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk and position risk on commodities must be calculated. The use of internal models to determine the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo and Banca IMI (for the former Banca Caboto component)[1] apply the internal model to calculate generic position risk (price oscillation risk) and specific risk (issuer risk) for equities, generic position risk for debt securities; for Intesa Sanpaolo the calculation of specific risk of certain type of credit derivatives in the trading portfolio is also included in the internal model, while for other risks standard methodologies are used.
The consolidated requirement is calculated as the sum of the individual requirements of the companies which make up the Banking group. For counterparty risk, exposures deriving from intergroup relations are eliminated.
For the assessment of financial soundness, more rigorous ratios are also used: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preference shares) and risk-weighted assets.

As indicated in the table on the composition of regulatory capital and capital ratios, as at 31 December 2007, the Group had a Tier 1 ratio (Tier 1 capital/risk-weighted assets) equal to 6.5% and a Total capital ratio (regulatory capital/risk-weighted assets) equal to 9.0%, higher than the 8% minimum requirement.
Core Tier 1 ratio totalled 5.9%.

[1] At year-end, the regulatory capital requirement for the former Banca IMI continued to be calculated with the standard approach; the extension of the internal model to this component is programmed for the first quarter of 2008.

Quantitative information

(in millions of euro)

	Unweighted amounts		Weighted amounts / requirements	
	31.12.2007	**31.12.2006** (*)	**31.12.2007**	**31.12.2006** (*)
A. RISK ASSETS				
A.1 Credit risk	**492,710**	**251,737**	**342,137**	**189,104**
STANDARD METHODOLOGY				
CASH ASSETS	**417,107**	**221,446**	**290,914**	**163,272**
1. Exposure (other than equities and other subordinated assets) towards (or guaranteed by):	344,537	167,476	249,554	132,096
1.1 Governments and Central Banks	*22,645*	*19,231*	*1,812*	*1,470*
1.2 Public entities	*59,301*	*7,063*	*11,860*	*1,413*
1.3 Banks	*34,769*	*15,094*	*8,060*	*3,125*
1.4 Other counterparties (other than mortgage loans on residential and non-residential real estate)	*227,822*	*126,088*	*227,822*	*126,088*
2. Mortgage loans on residential real estate	53,573	36,854	26,786	18,427
3. Mortgage loans on non-residential real estate	4,092	5,256	4,868	4,850
4. Shares, equity investments and subordinated assets	2,995	2,536	3,269	2,703
5. Other cash assets	11,910	9,324	6,437	5,196
OFF-BALANCE SHEET ASSETS	**75,603**	**30,291**	**51,223**	**25,832**
1. Guarantees and commitments towards (or guaranteed by):	74,976	29,851	51,113	25,781
1.1 Governments and Central Banks	*469*	*739*	*52*	*81*
1.2 Public entities	*10,513*	*1,024*	*1,470*	*205*
1.3 Banks	*6,943*	*4,854*	*3,472*	*2,261*
1.4 Other counterparties	*57,051*	*23,234*	*46,119*	*23,234*
2. Derivatives towards (or guaranteed by):	627	440	110	51
2.1 Governments and Central Banks	-	-	-	-
2.2 Public entities	-	-	-	-
2.3 Banks	*523*	*414*	*59*	*38*
2.4 Other counterparties	*104*	*26*	*51*	*13*
B. CAPITAL REQUIREMENTS				
B.1 Credit risk		**-**	**27,371**	**15,128**
B.2 Market risk		**-**	**2,184**	**922**
1. Standard methodology	X	X	2,069	830
of which:				
- position risk on debt securities	*X*	*X*	*810*	*591*
- position risk on equities	*X*	*X*	*277*	*6*
- foreign exchange risk	*X*	*X*	*30*	*20*
- other risks	*X*	*X*	*952*	*213*
2. Internal models	X	X	115	92
of which:				
- position risk on debt securities	*X*	*X*	-	-
- position risk on equities	*X*	*X*	-	-
- foreign exchange risk	*X*	*X*	-	-
B.3 Other capital requirements	**X**	**X**	**168**	**117**
B.4 Total capital requirements (B1+B2+B3)	**X**	**X**	**29,723**	**16,167**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS	**X**	**X**	**-**	**-**
C.1 Risk-weighted assets	**X**	**X**	**371,532**	**202,088**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	**X**	**X**	**6.5**	**6.3**
C.3 Total capital / Risk-weighted assets (Total capital ratio)	**X**	**X**	**9.0**	**9.5**

(*) Figures relative to Gruppo Intesa.

Part G – Business combinations

SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

1.1 Business combinations

(in millions of euro)

Companies	Date of the transaction [a]	Cost of the transaction [b]	% Equity stake [c]	Net interest and other banking income [d]	Net income / loss for the year [e]	Net income / loss recorded as of acquisition date [f]
1. Sanpaolo IMI	01-Jan-2007	34,203	100	-	-	-
2. American Bank of Albania	29-Jun-2007	119	80	25	9	5
3. Eurizon Investimenti	27-Dec-2007	864	65	131	94	-

[a] Date of acquisition of control.

[b] Including accessory costs.

[c] Percentage of voting rights at the Ordinary Shareholders' Meeting.

[d] Net interest and other banking income (Caption 120 of the income statement) referred to full year 2007.

[e] Net income / loss recorded by the subsidiary for full year 2007.

[f] Net income / loss recorded after acquisition date and included in Gruppo Intesa's consolidated result.

1.2 Other information on business combinations

1.2.1 Annual changes in goodwill

(in millions of euro)

	31.12.2007
Initial goodwill	**926**
Increases	**17,035**
- Goodwill recorded in the year	17,014
goodwill already recognised in the consolidated financial statements of the Sanpaolo IMI Group	*2,023*
goodwill from the acquisition of Sanpaolo IMI Group	*14,103*
goodwill from the acquisition of American Bank of Albania	*90*
goodwill from the acquisition of Eurizon Investimenti	*798*
- Positive foreign exchange differences:	21
Decreases	**-374**
- Impairment recorded in the year	-196
- Divestments	-2
- Negative foreign exchange differences	-176
Final Goodwill	**17,587**

In the table below goodwill is allocated to the different business units which correspond to the Cash Generating Units.

(in millions of euro)

Goodwill	31.12.2007	31.12.2006 (*)
Banca dei Territori	9,453	274
Corporate & Investment Banking	3,013	-
Public Finance	10	-
International Subsidiary Banks	1,899	625
Eurizon Capital	1,653	27
Banca Fideuram	1,559	-
Total	**17,587**	**926**

(*) Figures relative to Gruppo Intesa.

1.2.2 Other information

The merger between Banca Intesa and SANPAOLO IMI

Book value and fair value of assets and liabilities of acquired companies

Assets/Liabilities	SANPAOLO IMI Group	
	Book value	Fair value
Assets		
Financial assets	84,329	84,330
Due from banks	30,058	30,026
Loans to customers	157,800	158,687
Investments in associates and companies subject to joint control	893	1,431
Property and equipment	2,951	3,325
Intangible assets	282	8,347
Goodwill	2,023	16,126
Other assets	10,215	10,247
Total Assets	**288,551**	**312,519**
Liabilities		
Due to banks	38,913	38,917
Due to customers	105,493	105,493
Securities issued	55,914	55,838
Financial liabilities	36,743	36,743
Other liabilities and allowances for risks	36,897	40,462
Shareholders' equity	253	253
Minority interests	14,338	34,813
Total Liabilities and Shareholders' Equity	**288,551**	**312,519**

Description of the transaction

The deed for the merger by incorporation of SANPAOLO IMI with and into Banca Intesa was signed on 28 December 2006 and came into legal, accounting and tax effect as of 1 January 2007.

Banca Intesa – which as of the date on which the merger became effective adopted Intesa Sanpaolo as its new corporate name – increased its share capital by 3,033,435,122.64 euro through the issuance of 5,833,529,082 ordinary shares with a nominal value of 0.52 euro each attributed to SANPAOLO IMI shareholders according to an exchange ratio of 3.115 Intesa Sanpaolo ordinary shares for every ordinary or preference share of SANPAOLO IMI with a nominal value of 2.88 euro each. SANPAOLO IMI's ordinary shares were cancelled from listing as of 2 January 2007 (first Stock exchange business day after the merger came into effect).

The merger between Intesa and SANPAOLO IMI has been conceived of as a "merger of equals".

However, international accounting principles require that an acquirer be identified in any business combination: Banca Intesa – based on quantitative factors relative to the number of 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 by IFRS 3.
The date in which the merger came into legal effect – 1 January 2007 – is the date identified as the date of acquisition of control as provided for by IFRS 3 and therefore from that date the figures of the merged company are recorded into the surviving company.
Pursuant to IAS 27, control over a company is presumed when the controlling entity holds the majority of voting rights or the majority of directors, or has the power to determine the financial and operating policies, or appoint the majority of directors. In the case of the merger between Intesa and SANPAOLO IMI such conditions occurred starting from the date in which the merger came into legal effect.
In fact, this last date coincides with the issue of the new shares and the simultaneous cancellation of the shares of the merged company, with the cancellation of the merged company from the Company Register and the dissolution of the corporate bodies. From that moment the surviving company succeeds to the rights and obligations of the merged company. Up to that date shareholders of SANPAOLO IMI maintained unaltered rights and the directors of SANPAOLO IMI remained in office. Until that date, shareholders and directors of Intesa had no instruments with which to intervene in the operating decisions of SANPAOLO IMI since there were no agreements between the parties which could lead to acquiring control before the acquisition came into legal effect.
The exchange of shares is the significant event for the purpose of the transfer of control.
IFRS 3 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. Moreover, (iv) costs directly attributable to the business combination must be added to this value.
Therefore, in the business combination between Intesa and SANPAOLO IMI the cost of the acquisition is represented by the fair value at transaction date (that is the date of the issue of new securities, which coincides with the date in which the merger comes into legal effect), of shares which Banca Intesa issued in exchange for the shares of the merged company SANPAOLO IMI. Since such shares are 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 comes into legal effect, that is 29 December 2006 (reference price corresponding to 5.85 euro).
The cost was therefore determined in 34,126 million euro to which the accessory costs of the transaction must be added (professional fees, costs for reports and expert opinions, etc.). Such costs totalled 77 million euro.
This amount is compared with the consolidated shareholders’ equity of the SANPAOLO IMI Group, which considering consolidation adjustments, amounted to 13,728 million euro, determining a “merger difference” of 20,475 million euro.
The cost of the business combination must be allocated to assets, liabilities and to any intangible assets not recorded in the balance sheet of the SANPAOLO IMI Group up to their fair value. After this allocation any further residual value must be recorded as goodwill.
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. Intesa Sanpaolo used this faculty and therefore in interim information disclosed during 2007 it provided preliminary estimates of the effects of purchase cost allocation and provisionally introduced in financial statement forms two specific captions not included in the Bank of Italy’s compulsory forms. Such captions are the entire difference arising from the merger which was recorded under assets in the balance sheet and the estimated economic effects of allocations which were recorded in the income statement.
The table below illustrates the differences between the preliminary allocations of the purchase cost provided in the 2007 interim reports and the final allocation indicated above and described in detail hereafter.

(in billions of euro)

	Provisional allocation	Final allocation
Revaluation of assets and liabilities already recognised in the consolidated financial statements of the Sanpaolo IMI Group	1.9	1.8
Recognition of new intangible assets	8.0	8.1
Deferred tax	-3.0	-3.5
Goodwill	13.0	14.1
	19.9	**20.5**

Purchase cost allocation

Assets and liabilities recognised in the financial statements of the Sanpaolo IMI Group, which were not already measured at fair value, mostly referred to:

- loans and due to customers and banks;
- loans represented by securities;
- investments held to maturity;
- buildings;
- investments.

Financial assets and liabilities are measured at fair value by discounting expected future cash flows from the financial instruments using the market interest rate. The difference between the fair value and the carrying value of the aforementioned assets and liabilities is amortised, on the basis of their residual life, by applying the amortised cost criterion.

The market value of buildings and land was determined on the basis of opinions prepared by independent experts. The difference between the fair value and the carrying value of buildings is amortised on the basis of their residual life redetermined at the acquisition date.

The fair value of investments was determined using standard practice valuation methodologies.

The following intangible assets were identified in the former Sanpaolo IMI Group:

- customer related intangibles which are made up of two main categories: client relationship intangibles which in turn may be divided into activities in the asset management field and in deposit collection through the management of so-called "core deposits"; activities related to contractual relations deriving from the subscription of insurance products;
- marketing related intangibles represented by the "brand name", that is the group of complementary assets related to the brand, relationship management and distribution capabilities.

"Core deposits" are "customer related intangibles", generally recorded in business combinations between banks. The intangible value of core deposits stems from the future benefits for the acquirer deriving from the lower funding cost compared to market parameters. Basically, the acquirer may use funding for its lending and investment activities which it pays less than the market interest rate. Therefore, the intangible asset is the value of this future margin, called "deposit premium", and the other direct economic components related to deposits (commissions and management costs). The value of the "deposit premium" depends on the trend of funding and market interest rates and trends of funding flows. The valuation of the asset requires the identification of the structural component of funding and, therefore, the exclusion of highly-volatile or non-recurring funding sources. The intangible asset is considered to have a finite useful life since its valuation considers contracts in force at the acquisition date, and does not consider replacement/generation capacity. The fair value of this asset is determined by discounting the flows representing the income margins generated by deposits over a period deemed to express expected residual maturity at the acquisition date.

The intangible asset is recognised in caption 130. Intangible assets of the balance sheet and its amortisation (recorded in the income statement in caption 210. Net adjustment to/recoveries on intangible assets) is calculated using the straight-line method over the period in which the expected economic benefits of the asset are most significant (18 years).

For asset management, the activities of the former Sanpaolo IMI Group included both portfolio management (by Eurizon Capital, Banca Fideuram and their respective subsidiaries) as well as product distribution by bank branches and Banca Fideuram's network of financial planners. For both components the intangible asset is considered to have a finite useful life since it depends on the relation with the final customer and is exclusively referred to contracts in force at acquisition date. Again valuation is

determined by discounting flows representing the income margins generated by these activities over a period deemed to express the expected residual maturity of the contracts.
The intangible asset is recognised in caption 130. Intangible assets of the balance sheet and its amortisation (recorded in the income statement in caption 210. Net adjustment to/recoveries on intangible assets) is calculated using the straight-line method over the period in which the expected economic benefits of the asset are most significant (8-10 years).
Concerning insurance contracts, the activities of the former Sanpaolo IMI Group included both product management (by Eurizon Vita and its subsidiary Eurizon Life) as well the product placement by bank branches and Banca Fideuram's network of financial planners. The intangible asset presents a finite useful life since it is referred to contractual relations (insurance contracts) mostly with determined duration. Valuation was made using models normally applied to determine the embedded value, by discounting flows representing the income margins over a period deemed to express the residual maturity of the insurance portfolio in force at the acquisition date.
The intangible asset is recognised in caption 130. Intangible assets of the balance sheet and its amortisation (recorded in the income statement in caption 210. Net adjustment to/recoveries on intangible assets) is calculated in decreasing portions corresponding to the residual life of the contracts at acquisition date (14% for 2007).
IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase cost allocation process.
For this purpose please note that the term "brand" is used in accounting principles with an extensive meaning and not as a synonym of trademark (the logo and the name). It is considered a general marketing term which defines a set of complementary intangible assets (in addition to the name and the logo, also the competencies, consumer trust, service quality, etc.) which concur to form brand equity. With reference to the Sanpaolo IMI Group, it was decided to limit the analysis to only two brands: the corporate brand Sanpaolo IMI, intended as an "umbrella" brand to which the brands of the network banks are related, and the brand of the subsidiary Banca Fideuram since it is an autonomous brand and is strongly recognised by the market for the placement of financial products through a network of financial planners. Both are considered intangibles with indefinite useful life since they are deemed to contribute indefinitely to the formation of income flows. Market methods and fundamental, flow-based methods have been used in the valuation of the two brands. Value was determined as the average of the values obtained using the various methods.
The intangible asset is recognised in caption 130. Intangible Assets of the balance sheet.
All the aforementioned intangible assets are subject to impairment testing once a year to verify the recoverability of the residual amount recognised in the financial statements, by recalculating their value in use applying the methodologies illustrated above.

The difference between the total cost of the acquisition and the fair value of assets and liabilities was allocated to goodwill in caption 130. Intangible assets.

The following table shows the allocation of purchase cost of the Sanpaolo IMI Group.

(in millions of euro)

Capital increase	34,126
Accessory costs	77
Purchase cost (A)	**34,203**
Shareholders' equity (B) (*)	**13,728**
Difference to be allocated (A) - (B)	**20,475**
Financial assets and liabilities	928
Real estate assets	384
Investments not fully consolidated	543
Fair value of assets and liabilities	**1,855**
Core deposits	2,175
Asset management portfolio	2,790
Insurance portfolio	716
Brand name	2,384
Recognition of intangible assets	**8,065**
Deferred tax	**-3,548**
Goodwill (**)	**14,103**
Difference allocated	**20,475**

(*) Shareholders' equity of the SANPAOLO IMI Group as at 31.12.2006 adjusted to consider the consolidation entries.

(**) Goodwill recognised on purchase cost allocation does not include goodwill already recognised in the consolidated financial statements of the SANPAOLO IMI Group as at 31.12.2006.

The table below shows the effect on the 2007 consolidated income statement deriving from the calculation of amortised cost of financial assets and liabilities which were revalued and the adjustments to tangible assets (for the portion referred to the posted revaluation) and finite life intangibles (recorded for the first time in the 2007 financial statements).

(in millions of euro)

Interest income (*)	-339
Interest expense (*)	-20
Impairment on property and equipment	28
Impairment on intangible assets	-529
Taxes on income from continuing operations	319
Net income (loss)	**-541**

(*) The amount includes the economic effects of early termination of loans and deposits designated at fair value.

Identification of Cash Generating Units

The merger between Banca Intesa and Sanpaolo IMI led to the redefinition, within the new Group, of the operating divisions which manage the business.
As already illustrated in Segment Reporting, six Business Units have been identified: the Banca dei Territori Division, the Corporate & Investment Banking Division, the Public Finance Division, the International Subsidiary Banks Division, Eurizon Capital and Banca Fideuram.

These divisions are considered representative of Cash Generating Units since each one represents the smallest group of assets generating independent cash flows and also the minimum level for management of planning and reporting processes. Therefore, these are the minimum units to which goodwill may be allocated and monitored according to non-arbitrary criteria.
The recoverable amount of Cash Generating Units is determined annually on the basis of the higher between fair value and value in use.

The table below shows goodwill recorded in the financial statements following the merger, broken down by Cash Generating Units.

(in millions of euro)

Goodwill	
Banca dei Territori	8,489
Corporate & Investment Banking	3,006
Public Finance	10
International Subsidiary Banks	15
Eurizon Capital	1,024
Banca Fideuram	1,559
Total	**14,103**

The acquisition of American Bank of Albania

(in millions of euro)

Assets/Liabilities	American Bank of Albania	
	Book value	Fair value
Assets		
Financial assets	229	229
Due from banks	153	153
Loans to customers	231	231
Investments in associates and companies subject to joint control	-	-
Property and equipment	-	-
Intangible assets	-	-
Goodwill	-	90
Other assets	25	25
Total Assets	**638**	**728**
Liabilities		
Due to banks	113	113
Due to customers	490	490
Securities issued	4	4
Financial liabilities	-	-
Other liabilities and allowances for risks	2	2
Shareholders' equity	29	119
Minority interests	-	-
Total Liabilities and Shareholders' Equity	**638**	**728**

On 29 June 2007 Intesa Sanpaolo finalised the acquisition of American Bank of Albania by purchasing from the Albanian American Enterprise Fund (AAEF) 12 million shares representing 80% of the Bank's voting share capital. Furthermore, the agreement provides for reciprocal call/put options on the remaining 20% stake. The overall investment was 119 million euro, inclusive of the value of the put option and accessory costs.
First time consolidation of the company occurred with respect to the balance sheet situation as at 30 June 2007 and the difference (90 million euro) between purchase cost and the company's net book value was integrally recorded under goodwill.

The acquisition of Eurizon Investimenti

(in millions of euro)

Assets/Liabilities	Eurizon Investimenti	
	Book value	Fair value
Assets		
Financial assets	105	105
Due from banks	71	71
Loans to customers	8	8
Investments in associates and companies subject to joint control	-	-
Property and equipment	1	1
Intangible assets	1	1
Goodwill	-	798
Other assets	149	149
Total Assets	**335**	**1,133**
Liabilities		
Due to banks	77	77
Due to customers	3	3
Securities issued	-	-
Financial liabilities	-	-
Other liabilities and allowances for risks	151	151
Shareholders' equity	66	864
Minority interests	38	38
Total Liabilities and Shareholders' Equity	**335**	**1,133**

Intesa Sanpaolo and Crédit Agricole unwound their joint venture in asset management in Italy as provided for in the agreement signed in relation to the Intesa Sanpaolo merger. As a result of this decision, on 27 December 2007 Intesa Sanpaolo purchased from Crédit Agricole the assets attributable to the 65% of Nextra Investment Management (business line which changed its corporate name to Eurizon Investimenti SGR) sold by Banca Intesa to Crédit Agricole in December 2005. The consideration paid was 864 million euro.

The difference, of 798 million euro, between the consideration and the book value of assets and liabilities purchased, until the determination of the latter's fair value is completed, was provisionally recorded as goodwill. In the consolidated financial statements as at 31 December 2007 such goodwill was impaired by 196 million euro.

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

2.1 Business combinations

(in millions of euro)

Companies	Date of the transaction [a]	Cost of the transaction	% Equity stake [b]	Net interest and other banking income [c]	Net income / loss for the year [d]
1. Carifirenze	28-gen-08	1,901	40.30	983	185

[a] Date of acquisition of control.

[b] Percentage of voting rights at the Ordinary Shareholders' Meeting.

[c] Net interest and other banking income (Caption 120 of the income statement) referred to full year 2007.

[d] Net income / loss recorded by the subsidiary for full year 2007.

Description of transactions

Cassa di Risparmio di Firenze

As already presented in the introduction to the Report on operations and more in detail in Section 4 – Significant events after the end of the year, the preliminary agreement for the acquisition of the control of Cassa di Risparmio di Firenze was signed at the end of July. The transaction falls within the strategic operations foreseen in the Business plan. Intesa Sanpaolo would 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 So.Fi.Ba.R. – Società Finanziaria di banche Romagnole. The share swap ratio had been set at 1.194 Intesa Sanpaolo ordinary shares for each Carifirenze share.

The Intesa Sanpaolo Ordinary Shareholders' Meeting of 2 October 2007 authorised that own ordinary shares be acquired and made available, up to a maximum number of 800 million. This framework included the programme for the purchase of approximately 399 million own ordinary shares for the purpose of meeting the commitments of the agreement to acquire the control of Carifirenze.

The purchase programme was executed from 3 October to 7 November 2007. Intesa Sanpaolo purchased 398,904,617 own ordinary shares (equal to 3.366% of the ordinary share capital), for a value of 2,158 million euro.

The transaction was completed on 29 January 2008 with the swap of 398,904,617 own ordinary shares with 334,090,969 Carifirenze ordinary shares.

According to IFRS 3 the cost of a business combination is equal to the fair value, at the transaction date, of shares sold and, at that date, Intesa Sanpaolo was quoted at 4.766 euro corresponding to a total value of 1,901 million euro.

The cost of the acquisition was therefore provisionally determined at 1,901 million euro; the comparison of this amount with the pro quota net equity of Carifirenze, equal to 689 million euro, determines a difference of 1,212 million euro. The cost of the acquisition must be allocated to assets, liabilities and other intangible assets not recorded in Carifirenze's financial statements, within the limits of their fair values. IFRS 3 set forth that final allocation of cost must occur within twelve months from the date of acquisition, that is in the 2008 financial statements.

Due to the stake already held (approximately 18.6%), the total interest of Intesa Sanpaolo reached 58.9% of the share capital and therefore Intesa Sanpaolo launched a mandatory public offer to buy all the Carifirenze shares at the same price used to determine the exchange ratio, that is 6.73 euro per share, as described in detail in the Offer Document.

The Offer refers to 255,569,436 ordinary shares of Carifirenze, that is, all the issued ordinary shares of Carifirenze excluding those owned by Intesa Sanpaolo and by Ente Cassa di Risparmio di Firenze. The shares represent 30.835% of Cassa's share capital. The Offer is not subject to any conditions and in particular it is not conditional upon the achievement of a minimum threshold of acceptances; the acceptance period, corresponding to fifteen trading days, started on 10 March 2008 and will expire on 1 April 2008.

Part H – Information on compensation and transactions with related parties

INFORMATION ON COMPENSATION AND TRANSACTIONS WITH RELATED PARTIES

Procedural features

The Management Board has adopted the Intesa Sanpaolo "Regulations on the management of transactions with related parties" approved by the Supervisory Board and intended for all companies within the Group. It sets out the criteria for identifying related parties, the assessment and decision-making rules as well as the principles to be followed in subsequently providing information to Corporate bodies and to the market. Changes to the Regulations have recently been made (February 2008) in order to further strengthen the coverage of group controls.

Complying with the criteria set out in IAS 24, the Regulations define the rules for identifying in a practical manner the various entities belonging to the categories foreseen by this accounting principle (companies related through controlling or joint stakes, joint ventures, pension funds, Key Managers, close family members of Key Managers and related significant shareholding positions).

In this regard, it has been decided that the category of Key Managers will include not only Management and Supervisory Board Members but also General Managers, the Manager responsible for preparing the Company's financial reports, the heads of business units, the heads of governance areas, the heads of head office departments that report directly to the CEO and to the Chairman of the Management Board, the Head of the General Secretariat of the Supervisory Board and the Head of Strategic Transactions and Special Projects.

The Regulations approved in 2007 stated that no Bank shareholder, alone or jointly with others, was able to exercise control or significant influence as per IAS 24. In February 2008 the situation was still the same; the Management and Supervisory Boards have consequently decided it is best to extend, as a form of self-regulation, the application of the rules regarding transactions with related parties to a broader circle than the one foreseen by the reference regulations, in order to include shareholders and their groups (controlled entities, controlling entities, or those under joint control) that hold a stake in the bank's voting share capital greater than 2% (calculated considering only shares owned).

This formula shall lead, in future, to the development of a higher standard for monitoring transactions with the main shareholders, subjecting these transactions to the rules applied to transactions with related parties.

The Regulations consider the various preliminary assessments that must be respected by the Parent Company and subsidiaries when carrying out transactions with related parties, in order to fulfil the demands of substantial correctness in the transactions themselves. Among other things, they require a detailed examination of the motives and interests behind the transactions and their potential effects on the balance sheet, income statement and financial situation.

As far as decision-making profiles are concerned, the transactions exclusively attributed to the Management Board are those that are "significant and carried out by the Parent Company with its own related parties. The transactions that are considered significant are those of greatest economic, capital and financial impact, identified on the basis of qualitative and/or quantitative criteria, depending on the various types of transactions – in particular:

1) if the total value exceeds 3 million euro (or a total exceeding 20 million euro if the transactions are with companies in the Banking Group or in the group, reduced to half for companies that are not wholly-owned):
   a) the purchase and sale of real estate;
   b) the underwriting, purchase or sale of stakes in the company, even if they do not involve changes to the Banking Group;
   c) the purchase and sale of companies, business lines or entire business portfolios;
   d) the framework agreements regulating the performance of services or the placement or distribution of products/services with annual duration and implicit renewal, i.e. multi-year;
2) if the total exceeds 25% of the Tier 1 capital/shareholder's equity of each company and, in any case, higher than 25 million euro, the investment in companies in the Banking Group or in the group through capital interventions, hybrid capital instruments, eligible subordinated liabilities in the

subsidiary's regulatory capital through overdrafts that are not for the purpose of supporting the subsidiary's core business;

3) if the total exceeds 0.50% of the consolidated regulatory capital, the granting of overdrafts to related parties that are not part of the Banking Group;
4) if the monetary value exceeds 20 million euro, both financial and commercial transactions, other than those mentioned above and excluding credit transactions and bank funding operations carried out at market conditions.

Stricter limits regard non-performing exposures (substandard, doubtful loans, restructured loans).

Finally, the Management Board always has jurisdiction over transactions that, due to their subject, the nature of the parties, the consideration paid, methods or timeframes, may have effects on safeguarding company assets or on the thoroughness or correctness of information, including accounting information, regarding Intesa Sanpaolo (any such transactions are also included in information provided to the market in accordance with Article 71 bis of Issuers Regulation 11971/99).

Furthermore, in compliance with the provisions of the Self-Disciplinary Code, transactions having a value in excess of twice the levels established as being under the jurisdiction of the Management Board are also subject to the prior opinion of the Control Committee formed within the Supervisory Board.

In any case, the Control Committee must review transactions that are under the jurisdiction of the Management Board if any economic conditions have been identified that differ from those of the market, except when subsidiaries are involved.

The Regulations also establish that decision-making bodies can make use, whenever opportune, of independent experts to assess the degree of significance of the transaction, its specific economic or structural features and the nature of the related party.

Concerning transactions carried out by subsidiaries, the Regulations specify which cases require that a decision be requested from the Board of Directors of the companies involved. Each company may also choose to include specific internal control measures in its own decision-making process. It is also expected to adopt a set of rules equivalent to the ones drawn up by the Parent Company to regulate the transactions initiated by the company itself with its "own related parties".

Based on recent changes to the Regulations, the prior opinion of the Control Committee of the Parent Bank is also expected for the most significant transactions by subsidiaries with related parties of the Parent Company.

Moreover, the Regulations define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the Management Board and by the latter to the Supervisory Board regarding transactions with related parties completed in the reference period by the Parent Company or by subsidiaries. Differentiated quantitative thresholds must be decided for each type of transaction. All of the above is aimed at providing a complete overview of the most significant transactions, as well as the volumes and the main features of all those delegated.

Finally, it should be noted that if the related party is one of the players that has direction, administration or control functions, the special decision-making procedure set out in Article 136 of the Consolidated Law on Banking also applies. It subjects the transaction to the prior unanimous decision of the Management Board and to the favourable vote by all Supervisory Board Members.

In accordance with the abovementioned Article 136, anyone who carries out direction, administration or control functions at banks or companies that are part of the Banking Group cannot directly or indirectly enter into contracts which lead to obligations with the company they belong to or carry out financing transactions with another company or bank in the Banking Group without approval from the administrative and control bodies of the company or bank that is party to the contract; in these cases, moreover, the contract or the act must have the approval of the Parent Company. Since May 2006 (implementing Law 262/2005 and Legislative Decree 303/2006), the special decision-making procedure has also been applied to contracts entered into by the Bank or companies in the Banking Group with companies controlled by board members or companies at which board members have administration, direction or control functions. Moreover, it also applies to the controlling companies and to controlled companies (unless the contracts which lead to the obligation are drawn up between companies belonging to the same Banking Group or refer to transactions on the interbank market).

The abovementioned provision also confirms the requirements foreseen by the Italian Civil Code regarding the personal interests of Directors, insofar as article 2391 requires each Board Member to report every instance of interest possessed, on his/her own or through third parties, that may come into play in a significant manner in carrying out his/her function, with reference to a specific transaction. In accordance with the abovementioned provision, the Management Board has jurisdiction over decisions regarding transactions – including those with related parties – in which the Managing Director possesses an interest on his/her own or through a third party and must therefore abstain from the decision as per art. 2391.

1. Information regarding compensation of Supervisory and Management Board Members and Managers with strategic responsibilities

The following table shows the amounts of the compensation paid in 2007 to Supervisory and Management Board Members and the General Managers of the Parent Company and of fully consolidated companies, as well as the compensation paid to other Managers of the Parent Company with strategic responsibilities ("Key Managers") which fall within the notion of "related party".

(in millions of euro)

	31.12.2007
Short-term benefits (1)	136
Post-retirement benefits (2)	5
Other long-term benefits (3)	-
Employee termination indemnities (4)	17
Stock option plans (5)	2
Total remuneration paid to managers with strategic responsibilities	**160**

(1) Includes fixed and variable compensation of directors that may be assimilated with labour cost and social security charges paid by the company for its employees.

(2) Includes company contribution to pension funds and allocation to employee termination indemnities pursuant to legislation and company regulations.

(3) Includes estimate of allocations for length of service awards for employees.

(4) Includes fees paid for early retirement incentive.

(5) Includes cost for stock option plans determined on the basis of IFRS 2 and charged to the consolidated financial statements.

A detailed indication of the compensation paid to Supervisory and Management Board Members and General Managers and, on aggregate, to other Key Managers (art. 78 of Issuers Regulation 11971/99), as well as the stock option plans reserved to Supervisory and Management Board Members, General Managers and Key Managers is provided in Part H of the Notes to the Parent Company's financial statements.

The details and the evolution of the stock option plans relative to Key Managers are provided in Part H of the Notes to the Parent Company's financial statements.

Holdings of Supervisory and Management Board Members and Key Managers

The table below indicates the equity investments in Intesa Sanpaolo and in other Group companies, directly or indirectly held by Supervisory and Management Board Members, by General Managers of the Parent Company and by Key Managers as well as by the other persons set forth by Art. 79 of Issuers Regulation 11971.

Surname and name	Equity investment	Number of shares held at the end of 2006 [a]	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2007
Bernheim Antonie	Intesa Sanpaolo ord.	398,533	-	-	398,533
Bussolotto Pio	Intesa Sanpaolo ord.	182,447	-	-	182,447
Bussolotto Pio [b]	Intesa Sanpaolo ord.	3,893	-	-	3,893
Ferro Angelo	Intesa Sanpaolo ord.	9,580	171,250	-	180,830
Ferro Angelo	Intesa Sanpaolo rnc.	6,202	-	-	6,202
Fontana Giuseppe [b]	Intesa Sanpaolo ord.	2,000	-	-	2,000
Garibaldi Pietro	Intesa Sanpaolo ord.	-	331 [c]	331 [c]	-
Gianni Fabrizio	Intesa Sanpaolo ord.	3,426	-	3,426	-
Iozzo Alfonso [d]	Intesa Sanpaolo ord.	333,576	-	-	na
Ottolenghi Emilio	Intesa Sanpaolo ord.	1,032,285	-	-	1,032,285
Ottolenghi Emilio [b]	Intesa Sanpaolo ord.	12,460	-	-	12,460
Ottolenghi Emilio [c]	Intesa Sanpaolo ord.	14,528,072	-	-	14,528,072
Passera Corrado	Intesa Sanpaolo ord.	6,426,375	124 [e]	-	6,426,499
Rossi Orazio	Intesa Sanpaolo ord.	163,827	-	-	163,827
Sacchi Morsiani Gian Guido	Intesa Sanpaolo ord.	630,164	70,000	-	700,164
Salza Enrico	Intesa Sanpaolo ord.	7,787	-	-	7,787
Salza Enrico [b]	Intesa Sanpaolo ord.	10,123	-	-	10,123
Salza Enrico [c]	Intesa Sanpaolo ord.	-	23,850	-	23,850
Targetti Ferdinando	Intesa Sanpaolo rnc.	1,500	-	-	1,500
Other managers with	Intesa Sanpaolo ord.	3,399,552	2,832 [e]	463,000	2,939,384
strategic responsibilities [f]	Intesa Sanpaolo rnc.	-	30,000	-	30,000

[a] Figure for 2006 refers to both former Banca Intesa shares and former Sanpaolo IMI shares (exchanged on the basis of the ratio of 3.115).
[b] In the name of the spouse.
[c] Indirectly held.
[d] In service until 30 April 2007.
[e] Freely-assigned shares within the "2007 stock granting plan" reserved to the employees of Intesa Sanpaolo and certain Group companies.
[f] Of which 10,856 shares in the name of the spouses.

2. Information on transactions with related parties

Transactions of atypical and/or unusual nature

In 2007, no transactions of "atypical or unusual nature" were carried out by the Group, the importance/relevance of which might give rise to doubts with regard to the safety of the net shareholders' equity or the protection of minority interests, either with related parties or with persons other than related parties (any atypical or unusual transactions must also be disclosed to the market pursuant to art. 71 bis of Issuers Regulation 11971/99).

Transactions of ordinary or recurrent nature

Ordinary or usual transactions entered into with related parties fall within the scope of the Group's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above. Transactions with infra-group related parties, as they are eliminated in the consolidated financial statements, are not included herein.
Receivable and payable balances with related parties as at 31 December 2007, within the consolidated accounts, amount to a total that is insignificant compared to the size of the Group's equity.
Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.
In 2007 there were no provisions for doubtful loans related to balances with related parties and no losses registered in the year in connection with uncollectable or doubtful loans due from related parties.

Furthermore, provisions for risks and charges include the provisions made against any outstanding or probable disputes.
The table below reports the weight of transactions with related parties, as classified by IAS 24, on the balance sheet situation and economic results of the Group net of infra-group operations. See the previous paragraph for information on compensation of Supervisory and Management Board Members, General Managers and Key Managers.

(in millions of euro)

	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Loans to customers	Due from banks	Financial liabilities held for trading	Due to customers	Due to banks	Guarantees given
Subsidiaries	-	1	-	31	-	-	17	-	1
Companies subject to joint control	1	16	-	762	15	1	48	6	7
Associates	94	-	-	2,201	78	77	552	23	369
Managers with strategic responsibilities and control bodies	-	-	-	4	-	-	23	-	-
Other related parties	-	-	-	212	-	-	1,279	-	4
Total	**95**	**17**	**-**	**3,210**	**93**	**78**	**1,919**	**29**	**381**

Relations between the Intesa Sanpaolo Group and Managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals, with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations. Concerning transactions with subsidiaries not subject to full consolidation and transactions with associates, please note that these are normal internal business activities of a multifunctional banking group.
The most significant relations with associates include those with Intesa Vita and Telco. The latter acquired an equity stale in Telecom through a capital increase (subscribed by Intesa Sanpaolo for 522 million euro, representing 10.6% of share capital) and through a financing of 1,100 million euro, granted by Mediobanca and Intesa Sanpaolo for 550 million euro.
With regard to transactions with companies subject to joint control, please note that on 27 December 2007 Intesa Sanpaolo and Crédit Agricole SA unwound the joint-venture in asset management in Italy - CAAM SGR (now Eurizon Investimenti SGR) – with the repurchase by the Bank of 65% of the company, now wholly-owned. On the same date an agreement was also reached to unwind AGOS, the joint-venture operating in consumer credit, through the sale to Crédit Agricole SA of the entire stake held; the transaction is expected to be finalised in 2008.
A detailed list of unconsolidated subsidiaries and companies subject to significant influence as at 31 December 2007 is provided in the Notes to the consolidated financial statements (Part B – Assets – Section 10).
The category "Other related parties" includes the Bank's pension funds, the close relations of board members, entities controlled by or related to the latter.

Particularly significant transactions

There were no particularly significant transactions with related parties in the year.
However, the main transactions finalised in 2007 by the Parent Company or subsidiaries with related parties (net of infra-group operations which are consolidated) are set out below.
Credit lines for a total of 116.5 million euro, of which 105 million euro with a mortgage guarantee, were granted at standard conditions to Ente Holding S.r.l., a wholly-owned subsidiary of the Pension Fund of the former SANPAOLO IMI Group, included in related parties.
On 30 November 2007 Intesa Sanpaolo, as part of the agreements signed with Grande Jolly S.p.A. on 29 November 2006, sold the equity investment in Italjolly S.p.A. to Grande Jolly S.p.A., associated company, at a price of 22.7 million euro.
A newly-established company, in which a Member of the Parent Company's Management Board holds a 47% stake was granted a structured financing up to a maximum of 157 million euro (subsequently syndicated for 57 million euro to a primary bank), at market conditions and assisted by real guarantees, destined to the acquisition of the company Villa d'Este (operating in the hotel sector), with a direct investment – in the newly-established company – by the Bank of 5 million euro (12.5% of capital). All was supported by a business plan prepared with the help of a consulting company.

Other information on the Group's reorganisation operations is provided in Part G of the Notes to the consolidated financial statements and of the Notes to the Parent Company's financial statements.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

1. Description of share-based payments

1.1. Free stock granting plan for employees

The plan for the purchase and free assignment of ordinary shares approved by the Shareholders' Meeting held on 1 December 2006 and on 3 May 2007 was concluded at the end of the first half of 2007. The Italian subsidiaries involved in the programme also concluded their plans for the purchase of Parent Company ordinary shares, approved by the respective Shareholders' Meetings with similar objectives and implementation methods as the Parent Company. More specifically, already on 1 December 2006, the Bank's Shareholders' Meeting had resolved upon the purchase of a maximum of 5,250,000 ordinary shares to serve a free stock granting plan in favour of Banca Intesa employees with an indefinite term contract, included in the Personnel Register as at 31 December 2006 and in service as at 31 May 2007, for a maximum exchange value of 700 euro each, reduced for cases of shorter period of service. The free stock granting plan approved by the Bank's Shareholders' Meeting of 3 May 2007 was reserved for Bank employees coming from SANPAOLO IMI and integrated the resolution of 1 December 2006. It involved all employees of Intesa Sanpaolo with an indefinite term contract in service at the date of the launch of the Plan (4 May 2007) and already in service, as at 31 December 2006, at SANPAOLO IMI, without prejudice to specific exceptions. Beneficiaries were given the faculty of requesting the free assignment of shares amounting to an exchange value of a minimum of 516.46 euro and a maximum of 2,065.83 euro calculated on the basis of the position of each beneficiary of the Plan as at 31 December 2006; such request led to the restructuring of the Company Productivity Bonus 2006 due to each employee. For the purpose of serving the Plan involving former SANPAOLO IMI employees, the Shareholders' Meeting had authorised the purchase of further own shares up to a maximum number of 4,600,000. Regarding Group companies, the Shareholders' Meetings of these companies had authorised the purchase of Intesa Sanpaolo ordinary shares, to take place in the same period as the Parent Company, for a maximum number of 891,225 shares relating to the companies controlled by Banca Intesa prior to the merger and 3,000,000 shares relating to the companies controlled by the SANPAOLO IMI Group prior to the merger.
As from 28 May, the date on which the programme was started, the Group purchased, through Banca IMI – in compliance with provisions of the Italian Civil Code, Shareholders' Meeting resolutions and according to operating methods set forth in the Regulations providing for the organisation and management of the market – a total of 10,293,907 Intesa Sanpaolo ordinary shares (equal to approximately 0.09% of the ordinary share capital), for a total exchange value of 57,719,618.04 euro; the Parent Company purchased 7,220,124 shares, for an exchange value of 40,485,219.07 euro. Shares were assigned to the employees involved on 27 June.

1.2. Stock option plans already resolved upon by SANPAOLO IMI

The SANPAOLO IMI Shareholders' Meeting of 30 April 2002 delegated to the Board of Directors the power to implement programmes for the free assignment to Group executives of stock options to subscribe up to a maximum of 18,371,660 newly-issued ordinary shares.
Based on this delegated power, SANPAOLO IMI's Board of Directors:

- on 17 December 2002 launched a stock option plan, assigning 291 Group executives 8,280,000 rights, exercisable after the dividend issue for 2004 and not after 31 March 2007 (extended to 15 May 2007 by resolution of the Board of Directors on 25 January 2005), at a price of 7.1264 euro; 68,900 options had not been exercised as at 31 December 2006;
- on 14 November 2005 launched a new stock option plan assigning the relative rights to 48 executives who occupied key positions within the Group and had a strong influence on strategic decisions aimed at achieving the objectives in the Business Plan and at increasing the value of the Group. The 2006-2008 plan includes the assignment of 9,650,000 rights exercisable after the dividend issue for the financial year 2008 and not after 30 April 2012, at a strike price of 12.3074 euro.

Moreover, following the merger by incorporation of SANPAOLO IMI into Banca Intesa (now Intesa Sanpaolo), former SANPAOLO IMI rights as at 31 December 2006 and the relative strike price have been recalculated based on the exchange ratio used for the merger; therefore:

- the beneficiaries of the stock option plan resolved upon on 17 December 2002 have been attributed the right to subscribe 214,623 Intesa Sanpaolo ordinary shares at a price of 2.2878 euro;
- the beneficiaries of the stock option plan resolved upon on 14 November 2005 have been attributed the right to subscribe 30,059,750 Intesa Sanpaolo ordinary shares at a price of 3.951 euro.

The residual options assigned on 17 December 2002 were all exercised by beneficiaries within the expiry date, thus determining the issue of 214,623 newly-issued ordinary shares, with regular rights and the consequent rise in ordinary share capital of 111,603.96 euro, as well as an increase in the share premium reserve of 379,410.54 euro.

1.3. Stock option plans already resolved upon by Banca Fideuram

On 16 March 2005, Banca Fideuram's Board of Directors approved a stock option plan for the three-year period 2005-2007 in favour of the Private Bankers of the Banca Fideuram Group, briefly illustrated below:

- the plan involves the assigning of options to buy, at the ratio of one share per option, the Bank's own shares. On the basis of calculated estimates, the number of own shares which are destined for the 2005-2007 plan has been fixed at around 5-6 million;
- the strike price of the options for the 2005-2007 plan has been established, for all recipients, at 4.074 euro;
- the number of options assigned to each recipient has been determined based on the three-year monetary bonus set forth in the incentive plan 2005-2007; more specifically, the number of options assigned, if multiplied by the strike price, result in a value equal to 35% of the bonus;
- each recipient of the plan may exercise the options in the period from 1 June 2008 to 23 December 2008, provided that the recipient:
  - has achieved the individual three-year target set for the disbursement of the cash bonus;
  - is still an employee at the date of exercising the options;
- no loans or other incentives are provided for the recipients of the stock option plan.

On 26 July 2006, the Board of Directors of Banca Fideuram resolved to extend the expiry of the incentive plan 2005-2007 to 2008, granting power of attorney to the Managing Director to redefine the terms of the stock option plan.

As already known, as of 24 January 2007 Banca Fideuram is no longer listed on the Italian Stock Exchange and, following the merger by incorporation of its parent company Eurizon Financial Group into Intesa Sanpaolo, the company is now entirely controlled by the Parent Company.

On 27 July 2007 the Board of Directors of Eurizon Financial Group resolved upon the commitment to sell to Banca Fideuram any shares to be used to serve the stock option plan; a commitment which, as a result of the merger by incorporation, was transferred to the Parent Company Intesa Sanpaolo.

Therefore, considering Banca Fideuram's current status as an unlisted company, in the first half of 2008, prior to the exercise date of any options, an assessment will be made regarding the review of the terms of the stock option plan, also in consideration of the recent strategic developments of the Intesa Sanpaolo Group which encompass, among others, Banca Fideuram's listing.

B. QUANTITATIVE INFORMATION

Intesa Sanpaolo

Stock option plans in 2007

	Number of shares	**Average strike price** (in millions of euro)	**Market price** (in millions of euro)	**Residual Maturity rights existing as at 31.12.2007**
Rights existing as at 31 December 2006	9,718,900	12.2707	17.624 (a1)	
Adjustments for changes in the consolidation area and corporate operations (b)	-			
Conversion of rights due to the merger by incorporation of SANPAOLO IMI into Banca Intesa (now Intesa Sanpaolo)	30,274,373	3.9392		
Rights existing as at 1 January 2007 based on the updated consolidation area, on the concluded corporate operations and on the exchange ratio.	30,274,373	3.9392	5.785 (a2)	
Rights exercised in 2007	-214,623	2.2878	5.932 (c)	
Rights expired (d)	-	-		
Rights annulled in 2007 (e)	-2,959,250	-		
Rights assigned in 2007	-	-		
Rights existing as at 31 December 2007	27,100,500	3.951	5.397 (f)	May 2009 - April 2012
Of which: exercisable as at 31 December 2007	-	-		

(a1) Official reference price as at 29/12/2006 relative to SANPAOLO IMI S.p.A.

(a2) Official reference price as at 29/12/2006 relative to Banca Intesa S.p.A.

(b) The consolidation area was updated based on changes in the organisational structure and corporate operations that took place in 2007.

(c) Simple arithmetic average of the official prices recorded in April 2007.

(d) Rights no longer exercisable following expiry of exercise period.

(e) Rights no longer exercisable following termination of employment.

(f) Official reference price as at 28 December 2007.

Details on strike price and residual maturity

Strike price (in millions of euro)	**Exercise period**	**Number of shares**	**Of which exercisable as at 31 December 2007**	
			Number	**Contractual average residual maturity**
3.951	May 2009 - April 2012	27,100,500	-	-

Banca Fideuram

Stock option plans in 2007

	31.12.2007			**31.12.2006**		
	Number of options	**Average prices**	**Average expiration**	**Number of options**	**Average prices**	**Average expiration**
A. Initial amount	**5,626,203**	**4.074**	**June-December 2008**	**5,626,203**	**4.074**	**June-December 2008**
B. Increases	112,629	-	X	-	-	X
B.1 New issues	-	-	X	-	-	X
B.2 Other changes	*112,629*	-	X	-	-	X
C. Decreases	-	-	X	-	-	X
C.1 Annulled	-	-	X	-	-	X
C.2 Exercised	-	-	X	-	-	X
C.3 Expired	-	-	X	-	-	X
C.4 Other	-	-	X	-	-	X
D. Final amount	**5,738,832**	**4.074**	**June-December 2008**	**5,626,203**	**4.074**	**June-December 2008**
E. Options exercisable at the end of the year	**-**	**-**	**X**	**-**	**-**	**X**

Intesa Sanpaolo
Parent Company's report on operations and financial statements

Intesa Sanpaolo – Financial highlights and alternative performance measures

	2007	2006 restated (*)	Changes amount	Changes %	2006 (**)
Income statement (in millions of euro)					
Net interest income	5,067	4,598	469	10.2	2,956
Net fee and commission income	3,154	3,357	-203	-6.0	2,002
Profits (Losses) on trading	18	1,122	-1,104	-98.4	445
Operating income	9,653	12,294	-2,641	-21.5	6,515
Operating costs	-5,605	-6,061	-456	-7.5	-3,356
Operating margin	4,048	6,233	-2,185	-35.1	3,159
Net adjustments to loans	-660	-644	16	2.5	-450
Net income	5,811	4,622	1,189	25.7	2,241
Balance sheet (in millions of euro)					
Loans to customers	196,463	183,737	12,726	6.9	112,314
Financial assets / liabilities held for trading	14,108	26,376	-12,268	-46.5	22,825
Financial assets available for sale	4,021	4,020	1	-	3,041
Investments	53,225	31,135	22,090	70.9	13,821
Total assets	394,869	376,992	17,877	4.7	216,208
Direct customer deposits	230,195	225,352	4,843	2.1	143,355
Indirect customer deposits	424,931	397,008	27,923	7.0	203,738
of which assets under management	*109,449*	*113,831*	*-4,382*	*-3.8*	29,593
Net interbank position	14,824	10,004	4,820	48.2	9,725
Shareholders' equity	48,442	29,356	19,086	65.0	15,323
Operating structure					
Number of employees	45,684	49,034	-3,350		30,434
- Italy	*45,175*	*48,475*	*-3,300*		*30,060*
- Abroad	*509*	*559*	*-50*		*374*
Number of branches	3,440	3,467	-27		2,107
- Italy	*3,426*	*3,448*	*-22*		*2,101*
- Abroad	*14*	*19*	*-5*		*6*

(*) Figures restated on a consistent basis.

(**) Figures referred to Banca Intesa.

	2007	2006 restated (*)	2006 (**)
Profitability ratios (%)			
Cost / Income	58.1	49.3	51.5
Net income / Average shareholders' equity (ROE) (a)	16.6	17.6	16.9
Risk ratios (%)			
Net doubtful loans / Loans to customers	0.7	0.6	0.7
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	72.8	74.4	68.7
Capital ratios (%)			
Tier 1 capital (b) net of preference shares / Risk-weighted assets (Core Tier 1)	10.7		5.6
Tier 1 capital (b) / Risk-weighted assets	11.5		6.6
Total capital (c) / Risk-weighted assets	14.5		10.7
Risk-weighted assets (in millions of euro)	279,153		150,695
Basic earnings per share (basic EPS) (d) – euro	0.46		0.32
Diluted earnings per share (diluted EPS) (e) – euro	0.46		0.32
Shares			
Number of ordinary shares (thousands)	11,849,332		6,015,588
Share price at period-end - ordinary share (euro)	5.397		5.785
Average share price for the period - ordinary share (euro)	5.579		4.903
Average market capitalisation (in millions of euro)	71,058		33,724
Book value per share (euro) (f)	4.231		2.205
Long-term rating			
Moody's	Aa2		
Standard & Poor's	AA-		
Fitch	AA-		

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

(**) Figures relative to Banca Intesa, where necessary restated in accordance to IFRS 5.

(a) Ratio between net income and average of share capital, share premium reserve, reserves and valuation reserves.

(b) 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.

(c) 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.

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

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

(f) Figures for 2006 not restated. Book value per share as at 31.12.2007 does not consider treasury shares.

Report on operations

The Parent Company Intesa Sanpaolo

The Report which accompanies the consolidated financial statements illustrates Intesa Sanpaolo Group operations in 2007. The financial statements of the Parent Company, Intesa Sanpaolo S.p.A., are illustrated hereafter referring also to the information contained in that report especially with respect to the illustration of progress of the merger's integration process with SANPAOLO IMI and operations development in the various business areas.

General aspects

For the purpose of a more effective representation of results, the reclassified income statement and balance sheet of the Parent Company Intesa Sanpaolo as at 31 December 2007 are presented hereafter. As already described in the Report which accompanies the Consolidated financial statements, with respect to the compulsory forms provided for by Circular 262/2005 of the Bank of Italy, figures for 2006 have been restated on a consistent basis and captions have been reclassified according to presentation criteria deemed to be better suited to represent the operations.

With reference to the first aspect, figures for 2006 have been restated considering the merger between Banca Intesa and SANPAOLO IMI and of related transactions with Crédit Agricole, the sale of Biverbanca and the mergers of the subsidiaries Eurizon Financial Group and Sanpaolo IMI Internazionale, executed at year end with legal, accounting and tax effect as of 1 January 2007, as well as of other components reclassified under captions referred to non-current assets and discontinued operations.

Regarding the merger between Banca Intesa and SANPAOLO IMI, which came into legal effect as of 1 January 2007:

- balance sheet and income statement figures for 2006 of Banca Intesa and SANPAOLO IMI were aggregated;
- the share capital was increased to consider the new shares issued on 1 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 SANPAOLO IMI was allocated to share premium reserve;
- the most significant reciprocal balance sheet and income statement items between the two former banks have been eliminated, according to the criteria normally used in consolidation procedures.

The restatements, in applying IFRS 5, were:

- the registration under non-current assets held for sale of the equity stakes in Cariparma, FriulAdria (on the basis of the aforementioned agreements with Crédit Agricole), Farbanca and Biverbanca, sold in 2007, and those in Agos and Banque Palatine, which sales are to be concluded in 2008;
- the registration under disposal groups of assets, liabilities and economic results relative to the branches contributed to Cariparma and Friuladria during 2007 and in the first few months of 2008, in compliance with provisions of the Italian Competition Authority following the merger between Banca Intesa and SANPAOLO IMI.

For the sake of completeness, the reclassified forms also set out the figures, restated as provided for by IFRS 5, originally published in the financial statements as at 31 December 2006 for Banca Intesa.

For the purpose of permitting the comparison of figures referred to different periods and to provide a more effective representation of income statement and balance sheet aggregates, some captions are restated and aggregated with respect to the financial statement forms.

Reclassifications – detailed in the reconciliation presented in the attachments to the present volume in compliance with Consob requirements provided for with Communication 6064293 of 28 July 2006 – are listed below.

Reclassifications of the income statement concerned:

- dividends on shares classified as assets available for sale and as assets held for trading are reallocated in profits (losses) on trading; likewise, the implicit cost for the financing of the purchase of shares held for trading is transferred from interest to profits (losses) on trading;

- interest rate differentials matured and collected on currency interest rate swaps which set out the exchange of two floating rates, classified as held for trading, stipulated to hedge floating rate funding in foreign currency, are recorded in Net interest income considering their close correlation;
- fair value adjustments in hedge accounting are registered in net interest income due to their close correlation;
- profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities are included in profits (losses) on trading;
- profits (losses) on financial assets and liabilities designated at fair value, are reallocated to profits (losses) on trading;
- administrative expenses are net of recoveries from customers;
- profits and losses on disposal or repurchase of loans are posted in net adjustments to loans;
- net impairment losses on other financial activities, related to guarantees, commitments and credit derivatives, are registered in net adjustments to loans;
- the reversal in time value on loans is recorded in Net interest income instead of being allocated to Net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in the absence of changes in expected future flows. A consistent approach is used for the time value of employee termination indemnities and allowances for risks and charges;
- net impairment of property, equipment and intangible assets (of marginal amount) is excluded from net adjustments to property, equipment and intangible assets – that thus solely express depreciation and amortisation – and is included in a residual caption which records net impairment losses on financial assets available for sale, investments held to maturity and other financial activities;
- merger and restructuring related charges are reclassified net of the tax effect in a separate caption from personnel expenses, administrative expenses and adjustments to property, equipment and intangible assets;
- the economic effect of purchase cost allocation which, net of the tax effect, is indicated in a specific caption. It represents the adjustments to financial assets and liabilities and property, equipment and intangible assets which were measured at fair value as provided for by IFRS 3.

For the balance sheet, certain assets and liabilities were aggregated as described below:

- the inclusion of cash and cash equivalents in the residual caption other assets;
- the inclusion of hedging derivatives and fair value change of financial assets/liabilities in hedged portfolios in other assets/liabilities;
- the aggregation in just one caption of property and equipment and Intangible assets;
- the aggregation of due to customers and securities issued in just one caption;
- the aggregation in just one caption of allowances for specific purpose (employee termination indemnities and allowances for risks and charges);
- the presentation of reserves as an aggregate and net of the treasury shares.

Again, for the purposes of a more effective representation of the composition of the aggregates, in the detailed tables and/or in the relative comments, derivatives recorded in financial assets/liabilities held for trading and due from/due to banks are presented net.

Reclassified income statement

(in millions of euro)

	2007	2006 restated (*)	Changes amount	Changes %	2006 (**)
Net interest income	5,067	4,598	469	10.2	2,956
Dividends	700	2,556	-1,856	-72.6	945
Net fee and commission income	3,154	3,357	-203	-6.0	2,002
Profits (Losses) on trading	18	1,122	-1,104	-98.4	445
Other operating income (expenses)	714	661	53	8.0	167
Operating income	**9,653**	**12,294**	**-2,641**	**-21.5**	**6,515**
Personnel expenses	-3,120	-3,371	-251	-7.4	-1,895
Other administrative expenses	-1,880	-2,002	-122	-6.1	-1,097
Adjustments to property, equipment and intangibles assets	-605	-688	-83	-12.1	-364
Operating costs	**-5,605**	**-6,061**	**-456**	**-7.5**	**-3,356**
Operating margin	**4,048**	**6,233**	**-2,185**	**-35.1**	**3,159**
Net provisions for risks and charges	-377	-215	162	75.3	-132
Net adjustments to loans	-660	-644	16	2.5	-450
Net impairment losses on other assets	-35	-10	25		-10
Profits (Losses) on investments held to maturity and on other investments	45	268	-223	-83.2	260
Income (Loss) before tax from continuing operations	**3,021**	**5,632**	**-2,611**	**-46.4**	**2,827**
Taxes on income from continuing operations	-1,199	-835	364	43.6	-612
Integration charges (net of taxes)	-478	-457	21	4.6	-214
Effect of purchase cost allocation (net of tax)	310	-	310	-	-
Income (Loss) after tax from discontinued operations	4,157	282	3,875		240
Net income	**5,811**	**4,622**	**1,189**	**25.7**	**2,241**

(*) Figures restated on a consistent basis.

(**) Figures referred to Banca Intesa.

Intesa Sanpaolo's 2007 income statement closed with a net income of 5,811 million euro, with a 25.7% increase with respect to the restated figure for 2006 (4,622 million euro).
This result was influenced by various non-recurring factors. More specifically, the capital gains on the sale to Crédit Agricole of Cariparma and FriulAdria and of the 202 branches and on the disposal of Biverbanca, sold to Monte dei Paschi di Siena at year-end, contributed with positive sign. The total amount of capital gains from the aforementioned operations – net of specifically attributable charges and net of tax – amounted to 4,157 million euro. In 2007 there were no dividends from the equity investments of former SANPAOLO IMI, since these dividends, 889 million euro, were directly deducted from the fair value of the equity investments in the registration of the merger between Banca Intesa and SANPAOLO IMI, in accordance with IFRS3. Moreover, 2006 financial statements had also benefited from the extraordinary dividend distributed by Intesa Holding Asset Management (704 million euro) in relation to the sale of the 65% stake in Nextra Investment Management SGR to the Crédit Agricole Group.
Also profits on trading decreased. First of all due to the effects of the financial market crisis due the subprime mortgages factor, already presented in detail in the Consolidated financial statements. Almost all the estimated costs (approximately 500 million euro) are attributable to the Parent Company. Moreover, 2006 recorded other non-recurring income related to the sale of Fiat and Parmalat shares, the former derived from the conversion of the convertendo loan and the latter from the debt-equity swap and, especially, to the infra-group sale of the stake in Santander and CDC Group entities (for a total of 567 million euro before taxes).

Quarterly development of the main income statement figures posted increases in the first half of the year followed by decreases, most markedly in the fourth quarter, due to financial market turbulence driven by the subprime mortgages crisis.
Compared to the previous year, quarterly results show diverse trends, deriving, as already indicated, from non-recurring components in the two years. In particular, the first and second quarters of 2007 include the aforementioned capital gains on the sale of the equity stakes in Cariparma and FriulAdria and of the related branches, while the second quarter of 2006 was positively influenced by dividends from the former SANPAOLO IMI and by the dividend connected to the sale of Nextra. The last quarter of 2007 was negatively affected by the result of trading activity, attributable to valuations of structured bonds and credit derivatives connected to the aforementioned subprime mortgages. The comparison of quarterly development in the two years also shows diverse operating cost trends: personnel expenses decreased in the second quarter of 2007 due to the registration of the benefits deriving from the different calculation methodology applied to Employee termination indemnities following the supplementary social security reform.

The reclassified income statement recorded **operating income** of 9,653 million euro (-21.5%). *Net interest income* posted a 10.2% growth rate to 5,067 million euro benefiting from the combined effect of volumes and rates increases. Intermediation with customers (3,178 million euro) was in line with the previous year, while interest from investments in financial activities (1,318 million euro) increased by 9.5%.
As already mentioned, *dividends* significantly declined to 700 million euro from 2,556 million euro for 2006.
Net fee and commission income amounted to 3,154 million euro and decreased by 6%.
The decrease in net fee and commission income is mostly attributable to the management, dealing and consultancy activities (-8.7%), in particular to commissions on dealing and placement of securities (-13.4%) and on distribution of insurance products (-6.7%), while those related to portfolio management increased (+8.1%). Commissions on commercial banking activities recorded a moderate rise (+3.3%), attributable to the growth in commissions on guarantees given and commissions on collection and payment services, which partially absorbed the reduction in commissions on ATM/cash dispenser transactions made by customers of one of the two former banks in the network of the other bank.
Profit (Losses) on trading amounted to 18 million euro, down 98.4%. As detailed above, the decrease worsened in the last part of the year, as a result of the significantly negative market performances due to the already-mentioned subprime mortgage crisis. Marking to market of quoted instruments and the application of internal models to non-quoted instruments, which necessarily considered the most stringent reference parameters of the market, resulted in realised and/or unrealised losses. Trading of financial assets and liabilities recorded, overall, a net loss of 346 million euro. Instead, sales of securities available for sale generated capital gains exceeding 300 million euro, of which 121 million euro from the acceptance of the Offer of the London Stock Exchange on Borsa Italiana shares and 49 million euro from the sale of the stake in Banco del Desarollo.
Operating costs of 5,605 million euro, decreased by 7.5% with respect to 2006, thanks to decreases in both personnel and administrative expenses.
More specifically, *personnel expenses,* equal to 3,120 million euro, recorded a 251 million euro decrease (-7.4%). Of this reduction, 174 million euro was due to the actuarial recalculation of Employee termination indemnities required following the supplementary social security reform which came into effect as of 1 January 2007, with reversal of part of the relative allowance to the income statement. This effect does not represent a decrease in the charge for the company, but a recalculation of the liability according to a different actuarial method, which leads to a different distribution of the liability over each employee's working life and, therefore, a different registration over time in the income statement. Even excluding this non-recurring effect, personnel expenses decreased, despite the charges due to the renewal of the national labour contract (Contratto Collettivo Nazionale di Lavoro - CCNL) which expired at the end of 2005, absorbed by positive effects of the decrease, in average terms, of the number of staff.
Administrative expenses – which in the reclassified income statement do not include charges connected to the integration process, recorded under a specific caption – amounted to 1,880 million euro, down 6.1%. The drop is mostly attributable to advertising and promotional expenses (-42%), which for 2006 included charges related to the sponsorship of the Turin 2006 Winter Olympic Games and legal and professional expenses (-24.6%). Conversely, general structure costs recorded a moderate rise as a result of the increase in tariffs.

