INTESA SANPAOLO

Annual Report 2008

Supervisory Board
of 9 April 2009

Ordinary Shareholders' Meeting of
28 and 30 April 2009

Report and consolidated financial statements of the Intesa Sanpaolo Group 2008

Report and Parent Company's financial statements 2008

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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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 Rosalba CASIRAGHI Marco CIABATTONI Giovanni COSTA Franco DALLA SEGA Gianluca FERRERO Angelo FERRO Pietro GARIBALDI Giulio LUBATTI Giuseppe MAZZARELLO Eugenio PAVARANI Gianluca PONZELLINI Gian Guido SACCHI MORSIANI Ferdinando TARGETTI Livio TORIO Riccardo VARALDO

Management Board

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

General Managers	Corrado PASSERA Francesco MICHELI
Manager responsible for preparing the Company's financial reports	Ernesto RIVA
Independent Auditors	RECONTA ERNST & YOUNG S.p.A.

Intesa Sanpaolo Group
Report on operations and consolidated financial statements

Intesa Sanpaolo Group - Financial highlights and alternative performance measures

	2008	2007	Changes	
			amount	%
Income statement (in millions of euro)				
Net interest income	11,630	10,368	1,262	12.2
Net fee and commission income	5,872	6,654	-782	-11.8
Profits (losses) on trading	-53	1,241	-1,294	
Income from insurance business	400	508	-108	-21.3
Operating income	18,157	19,246	-1,089	-5.7
Operating costs	-9,936	-9,996	-60	-0.6
Operating margin	8,221	9,250	-1,029	-11.1
Net adjustments to loans	-2,566	-1,506	1,060	70.4
Income after tax from discontinued operations	1,036	3,844	-2,808	-73.0
Net income	2,553	7,250	-4,697	-64.8
Balance sheet (in millions of euro)				
Loans to customers	395,189	353,122	42,067	11.9
Direct customer deposits	430,897	392,665	38,232	9.7
Indirect customer deposits	577,144	669,277	-92,133	-13.8
of which: Assets under management	*213,786*	*270,169*	*-56,383*	*-20.9*
Total assets	636,133	605,401	30,732	5.1
Shareholders' equity	48,954	51,558	-2,604	-5.1
Operating structure				
Number of employees	108,310	112,188	-3,878	
Italy	*73,101*	*75,460*	*-2,359*	
Abroad	*35,209*	*36,728*	*-1,519*	
of which: atypical labour contracts	*484*	*461*	*23*	
Number of financial advisors	4,477	4,574	-97	
Number of branches [(a)]	8,496	8,310	186	
Italy	*6,463*	*6,468*	*-5*	
Abroad	*2,033*	*1,842*	*191*	

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

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

	2008	2007
Profitability ratios (%)		
Cost / Income	54.7	51.9
Net income / Average shareholders' equity (ROE) [a]	5.2	18.9
Economic Value Added (EVA)[b] (in millions of euro)	1,402	1,767
Risk ratios (%)		
Net doubtful loans / Loans to customers	1.0	0.9
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	69.6	70.7
Capital ratios (%) [c]		
Tier 1 capital [d] net of preference shares / Risk-weighted assets (Core Tier 1)	6.3	
Tier 1 capital [d] / Risk-weighted assets	7.1	
Total capital [e] / Risk-weighted assets	10.2	
Risk-weighted assets (in millions of euro)	383,072	
Basic earnings per share (basic EPS) [f] – euro	0.20	0.57
Diluted earnings per share (diluted EPS) [g] – euro	0.20	0.57
Shares [h]		
Number of ordinary shares (thousands)	11,849,332	11,849,332
Share price at period-end - ordinary share (euro)	2.519	5.397
Average share price for the period - ordinary share (euro)	3.834	5.579
Average market capitalisation (in millions of euro)	48,639	71,058
Book value per share (euro)	4.132	4.506
Long-term rating		
Moody's	Aa2	Aa2
Standard & Poor's	AA-	AA-
Fitch	AA-	AA-

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

[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.

The indicator is calculated by excluding from the comparative data any non-recurring events among profits (losses on trading, goodwill impairment, net adjustments to loans (write-downs in relation to Lehman Brothers and Iceland banks) and to other assets (mainly impairment of assets available for sale), profits/losses on financial assets and on other investments (investment impairment), integration expenses, the effects of acquisition cost allocation and profits from discontinued operations. Tax was recalculated without taking into consideration the abovementioned non-recurring events and, for 2008, the effects of both exercise of the option pursuant to article 15, subsection 10, Italian Legislative Decree 185/08 (converted into Law 2/2009) and the recognition of deferred tax assets on past years' losses of Intesa Sanpaolo Holding International.

[c] Ratios as at 31 December 2008 are determined using the methodology set out in the Basel 2 Capital Accord.

[d] Paid-in share capital, share premium reserve and reserves and retained earnings minus treasury shares, goodwill, intangible assets and after the application of prudential filters set out by supervisory regulations.

[e] Tier 1 capital plus eligible subordinated liabilities, valuation reserves, with the application of "prudential filters", net of equity investments as set out by supervisory regulations.

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

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

[h] Figures for 2007 not restated. Book value per share 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**	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Operating income	12,536	12,780	2,209	2,624	348	293	2,285	2,023	367	456	621	721
Operating costs	-6,526	-6,796	-936	-970	-85	-94	-1,228	-1,094	-150	-176	-327	-345
Operating margin	6,010	5,984	1,273	1,654	263	199	1,057	929	217	280	294	376
Net income	1,682	2,497	320	922	55	126	186	556	-197	175	-721	273

Balance sheet (in millions of euro)	**Banca dei Territori**		**Corporate & Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Capital**		**Banca Fideuram**	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Loans to customers	217,926	208,037	103,666	87,880	38,492	33,906	29,847	23,725	-	8	1,802	905
Direct customer deposits	219,894	216,583	91,492	73,762	7,593	8,282	28,212	27,210	-	3	6,583	6,999

Profitability ratios (%)	**Banca dei Territori**		**Corporate & Investment Banking**		**Public Finance**		**International Subsidiary Banks**		**Eurizon Capital**		**Banca Fideuram**	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Cost / Income	52.1	53.2	42.4	37.0	24.4	32.1	53.7	54.1	40.9	38.6	52.7	47.9
ROE [(a)]	14.6	21.2	4.1	13.1	5.5	12.7	9.4	32.4	n.s.	149.6	n.s.	80.3
Economic Value Added (EVA) [(b)] (in millions of euro)	1,837	1,989	143	177	32	38	279	312	151	192	151	216

Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

[(a)] Ratio between Net income and Allocated capital.

[(b)] Calculated by excluding from the comparative data any non-recurring events among profits (losses on trading, goodwill impairment, net adjustments to loans (write-downs in relation to Lehman Brothers and Iceland banks) and to other assets (mainly impairment of assets available for sale), profits/losses on financial assets and on other investments (investment impairment), integration expenses, the effects of acquisition cost allocation and profits from discontinued operations. Tax was recalculated without taking into consideration the abovementioned non-recurring events and, for 2008, the effects of both exercise of the option pursuant to article 15, subsection 10, Italian Legislative Decree 185/08 (converted into Law 2/2009) and the recognition of deferred tax assets on past years' losses of Intesa Sanpaolo Holding International.

Report on operations

Executive summary

Intesa Sanpaolo in 2008

Economic trends in 2008 and prospects for 2009

The crisis which starting from the second half of 2008 has swept across the financial markets and the global economy has been analysed by the most authoritative commentators. This phenomenon has its roots in past choices and behaviours which go beyond the scope of this report.
On the other hand, it is important to attempt to predict when and how the world economy will emerge from the global downturn and will resume growing, an essential requirement for financial markets to recover their correct balance.
2009 will see a marked contraction of economic growth in all advanced economies and a substantial slowdown of production in most emerging countries. For the first time in many years, global GDP growth will turn negative.
The deterioration of economic conditions will continue to be affected by the difficult recovery of the international financial system after the most severe phase of the crisis recorded between the end of 2008 and the beginning of 2009. The high level of uncertainty still marking the system is leading economic operators to postpone their investment decisions and families to increase, where possible, their propensity to save.
Against a backdrop of marked risk aversion, financing of the production system through the capital market will remain difficult, and the banking system will come under increasing pressure squeezed between a non-postponable deleveraging process and the need to increase the capital base.
A significant decline in GDP is expected in Italy too, which will be adversely affected by the negative trend in investments and foreign demand. The drop in commodity prices and weak demand will generate a reduction of inflation rates. The level of market interest rates will be low compared to historical averages across all maturities.
The low commodity prices, and large-scale public interventions in the United States, the Far East and, to a lesser degree, in Europe, are the key factors that will drive recovery from the economic crisis. At international level, a new global regulatory regime for the financial system will be discussed, as well as new methods for supervising intermediaries and markets. These are important steps towards a stronger financial system, a basic condition for achieving long-term, sustainable economic growth.
All in all, 2009 will be a challenging year, but also a year of transition towards new balances which should overall be characterised by higher capitalisation levels for banks and companies and a decrease in corporate indebtedness.
In the medium term, the global economy is expected to recover, reaching more moderate but also more sustainable growth levels than those which preceded the eruption of the financial crisis.

The results for 2008

The results of the Intesa Sanpaolo Group in 2008 were heavily impacted by the global financial and economic crisis.
This impact was felt not only on net income, which was however positive for almost 2.6 billion euro, but especially on the quality of the various income and cost captions, their trends during the year and the weight of certain non-recurring components, which all go to make the 2008 financial statements especially complex and difficult to compare with those of previous periods.
After a largely stable first half of the year, starting from autumn the trend in operations was affected by the progressive collapse of financial markets, subsequent to the Lehman Brothers default and by the increasingly evident signs of global economic recession.
This process led to the erosion of revenues, deterioration of credit quality and to value losses in the proprietary equity investment portfolio.
As a further consequence of the above mentioned trends, tests performed on the intangible assets recognised in the financial statements revealed in certain cases their deterioration, which required their partial impairment.

Interest income, which in the first nine months of the year benefited from the rate hikes and by themselves supported the income margin, in the fourth quarter, subsequent to the interventions of the monetary authorities, slowed down significantly, leading to a substantial decrease for the first time in many quarters. Fee and commission income, whose growth in prior years had been mainly driven by the dealing and placement of securities and asset management, experienced a sharp decline, which continued throughout the year and was especially marked in the second half. Trading activity generated highly volatile, but in the end modest, results due to the drop in transactions and to the impact of heavy write-downs in various segments.
Consequently, total revenues declined 5.7% from the previous year, with a substantial acceleration in the fourth quarter (-13.7% compared to the previous year).
Operating costs decreased in line with forecasts, while starting from the second half of the year the deterioration of the real economy impacted loan quality, driving net adjustments to loans to very high levels.
These structural phenomena linked to continuing operations were compounded by non-recurring interventions on the carrying value of equities, intangible assets and goodwill.

Overall, net interest income rose 12.2% from the previous year, to 11,630 million euro, with a constant growth up to September followed by a sharp contraction in the fourth quarter of 2008, due to the swift and marked reduction in policy rates. The improvement of this result is attributable to both relations with customers and, to a substantial degree, interbank loans, since on this market the Group went from being a borrower to being a lender.
The sharp decrease in fee and commission income reflects both the crisis in dealing and asset management, but also the decline – with some appreciable exceptions – in revenues from traditional banking services. Overall, the decline in net fee and commission income in the year was of 11.8%, with an acceleration of the decrease in the second half.
The result of financial operations was marked by high volatility over the twelve months, and was slightly negative at year end, due to the reduction in operations and to the fall in prices and consequent substantial write-downs, especially in the structured credit product and hedge fund segments.
Operating costs continued to decrease, to 9,936 million euro in 2008, -0.6% compared with the previous year, but actually -3.3% if reversal in the income statement of a share of the employee termination indemnities in 2007 is taken into account.
Operating margin stood at 8,221 million euro, down 11.1% from the previous year.
As already stated, in the 2008 financial statements impairment losses were recognised to certain goodwill captions recognised in the balance sheet, for a total amount of 1,065 million euro. This amount comprises 675 million euro of impairment of the goodwill relating to the asset management companies and 390 million euro of goodwill paid for purchase of the Ukrainian bank Pravex Bank, which was completely written off, together with the negative foreign exchange difference, in consideration of the crisis in Ukraine.
The reasons for these impairment losses and the valuation processes adopted are illustrated in a specific chapter in the Notes to the consolidated financial statements.
In 2008, the deterioration of the real economy caused a sharp increase in doubtful loans and, consequently a rise in the write-down of loans and receivables. Net adjustments reached 2,566 million euro, rising more than 70% from the previous year: the rise was especially sharp in the last quarter of the year, when net adjustments of almost 1 billion euro were recorded.
The negative trends in the financial markets also impacted net impairment losses on other assets, since this caption also includes the impairment losses on securities classified as available for sale. This caption shows a negative balance of 949 million euro entirely attributable to the impairment of the equity investment portfolio.
The same effect is observed in caption "profits on investments held to maturity", which includes the capital gains on the sale of investments in associates carried at equity (388 million euro), adjustments to other investments of the same type (326 million euro) and profits on the disposal of other assets (204 million euro).
Income before tax from continuing operations stood at 3,589 million euro at the end of 2008, down 50.3% from the previous year.
Taxes on income for the year decreased substantially also due to certain positive non-recurring items posted in the last quarter. The first relates to the exercise of the option provided for by article 15, para. 10, of Law Decree no. 185/08, converted into Law no. 2/09, which allows recognition for tax purposes of goodwill acquired in business combinations, by paying a 16% substitute tax and performing

tax deduction of the related value, off balance sheet, in nine years, starting from the period after the one in which the substitute tax was paid.
Exercise of this option led to recognition of the future tax benefits expected from deduction of goodwill from corporate income, represented by deferred taxes relating to the new temporary deductible difference, amounting to 2,193 million euro and concurrent debiting to the same caption of the amount of the substitute tax, equal to 1,086 million euro, generating a net contribution of 1,107 million euro to the income statement. The second concerns the recognition of deferred tax assets against prior fiscal losses pertaining to Luxembourg subsidiaries. Rationalisation of presence in that country performed during 2008 and the increase in operations enabled the recognition of deferred tax assets of 572 million euro.
Net income from non current assets held for sale and discontinued operations came to 1,036 million euro, a sharp reduction from the figure of 3,844 million euro in 2007, which had included capital gains on the sale of important assets to Crédit Agricole. The figure for 2008 is attributable to the sale of branches required by the Italian Competition Authority and to the sale of a leasing business to Cariparma Crédit Agricole.
Merger and restructuring related charges, largely stable at 657 million euro, are mainly attributable to further agreements on incentive-driven staff exit.
The economic effects of purchase cost allocation (net of tax) amounted to 1,088 million euro (positive in the 2007 financial statements, due to the recognition of the effects of tax rate reductions on deferred tax liabilities), attributable to recognition of the ordinary amortisation quotas of intangible assets with a finite life and to the impairment, for 521 million euro, of part of such intangible assets recognised for asset under management.
Net income for the year was 2,553 million euro, down almost 65% from the result recorded in 2007.
As to Balance sheet data, at 31 December 2008 the Group's loans to customers reached 395 billion euro, an increase of 11.9% from 31 December 2007. Total non-performing loans (doubtful loans, substandard and restructured loans and past due loans) – net of value adjustments – stood at 11,524 million euro, rising 38.7% from 8,310 million euro at 31 December 2007. In this segment, doubtful loans increased from 3,142 to 3,968 million euro, and their incidence on total loans was at 1% (0.9% at 31 December 2007) with 70% coverage ratio (71% at year-end 2007). Substandard and restructured loans rose from 3,953 to 5,690 million euro while past due loans grew from 1,215 to 1,866 million euro.
Customer financial assets amounted to 983 billion euro, down 4.9% from 31 December 2007 owing to the negative performance of indirect customer deposits. With regard to the breakdown of the aggregate, direct customer deposits amounted to 431 billion euro, rising 9.7% from 31 December 2007, while indirect customer deposits stood at 577 billion euro, a 13.8% decrease from year-end 2007. Asset under management was 214 billion euro, falling 20.9% from year-end 2007; new life insurance policies in 2008 amounted to 6.6 billion euro. Assets under administration and in custody stood at 363 billion euro, a 9% drop from 31 December 2007.

Valuation of balance sheet assets

The negative trends affecting the economy, financial markets and specific sectors of Group activity have made it necessary to pay particular attention to credit risk assessment, the valuation of financial instruments and the performance of impairment tests.
While measurement criteria are described in detail in the specific section of the Notes to the consolidated financial statements, the processes which led to determination of the book value of balance sheet assets are outlined below.
Loan classification and assessment have been performed following the usual criteria of prudence, aimed at promptly and correctly identifying the impact of the negative development of the current economic conditions. As the crisis deepened at an alarmingly fast pace it became necessary to review both the loans already showing signs of distress and those still free from evidence of impairment. The review led to a significant increase in non-performing loans and required substantial adjustments to the loan portfolio.
These phenomena – the rise in non-performing loans and in net adjustments to loans – will continue into 2009.
As a rule, financial instruments have been recognised at their fair value, represented, for instruments quoted on active markets, by the reference price of the last day of the period, as required by international accounting standards (effective market quotes).
On the other hand, financial instruments not quoted on an active market have been valued on the basis of prices or credit spreads presumed from official quotations of instruments having similar risk profiles, i.e. using the comparable approach. This approach requires the search for transactions and/or quotations on active markets pertaining to instruments that have a risk profile comparable to that of the instrument to be

measured. The pricing methods used in the comparable approach reproduce prices of financial instruments quoted on active markets without including discretionary parameters that might significantly influence the final valuation (i.e. parameters whose value cannot be presumed from the prices of financial instruments quoted on active markets, or be fixed at levels reproducing prices on active markets).
Lastly, only for financial instruments that were not quoted on an active market and which could not be valued through the comparable approach, valuation was based on various inputs, not all directly presumed from observable market parameters, hence requiring estimates and assumptions on the part of the valuator (mark-to-model approach).
In particular, with this approach, the financial instrument was measured by means of a pricing model based on specific assumptions as to: (i) the development of future cash flows, which may be affected by future events that are assigned probabilities on the basis of past experience or assumed behaviour, (ii) the level of specific input parameters not quoted on active markets, but based as much as possible on information relating to prices and spreads observed in the market. Where such information was not available, past data on the specific risk of the underlying asset or specialised reports were used (e.g. reports prepared by Rating agencies or leading market players).
Market dynamics and the growing illiquidity of some asset classes has led to an increase in the weight of valuations not directly linked to a value expressed by an active market (level 1), increasing the weight of valuations through the comparable approach (level 2) and through the mark-to-model approach (level 3). Against this background, valuation methodologies have been constantly refined and updated, improving the models used for level 3 valuation techniques, for instance in the development of waterfalls (that is the repayment sequence of the tiered tranches of a structured product if the collateral becomes inadequate) for structured credit products, and carefully defining specific processes for managing "model risk" leading to adjustments to valuations, especially in case of non observable or highly illiquid market parameters. As to level 2 (comparable approach) valuations, model refinement focused on the selection of the "comparative" parameters which could be drawn from active markets and used in the valuation process.
In the 2008 financial statements, cash financial assets were valued as follows: 74% using the effective market quotes method, 22% using the comparable approach and 4% by means of the mark-to-model approach; derivative instruments classified in financial assets were valued as follows: about 2% using the effective market quotes approach, 98% using comparable approach techniques and less than 1% by means of mark-to-model techniques. As to financial liabilities, 31% of cash instruments and 3% of derivative instruments were valued using the effective market quotes method, 69% of cash instruments and 95% of the derivative instruments were valued using comparable approach techniques, while the mark-to-model approach was only applied to 2% of the derivative instruments.

Impairment testing of equity investments, securities available for sale, intangibles and goodwill
The deep global financial and economic crisis has heavily impacted the market value of assets, and is likely to affect future cash flows of various business areas.
In a severely deteriorated environment, the market seems in many cases unable to provide reliable value indications.
Thus it became necessary to perform an in-depth analysis of the impact of the crisis – whose origins are external to the Group and which is affecting almost all business areas – on the fundamentals of the Intesa Sanpaolo Group and on the values of the financial assets recognised in the balance sheet. This review involved accurate impairment testing provided for by the international accounting standards.
As concerns the financial assets that are not recognised at fair value through profit or loss, their recoverable amount was carefully measured. More specifically, with regard to equity investments recognised in financial instruments available for sale or in investments in associates or companies subject to joint control, robust criteria have been established for impairment testing, which consider not only market indicators, but also specific impairment indicators relating to individual issuers and fundamental assessment of investments.
The impairment test led to the recognition of impairment losses on investments in associates for 326 million euro before tax effect (the Telco 165 million euro write-down being the most significant component) and on investments available for sale of 908 million euro before tax effect (the most significant components of this caption being the write-down of Natixis of 436 million euro and of London Stock Exchange of 269 million euro).
Equal attention was given to impairment testing of intangible assets, including goodwill. These tests were performed with the awareness of the fact that the current crisis will deeply impact expected short- and medium-term cash flows from operating activities, without however affecting the Group's primary sources of income and competitive edges. Therefore, the impairment tests took into account both the current

downturn in the economic cycle, making very prudent predictions on short/medium-term income flows, and the Group's "structural" long-term income-generating capacity.
Intangible assets with a finite life recognised in the balance sheet subsequent to business combinations and represented by the value of the asset management portfolio, of the insurance portfolio and by "core deposits" (all such assets are periodically amortised) were checked for the presence of impairment indicators and subjected to a new valuation process to assess the recoverability of their book values.
With regard to the asset management portfolio, a significant contraction in assets under management was recorded last year, reflecting the shift of investors away from these products, also driven by a sharp drop in yields; moreover, the reduction in the unit return of the various products was not entirely offset by a full flexibility of operating costs. The criticalities faced by the segment and uncertainties as to the time required for the recovery of the financial markets, to which this type of business is closely linked, have led to the adoption of a very conservative approach in performing impairment tests on the portfolio of assets and, as illustrated subsequently, on the goodwill of asset management subsidiaries.
The portfolio valuation methods, defined in the 2007 financial statements, are based on an estimate of the present value of the economic margins generated by the deals already in force at the valuation date over the period of their expected residual life. For the purpose of impairment testing, expected income flows have been estimated projecting the unit profitability of the products recorded in 2008 (which as already noted was marked by a sharp slump) over a period determined on the basis of the average portfolio redemption rates of the past three/five years, hence very conservative, given the sharp reduction in volumes recorded in 2007 and 2008. The new valuation led to an adjustments to the portfolio of Eurizon Capital of 449 million euro (of which 255 million euro relating to the production component and 194 million euro to the distribution network) before the tax effect (write-down corresponding to 41% of the asset's residual value before impairment) and to the portfolio of Banca Fideuram of 302 million euro (including both production and distribution) before the tax effect (24% of the residual value before impairment).
On the other hand, with regard to the insurance portfolio, impairment tests did not reveal any impairment losses, while for core deposits no indicators have been found suggesting that these assets might have incurred losses, given their significant increase in volumes.
Impairment tests on other intangible assets that do not generate independent cash flows, represented by the brand name and goodwill, have been performed with regard to the Cash Generating Units (CGU) to which these values have been allocated, pursuant to IAS 36.

The CGUs of the Intesa Sanpaolo Group that have benefited over time from the synergies created by the business combinations implemented and which have to various extents included goodwill values are: Banca dei Territori, Corporate & Investment Banking, Public Finance, Eurizon Capital, Banca Fideuram and International Subsidiary Banks. These CGUs represent the Group's business units and at the same time constitute core business areas feeding segment reporting.
The appropriateness of the book value of these intangible assets was verified with reference to their value in use, i.e. through an estimate of the present value of the future cash flows expected to be derived from the various CGUs.
The key elements for correctly measuring the value in use are an appropriate estimate of the amount and timing of expected future cash flows, and application of a discount rate which reflects both the current assessment of the time value of money and the risks specific to the asset being valued.
For the purpose of determining cash flows, estimates were performed with an analytical approach for the first three-year period 2009-2011 and using extrapolation criteria for subsequent periods and for determining the flow to be projected in perpetuity for the purposes of terminal value.
For impairment testing purposes, the 2009-2011 flows were estimated through the formulation of a forecasting plan by management – reported to the Management Board – the values of which will form the basis for the next three-year Business Plan. These forecasts took into consideration a particularly cautious analysis of the macroeconomic, banking and financial sector scenarios for Italy and the other countries in which the Group operates. In particular, as concerns Italy (where almost 80% of the Group's cash flow is generated), forecasts include an estimated GDP reduction in real terms in 2009, with resumption of growth only in 2011, a contraction of the spreads on lending and deposit collecting activities (accompanied however by an increase in volumes), especially in 2009 and 2010, due to the current marked easing of monetary policy in the European Union, while growth in financial assets under management is predicted to resume only in the second half of 2010. The effects of the current crisis have also been felt in the various Eastern European countries in which the Group is present, which are predicted to return to appreciable growth rates, albeit at different paces, only starting from 2011. The situation of Egypt is

somewhat different: this country has been largely left unscathed by the financial crisis and its growth is expected to continue in the coming years, albeit at a slower pace than in 2007 and 2008.
In the decisions to be made with reference to criteria for the extrapolation of cash flows beyond the forecasting period, it is important to take into account the current market context in defining the prospective scenario. As already mentioned, the current economic crisis will certainly have a negative impact on the time horizon envisaged in the flow forecasts, which are therefore highly conservative. On the other hand, it can reasonably be forecast that, once the crisis is over, the period of economic recovery will extend beyond 2011, a year that is not expected to already fully reflect a normal situation. Since verification of the stability of the value of CGUs must be performed over a long period, it was felt appropriate to extend the cash flow observation period beyond the three-year period covered by management's analytical forecast before determining the terminal value through a constant or decreasing "g" growth rate as required by IAS/IFRS.
Accordingly, a growth process beyond 2011 was considered comprising two distinct phases. The first phase spans the years 2012-2013, for which growth rate forecasts have been determined on the basis of the growth rate predicted over the three-year period of the analytical forecast, assuming that the five-year period (in line with the maximum period for budgets and projections permitted by the IFRS) will lead to cash flows that may be considered "normal" and therefore can be projected into perpetuity for the purpose of determining the terminal value.
This second phase of growth was determined by considering as growth factor the average GDP growth rate in the respective countries recorded in the period 2008-2013. In particular, with reference to the Group's Italian business operations, the "g" factor is equal to a real GDP growth of zero (nominal GDP growth of 1.7%). Overall, predicted nominal growth rates in weighted average values are equal to 7.65% in the period 2008-2013 and to 2.76% for the purposes of determining the terminal value.
When determining the value in use, cash flows must be discounted at a rate which reflects the current valuations of the time value of money and of asset-specific risk. In actual practice, the first characteristic (current market conditions) translates into determination of all parameters on the basis of the latest information available at the reference date of the estimate, in order to best consider current market valuations. The second characteristic (consistency between flows and rates) must follow the specificity of flows used for impairment testing of the CGUs.
In particular, the discount rates used include current market values with regard to the risk-free component and risk premiums correlated to the equity component observed over a time period that is long enough to reflect a range of different market conditions and economic cycles. Moreover, different Beta coefficients were used for each CGU to reflect the different degree of risk of their respective business sectors. All rates thus determined have been adjusted for Country risk and for inflation, since the discounts have been applied to flows expressed in nominal terms.

Impairment tests yielded different results, due to the diversity in expected income and risk levels among CGUs and to their different book value, since only some or part of them include goodwill from acquisitions.
The impairment tests made it necessary to adjust the goodwill of two CGUs: Eurizon Capital by 95 million euro and Banca Fideuram by 580 million euro, due to the very challenging environment in which they are currently operating and to very conservative forecasts of expected future cash flows.
Banca dei Territori, Corporate & Investment Banking and Public Finance CGUs revealed value in use significantly higher than their book values.
As to the International Subsidiary Banks, the various Group companies belonging to the Division have cash flows that are heavily dependent on the policies formulated by the Parent Company's Corporate Centre. This gives rise to strong interaction of flows which required both unitary and integrated governance of all the companies belonging to the Division, and centralised monitoring and control of operations of the overall business activities of the same Division. Overall, the Division has a value in use significantly higher than its book value.
However, it should be remembered that not all factors affecting the degree of complementarity of cash flows within the Division, and therefore the degree of their interdependence, can be controlled by the Group's Management. In fact, there are circumstances outside the Group that could have varying levels of impact on the capacity to systematically manage CGU cash flows and control their generation. These are circumstances largely determined in the wider sense by "environmental" conditions. In particular, if cash flows were to be extensively conditioned – in terms of size, quality and trend - by the institutional, economic and political circumstances of the country in which a subsidiary is based, it would no longer be possible to consider that subsidiary as an integral part of the unitary management model of the CGU to which it belongs. The subsidiary must therefore be excluded, although at times only temporarily, from the

CGU, regardless of the Group's Management intention to keep it within the CGU, due to the above mentioned factors which cannot obviously be controlled by the Bank's and the Group's Management. The cash flows of this subsidiary would be influenced to a greater extent by the country's conditions than by the unitary and centralised management policy adopted by the Division.
Ukraine, besides being affected by the severe downturn common to most countries, is also experiencing an unparalleled economic and institutional crisis, which is deepening further, as objectively shown by the absolute values and price changes of the country's CDS.
Against this background, after careful consideration of the economic and institutional events unfolding in Ukraine and prudent assessment of their impact on the operational variables of subsidiary bank Pravex, it was deemed appropriate to consider this company as a separate CGU for impairment testing purposes; accordingly, in the year considered, this bank was taken out of the Group's International Subsidiary Banks Division and subjected to separate value assessment.
Separate impairment testing of this subsidiary bank from the rest of the CGU yielded impairment losses of 390 million euro, which completely wiped out the previously recorded goodwill and exchange differences.

It should also be pointed out that – consistently with a stress test approach – with regard to CGUs whose goodwill was not impaired, even a 50 bps decline in their growth rate and a 100 bps increase in their discount rate, taken together, would not yield appreciable impairments. The same conclusion of no impairment would also have been reached if the perpetuity projection of cash flows had been made with reference to the last year of analytical forecasting by management (2011) instead of starting from 2014.
As concerns CGUs Eurizon Capital and Banca Fideuram, a change in the "g" growth rate or the discount rate of +/- 10 bps would yield an effect on their value in use of about 1%.

Therefore, overall, the prudent assumptions used in performing the impairment tests have led to the recognition of adjustments of 3,050 million euro (2,778 million euro net of tax). After posting such impairment losses, the Group's shareholders' equity (amounting to 50 billion euro) has a significantly lower value than the sum of the values in use of the various CGUs.
The Notes to the consolidated financial statements provide detailed information on the valuations performed with a view to facilitate proper appreciation of the Group's fundamental values and competitive factors even in today's highly challenging financial crisis.

Intesa Sanpaolo's capital base and financial soundness

Asset structure and liquidity management

Intesa Sanpaolo is one of the strongest international banking groups in terms of risk, capital adequacy and liquidity. Its soundness is also confirmed in the current environment, made exceptionally challenging by the crisis sweeping through financial markets.
With regard to risk profile, Intesa Sanpaolo's main role is as "Bank for the Country" focused on the commercial bank business model, with domestic retail banking accounting for 74% of its operating income. The concentration of a large part of the Group's volumes and margins in Italy reflects extensive geographical coverage and a high, well-distributed market share. Overall, the International Subsidiary Banks Division accounts for no more than 13% of operating income and 8% of loans.
With regard to operating income composition, the main contribution has traditionally come from net interest income and net fee and commission income, confirming the Group's orientation to commercial activity. As concerns the accounts for 2008, net interest income and net fee and commission income make up 96% of operating income, also due to the decline in profits on trading consequent to the financial market crisis. However, the figure in 2007 was already higher than 88%.
Credit quality is constantly monitored and optimisation of the risk/return profile is pursued by progressively aligning loan disbursements to credit policies, which take into account the customer's specific risk profile, the customer's characteristics (size, industry, etc.), type of contract and any mitigating factors.
The incidence of non-performing loans, while increasing, remains limited. Doubtful loans have an adequate coverage ratio (70%) and, net of adjustments, account for 1% of total net loans.
As to capital adequacy, Intesa Sanpaolo has implemented active management of financing sources and capital, to be equipped to face the risks associated with the banking business and to seize value creation opportunities through a strategic planning approach.
Even in the current crisis situation, the Group has an adequate capitalisation level, and one of the lowest leverages when compared with the main international competitors. The ratio of total tangible shareholders' equity to tangible assets stands at 3.9%.

The capital base has been further strengthened after the decision to propose to the Shareholders' Meeting not to pay dividends on net income for 2008. Indeed, as already mentioned in the interim statements as at 30 September 2008, since the market currently perceives capitalisation of banks as particularly important, it was decided to strengthen the Group's capital base instead of allocating net income to the distribution of dividends.

At the end of 2008, after introduction of internal risk measurement models for calculating capital requirements for the corporate segments, capital ratios were as follows: Core Tier 1 capital ratio was 6.3%, Tier 1 capital ratio was 7.1% and total capital ratio was 10.2%.
Since 2008, pursuant to the requirements of the second Pillar of the Basel II Accord, capital adequacy has also been measured from the management perspective. The results of the ICAAP process confirm the Group's sound capital base: the financial resources available ensure, with adequate margins, coverage of all current and prospective risks, also in stress conditions.

The business model adopted by Intesa Sanpaolo also ensures strong control of liquidity risk, largely thanks to the high contribution of retail funding to total funding sources. The stability of this source of funding, especially in the form of demand deposits and bonds, thus represents one of the Group's main strengths.
This conclusion is confirmed by the fact that during the crisis that erupted in 2008 and continued in early 2009, Intesa Sanpaolo maintained a good level of liquidity, prudentially adopting further measures:
- diversification and lengthening of maturities of liabilities in the money market. Access to the interbank, Commercial Paper and Certificates of Deposit markets was maintained during the year, also on maturities beyond overnight (up to one year) while diversification was achieved on CD and CP markets also reaching non-banking investors;
- increase in eligible assets portfolio also through recourse to self-securitisation (securitisations of own assets and purchase of the bonds issued by the special purpose vehicle);
- reduction in the securities portfolio (through sales on the market or due to maturity of the security);
- increased use of the branch network for placing medium-term fund-raising products. Indeed, starting from Autumn 2008, the branch network focused placement activity on the Group's bonds;
- access to the international primary bond market, exploiting windows of opportunity (seven public offers in 2008 for a total of about 10 billion euro, with senior issues at 2, 3 and 5 years and issues of type LT2, UT2 and T1 subordinated bonds).

Currently, the Group has adequate liquidity reserves, consisting of a high amount of eligible assets and overnight loans through repo agreements renewed daily, financed through short-term liabilities in the money market.
The amount of these funds is established to cover the Bank's operational requirements for a long period, also in the event of a liquidity crunch in the wholesale market (money market and bond market).
The Group intends to maintain this strategy until the situation returns to a degree of normality. During 2009 access to the primary international market might continue to be uneven, alternating periods in which the main banking groups will be able to raise finance across different maturities with times in which uncertainties as to the economic scenario and financial system stability might make it difficult for any banking institution to raise funding in the market without the support of government guarantees.
For this reason, the Group's funding plan for 2009 provides for the bonds issued to be offered mainly through the Group's own network, thus ensuring renewal of all issues approaching maturity even if it becomes impossible to access the wholesale market.

Forecast for 2009

Macroeconomic forecasts, based on the situation briefly described above, and on evaluations made at the time of drafting this report, predict a further contraction of the economy in the first half of 2009; in Italy, GDP is expected to drop 3% in 2009, followed by stagnation in 2010. The marked slowdown of inflation will continue into summer 2009. Also in the euro area economic activity will remain weak for quite some time. After contracting in 2009, economic activity should return to zero growth in 2010, and move closer to its potential output in 2011 (+1.8%). Policy rates will be brought down to 1.0% by June and will be gradually hitched up only once the economy starts recovering, from mid 2010. The predicted decline in policy rate is equivalent to what is being currently discounted by markets. Rates on long-term financing will continue to decrease in the first half of 2009, while they are predicted to rise in 2010.
The outlook for the banking market is characterised by a high level of uncertainty, reflecting the current exceptional conditions, affected by the combined – and to a certain extent unpredictable – effects of the economic downturn and the financial crisis. The main risks for Italian banks are mainly linked to the

economic recession, due to its impact on credit quality, refinancing problems in the interbank market and capital market – as a consequence of the downgrading of ratings – and to the difficulties experienced in deleveraging to achieve the "safe" capital ratios required by the market.
In particular, as concerns rates, the marked easing of monetary policy and concurrent gradual reduction in the spread with the Euribor, should bring bank rates back to 2005 levels by the end of 2009.
The cost of funding will remain quite high, contributing to a significant contraction in bank spread, which is expected to bottom sometime between the end of 2009 and 2010. As concerns margins on short-term lending, mark-up should rise sharply this year, reflecting the higher risk premium charged on bank loans in the current economic downturn. However, margins should stabilise at the end of the year and start returning to lower levels, yet remaining more than 300 points above the 1-month Euribor. Conversely, mark-down will decline significantly until mid 2010, when the trend should reverse.
The outlook for direct customer deposits is positive, reflecting the banks' strategy aimed at maintaining their liquidity profile, and the persistence of high risk aversion among households. However, the growth of the aggregate is predicted to slow down during 2009, reflecting the sharp decline in lending activity.
The slowdown in lending activity will continue at a minimum through 2009, due to the combined effect of a drop in demand and a tightening of the lending conditions applied by banks. The reduction in loan growth should persist for several months, reflecting the decline in consumption and investments.
For asset management, 2008 was an "annus horribilis", in which the market's structural problems were intensified by the impact of the financial and economic crisis. There are no prospects for a quick turnaround, at least not during this year, when household confidence is expected to remain very low. The sector could start slowly recovering next year, as market uncertainty abates and the expected economic recovery starts to materialise. The rebound should also be stimulated by the rationalisation of offer, which will be more attractive thanks to its shift to less risky and more transparent products, with a more efficient price structure.

