PRESS RELEASE

INTESA SANPAOLO: RESULTS AS AT 31 DECEMBER 2007

- **2007 consolidated net income at over 7.2 billion euro, including capital gains from disposals (2006: 4.7 billion).**
- **Proposal for dividend distribution: 0.38 euro per ordinary share and 0.391 euro per saving share, with a total pay-out of over 4.8 billion euro.**
- **Operating income at 18,008 million euro, +0.5% (2006: 17,915 million), +5.5% recurring.**
- **Operating costs at 9,268 million euro, -3.7% (2006: 9,628 million), -1.1% recurring.**
- **Operating margin at 8,740 million euro, +5.5% (2006: 8,287 million), +15.2% recurring.**
- **Income before tax from continuing operations at 6,858 million euro, +0.8% (2006: 6,802 million), +15.3% recurring.**
- **Capital ratios as at 31 December 2007: Tier 1 ratio at 6.5%.**
- **Net risk exposure to structured credit products with underlying US subprime is even negative for 49 million as at 31 December 2007.**

Torino, Milano, 20 March 2008 – Today, Intesa Sanpaolo's Management Board, chaired by Enrico Salza, met and approved the drafts of the Parent Company's financial statements and consolidated financial statements as at 31 December 2007 (*).

The results for 2007 highlighted a positive performance achieved notwithstanding the negative effects of the financial markets crisis and benefiting only marginally, so far, from merger synergies.

Intesa Sanpaolo's **consolidated net income** for 2007 amounted to 7,250 million euro from 4,707 million in 2006. The net income reflected on one hand the positive impact of significant capital gains, mainly made on the disposal of Cariparma, FriulAdria and 202 branches to Crédit Agricole, and on the other the negative impact of the following three elements which marked the last quarter of the year:

- the adoption of a strict policy of asset valuation to face the current and future difficulties of the economic environment, which has also led to prudent provisions and goodwill impairment on former Nextra both connected to the agreement with Crédit Agricole of an overall amount of 280 million, entirely posted in the fourth quarter;
- a tax charge of approximately 375 million euro due to the impact of redetermined deferred taxation relating to the 2008 Budget Law, entirely posted in the fourth quarter;
- the contraction in profits on trading which were negative for 64 million euro owing to the negative contribution of approximately 380 million euro from structured credit products, almost entirely due to write-downs.

(*) Methodological note on the consolidation area at page 9.

The above-mentioned valuation policy put in place measures to minimise the impact from the difficult market environment in the current year. Furthermore, starting from the second half of 2008, results are expected to benefit from the completion of the **integration ahead of the schedule initially planned**, with the unification of the ICT systems to take place by the end of July instead of at year-end, the **accelerating development of the "drivers of growth"**, with fully implemented commercial initiatives, and the progressive unfolding of revenue and cost synergies which will be in full operation - as planned – in 2009.

In light of the above the 2007-2009 **Business Plan targets are confirmed**:
- "ordinary" dividends for more than 2.8 billion euro and "extraordinary" dividends for 2 billion to be paid in 2008,
- "ordinary" dividends for approximately 3.7 billion to be paid in 2009,
- net income of approximately 7 billion euro in 2009 (considering the same consolidation area as in the Business Plan) and "ordinary" dividends for approximately 4.5 billion to be paid in 2010,

with commitment to **distribute to shareholders the excess capital** over a **Core Tier 1 ratio at 6%** at 2009 year-end - instead of the 6.5% target set out in the Plan - which represents an adequate capital base for the achievement of sustainable growth and shareholders' return targets in relation to the profile that the Bank will have assumed by then.

Therefore, the Management Board at its today's meeting approved the **proposal for distribution of dividends** to be submitted at the Shareholders' Meeting summoned for 28 and 30 April 2008, with a total pay-out of 4,867,350,108.82 euro, with a dividend of 0.38 euro on each of the 11,849,332,367 ordinary shares and 0.391 euro on each of the 932,490,561 saving shares. Dividend payment, if approved at the Shareholders' meeting, will take place starting from 22 May 2008 (with coupon presentation on 19 May). The ratio between this dividend per share and the stock price of the Intesa Sanpaolo on 19 March last returned a **dividend yield** of 8.9% for ordinary shares and 10% for saving shares.