Adjustments on property, equipment and intangible assets also decreased (equal to 605 million euro; -12.1%).
The trends of operating income and costs described above led to an **operating margin** of 4,048 million euro, approximately 35.1% lower with respect to the comparative figure.
Net provisions for risks and charges totalled 377 million euro (215 million euro for 2006) and essentially cover probable risks deriving from revocatory actions, claims for damages, lawsuits and other disputes. The rise in provisions, particularly significant in the fourth quarter, is attributable to various causes including first of all the decision to define all reciprocal relations and claims due to the litigations with Parmalat and Mekfin Finmek, in extraordinary administration. In both cases, Intesa Sanpaolo, confirming the absolute fairness and bona fide which had inspired the conduct of Group companies, decided upon a settlement to avoid the uncertainty related to long and complex litigations, with significant administrative costs. Charges recorded in the income statement, net of the relevant allowances, respectively totalled 37 million euro and 67 million euro. The conciliation tables relative to the Parmalat bonds of customers of the former SANPAOLO IMI group required the setting up of a specific allowance. Likewise, allowances were set up for the settlement of the litigation relative to the disposal in 2005 of doubtful loans to Italfondiario (company established by Merrill Lynch and Fortress) and Sudameris Brasile, sold in 2003 to ABN Amro Real; the overall charge was in the tens of millions. Lastly, the need to cover the losses of the Cassa di previdenza complementare (supplementary pension fund) of the former Istituto Bancario Italiano, led to further provisions of 26 million euro in the year.
Net adjustments to loans amounted to 660 million euro, with a moderate rise (+2.5%) with respect to the previous year and were mostly referred to adjustments to non-performing loans, which showed a reduction in doubtful loans more than offset by higher analytical adjustments to cover substandard loans. Provisions for the year include the effects of an initiative aimed at redefining terms of certain mortgage contracts in a transparent and satisfactory fashion for customers.
Net impairment losses on other assets, at 35 million euro (10 million euro of 2006), were mostly attributable to adjustments to financial assets available for sale (25 million euro) and net impairment of property and equipment (10 million euro).
Profits on investments held to maturity and on other investments mostly referred to the net effect of the sale of equity investments, totalled 45 million euro, compared to the 268 million euro of 2006, mainly due to write-backs in relation to the positive results achieved by the subsidiaries in Central-Eastern Europe.
Income before tax from continuing operations totalled 3,021 million euro with respect to 5,632 million euro of 2006 (-46.4%).
Taxes on income from continuing operations, both current and deferred, amounted to 1,199 million euro, higher than the 835 million euro of 2006. As of 1 January 2008, the Finance Law 2008 modified corporate income tax: it decreased the IRES rate, abrogated the integral exemption of dividends in fiscal consolidation and reduced the nominal IRAP rate. These changes, though they did not directly impact 2007 income, produced indirect effects due to IAS 12, connected to the need to adapt to the new tax rates deferred tax assets and liabilities recorded in the financial statements. This led to a net negative effect exceeding 118 million euro in the income statement for 2007.
In the reclassified financial statements charges connected to the integration process between Banca Intesa and SANPAOLO IMI are recorded in specific captions – net of taxes.
In particular, *merger and restructuring related charges* (net of tax) totalled a 478 million euro, of which 314 million euro referred to incentive-driven exit plans that relate to the agreement of 1 August for the activation of the Solidarity allowance; the amount represents the present value of future expenses. Other components are made up of other administrative expenses that directly relate to the integration of the two banks (151 million euro) and to adjustments to property, equipment and intangible assets (13 million euro).
Effect of purchase cost allocation records 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 recognition of new intangible assets upon registration of the merger between Banca Intesa and SANPAOLO IMI, in application of IFRS 3. The purchase cost allocation process is described in detail in a specific chapter of the Notes to the Consolidated financial statements.
These negative components totalled 186 million euro net of the relative tax effect (2 million euro restated under income (loss) on disposal groups) and were more than offset by the positive effect, amounting to 496 million euro (2 million euro restated under income (loss) on disposal groups), due to the change introduced by the Finance Law 2008, of the rates on current and deferred taxes with respect to those recorded on initial recognition of the merger.

Finally, *income after tax from discontinued operations*, 4,157 million euro, mainly included the effects of assets sold to Crédit Agricole. In particular, the figure reflects the capital gain deriving from the sale of Cariparma, FriulAdria and of 202 branches sold on 1 April and 1 July 2007 (4,091 million euro) and the results generated before the sale by the 202 branches (71 million euro). The caption also recorded the capital gain on the sale of Biverbanca (188 million euro), completed at year-end. It also includes profit on the sale of 198 branches occurred in the first quarter of 2008 (64 million euro) the sales of Farbanca and Equitalia Polis (7 million euro totally).
The caption also registered, with the opposite sign, the impairment recorded in the fourth quarter of 2007, related to the repurchase of Nextra Investment Management, now Eurizon Investimenti (-265 million euro) - sold by Banca Intesa in December 2005 to Crédit Agricole - following the unwinding of the joint venture in the Italian asset management field between Intesa Sanpaolo and the French group as part of the agreements related to the merger between Banca Intesa and SANPAOLO IMI.
The income statement closed with a net income for the period of 5,811 million euro.

Reclassified balance sheet

Assets	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %	31.12.2006 (**)
Financial assets held for trading	24,195	36,952	-12,757	-34.5	32,210
Financial assets designated at fair value	385	1,156	-771	-66.7	-
Financial assets available for sale	4,021	4,020	1	-	3,041
Investments held to maturity	2,340	2,492	-152	-6.1	-
Due from banks	100,832	98,659	2,173	2.2	48,746
Loans to customers	196,463	183,737	12,726	6.9	112,314
Equity investments	37,081	24,576	12,505	50.9	11,988
Property, equipment and intangible assets	13,804	4,067	9,737		1,833
Tax assets	2,188	3,265	-1,077	-33.0	1,686
Non-current assets held for sale and discontinued operations	3,759	9,842	-6,083	-61.8	-
Other assets	9,801	8,226	1,575	19.1	4,390
Total Assets	**394,869**	**376,992**	**17,877**	**4.7**	**216,208**

Liabilities and Shareholders' Equity	31.12.2007	31.12.2006 restated (*)	Changes amount	Changes %	31.12.2006 (**)
Due to banks	86,008	88,655	-2,647	-3.0	39,021
Due to customers and securities issued	230,195	225,352	4,843	2.1	143,355
Financial liabilities held for trading	10,087	10,576	-489	-4.6	9,385
Financial liabilities designated at fair value	-	-	-	-	-
Tax liabilities	1,500	1,231	269	21.9	836
Liabilities associated with non-current assets held for sale and discontinued operations	2,258	7,851	-5,593	-71.2	-
Other liabilities	12,491	9,912	2,579	26.0	5,923
Allowances for specific purpose	3,888	4,059	-171	-4.2	2,365
Share capital	6,647	6,866	-219	-3.2	3,613
Reserves	34,398	16,227	18,171		7,859
Valuation reserves	1,586	1,641	-55	-3.4	1,610
Net income	5,811	4,622	1,189	25.7	2,241
Total Liabilities and Shareholders' Equity	**394,869**	**376,992**	**17,877**	**4.7**	**216,208**

(*) Figures restated on a consistent basis.

(**) Figures referred to Banca Intesa.

Concerning balance sheet aggregates, as at 31 December 2007 **loans to customers** totalled 196,463 million euro, up 6.9% with respect to the figure for December 2006 deriving from diverse trends recorded by the various contract types which make up the aggregate. Advances and other loans (81,284 million euro; +16.4%) and mortgages (78,707 million euro; +5.7%) increased and together represented approximately 81% of total loans to customers, while current accounts remained practically stable (20,357 million euro). Conversely, repurchase agreements posted a marked reduction (1,587 million euro; -71.2%). Excluding repurchase agreements, which have a more markedly financial nature, loans to customers recorded a 9.3% growth rate.

Regarding loan quality, non-performing loans amounted to 3,455 million euro and overall saw a 98 million euro increase with respect to 31 December 2006. More specifically, the breakdown of this caption shows an increase in doubtful loans (from 1,097 million euro to 1,295 million euro), a decline in substandard and restructured loans (from 1,919 million euro to 1,834 million euro) and in loans past due (from 341 million euro to 326 million euro).

Performing loans, including those represented by securities (193,008 million euro), collective provisions of 956 million euro, determined based on the risk configuration of customers, guaranteed an approximately 0.5% coverage, which rise to 0.6% excluding loans to Group companies.

Direct customer deposits, 230,195 million euro showed an overall improvement with respect to the already appreciable levels as at 31 December 2006 (+2.1%), as the combined effect of the practical stability of short-term funding and a reduction in subordinated liabilities and a rise in issued bonds and certificates of deposits.

Indirect customer deposits, after the return within the Group of Eurizon Investimenti which occurred, as already indicated, at the end of December 2007, amounted to 425 billion euro, with an approximately 7% rise with respect to the figure at 31 December 2006, entirely ascribable to the under administration component (up11.4% to 315 billion euro). Assets under management, 110 billion euro, which made up nearly 26% of total indirect customer deposits, instead posted a decrease (approximately -3.8%) with respect to the figure at the end of 2006, since the practical stability of bancassurance products (-0.2%) did not permit to offset the reduction in individual portfolio management schemes (-11.2%) and mutual funds (-3.5%).

Financial assets held for trading, which comprise debt securities and equities held for trading, net of liabilities (10,087 million euro), totalled 14,108 million euro, with an approximately 46.5% decrease with respect to the end of 2006, mostly attributable to securities portfolio.

Financial assets available for sale at 4,021 million euro, stable with respect to the corresponding figure at the end of 2006, comprised equity stakes, private equity investments and debt securities and equities, and also included loans relative to portions of syndicated loans destined to be placed with third parties.

Equity investments, that amounted to 37,081 million euro, comprised equity investments in subsidiaries, associates and companies subject to joint control. The net increase of 12,505 million euro with respect to the figure as at 31 December 2006 – restated considering the merger between Banca Intesa and SANPAOLO IMI and the connected transactions with Crédit Agricole – was mainly ascribable to valuation effects on the equity investment portfolio following the allocation of SANPAOLO IMI's purchase cost.

Forecast for 2008

As concerns prospects for 2008 for the Parent Company Intesa Sanpaolo, forecasts are consistent with the Group's.

The forecasts set out in the same chapter which accompanies the consolidated financial statements apply. Revenues should start to grow more vigorously, operating cost trend due to the rigorous controls initiated should continue to produce positive economic effects, and the cost of credit should remain at programmed levels. Further non-recurring transactions will produce significant effects on the income statement, though lower than in 2007.

The Management Board

Milan, 20 March 2008

Proposals to the Shareholders' Meeting

Distinguished Shareholders,

Pursuant to art. 2364 bis of the Italian Civil Code and articles 7.3 and 28.3 of the Company's Articles of Association, we submit to your approval the proposal for the allocation of net income for the year from 1 January to 31 December 2007 and, therefore, the distribution of dividends to the shares currently outstanding.
Please note that in the financial year the merger goodwill of Intesa Holding Asset Management of 22,075,524.26 euro was allocated to the Extraordinary reserve, and the merger goodwill of Eurizon Financial Group was allocated for 44,585,794.62 euro to the Extraordinary reserve and for 168,530,039.00 euro to the Share premium reserve.

We therefore submit to your approval the attribution of a dividend per share of 0.391 euro to non-convertible saving shares and of 0.380 euro to ordinary shares currently outstanding and consequently to distribute the net income of 5,810,886,296.36 euro as follows:

	(euro)
Net income for the period	5,810,886,296.36
Assignment of a dividend of 0.391 euro for each of the 932,490,561 saving shares (determined pursuant to Art. 28 of the Articles of Association), for total disbursement of	364,603,809.35
Assignment of a dividend of 0.220 euro for each of the 5,983,374,287 ordinary shares for total disbursement of	4,502,746,299.46
for total dividends of	4,867,350,108.81
Assignment to the Allowance for charitable, social and cultural contributions	20,000,000.00
Assignment to the Extraordinary reserve of the residual net income	923,536,187.55

We propose the payment of the aforementioned dividend, in compliance with legal provisions, as of 22 May 2008, with presentation of the coupon on 19 May 2008.

If the proposal for the allocation of net income obtains your approval, Intesa Sanpaolo S.p.A.'s shareholders' equity will be as indicated in the table below.

(in millions of euro)

Shareholders' equity	**Annual report 2007**	**Change due to the allocation of net income 2007 and the distribution of reserves**	**Share capital and reserves after the allocation of net income 2007 and the distribution of reserves**
Share capital			
- *ordinary*	*6,162*	-	*6,162*
- *saving*	*485*	-	*485*
Total share capital	**6,647**	**-**	**6,647**
Share premium reserve	33,457	-	33,457
Reserves	3,101	924	4,025
Valuation reserves	1,586	-	1,586
Treasury shares	-2,160	-	-2,160
Total reserves	**35,984**	**924**	**36,908**
TOTAL	**42,631**	**924**	**43,555**

The Management Board

Milan, 20 March 2008

Certification of the Parent Company's financial statements pursuant to Art. 81-ter of Issuers Regulation 11971/99, as subsequently amended and integrated

1. The undersigned Corrado Passera (as Managing Director and CEO) and Bruno Picca (as Manager responsible for preparing the Company's financial reports) of Intesa Sanpaolo, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of 24 February 1998, do hereby certify to:
   - the adequacy in relation to the Company features and
   - the actual application

   of the administrative and accounting procedures employed to draw up the 2007 Parent Company's financial statements.

2. The verification of the adequacy and effective application of administrative and accounting procedures employed to draw up the Parent Company's financial statements as at 31 December 2007 was performed in a context of redefinition of the company processes and IT systems following the merger between Intesa and SANPAOLO IMI and occurred on the basis of methodologies defined by Intesa Sanpaolo which are consistent with the COSO framework and, for the IT component, COBIT frameworks, which are the international commonly accepted models for internal control systems[1].

3. The undersigned also certify that the Parent Company's financial statements as at 31 December 2007:
   - correspond to the results of the books and accounts;
   - have been prepared according to IAS/IFRS issued by IASB, endorsed by the European Commission, and as such are suitable to provide a true and correct representation of the situation of the assets and liabilities, the economic and financial situation of the issuer.

20 March 2008

Corrado Passera	Bruno Picca
Managing Director and CEO	Manager responsible for preparing the Company's financial reports

[1] The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control OBjectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

Independent Auditors' Report on the Parent Company's financial statements

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998
(TRANSLATION FROM THE ORIGINAL ITALIAN TEXT)

To the Shareholders of
Intesa Sanpaolo S.p.A.

1. We have audited the financial statements of Intesa Sanpaolo S.p.A. as of and for the year ended December 31, 2007, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Management Board. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements include the comparative data of the preceding year. As described in the explanatory notes, the comparative information related to the financial statements of the preceding year, on which we issued our auditors' report on March 29, 2007, have been modified pursuant to the International Financial Reporting Standard 5. We have examined the methods adopted to restate the comparative financial data for the same period of the preceding year and the information presented in the explanatory notes in this respect for the purpose of our opinion on the financial statements as of and for the year ended December 31, 2007.

3. In our opinion, the financial statements of Intesa Sanpaolo S.p.A. at December 31, 2007 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the measures issued to implement art. 9 of the Italian Legislative Decree No. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of Intesa Sanpaolo S.p.A. for the year then ended.

Turin, March 27, 2008

Reconta Ernst & Young S.p.A.
Signed by: Guido Celona, partner

■ Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.303.500,00 i.v.
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Consob al progressivo n. 2 delibera n.10381 del 16/7/1997

Parent Company’s financial statements

Balance sheet

(in euro)

Assets		31.12.2007	31.12.2006 (*)
10.	Cash and cash equivalents	1,761,473,217	1,078,351,825
20.	Financial assets held for trading	24,194,652,648	32,210,438,248
30.	Financial assets designated at fair value through profit and loss	385,195,875	-
40.	Financial assets available for sale	4,020,793,173	3,041,091,060
50.	Investments held to maturity	2,340,005,044	-
60.	Due from banks	100,832,096,034	48,746,066,562
70.	Loans to customers	196,462,979,770	112,313,509,176
80.	Hedging derivatives	1,506,580,413	644,467,229
90.	Fair value change of financial assets in hedged portfolios (+/-)	11,847,733	-750,869
100.	Equity investments	37,080,635,224	11,987,675,369
110.	Property and equipment	2,588,267,693	1,500,711,550
120.	Intangible assets	11,215,717,053	331,625,137
	of which		
	- goodwill	*7,310,309,001*	-
130.	Tax assets	2,188,554,068	1,685,758,902
	a) current	*1,526,314,478*	*775,306,265*
	b) deferred	*662,239,590*	*910,452,637*
140.	Non-current assets held for sale and discontinued operations	3,758,886,068	-
150.	Other assets	6,521,300,181	2,668,729,254
Total Assets		**394,868,984,194**	**216,207,673,443**

(*) Figures relative to Banca Intesa.

Balance sheet

(in euro)

Liabilities and Shareholders' Equity		31.12.2007	31.12.2006 (*)
10.	Due to banks	86,007,694,839	39,020,956,730
20.	Due to customers	132,477,467,763	83,794,847,048
30.	Securities issued	97,717,650,283	59,559,589,086
40.	Financial liabilities held for trading	10,087,346,271	9,385,096,052
50.	Financial liabilities designated at fair value through profit and loss	-	-
60.	Hedging derivatives	1,756,219,882	1,670,170,947
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	34,386,581	-
80.	Tax liabilities	1,499,348,471	836,374,809
	a) current	*288,715,958*	*590,113,764*
	b) deferred	*1,210,632,513*	*246,261,045*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	2,258,063,128	-
100.	Other liabilities	10,701,000,048	4,252,152,977
110.	Employee termination indemnities	1,016,233,500	888,269,549
120.	Allowances for risks and charges	2,871,578,392	1,477,064,334
	a) post employment benefits	*281,496,444*	*116,866,502*
	b) other allowances	*2,590,081,948*	*1,360,197,832*
130.	Valuation reserves	1,586,490,700	1,610,465,348
140.	Reimbursable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	3,101,040,757	2,299,744,828
170.	Share premium reserve	33,456,707,511	5,559,073,485
180.	Share capital	6,646,547,923	3,613,001,196
190.	Treasury shares (-)	-2,159,678,151	-
200.	Net income (loss)	5,810,886,296	2,240,867,054
Total Liabilities and Shareholders' Equity		**394,868,984,194**	**216,207,673,443**

(*) Figures relative to Banca Intesa.

Income statement

(in euro)

		2007	2006 (*)
10.	Interest and similar income	15,882,712,836	7,345,712,338
20.	Interest and similar expense	-11,063,249,978	-4,647,533,246
30.	**Interest margin**	**4,819,462,858**	**2,698,179,092**
40.	Fee and commission income	3,508,533,701	2,265,759,454
50.	Fee and commission expense	-354,504,809	-263,745,812
60.	**Net fee and commission income**	**3,154,028,892**	**2,002,013,642**
70.	Dividend and similar income	939,861,228	1,203,206,803
80.	Profits (Losses) on trading	-445,576,397	315,073,507
90.	Fair value adjustments in hedge accounting	7,050,621	7,223,578
100.	Profits (Losses) on disposal or repurchase of	219,308,561	35,047,285
	a) loans	*-80,764,407*	*-35,266,471*
	b) financial assets available for sale	*300,112,126*	*50,047,616*
	c) investments held to maturity	*71,327*	-
	d) financial liabilities	*-110,485*	*20,266,140*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	-2,898,282	-
120.	**Net interest and other banking income**	**8,691,237,481**	**6,260,743,907**
130.	Net losses / recoveries on impairment	-530,806,401	-325,067,726
	a) loans	*-473,103,549*	*-341,359,324*
	b) financial assets available for sale	*-25,077,032*	*-10,289,057*
	c) investments held to maturity	-	-
	d) other financial activities	*-32,625,820*	*26,580,655*
140.	**Net income from banking activities**	**8,160,431,080**	**5,935,676,181**
150.	Administrative expenses	-5,765,455,397	-3,551,329,177
	a) personnel expenses	*-3,622,118,876*	*-2,243,749,451*
	b) other administrative expenses	-2,143,336,521	-1,307,579,726
160.	Net provisions for risks and charges	-405,638,445	-143,825,756
170.	Net adjustments to / recoveries on property and equipment	-292,827,086	-162,969,128
180.	Net adjustments to / recoveries on intangible assets	-449,006,254	-200,814,986
190.	Other operating expenses (income)	733,190,290	372,136,920
200.	**Operating expenses**	**-6,179,736,892**	**-3,686,802,127**
210.	Profits (Losses) on equity investments	-227,488,781	214,116,319
220.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-
230.	Goodwill impairment	-	-
240.	Profits (Losses) on disposal of investments	6,774,223	45,686,782
250.	**Income (Loss) before tax from continuing operations**	**1,759,979,630**	**2,508,677,155**
260.	Taxes on income from continuing operations	-371,166,972	-507,828,817
270.	**Income (Loss) after tax from continuing operations**	**1,388,812,658**	**2,000,848,338**
280.	Income (Loss) after tax from discontinued operations	4,422,073,638	240,018,716
290.	**Net income (loss)**	**5,810,886,296**	**2,240,867,054**
	Basic earnings per share (basic EPS) – euro	**0.46**	**0.32**
	Diluted earnings per share (diluted EPS) – euro	**0.46**	**0.32**

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

Changes in shareholders' equity as at 31 December 2007

(in euro)

	31.12.2007												
	Share capital		Share premium reserve	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 Banca Intesa	3,128,106,105	484,895,091	5,559,073,485	2,214,756,023	84,988,805	554,388,095	69,172,099	986,905,154	-	-	-	2,240,867,054	15,323,151,911
EFFECTS OF THE MERGER													
Banca Intesa capital increase	3,033,435,122		31,092,710,007										34,126,145,129
Intesa Sanpaolo treasury shares													
AMOUNTS AS AT 1.1.2007 Intesa Sanpaolo	6,161,541,227	484,895,091	36,651,783,492	2,214,756,023	84,988,805	554,388,095	69,172,099	986,905,154	-	-	-	2,240,867,054	49,449,297,040
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR													-
Reserves				558,972,677								-558,972,677	-
Dividends and other allocations [(a)]												-1,681,894,377	-1,681,894,377
CHANGES IN THE PERIOD													
Changes in reserves				64,458,823	168,530,039	-61,252,379	37,277,731						209,014,214
Operations on shareholders' equity													-
Issue of new shares	111,605		379,411										491,016
Purchase of treasury shares											-2,159,678,151		-2,159,678,151
Extraordinary dividends			-3,195,455,392										-3,195,455,392
Changes in equity instruments													-
Derivatives on treasury shares													-
Stock options				9,334,390									9,334,390
Net income (loss) for the period												5,810,886,296	5,810,886,296
SHAREHOLDERS' EQUITY AS AT 31.12.2007	6,161,652,832	484,895,091	33,456,707,511	2,847,521,913	253,518,844	493,135,716	106,449,830	986,905,154	-	-	-2,159,678,151	5,810,886,296	48,441,995,036

[(a)] The caption includes dividends and the amount attributable to the Parent Company's Allowance for charitable contributions.

Changes in shareholders' equity as at 31 December 2006

(in euro)

	31.12.2006												
	Share capital		Share premium reserve	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	3,111,354,630	484,895,091	5,509,782,422	2,199,167,494	84,988,805	336,130,049	-26,365,072	986,905,154	-	-	-	1,564,161,989	14,251,020,562
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR													-
Reserves				22,414,326								-22,414,326	-
Dividends and other allocations												-1,541,747,663	-1,541,747,663
CHANGES IN THE PERIOD													
Changes in reserves				-6,825,797		218,258,046	95,537,171						306,969,420
Operations on shareholders' equity													-
Issue of new shares	16,751,475		49,291,063										66,042,538
Purchase of treasury shares													-
Extraordinary dividends													-
Changes in equity instruments													-
Derivatives on treasury shares													-
Stock options													-
2006 net income (loss)												2,240,867,054	2,240,867,054
SHAREHOLDERS' EQUITY AS AT 31.12.2006	3,128,106,105	484,895,091	5,559,073,485	2,214,756,023	84,988,805	554,388,095	69,172,099	986,905,154	-	-	-	2,240,867,054	15,323,151,911

Statement of cash flows

(in euro)

	31.12.2007	31.12.2006 (*)
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**3,676,587,208**	**3,319,317,104**
- net income (-/+)	5,810,886,296	2,240,867,054
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	296,106,967	327,470,417
- gains/losses on hedging activities (-/+)	-7,050,621	-7,223,578
- net losses/recoveries on impairment (+/-)	730,806,400	533,405,354
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	741,833,340	364,118,314
- net provisions for risks and charges and other costs/revenues (+/-)	936,778,947	252,588,076
- taxes and duties to be settled (+)	679,068,401	694,441,305
- net adjustments to/recoveries on disposal groups net of tax effect (-/+)	4,042,811	-
- other adjustments (+/-)	-5,515,885,333	-1,086,349,838
2. Cash flow from / used in financial assets	**4,162,123,122**	**-10,032,734,904**
- financial assets held for trading	12,466,144,975	6,237,781,083
- financial assets designated at fair value through profit and loss	782,751,207	-
- financial assets available for sale	268,158,622	-257,705,910
- due from banks: repayable on demand	12,537,822,000	-3,289,553,868
- due from banks: other	-14,743,201,681	-4,410,218,807
- loans to customers	-12,979,101,245	-8,841,155,750
- other assets	5,829,549,244	528,118,348
3. Cash flow from / used in financial liabilities	**-5,006,742,106**	**7,537,619,398**
- due to banks: repayable on demand	2,194,957,000	-583,422,324
- due to banks: other	-4,847,102,447	6,469,061,038
- due to customers	-262,451,250	3,885,919,889
- securities issued	5,162,949,810	2,585,456,704
- financial liabilities held for trading	-489,229,902	-4,676,060,792
- financial liabilities designated at fair value through profit and loss	-	-
- other liabilities	-6,765,865,317	-143,335,117
Net cash flow from (used in) operating activities	**2,831,968,224**	**824,201,598**
B. INVESTING ACTIVITIES		
1. Cash flow from	**6,895,434,577**	**1,352,269,029**
- sales of equity investments	1,383,072,276	275,731,144
- dividends collected on equity investments	700,268,417	1,025,572,108
- sales of investments held to maturity	150,000,000	-
- sales of property and equipment	11,000,000	50,965,777
- sales of intangible assets	1,000,000	-
- sales of subsidiaries and business branches	4,650,093,884	-
2. Cash flow used in	**-2,658,827,889**	**-719,236,336**
- purchases of equity investments	-2,345,491,424	-360,660,088
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-277,000,000	-189,246,947
- purchases of intangibles assets	-32,000,000	-169,329,301
- purchases of subsidiaries and business branches	-4,336,465	-
Net cash flow from (used in) investing activities	**4,236,606,688**	**633,032,693**
C. FINANCING ACTIVITIES		
- issues / purchases of treasury shares	-2,134,634,898	-
- share capital increases	-	66,042,538
- dividend distribution and other	-4,877,268,552	-1,543,187,756
Net cash flow from (used in) financing activities	**-7,011,903,450**	**-1,477,145,218**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**56,671,462**	**-19,910,927**
RECONCILIATION		
Cash and cash equivalents at beginning of period	1,704,801,755	1,098,262,752
Net increase (decrease) in cash and cash equivalents	56,671,462	-19,910,927
Cash and cash equivalents: foreign exchange effect	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,761,473,217**	**1,078,351,825**

(*) Figures relative to Banca Intesa.

LEGEND: (+) from (–) used in

Notes to the Parent Company's financial statements

Part A – Accounting policies

A.1 - GENERAL CRITERIA

SECTION 1 – DECLARATION OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

As set forth by Legislative Decree 38 of 28 February 2005, Intesa Sanpaolo's financial statements have 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 provided for by Community Regulation 1606 of 19 July 2002.
The Parent Company's financial statements as at 31 December 2007 have been prepared based on the "Instructions for the preparation of the separate and consolidated financial statements of banks and financial companies which are parent companies of banking groups" issued by the Bank of Italy, in the exercise of powers set forth by Art. 9 of Legislative Decree 38/2005, with Regulation of 22 December 2005 which issued Circular 262/05. These Instructions set out compulsory financial statement forms and their means of preparation, as well as the contents of the notes to the financial statements.
In the preparation of the financial statements, the principles in force as at 31 December 2007 have been used (including the interpretation documents called SIC and IFRIC), as endorsed by the European Commission and listed in detail in a specific table included in the attachments to this Annual report. With respect to principles endorsed as at 31 December 2006, the subsequent endorsement of principle IFRS 8 (Operating segments), which will become effective for reports referred to periods beginning on or after 1 January 2009, should be particularly noted since it is applicable to banking activities.

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The Parent Company's financial statements are made up of the Balance sheet, the Income statement, the Changes in shareholders' equity, the Statement of cash flows and the Notes to the Parent Company's financial statements; the Report on operations, on the economic results achieved and on Intesa Sanpaolo's balance sheet and financial position has also been included. In compliance with provisions of Art.5 of Legislative Decree 38/2005, the Consolidated financial statements have been drawn up in euro as functional currency.
The amounts indicated in the Parent Company's financial statements are expressed in euro, while figures in the Notes to the Parent Company's financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.
The Parent Company's financial statements are prepared with the application of the general principles set out by IAS 1 and the specific accounting principles endorsed by the European Commission and illustrated in Part A.2 of the present Notes to the Parent Company's financial statements, 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.
No exceptions to the application of IAS/IFRS have been made.
The Report on operations and the Notes to the Parent Company's financial statements contain all information required by international accounting standards, by current regulations, by the Bank of Italy and by Consob (Italian Securities Exchange Commission), in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair representation of the Bank's situation.
The balance sheet and the relevant details in the Notes to the Parent Company's financial statements under Non-current assets held for sale and discontinued operations include the captions relative to the 129 branches to be sold by the Parent Company following the measure issued by the Italian Competition Authority.
The income statement under Income (Loss) after tax from discontinued operations, in addition to the economic components relative to the aforementioned branches, also include captions relative to Cariparma and FriulAdria – sold on 1 March 2007 – to the 29 branches transferred to FriulAdria on 1

April 2007, to the 173 branches sold to Cariparma on 1 July 2007 and lastly, the economic components relative to the Biverbanca, sale finalised on 20 December 2007.
The Parent Company's financial statement forms and the Notes to the Parent Company's financial statements present, in addition to figures for the reference period, the comparative figures as at 31 December 2006 of Banca Intesa, restated – as regards income statement - to consider the aforesaid disposals in compliance with the provisions of IFRS 5. The Attachments include a table which sets out the reconciliation between such comparative figures and the income statement originally published in the 2006 Annual report.

Contents of financial statement forms

Balance sheet and income statement

The compulsory forms of the balance sheet and income statement are made up of captions, subcaptions and further informative details (specified as the "of which" items in the captions and subcaptions). For the purposes of completeness with respect to the compulsory forms defined by the Bank of Italy, captions which do not present amounts for 2007 and for 2006 are in any case included. In the income statement revenues are indicated without sign, whereas costs are preceded by the minus sign.

Changes in shareholders' equity

Changes in Parent Company's shareholders' equity are presented by inverting the lines and the columns with respect to the same form provided for by Circular 262/2005 of the Bank of Italy. The form presents shareholders' equity accounts and changes which occurred in the reference year and in the previous year, broken down into share capital (ordinary and saving shares), reserves, reserves from retained earnings, valuation reserves and net income. Treasury shares are deducted from shareholders' equity. No other equity instruments other than ordinary and saving shares have been issued.

Statement of cash flows

The statement of cash flows registered in the reference year and in the previous year is prepared using the indirect method, on the basis of which cash flows from operating activities are represented by net income adjusted for the effects of non-cash transactions.
Cash flows are broken down into flows from operating activities, from investing activities and from financing activities.
In the form, cash flows generated in the year are indicated without sign, whereas cash flows absorbed are preceded by the minus sign.

Contents of Notes to the Parent Company's financial statements

The Notes to the Parent Company's financial statements include the information provided for by International Financial Reporting Standards and Circular 262/2005 of the Bank of Italy.

SECTION 3 - SIGNIFICANT EVENTS SUBSEQUENT TO FINANCIAL STATEMENT DATE

In addition to the events described in the same section of the Notes to the consolidated financial statements, to which reference must be made, no events occurred capable of appreciably modifying the Bank's operations and economic results in the period after the close of 2007 and the date of approval of the present report.

SECTION 4 - OTHER ASPECTS

Intesa Sanpaolo used the faculty contained in Art. 82, par. 2, of Issuers Regulation 11971 of 14 May 1999 and subsequent amendments, of making the draft Parent Company's financial statements and the draft consolidated financial statements as at 31 December 2007 available for Shareholders and the market within 90 days from the end of period – instead of the quarterly report as at the same date. It must be noted that Intesa Sanpaolo prepared and published in the terms and according to the means set out by Consob, Consolidated reports as at 31 March 2007, as at 30 June 2007 (which was subject to a limited audit by Reconta Ernst & Young) and as at 30 September 2007.
The Parent Company's financial statements for 2007 will be subject to the approval of the Supervisory Board summoned on 11 April 2008. The Ordinary Shareholders' Meeting summoned on 28 and 30 April 2008 will resolve upon the proposed allocation of net income.

Reconta Ernst & Young audited Intesa Sanpaolo's financial statements as at 31 December 2007, in execution of the resolution of the Shareholders' Meeting of 20 April 2006, which appointed it independent auditor for the years from 2006 to 2011, included.

The merger between Banca Intesa and SANPAOLO IMI

As already reported, the merger between Banca Intesa and SANPAOLO IMI has been accounted for using IFRS 3 on business combinations. For detailed information on this specific aspect see the specific chapter of the present Notes to the Parent Company's financial statements.

The sale of assets to Crédit Agricole and the provision of the Italian Competition Authority

Regarding the sale of assets to Crédit Agricole and the provision of the Italian Competition Authority within the business combination between Banca Intesa and SANPAOLO IMI, see Part A – Accounting policies of the Notes to the consolidated financial statements.

Option for the national fiscal consolidation provisions

Intesa Sanpaolo and the Group's Italian companies (with the exclusion of Banca di Trento e Bolzano, FinBTB, Cassa dei Risparmi di Forlì e della Romagna and the newly-established companies: Sud Polo Vita, Banca Prossima and IMMIT) have adopted the so-called "national fiscal consolidation", set forth by Articles 117-129 of the new Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides for an option, based on which the total net income or fiscal loss of every controlled subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries and, consequently, a sole tax debit/credit).

Based on this option, Group companies which opted for the "national fiscal consolidation" determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent Company. If one or more companies have a negative taxable income, in the presence of a consolidated income in the year or of highly probable future taxable incomes, the fiscal losses are transferred to the Parent Company.

A. 2 – MAIN FINANCIAL STATEMENT CAPTIONS

The **Accounting principles** adopted in the preparation of the 2007 Parent Company's financial statements have remained unchanged with respect to those adopted for Banca Intesa's 2006 Annual report. These principles have been integrated by the accounting principles - illustrated hereafter - relative to the Financial Assets measured at fair value adopted by SANPAOLO IMI. Furthermore, 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.
Lastly, the coming into effect of the supplementary social security reform led to changes in the registration of Employee termination indemnities. In particular, in application of IAS 19 "Employee Benefits", Employee termination indemnities until 31 December 2006 were considered a "post employment benefit" classified as a "defined benefit plan". Therefore, the caption 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 1 January 2007 the reform of supplementary social security as per Legislative Decree 252 of 5 December 2005, each employee had to decide to allocate the Employee termination indemnities under accrual as of 1 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 31 December 2006, and to the amounts under accrual as of 1 January 2007. In particular:

- employee termination indemnities accrued from 1 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 31 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 31 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 1 January 2007.

Following the change in applicable regulations, Employee termination indemnities as at 31 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 income statement. The positive effect recorded in the 2007 income statement amounted to 174 million euro before tax.

The illustration of accounting principles adopted by Intesa Sanpaolo refers to the following phases: classification, recognition, measurement and derecognition of asset and liability captions. For each of these phases the related economic effects, if significant, are also indicated.

1. Financial assets held for trading

Classification criteria

This category includes debt securities and equities and the positive value of derivative contracts held for trading. Derivative contracts also include those embedded in combined financial instruments which are subject to separate accounting when:

- their characteristics and risks are not closely related to the characteristics of the host contract;
- embedded instruments, even though separate, fully meet the definition of derivative;
- combined instruments are not measured at fair value with changes in fair value recognised through profit and loss.

Recognition criteria

Initial recognition of financial assets occurs at settlement date for debt securities and equities and at trade date for derivative contracts.

On initial recognition, financial assets held for trading are recorded at fair value, without considering transaction costs or revenues directly attributable to the instrument.
Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to meet the definition of derivative are recorded separately from the host contract at fair value.

Measurement criteria
After initial recognition financial assets held for trading are recorded at fair value. The effects of the application of this measurement criterion are recorded in the income statement.
For the determination of the fair value of financial instruments quoted on active markets, market quotes are used. If the market for a financial instrument is not active, standard practice estimation methods and valuation techniques are used which consider all the risk factors correlated to the instruments and that are based on market elements such as: valuation of quoted instruments with the same characteristics, calculation of discounted cash flows, option pricing models, recent comparable transactions, etc.. Equities and derivative instruments which have equities as underlying assets, for which it is not possible to determine a reliable fair value according to the guidelines listed above, are maintained at cost.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their ownership has been transferred.
In case it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, then the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

2. Financial assets available for sale

Classification criteria
This category includes the financial assets that do not fall within any of the other categories such as Loans, Financial assets held for trading, Investments held to maturity or Financial assets designated at fair value through profit and loss. In particular, this caption is made up of i) bonds which are not held for trading and which are not included in Loans, in Investments held to maturity or designated at fair value through profit and loss, ii) equity investments which are not held for trading and do not qualify as investments in subsidiaries, associates or entities subject to joint control, including private equity investments and private equity funds ,as well as iii) the portions of syndicated loans that, from inception, are destined for sale.

Recognition criteria
Initial recognition of the financial asset occurs at settlement date for debt securities and equities and at disbursement date for loans.
On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument. If, in the cases provided for by accounting principles, recognition occurs following the reclassification of Investments held to maturity, recognition value is represented by fair value at the time of transfer.

Measurement criteria
After initial recognition, Financial assets available for sale are measured at fair value, through the registration in the income statement of the value corresponding to amortised cost, while gains or losses deriving from a change in fair value are recorded in a specific reserve in shareholders' equity, until the financial asset is derecognised or a permanent loss occurs. On the sale of the financial asset or on recognition of a loss, the cumulated profit or loss must be reversed, all or in part, to the income statement.

Fair value is determined on the basis of criteria already illustrated for financial assets held for trading.
Equities included in this category and any derivative instruments which have equities as underlying assets, for which it is not possible to determine a reliable fair value, are maintained at cost.
Financial assets available for sale are assessed to identify if they show objective evidence of a decline in fair value.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate, or through specific valuation methodologies for equities.
If the reasons for impairment cease to exist, following an event which occurred after the registration of the impairment, value recoveries are posted through the income statement in the case of loans or debt securities, and through shareholders' equity in the case of equities. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their ownership has been transferred.
In case it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, then the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

3. Investments held to maturity

Classification criteria
Listed debt securities with fixed or determinable payments and fixed maturity, which the entity has the positive intention and ability to hold to maturity, are classified in this category.

Recognition criteria
Initial recognition of financial assets occurs at settlement date.
On initial recognition financial assets classified in the present category are recorded at fair value, inclusive of any costs and revenues directly attributable to the asset. If inclusion in this category occurs following the reclassification of Financial assets available for sale, the fair value of the asset at the date of reclassification is used as the new amortised cost of the asset.

Measurement criteria
After the initial recognition, Investments held to maturity are valued at amortised cost, using the effective interest method.
Profits or losses referred to investments held to maturity are recorded in the income statement when assets are derecognised or impaired, and through the amortisation process of the difference between book value and the value reimbursable at maturity.
Investments held to maturity are assessed to see if they show objective evidence of possible impairment.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the income statement.
If the reasons for impairment cease to exist following an event which occurred after the registration of impairment losses, value recoveries are posted through the income statement. The size of the recovery must not lead the carrying amount of the financial asset to exceed the amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria
Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their ownership has been transferred.
In case it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when control, even partial, is maintained, then the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.
Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

4. Loans

Classification criteria
Loans include loans to customers and due from banks, both disbursed directly and acquired by third parties, which entail fixed or in any case determinable payments, which are not quoted on an active market and which are not classified at inception in Financial assets available for sale.
The caption Loans to customers also includes commercial loans, repurchase agreements with the obligation to resell at a later date, and securities underwritten at issue or via private placements, with determined or determinable payments, not quoted in active markets.

Recognition criteria
Initial recognition of a loan occurs at date of subscription of the contract that normally coincides with disbursement date, based on the fair value of the financial instrument, equal to the amount disbursed or subscription price, inclusive of the costs/revenues directly attributable to the single loan and determinable from inception, even when settled at a later date. Costs that, even with the aforementioned characteristics, are reimbursed by the borrower or are classifiable as normal internal administrative costs are excluded.

Measurement criteria
After initial recognition, loans are measured at amortised cost, equal to initial value increased/decreased by principal repayments, adjustments/recoveries and amortisation – calculated applying the effective interest method – of the difference between amount disbursed and amount to be reimbursed at maturity, typically attributable to the costs/revenues directly connected to the single loan. The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and allows distribution of the economic effect of the costs/revenues through the expected residual life of the loan.
The amortised cost method is not used for loans whose short maturity implies that the application of the discounting approach leads to immaterial effects. Such loans are recorded at historical cost. An analogous measurement criterion is applied to loans with unspecified maturity or with notice period.
Loans are reassessed for the purpose of identifying those which, due to events after initial recognition, show objective evidence of possible impairment. These include doubtful loans, substandard, restructured or past due loans according to the rules issued by the Bank of Italy, consistent with IAS/IFRS regulations.
Such non-performing loans are subject to an individual assessment process and the adjustment of each loan is equal to the difference between carrying value at the time of valuation (amortised cost) and present value of expected future cash flows, calculated applying the original effective interest rate.
Forecast future cash flows consider expected recovery times, presumed recoverable amount of any guarantees as well as costs which it is deemed will be sustained for the recovery of the exposure.
The original effective rate of each loan remains unchanged over time even though the relationship has been restructured with a variation of the contractual interest rate and even though the relationship, in practice, no longer bears contractual interest.
The adjustment is recorded in the income statement.

The original value of loans is reinstated in subsequent periods to the extent that the reasons which had led to the impairment cease to exist, provided that such valuation is objectively attributed to an event which occurred subsequent to the impairment. The recovery is recorded in the income statement and must not lead carrying amount of the loan to exceed amortised cost had no impairment losses been recognised in previous periods.
Recoveries on impairment include time value effects.
Loans for which no individual evidence of impairment exists are subject to collective measurement. This measurement occurs for groups of loans with the same credit risk characteristics and the relevant percentage losses are estimated considering historical loss data, and other objective elements observable at measurement date, which enable to estimate the intrinsic loss for each loan category. The valuation also considers the risk of the borrower's country of residence.
Collective adjustments are recorded in the income statement.

Derecognition criteria

Loans sold are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the loans. Conversely, if a significant part of the risks and rewards relative to the sold loans is maintained, they continue to be recorded in assets, even though their ownership has been transferred.
In case it is not possible to ascertain the substantial transfer of risks and rewards, the loans are derecognised where no control over the loans has been maintained. If this is not the case, when, even partial, control is maintained, then the loans continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of loans sold and to variations in the relevant cash flows.
Lastly, loans sold are derecognised if the entity retains the contractual rights to receive the cash flows of the loan, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

5. Financial assets designated at fair value through profit and loss

The IAS/IFRS accounting standards approved 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.
Intesa Sanpaolo classified in this category only certain debt securities with incorporated derivatives or debt securities subject to financial hedging.
Financial assets designated at fair value through profit and loss are recorded in the balance sheet at fair value, usually equal to the consideration paid. Any subsequent measurement of changes of fair value is recorded in the income statement.

6. Hedging transactions

Types of hedges

Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such risk should actually occur.
The following types of hedging transactions are used:

- fair value hedge, which has the objective of covering exposure to changes in the fair value (attributable to the different risk categories) of assets and liabilities in the balance sheet, or a portion of these, of groups of assets/liabilities, of binding commitments and portfolios of financial assets and liabilities with fair value hedges, including "core deposits", as permitted by IAS 39 approved by the European Commission;
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is used to stabilise the interest flow on variable rate funding to the extent that the latter finances fixed rate investments;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in foreign currency.

Only hedging transactions which involve counterparties outside the Group may qualify for hedge accounting.

Measurement criteria
Hedging derivatives are measured at fair value. In particular:
- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the income statement of the gains and losses referred to both the hedged item (for the variations produced by the underlying risk factor), and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect;
- in the case of cash flow hedges, changes in fair value of the derivative are recorded in equity, for the effective portion of the hedge, and these are registered in the income statement only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

Derivatives are designated as hedging instruments if there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective at inception and prospectively over the entire period of the hedge.
The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the related expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction.
A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is within the limits set out by the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.
Effectiveness is assessed at every close of annual or interim financial statements using:
- *prospective tests*, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- *retrospective tests*, which highlight the degree of hedge effectiveness reached in the period to which they refer. In other words, they measure to what extent results achieved differ from perfect hedging.

If such assessments do not confirm hedge effectiveness, from that moment hedge accounting is discontinued, the derivative is reclassified in instruments held for trading and the hedged item is measured on the basis of its classification in the balance sheet.

7. Equity investments

Classification criteria
The caption includes investments in subsidiaries, associates and companies subject to joint control.
Companies are considered subsidiaries when the Parent Company, directly or indirectly, holds more than half of the voting rights or when it 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 as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by Intesa Sanpaolo, directly or indirectly, and another entity. Furthermore, a company is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the company is shared based on contractual agreements with other entities.
Companies are considered associates, that is subject to significant influence, when Intesa Sanpaolo holds at least 20% of voting rights (including "potential" voting rights as described above) or if the Parent Company – with a lower equity stake – has the power of participating in the determination of financial and management policies of the company based on specific juridical relations, such as the participation in voting syndicates.
Certain companies in which Intesa Sanpaolo holds a stake exceeding 20% are not considered subject to significant influence since it solely has economic rights on a portion of the returns generated by the investment, but does not have access to management policies and may exercise governance rights limited to the safeguarding of its economic interests.
The caption also includes, in consideration of its peculiarity, the equity stake in Bank of Italy.

Recognition criteria
Equity investments are recognised at settlement date. On initial recognition equity investments are recorded at cost, inclusive of the costs or income directly attributable to the transaction.

Measurement criteria
Equity investments are measured at cost, which may be adjusted if permanent losses are deemed to have occurred. If there is evidence of impairment, the recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, including the final disposal value.
If the recoverable amount is lower than the carrying value, the difference is recorded in the income statement.
If the reasons for impairment are removed following an event subsequent to the registration of impairment, recoveries are recorded in the income statement.

Derecognition criteria
Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the investment is sold transferring substantially all the risks and rewards connected to the assets.

8. Property and equipment

Classification criteria
Property and equipment include land, buildings used in operations, investment property, technical plants, furniture and fittings and any type of equipment.
They are tangible items that are held for use in the production or supply of goods or services, for rental to third parties and are expected to be used during more than one period.
The caption also includes the goods used in financial lease contracts, even though the ownership remains in the books of the leaser.

Recognition criteria
Property and equipment are initially measured at cost which comprises in addition to their purchase price any costs directly attributable to the purchase and required for them to be operational.
Extraordinary maintenance expenses which lead to a rise in future economic benefits, are attributed to increase in value of assets, while other ordinary maintenance costs are recorded in the income statement.

Measurement criteria
Property and equipment, including investment buildings, are measured at cost, net of depreciation and impairment losses.
Property and equipment are systematically depreciated, adopting the straight-line method over their useful life. Depreciable amount is represented by the cost of the good since the residual value at the end of the depreciation period is not deemed to be significant. Buildings are depreciated for a portion deemed suitable to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in the carrying value of the assets.
The following are not depreciated:
- land, irrespectively of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life;
- works of art, since the useful life of a work of art cannot be estimated and its value is normally destined to increase over time.

If there is some evidence that an asset may have been impaired, the carrying value of the asset and its recoverable amount are compared. Any impairment losses are recorded in the income statement.
If the reasons for impairment cease to exist, a value recovery is recorded which may not exceed the value that the asset would have had, net of calculated depreciation, in the absence of previous impairments.

Derecognition criteria
Property and equipment are derecognised from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

9. Intangible assets

Classification criteria
Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include software.

Recognition and measurement criteria
Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets are realised and if the cost of the asset may be reliably determined. If this is not the case, the cost of the intangible asset is recorded in the income statement in the year in which it was sustained.
For assets with finite useful life, the cost is amortised on a straight-line basis. Assets with indefinite useful life are not subject to systematic amortisation, but are periodically subjected to impairment test.
If there is any indication that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the income statement, is equal to the difference between the book value of the assets and the recoverable amount.
In particular intangible assets include:
- technology related intangibles, such as software, which are amortised on the basis of their obsolescence and over a maximum period of five years;
- customer related intangibles represented, in business combinations, by asset management, insurance and core deposits portfolios. Such assets, all with a finite life, are originally measured by discounting the income margins on the ongoing relations at the time of the business combination over a period which expresses their residual, contractual or estimated life. They are amortised on a straight-line basis over the period of greater significance of the expected economic benefits in case of relations which do not have a predetermined duration or in decreasing portions corresponding to the duration of the contract in the case of relations with predetermined expiry. More specifically, asset management relations are amortised over a period of 8-10 years, core deposits in 18 years and relations from insurance contracts in decreasing portions corresponding to the residual life of the policies;
- marketing related intangibles represented by the measurement of the brand name which is also recorded at the time of business combinations. This asset is considered as having indefinite life since it is deemed to contribute for an indefinite period to the formation of income flows.

Lastly, intangible assets include goodwill.
Goodwill may be recorded when the positive difference between the fair value of shareholders' equity acquired and the purchase cost of the equity investment (inclusive of accessory costs) is representative of the future income-generation potential of the equity investment.
If such a difference should be negative (badwill) or if goodwill may not be attributed considering future income-generation potential of the equity investments, the same difference is directly recorded in the income statement.
An impairment test is carried out for goodwill once a year (or every time that there is evidence of impairment losses).

Derecognition criteria
Intangible assets are derecognised from the balance sheet on disposal and if no future economic benefits are expected.

10. Non-current assets held for sale and discontinued operations and related liabilities
Non-current assets/liabilities for which a disposal process has commenced and for which disposal is deemed to be extremely probable are recorded in assets under Non-current assets held for sale and discontinued operations and in liabilities under Liabilities associated with non-current assets held for sale and discontinued operations. Such assets/liabilities are measured at the lower between carrying value and their fair value less costs to sell.
The income and charges (net of tax impact) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the income statement in a separate caption.

11. Current and deferred tax

Income tax, calculated according to domestic tax regulations, is accounted for as a cost in compliance with the accruals concept, in line with the method followed to include, in the financial statements, the costs and income that generated them. Therefore, they represent the balance of current and deferred taxation relating to the net result for the period. Current tax assets and liabilities include the tax balances of the Bank due to the relevant Italian and foreign tax authorities. More specifically, these captions include the net balance of current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax charges due for the period, assessed according to the tax regulations currently in force, and the current tax assets represented by advances paid and other tax credits for withholding taxes borne or tax credits of previous years that the Bank claimed against taxes payable in future years.
Current tax assets also include tax credits in respect of which a tax refund claim has been filed by the Bank with the relevant tax authorities.
Considering the Group's adoption of the national fiscal consolidation provisions, tax positions which may be referred to the Bank and those originated by other Group companies are managed separately from an administrative standpoint.
Deferred taxation is calculated according to the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of the assets and liabilities and their value for taxation purposes, which will determine taxable income or deductible amounts in the future. To this end, "taxable temporary differences" are differences which will give rise to taxable income in future years while "deductible temporary differences" are those which will give rise to deductible amounts in future years.
Deferred tax liabilities are calculated by applying the tax rates currently in force to taxable temporary differences that are likely to generate a tax burden and to the deductible temporary differences if these are likely to be recovered. Deferred tax assets and liabilities related to the same tax and due in the same period are compensated.
In the years where deductible temporary differences are greater than taxable temporary differences, the related deferred tax assets are included under balance sheet assets among "Deferred tax assets". On the other hand, in the years where taxable temporary differences are greater than deductible temporary differences, the related deferred taxes are included under balance sheet liabilities among Deferred tax liabilities.
If Deferred tax assets and liabilities refer to items affecting the Income statement, the counterbalance is represented by income taxes.
Where deferred tax assets and liabilities relate to transactions that have been recorded in shareholders' equity without affecting earnings (such as adjustments on IAS/IFRS first-time adoption, evaluations of available-for-sale financial assets or of cash flow hedge derivative contracts), the balancing entry is made in shareholders' equity, under specific reserves where so provided (e.g. valuation reserves).
No provision is made for reserves subject to taxation only in the event of distribution, since the size of the available reserves which have already been taxed, gives rise to the belief that the Bank will not undertake any transactions which may lead to tax the untaxed reserves.
Deferred tax liabilities referred to companies included in the fiscal consolidation are reported in their financial statements, in application of the matching principle and in consideration of the fact that the effects of fiscal consolidation are limited to the settlement of current tax positions.

12. Allowances for risks and charges

Post employment benefits

Company post employment benefits are set up based on agreements and qualify as defined benefit plans. Liabilities related to such plans and the relative cost of current service are determined on the basis of actuarial assumptions based on the Projected Unit Credit Method. This method sets out that future obligations are forecast using past time-series analyses and the demographic curve and that such future cash flows are discounted based on a market interest rate. The provisions made in each period of service are considered separately and give rise to an additional unit of benefit entitlement for the purposes of the final obligation. The rate used to discount future flows is based on the market rate of zero coupon bonds, considered most representative of market performance, taking into account the expected future cash outflows of the pension fund. The present value of the liability at the reference date of the financial statements is also adjusted by the fair value of any plan assets.
Actuarial profits and losses are recognised in the income statement, on the basis of the "corridor approach" only for the part of profits and losses not recorded at the end of the previous period which

exceeds the higher between 10% of the present value of the defined benefit obligation and 10% of fair value of plan assets; this excess is recorded in the income statement on the basis of the expected average remaining working life of the participants to the plan.

Other allowances

Other allowances for risks and charges record provisions related to legal obligations or connected to labour relationships or to litigations, also fiscal, originated from a past event for which a disbursement will probably arise to settle the obligations, provided that the amount of the disbursement may be estimated reliably.
Where time value is significant, provisions are discounted using current market rates. Provisions and increases due to time value are recorded in the income statement.
The caption also includes long-term benefits to employees, whose charges are determined with the same actuarial criteria described for post employment benefits. Actuarial profits and losses are all immediately recognised in the income statement.

13. Payables and securities issued

Classification criteria

Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.
It also includes the payables recorded by the bank in the capacity of leasor in financial lease transactions.

Recognition criteria

Initial recognition of such financial liabilities occurs at the date of subscription of the contract, which normally coincides with the time of collection of the sums deposited or the issue of debt securities.
Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, increased by any additional charges/revenues directly attributable to the single funding or issuing transaction. Internal administrative costs are excluded.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost with the effective interest method.
An exception is made for short-term liabilities, where time value is immaterial, which are stated at collected amount.

Derecognition criteria

Financial liabilities are derecognised from the balance sheet when they have expired or extinguished. Derecognition also occurs for repurchase of previously-issued bonds. The difference between book value of the liability and amount paid for repurchase is recorded in the income statement.
Placement of own securities, subsequent to their repurchase, is considered a new issue with recognition at the new placement price.

14. Financial liabilities held for trading

The caption includes the negative value of fair value measurement of derivatives held for trading as well as the negative value of embedded derivatives in combined contracts but which are not closely correlated to the latter. It also includes liabilities determined by short selling generated by securities trading activities.
All financial liabilities held for trading are measured at fair value through profit and loss.

15. Financial liabilities designated at fair value through profit and loss

Intesa Sanpaolo resolved not to designate any financial liabilities at fair value.

16. Foreign currency transactions

Initial recognition
Foreign currency transactions are recorded, on initial recognition, in the domestic currency, by applying to the foreign currency amount the spot exchange rate between the domestic currency and the foreign currency at the date of the transaction.

Reporting at subsequent balance sheet dates
At every close of annual or interim financial statements, captions in foreign currency are measured as follows:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the closing rates.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised through profit and loss in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit and loss, any exchange component of that gain or loss is recognised through profit and loss.

17. Other information

Treasury shares
Any treasury shares held are directly deducted from equity. Similarly, their original cost and the profits or losses deriving from their subsequent sale are recorded in equity.

Accruals, prepayments and deferrals
Accruals, prepayments and deferrals for the year which include income and charges for the period, matured on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities they relate to.

Leasehold improvements
The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. Such costs, recorded in Other assets as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract.

Employee termination indemnities
Following the coming into effect of the Finance Law 2007, which anticipated to 1 January 2007 the reform of supplementary social security as per Legislative Decree 252 of 5 December 2005, employee termination indemnities refer to the sole portion accrued until 31 December 2006. It represents a "post employment benefit" classified as "defined benefit plan" and is therefore recognised in the financial statements on the basis of the actuarial value determined using the "Projected Unit Credit Method" without applying the pro-rata of the service rendered. This stems from the consideration that current service cost of employee termination indemnities, accrued as at 1 January 2007, was almost entirely already accrued and for its revaluation for the years to come, it will not lead to significant benefits for employees.
For the purposes of actualisation, the rate used is based on the market rate of zero coupon bonds, considered most representative of market performance, taking into account the average remaining life of the liability taken into consideration, weighted based on percentage amount paid and advanced, for each maturity with respect to the total to be paid and advanced until the expiry of the entire obligation.
Costs to service the plan are accounted for in personnel expenses and actuarial gains and losses are recorded using the "corridor approach" that is as the excess cumulated actuarial gains/losses, recorded at

the end of the previous period with respect to 10% of present value of the defined benefit obligation. This excess is recorded in the income statement on the basis of the expected average remaining working life of the participants to the plan.
Following the reform, the employee termination indemnities accrued from 1 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, recorded under personnel expenses, are determined on the basis of amounts due without the application of actuarial calculation methodologies.

Provisions for guarantees and commitments
Provisions made on an individual and collective basis, relative to estimated possible disbursements connected to credit risk relative to guarantees and commitments, determined applying the same criteria set out above with respect to loans, are recorded under Other liabilities, as set out by the Instructions of the Bank of Italy.

Share-based payments
Share-based payments are recorded in the income statement, with a corresponding increase in shareholders' equity, on the basis of the fair value of financial instruments attributed at assignment date, dividing the charge over the period set forth by the plan.
In the case of options, the fair value is calculated using a model which considers, in addition to information such as strike price and expiry date of the option, spot price of the shares and their expected volatility, expected dividends and the risk-free interest rate, as well as the specific characteristics of the plan. The pricing model values the option and the probability of realisation of the condition on the basis of which the options have been assigned. The combination of the two values supplies the fair value of the assigned instrument.
Any decrease in the number of financial instruments granted is accounted for as a cancellation of such instruments.

Recognition of revenues and costs
Revenues are recognised when they are collected or, in case of sale of goods or products, when it is probable that the economic benefits will be received and these benefits may be measured reliably, in case of services, when these have been rendered. In particular:
- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost;
- overdue interest, which may be provided for by the relevant contracts, is recorded in the income statement solely at the time of collection;
- dividends are posted in the income statement in the financial year when their distribution is approved;
- commission income from services is recorded, on the basis of the existence of contractual agreements, in the period in which the services have been rendered;
- revenues from the sale of financial instruments, determined by the difference between transaction amount paid or received and the fair value of the instrument, are recognised in the income statement at the time of the transaction if the fair value is determinable with reference to parameters or transactions recently closed on the same market. If such values are not easily observable or present a reduced liquidity, the financial instrument is recognised at a value equal to the price of the transaction, net of the commercial margin; the difference with respect to the fair value is recorded in the income statement during the life of the transaction via a progressive reduction, in the valuation model, of the corrective factor connected to the scant liquidity of the instrument;
- profits and losses from securities trading are recognised in the income statement at the date of sale, on the basis of the difference between the consideration paid or collected and the carrying value of such instruments;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, unless most of the risks and rewards related to the asset are maintained.

Costs are recorded in the income statement in the periods to which their income relates. If matching can only be attributed generally or indirectly, then the costs are allocated to more than one accounting period according to rational procedures and on a systematic basis. Those costs that cannot be matched with the related revenues are immediately charged to the income statement.

Use of estimates and assumptions in preparing the financial statements

The preparation of financial statements requires the use of estimates and assumptions that may have a significant effect on the amounts stated in the balance sheet and income statement, and on the potential assets and liabilities reported in the financial statements. Estimates are based on available information and subjective evaluations, often founded on past experience, which are used to formulate reasonable assumptions to be made in measuring operating phenomena. Given their nature, the estimates and assumptions used may vary from year to year, and hence it cannot be excluded that current amounts carried in the financial statements may differ significantly in future financial years as a result of changes in the subjective evaluations made.
The main cases for which subjective evaluations are required to be made by management include:

- the measurement of impairment losses on loans and, generally, other financial assets;
- the determination of the fair value of financial instruments to be used in statement schedules;
- the use of measurement models to determine the fair value of financial instruments not listed on active markets;
- the evaluation of the appropriateness of amounts stated for goodwill and other intangible assets;
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions on the collectability of deferred tax assets;
- the demographic (linked to the estimated mortality of ensured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the bases for calculating integrative reserves.

Fair value measurement

The fair value is the amount for which an asset may be exchanged or a liability settled between knowledgeable, willing counterparties in an arm's length transaction. Underlying the definition of fair value is an assumption that an entity is a going concern without any need to liquidate or curtail materially the scale of its operations or to undertake a transaction on adverse terms. Fair value reflects the credit quality of the instrument since it incorporates counterparty risk.

Financial instruments

For financial instruments the fair value is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other financial instruments.
A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency. The following instruments are considered quoted on an active market which respects the characteristics indicated above: mutual funds, spot exchange rates, futures, options, equities listed on a regulated market and bonds for which it is possible to continuously derive at least a bid and ask price on a quotation service with a bid-ask spread under an interval deemed to be congruous. Lastly, also hedge funds are considered quoted on an active market if they provide for a monthly liquidation of the quotas or, if they do not, if they present liquidability conditions no higher than four months. Conversely, all other securities, derivatives and hedge funds which do not fall in the categories described above are not considered quoted on an active market.
For financial instruments quoted on active markets the current bid price is used for financial assets and the current asking price for financial liabilities, struck on the most advantageous active market to which Intesa Sanpaolo had access at the close of the reference period.
For financial instruments for which the bid-ask spread is scarcely significant or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
In the case of absence of an active and liquid market, the fair value of financial instruments is mostly determined via the use of valuation techniques which have the objective of establishing the price of a hypothetical arm's length transaction, motivated by normal business considerations, at measurement date. Valuation techniques incorporate all factors that market participants consider in setting a price: time value using the risk free rate, insolvency risk, prepayment and surrender risk, volatility of the financial instrument, as well as, if relevant, foreign exchange rates, raw material prices and stock prices.
In the presence of high risk or parameters which are not directly observable on the market for more innovative financial products, the fair value resulting from valuation techniques is prudentially decreased through the application of a correction factor, determined on the basis of the degree of complexity of the valuation model used and the liquidity of the financial instrument. Since liquidity risk tends to decrease as

the instrument reaches maturity, the aforementioned correction factor is multiplied by a number which decreases on the basis of the financial product's residual life.
The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or the subjective conditions related to the issuer of the financial instrument.
In relation to bonds and derivatives, valuation techniques have been defined and refer to current market values of similar instruments, to the time value and to option pricing models, marginally referring to the specific elements of the entity being valued and considering the parameters deductible from the market. The identification and application of the latter is carried out on the basis of the liquidity, depth and transparency of reference markets. When using a calculation model, the need to make an adjustment to incorporate counterparty credit risk is considered.
In particular, bonds are measured by discounting future cash flows provided for in the contract, adjusted to consider issuer risk.
For derivatives, in consideration of their number and complexity, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.
For equities a hierarchy and an order of valuation techniques have been developed which consider: direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, comparable transactions of companies operating in the same sectors and offering products/services similar to those of the equity investment to be measured, the application of average significant market multiples of comparable companies with respect to balance sheet and income statement aggregates of the equity investment and, lastly, financial, equity and balance sheet individual valuation methods.
Concerning loans available for sale and assets and liabilities measured at cost or amortised cost, fair value for balance sheet purposes or included in the Notes is calculated as set out below:

- for medium- and long-term assets and liabilities, other than initial disbursements, measurement is mainly carried out by discounting future cash flows. This is defined applying a risk neutral approach, that is using a risk-free rate and correcting contractual future cash flows to consider the counterparty's credit risk, represented by the parameters Probability of Default (PD) and Loss Given Default (LGD);
- for on demand assets and liabilities, with short or indefinite maturities and for initial disbursements, book value net of collective/individual adjustments represents a good proxy of fair value;
- for securities issued with floating rates and with fixed rates and short-term maturities, book value at inception is deemed to be a reasonable proxy of the fair value considering that it reflects both the changes of the yield curve and the valuation of the credit risk associated to the issuer;
- for securities issued with fixed rates and a medium- or long-term maturity and for structured bonds with fair value hedges, the book value determined for the purposes of hedge accounting already considers market risk. For these securities, in the determination of the fair value indicated in the Notes, changes in the credit spread are not considered because of their immateriality.

Non-financial assets

Concerning investment property, for which the fair value is calculated only for the purposes of information to be provided in the Notes to the Parent Company's financial statements, reference is made to values determined, mainly via independent expert opinions, considering transactions at current prices in an active market for similar real estate properties, in the same location and conditions as well as subject to similar conditions in terms of rentals and other contracts.

Amortised cost measurement

Amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the net carrying amount of the financial asset or financial liability. For the calculation of the present value the effective interest rate is applied to the flow of future cash receipts or payments through

the entire useful life of the financial asset or liability – or for a shorter period when certain conditions recur (for example review of market interest rates).
After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost varies because financial assets/liabilities have fixed or variable rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the financing. For financial assets/liabilities with variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.
Loans, investments held to maturity and financial assets available for sale, payables and securities issued are measured at amortised cost.
Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.
Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the client. Such commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate, and therefore the effective interest rate associated to the transaction differs from the contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for distribution, for non-use, for advance termination, for underwriting, for facility and arrangement. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions on services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction.
With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination of and/or the participation to syndicated loans and lastly, up-front commissions correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front commissions correlated to loans disbursed at rates under market rates, income for the participation of syndicated loans and brokerage commissions received.
For securities not classified as held for trading, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since it is immaterial.
For securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and compensation paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/review expenses for the annual update of prospectuses, the costs for the use of indexes and commissions which originate during the life of the bond issue.
Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective interest rate of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous registration in the income statement of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, also structured assets and liabilities which are not recognised at fair value through profit and loss for which the embedded derivative has been separated from the financial instrument are measured at amortised cost.
The amortised cost measurement criteria is not applied to hedged financial assets/liabilities for which fair value changes related to the risk hedged are recorded through profit and loss. The financial instrument is again measured at amortised cost in the case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the

value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraph relative to measurement criteria of due to and from banks and customers and securities issued, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial nor to loans without a definite maturity or revocable.