The Intesa Sanpaolo Group intends to face the current crisis by working together with its stakeholders (shareholders, customers, employees, country), preserving and enhancing its resources for future growth.
The Group's main policy guidelines will continue to be based on the four pillars which have marked its actions over the past years: (i) sustainable growth, by enhancing the strength of its core business, commercial banking, (ii) stronger cost and investment control to increase operational efficiency, while continuing to support growth, (iii) close monitoring of credit quality, in preparation for the significant predicted impacts of the economic cycle, and (iv) renewed commitment to innovation through major cross-Group projects.
In addition to these well-established policies, the exceptional severity of the crisis has led the Group to place increased emphasis on careful liquidity management and on maintaining capitalisation levels in line with its activity profile. These are key resources, especially in the current environment, which the Bank has consistently preserved over time – thanks to its focus on customer business and the solidity of its assets portfolio – which give the Group a competitive edge over its competitors.
Moreover, ordinary operations will be accompanied by careful selection of portfolio rationalisation and exogenous growth opportunities.
The drive towards sustainable growth in all activity areas is based on the following policy lines.

- Increase market share in the savings business – in a highly volatile market environment, Intesa Sanpaolo intends to exploit the opportunity of increasing its share of the savings market – both in direct customer deposits component and, especially, in asset management – by expanding business with existing clients and attracting new clients. The Bank will pursue this objective by launching a large-scale "Savings Plan" focused on developing innovative products aimed at attracting and retaining liquidity and savings, on stepping up the quality of consultancy offered to clients and responding to their needs, in full compliance with MiFID legislation, and on dedicated marketing campaigns.
- Provide financing to the national economic system – confirming its role as "Reference Bank for the Country", Intesa Sanpaolo will continue – by selectively making available its liquidity and capital – to support the growth of Italy, and will broaden its base of priority clients (in terms of value creation) with whom to build stronger and broader relationships. The Bank will provide loans to households, based on the principle – which is also a social one – of sustainable household debt and will support entrepreneurial initiatives deserving loans and/or having a systemic impact on their sector/industry cluster.
- Establish adequate pricing – Intesa Sanpaolo will continue to establish product pricing, in particular in the Corporate and SME segments, pursuing two key objectives: (i) establishing contractual parameters for adjusting the price of loans to reflect inherent risk, hence the development of the customer's creditworthiness and (ii) enhancing the Bank's customer orientation.

- Increase net fee and commission income – Intesa Sanpaolo intends to expand the range of services offered to clients, including integrated management of banking operations related to the core business of SMEs/Corporate (e.g. cash management, electronic invoicing, factoring, etc.), integrated management of corporate risk (credit risk, non-management and market risk) and support to the internationalisation activities and extraordinary operations (M&A, debt restructuring, etc.) of enterprises. As to Private customers, personalised service models and solutions will be offered, tailored to the different levels of sophistication of Private and Affluent customers.
- Systematically activate Group synergies – Full enhancement of the specialistic expertise and know-how present in the Group will make it possible to provide comprehensive high level services to customers. For example: SMEs will be offered the products of the Corporate & Investment Banking Division (factoring, leasing, hedging derivatives, M&A, etc.), while Private customers will benefit from expansion of the range of investment products thanks to the specific expertise of the Asset Management (Eurizon Capital) and Capital Markets (Banca IMI) Divisions. Moreover, specific schemes will be launched aimed at expanding customer relations by building on existing relationships (e.g. Bank-Enterprise-Employee, Private-Enterprise and Private-Corporate).
- Manage lending proactively, according to a "cyclic" perspective – Intesa Sanpaolo intends to address proactively the expected deterioration in credit quality due to the impact of the crisis on the real economy by strengthening loan processes, support instruments and the organisational structures dedicated to loan management, while also strengthening the "credit culture" of all human resources concerned.

The loan granting phase will be strengthened to ensure progressive improvement of the loan portfolio, by defining, formalising and implementing new decisional rules in the loan-granting process, improving the predictive value of internal credit risk assessment systems and extending them to all client categories (also in the International Subsidiary Banks) and promoting loan contract types that optimise return on absorbed capital (e.g. leasing and factoring) and the use of guarantees.
Management of loan performance, which is essential both to manage potentially distressed clients proactively and to seize general commercial opportunities, will be upgraded further, by providing additional support to local branches, strengthening the Group-wide early warning system and constantly relaying to the commercial planning systems the information coming from the credit risk management systems.
The main credit risks, consisting of substandard and past due loans, will be contained by means of strengthened management both in-house – based on industrial logic for Retail, privileging effectiveness in the SMEs and Corporate segments – and through selective recourse to outsourcing for Retail positions where this is more effective than in-house management.

Intesa Sanpaolo will present its new 2009-2011 Business Plan to the markets by this summer, or at the latest, by the beginning of this autumn. The Plan will provide a more detailed description of the strategies and goals briefly outlined above.

In conclusion: 2009 will be a challenging year for Intesa Sanpaolo and for the banking system at large. However, net income, while declining from the value recorded in 2008, is expected to be substantially positive.

Information pursuant to the Bank of Italy–Consob–Isvap Document no. 2 of 6 February 2009

In Document no. 2 of 6 February 2009, the national Regulators have made certain considerations on the current conditions faced by the markets and businesses, asking Directors to disclose in the financial statements for 2008 specific data deemed essential to provide a clearer picture of companies' performance and prospects.
With regard to the first request – concerning the going concern assumption – the Directors of Intesa Sanpaolo hereby declare that they have a reasonable expectation that the company will continue in operational existence in the foreseeable future and consequently have prepared the financial statements for 2008 on the basis of the going concern assumption. The Directors have not detected in the asset and financial structure or in the performance of operations any uncertainties casting doubt on the going concern assumption.
The second request concerns the disclosures envisaged by IFRS 7 on financial instruments and the recommendation made by the Financial Stability Forum in its Report of 7 April 2008. These disclosures are

made further in this report and/or in the Notes to the consolidated financial statements, when illustrating specific themes.

The above is a summary description of the impairment tests carried out for the recognition of possible impairment losses on securities available for sale, intangible assets and goodwill. More detailed disclosures on the solutions adopted, the procedures implemented and the uncertainties inherent in the assessments performed are provided in the specific section of the Notes to the consolidated financial statements.

The Intesa Sanpaolo Group

Intesa Sanpaolo

Head Office Departments

Public Finance
- Banca Infrastrutture Innovazione e Sviluppo

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

Banca dei Territori Division
- Intesa Sanpaolo
- Banca CR Firenze
- Banca dell'Adriatico
- Banca di Credito Sardo
- 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 del Veneto
- Cassa di Risparmio di Venezia
- Cassa di Risparmio in Bologna
- Casse del Centro
- Banca Prossima
- EurizonTutela
- EurizonVita
- Intesa Previdenza
- Intesa Sanpaolo Private Banking
- IntesaTrade
- Mediocredito Italiano
- Sanpaolo Fiduciaria
- Setefi
- Sirefid
- Sud Polo Vita

International Subsidiary Banks Division
- Banca Intesa Beograd
- Bank of Alexandria
- Banka Koper
- CIB Bank
- Intesa Sanpaolo Bank Albania
- Intesa Sanpaolo Bank Romania
- Intesa Sanpaolo Banka Bosna i Hercegovina
- KMB Bank
- Pravex-Bank
- Privredna Banka Zagreb
- VUB Banka

Other Group Subsidiaries
- Banca Fideuram
- Eurizon Capital

The macroeconomic context and the banking system

The macroeconomic context

During 2008 the international financial crisis gradually developed into the severest global downturn of the post-war era, which worsened dramatically starting from September. Indeed, the apparent lull at the start of the year had soon been interrupted in March by the crisis of investment bank Bear Stearns, but after it was rescued through an injection of public funds the tension had seemed to abate. However, during the summer, the United States government had to step in in support of Fannie Mae and Freddie Mac, until in September they were placed under receivership. The dramatic crisis of Lehman Brothers and the decision not to rescue it then triggered a chain reaction of grave events, which severely affected the functioning of the international financial markets.

Europe was also swept by a wave of panic, which required the adoption of measures in support of various US and European financial institutions. On 12 October, EU governments announced a coordinated financial system stabilisation plan, which was subsequently implemented by the national governments. The central banks increased the offer of base money to an unusual extent, in order to meet the surge in precautionary demand for liquidity.

The real economy showed signs of strain as early as the summer, as it was impacted by the sharp rise in energy prices and by the decline in US domestic demand. Since September, the fall in manufacturing activity and order indexes has been exceptionally rapid and sharp across all geographic areas, including Asia.

In the United States, recession had officially started already in December 2007. At the end of 2008, industrial production dropped by 7.8% on a year-over-year basis, while the figure for total job losses in the year came to 2.6 million. GDP, affected by the fall in consumer spending as well as by the housing slump, underwent a sharp contraction in the fourth quarter.

In the Euro area, GDP contraction started in the second quarter but, similarly to the US, rapidly accelerated in the last months of the year. The estimated average annual change in GDP for 2008 is +0.7%. In December industrial production fell by 12.0% compared with the same month of 2007, in a context marked by sharp widespread decline in orders affecting both foreign and domestic demand. The European recession is also fuelled by local factors, such as the crisis in Spain and Ireland after years of excessive growth of domestic demand, specifically in building investments and private consumption.

Italy was no exception to the general trend: GDP started contracting in the second quarter and its average annual change in 2008 is estimated at -1%. In December 2008, industrial production dropped -14.3% from the previous year, exceeding the average drop recorded in the euro area.

The central banks responded to the crisis by easing their monetary policy and increasing the offer of base money. The Federal Reserve slashed official rates from 4.25% to 0-0.25%. The European Central Bank, after surprisingly raising its key refinancing rate from 4.0% to 4.25% in July, launched a rapid series of rate cuts after financial panic erupted. From October to December the official rates were reduced to 2.50%, for a total of 175 basis points. The ECB also temporarily reduced the rate of the deposit facility and marginal lending facility from 100 to 50 basis points above the interest rate on the main refinancing operation. Moreover in order to favour normalisation of interbank interest rates, it introduced a series of changes to open market operations, which led to a substantial increase in the offer of liquidity.

The evolution of money market interest rates has been strongly influenced by the crisis in addition to monetary policy interventions. The one-month Euribor rate, stable in the early months of 2008, in October peaked at 5.197%, no less than 91 basis points above its level at the end of 2008. The rise was entirely attributable to the increase in risk premiums on the interbank market after the Lehman Brothers bankruptcy. Subsequently, the rapid official rate cuts and the narrowing of the Euribor-OIS spread due to stabilisation measures brought the one-month rate down to 2.634%. Compared to the start of the year, the IRS curve shows rate cuts of 184 basis points for the 2-year maturity and 98 basis points for the 10-year maturity: the spread between short-term and long-term interest rates has been rising during the phase of monetary easing.

The increased risk aversion and worsening of the macroeconomic context have caused marked decrease in the yields on German government bonds: the yield on the 10-year Bund dropped from 4.66% on 23 July

to 2.94% on 30 December. However, since September, the bond issues of all other euro area governments, including those whose creditworthiness is equivalent to that of Germany, have also been penalised by investors. The 10-year Italian BTP-bund spread rose from 28 basis points at end of 2007 to 144 at end of 2008. Thus the decrease in BTP yields was considerably less marked than in the Bund. Even stronger tensions affected the sovereign debt of other euro area countries such as Ireland and Greece.
The euro/USD exchange rate development was marked by a period of appreciation (February-April) with rate fluctuations all above the 1.50 USD threshold, followed by a phase of rapid depreciation of the euro (July-October). Strong fluctuations also marked the last months of 2008. At year end, the euro/USD exchange rate was 1.40 compared to 1.46 a year earlier. Starting from November the pound sterling, which until then had been stable against the euro, started to weaken considerably: the euro/GBP exchange rate rose from 0.80 to a peak of 0.98.
From the beginning of 2008 the corporate bond market recorded an overall downturn, with marked weakness in the cash segments, both Investment-Grade and High-Yield. The general widening of asset swap spreads in the first three months of the year was followed by a narrowing in April and May, driven by the assumption that the impact of the credit crunch on financial markets was decreasing. Soon after, however, the risk reassessment process gained fresh momentum, becoming particularly intensive from September.
The systemic features of the crisis have had a very negative impact on the European financial system, placing a heavy strain on the interbank market and forcing the central banks to step in repeatedly in a bid to ease the ensuing liquidity problems and boost market confidence. Against this background, the investment grade segment has experienced considerable widening of spreads, due in particular to the negative position of bank and financial bonds.
Moreover, the news of recent months on macroeconomic developments seem to confirm that the current recession could be very intense both in the United States and in the euro area, drawing the attention of market back to the deterioration of fundamentals and favouring the widening of asset swap spreads also in the non-financial corporate bond sector.
Increased risk aversion has been reflected even more markedly in the high-yield (speculative) bond sector: the worst performances were recorded on the lowest rated issues (CCC and lower); after the recent turbulences, attention is still prevailingly focused on the data relating to current and future economic cycle trends.
In 2008 international stock markets entered a prolonged and marked price correction phase, due to the combined effect of the financial crisis triggered by subprime mortgages in the United States, the slowdown of the economic cycle in OECD countries and the consequent impact of this economic situation on corporate profits.
The first part of the year was characterised by a steep rise in commodity prices, in particular the price of petroleum products, by the strong re-emergence of inflationary pressures and by tensions on interest rates in a context of increasing financial market volatility. The bearish trend deepened further in the second half of the year, recording a slight recovery only at year end. The fall of stock market prices in the third and fourth quarters of 2008 reflected the profound crisis of US investment banks and its spread to leading US and European financial institutions. Market volatility has reached exceptionally high levels.
The subsequent coordinated measures of western governments have helped buffer the systemic effects of the crisis, but stock markets are still experiencing the recessionary effect of the financial crisis on the economic situation of OECD countries and its impact on corporate profit forecasts for this and the coming years. European and US stock indexes have been hard hit by the negative market situation: In 2008, the DAX fell 40.4% and the CAC 42.8%, while the FTSE index declined by 31.3%. The drop of the DJ Industrial Average index was slightly less marked, closing the year down 29.8%, while the S&P500 index lost 38.5%. The Asian stock markets also suffered heavy losses in 2008: Japan’s Nikkei 225 fell 42.1%, whereas the Chinese stock market suffered a particularly sharp fall, with the SSE Composite index recording a 65.4% loss. Against this very negative background, the Italian stock market performed worse than the main European indexes, also due to the considerable weight of the financial sector on the index: MIBTEL lost 48.7% in 2008. In particular, the S&P MIB index, which includes the 40 largest companies in the domestic market, declined 49.5% in the year; the stock of mid-cap companies suffered greater losses than blue chip stock: the Midex dropped 52.4%, whereas the All STAR index recorded a smaller decline of 40.5%. At the end of December 2008, the value of Italian stocks traded had decreased almost 35% from the previous year.

The economic and financial crisis of mature economies worsened, the slow-down of growth in international trade and the steep decline of commodity prices from the peak values reached as recently as in mid-year, the economy of emerging economies was deeply affected, especially if we compare the

second half of the year with the first half, when GDP was still growing at a sustained pace and the monetary policy Authorities of many countries were manifesting their concerns for the possible "overheating" of the economy.
On the financial markets the prices of the main financial assets fell sharply due to the shrinking profit prospects of companies, the greater financial vulnerability of the countries more heavily dependent on foreign capital inflows, and the increasing risk aversion of investors. Stock prices have declined substantially in all major exchanges, while default risk indicators have risen, reaching in some cases particularly high levels. Many currencies have entered a phase of appreciable depreciation.
In this context, the main rating agencies have downgraded their country risk ratings. Rating downgrading and changes to outlook have mostly concerned those countries that have the greatest foreign financial obligations and whose current account balance is especially sensitive to fluctuations in commodity prices. In Central-Eastern Europe, the downgrades concerned, among others, the Baltic States, Romania, Bulgaria, Hungary, Russia and Ukraine. In Latin America, in addition to Argentina and Venezuela, the downgrades also concerned countries with a lower risk level such as Chile and Mexico.
Looking in detail at the trend in the economic cycle and market evolution, the estimated growth of emerging economies in 2008 is lower than in the previous year. In its November 2008 Report, the IMF projected for emerging countries a GDP growth of 6.6% down not only from the 8% recorded in 2007, but also from the projections made in spring for the current year. In view of the significant deterioration in cyclical conditions in the last part of the year, the final data might however require further downward adjustment.
The emerging countries of Asia and the Middle East group should have maintained a relatively stronger pace of growth overall, thanks to the leading position of the first countries in the manufacturing sector and of the second in the energy sector, both sustained by the dynamics of global growth and international trade. As concerns Emerging Europe and Latin-America, GDP growth is predicted to be more moderate. In Europe, the countries still relatively lagging behind in the economic convergence process such as Albania, Bosnia, Serbia and Romania, should achieve the best performances. On the other hand, growth in the EEC countries is predicted to be lower.
On the financial markets, after five years of ongoing depreciation, the OITP (Other Important Trading Partners) index of the value of the US dollar appreciated against the currencies of the emerging countries that are main trading partners of the United States, gaining almost 9%. This variation within a general recovery of the US dollar was accentuated by the sharp rise in risk aversion on the part of investors, leading to the closure of speculative positions previously opened in many high-yield emerging currencies. The worst hit were some Asian currencies (Korean won, Indian rupee), Latin American currencies (Brazilian real, Mexican peso) and Eastern European currencies (Ukrainian hryvnia and Russian rouble) which depreciated 30% or more against the US dollar.
CEEC currencies generally depreciated against the Euro, some to a greater degree: namely the Romanian leu, Serbian dinar, Hungarian forint, and Polish złoty. The Slovak koruna, which during the year was set at the central parity rate for entry into the euro area, which occurred in January 2009, appreciated more than 10%.
At the same time, on the financial markets, the JPM EMBI+ (Emerging Market Bond Index) spread widened by 450 basis points, returning to its 2002 levels (more than 700). For Argentina, Ukraine and Venezuela the spread exceeded 3000 basis points, explicitly including a high risk of crisis. The MSCI emerging markets index lost more than 50% of its value. Two thirds of the loss mainly occurred in the second half of the year. The sharpest drops were recorded in those markets that had formerly performed best in Asia (China -65%, India -52%), in the Eastern European countries (Russia -72%) and in Latin America (Brazil -41%). Most Central and Eastern European stock exchanges also closed 2008 with losses of more than 50%, which rose to over 70% in Romania and Bulgaria. Slovakia recorded a more moderate loss of 10%.
To ensure coverage of possible liquidity requirements and at the same time restore confidence among market operators, at the end of the year the International Monetary Fund stepped in with Stand-By Arrangements (SBA) for Ukraine, Latvia and Hungary: under this arrangement, the IMF provided funds, while the countries agreed to implement appropriate plans aimed at strengthening macroeconomic and financial sector stability.

The Italian banking system

In the first ten months of 2008, bank interest rates rose progressively, reflecting both the interest rate increase decided in July by the ECB but especially, the deepening of the international financial crisis which drove money market returns to record heights. Subsequently, substantial monetary policy easing and the consequent reduction in market rates led to a rapid drop in interest rates.

Overall interest rates on loans to households and non-financial companies, after peaking in October, closed 2008 below the level at year-end 2007.
On the other hand, the average funding rate recorded at the end of 2008 was higher than the previous year's level. Bank refinancing costs were influenced to a great extent by the trend in bond yields which was negatively affected by the confidence crisis in the banking system. The trend in interest rates on customer deposits was much more moderate, closing the year at a slightly lower level than at year-end 2007.
As a consequence of these dynamics, the average annual spread between lending and funding rates stood at 3.12% (-4 cent compared to the average in 2007), although in December it narrowed to 3.06 % (-15 cent over the 12 months). With regard to unit margins of intermediation activities, comparison of the figures at the beginning and at the end of the year shows that short-term mark-up[1] rose from 2.03 to 3.63 points, reflecting the higher risk premium required by banks. In parallel, the contribution margin of current accounts (mark-down[2]) dropped from 3.06 points at the beginning of the year to 1.46 points at year-end. Consequently, in December 2008 the short-term spread rose to 5.09 points, back to the same level as at year-end 2007.
As to loans, lending activity by the Italian banks remained strong in the first half of the year, then gradually slowed down due to the twofold effect of the negative economic cycle which on the one hand limited household loan demand, and concurrently led banks to take a more prudent approach to lending.
The average growth in loans to the private sector (including doubtful loans and repurchase agreements) in the Italian market was in 2008 lower than that of the euro area. The more moderate trend in Italy is also attributable to the intense securitisation of assets - not included in the statistics – carried out by the Italian banks during the year. Most of the securitisations, which mostly concerned retained RMBS deals (Residential Mortgage-Backed Security), were aimed at obtaining securities to be used as collateral for Eurosystem refinancing[3].
Despite experiencing a slow-down, lending activity benefited from robust corporate demand, which was countered, especially in the second half of the year, by the weakening household demand for loans. The latter was affected by the sharp rise in the cost of money and by the fall in consumer confidence, due to the contraction of purchasing power and the uncertainties concerning the labour market. This negative climate led to a contraction of consumption and to higher propensity for precautionary saving.
The above mentioned lending trends led to stabilisation of the degree of household indebtedness, while debt service costs rose compared to 2007.
As to offer, Italian banks, albeit taking a more prudent approach than in the past, especially in the granting of residential mortgages, did not put in place any particular restrictions towards households in the last quarter of the year, nor do they appear inclined to do so in the future. The cautionary measures adopted largely focused on reducing the loan-to-value ratio for mortgages, increasing margins on loans to higher-risk clients and, to a lesser extent, increasing guarantees on a given loan amount.
As concerns enterprises, in 2008 lending activity remained relatively robust, only slowing down in the second half of the year. Despite this slowdown the level of enterprise debt continued to rise at a sustained pace albeit lower than the year-over-year rate of 2007. Breakdown of corporate loans by industry shows positive trends in the building, services and manufacturing companies. However, in the second half of the year, lending activity contracted significantly in all sectors compared to the first six months.
The Italian banks adopted more stringent lending conditions, mainly reflecting their enhanced risk perception linked to the effect of the economic downturn.
The lending dynamics outlined above were accompanied by the persistence of contained risk levels in the first half of the year, showing however a worsening of the creditworthiness of enterprises, with a rapid increase in new doubtful loans starting from the third quarter. The deterioration of creditworthiness was more accentuated for building enterprises and, in terms of geographical distribution, in southern Italy.
As to funding, in 2008 domestic funding[4] expanded considerably, enabling Italian banks to dampen the consequences of the credit crunch in the interbank and capital markets. The acceleration was supported by overall robust development of the various types of funding instruments making up the aggregate. It should however be noted that a large portion of bank funding came from bond issues, which in 2008 rose to 41% of the total funding volume, compared to 37% at the end of 2007. Moreover, a sharp growth in

[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.

[3] Bank of Italy estimated the effect of securitisations at about 2% growth.

[4] According to the harmonised definition: ' Sum of deposits in a current account (free current accounts and bank drafts), returnable deposits upon prior notice (free savings deposits), time deposits (time current accounts and time deposits, certificates of deposit), repo agreements and bonds (including subordinated loans). 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.

current accounts was recorded in the last months of the year. Strong growth also continued in time deposits (a category that also includes many online accounts) and in repurchase agreements, driven by the attractive yields offered.
In contrast to the continuing growth of funding, the trend in indirect customer deposits (third party securities under administration and management at nominal value, net of bank bonds and certificates of deposit) continued the negative trend which had started at the end of 2007, reflecting investors' shift away from long-term instruments, especially in the second half of the year. This trend is mainly attributable to the performance of the asset management component (individual portfolio management schemes and mutual funds), which was heavily negative.

Economic results

General aspects

A condensed reclassified income statement has been prepared for the purpose of permitting a more immediate understanding of results for the period. In order to give a consistent comparison between the two years, income statement figures at period end and for the respective quarters of 2007 and 2008 have been restated to reflect – in addition to the components that during 2008 were recorded under non-current assets held for sale and discontinued operations – also any changes in the scope of consolidation. The restated financial statements were obtained by making appropriate adjustments to historical data to retroactively reflect the significant effects of such changes. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters for measurement of assets and liabilities have not been considered, as they were deemed not relevant. Lastly, please note that no current intragroup relations have been netted since their amount was not significant.

Breakdowns of restatements and reclassifications performed are provided in separate tables included in the attachments to the Consolidated Financial Statements, as also required by Consob in its Communication 6064293 of 28 July 2006.

Reclassifications and aggregations are as follows:

- dividends on shares classified as assets available for sale and as assets held for trading have been reallocated 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;
- Fair value adjustments in hedge accounting, in view of the close correlation that has arisen in the current market climate, have been reallocated to Profits (Losses) on trading instead of using this caption – as was done in the past – to correct the interest margin;
- 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 is excluded from Net adjustments to property, equipment and intangible assets – which 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;
- 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, from Personnel expenses, Administrative expenses and, to a lesser extent, from other captions of the income statement to a separate caption;
- the economic effect of purchase cost allocation, net of the tax effect, is indicated in a specific caption. They represent the shares of adjustments to financial assets and liabilities and property, equipment and intangible assets which are recognised at fair value in accordance with IFRS 3. This caption also includes the impairment of intangible components performed during the year.

Reclassified consolidated income statement

(in millions of euro)

	2008	2007	Changes amount	%
Net interest income	11,630	10,368	1,262	12.2
Dividends and profits (losses) on investments carried at equity	138	305	-167	-54.8
Net fee and commission income	5,872	6,654	-782	-11.8
Profits (Losses) on trading	-53	1,241	-1,294	
Income from insurance business	400	508	-108	-21.3
Other operating income (expenses)	170	170	-	-
Operating income	**18,157**	**19,246**	**-1,089**	**-5.7**
Personnel expenses	-5,746	-5,792	-46	-0.8
Other administrative expenses	-3,378	-3,323	55	1.7
Adjustments to property, equipment and intangible assets	-812	-881	-69	-7.8
Operating costs	**-9,936**	**-9,996**	**-60**	**-0.6**
Operating margin	**8,221**	**9,250**	**-1,029**	**-11.1**
Goodwill impairment	-1,065	-	1,065	-
Net provisions for risks and charges	-318	-551	-233	-42.3
Net adjustments to loans	-2,566	-1,506	1,060	70.4
Net impairment losses on other assets	-949	-71	878	
Profits (Losses) on investments held to maturity and on other investments	266	102	164	
Income (Loss) before tax from continuing operations	**3,589**	**7,224**	**-3,635**	**-50.3**
Taxes on income from continuing operations	-180	-2,866	-2,686	-93.7
Merger and restructuring related charges (net of tax)	-657	-605	52	8.6
Effect of purchase cost allocation (net of tax)	-1,088	-10	1,078	
Income (Loss) after tax from discontinued operations	1,036	3,844	-2,808	-73.0
Minority interests	-147	-337	-190	-56.4
Net income	**2,553**	**7,250**	**-4,697**	**-64.8**

Figures restated on a consistent basis, considering the changes in the scope of consolidation.

Quarterly development of the reclassified consolidated income statement

(in millions of euro)

	2008				2007				
	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Average of the quarters
Net interest income	2,890	3,045	2,897	2,798	2,797	2,551	2,541	2,479	2,592
Dividends and profits (losses) on investments carried at equity	30	13	29	66	86	63	106	50	76
Net fee and commission income	1,286	1,401	1,558	1,627	1,629	1,630	1,693	1,702	1,664
Profits (Losses) on trading	-354	17	244	40	-44	378	409	498	310
Income from insurance business	171	43	107	79	99	109	179	121	127
Other operating income (expenses)	-49	84	92	43	31	58	28	53	43
Operating income	**3,974**	**4,603**	**4,927**	**4,653**	**4,598**	**4,789**	**4,956**	**4,903**	**4,812**
Personnel expenses	-1,442	-1,405	-1,441	-1,458	-1,570	-1,491	-1,221	-1,510	-1,448
Other administrative expenses	-1,031	-793	-801	-753	-971	-784	-794	-774	-831
Adjustments to property, equipment and intangible assets	-226	-200	-194	-192	-247	-217	-215	-202	-220
Operating costs	**-2,699**	**-2,398**	**-2,436**	**-2,403**	**-2,788**	**-2,492**	**-2,230**	**-2,486**	**-2,499**
Operating margin	**1,275**	**2,205**	**2,491**	**2,250**	**1,810**	**2,297**	**2,726**	**2,417**	**2,313**
Goodwill impairment	-1,065	-	-	-	-	-	-	-	-
Net provisions for risks and charges	-164	-76	-45	-33	-271	-76	-107	-97	-138
Net adjustments to loans	-999	-854	-401	-312	-488	-312	-358	-348	-377
Net impairment losses on other assets	-898	-40	-3	-8	-52	3	-20	-2	-18
Profits (Losses) on investments held to maturity and on other investments	-208	177	284	13	58	-1	8	37	26
Income (Loss) before tax from continuing operations	**-2,059**	**1,412**	**2,326**	**1,910**	**1,057**	**1,911**	**2,249**	**2,007**	**1,806**
Taxes on income from continuing operations	1,617	-488	-701	-608	-785	-584	-775	-722	-717
Merger and restructuring related charges (net of tax)	-182	-86	-68	-321	-125	-400	-66	-14	-151
Effect of purchase cost allocation (net of tax)	-653	-149	-154	-132	399	-136	-137	-136	-3
Income (Loss) after tax from discontinued operations	60	11	-5	970	11	761	142	2,930	961
Minority interests	-8	-27	-41	-71	-53	-92	-93	-99	-84
Net income	**-1,225**	**673**	**1,357**	**1,748**	**504**	**1,460**	**1,320**	**3,966**	**1,813**

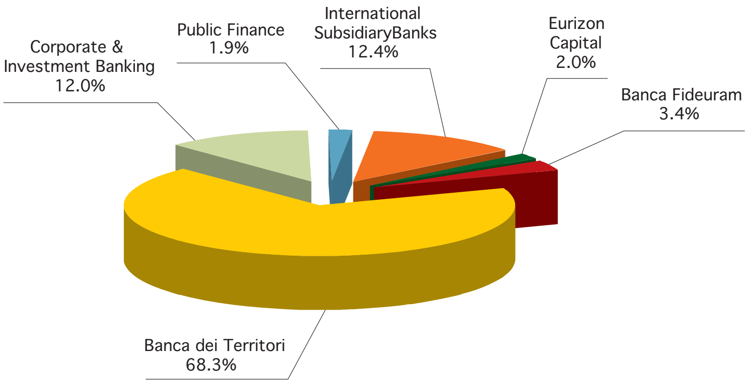
Figures restated on a consistent basis, considering the changes in the scope of consolidation.

In a market context made particularly difficult by the worsening international financial crisis, which has driven the real economy into a phase of recession, the Intesa Sanpaolo Group closed 2008 with a net income of 2,553 million euro, significantly influenced by major effects generated by non-recurring events or extraordinary interventions. The effects were felt in a number of captions: profits on trading, other income and charges, impairment of goodwill and intangible assets, impairment of assets available for sale and of equity investments, adjustments to loans to Lehman Brothers and Icelandic banks, as well as income taxes, income from non-current assets held for sale and discontinued operations and integration charges.
Net income recorded in 2008 decreased by 64.8% with respect to the previous year mainly as a consequence of the lesser non-recurring capital gains generated by non-current assets held for sale and discontinued operations, which in 2007 were 3,844 million euro compared with 1,036 million euro in 2008, and due to the considerable impairment of financial and intangible assets recognised in 2008 financial statements (2,778 million euro net of the tax effect). The worsening economic downturn has however negatively affected the operating margin, which totalled 8,221 million euro, down 11.1% from 2007. The slight decrease in operating costs did not suffice to offset the decline in revenues, primarily attributable to losses on trading. Finally, income before tax from continuing operations, which fell by 50.3%, was affected by the need to record higher adjustments to the loan portfolio, as a consequence of the worsening financial position of many companies, and by the negative impact of impairment of goodwill and financial assets.
Quarterly development of the economic margins shows a largely stable operating margin in the first three quarters of 2008, while the decline in the fourth quarter, mainly driven by losses on trading of 354 million euro, reflects a further deterioration in the financial markets. Income before tax from continuing operations, after an initial decline in the third quarter, recorded a loss of 2,059 million euro in the forth quarter, strongly affected by the impairment losses in addition to the fall in operating margin.

Operating income

Operating income recorded by the Group in 2008 equalled 18,157 million euro, down 5.7% from the previous year: the increase in net interest income (+12.2%) which accounts for 64% of income, was not sufficient to offset the decrease in the other revenue items. More specifically, the most significant decline, of 1,294 million euro, was recorded in profits (losses) on trading, which had a negative balance of 53 million euro; the other revenue items also decreased: net fee and commission income (-11.8%), income from insurance business (-21.3%) and dividends and profits on investments carried at equity (-54.8%).

Breakdown by business area

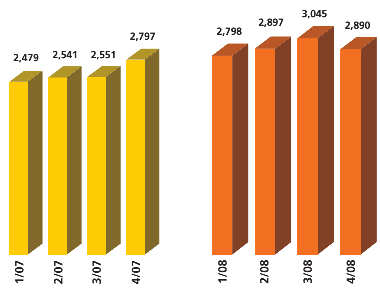


Net interest income

(in millions of euro)

	2008	2007	Changes	
			amount	%
Relations with customers	16,687	14,106	2,581	18.3
Relations with banks	331	-777	1,108	
Securities issued	-7,184	-6,178	1,006	16.3
Differentials on hedging derivatives	-652	23	-675	
Financial assets held for trading	943	1,778	-835	-47.0
Investments held to maturity	269	250	19	7.6
Financial assets available for sale	713	735	-22	-3.0
Non-performing assets	622	501	121	24.2
Other net interest income	-99	-70	29	41.4
Net interest income	**11,630**	**10,368**	**1,262**	**12.2**

Quarterly development of net interest income



Figures restated on a consistent basis, considering the changes in the scope of consolidation.

Net interest income for the year, which is the main revenue item, has confirmed its upward trend, totalling 11,630 million euro, up 1,262 million euro from 2007.

Net interest income from operations with customers, which also includes components related to securities issued and differentials on hedging derivatives, totalled 8,851 million euro, up 900 million euro (+11.3%) from 2007. This increase was driven by the growth in intermediated volumes, due to the growth of both loans to customers and deposits, and, as to interest rates, by the rise in the spread on loans, which was only partially offset by the reduction in the margin on deposits. The interest margin on short-term accounts benefited from both the increase in intermediated volumes and the widening of the spread on rates, thanks to the rise in mark-up. Income from financial investments on the other hand fell 30.3%, from 2,763 million euro to 1,925 million euro as a result of lower operations due to the financial markets crisis. An important contribution came from the interbank market – which recorded a positive result of 331 million euro against the negative result of 777 million euro in the previous year – driven by the excellent situation as regards liquidity.

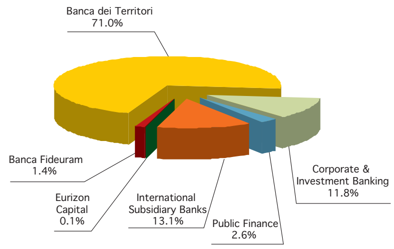
Breakdown of margin by quarter shows progressive growth in the first three quarters, while the fourth, affected by the actions of monetary authorities, decreased by 155 million euro (-5.1%) compared to the previous quarter.

(in millions of euro)

	2008	2007	Changes	
			amount	%
Banca dei Territori	8,032	7,672	360	4.7
Corporate & Investment Banking	1,340	1,075	265	24.7
Public Finance	293	212	81	38.2
International Subsidiary Banks	1,479	1,191	288	24.2
Eurizon Capital	10	13	-3	-23.1
Banca Fideuram	158	132	26	19.7
Total business areas	**11,312**	**10,295**	**1,017**	**9.9**
Corporate Centre	318	73	245	
Intesa Sanpaolo Group	**11,630**	**10,368**	**1,262**	**12.2**

Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation and in business unit constituents.

Business areas



Almost all business areas contributed to the growth in interest margin. In particular, Banca dei Territori, which generates 71% of the income of business areas, posted a 4.7% rise in net interest income. The other business areas recorded higher interest income growth rates: Corporate & Investment Banking grew by 24.7%, driven among other things by loan repricing policies in the Corporate Relations and Financial Institutions sectors and by the receipt of high coupons on securities in Banca IMI's portfolio; the International Subsidiary Banks grew by 24.2%, Public Finance by 38.2% and Banca Fideuram by 19.7%, although the gains of the latter two were less significant in absolute terms.