The ordinary shareholders' meeting called for 28-30 April 2008 will also have the substitution of Members of the Supervisory Board on the agenda.

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The crisis of the US subprime mortages – which erupted last summer – has assumed since the 2007 fourth quarter an unpredictable scope, spreading progressively to other sectors and causing generalised illiquidity and a price downturn which has mainly affected the sector of structured credit products.

In this market context, Intesa Sanpaolo relied on its structural strengths, namely a strong base of retail deposits, a **sound liquidity position** - with customer loans wholly funded by customer deposits - and a sound capital base, which have enabled the Bank to face the impact of the financial markets crisis.

Intesa Sanpaolo is only indirectly exposed in this crisis, through structured credit products which have been steadily included among the financial instruments of the Group's trading activities, after credit derivatives were downsized in the 2002-2003 period, and were affected by the dramatic decline in prices of the fourth quarter of 2007, with impact on profits on trading mainly in terms of write-downs.

The Group has a **net risk exposure** to structured credit products with underlying **US Subprime** which is **negative** indeed for 49 million euro as at 31 December 2007, as a result of a "long" position of 73 million euro and "short" positions of 122 million euro.

The paragraph on this issue which is included in the Report approved by the Management Board is hereby attached in order to provide full and in-depth information concerning structured credit products held by the Group with particular reference to its exposure in the financial markets crisis, also in light of the forthcoming introduction of the public disclosure requirements provided for by "Pillar 3" under Basle 2 and in accordance with Bank of Italy's guidelines.

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<u>Income statement for 2007</u>

The consolidated income statement for 2007 registered **operating income** of 18,008 million euro, +0.5% from 17,915 million in 2006; the figure rose by 5.5% excluding profits on trading.

As part of it, in 2007, **net interest income** rose to 9,886 million, +11% compared to the 8,907 million of 2006.

Net fee and commission income, 6,195 million euro, registered a 2.9% decrease on the 6,379 million of 2006. This reduction is almost entirely due (approximately 180 million) to the **commercial policy geared to value creation for customers made possible by the merger** that led to:

- aligning commissions to the best terms previously applied by Banca Intesa and Sanpaolo IMI;
- annulment of commissions on ATM/cash dispenser transactions made by customers of one of the two banks in the network of the other bank;
- extension to the entire Intesa Sanpaolo network of product accounts such as Zerotondo featuring a series of standardised services and lower management fees than traditional current accounts;
- a lower placement of products with high up-front fees.

The aforementioned actions led, in particular, to a decrease in commissions on dealing and placement of securities and portfolio management (-9.8%) and current accounts (-9.2%) while a growth was registered in commissions on guarantees given (+14.9%) and distribution of insurance products (+4.6%). If, in addition to profits on trading, also the aforementioned effects of the commercial policy were excluded, operating income would be up 6.6%.

Profits on trading, 1,008 million euro compared to the 1,799 million of 2006, were affected by both the aforementioned effects of the financial markets crisis related to structured credit products - equal to 500 million euro, of which approximately 400 million euro were write-downs, as detailed in the aforementioned attachment - and a lower contribution from non-recurring items of approximately 125 million euro (Borsa Italiana subscription to LSE Offer and sale of the Banco del Desarrollo stake in 2007 compared to the Fiat, Parmalat and IXIS positions in 2006). This caption was also affected by the heavy downsizing of proprietary trading with the aim of reducing the risk profile, as disclosed some time ago, while customer trading activity normally continued.

Income from insurance business, which contains items referring to life and casualty business in which EurizionVita and its subsidiary EurizonTutela operate, totalled 441 million euro from 452 million in 2006.

Operating costs - which have benefited only marginally, so far, from the positive effects of both the merger and the Business Plan **-** registered 9,268 million euro, -3.7% from 9,628 million in 2006, on account of reduced personnel expenses (-4.6%) determined by recoveries on TFR (Employee Termination Indemnities) of 255 million following the entry into force in 2007 of the new TFR legislation. On an adjusted basis which excluded these recoveries from 2007, overall operating costs were down 1.1% with personnel expenses almost unchanged with respect to 2006 since charges deriving from the national collective labour contract renewal and organic growth of international banking subsidiaries offset the staff reduction recorded mainly in the Parent Company. Administrative expenses recorded a 1.2% decrease and adjustments were down 7.3%.