Impairment of assets

Financial assets

At every balance sheet date financial assets not classified in Financial assets held for trading are subject to impairment testing to assess if there is objective evidence for deeming that the carrying value of such assets is not fully recoverable.
A permanent loss occurs if there is objective evidence of a reduction in future cash flows with respect to those originally estimated, following specific events; the loss must be quantified in a reliable way and must be incurred and not merely expected.
The measurement of impairment is carried out on an individual basis for financial assets which present specific evidence of losses, and collectively for financial assets for which individual measurement is not required or which do not lead to adjustments. Collective measurement is based on the identification of portfolios of financial assets with the same risk characteristics with respect to the borrower/issuer, the economic sector, the geographical area, the presence of any guarantees and other relevant factors.
With reference to loans to customers and due from banks, positions attributed the status of doubtful, substandard, restructured or past due according to the definitions of Bank of Italy, consistent with IAS/IFRS, are subject to individual measurement.
These non-performing loans are subjected to an individual measurement process and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider expected recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure. Cash flows relative to loans which are deemed to be recovered in the short term are not discounted, since the time value is immaterial.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series, founded on observable elements at measurement date, that enable the value of the latent loss in each loan category to be estimated. Measurement also considers the risk connected to the borrower's country of residence.
The determination of provisions on performing loans is carried out by identifying the highest possible synergies (as permitted by the various legislations) with the supervisory approach contained in the "New capital accord" generally known as Basel 2. In particular, the parameters of the calculation model set out in the new supervisory provisions, namely, Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation. The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarise the relevant factors considered by IAS/IFRS for the determination of the homogenous categories and for the calculation of provisions. The time period of a year used for the determination of the probability of default is deemed to approximate the notion of incurred loss, that is, the loss based on current events but not yet included by the entity in the audit of the risk of the specific customer, set forth by international accounting standards.
Provisions also consider corrective factors calculated on the basis of the qualitative analysis of the portfolio, with particular reference to the risk concentration and the impact of the current economic cycle on the various economic sectors.
For financial assets available for sale, a negative change in fair value is considered impairment only if the loss is deemed to be a reduction in value; in this case cumulated loss recorded in the year and any valuation reserve are registered in the income statement. The impairment test is applied if one of the following conditions occurs: decrease in the fair value exceeding 20% of the original book value or decrease in the fair value persisting for a period of 24 months. Furthermore, for equities, the presence of one of these two elements is considered objective evidence of impairment: decrease in the rating by over 2 notches, market capitalisation significantly under book value, the launch of a debt restructuring programme, a significant contraction in book value of shareholders' equity.

For an illustration of the valuation techniques used to calculate fair value, see the relevant chapter.

Equity investments

Equity investments recorded in Intesa Sanpaolo's financial statements are subject to the impairment test; in particular, the impairment test is conducted on an annual basis for each investment which leads to recording goodwill in the Parent Company or consolidated financial statements, and only in the presence of signs of impairment (represented by the situations already indicated above with reference to financial assets available for sale) for the remaining investments.
The impairment test entails the determination of recoverable amount, represented by the higher between fair value less costs to sell and value in use.
For information on the valuation techniques used to calculate fair value less costs to sell, see the relevant chapter.
Value in use is the present value of expected future cash flows from the asset undergoing the impairment process; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors, such as the illiquidity of the asset, which may affect the appreciation by market participants of expected future cash flows from the asset.
Value in use is determined by discounting future cash flows (DCF - Discounted Cash Flow).

Other non-financial assets

Property, equipment and intangible assets with definite useful life are subject to the impairment test if there is an indication that the book value of the asset may no longer be recovered. Recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use if determinable and if it is higher than fair value.
Concerning property, fair value is mostly determined on the basis of an opinion prepared by an independent expert. The expert opinion is periodically renewed every time there is a change in real estate market trends which might lead to considering previous estimates no longer accurate, and in any case every three years. Impairment is recorded only in the case that the fair value less costs to sell or value in use is lower than carrying value for a continuous period of three years.
For other property, equipment and intangible assets (other than goodwill) it is assumed that carrying value normally corresponds to value in use, since it is determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment, in case of damages, exit from the production process or other similar non-recurring circumstances.

Business combinations

The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.
For this purpose the transfer of control occurs when more than one-half of the voting rights is acquired, or when, even if the combining entity does not acquire more than one-half of the other entity's voting rights, control is obtained since, as a consequence of the combination, the acquirer has the power: (i) over one-half of voting rights of another company, by virtue of an agreement with other investors, (ii) to govern the financial and operating policies of the other entity on the basis of Articles of Association or an agreement, (iii) to appoint or remove the majority of the members of the company's governing body, (iv) to cast the majority of the votes at meetings of the company's governing body.
IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity stakes, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.
The acquisition and, therefore, the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange normally coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to the transfer of control prior to the date of the exchange.

The cost of a business combination must be determined as the sum of (i) fair value, at transaction date, of assets sold, liabilities undertaken and capital instruments issued by the acquirer in exchange for acquisition of control; (ii) any accessory costs directly attributable to the business combination.
In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments), the purchase price is the agreed-upon consideration. In the case that settlement does not occur in the short-term, fair value of any deferred component is calculated by discounting the amounts payable to their present value; when payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, see the relevant paragraph and note that, in the case of shares listed on active markets, fair value is represented by stock exchange quotations at acquisition date or, should that not be available, the last quotation available.
Purchase cost at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Conversely, any restoration related to any loss in the value of the assets used as consideration is not included in purchase cost since it is already considered either in the fair value of equity instruments or as reduction in the premium or an increase in the discount on the initial issue of debt instruments.
For the purpose of determining the cost of the business combination, the price identified as illustrated above is increased by the external costs sustained to execute the transaction, for example professional fees paid to independent auditors, experts, legal advisors, costs for legal opinions and audit of accounts, preparation of information documents required by the law, as well as advisory fees sustained to identify potential acquisition targets if the contract provides for the payment of success fees. The cost of the business combination excludes any future costs which might be sustained following the acquisition of control since they do not represent liabilities supported or acquired by the acquirer in exchange for control over the acquired entity (for example costs sustained after the obtaining of control to determine the fair value of assets and liabilities, costs for organisational, IT or legal advice which refers to the integration of operations and not the acquisition itself), integration costs, costs for the quotation and issue of financial liabilities which are an integral part of the operation of issue of liabilities as provided for by IAS 39.
Business combinations must be accounted for using the "purchase method" which entails the registration (i) of assets, liabilities and contingent liabilities acquired at their fair value at acquisition date including any identifiable intangible assets not recognised in the acquiree's financial statements, (ii) of minority interests proportionally to their interest in the net fair values of such elements, (iii) of goodwill pertaining to the Group determined as the difference between the cost of the business combination and the interest held in the net fair value of the identifiable assets, liabilities and contingent liabilities. The difference is allocated to the Cash-generating units identified within the Intesa Sanpaolo Group. Any positive difference between the Group's interest in the net fair value of assets, liabilities and contingent liabilities acquired and the cost of the business combination is recorded in the income statement.
The identification of the fair value of assets, liabilities and contingent liabilities of the acquired entity may be provisionally determined by the end of the year in which the combination is realised and must be definitively determined within twelve months from the acquisition date.
If control is achieved in stages, each transaction is registered separately and assets, liabilities and contingent liabilities acquired are recorded at fair value on the date of each exchange transaction. In particular, for every purchase of an interest, deemed to be qualified, the fair value of assets and liabilities is identified, within the limits of materiality. On the date of realisation of the business combination, that is on the date of acquisition of control, the portion of assets and liabilities acquired before the acquisition is revalued and the revaluation is recorded in shareholders' equity.
The following combinations are outside the scope of IFRS 3 – business combinations: transactions aimed at acquiring control over one or more entities which are not part of the company's business; transactions aimed at acquiring transitory control; transactions conducted for organisational purposes, therefore between two or more companies or businesses which are already part of the Intesa Sanpaolo Group, and which do not entail changes in control, independently of the extent of minority interests in each of the combining entities before and after the business combinations (so-called business combinations involving entities under common control). These transactions are considered immaterial. Therefore, since there are no specific provisions in IAS/IFRS and in compliance with IAS 8 which requires – in the absence of a specific Standard – the reporting entity to use its judgement in applying an accounting policy that results in information that is relevant, reliable, prudent and that reflects the economic substance of the

transaction, these are accounted for safeguarding the consistency of the values of the acquiree in the financial statements of the acquirer.
Mergers are examples of concentrations between companies and represent the most complete business combinations, since they imply the legal and economic unification of the merged entities.
Mergers which entail the establishment of a new legal entity and mergers by incorporation (by which an entity is absorbed by another existing entity) are treated according to the criteria illustrated above, that is:

– if the transaction leads to the transfer of control of a company, it is accounted for as a business combination as provided for by IFRS 3;
– if the transaction does not lead to the transfer of control, it is accounted for by privileging the continuity of the values of the merged company.

Part B - Information on the Parent Company's balance sheet

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS - CAPTION 10

1.1 Cash and cash equivalents: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
a) Cash	1,589	1,073
b) On demand deposits with Central Banks	172	5
TOTAL	**1,761**	**1,078**

(*) Figures relative to Banca Intesa.

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(in millions of euro)

	31.12.2007		31.12.2006 (*)	
	Quoted	**Unquoted**	**Quoted**	**Unquoted**
A. Cash assets				
1. Debt securities	4,334	6,692	8,971	10,962
1.1 structured securities	*8*	*154*	*58*	*91*
1.2 other debt securities	*4,326*	*6,538*	*8,913*	*10,871*
2. Equities	32	-	136	-
3. Quotas of UCITS	22	792	-	582
4. Loans	-	-	-	-
4.1 repurchase agreements	-	-	-	-
4.2 other	-	-	-	-
5. Non-performing assets	-	-	-	-
6. Assets sold not derecognised	2,428	1,110	2,559	652
Total A	**6,816**	**8,594**	**11,666**	**12,196**
B. Derivatives				
1. Financial derivatives	1	7,576	1	7,859
1.1 trading	*1*	*7,363*	*1*	*7,859*
1.2 fair value option	-	*3*	-	-
1.3 other	-	*210*	-	-
2. Credit derivatives	-	1,208	-	488
2.1 trading	-	*1,208*	-	*487*
2.2 fair value option	-	-	-	-
2.3 other	-	-	-	*1*
Total B	**1**	**8,784**	**1**	**8,347**
TOTAL (A+B)	**6,817**	**17,378**	**11,667**	**20,543**

(*) Figures relative to Banca Intesa.

Cash assets are classified as quoted or unquoted based on the fact that they have or do not have a price on an active market, as illustrated in Part A – Accounting policies.
Quoted derivatives included only derivatives listed in regulated markets.
Equities measured at cost represent an immaterial portion of the subcaption A.2.
In compliance with Bank of Italy instructions, variation margins with Clearing Houses related to futures are recorded under Loans to customers.
Subcaption A.6. Assets sold not derecognised includes securities related to reverse repurchase agreements.

2.2 Financial assets held for trading: borrower/issuer breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
A. CASH ASSETS		
1. Debt securities	**11,026**	**19,933**
a) Governments and Central Banks	659	1,169
b) Other public entities	457	3
c) Banks	4,339	8,126
d) Other issuers	5,571	10,635
2. Equities	**32**	**136**
a) Banks	3	43
b) Other issuers	29	93
- insurance companies	*2*	-
- financial institutions	-	*10*
- non-financial companies	*27*	*83*
- other	-	-
3. Quotas of UCITS	**814**	**582**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
5. Non-performing assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
6. Assets sold not derecognised	**3,538**	**3,211**
a) Governments and Central Banks	1,559	1,007
b) Other public entities	-	-
c) Banks	685	853
d) Other issuers	1,294	1,351
Total A	**15,410**	**23,862**
B) DERIVATIVES		
a) Banks	7,152	7,044
b) Customers	1,633	1,304
Total B	**8,785**	**8,348**
TOTAL (A+B)	**24,195**	**32,210**

(*) Figures relative to Banca Intesa.

With reference to the letter of 19 March 2008, with which Consob asked Intesa Sanpaolo to provide, among other information, specific information on financial derivatives held for trading with customers, see the same Section of the Notes to the consolidated financial statements.

2.3 Financial assets held for trading: trading derivatives

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	31.12.2007	31.12.2006 (*)
A) QUOTED DERIVATIVES							
1) Financial derivatives	**1**	**-**	**-**	**-**	**-**	**1**	**1**
with exchange of underlying asset	1	-	-	-	-	1	1
- *options bought*	*1*	-	-	-	-	*1*	*1*
- *other derivatives*	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**1**	**-**	**-**	**-**	**-**	**1**	**1**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	**5,810**	**961**	**797**	**-**	**8**	**7,576**	**7,859**
with exchange of underlying asset	-	931	19	-	-	950	689
- *options bought*	-	*165*	*19*	-	-	*184*	*53*
- *other derivatives*	-	*766*	-	-	-	*766*	*636*
without exchange of underlying asset	*5,810*	*30*	*778*	-	*8*	*6,626*	*7,170*
- *options bought*	*792*	*22*	*778*	-	-	*1,592*	*1,832*
- *other derivatives*	*5,018*	*8*	-	-	*8*	*5,034*	*5,338*
2) Credit derivatives	**-**	**-**	**-**	**1,208**	**-**	**1,208**	**488**
with exchange of underlying asset	-	-	-	*994*	-	*994*	*473*
without exchange of underlying asset	-	-	-	*214*	-	*214*	*15*
Total B	**5,810**	**961**	**797**	**1,208**	**8**	**8,784**	**8,347**
TOTAL (A + B)	**5,811**	**961**	**797**	**1,208**	**8**	**8,785**	**8,348**

(*) Figures relative to Banca Intesa.

2.4 Financial assets held for trading (other than those sold not derecognised and non-performing): annual changes

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**19,933**	**136**	**582**	**-**	**20,651**
B. Increases	**94,954**	**8,882**	**1,274**	**-**	**105,110**
B.1 purchases	90,143	8,841	1,166	-	100,150
of which business combinations	*2,127*	-	*205*	-	2,332
B.2 positive fair value differences	28	1	97	-	126
B.3 other changes	4,783	40	11	-	4,834
C. Decreases	**-103,861**	**-8,986**	**-1,042**	**-**	**-113,889**
C.1 sales	-68,504	-8,799	-982	-	-78,285
of which business combinations	-	-	-	-	-
C.2 reimbursements	-29,932	-	-1	-	-29,933
C.3 negative fair value differences	-726	-2	-6	-	-734
C.4 other changes	-4,699	-185	-53	-	-4,937
D. Final amount	**11,026**	**32**	**814**	**-**	**11,872**

Subcaptions other changes conventionally include the amounts related to assets sold not derecognised at the beginning and at the end of the period.

SECTION 3 - FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS - CAPTION 30

3.1 Financial assets designated at fair value through profit and loss: breakdown

(in millions of euro)

	31.12.2007	
	Quoted	**Unquoted**
1. Debt securities	45	328
1.1. structured securities	*5*	-
1.2. other debt securities	*40*	*328*
2. Equities	-	-
3. Quotas of UCITS	-	-
4. Loans	-	-
4.1 structured	-	-
4.2 other	-	-
5. Non-performing assets	-	-
6. Assets sold not derecognised	-	12
Total	**45**	**340**
Cost	**46**	**348**

As at 31 December 2006, the caption was not applicable to Banca Intesa.
Subcaption Assets sold not derecognised includes securities related to reverse repurchase agreements.

3.2 Financial assets designated at fair value through profit and loss: borrower/issuer breakdown

(in millions of euro)

	31.12.2007
1. Debt securities	**373**
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	232
d) Other issuers	141
2. Equities	**-**
a) Banks	-
b) Other issuers	-
- insurance companies	-
- financial institutions	-
- non-financial companies	-
- other	-
3. Quotas of UCITS	**-**
4. Loans	**-**
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other counterparties	-
5. Non-performing assets	**-**
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other counterparties	-
6. Assets sold not derecognised	**12**
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	12
d) Other issuers	-
TOTAL	**385**

As at 31 December 2006, the caption was not applicable to Banca Intesa.

3.3 Financial assets designated at fair value through profit and loss (other than those sold not derecognised and non-performing): annual changes

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**-**	**-**	**-**	**-**	**-**
B. Increases	**1,360**	**-**	**-**	**-**	**1,360**
B.1 purchases	1,135	-	-	-	1,135
of which business combinations	*946*	-	-	-	*946*
B.2 positive fair value differences	3	-	-	-	3
B.3 other changes	222	-	-	-	222
C. Decreases	**-987**	**-**	**-**	**-**	**-987**
C.1 sales	-92	-	-	-	-92
of which business combinations	-	-	-	-	-
C.2 reimbursements	-318	-	-	-	-318
C.3 negative fair value differences	-12	-	-	-	-12
C.4 other changes	-565	-	-	-	-565
D. Final amount	**373**	**-**	**-**	**-**	**373**

Subcaptions other changes conventionally include the amounts related to assets sold not derecognised at the beginning and at the end of the period.

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE – CAPTION 40

4.1 Financial assets available for sale: breakdown

(in millions of euro)

	31.12.2007		31.12.2006 (*)	
	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	419	765	128	203
1.1 Structured securities	-	-	-	*7*
1.2 Other debt securities	*419*	*765*	*128*	*196*
2. Equities	1,164	1,045	1,100	816
2.1 Measured at fair value	*1,164*	*1,027*	*1,100*	*816*
2.2 Measured at cost	-	*18*	-	-
3. Quotas of UCITS	3	13	-	14
4. Loans	-	612	-	780
5. Non-performing assets	-	-	-	-
6. Assets sold not derecognised	-	-	-	-
TOTAL	**1,586**	**2,435**	**1,228**	**1,813**

(*) Figures relative to Banca Intesa.

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

4.2 Financial assets available for sale: borrower/issuer breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Debt securities	**1,184**	**331**
a) Governments and Central Banks	11	13
b) Other public entities	95	-
c) Banks	772	12
d) Other issuers	306	306
2. Equities	**2,209**	**1,916**
a) Banks	420	218
b) Other issuers	1,789	1,698
- insurance companies	*736*	*634*
- financial institutions	*136*	*95*
- non-financial companies	*917*	*873*
- other	-	*96*
3. Quotas of UCITS	**16**	**14**
4. Loans	**612**	**780**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	14	7
d) Other counterparties	598	773
5. Non-performing assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
6. Assets sold not derecognised	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
TOTAL	**4,021**	**3,041**

(*) Figures relative to Banca Intesa.

4.3 Financial assets available for sale: hedged assets

As at 31 December 2007, there were no Financial assets available for sale subject to hedging.

4.4 Financial assets available for sale: assets with specific hedges

As at 31 December 2007, there were no Financial assets available for sale subject to specific hedges.

4.5 Financial assets available for sale (other than those sold not derecognised and non performing): annual changes

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**331**	**1,916**	**14**	**780**	**3,041**
B. Increases	**1,194**	**1,399**	**3**	**164**	**2,760**
B.1 purchases	1,179	873	-	162	2,214
of which business combinations	*399*	*760*	-	-	*1,159*
B.2 positive fair value differences	9	201	3	2	215
B.3 write-backs recognised in	-	-	-	-	-
- income statement	-	*X*	-	-	-
- shareholders' equity	-	-	-	-	-
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	6	325	-	-	331
C. Decreases	**-341**	**-1,106**	**-1**	**-332**	**-1,780**
C.1 sales	-133	-676	-	-264	-1,073
of which business combinations	-	-	-	-	-
C.2 reimbursements	-91	-	-	-	-91
C.3 negative fair value differences	-7	-92	-1	-2	-102
C.4 impairment losses recognised in	-	-25	-	-	-25
- income statement	-	*-25*	-	-	*-25*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-303	-	-	-303
C.6 other changes	-110	-10	-	-66	-186
D. Final amount	**1,184**	**2,209**	**16**	**612**	**4,021**

With regard to equities:

– purchases, net of the AFS securities portfolio for 694 million euro as at 1 January 2007 of SANPAOLO IMI S.p.A. merged into Banca Intesa S.p.A. with legal effect as of 1 January 2007 and of the AFS securities portfolio for 66 million euro of SANPAOLO IMI Internazionale S.p.A. merged into Intesa Sanpaolo on 31 December 2007 with legal effect as of 1 January 2007, mainly referred to Union Life Insurance Company Ltd. (86 million euro) and to Banca delle Marche S.p.A. (10 million euro);
– positive fair value differences mainly referred to Banco Patagonia S.A. (36 million euro), Prada S.p.A. (34 million euro), London Stock Exchange Plc. (28 million euro), Assicurazioni Generali S.p.A. (16 million euro), Speed S.p.A. (15 million euro), Scotiabank Perù S.A.A. (12 million euro) and CIFA S.p.A. – Compagnia Italiana Forme Acciaio S.p.A. (12 million euro);
– other changes essentially referred to realised gains net of the reversal to the income statement of the related reserve;
– sales mainly referred to the disposals of Borsa Italiana S.p.A. (193 million euro), Edison S.p.A. (163 million euro), Banco del Desarrollo S.A. (110 million euro), Unipol S.p.A. (49 million euro), Kredyt Bank S.A. (42 million euro) and Piaggio & C. (24 million euro);
– negative fair value differences on equities essentially referred to the stakes in Banca Generali S.p.A. (21 million euro), Immobiliare Lombarda (19 million euro), Parmalat S.p.A. (17 million euro), Alfieri Associated Investor Servicos de Consultoria SA (11 million euro) and Sigma Tau Finanziaria S.p.A. (9 million euro);

– transfers to other portfolios referred to the reclassification among significant equity investments that occurred after the merger by incorporation of SANPAOLO IMI S.p.A. and led to the increase in the stakes held in Banca d'Italia, Centrale dei Bilanci S.p.A., Sia S.p.A.- Società interbancaria per l'automazione ced borsa, SSB S.p.A., Società di Gestione per il Realizzo S.p.A. and Evoluzione 94 S.p.A..

With regard to debt securities, subcaptions other changes conventionally include assets sold not derecognised at the beginning and at the end of the period.

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(in millions of euro)

	31.12.2007	
	Book value	**Fair value**
1. Debt securities	684	684
1.1 structured securities	-	-
1.2 other debt securities	*684*	*684*
2. Loans	-	-
3. Non-performing assets	-	-
4. Assets sold not derecognised	1,656	1,656
TOTAL	**2,340**	**2,340**

As at 31 December 2006, the caption was not applicable to Banca Intesa.
Subcaption Assets sold not derecognised includes securities related to reverse repurchase agreements.

5.2 Investments held to maturity: borrowers/issuers

(in millions of euro)

	31.12.2007
1. Debt securities	**684**
a) Governments and Central Banks	678
b) Other public entities	6
c) Banks	-
d) Other issuers	-
2. Loans	**-**
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other counterparties	-
3. Non-performing assets	**-**
a) Governments and Central Banks	-
b) Other public entities	-
c) Banks	-
d) Other counterparties	-
4. Assets sold not derecognised	**1,656**
a) Governments and Central Banks	1,656
b) Other public entities	-
c) Banks	-
d) Other counterparties	-
TOTAL	**2,340**

As at 31 December 2006, the caption was not applicable to Banca Intesa.

5.3 Investments held to maturity: hedged assets

As at 31 December 2007, no investments held to maturity subject to hedging were recorded.

5.4 Investments held to maturity (other than assets sold not derecognised and non-performing): annual changes

(in millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**-**	**-**	**-**
B. Increases	**2,491**	**-**	**2,491**
B.1 purchases	667	-	667
of which business combinations	*667*	-	*667*
B.2 write-backs	-	-	-
B.3 transfers from other portfolios	-	-	-
B.4 other changes	1,824	-	1,824
C. Decreases	**-1,807**	**-**	**-1,807**
C.1 sales	-	-	-
of which business combinations	-	-	-
C.2 reimbursements	-152	-	-152
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-1,655	-	-1,655
D. Final amount	**684**	**-**	**684**

Subcaptions other changes conventionally include the amounts related to assets sold not derecognised at the beginning and at the end of the period.

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
A. Due from Central Banks	**2,275**	**866**
1. Time deposits	2	-
2. Compulsory reserve	2,266	863
3. Repurchase agreements	-	-
4. Other	7	3
B. Due from banks	**98,557**	**47,880**
1. Current accounts and deposits	15,262	9,309
2. Time deposits	50,409	27,066
3. Other loans	28,215	10,840
3.1 Repurchase agreements	*22,402*	*8,155*
3.2 Financial leases	-	-
3.3 Other	*5,813*	*2,685*
4. Debt securities	2,144	665
4.1 Structured	-	-
4.2 Other	*2,144*	*665*
5. Non-performing assets	7	-
6. Assets sold not derecognised	2,520	-
Total (book value)	**100,832**	**48,746**
Total (fair value)	**100,823**	**48,719**

(*) Figures relative to Banca Intesa.

Subcaption Assets sold not derecognised includes securities related to reverse repurchase agreements. The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

6.2 Due from banks: assets with specific hedges

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Due from banks with specific fair value hedges	**551**	**35**
a) Interest rate risk	551	35
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Due from banks with specific cash flow hedges	**187**	**106**
a) Interest rate risk	50	55
b) Foreign exchange risk	137	51
c) Other	-	-
TOTAL	**738**	**141**

(*) Figures relative to Banca Intesa.

6.3 Financial leases

Intesa Sanpaolo had no financial leasing contracts with banks.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Current accounts	20,357	12,129
2. Repurchase agreements	1,587	893
3. Mortgages	78,707	46,041
4. Credit card loans, personal loans and transfer of one fifth of salaries	3,306	2,962
5. Financial leases	-	-
6. Factoring	15	-
7. Other operations	81,284	43,090
8. Debt securities	4,753	972
8.1 Structured securities	-	-
8.2 Other debt securities	*4,753*	*972*
9. Non-performing assets	3,448	2,650
10. Assets sold not derecognised	3,006	3,577
Total (book value)	**196,463**	**112,314**
Total (fair value)	**196,208**	**112,645**

(*) Figures relative to Banca Intesa.

Subcaption Assets sold not derecognised includes securities related to reverse repurchase agreements. The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

For a description of loan portfolio quality, see Part E – Information on risks and relative hedging policies, Section – Credit risk.
Subcaption 10 Assets sold not derecognised includes mortgages sold as part of the Sec 3 securitisation, net of collective adjustments.
For greater detail on the aforementioned transaction see Part E – Section C of the Notes to the Parent Company's financial statements and of the Notes to the consolidated financial statements.

7.2 Loans to customers: borrower/issuer breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Debt securities	**4,753**	**972**
a) Governments	709	-
b) Other public entities	-	-
c) Other issuers	4,044	972
- non-financial companies	*36*	*1*
- financial institutions	*2,091*	*94*
- insurance companies	*1,739*	*877*
- other	*178*	-
2. Loans	**185,256**	**105,115**
a) Governments	334	255
b) Other public entities	1,041	432
c) Other counterparties	183,881	104,428
- non-financial companies	*104,344*	*57,709*
- financial institutions	*37,733*	*20,557*
- insurance companies	*332*	*550*
- other	*41,472*	*25,612*
3. Non-performing assets	**3,448**	**2,650**
a) Governments	-	-
b) Other public entities	-	2
c) Other counterparties	3,448	2,648
- non-financial companies	*2,312*	*1,859*
- financial institutions	*28*	*63*
- insurance companies	*1*	-
- other	*1,107*	*726*
4. Assets sold not derecognised	**3,006**	**3,577**
a) Governments	-	-
b) Other public entities	-	-
c) Other counterparties	3,006	3,577
- non-financial companies	*25*	*2*
- financial institutions	-	-
- insurance companies	-	-
- other	*2,981*	*3,575*
TOTAL	**196,463**	**112,314**

(*) Figures relative to Banca Intesa.

7.3 Loans to customers: assets with specific hedges

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Loans to customers with specific fair value hedges	**5,065**	**350**
a) Interest rate risk	5,065	350
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Loans to customers with specific cash flow hedges	**45**	**150**
a) Interest rate risk	-	-
b) Foreign exchange risk	45	150
c) Other	-	-
TOTAL	**5,110**	**500**

(*) Figures relative to Banca Intesa.

As illustrated in Part A – Accounting policies and Part E – Information on risks and relative hedging policies, loans to customers are hedged via cash flow hedges of variable rate funding represented by securities, to the extent to which this is used to finance fixed rate investments, or via specific fair value hedges.

7.4 Financial leases

Intesa Sanpaolo had immaterial financial lease contracts.

SECTION 8 – HEDGING DERIVATIVES – CAPTION 80 OF ASSETS AND CAPTION 60 OF LIABILITIES

For the objectives and the strategies underlying hedging transactions, see the information provided in Part E – Information on risks and relative hedging policies, Section Market risks.
Only derivatives traded on regulated markets are considered quoted derivatives. For futures, on the basis of the instructions issued by the Bank of Italy, the relative margins are recorded under the caption Loans to customers.

8.1 Hedging derivatives: breakdown by type of derivative and underlying asset

(in millions of euro)

Type of derivatives/Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	Total
A) QUOTED DERIVATIVES						
1) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) UNQUOTED DERIVATIVES						
1) Financial derivatives	**1,482**	**25**	**-**	**-**	**-**	**1,507**
with exchange of underlying asset	-	25	-	-	-	25
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	*25*	-	-	-	*25*
without exchange of underlying asset	1,482	-	-	-	-	1,482
- *options bought*	*10*	-	-	-	-	*10*
- *other derivatives*	*1,472*	-	-	-	-	*1,472*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**1,482**	**25**	**-**	**-**	**-**	**1,507**
TOTAL (A+B)	**1,482**	**25**	**-**	**-**	**-**	**1,507**
TOTAL (A+B) 31.12.2006 (*)	**626**	**18**	**-**	**-**	**-**	**644**

(*) Figures relative to Banca Intesa.

The table indicates positive values of hedging derivatives.
The respective assets/liabilities hedged are indicated in the specific tables which illustrate the single captions.

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

(in millions of euro)

Operations/Type of hedge	Fair value						Cash flow	
	Specific					Generic	Specific	Generic
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks			
1. Financial assets available for sale	-	-	-	-	-	X	-	X
2. Loans	122	-	-	X	-	X	-	X
3. Investments held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	62	X	-
Total assets	**122**	**-**	**-**	**-**	**-**	**62**	**-**	**-**
1. Financial liabilities	797	21	-	X	6	X	6	X
2. Portfolio	X	X	X	X	X	255	X	238
Total liabilities	**797**	**21**	**-**	**-**	**6**	**255**	**6**	**238**

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge. These mostly refer to fair value hedges of liabilities issued; fair value hedges of loans are also present. Cash flow hedges mostly refer to floating rate securities used to fund fixed rate investments.

SECTION 9 – FAIR VALUE CHANGE OF FINANCIAL ASSETS IN HEDGED PORTFOLIOS – CAPTION 90

9.1 Fair value change of financial assets in hedged portfolios: breakdown by hedged portfolio

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Positive fair value change	**12**	**-**
1.1. of specific portfolios	12	-
a) loans	*12*	-
b) assets available for sale	-	-
1.2. overall	-	-
2. Negative fair value change	**-**	**-1**
2.1. of specific portfolios	-	-1
a) loans	-	*-1*
b) assets available for sale	-	-
2.2. overall	-	-
TOTAL	**12**	**-1**

(*) Figures relative to Banca Intesa.

9.2 Assets hedged by macrohedging of interest rate risk: breakdown

(in millions of euro)

Hedged assets	**31.12.2007**	**31.12.2006** (*)
1. Loans	22,473	21,000
2. Assets available for sale	-	-
3. Portfolio	-	-
TOTAL	**22,473**	**21,000**

(*) Figures relative to Banca Intesa.

The figure refers to the nominal value of coupons on floating rate mortgages hedged through fair value macrohedging for the period from the date in which the coupon is set to the date of payment.

SECTION 10 – EQUITY INVESTMENTS – CAPTION 100

10.1 Equity investments in subsidiaries, companies subject to joint control or significant influence: information on equity stakes

	Registered office	% held	Votes available %
A. Wholly-owned subsidiaries			
1. Agricola Investimenti S.r.l. in liquidation	Milano	100.00	100.00
2. America Bank of Albania SH.A.	Tirana	80.00	80.00
3. Banca C.I.S. S.p.A.	Cagliari	44.63	44.63
4. Banca dell' Adriatico S.p.A.	Pesaro	100.00	100.00
5. Banca di Trento e Bolzano S.p.A.	Trento	8.28	8.29
6. Banca Fideuram S.p.A.	Roma	100.00	100.00
7. Banca IMI S.p.A.	Milano	100.00	100.00
8. Banca Intesa (France) S.A.	Paris	100.00	100.00
9. Banca Intesa Infrastrutture e Sviluppo S.p.A.	Roma	100.00	100.00
10. Banca Intesa Mediocredito S.p.A.	Milano	100.00	100.00
11. Banca Italo Albanese SH.A. (a)	Tirana	80.00	100.00
12. Banca OPI S.p.A.	Roma	100.00	100.00
13. Banca Prossima S.p.A.	Milano	100.00	100.00
14. Banco di Napoli S.p.A.	Napoli	100.00	100.00
15. Bank of Alexandria	Cairo	80.00	80.00
16. Banka Koper D.D.	Koper (Slovenia)	91.21	91.21
17. BCI U.S. Funding LLC I	Wilmington	100.00	100.00
18. BCI U.S. Funding LLC II	Wilmington	100.00	100.00
19. BCI U.S. Funding LLC III	Wilmington	100.00	100.00
20. BN Finrete S.p.A. in liquidation	Napoli	99.00	99.00
21. Cassa dei Risparmi di Forlì e della Romagna S.p.A. - Cariromagna	Forlì	60.84	60.84
22. Cassa di Risparmio del Friuli Venezia Giulia S.p.A. - CariFVG	Gorizia	100.00	100.00
23. Cassa di Risparmio di Padova e Rovigo S.p.A.	Padova	100.00	100.00
24. Cassa di Risparmio di Venezia S.p.A.	Venezia	100.00	100.00
25. Cassa di Risparmio in Bologna S.p.A.	Bologna	100.00	100.00
26. Comit Investments (Ireland) Ltd. in liquidation	Dublin	99.14	99.21
27. Consorzio Studi e Ricerche Fiscali - Gruppo INTESA SANPAOLO	Roma	55.00	55.00
28. Cormano S.r.l.	Varese	70.82	70.82
29. Cotonificio Bresciano Ottolini - C.B.O. S.r.l. in liquidation	Salò (Brescia)	97.58	97.58
30. Eurizon Capital SGR S.p.A.	Milano	100.00	100.00
31. Eurizon Investimenti SGR S.p.A.	Milano	100.00	100.00
32. Eurizon Solutions S.p.A.	Milano	100.00	100.00
33. Eurizon Vita S.p.A.	Torino	99.96	99.96
34. Finanziaria B.T.B S.p.A.	Torino	99.29	99.29
35. Ifas Gruppo S.p.A. in liquidation	Torino	45.00	45.00
36. IMI Investimenti S.p.A.	Bologna	100.00	100.00
37. Imifin S.p.A. in liquidation	Roma	100.00	100.00
38. Immobiliare 21 S.r.l.	Milano	100.00	100.00
39. Immobiliare Bella Riva S.r.l.	Como	100.00	100.00
40. Inter-Europa Bank Nyrt.	Budapest	100.00	100.00
41. Intesa Bank Ireland PLC (in voluntary liquidation)	Dublin	100.00	100.00
42. Intesa Bank Overseas Ltd.	Cayman Islands	100.00	100.00
43. Intesa Brasil Empeendimentos S.A.	Saõ Paolo	100.00	100.00
44. Intesa Casse del Centro S.p.A.	Spoleto	96.07	96.07
45. Intesa Distribution Services S.r.l .	Milano	100.00	100.00

	Registered office	% held	Votes available %
46. Intesa Formazione S.c.p.a.	Napoli	80.00	80.00
47. Intesa Funding LLC	Wilmington	100.00	100.00
48. Intesa Investimenti S.p.A.	Milano	100.00	100.00
49. Intesa Lease Sec S.r.l.	Milano	60.00	60.00
50. Intesa Leasing S.p.A.	Milano	100.00	100.00
51. Intesa Mediofactoring S.p.A.	Milano	100.00	100.00
52. Intesa Preferred Capital Company LLC	Wilmington	100.00	100.00
53. Intesa Previdenza - Società Mobiliare S.p.A .	Milano	78.53	78.53
54. Intesa Real Estate S.r.l.	Milano	100.00	100.00
55. Intesa Sanpaolo Bank Ireland PLC	Dublin	100.00	100.00
56. Intesa Sanpaolo Holding International S.A.	Luxembourg	100.00	100.00
57. Intesa Sanpaolo Private Banking S.p.A.	Milano	100.00	100.00
58. Intesa Sanpaolo Romania S.A. Commercial Bank	Arad	98.65	98.65
59. Intesa Sec. 2 S.r.l.	Milano	60.00	60.00
60. Intesa Sec. 3 S.r.l.	Milano	60.00	60.00
61. Intesa Sec. NPL S.p.A.	Milano	60.00	60.00
62. Intesa Sec. Npl2 S.r.l.	Milano	100.00	100.00
63. Intesa Sec. S.p.A.	Milano	60.00	60.00
64. IntesaBci Preferred Capital Company LLC III	Wilmington	100.00	100.00
65. IntesaSanpaolo Eurodesk S.p.r.l.	Bruxelles	100.00	100.00
66. IntesaTrade Sim S.p.A.	Milano	100.00	100.00
67. Inversiones Mobiliarias S.A. "IMSA"	Lima	99.82	99.82
68. ISC Euroservice GmbH in liquidation	Frankfurt	80.00	80.00
69. ISP CB Ipotecario S.r.l.	Milano	100.00	100.00
70. ISP CB Pubblico S.r.l.	Milano	100.00	100.00
71. ISP Sec. 4 S.r.l.	Milano	100.00	100.00
72. Lima Sudameris Holding S.A.	Lima	52.87	52.87
73. Neos Banca S.p.A.	Bologna	99.49	99.49
74. Nuova Real Estate S.p.A.	Torino	100.00	100.00
75. OOO Intesa Realty Russia	Moscow	100.00	100.00
76. Panonska Banka A.D.	Novi Sad	99.96	99.96
77. Petrochemical Investments Ltd. (P.I.L.)	Cayman Island	100.00	100.00
78. Phonix Beteiligungs GmbH in liquidation	Berlino	100.00	100.00
79. Private Equity International S.A.	Luxembourg	100.00	100.00
80. Resco Uno S.r.l.	Milano	100.00	100.00
81. Sanpaolo Bank S.A.	Luxembourg	100.00	100.00
82. Sanpaolo Fiduciaria S.p.A.	Milano	100.00	100.00
83. Sanpaolo Imi Bank (International) S.A.	Funchal	100.00	100.00
84. Sanpaolo Imi Capital Company I, L.L.C. (b)	Wilmington	4.31	4.31
85. Sanpaolo Imi Insurance Broker S.p.A.	Bologna	100.00	100.00
86. Sanpaolo Imi U.S. Financial CO.	Wilmington	100.00	100.00
87. Sanpaolo Leasint S.p.A. - Società di Leasing Internazionale	Milano	100.00	100.00
88. Scala Advisory S.A.	Luxembourg	99.97	99.97
89. SEP - Servizi e Progetti S.p.A.	Torino	100.00	100.00
90. Setefi S.p.A.	Milano	100.00	100.00
91. SIREFID S.p.A.	Milano	100.00	100.00
92. Studi e Ricerche per il Mezzogiorno (c)	Napoli	16.67	16.67
93. Sud Polo Vita S.p.A.	Torino	98.79	98.79

	Registered office	% held	Votes available %
94. Universo Servizi S.p.A.	Torino	100.00	100.00
95. West Trade Center S.A.	Arad	100.00	100.00
96. Zao Banca Intesa Closed Joint-stock Company	Moscow	100.00	100.00
97. Zao International Business Consulting in liquidation	Moscow	55.00	55.00
B. Companies subject to joint control			
1. Allfunds Bank S.A.	Madrid	50.00	50.00
2. Augusto S.r.l.	Milano	5.00	5.00
3. Centradia Group Limited (in liquidation)	London	30.45	30.45
4. Colombo S.r.l.	Milano	5.00	5.00
5. Diocleziano S.r.l.	Milano	5.00	5.00
6. I2 Capital S.p.A.	Ivrea	7.57	7.57
7. International Entertainment S.p.A.	Roma	50.00	50.00
8. Leonardo Technology S.p.A.	Milano	25.00	25.00
9. Shangai Sino Italy Business Advisory Company Ltd.	Shanghai	40.00	40.00
10. Sviluppo Garibaldi - Repubblica S.p.A. in liquidation	Milano	33.00	33.00
C. Companies subject to significant influence			
1. AL.FA. - Un'Altra Famiglia Dopo di Noi - Impresa Sociale S.r.l.	Milano	42.86	42.86
2. Autostrade Lombarde S.p.A.	Bergamo	39.30	39.30
3. Banca Impresa Lazio	Roma	12.00	12.00
4. Cassa di Risparmio di Fermo S.p.A.	Fermo	33.33	33.33
5. Cassa di Risparmio di Firenze S.p.A.	Firenze	18.57	18.57
6. Centrale dei Bilanci - S.r.l.	Torino	24.26	24.26
7. Consorzio Bancario SIR S.p.A in liquidation	Roma	32.86	32.86
8. CR Firenze Gestion Internationale S.A.	Luxembourg	20.00	20.00
9. Esaote S.p.A.	Milano	37.95	37.95
10. Eurizon A.I. SGR S.p.A.	Milano	10.00	10.00
11. Euromilano S.p.A.	Milano	37.50	37.50
12. Europrogetti & Finanza S.p.A.	Roma	15.97	15.97
13. Evoluzione 94 S.p.A. in liquidation	Milano	24.10	24.10
14. F.I.L.A. Fabbrica Italiana Lapis ed Affini S.p.A.	Milano	24.75	24.75
15. Grande Jolly S.r.l.	Milano	7.00	7.00
16. Intesa Vita S.p.A.	Milano	50.00	44.44
17. Italfondiario S.p.A.	Roma	11.25	11.25
18. Mater-Bi S.p.A.	Milano	34.48	34.48
19. Montalbano Technology S.p.A.	Genova	13.64	13.64
20. NH Italia S.r.l.	Milano	45.00	45.00
21. Obiettivo Nord-Est Sicav S.p.A.	Venezia Marghera	9.63	9.63
22. P.B. S.r.l.	Milano	42.24	42.24
23. Penghua Fund Management Co. Ltd.	Shenzhen	49.00	49.00
24. Pietra S.r.l.	Milano	22.22	22.22
25. Pirelli & C S.p.A.	Milano	1.57	1.62
26. Pirelli RE Integrated Facility Management B.V.	Amsterdam	49.00	49.00
27. R.C.N. Finanziaria S.p.A.	Mantova	23.96	23.96
28. Rizzoli Corriere della Sera MediaGroup S.p.A.	Milano	4.68	4.86
29. SI Holding S.p.A.	Milano	36.74	36.74
30. SIA - SSB S.p.A.	Milano	26.83	26.83
31. Società Gestione per il Realizzo S.p.A.	Roma	38.33	38.33
32. Tangenziali Esterne di Milano S.p.A.	Milano	5.00	5.00

	Registered office	% held	Votes available %
33. Telco S.p.A.	Milano	10.65	10.65
34. Termomeccanica S.p.A.	La Spezia	27.81	27.81
35. Uno A Erre Italia S.p.A. - Arezzo	Arezzo	13.51	13.51

(a) In relation to the equity investment in Banca Italo Albanese SH.A. there are Potential Voting Rights on 20% of the capital due to a call option held by Intesa Sanpaolo. Please note that the disposal of 3.871% of the stake in favour of Società Italiana per le Imprese all'Estero (SIMEST), finalised in July 2006, did not lead to the derecognition of the related shareholding in light of the contractual clauses which characterise the transaction.

(b) The stake refers to the total equity. The stake of the ordinary share capital held is 100%.

(c) Company included among significant shareholdings since the Group holds an overall controlling stake.

The illustration of the motivations which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference should be made.

10.2 Equity investments: financial highlights

(in millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
A. Wholly-owned subsidiaries					**33,902**	
1. Agricola Investimenti S.r.l. in liquidation (a)	4	-	-	-	-	-
2. America Bank of Albania SH.A.	641	26	5	39	100	-
3. Banca C.I.S. S.p.A.	1,565	125	14	291	128	-
4. Banca dell' Adriatico S.p.A.	4,894	588	7	384	466	-
5. Banca di Trento e Bolzano S.p.A.	2,556	238	11	167	11	-
6. Banca Fideuram S.p.A.	10,547	1,574	375	797	3,642	-
7. Banca IMI S.p.A.	55,758	89	132	1,502	2,470	-
8. Banca Intesa (France) S.A.	1,544	74	7	219	211	-
9. Banca Intesa Infrastrutture e Sviluppo S.p.A.	12,746	2,191	31	393	346	-
10. Banca Intesa Mediocredito S.p.A.	13,509	832	21	878	895	-
11. Banca Italo Albanese SH.A.	225	19	1	16	35	-
12. Banca OPI S.p.A.	31,501	2,864	85	800	841	-
13. Banca Prossima S.p.A.	14	-	-	3	10	-
14. Banco di Napoli S.p.A.	22,672	2,230	258	1,598	2,909	-
15. Bank of Alexandria	4,697	433	70	341	1,273	-
16. Banka Koper D.D.	2,239	257	24	219	235	-
17. BCI U.S. Funding LLC I	148	12	-	7	7	-
18. BCI U.S. Funding LLC II	585	34	-	28	28	-
19. BCI U.S. Funding LLC III	178	16	-	8	8	-
20. BN Finrete S.p.A. in liquidation	1	-	-	-	-	-
21. Cassa dei Risparmi di Forlì e della Romagna S.p.A. - Cariromagna	4,307	303	-14	331	227	-
22. Cassa di Risparmio del Friuli Venezia Giulia S.p.A. - CariFVG	3,643	366	23	298	361	-
23. Cassa di Risparmio di Padova e Rovigo S.p.A.	15,469	1,545	119	1,073	1,407	-
24. Cassa di Risparmio di Venezia S.p.A.	5,620	553	59	417	635	-
25. Cassa di Risparmio in Bologna S.p.A.	9,761	1,100	69	851	915	-
26. Comit Investments (Ireland) Ltd. in liquidation	-	-	-	-	-	-
27. Consorzio Studi e Ricerche Fiscali - Gruppo INTESA SANPAOLO	1	2	-	-	-	-
28. Cormano S.r.l. (b)	-	-	-	-	-	-
29. Cotonificio Bresciano Ottolini - C.B.O. S.r.l. in liquidation (c)	-	-	-	-	-	-
30. Eurizon Capital SGR S.p.A.	435	805	113	196	1,501	-
31. Eurizon Investimenti SGR S.p.A. (b)	403	743	46	203	730	-
32. EurizonSolutions S.p.A.	75	171	2	19	43	-
33. Eurizon Vita S.p.A.	28,416	6,236	172	1,107	2,273	-
34. Finanziaria B.T.B S.p.A.	92	6	4	67	134	-
35. Ifas Gruppo S.p.A. in liquidation (b)	23	-	-4	-9	-	-
36. IMI Investimenti S.p.A.	994	115	81	983	955	-
37. Imifin S.p.A. in liquidation	1	-	-	-	-	-
38. Immobiliare 21 S.r.l.	1	-	-	1	1	-
39. Immobiliare Bella Riva S.r.l. (b)	6	-	-	4	4	-
40. Inter-Europa Bank Nyrt.	1,405	196	3	74	101	-
41. Intesa Bank Ireland PLC (in voluntary liquidation)	10	536	10	10	8	-
42. Intesa Bank Overseas Ltd.	1,005	56	-	9	9	-
43. Intesa Brasil Empeendimentos S.A.	4	9	2	19	1	-
44. Intesa Casse del Centro S.p.A.	862	68	38	850	771	-
45. Intesa Distribution Services S.r.l .	41	34	33	41	5	-
46. Intesa Formazione S.c.p.a.	7	3	-	-	-	-
47. Intesa Funding LLC	4,365	199	-	-	-	-
48. Intesa Investimenti S.p.A.	1,059	42	26	1,032	1,000	-
49. Intesa Lease Sec S.r.l.	-	-	-	-	-	-
50. Intesa Leasing S.p.A.	9,784	558	38	309	154	-
51. Intesa Mediofactoring S.p.A.	5,744	295	42	368	290	-

(in millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
52. Intesa Preferred Capital Company LLC	243	12	-	43	44	-
53. Intesa Previdenza - Società Mobiliare S.p.A .	23	14	1	18	12	-
54. Intesa Real Estate S.r.l.	39	3	1	32	37	-
55. Intesa Sanpaolo Bank Ireland PLC	23,267	1,081	29	985	921	-
56. Intesa Sanpaolo Holding International S.A.	10,313	373	250	4,961	4,866	-
57. Intesa Sanpaolo Private Banking S.p.A.	2,656	276	57	156	82	-
58. Intesa Sanpaolo Romania S.A. Commercial Bank	496	85	5	46	47	-
59. Intesa Sec. 2 S.r.l.	-	-	-	-	-	-
60. Intesa Sec. 3 S.r.l.	-	-	-	-	-	-
61. Intesa Sec. NPL S.p.A.	-	-	-	-	-	-
62. Intesa Sec. Npl2 S.r.l.	-	-	-	-	-	-
63. Intesa Sec. S.p.A.	-	-	-	-	-	-
64. IntesaBci Preferred Capital Company LLC III	529	35	-	7	9	-
65. IntesaSanpaolo Eurodesk S.p.r.l. (b)	-	-	-	-	-	-
66. IntesaTrade Sim S.p.A.	192	35	7	37	25	-
67. Inversiones Mobiliarias S.A. "IMSA"	25	7	5	12	3	-
68. ISC Euroservice GmbH in liquidation (b)	-	-	-	-	-	-
69. ISP CB Ipotecario S.r.l.	-	-	-	-	-	-
70. ISP CB Pubblico S.r.l.	-	-	-	-	-	-
71. ISP Sec. 4 S.r.l.	-	-	-	-	-	-
72. Lima Sudameris Holding S.A.	35	10	10	35	-	-
73. Neos Banca S.p.A.	3,074	275	-15	140	225	-
74. Nuova Real Estate S.p.A.	3	-	-	2	6	-
75. OOO Intesa Realty Russia	-	-	-	-	-	-
76. Panonska Banka A.D. (b)	203	57	-	31	171	-
77. Petrochemical Investments Ltd. (P.I.L.) (b)	2	1	1	2	-	-
78. Phonix Beteiligungs GmbH in liquidation (a)	-	-	-	-	-	-
79. Private Equity International S.A.	1,105	38	22	561	501	-
80. Resco Uno S.r.l.	-	-	-	-	-	-
81. Sanpaolo Bank S.A.	7,336	646	66	468	606	-
82. Sanpaolo Fiduciaria S.p.A.	11	6	2	9	17	-
83. Sanpaolo Imi Bank (International) S.A.	225	8	7	187	180	-
84. Sanpaolo Imi Capital Company I, L.L.C. (b)	1,059	83	-	47	45	-
85. Sanpaolo Imi Insurance Broker S.p.A.	18	30	1	2	2	-
86. Sanpaolo Imi U.S. Financial CO.	4,495	166	-	-	-	-
87. Sanpaolo Leasint S.p.A. - Società di Leasing Internazionale	7,876	462	44	249	388	-
88. Scala Advisory S.A.	-	-	-	-	-	-
89. SEP - Servizi e Progetti S.p.A.	11	20	1	6	5	-
90. Setefi S.p.A.	146	177	33	82	25	-
91. SIREFID S.p.A.	10	8	1	8	2	-
92. Studi e Ricerche per il Mezzogiorno (b)	1	2	-	-	-	-
93. Sud Polo Vita S.p.A.	5,012	187	3	223	494	-
94. Universo Servizi S.p.A.	15	13	-	9	17	-
95. West Trade Center S.A.	-	-	-	-	-	-
96. Zao Banca Intesa Closed Joint-stock Company	270	17	3	35	32	-
97. Zao International Business Consulting in liquidation	-	-	-	-	-	-
B. Companies subject to joint control					**129**	
1. Allfunds Bank S.A.	268	262	23	78	112	-
2. Augusto S.r.l. (b)	-	-	-	-	-	-
3. Centradia Group Limited (in liquidation)	-	-	-	-	-	-
4. Colombo S.r.l. (b)	-	-	-	-	-	-
5. Diocleziano S.r.l. (b)	-	-	-	-	-	-
6. I2 Capital S.p.A. (d)	382	77	-9	135	12	-
7. International Entertainment S.p.A.	-	-	-	-	-	-
8. Leonardo Technology S.p.A. (b)	16	-	-	-	5	-
9. Shangai Sino Italy Business Advisory Company Ltd.	-	-	-	-	-	-
10. Sviluppo Garibaldi - Repubblica S.p.A. in liquidation	-	-	-	-	-	-

(in millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
C. Companies subject to significant influence					**2,518**	
1. AL.FA. - Un'Altra Famiglia Dopo di Noi - Impresa Sociale S.r.l.	-	-	-	-	-	-
2. Autostrade Lombarde S.p.A. (b)	147	1,845	-	97	44	-
3. Banca Impresa Lazio	18	-	-2	7	1	-
4. Cassa di Risparmio di Fermo S.p.A.	1,354	92	9	150	48	-
5. Cassa di Risparmio di Firenze S.p.A. (e)	28,881	859	181	1,697	636	1,016
6. Centrale dei Bilanci - S.r.l. (b)	198	-	-	110	32	-
7. Consorzio Bancario SIR S.p.A in liquidation (b)	-	-	-	-500	-	-
8. CR Firenze Gestion Internationale S.A.	34	72	19	21	7	-
9. Esaote S.p.A. (a)	319	-	-3	107	39	-
10. Eurizon A.I. SGR S.p.A.	16	18	2	9	1	-
11. Euromilano S.p.A. (d)	219	30	3	36	9	-
12. Europrogetti & Finanza S.p.A. (b)	47	11	3	10	1	-
13. Evoluzione 94 S.p.A. in liquidation (c)	11	-	-1	11	2	-
14. F.I.L.A. Fabbrica Italiana Lapis ed Affini S.p.A.	157	180	7	27	15	-
15. Grande Jolly S.r.l.	961	275	44	166	15	-
16. Intesa Vita S.p.A.	25,664	4,028	138	1,586	561	-
17. Italfondiario S.p.A. (d)	97	100	23	47	12	-
18. Mater-Bi S.p.A. (b)	34	1	-	32	11	-
19. Montalbano Technology S.p.A. (b)	3	-	-	1	2	-
20. NH Italia S.r.l.	1,083	299	36	312	137	-
21. Obiettivo Nord-Est Sicav S.p.A. (d)	24	-	-	26	2	-
22. P.B. S.r.l. (f)	8	-	-	7	-	-
23. Penghua Fund Management Co. Ltd.	96	102	41	69	54	-
24. Pietra S.r.l. (g)	-	-	-	-	5	-
25. Pirelli & C S.p.A. (a)	10,829	5,845	130	3,858	71	64
26. Pirelli RE Integrated Facility Management B.V. (c)	70	-	-	67	38	-
27. R.C.N. Finanziaria S.p.A. (a)	221	5	-9	4	7	-
28. Rizzoli Corriere della Sera MediaGroup S.p.A. (a)	3,805	2,057	165	1,240	134	106
29. SI Holding S.p.A. (b)	3,670	1,026	8	53	55	-
30. SIA - SSB S.p.A. (b)	124	179	-	121	52	-
31. Società Gestione per il Realizzo S.p.A.	62	7	3	55	2	-
32. Tangenziali Esterne di Milano S.p.A. (b)	6	-	-	5	-	-
33. Telco S.p.A.	8,769	18	-36	5,124	522	-
34. Termomeccanica S.p.A. (b)	544	252	-5	6	3	-
35. Uno A Erre Italia S.p.A. - Arezzo (b)	77	157	-6	9	-	-
D. Other equity investments					**532**	
Banca d'Italia	-	-	-	-	532	-
TOTAL					**37,081**	

(a) Financial position as at 30 September 2007.
(b) Financial statements as at 31 December 2006
(c) Financial position as at 31 October 2007.
(d) Financial position as at 30 June 2007.
(e) Consolidated financial statements as at 30 September 2007.
(f) Financial position as at 26 April 2007.
(g) Newly-established company.

The difference between the value entered in the Bank's balance sheet of the significant equity investments and the lower value of the corresponding portion of shareholders' equity disclosed in the latest financial statements published by the subsidiaries is usually due to goodwill and the higher market value of the assets owned by the subsidiaries. More specifically, with regard to the equity investments in the former SANPAOLO IMI's portfolio, the negative differences compared to the pro-quota of shareholders' equity are due to the fair value of the investment, at the time of purchase price allocation, as a result of the merger by incorporation of SANPAOLO IMI into Banca Intesa.

With regard to companies set up for the purpose of issuing hybrid capital instruments (BCI U.S. Funding LLC I, BCI U.S. Funding LLC II, BCI U.S. Funding LLC III, Intesa Preferred Capital Company LLC and IntesaBci Preferred Capital Company LLC III), Intesa Sanpaolo holds 100% of voting rights. Considering preferred shares issued, the percentage stake held decreases to 4.76% in BCI U.S.

Funding LLC I, LLC II and LLC III, to 18.70% in Intesa Preferred Capital Company LLC, and to 2.15% in IntesaBci Preferred Capital Company LLC III.
Considering its peculiarity, as already described in accounting principles, the stake in the Bank of Italy is also included.

10.3 Equity investments: annual changes

(in millions of euro)

	31.12.2007	31.12.2006 (*)
A. Initial amount	**11,988**	**11,568**
B. Increases	**40,976**	**945**
B.1 purchases	36,116	224
B.2 write-backs	-	204
B.3 revaluations	-	-
B.4 other changes	4,860	517
C. Decreases	**-15,883**	**-525**
C.1 sales	-96	-264
C.2 impairment losses	-270	-13
C.3 other changes	-15,517	-248
D. Final amount	**37,081**	**11,988**
E. Total revaluations	**420**	**437**
F. Total impairment losses	**-1,508**	**-1,238**

(*) Figures relative to Banca Intesa.

Subcaption B.1 Purchases, as a result of the business combinations occurred in 2007, includes:
- equity investment portfolio amounting to 25,731 million euro as at 1 January 2007 of SANPAOLO IMI S.p.A. merged into Banca Intesa S.p.A. with legal effect as of 1 January 2007,
- portfolio amounting to 7,899 million euro of Eurizon Financial Group S.p.A., merged into Intesa Sanpaolo on 31 December 2007 with legal effect as of 1 January 2007;
- portfolio amounting to 131 million euro of Sanpaolo IMI Internazionale S.p.A., merged into Intesa Sanpaolo on 31 December 2007 with legal effect as of 1 January 2007;
- portfolio amounting to 9 million euro of Intesa Holding Asset Management S.p.A, merged into Intesa Sanpaolo on 1 January 2007.

The following purchases were finalised during the year:
- 304,200 shares of Eurizon Investimenti SGR S.p.A. (former CAAM SGR S.p.A.), corresponding to a 65% stake, at a price of 864 million euro;
- 206,464,495 shares of Telco S.p.A., corresponding to a 10.65% stake, at a price of 522 million euro;
- 60,474,299 shares of Banca Fideuram S.p.A., corresponding to a 6.17% stake, at a price of 304 million euro;
- 12,000,000 shares of American Bank of Albania, corresponding to an 80% stake, at a price of 96 million euro;
- a 14.98% stake in Sud Polo Vita S.p.A. bought from Alleanza Assicurazioni at a price of 83 million euro. The transaction completes the acquisition of the insurance company (417,213,580 shares, corresponding to 98.79% of the share capital) following: the partial, proportional spin-off of the business lines Ramo Eurizon Vita of Eurizon Vita S.p.A., which became a subsidiary of the Bank due to the incorporation of Eurizon Financial Group, and of Ramo Intesa Vita Universo of the subsidiary Intesa Vita S.p.A.;
- 132,840 shares of Banka Koper D.D., corresponding to a 25% stake, at a price of 75 million euro; as a result of this transaction the Bank's equity stake rose to 91.21%;
- subscription of a share capital increase of Intesa Mediofactoring S.p.A., for a total of 65 million euro;

- 73,500,000 shares of Penghua Fund Management Co. Ltd., corresponding to a 49% stake, at a price of 54 million euro;
- 12,466,299 shares of Eurizon Solutions S.p.A., corresponding to a 100% stake, at a price of 50 million euro;
- 537,360 shares of Banca C.I.S. S.p.A., corresponding to a 16.3% stake, at a price of 48 million euro; as a result of this transaction the Bank's equity stake rose to 44.63%;
- 98,695 shares of Panonska Banka A.D., acquired in the tender offer, corresponding to a 12.57% stake, at a price of 18 million euro; as a result of this transaction the Bank's equity stake rose to 99.96%. A payment for a future capital increase amounting to 30 million euro was also made;
- 3,372,500 shares of Autostrade Lombarde S.p.A., corresponding to a 35.5% stake, at a price of 40 million euro; as a result of this transaction the Bank's equity stake rose to 39.3%;
- 8,820 shares of Pirelli Re Facility Management Netherlands B.V., corresponding to a 49% stake, at a price of 38 million euro;
- 991,979 Class A shares of Inter - Europa Bank Nyrt., corresponding to a 14.13% stake, acquired in the tender offer and in the subsequent squeeze out, at a price of 16 million euro; as a result of this transaction the Bank's equity stake rose to 100%;
- subscription of a share capital increase of Grande Jolly S.p.A., for a total of 14 million euro;
- formation of Banca Prossima S.p.A., the first European bank dedicated exclusively to social enterprises and non-profit organisations, by means of payment of 10 million euro.

Subcaption B.4 Other changes essentially refers to the following transactions:
- merger of the subsidiary Banca di Intermediazione Mobiliare IMI S.p.A. into Banca IMI S.p.A. (former Banca Caboto S.p.A.) at a price of 1,894 million euro;
- merger of the subsidiary Sanpaolo IMI International S.A. into Intesa Sanpaolo Holding International S.A. at a price of 1,625 million euro;
- acquisition of 83.81% of Sud Polo Vita S.p.A., following the partial, proportional spin-off of Ramo Eurizon Vita of the subsidiary Eurizon Vita S.p.A. and of Ramo Intesa Vita Universo of the subsidiary Intesa Vita S.p.A. in favour of Sud Polo Vita, respectively for 381 million euro and 30 million euro;
- merger of the subsidiary Intesa Bank Ireland Plc. (in voluntary liquidation) into Intesa Sanpaolo Bank Ireland Plc. (former Sanpaolo Bank Ireland Plc) at a price of 353 million euro;
- payment for a future capital increase amounting to 100 million euro in favour of Sanpaolo Leasint S.p.A.;
- spin-off of Banca dell'Adriatico S.p.A. and Cassa di Risparmio in Bologna S.p.A. in favour of Cassa dei Risparmi di Forlì e della Romagna S.p.A. - Cariromagna respectively for 41 million euro and 38 million euro and contribution, by Intesa Sanpaolo, of a business line made up of five branches in favour of Cariromagna for a total of 5 million euro, ; as a result of these transactions the Bank's equity stake rose to 60.84%.

Subcaption C.1 Sales essentially refers to the following transactions:
- sale of the stake in Cassa di Risparmio della Provincia di Teramo S.p.A. at a price of 89 million euro;
- sale of the stake in Turismo & Immobiliare S.p.A. at a price of 5 million euro.

Subcaption C.3 Other changes, as a result of the business combinations in 2007, essentially includes the following transactions:
- merger by incorporation of the subsidiary Eurizon Financial Group S.p.A. into Intesa Sanpaolo S.p.A. for 7,748 million euro;
- merger by incorporation of the subsidiary Banca di Intermediazione Mobiliare IMI S.p.A. into Banca IMI S.p.A. (former Banca Caboto S.p.A.) for 1,894 million euro;
- merger by incorporation of the subsidiary Sanpaolo IMI International S.A. into Intesa Sanpaolo Holding International S.A. for 1,625 million euro;
- reclassification of the equity stakes in Cassa di Risparmio di Parma e Piacenza S.p.A. (714 million euro) and in Banca Popolare FriulAdria S.p.A. (280 million euro), in Non-current assets held for sale and discontinued operations sold as part of the transaction concluded with Crédit Agricole S.A., respectively, at a price of 3,800 million euro and 837 million euro. Income deriving from

the sale of the stakes was recorded in the income statement under income after tax from discontinued operations;
- partial, proportional spin-off of Ramo Eurizon Vita of the subsidiary Eurizon Vita S.p.A. and of Ramo Intesa Vita Universo of the subsidiary Intesa Vita S.p.A. in favour of Sud Polo Vita, respectively for 381 million euro and 30 million euro;
- merger of the subsidiary Intesa Bank Ireland Plc. (in voluntary liquidation) into Intesa Sanpaolo Bank Ireland Plc. (former Sanpaolo Bank Ireland Plc) for 353 million euro;
- reclassification of the subsidiary Banque Palatine S.A. in Non-current assets held for sale and discontinued operations for 334 million euro;
- merger by incorporation of the subsidiary Sanpaolo IMI Internazionale S.p.A. into Intesa Sanpaolo S.p.A. for 206 million euro;
- reclassification of the equity stake in Cassa di Risparmio di Biella e Vercelli S.p.A. - Biverbanca (190 million euro) in Non-current assets held for sale and discontinued operations, sold in the year at 399 million euro with a gain recorded in the income statement under income after tax from discontinued operations, of 209 million euro gross of the tax effect;
- reclassification of the subsidiary in Agos S.p.A. in Non-current assets held for sale and discontinued operations for 123 million euro;
- spin-off of Banca dell'Adriatico S.p.A. and Cassa di Risparmio in Bologna S.p.A. in favour of Cassa dei Risparmi di Forlì e della Romagna S.p.A. - Cariromagna respectively for 41 million euro and 38 million euro;
- lastly, a further change, equal to 1,286 million euro, was the write-down of the cost of the equity investments of former SANPAOLO IMI and former Eurizon Financial Group, of dividends collected in 2007 and related to the allocation of 2006 net income.