Dividends and profits on investments carried at equity

Dividends collected from unconsolidated equity investments - excluding dividends on shares held for trading and on securities available for sale, which are classified in profits on trading - totalled 24 million euro and are attributable to the stake in the capital of the Bank of Italy; the portion of profits on investments carried at equity was 114 million euro. The total amount of this caption was 138 million euro, down from the 305 million euro recorded in 2007, mostly owing to the ceased contribution of the equity investments in Agos and Banque Palatine, which were disposed of in the first half of 2008 and to the lower profitability of companies consolidated at equity, namely Intesa Vita, NH Italia and Telco.

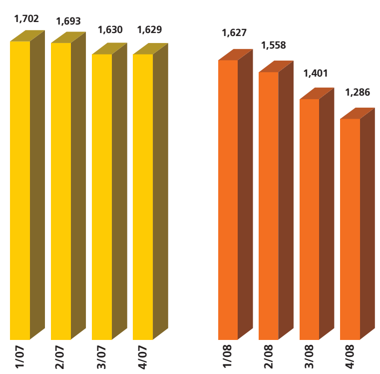
Net fee and commission income

(in millions of euro)

	2008	2007	Changes	
			amount	%
Guarantees given	262	239	23	9.6
Collection and payment services	387	429	-42	-9.8
Current accounts	903	997	-94	-9.4
Credit and debit cards	452	421	31	7.4
Commercial banking activities	**2,004**	**2,086**	**-82**	**-3.9**
Dealing and placement of securities	504	537	-33	-6.1
Currency dealing	67	70	-3	-4.3
Portfolio management	1,368	1,960	-592	-30.2
Distribution of insurance products	732	824	-92	-11.2
Other	217	271	-54	-19.9
Management, dealing and consultancy activities	**2,888**	**3,662**	**-774**	**-21.1**
Other net fee and commission income	**980**	**906**	**74**	**8.2**
Net fee and commission income	**5,872**	**6,654**	**-782**	**-11.8**

Figures restated on a consistent basis, considering the changes in the scope of consolidation.

Quarterly development of net fee and commission income



In 2008 net fee and commission income, which makes up almost one third of total operating income, was 5,872 million euro, down 11.8% from the previous year. The disruption of the financial market and resulting worsening crisis of investor confidence, especially in the second half of the year, have driven a shift of demand from asset management products towards short term financial assets, in particular demand deposits and Government bonds. This trend has worsened the decline in revenues from asset management, already affected by the fall in recurring fee and commission income, driven by the decrease in the equity component of funds and managed assets. Management, dealing and consultancy generated

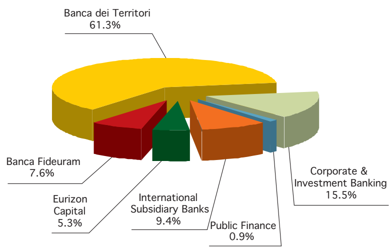
overall net fee and commission income amounting to 2,888 million euro, down 21.1% compared to the 3,662 million euro recorded in 2007. The decrease is primarily attributable to collective and individual asset management schemes, which fell by 30.2% (-592 million euro), followed by insurance products, which decreased by 11.2% (-92 million euro). A less pronounced decrease, of 6.1% (-33 million euro) was recorded in commissions on dealing and placement of securities.
Commercial banking activities generated net fee and commission income of 2,004 million euro (-3.9% compared to 2007). This trend was driven by the contraction in commissions on current accounts (-9.4%), caused by the ever-increasing diffusion of current accounts with low costs for customers, and by the decline in commissions on collection and payment services (-9.8%), only partly offset by the increase in commissions on credit and debit cards (+7.4%) and on guarantees given (+9.6%).
Quarterly development shows, in the third and fourth quarters, further steepening of the decline in net fee and commission income already recorded in the first two quarters of the year; in particular the last quarter of 2008 showed a 8.2% decrease over the previous quarter, mainly driven by the fall in commissions on management, dealing and consultancy (-14.7%), which were affected by the decreased revenue from management fees and by the reduction in the placement of financial products; commissions on commercial banking activities decreased by 1.6%.

(in millions of euro)

	2008	2007	Changes	
			amount	%
Banca dei Territori	3,797	4,169	-372	-8.9
Corporate & Investment Banking	963	1,007	-44	-4.4
Public Finance	55	52	3	5.8
International Subsidiary Banks	581	552	29	5.3
Eurizon Capital	328	416	-88	-21.2
Banca Fideuram	469	575	-106	-18.4
Total business areas	**6,193**	**6,771**	**-578**	**-8.5**
Corporate Centre	-321	-117	204	
Intesa Sanpaolo Group	**5,872**	**6,654**	**-782**	**-11.8**

Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation and in business unit constituents.

Business areas



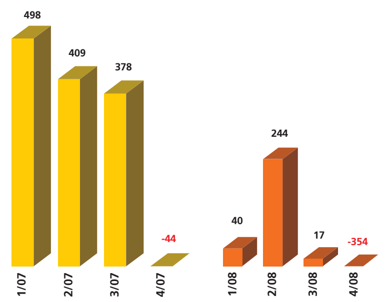
Breakdown by business areas shows that the fall in net fee and commission income compared to 2007 is attributable to Banca dei Territori (-8.9%), which accounted for 61% of the net fee and commission income generated by all business units, to Banca Fideuram (-18.4%) and Eurizon Capital (-21.2%), which were heavily affected by the difficulties of the asset management market, and to Corporate & Investment Banking (-4.4%), due to the negative trend in depositary bank services. Conversely, positive results were recorded by the International Subsidiary Banks (+5.3%), driven by the good performance of loans to customers and operations on current accounts and credit and debit cards, and Public Finance (+5.8%), thanks to originating activities and to stable performance in the more traditional collection and payment services.

Profits (Losses) on trading

(in millions of euro)

	2008	2007	Changes	
			amount	%
Trading result (Securities and connected credit derivatives, foreign exchange, financial derivatives)	-494	109	-603	
Other credit derivatives	-306	190	-496	
Other financial assets / liabilities: foreign exchange differences	557	315	242	76.8
Fair value adjustments in hedge accounting	-109	14	-123	
Profits (Losses) on financial assets / liabilities held for trading	**-352**	**628**	**-980**	
Profits (Losses) on disposal of financial assets available for sale and repurchase of financial liabilities	**178**	**471**	**-293**	**-62.2**
Dividend and similar income on shares available for sale	**121**	**142**	**-21**	**-14.8**
Profits (Losses) on trading	**-53**	**1,241**	**-1,294**	

Quarterly development of profits (losses) on trading



Figures restated on a consistent basis, considering the changes in the scope of consolidation.

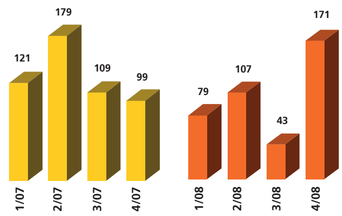
Trading activity, which is the operational sector most vulnerable to financial market volatility, closed with a loss of 53 million euro against the 1,241 million euro profits recorded in 2007. Even taking into account the considerable profit from the disposal of AFS securities recorded in 2007, the year-end result of 2008 was very disappointing, and was heavily affected by the fall in operations and by writedowns of structured credit products of 612 million euro (of which 126 million euro funded and 486 million euro unfunded) and by the reduction in the fair value of the other financial products.
Losses on trading totalled 494 million euro due to financial assets held for trading, only partly offset by the positive contribution of derivative financial instruments and of the dividends from equity trading operations. Benefiting from the exchange differences of the other financial assets and liabilities, amounting to 557 million euro, losses on financial assets/liabilities held for trading came to 352 million euro. Finally, after the contribution of 299 million euro from available-for-sale financial instruments, losses on trading came to 53 million euro.
Against the results – positive to varying degrees – of the first three quarters of 2008, the fourth quarter recorded a negative balance of 354 million euro.

Income from insurance business

(in millions of euro)

	2008			2007			Changes	
	Life	Casualty	**Total**	Life	Casualty	**Total**	**amount**	**%**
Premiums and payments [a]	112	118	230	-374	102	-272	502	
net premiums	*1,619*	*155*	*1,774*	*2,177*	*133*	*2,310*	*-536*	*-23.2*
net charges for claims and surrendering of policies	*-4,845*	*-37*	*-4,882*	*-4,964*	*-29*	*-4,993*	*-111*	*-2.2*
net charges for changes in technical reserves	*3,338*	*-*	*3,338*	*2,413*	*-2*	*2,411*	*927*	*38.4*
Net income from financial instruments designated at fair value through profit and loss [b]	-11	-	-11	415	-	415	-426	
Net income from securities (including UCITS) classified as Financial assets available for sale and Financial assets held for trading [c]	731	10	741	793	7	800	-59	-7.4
Other income/charges from insurance business [d]	-476	-84	-560	-378	-57	-435	125	28.7
Income from insurance business	**356**	**44**	**400**	**456**	**52**	**508**	**-108**	**-21.3**

Quarterly development of income from insurance business



Figures restated on a consistent basis, considering the changes in the scope of consolidation.

[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 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.

In 2008, income from insurance business, which contains the revenue items of the Group’s life and casualty companies, was 400 million euro, down 21.3% compared to the previous year.
The decrease was driven by the negative trend of financial management of traditional products and capital. This trend is attributable to lower amounts under management and portfolio divestment policies which were negatively affected by market volatility. The change in fair value was recognised in the income statement mainly through impairment of securities available for sale, recorded under net impairment losses on other assets; consequently, the impact on income from insurance business was limited. The decrease in fair value of the assets underlying index-linked policies also made it necessary to increase reserves in case of death. The casualty branch recorded a largely stable performance, thanks to the improvement in net premiums.

Other operating income (expenses)

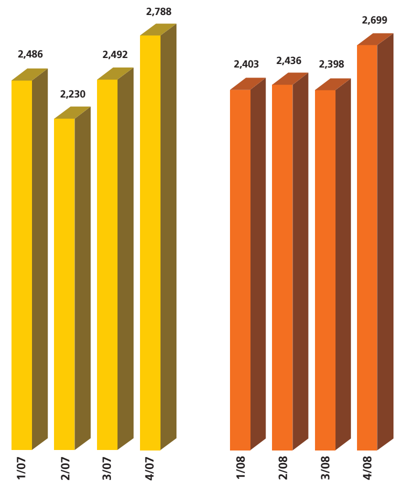
Other operating income (expenses), a residual caption comprising various types of income and expenses that cannot be recognised in other operating income captions, recorded a positive balance of 170 million euro, in line with the previous year. In 2008, the computation of a payment linked to the IMI-SIR dispute, amounting to 126 million euro, following the settlement reached in 2007, was almost entirely offset by the higher expenses, of 102 million euro, arising from the obligation (introduced by Legislative Decree 134/2008, converted into Law 166/2008) to transfer the amounts of unclaimed expired bank drafts - previously recorded in out-of-period income - to the ad hoc public fund established pursuant to Law 266/2005.
The loss of 49 million euro in the fourth quarter is entirely attributable to the recognition in the income statement of the exchange value of these expired bank drafts.

Operating costs

(in millions of euro)

	2008	2007	Changes amount	Changes %
Wages and salaries	4,039	4,313	-274	-6.4
Social security charges	1,022	1,101	-79	-7.2
Other	685	378	307	81.2
Personnel expenses	**5,746**	**5,792**	**-46**	**-0.8**
Information technology expenses	818	841	-23	-2.7
Management of real estate assets	749	748	1	0.1
General structure costs	488	497	-9	-1.8
Professional and legal expenses	559	480	79	16.5
Advertising and promotional expenses	219	211	8	3.8
Indirect personnel costs	147	136	11	8.1
Other costs	340	384	-44	-11.5
Indirect taxes and duties	643	671	-28	-4.2
Recovery of expenses and charges	-585	-645	-60	-9.3
Administrative expenses	**3,378**	**3,323**	**55**	**1.7**
Property and equipment	452	485	-33	-6.8
Intangible assets	360	396	-36	-9.1
Adjustments	**812**	**881**	**-69**	**-7.8**
Operating costs	**9,936**	**9,996**	**-60**	**-0.6**

Quarterly development of operating costs



Figures restated on a consistent basis, considering the changes in the scope of consolidation.

The operating costs of 2008, net of expenses for the integration between Banca Intesa and Sanpaolo IMI and subsequently of Cassa di Risparmio di Firenze, recognised in a specific caption of the reclassified income statement, totalled 9,936 million euro, slightly down (-0.6%) from the previous year. However, it must be noted that the figure for 2007 benefited from the positive effects (277 million euro) deriving from the recalculation of employee termination indemnities required due to the supplementary social security reform. Excluding this component, operating costs show a more significant decline (-3.3%).

Personnel expenses totalled 5,746 million euro, down 0.8% from 2007. Considering the previous year's figure net of the aforesaid non-recurring component, personnel expenses fell 5.3%, consistent with the staff optimisation policies under way especially at the Parent Company and the Italian subsidiaries, which led to staff downsizing in both period-end and average terms.

Administrative expenses were 3,378 million euro, slightly up from 2007 (+1.7%). This result was mainly generated by the rise in professional and legal expenses and, to a lesser extent, in indirect personnel costs and advertising and promotional expenses. Conversely, reductions were recorded in information technology expenses, general structure costs and other costs.

Amortisations and depreciations totalled 812 million euro, a 7.8% decrease over the previous year.

In terms of quarterly development, the fourth quarter of 2008 saw a 12.6% increase in operating costs over the previous quarter. This increase was primarily driven by administrative expenses, which traditionally have high seasonal impact in the last part of the year; personnel expenses were only slightly higher than those recorded in the third quarter.

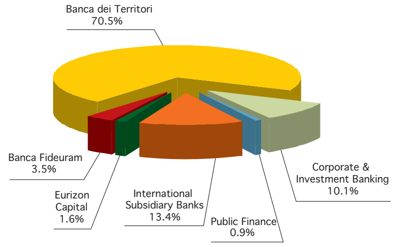
The cost/income ratio of 2008 was 54.7%, up by almost 3% compared to 2007, mainly due to the decline in revenues, which was only partly offset by cost reductions.

(in millions of euro)

	2008	2007	Changes	
			amount	%
Banca dei Territori	6,526	6,796	-270	-4.0
Corporate & Investment Banking	936	970	-34	-3.5
Public Finance	85	94	-9	-9.6
International Subsidiary Banks	1,228	1,094	134	12.2
Eurizon Capital	150	176	-26	-14.8
Banca Fideuram	327	345	-18	-5.2
Total business areas	**9,252**	**9,475**	**-223**	**-2.4**
Corporate Centre	684	521	163	31.3
Intesa Sanpaolo Group	**9,936**	**9,996**	**-60**	**-0.6**

Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation and in business unit constituents.

Business areas



The decrease in operating costs recorded at Group level (-0.6%) was driven by almost all the business units, which showed cost reduction trends able to offset the growth of the Corporate Centre. Indeed, the Corporate Centre recorded an increase in personnel expenses from 2007, when it had benefited from the positive effects of recalculation of employee termination indemnities, entirely attributed to the Corporate Centre. Breakdown by business unit shows that only the operating costs of the International Subsidiary Banks grew (+12.2%), due to an upward trend in all components. Banca dei Territori, which accounts for 70.5% of operational divisions costs, posted a 4% decrease in costs, mainly driven by the decrease in personnel expenses, largely attributable to staff downsizing.
Decreases in all cost items were recorded by Corporate & Investment Banking (-3.5%), Eurizon Capital (-14.8%) and Public Finance (-9.6%).
The decrease posted by Banca Fideuram (-5.2%) is attributable to the reduction in personnel expenses.

Operating margin

In 2008, operating margin totalled 8,221 million euro, down 11.1% from the previous year.

Adjustments to/recoveries on assets

Goodwill impairment

Goodwill impairment totalled 1,065 million euro and was almost entirely recorded in the fourth quarter of 2008; this amount comprises goodwill impairment relating to Pravex Bank (390 million euro), Banca Fideuram (580 million euro) and Eurizon Capital (95 million euro). No goodwill impairment had been posted in 2007.
For a more detailed discussion of the reasons for these impairments and of the methods for determining them – already referred to in the introduction – please see the specific section in the Notes to the consolidated financial statements.

Net provisions for risks and charges

Net provisions for risks and charges, which amount to 318 million euro, are set aside to meet probable costs mainly arising from revocatory actions and, to a lesser extent, claims for damages, lawsuits and other disputes and are updated on the basis of the litigations under way and assessment of their possible outcomes. The caption registered a decrease del 42.3% with respect to 2007, which had been affected by considerable charges for the settlement of some major legal disputes.

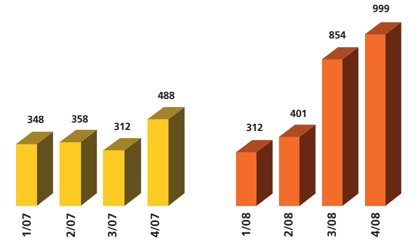
Net adjustments to loans

In 2008 the Group posted net adjustments to loans of 2,566 million euro, a rise of 70.4% over the previous year, reflecting in particular the adjustments to credit exposures towards the Lehman Brothers Group (202 million euro), Icelandic banks (63 million euro) and some Italian groups in financial difficulty. Analytical adjustments rose by 87.2%, reflecting the increase in doubtful loans and, to a greater degree, in other non-performing loans. Adjustments to performing loans grew by 18.2%. Lastly, recoveries on guarantees given totalled 73 million euro against 46 million recognised at the end of 2007.

(in millions of euro)

	2008	2007	Changes	
			amount	%
Doubtful loans	-1,279	-922	357	38.7
Other non-performing loans	-1,198	-401	797	
Performing loans	-162	-137	25	18.2
Net impairment losses on loans	**-2,639**	**-1,460**	**1,179**	**80.8**
Net adjustments to guarantees and commitments	**73**	**-46**	**119**	
Net adjustments to loans	**-2,566**	**-1,506**	**1,060**	**70.4**

Quarterly development of net adjustments to loans



Figures restated on a consistent basis, considering the changes in the scope of consolidation.

In the fourth quarter of the year net adjustments to loans of almost 1 billion euro were recognised, higher than those posted in the previous quarters. The rise was primarily attributable to non-performing loans, reflecting the impact of the financial crisis on customer companies; the most significant increase was in adjustments to substandard loans.

Net impairment losses on other assets

Assets other than loans, in the presence of significant impairment indicators, have been subjected to the assessment of recoverability of book values. In 2008 impairment losses on other assets totalled 949 million euro, primarily attributable to the impairment of Natixis (436 million euro), London Stock Exchange (269 million euro), of equities classified as available for sale held by the Group's insurance companies (125 million euro) and of Banca Generali (30 million euro).
Also with regard to impairment posted in this caption, please see the specific section in the Notes to the consolidated financial statements, which illustrates the rationale for recognising these impairment losses in the income statement and the calculation methods adopted.

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

Profits on investments held to maturity and on other investments amounted to 266 million euro, compared with 102 million euro in 2007. The amount of 2008 is mainly attributable to the profits generated by the sale of Agos (268 million euro), of Centrale dei Bilanci (89 million euro) and of real estate (189 million euro), which more than offset the impairment losses mainly pertaining to investments in Telco (165 million euro), RCS (78 million euro), Allfunds (60 million euro), NH Hoteles (16 million euro) and Pirelli & C. (6 million euro).

Income before tax from continuing operations

Income before tax from continuing operations was 3,589 million euro, down 50.3% from 2007.

Other income and charges captions

Taxes on income from continuing operations

Provisions for taxes for 2008, both current and deferred, totalled 180 million euro, compared to 2,866 million euro in 2007. The figure for 2008 was strongly influenced by some non-recurring items. Firstly, by the exercise of the option provided for by article 15, par. 10, of Legislative Decree no. 185/08, converted into Law no. 2/09, which allows recognition for tax purposes of goodwill acquired in business combinations, by paying a 16% substitute tax and performing a tax deduction for the related value, off balance sheet, in nine years, starting from the period after the one in which the substitute tax was paid.
Exercise of this option led to recognition of the future tax benefits expected from deduction of goodwill from corporate income, represented by deferred taxes relating to the new temporary deductible difference, amounting to 2,193 million euro and concurrent debiting to the same caption of the amount of the substitute tax, equal to 1,086 million euro, generating a net contribution of 1,107 million euro to the income statement.
This caption also includes deferred tax assets of 572 million euro, recognized against prior fiscal losses pertaining to Luxembourg subsidiary ISP Holding International. The adoption of a consolidated tax system for the subsidiary companies in the Grand Duchy, the restructuring of operations in that country

performed during 2008 and the project, currently being finalised for rationalising the granting of foreign-to-foreign loans, have made it reasonably certain that the aforesaid losses, amounting to about 2 billion euro, will be recovered: accordingly, the related deferred taxes have been recognised in the financial statements.
This caption also recognises the combined and opposite effects of the reduction in nominal tax rates provided for by Finance Law 2008 and of the widening of the taxable base pursuant to Legislative Decree no. 102/08, converted into Law no. 133/08, which has established, inter alia, the partial non-deductibility of interest expense paid by banks.

Merger and restructuring related charges (net of tax)
Merger and restructuring related charges (net of tax) totalled 657 million euro and were mainly attributable to estimated future charges (400 million euro) deriving from the access of employees to the Solidarity Allowance provided for by Ministerial Decree 158 of 2000 following the new framework agreement signed with the Trade Unions on 8 July 2008. During the year, integration charges pertaining to administrative expenses of 236 million euro were also recorded, as well as write-offs of procedures no longer used in the target IT system subsequent to integration processes (21 million euro).

Effect of purchase cost allocation (net of tax)
The caption comprises charges attributable to the revaluation of loans, debts, real estate and the recognition of new intangible assets, in application of IFRS 3, upon registration of acquisitions (SANPAOLO IMI, Cassa di Risparmio di Firenze, and Eurizon Investimenti). These costs, totalling 1,088 million euro, include 567 million euro of amortisation of the aforesaid components and 521 million euro of net impairment losses of intangible assets recorded subsequent to the business combinations performed in 2007 and 2008. For extensive disclosure on this issue, please see the relevant section in the Notes to the consolidated financial statements.

Income (Loss) from discontinued operations (net of tax)
Income from discontinued operations, amounting to 1,036 million euro, was mainly generated by the capital gains from the sale of 198 branches to Veneto Banca, Credito Valtellinese, Banca Popolare di Bari, Banca Popolare Alto Adige and Banca Carige, effected in the first quarter of 2008, and from two further disposals finalised in early December 2008: the sale of Cassa di Risparmio di Fano to Credito Valtellinese and of Calit, the leasing company serving the distribution networks of Cariparma and FriulAdria, to Crédit Agricole. The caption also includes the income generated by these operations before their sale. Lastly, this caption includes the income generated by Cassa di Risparmio di Orvieto and by a number of branches of the Group operating in the provinces of Pistoia and La Spezia, to be sold in March 2009.
This result compares with the income of 3,844 million euro recorded in 2007, which primarily comprised the capital gains on the sale to Crédit Agricole of Cariparma, FriulAdria and 202 branches, the profits generated by those subsidiary banks and branches before their sale, and the profits from the sale of the equity investment in Cassa di Risparmio di Biella e Vercelli.

Net result
The Group closed 2008 with a net income of 2,553 million euro, against 7,250 million euro in the previous year.

Balance sheet aggregates

General aspects

A condensed balance sheet has been prepared to permit a more immediate understanding of results for the period. The comparative figures have been restated to include, in addition to the effects of the final allocation of purchase costs, also non-current assets held for sale and discontinued operations and changes in the scope of consolidation. Moreover, with respect to the model provided in Circular 262/05 of the Bank of Italy, certain captions have been aggregated. The restated financial statements were obtained by making appropriate adjustments to historical data to retroactively reflect the significant effects of such changes. Any differences due to the possibility of choosing between different options provided for by IAS/IFRS or arising from the use of different methods or parameters for measurement of assets and liabilities have not been considered, as they were deemed irrelevant. Please note also that no current intragroup relations have been netted since their amount was not significant.
Breakdowns of restatements and aggregations of captions performed are provided in separate tables included in the attachments to the consolidated financial statements, as also required by Consob in its Communication 6064293 of 28 July 2006.
In particular, restatements concerned the assets that in 2008 were recorded under non-current assets held for sale and discontinued operations: they include 17 branches in the provinces of Pistoia and La Spezia and the business consisting of the direct network of pension benefit advisors of EurizonVita. On the other hand, the restatements linked to the change in the scope of consolidation are detailed in the aforesaid tables attached to the Financial Statements.
Aggregations of captions referred to:
- 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 inclusion of technical insurance reserves reassured with third parties in other assets;
- 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 these Financial Statements, in compliance with Consob requirements set forth by Communication 6064293 of 28 July 2006.
Again, to provide a more effective representation of the composition of 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	31.12.2008	31.12.2007	Changes	
			amount	%
Financial assets held for trading	61,080	52,924	8,156	15.4
Financial assets designated at fair value through profit and loss	19,727	21,699	-1,972	-9.1
Financial assets available for sale	29,083	40,222	-11,139	-27.7
Investments held to maturity	5,572	5,923	-351	-5.9
Due from banks	56,371	66,801	-10,430	-15.6
Loans to customers	395,189	353,122	42,067	11.9
Investments in associates and companies subject to joint control	3,230	3,136	94	3.0
Property, equipment and intangible assets	32,406	32,188	218	0.7
Tax assets	7,495	3,809	3,686	96.8
Non-current assets held for sale and discontinued operations	1,135	7,954	-6,819	-85.7
Other assets	24,845	17,623	7,222	41.0
Total Assets	**636,133**	**605,401**	**30,732**	**5.1**

Liabilities and Shareholders' Equity	31.12.2008	31.12.2007	Changes	
			amount	%
Due to banks	51,745	73,480	-21,735	-29.6
Due to customers and securities issued	405,778	364,508	41,270	11.3
Financial liabilities held for trading	45,870	24,664	21,206	86.0
Financial liabilities designated at fair value through profit and loss	25,119	28,157	-3,038	-10.8
Tax liabilities	4,461	3,926	535	13.6
Liabilities associated with non-current assets held for sale and discontinued operations	1,021	5,700	-4,679	-82.1
Other liabilities	26,368	21,356	5,012	23.5
Technical reserves	20,248	23,464	-3,216	-13.7
Allowances for specific purpose	5,469	6,092	-623	-10.2
Share capital	6,647	6,647	-	-
Reserves	41,166	36,962	4,204	11.4
Valuation reserves	-1,412	699	-2,111	
Minority interests	1,100	2,496	-1,396	-55.9
Net income	2,553	7,250	-4,697	-64.8
Total Liabilities and Shareholders' Equity	**636,133**	**605,401**	**30,732**	**5.1**

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

Quarterly development of the reclassified balance sheet

(in millions of euro)

Assets	2008				2007			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Financial assets held for trading	61,080	49,560	54,853	53,273	52,924	63,424	81,908	78,191
Financial assets designated at fair value through profit and loss	19,727	20,479	20,915	20,499	21,699	22,162	22,837	22,796
Financial assets available for sale	29,083	30,687	36,906	38,763	40,222	43,439	45,017	45,510
Investments held to maturity	5,572	5,763	5,976	5,709	5,923	5,847	5,973	5,899
Due from banks	56,371	75,160	71,077	69,881	66,801	68,238	67,311	67,589
Loans to customers	395,189	383,692	370,929	359,450	353,122	343,387	347,151	344,064
Investments in associates and companies subject to joint control	3,230	3,295	3,186	3,239	3,136	2,744	2,698	2,706
Property, equipment and intangible assets	32,406	34,930	34,832	33,097	32,188	32,230	32,666	33,249
Tax assets	7,495	4,159	4,158	3,766	3,809	4,964	4,479	4,905
Non-current assets held for sale and discontinued operations	1,135	3,973	4,327	4,186	7,954	11,035	16,499	16,636
Other assets	24,845	22,428	20,823	17,198	17,623	16,191	13,742	14,367
Total Assets	**636,133**	**634,126**	**627,982**	**609,061**	**605,401**	**613,661**	**640,281**	**635,912**

Liabilities and Shareholders' Equity	2008				2007			
	31/12	30/9	30/6	31/3	31/12	30/9	30/6	31/3
Due to banks	51,745	64,135	62,786	71,223	73,480	79,414	96,905	87,667
Due to customers and securities issued	405,778	406,647	392,328	366,401	364,508	356,459	361,365	358,656
Financial liabilities held for trading	45,870	27,946	29,831	29,988	24,664	27,782	28,626	28,739
Financial liabilities designated at fair value through profit and loss	25,119	25,837	26,512	26,905	28,157	29,068	29,352	28,467
Tax liabilities	4,461	4,012	4,052	4,940	3,926	5,676	5,416	6,663
Liabilities associated with non-current assets held for sale and discontinued operations	1,021	2,408	2,735	2,480	5,700	8,706	14,176	14,956
Other liabilities	26,368	24,054	29,821	27,023	21,356	19,889	18,428	25,171
Technical reserves	20,248	21,151	21,783	22,540	23,464	22,967	24,013	24,829
Allowances for specific purpose	5,469	6,064	6,531	6,601	6,092	6,579	6,044	6,458
Share capital	6,647	6,647	6,647	6,647	6,647	6,647	6,647	6,646
Reserves	41,166	41,098	41,109	41,154	36,962	8,453	8,424	8,393
Merger reserves	-	-	-	-	-	31,093	31,093	31,093
Valuation reserves	-1,412	-714	-299	-49	699	934	1,283	1,120
Minority interests	1,100	1,063	1,041	1,460	2,496	3,248	3,223	3,088
Net income	2,553	3,778	3,105	1,748	7,250	6,746	5,286	3,966
Total Liabilities and Shareholders' Equity	**636,133**	**634,126**	**627,982**	**609,061**	**605,401**	**613,661**	**640,281**	**635,912**

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

Loans to customers

(in millions of euro)

	31.12.2008		31.12.2007		Changes	
		% breakdown		% breakdown	amount	%
Current accounts	37,942	9.6	33,618	9.5	4,324	12.9
Mortgages	168,876	42.7	163,309	46.3	5,567	3.4
Advances and other loans	153,174	38.8	136,817	38.7	16,357	12.0
Repurchase agreements	8,177	2.1	3,459	1.0	4,718	
Loans represented by securities	15,496	3.9	7,609	2.1	7,887	
Non-performing loans	11,524	2.9	8,310	2.4	3,214	38.7
Loans to customers	**395,189**	**100.0**	**353,122**	**100.0**	**42,067**	**11.9**

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

Despite the severe financial and economic downturn in 2008, the loans to customers of the Intesa Sanpaolo Group reported in the accounts for 2008 rose to 395 billion euro, increasing 11.9% from year-end 2007. However, part of this growth is attributable to the effects of reclassification of certain debt securities out of the "held for trading" and "available for sale" category into "loans", since the Group availed itself of the possibility, provided for by the IASB and endorsed by the European Commission (EC Regulation 1004/2008 of 15 October 2008) of reclassifying financial instruments in rare circumstances such as those brought about by the current financial crisis. As a consequence of these reclassifications (detailed in the chapter on accounting policies), the loans caption now includes debt securities for 8,141 million euro and loans previously classified as "available for sale" for 825 million euro. Without these reclassifications, loans to customers would have amounted to 386,223 million euro, an increase of 33,101 million euro (+9.4%) from 31 December 2007.

The positive performance of loans was mainly driven by the loan contracts designed for businesses, which increased their use of bank loans also to compensate for the decline in their self-financing capacity: advances and other loans rose 12%, and current accounts increased 12.9%. The substantial rise in loans represented by securities is entirely attributable to the reclassifications of these securities, which will be held in the banking portfolio since the current and foreseeable future market conditions no longer permit their active management. The increase in mortgages was lower than that of other types of loans, (+3.4%), affected as it was by the weakening demand for household loans due to a generalised fall in confidence. Repurchase agreement transactions increased more than twofold. As to portfolio risk, non-performing loans rose significantly (+38.7%), owing to the difficulties experienced by both enterprises and households as a consequence of the economic slowdown; their incidence on total loans to customers was 2.9%, up 5 basis points from 31 December 2007.

In the domestic medium-/long-term loan market, disbursements to households reached 18 billion euro and those to businesses exceeded 10 billion euro.

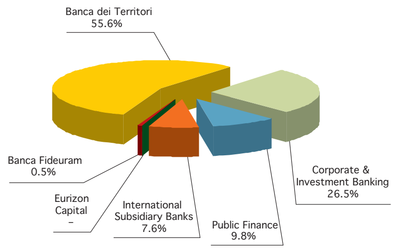
As at 31 December 2008, the Group's share of the domestic market (calculated on the harmonised time-series defined for countries in the eurozone) was 17.4% for total loans. Excluding the effects of the disposal of the 198 branches, sold off in the first quarter of 2008 to comply with the provisions of the Italian Competition Authority, and of the securitisation of residential mortgages amounting to 8 billion euro, completed in August 2008, market share rose 0.2% from 31 December 2007.

(in millions of euro)

	31.12.2008	31.12.2007	Changes	
			amount	%
Banca dei Territori	217,926	208,037	9,889	4.8
Corporate & Investment Banking	103,666	87,880	15,786	18.0
Public Finance	38,492	33,906	4,586	13.5
International Subsidiary Banks	29,847	23,725	6,122	25.8
Eurizon Capital	-	8	-8	
Banca Fideuram	1,802	905	897	99.1
Total business areas	**391,733**	**354,461**	**37,272**	**10.5**
Corporate Centre	3,456	-1,339	4,795	
Intesa Sanpaolo Group	**395,189**	**353,122**	**42,067**	**11.9**

Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

Business areas



Breakdown of loans to customers by business area shows that Banca dei Territori, which accounts for 56% of the aggregate value of the Group’s business areas, posted a 4.8% rise, driven primarily by loans to SMEs – due to greater recourse to bank loans to fund production – and by mortgage loans to households. An increase in loans to customers was also recorded by International Subsidiary Banks (+25.8%), driven by the development of operations, and by Corporate & Investment Banking (+18%) reflecting the growth of Corporate Relations both in Italy and abroad, thanks to strategic and marketing actions aimed at increasing the share of wallet and at acquiring important deals with low probability of default. Loans to fund public works and infrastructure, managed by BIIS, posted 13.5% growth, primarily driven by the reclassification of certain debt securities from the “available for sale” category into “loans”. Net of this effects the increase is 1.7%.

Loans to customers: loan portfolio quality

(in millions of euro)

	31.12.2008			31.12.2007			Changes
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	13,047	-9,079	3,968	10,730	-7,588	3,142	826
Substandard and restructured loans	7,545	-1,855	5,690	5,516	-1,563	3,953	1,737
Past due loans	2,022	-156	1,866	1,350	-135	1,215	651
Non-performing loans	**22,614**	**-11,090**	**11,524**	**17,596**	**-9,286**	**8,310**	**3,214**
Performing loans	370,611	-2,442	368,169	339,500	-2,297	337,203	30,966
Loans represented by performing securities	15,863	-367	15,496	7,617	-8	7,609	7,887
Loans to customers	**409,088**	**-13,899**	**395,189**	**364,713**	**-11,591**	**353,122**	**42,067**

(in millions of euro)

	31.12.2008		31.12.2007		Change
	Net exposure	% breakdown	Net exposure	% breakdown	Net exposure
Doubtful loans	3,968	1.0	3,142	0.9	826
Substandard and restructured loans	5,690	1.4	3,953	1.1	1,737
Past due loans	1,866	0.5	1,215	0.4	651
Non-performing loans	**11,524**	**2.9**	**8,310**	**2.4**	**3,214**
Performing loans	368,169	93.2	337,203	95.5	30,966
Loans represented by performing securities	15,496	3.9	7,609	2.1	7,887
Loans to customers	**395,189**	**100.0**	**353,122**	**100.0**	**42,067**

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

At the end of 2008 the Group's non-performing loans had risen 38.7% from the beginning of the year. For detailed numerical data on risk indicators, see the chapter on credit quality in the "Risk management" section. This trend led to a higher incidence of non-performing loans on total loans to customers, from 2.4% to 2.9%. Coverage of non-performing loans, through prudential provisioning policies extended to all commercial banks, stood at 49%.
In particular, doubtful loans net of adjustments came to 3,968 million euro in the year, with a rise of 826 million euro, of which 65 million euro are attributable to the Lehman Brothers default; the incidence on total loans was 1%, with 70% coverage ratio.
Substandard and restructured loans, 5,690 million euro, rose 43.9% in the year; the coverage ratio was 25%.
Past due loans amounted to 1,866 million euro, increasing by 651 million euro and with a coverage ratio of 8%.
Cumulated collective adjustments on performing loans came to 0.7% of gross exposure relating to loans to customers, stable with respect to the figure recorded at the end of the previous period. The risk associated with the performing loan portfolio is calculated collectively on the basis of the risk configuration of the entire portfolio analysed by means of models that consider the Probability of Default (PD) and Loss Given Default (LGD) for each loan. Finally, loans represented by performing securities increased due to the reclassification of over 8 billion euro of financial assets previously classified in securities held for trading and available for sale. The value of the corresponding impairment losses as at 31 December 2008 is primarily attributable to adjustments made before reclassification of the securities to the loans category.