Consequently, **operating margin** totalled 8,740 million euro, +5.5% compared to the 8,287 million in 2006 and the **cost/income ratio** decreased from 53.7% to 51.5%. The growth rate was 15.2% excluding on one hand profits from trading and on the other recoveries on TFR.

Net **provisions** and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) totalled 1,963 million euro, compared to the 1,653 million euro of 2006 and included provisions for risk and charges of approximately 170 million related to Finmek and Parmalat as well as approximately 90 million euro due provisions set aside on the redefinition of the terms of certain mortgages in favour of customers. Excluding the latter figure, the ratio between net adjustments to loans and loans to customers was 38 basis points (41bp if the figure is included). The caption profits/losses on investments held to maturity and on other investments registered a positive balance of 81 million euro, compared to the 168 million of 2006.

Income before tax from continuing operations posted 6,858 million euro, +0.8% compared to the 6,802 million of 2006, +15.3% excluding profits on trading, recoveries on TRF and charges related to Finmek and Parmalat.

Consolidated net income amounted to 7,250 million euro - compared to the 4,707 million of 2006 – after the registration of:
- taxes of 2,672 million, which included the impact - following the introduction of the 2008 Budget Law - of redetermined deferred tax of approximately 285 million connected to the reduction of the regional income tax (IRAP) and the corporate income tax (IRES) rates and approximately 90 million due to deferred tax on the Group companies' net income in consequence of higher tax on dividends;
- integration charges (net of tax) of 607 million;
- charges from purchase cost allocation (net of tax) of 10 million, after a reduction of 290 million in the fourth quarter which reflected the positive impact of deferred tax on the purchase cost allocation following the 2008 Budget Law;
- income after tax from discontinued operations of 3,790 million, which included the net capital gain of approximately 3,300 million euro made on the disposal of Cariparma, FriulAdria and 202 branches to Crédit Agricole (after prudent provisions and goodwill impairment on former Nextra both connected to the Crédit Agricole agreement of an overall amount of 280 million in the fourth quarter) and that of approximately 260 million made on the disposal of Biverbanca to Banca Monte dei Paschi di Siena;
- minority interest of 109 million.

The Parent Company's net income reached 5,811 million euro compared to the 4,622 million euro of 2006.

The income statement for the fourth quarter of 2007

The consolidated income statement for the fourth quarter of 2007 registered **operating income** of 4,284 million euro, -12.7% on the fourth quarter of 2006 and -4.3% on the third quarter of 2007; the variation was +1.8% and +4.1% respectively excluding profits on trading.

As part of it, in the fourth quarter of 2007, **net interest income** rose to 2,613 million, +10.7% compared to the corresponding period of 2006 and +6.6% on the third quarter of 2007.

Net fee and commission income totalled 1,517 million euro, -4.7% with respect to the fourth quarter of 2006 - mainly due to the aforementioned commercial policy geared to value creation for customers made possible by the merger - and in line with the third quarter of 2007. In comparison with the same period of the previous year, a decrease was registered, in particular, in commissions on dealing and placement of securities and portfolio management (-8.5%) and current accounts (-3.1%), while a growth was recorded in commissions on guarantees given (+17.6%) and distribution of insurance products (+4%). In comparison with the third quarter of 2007, an increase was registered, in particular, in commissions on current accounts (+10.1%), distribution of insurance products (+9.5%) and guarantees given (+7.1%).

Profits on trading were negative for 64 million euro - due to the already mentioned effects of the financial markets crisis on structured credit products equal to approximately 380 million euro of which approximately 370 million were write-downs, as detailed in the aforementioned attachment - compared to the 633 million euro of the fourth quarter of 2006 (which included approximately 230 million euro of capital gain made on IXIS) and the 302 million euro of the third quarter 2007.

Income from insurance business totalled 85 million euro from 168 million in the fourth quarter of 2006 and 93 million in the third quarter of 2007.

Operating costs totalled 2,601 million euro, with a 4.1% decline with respect to the fourth quarter of 2006 as a result of decreases in personnel expenses by 4%, administrative expenses by 1.1% and adjustments by 14.7%. Costs rose by 13.1% on the third quarter of 2007 due to increases in personnel expenses by 5.6%, administrative expenses by 27.6% (due to the seasonal increase in professional expenses and higher advertising expenses) and adjustments by 13.2%.