10.4 Commitments referred to investments in subsidiaries

The main elements of the commitments concerning equity investments in subsidiaries are described below:

- in 2002, SANPAOLO IMI entered into an agreement with the majority shareholders in Banka Koper D.D. aimed at the acquisition of a controlling holding in the company, which provided that the former SANPAOLO IMI guarantee, in case the Public Offer launched on the entire capital of the company in March 2002 was successful, a put option on the shares owned by the relevant shareholders that had not contributed to the Public Offer; this right was extended to each shareholder who had contributed at least one share to the Public Offer. Each shareholder could exercise the put option in the 30 days following 31 March, 30 June, 30 September and 31 December of each year starting from 30 days subsequent to 31 December 2002 and up to 30 days following 30 June 2006. The price was the offer price increased by the interest calculated at the rate paid by Banka Koper for deposits to one year and one day in Slovenian tolar for the period running from the last day of validity of the offer to the day of exercise of the option, reduced by the dividends received on the shares that were the subject of the option. On 21 July 2006 a new shareholders' agreement was signed between the parties that essentially renews the agreements until 31 December 2011. The transaction and the "squeeze-out and sell-out rule" provided for by the Slovenian Companies Act of 3 May 2006 led to the recording of approximately 22 million euro under "commitments against put options issued";
- on 7 December 2005 SANPAOLO IMI entered into a put and call agreement with the shareholder European Bank for Reconstruction for the acquisition of the remaining 20% of the share capital in Banca Italo Albanese SH.A., exercisable between December 2006 and January 2009. The subscription of this agreement led to the recording of approximately 10 million euro under the "commitments against put options issued";
- following the purchase of 80% of the share capital of American Bank of Albania (ABA), Intesa Sanpaolo, based on the provisions of the "Shareholders Agreement", recorded approximately 23 million euro under "commitments against put options issued" relating to the residual 20% stake;
- the purchase contract for shares of Cassa dei Risparmi di Forlì S.p.A. (now Cassa dei Risparmi di Forlì e della Romagna S.p.A. - Cariromagna), executed on 29 November 2000 between Fondazione CR Forlì (seller) and former SANPAOLO IMI and Cassa di Risparmio di Firenze (purchasers), provides that the purchasers transfer to the Fondazione an option to sell a maximum number of ordinary shares representing 51.35% of the CR Forlì share capital, exercisable in several tranches, at the unit price of 8.11 euro per share for the first two tranches

and at a price determined with reference to the fair market value for the remaining tranches. The put option may be exercised by the Fondazione from 12 June 2002 and up to the 15th day before the expiry of the first period for the termination of the Shareholders' Agreement entered into by the same parties (31 December 2008). On 12 May 2003 Fondazione CR Forlì exercised the put option on the first tranche of 8,335,370 ordinary shares (representing 8.75% of share capital) at a price of 68 million euro with former SANPAOLO IMI quota; subsequently, on 15 November 2005 it exercised the put option on the second tranche of 8,103,596 ordinary shares (representing 8.48% of share capital) at a price of 66 million euro with former SANPAOLO IMI. After these acquisitions, Intesa Sanpaolo's stake increased to 38.25% and after the spin-offs of Banca dell'Adriatico S.p.A. and Cassa di Risparmio in Bologna S.p.A. and the contribution by Intesa Sanpaolo in favour of Cariromagna of the Bank's percentage stake increased to 60.84%.The option on the part of share capital still owned by the Fondazione (21.29%) led to the recording of 82 million euro under "commitments against put options issued".

10.5 Commitments referred to investments in companies subject to joint control

There is an agreement with Crédit Agricole made up of a call option sold and a put option purchased on Intesa Sanpaolo's stake in Agos; on 27 December 2007 Intesa Sanpaolo and Crédit Agricole agreed to exercise the respective options of the sale of Intesa Sanpaolo's entire 49% stake in Agos to Crédit Agricole. Based on this agreement, the equity investment in Agos was recognised in discontinued operations.

10.6 Commitments referred to investments in companies subject to significant influence

There is an agreement which is made up of a call option sold and a put option with as underlying asset the equity investment in Intesa Vita, in which Intesa Sanpaolo holds a 50% stake.

SEZIONE 11 - PROPERTY AND EQUIPMENT – CAPTION 110

11.1 Property and equipment: breakdown of assets measured at cost

(in millions of euro)

	31.12.2007	31.12.2006 (*)
A. Property and equipment used in operations		
1.1 owned	2,572	1,500
a) land	*886*	*473*
b) buildings	*1,218*	*695*
c) furniture	*151*	*112*
d) electronic equipment	*312*	*215*
e) other	*5*	*5*
1.2 acquired in leasing	16	1
a) land	*13*	-
b) buildings	*3*	*1*
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**2,588**	**1,501**
B. Investment property		
2.1 owned	-	-
a) land	-	-
b) buildings	-	-
2.2 acquired in leasing	-	-
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
TOTAL (A + B)	**2,588**	**1,501**

(*) Figures relative to Banca Intesa.

11.2 Property and equipment: breakdown of assets measured at fair value or revalued

As at 31 December 2007 there are no assets measured at fair value or revalued.

11.3 Property and equipment used in operations: annual changes

(in millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**473**	**1,303**	**414**	**1,349**	**27**	**3,566**
A.1 Total net adjustments	-	-607	-302	-1,134	-22	-2,065
A.2 Net initial carrying amount	**473**	**696**	**112**	**215**	**5**	**1,501**
B. Increases	**720**	**875**	**78**	**298**	**27**	**1,998**
B.1 Purchases	708	832	78	268	27	1,913
of which business combinations	707	794	58	72	26	1,657
B.2 Capitalised improvement costs	-	21	-	-	-	21
B.3 Write-backs recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	11	22	-	-	-	33
B.7 Other changes	1	-	-	30	-	31
C. Decreases	**-294**	**-350**	**-39**	**-201**	**-27**	**-911**
C.1 Sales	-	-4	-4	-3	-	-11
of which business combinations	-	*-3*	-	-	-	*-3*
C.2 Depreciation	-	-64	-26	-192	-1	-283
C.3 Impairment losses recognised in	-	-10	-	-	-	-10
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	*-10*	-	-	-	*-10*
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-294	-272	-3	-3	-	-572
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-294	-272	-3	-3	-	-572
C.7 Other changes	-	-	-6	-3	-26	-35
D. Net final carrying amount	**899**	**1,221**	**151**	**312**	**5**	**2,588**
D.1 Total net adjustments	-	-530	-605	-2,573	-23	-3,731
D.2 Gross final carrying amount	**899**	**1,751**	**756**	**2,885**	**28**	**6,319**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Subcaptions Business combinations relate to the merger by incorporation of SANPAOLO IMI into Banca Intesa and include the transfers from investment property.
Subcaptions A.1 and D.1 - Total net adjustments include the amounts relative to depreciation and to adjustments recorded for the purpose of aligning the book value of an asset to its recovery value.
Subcaption B.7 and C.7 Other changes posted an increase essentially due to the reorganisation of captions following the merger between Banca Intesa and SANPAOLO IMI.
Subcaption E - Measurement at cost does not present any value since, as provided for by the instructions issued by the Bank of Italy, it must be filled in only for property and equipment measured at fair value.

11.4 Investment property: annual changes

(in millions of euro)

	Land	Buildings	Total
A. Gross initial carrying amount	**-**	**-**	**-**
A.1 Total net adjustments	-	-	-
A.2 Net initial carrying amount	**-**	**-**	**-**
B. Increases	**125**	**124**	**249**
B.1 Purchases	125	124	249
business combinations	*125*	*124*	*249*
B.2 Capitalised improvement costs	-	-	-
B.3 Positive fair value differences	-	-	-
B.4 Write-backs	-	-	-
B.5 Positive foreign exchange differences	-	-	-
B.6 Transfer from property used in operations	-	-	-
B.7 Other changes	-	-	-
C. Decreases	**-125**	**-124**	**-249**
C.1 Sales	-	-	-
business combinations	-	-	-
C.2 Depreciation	-	-	-
C.3 Negative fair value differences	-	-	-
C.4 Impairment losses	-	-	-
C.5 Negative foreign exchange differences	-	-	-
C.6 Transfer to other assets	-125	-124	-249
a) property used in operations	-125	-124	*-249*
b) non-current assets held for sale and discontinued operations	-	-	-
C.7 Other changes	-	-	**-**
D. Net final carrying amount	**-**	**-**	**-**
D.1 Total net adjustments	-	-	**-**
D.2 Gross final carrying amount	**-**	**-**	**-**
E. Fair value measurement	**-**	**-**	-

11.5 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31 December 2007 came to approximately 53 million euro, mostly referred to electronic equipment and buildings.

SECTION 12 – INTANGIBLE ASSETS - CAPTION 120

12.1 Intangible assets: breakdown by type of asset

(in millions of euro)

	31.12.2007		31.12.2006 (*)	
	Finite useful life	**Indefinite useful life**	**Finite useful life**	**Indefinite useful life**
A.1 Goodwill	**X**	**7,310**	**X**	**-**
A.2 Other intangible assets	**1,897**	**2,009**	**332**	**-**
A.2.1 Assets measured at cost	1,897	2,009	332	-
a) Internally generated			-	-
intangible assets	*374*	-	*294*	-
b) Other assets	*1,523*	*2,009*	*38*	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Internally generated			-	-
intangible assets	-	-	-	-
b) Other assets	-	-	-	-
TOTAL	**1,897**	**9,319**	**332**	**-**

(*) Figures relative to Banca Intesa.

The figures indicated above refer to internally generated software. Other assets and goodwill essentially reflect components from the purchase cost allocation process, as provided for by IFRS 3, as part of the incorporation of SANPAOLO IMI into Banca Intesa, illustrated in detail in Part G of the Notes to the Parent Company's and consolidated financial statements.

For the determination of adjustments , see Part A, Accounting Policies.

12.2 Intangible assets: annual changes

(in millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**-**	**1,210**	**-**	**449**	**-**	**1,659**
A.1 Total net adjustments	-	-916	-	-411	-	-1,327
A.2 Net initial carrying amount	**-**	**294**	**-**	**38**	**-**	**332**
B. Increases	**7,310**	**349**	**-**	**1,703**	**2,009**	**11,371**
B.1 Purchases	7,310	349	-	1,703	2,009	11,371
of which business combinations	7,310	188	-	1,643	2,009	11,150
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	*X*	-	-	-	-	-
- income statement	*X*	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-269**	**-**	**-218**	**-**	**-487**
C.1 Sales	-	-1	-	-	-	-1
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-268	-	-181	-	-449
- Amortisation	X	-262	-	-176	-	-438
- Write-downs recognised in	-	-6	-	-5	-	-11
shareholders' equity	*X*	-	-	-	-	-
income statement	-	*-6*	-	*-5*	-	*-11*
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-37	-	-37
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**7,310**	**374**	**-**	**1,523**	**2,009**	**11,216**
D.1 Total net adjustments	-	-1,278	-	-628	-	-1,906
E. Gross final carrying amount	**7,310**	**1,652**	**-**	**2,151**	**2,009**	**13,122**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The increases in intangible assets from business combinations include assets involved in the process for the allocation of the purchase cost of SANPAOLO IMI. For further details on the criteria applied in the registration of such assets see Part G of these Notes to the Parent Company's financial statements.

The new figures recorded as part of the aforesaid process are:

- intangible assets: core deposits 1,079 million euro (finite life)
- intangible assets: asset management portfolio 452 million euro (finite life)
- intangible assets: insurance portfolio 85 million euro (finite life)
- intangible assets: brand name 2,009 million euro (indefinite life)

Furthermore, the purchase cost allocation process led to the registration of goodwill for a total of 7,310 million euro (of which 610 million euro already recorded in the financial statements of SANPAOLO IMI as at 31 December 2006).

Subcaptions A.1 and D.1 – Total net adjustments present the balance of the cumulated amortisation of intangible assets with finite useful life, respectively at the beginning and at the close of the year.

Subcaption B.1 Purchases relative to Other intangible assets: internally generated refers to the purchase of goods and external services for the development of new software or for enhancing existing software.

Subcaption F - Measurement at cost does not present any values since, as provided for by the instructions issued by the Bank of Italy, it must be filled in only for intangible assets measured at fair value.

12.3 Intangible assets: other information

Commitments for the purchase of intangible assets as at 31 December 2007 amounted to approximately 14 million euro and referred to software.

SECTION 13 – TAX ASSETS AND LIABILITIES – CAPTION 130 AND CAPTION 80

13.1 Deferred tax assets: breakdown

(in millions of euro)

	31.12.2007	
Corresponding caption in income statement	**IRES (27,5%)**	**IRAP (4,90%)**
A. Temporary deductible differences		
Adjustment to/Impairment of loans deductible in future years	253	-
Provisions for future charges	374	-
Higher tax value of equity investments, securities and other assets	43	-
Extraordinary charges for incentive-driven exit plans	255	-
Other	189	-
B. Taxable temporary differences		
Costs deducted off balance sheet (art. 109 TUIR)	44	-
Capital gains in installments	11	-
Differences between book and tax value (art. 128 TUIR)	-	-
Lower tax value of equity investments, securities and other assets	396	-
Other	4	-
TOTAL	**659**	**-**
Corresponding caption in shareholders' equity	**IRES (27,5%)**	**IRAP (4,90%)**
Cash flow hedge	-	-
Recognition of actuarial gains/losses	-	-
Assets available for sale	3	-
TOTAL	**3**	**-**
Total deferred tax assets	**662**	**-**

13.2 Deferred tax liabilities: breakdown

(in millions of euro)

	31.12.2007	
Corresponding caption in income statement	**IRES (27,5%)**	**IRAP (4,90%)**
A. Taxable temporary differences		
Costs deducted off balance sheet (art. 109 TUIR)	-	8
Lower tax value of securities and other assets	1,084	219
Other	63	2
B. Temporary deductible differences		
Adjustment to/Impairment of loans deductible in future years	38	1
Higher tax value of securities and other assets	4	5
Other	212	6
TOTAL	**893**	**217**
Corresponding caption in shareholders' equity	**IRES (27,5%)**	**IRAP (4,90%)**
Cash flow hedge	43	8
Reserve pursuant to Law 169/83	4	-
Reserve pursuant to Law 213/98	8	-
Assets available for sale	12	26
TOTAL	**67**	**34**
Total deferred tax liabilities	**960**	**251**

13.3 Changes in deferred tax assets (recorded in income statement)

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Initial amount	**905**	**904**
2. Increases	**1,647**	**361**
2.1 Deferred tax assets recognised in the period	552	273
a) related to previous years	*44*	*60*
b) due to changes in accounting criteria	-	-
c) value recoveries	-	-
d) other	*508*	*213*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	88
2.4 Business combinations	1,095	-
3. Decreases	**-1,893**	**-360**
3.1 Deferred tax assets eliminated in the period	-500	-355
a) reversals	*-500*	*-355*
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
3.2 Tax rate reductions	-275	-
3.3 Other decreases	-773	-5
3.4 Business combinations	-345	-
4. Final amount	**659**	**905**

(*) Figures relative to Banca Intesa.

13.4 Changes in deferred tax liabilities (recorded in income statement)

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Initial amount	**158**	**129**
2. Increases	**2,533**	**40**
2.1 Deferred tax liabilities recognised in the period	76	9
a) related to previous years	*7*	-
b) due to changes in accounting criteria	-	-
c) other	*69*	*9*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	31
2.4 Business combinations	2,457	-
3. Decreases	**-1,581**	**-11**
3.1 Deferred tax liabilities eliminated in the period	-198	-3
a) reversals	*-198*	*-3*
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-630	-
3.3 Other decreases	-753	-8
3.4 Business combinations	-	-
4. Final amount	**1,110**	**158**

(*) Figures relative to Banca Intesa.

13.5 Changes in deferred tax assets (recorded in equity)

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Initial amount	**5**	**24**
2. Increases	**22**	**2**
2.1 Deferred tax assets recognised in the period	8	2
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*8*	*2*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
2.4 Business combinations	14	-
3. Decreases	**-24**	**-21**
3.1 Deferred tax assets eliminated in the period	-5	-21
a) reversals	*-5*	*-21*
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-5	-
3.4 Business combinations	-14	-
4. Final amount	**3**	**5**

(*) Figures relative to Banca Intesa.

13.6 Changes in deferred tax liabilities (recorded in equity)

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Initial amount	**88**	**14**
2. Increases	**2,144**	**74**
2.1 Deferred tax liabilities recognised in the period	22	74
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*22*	*74*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
2.4 Business combinations	2,122	-
3. Decreases	**-2,131**	**-**
3.1 Deferred tax liabilities eliminated in the period	-	-
a) reversals	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-21	-
3.3 Other decreases	-	-
3.4 Business combinations	-2,110	-
4. Final amount	**101**	**88**

(*) Figures relative to Banca Intesa.

In the previous tables, the subcaptions Business combinations relate to the merger by incorporation of SANPAOLO IMI into Banca Intesa.

13.7 Other information

There is no other information to be provided in addition to that already contained in this Section.

SECTION 14 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES - CAPTION 140 OF ASSETS AND CAPTION 90 OF LIABILITIES

14.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

(in millions of euro)

	31.12.2007
A. Non-current assets held for sale	
A.1 Investments in associates and companies subject to joint control	460
A.2 Property and equipment	566
A.3 Intangible assets	35
A.4 Other	-
Total A	**1,061**
B. Discontinued operations	
B.1 Financial assets held for trading	1
B.2 Financial assets designated at fair value through profit and loss	-
B.3 Financial assets available for sale	-
B.4 Investments held to maturity	-
B.5 Due from banks	76
B.6 Loans to customers	2,580
B.7 Investments in associates and companies subject to joint control	-
B.8 Property and equipment	5
B.9 Intangible assets	-
B.10 Other	36
Total B	**2,698**
C. Liabilities associated with non-current assets held for sale	
C.1 Debts	-
C.2 Securities	-
C.3 Other	-
Total C	**-**
D. Liabilities associated with discontinued operations	
D.1 Due to banks	1,405
D.2 Due to customers	755
D.3 Securities issued	33
D.4 Financial liabilities held for trading	-
D.5 Financial liabilities designated at fair value through profit and loss	-
D.6 Allowances	49
D.7 Other	16
Total D	**2,258**

Equity investments refer to the interest of 36.36% held in Banque Palatine S.A. (334 million euro), 49% held in Agos S.p.A. (123 million euro) and 15% held in Equitalia Polis S.p.A. (3 million euro).

Property and equipment under individual assets refers to real estate properties to be contributed to the company Immit Immobiliare S.p.A.
Discontinued operations and related liabilities refers to branches which are expected to be sold in the first quarter of 2008, as required by the ruling of the Italian Competition Authority following the merger between Banca Intesa and SANPAOLO IMI.

14.2 Other information

There is no information further to that already indicated in the previous table.

14.3 Information on companies subject to significant influence not carried at equity

Non-current assets and discontinued operations does not include companies subject to significant influence not carried at equity.

With reference to paragraphs 14.1, 14.2 and 14.3 above, please note that as at 31 December 2006 Banca Intesa did not present any Non-current assets held for sale and discontinued operations.

SECTION 15 – OTHER ASSETS – CAPTION 150

15.1 Other assets: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Amounts to be debited - under processing	1,346	764
Amounts to be debited - deriving from securities transactions	158	48
Bank cheques drawn on third parties to be settled	322	583
Transit items	1,166	122
Checks and other instruments held	8	57
Leasehold improvements	62	69
Due from Group companies on fiscal consolidation	127	344
Other	3,332	682
TOTAL	**6,521**	**2,669**

(*) Figures relative to Banca Intesa.

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Due to Central Banks	**12,709**	**6,319**
2. Due to banks	**73,299**	**32,702**
2.1 Current accounts and deposits	8,469	7,785
2.2 Time deposits	46,119	18,572
2.3 Loans	15,802	2,932
2.3.1 Financial leases	-	-
2.3.2 Other	*15,802*	*2,932*
2.4 Debts for commitments to repurchase own equity instruments	-	-
2.5 Liabilities related to assets sold not derecognised	2,867	3,402
2.5.1 Repurchase agreements	*2,867*	*3,402*
2.5.2 Other	-	-
2.6 Other debts	42	11
TOTAL	**86,008**	**39,021**
Fair value	**85,938**	**39,021**

(*) Figures relative to Banca Intesa.

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Reverse repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.
Liabilities related to assets sold not derecognised are included for 1,904 million euro in Due to Central Banks.

1.2 Breakdown of caption 10 Due to banks: subordinated debts

The complete list of subordinated debts is presented in Part F – Information on capital.
The amount included in caption Due to banks totalled 995 million euro.

1.3 Breakdown of caption 10 Due to banks: structured debts

As at 31 December 2007 Intesa Sanpaolo has issued structured debts for 87 million euro.

1.4 Breakdown of caption 10 Due to banks: debts with specific hedges

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Due to banks with specific fair value hedges	**5,674**	**1,987**
a) Interest rate risk	5,200	1,746
b) Foreign exchange risk	-	-
c) Various risks	474	241
2. Due to banks with specific cash flow hedges	**231**	**-**
a) Interest rate risk	231	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**5,905**	**1,987**

(*) Figures relative to Banca Intesa.

1.5 Financial lease payables

Intesa Sanpaolo had no financial lease payables to banks.

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Current accounts and deposits	91,899	65,000
2. Time deposits	21,642	12,328
3. Public funds under administration	45	53
4. Loans	9,988	549
4.1 Financial leases	-	-
4.2 Other	*9,988*	*549*
5. Debts for commitments to repurchase own equity instruments	-	-
6. Liabilities related to assets sold not derecognised	7,306	4,602
6.1 Reverse repurchase agreements	*3,632*	*4,602*
6.2 Other	*3,674*	-
7. Other debts	1,597	1,263
TOTAL	**132,477**	**83,795**
Fair value	**132,477**	**83,795**

(*) Figures relative to Banca Intesa.

Reverse repurchase agreements related to assets sold not derecognised are detailed in Part E - Section C.2.

Liabilities related to assets sold not derecognised – other includes the exposure on the sale of loans related to the Sec 3 securitisation. For greater detail on the aforementioned transaction see Part E – Section C of the Notes to the Parent Company's financial statements and of the Notes to the consolidated financial statements.

2.2 Breakdown of caption 20 Due to customers: subordinated debts

The complete list of subordinated debts is presented in Part F – Information on capital. The amount included in caption Due to customers totalled 1,573 million euro.

2.3 Breakdown of caption 20 Due to customers: structured debts

As at 31 December 2007 Intesa Sanpaolo had no structured debts to customers.

2.4 Breakdown of caption 20 Due to customers: debts with specific hedges

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Due to customers with specific fair value hedges	**1,573**	**19**
a) Interest rate risk	1,573	19
b) Foreign exchange risk	-	-
c) Various risks	-	-
2. Due to customers with specific cash flow hedges	**45**	**-**
a) Interest rate risk	45	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**1,618**	**19**

(*) Figures relative to Banca Intesa.

2.5 Financial lease payables

2.5.1 Financial lease payables: breakdown by time interval

(in millions of euro)

	31.12.2007
Financial lease payables	**-**
a) within 1 year	6
b) between 2 and 5 years	3
c) over 5 years	6
TOTAL	**15**

In 2006, Financial lease payables at Banca Intesa were immaterial.

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(in millions of euro)

	31.12.2007		31.12.2006 (*)	
	Book value	**Fair value**	**Book value**	**Fair value**
A. Quoted securities	**27,138**	**26,904**	**12,779**	**12,766**
1. bonds	27,138	26,904	12,779	12,766
1.1 structured	*9,850*	*9,844*	*11,492*	*11,491*
1.2 other	*17,288*	*17,060*	*1,287*	*1,275*
2. other	-	-	-	-
2.1 structured	-	-	-	-
2.2 other	-	-	-	-
B. Unquoted securities	**70,580**	**70,210**	**46,781**	**46,725**
1. bonds	63,158	62,788	42,698	42,642
1.1 structured	*2,903*	*2,903*	*3,734*	*3,734*
1.2 other	*60,255*	*59,885*	*38,964*	*38,908*
2. other	7,422	7,422	4,083	4,083
2.1 structured	-	-	*2*	*2*
2.2 other	*7,422*	*7,422*	*4,081*	*4,081*
Total	**97,718**	**97,114**	**59,560**	**59,491**

(*) Figures relative to Banca Intesa.

Securities are considered quoted only if traded on regulated markets.
The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.

3.2 Breakdown of caption 30 Securities issued: subordinated securities

The complete list of subordinated securities is presented in Part F – Information on capital. The caption securities issued includes subordinated securities amounting to 13,101 million euro.

3.3 Breakdown of caption 30 Securities issued: securities with specific hedges

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Securities with specific fair value hedges	**53,565**	**26,741**
a) Interest rate risk	49,529	22,281
b) Foreign exchange risk	159	-
c) Various risks	3,877	4,460
2. Securities with specific cash flow hedges	**204**	**-**
a) Interest rate risk	204	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**53,769**	**26,741**

(*) Figures relative to Banca Intesa.

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(in millions of euro)

	31.12.2007				31.12.2006 (*)			
	Nominal value	Fair value		Fair value (**)	Nominal value	Fair value		Fair value (**)
		quoted	unquoted			quoted	unquoted	
A. CASH LIABILITIES								
1. Due to banks	-	-	-	-	-	-	-	-
2. Due to customers	52	34	-	-	613	621	-	621
3. Debt securities	-	-	-	X	-	-	-	x
3.1 Bonds	-	-	-	X	-	-	-	x
3.1.1 structured	-	-	-	X	-	-	-	x
3.1.2 other bonds	-	-	-	X	-	-	-	x
3.2 Other	-	-	-	X	-	-	-	x
3.2.1 structured	-	-	-	X	-	-	-	x
3.2.2 other	-	-	-	X	-	-	-	x
Total A	52	34	-	-	613	621	-	621
B. DERIVATIVES								
1. Financial derivatives	X	1	9,018	X	X	7	8,267	x
1.1 Trading	X	1	8,665	X	X	7	6,824	x
1.2 Fair value option	X	-	50	X	X	-	-	x
1.3 Other	X	-	303	X	X	-	1,443	x
2. Credit derivatives	X	-	1,034	X	X	-	490	x
2.1 Trading	X	-	1,034	X	X	-	490	x
2.2 Fair value option	X	-	-	X	X	-	-	x
2.3 Other	X	-	-	X	X	-	-	x
Total B	-	1	10,052	-	-	7	8,757	-
TOTAL (A+B)	52	35	10,052	-	613	628	8,757	621

(*) Figures relative to Banca Intesa.

(*) Fair value calculated excluding changes in creditworthiness of the issuer after issue date.

Subcaption A.2 Due to customers include short selling.

4.2 Breakdown of caption 40 Financial liabilities held for trading: subordinated liabilities

Intesa Sanpaolo does not have any subordinated liabilities classified in caption Financial liabilities held for trading.

4.3 Breakdown of caption 40 Financial liabilities held for trading: structured debts

Intesa Sanpaolo does not have any structured debts classified in caption Financial liabilities held for trading.

4.4 Financial liabilities held for trading: derivatives

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	31.12.2007	31.12.2006 (*)
A) QUOTED DERIVATIVES							
1) Financial derivatives	***1***	**-**	**-**	**-**	**-**	***1***	***7***
with exchange of underlying asset	-	-	-	-	-	-	6
- *options issued*	-	-	-	-	-	-	*5*
- *other derivatives*	-	-	-	-	-	-	*1*
without exchange of underlying asset	1	-	-	-	-	1	1
- *options issued*	*1*	-	-	-	-	*1*	-
- *other derivatives*	-	-	-	-	-	-	*1*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**1**	**-**	**-**	**-**	**-**	**1**	**7**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	***6,015***	***2,206***	***789***	**-**	***8***	***9,018***	***8,267***
with exchange of underlying asset	1	2,160	4	-	-	2,165	776
- *options issued*	*1*	*122*	*4*	-	-	*127*	*20*
- *other derivatives*	-	*2,038*	-	-	-	*2,038*	*756*
without exchange of underlying asset	6,014	46	785	-	8	6,853	7,491
- *options issued*	*842*	*32*	*785*	-	-	*1,659*	*1,893*
- *other derivatives*	*5,172*	*14*	-	-	*8*	*5,194*	*5,598*
2) Credit derivatives	**-**	**-**	**-**	***1,034***	**-**	***1,034***	***490***
with exchange of underlying asset	-	-	-	926	-	*926*	471
without exchange of underlying asset	-	-	-	108	-	*108*	19
Total B	**6,015**	**2,206**	**789**	**1,034**	**8**	**10,052**	**8,757**
TOTAL (A + B)	**6,016**	**2,206**	**789**	**1,034**	**8**	**10,053**	**8,764**

(*) Figures relative to Banca Intesa.

Derivatives are considered quoted only if traded on regulated markets. In compliance with Bank of Italy instructions, variation margins with Clearing Houses related to futures are recorded under caption Due to customers.

4.5 Financial cash liabilities (excluding "short selling") held for trading: annual changes

Caption Financial cash liabilities is exclusively made up of short selling.

SECTION 5 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS – CAPTION 50

Caption not applicable to Intesa Sanpaolo.

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

6.1. Hedging derivatives: breakdown by type of derivative and underlying asset

(in millions of euro)

Type of derivatives/Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	Total
A) QUOTED DERIVATIVES	**-**	**-**	**-**	**-**	**-**	**-**
1) Financial derivatives						
with exchange of underlying asset	-	-	-	-	-	- -
- *options issued*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	
without exchange of underlying asset	-	-	-	-	-	-
- *options issued*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B) UNQUOTED DERIVATIVES						
1) Financial derivatives	**1,603**	**153**	**-**	**-**	**-**	**1,756**
with exchange of underlying asset	-	153	-	-	-	153
- *options issued*	-	-	-	-	-	-
- *other derivatives*	-	*153*	-	-	-	*153*
without exchange of underlying asset	1,603	-	-	-	-	1,603
- *options issued*	-	-	-	-	-	-
- *other derivatives*	*1,603*	-	-	-	-	*1,603*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**1,603**	**153**	**-**	**-**	**-**	**1,756**
TOTAL (A+B)	**1,603**	**153**	**-**	**-**	**-**	**1,756**
TOTAL (A+B) 31.12.2006 (*)	**1,614**	**56**	**-**	**-**	**-**	**1,670**

(*) Figures relative to Banca Intesa.

The table indicates negative values of hedging derivatives.
The respective assets/liabilities hedged are indicated in specific tables included that illustrate the single captions.

6.2. Hedging derivatives: breakdown by hedged portfolio and type of hedge

(in millions of euro)

Operations/Type of hedge	Fair value						Cash flow	
	Specific					Generic	Specific	Generic
	interest rate risk	foreign exchange risk	credit risk	price risk	various risks			
1. Financial assets available for sale	-	-	-	-	-	-	-	-
2. Loans	48	-	-	-	-	5	-	-
3. Investments held to maturity	X	-	-	-	-	-	-	X
4. Portfolio	X	X	X	X	X	X	X	-
Total assets	**48**	**-**	**-**	**-**	**-**	**5**	**-**	**-**
1. Financial liabilities	1,581	73	-	-	-	-	10	X
2. Portfolio	X	X	-	X	X	32	X	7
Total liabilities	**1,581**	**73**	**-**	**-**	**-**	**32**	**10**	**7**

The table indicates negative fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge. These mostly refer to specific fair value hedges of liabilities issued and specific fair value hedges of loans are also present. Cash flow hedges mostly refer to floating rate securities used to fund fixed rate investments.

SECTION 7 - FAIR VALUE CHANGE OF FINANCIAL LIABILITIES IN HEDGED PORTFOLIOS – CAPTION 70

7.1 Fair value change of financial liabilities in hedged portfolios: breakdown by hedged portfolios

(in millions of euro)

	31.12.2007
1. Positive fair value change of financial liabilities	34
2. Negative fair value change of financial liabilities	-
TOTAL	**34**

As at 31 December 2006, the caption was not applicable to Banca Intesa.

7.2 Financial liabilities hedged by macrohedging of interest rate risk: breakdown

The balance of the changes in value of liabilities subject to macrohedging (MCH) against interest rate risk is recorded in this caption. Taking advantage of the option that emerged in the definition of the IAS 39 carve out, the Bank adopted the abovementioned macrohedging only for the coverage of core deposits.

SECTION 8 – TAX LIABILITIES – CAPTION 80

For information on this section, see Section 13 of Assets.

SECTION 9 - LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS – CAPTION 90

For information on liabilities associated with non-current assets held for sale and discontinued operations, see Section 14 of Assets.

SECTION 10 – OTHER LIABILITIES – CAPTION 100

10.1 Other liabilities: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
Due to suppliers	824	443
Amounts due to third parties	2,461	127
Transit items	754	82
Adjustments for portfolio items to be settled	53	-
Amounts to be credited and items under processing	2,606	1,523
Personnel charges	737	300
Due to social security entities	106	140
Due to Group companies on fiscal consolidation	128	17
Guarantees given and commitments	340	228
Due to tax authorities for withholding tax levied on customers	448	-
Other	2,244	1,393
TOTAL	**10,701**	**4,253**

(*) Figures relative to Banca Intesa.

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(in millions of euro)

	31.12.2007	31.12.2006 (*)
A. Initial amount	**888**	**861**
B. Increases	**417**	**109**
Business combinations	519	-
B.1 Provisions in the year	-125	104
B.2 Other	23	5
C. Decreases	**-289**	**-82**
C.1 Benefits paid	-178	-76
C.2 Other	-111	-6
D. Final amount	**1,016**	**888**

(*) Figures relative to Banca Intesa.

The caption Business combinations refers to the merger between Banca Intesa and SANPAOLO IMI.

Subcaption B.1 Provision in the year includes 174 million euro due to the supplementary social security reform (Legislative Decree 252, 5/12/2005). This effect includes -201 million euro referred to the recalculation of the obligation and 27 million euro of unrecognised actuarial losses of the previous year recorded through profit and loss.

Subcaption C.1. refers to benefits paid as at 31 December 2007.
For greater detail on actuarial calculations, see Section 12.3 – Post employment defined benefit plans.

11.2 Other information

The value of employee termination indemnities which qualify as unfunded defined benefit plans totalled 1,018 million euro at the end of 2007, while at the end of 2006 it amounted to 915 million euro.
Actuarial gains not recognised in the income statement, in application of the "corridor approach", totalled 21 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Post employment benefits	**282**	**117**
2. Other allowances for risks and charges	**2,590**	**1,360**
2.1 legal disputes	787	687
2.2 personnel charges	1,017	407
2.3 other	786	266
TOTAL	**2,872**	**1,477**

(*) Figures relative to Banca Intesa.

The contents of caption 2 – Other allowances for risks and charges are illustrated in point 12.4 below.

12.2 Allowances for risks and charges: annual changes

(in millions of euro)

	Post employment benefits	Other allowances	Total
A. Initial amount	**117**	**1,360**	**1,477**
B. Increases	**179**	**2,184**	**2,363**
Business combinations	149	1,116	1,265
B.1 Provisions in the year	1	391	392
B.2 Time value changes	9	52	61
B.3 Changes due to discount rate variations	-	-	-
B.4 Other	20	625	645
C. Decreases	**-14**	**-954**	**-968**
C.1 Uses in the year	-12	-766	-778
C.2 Changes due to discount rate variations	-	-10	-10
C.3 Other	-2	-178	-180
D. Final amount	**282**	**2,590**	**2,872**

The caption Business combinations refers to the merger between Banca Intesa and SANPAOLO IMI.

The increase in Provisions to Other allowances includes charges recorded for incentive-driven exit plans.

12.3 Post employment defined benefit plans

1. Illustration of the funds

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability of the Bank, according to IAS 19 "Employee Benefits", is determined via the "projected unit credit method" by an independent actuary.

The defined benefit plans, in which Intesa Sanpaolo S.p.A. is co-obliged, can be distinguished in:
- internal supplementary pension funds;
- external supplementary pension funds.

Internal funds include:

- Supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo: the fund was established in implementation of collective agreements to guarantee the payment of integrations for personnel formerly in service at Cariplo passed to Esatri Esazione Tributi S.p.A. and operates solely via defined benefits in favour of employees already retired as at 31 December 2000. The size of the integration is determined, on the basis of payment criteria and in compliance with the principle of capitalisation, from the conversion of the capital matured by each plan participant at the time of retirement;
- Supplementary pension fund in favour of employees of Mediocredito Lombardo "Trattamento integrativo delle pensioni di legge a favore dei dipendenti del Mediocredito Lombardo": the fund involves all employees of Mediocredito Lombardo S.p.A. in service on 1 January 1967 or employed until 28 April 1993. Starting from 24 April 1993, with the entry into force of the Law introducing pension funds (Legislative Decree 124 of 21 April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund. The supplementary pension is determined as the difference between 80% of the last theoretical wage for pension purposes, adjusted to consider if the employee matured or not 35 years of service at the company and the size of the pension matured according to the law; in any case the supplementary pension may not exceed an amount determined annually. An agreement was signed with Trade Unions in 2006 that set out the transformation of the regime for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits), a lump-sum has been identified which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the "employee in service" section was extinguished. The agreement with Trade Unions also provides for a process – still to be activated – destined to propose to pensioners, as an extraordinary measure, one-off payments to liquidate their pension position;
- Supplementary pension fund in favour of top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana": the fund refers to integrative provisions allocated until a certain date on the basis of an institutive resolution made by the Board of Directors on 30 October 1963 in favour of top management of Banca Commerciale Italiana. The benefit is determined on the basis of a coefficient which is the combination of two parameters, age and period in the specific post. The integration is the difference between the total guaranteed pension treatment (measured by multiplying the coefficient by the annual compensation received at the cease of service with the exclusion of any variable components) and the gross annual pension, matured on the basis of the "Assicurazione generale obbligatoria" (AGO), and of "Fondo di Previdenza Integrativo Aziendale". In 2006, following the start of the liquidation of "Fondo pensione per il personale della Banca Commerciale Italiana", the Bank took over the charge corresponding to the difference between the value of the benefit borne by AGO and the higher value of the contractual commitment for the beneficiaries who requested it;
- three defined benefit plans in force at the London branch, relative to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for

employees hired up to the end of 1999 for Banco Ambrosiano Veneto and Cariplo and up to the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules for the various funds, on the basis of the annual gross wage received in the last year of service;
- Defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States who have been in service at the Bank for at least 5 years. The benefit is considered to be matured even if the employment relationship ceases in advance. The benefit is calculated on the basis of the highest average wage considering three consecutive years out of the last 10 years of service, or, if the employment relationship ceases before, on the basis of the average wage in the last three years of service;
- Pension fund in favour of employees of Cassa di Risparmio di Venezia "Fondo di previdenza per il Personale della Cassa di Risparmio di Venezia": the fund is set to cover future liabilities for beneficiaries according to means set forth by internal regulations. Intesa Sanpaolo S.p.A. contributes to the fund for employees from Cassa di Risparmio di Venezia.

External funds include:
- Supplementary pension fund in favour of employees of Istituto Bancario San Paolo di Torino "Cassa di Previdenza Integrativa per il Personale dell'Istituto Bancario San Paolo di Torino", a fund with legal status and full economic independence and independent asset management. Intesa Sanpaolo S.p.A. is jointly responsible for the commitments of the "Cassa" to beneficiaries, pensioners and third parties;
- Complementary Pension Fund for the Employees of Banco di Napoli "Fondo di Previdenza Complementare per il Personale del Banco di Napoli – Sezione A", an entity with legal status and independent asset management. Intesa Sanpaolo S.p.A. is jointly responsible for the fund's commitments to employees enrolled in the plan and other beneficiaries from former Banco di Napoli; to retired employees receiving Supplementary Pension Checks, formerly the SANPAOLO Imi internal fund; to the employees of the Cassa di Risparmio di Bologna, formerly enrolled in the Complementary Pension Fund for the Employees of the Cassa, transferred to the Complementary Pension Fund for the Employees of the Banco di Napoli in 2004; and the current and retired employees of the Banca Popolare dell'Adriatico, formerly enrolled in the Company Pension Fund for the employees of the former Banca Popolare dell'Adriatico, transferred to the Fund in question on 30/6/2006;
- Pension fund for the employees of the former Crediop hired before 30 September 1989, a fund with legal status and full economic independence. Intesa Sanpaolo S.p.A. is jointly responsible for the commitments of the "fund" with its employees in service and retired, from former Crediop;
- Pension fund for the employees of Cariplo, a fund with legal status and full economic independence, whose aim is to guarantee supplementary pension treatment in addition to AGO cheques to former Cariplo employees already retired on 30 June 1998. Intesa Sanpaolo S.p.A. is jointly responsible for the commitments of the Fund – Section I.

2. Changes in the exercise of the funds

(in millions of euro)

Defined benefit obligations	**31.12.2007**			**31.12.2006 (*)**		
	Employee termination indemnities	**Internal plans**	**External plans**	**Employee termination indemnities**	**Internal plans**	**External plans**
Initial amount	**915**	**191**	**-**	**944**	**208**	**-**
Current service costs	8	4	21	42	6	-
Recognised past service costs	-	-	-	-	-	-
Unrecognised past service costs	-	-	-	-	-	-
Interest costs	48	15	116	35	9	-
Recognised actuarial losses	-	6	-	-	-	-
Unrecognised actuarial losses	-27	-	-	-	-	-
Positive exchange differences	-	-	-	-	-	-
Increases - business combinations	519	139	1,769	-	-	-
Participants' contributions	-	-	11	-	-	-
Recognised actuarial gains	-	-	-4	-	-	-
Unrecognised actuarial gains	-21	-25	-82	-57	-10	-
Negative exchange differences	-	-9	-	-	-	-
Benefits paid	-178	-17	-239	-49	-10	-
Decreases - business combinations	-	-	-	-	-	-
Curtailments	-	-	-	-	-	-
Settlements	-	-	-	-	-	-
Other increases	16	8	950	-	7	-
Other decreases	-262	-	-	-	-19	-
Final amount	**1,018**	**312**	**2,542**	**915**	**191**	**-**
Total unrecognised actuarial gains	**-21**	**-25**	**-82**	**-57**	**-**	**-**
Total unrecognised actuarial losses	**-**	**-**	**-**	**84**	**-**	**-**

(*) Figures relative to Banca Intesa.

Liabilities of the defined benefit obligations pension plan	**31.12.2007**			**31.12.2006 (*)**		
	Employee termination indemnities	**Internal plans**	**External plans**	**Employee termination indemnities**	**Internal plans**	**External plans**
Unfunded plans	1,018	-	-	915	90	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	312	2,542	-	101	-

(*) Figures relative to Banca Intesa.

Other decreases of Employee termination indemnities included 174 million euro as the net effect of the supplementary social security reform (Legislative Decree 252 of 5 December 2005).

On the basis of actuarial calculations, the present value of the defined benefit obligations, excluding Employee termination indemnities, was as follows.

Internal plans:
- 145 million euro referred to Pension fund in favour of employees of Cassa di Risparmio di Venezia (10 million euro pertaining to Intesa Sanpaolo S.p.A.);
- 31 million euro referred to Supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo, entirely contributed by Intesa Sanpaolo S.p.A.;
- 36 million euro referred to Supplementary pension fund in favour of top management of Banca Commerciale Italiana, entirely contributed by Intesa Sanpaolo S.p.A.;
- 14 million euro referred to Supplementary pension fund in favour of employees of Mediocredito Lombardo, entirely contributed by Intesa Sanpaolo S.p.A.;
- 71 million euro referred to defined benefit plans at the London branch, entirely contributed by Intesa Sanpaolo S.p.A.;
- 15 million euro referred to defined benefit plans at the New York branch, entirely contributed by Intesa Sanpaolo S.p.A.

External plans:
- 1,040 million euro referred to Cassa di Previdenza per il Personale of Istituto Bancario San Paolo di Torino (969 million euro pertaining to Intesa Sanpaolo S.p.A.);
- 580 million euro referred to the Complementary Pension Fund for the Employees of Banco di Napoli (477 million euro pertaining to Intesa Sanpaolo S.p.A.);
- 33 million euro referred to Pension fund in favour of employees of former Crediop hired before 30 September 1989; entirely contributed by Intesa Sanpaolo S.p.A.;
- 889 million euro referred to Pension fund in favour of employees of Cariplo, entirely contributed by Intesa Sanpaolo S.p.A.

3. Changes in the year of plan assets and other information

(in millions of euro)

Plan assets	**31.12.2007**		**31.12.2006** (*)	
	Internal plans	**External plans**	**Internal plans**	**External plans**
Initial amount	**73**	**-**	**64**	**-**
Expected return	12	113	5	-
Recognised actuarial losses	-1	-	-	-
Unrecognised actuarial losses	-2	-24	-	-
Positive exchange differences	-	-	-	-
Increases - Business combinations	170	1,620	-	-
Employer contributions	6	11	3	-
Participants' contributions	-	-	-	-
Recognised actuarial gains	-	-	2	-
Unrecognised actuarial gains	-	7	-	-
Negative exchange differences	-7	-	-	-
Benefits paid	-12	-239	-1	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Other changes	1	1,036	-	-
Final amount	**240**	**2,524**	**73**	**-**
Total unrecognised actuarial gains	**-**	**7**	**-**	**-**
Total unrecognised actuarial losses	**-2**	**-24**	**-**	**-**

(*) Figures relative to Banca Intesa.

Final amount of internal plans was broken down as follows:
- 135 million euro referred to Pension fund in favour of employees of Cassa di Risparmio di Venezia;
- 32 million euro referred to Supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo;
- 60 million euro referred to defined benefit plans at the London branch;
- 12 million euro referred to defined benefit plans at the New York branch.

Final amount of external plans was broken down as follows:
- 940 million euro referred to Cassa di Previdenza per il Personale of Istituto Bancario San Paolo di Torino;
- 542 million euro referred to the Complementary Pension Fund for the Employees of Banco di Napoli;
- 33 million euro referred to Pension fund in favour of employees of former Crediop hired before 30 September 1989;
- 1,009 million euro referred to Pension fund in favour of employees of Cariplo.

(in millions of euro)

	31.12.2007				31.12.2006 (*)			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities and equity funds	43	17.9	412	16.3	44	60.9	-	-
Debt securities and bond investment funds	167	69.5	1,269	50.3	14	18.9	-	-
Real estate assets and equity shareholdings in real estate companies	3	1.3	481	19.1	2	2.8	-	-
Insurance activities	12	5.0	135	5.3	-	-	-	-
Other assets	15	6.3	227	9.0	13	17.4	-	-
Total	**240**	**100.0**	**2,524**	**100.0**	**73**	**100.0**	**-**	**-**

(*) Figures relative to Banca Intesa.

4. Reconciliation of present value of the defined benefit obligation, present value of plan assets and assets and liabilities recognised in the balance sheet

(in millions of euro)

	31.12.2007			31.12.2006 (*)		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
1. Present value of the defined benefit obligations	1,018	312	2,542	915	191	-
2. Fair value of the plan assets	-	240	2,524	-	73	-
A. Fund status	**-1,018**	**-72**	**-18**	**-915**	**-118**	**-**
1. Unrecognised actuarial gains (sum of cumulated gains)	21	18	89	57	-	-
2. Unrecognised actuarial losses (sum of cumulated losses)	-	-2	-24	-84	-1	-
3. Unrecognised past service costs	-	-	-	-	-	-
4. Unrecognised assets because not reimbursable	-	-	9	-	-	-
5. Fair value of assets reimbursable by third parties	-	-	-	-	-	-
B. Total	**21**	**16**	**74**	**-27**	**-1**	**-**
Recognised assets	**-**	**167**	**-**	**-**	**-**	**-**
Recognised liabilities	**1,039**	**255**	**182**	**888**	**117**	**-**

(*) Figures relative to Banca Intesa.

In Employee termination indemnities "Recognised liabilities" includes amounts referred to employees of branches to be sold in 2008 following the provisions of the Italian Competition Authority, reclassified in a specific caption in accordance with IFRS 5.

In internal funds, both assets and liabilities are recorded in the financial statements of the Bank which stipulated the agreements which regulate the Funds, with the exception of actuarial gains/losses which are divided between the Banks which are jointly responsible. The portions of liabilities posted by Intesa Sanpaolo S.p.A. totalled:
- 0.5 million euro referred to Pension fund in favour of employees of "Cassa di Risparmio di Venezia";
- 32 million euro referred to Supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo;
- 42 million euro referred to Supplementary pension fund in favour of top management of Banca Commerciale Italiana;
- 18 million euro referred to Supplementary pension fund in favour of employees of Mediocredito Lombardo;
- 16 million euro referred to defined benefit plans at the London branch;
- 2 million euro referred to defined benefit plans at the New York branch.

Concerning external funds, the portions of liabilities posted by Intesa Sanpaolo totalled:
- 124 million euro referred to Cassa di Previdenza per il Personale of Istituto Bancario San Paolo di Torino;
- 44 million euro referred to the Complementary Pension Fund for the Employees of Banco di Napoli;
- 3 million euro referred to the Pension fund in favour of employees of former Crediop hired before 30 September1989.

For the Pension fund for the employees of Cariplo, no liability is recorded since plan assets exceed the liability with beneficiaries.

5. Description of the main actuarial assumptions

	31.12.2007			31.12.2006 (*)		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Discount rate	4.7%	5.0%	4.9%	4.2%	4.8%	-
Expected yield rates	-	5.4%	4.2%	-	5.9%	-
Expected increase in salaries (a)	3.5%	3.8%	4.0%	3.0%	3.6%	-
Annual inflation rate	2.0%	2.2%	2.0%	2.0%	2.5%	-
Annual rate of the GDP nominal growth	3.5%	3.5%	3.5%	-	-	-

(*) Figures relative to Banca Intesa.

(a) Net of career developments.

(in millions of euro)

	31.12.2007			31.12.2006 (*)		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Present value of the defined benefit obligations	1,018	312	2,542	915	191	-
Fair value of the plan assets	-	240	2,524	-	73	-
Fund status	**-1,018**	**-72**	**-18**	**-915**	**-118**	**-**

(*) Figures relative to Banca Intesa.

12.4 Allowances for risks and charges – Other allowances

Other allowances refers to:
- legal disputes: the allowance was set up to cover losses on legal disputes (350 million euro), litigations with personnel (70 million euro), revocatory actions (367 million euro);
- personnel charges: the allowance includes charges for seniority bonuses to employees, determined on the basis of actuarial calculations (113 million euro), charges connected to the assignment, for free, of shares to employees (34 million euro), the allowance for labour contract increases (17 million euro) as well as incentive-driven exit plans (841 million euro); the fund related to the mathematical reserve Law 366/70 (4 million euro) and other minor funds (8 million euro);
- other: provisions to cover tax litigations, frauds, disputes outstanding with the formerly wholly-owned company Equitalia Polis S.p.A. – ex Gest Line – which performs tax-collection activities, of which an 85% stake was sold to Equitalia S.p.A – former Riscossioni S.p.a., prizes, the charges in connection with the renegotiation of mortgage loans, disputes outstanding with Banche Rete, other outlay expectations which include the risks of dispute by SGA on credit factoring transactions already carried out by the former Banco di Napoli in accordance with Law 588/1996, accessory costs related to the activation of the conciliation tables for Parmalat bonds held by former SANPAOLO IMI customers, charges related to residual risks deriving from the sale of Banco Sudameris Brazil and of doubtful loans to Italfondiario, guarantees given for the sale of equity investments to Crédit Agricole and the related contributions of branches, other minor funds.

SECTION 13 – REIMBURSABLE SHARES – CAPTION 140

Caption not applicable to Intesa Sanpaolo.

SECTION 14 – PARENT COMPANY'S SHAREHOLDERS' EQUITY – CAPTIONS 130, 150, 160, 170, 180, 190 AND 200

14.1 Parent Company's shareholders' equity: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Share capital	6,647	3,613
2. Share premium reserve	33,457	5,559
3. Reserves	3,101	2,300
4. (Treasury shares)	-2,160	-
5. Valuation reserves	1,586	1,610
6. Equity instruments	-	-
7. Net income (loss)	5,811	2,241
TOTAL	**48,442**	**15,323**

(*) Figures relative to Banca Intesa.

14.2 Share capital and Treasury shares: breakdown

For information on this section, see point 14.4 below.

14.3 Share capital – Parent Company's number of shares: annual changes

	Ordinary	Other
A. Initial number of shares	**6,015,588,662**	**932,490,561**
- fully paid-in	6,015,588,662	932,490,561
- not paid-in	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: initial number	**6,015,588,662**	**932,490,561**
B. Increases	**5,840,979,788**	**-**
B.1 New issues	5,833,743,705	-
- for consideration	5,833,743,705	-
business combinations	*5,833,529,082*	-
conversion of bonds	-	-
exercise of warrants	-	-
other	*214,623*	-
- for free	-	-
in favour of employees	-	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	7,236,083	-
B.3 Other	-	-
C. Decreases	-406,140,700	-
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-406,140,700	-
C.3 Disposal of companies	-	-
C.4 Other	-	-
D. Shares outstanding: final number	**11,450,427,750**	**932,490,561**
D.1 Treasury shares (+)	398,904,617	-
D.2 Final number of shares	**11,849,332,367**	**932,490,561**
- fully paid-in	11,849,332,367	932,490,561
- not paid-in	-	-

14.4 Share capital: other information

The share capital of the Bank as at 31 December 2007 amounted to 6,647 million euro, divided into 11,849,332,367 ordinary shares and 932,490,561 unconvertible saving shares, with a nominal value of 0.52 euro each. Each ordinary share gives the right to one vote in the Shareholders' Meeting.

Saving shares, which may be in bearer form, give the power to intervene and vote in the Special Meeting of saving shares holders.

Saving shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in one year the dividend is less than 5% of the nominal value of the unconvertible saving shares, the difference will be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the dividend per saving share will be higher than for ordinary shares by 2% of nominal value.

In the case of distribution of reserves, the saving shares have the same rights as other shares. In the case of liquidation of the Company, saving shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.

Treasury shares as at 31 December 2007 are to service the share swap for the acquisition of the control of Carifirenze executed on 29 January 2008.

At the date of these financial statements, share capital was fully paid-in and liberated.

The registrations ex IFRS 3 related to the merger between Banca Intesa and SANPAOLO IMI generated a reserve of 31,093 million euro, equal to the difference between the acquisition cost of the Sanpaolo IMI Group and the nominal value of the shares issued to service the exchange.
This reserve in the 2007 interim reports was generically called "Merger difference".
In the 2007 financial statements it was reported under share premium reserve, based on the opinions expressed by legal experts.
This reserve will be reported differently should the Law or Supervisory Authorities indicate a different solution.

14.5 Reserves from retained earnings: other information

Reserves amounted to 3,101 million euro and included: legal reserve, extraordinary reserve, concentration reserves (Law 218 of 30/7/1990, art. 7, par. 3, and Law 218 of 30/7/1990, par. 7) and other reserves.
The legal reserve, set up as provided for by the law, must be at least one fifth of share capital; it was set up in the past by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.
Concentration reserves ex Law 218 of 30 July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.
Other reserves included reserves pertaining to branches abroad and other reserves set up in the past following specific legal provisions.
Valuation reserves amounted to 1,586 million euro and included valuation reserves of financial assets available for sale and of cash flow hedge derivatives, as well as legally-required revaluations.

(in millions of euro)

	Amount as at 31/12/2007	Principal	Portion of net income	Portion of net income subject to a suspended tax regime (a)	Portion available (b)	Uses in the past three years
Shareholders' equity						
– Share capital	6,647	4,281	1,375	991	-	
– Share premium reserve (c)	33,457	5,559	27,386	512	A, B, C	
– Legal reserve	1,329	85	1,244		A(1), B	
– Extraordinary reserve	933		933		A, B, C	-3,291
– Concentration reserve (as per Art. 7, par. c. 3 of Law 218 of 30/7/1990)	232			232	A, B(2), C(3)	
– Concentration reserve (as per Art. 7 of Law 218 of 30/7/1990)	302			302	A, B(2), C(3)	
– Legal Reserve Branches Abroad	12	12			A, B, C	
– Reserve for stock option plans	9		9		A	
– Merger goodwill Intesa Holding Asset Mng	22		22		A, B, C	
– Merger goodwill Eurizon Financial Group	213	168	45		A, B, C	
– Oper. reserve under common control	8		8		A, B, C	
– Tax rate revision reserve on FTA real estate	25		25		A, B	
– Other reserves	16		14	2	A, B, C	-16
	-					
Valuation reserves						
– Valuation reserve (Law 576 of 2/12/1975)	3			3	A, B(2), C(3)	
– Valuation reserve (Law 72 of 19/3/1983)	143			143	A, B(2), C(3)	
– Valuation reserve (Law 408 of 29/12/1990)	7			7	A, B(2), C(3)	
– Valuation reserve (Law 413 of 30/12/1991)	379			379	A, B(2), C(3)	
– Valuation reserve (Law 342 of 22/11/2000)	455			455	A, B(2), C(3)	
– AFS valuation reserve	493		493		(4)	
– CFH valuation reserve	106		106		(4)	
– Treasury shares	-2,160				-	
Total Capital and Reserves	**42,631**	**10,105**	**31,660**	**3,026**	**-**	
Non-distributable portion (d)	33,621					

(a) The portion of reserves not distributable for fiscal purposes ex art. 109, c. 4 of the Italian Income Tax Code (TUIR) as amended by Legislative Decree 247/2005 is amply offset by the legal reserve.

(b) A = capital increase; B = loss coverage; C = distribution to shareholders.

(c) Before there is a legislative clarification, the reserve is considered non-distributable for the 31,093 million euro originated by the merger with SANPAOLO IMI

(d) In accordance with art. 16, sub-section c.1 of Legislative Decree 87/92, the non-distributable portion refers to research and development costs as at 31 December 2007 for 374 million euro, revaluation reserves, share premium reserve for 31 billion euro (merger difference) and valuation reserves, which can be decreased only in accordance with the provisions of art. 2445 of the Italian Civil Code.

(1) May be used to increase capital (A) for the portion exceeding one fifth of the share capital.

(2) In case of use of the reserve to cover losses, net income may not be distributed unless the reserve is integrated or correspondingly reduced.

(3) The reserve, if it is not recorded under shareholders' equity, may be reduced only in compliance with provisions of par. 2 and 3 of art. 2445 of the Italian Civil Code. If it is distributed to shareholders it concurs to form the Company's taxable income.

(4) The reserve is unavailable pursuant to art. 6 of Legislative Decree 38/2005.

The valuation reserves have been included under retained earnings reserves given that these are either reserves destined to be reversed to the income statement at the time of sale or discharge of the corresponding assets or liabilities, that is reserves essentially similar to retained earnings reserves.

In addition to the uses occurred in the last three years set out in the table, the Statutory reserve was used in 2006 for IAS/IFRS first-time adoption (1,581 million euro) and for a stock granting plan for 2006 of the former Banca Intesa S.p.A. (5 million euro).

14.6 Equity instruments: breakdown and annual changes

Caption not applicable to Intesa Sanpaolo.

14.7 Valuation reserves: breakdown

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Financial assets available for sale	493	554
2. Property and equipment	-	-
3. Intangible assets	-	-
4. Foreign investment hedges	-	-
5. Cash flow hedges	106	69
6. Foreign exchange differences	-	-
7. Non-current assets held for sale and discontinued operations	-	-
8. Legally-required revaluations	987	987
TOTAL	**1,586**	**1,610**

(*) Figures relative to Banca Intesa.

14.8 Valuation reserves: annual changes

(in millions of euro)

	Financial assets available for sale	Property and equipment	Intangible assets	Foreign investment hedges	Cash flow hedges	Foreign exchange differences	Non-current assets held for sale and discontinued operations	Legally-required revaluations
A. Initial amount	**554**	**-**	**-**	**-**	**69**	**-**	**-**	**987**
B. Increases	**281**	**-**	**-**	**-**	**152**	**-**	**-**	**-**
B.1 fair value increases	215	-	-	-	126	-	-	-
B.2 other changes	66	-	-	-	26	-	-	-
C. Decreases	**-342**	**-**	**-**	**-**	**-115**	**-**	**-**	**-**
C.1 fair value decreases	-102	-	-	-	-81	-	-	-
C.2 other changes	-240	-	-	-	-34	-	-	-
D. Final amount	**493**	**-**	**-**	**-**	**106**	**-**	**-**	**987**

14.9 Valuation reserve of financial assets available for sale: breakdown

(in millions of euro)

	31.12.2007		31.12.2006 (*)	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	5	-15	-	-10
2. Equities	537	-38	558	-
3. Quotas of UCITS	6	-	6	-
4. Loans	-	-2	-	-
TOTAL	**548**	**-55**	**564**	**-10**

(*) Figures relative to Banca Intesa.

14.10 Valuation reserve of financial assets available for sale: annual changes

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans
1. Initial amount	**-10**	**558**	**6**	**-**
2. Positive fair value differences	**11**	**266**	**4**	**-**
2.1 fair value increases	9	201	3	2
2.2 reversal to the income statement of negative reserves	-	-	-	-
- *impairment*	-	-	-	-
- *disposal*	-	-	-	-
2.3 other changes	2	65	1	-2
3. Negative fair value differences	**-11**	**-325**	**-4**	**-2**
3.1 fair value decreases	-7	-92	-1	-2
3.2 reversal to the income statement of positive reserves: disposal	-	-177	-2	-
3.3 other changes	-4	-56	-1	-
4. Final amount	**-10**	**499**	**6**	**-2**

Other information

1. Guarantees and commitments

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1) Financial guarantees given	**41,428**	**12,971**
a) Banks	23,724	6,948
b) Customers	17,704	6,023
2) Commercial guarantees given	**32,436**	**15,988**
a) Banks	2,443	1,507
b) Customers	29,993	14,481
3) Irrevocable commitments to lend funds	**35,532**	**20,328**
a) Banks	4,551	2,361
- of certain use	*1,694*	*1,110*
- of uncertain use	*2,857*	*1,251*
b) Customers	30,981	17,967
- of certain use	*462*	*149*
- of uncertain use	*30,519*	*17,818*
4) Underlying commitments on credit derivatives: protection sales	**37,936**	**43,440**
5) Assets pledged as collateral of third party commitments	**2**	**1**
6) Other commitments	**575**	**880**
TOTAL	**147,909**	**93,608**

(*) Figures relative to Banca Intesa.

2. Assets pledged as collateral of liabilities and commitments

(in millions of euro)

	31.12.2007	31.12.2006 (*)
1. Financial assets held for trading	3,651	3,212
2. Financial assets designated at fair value through profit and loss	12	-
3. Financial assets available for sale	17	-
4. Investments held to maturity	1,973	-
5. Due from banks	2,520	-
6. Loans to customers	200	223
7. Property and equipment	-	-
TOTAL	**8,373**	**3,435**

(*) Figures relative to Banca Intesa.

3. Information on operating leases

The costs recorded in the year referred to motor vehicles, office equipment and central and peripheral software, allocated in the appropriate captions on the basis of the nature of the asset, do not include the portion of potential lease payments.

Minimum lease payments which expire within 31 December 2008 totalled 9 million euro while those that expire from 1 January 2009 to 31 December 2011 amounted to 59 million euro.

Clauses for the purchase of machinery, applicable only in the case of exercise of the right of redemption, are present only in the contract stipulated for office equipment.

4. Management and dealing on behalf of third parties

(in millions of euro)

	31.12.2007
1. Dealing in financial instruments on behalf of third parties	
a) Purchases	457
1. settled	*457*
2. to be settled	-
b) Sales	253
1. settled	*253*
2. to be settled	-
2. Portfolio management	
a) individual	391
b) collective	-
3. Custody and administration of securities	
a) third party securities held in deposit: related to depositary bank activities (excluding individual portfolio management schemes)	71,804
1. securities issued by the reporting bank	*225*
2. other securities	*71,579*
b) other third party securities held in deposit (excluding individual portfolio management schemes): other	553,178
1. securities issued by the reporting bank	*46,323*
2. other securities	*506,855*
c) third party securities deposited with third parties	546,621
d) portfolio securities deposited with third parties	27,858
4. Other	**110,006**

Part C – Information on the Parent Company's income statement

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1. Interest and similar income: breakdown

(in millions of euro)

	Performing financial assets		Non-performing financial assets	Other assets	2007	2006 (*)
	Debt securities	Loans				
1. Financial assets held for trading	1,136	-	-	-	1,136	965
2. Financial assets available for sale	62	32	-	-	94	51
3. Investments held to maturity	96	-	-	-	96	-
4. Due from banks	174	4,117	-	-	4,291	1,391
5. Loans to customers	99	9,604	154	109	9,966	4,711
6. Financial assets designated at fair value through profit and loss	33	-	-	-	33	-
7. Hedging derivatives	X	X	X	57	57	214
8. Assets sold not derecognised	-	183	-	-	183	7
9. Other assets	X	X	X	27	27	7
TOTAL	**1,600**	**13,936**	**154**	**193**	**15,883**	**7,346**

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

Interest and similar income also includes interest income on securities relative to repurchase agreements.
Interest income on non-performing assets refers to interest, other than that recorded in the caption Write-backs, accrued in the year, as well as collected interest on overdue loans.

1.2. Interest and similar income: differentials on hedging transactions

(in millions of euro)

	2007	2006 (*)
A. Positive differentials on		
A.1 specific fair value hedges of assets	337	121
A.2 specific fair value hedges of liabilities	1,367	1,150
A.3 generic hedges of interest rate risk	1,137	-
A.4 specific cash flow hedges of assets	293	3
A.5 specific cash flow hedges of liabilities	22	-
A.6 generic cash flow hedges	-	17
Total A	**3,156**	**1,291**
B. Negative differentials on		
A.1 specific fair value hedges of assets	-330	-59
A.2 specific fair value hedges of liabilities	-1,422	-977
A.3 generic hedges of interest rate risk	-1,066	-1
A.4 specific cash flow hedges of assets	-258	-
A.5 specific cash flow hedges of liabilities	-23	-
A.6 generic cash flow hedges	-	-40
Total B	**-3,099**	**-1,077**
TOTAL (A - B)	**57**	**214**

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

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

As at 31 December 2007, interest income on foreign currency financial assets amounted to 1,766 million euro.

1.3.2 Interest income on financial lease receivables

No interest income on financial lease receivables was recorded.

1.3.3 Interest income on loans using public funds under administration

Interest income on loans using public funds under administration included in the caption was immaterial.