Customer financial assets

(in millions of euro)

	31.12.2008		31.12.2007		Changes	
		% breakdown		% breakdown	amount	%
Direct customer deposits	430,897	43.8	392,665	38.0	38,232	9.7
Indirect customer deposits	577,144	58.7	669,277	64.7	-92,133	-13.8
Netting [(a)]	-24,888	-2.5	-27,846	-2.7	-2,958	-10.6
Customer financial assets	**983,153**	**100.0**	**1,034,096**	**100.0**	**-50,943**	**-4.9**

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

(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).

As at 31 December 2008 customer financial assets totalled 983 billion euro, a decrease of 4.9% from the previous year, due to the contraction in indirect customer deposits which amply offset the increase in direct customer deposits.
The most significant decline is attributable to asset management, which dropped 20.9%, mainly due to the high financial market volatility which generated a reduction in net asset value and led investors to prefer liquid and low-risk investments.
The amount of indirect customer deposits, valued at current prices, is influenced by the financial market trends.

Direct customer deposits

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

(in millions of euro)

	31.12.2008		31.12.2007		Changes	
		% breakdown		% breakdown	amount	%
Current accounts and deposits	202,550	47.0	189,704	48.4	12,846	6.8
Repurchase agreements and securities lending	8,528	2.0	22,575	5.7	-14,047	-62.2
Bonds	119,720	27.8	102,161	26.0	17,559	17.2
of which designated at fair value (*)	*3,878*	*0.9*	*4,214*	*1.1*	*-336*	*-8.0*
Certificates of deposit	30,899	7.2	13,096	3.3	17,803	
Subordinated liabilities	20,031	4.6	17,483	4.5	2,548	14.6
Financial liabilities of the insurance business designated at fair value (*)	21,241	4.9	23,943	6.1	-2,702	-11.3
Other deposits	27,928	6.5	23,703	6.0	4,225	17.8
of which designated at fair value (*)	-	-	-	-	-	-
Direct customer deposits	**430,897**	**100.0**	**392,665**	**100.0**	**38,232**	**9.7**

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

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

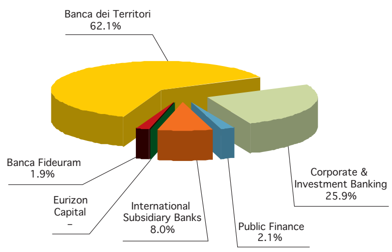
Direct customer deposits stood at 431 billion euro, up 38 billion euro (+9.7%) from the previous year. Breakdown by contract type shows that the rise was mainly driven by bonds (+17.2%) and certificates of deposit (which increased more than twofold), which together contributed 35 billion euro; increases were also recorded in current accounts (+6.8%), subordinated liabilities (+14.6%), and other deposits (+17.8%), which mainly consist of commercial paper. Conversely, marked decreases were recorded in repurchase agreements (-62.2%) and in financial liabilities of the insurance business (-11.3%), owing to the reduction in the fair value of the investments underlying the policies whose main risk is borne by the insured parties.
At the end of 2008, the Group's share of direct customer deposits in the domestic market (according to the ECB's harmonised definition) was 18%. Excluding the effects of the disposal of the 198 branches, sold off in the first quarter of 2008, in compliance with the provisions of the Italian Competition Authority, market share shows a slight decrease of 0.3% from the previous year.

(in millions of euro)

	31.12.2008	31.12.2007	Changes	
			amount	%
Banca dei Territori	219,894	216,583	3,311	1.5
Corporate & Investment Banking	91,492	73,762	17,730	24.0
Public Finance	7,593	8,282	-689	-8.3
International Subsidiary Banks	28,212	27,210	1,002	3.7
Eurizon Capital	-	3	-3	
Banca Fideuram	6,583	6,999	-416	-5.9
Total business areas	**353,774**	**332,839**	**20,935**	**6.3**
Corporate Centre	77,123	59,826	17,297	28.9
Intesa Sanpaolo Group	**430,897**	**392,665**	**38,232**	**9.7**

Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

Business areas



Breakdown by business areas shows that Banca dei Territori, which accounts for 62% of the aggregate value of business areas, reported a 1.5% increase in direct customer deposits, benefiting from the rise in funding through securities. A growth in funding through securities was also recorded by Corporate & Investment Banking (+24%) – thanks in particular to the placement of Parent Company bonds through Intesa Sanpaolo Bank Ireland and Banca IMI – and by the International Subsidiary Banks (+3.7%). The direct customer deposits of Public Finance declined 8.3% owing to the lesser liquidity in overdrawn accounts of counterparties with treasury positions and to the decrease in securities issued. Finally, the direct customer deposits of Banca Fideuram also decreased (-5.9%).

Indirect customer deposits

(in millions of euro)

	31.12.2008		31.12.2007		Changes	
		% breakdown		% breakdown	amount	%
Mutual funds	81,975	14.2	112,305	16.8	-30,330	-27.0
Open-ended pension funds	3,014	0.5	1,603	0.2	1,411	88.0
Portfolio management	59,254	10.3	78,434	11.7	-19,180	-24.5
Life technical reserves and financial liabilities	59,785	10.3	66,595	10.0	-6,810	-10.2
Relations with institutional customers	9,758	1.7	11,232	1.7	-1,474	-13.1
Assets under management	**213,786**	**37.0**	**270,169**	**40.4**	**-56,383**	**-20.9**
Assets under administration and in custody	**363,358**	**63.0**	**399,108**	**59.6**	**-35,750**	**-9.0**
Indirect customer deposits	**577,144**	**100.0**	**669,277**	**100.0**	**-92,133**	**-13.8**

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

Indirect customer deposits decreased by 13.8% from 31 December 2007, to 577 billion euro. The decline was mostly driven by asset management, which dropped to 214 billion euro (-20.9%). The decline in the aggregate value of assets under management, which account for 37% of indirect customer deposits, was driven by all components, which were heavily affected by negative market trends. In particular, mutual funds fell 27%, portfolio management dropped by 24.5%, and life technical reserves and financial liabilities by 10.2%. Mutual funds were affected by general turbulence in the sector which already in 2006 had recorded an outflow of funds; this trend accelerated in 2008 due to the liquidity crisis and the continuing decline in stock exchange indexes. The divestment by asset management companies of securities held in portfolio, due to intensification of surrenders, at low prices in a context of weak demand, further affected the stock and bond prices, with a negative impact on fund performances. The same phenomena were observed in the other asset management segments, which also incurred surrender and impairment of assets. As to the insurance business, the new business of EurizonVita, Intesa Vita, Sud Polo Vita and Centro Vita Assicurazioni recorded 6.6 billion compared to 10 billion euro in 2007. Relations with institutional customers also declined, by 13.1%. Conversely, open-ended pension funds and individual pension plans, albeit less significant in absolute terms, almost doubled.

Assets under administration posted a more contained decrease of 9%, attributable to both positions in securities of institutional customers and, to a lesser degree, third party assets under administration of ordinary customers. The decrease also reflected the effect of negative performance on deposited securities.

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

(in millions of euro)

	31.12.2008		31.12.2007		Changes	
		% breakdown		% breakdown	amount	%
Bonds and other debt securities held for trading and designated at fair value through profit and loss	28,660	81.9	36,041	72.2	-7,381	-20.5
of which designated at fair value	*12,112*	*34.7*	*11,842*	*23.7*	*270*	*2.3*
Equities and quotas of UCITS held for trading and designated at fair value through profit and loss	9,816	28.1	18,517	37.1	-8,701	-47.0
of which designated at fair value	*7,586*	*21.7*	*9,835*	*19.7*	*-2,249*	*-22.9*
Other assets designated at fair value through profit and loss	29	0.1	22	-	7	31.8
Securities, assets held for trading and financial assets designated at fair value through profit and loss	**38,505**	**110.1**	**54,580**	**109.3**	**-16,075**	**-29.5**
Financial liabilities held for trading	**-1,760**	**-5.0**	**-3,252**	**-6.5**	**-1,492**	**-45.9**
Net value of financial derivatives	-1,204	-3.4	-1,574	-3.2	-370	-23.5
Net value of credit derivatives	-604	-1.7	205	0.4	-809	
Net value of trading derivatives	**-1,808**	**-5.1**	**-1,369**	**-2.8**	**439**	**32.1**
Financial assets / liabilities, net	**34,937**	**100.0**	**49,959**	**100.0**	**-15,022**	**-30.1**

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

Financial assets held for trading, net of the related liabilities, and financial assets designated at fair value through profit and loss amounted to 35 billion euro, with a 30.1% decrease with respect to the figure at the end of 2007. Performance, as already noted, was affected by the reclassification of almost 4 billion euro of debt securities into loans to customers pursuant to the provisions of the European Commission Regulation of 15 October 2008. Financial liabilities designated at fair value through profit and loss are included in direct customer deposits.

In detail, the downward trend is attributable to securities, assets held for trading and financial assets designated at fair value, with regard to both debt securities and equities, both strongly affected by the fall of quotations. The net value of derivatives held for trading, also decreased, albeit less sharply, in both the financial and credit components. An opposite effect was produced by the reduction in financial liabilities held for trading, including short selling.

Financial assets available for sale

Financial assets available for sale came to 29 billion euro, decreasing 27.7% from 31 December 2007. Similarly to the previous caption, the decline is mostly attributable to the reclassification of about 6 billion euro of assets from the “available for sale” to the “loans” category (European Commission Regulation of 15 October 2008).

This caption mainly comprises securities available for sale, which decreased from year-end 2007 reflecting the fall in debt securities not held for trading (-25.7%), and in equities (-36.4%). Both components were affected by market turbulence; in particular the fall in equities is attributable as to 908 million euro to impairment and as to the remaining part to the reduction in fair value. Financial assets available for sale are measured at fair value with balancing entry in the specific shareholders' equity reserve.

(in millions of euro)

	31.12.2008	% breakdown	31.12.2007	% breakdown	Changes amount	Changes %
Bonds and other debt securities	25,413	87.4	34,184	85.0	-8,771	-25.7
Equities and quotas of UCITS	3,452	11.9	5,426	13.5	-1,974	-36.4
Securities available for sale	**28,865**	**99.3**	**39,610**	**98.5**	**-10,745**	**-27.1**
Loans available for sale	**218**	**0.7**	**612**	**1.5**	**-394**	**-64.4**
Financial assets available for sale	**29,083**	**100.0**	**40,222**	**100.0**	**-11,139**	**-27.7**

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

Net interbank position

At the end of 2008 the net interbank position was positive at 5 billion euro, compared to the negative figure of -7 billion euro at year-end 2007. The improvement reflects the significant increase in funding from customers and the marked reduction in financial assets.

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

(in millions of euro)

	31.12.2008	31.12.2007	Changes amount	Changes %
Investments in associates and companies subject to joint control	77	752	-675	-89.8
Property and equipment	3	13	-10	-76.9
Other	-	-	-	-
Individual assets	**80**	**765**	**-685**	**-89.5**
Discontinued operations	**1,055**	**7,189**	**-6,134**	**-85.3**
of which: loans to customers	*890*	*6,603*	*-5,713*	*-86.5*
Liabilities associated with non-current assets held for sale and discontinued operations	**-1,021**	**-5,700**	**-4,679**	**-82.1**
Non-current assets held for sale and discontinued operations and related liabilities	**114**	**2,254**	**-2,140**	**-94.9**

Figures restated on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

This caption contains assets and related liabilities which no longer refer to continuing operations as they are being disposed of. As at 31 December 2008, this caption included the assets relating to Cassa di Risparmio di Orvieto, and certain branches of the Intesa Sanpaolo Group in the provinces of Pistoia and La Spezia, to be disposed of in March 2009. The decrease from 31 December 2007 is attributable to finalisation of the sale of 198 branches to Veneto Banca, Credito Valtellinese, Banca Popolare di Bari, Banca Popolare Alto Adige and Banca Carige.

Shareholders’ equity

As at 31 December 2008 the Group’s shareholders' equity, including net income for the period, totalled 48,954 million euro compared to 51,558 million euro as at 31 December 2007. The change in shareholders' equity is attributable to dividend distribution, to the negative trend in valuation reserves and to the use of treasury shares for the acquisition of Cassa di Risparmio di Firenze. No changes in share capital occurred in the year.

Valuation reserves

As at 31 December 2008, valuation reserves decreased by 2,111 million euro from year-end 2007, mostly due to the decrease in value of financial assets available for sale, in particular debt securities.

(in millions of euro)

	Valuation reserves as at 31.12.2007	Change in the period	Valuation reserves as at 31.12.2008	
				% breakdown
Financial assets available for sale	150	-1,437	-1,287	91.2
Property and equipment	-	-	-	-
Cash flow hedges	133	-546	-413	29.2
Legally-required revaluations	342	1	343	-24.3
Other	74	-129	-55	3.9
Valuation reserves	**699**	**-2,111**	**-1,412**	**100.0**

Regulatory capital

Regulatory capital and related capital ratios as at 31 December 2008 were determined by applying the instructions issued by the Bank of Italy in accordance with the new Basel II provisions.
Please note that, subsequent to the authorisation by the Supervisory authority and with effect from 31 December 2008, the Intesa Sanpaolo Group has adopted the Foundation Internal Rating Based approach (FIRB) for calculating credit risk capital requirements with regard to regulatory portfolio Credit exposures towards businesses (Corporate). The initial scope of application of the FIRB approach includes the Parent Company, the network banks (with the exception of Carifirenze and Casse del Centro) and the main specialised lending companies.

(in millions of euro)

Regulatory capital and capital ratios	31.12.2008 (*)
Regulatory capital	
Tier 1 capital	27,074
of which: preferred shares	*2,998*
Tier 2 capital	14,748
Minus items to be deducted	-2,774
REGULATORY CAPITAL	**39,048**
Tier 3 subordinated loans	30
TOTAL REGULATORY CAPITAL	**39,078**
Risk-weighted assets	
Credit and counterparty risks	335,946
Market risks	18,046
Operational risks	29,080
RISK-WEIGHTED ASSETS	**383,072**
Capital ratios %	
Core Tier 1 ratio	6.3
Tier 1 ratio	7.1
Total capital ratio	10.2

(*) In compliance with the provisions of the Bank of Italy Circular 263/2006, in the calculation of capital ratios, elements to be deducted from total regulatory capital 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.

At the end of 2008, regulatory capital amounted to 39,048 million euro and total capital, including Tier 3 subordinated loans, amounted to 39,078 million euro, against risk-weighted assets of 383,072 million euro, mostly deriving from credit and counterparty risks and, to a lesser extent, from market and operational risks.
Please note that regulatory capital does not consider the distribution of cash dividends for 2008. Indeed, at a time when the market attaches particular importance to the capitalisation level of banks, regardless of the actual risk each is exposed to, it was decided to use net income to strengthen the Group's shareholders' equity rather than for the distribution of cash dividends, except for distribution to saving shares – pursuant to the Articles of Association – of dividends equal to 5% of their nominal value.
The Total capital ratio stood at 10.2%, while the Group's Tier 1 ratio was 7.1%. The ratio between Tier 1 capital net of preferred shares and risk-weighted assets (Core Tier 1) was 6.3%.
If the standard method had been used, capital ratios would have been 10.0%, 6.9% and 6.1% respectively.

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 31.12.2008*
Parent Company's balances as at 31 December 2008	**45,719**	***1,069***
Effect of consolidation of subsidiaries subject to control	1,911	*2,294*
Effect of valuation at equity of companies subject to joint control and other significant equity investments	301	*114*
Elimination of adjustments to equity investments ed impairment goodwill	926	*809*
Dividends collected during the period	-	*-1,725*
Other	97	*-8*
Consolidated balances as at 31 December 2008	**48,954**	***2,553***

Breakdown of consolidated results by business area and geographical area

The organisational 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, and 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 adopted, with primary reporting based on segmentation into business areas, as this reflects the operating responsibilities introduced with the Group's 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 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 medium-/long-term credit and consumer credit. Furthermore, this Division includes EurizonVita, the insurance company which provides insurance services for pension plans and coverage for 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 its customers and investment banking, capital markets, merchant banking, leasing and factoring for the entire Group. The Division is also responsible for proprietary portfolio management.
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 2008.
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.
Allocated capital and, consequently, EVA® (Economic Value Added) were determined following the instructions issued by the Bank of Italy in accordance with the Basel 2 regulatory provisions.
In particular, EVA® was calculated by excluding non-recurring components from the years being compared recorded in profits on trading, goodwill impairment, adjustments to loans (adjustments related to Lehman Brothers and the Icelandic banks) and impairment losses on other assets (primarily impairment of securities available for sale), profits (losses) on investments held to maturity and on other investments (impairment on equity investments), merger and restructuring related charges, effect of purchase cost allocation and income from non-current assets held for sale and discontinued operations. Taxes were recalculated without the above mentioned non-recurring events.

(in millions of euro)

	Banca dei Territori	Corporate & Investment Banking	Public Finance	International Subsidiary Banks	Eurizon Capital	Banca Fideuram	Corporate Centre	Total
Operating income								
2008	12,536	2,209	348	2,285	367	621	-209	18,157
2007	12,780	2,624	293	2,023	456	721	349	19,246
% change [(a)]	-1.9	-15.8	18.8	13.0	-19.5	-13.9		-5.7
Operating costs								
2008	-6,526	-936	-85	-1,228	-150	-327	-684	-9,936
2007	-6,796	-970	-94	-1,094	-176	-345	-521	-9,996
% change [(a)]	-4.0	-3.5	-9.6	12.2	-14.8	-5.2	31.3	-0.6
Operating margin								
2008	6,010	1,273	263	1,057	217	294	-893	8,221
2007	5,984	1,654	199	929	280	376	-172	9,250
% change [(a)]	0.4	-23.0	32.2	13.8	-22.5	-21.8		-11.1
Net income								
2008	1,682	320	55	186	-197	-721	1,228	2,553
2007	2,497	922	126	556	175	273	2,701	7,250
% change [(a)]	-32.6	-65.3	-56.3	-66.5			-54.5	-64.8
Loans to customers								
31.12.2008	217,926	103,666	38,492	29,847	-	1,802	3,456	395,189
31.12.2007	208,037	87,880	33,906	23,725	8	905	-1,339	353,122
% change [(b)]	4.8	18.0	13.5	25.8		99.1		11.9
Direct customer deposits								
31.12.2008	219,894	91,492	7,593	28,212	-	6,583	77,123	430,897
31.12.2007	216,583	73,762	8,282	27,210	3	6,999	59,826	392,665
% change [(b)]	1.5	24.0	-8.3	3.7		-5.9	28.9	9.7

Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

[(a)] The change expresses the ratio between 2008 and 2007.

[(b)] The change expresses the ratio between 31.12.2008 and 31.12.2007.

BUSINESS AREAS

Banca dei Territori

(in millions of euro)

Income statement/Alternative performance indicators	2008	2007	Changes amount	Changes %
Net interest income	8,032	7,672	360	4.7
Dividends and profits (losses) on investments carried at equity	75	108	-33	-30.6
Net fee and commission income	3,797	4,169	-372	-8.9
Profits (Losses) on trading	110	214	-104	-48.6
Income from insurance business	414	526	-112	-21.3
Other operating income (expenses)	108	91	17	18.7
Operating income	**12,536**	**12,780**	**-244**	**-1.9**
Personnel expenses	-3,672	-3,956	-284	-7.2
Other administrative expenses	-2,788	-2,764	24	0.9
Adjustments to property, equipment and intangible assets	-66	-76	-10	-13.2
Operating costs	**-6,526**	**-6,796**	**-270**	**-4.0**
Operating margin	**6,010**	**5,984**	**26**	**0.4**
Goodwill impairment (*)	-9	-	9	-
Net provisions for risks and charges	-117	-119	-2	-1.7
Net adjustments to loans	-1,746	-1,159	587	50.6
Net impairment losses on other assets	-148	-2	146	
Profits (Losses) on investments held to maturity and on other investments	-	20	-20	
Income (Loss) before tax from continuing operations	**3,990**	**4,724**	**-734**	**-15.5**
Taxes on income from continuing operations	-1,310	-1,783	-473	-26.5
Merger and restructuring related charges (net of tax)	-466	-406	60	14.8
Effect of purchase cost allocation (net of tax)	-520	3	-523	
Income (Loss) after tax from discontinued operations	51	31	20	64.5
Minority interests	-63	-72	-9	-12.5
Net income	**1,682**	**2,497**	**-815**	**-32.6**
Allocated capital	11,486	11,773	-287	-2.4
Profitability ratios (%)				
Cost / Income ratio	52.1	53.2	-1.1	-2.1
ROE	14.6	21.2	-6.6	-31.0
EVA® excluding non-recurring items (in millions of euro)	1,837	1,989	-152	-7.6

(in millions of euro)

	31.12.2008	31.12.2007	Changes amount	Changes %
Loans to customers	217,926	208,037	9,889	4.8
Direct customer deposits	219,894	216,583	3,311	1.5
of which: due to customers	*141,564*	*143,389*	*-1,825*	*-1.3*
securities issued	*57,089*	*49,249*	*7,840*	*15.9*
financial liabilities designated at fair value through profit and loss	*21,241*	*23,945*	*-2,704*	*-11.3*
Indirect customer deposits	257,436	293,611	-36,175	-12.3

Figures restated on a consistent basis, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

(*) Amount netted in the consolidated financial statements

In 2008 the Banca dei Territori Division, which represents the Group's core business, operated on the basis of the following organisational structure: Retail Area, which serves Retail customers (households with financial assets up to 75,000 euro and individual customers with financial assets between 75,000 euro and one million euro; the 75,000 euro limit was raised to 100,000 euro at the beginning of 2009), small businesses (family businesses and small enterprises with a turnover under 2.5 million euro and with loan facilities under one million euro); SME Area, in charge of managing SMEs with a turnover between 2.5 and 150 million euro; and Private Banking Department, which serves individual customers with financial assets exceeding one million euro. These operations are performed through the Parent Company Intesa Sanpaolo and the divisionalised network banks (Banco di Napoli, Cassa di Risparmio del Veneto, Cassa di Risparmio in Bologna, Cassa di Risparmio di Venezia, Cassa di Risparmio del Friuli Venezia Giulia, Banca dell'Adriatico and Cassa dei Risparmi di Forlì e della Romagna). This sector also includes the regional banks for which in 2008 the IT integration process had not yet started (Casse del Centro, Banca CR Firenze Group and Banca di Credito Sardo, former CIS; the latter was migrated to the target system in February 2009) or segmentation activities had not yet been completed (Banca di Trento e Bolzano, which was migrated to the target system in October 2008), as well as product companies specialised in medium-term credit (Mediocredito Italiano), leasing (Leasint) and in consumer credit and e-money services (Neos Banca and Moneta, the former CFS, which also absorbed Setefi, a company specialising in the management of electronic payment systems). Banking services to non-profit entities are provided by Banca Prossima, which covers the national territory with 52 local branches and 70 specialists. This Division also includes the insurance companies EurizonVita, Sud Polo Vita, Intesa Vita and Intesa Previdenza, the fiduciary service companies SIREFID and Sanpaolo Fiduciaria, (integrated from the beginning of 2009), and Si Holding, in which the Group holds a 42.3% stake, and which wholly owns CartaSi (in November an agreement was signed for the sale of the stake to Istituto Centrale delle Banche Popolari Italiane). As part of the reorganisation of operations in Luxembourg, with effect from the beginning of July, the Sanpaolo Bank Group (Luxembourg), which operates in the international private banking sector, was transferred from control of Banca dei Territori to the Corporate & Investment Banking Division.
In 2008 the area of Banca dei Territori underwent territorial reorganisation in Veneto and Southern Italy: at the end of September, the branches of Cassa di Risparmio di Padova e Rovigo were merged with the Intesa Sanpaolo branches present in the Veneto Region (except for the province of Venezia) forming a new banking entity, Cassa di Risparmio del Veneto; at the beginning of November, Banco di Napoli absorbed the Intesa Sanpaolo branches present in the Regions of Campania, Puglia, Basilicata and Calabria.
December 2008 saw approval of the project for strengthening the Banca dei Territori Division: the aim is to improve the effectiveness of local commercial activity and re-launch marketing linked to the development of innovative products and services, while maintaining appropriate cost control. Following the reorganisation, the territorial structure comprises 8 Regional Departments coordinating 22 Areas/Network Banks, designed to ensure optimum geographical coverage and homogeneous sizing in terms of number of branches and resource allocation.
Banca dei Territori's distribution structure comprises approximately 6,300 branches, including retail, corporate and private branches, extensively spread over the country.

Banca dei Territori closed 2008 with an operating income of 12,536 million euro, amounting to 69% of the Group's consolidated operating income, slightly down from 2007 (-1.9%). Within this trend, the positive performance of net interest income (+4.7%) was offset by the decrease in the other main income components, in particular net fee and commission income. More specifically, the rise in net interest income reflected the growth in intermediated volumes, including loans to customers and customer deposits, and, to a lesser extent, the increase in the mark-up on loans. The negative trend of net fee and commission income reflects the significant contraction of the asset management sector as a result both of outflow from mutual funds and individual portfolio management schemes and of the performance effect which heavily reduced the value of assets, especially their stock component. Among the other income items, negative changes were recorded in Profits (Losses) on trading (-48.6%), mainly due to lower activities in derivatives with companies, and in Income from insurance business, (-21.3%), mainly generated by the financial management of the life companies. Operating costs fell 4%, mainly thanks to the savings achieved on personnel expenses, principally attributable to staff downsizing, and determined a 1.1 percentage point improvement in the cost/income ratio, to 52.1%. Operating margin amounted to 6,010 million euro, in line with the prior year (+0.4%). Conversely, income before tax from continuing operations, amounting to 3,990 million euro, decreased by 15.5%. This trend was mainly driven by net adjustments to loans, which recorded a sharp increase (+50.6%) due to the deteriorating economic climate in the last part of the year, and by net impairment losses on other assets, which included 125 million euro

of impairment losses on equities classified as available for sale held in the insurance companies' portfolios. Finally, after posting to the Division merger and restructuring related charges of 466 million euro and the economic effects of the allocation of purchase costs, inclusive of impairment on intangibles, amounting to 520 million euro, net income totalled 1,682 million euro, with a decrease of 32.6% on 2007.
The Division absorbed 47% of Group capital, slightly down from the level of the previous year. In absolute terms, capital, which totalled 11,486 million euro, recorded a decline, attributable to the retail and corporate sectors and, to a lesser extent, to the specialised companies reporting to the Division. The trend in net income was reflected in the decline of ROE to 14.6%. Value creation came to 1,837 million euro, down on 2007. EVA® was calculated by excluding non-recurring events from the years being compared. In particular: in 2008, goodwill impairment, impairment of securities available for sale, adjustments on other assets attributable to Lehman Brothers, merger and restructuring-related charges, the effects of purchase cost allocation, and income from non-current assets held for sale and discontinued operations; in 2007, merger and restructuring-related charges and the effect of purchase cost allocation.
The balance sheet figures at the end of December 2008 included loans to customers of 217,926 million euro (+4.8% on an annual basis), mainly driven by loans to SMEs, thanks to greater recourse to bank lending for financing production activity, and by mortgages to private customers. Direct customer deposits, 219,894 million euro, rose 1.5% on 31 December 2007, benefiting from the increase in funding through securities. Indirect customer deposits reached 257,436 million euro, down 12.3% from the end of December 2007, due to the reduction in all asset management components, which were heavily affected by the negative performance of financial markets, which amply offset the growth in assets under administration.

In 2008, Retail Area activities focused on completion of IT integration, the launch of major projects aimed at improving customer service quality and on significant simplification and innovation in the range of products and services.
In July 2008, unification of the ICT systems was completed with migration to the target system of the former Intesa branches, enabling the formulation of a unified commercial offer and the standardisation of operating models and processes.
As concerns the improvement in the quality of customer services, in early 2008 a commercial workstation, called "ABC", was introduced to support network activity: it brings together in a single platform all the functions needed for rapid and efficient customer relationship management . Moreover, the "New Reporting" project was implemented, aimed at improving the clarity of communications to customers and rationalising the information sent to customers.
With regard to the simplification and innovation of products and services for private customers, during the year the product range unification process was completed. In particular, the target offer of current accounts and savings deposits – four types of current accounts and two deposits for young people under 18– was defined. Additionally, a range of services associated with the different products was developed: with regard to on-line transactions, the O-Key device, which provides safety protection in line with the most advanced international standards, was extended to all customers and a loyalty programme has been designed for current account holders, Bonus Intesa Sanpaolo, which offers a postponed discount to customers who make purchases with debit cards (excluding prepaid cards) with programme partners.
As to payment cards, in 2008 the new "Flash" prepaid card was launched (in total, more than 340,000 cards were issued in 2008), especially addressed to young people, and special versions of this card were issued, dedicated, respectively, to the European Football Championship (245,000 cards sold) and the 2008 Beijing Olympics (25,000 cards issued), as well as the innovative Flash Cuore Rossonero (73,000 cards sold) which, in addition to standard functions, makes it possible to purchase season tickets and tickets for the League and Cup matches of A.C. Milan. Finally, a new range of credit cards (Carta Blu, Carta Oro, Carta Platino and Clessidra), characterised by advanced security systems, was launched. In October 2008, the gradual replacement of the CartaSì credit card was started with cards of the target range. On the one hand, this will offer customers a complete product at lower prices (lower annual fee, no stamp duty on account statement, free of charge petrol purchases) and, on the other, the bank will benefit from the synergies generated by the presence of product factories within the Group.
To further enhance the accessibility of banking services, considerable technology investments have been made in the online platform, developing a new website layout and renewing the ATM network, by installing more advanced cash machines.
As to investment services, since the introduction of the MiFID the Group has adopted a consulting service model, which includes identification of financial profiles and preliminary evaluation of each investment, in

order to guarantee the best assistance in investment choices and provide personalised advice in line with customer expectation and needs.

In 2008 the Bank worked at updating the product range, in line with the commercial strategy designed to respond effectively to current market conditions and to customers' demand for capital protected products. As part of this policy, in the first months of 2008 a new unit-linked product to provide a complete and flexible investment solution was launched.
As concerns loans, Intesa Sanpaolo offers holders of floating-rate mortgages no-cost renegotiation options, enabling mortgagors to extend the residual life of floating-rate mortgages and convert them to fixed-rate mortgages without incurring any additional costs. Furthermore, holders of fixed- and floating-rate mortgages who are experiencing difficulties are allowed to suspend payment of up to 6 instalments for three times during the life of the mortgage provided they have regularly paid at least 24 monthly instalments. Holders of mortgages granted by other banks can move their mortgage to any branch of the bank, without incurring any additional expenses as concerns notary costs and the new appraisal if needed. Since the end of June, after joining the Agreement between the Italian Banking Association (Associazione Bancaria Italiana - ABI) and the Italian Ministry of the Economy and Finance, the bank has offering a further mortgage renegotiation option that facilitates payment of floating-rate residential mortgages by reducing and stabilising instalment amounts. In November, Domus Giovani Fisso was declared "best mortgage of the year" by Osservatorio Finanziario, the institute that monitors electronic banking services.
To protect the sustainability of household debt, in the personal finance sector the "Credito al Lavoro" project was launched, which is based on a "Financial check-up": through a guided procedure the relationship manager analyses the customers' household budget and identifies their financial balance, to help them choose the most appropriate type of financing. Also in order to promote sound debt management, in October the Monorata service was launched, enabling customers to consolidate all of their debts into a single loan, and pay a single monthly instalment.
In the wage/pension loan sector (assignment of one fifth of pension/salary), after the launch, in 2007 of the INPS (Italian Social Security Agency) Pensioners Loan, during the year an agreement was signed with the Ministry of the Economy and Finance (MEF) for the offer of a Guaranteed Loan reserved for the Ministry's employees. Moreover, special conditions on financing products are offered to employees of partner companies of the SMEs segment.
As to initiatives to support and favour access to credit through specific services and products, a new financing product for young people has been launched: an unsecured loan (prestito d'onore) aimed at undergraduate and graduate students. To promote youth and women's entrepreneurship, loans have been made available with 80% guarantee granted by FinPiemonte. Moreover, at 20 branches, an advisory service for women entrepreneurs has been set up, staffed by women specifically trained to provide targeted advice.
New products geared to support small businesses have also been launched: Finanziamento Liquidità Business, designed to finance liquidity needs and financial restructuring projects, and Finanziamento Investimenti Business, to finance investments linked to entrepreneurial or professional activities. To support agricultural and agri-industrial enterprises, mostly small-sized, "Progetto Agricoltura" was developed, a complete package comprising current accounts, specific lending solutions and dedicated insurance coverage. In support of the tourism industry, a specific catalogue was launched including loans and protection products, national cooperation agreements with tourism industry association such as Confturismo and new, industry-specific analysis models. The plan in support of the tourism and hospitality sector that the Bank intends to promote through targeted actions and initiatives also includes the agreement signed with the Accor Group.

As concerns the SME area, 2008 has seen implementation of major initiatives aimed at favouring the Bank's role as a partner in the development of Italian enterprises, despite the strongly negative economic and financial climate. Initiatives included the launch of Mediocredito Italiano, product range innovation and promotion of enterprise internationalisation.
Mediocredito Italiano, launched in March, is a new bank with the mission of supporting the network of branches in the promotion of SMEs and local development. During the year, Mediocredito Italiano took on board more than 200 highly specialised staff, already employed by the Group mainly in the medium-term credit and soft lending sectors; new geographical distribution was implemented to improve the connection with the Banca dei Territori network and achieve closer proximity to the local production system. In 2008, Mediocredito Italiano's operating margin was 146 million euro, a slight increase (+1%) on the previous

year. Income before tax from continuing operations decreased 39.6%, due to higher net adjustments to loans.
As to product range innovation, during 2008 the financing of research and innovation continued in collaboration with leading scientific partners, through dedicated product lines, supporting enterprises in both the development of in-house research projects and the acquisition of new technology. With regard to activities aimed at promoting and supporting renewable energy sources and energy saving, special credit facilities have been designed for SMEs that invest in improving energy efficiency in their production units. Moreover, a new product has been launched: "Finanziamento Fotovoltaico", for companies wishing to invest in the design, production and installation of photovoltaic power generation systems. In this regard, a new framework agreement was signed with Gruppo Imprese Fotovoltaiche Italiane, the only Italian industry association covering the entire photovoltaic market chain.
Actions promoting enterprise internationalisation included an initiative in the Egyptian market, in cooperation with the Bank of Alexandria, consisting of a credit line for Egyptian enterprises that purchase Italian machinery, plants and technology. Moreover, in November 2008 Intesa Sanpaolo and the Industrialists' Association of Cremona concluded a collaboration programme named "Imprese nel mondo" (Enterprises in the World) aimed at mentoring and supporting internationalisation-oriented enterprises, with a focus on those targeting Central and Eastern Europe, Russia, China, India and the Mediterranean area.

During 2008 the commercial action of the Private Banking Department focused on developing a single, integrated offer of products and services for all the Group's private customers. The year saw completion of activities focused on innovation and on the launch of new investment products diversified by customer category in UCITS and new lines of portfolio management schemes. Moreover, a Group bond placement plan was implemented. Increasing emphasis was placed on initiatives aimed at exploiting potential business opportunities, in particular the development of synergies with enterprises ("Imprese – Banca Private" project) and with the corporate sector ("Modello di Business Integrato Private e Corporate" project). Furthermore, customer segmentation activities continued, leading to the identification of a particularly sophisticated segment followed by dedicated managers ("executive" private bankers) and the offer of customised services and products (including private equity). In line with the Plan, the process for integrating the Group's private networks is being completed. In November, Intesa Sanpaolo Private Banking was migrated to the target platform. In March 2009 the private branches and domestic branches of Intesa Sanpaolo and Banco di Napoli were contributed to Intesa Sanpaolo Private Banking, while the private businesses of the other network banks will be contributed by July 2009.

The regional banks for which the IT integration process had not been started during 2008 (Casse del Centro, Banca CR Firenze Group and Banca di Credito Sardo, former CIS, the latter migrated to the target system in February 2009) or segmenting activities had not been completed (Banca di Trento e Bolzano, migrated to the target system in October 2008), are not divisionalised but are represented in their legal nature within the area of Banca dei Territori.
In 2008, Casse del Centro posted income before tax from continuing operations of 169 million euro, up by 6.1% on the previous year, thanks to the growth in revenues driven by interest income. Banca CR Firenze Group posted income before tax from continuing operations of 229 million euro, down 30% from the prior year, owing to the strong increase in net adjustments to loans, reflecting the impact of the financial crisis, and in impairment losses on other assets, resulting from write-downs on securities.
During the year, a project was rolled out to define a new mission for Banca di Credito Sardo (former Banca CIS) which, in addition to its traditional core business of medium-/long-term lending to enterprises, performed with the specialist contribution of Mediocredito Italiano, in the early months of 2009, is turning into a fully-fledged local bank serving the businesses and households of Sardegna, providing the full range of commercial banking services also thanks to the contribution of the Parent Company's branches in Sardegna. In particular, the project aims at leveraging on the distribution of the Intesa Sanpaolo Group across the region by applying the management model of Banca dei Territori, through consolidation of commercial offer and unification of decision-making processes, benefiting from the synergies arising from a single technology and commercial platform serving the network, thus enabling optimisation of relations with customers. In February 2009, Banca CIS was migrated to the target system and renamed Banca di Credito Sardo; in early March, with the contribution of the Parent Company's branches located in Sardegna, the bank became the only Group entity operating in this region in the "private", "small business" and "SME" sectors. Lastly, as part of the project, during 2009 the bank's industrial credit

activities should be transferred to Mediocredito Italiano, consistently with the mission and scope of the Group's medium-term credit centre. Operating margin for 2008 was 27 million euro, down 4.9% over the prior year. Income before tax from continuing operations decreased by 21.9%.
Banca di Trento e Bolzano posted income before tax from continuing operations of 18 million euro, a 34.3% decline from the previous year mainly owing to the sharp increase in net adjustments to loans.