Consequently, **operating margin** totalled 1,683 million euro, -23.3% compared to the fourth quarter of 2006 and -22.7% to the third quarter of 2007. If profits on trading were excluded, there would be, respectively, a 12% increase and a 6.8% decrease, the latter being due to the seasonal increase in operating costs.

Net provisions and adjustments (net provisions for risks and charges, net adjustments to loans, net impairment losses on other assets) totalled 762 million euro (including charges related to Parmalat), compared to the 623 million euro of the corresponding period of 2006 and the 343 million of the third quarter of 2007. The caption profits/losses on investments held to maturity and on other investments registered a positive balance of 39 million euro, compared to the positive balance of 95 million in the fourth quarter of 2006 and the negative balance of one million in the third quarter of 2007.

Income before tax from continuing operations registered 960 million euro, -42.3% compared to the fourth quarter of 2006 and -47.6% to the third quarter of 2007; the variation was +9.4% and -27.2% excluding profits on trading and charges related to Finmek and Parmalat.

Consolidated net income amounted to 395 million euro - compared to the 896 million of the fourth quarter of 2006 and the 1,496 million of the third quarter of 2007 - after the registration of:

- taxes of 724 million which included the impact - following the introduction of the 2008 Budget Law - of redetermined deferred tax of approximately 285 million connected to the reduction of the regional income tax (IRAP) and the corporate income tax (IRES) rates and approximately 90 million due to deferred tax on the Group companies' net income in consequence of higher tax on dividends;
- integration charges (net of tax) of 126 million;
- profits from purchase cost allocation (net of tax) of 290 million which reflected the positive impact of deferred tax on the purchase cost allocation following the 2008 Budget Law;
- income after tax from discontinued operations with a negative balance of one million, which included on one hand the capital gain of approximately 260 million euro made on the disposal of Biverbanca to Banca Monte dei Paschi di Siena and on the other prudent provisions and goodwill impairment on former Nextra both connected to the Crédit Agricole agreement for an overall amount of 280 million;
- minority interest of 4 million.

Balance sheet as at 31 December 2007

As regards the consolidated balance sheet figures, as at 31 December 2007 **loans to customers** reached 335 billion euro, rising 4.4% above the figure as at 31 December 2006 (+6.5% excluding repurchase agreements and +10% taking into account the average annual volumes instead of year-end volumes). Total **non-performing loans** (doubtful, substandard/restructured and past due by over 180 days) - net of adjustments - amounted to 7,596 million euro, -0.5% with respect to the 7,634 million as at 31 December 2006. In detail, doubtful loans increased from 2,681 to 2,927 million euro, with an incidence of 0.9% on total loans (0.8% as at year-end 2006) and coverage of 71.5% (72.3% as at year-end 2006); substandard/restructured loans decreased from 3,830 to 3,702 million euro and loans past due by over 180 days decreased from 1,123 to 967 million euro.

Customer financial assets reached 1,005 billion euro (after netting referred to components included in both direct customer deposits and indirect customer deposits), +1.8% compared to 31 December 2006. As part of it, direct customer deposits amounted to 374 billion, +2.9% compared to 31 December 2006, and indirect customer deposits reached 658 billion, +1.3% with respect to year-end 2006. **Assets under management** reached 265 billion euro, down 9.6% with respect to year-end 2006. Assets under management include activities attributable to 65% of Nextra sold to Crédit Agricole in December 2005 and purchased in December 2007. As for bancassurance, in 2007, the new business for life policies amounted to 6.2 billion euro for EurizonVita and 3.1 billion for Intesa Vita. Assets under administration and in custody amounted to 393 billion euro, up by 10.3% on 31 December 2006.