1.4 Interest and similar expense: breakdown

(in millions of euro)

	Debts	Securities	Other liabilities	2007	2006 (*)
1. Due to banks	4,071	X	42	4,113	1,382
2. Due to customers	2,775	X	1	2,776	1,038
3. Securities issued	X	4,010	-	4,010	2,173
4. Financial liabilities held for trading	40	-	-	40	53
5. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
6. Financial liabilities associated to assets sold not derecognised	123	-	-	123	-
7. Other liabilities	X	X	1	1	2
8. Hedging derivatives	X	X	-	-	-
TOTAL	**7,009**	**4,010**	**44**	**11,063**	**4,648**

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

The subcaptions 1. Due to banks and 2. Due to customers also include interest expense on repurchase agreements.
Interest accrued on financial liabilities associated with assets sold and not derecognised refers to Sec III securitisation whereas interest related to repurchase agreements on securities recorded under assets is included under Due to customers or banks, according to the nature of the counterparty involved in the transactions.

1.5 Interest and similar expense: differentials on hedging transactions

Information on differentials on hedging transactions is illustrated in table 1.2, since the balance is included, both for 2006 and for 2007, in interest income.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency financial liabilities

Interest and similar expense as at 31 December 2007 included 2,809 million euro relative to financial liabilities in foreign currency.

1.6.2 Interest expense on financial lease payables

The amount of interest expense on financial lease payables was immaterial.

1.6.3 Interest expense on public funds under administration

As at 31 December 2007, interest expense on public funds under administration was immaterial.

SECTION 2 – NET FEE AND COMMISSION INCOME - CAPTIONS 40 AND 50

2.1 Fee and commission income: breakdown

(in millions of euro)

	2007	2006 (*)
A) Guarantees given	**218**	**126**
B) Credit derivatives	**-**	**-**
C) Management, dealing and consultancy services	**1,752**	**1,075**
1. dealing in financial instruments	10	-
2. dealing in foreign exchange	55	34
3. portfolio management	32	24
3.1. individual	*32*	*24*
3.2. collective	-	-
4. custody and administration of securities	68	51
5. depositary bank	105	66
6. placement of securities	790	509
7. acceptance of trading instructions	91	57
8. consultancy services	8	1
9. distribution of third party services	593	333
9.1. portfolio management	*132*	-
9.1.1. individual	*131*	-
9.1.2. collective	*1*	-
9.2. insurance products	*429*	*302*
9.3. other products	*32*	*31*
D) Collection and payment services	**292**	**237**
E) Servicing related to securitisations	**1**	**2**
F) Services related to factoring	**-**	**-**
G) Tax collection services	**-**	**-**
H) Other services	**1,246**	**826**
TOTAL	**3,509**	**2,266**

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

Subcaption H - Other services mostly recorded commissions on current accounts and overdrafts of 552 million euro, fees on credit and debit cards of 235 million euro, and commissions on medium-/long-term lending and structured finance of 296 million euro.

2.2 Fee and commission income: distribution channels of products and services

(in millions of euro)

	2007	2006 (*)
A) Group branches	**1,415**	**866**
1. portfolio management	164	24
2. placement of securities	790	509
3. third party services and products	461	333
B) "Door-to-door" sales	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-
C) Other distribution channels	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-

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

2.3 Fee and commission expense: breakdown

(in millions of euro)

	2007	2006 (*)
A) Guarantees received	**61**	**7**
B) Credit derivatives	**4**	**8**
C) Management, dealing and consultancy services	**68**	**44**
1. dealing in financial instruments	18	12
2. dealing in foreign exchange	3	2
3. portfolio management	3	5
3.1 own customers	*2*	*4*
3.2 delegated	*1*	*1*
4. custody and administration of securities	44	25
5. placement of financial instruments	-	-
6. "door-to-door" sale of financial instruments, products and services	-	-
D) Collection and payment services	**82**	**77**
E) Other services	**140**	**128**
TOTAL	**355**	**264**

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

Subcaption E – Other services included 65 million euro of fees on credit and debit cards, 34 million euro for intermediation on other banking operations, 17 million euro for services rendered to resident banks.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(in millions of euro)

	2007		2006 (*)	
	Dividends	Income from quotas of UCITS	Dividends	Income from quotas of UCITS
A. Financial assets held for trading	189	-	144	3
B. Financial assets available for sale	51	-	20	-
C. Financial assets designated at fair value through profit and loss	-	-	-	-
D. Equity investments	700	-	1,036	-
TOTAL	**940**	**-**	**1,200**	**3**

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

Subcaption D – Equity investments includes the dividends distributed by:

- Banca Intesa Infrastrutture and Sviluppo S.p.A. for 226 million euro;
- Banca IMI S.p.A. (former Banca Caboto S.p.A.) for 68 million euro;
- Private Equity International S.A. for 40 million euro;
- Intesa Vita S.p.A. for 35 million euro;
- Intesa Investimenti S.p.A. for 35 million euro;
- Synesis Finanziaria S.p.A for 31 million euro;
- Intesa Distribution Services S.r.L. for 29 million euro;
- Setefi S.p.A. for 28 million euro;
- Intesa Mediofactoring S.p.A for 25 million euro;
- Intesa Casse del Centro S.p.A. for 22 million euro;
- Intesa Sanpaolo Private Banking S.p.A. for 20 million euro;
- Banca Intesa Mediocredito S.p.A. for 20 million euro;
- other equity investments for 121 million euro.

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

4.1 Profits (Losses) on trading: breakdown

(in millions of euro)

	Revaluations	Profits on trading	Writedowns	Losses on trading	Net result
1. Financial assets held for trading	**126**	**153**	**-734**	**-419**	**-874**
1.1 Debt securities	28	125	-726	-235	-808
1.2 Equities	1	16	-2	-183	-168
1.3 Quotas of UCITS	97	11	-6	-	102
1.4 Loans	-	-	-	-	-
1.5 Other	-	1	-	-1	-
2. Financial liabilities held for trading	**1**	**-**	**-**	**-**	**1**
2.1 Debt securities	-	-	-	-	-
2.2 Other	1	-	-	-	1
3. Foreign exchange	**X**	**X**	**X**	**X**	**76**
4. Derivatives	**3,338**	**24,330**	**-3,039**	**-24,314**	**351**
4.1 Financial derivatives	1,976	23,725	-1,856	-23,696	185
- On debt securities and interest rates	*1,625*	*22,909*	*-1,433*	*-22,893*	*208*
- On equities and stock indexes	*347*	*660*	*-421*	*-646*	*-60*
- On currencies and gold	*x*	*x*	*x*	*x*	*36*
- Other	*4*	*156*	*-2*	*-157*	*1*
4.2 Credit derivatives	1,362	605	-1,183	-618	166
TOTAL	**3,465**	**24,483**	**-3,773**	**-24,733**	**-446**

Net result includes profits, losses, revaluations and writedowns on currency and gold derivatives.

SECTION 5 – FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING - CAPTION 90

5.1 Fair value adjustments in hedge accounting: breakdown

(in millions of euro)

	2007	2006 (*)
A. Income from		
A.1 fair value hedge derivatives	447	55
A.2 financial assets hedged (fair value)	44	2
A.3 financial liabilities hedged (fair value)	381	948
A.4 cash flow hedge: derivatives	-	-
A.5 foreign exchange assets and liabilities	-	-
Total A	**872**	**1,005**
B. Expenses for		
B.1 fair value hedge derivatives	-660	-943
B.2 financial assets hedged (fair value)	-117	-4
B.3 financial liabilities hedged (fair value)	-87	-50
B.4 cash flow hedge: derivatives	-1	-
B.5 foreign exchange assets and liabilities	-	-
Total B	**-865**	**-997**
TOTAL (A - B)	**7**	**8**

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

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

6.1 Profits (Losses) on disposal or repurchase: breakdown

(in millions of euro)

	2007			2006 (*)		
	Profits	**Losses**	**Net result**	**Profits**	**Losses**	**Net result**
Financial assets						
1. Due from banks	2	-	2	2	-	2
2. Loans to customers	14	-97	-83	5	-42	-37
3. Financial assets available for sale	302	-2	300	52	-2	50
3.1 Debt securities	*1*	*-2*	*-1*	*2*	*-2*	*-*
3.2 Equities	*299*	*-*	*299*	*49*	*-*	*49*
3.3 Quotas of UCITS	*-*	*-*	*-*	*-*	*-*	*-*
3.4 Loans	*2*	*-*	*2*	*1*	*-*	*1*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**318**	**-99**	**219**	**59**	**-44**	**15**
Financial liabilities						
1. Due to banks	-	-2	-2	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	27	-25	2	74	-54	20
Total liabilities	**27**	**-27**	**-**	**74**	**-54**	**20**

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

Profits on disposal of equities classified as financial assets available for sale included:
- Borsa Italiana S.p.A., for 121 million euro;
- Banco del Desarrollo S.A., for 49 million euro;
- Edison S.p.A., for 37 million euro;
- Kredyt Bank S.A., for 26 million euro;
- Piaggio & C. S.p.A., for 17 million euro;
- Italjolly compagnia Italiana dei Jolly hotels S.p.A., for 13 million euro;
- Banca Popolare Italiana S.p.A., for 12 million euro;
- Bolzoni S.p.A., for 5 million euro;
- other minor for 20 million euro.

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE - CAPTION 110

7.1 Profits (losses) on financial assets/liabilities designated at fair value: breakdown

(in millions of euro)

	Revaluations	Profits on disposal	Writedowns	Losses on disposal	Net result
1. Financial assets	**3**	**-**	**-12**	**-15**	**-24**
1.1 Debt securities	3	-	-12	-15	-24
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCITS	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Securities issued	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivatives	**22**	**-**	**-1**	**-**	**21**
4.1 Financial derivatives	22	-	-1	-	21
- On debt securities and interest rates	*-*	*-*	*-1*	*-*	*-1*
- On equities and stock indexes	*22*	*-*	*-*	*-*	*22*
- On currencies and gold	*-*	*-*	*-*	*-*	*-*
- Other	*-*	*-*	*-*	*-*	*-*
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**25**	**-**	**-13**	**-15**	**-3**

SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – CAPTION 130

8.1 Net impairment losses on loans: breakdown

(in millions of euro)

	Impairment losses			Recoveries				2007	2006 (*)
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-	-	-	18	-	10	28	3
B. Loans to customers	-32	-849	-99	120	354	-	5	-501	-345
C. Total	**-32**	**-849**	**-99**	**120**	**372**	**-**	**15**	**-473**	**-342**

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

8.2 Net impairment losses on financial assets available for sale: breakdown

(in millions of euro)

	Impairment losses		Recoveries		2007	2006 (*)
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-	-	-	-	-3
B. Equities	-	-25	-	-	-25	-7
C. Quotas of UCITS	-	-	-	-	-	-
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-25**	**-**	**-**	**-25**	**-10**

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

The valuation of financial assets available for sale led to impairment losses in 2007 mostly referred to:
- Immobiliare Lombarda S.p.A. for 12 million euro;
- NCH S.p.A. for 5 million euro;
- NH Hoteles S.A. for 4 million euro;
- Merloni Termosanitari S.p.A. for 2 million euro;
- Euroqube S.A. for 1 million euro;
- other minor for 1 million euro.

8.3 Net impairment losses on investments held to maturity: breakdown

As at 31 December 2007, Intesa Sanpaolo did not record any impairment losses on investments held to maturity.

8.4 Net impairment losses on other financial activities: breakdown

(in millions of euro)

	Impairment losses			Recoveries				2007	2006 (*)
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-14	-3	-	25	-	2	10	17
B. Credit derivatives	-	-	-	-	-	-	-	-	1
C. Commitments to lend funds	-	-	-43	-	-	-	-	-43	9
D. Other operations	-	-	-	-	-	-	-	-	-
E. Total	**-**	**-14**	**-46**	**-**	**25**	**-**	**2**	**-33**	**27**

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

SECTION 9 - ADMINISTRATIVE EXPENSES - CAPTION 150

9.1 Personnel expenses: breakdown

(in millions of euro)

	2007	2006 (*)
1) Personnel employed	**3,612**	**2,278**
a) wages and salaries	2,313	1,355
b) social security charges	609	365
c) termination indemnities	121	-
d) supplementary benefits	1	-
e) provisions for termination indemnities	-125	95
f) provisions for post employment benefits	29	10
- defined contribution plans	-	-
- defined benefit plans	*29*	*10*
g) payments to external pension funds	100	63
- defined contribution plans	*100*	*63*
- defined benefit plans	-	-
h) costs from share based payments	38	18
i) other benefits in favour of employees	526	372
2) Other personnel	**-**	**-40**
3) Directors	**10**	**6**
TOTAL	**3,622**	**2,244**

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

Provisions to employee termination indemnities determined on the basis of Art. 2120 of the Italian Civil Code amounted to 59 million euro.

As provided for by Bank of Italy instructions, personnel expenses includes the cost of Bank employees seconded to Group companies and the relevant recoveries.

As illustrated in Part B – Liabilities, section 11, provisions to employee termination indemnities includes the positive effect deriving from the recalculation of the obligation due to the supplementary social security reform.

9.2 Average number of employees by categories

	2007	2006 (*)
Personnel employed		
a) managers	736	439
b) total officers	19,027	11,597
of which 3rd and 4th level	*6,862*	*4,729*
c) other employees	28,151	16,110
Other personnel	381	97
TOTAL	**48,295**	**28,243**

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

9.3 Post employment defined benefit plans: total expense

(in millions of euro)

	2007			2006 (*)		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-	4	21	-	6	-
Financial costs of determining the present value of the defined benefit obligations	-	15	116	-	9	-
Expected return from the fund's assets	-	-12	-113	-	-5	-
Reimbursement from third parties	-	-	-	-	-	-
Actuarial gains recognised	-	-	-	-	-	-
Actuarial losses recognised	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Curtailment of the fund	-	-	-	-	-	-
Settlement of the fund	-	-	-	-	-	-
Assets incurred in the year and not recognised	-	-	-	-	-	-

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

9.4 Other benefits in favour of employees

The balance of the caption as at 31 December 2007 amounted to 526 million euro, of which 433 million euro referred to charges relative to incentive-driven exit plans, 43 million euro to contributions for Cassa Assistenza, 41 million euro for lunch vouchers and 9 million euro for other minor benefits.

9.5 Other administrative expenses: breakdown

(in millions of euro)

	2007	2006 (*)
Indirect taxes and duties	49	221
Information technology, processing and data processing services	482	340
Rentals and service charges - real estate	246	115
Expenses for consultancy fees	111	92
Postal, telegraphic and delivery services	124	46
Telephonic, teletransmission and transmission expenses	84	41
Legal expenses	64	25
Expenses for maintenance of real estate assets	9	7
Expenses for maintenance of furniture and equipment	55	21
Advertising and promotional expenses	98	81
Transport services	71	35
Lighting, central heating and air conditioning	77	36
Printing, stationery and consumables	31	19
Training expenses and reimbursements to personnel	79	52
Security services	39	16
Information expenses	36	18
Insurance premiums	40	20
Cleaning services	34	20
Rentals of property and equipment	19	10
Data storage and document processing	31	11
Costs reimbursed to Group companies	7	5
Integration charges	243	6
Other costs	114	70
TOTAL	**2,143**	**1,307**

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

9.6 Integration charges: breakdown

(in millions of euro)

	2007	2006 (*)
Personnel expenses	**433**	**313**
- expenses for incentive-driven exit plans	433	313
Other administrative expenses	**243**	**6**
- information technology, processing and data processing services	122	2
- expenses for consultancy fees	89	2
- postal, telegraphic and delivery services	1	2
- advertising and promotional expenses	15	-
- other costs	16	-
Adjustments to / Impairment on property, equipment and intangible assets	22	-
Tax effect	-220	-105
TOTAL	**478**	**214**

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

SECTION 10 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 160

10.1 Net provisions for risks and charges: breakdown

Caption Net provisions for risks and charges, which amounted to 406 million euro, recorded the provisions attributable to the year relative to:
- litigations, included revocatory actions and other litigations;
- guarantees given for the sale of equity investments and other loan transactions;
- settlements relative to Parmalat bonds of former SANPAOLO IMI customers.

The above provisions include the time value effects (-46 million euro), as well as interest expense due to time value (29 million euro).

SECTION 11 – NET ADJUSTMENTS TO/RECOVERIES ON PROPERTY AND EQUIPMENT – CAPTION 170

11.1 Net adjustments to property and equipment: breakdown

(in millions of euro)

	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Owned	-283	-10	-	-293
- used in operations	*-283*	*-10*	-	*-293*
- investment	-	-	-	-
A.2 Acquired in financial leases	-	-	-	-
- used in operations	-	-	-	-
- investment	-	-	-	-
TOTAL	**-283**	**-10**	**-**	**-293**

For the determination of impairment losses, see the illustration provided in Part A – Accounting policies.

SECTION 12 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS – CAPTION 180

12.1 Net adjustments to intangible assets: breakdown

(in millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-438	-11	-	-449
- internally generated	*-262*	*-6*	-	*-268*
- other	*-176*	*-5*	-	*-181*
A.2 Acquired in financial leases	-	-	-	-
TOTAL	**-438**	**-11**	**-**	**-449**

SECTION 13 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 190

13.1 Other operating expenses: breakdown

Other operating expenses, which amounted to 109 million euro (68 million euro in 2006), referred to amortisation of leasehold improvements of 28 million euro, non-recurring charges of 38 million euro, charges for litigations and settlements with customers of 6 million euro, theft and burglary for 5 million euro and other charges of 32 million euro.

13.2 Other operating income: breakdown

Other operating income totalled 842 million euro (441 million euro in 2006) and referred to recoveries for services rendered to Group companies for 651 million euro, recovery of services rendered to third parties of 76 million euro, other extraordinary income of 34 million euro, rentals and recovery of connected expenses of 25 million euro and other income of 56 million euro.

SECTION 14 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – CAPTION 210

14.1 Profits (Losses) on disposal of investments: breakdown

(in millions of euro)

	2007	2006 (*)
A. Profit	**44**	**254**
1. Revaluations	-	-
2. Profits on disposal	44	50
3. Write-backs	-	204
4. Other	-	-
B. Losses	**-271**	**-40**
1. Write-downs	-270	-
2. Impairment losses	-	-13
3. Losses on disposal	-1	-2
4. Other	-	-25
Net result	**-227**	**214**

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

Profits on disposal of investments mostly referred to the sale of Cassa di Risparmio della Provincia di Teramo for 39 million euro whereas 5 million euro to other minor sales.
Losses mostly referred to Eurizon Investimenti SGR S.p.A. (former CAAM SGR S.p.A.) for 265 million euro, R.C.N. Finanziaria S.p.A. for 3 million euro and Evoluzione 94 S.p.A. for 1 million euro.

SECTION 15 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE - CAPTION 220

Caption not applicable to Intesa Sanpaolo.

SECTION 16 – GOODWILL IMPAIRMENT - CAPTION 230

16.1 Goodwill impairment: breakdown

Intesa Sanpaolo did not record any goodwill under assets.

SECTION 17 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 240

17.1 Profits (Losses) on disposal of investments: breakdown

(in millions of euro)

	2007	2006 (*)
A. Real estate assets	7	46
- profits on disposal	*7*	*46*
- losses on disposal	-	-
B. Other assets	-	-
- profits on disposal	-	-
- losses on disposal	-	-
Net result	**7**	**46**

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

SECTION 18 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 260

18.1 Taxes on income from continuing operations: breakdown

(in millions of euro)

	2007	2006 (*)
1. Current taxes (-)	-867	-516
2. Changes in current taxes of previous years (+/-)	7	36
3. Reduction in current taxes of the year (+)	-	60
4. Changes in deferred tax assets (+/-)	-242	-82
5. Changes in deferred tax liabilities (+/-)	731	-6
6. Taxes on income for the year (-) (-1+/-2+3+/-4+/-5)	**-371**	**-508**

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

18.2 Reconciliation of theoretical tax charge to total income tax expense for the period

	2007
Income before tax from continuing operations	1,760
Income before tax from discontinued operations	4,751
Theoretical taxable income	**6,511**

(in millions of euro)

		%
Income tax - Theoretical tax expense	**2,425**	**37.3**
Increases of taxes	**268**	**4.1**
Greater base and actual IRAP rate	54	0.8
Non-deductible costs (losses on equity investments, ICI [local property tax], personnel costs, etc.)	195	3.0
Other	20	0.3
Decreases of taxes	**-1,993**	**-30.6**
Non-taxed gains on equity investments	-1,335	-20.5
Tax-exempt portion of dividends	-317	-4.9
Income subject to facilitated rate/Income subject to reduced income tax rate (12.5%)	-9	-0.1
Participation exemption	-332	-5.1
Total change in taxes	**-1,725**	**-26.5**
Total income tax expense for the period	**700**	**10.8**
of which: - taxes on income from continuing operations	**371**	**21.0**
- taxes on income from discontinued operations	**329**	**-**

SECTION 19 – INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS - CAPTION 280

19.1 Income (Loss) after tax from discontinued operations: breakdown

(in millions of euro)

	2007	2006 (*)
Discontinued operations		
1. Income	492	664
2. Charges	-292	-270
3. Valuation differences on discontinued operations and related liabilities	-	-
4. Profits (Losses) on disposal	4,551	-
5 Taxes and duties	-329	-154
Income (Loss)	**4,422**	**240**

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

19.2 Breakdown of taxes on discontinued operations

(in millions of euro)

	2007	2006 (*)
1. Current taxes (-)	-339	-154
2. Changes in deferred tax assets (+/-)	10	-
3. Changes in deferred tax liabilities (-/+)	-	-
4. Income taxes (-1 +/-2 +/-3)	**-329**	**-154**

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

SECTION 20 – OTHER INFORMATION

There is no information further to that already provided in the previous sections.

SECTION 21 – EARNINGS PER SHARE

Earnings per share

	31.12.2007		31.12.2006 (*)	
	Ordinary shares	Saving shares	Ordinary shares	Saving shares
Weighted average (*number of shares)*	11,774,162,339	932,490,561	6,002,261,619	932,490,561
Income attributable to the various categories of shares *(millions of euro)*	5,370	441	1,931	310
Basic EPS (*euro*)	0.46	0.47	0.32	0.33
Diluted EPS (*euro*)	0.46	0.47	0.32	0.33

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

Part D – Segment reporting

Segment reporting is provided in the Notes to the consolidated financial statements.

Part E – Information on risks and relative hedging policies

This part of the Notes to the Parent Company's financial statements provides the quantitative information on risks relative to the Parent Company Intesa Sanpaolo. For qualitative information on management and monitoring of risks, see Part E of the Notes to the consolidated financial statements.

SECTION 1 – CREDIT RISK

A. CREDIT QUALITY

A.1. Performing and non-performing exposures: amounts, adjustments, changes, economic and geographical breakdown

In the tables in this section the information related to country risk is not presented separately in compliance with the methodological decision made by Intesa Sanpaolo for collective measurement of performing loans based on parameters that include "country risk".
For this purpose, please note that non-guaranteed exposures to countries at risk, net of the collective measurement portion, totalled 484 million euro, equal to approximately 0.15% of total performing financial assets. The most significant exposure refers to the Russian Federation and totalled 278 million euro.

A.1.1. Breakdown of financial assets by portfolio classification and credit quality (book value)

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk	Other Assets	Total
1. Financial assets held for trading	-	6	-	5	-	24,184	24,195
2. Financial assets available for sale	-	-	-	-	-	4,021	4,021
3. Investments held to maturity	-	-	-	-	-	2,340	2,340
4. Due from banks	-	-	-	7	-	100,825	100,832
5. Loans to customers	1,295	1,739	95	326	-	193,008	196,463
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	385	385
7. Financial assets under disposal	-	50	-	9	-	2,597	2,656
8. Hedging derivatives	-	-	-	-	-	1,507	1,507
Total 31.12.2007	**1,295**	**1,795**	**95**	**347**	**-**	**328,867**	**332,399**
Total 31.12.2006 (*)	**822**	**1,710**	**40**	**83**	**-**	**194,300**	**196,955**

(*) Figures relative to Banca Intesa.

A.1.2. Breakdown of financial assets by portfolio classification and credit quality (gross and net values)

(in millions of euro)

	Non-performing assets				Other assets			Total (net exposure)
	Gross exposure	Individual adjustments	Collective adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets held for trading	11	-	-	11	X	X	24,184	24,195
2. Financial assets available for sale	-	-	-	-	4,021	-	4,021	4,021
3. Investments held to maturity	-	-	-	-	2,340	-	2,340	2,340
4. Due from banks	10	-3	-	7	100,841	-16	100,825	100,832
5. Loans to customers	7,749	-4,294	-	3,455	193,964	-956	193,008	196,463
6. Financial assets designated at fair value through profit and loss	-	-	-	-	X	X	385	385
7. Financial assets under disposal	71	-12	-	59	2,608	-11	2,597	2,656
8. Hedging derivatives	-	-	-	-	X	X	1,507	1,507
Total 31.12.2007	**7,841**	**-4,309**	**-**	**3,532**	**303,774**	**-983**	**328,867**	**332,399**
Total 31.12.2006 (*)	**5,173**	**-2,518**	**-**	**2,655 -**	**161,961**	**-510**	**194,300**	**196,955**

(*) Figures relative to Banca Intesa.

A.1.3. On- and off-balance sheet exposures to banks: gross and net values

(in millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	3	-3	-	-
b) Substandard loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	7	-	-	7
e) Country risk	-	X	-	-
f) Other assets	107,416	X	-16	107,400
Total A	**107,426**	**-3**	**-16**	**107,407**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	3	-	-	3
b) Other	36,142	X	-18	36,124
Total B	**36,145**	**-**	**-18**	**36,127**

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.4. On-balance sheet exposures to banks: changes in gross non-performing exposures and gross exposures subject to "country risk"

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial gross exposure	**20**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**1**	**1**	**-**	**7**	**30**
B.1 inflows from performing exposures	-	-	-	7	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	-	-	-	-	-
B.4 business combinations	1	1	-	-	30
C. Decreases	**-18**	**-1**	**-**	**-**	**-30**
C.1 outflows to performing exposures	-	-	-	-	-
C.2 write-offs	-17	-	-	-	-
C.3 repayments	-1	-	-	-	-
C.4 credit disposals	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-	-
C.6 other decreases	-	-1	-	-	-30
D. Final gross exposure	**3**	**-**	**-**	**7**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.5. On-balance sheet exposures to banks: changes in total adjustments

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial total adjustments	**20**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**1**	**1**	**-**	**-**	**1**
B.1 impairment losses	-	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	-	-	-	-	-
B.4 business combinations	1	1	-	-	1
C. Decreases	**-18**	**-1**	**-**	**-**	**-1**
C.1 recoveries on impairment losses	-	-1	-	-	-
C.2 recoveries on repayments	-1	-	-	-	-
C.3 write-offs	-17	-	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-	-
C.5 other decreases	-	-	-	-	-1
D. Final total adjustments	**3**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.6. On- and off-balance sheet exposures to customers: gross and net values

(in millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	4,759	-3,464	-	1,295
b) Substandard loans	2,548	-759	-	1,789
c) Restructured exposures	143	-48	-	95
d) Past due exposures	370	-35	-	335
e) Country risk	-	X	-	-
f) Other assets	212,153	X	-967	211,186
Total A	**219,973**	**-4,306**	**-967**	**214,700**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	348	-117	-	231
b) Other	115,322	X	-205	115,117
Total B	**115,670**	**-117**	**-205**	**115,348**

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.7. On-balance sheet exposures to customers: changes in gross non-performing exposures and gross exposures subject to "country risk"

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial gross exposure	**2,629**	**2,360**	**68**	**88**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**2,992**	**3,067**	**180**	**2,197**	**35**
B.1 inflows from performing loans	102	1,436	15	1,584	-
B.2 transfers from other non-performing exposure categories	990	796	54	28	-
B.3 other increases	253	426	59	264	-
B.4 business combinations	1,647	409	52	321	35
C. Decreases	**-862**	**-2,879**	**-105**	**-1,915**	**-35**
C.1 outflows to performing loans	-21	-600	-2	-725	-
C.2 write-offs	-363	-67	-2	-3	-
C.3 repayments	-404	-1,158	-45	-462	-
C.4 credit disposals	-26	-	-	-	-
C.5 transfers to other non-performing exposure categories	-41	-1,046	-56	-725	-
C.6 other decreases	-7	-8	-	-	-35
D. Final gross exposure	**4,759**	**2,548**	**143**	**370**	**-**
- of which exposures sold not derecognised	-	*6*	-	*1*	**-**

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.8. On-balance sheet exposures to customers: changes in total adjustments

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial total adjustments	**1,807**	**655**	**28**	**5**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**2,338**	**591**	**42**	**58**	**18**
B.1 impairment losses	504	386	17	6	-
B.2 transfers from other non-performing exposure categories	208	30	12	4	-
B.3 other increases	254	53	3	4	-
B.4 business combinations	1,372	122	10	44	18
C. Decreases	**-681**	**-487**	**-22**	**-28**	**-18**
C.1 recoveries on impairment losses	-89	-129	-6	-19	-
C.2 recoveries on repayments	-174	-54	-8	-	-
C.3. write-offs	-363	-67	-2	-3	-
C.4 transfers to other non-performing exposure categories	-20	-223	-6	-5	-
C.5. other decreases	-35	-14	-	-1	-18
D. Final total adjustments	**3,464**	**759**	**48**	**35**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.2. Classification of exposures based on external and internal ratings

The following tables contain the percentage breakdown of gross on- and off-balance sheet exposures by classes of external and internal ratings, including the exposures to Group companies.

A.2.1. Breakdown of on- and off-balance sheet exposures by external rating classes

The breakdown of exposures by external rating class is based on ratings assigned by Standard and Poor's, Moody's and Fitch; where two ratings for the one customer are available, the more prudential of the two is adopted and, where three are available, the intermediate.
The ratings of the non-performing loans are included in the column "under B-".

(in millions of euro)

	External rating classes						Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Under B-		
A. On-balance sheet exposures	**78,057**	**9,140**	**4,843**	**2,172**	**116**	**3,521**	**224,258**	**322,107**
B. Derivatives	**1,603**	**400**	**52**	**1**	**-**	**32**	**2,089**	**4,177**
B.1. Financial derivatives	1,602	400	52	1	-	12	902	2,969
B.2. Credit derivatives	1	-	-	-	-	20	1,187	1,208
C. Guarantees given	**32,571**	**2,882**	**3,032**	**758**	**7**	**155**	**34,461**	**73,866**
D. Commitments to lend funds	**8,119**	**6,885**	**10,310**	**1,667**	**1,705**	**66**	**44,680**	**73,432**
Total	**120,350**	**19,307**	**18,237**	**4,598**	**1,828**	**3,774**	**305,488**	**473,582**

Securitised exposures not derecognised, amounting to 3,006 million euro, are entirely with "unrated" counterparties.

A.2.2. Breakdown of on- and off-balance sheet exposures by internal rating classes

Breakdown of exposures by internal rating class is based on all ratings available in the credit risk management system. These ratings include credit ratings assigned by external agencies for counterparties in customer segments for which an internal model is not available.

Unrated loans essentially refer to customer segments for which a rating model is not yet available.

(in millions of euro)

	Internal rating classes						Non-performing exposures	Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Under B-			
A. On-balance sheet exposures	**122,041**	**29,681**	**56,002**	**35,371**	**13,639**	**487**	**3,521**	**61,365**	**322,107**
B. Derivatives	**1,774**	**433**	**200**	**160**	**78**	**24**	**11**	**1,497**	**4,177**
B.1. Financial derivatives	1,773	433	200	160	78	3	11	311	2,969
B.2. Credit derivatives	1	-	-	-	-	21	-	1,186	1,208
C. Guarantees given	**37,281**	**6,566**	**12,221**	**8,502**	**3,391**	**43**	**156**	**5,706**	**73,866**
D. Commitments to lend funds	**12,691**	**8,393**	**15,072**	**5,191**	**3,106**	**37**	**67**	**28,875**	**73,432**
Total	**173,787**	**45,073**	**83,495**	**49,224**	**20,214**	**591**	**3,755**	**97,443**	**473,582**

Securitised exposures not derecognised amount to 3,006 million euro, of which 7 million euro with "BBB+/BBB-" rating, 15 million euro with "BB+/BB-" rating, 2 euro with "B+/B-" rating; the remaining 2,892 euro have no internal rating.

Securitised exposures not derecognised, amounting to 3,006 million euro, are recorded for 7 million euro in rating class "BBB+/BBB-", for 15 million euro in rating class "BB+/BB-", for 2 million euro in class "B+/B-"; an internal rating was not attributed to the residual 2,982 million euro.

A.3. Breakdown of guaranteed exposures by type of guarantee

A.3.1. Guaranteed on-balance sheet exposures to banks and customers

(in millions of euro)

	GUARANTEED EXPOSURES TO BANKS		GUARANTEED EXPOSURES TO CUSTOMERS		TOTAL
	Totally guaranteed	Partly guaranteed	Totally guaranteed	Partly guaranteed	
EXPOSURE	**22,908**	**225**	**90,726**	**13,168**	**127,027**
COLLATERAL (1)					
Real estate assets	-	-	66,642	321	66,963
Securities	22,402	-	4,005	2,984	29,391
Other assets	-	-	327	1,549	1,876
GUARANTEES (1)					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	*180*	*177*	*357*
Other counterparties	-	-	-	*18*	*18*
Guarantees given					
Governments	-	-	*993*	*5*	*998*
Other public entities	*5*	*24*	*28*	*10*	*67*
Banks	*499*	*153*	*462*	*196*	*1,310*
Other counterparties	*1*	*31*	*18,089*	*3,668*	*21,789*
TOTAL GUARANTEES (1)	**22,907**	**208**	**90,726**	**8,928**	**122,769**

(1) Fair value of the guarantee or, if difficult to determine, contractual value.

A.3.2. Guaranteed off-balance sheet exposures to banks and customers

(in millions of euro)

	GUARANTEED EXPOSURES TO BANKS		GUARANTEED EXPOSURES TO CUSTOMERS		TOTAL
	Totally guaranteed	Partly guaranteed	Totally guaranteed	Partly guaranteed	
EXPOSURE	**130**	**49**	**11,187**	**4,717**	**16,083**
COLLATERAL (1)					
Real estate assets	-	-	3,400	627	4,027
Securities	-	-	485	626	1,111
Other assets	3	6	245	38	292
GUARANTEES (1)					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	-	-	-
Other counterparties	-	-	-	-	-
Guarantees given					
Governments	-	-	*311*	-	*311*
Other public entities	-	-	*3*	*1*	*4*
Banks	*125*	*14*	*203*	*220*	*562*
Other counterparties	*2*	*2*	*6,541*	*1,013*	*7,558*
TOTAL GUARANTEES (1)	**130**	**22**	**11,188**	**2,525**	**13,865**

(1) Fair value of the guarantee or, if difficult to determine, contractual value.

A.3.3. Non-performing guaranteed on-balance sheet exposures to banks and customers

(in millions of euro)

	GUARANTEED EXPOSURES TO BANKS				GUARANTEED EXPOSURES TO CUSTOMERS			
	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%
EXPOSURE	**-**	**-**	**-**	**-**	**1,863**	**620**	**204**	**65**
AMOUNT GUARANTEED	**-**	**-**	**-**	**-**	**1,863**	**620**	**197**	**37**
COLLATERAL(1)								
Real estate assets	-	-	-	-	1,503	466	64	11
Securities	-	-	-	-	27	10	31	11
Other assets	-	-	-	-	1	1	1	-
GUARANTEES (1)								
Credit derivatives								
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other counterparties	-	-	-	-	-	-	-	-
Guarantees given								
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	*1*	-
Banks	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other counterparties	-	-	-	-	*332*	*143*	*100*	*15*
TOTAL GUARANTEES (1)	**-**	**-**	**-**	**-**	**1,863**	**620**	**197**	**37**
EXCESS FAIR VALUE GUARANTEE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(1) Fair value of the guarantee or, if difficult to determine, guaranteed exposure.

A.3.4. Non-performing guaranteed off-balance sheet exposures to banks and customers

(in millions of euro)

	GUARANTEED EXPOSURES TO BANKS				GUARANTEED EXPOSURES TO CUSTOMERS			
	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%
EXPOSURE	**-**	**-**	**-**	**-**	**78**	**15**	**19**	**17**
AMOUNT GUARANTEED	**-**	**-**	**-**	**-**	**78**	**15**	**15**	**3**
COLLATERAL(1)								
Real estate assets	-	-	-	-	37	4	3	2
Securities	-	-	-	-	7	1	4	-
Other assets	-	-	-	-	1	-	1	-
GUARANTEES (1)								
Credit derivatives								
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other counterparties	-	-	-	-	-	-	-	-
Guarantees given								
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	-	-
Banks	-	-	-	-	*1*	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other counterparties	-	-	-	-	*32*	*10*	*7*	*1*
TOTAL GUARANTEES (1)	**-**	**-**	**-**	**-**	**78**	**15**	**15**	**3**
EXCESS FAIR VALUE GUARANTEE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(1) Fair value of the guarantee or, if difficult to determine, guaranteed exposure.

B. BREAKDOWN AND CONCENTRATION OF LOANS

B.1. Breakdown of on- and off-balance sheet exposures to customers by sector

(in millions of euro)

	ON-BALANCE SHEET EXPOSURES					TOTAL ON-BALANCE SHEET EXPOSURES	OFF-BALANCE SHEET EXPOSURES					TOTAL OFF-BALANCE SHEET EXPOSURES	TOTAL 31.12.2007	TOTAL 31.12.2006 (*)
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures		Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures			
GOVERNMENTS AND CENTRAL BANKS														
Gross exposure	-	19	-	-	5,592	5,611	-	-	-	-	443	443	6,054	3,225
Specific impairment losses	-	-19	-	-	-	-19	-	-	-	-	-	-	-19	-
Portfolio impairment losses	-	-	-	-	-1	-1	-	-	-	-	-	-	-1	-
Net exposure	-	-	-	-	5,591	5,591	-	-	-	-	443	443	6,034	3,225
OTHER PUBLIC ENTITIES														
Gross exposure	1	-	-	-	1,606	1,607	-	-	-	-	2,413	2,413	4,020	2,457
Specific impairment losses	-1	-	-	-	-	-1	-	-	-	-	-	-	-1	-1
Portfolio impairment losses	-	-	-	-	-6	-6	-	-	-	-	-1	-1	-7	-1
Net exposure	-	-	-	-	1,600	1,600	-	-	-	-	2,412	2,412	4,012	2,455
FINANCIAL INSTITUTIONS														
Gross exposure	271	74	-	6	47,262	47,613	1	4	-	-	22,104	22,109	69,722	50,354
Specific impairment losses	-264	-58	-	-	-	-322	-	-1	-	-	-	-1	-323	-293
Portfolio impairment losses	-	-	-	-	-61	-61	-	-	-	-	-16	-16	-77	-18
Net exposure	7	16	-	6	47,201	47,230	1	3	-	-	22,088	22,092	69,322	50,043
INSURANCE COMPANIES														
Gross exposure	-	-	-	1	3,497	3,498	-	-	-	-	2,000	2,000	5,498	3,152
Specific impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio impairment losses	-	-	-	-	-	-	-	-	-	-	-4	-4	-4	-
Net exposure	-	-	-	1	3,497	3,498	-	-	-	-	1,996	1,996	5,494	3,152
NON-FINANCIAL COMPANIES														
Gross exposure	3,468	1,740	142	238	108,038	113,626	129	148	-	57	87,418	87,752	201,378	114,700
Specific impairment losses	-2,621	-557	-47	-21	-	-3,246	-68	-46	-	-2	-	-116	-3,362	-1,989
Portfolio impairment losses	-	-	-	-	-805	-805	-	-	-	-	-184	-184	-989	-521
Net exposure	847	1,183	95	217	107,233	109,575	61	102	-	55	87,234	87,452	197,027	112,190
OTHER COUNTERPARTIES														
Gross exposure	1,019	715	1	125	46,158	48,018	-	4	-	2	947	953	48,971	33,420
Specific impairment losses	-578	-125	-1	-14	-	-718	-	-	-	-	-	-	-718	-319
Portfolio impairment losses	-	-	-	-	-94	-94	-	-	-	-	-	-	-94	-60
Net exposure	441	590	-	111	46,064	47,206	-	4	-	2	947	953	48,159	33,041

(*) Figures relative to Banca Intesa.

B.2. Breakdown of loans to non-financial companies

(in millions of euro)

Counterparties	**31.12.2007**
Non-financial companies and family-run businesses:	
- wholesale and retail trade, recovery and repairs	*13,403*
- construction and public works	*9,264*
- metal products, excluding cars and means of transport	*2,835*
- food products, beverages and tobacco-based products	*2,130*
- textiles, leather and footwear, clothing	*2,523*
- agricultural and forestry products and fishing	*2,449*
- agricultural and industrial machinery	*2,870*
- hotel and catering	*1,574*
- energy products	*8,157*
- other industrial products	*1,603*
- minerals and non-metal mineral based products	*3,054*
- paper, paper products, printed products and publishing	*1,356*
- chemical products	*1,982*
- electrical materials and supplies	*1,954*
- rubber and plastic products	*1,286*
- other services for sale	*31,212*
- other non-financial companies	*18,993*
Total	**106,645**

B.3. Breakdown of on- and off-balance sheet exposures to customers by geographical area (book value)

(in millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	4,536	1,293	208	2	8	-	6	-	1	-
A.2. Substandard loans	2,446	1,773	65	7	27	8	10	1	-	-
A.3. Restructured exposures	140	93	1	-	-	-	2	2	-	-
A.4. Past due exposures	367	332	3	3	-	-	-	-	-	-
A.5. Other exposures	184,212	183,326	19,723	19,680	5,515	5,494	2,460	2,445	243	241
Total A	**191,701**	**186,817**	**20,000**	**19,692**	**5,550**	**5,502**	**2,478**	**2,448**	**244**	**241**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	129	62	1	-	-	-	-	-	-	-
B.2. Substandard loans	151	106	5	3	-	-	-	-	-	-
B.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
B.4. Past due exposures	58	56	-	-	-	-	1	1	-	-
B.5. Other exposures	48,313	48,176	40,548	40,491	25,279	25,269	1,004	1,003	181	181
Total B	**48,651**	**48,400**	**40,554**	**40,494**	**25,279**	**25,269**	**1,005**	**1,004**	**181**	**181**
TOTAL (A+B) 31.12.2007	**240,352**	**235,217**	**60,554**	**60,186**	**30,829**	**30,771**	**3,483**	**3,452**	**425**	**422**
TOTAL 31.12.2006 (*)	**141,604**	**138,771**	**33,781**	**33,491**	**28,671**	**28,628**	**1,668**	**1,636**	**1,584**	**1,580**

(*) Figures relative to Banca Intesa.

B.4. Breakdown of on- and off-balance sheet exposures to banks by geographical area (book value)

(in millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	-	-	3	-	-	-	-	-	-	-
A.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	7	7	-	-	-	-	-	-
A.5. Other exposures	75,890	75,889	26,689	26,680	2,500	2,498	2,094	2,091	243	242
Total A	**75,890**	**75,889**	**26,699**	**26,687**	**2,500**	**2,498**	**2,094**	**2,091**	**243**	**242**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
B.4. Past due exposures	-	-	3	3	-	-	-	-	-	-
B.5. Other exposures	4,937	4,935	27,927	27,920	1,787	1,786	1,254	1,247	237	236
Total B	**4,937**	**4,935**	**27,930**	**27,923**	**1,787**	**1,786**	**1,254**	**1,247**	**237**	**236**
TOTAL (A+B) 31.12.2007	**80,827**	**80,824**	**54,629**	**54,610**	**4,287**	**4,284**	**3,348**	**3,338**	**480**	**478**
TOTAL 31.12.2006 (*)	**40,738**	**40,735**	**34,092**	**34,075**	**2,184**	**2,167**	**2,321**	**2,307**	**578**	**575**

(*) Figures relative to Banca Intesa.

B.5. Large risks

Large risks	31.12.2007	31.12.2006 (*)
a) Amount (in millions of euro)	10,796	2,098
b) Number	2	1

(*) Figures relative to Banca Intesa.

C. SECURITISATION AND ASSET SALES

C.1. Securitisations

Quantitative information

C.1.1. Breakdown of exposures deriving from securitisations by quality of underlying asset

On-balance sheet

(in millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure
A. Originated underlying assets	**7**	**6**	**161**	**145**	**90**	**96**
a) Non-performing	-	-	*88*	*73*	*19*	*24*
b) Other	*7*	*6*	*73*	*72*	*71*	*72*
B. Third party underlying assets	**5,553**	**4,971**	**704**	**640**	**26**	**26**
a) Non-performing	-	-	-	-	-	-
b) Other	*5,553*	*4,971*	*704*	*640*	*26*	*26*
Total	**5,560**	**4,977**	**865**	**785**	**116**	**122**

Some positions set out in the table above are included in structured credit derivatives which were affected to different extents by the financial market crisis: 3,638 million euro of gross exposures and 3,256 million euro net, in any case almost entirely attributable to exposures not included in US subprime exposures. For further information on the relative economic and risk effects, see Part E of the Notes to the consolidated financial statements.

Off-balance sheet

(in millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure
A. Originated underlying assets	**13**	**13**	**-**	**-**	**18**	**18**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	*13*	*13*	-	-	*18*	*18*	-	-	-	-	-	-
B. Third party underlying assets	**-**	**-**	**54**	**54**	**2**	**2**	**-**	**-**	**1,179**	**1,179**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	*54*	*54*	*2*	*2*	-	-	*1,179*	*1,179*	-	-
Total	**13**	**13**	**54**	**54**	**20**	**20**	**-**	**-**	**1,179**	**1,179**	**-**	**-**

C.1.2. Breakdown of exposures deriving from main "originated" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(in millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**-**	**-**	**73**	**-16**	**75**	**6**
A.1 Intesa Sec 2						
- performing residential mortgages	-	-	-	-	*42*	-
A.2 Intesa Sec						
- performing mortgages	-	-	-	-	-	-
A.3 Intesa Sec Npl						
- doubtful mortgages	-	-	*73*	*-16*	*24*	*6*
- performing mortgages	-	-	-	-	*9*	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**6**	**-1**	**72**	**-**	**21**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	-	-	-	-	*21*	-
C.2 Da Vinci						
- loans to the aircraft sector	*6*	*-1*	*2*	-	-	-
C.3 Vespucci						
- asset backed securities and collateralised debt obligations	-	-	*70*	-	-	-
Total	**6**	**-1**	**145**	**-16**	**96**	**6**

The securitisations in the previous table include those for which the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1. Based on such exemption, assets or liabilities sold and derecognised, based on previous accounting principles and deriving from securitisations prior to 1 January 2004, have not been recorded in the financial statements, even if derecognition does not meet the requirements of IAS 39.

Off-balance sheet

(in millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. Fully derecognised	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Intesa Sec												
- performing mortgages	*13*	-	-	-	-	-	-	-	-	-	-	-
A.2 Intesa Sec Npl												
- doubtful mortgages	-	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Da Vinci												
- loans to the aircraft and aeronautical sector	-	-	-	-	*18*	-	-	-	-	-	-	-
Total	**13**	**-**	**-**	**-**	**18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C.1.3. Breakdown of exposures deriving from main "third party" securitisations by type of securitised asset and by type of exposure

On-balance sheet

(in millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A.1 AYT Cedulas						
- securities	*226*	*-5*	-	-	-	-
A.2 Diocleziano	-	-	-	-	-	-
- land, industrial and public entities mortgages	*57*	*1*	-	-	-	-
A.3 Duchess (*)	-	-	-	-	-	-
- securities	*178*	*-3*	-	-	-	-
A.4 Espf (*)	-	-	-	-	-	-
- securities	*120*	*-149*	-	-	-	-
A.5 Fort Sheridan (*)	-	-	-	-	-	-
- securities	*109*	*-37*	-	-	-	-
A.6 Geldilux	-	-	-	-	-	-
- loans	*344*	*-3*	-	-	-	-
A.7 Jupiter (*)	-	-	-	-	-	-
- securities	*114*	*-41*	-	-	-	-
A.8 Landmark (*)	-	-	-	-	-	-
- securities	*50*	*-6*	-	-	-	-
A.9 Pinem (*)	-	-	-	-	-	-
- securities	*94*	*-172*	-	-	-	-
A.10 Rhodium (*)	-	-	-	-	-	-
- securities	*151*	*-15*	-	-	-	-
A.11 Romulus Funding Corp.	-	-	-	-	-	-
- securities	*1,035*	-	-	-	-	-
A.12 Soc. Cart. Crediti INPS	-	-	-	-	-	-
- social security benefits	*673*	*-3*	-	-	-	-
A.13 Smstr (*)	-	-	-	-	-	-
- securities	*124*	*-32*	-	-	-	-
A.14 Società di Cartolarizzazione Italiana	-	-	-	-	-	-
Crediti 1	-	-	-	-	-	-
- personal loans	*160*	*-1*	-	-	-	-
A.15 Stone Tower (*)	-	-	-	-	-	-
- securities	*68*	*-8*	-	-	-	-
A.16 Portfolio of investment grade ABS securities	-	-	-	-	-	-
subject to unitary management	*117*	-	-	-	-	-
A.17 Residual portfolio divided in 359 securities	*1,351*	*-108 (**)*	*640*	*-64 (***)*	*26*	-
Total	**4,971**	**-582**	**640**	**-64**	**26**	**-**

(*) Position included in packages, whose credit risk is entirely hedged by a specific credit default swap (CDS). The adjustment highlighted was, therefore, practically identical to the positive fair value of the derivative. For further information on the relevant economic and risk impacts, see the paragraph on structured credit products in Part E of the Notes to the consolidated financial statements.

(**) Of which -38 million euro related to securities included in packages.

(***) Of which -14 million euro related to securities included in packages.

Off-balance sheet

(in millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries	Book value	Adjust./ recoveries
A. 1 Duomo												
- Asset Backed Securities and Collateralised Debt Obligations	-	-	-	-	-	-	-	-	*797*	-	-	-
A. 2 Manzoni												
- Asset Backed Securities	-	-	-	-	*2*	-	-	-	-	-	-	-
A. 3 Romulus												
-Asset Backed Securities and Collateralised Debt Obligations	-	-	*54*	-	-	-	-	-	*382*	-	-	-
Total	**-**	**-**	**54**	**-**	**2**	**-**	**-**	**-**	**1,179**	**-**	**-**	**-**

C.1.4. Breakdown of exposures to securitisations by financial assets portfolio and by type

(in millions of euro)

	On-balance sheet exposures [(a)]			Off-balance sheet exposures		
	Senior	Mezzanine	Junior	Senior	Mezzanine	Junior
Financial assets held for trading	3,874	605	10	-	-	-
Financial assets - fair value option	-	-	-	-	-	-
Financial assets available for sale	63	107	49	-	-	-
Investments held to maturity	-	-	-	-	-	-
Loans [(b)]	1,034	-	42	13	1,233	2
Total 31.12.2007	**4,971**	**712**	**101**	**13**	**1,233**	**2**
Total 31.12.2006 [(*)]	**6,988**	**1,729**	**103**	**50**	**1,154**	**42**

([a]) Excluding on- and off- balance sheet exposures deriving from originated securitizations in which assets sold have not been fully derecognised from assets for a total respectively of 100 million euro and of 18 million euro.

([b]) This caption includes off-balance sheet exposures referred to "Guarantees given" and "Credit lines".

[(*)] Figures relative to Banca Intesa.

C.1.5. Total amount of securitised assets underlying junior securities or other forms of credit

(in millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	**1,212**	**451**
A.1 Fully derecognised	314	*X*
1. Doubtful loans	*125*	*X*
2. Substandard loans	-	*X*
3. Restructured exposures	-	*X*
4. Past due exposures	-	*X*
5. Other assets	*189*	*X*
A.2 Partly derecognised	-	X
1. Doubtful loans	-	*X*
2. Substandard loans	-	*X*
3. Restructured exposures	-	*X*
4. Past due exposures	-	*X*
5. Other assets	-	*X*
A.3 Not derecognised	898	451
1. Doubtful loans	-	-
2. Substandard loans	*2*	-
3. Restructured exposures	-	-
4. Past due exposures	-	-
5. Other assets	*896*	*451*
B. Third party underlying assets	**87**	**115**
B.1 Doubtful loans	-	-
B.2 Substandard loans	-	-
B.3 Restructured exposure	-	-
B.4 Past due exposures	2	-
B.5 Other assets	85	115

C.1.6. Equity stakes in special purpose vehicles

Name	Registered office	% Stake
Intesa Lease Sec	Milano	60.00%
Intesa Sec	Milano	60.00%
Intesa Sec 2	Milano	60.00%
Intesa Sec 3	Milano	60.00%
Intesa Sec Npl	Milano	60.00%
Intesa Sec Npl 2	Milano	100.00%
Augusto	Milano	5.00%
Colombo	Milano	5.00%
Diocleziano	Milano	5.00%

The vehicles ISP CB Ipotecario, ISP CB Pubblico and ISP SEC 4 were established in 2007 to support future securitisations. They are wholly owned by the Parent Company with registered offices in Milano.

C.1.7. Servicer activities – repayments on securitised loans and reimbursements of securities issued by special purpose vehicles

Special purpose vehicles	Securitised assets (in millions of euro)		Collections of loans in the year (in millions of euro)		Percentage of reimbursed securities (period-end figure)					
					Senior		Mezzanine		Junior	
	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa Sec	-	39	-	29	-	100.0	-	83.7	-	-
Intesa Sec 2	-	680	-	264	-	69.0	-	-	-	-
Intesa Sec 3	7	3,032	-	758	-	-	-	-	-	-
Total	**7**	**3,751**	**-**	**1,051**						

C.2. Sales

C.2.1. Financial assets sold not derecognised

(in millions of euro)

	Cash assets					Derivatives	Total 31.12.2007	Total 31.12.2006 (*)
	Debt securities	Equities	UCITS	Loans	Non-performing assets			
FINANCIAL ASSETS HELD FOR TRADING	**3,538**	**-**	**-**	**-**	**-**	**-**	**3,538**	**3,211**
- Financial assets sold totally derecognised (book value)	3,538	-	-	-	-	-	3,538	3,211
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**12**	**-**	**-**	**-**	**-**	**-**	**12**	**-**
- Financial assets sold totally derecognised (book value)	12	-	-	-	-	-	12	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Financial assets sold totally derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
INVESTMENTS HELD TO MATURITY	**1,656**	**-**	**-**	**-**	**-**	**-**	**1,656**	**-**
- Financial assets sold totally derecognised (book value)	1,656	-	-	-	-	-	1,656	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
DUE FROM BANKS	**2,520**	**-**	**-**	**-**	**-**	**-**	**2,520**	**-**
- Financial assets sold totally derecognised (book value)	2,520	-	-	-	-	-	2,520	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
LOANS TO CUSTOMERS	**3,006**	**-**	**-**	**-**	**-**	**-**	**3,006**	**3,577**
- Financial assets sold totally derecognised (book value)	3,006	-	-	-	-	-	3,006	3,577
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
Total 31.12.2007	**10,732**	**-**	**-**	**-**	**-**	**-**	**10,732**	
Total 31.12.2006 (*)	**3,211**	**-**	**-**	**3,577**	**-**	**-**	**6,788**	

(*) Figures relative to Banca Intesa.

Financial assets sold not derecognised referred to loans sold as part of the Intesa Sec 3 securitisation, as indicated in Part B – Assets, in table 7.1.1 Loans to customers pertaining to the Banking group: breakdown by sector.

C.2.2. Financial liabilities associated to financial assets sold not derecognised

(in millions of euro)

	Due to customers		Due to banks		Total	Total
	Fully derecognised	Partly derecognised	Fully derecognised	Partly derecognised	31.12.2007	31.12.2006 (*)
Financial assets held for trading	712	-	3,231	-	3,943	3,205
Financial assets measured at fair value	-	-	11	-	11	-
Financial assets available for sale	-	-	-	-	-	-
Investments held to maturity	1,436	-	432	-	1,868	-
Due from banks	1,465	-	1,097	-	2,562	-
Loans to customers	3,693	-	-	-	3,693	-
Total 31.12.2007	**7,306**	**-**	**4,771**	**-**	**12,077**	
Total 31.12.2006 (*)	**1,022**	**-**	**2,183**	**-**		**3,205**

(*) Figures relative to Banca Intesa.

The sole financial liabilities associated to financial assets sold not derecognised referred to reverse repurchase agreements, as shown in tables 1.1 Due to banks and 2.1 Due to customers.

D. MODELS FOR THE MEASUREMENT OF CREDIT RISK

At year-end, expected losses totalled 0.39% of disbursements, practically in line with the figure as at 31 December 2006.

SECTION 2 – MARKET RISKS

2.1. INTEREST RATE RISK – REGULATORY TRADING BOOK
2.3. PRICE RISK – REGULATORY TRADING BOOK

QUALITATIVE INFORMATION

Qualitative information about measurement criteria of financial risks of Intesa Sanpaolo's regulatory trading book is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

Information on Intesa Sanpaolo's value at risk is contained in Part E of the Notes to the consolidated financial statements.

Regulatory trading book: on-balance sheet exposures to equities and UCITS

(in millions of euro)

	Book values	
	Listed	Unlisted
A. Equities	**31**	**-**
A.1. Shares	31	-
A.2. Innovative equity instruments	-	-
A.3. Other equities	-	-
B. UCITS	**22**	**792**
B.1. Italian	22	-
- harmonised open-end	22	-
- not harmonised open-end	-	-
- closed-end	-	-
- reserved	-	-
- speculative	-	-
B.2. Other EU Countries	-	-
- harmonised open-end	-	-
- not harmonised open-end	-	-
- not harmonised closed-end	-	-
B.3. Non-EU Countries	-	792
- open-end	-	750
- closed-end	-	42
Total	**53**	**792**

Information on activities performed through Special Purpose Entities (SPEs)

With its letter of 19 March 2008, the Commissione Nazionale per le Società e la Borsa (Consob) asked Intesa Sanpaolo to provide specific information on the "sponsored" Special Purpose Entities (SPEs) in the Parent Company's financial statements and the Group's financial statements for 2007.

A synthetic illustration of the various types and operations of SPEs is provided in Part E of the Notes to the consolidated financial statements.

Please note that:

- Funding SPEs - entities established abroad to benefit from favourable tax regimes and/or to raise finance on particular markets - are controlled by Intesa Sanpaolo.

- Securitisation SPEs directly controlled by Intesa Sanpaolo are: Intesa Sec S.p.A., Intesa Sec 2 S.r.l., Intesa Sec 3 S.r.l., Intesa Sec NPL S.p.A., Intesa Sec NPL 2 S.r.l. and also the companies ISP CB Ipotecario S.r.l., ISP CB Pubblico S.r.l. and ISP Sec 4 S.r.l., which were not operational as at 31 December 2007. Intesa Sanpaolo also holds direct stakes in Augusto, Colombo and Diocleziano, which are securitisation vehicles of assets (residential mortgages) of companies subject to joint control and later sold, as well as Romulus and Duomo.
- Intesa Investimenti, SPE included under the category of Financial Engineering SPEs, is entirely controlled by Intesa Sanpaolo.

All figures and information requested for the abovementioned SPEs are contained in the Notes to the consolidated financial statements, to which reference must be made.

2.2. INTEREST RATE RISK – BANKING BOOK

QUALITATIVE INFORMATION

Qualitative information on the measurement of financial risks in Intesa Sanpaolo's banking book is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

Banking book: internal models and other sensitivity analysis methodologies

Sensitivity of the interest margin – considering a 100 basis point increase in interest rates and a twelve-month holding period – at the end of financial year 2007 amounted to 68 million euro (- 60 million euro in case of reduction).
The aforesaid potential impact would be reflected, in case of invariance of the other income components, also in the Bank's year-end net income.
Interest rate risk, generated by Intesa Sanpaolo's banking book, measured through shift sensitivity analysis (sensitivity of portfolio value following a parallel and uniform shift in the yield curve of ± 100 basis points), registered an average value of 230 million euro during 2007, and 196 million euro at year-end.
Interest rate risk, measured in terms of VaR (99% confidence level, 10-day holding period), amounted to an average of 91 million euro during 2007, with a minimum value of 26 million euro and a maximum value of 159 million euro. At the end of December 2007 VaR totalled 60 million euro.

2.4 PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

Qualitative information is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

The table below provides a sensitivity analysis of the banking book to price risk, measuring the impact on Shareholders' Equity of a price shock of ±10% for listed assets recorded under AFS.

Impact on Shareholders' Equity

(in millions of euro)

Price shock	
-10%	10%
-123	123

Banking book: on-balance sheet exposure

(in millions of euro)

	Book values	
	Listed	Unlisted
A. Equities	**1,244**	**965**
A.1. Shares	1,244	965
A.2. Innovative equity instruments	-	-
A.3. Other equities	-	-
B. UCITS	**3**	**13**
B.1. Italian	3	13
- harmonised open-end	-	-
- not harmonised open-end	-	-
- closed-end	3	1
- reserved	-	12
- speculative	-	-
B.2. Other EU Countries	-	-
- harmonised open-end	-	-
- not harmonised open-end	-	-
- not harmonised closed-end	-	-
B.3. Non-EU Countries	-	-
- open-end	-	-
- closed-end	-	-
Total	**1,247**	**978**

The table does not include equity investments in companies recorded under caption 100 of Assets, as detailed in table 10.2 in Part B of this Annual report.

Banking book: internal models and other sensitivity analysis methodologies

Price risk generated by minority stakes in listed companies, mostly accounted for as AFS, measured in terms of VaR, (99% confidence level, 10-day holding period), amounted to an average of 76 million euro in 2007 and 81 million euro as at 31 December 2007 (with a minimum value of 69 million euro and a maximum value of 84 million euro).

2.5. FOREIGN EXCHANGE RISK

QUALITATIVE INFORMATION

Qualitative information, including hedging activities of foreign exchange risk, is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and derivatives

(in millions of euro)

	Currencies				
	US dollar	Pound sterling	Swiss franc	Yen	Other currencies
A. FINANCIAL ASSETS	**19,639**	**3,256**	**1,862**	**1,159**	**2,820**
A.1 Debt securities	6,053	473	26	6	387
A.2 Equities	582	223	1	-	232
A.3 Loans to banks	5,070	1,705	939	516	903
A.4 Loans to customers	7,934	855	896	637	1,298
A.5 Other financial assets	-	-	-	-	-
B. OTHER ASSETS	**1,171**	**134**	**12**	**48**	**207**
C. FINANCIAL LIABILITIES	**35,680**	**10,696**	**1,017**	**1,316**	**2,701**
C.1 Due to banks	17,934	2,304	632	619	1,315
C.2 Due to customers	14,192	1,111	385	284	831
C.3 Debt securities	3,554	7,281	-	413	555
C.4 Other financial liabilities	-	-	-	-	-
D. OTHER LIABILITIES	**553**	**227**	**3**	**21**	**61**
E. FINANCIAL DERIVATIVES	**58,248**	**14,046**	**3,175**	**3,861**	**10,088**
- Options	2,488	88	152	351	107
long positions	*1,042*	*57*	*77*	*149*	*63*
short positions	*1,446*	*31*	*75*	*202*	*44*
- Other derivatives	55,760	13,958	3,023	3,510	9,981
long positions	*35,744*	*10,835*	*1,066*	*1,826*	*5,060*
short positions	*20,016*	*3,123*	*1,957*	*1,684*	*4,921*
TOTAL ASSETS	**57,596**	**14,282**	**3,017**	**3,182**	**8,150**
TOTAL LIABILITIES	**57,695**	**14,077**	**3,052**	**3,223**	**7,727**
IMBALANCE (+/-)	**-99**	**205**	**-35**	**-41**	**423**

2. Internal models and other sensitivity analysis methodologies

Management of foreign exchange risk relative to trading activities is inserted in the operating procedures and in the estimation methodologies of the internal model based on VaR calculations, as illustrated in Part E of the Notes to the consolidated financial statements.

Foreign exchange risk expressed by equity investments in foreign currency (banking book), including Group companies, originated a VaR (99% confidence level, 10-day holding period) amounting to 49 million euro as at 31 December 2007. This potential impact would only affect shareholders' equity, until disposal.

2.6. FINANCIAL DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1. Regulatory trading book: period-end and average notional values

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2007		Total 31.12.2006 (*)	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	42,406	-	-	-	-	-	-	-	42,406	-	38,538
2. Interest rate swaps	-	458,101	-	-	-	-	-	-	-	458,101	-	380,483
3. Domestic currency swaps	-	-	-	-	-	821	-	-	-	821	-	591
4. Currency interest rate swaps	-	-	-	-	-	9,033	-	-	-	9,033	-	9,826
5. Basis swaps	-	37,576	-	-	-	-	-	-	-	37,576	-	32,135
6. Exchange of stock indexes	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	41,614	-	41	-	1	-	1	-	41,657	-	33,399	-
9. Caps	-	14,317	-	-	-	-	-	-	-	14,317	-	20,119
- Bought	-	7,584	-	-	-	-	-	-	-	7,584	-	10,510
- Issued	-	6,733	-	-	-	-	-	-	-	6,733	-	9,609
10. Floors	-	11,911	-	-	-	-	-	-	-	11,911	-	14,622
- Bought	-	9,302	-	-	-	-	-	-	-	9,302	-	10,807
- Issued	-	2,609	-	-	-	-	-	-	-	2,609	-	3,815
11. Other options	23,582	9,080	17	13,641	-	6,286	-	34	23,599	29,041	19,795	23,080
- Bought	11,865	4,766	17	8,608	-	3,180	-	34	11,882	16,588	10,500	14,685
Plain vanilla	*11,865*	*4,073*	*17*	*4,790*	-	*2,718*	-	-	*11,882*	*11,581*	*10,500*	*11,559*
Exotic	-	*693*	-	*3,818*	-	*462*	-	*34*	-	*5,007*	-	*3,126*
- Issued	11,717	4,314	-	5,033	-	3,106	-	-	11,717	12,453	9,295	8,395
Plain vanilla	*11,717*	*3,648*	-	*2,329*	-	*2,955*	-	-	*11,717*	*8,932*	*9,295*	*7,885*
Exotic	-	*666*	-	*2,704*	-	*151*	-	-	-	*3,521*	-	*510*
12. Forward contracts	2,252	60	22	-	-	58,915	-	-	2,274	58,975	-	38,943
- Purchases	1,271	58	14	-	-	30,108	-	-	1,285	30,166	-	13,988
- Sales	981	2	8	-	-	16,888	-	-	989	16,890	-	10,657
- Currency against currency	-	-	-	-	-	11,919	-	-	-	11,919	-	14,298
13. Other derivatives	-	4,150	-	-	-	389	-	138	-	4,677	-	8,873
TOTAL	67,448	577,601	80	13,641	1	75,444	1	172	67,530	666,858	53,194	567,210
AVERAGE VALUES	58,396	627,892	270	15,465	4	73,151	4	63	58,674	716,571	65,597	647,583

(*) Figures relative to Banca Intesa.