In 2008, Leasint, the second largest player on the domestic leasing market with a market share of 13%, concluded about 18,000 contracts for a value of 5 billion euro. Leasint posted an operating margin of 224 million euro, a 13.4% increase on the previous year. Income before tax from continuing operations grew 4.5% despite the higher net adjustments to loans.

Consumer credit activities are performed through the new Neos group (Neos Banca and Neos Finance) and Moneta (former CFS). During 2008, the Parent Company Intesa Sanpaolo overhauled the organisational and production structure in the sectors of consumer finance and e-money (the latter managed by Setefi), by means of the partial spin-off from Neos Banca to Intesa Sanpaolo of CFS (which in December was renamed Moneta), which was assigned the activities previously performed by Neos in the captive business. This operation is aimed a more market separation of strategic objectives between the company operating in the consumer credit market and the company responsible for managing the business generated by the banking networks of the Intesa Sanpaolo Group. The project was completed through the contribution of Intesa Sanpaolo's entire shareholding in Setefi to Moneta. Moneta's mission at Group level is to develop excellence in the creation and operational management of consumer finance and e-money products supporting the Banca dei Territori and Corporate & Investment Banking Divisions. The activity of the Neos Group (Neos Banca and Neos Finance) in 2008 focused on the improvement of profitability, as shown by its operating margin which grew 19% on 2007, driven by higher revenues and a decrease in costs, in particular personnel and administrative expenses, primarily reflecting the implementation of efficiency improvement policies. The operating margin of Moneta (former CFS) in 2008 was 30 million euro (compared to 5 million euro in 2007).
Setefi, the company specialising in the management of electronic payment systems, recorded a 12.5% rise in income before tax from continuing operations (excluding the extraordinary dividend of 11.8 million euro paid to Visa Europe) in 2008, reflecting the growth in operations in terms of credit cards issued, transaction volumes and installed POS terminals.

During 2008, Banca Prossima launched several initiatives aimed at acquiring new customers and increasing penetration of its target market. The main initiatives include "Subito 5 per mille", an innovative offer for non-profit organisations which receive the "5 per thousand" donation from taxpayers' income tax and which, pending payment by the State, can receive an advance, in a simple, timely and cost-effective manner; and "RID anch'io", which allows donors to non-profit organisations to make their donations free of charge.

Banca dei Territori also includes the Group's insurance/social security companies. With regard to EurizonVita, the year's activities focused on the modernisation and strengthening of the life-product range with particular regard to unit-linked policies, to the development of the casualty business through the EurizonTutela range, to the improvement of the level of service provided to customers and to the distribution networks and to the organisational and operational implementation of regulatory developments. Actions on the product range targeted repositioning of the business from the traditional to the financial segment, specifically unit-linked policies, and in particular the new unit "EurizonLife Prospettiva". With regard to casualty branch products, the product range was expanded by introducing the new "Credit protection insurance" policies, to be associated with mortgages and loans and by expanding the scope of distribution to also include a significant share of former Banca Intesa branches.
In 2008, EurizonVita posted income before tax from continuing operations of 156 million euro, down 48.1% from the previous year, owing to the trend in financial management of traditional products and asset management, which was adversely affected by portfolio divestment in a situation of high market volatility, by the impairment of managed assets, and by the prevalence of low-return products in the asset mix.
The investment portfolio amounted to 35,152 million euro, while the insurance policies portfolio amounted to 35,155 million euro, including 19,804 million euro from financial unit- and index-linked policies.

Also for Sud Polo Vita and Intesa Vita (consolidated at equity) the decline in financial operations and, in the case of Intesa Vita, the decrease in the new business led to lower results compared to the prior year.
The activity of Intesa Previdenza in 2008 focused on collecting subscriptions from private sector employees, both collective and individual, linked to the reform of supplementary social security. At the end of 2008, the company managed net assets for 1,717 million euro, largely unchanged from December 2007, slightly more than half of which relating to closed-ended funds and the rest to open-ended funds. In November 2008, the company was appointed as financial manager of three pension products of EurizonVita (about 54,000 contracts), which will be flanked by another two products in the early months of 2009. At the end of December 2008 the company administered almost 194,000 contracts, 57% of which under open pension funds established by Eurizonvita itself, the rest pertaining to asset management mandates on behalf of closed-ended pension funds and third party companies.

Corporate & Investment Banking

(in millions of euro)

Income statement/Alternative performance indicators	2008	2007	Changes amount	Changes %
Net interest income	1,340	1,075	265	24.7
Dividends and profits (losses) on investments carried at equity	10	20	-10	-50.0
Net fee and commission income	963	1,007	-44	-4.4
Profits (Losses) on trading	-157	470	-627	
Income from insurance business	-	-	-	-
Other operating income (expenses)	53	52	1	1.9
Operating income	**2,209**	**2,624**	**-415**	**-15.8**
Personnel expenses	-340	-362	-22	-6.1
Other administrative expenses	-585	-594	-9	-1.5
Adjustments to property, equipment and intangible assets	-11	-14	-3	-21.4
Operating costs	**-936**	**-970**	**-34**	**-3.5**
Operating margin	**1,273**	**1,654**	**-381**	**-23.0**
Goodwill impairment (*)	-2	-3	-1	-33.3
Net provisions for risks and charges	-8	-35	-27	-77.1
Net adjustments to loans	-367	-195	172	88.2
Net impairment losses on other assets	-47	-39	8	20.5
Profits (Losses) on investments held to maturity and on other investments	-241	-6	235	
Income (Loss) before tax from continuing operations	**608**	**1,376**	**-768**	**-55.8**
Taxes on income from continuing operations	-251	-404	-153	-37.9
Merger and restructuring related charges (net of tax)	-43	-46	-3	-6.5
Effect of purchase cost allocation (net of tax)	6	-	6	-
Income (Loss) after tax from discontinued operations	-	-4	-4	
Minority interests	-	-	-	-
Net income	**320**	**922**	**-602**	**-65.3**
Allocated capital	7,775	7,057	718	10.2
Profitability ratios (%)				
Cost / Income ratio	42.4	37.0	5.4	14.6
ROE	4.1	13.1	-8.9	-68.5
EVA® excluding non-recurring items (in millions of euro)	143	177	-34	-19.2

(in millions of euro)

	31.12.2008	31.12.2007	Changes amount	Changes %
Loans to customers	103,666	87,880	15,786	18.0
Direct customer deposits	91,492	73,762	17,730	24.0
of which: due to customers	*37,639*	*39,020*	*-1,381*	*-3.5*
securities issued	*49,975*	*30,528*	*19,447*	*63.7*
financial liabilities designated at fair value through profit and loss	*3,878*	*4,214*	*-336*	*-8.0*

Figures restated on a consistent basis, considering the changes in the scope of consolidation and in business unit constituents and discontinued operations.

(*) Amount netted in the consolidated financial statements.

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 is responsible for branches abroad, representative offices and international subsidiaries specialised in corporate banking (Société Européenne de Banque, Intesa Sanpaolo Bank Ireland, Zao Banca Intesa and Intesa Sanpaolo Bank Suisse). 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. In the framework of business reorganisation in Luxembourg, transfer of corporate branches was carried out between Société Européenne de Banque, Sanpaolo Bank (Luxembourg), Eurizon Capital SA and Servitia;
– 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 coordinates, through Banca IMI, capital market activities for the Group's clients and for institutional market-makers;

This Division also comprises the activities of Mediofactoring and, since the beginning of 2008, proprietary portfolio management.

The Corporate & Investment Banking Division closed 2008 with an operating income of 2,209 million euro (12% of the Group's consolidated figure), down 15.8% from the previous year. Excluding profits on trading, which were hard hit by the performance of the proprietary portfolio owing to the indirect effects of the persisting financial market crisis, the Division's income rose by 9.8%. The development of profits on trading was affected by the negative performance of structured credit products and fund investments in the proprietary trading area, determined by the decline in the fair value of the securities portfolio and by decreases in value of mutual funds. Comparison of this aggregate figure with last year's is also affected by the non-recurring revenues posted in 2007.

Net interest income amounted to 1,340 million euro, a significant increase (24.7%) on 2007, in a difficult market context marked by high competition in the reference markets. The rise was mainly driven by the growth in average loan volumes (+17.1%), together with a slight increase in the mark-up compared to the levels of 2007, especially thanks to the effects of loan repricing policies, which started in September 2008, as part of the management of Corporate Relations and Financial Institution counterparties. Net interest also benefited from the positive effects connected with the collection of high coupons on securities held in Banca IMI's portfolio (partly offset by the negative mark-to-market recorded in profits on trading). Net fee and commission income, 963 million euro, decreased (-4.4%) due to the negative trend in depositary bank services. On the other hand, an increase was recorded in fees and commissions from traditional collection and payment services. Profits on trading, 695 million euro excluding the component referred to the proprietary portfolio, fell about 12% due to the lower contribution from merchant banking activities, against the positive result of the corporate finance and equity capital market activities performed by Banca IMI, despite the difficult market conditions marked by high levels of volatility. Operating costs, at 936 million euro, decreased by 3.5%, benefiting from the reduction in personnel expenses (-6.1%).

As a result of the trend in revenues and costs described above, operating margin, 1,273 million euro, fell by 23% (+20.8% excluding profits on trading). Net adjustments to loans rose (+172 million euro), and were affected by the adjustments related to Lehman Brothers, and by the losses on loans recognised by Intesa Sanpaolo Bank Ireland and relating to the adjustments to loans to Icelandic banks. Losses on investments held to maturity, amounting to 241 million euro, include the effects of impairment on merchant banking equity investments (Telco, RCS, NH Hoteles and Pirelli & C.). Income before tax from continuing operations, 608 million euro, consequently declined 55.8% on 2007. Net income amounted to 320 million euro (-65.3% compared to the previous year). Excluding all non-recurring events recorded in the two years under comparison, and excluding profits on trading, net income grew by about 29%.

The Division absorbed 32% of Group capital, a slight increase on the level recorded in 2007. In absolute terms, capital rose as a consequence of the increase in credit risk on both the cash component, determined by the increase in loans mainly of the mid and large corporate segments, and on the non-cash component, especially relating to foreign network corporate counterparties; this trend amply offset the reduction in

market risks related to capital market activities. The sector's performance, affected by the fall in profits on trading, by the impairment losses on financial assets, and by losses on loans to Lehman Brothers and Icelandic banks, was reflected in a decline of ROE from 13.1% to 4.1%.
Value creation amounted to 143 million euro, showing a decrease from 2007. EVA was calculated by excluding non-recurring events from the years being compared, in particular: for 2008, the fair value measurement of structured credit derivatives, goodwill impairment, adjustments related to Lehman Brothers and the Icelandic banks, impairment of securities available for sale (FIAT, CAM) and on merchant banking equity investments, merger and restructuring related charges and the effect of purchase cost allocation; for 2007, the capital gain on LSE, goodwill impairment, provisions for risks and charges relating to Finmek and merger and restructuring related charges.
The cost/income ratio was 42.4% against 37% in 2007. Excluding the results of profits (losses) on trading, this indicator improved by 5.4 percentage points.
Volumes intermediated by the Division showed a 20.7% increase compared to the previous year. This development is related to the rise in customer deposits (+24%), which benefited from the excellent performance of operations in securities, thanks in particular to the placement of bonds of the Parent Company through Intesa Sanpaolo Bank Ireland and Banca IMI. Loans to customers also rose (+18%), driven by the growth of Corporate Relations both in Italy and abroad, thanks to strategic and marketing actions aimed at increasing the share of wallet and acquiring important deals with low probability of default.

In 2008, the Corporate Relations Department confirmed its leading position. Overall, volumes recorded a growth in the large- and mid-corporate segments, where the mix of short-term and medium-/long-term loans remained stable. In particular, loans to higher-rated counterparties increased, thanks to ongoing portfolio risk monitoring and to the adoption of a new credit risk rating policy. In spite of the challenging market conditions, the corporate service model confirmed its effectiveness in the development of structured finance operations – in particular syndicated lending, acquisition financing and project financing – and of investment banking, also in the mid-corporate segment: in 2008, 75 operations were concluded, against 114 in the previous year. To develop cross selling and following the example of major international competitors, a new service model for the mid-corporate segment was designed, based on the identification of private bankers tasked with enhancing private-corporate synergies. Commercial policy was accompanied by the launch of products to sustain growth and strengthen corporate capitalisation and by initiatives promoting the opening of equity to third-party investors. With regard to the Italian large corporate segment, in 2008 the Bank took part in all transactions concluded on the market, the main one being the acquisition of Alitalia by Compagnia Aerea Italiana. Lastly, in the capital market segment, the Bank replaced several major competitors that dropped out of the market.

The distribution structure of the International Network Department directly covers 34 countries through 16 wholesale branches, 22 representative offices, three subsidiary banks and one advisory firm. Activities in 2008 continued in line with the mission, aimed at favouring and supporting the internationalisation of Italian companies, developing relations with foreign multinationals, and maximising the opportunities for cross-selling of the products and services offered by the Division and the Group's product companies. As to syndicated loan activities, the Department obtained 20 appointments to arrange syndicated loans (9 in Europe, 5 in Asia and 6 in the Americas). With regard to geographical expansion plans, in 2008 the Dubai branch and the representative office of Ho Chi Minh City were opened. Through these initiatives, the Group strengthened its presence in the Gulf Region and Asia, where it is a key partner for the investments of Italian companies, for trade exchanges and for the promotion of direct investments in Italy. Rationalisation of the network's organisational structure, started in 2007, was completed in 2008 with the closing down of the representative offices in Paris and Prague. In France, the activities of the representative office were taken over by Banca Intesa France, which was subsequently transformed into the Paris branch of the Parent Company; in the Czech Republic, activities were transferred to the subsidiary bank VUB Banka. In Luxembourg, business lines Société Européenne de Banque, Sanpaolo Bank (Luxembourg), Eurizon Capital SA and Servitia were transferred to the Department.
The Department is responsible for the operations of the following banks abroad:
- Société Européenne de Banque, which recorded a net income of 70 million euro in 2008, with a slight decrease on 2007 (-1.6%), due to higher operating costs;
- Intesa Sanpaolo Bank Ireland, which closed 2008 with a 35.5% growth in operating margin, thanks to an increase in revenues (+29.3%), mainly driven by net interest income, and a reduction in costs (-16%). However, net income fell from the previous year, due to the significant net adjustments to loans (53 million euro) arising from the impairment on loans to Icelandic banks;

– Zao Banca Intesa, which posted a net income of 7 million euro, compared to 3 million euro in 2007, thanks to higher revenues (+87.9%) mainly driven by commissions;
– Intesa Sanpaolo Bank Suisse, which in 2008 recorded a net income of 1 million euro, down from the 3 million euro of the previous year, primarily due to lower revenues (-4.6%).

The policy of the Financial Institutions Department during 2008 was focused on maximum selectivity, mainly by increasing the collateralization of derivative risk and rationalising lending activities. The latter focused on short maturities and customers with a conservative credit profile, and was implemented through the cross-selling of commission products and investment banking, and by adapting the spreads applied to customers to the changed market conditions. With regard to international payments, interbank flows and commercial payments recorded low but steady growth, arising from renegotiation of the agreements with the providers initiated in 2007 and continued in 2008 with certain important foreign banks. In the sub-custody activities, good volumes were maintained thanks to the efficient service provided to both brokers/dealers and global custodians and a memorandum of understanding was signed with Banco Santander for the mutual supply of sub-custody services in Italy and Spain. In particular, 2008 was characterised by an increase in trading volumes in both exchanges and OTC markets, by the access to the markets of small/medium foreign broker/dealers, by the consolidation of clearing and settlement activities of important broker/dealers on global players and by the increase in funds deposited by global custodians with the Group. In global custody, operating volumes reached satisfactory levels, thanks to the ongoing acquisition of new market flows of foreign operators and to increased activity on Italian government bonds, especially in connection with funding activities. Lastly, as to correspondent bank activities, operating volumes increased thanks to both distribution of foreign SICAVs in Italy and the already consolidated trend of Italian managers to create new, more attractive and profitable multi-manager-funds.

Despite the progressive fall in M&A activities in Italy and abroad, in 2008 the Investment Banking Department through Banca IMI, recorded a 65% increase in the volume of completed transactions. The bank acted as advisor for Clessidra SGR, Fingiochi, Mer Mec, Prima Industrie, Nice, Tiscali, GCL Holding, Kerself, Pirelli RE and A2A; it took part in the restructuring of Alitalia providing its assistance to CAI (Compagnia Aerea Italiana), it provided advice in the acquisition process of the Alitalia and Air One assets, assistance in the partnership with Air France-KLM and in debt restructuring and funding. As to capital increases and share offerings, the Department coordinated the capital increase of Tiscali and the IPO of MolMed S.p.A., acted as sponsor of GreenergyCapital for its listing on the MTA and coordinated and led the Public Offers on Banca CR Firenze, Jolly Hotels, Linificio e Canapificio Nazionale, Polynt, Sirti and Tas. With regard to activities in debt capital markets the Department confirmed its leadership in the notes issues of various issuers and organised more than 24 transactions addressed to the Group's retail customers, including own issues and bonds issued by third-party financial and supranational issuers; it also took part in the placement with institutional investors of the E.on bond issue, the placement of the 30-year EMTN issued by the Municipality of Torino, and the offering of the Republic of Greece bonds and of the Banco Popolare real estate fund. In leveraged & acquisition finance, credit facilities were granted in support of the acquisitions of Guala Closures, Giochi Preziosi, Polynt, Ducati, CIFA, Mer Mec, Finn Power Oy, Nicotra group, N&W Global Vending and CeBi. As to project & industry specialised lending, the Department contributed to financing the acquisition of a railway company in England, re-financing the debt of Synergas (an Italian shipping company), providing finance for the Delhi airport and, lastly, financing Nuovo Trasporto Viaggiatori (NTV), a high-speed railway company. Moreover, the Department obtained mandates relating to the construction of 16 wind farms in Puglia and Sicilia, and of a thermoelectric power station and a regasification plant in Chile. In the real estate segment, credit facilities were provided for the construction of the Galleria Commerciale in Roma, to Fintecna Immobiliare in connection with the purchase and development of the "Compendio" of Roma and, lastly, to support the Omicron fund, which is aimed at the acquisition of the real estate portfolio owned by the Unicredit Group. The year also saw intense loan agency activities, with the acquisition of important mandates as agent bank, in particular Polynt, Finmeccanica, Numonyx, Trevi Finanziaria, Leolandia (Minitalia), Autogrill, Centro Energia Ferrara, Banca IFIS and Romana Building.

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. As at 31 December 2008, the portfolio held directly and through subsidiary banks amounted to 2.7 billion euro, of which 2.5 billion euro invested in companies and 0.2 billion euro in private equity funds. During 2008, the Department concluded a number of initiatives, adopting an investment policy marked by great selectivity and careful risk assessment. Total investments and

commitments relating to direct equity investments amounted to over 600 million euro. The main transactions in support of the development and internationalisation of listed and unlisted companies included: participation in the capital of NTV, a project aimed at establishing a new private operator in the high speed passenger railway sector, currently being realised, acquisition of investments in the Acotel Group, an e-money and mobile banking services operator, and entry into Goglio, a multinational Group in the packaging sector. As concerns disinvestments, 2008 saw the total disposal of Speed (a newco through which, during 2006, the Bank had acquired a stake in Pirelli Tyre from the Pirelli Group), disposal of the shareholding in CIFA, disinvestment of 100% of joint venture Pirelli RE Integrated Facility Management and disposal of the stake held in SPV Falcon, which in turn holds stakes in Czech telecommunications/broadcasting companies. Finally, the Department participated in the recapitalisation of CAI, in view of the acquisition of the Alitalia, business, as part of the overall airline re-launch plan designed by the Bank. With regard to investments in private equity funds managed by subsidiary SGRs (asset management companies), with the rollout of Atlante Ventures, a new closed-end venture capital fund, the number of managed closed-end funds rose to 4, for an overall amount of more than 300 million euro.
As at 31 December 2008, a total of 20 equity investments in SMEs were held in portfolio, for an investment value of more than 100 million euro.

The Corporate & Investment Banking Division also comprises the activities of the Capital Markets Department which includes Banca IMI and the capital markets and investment banking business units of the Parent Company Intesa Sanpaolo. During 2008, the fixed income area achieved good results in all segments (bonds, derivatives, foreign exchange, commodities) thanks to a strategy focused on careful risk management and on customer-oriented pricing. The high market volatility, with a constantly widening bid-offer spread, has opened up new arbitrage opportunities. The whole segment has also been favoured by the return to plain vanilla products (such as those on currencies) and by the orientation of financial and corporate customers towards highly rated counterparties and issuers that make limited use of financial leverage. In the government bond segment, management of specialist activities in the reference electronic markets has been strengthened, confirming the leading role on Italian government bonds and obtaining syndication mandates on issues by the Italian and Greek governments. In the area of interest rate derivatives, activity also developed on longer maturities, and leadership in the domestic interdealer market was strengthened. In the equity segment, performance, while positive, was affected by the decrease in flows from customers and by the risks associated with exotic products. Ongoing risk monitoring has made it possible to limit the impairment of positions held, especially at the time of worsening of the crisis in the last quarter of the year. Good results were also achieved by specialist and corporate broking activities on official stock exchanges and by liquidity provider activities in the ETF segment; activity consolidated on the Sedex and Idem markets and in the universal stock futures on LIFFE, where Banca IMI acts as official market maker. During the year, activity with Banca dei Territori shifted towards the offer of notes with simple rate structures, and away from Equity and CPPI (Constant Proportion Portfolio Insurance) issues. At the end of 2008 the offer of Formula Funds was closed. In the area of interest rate risk management products, the IDEA channel confirmed its importance, as it absorbed about 75% of transactions.

The Corporate & Investment Banking Division is also responsible for the activity of Mediofactoring which, as at 31 December 2008, posted a turnover of 26 billion, up 1.7% from the end of 2007, and maintained its leadership in the Italian factoring market. In 2008 the company recorded a 19.1% increase in outstanding receivables, reflecting the stock of receivables acquired and not yet collected. This trend was reflected in a significant rise in loans to customers (+29.8% in period-end terms, +13.6% in average terms) also thanks to the higher incidence of financing of the loans sold. Operating income, at 143 million euro, rose by 3.9% thanks to the increase in net interest income (+12%), which benefited from the growth in average loans. Income before tax from continuing operations amounted to 83 million euro, up 4.6% compared to 2007.

Public Finance

(in millions of euro)

Income statement/Alternative performance indicators	2008	2007	Changes	
			amount	%
Net interest income	293	212	81	38.2
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	55	52	3	5.8
Profits (Losses) on trading	-	22	-22	
Income from insurance business	-	-	-	-
Other operating income (expenses)	-	7	-7	
Operating income	**348**	**293**	**55**	**18.8**
Personnel expenses	-32	-37	-5	-13.5
Other administrative expenses	-53	-57	-4	-7.0
Adjustments to property, equipment and intangible assets	-	-	-	-
Operating costs	**-85**	**-94**	**-9**	**-9.6**
Operating margin	**263**	**199**	**64**	**32.2**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-1	-1	-	-
Net adjustments to loans	-129	-8	121	
Net impairment losses on other assets	-1	-4	-3	-75.0
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**132**	**186**	**-54**	**-29.0**
Taxes on income from continuing operations	-72	-50	22	44.0
Merger and restructuring related charges (net of tax)	-1	-5	-4	-80.0
Effect of purchase cost allocation (net of tax)	-4	-5	-1	-20.0
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**55**	**126**	**-71**	**-56.3**
Allocated capital	1,008	996	12	1.2
Profitability ratios (%)				
Cost / Income ratio	24.4	32.1	-7.7	-24.0
ROE	5.5	12.7	-7.2	-56.9
EVA® excluding non-recurring items (in millions of euro)	32	38	-6	-15.8

(in millions of euro)

	31.12.2008	31.12.2007	Changes	
			amount	%
Loans to customers	38,492	33,906	4,586	13.5
Direct customer deposits	7,593	8,282	-689	-8.3
of which: due to customers	*5,701*	*6,262*	*-561*	*-9.0*
securities issued	*1,892*	*2,020*	*-128*	*-6.3*

Figures restated on a consistent basis, considering the changes in the business unit constituents.

Public Finance 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, and financial advisory services, with

the aim of favouring cooperation between public and private entities and supporting initiatives and investment projects in large infrastructures, healthcare, research and public utilities in general.
In 2008 the Public Finance Business Unit operated through Banca Infrastrutture Innovazione e Sviluppo (BIIS), the leading Italian bank in public finance and one of the first in Europe, created on 1 January 2008 from the merger of Banca OPI with Banca Intesa Infrastrutture e Sviluppo.

The results of the Public Finance unit show a significant rise in revenues and operating margin in a difficult market context. On the domestic front the persistence of the partial suspension of large public works, and a heightened distrust of more advanced financial instruments were recorded, while on the international front the deepening financial crisis restricted the scope for active portfolio management and led to greater caution in the development of loans.

The year closed with an operating income of 348 million euro, up 18.8% from the previous year. In particular, net interest income (293 million euro) recorded a significant rise (+38.2%) on 2007, reflecting the increase in average loans to customers (+3.8%), and benefiting from the higher spreads achieved by enhancing the liquidity characteristics of the assets portfolio. Net fee and commission income, equal to 55 million euro, rose 5.8% to 3 million euro, thanks to the good performance of structuring activities and the stability of operations in the more traditional collection and payment services. Conversely, profits on trading recorded a drop in revenues of 22 million euro compared to 2007, due to the adverse market trends, also reflected in the valuation effects of credit risk adjustments on derivatives with customers.
Operating costs amounted to 85 million euro, down 9 million euro (-9.6%), mainly thanks to the reduction in personnel expenses (-13.5%) achieved through staff downsizing following the integration of operations. The cost/income ratio was 24.4% (-7.7% on 2007), consistent overall with the mix of transactions, lending/funding and structured finance activities. As a consequence of the trends illustrated above, operating margin, amounting to 263 million euro, increased 32.2% on the previous year (+48.6% excluding profits (losses) on trading). Income before tax from continuing operations amounted to 132 million euro, compared to 186 million euro in 2007, heavily affected by the trend of adjustments to loans (+121 million euro compared to the previous year), in particular as a result of the 75% adjustment to the Credit Linked Notes held by BIIS with underlying securities issued by Lehman Brothers Treasury Co BV guaranteed by Lehman Brothers Holdings Inc. Excluding this extraordinary event, and profits on trading, income before tax from continuing operations rose 41.7%. Net income was 55 million euro, down 56.3% also due to the greater incidence of income taxes compared to 2007 (but if we exclude the adjustments linked to Lehman Brothers, profits on trading, merger and restructuring related charges and the effect of purchase cost allocation, net income rose more than 9%).
Allocated capital amounted to 1,008 million euro, largely in line with 2007. ROE, due to the above mentioned trends in economic results, decreased compared to the previous year.
EVA amounted to 32 million, showing a decline from 2007. This indicator was calculated by excluding non-recurring events from the years being compared (the adjustments related to Lehman Brothers in 2008 and, for both years, merger and restructuring related charges and the effect of purchase cost allocation).

With regard to the main balance sheet figures, loans to customers, 38,492 million euro, rose 13.5% on the previous year. The trend in loans to customers was significantly influenced by the effects of the reclassification of certain debt securities from the “available for sale” to the “loans” category, as already illustrated in the chapter “Balance sheet aggregates”. Excluding these effects, loans recorded +1.7% growth rate in a context marked by containment of domestic public debt and the stagnation of investment in infrastructure. Direct customer deposits, 7,593 million euro, showed a decline (-8.3%) owing to the lesser liquidity in counterparty overdrawn accounts with treasury positions and to the decrease in securities issued.

In 2008, in order to assist and promote the development of large infrastructure projects in the country, a syndicated loan was arranged, together with another credit institute, for the construction of the Milano-Serravalle motorway and of a stretch of the Milano external ringroad. Moreover, advisory activities continued in connection with the projects for construction of the Brescia-Milano, Pedemontana Lombarda, Pedemontana Veneta, Cremona-Mantova and Rosignano-Civitavecchia motorway links. Public Finance also won, together with other institutes, the bid for the delivery of account services for management of the cash flows of ANAS, and lending activity continued for the construction and modernisation of some of the main Italian motorway sections.
In support of health services, universities and scientific research, financing was also granted to Università Commerciale Luigi Bocconi in Milano and ALER (Azienda Lombarda per l’Edilizia Residenziale). For the

improvement of public and public utility services, the Public Finance Unit has signed, as mandated lead arranger with another institute and agent bank, a project financing contract in favour of Irisacqua S.r.l. and Acque Potabili Siciliane. The Business Unit also continued to provide advisory services to GORI S.p.A., the concessionary for the management of the integrated water system in the Ambito Territoriale Ottimale Sarnese Vesuviano.

In Trentino Alto Adige several projects aimed at contributing to the Region's energy autonomy were financed: In Trentino, BIIS was chosen by Dolomiti Energia as the arranger of the financing for the purchase of hydroelectric power stations from Enel and Edison while in Alto Adige it granted a bridge loan to Società Elettrica Altoatesina for the purchase of hydroelectric power stations located in the province of Bolzano. Financing was also granted to Valdigne Energie for the construction of new hydroelectric plants in Valle d'Aosta. Again in the power sector, financing was provided to Ascopiave S.p.A., a multiutility participated in by a number of municipalities of Veneto and Friuli Venezia Giulia and specialising in the distribution of natural gas.

As part of activities in support of the financial balance of the public sector, the Business Unit continued to conclude agreements and make disbursements for the financing of long-term investments to several Local Authorities, including the Marche and Umbria Regions, the Province of Milano and the Municipalities of Torino, Brescia, Monza and Roma. As lead manager of syndicated loans by primary banks, Public Finance contributed to the debt restructuring transaction for the Campania Region. It also assisted the Municipality of Torino, as arranger and bookrunner, together with another bank of the Group, in implementing an EMTN - Euro Medium Term Note Programme; the Municipality has already launched the first eurobond. Public Finance was awarded the tender issued by the Province of Roma, leading to the signing of an agreement enabling the municipalities of the province to have access to concessional loans. The Business Unit also won, in association with another bank, the tender issued by the Municipality of Reggio Emilia, leading a group of more than 70 local authorities, for the underwriting of bonds to be issued over a two-year period. Lastly, Public Finance took part, together with other banks, in the financing of the Real Estate Fund of the Municipality of Milano, targeting the acquisition and subsequent redevelopment of real estate assets owned by the Municipality.

As part of the priority investment programmes for National Defence, which receive government contributions, disbursements continued in favour of defence system suppliers (Alenia Aeronautica S.p.A., Agusta S.p.A. and Thales Alenia Space Italia S.p.A.). Again with government contributions, disbursements continued in favour of certain regions such as Liguria, Sicilia, Lombardia, Toscana, Calabria and Lazio, in support of natural disaster recovery actions.

In urban and local development projects, a financing agreement was concluded for construction of the new EUR Congress Centre in Roma; for this project, the Business Unit had previously acted as mandated lead arranger and coordinator of the syndicate of lending banks. In Bologna, a financing agreement was concluded covering expansion of the city's trade fair complex, with construction of a new pavilion.

With regard to local mobility projects, a short-term loan was granted for completion of a section of the A31 "Valdastico" motorway. Urban mobility initiatives have also been implemented: a loan agreement was signed for construction of the Michelino car park in Bologna, and the Business Unit continued to act as advisor for the construction and management of about 42 car parks in the Municipality of Roma and of the new car park of Bergamo hospital; lastly, a loan was granted to PMV (Società del Patrimonio per la Mobilità Veneziana), relating to construction of the Mestre tram line.

As to renovation and upgrading of airport infrastructure, financing was provided to SAT (Società Aereoporto Toscano), which manages Pisa airport, and to SEA (Società Esercizi Aeroportuali), which is in charge of Malpensa; the latter financing will benefit from the funds provided by the European Investment Bank. With regard to the construction of port infrastructure, disbursements in favour of Ente Autonomo del Porto of Trieste continued and the Business Unit acquired the mandate pertaining to the concession for construction and management of two tourist ports in Campania.

With regard to the small project segment, i.e. the financing of low-value projects which however play an important role for local development, two new contracts were signed for the construction of hotel and recreational facilities, both with construction and management concession.

As to public and infrastructure financing activities abroad, the many projects for the construction of road and motorway links in countries such as Croatia, Hungary, Germany, Turkey, Greece, Portugal and the United States should be mentioned. In support of infrastructure development in the Republic of Slovenia, loans were granted to INFRA and Luka Koper, both state-controlled companies, the first operating in the construction and maintenance of roads and ports, while the second manages harbour and logistic services in the port of Koper.

In the railway transport sector, Public Finance, acting as mandated lead arranger in syndication with other Group Organisational Units, signed a financing agreement with Russian Railways; with the same role, it

also took part in the provision of finance to the City of Istanbul, covering construction of a new section of the metro on the Asian side of the city.
To support expansion of the telecommunication network in Kazakhstan, financing was provided to the Transtelecom company, while in the energy sector the Business Unit participated in a number of projects in Croatia, Finland, Russia, Kazakhstan and Spain; with regard to low-environmental impact energy, the construction of wind farms and photovoltaic plants in Spain was also financed.

International Subsidiary Banks

(in millions of euro)

Income statement/Alternative performance indicators	2008	2007	Changes amount	Changes %
Net interest income	1,479	1,191	288	24.2
Dividends and profits (losses) on investments carried at equity	-	1	-1	
Net fee and commission income	581	552	29	5.3
Profits (Losses) on trading	234	284	-50	-17.6
Income from insurance business	-	-	-	-
Other operating income (expenses)	-9	-5	4	80.0
Operating income	**2,285**	**2,023**	**262**	**13.0**
Personnel expenses	-613	-560	53	9.5
Other administrative expenses	-475	-406	69	17.0
Adjustments to property, equipment and intangible assets	-140	-128	12	9.4
Operating costs	**-1,228**	**-1,094**	**134**	**12.2**
Operating margin	**1,057**	**929**	**128**	**13.8**
Goodwill impairment	-390	-	390	-
Net provisions for risks and charges	-14	-23	-9	-39.1
Net adjustments to loans	-329	-196	133	67.9
Net impairment losses on other assets	-7	-1	6	
Profits (Losses) on investments held to maturity and on other investments	13	6	7	
Income (Loss) before tax from continuing operations	**330**	**715**	**-385**	**-53.8**
Taxes on income from continuing operations	-136	-146	-10	-6.8
Merger and restructuring related charges (net of tax)	-7	-13	-6	-46.2
Effect of purchase cost allocation (net of tax)	-	1	-1	
Income (Loss) after tax from discontinued operations	-	-1	-1	
Minority interests	-1	-	1	-
Net income	**186**	**556**	**-370**	**-66.5**
Allocated capital	1,970	1,718	252	14.7
Profitability ratios (%)				
Cost / Income ratio	53.7	54.1	-0.4	-0.7
ROE	9.4	32.4	-22.9	-70.8
EVA® excluding non-recurring items (in millions of euro)	279	312	-33	-10.6

(in millions of euro)

	31.12.2008	31.12.2007	Changes amount	Changes %
Loans to customers	29,847	23,725	6,122	25.8
Direct customer deposits	28,212	27,210	1,002	3.7
of which: due to customers	*26,285*	*25,984*	*301*	*1.2*
securities issued	*1,927*	*1,226*	*701*	*57.2*

Figures restated on a consistent basis, considering the changes in the scope of consolidation.