Capital ratios as at 31 December 2007 were calculated:

i. taking into account the proposal of the Management Board to distribute in 2008 the same amount as that of the dividend distributed in 2007 equal to 0.38 euro per ordinary share and 0.391 euro per saving share,
ii. deducting for an equal amount - in accordance with recent Supervisory authority provisions - from Tier 1 and Tier 2 capital the items which were previously to be deducted from total capital (in particular, the 50/50 deduction concerns investments in banks and financial companies while it does not regard insurance companies since Intesa Sanpaolo's stakes in the latter remain among the items to be deducted from the sum of Tier 1 and Tier 2 capital),

iii. taking into account the impact of the purchase of own shares to serve the share swap to acquire control of Carifirenze (approximately 2.2 billion euro)

and resulted in: Core Tier 1 ratio at 5.9%, Tier 1 ratio at 6.5% and total capital ratio at 9%. Capital ratios as at 31 December 2006 - referred to the Intesa Group on a stand alone basis and calculated including the distribution in 2007 of 0.38 euro per ordinary share and 0.391 per saving share - were equal to Core Tier 1 ratio at 5.5%, Tier 1 ratio at 6.3% and total capital ratio at 9.5%.

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As at 31 December 2007, the Intesa Sanpaolo Group's **operating structure** (which did not include Carifirenze, whose control was acquired in January 2008) had a total network of 7,329 branches - of which 6,050 in Italy and 1,279 abroad - with 96,198 employees, 3,821 lower compared to 31 December 2006.

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Breakdown of results by business area

The **Banca dei Territori** Division comprises:

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

Operations summarised above are performed through the parent company Intesa Sanpaolo and the network banks integrated in 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).

To serve non-profit entities a bank was set up in November 2007, *Banca Prossima*, which operates through the Group's branches, with regional centres and a team of specialists.

This Division also includes:

- the regional banks for which the IT integration process had not yet started (Intesa Casse del Centro and Banca di Trento e Bolzano) or the customer segmentation process not yet carried out (Cassa dei Risparmi di Forlì e della Romagna)
- the product companies specialised in industrial credit (Mediocredito Italiano and Banca CIS), leasing (Intesa Leasing and Sanpaolo Leasint, which merged on 1 January 2008 under the corporate name of Leasint) and consumer credit (Neos Banca and Agos Itafinco).

Furthermore, this Division 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 management of electronic payment systems, and Si Holding, where the Group has a 37% interest, wholly owning CartaSi, the leading inter-bank company in the Italian credit card market.

In 2007, the Banca dei Territori Division registered a 5.4% increase in operating income to 11,841 million euro from 11,232 million in 2006, accounting for 66% of consolidated operating income (63% in 2006). Operating costs registered a 2.1% reduction - from 6,324 to 6,190 million euro - and led to a 15.1% increase in operating margin which rose from 4,908 million euro to 5,651 million with the cost/income ratio down from 56.3% to 52.3%. Net provisions and adjustments rose from 1,069 to 1,093 million euro (+2.2%). After profits on investments held to maturity and on other investments of one million euro, income before tax from continuing operations amounted to 4,559 million euro with an 18.6% increase with respect to the 3,843 million in 2006.

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

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

In 2007, operating income of the Corporate & Investment Banking Division totalled 2,803 million euro, +3.9% compared to the 2,697 million of 2006, accounting for 16% of consolidated operating income (the contribution was 15% in 2006). Operating costs, 887 million euro, were in line with the 890 million in 2006; operating margin amounted to 1,916 million euro, +6% with respect to the 1,807 million in 2006 with the cost/income ratio at 31.6% down from 33% in 2006. Net provisions and adjustments rose from 211 to 251 million euro. Income before tax from continuing operations totalled 1,659 million euro, +2.6% compared to the 1,617 million of 2006.

The **Public Finance** business unit is responsible for customers in government, public entities, local authorities, public utilities, general contractors, 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 big infrastructures, healthcare, research and public utilities in general. In 2007, this business unit was composed of Banca Intesa Infrastrutture e Sviluppo (BIIS) and Banca OPI, which had been operating as a single unit since the first months of 2007 and on 1 January 2008 merged thus forming the first Italian bank in public finance and one of the main specialists in Europe named Banca Instrastrutture Innovazione e Sviluppo.

In 2007, operating income of the Public Finance business unit amounted to 288 million euro, down 13% compared to the 331 million in 2006, representing 2% of consolidated operating income (the same as in 2006), while remaining stable excluding non-recurring income from both 2006 and 2007. With operating costs basically unchanged (from 91 to 92 million euro), operating margin was 196 million euro, down 18.3% compared to the 240 million in 2006 while stable excluding non-recurring items, and the cost/income ratio rose from 27.5% to 31.9% though unchanged at 32% excluding non-recurring items. Net provisions and adjustments amounted to 15 million euro. Income before tax from continuing operations was at 181 million euro, with a 19.2% decrease compared to the 224 million of 2006 and stable excluding non-recurring items.