A.2. Banking book: period-end and average notional amounts

A.2.1. Hedging

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2007		Total 31.12.2006 (*)	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	124,320	-	-	-	-	-	-	-	124,320	-	62,030
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	4,112	-	-	-	4,112	-	2,733
5. Basis swaps	-	6,626	-	-	-	-	-	-	-	6,626	-	3,313
6. Exchange of stock indexes	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Caps	-	797	-	-	-	-	-	-	-	797	-	-
- Bought	-	797	-	-	-	-	-	-	-	797	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floors	-	371	-	-	-	-	-	-	-	371	-	-
- Bought	-	273	-	-	-	-	-	-	-	273	-	-
- Issued	-	98	-	-	-	-	-	-	-	98	-	-
11. Other options	-	650	-	87	-	-	-	-	-	737	-	1,746
- Bought	-	564	-	87	-	-	-	-	-	651	-	1,676
Plain vanilla	-	*564*	-	*15*	-	-	-	-	-	*579*	-	*1,381*
Exotic	-	-	-	*72*	-	-	-	-	-	*72*	-	*295*
- Issued	-	86	-	-	-	-	-	-	-	86	-	70
Plain vanilla	-	*86*	-	-	-	-	-	-	-	*86*	-	*70*
Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	132,764	-	87	-	4,112	-	-	-	136,963	-	69,822
AVERAGE VALUES	-	133,148	-	882	-	3,966	-	-	-	137,996	-	55,482

(*) Figures relative to Banca Intesa.

A.2.2. Other derivatives

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2007		Total 31.12.2006 (*)	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	40
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	-
6. Exchange of stock indexes	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Caps	-	838	-	-	-	-	-	-	-	838	-	363
- Bought	-	60	-	-	-	-	-	-	-	60	-	-
- Issued	-	778	-	-	-	-	-	-	-	778	-	363
10. Floors	-	7,154	-	-	-	-	-	-	-	7,154	-	7,279
- Bought	-	94	-	-	-	-	-	-	-	94	-	-
- Issued	-	7,060	-	-	-	-	-	-	-	7,060	-	7,279
11. Other options	-	1,755	-	4,801	-	59	-	-	-	6,615	-	8,384
- Bought	-	20	-	510	-	-	-	-	-	530	-	-
Plain vanilla	-	-	-	*469*	-	-	-	-	-	*469*	-	-
Exotic	-	*20*	-	*41*	-	-	-	-	-	*61*	-	-
- Issued	-	1,735	-	4,291	-	59	-	-	-	6,085	-	8,384
Plain vanilla	-	*1,615*	-	*3,056*	-	-	-	-	-	*4,671*	-	*5,668*
Exotic	-	*120*	-	*1,235*	-	*59*	-	-		*1,414*	-	*2,716*
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	9,747	-	4,801	-	59	-	-	-	14,607	-	16,066
AVERAGE VALUES	-	9,941	-	8,090	-	91	-	-	-	18,122	-	18,214

(*) Figures relative to Banca Intesa.

The tables above show nominal amounts of derivatives recorded separately from the combined financial instruments. These derivatives are classified in the financial statements under assets/liabilities held for trading.

A.3. Financial derivatives: purchase and sale of underlying assets

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2007		Total 31.12.2006 (*)	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Trading book for supervisory purposes	**64,073**	**543,401**	**80**	**13,641**	**1**	**75,443**	**1**	**172**	**64,155**	**632,657**	**53,194**	**535,075**
1. Operations with exchange of underlying asset	17,729	412	63	272	1	73,589	1	-	17,794	74,273	837	52,796
- Purchases	*4,945*	*296*	*14*	*256*	-	*39,416*	-	-	*4,959*	*39,968*	*409*	*23,048*
- Sales	*12,784*	*116*	*49*	*16*	*1*	*20,590*	*1*	-	*12,835*	*20,722*	*428*	*14,862*
- Currency against currency	-	-	-	-	-	*13,583*	-	-	-	*13,583*	-	*14,886*
2. Operations without exchange of underlying asset	46,344	542,989	17	13,369	-	1,854	-	172	46,361	558,384	52,357	482,279
- Purchases	*32,055*	*267,135*	*17*	*8,496*	-	*1,131*	-	*69*	*32,072*	*276,831*	*25,938*	*242,318*
- Sales	*14,289*	*275,854*	-	*4,873*	-	*710*	-	*103*	*14,289*	*281,540*	*26,419*	*239,798*
- Currency against currency	-	-	-	-	-	*13*	-	-	-	*13*	-	*163*
B. Banking book	**-**	**135,885**	**-**	**4,889**	**-**	**4,171**	**-**	**-**	**-**	**144,945**	**-**	**82,575**
B.1 Hedging	-	126,138	-	88	-	4,112	-	-	-	130,338	-	66,509
1.Operations with exchange of underlying asset	-	-	-	-	-	4,112	-	-	-	4,112	-	2,733
- Purchases	-	-	-	-	-	*3,810*	-	-	-	*3,810*	-	*2,236*
- Sales	-	-	-	-	-	*134*	-	-	-	*134*	-	-
- Currency against currency	-	-	-	-	-	*168*	-	-	-	*168*	-	*497*
2. Operations without exchange of underlying asset	-	126,138	-	88	-	-	-	-	-	126,226	-	63,776
- Purchases	-	*89,403*	-	*88*	-	-	-	-	-	*89,491*	-	*24,766*
- Sales	-	*36,735*	-	-	-	-	-	-	-	*36,735*	-	*39,010*
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	9,747	-	4,801	-	59	-	-	-	14,607	-	16,066
1. Operations with exchange of underlying asset	-	-	-	1,014	-	-	-	-	-	1,014	-	-
- Purchases	-	-	-	*219*	-	-	-	-	-	*219*	-	-
- Sales	-	-	-	*795*	-	-	-	-	-	*795*	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Operations without exchange of underlying asset	-	9,747	-	3,787	-	59	-	-	-	13,593	-	16,066
- Purchases	-	*892*	-	*49*	-	-	-	-	-	*941*	-	*2,022*
- Sales	-	*8,855*	-	*3,738*	-	*59*	-	-	-	*12,652*	-	*14,044*
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-

(*) Figures relative to Banca Intesa.

A.4. Over the counter financial derivatives: positive fair value – counterparty risk

(in millions of euro)

	Debt securities and interest rates			Equities and stock indexes			Foreign exchange rates and gold			Other values			Diverse underlying assets	
	Gross	Net	Future exposure	Gross	Net	Future exposure	Gross	Net	Future exposure	Gross	Net	Future exposure	Net	Future exposure
A. Trading book for supervisory purposes														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 public entities	23	-	2	-	-	-	-	-	-	-	-	-	-	-
A.3 banks	527	4,125	69	13	513	8	112	576	64	-	-	-	1,000	842
A.4 financial institutions	95	465	49	18	212	8	37	32	13	-	-	-	222	74
A.5 insurance companies	-	-	-	1	8	-	2	-	2	-	-	-	-	-
A.6 non-financial companies	228	4	129	21	-	6	190	1	59	8	-	12	4	2
A.7 other counterparties	2	-	-	-	-	-	1	-	-	-	-	-	-	-
Total 31.12.2007	**875**	**4,594**	**249**	**53**	**733**	**22**	**342**	**609**	**138**	**8**	**-**	**12**	**1,226**	**918**
Total 31.12.2006 (*)	**762**	**5,394**	**180**	**248**	**781**	**24**	**359**	**315**	**171**	**-**	**-**	**-**	**894**	**832**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	35	1,479	1	-	11	27	4	20	11	-	-	-	345	249
B.4 financial institutions	-	309	-	-	-	5	-	-	-	-	-	-	51	12
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	-	-	-	-	-	3	-	-	-	-	-	-	-	-
B.7 other counterparties	1	-	1	-	-	1	-	-	-	-	-	-	-	-
Total 31.12.2007	**36**	**1,788**	**2**	**-**	**11**	**36**	**4**	**20**	**11**	**-**	**-**	**-**	**396**	**261**
Total 31.12.2006 (*)	**18**	**608**	**4**	**-**	**-**	**-**	**-**	**18**	**2**	**-**	**-**	**-**	**65**	**30**

(*) Figures relative to Banca Intesa.

A.5. Over the counter financial derivatives: negative fair value – financial risk

(in millions of euro)

	Debt securities and interest rates			Equities and stock indexes			Foreign exchange rates and gold			Other values			Diverse underlying assets	
	Gross	Net	Future exposure	Gross	Net	Future exposure	Gross	Net	Future exposure	Gross	Net	Future exposure	Net	Future exposure
A. Trading book for supervisory purposes														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 banks	-473	-3,525	86	-	-153	-	-376	-1,675	78	-	-8	-	-1,379	489
A.4 financial institutions	-451	-547	20	-4	-7	-	-29	-37	18	-	-	-	-62	62
A.5 insurance companies	-37	-8	4	-81	-31	1	-6	-	4	-	-	-	-30	1
A.6 non-financial companies	-224	-5	35	-	-	-	-58	-2	28	-	-	-	-4	1
A.7 other counterparties	-18	-	-	-178	-	-	-	-	-	-	-	-	-	-
Total 31.12.2007	**-1,203**	**-4,085**	**145**	**-263**	**-191**	**1**	**-469**	**-1,714**	**128**	**-**	**-8**	**-**	**-1,475**	**553**
Total 31.12.2006 (*)	**507**	**5,096**	**188**	**279**	**78**	**104**	**476**	**386**	**174**	**-**	**-**	**-**	**773**	**667**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	-115	-1,330	3	-14	-	-	-4	-148	1	-	-	-	-85	52
B.4 financial institutions	-2	-222	-	-	-	-	-	-2	-	-	-	-	-7	6
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	-1	-2	-	-	-	-	-	-	-	-	-	-	-	-
B.7 other counterparties	-657	-	-	-320	-	-	-2	-	-	-	-	-	-	-
Total 31.12.2007	**-775**	**-1,554**	**3**	**-334**	**-**	**-**	**-6**	**-150**	**1**	**-**	**-**	**-**	**-92**	**58**
Total 31.12.2006 (*)	**837**	**1,602**	**79**	**618**	**-**	**123**	**10**	**48**	**11**	**-**	**-**	**-**	**7**	**8**

(*) Figures relative to Banca Intesa.

A.6. Residual maturity of over the counter financial derivatives: notional amounts

(in millions of euro)

	Up to 1 year	**Between 1 and 5 years**	**Over 5 years**	**Total**
A. Trading book for supervisory purposes	**434,577**	**142,258**	**90,023**	**666,858**
A.1 Financial derivatives on debt securities and interest rates	365,682	127,164	84,755	577,601
A.2 Financial derivatives on equities and stock indexes	2,999	5,932	4,710	13,641
A.3 Financial derivatives on foreign exchange rates and gold	65,799	9,121	524	75,444
A.4 Financial derivatives - other	97	41	34	172
B. Banking book	**81,831**	**48,768**	**20,970**	**151,569**
B.1 Financial derivatives on debt securities and interest rates	78,953	43,409	20,150	142,512
B.2 Financial derivatives on equities and stock indexes	2,205	2,680	2	4,887
B.3 Financial derivatives on foreign exchange rates and gold	673	2,679	818	4,170
B.4 Financial derivatives - other	-	-	-	-
Total 31.12.2007	**516,408**	**191,026**	**110,993**	**818,427**
Total 31.12.2006 (*)	**338,628**	**210,422**	**104,048**	**653,098**

(*) Figures relative to Banca Intesa.

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end and average notional amounts

(in millions of euro)

	Trading book for supervisory purposes		Other operations	
	single counterparty	more counterparties (basket)	single counterparty	more counterparties (basket)
1. Protection purchases				
1.1 Physical settlement	21,377	13,129	181	11
Credit default swap	*21,377*	*13,129*	*181*	*11*
Credit default option	-	-	-	-
Credit linked notes	-	-	-	-
1.2 Cash settlement	804	1,887	-	391
Credit default swap	*713*	*1,887*	-	*391*
Total rate of return swap	*91*	-	-	-
Total 31.12.2007	**22,181**	**15,016**	**181**	**402**
Total 31.12.2006 (*)	**24,697**	**14,136**	**958**	**58**
Average values	**23,439**	**14,580**	**771**	**29**
2. Protection sales				
2.1 Physical settlement	19,205	15,756	-	-
Credit default swap	*19,175*	*15,634*	-	-
Credit linked notes	-	*69*	-	-
Other derivatives	*30*	*53*	- -	-
2.2 Cash settlement	364	2,537	-	105
Credit default swap	*224*	*2,537*	-	*105*
Credit linked notes	-	-	-	-
Total rate of return swap	*140*	-	-	-
Total 31.12.2007	**19,569**	**18,293**	**-**	**105**
Total 31.12.2006 (*)	**22,961**	**20,357**	**-**	**151**
Average values	**20,970**	**19,605**	**-**	**-**

(*) Figures relative to Banca Intesa.

Part of the contracts in force as at 31 December 2007, set out in the table above, is included in structured credit derivatives which were affected to different extents by the financial market crisis: 4,675 million euro of protection purchases and 5,171 million euro of protection sales, in any case almost entirely attributable to exposures not included in US subprime exposures.
For further information on the relative economic and risk effects, see the chapter on market risks in this Part of the Notes to the Parent Company's financial statements.

B.2. Credit derivatives: positive fair value - counterparty risk

(in millions of euro)

	Notional amount	Positive fair value	Future exposure
A. Trading book for supervisory purposes	**36,843**	**1,207**	**630**
A.1 Protection purchases with	23,858	1,079	630
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*16,136*	*695*	*391*
4. Financial institutions	*7,722*	*384*	*239*
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
A.2 Protection sales with	12,985	128	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*8,470*	*82*	-
4. Financial institutions	*4,515*	*46*	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
B. Banking book	**646**	**-**	**-**
B.1 Protection purchases with	541	-	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*135*	-	-
4. Financial institutions	*406*	-	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
B.2 Protection sales with	105	-	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*105*	-	-
4. Financial institutions	-	-	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
Total 31.12.2007	**37,489**	**1,207**	**630**
Total 31.12.2006 (*)	**45,541**	**488**	**125**

(*) Figures relative to Banca Intesa.

B.3. Credit derivatives: negative fair value - financial risk

(in millions of euro)

	Notional amount	Negative fair value
Trading book for supervisory purposes		
1. Protection purchases with		
1.1 Governments and Central Banks	-	-
1.2 Other public entities	-	-
1.3 Banks	7,839	-88
1.4 Financial institutions	5,500	-54
1.5 Insurance companies	-	-
1.6 Non-financial companies	-	-1
1.7 Other counterparties	-	-
Total 31.12.2007	**13,339**	**-143**
Total 31.12.2006 (*)	**33,505**	**451**

(*) Figures relative to Banca Intesa.

B.4. Residual maturity of credit derivatives contracts: notional amounts

(in millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Trading book for supervisory purposes	**13,051**	**48,797**	**13,211**	**75,059**
A.1 Credit derivatives with "qualified reference obligation"	11,643	39,077	11,876	62,596
A.2 Credit derivatives with "unqualified reference obligation"	1,408	9,720	1,335	12,463
B. Banking book	**61**	**189**	**438**	**688**
B.1 Credit derivatives with "qualified reference obligation"	61	63	47	171
B.2 Credit derivatives with "unqualified reference obligation"	-	126	391	517
Total 31.12.2007	**13,112**	**48,986**	**13,649**	**75,747**
Total 31.12.2006 (*)	**12,158**	**55,528**	**15,001**	**82,687**

(*) Figures relative to Banca Intesa.

SECTION 3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

Qualitative information is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

Currency of denomination: euro

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**41,626**	**11,766**	**10,941**	**25,633**	**20,143**	**20,682**	**12,460**	**73,483**	**71,966**
A.1 Government bonds	-	-	-	61	45	154	419	2,704	1,839
A.2 Listed debt securities	-	-	6	-	10	10	548	1,367	1,072
A.3 Other debt securities	20	179	306	352	358	1,228	180	3,787	3,786
A.4 Quotas of UCITS	262	-	-	-	-	-	-	-	-
A.5 Loans	41,344	11,587	10,629	25,220	19,730	19,290	11,313	65,625	65,269
- Banks	*15,639*	*7,414*	*6,688*	*14,729*	*9,771*	*3,458*	*3,001*	*15,342*	*13,596*
- Customers	*25,705*	*4,173*	*3,941*	*10,491*	*9,959*	*15,832*	*8,312*	*50,283*	*51,673*
Cash liabilities	**103,960**	**17,674**	**8,366**	**13,629**	**17,553**	**10,917**	**10,922**	**51,906**	**27,515**
B.1 Deposits	97,663	6,661	5,535	6,651	7,509	3,452	1,643	5,453	2,487
- Banks	*6,387*	*5,771*	*3,818*	*4,096*	*5,815*	*2,750*	*1,586*	*5,351*	*2,320*
- Customers	*91,276*	*890*	*1,717*	*2,555*	*1,694*	*702*	*57*	*102*	*167*
B.2 Debt securities	5,672	856	40	1,192	1,970	4,573	8,966	40,567	22,484
B.3 Other liabilities	625	10,157	2,791	5,786	8,074	2,892	313	5,886	2,544
Off-balance sheet transactions	**4,834**	**12,765**	**7,649**	**14,166**	**35,682**	**8,883**	**8,500**	**29,102**	**8,132**
C.1 Financial derivatives with exchange of capital	445	11,206	6,523	10,152	14,268	4,861	4,578	11,099	3,418
- Long positions	*386*	*4,524*	*2,077*	*3,505*	*4,447*	*2,105*	*2,180*	*1,173*	*1,523*
- Short positions	*59*	*6,682*	*4,446*	*6,647*	*9,821*	*2,756*	*2,398*	*9,926*	*1,895*
C.2 Deposits and loans to be settled	2,674	350	56	-	2,200	58	-	-	4
- Long positions	*2,670*	-	-	-	-	-	-	-	-
- Short positions	*4*	*350*	*56*	-	*2,200*	*58*	-	-	*4*
C.3 Irrevocable commitments to lend funds	1,715	1,209	1,070	4,014	19,214	3,964	3,922	18,003	4,710
- Long positions	-	*1,112*	*1,067*	*3,994*	*18,137*	*2,897*	*180*	-	*1,345*
- Short positions	*1,715*	*97*	*3*	*20*	*1,077*	*1,067*	*3,742*	*18,003*	*3,365*

Currency of denomination: US dollar

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**1,728**	**1,316**	**800**	**1,918**	**2,361**	**1,432**	**1,867**	**4,813**	**3,389**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	2	-	44	65	287	140	1,380
A.3 Other debt securities	-	352	425	327	634	223	405	1,002	765
A.4 Quotas of UCITS	570	-	-	-	-	-	-	-	-
A.5 Loans	1,158	964	373	1,591	1,683	1,144	1,175	3,671	1,244
- Banks	*953*	*453*	*68*	*594*	*930*	*563*	*845*	*638*	*26*
- Customers	*205*	*511*	*305*	*997*	*753*	*581*	*330*	*3,033*	*1,218*
Cash liabilities	**3,824**	**8,594**	**5,637**	**5,538**	**7,154**	**1,208**	**2,143**	**1,596**	**73**
B.1 Deposits	3,782	7,089	5,212	4,467	6,621	1,170	1,932	1,265	50
- Banks	*1,754*	*3,426*	*2,343*	*2,215*	*3,790*	*737*	*1,824*	*1,265*	*44*
- Customers	*2,028*	*3,663*	*2,869*	*2,252*	*2,831*	*433*	*108*	*-*	*6*
B.2 Debt securities	-	1,149	408	1,034	437	-	170	331	23
B.3 Other liabilities	42	356	17	37	96	38	41	-	-
Off-balance sheet transactions	**552**	**10,955**	**5,935**	**11,843**	**23,581**	**8,279**	**5,894**	**11,454**	**6,443**
C.1 Financial derivatives with exchange of capital	19	10,597	5,687	11,496	17,492	4,349	4,334	5,673	467
- Long positions	*1*	*7,472*	*4,041*	*6,730*	*8,806*	*2,425*	*2,090*	*4,451*	*305*
- Short positions	*18*	*3,125*	*1,646*	*4,766*	*8,686*	*1,924*	*2,244*	*1,222*	*162*
C.2 Deposits and loans to be settled	505	89	41	21	181	173	-	-	-
- Long positions	*505*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*89*	*41*	*21*	*181*	*173*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds	28	269	207	326	5,908	3,757	1,560	5,781	5,976
- Long positions	*1*	*242*	*207*	*319*	*5,676*	*3,556*	*1,243*	*1*	*1,873*
- Short positions	*27*	*27*	*-*	*7*	*232*	*201*	*317*	*5,780*	*4,103*

Currency of denomination: Pound sterling

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**746**	**108**	**270**	**145**	**768**	**286**	**77**	**323**	**310**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	7	-
A.3 Other debt securities	-	-	-	-	266	-	-	26	175
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	746	108	270	145	502	286	77	290	135
- Banks	*646*	*75*	*54*	*90*	*487*	*276*	*62*	*17*	*-*
- Customers	*100*	*33*	*216*	*55*	*15*	*10*	*15*	*273*	*135*
Cash liabilities	**2,207**	**2,548**	**360**	**817**	**742**	**334**	**316**	**3,136**	**236**
B.1 Deposits	497	1,277	229	244	264	334	77	184	-
- Banks	*238*	*760*	*149*	*226*	*133*	*284*	*26*	*184*	*-*
- Customers	*259*	*517*	*80*	*18*	*131*	*50*	*51*	*-*	*-*
B.2 Debt securities	1,704	966	131	573	478	-	239	2,952	236
B.3 Other liabilities	6	305	-	-	-	-	-	-	-
Off-balance sheet transactions	**62**	**928**	**1,045**	**3,374**	**2,477**	**1,360**	**980**	**4,839**	**225**
C.1 Financial derivatives with exchange of capital	-	862	1,045	3,360	2,473	1,360	966	4,839	225
- Long positions	*-*	*309*	*594*	*1,832*	*1,664*	*800*	*604*	*4,816*	*225*
- Short positions	*-*	*553*	*451*	*1,528*	*809*	*560*	*362*	*23*	*-*
C.2 Deposits and loans to be settled	61	61	-	-	-	-	-	-	-
- Long positions	*61*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*61*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds	1	5	-	14	4	-	14	-	-
- Long positions	*-*	*1*	*-*	*14*	*4*	*-*	*-*	*-*	*-*
- Short positions	*1*	*4*	*-*	*-*	*-*	*-*	*14*	*-*	*-*

Currency of denomination: Yen

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**189**	**88**	**52**	**137**	**181**	**78**	**182**	**152**	**99**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	6	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	189	88	52	137	181	78	182	146	99
- Banks	*134*	*24*	*1*	*56*	*40*	*11*	*149*	*69*	*32*
- Customers	*55*	*64*	*51*	*81*	*141*	*67*	*33*	*77*	*67*
Cash liabilities	**213**	**138**	**90**	**4**	**290**	**1**	**38**	**219**	**319**
B.1 Deposits	213	138	90	4	290	1	8	30	37
- Banks	*24*	*65*	*90*	-	*290*	*1*	*8*	*12*	*37*
- Customers	*189*	*73*	-	*4*	-	-	-	*18*	-
B.2 Debt securities	-	-	-	-	-	-	-	158	252
B.3 Other liabilities	-	-	-	-	-	-	30	31	30
Off-balance sheet transactions	**34**	**662**	**334**	**168**	**536**	**357**	**258**	**265**	**397**
C.1 Financial derivatives with exchange of capital	-	628	322	167	527	357	255	250	394
- Long positions	-	*407*	*163*	*91*	*390*	*51*	*172*	*233*	*394*
- Short positions	-	*221*	*159*	*76*	*137*	*306*	*83*	*17*	-
C.2 Deposits and loans to be settled	29	7	-	1	-	-	3	15	3
- Long positions	*29*	-	-	-	-	-	-	-	-
- Short positions	-	*7*	-	*1*	-	-	*3*	*15*	*3*
C.3 Irrevocable commitments to lend funds	5	27	12	-	9	-	-	-	-
- Long positions	-	*5*	*12*	-	*9*	-	-	-	-
- Short positions	*5*	*22*	-	-	-	-	-	-	-

Currency of denomination: Swiss franc

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**128**	**86**	**75**	**192**	**676**	**47**	**13**	**617**	**26**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	26	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	128	86	75	192	676	47	13	591	26
- Banks	*102*	*57*	*55*	*115*	*163*	*18*	*2*	*400*	*26*
- Customers	*26*	*29*	*20*	*77*	*513*	*29*	*11*	*191*	-
Cash liabilities	**274**	**243**	**96**	**143**	**26**	**25**	**185**	**-**	**26**
B.1 Deposits	273	243	96	143	26	25	3	-	-
- Banks	*69*	*238*	*8*	*107*	-	*24*	*3*	-	-
- Customers	*204*	*5*	*88*	*36*	*26*	*1*	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1	-	-	-	-	-	182	-	26
Off-balance sheet transactions	**228**	**310**	**206**	**665**	**558**	**173**	**455**	**403**	**39**
C.1 Financial derivatives with exchange of capital	-	95	193	665	550	165	455	403	39
- Long positions	-	*85*	*133*	*109*	*232*	*80*	*320*	-	*19*
- Short positions	-	*10*	*60*	*556*	*318*	*85*	*135*	*403*	*20*
C.2 Deposits and loans to be settled	170	158	12	-	-	-	-	-	-
- Long positions	*170*	-	-	-	-	-	-	-	-
- Short positions	-	*158*	*12*	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	58	57	1	-	8	8	-	-	-
- Long positions	-	*49*	*1*	-	*8*	*8*	-	-	-
- Short positions	*58*	*8*	-	-	-	-	-	-	-

Currency of denomination: Other currencies

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**358**	**385**	**138**	**235**	**194**	**273**	**137**	**820**	**47**
A.1 Government bonds	-	-	-	-	-	-	-	43	-
A.2 Listed debt securities	-	-	-	51	13	35	-	28	-
A.3 Other debt securities	-	5	2	6	52	67	49	36	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	358	380	136	178	129	171	88	713	47
- Banks	*342*	*287*	*62*	*65*	*29*	*113*	-	*2*	*3*
- Customers	*16*	*93*	*74*	*113*	*100*	*58*	*88*	*711*	*44*
Cash liabilities	**512**	**549**	**201**	**257**	**362**	**236**	**33**	**375**	**229**
B.1 Deposits	512	549	201	240	362	153	19	87	-
- Banks	*296*	*248*	*131*	*220*	*236*	*65*	*9*	*87*	-
- Customers	*216*	*301*	*70*	*20*	*126*	*88*	*10*	-	-
B.2 Debt securities	-	-	-	9	-	83	14	275	229
B.3 Other liabilities	-	-	-	8	-	-	-	13	-
Off-balance sheet transactions	**52**	**1,439**	**241**	**935**	**2,036**	**1,011**	**1,196**	**480**	**221**
C.1 Financial derivatives with exchange of capital	-	1,387	241	935	2,031	1,011	1,196	475	221
- Long positions	-	*802*	*140*	*533*	*1,491*	*721*	*720*	*425*	*221*
- Short positions	-	*585*	*101*	*402*	*540*	*290*	*476*	*50*	-
C.2 Deposits and loans to be settled	39	39	-	-	-	-	-	-	-
- Long positions	*39*	-	-	-	-	-	-	-	-
- Short positions	-	*39*	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	13	13	-	-	5	-	-	5	-
- Long positions	-	*13*	-	-	*5*	-	-	-	-
- Short positions	*13*	-	-	-	-	-	-	*5*	-

2. Breakdown by sector of financial liabilities

(in millions of euro)

	Governments and Central Banks	Other public entities	Financial institutions	Insurance companies	Non-financial companies	Other counterparties
1. Due to customers	531	3,465	10,950	2,039	40,305	61,481
2. Securities issued	-	25	3,404	-	96	94,151
3. Financial liabilities held for trading	26	-	1,288	162	297	6,157
4. Fair value financial liabilities	-	-	-	-	-	-
Total 31.12.2007	**557**	**3,490**	**15,642**	**2,201**	**40,698**	**161,789**
Total 31.12.2006 (*)	**1,157**	**3,254**	**18,892**	**1,179**	**23,513**	**98,830**

(*) Figures relative to Banca Intesa.

3. Geographical breakdown of financial liabilities

(in millions of euro)

	Italy	Other European Countries	America	Asia	Rest of the World
1. Due to customers	113,681	5,181	12,380	811	424
2. Due to banks	31,024	39,502	3,055	7,474	4,941
3. Securities issued	90,205	4,031	3,188	293	-
4. Financial liabilities held for trading	4,082	4,584	1,318	94	7
5. Fair value financial liabilities	-	-	-	-	-
Total 31.12.2007	**238,992**	**53,298**	**19,941**	**8,672**	**5,372**
Total 31.12.2006 (*)	**141,735**	**31,135**	**11,268**	**6,272**	**1,351**

(*) Figures relative to Banca Intesa.

SECTION 4 - OPERATIONAL RISK

QUALITATIVE INFORMATION
Qualitative information is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION
The first simulation of capital absorption for Operational risks with the Standard Approach calculated a value of approximately 1.4 billion euro for Intesa Sanpaolo.

Part F – Information on capital

SECTION 1 – PARENT COMPANY'S SHAREHOLDERS' EQUITY

Qualitative information

Qualitative information on capital and capital management policies is contained in Part F of the Notes to the consolidated financial statements.
For individual banks, the minimum capital requirement, that is the ratio between regulatory capital and risk-weighted assets, must be at least equal to 7%.

Quantitative information

The breakdown of the Parent Company's shareholders' equity, including the annual changes in reserves, is provided in detail in Section 14 of Liabilities in the Notes to the Parent Company's financial statements.

That Section also contains the changes in the year in the valuation reserves as provided for by international accounting standards.

SECTION 2 – REGULATORY CAPITAL AND CAPITAL RATIOS

2.1. Regulatory capital

Qualitative information

As at 31 December 2007 Regulatory capital has been calculated on the basis of instructions included in Circular 155/91 of the Bank of Italy (Instructions on the preparation of regulatory reporting on regulatory capital and capital ratios) as modified by the 12th update of 5 February 2008.

The figures are not directly comparable with those from the end of 2006 due to the different regulations in force at the time. Regulatory capital as at 31 December 2006 had been calculated on the basis of instructions included in Circular 155/91 of the Bank of Italy as modified by the 11th update of 3 April 2006.

Further details on qualitative information on regulatory capital and capital ratios is contained in Part F of the Notes to the consolidated financial statements.

Tier 1 capital

Characteristics of subordinated instruments	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement	Currency	Original amount in currency (in millions of euro)	Contribution to capital for supervisory purposes (in millions of euro)
Subordinated bonds	8.01% fixed rate; as of 15/07/08 3-month Libor + 3.25%	YES	15 Jul 1998	N.A.	15 Jul 2008	USD	200	136
Subordinated bonds	3-month Libor + 1.6%; as of 15/7/08 3-month Libor + 2.93%	YES	15 Jul 1998	N.A.	15 Jul 2008	EUR	550	550
Subordinated bonds	8.25% fixed rate; as of 15/07/08 3-month Libor + 3.20%	YES	15 Jul 1998	N.A.	15 Jul 2008	GBP	120	164
Subordinated deposit linked to the issuance of preferred shares	up to 10/11/2010: 7.678% p.a. subsequently: 1 year Euribor + 3.25 % p.a.	YES	10 Nov 2000	31 Dec 2100	10 Nov 2006	EUR	1,000	1,000
Subordinated deposit	6.988% fixed rate; as of 12/07/2011 3-month Euribor + 2.60%	YES	12 Jul 2001	N.A.	12 Jul 2011	EUR	500	500
Total innovative equity instruments (Tier I)								**2,350**

Tier 2 capital

Characteristics of subordinated instruments	Interest rate	Step-up	Issue date	Expiry date	Early reimburse-ment	Currency	Original amount in currency (in millions of euro)	Contribution to capital for supervisory purposes (in millions of euro)
Subordinated deposit	3-month Libor + 0.87%	NO	02 Jan 1998	02 Jan 2008	NO	USD	500	340
Subordinated deposit	3-month Libor + 0.87%	NO	02 Jan 1998	02 Jan 2008	NO	ITL	200,000	103
Subordinated deposit	3-month Libor + 0.645%	NO	10 Apr 1998	11 Apr 2008	NO	ITL	250,000	129
Subordinated deposit	3-month Libor + 0.645%	NO	10 Jun 1998	11 Jun 2008	NO	ITL	800,000	413
Subordinated bonds	6-month Euribor + 0.70%	NO	29 Dec 1998	30 Dec 2008	NO	ITL	5,000	3
Subordinated bonds	5% fixed rate	NO	29 Dec 1998	30 Dec 2008	NO	ITL	495,000	255
Subordinated bonds	3-month Libor + 0.65%	NO	30 Jun 1998	30 Jun 2008	NO	EUR	200	200
Total hybrid instruments (Upper Tier 2)								**1,443**
Subordinated bonds	3-month Libor	NO	01 Feb 1998	2 Feb 2008	01 Feb 2003	ITL	700,000	72
Subordinated bonds	3-month Libor	NO	01 Jun 1998	01 Jun 2008	01 Jun 2003	ITL	362,430	37
Subordinated bonds	5.15% fixed rate	NO	09 Jun 1998	10 Jun 2008	NO	ITL	100,000	10
Subordinated bonds	1st coupon: 8%, 2nd and 3rd: 6.375%, for the following coupons: 13.8% minus 2 times 12-month Libor (max 5.3%-min 4.5%)	NO	16 Jun 1998	17 Jun 2013	NO	ITL	500,000	174
Subordinated bonds	1st coupon: 8%, 2nd and 3rd: 6.375%, for the following coupons: 13.8% minus 2 times 12-month Libor (max 5.3%-min 4.5%)	NO	30 Jun 1998	01 Jul 2013	NO	ITL	200,000	71
Subordinated bonds	4.4% fixed rate	NO	16 Nov 1998	17 Nov 2008	NO	ITL	300,000	31
Subordinated bonds	4.4% fixed rate	NO	09 Dec 1998	10 Dec 2008	NO	ITL	200,000	21
Subordinated bonds	1st coupon: 8%, 2nd: 5%, 3rd: 4%, for the following coupons: 70% of 10-year euro swap rate	NO	09 Mar 1999	09 Mar 2014	NO	ITL	480,000	210
Subordinated bonds	1st coupon: 8%, 2nd: 5.5%, 3rd: 4%, for the following coupons: 65% of 10-year euro swap rate with a minimum of 4%	NO	15 Jul 1999	15 Jul 2014	NO	EUR	250	219
Subordinated bonds	5.3% fixed rate	NO	22 Oct 1999	01 Jan 2010	NO	EUR	150	90
Subordinated bonds	5.1% fixed rate	NO	17 Nov 1999	17 Nov 2009	NO	EUR	350	138
Subordinated bonds	5.2% fixed rate	NO	07 Dec 1999	01 Jan 2010	NO	EUR	90	54
Subordinated bonds	5.3% fixed rate	NO	21 Jan 2000	01 Jan 2010	NO	EUR	100	60
Subordinated bonds	5.5% fixed rate	NO	16 Feb 2000	01 Jan 2010	NO	EUR	41	24
Subordinated bonds	6.11% fixed rate; as of 23/2/05 97% of 30-year euro swap mid rate	NO	23 Feb 2000	23 Feb 2015	NO	EUR	65	64
Subordinated bonds	92% of 30-year euro swap mid rate; never lower than the preceding	NO	12 Mar 2001	23 Feb 2015	NO	EUR	50	50
Subordinated bonds	5.35% fixed rate	NO	09 Apr 2001	09 Apr 2011	NO	EUR	125	100
Subordinated bonds	5.20% fixed rate	NO	15 Jan 2002	15 Jan 2012	NO	EUR	266	265
Subordinated bonds	5.50 % fixed rate	NO	12 Apr 2002	12 Apr 2012	NO	EUR	126	123
Subordinated bonds	5.85% fixed rate; as of 8/5/2009 3-month Euribor + 1.25%	YES	08 May 2002	08 May 2014	08 May 2009	EUR	500	499

Characteristics of subordinated instruments	**Interest rate**	**Step-up**	**Issue date**	**Expiry date**	**Early reimburse-ment**	**Currency**	**Original amount in currency** (in millions of euro)	**Contribution to capital for supervisory purposes** (in millions of euro)
Subordinated bonds	3-month Euribor + 0.25%	YES	08 Feb 2006	08 Feb 2016	08 Feb 2011	EUR	1,500	1,490
Subordinated bonds	5.50% fixed rate; as of 19/12/2011 GBP 3-month Libor + 0.99	YES	07 Nov 2006	14 Dec 2016	19 Dec 2011	GBP	1,000	1,354
Subordinated bonds	6.375% fixed rate; as of 12/11/2012 GBP 3-month Libor	YES	12 Oct 2007	12 Oct 2017	12 Nov 2012	GBP	250	341
Subordinated bonds	5.75% p.a.	NO	15 Sep 1999	15 Sep 2009	NO	EUR	150	60
Subordinated bonds	5.55% p.a.	NO	31 Jul 2001	31 Jul 2008	NO	EUR	300	60
Subordinated bonds	5.16% p.a.	NO	02 Oct 2001	02 Oct 2008	NO	EUR	200	40
Notes	6.375% p.a.	NO	06 Apr 2000	06 Apr 2010	NO	EUR	500	300
Notes	5.375% p.a.	NO	13 Dec 2002	13 Dec 2012	NO	EUR	300	299
Notes	up to 9/6/2010 excluded: 3.75% p.a. subsequently: 3 month Euribor + 1.05% p.a.	YES	09 Jun 2003	09 Jun 2015	09 Jun 2010	EUR	350	348
Notes	up to 18/3/2019 excluded: 5.625% p.a. subsequently: 3 month Sterling Libor + 1.125% p.a.	YES	18 Mar 2004	18 Mar 2024	18 Mar 2019	GBP	165	225
Notes	up to 28/6/2011 excluded: 3 month Euribor + 0.30% p.a. subsequently: 3 month Euribor + 0.90% p.a.	YES	28 Jun 2004	28 Jun 2016	28 Jun 2011	EUR	700	698
Subordinated bonds	up to 3/8/2009 excluded: 3.72% p.a. subsequently: 6 month Euribor + 0.60% p.a.	YES	03 Aug 2004	03 Aug 2014	03 Aug 2009	EUR	134	134
Subordinated bonds	up to 1/8/2010 excluded: 2.90% p.a. subsequently: 6 month Euribor + 0.74% p.a.	YES	01 Aug 2005	01 Aug 2015	01 Aug 2010	EUR	20	20
Notes	up to 2/3/2015 excluded: 3.75% p.a. subsequently: 3 month Euribor + 0.89% p.a.	YES	02 Mar 2005	02 Mar 2020	02 Mar 2015	EUR	500	496
Notes	up to 20/2/2013 excluded: 3 month Euribor + 0.25% p.a. subsequently: 3 month Euribor + 0.85% p.a.	YES	20 Feb 2006	20 Feb 2018	20 Feb 2013	EUR	750	749
Notes	up to 19/4/2011 excluded: 3 month Euribor + 0.20% p.a. subsequently: 3 month Euribor + 0.80% p.a.	YES	19 Apr 2006	19 Apr 2016	19 Apr 2011	EUR	500	492
Notes	up to 26/6/2013 excluded: 4.375% p.a. subsequently: 3 month Euribor + 1.00% p.a.	YES	26 Jun 2006	26 Jun 2018	26 Jun 2013	EUR	500	500
Total eligible subordinated liabilities (Lower Tier 2)								**9,918**

Tier 3 capital

Characteristics of subordinated instruments	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement	Currency	Original amount in currency (in millions of euro)	Contribution to capital for supervisory purposes (in millions of euro)
Notes	3 month Euribor + 0.15% p.a.	NO	20 Dec 2005	07 Jan 2008	NO	EUR	550	254
Total Tier 3 subordinated liabilities								**254**
Total								**13,965**

Quantitative information

(in millions of euro)

	Amount 31.12.2007	Amount 31.12.2006 (*)
A. Tier 1 capital before the application of prudential filters	**33,102**	**9,884**
B. Tier 1 capital prudential filters	-10	-11
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	*-10*	*-11*
C. Tier 1 before items to be deducted (A+B)	**33,092**	**9,873**
D. Items to be deducted from Tier 1	**945**	**-**
E. Total Tier 1 capital (C-D)	**32,147**	**9,873**
F. Tier 2 capital before the application of prudential filters	**12,675**	**7,871**
G. Tier 2 capital prudential filters	-184	-271
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	*-184*	*-271*
H. Tier 2 before items to be deducted (F+G)	**12,491**	**7,600**
I. Items to be deducted from Tier 2	**945**	**-**
L. Total Tier 2 capital (H-I)	**11,546**	**7,600**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**3,417**	-1,421
N. Regulatory capital (E+L-M)	**40,276**	**16,051**
O. Tier 3 capital	**254**	**-**
P. Regulatory capital including Tier 3 (N+O)	**40,530**	**16,051**

(*) Figures relative to Banca Intesa.

2.2. Capital adequacy

Qualitative information

On the basis of Supervisory instructions, the Banking Group's regulatory capital must be at least 7% of total risk-weighted assets (total capital ratio) in relation to the credit risk profile, valued on the basis of category of borrowing counterparties, maturity, country risk and guarantees received.
Furthermore, banks must comply with capital requirements on market risks calculated on the whole trading portfolio separately for the various types of risk: position risk on debt securities and equities, settlement risk, counterparty risk and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk and position risk on commodities must be calculated. The use of internal models to determine the capital requirement for market risks is permitted; in particular, Intesa Sanpaolo applies the internal model to calculate generic position risk (price oscillation risk) and specific risk (issuer risk) for equities, generic position risk for debt securities and the specific risk of some types of credit derivatives in the trading portfolio, while standard methodologies are used for other risks.

For the assessment of financial soundness, more rigorous ratios are also used: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preference shares) and risk-weighted assets.

As indicated in the table on the composition of regulatory capital and capital ratios, as at 31 December 2007, Intesa Sanpaolo had a Tier 1 ratio (Tier 1 capital/risk-weighted assets) equal to 11.5% and a Total capital ratio (regulatory capital/risk-weighted assets) equal to 14.5%.

Quantitative information

(in millions of euro)

	Unweighted amounts		Weighted amounts / requirements	
	31.12.2007	31.12.2006 (*)	31.12.2007	31.12.2006 (*)
A. RISK ASSETS				
A.1 Credit risk	**421,519**	**202,894**	**270,196**	**141,800**
STANDARD METHODOLOGY				
CASH ASSETS	**348,906**	**171,949**	**225,065**	**118,110**
1. Exposure (other than equities and other subordinated assets) towards (or guaranteed by):				
1.1 Governments and Central Banks	*29,454*	*4,082*	*39*	*23*
1.2 Public entities	*496*	*473*	*303*	*95*
1.3 Banks	*87,318*	*40,906*	*18,197*	*8,439*
1.4 Other counterparties (other than mortgage loans on residential and non-residential real estate)	*142,835*	*77,201*	*142,835*	*77,201*
2. Mortgage loans on residential real estate	40,183	28,147	20,091	14,073
3. Mortgage loans on non-residential real estate	3,138	3,385	3,138	3,385
4. Shares, equity investments and subordinated assets	36,153	12,709	36,271	12,888
5. Other cash assets	9,329	5,046	4,191	2,006
OFF-BALANCE SHEET ASSETS	**72,613**	**30,945**	**45,131**	**23,690**
1. Guarantees and commitments towards (or guaranteed by):	71,847	30,612	44,969	23,668
1.1 Governments and Central Banks	*4,734*	*72*	*13*	*4*
1.2 Public entities	*1,785*	*347*	*498*	*69*
1.3 Banks	*26,688*	*9,792*	*5,818*	*3,194*
1.4 Other counterparties	*38,640*	*20,401*	*38,640*	*20,401*
2. Derivatives towards (or guaranteed by):	766	333	162	22
2.1 Governments and Central Banks	-	-	-	-
2.2 Public entities	-	-	-	-
2.3 Banks	*766*	*332*	*162*	*22*
2.4 Other counterparties	-	*1*	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit risk			**18,914**	**9,926**
B.2 Market risk			**489**	**520**
1. Standard methodology	X	X		
of which:				
- position risk on debt securities	*X*	*X*	*233*	*329*
- position risk on equities	*X*	*X*	-	-
- foreign exchange risk	*X*	*X*	-	-
- other risks	*X*	*X*	*192*	*136*
2. Internal models	X	X	-	55
of which:				
- position risk on debt securities	X	X	64	-
- position risk on equities	*X*	*X*	-	-
- foreign exchange risk	*X*	*X*	-	-
B.3 Other capital requirements	**X**	**X**	**138**	**103**
B.4 Total capital requirements (B1+B2+B3)	**X**	**X**	**19,541**	**10,549**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS	**X**	**X**		
C.1 Risk-weighted assets	**X**	**X**	**279,153**	**150,695**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	**X**	**X**	**11.5%**	**6.55%**
C.3 Total capital / Risk-weighted assets (Total capital ratio)	**X**	**X**	**14.5%**	**10.65%**

(*) Figures relative to Banca Intesa.

Part G – Business combinations

SECTION 1 – TRANSACTIONS CARRIED OUT IN THE YEAR

1.1 Business combinations

Intesa Sanpaolo carried out the following business combinations in 2007:

- merger by incorporation of SANPAOLO IMI into Banca Intesa with legal effect as of 1 January 2007;
- acquisition of control of American Bank of Albania on 29 June 2007;
- acquisition of activities attributable to the 65% stake of Nextra Investment Management SGR (business line that was renamed Eurizon Investment SGR) on 27 December 2007.

For a description of the abovementioned operations, see Part G of the Notes to the consolidated financial statements.

1.2 Other information on business combinations

1.2.1 Annual changes in goodwill

(in millions of euro)

	31.12.2007
Initial goodwill	**-**
Increases	**7,310**
- Goodwill recorded in the year	7,310
goodwill already recognised in SANPAOLO IMI's financial statements	*610*
goodwill from the acquisition of SANPAOLO IMI	*6,700*
- Positive foreign exchange differences:	-
Decreases	**-**
- Impairment recorded in the year	-
- Disinvestments	-
- Negative foreign exchange differences	-
Final goodwill	**7,310**

1.2.2 Other information

Concerning Intesa Sanpaolo's separate financial statements with reference to the merger between Banca Intesa and SANPAOLO IMI, the table below shows book value and fair value of assets and liabilities acquired and in the following tables show the allocation of purchase cost as well as the effect on the 2007 income statement deriving from the calculation of amortised cost of financial assets and liabilities which were revalued and the adjustments to tangible assets (for the portion referred to the posted revaluation) and finite life intangibles (recorded for the first time in the 2007 financial statements).

Assets/Liabilities	**SANPAOLO IMI**	
	Book value	**Fair value**
Assets		
Financial assets	10,024	10,025
Due from banks	50,788	50,756
Loans to customers	78,638	79,058
Investments in associates and companies subject to joint control	11,980	25,731
Property and equipment	1,424	1,658
Intangible assets	215	3,840
Goodwill	610	7,310
Other assets	5,065	5,094
Total Assets	**158,744**	**183,472**
Liabilities		
Due to banks	50,228	50,233
Due to customers	56,221	56,221
Securities issued	33,052	32,996
Financial liabilities	1,522	1,522
Other liabilities and allowances for risks	5,868	8,297
Shareholders' equity	11,853	34,203
Total Liabilities and Shareholders' Equity	**158,744**	**183,472**

(in millions of euro)

Capital increase	34,126
Accessory costs	77
Purchase cost (A)	**34,203**
Shareholders' equity (B)	**11,853**
Difference to be allocated (A) - (B)	**22,350**
Financial assets and liabilities	441
Real estate assets	244
Equity investments	13,756
Fair value of assets and liabilities	**14,441**
Core deposits	1,079
Asset management portfolio	452
Insurance portfolio	85
Brand name	2,009
Recognition of intangible assets	**3,625**
Deferred tax	**-2,416**
Goodwill (*)	**6,700**
Difference allocated	**22,350**

(*) Goodwill recognised on purchase cost allocation does not include goodwill already recognised in SANPAOLO IMI's financial statements as at 31.12.2006 for 610 million euro.

(in millions of euro)

Income statement	
Interest income (*)	-180
Interest expense (*)	-13
Impairment on property and equipment	20
Impairment on intangible assets	-128
Taxes on income from continuing operations	115
Net income (loss)	**-186**

(*) The amount includes the economic effects of advanced termination of loans and deposits designated at fair value.

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

2.1 Business combinations

After the end of 2007, Intesa Sanpaolo completed the acquisition of the control of Cassa di Risparmio di Firenze by means of a share swap of own ordinary shares on 29 January 2008.
For further details see Part G of the Notes to the consolidated financial statements.

Part H – Information on compensation and transactions with related parties

I INFORMATION ON COMPENSATION AND TRANSACTIONS WITH RELATED PARTIES

Procedural features

The Management Board has adopted the Intesa Sanpaolo "Regulations on the management of transactions with related parties" approved by the Supervisory Board and intended for all companies within the Group. It sets out the criteria for identifying related parties, the assessment and decision-making rules as well as the principles to be followed in subsequently providing information to Corporate bodies and to the market. Changes to the Regulations have recently been made (February 2008) in order to further strengthen the coverage of group controls.
Complying with the criteria set out in IAS 24, the Regulations define the rules for identifying in a practical manner the various entities belonging to the categories foreseen by this accounting standard (companies related through controlling or joint stakes, joint ventures, pension funds, Key Managers, close family members of Key Managers and related significant shareholding positions).
In this regard, it has been decided that the category of Key Managers will include not only Management and Supervisory Board Members but also General Managers, the Manager responsible for preparing the Company's financial reports, the heads of business units, the heads of governance areas, the heads of head office departments that report directly to the CEO and to the Chairman of the Management Board, the Head of the General Secretariat of the Supervisory Board and the Head of Strategic Transactions and Special Projects.
The Regulations approved in 2007 stated that no Bank shareholder, alone or jointly with others, was able to exercise control or significant influence as per IAS 24. In February 2008 the situation was still the same; the Management and Supervisory Boards have consequently decided it is best to extend, as a form of self-regulation, the application of the rules regarding transactions with related parties to a broader circle than the one foreseen by the reference regulations, in order to include shareholders and their groups (controlled entities, controlling entities, or those under joint control) that hold a stake in the bank's voting share capital greater than 2% (calculated considering only shares owned).
This formula shall lead, in future, to the development of a higher standard for monitoring transactions with the main shareholders, subjecting these transactions to the rules applied to transactions with related parties.
The Regulations consider the various preliminary assessments that must be respected by the Parent Company and subsidiaries when carrying out transactions with related parties, in order to fulfil the demands of substantial correctness in the transactions themselves. Among other things, they require a detailed examination of the motives and interests behind the transactions and their potential effects on the balance sheet, income statement and financial situation.
As far as decision-making profiles are concerned, the transactions exclusively attributed to the Management Board are those that are "significant" and carried out by the Parent Company with its own related parties. The transactions that are considered significant are those of greatest economic, capital and financial impact, identified on the basis of qualitative and/or quantitative criteria, depending on the various types of transactions – in particular:

1) if the total value exceeds 3 million euro (or a total exceeding 20 million euro if the transactions are with companies in the Banking Group or in the group, reduced to half for companies that are not wholly-owned):
   a) the purchase and sale of real estate;
   b) the underwriting, purchase or sale of stakes in the company, even if they do not involve changes to the Banking Group;
   c) the purchase and sale of companies, business lines or entire business portfolios;
   d) the framework agreements regulating the performance of services or the placement or distribution of products/services with annual duration and implicit renewal, i.e. multi-year;
2) if the total exceeds 25% of the Tier 1 capital/shareholder's equity of each company and, in any case, higher than 25 million euro, the investment in companies in the Banking Group or in the group through capital interventions, hybrid capital instruments, eligible subordinated liabilities in the

subsidiary's regulatory capital through overdrafts that are not for the purpose of supporting the subsidiary's core business;
3) if the total exceeds 0.50% of the consolidated regulatory capital, the granting of overdrafts to related parties that are not part of the Banking Group;
4) if the monetary value exceeds 20 million euro, both financial and commercial transactions, other than those mentioned above and excluding credit transactions and bank funding operations carried out at market conditions.

Stricter limits regard non-performing exposures (substandard, doubtful loans, restructured loans).

Finally, the Management Board always has jurisdiction over transactions that, due to their subject, the nature of the parties, the consideration paid, methods or timeframes, may have effects on safeguarding company assets or on the thoroughness or correctness of disclosures, including accounting information, regarding Intesa Sanpaolo (any such transactions are also included in information provided to the market in accordance with Article 71 bis of Issuers Regulation 11971/99).

Furthermore, in compliance with the provisions of the Self-Disciplinary Code, transactions having a value in excess of twice the levels established as being under the jurisdiction of the Management Board are also subject to the prior opinion of the Control Committee formed within the Supervisory Board.

In any case, the Control Committee must audit transactions that are under the jurisdiction of the Management Board if any economic conditions have been identified that differ from those of the market, except when subsidiaries are involved.

The Regulations also establish that decision-making bodies can make use, whenever opportune, of independent experts to assess the degree of significance of the transaction, its specific economic or structural features and the nature of the related party.

Concerning transactions carried out by subsidiaries, the Regulations specify which cases require that a decision be requested from the Board of Directors of the companies involved. Each company may also choose to include specific internal control measures in its own decision-making process. It is also expected to adopt a set of rules equivalent to the ones drawn up by the Parent Company to regulate the transactions initiated by the company itself with its "own related parties".

Based on recent changes to the Regulations, the prior opinion of the Control Committee of the Parent Bank is also expected for the most significant transactions by subsidiaries with related parties of the Parent Company.

Moreover, the Regulations define the general criteria for the information to be provided, at least quarterly – also pursuant to Article 150 of the Consolidated Law on Finance – to the Management Board and by the latter to the Supervisory Board regarding transactions with related parties completed in the reference period by the Parent Company or by subsidiaries. Differentiated quantitative thresholds must be decided for each type of transaction. All of the above is aimed at providing a complete overview of the most significant transactions, as well as the volumes and the main features of all those delegated.

Finally, it should be noted that if the related party is one of the players that has direction, administration or control functions, the special decision-making procedure set out in Article 136 of the Consolidated Law on Banking also applies. It subjects the transaction to the prior unanimous decision of the Management Board and to the favourable vote by all Supervisory Board Members.

In accordance with the abovementioned Article 136, anyone who carries out direction, administration or control functions at banks or companies that are part of the Banking Group cannot directly or indirectly enter into contracts which lead to obligations with the company they belong to or carry out financing transactions with another company or bank in the Banking Group without approval from the administrative and control bodies of the company or bank that is party to the contract; in these cases, moreover, the contract or the act must have the approval of the Parent Company. Since May 2006 (implementing Law 262/2005 and Legislative Decree 303/2006), the special decision-making procedure has also been applied to contracts entered into by the Bank or companies in the Banking Group with companies controlled by board members or companies at which board members have administration, direction or control functions. Moreover, it also applies to the controlling companies and to controlled companies (unless the contracts which lead to the obligation are drawn up between companies belonging to the same Banking Group or refer to transactions on the interbank market).

The abovementioned provision also confirms the requirements foreseen by the Italian Civil Code regarding the personal interests of Directors, insofar as article 2391 requires each Board Member to report every instance of interest possessed, on his/her own or through third parties, that may come into play in a significant manner in carrying out his/her function, with reference to a specific transaction. In accordance with the abovementioned provision, the Management Board has jurisdiction over decisions regarding transactions – including those with related parties – in which the Managing Director possesses an interest on his/her own or through a third party and must therefore abstain from the decision as per art. 2391.

1. Information regarding compensation of Supervisory and Management Board Members and Managers with strategic responsibilities

Given the organisational structure in 2007, pursuant to IAS 24 Intesa Sanpaolo decided to include within "managers with strategic responsibilities" (hereafter "Key Managers"), Management and Supervisory Board Members, General Managers, the Manager responsible for preparing the Company's financial reports, the Heads of Business Units, the Heads of Governance Areas, the Heads of Head Office departments that report directly to the Managing Director/CEO or to the Chairman of the Management Board, and, the Head of the General Secretariat of the Supervisory Board and the Head of Strategic transactions and special projects.
The following table shows the amounts of the main benefits recognised to the Supervisory and Management Board Members and to other Key Managers which fall within the notion of related parties.

(in millions of euro)

	31.12.2007
Short-term benefits [1]	42
Post-retirement benefits [2]	2
Other long-term benefits [3]	-
Employee termination indemnities [4]	8
Stock option plans [5]	1
Total remuneration paid to Key Managers	**53**

[1] Includes fixed and variable compensation of directors that may be assimilated with labour cost and social security charges paid by the company for its employees.

[2] Includes company contribution to pension funds and allocation to employee termination indemnities pursuant to legislation and company regulations.

[3] Includes estimate of allocations for length of service awards for employees.

[4] Includes fees paid for early retirement incentive.

[5] Includes cost for stock option plans determined on the basis of IFRS 2 and charged to the consolidated financial statements.

The compensation paid to Supervisory and Management Board Members, General Managers and Key Managers is presented in detail below as provided for by art. 78 of Issuers Regulation 11971 of 14 May 1999 and subsequent amendments.

(in thousands of euro)

PERSON	POST DESCRIPTION				COMPENSATION			
Name and Surname	**Post**		**Period in the post**	**Expiry date**	**Compensation for the post in the reporting company** (1)	**Non-monetary benefits**	**Bonuses and other incentives** (2)	**Other compensat.** (3)
Giovanni BAZOLI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Chairman Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	1,200			
	Chairman Strategic Committee		from 1/1/07 to 31/12/07	31 December 2009	-			
	Chairman Nomination Committee		from 1/1/07 to 31/12/07	31 December 2009	-			
	Compensation for presence in the meetings				14			
Antoine BERNHEIM	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Deputy Chairman Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	200			
	Member Strategic Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				8			
Rodolfo ZICH	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Deputy Chairman Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	200			
	Member Strategic Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Member Nomination Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				14			
Carlo BAREL DI SANT'ALBANO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	- (a)			
	Member Strategic Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				- (a)			
Pio BUSSOLOTTO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Member Strategic Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				12			
Rosalba CASIRAGHI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Member Control Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				108			
Giovanni COSTA	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Member Financial Statements Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				40			
Franco DALLA SEGA	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			36
	Secretary Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
Gianluca FERRERO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Member Financial Statements Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				38			
Angelo FERRO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Member Nomination Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				2			
Pietro GARIBALDI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Member Control Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				108			
Fabrizio GIANNI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Member Nomination Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				2			
Alfonso IOZZO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 30/04/07	30 April 2007	50			
	Member Nomination Committee		from 1/1/07 to 30/04/07	30 April 2007				
Giulio LUBATTI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Chairman Control Committee		from 1/1/07 to 31/12/07	31 December 2009	50			
	Member Remuneration Committee	(4)	from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				110			
Giuseppe MAZZARELLO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 3/05/07 to 31/12/07	31 December 2009	99			
	Member Nomination Committee		from 3/05/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				2			
Eugenio PAVARANI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Chairman Financial Statements Committee		from 1/1/07 to 31/12/07	31 December 2009	50			
	Member Remuneration Committee	(4)	from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				44			

(in thousands of euro)

PERSON	POST DESCRIPTION				COMPENSATION			
Name and Surname	Post		Period in the post	Expiry date	Compensation for the post in the reporting company (1)	Non-monetary benefits	Bonuses and other incentives (2)	Other compensat. (3)
Gianluca PONZELLINI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			70
	Chairman Remuneration Committee	(4)	from 1/1/07 to 31/12/07	31 December 2009	-			
	Member Control Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				98			
Gian Guido SACCHI MORSIANI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Member Financial Statements Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				44			
Ferdinando TARGETTI	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Member Financial Statements Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				42			
Livio TORIO	**INTESA SANPAOLO S.p.a.**							
	Member Supervisory Board		from 1/1/07 to 31/12/07	31 December 2009	150			115
	Member Control Committee		from 1/1/07 to 31/12/07	31 December 2009				
	Compensation for presence in the meetings				98			
Enrico SALZA	**INTESA SANPAOLO S.p.a.**							
	Member Management Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Chairman Management Board		from 1/1/07 to 31/12/07	31 December 2009	1,200			
Orazio ROSSI	**INTESA SANPAOLO S.p.a.**							
	Member Management Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	Deputy Chairman Management Board		from 1/1/07 to 31/12/07	31 December 2009	200			337
Corrado PASSERA	**INTESA SANPAOLO S.p.a.**							
	Managing Director and Chief Executive Officer		from 1/1/07 to 31/12/07	31 December 2009	350			
	Member Management Board		from 1/1/07 to 31/12/07	31 December 2009	150			
	General Manager		from 1/1/07 to 31/12/07	31 December 2009	1,500	287	1,503	-
Elio CATANIA	**INTESA SANPAOLO S.p.a.**							
	Member Management Board		from 1/1/07 to 31/12/07	31 December 2009	150			
Giuseppe FONTANA	**INTESA SANPAOLO S.p.a.**							
	Member Management Board		from 1/1/07 to 31/12/07	31 December 2009	150			43
Gian Luigi GARRINO	**INTESA SANPAOLO S.p.a.**							
	Member Management Board		from 1/1/07 to 31/12/07	31 December 2009	150			
Giovanni Battista LIMONTA	**INTESA SANPAOLO S.p.a.**							
	Member Management Board		from 1/1/07 to 31/12/07	31 December 2009	150			12
Virgilio MARRONE	**INTESA SANPAOLO S.p.a.**							
	Member Management Board		from 1/1/07 to 31/12/07	31 December 2009	126			
Emilio OTTOLENGHI	**INTESA SANPAOLO S.p.a.**							
	Member Management Board		from 1/1/07 to 31/12/07	31 December 2009	150			290
Giovanni PERISSINOTTO	**INTESA SANPAOLO S.p.a.**							
	Member Management Board		from 1/1/07 to 31/12/07	31 December 2009	150			
Marcello SALA	**INTESA SANPAOLO S.p.a.**							
	Member Management Board		from 1/1/07 to 31/12/07	31 December 2009	150			41
Pietro MODIANO	**INTESA SANPAOLO S.p.a.**							
	General Manager and Deputy to the CEO		from 1/1/07 to 31/12/07	31 December 2009	1,288	220	2,217	- (b)
Francesco MICHELI	**INTESA SANPAOLO S.p.a.**							
	General Manager		from 1/1/07 to 31/12/07	31 December 2009	1,250	88	1,253	
OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES			from 1/1/07 to 31/12/07	31 December 2009	7,271	379	8,078	- (c)

(in thousands of euro)

PERSON	POST DESCRIPTION			COMPENSATION			
Name and Surname	Post	Period in the post	Expiry date	Compensation for the post in the reporting company (1)	Non-monetary benefits	Bonuses and other incentives (2)	Other compensat. (3)
Giovanni BAZOLI	Chairman Board of Directors - former Banca Intesa S.p.A.	1982-2006	31 December 2006				10,000 (d)
Maurizio BARRACCO	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			138	
Pio BUSSOLOTTO	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			292	
Giuseppe FONTANA	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			131	
Ettore GOTTI TEDESCHI	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			270	
Virgilio MARRONE	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			- (e)	
Iti MIHALIC	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			131	
Emilio OTTOLENGHI	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			248	
Gian Guido SACCHI MORSIANI	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			291	
Alfredo SAEN ABAD	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			36	
Mario SARCINELLI	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			131	
Leone SIBANI	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			138	
Alberto TAZZETTI	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			124	
Josè Manuel VARELA	Director - former Sanpaolo IMI S.p.A.	from 1/1/06 to 31/12/06	31 December 2006			248	

(1) Compensation for the offices in INTESA SANPAOLO S.p.A. and wages, excluding compulsory collective social security benefits paid by the Bank as well as provisions for employee termination indemnities.

(2) This includes:
- for the Managing Director, the General Managers and the other Key Managers, the variable part of the remuneration for 2007;
- for the Directors of former Sanpaolo IMI S.p.A., the remuneration corresponding to the former Sanpaolo IMI Group's income for 2006 divided in proportion to their presence at meetings held during the year, after the approval of the 2006 financial statements of the former Sanpaolo IMI S.p.A..

(3) Includes the remuneration accrued with INTESA SANPAOLO subsidiary companies.

(4) The office of Member of the Remuneration Committee is not paid upon presence to the meetings.

(a) 150,000 euro for the office of Member of the Supervisory Board and 10,000 euro for the office of Member of the Strategy Committee. Both amounts have been entirely reversed to IFIL INVESTMENTS S.p.A..

(b) The remuneration paid for the offices in Group companies as representative of INTESA SANPAOLO S.p.A., which amounts to 178 thousand euro, has not been included in this item, since it was reversed in full to the Bank.

(c) The remuneration paid for the offices in Group companies as representative of INTESA SANPAOLO S.p.A., which amounts to 1,241 thousand euro, has not been included in this item, since it was reversed in full to the Bank.

(d) Special leaving indemnity as Chairman of the Board of Directors of former Banca Intesa S.p.A..

(e) 131 thousand euro paid to IFI S.p.A..

The equity investments in the Parent Company and in other subsidiaries held by Supervisory and Management Board Members, by General Managers, by Key Managers as well as by the other persons set forth by Art. 79 of Issuers Regulation 11971/99, are detailed in the table provided in Part H of the Notes to the consolidated financial statements.

The tables below provide the evolution and details of the stock option plans relative to Key Managers. Please note that as at 31 December 2007 there were no stock option plans for Supervisory and Management Board Members and General Managers of the Bank.