The International Subsidiary Banks Division is responsible for the Group's activities in foreign markets through commercial banking subsidiaries and associates. The Division provides guidelines, coordination and support to subsidiary banks 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 subsidiary banks and their relations with the Parent Company's head office departments and the Corporate & Investment Banking Division's branches or 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, VUB Banka in Slovakia, CIB Bank in Hungary) and in South-Eastern Europe (Privredna Banka Zagreb in Croatia, Banca Intesa Beograd in Serbia, Intesa Sanpaolo Banka Bosna i Hercegovina in Bosnia-Herzegovina, Intesa Sanpaolo Bank Albania in Albania and Intesa Sanpaolo Bank Romania in Romania); the Commonwealth of Independent States Banking Area, responsible for subsidiary bank 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, with effect as of 1 January 2008, integration was carried out between the subsidiary banks operating in Serbia (Banca Intesa Beograd and Panonska Banka), in Albania (Banca Italo Albanese and American Bank of Albania), in Hungary (Central-European International Bank and Inter-Europa Bank) and in Bosnia (UPI Banka and LTG). To ensure comparability, the data for 2007 are restated backdating to 1 January 2007 the accounting effects of the acquisition of American Bank of Albania, made at the end of June.
On 27 June 2008, Intesa Sanpaolo acquired 100% of the share capital of JSC Pravex-Bank, a Ukrainian commercial bank entirely dedicated to retail banking for households, which provides personal loans, mortgages, car loans and revolving credit cards and is one of the major Ukrainian providers of point-of-sale consumer finance.
The distribution structure, including recent acquisitions, directly covers 13 countries and is made up of 1,985 branches.

In 2008, the Division's activities showed high growth rates in all economic margins and all operating aggregates.
Operating income increased 13% on 2007, to 2,285 million euro.
Specifically, net interest income reached 1,479 million euro, a rise of 24.2% compared to the 1,191 million euro of the previous year. The increase is attributable to the growth in average volumes (+17.7%), driven by the rise in loans to customers (+28.6%) and direct customer deposits (+15.2%). The rise in net interest income is attributable for 63 million euro to VUB Banka, for 56 million euro to Banca Intesa Beograd, and for 41 million euro to KMB Bank and Privredna Banka Zagreb.
Net fee and commission income grew by 5.3% (to 581 million euro compared to 552 million euro), especially thanks to VUB Banka (+17 million euro), CIB Bank (+14 million euro), Privredna Banka Zagreb (+7 million euro) and Banca Intesa Beograd (+3 million euro). This trend was driven by the greater revenues from loans to customers and from the increase in current account and debit card transactions.
Profits (losses) on trading declined to 234 million euro from 284 million euro in 2007, mainly due to the poor performance recorded by Bank of Alexandria (-99 million euro), Privredna Banka Zagreb (-9 million euro) and KMB Bank (-10 million euro), linked to the financial market crisis, which entirely absorbed the positive result posted by CIB Bank (+35 million euro), Banca Intesa Beograd (+12 million euro) and Pravex Bank (+9 million euro).
Operating costs grew 12.2% to 1,228 million euro. Personnel expenses increased by 9.5% owing to expansion of the distribution network, the adjustment of wages to inflation and a different incentive policy. Administrative expenses and amortisation and depreciation rose respectively 17% and 9.4%, primarily due to the rise in the number of operating centres, with a consequent impact on logistic, infrastructure and IT expenses.
As a consequence of the trends described above, operating margin rose to 1,057 million euro (+13.8%). Income before tax from continuing operations dropped -53,8% to 330 million euro due to goodwill impairment of 390 million euro relating to Pravex Bank recorded in the consolidated financial statements and to net adjustments to loans of 329 million euro, with an increase of 67.9% from 2007. The Division closed 2008 with a net income of 186 million euro (-66.5% compared to 2007).
Allocated capital, which represents 8% of the Group's capital, amounted to 1,970 million euro, up 14.7% on the level recorded in the previous year. The trends in economic results and capital determined a

decrease in ROE to 9.4% (from 32.4% in 2007). Value creation, expressed in terms of EVA, declined to 279 million euro.
EVA was calculated by excluding non-recurring events from the years being compared (goodwill impairment and adjustments on other assets attributable to Lehman in 2008, the effect of purchase cost allocation in 2007 and, for both years, merger and restructuring related charges).

In 2008, Banka Koper recorded an operating income of 99 million euro, with a 13% rise on 2007. The increase was driven by higher net interest income (+14.5%), which benefited from a 30.5% growth in average volumes with customers, a slight increase (+0.4%) in fee and commission income on trading and distribution of mutual funds and on credit cards, and from profits on trading which amounted to 6 million euro compared to 3 million euro in 2007, thanks to the sale of Petrol shares and of LjStock Exchange shares in acceptance of the takeover bid launched by the Vienna Stock Exchange in June. Operating costs showed an increase of 9%, driven by the rise in personnel expenses, due to the increase in the number of employees and the adjustment of wages to inflation, and by depreciation of property and equipment (+11.5%). Net income amounted to 28 million euro, compared to 24 million euro in 2007.

The VUB Banka group recorded an operating margin of 242 million euro, with a 28.2% increase on 2007. Operating income grew 22.6%, partly as a result of local currency appreciation and partly thanks to the positive performance of net interest income, which benefited from the increase in average volumes with customers (+47.7% loans to customers; +23.9% customer deposits) and in spreads. Net fee and commission income also recorded an increase (+20%), attributable to the growth in loans and current accounts. The growth in revenues also benefited from the increase in profits on trading (+10%), mainly driven by profits on foreign exchange operations. Operating costs amounted to 225 million euro, up 17.1% (+9.1% excluding the effect of currency appreciation) due to higher personnel expenses and higher amortisation of intangibles. The rise in net adjustments to loans (+67.8%) reflects the higher provisions made necessary by the worsening market conditions. Net income amounted to 162 million euro, up 33.9% on the previous year.

The CIB Bank group recorded an operating margin of 560 million euro, a rise of 15.4% on the previous year. The rise in revenues was driven by the increase in profits on trading (+26.3%) attributable to the rise in coupons from derivatives, to net fee and commission income (+10.4%), which benefited from higher operations in loans (especially on current accounts), and to net interest income (+14.7%), thanks to the rise in average intermediated volumes with customers (+25.1% loans to customers; +11.2% customer deposits) which offset the reduction in the total spread following the increase in system competitiveness. Operating costs recorded a +5.4% increase, mainly driven by personnel expenses, due to wage rises, by administrative expenses, due to the opening of new branches, and by higher amortisation on new investments in software. Taking into account the higher net adjustments to loans, which amounted to 138 million euro compared to 63 million euro in 2007, net income was 112 million euro, down 5.5% on the previous year.

In 2008, the operating income of the Privredna Banka Zagreb group reached 473 million euro, a rise of 8.6% on the previous year). More specifically, net interest income (+15.5%) benefited from the growth in intermediated volumes and spreads, whereas net fee and commission income (+4.8%) was driven by the development of credit cards. The rise in net interest income and net fee and commission income more than offset the reduction in profits on trading (-26.4%) which was affected by the negative market trend. Operating costs rose 7.1%, linked to the increase in personnel expenses due to the rise in the number of employees, amortisation and depreciation and administrative expenses, deriving from the expansion of the distribution network and from higher logistic and service costs. The above-mentioned trends brought operating margin to 238 million euro (+10.2%). Net adjustments to loans rose to 21.5 million euro due to the high provisions established in the last quarter owing to deteriorating market conditions. Net income amounted to 172 million euro, a 10.4% increase from 2007.

Banca Intesa Beograd posted in 2008 an operating margin of 137 million, up 70.8% from 2007. The increase in operating income (+42%) amply offset the rise in operating costs (+15%) determined by higher personnel expenses (+4.3%) and administrative expenses (+34.6%). Revenues were positively influenced by the favourable trend of net interest income (+50.5%) that benefited from the increase in average volumes with customers (+45.6% loans to customers; +23.4% customer deposits) following the expansion in operations and the rise in spreads. Increases were also recorded by profits on trading, thanks to higher income from foreign exchange trading and from a capital gain generated by the sale of an equity investment, and net fee and commission income (+5.9%), thanks to the good trend in credit cards, loans and payment services. Net adjustments to loans increased significantly due to extraordinary reclassifications of customers after the merger with Panonska Banka and to specific provisioning on two corporate positions. Net income amounted to 72 million euro against 39 million euro in 2007.

Intesa Sanpaolo Banka Bosna i Hercegovina closed 2008 with an operating margin of 7 million euro, in line with the previous year. Revenues rose 10.9%, driven by net interest income (+6.5%), which benefited from higher average loans to customers (+47.2%), by net fee and commission income (+18.7%) on current accounts, guarantees and foreign currency transactions, and by profits on trading, which increased more than twofold, thanks to the sale of some equity investments held in portfolio. Operating costs, incurred for expansion of the branch network as per the Business Plan, recorded a 16.7% increase, mainly attributable to administrative expenses. Net income amounted to 4.3 million euro, against 0.6 million euro in 2007.

Intesa Sanpaolo Bank Albania posted a 75% increase in operating margin to 22 million euro. This performance was achieved through the rise in net interest income attributable to the expansion in average volumes with customers (+12.3% loans to customers; +13.3% customer deposits) and in spreads. Operating costs decreased 3.7%, driven by the lower administrative and personnel expenses which absorbed the increase in amortisation and depreciation.

In 2008, Intesa Sanpaolo Bank Romania posted an operating margin of 11 million euro, a 73.1% increase on the previous year. Operating income (+61.4%) was driven by the excellent performance of net interest income, which rose more than twofold, due to the expansion in average volumes with customers (+68.9% loans) and in spreads. Also net fee and commission income rose (+7.7%), driven by higher operations on loans, payments and guarantees. Profits on trading recorded a 11.1% increase, attributable to higher profits on foreign exchange operations and on FX Swaps (Foreign Exchange Swaps). The growth in operating costs (+57.3%) was driven by the rise in human resources and the development of the distribution network. Net adjustments to loans were 6 million euro, up from the previous year due to provisions established with regard to two important customers. Net income amounted to 4.2 million euro, a decline of 13.3% from 2007.

KMB Bank closed the year with a net income of 8 million euro, a significant drop (-50.9%) from 2007. In detail, the rise in net interest income benefited from higher intermediated volumes (+66.9% average loans to customers; +37.2% direct customer deposits), which more than offset the contraction in spreads attributable to the generalised reduction in market interest rates. Net fee and commission income rose 19.5%, driven by the increase in liquidity transactions and in collection and payment services. Profits on trading recorded negative values due to substantial write-downs on securities (mark to market) due to the crisis of the Russian market. Operating costs rose 40.8%, offsetting most of the operating income, due to the increase in personnel expenses determined by the rise in the number of employees and in administrative expenses, in particular for real estate and IT, following the expansion of operations. The growth in loans was accompanied by a rise in risk, which made it necessary to significantly increase net adjustments to loans (+78.7%).

Bank of Alexandria's net income was 32 million euro, against 70 million euro in 2007. Operating income decreased (-44.1%), following the depreciation of the currency and the reduction in profits on trading, mainly regarding the valuation component. This trend absorbed the increase in net interest income (up to 98 million euro against 81 million euro in 2007) and in net fee and commission income (+23.7%), which grew in respect of payment systems, mutual funds and loans. Operating costs showed a slight decline (-0.8%): in particular, decreases were recorded in personnel expenses (-8.8%, due to staff reduction), and amortisations and depreciations (-7.2%), while administrative expenses rose 25.6% due to the expansion of the network.

The operating margin of Pravex Bank amounted to 27 million euro (-17% compared to the previous year). In particular, net interest income rose 18.6% thanks to higher average loans to customers (+48.2%) while net fee and commission income fell 46.3%, due to the crisis in the Ukrainian financial market, that made it necessary to change the mix offered to customers (decrease in personal loans and increase in credit card issues). Profits on trading showed a considerable increase due to the depreciation of the local currency which led to the revaluation of foreign currency items. Net adjustments to loans amounted to 43 million euro (+87.1%) owing to the deterioration of credit quality caused by the worsening macroeconomic situation and to the adoption of a prudent approach in portfolio appraisal. Pravex Bank posted a loss of 10 million euro in 2008.

Eurizon Capital

(in millions of euro)

Income statement/Alternative performance indicators	2008	2007	Changes	
			amount	%
Net interest income	10	13	-3	-23.1
Dividends and profits (losses) on investments carried at equity	15	20	-5	-25.0
Net fee and commission income	328	416	-88	-21.2
Profits (Losses) on trading	11	5	6	
Income from insurance business	-	-	-	-
Other operating income (expenses)	3	2	1	50.0
Operating income	**367**	**456**	**-89**	**-19.5**
Personnel expenses	-55	-63	-8	-12.7
Other administrative expenses	-93	-110	-17	-15.5
Adjustments to property, equipment and intangible assets	-2	-3	-1	-33.3
Operating costs	**-150**	**-176**	**-26**	**-14.8**
Operating margin	**217**	**280**	**-63**	**-22.5**
Goodwill impairment	-95	-	95	-
Net provisions for risks and charges	-1	-12	-11	-91.7
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	**121**	**268**	**-147**	**-54.9**
Taxes on income from continuing operations	-52	-64	-12	-18.8
Merger and restructuring related charges (net of tax)	-9	-1	8	
Effect of purchase cost allocation (net of tax)	-257	-28	229	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**-197**	**175**	**-372**	
Allocated capital	118	117	1	0.9
Profitability ratios (%)				
Cost / Income ratio	40.9	38.6	2.3	6.0
ROE	n.s.	149.6		
EVA® excluding non-recurring items (in millions of euro)	151	192	-41	-21.4

(in millions of euro)

	31.12.2008	31.12.2007	Changes	
			amount	%
Assets under management	129,161	180,693	-51,532	-28.5

Figures restated on a consistent basis, considering the changes in the scope of consolidation.

Eurizon Capital SGR is the company that specialises in providing collective and individual asset management products to the Group's internal banking networks and operates in the open market segment through specific distribution agreements with other networks and institutional investors. Eurizon Capital controls the subsidiaries Eurizon Capital SA (Luxembourg), Eurizon A.I. SGR and Epsilon SGR, which manage, respectively, mutual funds incorporated under Luxembourg law, funds of hedge funds and mutual funds using quantitative methods. The Business Unit also includes CR Firenze Gestion Internationale S.A., a mutual funds management company having its registered office in Luxembourg.

In the framework of the reorganisation of the Group's asset management sector, aimed at centralising individual and collective management activities in Eurizon Capital SGR, Eurizon Investimenti SGR, a company added to the Business Unit area at the end of 2007, was merged into Eurizon Capital SGR in April 2008. Again in the framework of significant events, in 2008 the IT and fund administration businesses were spun off from Eurizon Capital SA (Luxembourg), Eurizon Alternative Investments SGR was spun off to Eurizon A.I. SGR, and Intesa Distribution Service Srl was merged by incorporation.

The main initiatives carried out by Eurizon Capital during the year were aimed at integrating Eurizon Investimenti as part of the drive to rationalise and harmonise the offer range. In particular, in the funds of funds sector, "Eurizon Garantito Marzo 2013" was launched, the fourth guaranteed fund of Eurizon Capital SGR, which guarantees at maturity 100% of the highest value of the unit recorded during the subscription period. At the end of April a new, non-harmonised fund was launched, completing the range of the "Rendimento Assoluto" line. February saw the launch of "Eurizon Weekly Strategy – Fondo Speculativo", a speculative multi-strategy fund of funds managed by Eurizon A.I. SGR, which aims at achieving, by means of dynamic asset allocation, higher returns than money market funds, with medium volatility. The merger of the speculative funds launched and managed by Eurizon A.I. was approved in December. Sub-funds with foreign exchange risk hedging were set up (Class ZH) for institutional customers,. Moreover, rationalisation of the "Sanpaolo International" umbrella fund became effective: the fund, renamed "Eurizon EasyFund", now comprises two lines: "Limited Tracking Error" (LTE line), a broad range of sub-funds covering all the main financial markets, and "Flex Multiasset", which includes seven segments mainly addressed to retail customers. The rationalisation of the mutual funds range became effective from the end of April and was realised through mergers of funds, aimed at simplifying them. The new mutual funds range of Eurizon Capital is made up of 185 funds (compared to the initial 241), grouped into different systems according to customer requirements, each with specific asset management regulations.
With regard to Luxembourg funds, "Portable Alpha" was launched as a sub-fund of "Eurizon Innovation Fund", the umbrella fund tailored for internal fund users.
In asset management, 2008 also saw the launch of the new range of management schemes for the network branches compliant with the Markets in Financial Instruments Directive (MiFID), the new legislation aimed at increasing investor protection in financial instruments markets. The new range provides a simple and complete offer meeting customer needs in terms of investment objectives, risk appetite and time horizon. It consists of six lines: one monetary, one equity, three of asset allocation and one personalised. During the year, rationalisation of outstanding portfolio schemes was completed through alignment of the old lines' investment policy with that of the newly launched lines.
The actions taken in individual portfolio management schemes for private customers focused on the two most successful products: "PrivateSolution" and "Investimento Private"; furthermore, a new monetary line called "GP Investimento Private Cash" was launched.

Overall assets under management of Eurizon Capital totalled 129 billion euro at the end of December 2008, down 28.5% from the previous year, due to the outflow of mutual funds, which affected the main players in the sector, UCITS, retail and institutional asset management operations and almost all types of funds.
Operating income for 2008, amounting to 367 million euro, decreased 19.5% compared to the previous year, reflecting the significant contraction in assets under management due to negative net inflow and the continuous decline in market performance. The performance of income before tax from continuing operations, which totalled 121 million euro, down 54.9% from the previous year, was affected by the recognition, in the fourth quarter of 2008, of 95 million euro of impairment of the goodwill recorded in the consolidated financial statements. Net losses of 197 million euro were recorded, reflecting the economic effect of purchase cost allocation, amounting to 257 million euro, mainly attributable to impairment of the company's intangible assets.
Absorbed capital amounted to 118 million euro, in line with 2007. EVA®, a measure of value creation, declined from 192 to 151 million euro. EVA was calculated by excluding non-recurring events from the years being compared (goodwill impairment in 2008 and, for both years, merger and restructuring related charges and the effect of purchase cost allocation).

Banca Fideuram

(in millions of euro)

Income statement/Alternative performance indicators	2008	2007	Changes	
			amount	%
Net interest income	158	132	26	19.7
Dividends and profits (losses) on investments carried at equity	-	-	-	-
Net fee and commission income	469	575	-106	-18.4
Profits (Losses) on trading	-10	4	-14	
Income from insurance business	-	-	-	-
Other operating income (expenses)	4	10	-6	-60.0
Operating income	**621**	**721**	**-100**	**-13.9**
Personnel expenses	-122	-141	-19	-13.5
Other administrative expenses	-190	-188	2	1.1
Adjustments to property, equipment and intangible assets	-15	-16	-1	-6.3
Operating costs	**-327**	**-345**	**-18**	**-5.2**
Operating margin	**294**	**376**	**-82**	**-21.8**
Goodwill impairment	-580	-	580	-
Net provisions for risks and charges	-45	-42	3	7.1
Net adjustments to loans	-	2	-2	
Net impairment losses on other assets	-4	-	4	-
Profits (Losses) on investments held to maturity and on other investments	-	-	-	-
Income (Loss) before tax from continuing operations	**-335**	**336**	**-671**	
Taxes on income from continuing operations	-55	-78	-23	-29.5
Merger and restructuring related charges (net of tax)	-15	-5	10	
Effect of purchase cost allocation (net of tax)	-316	20	-336	
Income (Loss) after tax from discontinued operations	-	-	-	-
Minority interests	-	-	-	-
Net income	**-721**	**273**	**-994**	
Allocated capital	284	340	-56	-16.5
Profitability ratios (%)				
Cost / Income ratio	52.7	47.9	4.8	10.0
ROE	n.s.	80.3		
EVA® excluding non-recurring items (in millions of euro)	151	216	-65	-30.1

(in millions of euro)

	31.12.2008	31.12.2007	Changes	
			amount	%
Assets under management	40,293	50,753	-10,460	-20.6

The initiatives taken by Banca Fideuram in 2008 were carried out consistently with the objective of consolidating market leadership through the enhancement of its key strengths. In particular, actions on the product range were taken to strengthen the core business, develop highly innovative products, identify very advanced multi-manager solutions and provide investment services tailored for private customers. These actions led, on the one hand, to the review of existing products to adjust them to the market context (supplementary social security reform and the coming into force of the MiFID legislation) and, on the other hand, to the development of a product range dedicated to private customers, confirming the strategic importance of private banking within the Group. With regard to insurance products, actions targeted the development of solutions with higher advisory content and greater flexibility.

As to initiatives on the product range, the main policy lines in 2008 targeted review of the mass-affluent offer and strengthening of the offer to upper-affluent and private customers. As to mass-affluent customers, the main initiatives concerned mutual funds, through the creation of products meeting the diverse financial requirements of customers, in view of their threshold of entry and risk budget. With regard to upper-affluent and private customers, the actions taken led to the development of a dedicated range of products and services and to the ongoing pursuit of a service model able to meet the increasingly complex demands of financially savvy customers through the offer of portfolio management and private insurance services. In particular, in the mutual funds sector, the Luxembourg funds range was expanded by introducing four new sub-funds in Fonditalia (three multi-manager funds operating against benchmarks and also featuring non traditional asset classes, and one flexible management sub-fund). Moreover, price class T was introduced for institutional customers or customers with large invested assets. Two new Italian funds of funds have been launched: Fideuram Master Selection Equity New World and Fideuram Master Selection Equity Global Resources. As to the offer of mutual funds of third-party investment banks, distribution started of the Ersel Funds and 8a+ Funds, the latter exclusively placed by the Sanpaolo Invest Network. With regard to portfolio management, the product range was expanded by adding both internal solutions, through the "Omnia" portfolio management service developed by Fideuram Investimenti, and management services created in collaboration with third-party investment companies, such as Symphonia SGR. With regard to private insurance products, the Banca Fideuram Group concluded a distribution agreement with Skandia for the creation of unit-linked policies enabling a high degree of personalisation.

As at 31 December 2008, assets under management totalled 61 billion euro, down 11.8% from the prior year, due to the negative performance of financial markets, against a net inflow that was positive for 345 million euro, albeit considerably lower than the 1,617 million euro posted in 2007. Inflow of assets under administration improved significantly, reaching 4.2 billion euro from 2.5 billion euro in 2007, while the outflow of assets under management was 3.9 billion euro (-0.9 billion euro in 2007). The trend in net flow shows re-allocation of all asset under management segments in favour of funding through securities and in repurchase agreements, which mitigated the impact of the adverse market climate.
The number of private bankers was 4,209 units, down 71 units from 31 December 2007.
Operating margin amounted to 294 million euro, down 21.8% from the previous year. This result was mainly driven by the decline in net fee and commission income, reflecting the reduction in average assets under management and, partly, by repositioning of the product mix towards products that are less profitable for the bank, which more than offset the improvement in net interest income (attributable to the trend of market interest rates and the higher profitability of assets). Income before tax from continuing operations, negative for 335 million euro, was affected by the recognition of 580 million euro of impairment of the goodwill recorded in the consolidated financial statements. Income before tax from continuing operations was also affected, albeit to a lesser extent, by the increase in net impairment losses on other assets, including adjustments for 1.3 million euro to the exposure towards Lehman Brothers classified as doubtful in the third quarter of the year, and by higher provisions for risks and charges. After recording 316 million euro of purchase cost allocation effects, primarily attributable to impairment on intangible assets, Banca Fideuram closed 2008 with a net loss of 721 million euro.
The capital absorbed in 2008 by Banca Fideuram amounted to 284 million euro, showing a decrease from the previous year. EVA®, a measure of value creation, also declined, to 151 million euro. EVA was calculated by excluding non-recurring events from the years being compared (goodwill impairment in 2008 and, for both years, merger and restructuring related charges and the effect of purchase cost allocation).

Corporate Centre

The Corporate Centre is responsible not only for direction, coordination and control of the whole Group, but also for treasury.

The Corporate Centre closed 2008 with negative operating income (-209 million euro), compared with the positive result (+349 million euro) of the previous year, primarily due to the contraction in profits on trading, affected by the impairment of structured securities and derivatives and by comparison with the substantial profits from disposal of AFS securities in 2007. Operating costs increased due to personnel expenses, which in 2007 included the benefits generated by the actuarial recalculation of employee termination indemnities (excluding this effect, personnel expenses decreased 4%). Net provisions for risks and charges decreased significantly compared to the previous year, which had been affected by considerable charges for the settlement of certain important legal disputes. In the fourth quarter of the year substantial net impairment losses on other assets were recognised, mainly relating to the impairment of Natixis (436 million euro), London Stock Exchange (269 million euro) and Banca Generali (30 million euro). Profits on investments held to maturity and on other investments benefited from the capital gain generated by the sale of Agos, Centrale dei Bilanci and real estate, which more than offset the impairment recorded on certain equity investments. Overall, income before tax from continuing operations recorded a loss of 1,257 million euro (-381 million euro in 2007). Including income from discontinued operations amounting to 985 million euro, mainly generated by the capital gains from the sale of 198 branches pursuant to Antitrust provisions, effected in the first quarter of 2008, and by the income generated by these operations before their sale, net income was 1,228 million euro, compared to 2,701 million euro in 2007, when income had also benefited from the capital gains on the sale to Crédit Agricole of Cariparma, FriulAdria and 202 branches.

The Treasury Department provides treasury services in euro and in foreign currencies, and integrated management of liquidity requirements/surpluses, of financial risks and settlement risks. In 2008 Intesa Sanpaolo strengthened its leading position in the domestic settlement system market, as a direct member and supplier of settlement services to Group and non-Group Italian and foreign banks. With the start of settlement activities in CLS (Continuous Linked Settlement) by SEB Luxembourg and Banca IMI, the number of Group third parties operating within this system has risen to 11. Treasury settlement activities in euro centralised in the Parent Company recorded on average approximately 27,000 daily transactions for an exchange value of about 46 billion euro between Target2 and EBA. The Treasury continued to play an active role in the Italian and European working groups for the development of new securities settlement systems (Target2 Securities – T2S) and for collateral management (Correspondent Central Banking Model 2 – CCBM2). The use of loans within the ABACO project is a well established part of Treasury operations: it involves the use of pools of eligible assets mostly as collateral for intraday advances.

With regard to the money market, 2008 saw a progressive worsening of the financial market crisis. The measures taken by Central Banks and Governments were unprecedented in number and scope. European rates were lowered from 4.25% at the end of September to 2.5% in December; in the same month, the FED used all of its interest rate cut toolkit to slash rates to a range of 0.00-0.25%.
Liquidity at System level was constantly guaranteed both by the Federal Reserve and by the European Central Bank: in particular, the ECB carried out ordinary and extraordinary auctions, injecting into the System greater amounts of liquidity than required for its normal operations, as well as fixed rate, unlimited amount auctions. The FED, in coordination with the main Central Banks, provided regular injections of U.S. dollar liquidity, mainly through the Term Auction Facility. The persisting lack of confidence has led many banks to maintain substantial liquidity positions, with excess liquidity held in the Central Banks, notwithstanding the low profitability. This propensity has further reduced the trading volume on the money market, especially on maturities beyond one week. At the end of the year, to help revitalise trade, the Bank of Italy launched the new Mercato dei Depositi Interbancari Collateralizzati (Collateralised Interbank Deposit Market), which guarantees anonymous transactions and exemption from counterparty risk, on maturities between 7 days and 6 months. The spreads between interbank deposit interest rates and the corresponding rates on derivative products, after reaching an all-time peak, narrowed progressively in the last part of the year. In this context, Intesa Sanpaolo pursued the objective of maintaining the amply positive liquidity position already built over the prior months. The main source of funding was the recourse to programmed issues of commercial papers and short-term certificates of deposit (mainly via Commercial/Yankee CD in USD through the New York Branch, and ECP/CD through the Irish subsidiary).

These markets, though marked by shorter average maturities, have maintained a good degree of liquidity even in the most turbulent times. To achieve more effective diversification of liquidity sources, in the last quarter, the ceiling of the Irish programme was raised from 20 to 30 billion euro, concurrently with performance of the formalities that from the first half of 2009 will enable Intesa Sanpaolo to also operate on the French CP market through its London branch, which is already active on the London CDS market.

As to the securities portfolio, during 2008 the reference markets were characterised by a progressive decline in liquidity, due to the decreased number of players willing to take on the risks associated with market making. The situation deteriorated further during the last quarter, after the bankruptcy of Lehman Brothers, paralysing trade in the secondary market and heavily impacting the valuation of portfolio securities. In the current market conditions, it was decided to take advantage of the option offered by the amendment to the IAS rules, by reclassifying into "Loans & Receivables" those positions which despite being of high credit quality had incurred significant price impairment, also in consideration of their rating and residual life. In particular, about 1 billion euro of ABS (mainly issued by the Italian Republic) have been classified under this category. With regard to these securities, the amortisation plan continued as scheduled during the last quarter of 2008 and in the early months of 2009. During 2008 moreover, a new asset class was introduced: Financial Government Guaranteed Bonds, initially issued by British banks and subsequently by other European banking institutes, guaranteed by their respective governments. Preference was given to issues with limited residual life, while those with maturities beyond two years were considered only if they had very high creditworthiness. In such a context of system-wide crisis, Intesa Sanpaolo's strategy focused on: self-liquidation of the portfolio, maintaining short-term maturities, especially within 2009; issuers with high credit ranking and relatively low wholesale funding exposure; issues with high outstanding amounts, guaranteeing adequate liquidity in normal market conditions; ECB-eligible securities. As a rule, the portfolios are managed through unsecured funding on extended maturities, in order to create a liquidity reserve for the Group. However, the Bank operates on the repo market as both an investor and an intermediary. In particular, on the domestic electronic repo market, with underlying Eurozone Government securities, the Bank has played a primary role in ensuring market liquidity.

The "Operating ACM (active capital management) and Structured Operations" macro-area provides operational support to the strategies implemented by the "Active value management and strategies" area (CFO area), under the supervision of the Risk Management Department. It does so by pursuing the active management of credit, market and banking book risks on the financial markets. In particular, as concerns Asset & Liability Management, interest rate risk is monitored and managed mainly by examining the sensitivity of the market value of the various positions in the banking book to parallel shifts in the interest rate curve at the various maturities; moreover specific scenario analysis techniques on rate developments are used, as well as performance scenarios for specific positions. The strategic choices on interest rate risk are made by the Group's Financial Risks Committee, within the limits established by the Management Board. The ALM structure actively supports the Committee's decision-making activity by formulating analyses and proposals. In this respect, the fourth quarter saw initiatives aimed at strengthening interest margin protection tools or at reducing the volatility of the mark-down on direct customer deposits, in an environment marked by strong reductions in official interest rates. The structural component of liquidity risk is managed by identifying expected liquidity mismatches by maturity bands, on the basis of liquidity policies defined internally at Group level. Mismatch analysis on medium-long term maturities provides input for planning bond funding, in order to anticipate possible pressures on short-term funding.

As to Credit Portfolio Management and Structured Operations, consistently with the Bank's objective of prudentially preparing the conditions for obtaining short-term funding, both through open market operations (refinancing transactions) and through last resort borrowing (standing facilities/marginal lending), three securitisations of performing long-term residential mortgages originated by Intesa Sanpaolo S.p.A. have been performed. The securities arising from these operations – centralised at Monte Titoli and listed on the Luxembourg Stock Exchange – have been entirely subscribed by the Bank. Two of the three operations have been structured in such a way that the securities subscribed by the Bank will also be progressively used as collateral for covered bond issues, thus generating medium and long-term funding. In particular, on 28 March, a portfolio of performing residential mortgages for approximately 7,998 million euro was transferred without recourse to the SPV Adriano Finance Srl. This transaction was finalised on 4 August 2008 with the issue at par of Senior RMBSs (for an amount of 7,558 million euro with an expected average life of 4.9 years) and Junior RMBSs (for 439 million euro) by the SPV. On 24 November a portfolio of performing long-term residential mortgages for an amount of 5,679 million euro was transferred to the same SPV; the transfer was finalised on 18 December with issue at par of Senior RMBSs (for an amount of 5,281 million euro, with average expected live of 4.9 years) and Junior RMBSs (for 398 million euro). On 15 December, performing residential long-term mortgages for an amount of 13,050 million euro were transferred to SPV Adriano Finance 2 Srl; against this transfer, the SPV issued, at a price equal to 100% of the nominal capital, Senior RMBSs (for 12,174 million euro with an expected average maturity of 5 years) and Junior RMBSs (for 876 million euro). In all these transactions, Banca IMI was responsible for the offer of the securities as lead manager and book runner.

The "funding" macro-area is responsible for medium-/long-term funding, through both domestic bond issues and recourse to international markets. In 2008, the Parent Company effected funding operations on the international markets for a total of about 24 billion euro, of which 14 billion euro through the issue of international bonds (69% public issues, the rest through private placements), about 9 billion euro through the issue of certificates of deposit with one year maturity (both fixed-rate and floating-rate) and about 1 billion euro through medium-/long-term deposits from German banks and insurance companies. As concerns maturities, demand has been strongest for the securities issued by the Bank with maturities ranging between 2 and 5 years (about 8 billion euro). In the last part of the year, in the wake of the Lehman Brothers' bankruptcy, institutional investors became very selective on international bank bond issues, leading to a marked decrease in funding volumes which came to 2 billion euro. In the fourth quarter of 2008, Intesa Sanpaolo contributed to reopening the market for public transactions not backed by government guarantees, with an issue of 5-year fixed-rate securities for 1.25 billion euro. Subordinated bond issues represented 28% of total issues (equal to about 4 billion euro). Bond funding in euro makes up more than 90% of the total volume of bonds in 2008. On the international market, the most important transactions of 2008 were the issues of 3 billion euro of 3 years senior securities, 1.25 billion euro (subsequently raised to 1.37 billion euro) of subordinated Upper Tier 2 securities, 1.25 billion euro of subordinated Tier 1 securities and 1 billion euro of subordinated Lower Tier 2 securities. Interest rate and foreign exchange risk pertaining to simple structure funding transactions (e.g. fixed-rate and zero coupon) were mainly covered by swap transactions, while issues with complex financial structures were always covered by specific derivatives. Net funding in the form of current account overdrafts and medium-/long-term loans of Intesa Sanpaolo S.p.A. in the reporting period amounted to 10 billion euro with maturities mainly between 5 and 6 years. These are mostly deposits created by Group companies against their bond issues or other funding operation on the market, but also include deposits or loans made by third parties. In 2008 the total value of Intesa Sanpaolo S.p.A.'s bond issues placed in the domestic market was 17 billion euro, of which 3 billion euro of fixed rate subordinated Lower Tier 2 securities, with an average maturity of 5 years. As to composition of the placed securities, plain vanilla securities prevailed with a 60% share of the total, whereas the weight of structured bonds was 39%.
Breakdown by maturity shows a prevalence of 2- and 3-year maturities, which represent 68% of the total; of the remaining funding, 23% consists of 5-year securities and 9% of 6-year bonds.

With regard to human resource management, during the year, early retirement incentive programmes continued, mainly drawing from the extraordinary funds made available by the Solidarity Allowance for the banking sector (pursuant to Ministerial Decrees 158 of 2000 and 226 of 2006) under the agreements signed on 1 December 2006 and 1 August 2007. To fully achieve the structural labour cost reduction objectives set out in the 2007-2009 Business Plan, a new agreement was signed with the Trades Unions on 8 July 2008, providing for the exit of a further 2,500 employees compared to the headcount at 31 March 2008. This agreement, which also includes the banks of the Banca CR Firenze and Banca Fideuram groups, provides for the exit of staff eligible for retirement pension by 31 March 2008 and for access to the Solidarity Allowance for workers who will be eligible for retirement between 21 March 2008 and 1 January 2015. Priority is given to workers whose applications for the Allowance were in excess of the limits defined in the previous agreement of 1 August 2007. Considering the number of applications submitted up to the end of October, the target reduction set out in the agreement has been achieved.

During 2008, the business continuity solutions of Intesa Sanpaolo were also updated and upgraded, in line with the organisational and operational structure defined in the integration projects and in compliance with the Supervisory Authorities' Instructions concerning "Business Continuity in case of emergency", with special regard to the most stringent requirements established by the Bank of Italy for major banks (Measure 311014 of 21/03/2007). More specifically, the following interventions have been completed: the new "hot" Disaster Recovery Plan for the Target information system and for the Finance Area systems, the post-integration Operating Continuity Plans for the Corporate Centre of the Parent Company and Network Banks, and interventions for high equipment reliability for the Group's sensitive offices. All the Group's business continuity units were harmonised under a single business continuity management model, by extending application of the Crisis management organisational model (MOCG) of Intesa Sanpaolo to the Group's Territorial Areas and Network Banks, so as to ensure single and coordinated processes and roles for crisis management. During the year, Intesa Sanpaolo started integrating the MOGC with the incident and problem management processes already in force at the assets and services management Functions, to enable prompt reporting and monitoring of serious inadequacies and potential risks that might affect key Group processes.

Lastly, the Security Policy Document, provided for by Section 34, paragraph 1, letter g) of Legislative Decree 196 of 30 June 2003, "Personal Data Protection Code", was prepared and updated in accordance with the instructions provided by Rule 19 of the Technical Specifications, Annex B of the Decree.

GEOGRAPHICAL AREAS

(in millions of euro)

	Italy	Europe	Rest of the World	Total
Operating income				
2008	14,844	3,440	-127	18,157
2007	16,293	3,060	-107	19,246
% change [(a)]	-8.9	12.4	18.7	-5.7
Loans to customers				
31.12.2008	337,249	46,343	11,597	395,189
31.12.2007	310,679	34,831	7,612	353,122
% change [(b)]	8.6	33.1	52.4	11.9
Direct customer deposits				
31.12.2008	315,333	76,481	39,083	430,897
31.12.2007	296,867	73,348	22,450	392,665
% change [(b)]	6.2	4.3	74.1	9.7

Figures restated, where necessary, on a consistent basis, considering the changes in the scope of consolidation and discontinued operations.