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

- the CEE & SEE Banking Area, 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 (the two Hungarian banks merged as of 1 January 2008 under the corporate name of Central-European International Bank), and in South-Eastern Europe, Privredna Banka Zagreb in Croatia, Banca Intesa Beograd and Panonska Banka in Serbia (the two Serbian banks merged as of 1 January 2008 under the name of Banca Intesa Beograd), UPI Banka in Bosnia and Herzegovina, Banca Italo Albanese and American Bank of Albania in Albania (the two Albanian Banks merged as of 1 January 2008 under the name of American Bank of Albania) and Intesa Sanpaolo Bank Romania;
- the Commonwealth of Independent States Banking Area, which includes the subsidiary KMB Bank in the Russian Federation;
- the South Mediterranean & Asia Banking Area, in charge of developing, in particular, relations in the Mediterranean basin where the Group has a presence through Bank of Alexandria.

In 2007, operating income of the International Subsidiary Banks Division totalled 1,899 million euro with a 20.8% increase from 1,572 million of 2006, accounting for 11% of consolidated operating income (9% in 2006). Operating costs grew by 11.4% from 885 million euro to 986 million due to the extension of the commercial network; as a result, operating margin rose by 32.9% from 687 million euro to 913 million and the cost/income ratio dropped from 56.3% to 51.9%. Net provisions and adjustments increased from 146 to 198 million euro; after profits on investments held to maturity and on other investments of 6 million, income before tax from continuing operations amounted to 721 million euro, with a 28.5% increase compared to the 561 million in 2006.

The **Eurizon Capital** business Unit 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. Eurizon Capital controls the subsidiaries Eurizon Capital (Luxembourg) and Eurizon Alternative Investments which promote and manage, respectively, funds under Luxembourg law and alternative funds. At the end of 2007 the area of this business unit enlarged following the unwinding of CAAM SGR on the part of Intesa Sanpaolo and Crédit Agricole and the purchase by Intesa Sanpaolo of the activities attributable to 65% of Nextra Investment Management sold by Banca Intesa to Crédit Agricole in December 2005. The transaction was carried out in two steps. At first, CAAM SGR contributed a business line to the French group, then CAAM SGR changed its name into Eurizon Investimenti SGR and entered Intesa Sanpaolo with its remaining activities, working side by side with Eurizon Capital in the asset management activities.

The Eurizon Capital business unit registered operating income of 274 million euro, unchanged with respect to 2006, accounting for 2% of consolidated operating income (the same as in 2006). With operating costs which grew by 4.2% to 100 million euro from 96 million, operating margin amounted to 174 million euro, in line with the 178 million of 2006, and the cost/income ratio rose to 36.5% from 35%. After net provisions and adjustments of 8 million euro, income before tax from continuing operations was down 5.7% to 166 million euro from the 176 million of 2006.

The **Banca Fideuram** business unit, through its network of private bankers, performs asset gathering activities serving customers with medium to high savings potential. It registered operating income of 722 million euro, +5.7% compared to the 683 million in 2006, accounting for 4% of consolidated operating income (the same as in 2006). With operating costs which grew by 2.4% to 345 million euro from 337 million, operating margin amounted to 377 million euro, +9% with respect to 346 million of 2006, and the cost/income ratio decreased from 49.3% to 47.8%. After net provisions and adjustments of 39 million euro, income before tax from continuing operations increased by 17.8% to 337 million euro from the 286 million of 2006.

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The year 2007 closed for the Intesa Sanpaolo Group with economic margins improving, notwithstanding the unpredictable consequences generated worldwide by the US subprime mortgage crisis. In 2008, these negative consequences should progressively diminish and thus revenue growth is expected to regain momentum, underpinned also by improvement in the financial component. As regards operating costs, the current strict controls are expected to continue producing positive economic effects, while cost of credit should keep on the planned levels. Lastly, extraordinary transactions are expected including in the current year and will generate non-recurring contributions to the income statement, though to a lesser extent than in 2007.