	Number of shares	Average strike price (in millions of euro)	Market price (in millions of euro)	Residual Maturity rights existing as at 31.12.2007
Rights existing as at 31 December 2006	1,000,000	12.3074	17.624 (a1)	
Adjustments for changes in the reference area and company operations (b)	-	-	-	
Conversion of rights due to the merger by incorporation of Sanpaolo IMI into Banca Intesa (now Intesa Sanpaolo)	3,115,000	3.951		
Rights existing as at 1 January 2007 based on the updated reference area, on the concluded company operations and on the exchange ratio	3,115,000	3.951	5.785 (a2)	
Rights exercised in 2007	-	-	-	
Rights expired (c)	-	-	-	
Rights annulled in 2007 (d)	-	-	-	
Rights assigned in 2007	-	-	-	
Rights existing as at 31 December 2007	3,115,000	3.951	5.397 (e)	May 2009 - April 2012
Of which: exercisable as at 31 December 2007	-	-		

(a1) Official reference price as at 29 December 2006 relative to SANPAOLO IMI S.p.A.

(a2) Official reference price as at 29 December 2006 relative to Banca Intesa S.p.A.

(b)The reference area was updated based on changes in the organisational structure occurred following the merger by incorporation of the former SANPAOLO IMI S.p.A. into the former Banca Intesa S.p.A.

(c) Rights no longer exercisable following expiry of exercise period.

(d) Rights no longer exercisable following termination of employment.

(e) Official reference price as at 28 December 2007.

Strike price (in millions of euro)	Exercise period	Number of shares	Of which exercisable as at 31 December 2007	
			Number	Contractual average residual maturity
3.951	May 2009 - April 2012	3,115,000	-	-

2. Information on transactions with related parties

Transactions of atypical and/or unusual nature

In 2007, no transactions of "atypical or unusual nature" were carried out by the Parent Company, the importance/relevance of which might give rise to doubts with regard to the safety of the net shareholders' equity or the protection of minority interests, either with related parties or with persons other than related parties (any atypical or unusual transactions must also be disclosed to the market pursuant to art. 71 bis of Issuers Regulation 11971/99).

Transactions of ordinary or recurrent nature

Ordinary or usual transactions entered into with related parties fall within the scope of Intesa Sanpaolo's ordinary activities and are usually entered into at market conditions, based on valuations of mutual economic convenience, in line with the internal procedures mentioned above. Receivable and payable balances with related parties as at 31 December 2007 – other than those infra-group – amount to a total that is insignificant compared to the size of the Bank's equity.
In 2007 there were no provisions for doubtful loans related to balances with related parties and no losses registered in the year in connection with uncollectible or doubtful loans due from related parties. Furthermore, provisions for risks and charges include the provisions made against any outstanding or probable disputes.
The table below reports the weight of transactions with related parties, as classified by IAS 24. See the previous paragraph for information on compensation of Supervisory and Management Board Members, General Managers and Key Managers.

(in millions of euro)

	Financial assets available for sale	Investments held to maturity	Loans to customers	Due from banks	Financial liabilities held for trading	Due to customers	Due to banks	Guarantees given
Subsidiaries	11	2,582	27,252	69,356	2,155	13,721	43,688	32,321
Companies subject to joint control	16	1	762	15	1	48	6	7
Associates	-	93	1,822	77	6	103	23	369
Key Managers and control bodies	-	-	1	-	-	12	-	-
Other related parties	-	-	104	-	-	1,261	-	4
Total	**27**	**2,676**	**29,941**	**69,448**	**2,162**	**15,145**	**43,717**	**32,701**

Relations between the Intesa Sanpaolo Group and Managers refer to the Group's normal business activities and are defined applying, where conditions recur, the terms reserved to all employees, in full respect and transparency of terms applied, or, in relation to independent professionals with which a term contract exists, applying the terms reserved to professionals of similar standing, in full compliance with relevant regulations.
Concerning the infra-group transactions carried out in 2007, please note that these are normal internal business activities of a multifunctional banking group. They are usually regulated at the conditions at which the Parent Company accesses the reference markets, which are not necessarily the same conditions that would be applicable if the counterparties operated independently. These conditions are, in any case, applied in compliance with criteria of substantial correctness and with the aim of creating value for the Group.
Infra-group transactions concerned mainly:
- the support given by Parent Company to the financial needs of the other Group companies by providing risk capital and loans and by subscribing securities issued by the subsidiaries;
- the channelling of foreign funding by specialist Group companies in favour of the Parent Company and, in part, of other subsidiaries;
- the Parent Company's investment of subsidiaries' liquidity;
- structured finance which within the sphere of the Group was carried out through Caboto and Banca IMI (aggregated in the "new" Banca IMI as of 1 October 2007);
- the outsourcing relationships, reviewed during 2007 in relation to the Groups' different structure, that regulate auxiliary activities provided by the Parent Company mainly to the Network Banks. In particular, the services provided concern the management of the IT platform, back office, property services, logistics as well as commercial, administrative and control support and consultancy;
- the agreements with Group companies on distribution of products and/or services or, more generally, infra-group support and consultancy, reviewed during 2007;

- financial settlements provided for by agreements entered into with Group companies taking part in national fiscal consolidation.

The most significant relations with associates include those with Intesa Vita and Telco. The latter acquired an equity stake in Telecom through a capital increase (subscribed by Intesa Sanpaolo for 522 million euro, representing 10.6% of share capital) and through a financing of 1,100 million euro, granted by Mediobanca and Intesa Sanpaolo for 550 million euro.
With regard to transactions with companies subject to joint control, please note that on 27 December 2007 Intesa Sanpaolo and Crédit Agricole SA unwound the joint-venture in asset management in Italy - CAAM SGR (now Eurizon Investimenti SGR) – with the repurchase by the Bank of 65% of the company, now wholly-owned. On the same date an agreement was also reached to unwind AGOS, the joint-venture operating in consumer credit, through the sale to Crédit Agricole SA of the entire stake held; the transaction is expected to be finalised in 2008.
The category "Other related parties" includes the Bank's pension funds, the close relations of board members, entities controlled by or related to the latter.
For information on the transactions entered into by the Group, see the same chapter of the Notes to the Consolidated financial statements.

Particularly significant transactions
There were no particularly significant transactions with related parties in the year.
However, the transactions finalised in 2007 by the Parent Company or subsidiaries with related parties, mostly within the Group , as part of the Group's rationalisation plan are set out below.
Credit lines for a total of 116.5 million euro, of which 105 million euro with a mortgage guarantee, were granted at standard conditions to Ente Holding S.r.l., a wholly-owned subsidiary of the Pension Fund of the former Sanpaolo IMI Group, included in related parties.
Activities for the Group's rationalisation continued, through mergers between subsidiaries which either performed the same activities or were present in the same geographical area, with effect as at the end of 2007 and 1 January 2008. Abroad, mergers mostly referred to subsidiaries in Eastern Europe (Albania: Banca Italo Albanese/American Bank of Albania; Serbia: Panonska Banka/Banka Intesa Beograd; Hungary: Inter Euopa Bank/CIB Bank; Bosnia: LT Gospodarska Banka and UPI Banka) in Ireland (Intesa Bank Ireland/Sanpaolo IMI Bank Ireland) and in Luxemburg (Sanpaolo IMI International/Intesa Holding International) and will generate cost and revenue synergies in line with the forecasts of the Group's three-year plan.
In Italy the activities of the Eurizon Financial Group (EFG) were rationalised through the merger by incorporation of EFG SpA into Intesa Sanpaolo with the consequent inclusion of the former's subsidiaries (Eurizon Vita, Eurizon Capital, Banca Fideuram and Eurizon Solutions) as well as of the minority stakes held under the Parent Company. Prior to the merger the activities performed by Eurizon Solutions – a captive integrated IT platform for the entire EFG sub-group - were reorganised by disposals, in favour of Intesa Sanpaolo, Eurizon Vita, Eurizon Capital, Banca Fideuram and Fideuram Investimenti, of business lines, valued on the basis of an independent expert opinion. To complete the project, Eurizon Solutions will be merged into Intesa Sanpaolo in 2008.
Concerning individual portfolio management activities on behalf of retail customers, the realisation and management of products have been concentrated in Eurizon Capital SGR, through their transfer to the Parent Company's business line. A fairness opinion was obtained on the congruity of the valuation.
As required by the provisions of the Italian Competition Authority, a third insurance player, Sud Polo Vita SpA, subsidiary of the Bank, was formed through the spin-offs of business lines from Eurizon Vita and Intesa Vita and the purchase of the stakes held by other shareholders. The value of the business lines spun off was estimated by the advisors of the transaction. Again with reference to insurance, Eurizon Vita acquired from Fideuram Investimenti Sgr the business line relative to the activities of the Pensione Fideuram fund.
In the other initiatives aimed at rationalising the equity investment portfolio, please note the merger of Sanpaolo IMI Internazionale into Intesa Sanpaolo, with effect as of 31 December 2007, as well as, on 1 January 2008, the total spin-off of Banca per la Finanza alle Opere Pubbliche e alle Infrastrutture S.p.A. in favour of the Parent Company, Banca Intesa Infrastrutture e Sviluppo S.p.A. and Finanziaria per le Opere Pubbliche e le Infrastrutture S.p.A., and the merger by incorporation of Sanpaolo Leasint into Intesa Leasing.
Similarly, the integration process between Banca IMI and Banca Caboto was carried out.

With regard to the network, within the territorial reordering of the Group's presence in the Adriatic regions according to the "banca dei territori" (territorial bank) model, the forecast transfers of Group branches present in Romagna to the Cassa dei Risparmi di Forlì e della Romagna (former Cassa dei Risparmi di Forlì, of which the Group acquired control) were completed. In parallel, the Parent Company and the other Network Banks acquired from Cassa dei Risparmi di Forlì e della Romagna the branches present in their respective territorial areas. External advisors were appointed for the valuation of the assets.
In March 2007 the disposal to Banca Caboto of the equity stake in Unipol Assicurazioni (representing 0.73% of the share capital) held by the Parent Company for an exchange value of 48.7 million euro was finalised; the trade occurred on the block market at market prices.
Nuova Real Estate (now IMMIT S.p.A.), a listed real estate investment company (SIIQ), an instrument aimed at enhancing the value of non-core real estate assets, was established in October. At the end of 2007 the first nine real estate assets were contributed for a total value of 5.4 million euro, in line with the value determined by the expert appointed by the Court pursuant to art. 2343 of the Italian Civil Code. The second contribution occurred in February 2008.
On 30 November 2007,as part of the agreements signed with Grande Jolly S.p.A. on 29 November 2006, Intesa Sanpaolo sold the equity investment in Italjolly S.p.A. to Grande Jolly S.p.A., associated company, at a price of 22.7 million euro.
A newly-established company, in which a Member of the Parent Company's Management Board holds a 47% stake was granted a structured financing up to a maximum of 157 million euro (subsequently syndicated for 57 million euro to a primary bank), at market conditions and assisted by real guarantees, destined to the acquisition of the company Villa d'Este (operating in the hotel sector), with a direct investment – in the newly-established company – by the Bank of 5 million euro (12.5% of capital). All was supported by a business plan prepared with the help of a consulting company.
Lastly, pursuant to art. 111 of the Consolidated Law on Finance, Banca Fideuram sold to Eurizon Financial Group SpA 12,655,273 treasury shares, for a consideration of 63.3 million euro, price determined by the expert appointed by the Court of Rome.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

1. Description of share-based payments

The Shareholders' Meeting of 30 April 2002 of the former SANPAOLO IMI delegated to the Board of Directors the power to implement programmes for the free assignment to Group executives of stock options to subscribe up to a maximum of 18,371,660 newly-issued ordinary shares.

Based on this delegated power, the Board of Directors of former SANPAOLO IMI:

- on 17 December 2002 launched a stock option plan, assigning 291 Group executives 8,280,000 rights, exercisable after the dividend issue for 2004 and not after 31 March 2007 (extended to 15 May 2007 by resolution of the Board of Directors on 25 January 2005), at a price of 7.1264 euro; 68,900 options had not been exercised as at 31 December 2006;
- on 14 November 2005 launched a new stock option plan assigning the relative rights to 48 executives who occupied key positions within the Group and had a strong influence on strategic decisions aimed at achieving the objectives in the Business Plan and at increasing the value of the Group. The 2006-2008 plan includes the assignment of 9,650,000 rights exercisable after the dividend issue for 2008 and not after 30 April 2012, at a strike price of 12.3074 euro.

Moreover, following the merger by incorporation of SANPAOLO IMI into Banca Intesa (now Intesa Sanpaolo), former-SANPAOLO IMI rights as at 31 December 2006 and the relative strike price have been recalculated based on the exchange ratio used for the merger; therefore:

- the beneficiaries of the stock option plan resolved upon on 17 December 2002 have been attributed the right to subscribe 214,623 Intesa Sanpaolo ordinary shares at a price of 2.2878 euro;
- the beneficiaries of the stock option plan resolved upon on 14 November 2005 have been attributed the right to subscribe 30,059,750 Intesa Sanpaolo ordinary shares at a price of 3.951 euro.

The residual options assigned on 17 December 2002 were all exercised by beneficiaries within the expiry date, thus determining the issue of 214,623 newly-issued ordinary shares, with regular rights and the consequent rise in ordinary share capital of 111,605 euro and in the share premium reserve of 379,411 euro.

Lastly, please note that the stock option plan resolved upon by the Extraordinary Shareholders' Meeting of former Banca Intesa in December 2002, which, as indicated in the reports of the last years, set forth the free assignment of up to a maximum of 100,000,000 newly-issued Banca Intesa ordinary shares, to Group managers, was completed in 2006, with the subscription of 32,214,375 ordinary shares following the exercise of the last options outstanding.

B. QUANTITATIVE INFORMATION

1. Annual changes

The tables below show information regarding the assignment of stock options and details of the rights outstanding as at 31 December 2007 broken down by strike price and residual maturity.

	Number of shares	Average strike price (in millions of euro)	Market price (in millions of euro)	Residual Maturity rights existing as at 31.12.2007
Rights existing as at 31 December 2006	7,062,000	12.2986	17.624 (a1)	
Adjustments for changes in the reference area and company operations (b)	-1,850,000	-	-	
Conversion of rights due to the merger by incorporation of Sanpaolo IMI into Banca Intesa (now Intesa Sanpaolo)	16,235,380	3.9472	-	
Rights existing as at 1 January 2007 based on the updated reference area, on the concluded company operations and on the exchange ratio	16,235,380	3.9472	5.785 (a2)	
Rights exercised in 2007	-37,380	2.2878	5.932 (c)	
Rights expired (d)	-	-	-	
Rights annulled in 2007 (e)	-1,869,000	-	-	
Rights assigned in 2007	-	-	-	
Rights existing as at 31 December 2007	14,329,000	3.951	5.397 (f)	May 2009 - April 2012
Of which: exercisable as at 31 December 2007	-	-	-	

(a1) Official reference price as at 29 December 2006 relative to the ordinary share of the former Sanpaolo IMI S.p.A.
(a2) Official reference price as at 29 December 2006 relative to the ordinary share of former Banca Intesa S.p.A.
(b) The reference area was updated based on changes in the organisational structure and company operations that occurred in 2007
(c) Simple arithmetic average of the official prices recorded in April 2007.
(d) Rights no longer exercisable following expiry of exercise period.
(e) Rights no longer exercisable following termination of employment.
(f) Official reference price as at 28 December 2007.

Strike price (in millions of euro)	Exercise period	Number of shares	Of which exercisable as at 31 December 2007	
			Number	Contractual average residual maturity
3.951	May 2009 - April 2012	14,329,000	-	-

2. Other information

The plan for the purchase and free assignment of ordinary shares approved by the Shareholders' Meeting held on 1 December 2006 and on 3 May 2007 was concluded at the end of the first half of 2007. More specifically, already on 1 December 2006, the Bank's Shareholders' Meeting had resolved upon the purchase of a maximum of 5,250,000 ordinary shares to serve a free stock granting plan in favour of Banca Intesa employees with an indefinite term contract, included in the Personnel Register as at 31 December 2006 and in service as at 31 May 2007, for a maximum exchange value of 700 euro each, reduced for cases of shorter period of service. The free stock granting plan approved by the Bank's Shareholders' Meeting of 3 May 2007 was reserved for Bank employees coming from SANPAOLO IMI and integrated the resolution of 1 December 2006. It involved all employees of Intesa Sanpaolo with an indefinite term contract in service at the date of the launch of the Plan (4 May 2007) and already in service, as at 31 December 2006, at SANPAOLO IMI, without prejudice to specific exceptions. Beneficiaries were given the faculty of requesting the free assignment of shares amounting to an exchange value of a minimum of 516.46 euro and a maximum of 2,065.83 euro calculated on the basis of the position of each beneficiary of the Plan as at 31 December 2006; the request led to the restructuring of the Company Productivity Bonus 2006 due to each employee.
For the purpose of serving the Plan involving former SANPAOLO IMI employees, the Shareholders' Meeting had authorised the purchase of further own shares up to a maximum number of 4,600,000.

As from 28 May, the date on which the programme was started, the Bank purchased, through Banca IMI – in compliance with provisions of the Italian Civil Code, Shareholders' Meeting resolutions and according to operating methods set forth in the Regulations providing for the organisation and management of the market – a total of 7,220,124 Intesa Sanpaolo ordinary shares (equal to approximately 0.06% of the ordinary share capital), for a total exchange value of 40,485,219.07 euro. Shares were assigned to the employees involved on 27 June 2007.

Attachments

Reconciliation between reclassified financial statements and official financial statements

Reconciliation between the 2006 income statement and the figures restated according to IFRS 5

List of IAS/IFRS endorsed by the European Commission as at 31 December 2007

Table of Intesa Sanpaolo's property and equipment and financial assets subject to revaluation

Statement of Intesa Sanpaolo's internal pension funds

Table of significant equity investments in unlisted companies pursuant to art. 126 of Issuers Regulation 11971 of 14 May 1999

Fees for auditing and services other than auditing pursuant to art. 149 duodecies of Issuers Regulation 11971

Reconciliation between reclassified financial statements and official financial statements

The following tables set out the reconciliation between the reclassified financial statements in the Report on operations and the official financial statements as provided for by the Bank of Italy with Regulation 262 of 22 December 2005. The amounts in the tables refer to the reclassifications described in detail in the Report on operations both in the Consolidated and in the Parent Company's financial statements.

Reconciliation between Intesa Sanpaolo's reclassified balance sheet and official balance sheet

(in millions of euro)

Captions of the reclassified balance sheet Assets	Captions of the balance sheet - Assets	2007
Financial assets held for trading		24,195
	Caption 20 - Financial assets held for trading	*24,195*
Financial assets designated at fair value through profit and loss		385
	Caption 30 - Financial assets designated at fair value through profit and loss	*385*
Financial assets available for sale		4,021
	Caption 40 - Financial assets available for sale	*4,021*
Investments held to maturity		2,340
	Caption 50 - Investments held to maturity	*2,340*
Due from banks		100,832
	Caption 60 - Due from banks	*100,832*
Loans to customers		196,463
	Caption 70 - Loans to customers	*196,463*
Equity investments		37,081
	Caption 100 - Equity investments	*37,081*
Property, equipment and intangible assets		13,804
	Caption 110 - Property and equipment	*2,588*
	+ Caption 120 - Intangible assets	*11,216*
Tax assets		2,188
	Caption 130 - Tax assets	*2,188*
Non-current assets held for sale and discontinued operations		3,759
	Caption 140 - Non-current assets held for sale and discontinued operations	*3,759*
Other assets		9,801
	Caption 10 - Cash and cash equivalents	*1,761*
	+ Caption 150 - Other assets	*6,521*
	+ Caption 80 - Hedging derivatives	*1,507*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*12*
Total Assets	**Total Assets**	**394,869**

Captions of the reclassified balance sheet Liabilities and Shareholders' Equity	Captions of the balance sheet - Liabilities and Shareholders' Equity	2007
Due to banks		86,008
	Caption 10 - Due to banks	*86,008*
Due to customers and securities issued		230,195
	Caption 20 - Due to customers	*132,477*
	+ Caption 30 - Securities issued	*97,718*
Financial liabilities held for trading		10,087
	Caption 40 - Financial liabilities held for trading	*10,087*
Financial liabilities designated at fair value through profit and loss		-
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*-*
Tax liabilities		1,500
	Caption 80 - Tax liabilities	*1,500*
Liabilities associated with non-current assets held for sale and discontinued operations		2,258
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*2,258*
Other liabilities		12,491
	Caption 100 - Other liabilities	*10,701*
	+ Caption 60 - Hedging derivatives	*1,756*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*34*
Allowances for specific purpose		3,888
	Caption 110 - Employee termination indemnities	*1,016*
	Caption 120 - Allowances for risks and charges	*2,872*
Share capital		6,647
	Caption 180 - Share capital	*6,647*
Reserves (net of treasury shares)		34,398
	Caption 160 - Reserves	*3,101*
	Caption 170 - Share premium reserve	*33,457*
	– Caption 190 - Treasury shares	*-2,160*
Valuation reserves		1,586
	Caption 130 - Valuation reserves	*1,586*
Net income (loss)		5,811
	Caption 200 - Net income (loss)	*5,811*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**394,869**

Reconciliation between Intesa Sanpaolo's reclassified income statement and official income statement

(in millions of euro)

Captions of the reclassified income statement	Captions of the income statement	2007
Net interest income		5,067
	Caption 30 - Interest margin	*4,820*
	- Caption 10 (partial) - Interest income (Effect of purchase cost allocation)	*133*
	+ Caption 70 (partial) - Dividend and similar income related to financing transactions	*-*
	+ Caption 80 (partial) - Interest rate differentials on currency interest rate swap	*86*
	+ Caption 90 - Fair value adjustments in hedge accounting	*7*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*120*
	+ Caption 150 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*-70*
	+ Caption 160 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-29*
Dividends		700
	Caption 70 - Dividend and similar income	*940*
	_ Caption 70 (partial) - Dividend and similar income related to financing transactions	*-*
	– Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-240*
Net fee and commission income		3,154
	Caption 60 - Net fee and commission income	*3,154*
Profits (Losses) on trading		18
	Caption 80 - Profits (Losses) on trading	*-446*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*300*
	+ Caption 100 b) (partial) - Financial assets available for sale (Effect of purchase cost allocation)	*13*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*-*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designed at fair value	*-3*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*240*
	– Caption 80 (partial) - Interest rate differentials on currency interest rate swap	*-86*
Other operating income (expenses)		714
	Caption 190 - Other operating income (expenses)	*733*
	– Caption 190 (partial) - Other operating income (expenses) (Recovery of expenses)	*-19*
Operating income		**9,653**
Personnel expenses		-3,120
	Caption 150 a) - Personnel expenses	*-3,622*
	– Caption 150 a) (partial) - Personnel expenses (merger and restructuring related charges)	*432*
	– Caption 150 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*70*
Other administrative expenses		-1,880
	Caption 150 b) - Other administrative expenses	*-2,143*
	- Caption 150 b) (partial) - Other administrative expenses (merger and restructuring related charges)	*244*
	+ Caption 190 (partial) Other operating income (expenses) (Recovery of expenses)	*19*
Adjustments to property,		-605
equipment and intangible assets	*Caption 170 - Net adjustments to/recoveries on property and equipment*	*-293*
	– Caption 170 (partial) - Net adjustments to property and equipment (Effect of purchase cost allocation)	*-20*
	+ Caption 180 - Net adjustments to/recoveries on intangible assets	*-449*
	– Caption 180 (partial) - Net adjustments to intangible assets (Effect of purchase cost allocation)	*125*
	– Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	*10*
	– Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	*-*
	– Caption 170 (partial) - Net adjustments to/recoveries on property and equipment	*5*
	– Caption 180 (partial) - Net adjustments to/recoveries on intangible assets	*17*
Operating costs		**-5,605**
Operating margin		**4,048**
Goodwill impairment		-
	Caption 230 - Goodwill impairment	*-*
Net provisions for risks and charges		-377
	Caption 160 - Net provisions for risks and charges	*-406*
	– Caption 160 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*29*
Net adjustments to loans		-660
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*-81*
	– Caption 100 a) (partial) - Profits (Losses) on purchase/disposal of loans (Effect of purchase cost allocation)	*47*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-473*
	– Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-120*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*-33*
Net impairment losses on other assets		-35
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-25*
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	*-*
	+ Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	*-10*
	+ Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	*-*
Profits (Losses) on investments held to maturity		45
and on other investments	*Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity*	*-*
	+ Caption 240 - Profits (Losses) on disposal of investments	*7*
	+ Caption 210 - Profits (Losses) on equity investments	*-227*
	+ Caption 210 -(partial) - Profits (Losses) on equity investments (Impairment Eurizon Investimenti SGR S.p.A.)	*265*
	+ Caption 220 - Valuation differences on property, equipment and intangible assets measured at fair value	*-*
Income (Loss) before tax from continuing operations		**3,021**
Taxes on income from continuing operations		-1,199
	Caption 260 - Taxes on income from continuing operations	*-371*
	– Caption 260 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	*-220*
	– Caption 260 (partial) - Taxes on income from continuing operations (purchase cost allocation)	*-608*
Merger and restructuring related charges		-478
(net of taxes)	*+ Caption 150 a) (partial) - Personnel expenses (merger and restructuring related charges)*	*-432*
	+ Caption 150 b) (partial) - Other administrative expenses (merger and restructuring related charges)	*-244*
	+ Caption 260 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	*220*
	– Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (merger and restructuring related charges)	*-5*
	– Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (merger and restructuring related charges)	*-17*
Effect of purchase cost allocation (net of tax)		310
	+ Caption 10 (partial) - Interest income (Effect of purchase cost allocation)	*-133*
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase cost allocation)	*-47*
	+ Caption 100 b) (partial) - Financial assets available for sale (Effect of purchase cost allocation)	*-13*
	+ Caption 170 (partial) - Net adjustments to property and equipment (Effect of purchase cost allocation)	*20*
	+ Caption 180 (partial) - Net adjustments to intangible assets (Effect of purchase cost allocation)	*-125*
	+ Caption 260 (partial) - Taxes on income from continuing operations	*114*
	+ Caption 260 (partial) - Taxes on income from continuing operations - changed tax rate effect	*494*
Income (Loss) after tax from discontinued operations		4,157
	Caption 280 - Income (Loss) after tax from discontinued operations	*4,422*
	– Caption 210 (partial) Profits (Losses) on equity investments (Impairment Eurizon Investimenti SGR S.p.A.)	*-265*
Net income	**Caption 290 - Net income (loss)**	**5,811**

Reconciliation between the Intesa Sanpaolo Group's reclassified consolidated balance sheet and official consolidated balance sheet

(in millions of euro)

Captions of the reclassified consolidated balance sheet Assets	Captions of the consolidated balance sheet - Assets	2007
Financial assets held for trading		52,759
	Caption 20 - Financial assets held for trading	*52,759*
Financial assets designated at fair value through profit and loss		19,998
	Caption 30 - Financial assets designated at fair value through profit and loss	*19,998*
Financial assets available for sale		36,914
	Caption 40 - Financial assets available for sale	*36,914*
Investments held to maturity		5,923
	Caption 50 - Investments held to maturity	*5,923*
Due from banks		62,831
	Caption 60 - Due from banks	*62,831*
Loans to customers		335,273
	Caption 70 - Loans to customers	*335,273*
Investments in associates and companies subject to joint control		3,522
	Caption 100 - Investments in associates and companies subject to joint control	*3,522*
Property, equipment and intangible assets		30,905
	Caption 120 - Property and equipment	*5,191*
	+ Caption 130 - Intangible assets	*25,714*
Tax assets		3,639
	Caption 140 - Tax assets	*3,639*
Non-current assets held for sale and discontinued operations		4,222
	Caption 150 - Non-current assets held for sale and discontinued operations	*4,222*
Other assets		16,916
	Caption 10 - Cash and cash equivalents	*3,463*
	+ Caption 160 - Other assets	*10,390*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*34*
	+ Caption 80 - Hedging derivatives	*3,017*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*12*
Total Assets	**Total Assets**	**572,902**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	2007
Due to banks		67,688
	Caption 10 - Due to banks	*67,688*
Due to customers and securities issued		346,483
	Caption 20 - Due to customers	*206,592*
	+ Caption 30 - Securities issued	*139,891*
Financial liabilities held for trading		24,608
	Caption 40 - Financial liabilities held for trading	*24,608*
Financial liabilities designated at fair value through profit and loss		27,270
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*27,270*
Tax liabilities		3,806
	Caption 80 - Tax liabilities	*3,806*
Liabilities associated with non-current		3,265
assets held for sale and discontinued operations	*Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations*	*3,265*
Other liabilities		20,181
	Caption 100 - Other liabilities	*17,951*
	+ Caption 60 - Hedging derivatives	*2,234*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*-4*
Allowances for specific purpose		5,681
	Caption 110 - Employee termination indemnities	*1,488*
	Caption 120 - Allowances for risks and charges	*4,193*
Technical reserves		21,571
	Caption 130 - Technical reserves	*21,571*
Share capital		6,647
	Caption 190 - Share capital	*6,647*
Reserves (net of treasury shares)		36,962
	Caption 170 - Reserves	*5,712*
	Caption 180 - Share premium reserve	*33,457*
	– Caption 200 - Treasury shares	*-2,207*
Valuation reserves		699
	Caption 140 - Valuation reserves	*699*
Minority interests		791
	Caption 210 - Minority interests	*791*
Net income (loss)		7,250
	Caption 220 - Net income (loss)	*7,250*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**572,902**

Reconciliation between the Intesa Sanpaolo Group's reclassified consolidated income statement and official consolidated income statement

(in millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated income statement	2007
Net interest income		9,886
	Caption 30 - Interest margin	*10,277*
	- Caption 30 (partial) - Contribution of insurance business	*-937*
	- Caption 30 (partial) - Interest margin (Effect of purchase cost allocation)	*271*
	+ Caption 80 (partial) - Interest rate differentials on currency interest rate swap	*72*
	- Caption 80 (partial) - Figurative cost for the funding of shares held for trading	*90*
	+ Caption 90 - Fair value adjustments in hedge accounting	*27*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*212*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*-96*
	+ Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-39*
	+ Changes in the consolidation area (first half ABA)	*9*
Dividends		22
	Caption 70 - Dividend and similar income	*781*
	– Caption 70 (partial) - Contribution of insurance business	*-133*
	– Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-626*
Profits (Losses) on investments carried at equity		312
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*312*
Net fee and commission income		6,195
	Caption 60 - Net fee and commission income	*5,944*
	- Caption 60 (partial) - Contribution of insurance business	*250*
	+ Changes in the consolidation area (first half ABA)	*1*
Profits (Losses) on trading		1,008
	Caption 80 - Profits (Losses) on trading	*-166*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*420*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*2*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designed at fair value	*320*
	+ Caption 130 b) (partial) - Impairment of financial assets available for sale	*-8*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*626*
	+ Caption 80 (partial) - Figurative cost for the funding of shares held for trading	*-90*
	- Caption 80 (partial) - Interest rate differentials on currency interest rate swap	*-72*
	- Caption 80 (partial) - Contribution of insurance business	*-37*
	- Caption 100b (partial) Loss(es) on repurchase of financial liabilities (Effect of purchase cost allocation)	*13*
Income from insurance business		441
	+ Caption 150 - Net insurance premiums	*1,718*
	+ Caption 160 - Other net insurance income (expense)	*-2,134*
	+ Caption 30 (partial) - Contribution of insurance business	*937*
	+ Caption 60 (partial) - Contribution of insurance business	*-250*
	+ Caption 70 (partial) - Contribution of insurance business	*133*
	+ Caption 80 (partial) - Contribution of insurance business	*37*
Other operating income (expenses)		144
	Caption 220 - Other operating income (expenses)	*163*
	– Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses and taxes and duties)	*-19*
Operating income		**18,008**
Personnel expenses		-5,375
	Caption 180 a) - Personnel expenses	*-6,041*
	– Caption 180 a) (partial) - Personnel expenses (merger and restructuring related charges)	*573*
	– Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other captions)	*96*
	+ Changes in the consolidation area (first half ABA)	*-3*
Other administrative expenses		-3,060
	Caption 180 b) - Other administrative expenses	*-3,340*
	- Caption 180 b) (partial) - Other administrative expenses (merger and restructuring related charges)	*262*
	+ Caption 220 (partial) Other operating income (expenses) (Recovery of expenses and taxes and duties)	*19*
	+ Changes in the consolidation area (first half ABA)	*-1*
Adjustments to property, equipment and intangible assets		-833
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-438*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-921*
	– Caption 210 (partial) - Adjustments to intangible assets (merger and restructuring related charges))	*13*
	– Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	*8*
	– Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	*12*
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	*-28*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	*522*
	+ Changes in the consolidation area (first half ABA)	*-1*
Operating costs		**-9,268**
Operating margin		**8,740**
Goodwill impairment		-
	Caption 260 - Goodwill impairment	-196
	- Caption 260 -(partial) - Goodwill impairment (Impairment Eurizon Investimenti SGR S.p.A.)	*196*
Net provisions for risks and charges		-524
	Caption 190 - Net provisions for risks and charges	*-577*
	– Caption 190 (partial) - Net provisions for risks and charges (merger and restructuring related charges)	*14*
	– Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*39*
Net adjustments to loans		-1,372
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*-156*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-1,045*
	– Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-212*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*-36*
	- Caption 130 d) (partial) - Net present value of mathematical reserves of the insurance business	*2*
	- Caption 100 a) (partial) - Profits (Losses) on purchase/disposal of loans (Effect of purchase cost allocation)	*75*
Net impairment losses on other assets		-67
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-62*
	- Caption 130 b) (partial) - Net losses on impairment of financial assets available for sale	*8*
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	*-*
	+ Caption 130 d) (partial) - Net present value of mathematical reserves of the insurance business	*-2*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	*-8*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	*-12*
	+ Caption 250 - Valuation differences on property, equipment and intangible assets measured at fair value	*-1*
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment - merger and restructuring related charges)	*10*
Profits (Losses) on investments held to maturity and on other investments		81
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-*
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	*338*
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*-312*
	+ Caption 270 - Profits (Losses) on disposal of investments	*41*
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase cost allocation)	*13*
	+ Changes in the consolidation area (first half ABA)	*1*
Income (Loss) before tax from continuing operations		**6,858**
Taxes on income from continuing operations		-2,672
	Caption 290 - Taxes on income from continuing operations	*-1,549*
	– Caption 290 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	*-265*
	– Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	*-856*
	+ Changes in the consolidation area (first half ABA)	*-2*
Merger and restructuring related charges (net of taxes)		-607
	+ Caption 180 a) (partial) - Personnel expenses (merger and restructuring related charges)	*-573*
	+ Caption 180 b) (partial) - Other administrative expenses (merger and restructuring related charges)	*-262*
	+ Caption 190 (partial) - Net provisions for risks and charges (merger and restructuring related charges)	*-14*
	+ Caption 210 (partial) - Adjustments to intangible assets (merger and restructuring related charges)	*-13*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment - merger and restructuring related charges)	*-10*
	+ Caption 290 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	*265*
Effect of purchase cost allocation (net of tax)		-10
	+ Caption 30 (partial) - interest margin (Effect of purchase cost allocation)	*-271*
	+ Caption 100b (partial) Loss(es) on repurchase of financial liabilities (Effect of purchase cost allocation)	*-13*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	*28*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	*-522*
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase cost allocation)	*-75*
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase cost allocation)	*-13*
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	*856*
Income (Loss) after tax from discontinued operations		3,790
	Caption 310 - Income (Loss) after tax from discontinued operations	3,986
	+ Caption 260 - (partial) - Goodwill impairment (Impairment Eurizon Investimenti SGR S.p.A.)	*-196*
Minority interests		-109
	Caption 330 - Minority interests	*-106*
	Changes in the consolidation area and other changes	*-3*
Net income	**Caption 340 - Parent Company's net income (loss)**	**7,250**

Reconciliation between the 2006 Intesa Sanpaolo income statement and the figures restated according to IFRS 5

(in millions of euro)

		2006 published (*)	Impact of IFRS 5 adoption	2006
10.	Interest and similar income	7,776	-430	7,346
20.	Interest and similar expense	-4,707	59	-4,648
30.	**Interest margin**	**3,069**	**-371**	**2,698**
40.	Fee and commission income	2,538	-272	2,266
50.	Fee and commission expense	-268	4	-264
60.	**Net fee and commission income**	**2,270**	**-268**	**2,002**
70.	Dividend and similar income	1,204	-1	1,203
80.	Profits (Losses) on trading	315	-	315
90.	Fair value adjustments in hedge accounting	7	1	8
100.	Profits (Losses) on disposal or repurchase of	35	-	35
	a) loans	*-35*	-	*-35*
	b) financial assets available for sale	*50*	-	*50*
	c) investments held to maturity	-	-	-
	d) financial liabilities	*20*	-	*20*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-
120.	**Net interest and other banking income**	**6,900**	**-639**	**6,261**
130.	Net losses / recoveries on impairment	-333	8	-325
	a) loans	*-350*	*8*	*-342*
	b) financial assets available for sale	*-10*	-	*-10*
	c) investments held to maturity	-	-	-
	d) other financial activities	*27*	-	*27*
140.	**Net income from banking activities**	**6,567**	**-631**	**5,936**
150.	Administrative expenses	-3,814	263	-3,551
	a) personnel expenses	*-2,410*	*166*	*-2,244*
	b) other administrative expenses	*-1,404*	*97*	*-1,307*
160.	Net provisions for risks and charges	-144	-	-144
170.	Net adjustments to / recoveries on property and equipment	-163	-	-163
180.	Net adjustments to / recoveries on intangible assets	-201	-	-201
190.	Other operating expenses (income)	398	-26	372
200.	**Operating expenses**	**-3,924**	**237**	**-3,687**
210.	Profits (Losses) on investments in associates and companies subject to joint control	214	-	214
220.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
230.	Goodwill impairment	-	-	-
240.	Profits (Losses) on disposal of investments	46	-	46
250.	**Income (Loss) before tax from continuing operations**	**2,903**	**-394**	**2,509**
260.	Taxes on income from continuing operations	-662	154	-508
270.	**Income (Loss) after tax from continuing operations**	**2,241**	**-240**	**2,001**
280.	Income (Loss) after tax from discontinued operations	-	240	240
340.	**Net income (loss)**	**2,241**	**-**	**2,241**

(*) Figures originally published in the Annual Report 2006 of Banca Intesa.

Reconciliation between the 2006 consolidated income statement and the figures restated according to IFRS 5

(in millions of euro)

		2006 published (*)	Impact of IFRS 5 adoption	2006
10.	Interest and similar income	11,512	-1,441	10,071
20.	Interest and similar expense	-5,992	421	-5,571
30.	**Interest margin**	**5,520**	**-1,020**	**4,500**
40.	Fee and commission income	4,018	-694	3,324
50.	Fee and commission expense	-449	27	-422
60.	**Net fee and commission income**	**3,569**	**-667**	**2,902**
70.	Dividend and similar income	527	-39	488
80.	Profits (Losses) on trading	503	-21	482
90.	Fair value adjustments in hedge accounting	11	-3	8
100.	Profits (Losses) on disposal or repurchase of	61	-9	52
	a) loans	*-48*	*1*	*-47*
	b) financial assets available for sale	*83*	*-4*	*79*
	c) investments held to maturity	-	-	-
	d) financial liabilities	*26*	*-6*	*20*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-
120.	**Net interest and other banking income**	**10,191**	**-1,759**	**8,432**
130.	Net losses / recoveries on impairment	-677	79	-598
	a) loans	*-706*	*77*	*-629*
	b) financial assets available for sale	*-14*	*2*	*-12*
	c) investments held to maturity	*4*	-	*4*
	d) other financial activities	*39*	-	*39*
140.	**Net income from banking activities**	**9,514**	**-1,680**	**7,834**
150.	Net insurance premiums	-	-	-
160.	Other net insurance income (expense)	-	-	-
170.	**Net income from banking and insurance activities**	**9,514**	**-1,680**	**7,834**
180.	Administrative expenses	-5,666	802	-4,864
	a) personnel expenses	*-3,546*	*528*	*-3,018*
	b) other administrative expenses	*-2,120*	*274*	*-1,846*
190.	Net provisions for risks and charges	-196	45	-151
200.	Net adjustments to / recoveries on property and equipment	-257	16	-241
210.	Net adjustments to / recoveries on intangible assets	-246	7	-239
220.	Other operating expenses (income)	375	-77	298
230.	**Operating expenses**	**-5,990**	**793**	**-5,197**
240.	Profits (Losses) on investments in associates and companies subject to joint control	235	-15	220
250.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260.	Goodwill impairment	-	-	-
270.	Profits (Losses) on disposal of investments	54	-2	52
280.	**Income (Loss) before tax from continuing operations**	**3,813**	**-904**	**2,909**
290.	Taxes on income from continuing operations	-1,227	364	-863
300.	**Income (Loss) after tax from continuing operations**	**2,586**	**-540**	**2,046**
310.	Income (Loss) after tax from discontinued operations	83	540	623
320.	**Net income (loss)**	**2,669**	**-**	**2,669**
330.	Minority interests	-110	-	-110
340.	**Parent Company's net income (loss)**	**2,559**	**-**	**2,559**

(*) Figures originally published in Gruppo Intesa's Annual Report 2006.

List of IAS/IFRS endorsed by the European Commission as at 31 December 2007

IFRS 1	First-time adoption of International Financial Reporting Standards	707/2004 mod. 2236/2004 - 2237/2004 - 2238/2004 - 211/2005 - 1751/2005 - 1864/2005 - 1910/2005 - 108/2006
IFRS 2	Share-based payments	211/2005
IFRS 3	Business combinations	2236/2004
IFRS 4	Insurance contracts	2236/2004 - mod. 108/2006
IFRS 5	Non-current assets held for sale and discontinued operations	2236/2004 - mod. 1358/2007
IFRS 6	Exploration for and evaluation of mineral resources	1910/2005 - mod. 108/2006 - mod. 1358/2007
IFRS 7	Financial instruments: disclosures	108/2006
IFRS 8	Operating segments	1358/2007
IAS 1	Presentation of financial statements	2238/2004 mod. 1910/2005 - 108/2006
IAS 2	Inventories	2238/2004 - mod. 1358/2007
IAS 7	Cash flow statements	1725/2003 mod. 2238/2004 - mod. 1358/2007
IAS 8	Accounting policies, changes in accounting estimates, and errors	2238/2004
IAS 10	Events after the balance sheet date	2238/2004
IAS 11	Construction contracts	1725/2003
IAS 12	Income taxes	1725/2003 mod. 2236/2004 - 2238/2004 - 211/2005
IAS 16	Property, plant and equipment	2238/2004 mod. 211/2005 - 1910/2005
IAS 17	Leases	2238/2004 mod. 108/2006
IAS 18	Revenue	1725/2003 mod. 2236/2004
IAS 19	Employee benefits	1725/2003 mod. 2236/2004 - 2238/2004 - 211/2005 - 1910/2005 - mod. 1358/2007
IAS 20	Accounting for Government grants and disclosure of Government assistance	1725/2003 mod. 2238/2004
IAS 21	The effects of changes in foreign exchange rates	2238/2004 mod. 708/2006
IAS 23	Borrowing costs	1725/2003 mod. 2238/2004
IAS 24	Related party disclosures	2238/2004 mod. 1910/2005
IAS 26	Accounting and reporting by retirement benefit plans	1725/2003
IAS 27	Consolidated and separate financial statements	2238/2004 - mod. 1358/2007
IAS 28	Investments in associates	2238/2004
IAS 29	Financial reporting in hyperinflationary economies	1725/2003 mod. 2238/2004
IAS 31	Interests in joint ventures	2238/2004
IAS 32	Financial instruments: disclosure and presentation	2237/2004 mod. 2238/2004 - 211/2005 - 1864/2005 - 108/2006
IAS 33	Earnings per share	2238/2004 mod. 211/2005 - 108/2006 - mod. 1358/2007
IAS 34	Interim financial reporting	1725/2003 mod. 2236/2004 - 2238/2004 - mod. 1358/2007
IAS 36	Impairment of assets	2236/2004 mod. 2238/2004 - mod. 1358/2007
IAS 37	Provisions, contingent liabilities and contingent assets	1725/2003 mod. 2236/2004 - 2238/2004
IAS 38	Intangible assets	2236/2004 mod. 2238/2004 - 211/2005 - 1910/2005
IAS 39	Financial instruments: recognition and measurement	2086/2004 mod. 2236/2004 - 211/2005 - 1751/2005 - 1864/2005 - 1910/2005 - 2106/2005 - 108/2006
IAS 40	Investment property	2238/2004
IAS 41	Agriculture	1725/2003 mod. 2236/2004 - 2238/2004

INTERPRETATIONS		**Regulation endorsement**
IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	2237/2004
IFRIC 2	Members' shares in co-operative entities and similar instruments	1073/2005
IFRIC 4	Determining whether an arrangement contains a lease	1910/2005
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1910/2005
IFRIC 6	Liabilities arising from participating in a specific market - Waste electrical and electronic equipment	108/2006
IFRIC 7	Applying the restatement approach under IAS 29 - Financial reporting in hyperinflationary economies	708/2006
IFRIC 8	Scope of IFRS 2	1329/2006
IFRIC 9	Reassessment of embedded derivatives	1329/2006
IFRIC 10	Interim financial reporting and impairment	610/2007
IFRIC 11	Group and Treasury Share Transactions	611/2007
SIC 7	Introduction of the euro	1725/2003 mod. 2238/2004
SIC 10	Government assistance - no specific relation to operating activities	1725/2003
SIC 12	Consolidation - special purpose entities	1725/2003 mod. 2238/2004 - 1751/2005
SIC 13	Jointly controlled entities - non-monetary contributions by venturers	1725/2003 mod. 2238/2004
SIC 15	Operating leases - incentives	1725/2003
SIC 21	Income taxes - recovery of revalued non-depreciable assets	1725/2003 mod. 2238/2004
SIC 25	Income taxes - changes in the tax status of an enterprise or its shareholders	1725/2003 mod. 2238/2004
SIC 27	Evaluating the substance of transactions involving the legal form of a lease	1725/2003 mod. 2238/2004
SIC 29	Disclosure - service concession arrangements	1725/2003
SIC 31	Revenue - barter transactions involving advertising services	1725/2003 mod. 2238/2004
SIC 32	Intangible assets - web site costs	1725/2003 mod. 2236/2004 - 2238/2004

Table of Intesa Sanpaolo's property and equipment and financial assets subject to revaluation

(in millions of euro)

	Revaluations						Total
	Royal Law Decree 1729 of 19.10.1937	Law 823 of 19.12.1973	Law 576 of 02.12.1975	Law 72 of 19.03.1983	Law 413 of 30.12.1991	Law 218 of 30.07.1990	
Real estate assets	**-**	**26**	**18**	**74**	**257**	**264**	**639**
Equity investments	**-**	**-**	**-**	**-**	**-**	**420**	**420**
a) Subsidiaries	-	-	-	-	-	72	72
b) Other	-	-	-	-	-	348	348
Total	**-**	**26**	**18**	**74**	**257**	**684**	**1,059**

Statement of Intesa Sanpaolo's internal pension funds

Statement of "Supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo"

For the supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo – established in implementation of collective agreements to guarantee the payment of integrations for personnel formerly in service at Cariplo passed to Esatri Esazione Tributi S.p.A. – Intesa Sanpaolo keeps separate accounting of relative transactions and this for the purpose of complying with both internal agreements which set out the allocation to the fund of the return generated on its investments, and norms of Legislative Decree 124 of 21 April 1993, emended with Law 335 of 8 August 1995.
Please note that, based on internal agreements and the specific authorisation given by the Bank of Italy, the process for the transformation of the treatment from defined benefit to defined contribution was concluded in 2002. Following the request made by all personnel in service, the relative individual positions were then transferred to other outside pension funds. Following such operations, the fund recommenced to operate solely as a defined benefit plan in favour of employees already retired as at 31 December 2000. As at 31 December 2006 the fund amounted to 35 million euro. Following uses, payments, provisions, the fund as at 31 December 2007 amounted to 32 million euro with a 3 million euro decrease.
Actuarial valuation is performed on annual basis.
The fund balance sheet situation was the following.

(in millions of euro)

Bonds	17
Accrued income on bonds	-
Cash equivalents	15
Total	**32**

Fund cash inflows were made up of:

Return on investments	1
Provisions in the year	-
Total cash inflows	**1**

Fund cash outflows referred to:

Past benefits paid	-4
Administrative expenses and other	-
Total cash outflows	**-4**

Supplementary pension fund in favour of employees of Mediocredito Lombardo "Trattamento integrativo delle pensioni di Legge a favore dei dipendenti del Mediocredito Lombardo" with last regulations approved on 8/3/1996

The resources of the Fund referred to personnel formerly employed by Mediocredito Lombardo are mostly invested in the Bank's securities activities. The following movements occurred in 2007.

(in millions of euro)

Balance as at 31 December 2006	18
Benefits paid in the year	-1
Provisions allocated in 2007	-
Termination section assets	-
Balance as at 31 December 2007	**17**

Actuarial valuations to assess the congruity of the Fund with respect to obligations – carried out on an annual basis – testified to its technical-financial equilibrium.
Starting from 24 April 1993, with the entry into force of the Law introducing pension funds (Legislative Decree 124 of 21 April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund.
An agreement was signed with Trade Unions in 2006 that set out the transformation of the regime for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits) a lump-sum has been identified which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the employees in the service section should be extinguished. The agreement with Trade Unions also provides for a process – still to be activated – destined to propose to pensioners, as an extraordinary measure, one-off payments to liquidate their pension position. As at 31 December 2007 solely the section of the Fund relative to pensioners was recorded.

Supplementary pension fund in favour of top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana"

The fund shows integrative provisions allocated until a certain date on the basis of specific bilateral agreements in favour of top management of Banca Commerciale Italiana.
The relative provisions – which do not fall within funds subject to separate management – are indistinctly invested (in a non-specified way) in assets.
The fund integrally covers the technical requirement at the reference date and is updated on an annual basis.
In 2006, following the start of the liquidation of Fondo pensione per il personale della Banca Commerciale Italiana, the Bank took over the charge corresponding to the difference between the value of the benefit borne by AGO and the higher value of the contractual commitment made with beneficiaries who requested it. The higher value of the mathematical reserve calculated as at 31 December 2006 was offset by the sale to the company by the same parties of their integral credit with the BCI Fund.
The following movements occurred in 2007.

(in millions of euro)

Balance as at 31 December 2006	44
Benefits paid in the year	-4
Provisions allocated in 2006	2
Transfer from "Fondo pensioni per il personale della Banca Commerciale Italiana"	-
Balance as at 31 December 2007	**42**

Pension fund in favour of employees of Cassa di Risparmio di Venezia "Fondo di previdenza per il Personale della Cassa di Risparmio di Venezia"

The fund is set to cover future liabilities for beneficiaries according to means set forth by internal regulations.
Intesa Sanpaolo S.p.A. is jointly responsible with the Fund for personnel coming from Cassa di Risparmio di Venezia. The portion of the fund provisioned with Intesa Sanpaolo S.p.A, as at 31 December 2007 amounted to 0.5 million euro.
The following movements occurred in 2007.

(in millions of euro)

Balance as at 31 December 2006	139
Benefits paid in the year	-8
Provisions allocated in 2006	14
Transfer from "Fondo pensioni per il personale della Banca Commerciale Italiana"	-
Balance as at 31 December 2007	**145**

Table of significant equity investments in unlisted companies pursuant to art. 126 of Issuers Regulation 11971 of 14 May 1999

(List of equity investments in excess of 10% of the voting share capital in unlisted companies held directly and indirectly or for whatever reason)

Company	Percentage or quotas held direct	Percentage or quotas held indirect	Direct ownership	Type of right
21 Investimenti SpA	11.76		Intesa Sanpaolo	Holding
Abac - Aria Compressa SpA	12.85		Intesa Sanpaolo	Holding
Accessible Luxury Holdings 1 SA	15.65		Intesa Sanpaolo	Holding
Adar Holding SpA (former Sci USA SpA)	16.91		Intesa Sanpaolo	Pledge
Aeroporto di Napoli SpA in liquidation	20.00		Intesa Sanpaolo	Holding
Agos SpA (former Agos Itafinco SpA)	49.00		Intesa Sanpaolo	Holding
Agricola Investimenti Srl in liquidation	100.00		Intesa Sanpaolo	Holding
Agromedimurje d.d.		10.21	Medimurska Banka	Holding
AL.FA. Un'altra famiglia dopo di noi Srl	42.86		Intesa Sanpaolo	Holding
Alfa-ex Ingatlanhasznosito es Forgalmazo		21.20	Central European International Bank	Pledge
Alfieri Associated Investors Servicos de Consultor	20.00		Intesa Sanpaolo	Holding
AL.GIO.FIN. SpA	20.00		Intesa Sanpaolo	Pledge
Allfunds Bank S.A.	50.00		Intesa Sanpaolo	Holding
Allsystem SpA		100.00	C.R. Biella e Vercelli	Pledge
Alpifin Srl (in liquidation)		10.44	Friulcassa	Holding
Alstom Hrvatska doo (former Alstom Power)		20.07	Invest Holding doo Karlovac	Holding
American Bank of Albania	80.00		Intesa Sanpaolo	Holding
Anita Srl	100.00		Intesa Sanpaolo	Pledge
Associazione Nazionale per l'Enciclopedia della Banca e della Borsa	12.12		Intesa Sanpaolo	Holding
		0.35	Banca Fideuram	Holding
Asteimmobili.it SpA	13.28		Intesa Sanpaolo	Holding
Atlantis SA		81.25	Sudameris	Holding
		18.75	Intesa Holding International	Holding
Aurum Toscana Srl		100.00	Sanpaolo Banco di Napoli	Pledge
Azimut-Benetti SpA		11.94	Ldv Holding	Holding
		0.08	IMI Investimenti	Holding
Bamcard d.d.		20.03	UPI Banka	Holding
Banca Caboto SpA (former Banca Primavera, IntesaBci Italia Sim)	100.00		Intesa Sanpaolo	Holding
Banca Cis SpA		55.37	Banca Intesa Mediocredito	Holding
	44.63		Intesa Sanpaolo	Holding
Banca Comerciala Sanpaolo Imi Bank Romania S.A.		98.65	Sanpaolo IMI Internazionale	Holding
Banca di Trento e Bolzano SpA		62.96	Finanziaria BTB	Holding
	8.29		Intesa Sanpaolo	Holding
Banca d'Intermediazione Mobiliare I.M.I. SpA	100.00		Intesa Sanpaolo	Holding
Banca d'Italia	30.35		Intesa Sanpaolo	Holding
		6.20	C.R. Bologna	Holding
		0.88	C.R. Venezia	Holding
		1.20	C.R. Padova e Rovigo	Holding
		0.62	Friulcassa	Holding
		0.03	Carifano	Holding
		0.20	Cariromagna	Holding
		0.22	C.R. Ascoli Piceno	Holding
		0.08	C.R. Viterbo	Holding
		0.08	C.R. Città di Castello	Holding
		0.01	C.R. Rieti	Holding
		0.03	C.R. Spoleto	Holding
		0.11	C.R. Foligno	Holding
		2.10	C.R. Biella e Vercelli	Holding
		0.15	C.R. Terni e Narni	Holding
Banca Imi Securities Corp		100.00	IMI Capital Market	Holding
Banca Impresa Lazio SpA	12.00		Intesa Sanpaolo	Holding
Banca Intesa a.d. - Beograd (former Delta Banka a.d.)		93.00	Intesa Holding International	Holding
Banca Intesa (France) S.A. (former B.ca Comm.le Ital. France)	100.00		Intesa Sanpaolo	Holding
Banca Intesa Infrastrutture e Sviluppo SpA (former B.I. Infrastrutture SpA)	100.00		Intesa Sanpaolo	Holding
Banca Intesa Mediocredito SpA	100.00		Intesa Sanpaolo	Holding
Banca Intesa Private Banking SpA	100.00		Intesa Sanpaolo	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Banca Italo Albanese Sh.A.	80.00		Intesa Sanpaolo	Holding
Banca OPI S.p.A.	100.00		Intesa Sanpaolo	Holding
Banco del Desarrollo S.A.	15.71		Intesa Sanpaolo	Holding
Banco Patagonia S.A.		0.65	Atlantis	Holding
(former Banco Patagonia Sudameris / Banco Sudameris Argentina)		8.20	Sudameris	Holding
	11.10		Intesa Sanpaolo	Holding
Bank of Alexandria	80.00		Intesa Sanpaolo	Holding
Banka Koper d.d.	91.21		Intesa Sanpaolo	Holding
Banque Espirito Santo et de la Venetie S.A.	18.00		Intesa Sanpaolo	Holding
Banque Galliere S.A. (in liq.)		17.50	C.R. Bologna	Holding
Banque Palatine S.A.	37.31		Intesa Sanpaolo	Holding
Banque Privée Fideuram Wargny S.A.		99.91	Financiere Fideuram	Holding
BCI US Funding LLC I	100.00		Intesa Sanpaolo	Holding
BCI US Funding LLC II	100.00		Intesa Sanpaolo	Holding
BCI US Funding LLC III	100.00		Intesa Sanpaolo	Holding
Beato Edoardo Materiali Ferrosi Srl		50.00	C.R. Padova e Rovigo	Pledge
		50.00	C.R. Venezia	Pledge
Belisce dd		13.41	Privredna Banka Zagreb	Holding
BI Private Equity Ltd		100.00	Private Equity International	Holding
Binda SpA in liquidation	0.77		Intesa Sanpaolo	Pledge
	11.25		Intesa Sanpaolo	Holding
		n.s.	Cormano	Holding
		0.01	Banca Caboto	Holding
		0.01	C.R. Biella e Vercelli	Pledge
		0.01	C.R. Bologna	Pledge
BL Yachtclub Ltd		3.33	Cib Insurance Broker	Holding
		96.67	Cib Real Estate	Holding
Blue Gem Luxembourg 1 Sarl		50.00	Eurizon Vita	Holding
BN Finrete SpA in liquidation	99.00		Intesa Sanpaolo	Holding
Borsa Italiana SpA	10.31		Intesa Sanpaolo	Holding
		7.94	Banca IMI	Holding
		0.43	Sanpaolo Bank	Holding
		0.06	C.R. Biella e Vercelli	Holding
Bosna Reosiguranje d.d.		14.63	UPI Banka	Holding
BSL Bertola Servizi Logistici SpA	14.00		Intesa Sanpaolo	Holding
Business Incubator Beocin d.o.o.		11.11	Banca Intesa - Beograd	Holding
Calitri Denim Industries S.p.A. (bankrupt)		14.29	Isveimer	Holding
CAAM SGR SpA (former Nextra Investment Managem. SGR SpA, former Comit Asset Management SGR)	35.00		Intesa Sanpaolo	Holding
Cala Capitana Srl under bankruptcy procedures	100.00		Intesa Sanpaolo	Pledge
Camigliati Scuola Management Territoriale Scrl		20.00	Intesa Formazione	Holding
Cantiere Darsena Italia SpA in liquidation	20.00		Intesa Sanpaolo	Holding
Capitale e Sviluppo SpA		9.76	C.R. Spoleto	Holding
		9.76	C.R. Foligno	Holding
		9.76	C.R. Terni e Narni	Holding
Caprera Srl	100.00		Intesa Sanpaolo	Pledge
Cards d.o.o. in liquidation (former PBZ American Express d.o.o. - Skopje)		95.00	PBZ Card	Holding
Carifano-Cassa di Risparmio di Fano SpA	56.63		Intesa Sanpaolo (46.63% in Ord. Shareholders' Meeting)	Pledge
		30.00	Intesa Casse del Centro	Holding
		0.37	C.R. Foligno	Pledge
Cartiere Paolo Pigna SpA	96.16		Intesa Sanpaolo	Pledge
Cartitalia Srl under bankruptcy procedures		51.00	Cormano	Holding
Cassa dei Risparmi di Forlì e della Romagna S.p.A. (former Cassa dei Risparmi di Forlì S.p.A.)	38.25		Intesa Sanpaolo	Holding
Cassa di Risparmio di Ascoli Piceno SpA		66.00	Intesa Casse del Centro	Holding
Cassa di Risparmio di Biella e Vercelli SpA	55.00		Intesa Sanpaolo	Holding
Cassa di Risparmio di Città di Castello SpA		82.19	Intesa Casse del Centro	Holding
Cassa di Risparmio della Prov. di Chieti SpA	20.00		Intesa Sanpaolo	Holding
Cassa di Risparmio di Fermo SpA	33.33		Intesa Sanpaolo	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Cassa di Risparmio di Foligno SpA		70.47	Intesa Casse del Centro	Holding
Cassa di Risparmio di Padova e Rovigo SpA	100.00		Intesa Sanpaolo	Holding
Cassa di Risparmio di Rieti SpA		85.00	Intesa Casse del Centro	Holding
Cassa di Risparmio di Spoleto SpA		59.44	Intesa Casse del Centro (65.309% on ord. shares)	Holding
Cassa di Risparmio di Terni e Narni SpA		75.00	Intesa Casse del Centro	Holding
Cassa di Risparmio della Prov. di Viterbo SpA		82.02	Intesa Casse del Centro	Holding
Cassa di Risparmio di Venezia SpA	100.00		Intesa Sanpaolo	Holding
Cassa di Risparmio in Bologna S.p.A.	100.00		Intesa Sanpaolo	Holding
CBE Service Sprl	50.00		Intesa Sanpaolo	Holding
		5.00	Cariromagna	Holding
Cedar Street Securities Corp.		100.00	Banca IMI Securities	Holding
Celeasing S.r.l. (in liq.)	100.00		Intesa Sanpaolo	Holding
Cen.Ser. Centro Servizi S.p.A.		11.76	C.R. Padova e Rovigo	Holding
Centotrenta 4/6 Srl	10.64		Intesa Sanpaolo	Holding
Centradia Group Limited in liquidation	30.45		Intesa Sanpaolo	Holding
Centradia Limited in liquidation		100.00	Centradia Group Limited	Holding
Centradia Services Ltd in liquidation		100.00	Centradia Group Limited	Holding
Central European International Bank Ltd		100.00	Intesa Holding International	Holding
Centrale dei Bilanci Srl	24.26		Intesa Sanpaolo	Holding
		0.15	Banca Cis	Holding
Centro Factoring S.p.A.	10.81		Intesa Sanpaolo	Holding
		0.11	Cariromagna	Holding
Centurion Financne Storitve d.o.o. (former Amex d.o.o.)		75.00	Banka Koper	Holding
		25.00	PBZ Card	Holding
Centurion Financial Service Ltd		100.00	PBZ Card	Holding
Chess Ventures Ltd	49.75		Intesa Sanpaolo	Holding
China International Packaging Leasing Ltd		17.50	Intesa Holding International	Holding
Cib Car Trading LLC		100.00	Cib Credit	Holding
Cib Credit Ltd (former Cib Car Finance Rt.)		98.00	Cib Leasing	Holding
		2.00	Cib Real Estate	Holding
Cib Expert Ltd		100.00	Cib Real Estate	Holding
Cib Factor Financial Service Ltd		50.00	Cib Real Property Utilisation and Services	Holding
		50.00	Cib Service	Holding
Cib Insurance Broker Ltd		100.00	Cib Leasing	Holding
Cib Inventory Management LLC (former Project Company I Kft.)		100.00	Central European International Bank	Holding
Cib Investment Fund Management Ltd		6.66	Cib Real Property Utilisation and Services	Holding
		93.34	Central European International Bank	Holding
Cib Leasing Ltd		100.00	Cib Rent Operative Leasing	Holding
Cib Real Estate Ltd		100.00	Cib Leasing	Holding
Cib Real Property Utilisation and Services Ltd (former Cib Securities)		26.00	Central European International Bank	Holding
		74.00	Cib Service	Holding
Cib Rent Operative Leasing Ltd (former Cib Rent and Leasing Co. Ltd)		100.00	Central European International Bank	Holding
Cib Residential Property Leasing Ltd		100.00	Cib Credit	Holding
(former Cib Invest Financial Services, Wallizing Financial Service)				
Cib Service Ltd		100.00	Central European International Bank	Holding
Cil Bajor Co. Ltd		50.00	Cib Real Estate	Holding
		50.00	Cib Insurance Broker	Holding
Cil Danubius Co. Ltd		50.00	Cib Real Estate	Holding
		50.00	Cib Insurance Broker	Holding
Cil-Food 2006 Ltd		50.00	Cib Real Estate	Holding
		50.00	Cib Leasing	Holding
Cil-Log Ltd		50.00	Cib Real Estate	Holding
		50.00	Cib Leasing	Holding
Cil MNM Ltd		96.67	Cib Real Estate	Holding
Cil Nagyteteny Ltd		50.00	Cib Real Estate	Holding
		50.00	Cib Leasing	Holding
Cil Vaci ut Property Utilisation LLC		50.00	Cib Insurance Broker	Holding
		50.00	Cib Real Estate	Holding
Cimo Srl	100.00		Intesa Sanpaolo	Pledge