[(a)] The change expresses the ratio between 2008 and 2007.

[(b)] The change expresses the ratio between 31.12.2008 and 31.12.2007.

With regard to secondary segment reporting, based on geographical areas, the activities of the Intesa Sanpaolo Group are mostly concentrated in the domestic market. In fact, 82% of revenues, 85% of loans to customers and 73% 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, Romania and Ukraine), in the Russian Federation and in the Mediterranean area (Egypt).
As regards the performance of operations in 2008, Intesa Sanpaolo achieved substantial growth in Europe, both in operating income and in loan and deposit volumes. Moreover, trading activities in the rest of the world increased.

Shareholder base, stock price performance and other information

Shareholder base

As at 20 March 2009, according to records in the Shareholders' Register, shareholders of Intesa Sanpaolo with stakes exceeding 2% - threshold of the voting capital of a listed company that, if exceeded, requires communication to both the company and Consob, pursuant to Italian legislation (art. 120 of the Consolidated Law on Finance "TUF") – were as follows.

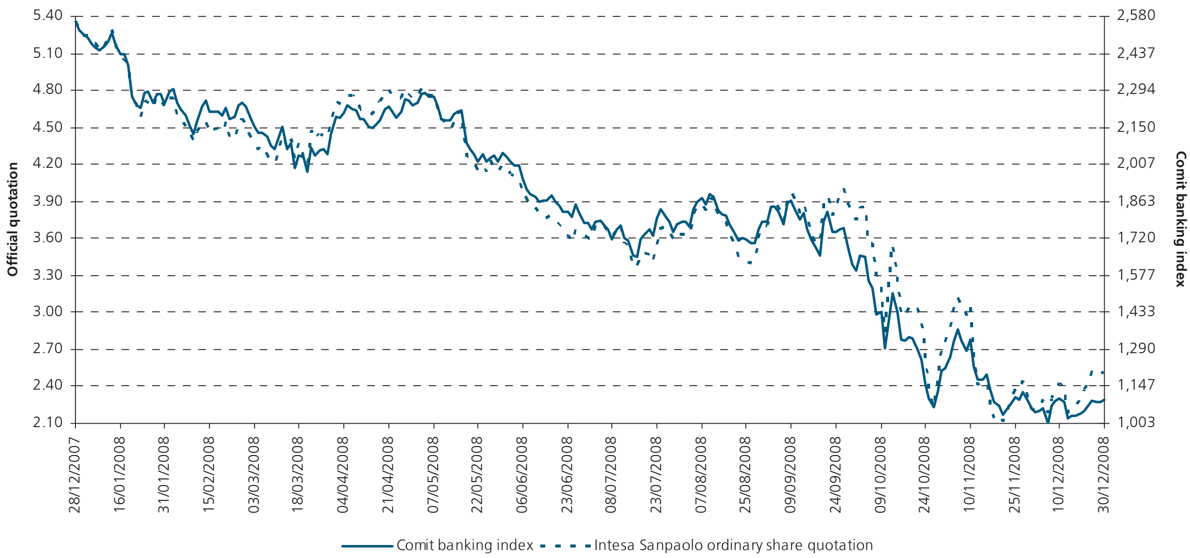
Shareholder	Ordinary shares (*)	% held on ordinary share capital
Compagnia di San Paolo	943,225,000	7.960%
Crédit Agricole S.A.	661,359,742	5.581%
Assicurazioni Generali	601,201,308	5.074%
Fondazione Cariplo	554,578,319	4.680%
Fondazione C.R. di Padova e Rovigo	552,764,450	4.665%
Carlo Tassara S.p.A.	545,611,569	4.605%
Ente C.R. Firenze	400,287,395	3.378%
Fondazione C.R. in Bologna	323,334,757	2.729%
Barclays Global Investors UK Holdings	239,017,266	2.017%

(*) Held directly or indirectly.

Stock price performance

The global downturn has had a heavily negative impact on stock markets, whose effects have intensified in the last quarter of the year, after the bankruptcy of Lehman Brothers and the worsening of the global economic outlook. In 2008, the DJ Euro Stoxx index fell by 46.3%, driven by the particularly negative trend of the banking sector (the European banking index lost 63.8%). Over the same period, the Italian market slightly underperformed vis-à-vis the European market, with a loss of 48.7%, driven by the heavy losses of the automotive (-70.3%) and banking sectors (-57.2% in 2008).
In this context of generalised deterioration of international financial markets and declining banking sector indexes, the price of the Intesa Sanpaolo ordinary share registered a progressive decline – interrupted by a recovery in the last ten days of March, following publication of the 2007 results, that continued throughout April – which became steeper after the date of payment of the dividend, then slowed down following a cyclic trend in the third quarter and resumed in the last quarter; the year closed with a 53% fall compared to the end of 2007.
At the end of 2008, the price of the Intesa Sanpaolo saving share fell by 63.5% compared to the end of 2007, while its discount to the ordinary share rose to 29%, compared to approximately 9% at the end of 2007.
At the end of 2008, the capitalisation of Intesa Sanpaolo amounted to 31.5 billion euro, against 68.1 billion euro at the end of 2007.

Intesa Sanpaolo ordinary shares quotation and banking index



Earnings per share

Intesa Sanpaolo's share capital is made up of ordinary and saving shares carrying different rights 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 Earnings per share (EPS) indicator 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 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.

	31.12.2008		31.12.2007	
	Ordinary shares	Saving shares	Ordinary shares	Saving shares
Weighted average number of shares	11,812,160,556	932,377,916	11,765,727,729	932,401,829
Income attributable to the various categories of shares *(millions of euro)*	2,344	209	6,698	552
Basic EPS (*euro*)	0.20	0.22	0.57	0.59
Diluted EPS (*euro*)	0.20	0.22	0.57	0.59

Price/book value

In its traditional formulation, the index reflects the value attributed by the market to the share capital of a listed company, hence indirectly to the company's overall assets. The index, while measuring the confidence which financial analysts and the financial community have in the company's profitability prospects and capital strength, is significantly affected by the external factors that influence stock prices.

For the Intesa Sanpaolo Group, the index – calculated on average figures and at year-end – is influenced by the significant increase in shareholders' equity resulting from the merger and, for 2008, by the negative performance of markets.

	31.12.2008	2008	2007	2006	2005	2004
Market capitalisation	31,516	48,639	71,058	33,724	26,258	20,414
Shareholders' equity	48,954	50,256	51,558	17,435	15,337	15,328
Price / book value	**0.64**	**0.97**	**1.38**	**1.93**	**1.71**	**1.33**

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 year 2004 has not been restated to consider IAS/IFRS adoption.

Pay-out ratio

The index expresses the ratio between net income and the portion paid out as dividends. The historical performance of this index confirms the Group's constant attention to investor expectations.
For 2008 the value of the index is 1% since, at a time when the market attaches particular importance to the capitalisation level of banks, regardless of the actual risk each is exposed to, it was decided to use net income to strengthen the Group's shareholders' equity rather than for the distribution of dividends, except for distribution to saving shares – pursuant to the Articles of Association – of dividends equal to 5% of their nominal value.

(in millions of euro)

	2008	2007	2006	2005	2004
Net income (*)	2,553	7,250	2,559	3,025	1,884
Dividends (**)	24	4,867	4,867	1,532	729
Pay-out ratio	**1%**	**67%**	**190%**	**51%**	**39%**

(*) Net income for 2004 has not been restated to consider IAS/IFRS adoption.

(**) 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 treasury shares held as at 31 December 2007 swapped in January 2008 with Carifirenze shares.

Dividend yield

This 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 on the basis of average annual stock prices, maintained satisfactory levels over time, also in view of financial market trends.
For 2008, only the index relating to saving shares was considered, since – as stated – it was decided to use net income to strengthen the Group's shareholders' equity rather than for the distribution of dividends, except for distribution to saving shares – pursuant to the Articles of Association – of dividends equal to 5% of their nominal value.

(in euro)

	2008	2007	2006	2005	2004
Ordinary share					
Dividend per share	-	0.380	0.380	0.220	0.105
Average stock price	3.834	5.579	4.903	3.857	3.072
Dividend yield	0.00%	6.81%	7.75%	5.70%	3.42%
Saving share					
Dividend per share	0.026	0.391	0.391	0.231	0.116
Average stock price	3.441	5.309	4.620	3.550	2.403
Dividend yield	0.76%	7.36%	8.46%	6.51%	4.83%

Rating

In 2008 all ratings assigned to Intesa Sanpaolo remained unchanged from the end of 2007.

	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

(*) Downgraded on 12 March 2009.

Other information

As provided for by article 2497 and subsequent articles of the Italian Civil Code, Intesa Sanpaolo exercises, 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 2008 is provided in the Notes to the consolidated financial statements (Part A and Part B - Assets - Section 10).
The Notes to the consolidated financial statements also contain (Part A - Accounting policies - Section 5) information on the obligations laid down in art. 36 of the Market Regulations, with regard to subsidiaries whose seat is in non-European countries.
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.
In particular, details on Parent Company's and subsidiary companies' shares held by Supervisory and Management Board Members and Parent Company's General Managers and in 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 breakdown of the compensation paid to Supervisory and Management Board Members and to the Parent Company's General Managers and, in 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 and the ownership structure of Intesa Sanpaolo pursuant to art. 123-bis of the Consolidated Law on Finance is provided in a separate document "Corporate Governance Report and Information on Ownership Structures", approved and published together with these financial statements and available for consultation from the "Governance" section of the Bank's website at: group.intesasanpaolo.com.

Social and environmental responsibility

In 2008 matters regarding social and environmental responsibility (also known as Corporate Social Responsibility or CSR) once more characterised the business of the various departments of the Bank. CSR was interpreted by Intesa Sanpaolo as epitomising the Bank’s approach to everyday business activities and to relations with its internal and external stakeholders (customers, employees, shareholders, suppliers, the environment and the community). The step-by-step process that led to its application is based on the principles and values in the Code of Ethics, adopted in July 2007 when the new Banking Group was founded. The 2007-2009 Business Plan, which defined sustainable growth objectives for business activities, was pervaded by this strong expression of identity. 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. In this way, top management are guaranteed rapid identification of possible critical areas and the definition of improvement measures so that corporate values are upheld and remain strongly operative in the life of the Bank.
The Corporate Social Responsibility Unit – reporting directly to the Managing Director and C.E.O. – is responsible for supervising social responsibility matters and guaranteeing the consistency of initiatives and support in the various Group departments in terms of integrating social and environmental responsibility criteria into normal business operations. So as to maximise efficiency of the adopted management model, the CSR Unit makes use of a support network of "CSR Delegates”, colleagues who in addition to their work in the various departments (the Group’s Head Office Department, Business Units and Banks in Italy and abroad), also actively cooperate with the CSR Unit by disseminating the culture of social responsibility within their departments. The Delegates open dialogue with the main stakeholders in their field of operations, define improvement objectives and support their colleagues in implementing projects, and managing non-observance of the Code of Ethics and reporting requirements.
In 2008 the CSR Contacts network was extended and expanded, and training continued for the Contacts themselves and the training programme planners, who play a key role in the dissemination of CSR culture within the company.
In order to analyse the level of integration of CSR in internal processes, verification was performed by an external company, specialising in these matters, and by the Internal Auditing Department. The analysis results form the basis for further development of the management model. In addition, arms regulations were gradually extended to the leading Subsidiary Banks in Italy progressed steadily, and operating instructions were issued providing details on implementation of the policy.
In 2008 Intesa Sanpaolo’s business was once again characterised by the observance of principles approved by important international protocols such as Global Compact and the United Nations’ UNEP-FI, the World Bank Equator Principles that define commitments with regard to respect for the environment and for human rights, adopted by the Bank in order to facilitate dialogue between companies and the community.
Intesa Sanpaolo continued to be listed on a number of the main European ethical indexes in 2008: the FTSE4Good (indexes launched by the Financial Times and London Stock Exchange in 2001), the ASPI Eurozone (Advanced Sustainable Performance Index) and the Ethibel Investment Register.

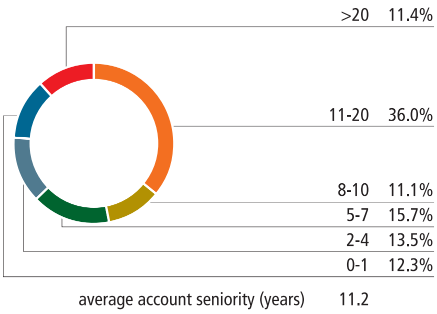
Relations with stakeholders

Customers
In 2008 Intesa Sanpaolo’s customer base in Italy and abroad was as follows: 96.8% households and private customers, 3.1% SMEs and 0.13% large companies and public entities.

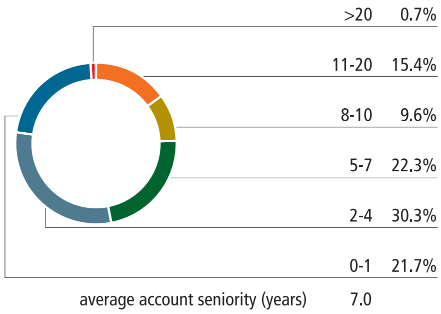
(percentage composition)

	Italy	Abroad
Private customers	98.8	93.6
SMEs and Small Businesses	1.0	6.4
Corporate and Public Finance	0.2	0.0

Retail customers by account seniority (years): Italy



Retail customers by account seniority (years): Abroad



The attention to customers forms the foundation of Intesa Sanpaolo's business activities, that has always focused on pursuing improved product quality and service, and maximum protection, based on a relationship of trust and with a view to continuing relations in the long term. The organisational and service model consolidated in 2008 allows the Bank to provide the best possible service in two key areas: on the one hand, responsible management of household savings and, on the other hand, lending and the correct allocation of resources to both private and corporate customers, which form the basis for development of the economy.
The model is based on enhancing territorial presence and local needs, especially in trade relations with customers, but without losing sight of the national scenario and service excellence. For businesses, concentration is on sector specialisation and the awareness of competitive strategies of the individual sectors so as to help develop the economy and offer the best possible support to customers in the various – and not always positive – market conditions. One of the tools used for the awareness of sector changes and in the professional quality of its managers is the "Sector Round Table": teams specialised by sector meet periodically with the Desk or product company to share expertise and seize upon all cross-selling opportunities available to the Group.
The consulting service offered to customers as part of investment services has led to a complete organisational and cultural change resulting in improving both customer protection and the level of excellence in terms of the quality of products sold. Specific policies were also issued to govern the provision methods for the consulting service and for the marketing of products/financial instruments, guaranteeing rules of conduct for managers involved in the new trading process, along with the transparency, liquidability and simplicity of new products.
To meet the needs of retail customers in the credit sector, currently undergoing complete development, the Bank has worked towards simplifying and renewing the product mix and to providing a consulting service based on the concept of sustainable debt for households. In addition to the existing remortgaging option and that of mortgage substitution, several protection and flexibility mechanisms have been studied so that, based on changing financial and lifecycle needs, customers can remodel their repayment plans. New lending options have been introduced (mortgages and loans) for young people, including atypical contracts, and in the sector for unsecured student loans, in addition to bridge loans, for which the Bank has adopted the "Diamogli Credito" Project.
Relations with consumer associations continued in 2008, leading amongst other things to the extension of the Joint Conciliation Commissions to customers of Sanpaolo IMI who are holders of Parmalat bonds. On this topic, the commissions, launched in November, met 32 times in the space of two months, assessing 320 claims out of a total of 16,600 received. Payment was recommended in 151 cases for a total of approximately 400,000 euro. The examination of claims will be completed by the end of 2009. Progress was made also with the aid of conciliatory procedures such as constant negotiation and relations with

customers, not only in handling exceptional situations. Conciliation is in fact a means of retaining and strengthening a relationship of trust and represents the first agreement of its kind in Europe, made possible by dialogue and long-lasting relations with the consumer associations. The permanent Conciliation agreement envisages a simple, free of charge procedure and maximum case-solving times of sixty days. The only products involved are those offered to "household" customers (current accounts and related payment cards, mortgages and personal loans).

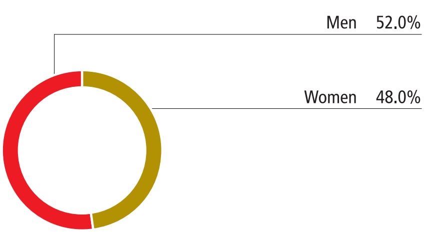
On the one hand, therefore, 2008 saw the development of products and services to improve investor understanding and to ensure that products fully met their needs, and on the other hand continuing support to companies in terms of development, improving competitiveness, innovation and business internationalisation. On this last topic, the "Polo di Padova" internationalisation centre continued to provide support to Italian companies in positioning on foreign markets, whether in terms of commercial penetration, setup of a permanent establishment abroad or incorporating joint ventures. In 2008, the Centre, which expanded its business organisation and increased its area of expertise, enhanced its consulting and support services to businesses, with regard to both specific financial and commercial needs, and to the positioning process, matching opportunities offered by foreign markets with customers' development plans. Not only does the Centre offer specialist services to businesses in Italy and abroad, but also promotes forms of subsidies and agreements with national and local institutional and business organisations. Joint activities with the industrial associations and organisations representing product sectors and production chains focused on strengthening foundations and synergies in the territory concerned, offering complete consulting and other specialist support for internationalisation processes.

Lastly, in July 2008 in Paris at the first Summit of Heads of State and Governments that established the Mediterranean Union, Intesa Sanpaolo and 12 other banking groups signed a cooperation agreement for the implementation of projects which, with a view to Euro-Mediterranean integration, focus on topics such as money transfers and payment facilities for immigrants, banking, insurance and real estate products, financing for large projects and infrastructures, and support and development of SMEs on both sides of the Mediterranean.

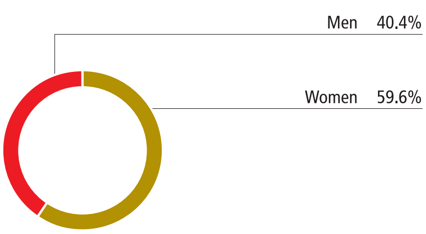
Employees

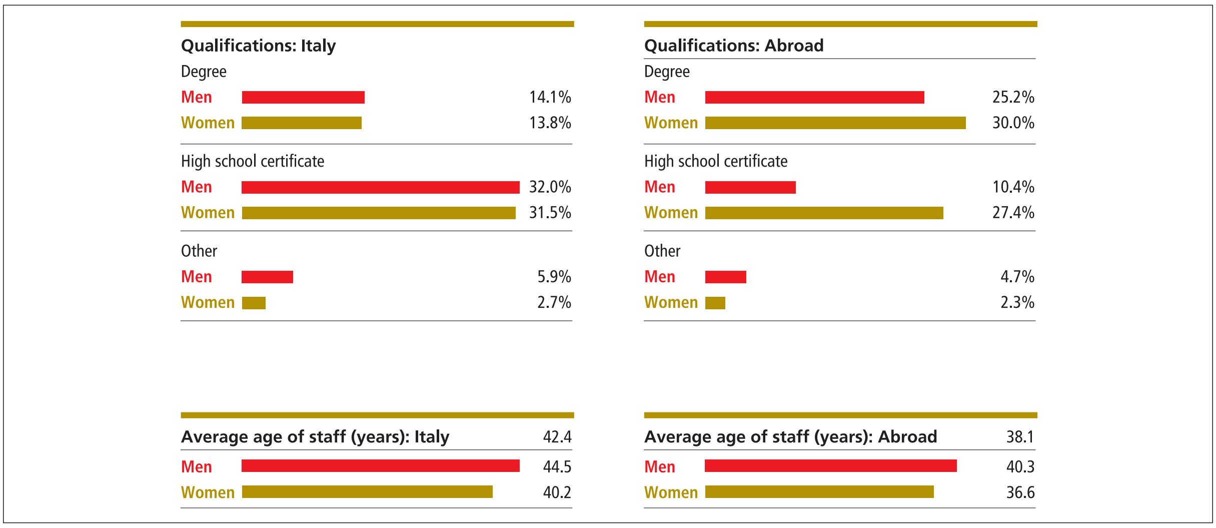
With regard to this stakeholder, though strongly maintaining its focus on integration, also in view of the entry of CR Firenze to the Group, attention was also paid to innovation, maximum utilization and internationalisation.

Breakdown by gender: Italy



Breakdown by gender: Abroad





As envisaged in the Business Plan, our commitment to reducing the cost of labour continued, also by means of a voluntary exit plan agreed with the Trade Unions. The staff turnover reflects this trend, recording changes since 2007 in both Italy (from -6.2% to -3.2%) and abroad (from 2% to 4%).

	Recruitments	Resignations /Dismissals	Turnover	Turnover rate
Italy	3,550	5,887	-2,337	-3.2%
Men	*1,381*	*3,981*	*-2,600*	*-6.5%*
Women	*2,169*	*1,906*	*263*	*0.8%*
Abroad				
Men	*1,344*	*1,224*	*120*	*1.1%*
Women	*3,113*	*2,208*	*905*	*6.1%*

The Training Department made a significant contribution to strengthening a sense of corporate identity, by using new methods to facilitate sharing of values and the integration of corporate cultures. In addition, work continued with a view to guaranteeing the development of awareness and professionalism, also with specific regard to the Group's banks abroad. The number of training days per employee was an average of 11 days in Italy and approximately 4 days for banks abroad. Initiatives were implemented to guarantee a constant development in internal skills and the quantity and variety of organised initiatives increased considerably. Other than cultural integration initiatives and the enormous efforts in training linked to organisational and operational integration, the Department's activities focused on the development of professionalism (through the training catalogue and the fine-tuning of development paths and projects), on improved methodologies and channels, and on initiatives supporting the Bank's future development. Among the latter initiatives, in addition to institutional activities, are certain new, highly distinctive formats.

Training according to content	Italy	Abroad
Managerial	7.8%	13.1%
Commercial	5.1%	13.9%
Operative	9.0%	13.3%
Credit	6.5%	4.4%
Finance	42.7%	1.4%
Abroad	0.1%	1.0%
Computer	1.4%	5.8%
Specialist	25.0%	37.9%
Linguistic	2.3%	9.3%

Negotiations with Trades Unions continued and intensified the standardisation procedure for remuneration and regulatory treatment begun in 2007, which reached an important milestone through the signing of the Pay Agreement on 29 January 2009. In addition to standardisation, negotiations followed two main threads: the first relates to recognition of the Company Bonus, for which the agreement was signed on 29 May 2008; the second, linked to the important joint commitment to cost containment and the prevention of employment tension, with the agreement signed on 8 July 2008, procedures launched pursuant to articles 4 and 24 of Italian Law 223/91 and setup of the Solidarity Allowance. In total, 249 agreements were signed, representing a contribution in terms of quality and innovation to the cultural integration of the bank.

In 2008, with the launch of the Potential assessment system, the "Development Platform", based on assessment systems for organisational positions, bonus and incentive recognition and managerial development processes, was completed and made available to all Italian companies in the Group.

The assessment of potential, extended to the entire workforce, represented – and continues to represent – a professional development opportunity to define training and growth plans consistent with the aptitude and motivation of each individual, to identify talent and key resources, and for career guidance.

Also based on indications provided by employees, invited through listening initiatives, in 2008 the implementation of IT applications offered a simplification of the development processes, at the same time improving management efficiency and encouraging consistency in terms of sustainability, equality and rewards.

2008 was also characterised by the launch of the Eccellenza (Excellence) project, which aims to accompany the acquisition of greater responsibility and the acceptance of more complex roles. The gradual extension of the above development systems, to International Subsidiary Banks continued; in particular, the job evaluation project is almost completed and the evaluation of managerial potential is now at an advanced stage.

The structured listening initiatives were consolidated, including the internal working climate survey, for the first time envisaging the gradual involvement of the Groups' international banks due to begin in 2009. The analysis results, disseminated via the Intranet, were also open to discussion for the first time in a forum in which a great many employees participated. Moreover, via WebTV interviews, management was able to give direct answers to queries from personnel. The unified Intranet was confirmed as the day-to-day reference tool and the House Organ "Mosaico" continued its publishing schedule presenting in-depth articles on the Bank and its business areas.

Shareholders

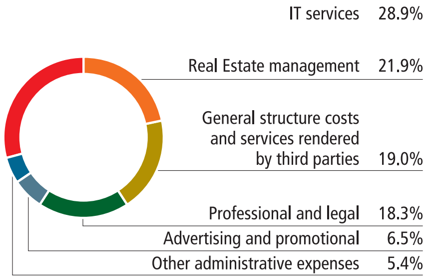
In 2008 activities concentrated mainly on maintaining consistency in commitments made under the 2007-2009 Business Plan. The sustainable growth objective therefore had to adapt to the rapidly deteriorating economic scenario, by continuing development of a relationship of trust with all stakeholders and applying leverage on all management variables: sustainable revenue growth, cost control, asset and risk optimisation.

The Group has maintained its commitment to provide all its stakeholders with transparent, prompt and easy-to-access information. Communication with the financial community – analysts, institutional investors and rating agencies – again concentrated on strategic objectives of the 2007-2009 Business Plan presented on 16 April 2007, and on the prompt reporting of corporate performance.

With regard to the 2007-2009 Business Plan, the priority communications objective was to consolidate Group potential with all stakeholders, through upgrading the website and constant direct contact, in relation to both creation of value and access to products and services with more competitive terms for customers.
Specifically, close attention was paid to sound capital base, liquidity and asset quality, highlighting the fact that the Intesa Sanpaolo Group is a solid reference for investors and a reliable partner for companies, based on indicators that are among the most positive for the sector at international level.
In 2008 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 timely, easy and economic ways through a range of channels: Internet, conference calls via a toll-free number, brochures, free distribution of financial statements on request via the Bank's website.

Suppliers

Breakdown of 2008 administrative expenses by category



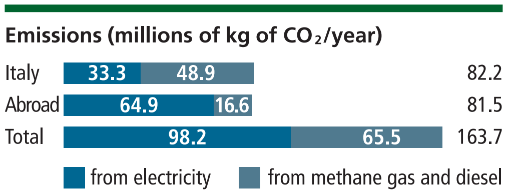
The integration process of procurement and the renegotiation and unification of supply contracts have seen intense activity again in 2008. The activity is performed in compliance with transparency and equal opportunities principles, also by integration of the supplier list, accessible to the public via the Group website.
The electronic procurement procedure adopted by Intesa Sanpaolo is based on an environmentally sustainable low consumption model, given the elimination of stock in hand, and an additional cost-saving tool.
Our commitment to social and environmental responsibility is confirmed by the inclusion of CSR criteria in invitations to tender for the procurement of technological materials and integration of the buyers training programme with a specific module on this topic.

Environment

Intesa Sanpaolo's commitment to reducing its environmental footprint, especially in terms of energy resources, has in general led to an electrical energy saving at national level of 3%, despite a 3% increase in the scope of reporting. With regard to heat energy, in Italy an increase of over 19% was recorded, attributable, other than to the change in reporting scope, also to weather conditions and a more accurate monitoring following integration. The International Subsidiary Banks recorded an increase in electricity consumption of 16%, mainly due to fine-tuning of the monitoring methods and their implementation as fully operational.

Energy consumption according to source	Italy	Abroad	Total
Thermal energy (million kWht)	233.2	67.6	300.8
Electricity (million kWhe)	549.8	113.0	662.8
Hydroelectric-powered electricity from renewable sources (million kWh)	473.4	0.0	473.4
Energy from other renewable sources (million kWh)	0.0	0.1	0.1
Cogeneration (million kWh)	9.9	0.0	9.9

The existence of a Group Environmental Management System, certified to UNI EN ISO 14001 standard since 2007, has improved management of the consumption of resources, systems and any renovation works on real estate monitored. The system's application during the year was extended to a further 50 sites. In the same period, in Italy the Group increased the use of hydroelectric-powered electricity certified by the producer, and this has allowed us to cut CO_2 emissions by approximately 240,000 tonnes (+14% on 2007). Furthermore, efficiency and energy-saving action in Italy (even with the increase in emissions from heating fuels) resulted in an overall reduction in CO_2 emissions of almost 27% compared to last year.

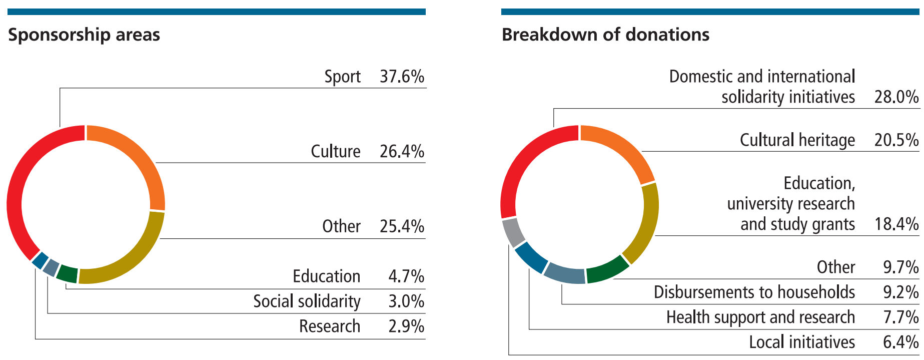


Continued commitment to technology upgrading and lighting system management has ensured a gradual increase in the number of sites that meet characteristics as defined in the European GreenLight Programme, of which the Bank is a member (56 sites added during 2008).
Again in 2008, Intesa Sanpaolo renewed its membership of the Sustenergy Campaign (Sustainable Energy Europe 2005-2008 Campaign), set up by the European Commission in order to reach targets laid down for the energy efficiency action plan. Within the framework of the Campaign, cooperation with the Italian Ministry for the Environment, begun in 2007, remains active and aims to reinforce our partnership in terms of energy savings and the promotion of renewable source energy.
Among the Bank's other initiatives to reduce direct environmental impact, the more significant were the replacement of cathode tube monitors with LCD versions and the gradual extension of the remote shutdown system for branch computers at night time and on non-business days. With the contribution of the Torino Polytechnic, the energy consumption monitoring systems were streamlined and unified internal benchmarks were defined, also to identify critical sites requiring optimisation.
With regard to paper consumption, 30% of purchases originate from certified forests and, for more consistent purchases in general, among the selection criteria focus points were introduced with regard to the environment friendliness of the product.
The basis for all environment-related initiatives and those to reduce global warming are the training and information activities, launched to increase awareness of the importance of these topics through several communications tools made available to personnel.
The Mobility Management Department, which synergically coordinates all aspects of internal transfers, worked on the gradual renewal of the vehicle fleet with those of lower environmental impact, initial analysis of the impact generated by Group mobility and the launch of a bike-sharing scheme for employees in four major cities. The ongoing project regarding the setup of videoconferencing points is included among corporate initiatives to reduce the impact generated by mobility.
Intesa Sanpaolo's achievement of the 2008 Green Globe Banking Award was recognition of the Bank's commitment in terms of resources, organisation and environmentally sustainable business, and a view of business "that aims to create social and environmental value for the communities it serves, not separated from the Bank's creation of economic value".
With regard to action to limit the environmental impact of customers, in 2008 the offer addressed to personal and family customers and SMEs, and the financing of large industrial projects, continued with the aim of responding to the needs of customers wishing to invest in energy savings and renewable resources.
In terms of personal loans, over 2,200 were allocated for a total of approximately 38 million euro, to finance the installation of photovoltaic panels or the purchase of environment-friendly vehicles. For SMEs, the Bank created special financing options on which, as at 31 December 2008, approximately 8 million euro had been allocated for 89 investments in the photovoltaic sector.
With regard to corporate customers, in 2008 medium/long-term financing of around 52 million euro was agreed in support of over 50 projects involving the use of photovoltaic panels, biomass systems and hydroelectric systems. A further 108 financing contracts were signed with regard to plants for the production of energy from renewable sources through Leasint, the Intesa Sanpaolo Group company dedicated to lease transactions, with a total value of almost 200 million euro of assets financed.
Through the Utilities and Environment Desk of Equiter, the Group's equity investor in the utilities, infrastructures, public property and environmental sectors, the Bank worked alongside industry operators

in the development of projects for the production of energy from renewable sources and the reduction of polluting emissions. Specifically, through the joint venture Enerpoint Energy, operations in the photovoltaic sector were particularly intensive: works were completed and large systems were installed for a total of approximately 4 MWp. The energy produced by these systems can satisfy the consumer needs of around 2,100 households and avoid the emission of 3,000 tonnes of CO_2 into the atmosphere.
GICA, the special purpose vehicle that creates and trades emission rights in accordance with ETS (European Trading Scheme) regulations, has offered the opportunity to analyse over 50 projects – in different parts of the world – that meet the measures envisaged by the Kyoto Protocol and which manage over two million tonnes of CO_2.
With regard to the commitment to the process for implementing the Equator Principles, the World Bank guidelines on the financing of projects, the training course for risk management, loans and project financing specialists was completed successfully. Action also continued to adopt the implementation model for these Principles by establishing an interdepartmental Work Group, flanked by one of the companies approved by the World Bank, to guarantee the application of the requisites in lending activities and to identify in advance any potential credit and reputation risks inherent to the sector or sensitive countries.

Community

Close relations with the areas in which the Bank operates allow us to provide support for initiatives that promote social and cultural growth, in favour of cohesion and the creation of value and well-being for the community. In this context, the Bank's commitment continued in support of social, religious and cultural activities, of the development of new microcredit projects or support to the Third Sector.
In 2008 a specific Regulation was approved to govern utilisation of the "Fund for charitable, social and cultural contributions", which provides resources for donations made by the Bank. This Regulation, based on the Code of Ethics, by specific and precise measures, studies and outlines a consolidated practice in support of the community, which was performed without a long-term continuity solution.
Specific commitment was also addressed to a more accurate definition of preliminary investigation processes for applications, for the selection of projects for submission to the authorities for approval and for the verification of impact from the implementation of the initiatives supported. With a view to transparency and proximity in the community in which Intesa Sanpaolo operates, the aim is to increase options for the support of social programme projects, large and small, that are most worthy.
In 2008, between donations and sponsorships, over 59 million euro was paid out, a 23% increase on the 2007 figure.



Specifically, in the field of international solidarity, support for the Malawi Project – now entering its second stage – was confirmed with a view to continuity and development. For the three-year period 2008-2011 the Bank is committed to contributing a further two million euro per year to the Charity Fund. The project, designed and coordinated by the Bank through national and international NGO activity, aims to develop health centres in Malawi to prevent the spreading of the HIV virus from mother to child (molecular biology labs and clinics for the distribution of antiretroviral drugs) and paediatric and neonatology services, to build reception centres for orphans and children at risk, to support education and a correct lifestyle, together with training and consulting in the microfinance sector and a nutrition support programme.
In the relationship between Intesa Sanpaolo and the local communities in which the Group operates, throughout its worldwide network, activities concerning support, positive exploitation and promotion of culture and knowledge play an important role, as do solidarity programmes and support for sports

activities. The commitment to these activities, in support of third party projects through partnerships and sponsorships firmly expresses how active the Bank is in the life of the country: a contribution towards its social and civic – as well as economic – development and an opportunity to create and consolidate constructive relations with the different situations encountered. There have been countless initiatives undertaken in support of the preservation and promotion of Italy's historical and artistic heritage. In June 2008 celebrations were held in the Palazzo Leone Montanari Galleries in Vicenza to mark the end of the fourteenth edition of *Restituzioni*, a programme for the restoration of state-owned art works which over almost twenty years has safeguarded more than six hundred works from deterioration and oblivion.
With regard to the Third Sector, activities have continued through a dedicated business unit, Banca Prossima, targeted to social enterprise and civil or religious non-profit organisations whose business purpose is the creation of social value. At the end of its first year of business, Banca Prossima has almost 4,000 customers, of which approximately 850 transferred, loans of over 85 million euro and total deposits of around 300 million euro.
In addition to providing innovative products and services in support of its specific customer segment, Banca Prossima has operated through the "Fund for the Development of Social Enterprise", a special fund allowing the Bank to help types of entities and projects that would otherwise have no access to credit. As at 31 December 2008, over 350 accounts were hedged by the Fund, for a total commitment of almost 27 million euro. These are customers which, based on standard criteria, would be considered borderline cases in terms of bankability 57% of the Fund, established with the sum of 10 million euro, has already been used.