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For consistency purposes, the income statement data relating to the four quarters of 2006 were restated following the change in the full consolidation area with respect to five groups of transactions:

1. the disposal of Cariparma and FriulAdria to Crédit Agricole. These companies exited the full consolidation area in the first quarter of 2007; their contribution to net income for the first two months of 2007 as well as the capital gain made on their disposal in March 2007 were registered in discontinued operations. For 2006, the relevant components were deconsolidated line by line and their contribution to net income recorded in discontinued operations;
2. the disposal of 202 branches to Crédit Agricole. Their contribution to net income - for both the first quarter of 2007 as regards the 29 branches conferred to FriulAdria last April and the first half of 2007 as regards the 173 branches conferred to Cariparma last July - was registered in discontinued operations. This caption also included the capital gain made in the second quarter on the disposal of the 29 branches to FriulAdria and that made in the third quarter on the disposal of 173 branches to Cariparma. For 2006, the relevant components were deconsolidated line by line and their contribution to net income transferred to discontinued operations;
3. the disposal of Biverbanca to Montepaschi. Biverbanca exited the full consolidation area in the fourth quarter of 2007 and its contribution to net income till the date of disposal was registered in discontinued operations in which also the capital gain made on the disposal in December was posted. For 2006, the relevant components were deconsolidated line by line and their contribution to net income transferred to discontinued operations;
4. the disposal - completed in the first quarter of 2008 - to Banca Carige, Gruppo Credito Valtellinese, Veneto Banca, Banca Popolare Alto Adige and Banca Popolare di Bari of 198 branches. Their contribution to net income for 2007 was registered in discontinued operations. For 2006, the relevant components were deconsolidated line by line and their contribution to net income transferred to discontinued operations;
5. the acquisitions of Bank of Alexandria, Cassa dei Risparmi di Forlì and Panonska Banka, included in the full consolidation area in the income statement of the first quarter 2007, and of American Bank of Albania, included in the full consolidation area in the income statement of the third quarter 2007. In 2006, the relevant components as well as Banca Italo Albanese, acquired in the second quarter of 2006, were consolidated line by line; in the first-half of 2007 American Bank of Albania components were consolidated line by line.

Furthermore, the components relating to tax collection companies, recorded under income from discontinued operations for the second and third quarter of 2006 and not included in the full consolidation area for the fourth quarter of 2006, were deconsolidated line by line for the first quarter of 2006 and their contribution to net income recorded in discontinued operations.

Still for consistency purposes, the balance sheet data for the four quarters of 2006 were restated deconsolidating line by line the components relating to Cariparma, FriulAdria, the 202 branches sold to Crédit Agricole and the 198 branches included in the disposal to Banca Carige, Gruppo Credito Valtellinese, Veneto Banca, Banca Popolare Alto Adige and Banca Popolare di Bari and recording their contribution in assets/liabilities related to discontinued operations. Similarly, the figure for the first quarter 2006 was restated also for the component relating to tax collection companies. Moreover, the balance sheet data for the four quarters of 2006 and the first quarter of 2007 were restated deconsolidating line by line the components relating to Biverbanca and recording their contribution in assets/liabilities related to discontinued operations while consolidating line by line those relating to American Bank of Albania. Moreover, the balance sheet data for the four quarters of 2006 and the first three quarters of 2007 were restated consolidating line by line the components relating to 100% of Nextra Investment Management (now Eurizon Investimenti), the control of which had been sold to Crédit Agricole in December 2005 and was purchased in December 2007.

* * *

In order to present more complete information regarding the results generated in 2007, the reclassified consolidated income statement and the reclassified consolidated balance sheet included in the Report on operations approved by the Management Board are attached. Please note that the reclassified consolidated income statement and the reclassified consolidated balance sheet are not subject to auditing by the Auditing company. Intesa Sanpaolo notifies that, pursuant to provisions set forth in Art. 82, par. 2 of Consob resolution 11971 of 14 May 1999 as amended, the drafts of the Parent Company and the consolidated financial statements as at 31 December 2007 of Intesa Sanpaolo - which will be submitted for approval to the Supervisory Board summoned for 11 April 2008 and to the auditing firm in charge of auditing the Annual Report - will be available for shareholders and the market within the deadline of 30 March 2008, instead of the quarterly report as at 31 December 2007.

* * *

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

* * *

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

The following important factors could cause the Group's actual results to differ materially from those projected or implied in any forward-looking statements:

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

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

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Gruppo Intesa Sanpaolo

Reclassified consolidated statement of income

(in millions of euro)

	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.