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Cimos International d.d.		13.56	Banka Koper	Holding
Cioccolato Feletti SpA in liquidation	100.00		Intesa Sanpaolo	Holding
Cofragef S.A. in liquidation		99.76	Banca Intesa (France)	Holding
Collegamento Ferroviario Genova-Milano SpA - Co.Fer.Ge.Mi.		20.00	Banca Intesa Infrastrutture e Sviluppo	Holding
Comit Investments ltd - Ireland	99.21		Intesa Sanpaolo	Holding
Consorzio Agrario Interprovinciale Forlì-Cesena e Rimini Scrl		10.39	Cariromagna	Holding
Consorzio Agrario Provinciale di Rovigo in liquidation		35.45	C.R. Padova e Rovigo	Holding
Consorzio Bancario SIR SpA in liquidation	32.86		Intesa Sanpaolo	Holding
		5.63	Banca Cis	Holding
		0.69	Isveimer	Holding
		n.s.	Banca di Trento e Bolzano	Holding
Consorzio per gli studi universitari a distanza F. Corongiu		33.33	Banca Cis	Holding
Consorzio Studi e Ricerche Fiscali	55.00		Intesa Sanpaolo	Holding
		10.00	Banca Fideuram	Holding
		10.00	Eurizon Vita	Holding
		5.00	Banca OPI	Holding
		5.00	Banca IMI	Holding
		5.00	Sanpaolo Leasint	Holding
		5.00	IMI Investimenti	Holding
		5.00	Eurizon Capital	Holding
Consorzio Sviluppo Industriale e Artigianale di Gorizia		18.35	Friulcassa	Holding
Consorzio Triveneto SpA	15.00		Intesa Sanpaolo	Holding
Consul Service Srl in liquidation		98.41	Banca Cis	Holding
Consumer Finance Holding a.s.		100.00	Vseobecna Uverova Banka	Holding
Consumer Financial Services S.r.l.		100.00	Neos Banca	Holding
Cormano Srl	70.82		Intesa Sanpaolo	Holding
		6.40	C.R. Bologna	Holding
Cotonificio Bresciano Ottolini - C.B.O. Srl in liquidation	97.58		Intesa Sanpaolo	Holding
CR Firenze Gestion Internationale S.A.	20.00		Intesa Sanpaolo	Holding
Dante Prini SpA in liquidation	32.50		Intesa Sanpaolo	Holding
Domina Group SpA in liquid./ under bankruptcy procedures (former Multimoda Network SpA)	98.61		Intesa Sanpaolo	Pledge
Dulevo SpA under bankruptcy procedures	81.91		Intesa Sanpaolo	Pledge
	16.30		Intesa Sanpaolo	Holding
Edilmarket Srl under bankruptcy procedures	100.00		Intesa Sanpaolo	Pledge
EDM Srl		25.00	C.R. Spoleto	Pledge
Egypt International Towers Co.		27.86	Bank of Alexandria	Holding
Eleven	100.00		Intesa Sanpaolo	Pledge
Emerald UK Limited Partnership	11.14		Intesa Sanpaolo	Holding
		7.43	IMI Investimenti	Holding
Emil Europe '92 Srl in liquidation		93.48	C.R. Bologna	Holding
Emporium S.r.l.		51.27	C.R. Padova e Rovigo	Pledge
Endeavour Holdings Srl		10.75	Private Equity International	Holding
Ente Nazionale Sementi Elette	49.41		Intesa Sanpaolo	Holding
		7.85	C.R. Bologna	Holding
Equinox Investment Company Scpa		28.98	Private Equity International	Holding
Equipe Investments S.p.A.		100.00	C.R. Padova e Rovigo	Pledge
Equitypar Companhia de Participacoes S.A.		12.50	Intesa Brasil Empreendimentos	Holding
ERFI 2000 Ingatlan Kft		100.00	Cib Service	Holding
Esped Spedizioni S.r.l.		29.80	C.R. Padova e Rovigo	Pledge
Eurizon Alternative Investments S.G.R. SpA		100.00	Eurizon Capital	Holding
Eurizon Capital S.A.		100.00	Eurizon Capital	Holding
Eurizon Capital S.G.R. S.p.A.		100.00	Eurizon Financial Group	Holding
Eurizon Financial Group S.p.A.	100.00		Intesa Sanpaolo	Holding
Eurizon Vita S.p.A.		99.96	Eurizon Financial Group	Holding
EurizonLife Ltd		100.00	Eurizon Vita	Holding
EurizonTutela SpA		100.00	Eurizon Vita	Holding
Eurofidi - Consorzio Garanzia Fidi	10.29		Intesa Sanpaolo	Holding
		0.80	C.R. Biella e Vercelli	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Euromilano SpA (former Srl)	37.50		Intesa Sanpaolo	Holding
Europay Hrvatska d.o.o. in liquidation		14.63	Privredna Banka Zagreb	Holding
Europrogetti & Finanza SpA	15.97		Intesa Sanpaolo	Holding
Euro-Tresorerie S.A.		100.00	Financiere Fideuram	Holding
Evoluzione 94 SpA	24.10		Intesa Sanpaolo	Holding
		7.35	Società Gestione di Attività	Holding
		2.55	C.R. Bologna	Holding
		1.97	Friulcassa	Holding
F.I.L.A. Fabbrica Italiana Lapis e Affini SpA	24.75		Intesa Sanpaolo	Holding
F2I - Fondi Italiani per le Infrastrutture SGR S.p.A.		14.29	Banca Intesa Infrastrutture e Sviluppo	Holding
Farbanca S.p.A.		19.33	Intesa Sanpaolo	Holding
Fides S.p.A. (bankrupt)		20.00	Isveimer	Holding
Fideuram Asset Management (Ireland) Ltd		100.00	Banca Fideuram	Holding
Fideuram Bank (Suisse) A.G.		99.95	Fideuram Bank Luxembourg	Holding
Fideuram Bank Luxembourg S.A.		99.99	Banca Fideuram	Holding
		0.01	Eurizon Vita	Holding
Fideuram Fiduciaria S.p.A.		100.00	Banca Fideuram	Holding
Fideuram Gestions S.A.		99.94	Banca Fideuram	Holding
		0.06	Eurizon Vita	Holding
Fideuram Investimenti S.G.R. S.p.A.		99.50	Banca Fideuram	Holding
Fideuram Wargny Gestion S.A.		99.96	Banque Privée Fideuram Wargny	Holding
Fideuram Wargny Gestion S.A.M.		99.96	Banque Privée Fideuram Wargny	Holding
Fidia SGR SpA	25.00		Intesa Sanpaolo	Holding
Fin.Ser. SpA		15.00	C.R. Padova e Rovigo	Holding
Fin. Tess. S.p.A.		98.00	C.R. Padova e Rovigo	Pledge
Fin. OPI S.p.A.		100.00	Banca OPI	Holding
Finameris - Societe d'Investiss.et de Financ. Immobiliers S.A.		99.99	Banca Intesa (France)	Holding
Financière Fideuram S.A.		100.00	Banca Fideuram	Holding
Finanziaria Agricola Bresciana SpA in liquidation		100.00	Agricola Investimenti	Holding
Finanziaria BTB SpA	99.29		Intesa Sanpaolo	Holding
Fineurop SpA	15.00		Intesa Sanpaolo	Holding
Finbrescia Holding SpA in liquidation	17.30		Intesa Sanpaolo	Pledge
Finor Leasing d.o.o.		100.00	Banka Koper	Holding
Fonti di Gaverina	60.64		Intesa Sanpaolo	Pledge
Friulcassa SpA	100.00		Intesa Sanpaolo	Holding
Garibaldi	100.00		Intesa Sanpaolo	Pledge
GE.I.PO. Srl	90.00		Intesa Sanpaolo	Pledge
Geni SpA under bankruptcy procedures	35.91		Intesa Sanpaolo	Holding
Gercom SpA	100.00		Banca Intesa Mediocredito	Pledge
GEST Line SpA	30.02		Intesa Sanpaolo	Holding
Gestione e Recupero Attivi Anomali da Leasing - G.R.A.A.L. Srl		100.00	Società Gestione di Attività	Holding
Gestiones y Recuperaciones de Activos SA (former Wiese Sudam. Leasing)		99.94	Inversiones Mobiliarias	Holding
Global Menkul Degerler AS		20.00	Banca IMI	Holding
GPA ATR LTD		12.50	Sanpaolo IMI Bank Ireland	Holding
Granarolo SpA	19.78		Intesa Sanpaolo	Holding
Grin Srl in liquidation	100.00		Intesa Sanpaolo	Pledge
Gruppo Pasini SpA	100.00		Intesa Sanpaolo	Pledge
Horizonte Club italia		100.00	Sanpaolo Banco di Napoli	Pledge
HROK d.o.o. - Hrvatski Registar Obveza po Kreditima		14.00	Privredna Banka Zagreb	Holding
I.TRE - Iniziative Immobiliari Industriali S.p.A.		20.00	C.R. Padova e Rovigo	Holding
IAM Piaggio SpA	16.58		Intesa Sanpaolo	Holding
		3.86	Banca Fideuram	Holding
Idra Partecipazioni SpA in liquidation	18.62		Intesa Sanpaolo	Holding
		11.56	Ldv Holding	Holding
IE Befektetesi Alapkezelo Rt.		100.00	Inter-Europa Bank	Holding
IE-New York Broker Rt		100.00	Inter-Europa Bank	Holding
IE-Services Szolgaltato es Kereskedelmi Kft		100.00	Inter-Europa Bank	Holding
Ifas Gruppo SpA	45.00		Intesa Sanpaolo	Holding
Il Mondo dei Fiori Srl	100.00		Intesa Sanpaolo	Pledge
Imaging SpA	37.95		Intesa Sanpaolo	Holding
		19.99	IMI Investimenti	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
IMI Bank A.G. in liquidation		100.00	Sanpaolo Bank	Holding
IMI Capital Markets USA Corp.		100.00	IMI Investments	Holding
IMI Finance Luxembourg S.A.		100.00	IMI Investments	Holding
IMI Investimenti S.p.A.	100.00		Intesa Sanpaolo	Holding
IMI Investments S.A.		99.99	Banca IMI	Holding
		0.01	Banca IMI Securities	Holding
IMIFIN SpA in liquidation	100.00		Intesa Sanpaolo	Holding
Immobiliare 21 Srl	100.00		Intesa Sanpaolo	Holding
Immobiliare Bella Riva Srl	100.00		Intesa Sanpaolo	Holding
Immobiliare Femar S.p.A.		38.57	C.R. Padova e Rovigo	Pledge
Immobiliare Ferrero SpA	91.70		Intesa Sanpaolo	Pledge
Immobiliare Nettuno SpA		100.00	C.R. Bologna	Holding
Immobiliare Olimpia ' 93 SpA	100.00		Intesa Sanpaolo	Pledge
Immobiliare Peonia Rosa S.r.l.	57.00		Intesa Sanpaolo	Pledge
Immobiliare Santa Caterina S.r.l.		100.00	Sanpaolo Banco di Napoli	Pledge
Impianti Srl in liquidation		1.69	Banca di Trento e Bolzano	Holding
		5.25	Isveimer	Holding
		10.22	Società Gestione di Attività	Holding
	26.27		Intesa Sanpaolo	Holding
Impresa Castelli SpA	36.60		Intesa Sanpaolo	Pledge
Informatica Umbra Srl		8.33	C.R. Spoleto	Holding
		8.33	C.R.Foligno	Holding
Infragruppo SpA		21.71	IMI Investimenti	Holding
Iniziative Urbane SpA		11.11	Banca di Trento e Bolzano	Holding
Insediamenti Produttivi Piemonte Settentrionale SpA - Nordind		12.76	C.R. Biella e Vercelli	Holding
Integra Srl		29.64	C.R. Padova e Rovigo	Holding
Integrated Shipping Company	100.00		Intesa Sanpaolo	Pledge
Inter-Europa Bank Nyrt		100.00	Sanpaolo IMI Internazionale	Holding
Inter-Europa Beruhazo Kft		100.00	Inter-Europa Bank	Holding
Inter Europa Ertekesitesi Kft.		100.00	Inter-Europa Bank	Holding
Intervalv SpA	20.00		Intesa Sanpaolo	Holding
Intesa Bank Ireland Plc	100.00		Intesa Sanpaolo	Holding
(former IntesaBci B.I/B.ca Comm. Ital. Plc Ireland)				
Intesa Bank Overseas Ltd.	100.00		Intesa Sanpaolo	Holding
Intesa Brasil Empreendimentos S.A. (former Traianus S.A.)	100.00		Intesa Sanpaolo	Holding
Intesa Casse del Centro SpA	96.07		Intesa Sanpaolo	Holding
(former Intesa Holding Centro/Holding IntesaBci Centro)				
Intesa Distribution International Services SA		0.03	Société Européenne de Banque	Holding
(former Nextra Distribution Services SA, Prontofund Advisory SA)		99.97	Intesa Distribution Services	Holding
Intesa Distribution Services Srl	100.00		Intesa Sanpaolo	Holding
(former Intesa Immobiliare/IntesaBci Immobiliare)				
Intesa Formazione Scpa (former Intesa Formazione Sud, CEII S.)	80.00		Intesa Sanpaolo	Holding
		20.00	Intesa Casse del Centro	Holding
Intesa Funding Llc (former BCI Funding Corporation)	100.00		Intesa Sanpaolo	Holding
Intesa Global Finance Company Ltd		100.00	Intesa Holding International	Holding
Intesa Holding International SA (former Comit Holding Intern.Sa)	100.00		Intesa Sanpaolo	Holding
Intesa Investimenti SpA	100.00		Intesa Sanpaolo	Holding
(former IntesaBci Inv./Comp.Ital. di Inv.Diversif.)				
Intesa Lease Sec. Srl	60.00		Intesa Sanpaolo	Holding
Intesa Leasing d.o.o. - Beograd (former Delta Leasing d.o.o.)		51.00	Banca Intesa - Beograd	Holding
		49.00	Cib Leasing	Holding
Intesa Leasing SpA	99.67		Intesa Sanpaolo	Holding
Intesa Mediofactoring SpA (former Mediofactoring SpA)	100.00		Intesa Sanpaolo	Holding
Intesa Preferred Capital Co. Llc.	100.00		Intesa Sanpaolo	Holding
Intesa Previdenza SIM SpA (former Sim Co.Ge.F. SpA)	78.53		Intesa Sanpaolo	Holding
Intesa Real Estate Srl (former Immobiliare Maram Srl)	100.00		Intesa Sanpaolo	Holding
Intesa Sec. SpA (former IntesaBci Sec.)	60.00		Intesa Sanpaolo	Holding
Intesa Sec. 2 Srl (former IntesaBci Sec. 2)	60.00		Intesa Sanpaolo	Holding
Intesa Sec. 3 Srl	60.00		Intesa Sanpaolo	Holding
Intesa Sec. NPL SpA (former IntesaBci Sec Npl/Giotto Fin./Lario Fin.)	60.00		Intesa Sanpaolo	Holding
Intesa Sec. NPL 2 Srl (former La Centrale Consulenza Srl)	100.00		Intesa Sanpaolo	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Intesa Soditic Trade Finance Ltd (former BCI Soditic Trade Fin.)		50.00	Intesa Holding International	Holding
Intesa Vita SpA (former Timavo Vita SpA)	50.00		Intesa Sanpaolo (44.44% in Ord. Shareholders' Meeting)	Holding
IntesaBci Preferred Capital Company Llc III Delaware	100.00		Intesa Sanpaolo	Holding
IntesaBci Preferred Securities Investor Trust		100.00	IntesaBci Preferred Capital Company Llc III Delaw.	Holding
IntesaTrade Sim SpA	100.00		Intesa Sanpaolo	Holding
Inversiones Mobiliarias S.A - IMSA	99.82		Intesa Sanpaolo	Holding
Inversiones Sudameris C.A.(Venezuela) in liquidation		100.00	Sudameris	Holding
Investholding d.o.o.		56.38	Privredna Banka Zagreb	Holding
Investitori Associati S.A in liquidation	16.67		Intesa Sanpaolo	Holding
Ipef Partners Ltd.	40.50		Intesa Sanpaolo	Holding
ISC Euroservice Gmbh in liquidation	80.00		Intesa Sanpaolo	Holding
ISCAIM Srl in liquidation (former Immobiliare dell'Isola Cattaneo)	48.57		Intesa Sanpaolo	Pledge
Istituto per il Credito Sportivo	10.81		Intesa Sanpaolo	Holding
Isveimer SpA in liquidation	65.47		Intesa Sanpaolo	Holding
		0.04	C.R. Ascoli Piceno	Holding
Isyde S.p.A.		100.00	Eurizon Financial Group	Holding
Italfondiario SpA	11.25		Intesa Sanpaolo	Holding
Italia Generali Costruzioni Srl	100.00		Intesa Sanpaolo	Pledge
Italian Equity Advisors SpA in liquidation	17.16		Intesa Sanpaolo	Pledge
Ittica Ugento S.p.A.		26.96	Sanpaolo Banco di Napoli	Pledge
Kall Kwik Italia SpA in liquidation		15.00	Sanpaolo Leasint	Holding
Kish Receivables Co.		20.83	Tobuk	Holding
KMB-Bank Small Business Credit Bank (closed Joint Stock C.)		75.00	Intesa Holding International	Holding
KMB-Leasing (closed Joint Stock Company)		100.00	KMB-Bank	Holding
La Compagnia Finanziaria S.p.A.	12.09		Intesa Sanpaolo	Holding
LDV Holding B.V.		100.00	IMI Investimenti	Holding
Lelle SPC - Real Estate Investment and Trading Rt.		99.96	Cib Real Estate	Holding
		0.04	Cib Insurance Broker	Holding
Leonardo Technology SpA	25.00		Intesa Sanpaolo	Holding
Lima Sudameris Holding S.A in liquidation	52.87		Intesa Sanpaolo	Holding
		47.13	Inversiones Mobiliarias	Holding
Liseuro SpA	35.11		Intesa Sanpaolo	Holding
LT Gospodarska Banka d.d.		66.99	Privredna Banka Zagreb	Holding
Lux Gest Asset Management S.A. (former Luxicav Conseil S.A.)		99.99	Société Européenne de Banque	Holding
Luxi Privilege Conseil S.A.		50.00	Société Européenne de Banque	Holding
Mantero Finanziaria SpA	10.59		Intesa Sanpaolo	Holding
Marche Capital S.p.A.	11.99		Intesa Sanpaolo	Holding
Margit Business Center Ltd		100.00	Central European International Bank	Holding
Mater-Bi SpA	34.48		Intesa Sanpaolo	Holding
Mecaer SpA		13.21	IMI Investimenti	Holding
Medimurska Banka dd		96.39	Privredna Banka Zagreb	Holding
Medinvest Srl under bankruptcy procedures	100.00		Intesa Sanpaolo	Pledge
Mega International SpA		48.00	Neos Banca	Holding
Merloni Termosanitari SpA		7.42	IMI Investimenti	Holding
	6.05		Intesa Sanpaolo	Holding
Mezzanove Capital Management Sarl (former Meridian Mezzanine Manag.)		47.00	Private Equity International	Holding
Mezzanove Capital Sca-Sicar (former Meridian Mezzanine Sca)		27.26	Private Equity International	Holding
Mirano Costruzioni S.r.l.		100.00	C.R. Venezia	Holding
Misr Alexandria Mutual Fund Co.		25.00	Bank of Alexandria	Holding
Misr Financial Investments Co.		17.70	Bank of Alexandria	Holding
Montalbano Technology SpA	13.64		Intesa Sanpaolo	Holding
Monte Mario 2000 Srl		47.50	Intesa Real Estate	Holding
Myremi		100.00	Sanpaolo Banco di Napoli	Pledge
N.H. Italia Srl	45.00		Intesa Sanpaolo	Holding
Napredak Osiguranje d.d. in liquidation		19.05	LT Gospodarska Banka	Holding
Neos Banca S.p.A.	99.49		Intesa Sanpaolo	Holding
Neos Finance S.p.A.	100.00		Neos Banca	Holding
Netsystem.com SpA	35.74		Intesa Sanpaolo	Pledge
NHS Investments S.A.		99.99	IMI Investimenti	Holding
		0.01	Ldv Holding	Holding
Nuova Cartiera di Arbatax SpA under extr. Admin.		16.00	Banca Cis	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Nuova G SpA under bankruptcy procedures	100.00		Intesa Sanpaolo	Pledge
Nuovo Hotel S. Pietro Srl	28.00		Intesa Sanpaolo	Pledge
O.M.S.O. Officina Macchine per Stampa su Oggetti SpA	20.50		Intesa Sanpaolo	Pledge
Obiettivo Nordest Sicav SpA	29.62		Intesa Sanpaolo	Holding
OOO Intesa Realty Russia	100.00		Intesa Sanpaolo	Holding
Osservatorio Regionale Banche Imprese di Economia e Finanza Scarl		5.26	Sanpaolo Banco di Napoli	Holding
		5.26	Banca Intesa Mediocredito	Holding
P.B. Srl	42.24		Intesa Sanpaolo	Holding
P.IND Srl	100.00		Intesa Sanpaolo	Pledge
Panonska Banka A.D.	96.64		Intesa Sanpaolo	Holding
Pasco SpA		90.00	C.R. Biella e Vercelli	Pledge
PBZ Card d.o.o. (former PBZ American Express d.o.o. Zagreb)		100.00	Privredna Banka Zagreb	Holding
PBZ Croatia Osiguranje Joint Stock Co. for Comp.Pens.Fund M.		50.00	Privredna Banka Zagreb	Holding
(former PBZ Croatia Osig. Plc for Compuls. Pension Fund Man.)				
PBZ Invest d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Leasing d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Nekretnine d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Stambena Stedionica d.d.		100.00	Privredna Banka Zagreb	Holding
Petrochemical Investments Ltd in liquidation	100.00		Intesa Sanpaolo	Holding
Phoenix Beteiligungs GmbH in liquidation	100.00		Intesa Sanpaolo	Holding
Pietra Srl		22.22	Intesa Sanpaolo	Holding
Pila 2000 S.p.A.		37.19	C.R. Padova e Rovigo	Holding
Pirelli RE - Facility Management Netherlands b.v.	49.00		Intesa Sanpaolo	Holding
Print S.r.l.		100.00	Intesa Sanpaolo	Pledge
Praxis Calcolo SpA		14.52	Ldv Holding	Holding
		14.52	IMI Investimenti	Holding
Primorske Novice d.o.o.		17.12	Banka Koper	Holding
Private Equity International S.A.(former Neuf)	100.00		Intesa Sanpaolo	Holding
Privredna Banka Zagreb d.d.		76.59	Intesa Holding International	Holding
Progema - Promozione Gestione Management Srl in liquidation		10.00	Sep	Holding
		10.00	Neos Banca	Holding
Progetto Milano Bastioni SpA	12.50		Intesa Sanpaolo	Holding
Projekt d.d.		67.01	LT Gospodarska Banka	Holding
Quadrante SpA	50.00		Intesa Sanpaolo	Pledge
R.C.N. Finanziaria SpA (former T.F. Partners Srl)	23.96		Intesa Sanpaolo	Holding
Razvojni Center Mal. Gospod. d.o.o.		19.53	Banka Koper	Holding
Recovery a.s. (former Leasreal a.s.)		100.00	Vseobecna Uverova Banka	Holding
Remari Finanziaria Srl in liquidation	28.00		Intesa Sanpaolo	Pledge
Renee Srl under bankruptcy procedures	100.00		Intesa Sanpaolo	Pledge
Resco Uno Srl (former Trattamenti Termici Solbiate Srl)	100.00		Intesa Sanpaolo	Holding
Sabaudia 29 Srl in liquidation	95.00		Intesa Sanpaolo	Pledge
Sagat SpA		12.40	IMI Investimenti	Holding
Sago S.p.A.	26.67		Intesa Sanpaolo	Pledge
Sailview Company		100.00	Private Equity International	Holding
San Francesco Srl	100.00		Intesa Sanpaolo	Pledge
Sanpaolo Banca dell'Adriatico S.p.A.	100.00		Intesa Sanpaolo	Holding
Sanpaolo Banco di Napoli S.p.A.	100.00		Intesa Sanpaolo	Holding
Sanpaolo Bank (Suisse) S.A.		99.98	Sanpaolo Bank	Holding
Sanpaolo Bank S.A.	100.00		Intesa Sanpaolo	Holding
Sanpaolo Fiduciaria S.p.A.	100.00		Intesa Sanpaolo	Holding
Sanpaolo IMI Bank (International) S.A.	100.00		Intesa Sanpaolo	Holding
Sanpaolo IMI Bank Ireland Plc	100.00		Intesa Sanpaolo	Holding
Sanpaolo IMI Capital Company I L.l.c.	100.00		Intesa Sanpaolo	Holding
Sanpaolo IMI Equity Management S.A.		100.00	IMI Investimenti	Holding
Sanpaolo IMI Fondi Chiusi S.G.R. S.p.A.		100.00	IMI Investimenti	Holding
Sanpaolo IMI Insurance Broker S.p.A.	100.00		Intesa Sanpaolo	Holding
Sanpaolo IMI International S.A.	100.00		Intesa Sanpaolo	Holding
Sanpaolo IMI Internazionale S.p.A.	100.00		Intesa Sanpaolo	Holding
Sanpaolo IMI Investimenti per lo Sviluppo SGR S.p.A.		100.00	IMI Investimenti	Holding
Sanpaolo IMI Management Limited		100.00	IMI Investimenti	Holding
Sanpaolo IMI Private Equity Scheme b.v.		23.50	Ldv Holding	Holding
		20.00	Sanpaolo IMI Equity Management	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Sanpaolo IMI U.S. Financial Co.	100.00		Intesa Sanpaolo	Holding
Sanpaolo Immobiliere S.A.		99.99	Sanpaolo Bank	Holding
		0.01	Eurizon Capital	Holding
Sanpaolo Invest Ireland Ltd		100.00	Banca Fideuram	Holding
Sanpaolo Invest SIM S.p.A.		100.00	Banca Fideuram	Holding
Sanpaolo Leasint G.m.b.h. in liquidation		100.00	Sanpaolo Leasint	Holding
Sanpaolo Leasint S.p.A.	100.00		Intesa Sanpaolo	Holding
Sanpaolo Real Estate S.A.		99.99	Sanpaolo Bank	Holding
		0.01	Sanpaolo IMI Bank International	Holding
Santa Chiara Srl		100.00	Sanpaolo Banco di Napoli	Pledge
Saper Participacoes Ltda (former Saper Empreendim.Imobiliarios)		37.90	Intesa Brasil Empreendimentos	Holding
Scala Advisory S.A.		0.03	Société Européenne de Banque	Holding
	99.97		Intesa Sanpaolo	Holding
Scidue		100.00	Sanpaolo Banco di Napoli	Pledge
Scotiabank Perù S.A.A. (former Banco Wiese Sudameris S.A.)		8.73	Lima Sudameris Holding	Holding
		n.s.	Inversiones Mobiliarias	Holding
	11.18		Intesa Sanpaolo	Holding
Seb Trust Ltd		100.00	Société Européenne de Banque	Holding
SEP S.p.A.	100.00		Intesa Sanpaolo	Holding
Servitia S.A.		99.99	Société Européenne de Banque	Holding
Setefi SpA	100.00		Intesa Sanpaolo	Holding
Shanghai Sino-Italy Business Advisory Company Ltd	40.00		Intesa Sanpaolo	Holding
Seaser SpA		100.00	Banca Intesa Infrastrutture e Sviluppo	Pledge
SI Holding SpA	36.74		Intesa Sanpaolo	Holding
		0.25	Cariromagna	Holding
SIA - SSB SpA	26.83		Intesa Sanpaolo	Holding
		1.39	Banca IMI	Holding
		0.13	Banca di Trento e Bolzano	Holding
		0.07	C.R. Biella e Vercelli	Holding
		0.04	Cariromagna	Holding
		0.03	C.R. Viterbo	Holding
		0.03	C.R. Rieti	Holding
		0.02	C.R. Foligno	Holding
		0.02	C.R. Città di Castello	Holding
		0.02	C.R. Terni e Narni	Holding
		0.02	Banca Fideuram	Holding
		0.02	C.R. Ascoli Piceno	Holding
		0.01	C.R. Spoleto	Holding
		n.s.	Banca Cis	Holding
Sicil Power SpA	97.00		Intesa Sanpaolo	Pledge
Sinloc - Sistema Iniziative Locali SpA		10.00	Fin.OPI	Holding
		8.15	Banca OPI	Holding
Siteba S.p.A.	18.31		Intesa Sanpaolo	Holding
		0.16	Banca di Trento e Bolzano	Holding
		0.09	C.R. Rieti	Holding
		0.09	Carifano	Holding
		0.06	C.R. Terni e Narni	Holding
		0.05	C.R. Foligno	Holding
Slovak Banking Credit Bureau Spol. s.r.o.		33.33	Vseobecna Uverova Banka	Holding
Soa Nordest S.p.A.		15.00	C.R. Padova e Rovigo	Holding
Soc. Aree Ind. ed Artigianali - S.A.I.A. SpA	10.08		Intesa Sanpaolo	Holding
Società Europea di Sviluppo Srl	90.00		Intesa Sanpaolo	Pledge
Società Gestione per il Realizzo SpA	38.33		Intesa Sanpaolo	Holding
		0.95	Carifano	Holding
		0.63	Banca Fideuram	Holding
Società Italiana di Revisione e Fiduciaria SpA - SIREF	100.00		Intesa Sanpaolo	Holding
Sociéte Européenne de Banque S.A.		100.00	Intesa Holding International	Holding
Speed SpA	19.19		Intesa Sanpaolo	Holding
Speroni Beni Stabili Srl		100.00	Banca Intesa Mediocredito	Pledge
Spinoffer Real Estate Srl	100.00		Intesa Holding International	Pledge
Stoà Scpa	10.20		Intesa Sanpaolo	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Strutture Centrali Srl	25.00		Intesa Sanpaolo	Pledge
Studi e Ricerche per il Mezzogiorno		16.67	Banca Opi	Holding
		16.67	Sanpaolo IMI Investimenti per lo Sviluppo	Holding
		16.67	Sanpaolo Banco di Napoli	Holding
	16.67		Intesa Sanpaolo	Holding
Sud Polo Vita SpA		100.00	Eurizon Vita	Holding
Sudameris SA (former Banque Sudameris SA)		99.87	Intesa Holding International	Holding
Sudameris Bank S.A.E.C.A. (former Banco Sudameris Paraguay S.A.E.C.A.)		19.92	Sudameris	Holding
Sudameris Inmobiliaria SA (Panama)		100.00	Sudameris	Holding
Sviluppo Como SpA	15.00		Intesa Sanpaolo	Holding
Sviluppo Garibaldi Repubblica SpA in liquidation	33.00		Intesa Sanpaolo	Holding
Synesis Finanziaria SpA	25.00		Intesa Sanpaolo	Holding
		25.00	IMI Investimenti	Holding
Tabby SpA under bankruptcy procedures	73.81		Intesa Sanpaolo	Pledge
Tamma - Industrie Alimentari di Capitanata Srl	54.60		Intesa Sanpaolo	Pledge
Tecnoalimenti ScpA	20.00		Intesa Sanpaolo	Pledge
Tecnobiomedica S.p.A.	26.32		Intesa Sanpaolo	Pledge
Tecnocittà S.r.l. in liquidation	12.00		Intesa Sanpaolo	Holding
Tecnofarmaci SpA	20.50		Intesa Sanpaolo	Pledge
Tecnotessile Srl	40.00		Intesa Sanpaolo	Pledge
Tehnolosko-Inovacijski Centar doo		11.20	Privredna Banka Zagreb	Holding
Termomeccanica SpA	33.29		Intesa Sanpaolo	Holding
TLX SpA		50.00	Banca IMI	Holding
To.Ro. Tosco Romagnola Soc. Cons. a r.l.		11.88	Cariromagna	Holding
Tobuk Limited		100.00	Sanpaolo IMI Bank Ireland	Holding
Tornabuoni Srl	100.00		Intesa Sanpaolo	Pledge
Tre Re SpA in liquidation	39.99		Intesa Sanpaolo	Pledge
Trigoria 2000 Srl in liquidation	95.00		Intesa Sanpaolo	Pledge
Turismo e Immobiliare SpA	25.00		Intesa Sanpaolo	Holding
Twice Sim SpA (former Gemofin Sim)	19.95		Intesa Sanpaolo	Holding
Unicar Furgonature		40.52	Cariromagna	Pledge
Union Life Insurance Company Ltd		19.90	Eurizon Financial Group	Holding
United Valves Co. in liquidation		25.00	Bank of Alexandria	Holding
Universo Servizi SpA		90.48	Eurizon Vita	Holding
		4.76	Banca Fideuram	Holding
		4.76	Eurizon Capital	Holding
Uno a Erre Italia SpA (former ECC Holding Srl)	13.51		Intesa Sanpaolo	Holding
		11.14	Banca Intesa Mediocredito	Holding
UPI Banka d.d. - Sarajevo		81.18	Intesa Holding International	Holding
Villaggio Turistico Internazionale Srl (former Sviluppo Marino Srl)	100.00		Intesa Sanpaolo	Pledge
Vseobecna Uverova Banka a.s.		96.49	Intesa Holding International	Holding
Vub Asset Management Sprav. Spol. a.s.		100.00	Vseobecna Uverova Banka	Holding
Vub Factoring a.s.		100.00	Vseobecna Uverova Banka	Holding
Vub Generali dochodkova spravcovska spolocnost a.s.		50.00	Vseobecna Uverova Banka	Holding
Vub Leasingova a.s.		100.00	Vseobecna Uverova Banka	Holding
West Leasing S.A. in liquidation		88.71	Banca Comerciala Sanpaolo IMI Bank Romania	Holding
West Trade Center S.A.		99.99	Sanpaolo IMI Internazionale	Holding
Zao Banca Intesa	100.00		Intesa Sanpaolo	Holding
Zao International Business Consulting in liquidation	55.00		Intesa Sanpaolo	Holding

N.S. = Not significant as the percentage is less than 0.001

Fees for auditing and services other than auditing pursuant to art. 149 duodecies of Issuers Regulation 11971

(in millions of euro)

Type of service	Intesa Sanpaolo		Group Companies (*)	
	Reconta Ernst & Young	Reconta Ernst & Young Network	Reconta Ernst & Young	Reconta Ernst & Young Network
Independent audit	4.1 (**)	-	9.8	-
Release of attestations	0.5	-	0.6	-
Consulting services	-	-	-	-
Other	0.3	-	0.5	0.1
legally-required expert opinions	-	-	*0.4*	-
social report audit	*0.3*	-	-	-
other	-	-	*0.1*	*0.1*
	4.9	**-**	**10.9**	**0.1**

(*) Group companies and other fully consolidated subsidiaries.

(**) Including extraordinary charges for the merger of 0.7 million euro and auditing costs of the companies absorbed in 2007.

Amounts net of VAT and reimbursed expenses.

Glossary

GLOSSARY OF CERTAIN TERMS OF THE ANNUAL REPORT

(as used in the "Report" and with the exclusion of the terms that have become commonplace in the Italian language or which are used in a context that already clarifies their meaning)

ABS – Asset-backed Securities ABS
Financial instruments (securities), whose yield and redemption are guaranteed by assets (collateral) of the issuer (usually a Special Purpose Vehicle – SPV), exclusively earmarked for the satisfaction of the rights incorporated in the financial instruments themselves.
Examples of such assets are mortgaged loans, credit card loans, short-term receivables, car loans.

Acquisition finance
Leveraged buy-out financing.

Additional return
Form of remuneration of junior securities deriving from securitisation transactions. In addition to a fixed dividend, such securities accrue periodic earnings (quarterly, semi-annually, etc.), the amount of which is a result of the margin produced by the transaction (in turn reflecting the performance of the securitised assets).

Advisor
Financial broker assisting government authorities or companies involved in privatisation or other corporate finance transactions, whose tasks range from arranging appraisals to drawing up documents and providing general professional advice about specific transactions.

ALM – Asset & Liability Management
Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

ALT- A - Alternative A Loan
Residential mortgages generally of "primary" quality; however, the LTV ratio, the documentation provided, the labour/employment situation of the borrower, the type of property or other factors, do not permit the classification in standard contracts usable in subscription programmes.
Incomplete documentation is the main reason which leads to the classification of a loan as "Alt-A".

Alternative investment
Alternative investments cover a broad spectrum, including those in private equity and hedge funds (see definitions below).

Amortised/depreciated cost
Differs from "cost" in that it provides for the progressive amortisation/depreciation of the differential between the book value and nominal value of an asset or liability on the basis of the effective rate of return.

Arranger
In the sector of structured finance, the arranger is the figure who – albeit in different forms and with different titles (mandated lead arranger, joint lead arranger, sole arranger, etc.) – acts as a co-ordinator of the organisational aspects of the transaction.

Arrangement (commission)
Commission having the nature of compensation for professional advice and assistance at the stage when a loan is originated and arranged.

Asset allocation
Choice of markets, geographical areas, sectors and products to invest in.

Asset management
Various forms of activities in connection with the management and administration of customer assets.

AP – Attachment Point
Level over which the protection seller will cover the losses of the protection buyer. It is typically used in synthetic CDOs.

Audit
In listed companies, it is overall checking on the business and bookkeeping of a company, performed by both in-house staff (internal audit) and independent audit firms (external audit).

Back office
The unit of a bank or holding company that takes care of handling all transactions performed by the operational units (front office).

Backtesting
Retrospective analysis performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually concerns securities or financial instruments in general, identifying the portion of a portfolio dedicated to "proprietary" trading.

Basis swap
Contract providing for the exchange between opposite parties of variable-rate payments linked to a different index.

Best practice
It generally identifies behaviour commensurate with state of the-art skills and techniques in a given technical/professional area.

Bid-ask spread
The difference between the bidding price and asking price of a given financial instrument or set of financial instruments.

Bookrunner
See Lead manager

Budget
Forecast of cost and income trends of a firm in some future period.

Capital Asset Pricing Model
Model making it possible to determine the "opportunity cost" or the amount of income for the business period necessary to remunerate the cost of capital.

Capital structure
The vehicle issues various classes of bonds (tranche), guaranteed by the acquired portfolio, which have different risk and return characteristics to satisfy the needs of different categories of investors. All tranches considered together make up the Capital Structure. Subordination clauses between the various tranches are regulated by a series of norms which specify the loss distribution generated by the collateral:
Equity Tranche (B): is the riskiest portion of the portfolio, it is also known as "first loss" and is subordinated to all the other tranche; it is the first to bear the losses which may occur in the recovery of the underlying assets.
Mezzanine Tranche (B): is the tranche with a subordination which is intermediate between the equity tranche and the senior tranche. The mezzanine tranche is normally divided into 2-4

tranche of different risk, with increasing subordination. They typically have a rating ranging from BBB-AAA .
Senior/Supersenior Tranche (B): is the tranche with the highest credit enhancement or the highest degree of privilege in terms of priority of remuneration and reimbursement. It is normally also called super senior tranche and, if rated, it has a rating over AAA since it is senior with respect to the AAA mezzanine tranche.

Captive
Term generically referring to "networks" or companies that operate in the exclusive interest of their parent company or group.

Cash flow hedge
Coverage against exposure to variability in cash flows traceable to a particular risk.

Cash management
A banking service that, in addition to making available to businesses a whole set of information on the status of relations entertained with the bank, provides an operative tool allowing businesses to execute transfers of funds, thus leading to more efficient treasury management.

Categories of financial instruments provided for by IAS 39
Activity of negotiation which includes the following: assets purchased for short-term sale or part of portfolios of instruments managed jointly for the purpose of realising profits in the short-term, and assets that the entity decides in any case to reckon at fair value with variation in value entered under the Profit and Loss Account; assets held full term, non-derivative assets with a fixed term and payments that are fixed or determinable, concerning which there is a real intention and capacity to hold them full term; credits and loans, non-derivative assets with fixed or determinable payments not quoted on the active market; assets available for sale, specifically designated as such, or others not falling under the previous typologies.

CDO – Collateralised Debt Obligation
Securities issued within the framework of securitisation transactions, guaranteed by underlying assets in the form of credits, securities or other financial assets (including securitised tranche). In the case of unfunded synthetic CDOs the risk is transferred using credit derivatives instead of sale of assets (funded CDOs)

CDSs on ABX indices
ABX indices are a type of indices on ABSs. Each ABX refers to a basket of 20 reference obligations belonging to a specific sector of ABS. Each ABX (for a total of five) reproduced a rating class (AAA, AA, A, BBB, and BBB-).
In particular, the ABX.HE index, issued on 19 January 06 (Annex Date) is made up of reference obligations of the home equity segment of ABS (Residential Mortgage - Backed Security – RMBS). The CDS on an ABX.HE therefore hedges the credit risk of underlying RMBSs or the risk relative to the 20 reference obligations which make up the index.
For ABX, the market does not provide credit curves but directly price valuations. The settlement for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pay the protection buyer the losses incurred as these emerge, without leading to the termination of the contract.
Please note that the coverage is achieved via the purchase of ABX indices, even if it is if structured so to correspond to the best to the characteristics of the portfolio hedged, it remains in any case subject to so-called basis risks. In other words, since it is not a specific hedge, it may generate volatility in the income statement in the phases of imperfect correlation between the prices of the index and market value of hedged positions.

Commercial paper
Short-term notes issued in order to collect funds from third party underwriters as an alternative to other forms of indebtedness.

Core Business
Primary area of business constituting the focal point of a company's strategies and policies.

Core tier 1 ratio
Indicates the ratio (Tier 1) capital, not including preference shares, to total risk-weighted assets. Preference shares are innovative capital instruments normally issued by foreign subsidiaries and included in the Tier 1 capital if they have characteristics guaranteeing the capital stability of the banks.
The Tier 1 ratio is the same ratio that, in the numerator, includes the preference shares.

Corporate
Segment of customers corresponding to medium- and large-sized firms (mid-corporate, large corporate).

Cost income ratio
Economic indicator represented by the ratio of operating costs to net operating income.

Covered bond
Special bank bond that, in addition to the guarantee of the issuing bank, can also benefit from the guarantee of a portfolio of mortgage loans or other high-quality loans sold for the purpose to a special vehicle company.

Credit default swap/option
Contract under which one party transfers to another the credit risk of a loan or security, against payment of a premium, at such a time when some event has caused a downgrading of the debtor's credit rating (in the case of an option, the right must be exercised by the purchaser).

Credit derivatives
Derivative contracts that cause the transfer of credit risks. These products allow investors to perform arbitrage and/or hedging on the credit market mainly by means of instruments other than cash, to acquire credit exposures diversified in their maturity and intensity, to modify the risk profile of a portfolio and to separate credit risks from other market risks.

Credit enhancement
Techniques and instruments used by issuers to improve the rating of their issues (constitution of sureties, granter of cash credit lines, etc.).

Credit/emerging markets (Funds)
Funds that invest in securities with credit risk exposure, inasmuch as issued by financial or corporate issuers, also located in emerging countries.

Credit-linked notes
Similar to bonds issued by the protection buyer or a vehicle company whose holders (protection sellers) – in exchange for a yield equal to the yield of a bond with the same maturity plus the premium received for credit risk hedging – take the risk of losing (in whole or in part) the maturing capital and the related flow of interest, upon occurrence of a specific event.

Credit spread option
Contract under which the protection buyer reserves the right, against payment of a premium, to collect from the protection seller a sum depending on the positive difference between the market spread and that fixed in the contract, applied to the notional value of the bond.

CreditVaR
Value that indicates an unexpected loss in connection with a credits portfolio at a time of confidence in a given period. The CreditVaR is assessed through distribution of the values of the losses and represents the difference between the average distribution value and the value corresponding to a certain percentile (usually 99.9%), which reflects the Bank's degree of willingness to take risks.

Cross selling
Activity designed to increase customer loyalty through the sale of integrated products and services.

CR01
Referred to a credit portfolio, it indicates the value variation it would undergo as a consequence of an increase of 1 basis point of the credit spreads.

Default
Designates the condition of declared inability to honour one's debts and/or make the relevant interest payments.

Delta-Gamma-Vega (DGV VaR)
Parametric model for calculation of the VaR, able to assess risk factors having both a linear and non-linear trend.

Desk
It generally refers to an operating unit where a particular activity is mainly carried on.

Dynamics of funding
Sum of deposits in a current account (free current accounts and bank drafts), returnable deposits upon prior notice (free savings deposits), time deposits (time savings deposits, certificates of deposit), repo agreements and bonds (including subordinate loans). Each technical form, with the exception of bonds, is shown for clientele residing in Italy, except for the central Administration, in euros and foreign currencies. Bonds refer to the overall value of the documents of debt, independently of the place of residence and sector of the holder.

Directional (Funds)
Funds that invest in financial instruments that profit from directional market movements, sometimes tied to analyses of a macroeconomic type.

Domestic Currency Swap
Contract settled in euros, whose economic effect is equal to that of a time purchase or sale of a foreign currency in exchange for domestic currency. On expiry, the differential between the forward and the spot exchange rate is settled in euros.

Duration
Constitutes an indicator of interest rate risk of a security or securities portfolio. In its most frequent form, it is calculated as a weighted average of the due dates of interest and principal payments associated with a security.

EAD – Exposure at Default
Relating to positions on or off the books, it is defined as the estimated future value of an exposure at the time of default of a debtor. Only banks meeting the requirements for the adoption of the Advanced IRB are legitimised to estimate EAD. The others are required to make reference to statutory estimates.

EDF – Expected Default Frequency
Frequency of default, normally based on a sample inside or outside the bank, which represents the average risk level associable with a counterparty.

Equity hedge/long-short (Funds)
Funds that predominantly invest in stocks with the possibility of creating hedging strategies by means of short sales of the same stocks or strategies in derivatives contracts involving securities or market indexes.

Equity origination
Increase of a company's risk capital achieved by floating a new issue of stock

Exotics (derivatives)
Non-standard instruments unquoted on the regular markets, whose price is based on mathematical models.

Event driven (Funds)
Funds that invest in opportunities arising out of significant events regarding the company sphere, such as mergers, acquisitions, defaults and reorganisations.

EVT – Extreme Value Theory
Statistical methodologies that deal with extreme hypothetical deviations compared to the average probable distribution of specific events.

Facility (commission)
Commission calculated with reference to the amount disbursed.

Factoring
Sale of trade receivables to specialised firms for purposes of management and collection, normally associated with the granting of a loan to the seller.

Fair value
It is the consideration for which an asset could be exchanged or a liability extinguished, in a free transaction between acquainted with and independent parties.

Fair value hedge
Hedging against exposure to a variation in the fair value of a budgeted item, attributable to a particular risk.

Fairness/Legal opinion
An opinion given on request by experts of recognised professionalism and competence, as regards the congruity of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

FICO Score
In the US the credit score is a number (usually between 300 and 850), and is based on the statistical analysis of credit archives referred to individuals. The FICO score is an indicator of the borrower's credit quality. A mortgage lender will use the "score" to assess the potential risk of the borrower and to correctly price risk.

Financial instruments quoted in an active market
A financial instrument is considered as quoted on an active market if the quotations, reflecting normal market transactions, are promptly and regularly available through organised markets (exchanges), brokers, intermediaries, companies operating in the sector, quotation services or authorised bodies, and such prices represent effective and regular market transactions taking place over a normal period of reference.

Forward Rate Agreement
See "Forwards."

Forwards
Forward contracts on interest rates, exchange rates or stock indexes, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be fulfilled at a predetermined future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the purpose of the contract.

Front office
The complex of operating units designed to deal directly with the clientele.

Funding
The procurement of capital, in various forms, to finance the company business or particular financial transactions.

Futures
Standardised future contracts under which the parties agree to exchange securities or physical commodities at a fixed forward price and at a future date. Such contracts are normally traded on organised markets, where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying value.

Global custody
An integrated package of services including, in addition to the custody of securities, the performance of administrative activities relating to the settlement of securities, collections and payments, the deposit bank and management of uninvested liquidity, as well as various forms of reporting on the performance of the portfolio.

Goodwill
The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

Governance
Identifies the instruments and rules/standards taken as a whole regulating the life of the company, particularly as regards the transparency of documents and company records, and the completeness of information made available to the market.

Greek
Identifies a situation of greater or lesser sensitivity with which a derivative contract, typically an option, reacts to variations in the value of the underlying asset or other parameters of reference (typically intrinsic volatility, interest rates, stock prices, dividends and correlations).

Hedge accounting
Rules pertaining to the accounting of hedges.

Hedge fund
Investment fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

HELS – Home Equity Loans
Mortgaged loans granted up to the current market value of the real estate property (therefore with a Loan to value higher than the ordinary thresholds), with first and second degree mortgages. Standard & Poor's considers Subprime and Home Equity Loan synonyms when the home equity loan borrowers have a low credit scoring (FICO<659).

IAS/IFRS
The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB). The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

Impairment
When referred to a financial asset, a situation of impairment is identified when the book value of the asset exceeds the estimated recoverable amount of the same.

Index-linked
Policies whose performance at maturity depends on the performance of a parameter of reference, which may be a stock index, a basket of securities or some other indicator.

Indirect customer deposits
Securities and the like owned by third parties on deposit, not issued by the bank at nominal value, excluding certificates of deposit and bank bonds.

Internal dealing
Transactions between different operating units of the same firm. The relevant documentary material is part of the bookkeeping and contributes to determining the position (trading or hedging) of the individual units involved.

Intraday
Used to refer to an investment/divestment transaction performed in the course of a single day involving the negotiation of a security. It is also used with reference to prices quoted during any one day.

Investments in real estate
Real estate owned for the purpose of obtaining income and/or benefiting from an increase in their value.

Investment grade
Term used with reference to quality bonds that have received a medium/high rating (e.g., no less than BBB on Standard & Poor's index).

IRB (Internal Rating Based) Advanced
Approach to internal ratings within the framework of the new Basel accords, which is distinguished by its basic and advanced methods. The advanced method may be used only by institutions satisfying more stringent requirements compared to the basic approach. In this case, all the estimated input (PD, LGD, EAD and Maturity) used for credit risk assessment is calculated in-house. Instead, in the basic method the Bank assesses only the PD.

IRS – Interest Rate Swap IRS
A binding agreement in which two parties agree to exchange flows on some predetermined notional amount with a fixed/variable or variable/variable rate.

Joint venture
Agreement involving two or more firms for the performance of a given economic activity, generally through the incorporation of a joint-stock company.

Junior
In a securitisation transaction it is the lowest-ranking portion of the securities issued, being the first to bear losses that may occur in the course of the recovery of the underlying assets.

Lead manager - Bookrunner
Leading figure of the issuing syndicate of a bond; he deals with the debtor, is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the same debtor; he determines the terms and conditions of issue, manages the execution thereof (almost always undertaking to place the most relevant portion on the market) and keeps the books (bookrunner); in addition to the

reimbursement of expenses and usual fees, he receives a special commission for this service.

Lending risk-based
A methodology applied to a credit portfolio that makes it possible to identify the most suitable pricing conditions, taking into account the risk factor of every single credit.

Leveraged & acquisition finance
See "*Acquisition finance*".

LTV – Loan to Value Ratio
The ratio between the loan and the value of the asset for which the loan was requested or the price paid by the borrower to buy the asset.
The LTV ratio measures the borrower's own funds used to buy the asset on the value of the asset used as guarantee. The higher the LTV ratio, the lower the borrower's own funds used to buy the asset, the lower the creditor's protection.

LDA - Loss Distribution Approach
Model used for assessing exposure to operational risk that makes it possible to estimate the amount of expected and unexpected loss for any combination of event/loss and business line.

***Loss Given Default* (LGD)**
It indicates the estimated loss rate in the event of the default of a debtor.

Lower Tier 2
It designates subordinate liabilities that have the features to be included in supplementary capital and reserves or Tier 2.

M–Maturity
Residual life of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced method is adopted, while it is fixed at 2.5 years if the basic approach is used.

Margin of contribution of collection on demand
Difference between 1-month euribor and the rate applied to current accounts of families and businesses.

Mark to market
Process of evaluating a portfolio of securities or other financial instruments on the basis of the prices expressed by the market.

Market making
Financial activity carried out by specialised intermediaries, whose task consists of guaranteeing market liquidity and depth, both through their continuous presence and by means of their role of competitive guide in determining prices.

Market neutral
Operating strategies involving securities designed to immunise the relevant portfolios from risk in connection with market variations.

Mark-up
Difference between the rate applied to the whole of families and businesses on loans with a duration of less than one year and the 1-month euribor.

Merchant banking
Involves a range of activities including the underwriting of securities – both equities or bonds – issued by corporate clients for subsequent offering on the market, the acquisition of shareholdings for longer periods but with the same aim of transferring them later, and the providing of business consulting services in the matter of mergers and acquisitions or reorganisation.

Mezzanine
In a securitisation transaction it is the tranche ranking between the junior tranche and senior tranche.

Monoline
Insurerance companies which, in exchange of a commission, guarantee the reimbursement of certain bond issues. Formed in the '70s to guarantee municipal bond issues from default, their services were subsequently particularly appreciated for issues of complex financial products: the structure and the assets underlying such issues are often extremely complicated; with the intervention of monocline insurers, the portions of debt guaranteed by the latter are easier to value and more appealing for risk adverse investors, since insolvency risk is borne by the insurer.

Multistrategy/funds of funds (Funds)
Funds that do not invest in a single strategy but in a portfolio reflecting different strategies or in a portfolio of investment funds managed by third parties.

Non-performing
Term generally referring to loans characterised by unsteady performance.

Option
Upon payment of a premium, the buyer acquires a right, but not an obligation, to purchase (call option) or to sell (put option) a financial instrument at a set price (strike price) within (American option) or on (European option) a given future date.

Other related parties – close relatives
"Close relatives" of an individual is understood to mean family members predictably able to influence or be influenced by the individual interested in their relations with an entity. They include a cohabitant/common-law spouse (as well as a spouse not legally separated) and the individual's children, the cohabitant/common-law spouse's children, and the individual's or cohabitant/common-law spouse's dependents.

Outsourcing
Resort to operative support activities performed by outside companies.

Over-the-counter (OTC)
It designates transactions carried out directly between the parties and not in an organised market.

Packages
Strategy made up of a funded asset whose credit risk is hedged by a specific credit default swap. If present, any interest rate and foreign exchange rate risks may be hedged with financial derivatives.

Past due loans
"Past due loans" correspond to past-due and/or borderline receivables on a continuing basis for over 180 days, in accordance with the definition provided for by Supervisory provisions in force.

Performing
Term generally referring to loans characterised by steady performance.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is quoted on the regular markets.

Pool (transactions)
See *Syndicated lending*

Preference shares
See *Core tier 1*

Pricing
Broadly speaking, it generally refers to the methods used to determine yields and/or costs of products and services offered by a bank.

Prime loan
Mortgage loans in which both the criteria used to grant the loan (loan-to-value, debt-to income, etc.) and the quality (story) of the counterparty (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to consider the disbursement of "high quality" (as concerns the borrower) and with low risk profile.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity
Involves activity aiming at the acquisition of shareholdings and their subsequent sale to specific counterparties, without public offerings.

***Probability of Default* (PD)**
Represents the probability that, within the space of 1 year, a debtor will default.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risks. In addition to the analysis of cash flow, such evaluations include a technical examination of the project, the suitability of the sponsors engaged in carrying out the project and the markets where the product will be placed.

PV01
Measures the variation in the value of a financial activity following a change of one basis point in the yield curve.

Rating
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies.

Real estate (finance)
Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)
REITs are entities which invest in different types of real estate or financial assets related to real estate, including shopping centres, hotels, offices and loans (mortgages) guaranteed by real estate properties.

Relative value/arbitrage (Funds)
Funds that invest in strategies of a market neutral type and profit from the unaligned price of particular securities or financial contracts, neutralising the underlying market risk.

RMBS - Residential Mortgage-Backed Securities
ABSs issued as part of securitisations of residential mortgage-backed loans.

Retail
Segment of clientele mainly including households, professionals, retailers and artisans.

Risk Management
Activity pertaining to the acquisition, measurement, valuation and overall management of various types of risk and their hedging.

Scoring
System of analysis of company clientele, taking the concrete form of an indicator obtained by an examination of information contained in the financial statements, in addition to an evaluation of the forecasts of the performance of the sector, analysed using statistical methods.

Senior/super senior
In a securitisation transaction, this is the preferred tranche in terms of priority in the matter of remuneration and reimbursement.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other pertinent indicators.

Servicer
In securitisation transactions, this figure – on the basis of a special servicing contract – continues to manage the securitised credits or assets after they have been sold to the vehicle company responsible for the issue of the securities.

Syndicated lending
Loans set up and guaranteed by a pool of banks and other financial institutions.

SPE/SPV
Special Purpose Entities or *Special Purpose Vehicles* are companies specially created by one or more entities in order to perform a specific transaction. Generally, SPE/SPVs have no operating and managerial structures and use those of the different players involved in the transaction.

Speculative grade
Term used to identify issuers with a low rating (e.g., below BBB on Standard & Poor's index).

Spread
This term usually indicates the difference between two interest rates, the difference between the bidding and asking price in trading securities or the price an issuer of stocks and bonds pays above a benchmark rate.

SpreadVar
Value that indicates the maximum possible loss on a trading portfolio due to the market performance of the credit spreads of the credit default swaps or bond spreads, with a certain degree of probability and assuming that the positions require a certain amount of time for their divestment.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing the profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock option
Term used to indicate the right granted to company managers that allows them to purchase the company's shares at a pre-determined price (strike price).

Stress test
A simulating procedure designed to assess the impact of extreme market scenarios on the Bank's overall exposure to risk.

Structured export finance
Transactions involving structured finance in the export of goods and services sector.

Subprime
A universally agreed-upon definition of subprime mortgages does not exist. In short, this classification refers to mortgaged lending which is riskier since it is granted to borrowers with low creditworthiness, or who have bad past credit situations (non-payment, debt settlements or doubtful loans) or because the debt-to-income or loan-to-value ratio is high.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In the case of a swap of interest rates, the opposite parties exchange flows of payment which may be indexed or unindexed to interest rates, calculated on a notional capital of reference (e.g., one party may pay a flow on a fixed-rate basis, while the counterparty may pay on a variable-rate basis). In the case of a swap of currencies, the opposite parties exchange specific amounts of two different currencies, repaying the same over time according to predefined arrangements that may regard both the notional capital and the indexed flows pertaining to the interest rates.

Tier 1
It includes the paid-in capital, the share premium reserve, reserves from retained earnings (including IAS/IFRS first time adoption other from those included under the valuation reserves), net of treasury shares and intangible assets. Consolidated Tier 1 further includes minority interests.

Tier 2
It includes valuation reserves, hybrid capital instruments, subordinated liabilities, net of adjustments to loans subject to country risk covered with capital and of other negative elements.

Time value
Variation in the financial value of an instrument in relation to a different timeframe when certain monetary flows will become available or due.

Total capital ratio
Index of assets referred to the whole of the elements constituting regulatory capital (Tier 1 and Tier 2).

Total return swap
A contract under which one party, usually the owner of the security or credit of reference, agrees to make periodic payments to an investor (protection seller) based on the capital and interest generated by the business. On the other side, the investor agrees to make payments based on a variable rate, as well as any decrease in value of the business from the date of the contract.

Trading book
Usually referring to securities or, in any case, to financial instruments, it designates the portion of a portfolio earmarked for trading activity.

Trust preferred Securities (TruPS)
Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting (commission)
Commission received in advance by the bank on the basis of the assumption of the underwriting risk associated with the granting of a loan.

Upper Tier 2
It designates the hybrid capitalisation instruments (for instance, perpetual loans) that represent the top-ranked portion of Tier 2.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market performance, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega01
Referred to a portfolio, it indicates the variation in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Collective assessment of in bonis credits
With reference to a homogeneous group of financial assets with a steady performance, the collective assessment defines the degree of credit risk potentially associated with the same, even though it is not yet possible to identify it with a specific position.

Vintage
Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgages underlying securitisations. Especially in the US, the phenomenon of mortgages granted to entities with inadequate income and with poor prior assessment of documentation became significant as of 2005.

Warrant
Negotiable instrument that gives the holder the right to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Wealth management
See *Asset management.*

What-if
Form of analysis used in an attempt to describe what might be the dimensions of the reaction to variations in the basic parameters.

Wholesale banking
A business activity mainly involving transactions of considerable importance concluded with primary counterparties.

The Intesa Sanpaolo Group Network

The Intesa Sanpaolo Group - Branches in Italy

(Updated as at December 2007)

Region	Intesa Sanpaolo				Subsidiaries [1]	Group
	Retail branches	SME branches	Private branches	Corporate branches		
Piemonte	504	35	20	5	27	**591**
Valle d'Aosta	30	1	-	-	-	**31**
Lombardia	1,213	79	14	13	63	**1,382**
Liguria	147	10	2	2	13	**174**
Trentino-Alto Adige	81	8	2	1	3	**95**
Veneto	685	37	14	8	30	**774**
Friuli-Venezia Giulia	169	7	4	1	8	**189**
Emilia Romagna	366	21	13	6	25	**431**
Toscana	105	13	2	3	18	**141**
Umbria	132	3	-	-	5	**140**
Marche	178	8	2	2	7	**197**
Lazio	420	13	8	2	21	**464**
Abruzzo	119	4	3	1	5	**132**
Molise	23	1	2	-	-	**26**
Campania	449	15	10	3	15	**492**
Puglia	272	13	4	1	12	**302**
Basilicata	33	2	1	-	1	**37**
Calabria	88	6	1	1	4	**100**
Sicilia	192	14	2	2	12	**222**
Sardegna	99	7	-	2	22	**130**
Total	**5,305**	**297**	**104**	**53**	**291**	**6,050**

[1] Banca Fideuram, Intesa Sanpaolo Private Banking, Banca Prossima, Neos Banca, Banca Infrastrutture Innovazione e Sviluppo, Banca CIS, Mediocredito Italiano, Banca IMI.

The Intesa Sanpaolo Group - Branches abroad

(Updated as at December 2007)

Country	Intesa Sanpaolo	Subsidiaries	Group
Albania - *Banca Italo Albanese*	-	7	**7**
Albania - *American Bank of Albania*	-	23	**23**
Austria - *Vienna branch*	1	-	**1**
Austria - *Banca di Trento e Bolzano Dornbirn and Innsbruck branches*	-	2	**2**
Bahamas - *Nassau branch*	1	-	**1**
Bosnia - Herzegovina - *UPI Banka*	-	47	**47**
Croatia - *Privredna Banka Zagreb*	-	227	**227**
Egypt - *Bank of Alexandria*	-	188	**188**
Russian Federation - *KMB Bank*	-	58	**58**
Russian Federation - *ZAO Banca Intesa*	-	1	**1**
France - *Banca Intesa France*	-	1	**1**
Germany - *Frankfurt and Munich in Bavaria branches*	2	-	**2**
Japan - *Tokyo branch*	1	-	**1**
Greece - *Athens branch*	1	-	**1**
Greece - Banca IMI *Athens branch*	-	1	**1**
Greece - American Bank of Albania *Athens and Salonika branches*	-	4	**4**
Ireland - *Intesa Sanpaolo Bank Ireland*	-	1	**1**
Cayman Islands - *George Town branch*	1	-	**1**
Luxembourg - *Société Européenne de Banque*	-	1	**1**
Luxembourg - *Fideuram Bank Luxembourg*	-	1	**1**
The Netherlands - *Amsterdam branch*	1	-	**1**
United Kingdom - *London branch*	1	-	**1**
United Kingdom - *Banca IMI London branch*	-	1	**1**
Czech Republic - *Vseobecna Uverova Banka branch*	-	1	**1**
People’s Republic of China - *Hong Kong branch and Shanghai branch*	2	-	**2**
Romania - *Intesa Sanpaolo Bank Romania*	-	50	**50**
Serbia - *Banca Intesa Beograd*	-	159	**159**
Serbia - *Panonska Banka*	-	65	**65**
Singapore - Singapore branch	1	-	**1**
Slovakia - *Vseobecna Uverova Banka*	-	237	**237**
Slovenia - *Banka Koper*	-	46	**46**
Spain - *Madrid branch*	1	-	**1**
USA - *New York branch*	1	-	**1**
Switzerland - *Sanpaolo Bank Suisse*	-	1	**1**
Switzerland - *Fideuram Bank Suisse*	-	2	**2**
Hungary - *Central-European International Bank*	-	106	**106**
Hungary - *Inter-Europa Bank*	-	35	**35**
Total	**14**	**1,265**	**1,279**

Representative offices abroad
(Updated as at December 2007)

Europe

Belgium
Brussels

Russian Federation
Moscow

France
Paris

Poland
Warsaw

Czech Republic
Prague

Spain
Barcelona

Sweden
Stockholm

Africa

Egypt
Cairo

Morocco
Casablanca

Tunisia
Tunis

America

Argentina
Buenos Aires

Brazil
São Paulo

Chile
Santiago

Mexico
Mexico City

United States
Los Angeles

Asia

South Korea
Seoul

United Arab Emirates
Dubai

India
Mumbai

Iran
Teheran

Lebanon
Beirut

People's Republic of China
Beijing

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Financial calendar

Approval of results as at 31 March 2008:	13 May 2008
Approval of results as at 30 June 2008:	26 August 2008
Approval of results as at 30 September 2008:	11 November 2008

PREPRESS AND PRINTING: AGEMA CORPORATION ITALY

MADE WITH RECYCLED PAPER FSC

Intesa Sanpaolo is the most widespread bank in Italy. Its leadership stems not only from its size but also thanks to its ability to interpret and respond to the needs of the areas in which it is present.
This commitment can be seen in the choice of maintaining and enhancing all the banks in the group, since it is they that allow Intesa Sanpaolo to present itself to the market as a fully-fledged citizen of every place in which it operates.
This is the reason the illustrations chosen for this report – the first to describe the results of the merger of Banca Intesa and Sanpaolo IMI – have been inspir ed by the rich cultural wealth of our cities. They show the doors of historic buildings of great importance in each regional capital and in the cities mentioned in the names of the Group banks. It is a tribute to Italian tradition and history. But it is also emblematic of the willingness to communicate and establish relationships that typifies the people of Intesa Sanpaolo and of the banks in the group.

1. **Padova**
Bronze door, University of Padova

2. **Roma**
Detail of facade of Villa Giulia

3. **Firenze**
Door of the Casino Mediceo

4. **Venezia**
Door near Calegheri Bridge

5. **Campobasso**
Building in Via Sant'Antonio Abate

6. **Torino**
Door of Palazzo Saluzzo di Paesana

7. **Genova**
Door with atlas figures, Palazzo Durazzo

8. **Forlì**
Detail, Palazzo Paulucci

9. **Rovigo**
Door of the Post Office building

10. **Napoli**
Detail of Palazzo Carafa d'Andria

11. **Bologna**
Detail of the facade of Palazzo Montpensier

12. **Milano**
Detail of the facade of Palazzo Marino

13. **Perugia**
Door of Palazzo del Capitano del Popolo

14. **Palermo**
Door of the Archbishop's Palazzo

15. **Bolzano**
Building in Viale della Roggia

16. **Bari**
Souther gate of Castello Svevo

17. **Cagliari**
View of Porta Cristina

18. **L'Aquila**
Castle gate

19. **Aosta**
Door of a building in Via Saint-Bernard de Menthon

20. **Trieste**
Fortified entrance of Duino Castle

21. **Catanzaro**
Detail of Palazzo Castagna

22. **Trento**
Door of Palazzo del Monte or Rehr

23. **Potenza**
Detail of the School of Industry

24. **Ancona**
Gothic-Venetian door of the ex-Church of St. Agustine

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