Gruppo Intesa Sanpaolo

Quarterly development of the reclassified consolidated statement of income

(in millions of euro)

	2007				2006 restated (*)				
	Fourth quarter	Third quarter	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.

Gruppo Intesa Sanpaolo

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.

Gruppo Intesa Sanpaolo

Quarterly development of the Reclassified consolidated 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.

Gruppo Intesa Sanpaolo

Breakdown of financial highlights and financial ratios by business area

Statement of income (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 S.p.a.

Reclassified statement of income

(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.p.a.

Reclassified 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	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
Investments in associates and companies subject to joint control	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.

ATTACHMENT

Paragraph relating to structured credit products drawn from the Note to the consolidated financial statements - Part E - Information on risks and relative hedging policies included in the Report approved by the Management Board

STRUCTURED CREDIT PRODUCTS[1]

From last August markets recorded a significant deterioration, originated 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 became 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 (so-called "contagion effect"), as well as the liquidity crunch which progressively extended 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 portfolio[2]; 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[3] (overall equal to 1,008 million compared to the 1,799 million of the year before).
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 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*[4] and the *Loan-to-Value*[5]. For loans with vintage[6] 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.

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[1] This is an English translation of the Italian original document and has been prepared solely for the convenience of the reader.
[2] 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 granted to a bank involved in the origination of sub prime 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*).
[3] With an addition unrealised loss of 8 million on a component of the aforementioned position ascribable to the Romulus vehicle reclassified according to the valuations made for the other structured credit products.
[4] 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.
[5] 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.
[6] 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)	Position as at 31/12/07		2007 income statement Profits (Losses) on trading			
Product	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 ABS	28	9	-51	-19	-70	-46
Funded CDOs	26	7	0	-19	-19	-16
Unfunded super senior CDOs(1)	205	48	0	-157	-157	-104
Other (2)	10	9	0	0	0	0
“Long” positions	**269**	73	**-51**	**-195**	**-246**	**-166**
Mezzanine short position	0	0	14	0	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 (b) – Net losses/recoveries on impairment on financial assets available for sale (See Table Alt-A).

(#) 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 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%). The US RMBS component for over 59% 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*[7]) on average of 30%, were written down for 14% of nominal value.

[7] Level over which a protection seller covers the losses of the protection buyer.

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 of 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.

<u>"Contagion" area: Multisector CDOs</u>

(in millions of euro)	Position as at 31/12/07		2007 income statement Profits (Losses) on trading			
Product	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	0	0	0	0
"Long" positions	**451**	**393**	**1**	**-58**	**-57**	**-43**
"Short" positions of funds	**68**	**115**	**0**	**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.

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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.

<u>"Contagion" area: Alt-A – Alternative A Loan</u>

(in millions of euro)	Position as at 31/12/07		2007 income statement Profits (Losses) on trading			
Product	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	0	-1	-1	-1
Alt–A No Agency	48	41	-12	-7	-19	-18
Other[2]	8	0	0	0	0	0
"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 (b) – Net losses/recoveries on impairment on financial assets available for sale.

iii. **TruPS – Trust Preferred Securities of REITs (Real Estate Investment Trusts)**: 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)	Position as at 31/12/07		2007 income statement Profits (Losses) on trading			
Product	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	0	-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)	Position as at 31/12/07		2007 income statement Profits (Losses) on trading			
Product	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	0	-1	-1	-1
"Long" positions	**56**	**55**	**0**	**-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 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 insurer 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[8].
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 expose to the 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.

[8] The percentage in US subprime was 33.5%.

Monoline risk

(in millions of euro)	Position as at 31.12.2007				2007 income statement Profits (Losses) on trading	
Product	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[9] 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[10], (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 health receivables are also all assisted by delegated regional payment.

[9] Technique or instruments used by an issuer to improve the rating of its issues (establishment of deposits for guarantee, granting of liquidity lines, etc.).
[10] 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.

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, to 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[11]; 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

- 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[12], -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 of nominal value and the relevant fair value decrease for 16 million 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

[11] Underlying assets were mostly made up of CLOs and ABS CDOs with a limited portion of US Subprime (equal to approximately 22%).
[12] Of which -9 million euro ascribable to Banca IMI.

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.