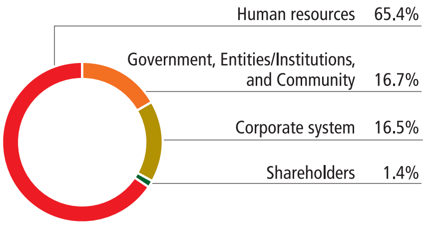
Distribution of Value Added

Despite the unfavourable market context, the Intesa Sanpaolo Group achieved a satisfactory net production again in 2008. Consumer trends, on the other hand, were hit harder by the consequences of the financial crisis. The Total Gross Value Added, determined by the difference between total revenues and the total cost of goods and services ("consumption"), amounted to 10.6 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.
In particular:

– human resources benefited by approximately 65% of the Total Gross Value Added produced, for a total of 6.9 billion euro. Specifically, this item includes – for a total of 570 million euro (gross of the tax effect) – personnel-related integration costs, including the best estimate of future costs expected on agreements signed with trade unions to provide a more effective integration of the Group's human resources after the Banca Intesa-Sanpaolo IMI merger;
– the Government System recorded an influx of resources for a total of 1.8 billion euro, equal to approximately 17% of the total value added. This value also includes substitute tax related to the taxable element of goodwill pursuant to Italian Law no. 2 of 28 January 2009; Group companies used 15 million euro to the benefit of the community, through the allocation of profits to the "Allowance for charitable, social and cultural contributions" and from donations;
– approximately 16% of Value Added, equal to 1.7 billion euro, was withheld by the Corporate System in the form of retained earnings, amortisation and depreciation. This amount can be considered an investment made each year by other stakeholder categories to maintain efficiency and promote development of the Bank as a whole. With regard to amounts held on the Corporate System, the effects of recognition of non-recurring components for future tax benefits resulting from taxation on goodwill, pursuant to the aforementioned Law 2/2009 were also taken into consideration;
– in 2008 Shareholders benefited only minimally from the total value added. In fact, at a time when the market attaches particular importance to the capitalisation level of banks, regardless of the actual risk to which each bank is subject, it was decided to use net income to strengthen the Group's shareholders' equity rather than for the distribution of dividends, except for distribution to saving shares – pursuant to the Articles of Association – of dividends equal to 5% of their nominal value, for a total of 24.2 million euro. A further 129 million euro is the portion of income attributed to minority interests.

Distribution of value added	in millions of euro	
Human resources	6,913	65.4
Government, Entities/Institutions and Community	1,767	16.7
Corporate system	1,743	16.5
Shareholders	153	1.4
GROSS TOTAL VALUE ADDED	**10,576**	**100.0**

Distribution of Value Added



Main risks and uncertainties

A detailed overview of the risks and uncertainties the Intesa Sanpaolo Group is exposed to is provided in this Report on operations and in the Notes to the consolidated financial statements.

Specifically, the risks linked to the trends in the global economy and financial markets and to the measures that will be taken by international organisations and national governments to fight the current crisis are set forth in the introduction to the Report on operations. The assumptions on which our valuations and forecasts are based are described in the chapter on the macroeconomic scenario, in that on impairment tests and in the following chapter on the forecast for 2009.

The risks associated with capital stability and operating continuity are summarised in the introduction to the Report on operations and are described in detail in Part F of the Notes to the consolidated financial statements.

Financial and operational risks are detailed in Part E of the Notes to the consolidated financial statements.

Forecast for 2009

2009 is expected to be a year of downturn for the global economy, which will continue to grapple with the many reverberations of the financial crisis. In Europe, the contraction of economic activity which marked the second half of 2008 is expected by most analysts to extend to the first half of 2009. A significant decline in GDP is expected in Italy too, which will be adversely affected by the negative trend of investments and foreign demand. The drop in commodity prices and weak domestic demand will generate a reduction of inflation rates in the first half of the year. The level of market interest rates will be low compared to historical averages across all maturities.

As the financial and banking crisis of mature economies gained momentum, the main research centres and leading international observers repeatedly revised downwards the 2009 growth projections of emerging countries too. In particular, CIS (Commonwealth of Independent States) and CEE/SEE (Central and Eastern European and South Eastern European) countries show diversified conditions, but their situation is likely to be critical. Russia seems to be in a particularly vulnerable cyclical position: if after their sharp decline oil prices stabilise at levels around or below the current ones, this could throw the State budget and current account balance into a deficit and GDP growth below zero. The combination of political and economic-financial crisis has severely affected the prospects for growth of Ukraine, which is expected to experience recession during the year, similarly to Hungary.

As to the Italian banking system, the reduction in credit growth rates is predicted to last for several months, reflecting the expected prolonged recession of the international economy, with a decline in consumption and investments. The credit market should be marked by sharply falling interest rates, but also by increased risk perception, with consequent tightening of lending conditions. Consequently, the loan repricing process will continue, with possible reductions in the amounts granted to companies with lower ratings.

The demand for corporate loans should be driven not only by the drop in interest rates and the reduction in companies' self-financing capability (currently at their lowest for the past 15 years), but also by the lengthening of maturities and the need to restructure existing debt. Positive effects may also be generated by government measures as the so-called "Tremonti bonds" aimed at strengthening the banks' capital base and maintaining adequate financing flows for the SMEs.

Household loan demand is expected to be weak throughout the year, but with a gradual recovery from the lowest point of the second half of the year, consistent with the expected improvement in the economic situation. Among household loan products, the greatest growth is expected in the non-mortgage segment, also thanks to marketing policies aimed at broadening the range offered to customers, including more personalised repayment plans.

At the same time, 2009 should be another positive year for direct customer deposits, reflecting the banks' strategy aimed at maintaining their liquidity profile, and the persistence of high risk aversion among households. However, the growth in direct customer deposits should gradually decrease, reflecting the slow down in customer loans growth. In this climate, the banks will continue to pursue funding policies aimed at better matching the maturities of assets and liabilities.

Further contraction is expected in asset management, since there are no signs of an imminent recovery.

Market developments will very likely translate into a further sharp decline in the operational profitability of banks. Interest margins will fall considerably, reflecting the high costs of funding and the slowdown in lending activity. Income from services will confirm its negative trend, driven by the weakness of commission flows from asset management and miscellaneous services (payment services, loan-related services, etc.), and by the drop in revenues from trading activity and from dividends on investments. The only positive note is on the cost side, where the efficiency initiatives already under way should continue to produce their effects. As to adjustments and prudential provisions, banks are expected to maintain a highly cautious stance, reflecting the market and credit risks associated with the disappointing developments in the economy and financial markets.

As to the Intesa Sanpaolo Group, the outlook for 2009 is in line with that of the national banking system.
Customer deposits and loans to customers are expected to grow, albeit at a slower pace than in 2008. Conversely, assets under administration and in custody and assets under management are expected to continue their downward trend.
Compared to the income statement for 2008 it can reasonably be assumed that 2009 will see a contraction in the interest margin and a further decline in net fee and commission income, while profits on trading should return to a positive value.
Rigorous cost control should lead to a further reduction in operating costs, while a further growth in losses on loans is expected.
The need to recognise new impairment losses on equity investments, intangible assets and goodwill and their value will depend especially on market trends; however, any such impairment losses should be significantly lower than those recognised in 2008.
In conclusion, as already stated, a positive net income can be expected for 2009, albeit, based on reasonable estimates at this time, lower than that recorded in 2008.
Intesa Sanpaolo will present to the markets its new 2009-2011 Business Plan by this summer, or at the latest, by the beginning of this autumn. The Plan will provide a more detailed description of the strategies and goals briefly outlined above.

The Management Board

Milano, 20 March 2009

Certification of the consolidated financial statements pursuant to Art. 154 bis of Legislative Decree 58/1998

1. The undersigned Corrado Passera (as Managing Director and CEO) and Ernesto Riva (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's features and
   – the actual application

   of the administrative and accounting procedures employed to draw up the consolidated financial statements during the year 2008.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the consolidated financial statements as at 31 December 2008 was performed in the context of the reorganisation of corporate processes and IT systems consequent on the integration of operations after the merger between Intesa and Sanpaolo IMI. The assessment was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems[1].

3. The undersigned also certify that:

   3.1 The Consolidated financial statements as at 31 December 2008:
   - have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation n. 1606/2002 of 19 July 2002;
   - correspond to the results of the books and accounts;
   - have been prepared in compliance with Legislative Decree 38/2005 and, to the extent applicable, with Legislative Decree 87/1992, as well as with the implementing rules on the preparation of accounts issued by the Bank of Italy and with the rules issued by Consob for listed issuers;
   - give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer and of the companies included in the scope of consolidation.

   3.2 The report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer and the companies included in the consolidation, together with a description of the main risks and uncertainties that they face.

20 March 2009

Corrado Passera
Managing Director and CEO

Ernesto Riva
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

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

Tel. (+39) 011 5161611
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Independent auditors' report
Pursuant to Article 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, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree No. 38/2005 is the responsibility of the Intesa Sanpaolo S.p.A.'s Management Board. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with 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 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 present the comparative data of the preceding year. As described in the explanatory notes, the Management Board restated the comparative data related to the consolidated financial statements of the preceding year, on which we issued our auditors' report on March 27, 2008. 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, 2008.

3. In our opinion, the consolidated financial statements of the Intesa Sanpaolo Group as of December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of 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 the Intesa Sanpaolo Group for the year then ended.

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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4. The Management Board of Intesa Sanpaolo S.p.A. is responsible for the preparation of the Report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree No. 58/1998. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on operations is consistent with the consolidated financial statements of the Intesa Sanpaolo Group as of December 31, 2008.

Turin, Italy, March 25, 2009

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

Consolidated financial statements

Consolidated balance sheet

(in millions of euro)

Assets		31.12.2008	31.12.2007	Changes	
				amount	%
10.	Cash and cash equivalents	7,835	3,463	4,372	
20.	Financial assets held for trading	61,080	52,759	8,321	15.8
30.	Financial assets designated at fair value through profit and loss	19,727	19,998	-271	-1.4
40.	Financial assets available for sale	29,083	36,914	-7,831	-21.2
50.	Investments held to maturity	5,572	5,923	-351	-5.9
60.	Due from banks	56,371	62,831	-6,460	-10.3
70.	Loans to customers	395,189	335,273	59,916	17.9
80.	Hedging derivatives	5,389	3,017	2,372	78.6
90.	Fair value change of financial assets in hedged portfolios (+/-)	66	12	54	
100.	Investments in associates and companies subject to joint control	3,230	3,522	-292	-8.3
110.	Technical insurance reserves reassured with third parties	40	34	6	17.6
120.	Property and equipment	5,255	5,191	64	1.2
130.	Intangible assets	27,151	25,771	1,380	5.4
	of which				
	- goodwill	*19,694*	*17,464*	*2,230*	*12.8*
140.	Tax assets	7,495	3,639	3,856	
	a) current	*2,752*	*1,956*	*796*	*40.7*
	b) deferred	*4,743*	*1,683*	*3,060*	
150.	Non-current assets held for sale and discontinued operations	1,135	4,222	-3,087	-73.1
160.	Other assets	11,515	10,390	1,125	10.8
Total Assets		**636,133**	**572,959**	**63,174**	**11.0**

Consolidated balance sheet

(in millions of euro)

Liabilities and Shareholders' Equity		31.12.2008	31.12.2007	Changes	
				amount	%
10.	Due to banks	51,745	67,688	-15,943	-23.6
20.	Due to customers	217,498	206,592	10,906	5.3
30.	Securities issued	188,280	139,891	48,389	34.6
40.	Financial liabilities held for trading	45,870	24,608	21,262	86.4
50.	Financial liabilities designated at fair value through profit and loss	25,119	27,270	-2,151	-7.9
60.	Hedging derivatives	5,086	2,234	2,852	
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,236	-4	1,240	
80.	Tax liabilities	4,461	3,863	598	15.5
	a) current	*1,607*	*683*	*924*	
	b) deferred	*2,854*	*3,180*	*-326*	*-10.3*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	1,021	3,265	-2,244	-68.7
100.	Other liabilities	20,046	17,951	2,095	11.7
110.	Employee termination indemnities	1,487	1,488	-1	-0.1
120.	Allowances for risks and charges	3,982	4,193	-211	-5.0
	a) post employment benefits	*504*	*486*	*18*	*3.7*
	b) other allowances	*3,478*	*3,707*	*-229*	*-6.2*
130.	Technical reserves	20,248	21,571	-1,323	-6.1
140.	Valuation reserves	-1,412	699	-2,111	
150.	Reimbursable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	8,075	5,712	2,363	41.4
180.	Share premium reserve	33,102	33,457	-355	-1.1
190.	Share capital	6,647	6,647	-	-
200.	Treasury shares (-)	-11	-2,207	-2,196	-99.5
210.	Minority interests (+/-)	1,100	791	309	39.1
220.	Net income (loss)	2,553	7,250	-4,697	-64.8
Total Liabilities and Shareholders' Equity		**636,133**	**572,959**	**63,174**	**11.0**

Consolidated income statement

(in millions of euro)

		2008	2007	Changes amount	Changes %
10.	Interest and similar income	28,041	24,385	3,656	15.0
20.	Interest and similar expense	-15,587	-14,219	1,368	9.6
30.	**Interest margin**	**12,454**	**10,166**	**2,288**	**22.5**
40.	Fee and commission income	6,738	7,304	-566	-7.7
50.	Fee and commission expense	-1,247	-1,382	-135	-9.8
60.	**Net fee and commission income**	**5,491**	**5,922**	**-431**	**-7.3**
70.	Dividend and similar income	704	781	-77	-9.9
80.	Profits (Losses) on trading	-1,329	-165	1,164	
90.	Fair value adjustments in hedge accounting	-143	27	-170	
100.	Profits (Losses) on disposal or repurchase of	46	266	-220	-82.7
	a) loans	*-50*	*-156*	*-106*	*-67.9*
	b) financial assets available for sale	*80*	*420*	*-340*	*-81.0*
	c) investments held to maturity	-	-	-	
	d) financial liabilities	*16*	*2*	*14*	
110.	Profits (Losses) on financial assets and liabilities designated at fair value	6	320	-314	-98.1
120.	**Net interest and other banking income**	**17,229**	**17,317**	**-88**	**-0.5**
130.	Net losses / recoveries on impairment	-3,270	-1,141	2,129	
	a) loans	*-2,433*	*-1,043*	*1,390*	
	b) financial assets available for sale	*-963*	*-62*	*901*	
	c) investments held to maturity	-	-	-	
	d) other financial activities	*126*	*-36*	*162*	
140.	**Net income from banking activities**	**13,959**	**16,176**	**-2,217**	**-13.7**
150.	Net insurance premiums	1,773	1,708	65	3.8
160.	Other net insurance income (expense)	-1,575	-2,124	-549	-25.8
170.	**Net income from banking and insurance activities**	**14,157**	**15,760**	**-1,603**	**-10.2**
180.	Administrative expenses	-10,055	-9,310	745	8.0
	a) personnel expenses	*-6,389*	*-5,994*	*395*	*6.6*
	b) other administrative expenses	*-3,666*	*-3,316*	*350*	*10.6*
190.	Net provisions for risks and charges	-365	-577	-212	-36.7
200.	Net adjustments to / recoveries on property and equipment	-432	-437	-5	-1.1
210.	Net adjustments to / recoveries on intangible assets	-1,744	-921	823	89.4
220.	Other operating expenses (income)	182	162	20	12.3
230.	**Operating expenses**	**-12,414**	**-11,083**	**1,331**	**12.0**
240.	Profits (Losses) on investments in associates and companies subject to joint control	176	338	-162	-47.9
250.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260.	Goodwill impairment	-1,065	-196	869	
270.	Profits (Losses) on disposal of investments	203	41	162	
280.	**Income (Loss) before tax from continuing operations**	**1,057**	**4,860**	**-3,803**	**-78.3**
290.	Taxes on income from continuing operations	589	-1,539	2,128	
300.	**Income (Loss) after tax from continuing operations**	**1,646**	**3,321**	**-1,675**	**-50.4**
310.	Income (Loss) after tax from discontinued operations	1,036	4,035	-2,999	-74.3
320.	**Net income (loss)**	**2,682**	**7,356**	**-4,674**	**-63.5**
330.	Minority interests	-129	-106	23	21.7
340.	**Parent Company's net income (loss)**	**2,553**	**7,250**	**-4,697**	**-64.8**
	Basic EPS - Euro	**0.20**	**0.57**		
	Diluted EPS - Euro	**0.20**	**0.57**		

Changes in consolidated shareholders' equity as at 31 December 2008

(in millions of euro)

	31.12.2008												
	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 1.1.2008													
- 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**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR													
Reserves													
- Group				**2,363**								**-2,363**	**-**
- minority interests				**55**								**-55**	**-**
Dividends and other allocations [(a)]												**-4,938**	**-4,938**
CHANGES IN THE PERIOD													
Changes in reserves													
- Group	**-**	**-**	**-355**	**-17**	**13**	**-1,437**	**-546**	**1**	**-129**				**-2,470**
- minority interests	**129**	**-**	**7**	**113**	**-**	**-13**	**-3**	**-**	**-2**				**231**
Operations on shareholders' equity													
Issue of new shares													
- Group											2,196		**2,196**
- minority interests													**-**
Purchase of treasury shares													
- Group													**-**
- minority interests													
Extraordinary dividends													**-**
Changes in equity instruments													
Derivatives on treasury shares													
Stock options				4									**4**
Net income (loss) for the period													
- Group												**2,553**	**2,553**
- minority interests												**129**	**129**
SHAREHOLDERS' EQUITY AS AT 31.12.2008	**6,622**	**488**	**33,230**	**8,360**	**101**	**-1,294**	**-416**	**353**	**-61**	**-**	**-11**	**2,682**	**50,054**
- Group	**6,162**	**485**	**33,102**	**7,974**	**101**	**-1,287**	**-413**	**343**	**-55**	**-**	**-11**	**2,553**	**48,954**
- minority interests	**460**	**3**	**128**	**386**	**-**	**-7**	**-3**	**10**	**-6**	**-**	**-**	**129**	**1,100**

[(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 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.

Consolidated statement of cash flows

(in millions of euro)

	31.12.2008	31.12.2007
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**5,359**	**6,171**
- net income (+/-)	2,682	7,356
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	2,693	-125
- gains/losses on hedging activities (-/+)	143	-27
- net losses/recoveries on impairment (+/-)	4,109	1,149
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	2,176	1,359
- net provisions for risks and charges and other costs/revenues (+/-)	1,079	1,056
- net insurance premiums to be collected (-)	-13	-39
- other insurance revenues/charges to be collected (-/+)	-3,307	-2,488
- taxes and duties to be settled (+)	-3,394	1,884
- net adjustments to/recoveries on disposal groups net of tax effect (-/+)	-	-
- other adjustments (+/-)	-809	-3,954
2. Cash flow from / used in financial assets	**-33,011**	**-286**
- financial assets held for trading	-14,490	15,247
- financial assets designated at fair value through profit and loss	1,681	1,515
- financial assets available for sale	2,858	5,067
- due from banks: repayable on demand	-2,256	-1,136
- due from banks: other	12,721	-5,603
- loans to customers	-31,866	-13,411
- other assets	-1,659	-1,965
3. Cash flow from / used in financial liabilities	**38,471**	**337**
- due to banks: repayable on demand	-1,417	-4,102
- due to banks: other	-20,323	-3,973
- due to customers	10,906	-1,016
- securities issued	28,110	10,856
- financial liabilities held for trading	21,197	-429
- financial liabilities designated at fair value through profit and loss	-3,040	1,113
- other liabilities	3,038	-2,112
Net cash flow from (used in) operating activities	**10,819**	**6,222**
B. INVESTING ACTIVITIES		
1. Cash flow from	**3,783**	**5,775**
- sales of investments in associates and companies subject to joint control	388	283
- dividends collected on investments in associates and companies subject to joint control	24	22
- sales/reimbursements of investments held to maturity	-	-
- sales of property and equipment	1,076	472
- sales of intangible assets	-	34
- sales of subsidiaries and business branches	2,295	4,964
2. Cash flow used in	**-5,370**	**-4,680**
- purchases of investments in associates and companies subject to joint control	-909	-1,841
- purchases of investments held to maturity	351	-227
- purchases of property and equipment	-1,380	-552
- purchases of intangible assets	-1	-1,063
- purchases of subsidiaries and business branches	-3,431	-997
Net cash flow from (used in) investing activities	**-1,587**	**1,095**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	37	-2,207
- share capital increases	-	-
- dividend distribution and other	-4,887	-4,928
Net cash flow from (used in) financing activities	**-4,850**	**-7,135**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,382**	**182**
RECONCILIATION		
Cash and cash equivalents at beginning of period	3,463	3,279
Net increase (decrease) in cash and cash equivalents	4,382	182
Cash and cash equivalents: foreign exchange effect	-10	2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**7,835**	**3,463**

LEGEND: (+) from (–) used in

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 as provided for by Community Regulation 1606 of 19 July 2002.
The Consolidated financial statements as at 31 December 2008 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.
The Consolidated financial statements have been prepared using the international accounting standards in force as at 31 December 2008 (including the SIC and IFRIC interpretation documents).
The most significant change compared to the 2007 financial statements is the EC Regulation 1004/2008, with which the European Commission endorsed the IASB document "Reclassification of financial assets". This document – discussed in more detail below – introduced changes to IAS 39 and IFRS 7 that, in particular circumstances, authorise the reclassification of certain financial instruments. The application of this Regulation has had impacts on the 2008 Consolidated financial statements that are described in part A.2 of these Notes to the Consolidated financial statements.
For the sake of completeness, please also note EC Regulation 1126/2008, which brought together in a single text all the accounting standards and interpretation documents contained in the previous regulation 1725/2003 and subsequent amending acts, and the subsequent endorsement – even though it is only effective from 1 January 2009 – of the revised versions of IAS 23 – Borrowing Costs (EC Regulation 1260/2008), of IAS 1 – Presentation of Financial Statements (EC Regulation 1274/2008), and of certain amendments to IFRS 2 (EC Regulation 1261/2008).
During the year the new interpretation documents IFRIC 13 – Customer Loyalty Programmes (EC Regulation 1262/2008) and IFRIC 14, relating to defined benefit assets (EC Regulation 1263/2008) were also endorsed. None of these documents had any impact on the 2008 Consolidated financial statements.

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 these 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 and 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 2008 and the relevant details in the Notes to the consolidated financial statements - in accordance with the provisions of IFRS 5 - show some assets subject to imminent disposal within non-current assets held for sale and discontinued operations. These relate to the stake held in Cassa di Risparmio di Orvieto, to be sold to Banca Popolare di Bari, and to a number of branches of the provinces of Pistoia and La Spezia under disposal following the order by the Italian Competition Authority resulting from the acquisition of the Cassa di Risparmio di Firenze Group. This caption also includes the business line relating to EurizonVita's direct network of pension consultants, sold in early January 2009 to the Cattolica Assicurazioni Group.
The income statement and the relevant details in the Notes to the Consolidated financial statements include under non-current assets held for sale and discontinued operations the capital gains from the sale, in the first quarter of 2008, of 198 branches to Veneto Banca, Credito Valtellinese, Banca Popolare di Bari, Banca Popolare Alto Adige and Banca Carige, and the sales of Cassa di Risparmio di Fano to Credito Valtellinese and of Calit, the leasing company serving the distribution networks of Cariparma and FriulAdria, to Crédit Agricole, both completed at the beginning of December 2008. The caption also includes the profits earned by the entities sold up to the date of completion of the transactions.
This caption also includes all the profits earned by the entities sold up to the date of completion of the transactions and the economic effects attributable to the abovementioned non-current assets held for sale and discontinued operations.

The Consolidated financial statement forms and the Notes to the consolidated financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2007, adjusted in accordance with the provisions of IFRS 3 to take account of the definitive allocation of costs of the purchase transactions.
These adjustments did not have an impact on the income statement because last year Eurizon Investimenti was only consolidated with reference to the balance sheet figures as it was acquired at the end of the year.
The income statement and the relevant details in the Notes to the Consolidated financial statements have also been amended for the comparison year in accordance with IFRS 5 to take into account the income statement effects of the abovementioned non-current assets held for sale and discontinued operations.
The Attachments include tables with the reconciliations between such comparative figures and the balance sheet and income statement figures originally published in the 2007 Annual report, together with specific reconciliations between these figures and the reclassified statements included in the Report on operations accompanying these financial statements.

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 2008 and for 2007 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. They also take into account the instructions issued by the Bank of Italy in the letter of 2 January 2009, which introduced changes to some of the tables in the Notes to the financial statements and provided clarifications and explanations on specific matters.
The particularly significant information regarding the transactions conducted, the actions taken and the solutions adopted in the 2008 consolidated financial statements is contained in Part B, Chapters 4.5, 10.3, 13.3, 14.3 and Part E, Chapter 1.2.

SECTION 3 – SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

Scope of consolidation

The Consolidated financial statements include Intesa Sanpaolo and the companies which it directly and indirectly controls and consider in the scope of consolidation – as specifically set out by the new IAS/IFRS – also the companies operating in dissimilar sectors from the Parent Company as well as private equity investments. Similarly, special purpose entities/vehicles (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 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, 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 42.6% 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 scope of consolidation 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.
Equity investments of over 20% held, directly or through funds, in companies involved in the venture capital business are also excluded from the line-by-line scope of consolidation. These equity investments are included in the category of instruments measured at fair value.
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.

The main entries in the line-by-line scope of consolidation, with respect to the situation as at 31 December 2007, related to the Cassa di Risparmio di Firenze Group, Intesa Sanpaolo Servizi Transazionali (former MPS Finance Banca Mobiliare), a company incorporated for the acquisition of the depositary bank services of Banca Monte dei Paschi di Siena, and Pravex Bank, a commercial bank operating in Ukraine. For these last two companies, acquired at the end of the first half of the year, the income statement figures have been consolidated from 1 July 2008. A description of the individual transactions is provided in Part G - Business combinations of these Notes to the consolidated financial statements. Eurizon Investimenti was included in the scope of consolidation (former Nextra, which in the 2007 financial statements was consolidated only referring to balance sheet figures).
On the other hand the scope of consolidation did not include Cassa di Risparmio di Fano and Calit, companies sold at the beginning of December, the business line of Eurizon Vita consisting of the network of pension consultants, which was classified under non-current assets held for sale and discontinued operations as at 31 December 2008 and was then sold in January 2009, Sanpaolo Imi Insurance Brokers, which was sold, Finameris-Société d'Investissement et de Financements Immobiliers, which ceased operations, and the investment in Cassa di Risparmio di Orvieto, held by Carifirenze, which was allocated to non-current assets held for sale and discontinued operations.

Please also note, even though it did not have any impact at consolidated level, the exclusion of the following companies from the scope of consolidation as a result of internal reorganisations:

- Banca Opi, split into Banca Infrastrutture Innovazione e Sviluppo S.p.A., Intesa Sanpaolo and Equiter (former Finopi);
- Banca Italo Albanese, merged by incorporation into Intesa Sanpaolo Bank of Albania (former American Bank of Albania);
- Panonska Banka a.d., merged by incorporation into Banca Intesa A.D.- Beograd;
- Sanpaolo Leasint S.p.A., merged by incorporation into Leasint (former Intesa Leasing S.p.A.);
- Inter-Europa Bank, merged by incorporation into Central European International Bank;
- EurizonSolutions, merged by incorporation into Intesa Sanpaolo;
- Banca Intesa (France), merged by incorporation into Intesa Sanpaolo with the establishment of the Paris branch;
- Eurizon Investimenti partially split into Eurizon Capital and subsequently merged by incorporation into the Parent Company;
- Intesa Distribution Services, merged by incorporation into Eurizon Capital.

Finally, please also note that on 14 February 2008, after having obtained the necessary authorisations, 36 branches of the Intesa Sanpaolo Group in the provinces of Imperia (5 branches), Venezia (12), Padova (7), Udine (9) and Rovigo (3), were sold to Veneto Banca with effect from 18 February 2008 for a total consideration of 274 million euro. This transaction was the first step in the fulfilment of the sale-and-purchase framework agreements signed on 5 October 2007, as amended and supplemented, which relate to the disposal of 198 branches of the Intesa Sanpaolo Group, in compliance with decision no. 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 were 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 province of Pavia 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 province of Venezia; 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.

The following table indicates the investments in subsidiaries which are included in the line-by-line scope of consolidation of the Consolidated financial statements as at 31 December 2008.

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	Adriano Finance S.r.l. (c) Capital Euro 15,000	Roma	4	Intesa Sanpaolo	5.00	
2	Adriano Finance 2 S.r.l. (c) Capital Euro 10,000	Milano	4	Intesa Sanpaolo	5.00	
3	Adriano Finance 3 S.r.l. (c) Capital Euro 15,000	Milano	4	Intesa Sanpaolo	5.00	
4	Arten Sicav (d)	Luxembourg	4	EurizonLife	91.00	-
5	Atlantis S.A. Capital ARP 15,989,505 in shares of ARP 1	Buenos Aires	1	Intesa Sanpaolo Holding International Sudameris	18.75 81.25 100.00	
6	B.I. Private Equity Ltd Capital Euro 100,000 in shares of Euro 1	Dublin	1	Private Equity International	100.00	
7	Banca C.i.s. S.p.A. Capital Euro 170,276,569.35 in shares of Euro 51.65	Cagliari	1	Intesa Sanpaolo Mediocredito Italiano	44.63 55.37 100.00	
8	Banca C.R. Firenze Romania S.A.(e) Capital RON 44,338,660.00	Bucharest	1	Cassa di Risparmio di Firenze	56.23	
9	Banca dell'Adriatico S.p.A. Capital Euro 232,652,000 in shares of Euro 1	Pesaro	1	Intesa Sanpaolo	100.00	
10	Banca di Trento e Bolzano S.p.A. (f) Capital Euro 55,103,550.84 in shares of Euro 0.52	Trento	1	Intesa Sanpaolo Finanziaria B.T.B.	8.28 63.37 71.65	
11	Banca Fideuram S.p.A. Capital Euro 186,255,207.16 in shares of Euro 0.19	Roma	1	Intesa Sanpaolo	100.00	
12	Banca IMI S.p.A. Capital Euro 662,464,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
13	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	
14	Banca Infrastrutture Innovazione e Sviluppo S.p.A. Capital Euro 346,300,000 in shares of Euro 1	Roma	1	Intesa Sanpaolo	100.00	
15	Banca Intesa a.d., Beograd (g) Capital RSD 18,477,400,000 in shares of RSD 100,000	Novi Beograd	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	77.79 15.21 93.00	
16	Banca Prossima S.p.A. Capital Euro 80,000,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
17	Banco di Napoli S.p.A. Capital Euro 1,000,000,000 in shares of Euro 10	Napoli	1	Intesa Sanpaolo	100.00	
18	Bank of Alexandria Capital EGP 800,000,000 in shares of EGP 2	Il Cairo	1	Intesa Sanpaolo	80.00	
19	Banka Koper d.d. (h) Capital Euro 22,173,218.16 in shares of Euro 41.73	Koper	1	Intesa Sanpaolo	97.22	
20	Canova Sicav (d)	Luxembourg	4	EurizonLife	100.00	
21	Cassa dei Risparmi di Forlì e della Romagna S.p.A. Capital Euro 200,963,885 in shares of Euro 1	Forlì	1	Intesa Sanpaolo	66.31	
22	Cassa di Risparmio del Friuli Venezia Giulia S.p.A. Capital Euro 180,263,000 in shares of Euro 10	Gorizia	1	Intesa Sanpaolo	100.00	
23	Cassa di Risparmio del Veneto S.p.A. (former Cassa di Risparmio di Padova e Rovigo) Capital Euro 778,869,000 in shares of Euro 10	Padova	1	Intesa Sanpaolo	100.00	
24	Cassa di Risparmio della Provincia di Viterbo S.p.A. Capital Euro 49,407,056.31 in shares of Euro 0.51	Viterbo	1	Casse del Centro	75.81	82.02
25	Cassa di Risparmio della Spezia S.p.A. Capital Euro 98,155,000 in shares of Euro 0.67	La Spezia	1	Cassa di Risparmio di Firenze	80.00	
26	Cassa di Risparmio di Ascoli Piceno S.p.A. Capital Euro 70,755,020 in shares of Euro 258.23	Ascoli Piceno	1	Casse del Centro	66.00	
27	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	Casse del Centro	82.19	
28	Cassa di Risparmio di Civitavecchia S.p.A. Capital Euro 34,505,380 in shares of Euro 70	Civitavecchia	1	Cassa di Risparmio di Firenze	51.00	
29	Cassa di Risparmio di Firenze S.p.A. (i) Capital Euro 828,836,017 in shares of Euro 1	Firenze	1	Intesa Sanpaolo	89.71	

Companies	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
30 Cassa di Risparmio di Foligno S.p.A. Capital Euro 17,720,820 in shares of Euro 0.52	Foligno (Perugia)	1	Casse del Centro	70.47	
31 Cassa di Risparmio di Orvieto S.p.A. (j) Capital Euro 20,388,976 in shares of Euro 76	Orvieto (Terni)	1	Cassa di Risparmio di Firenze	73.57	
32 Cassa di Risparmio di Pistoia e Pescia S.p.A. (k) Capital Euro 141,987,825 in shares of Euro 0.63	Pistoia	1	Cassa di Risparmio di Firenze	58.79	60.00
33 Cassa di Risparmio di Rieti S.p.A. Capital Euro 47,339,291 in shares of Euro 51.65	Rieti	1	Casse del Centro	85.00	
34 Cassa di Risparmio di Spoleto S.p.A. Capital Euro 42,489,053 in shares of Euro 1	Spoleto (Perugia)	1	Casse del Centro	60.13	
35 Cassa di Risparmio di Terni e Narni S.p.A. Capital Euro 21,000,000 in shares of Euro 6	Terni	1	Casse del Centro	75.00	
36 Cassa di Risparmio di Venezia S.p.A. Capital Euro 254,536,000 in shares of Euro 10	Venezia	1	Intesa Sanpaolo	100.00	
37 Cassa di Risparmio in Bologna S.p.A. Capital Euro 561,692,000 in shares of Euro 10	Bologna	1	Intesa Sanpaolo	100.00	
38 Casse del Centro S.p.A. (former Intesa Casse del Centro) Capital Euro 774,240,078 in shares of Euro 1	Spoleto (Perugia)	1	Cassa di Risparmio di Firenze	96.07	
39 Central-European International Bank Ltd. Capital HUF 62,818,570,000 in shares of HUF 1	Budapest	1	Intesa Sanpaolo Holding International Intesa Sanpaolo	89.10 10.90 100.00	
40 Centro Factoring S.p.A. Capital Euro 25,200,000 in shares of Euro 4	Firenze	1	Cassa di Risparmio di Firenze Centro Leasing Banca Intesa Sanpaolo Cassa di Risparmio di Pistoia e Pescia Cassa di Risparmio della Spezia Cassa dei Risparmi di Forlì e della Romagna Cassa di Risparmio di Orvieto	41.77 14.95 10.81 5.73 0.16 0.11 0.03 73.56	
41 Centro Leasing Banca S.p.A. Capital Euro 155,020,051.5 in shares of Euro 3.54	Firenze	1	Cassa di Risparmio di Firenze Cassa di Risparmio di Pistoia e Pescia Cassa di Risparmio di Orvieto Cassa di Risparmio della Spezia Cassa di Risparmio di Civitavecchia Cassa dei Risparmi di Forlì e della Romagna	77.49 7.09 0.93 0.79 0.56 0.04 86.90	
42 Centro Leasing Rete S.p.A. Capital Euro 1,500,000 in shares of Euro 1	Firenze	1	Centro Leasing Banca	100.00	
43 Centrovita Assicurazioni S.p.A. Capital Euro 38,000,000 in shares of Euro 1	Firenze	1	Cassa di Risparmio di Firenze Cassa di Risparmio di Pistoia e Pescia	43.00 8.00 51.00	
44 Centurion Financial Services Ltd Capital BAM 560,169	Sarajevo	1	PBZ Card	100.00	
45 Centurion Financne Storitve d.o.o. Capital Euro 1,648,305.79	Ljubljana	1	Banka Koper PBZ Card	75.00 25.00 100.00	
46 CIB Car Trading Limited Liability Company Capital HUF 10,000,000	Budapest	1	CIB Credit	100.00	
47 CIB Credit Ltd Capital HUF 50,000,000	Budapest	1	CIB Leasing CIB Real Estate	98.00 2.00 100.00	
48 CIB Expert Ltd. Capital HUF 3,000,000	Budapest	1	CIB Real Estate	100.00	
49 CIB Factor Financial Service Ltd. Capital HUF 103,500,000	Budapest	1	CIB Real Property Utilisation and Services CIB Service Property Utilisation and Services	50.00 50.00 100.00	
50 CIB Insurance Broker Ltd. Capital HUF 10,000,000	Budapest	1	CIB Leasing	100.00	
51 CIB Inventory Management Limited Liability Company Capital HUF 100,000,000	Budapest	1	Central-European International Bank	100.00	
52 CIB Investment Fund Management Ltd. Capital HUF 600,000,000	Budapest	1	Central-European International Bank CIB REAL Property Utilisation and Services	94.98 5.02 100.00	
53 CIB Leasing Ltd. Capital HUF 1,520,000,000	Budapest	1	CIB Rent Operative Leasing	100.00	
54 CIB New York Broker Zrt. (former IE-New York Broker Rt) Capital HUF 20,025,000 in shares of HUF 75,000	Budapest	1	Central-European International Bank	100.00	
55 CIB Real Estate Ltd. Capital HUF 50,000,000	Budapest	1	CIB Leasing	100.00	
56 CIB REAL Property Utilisation and Services Ltd. Capital HUF 6,000,000,000	Budapest	1	Central-European International Bank CIB Service Property Utilisation and Services	45.73 54.27 100.00	14.64 85.36 100.00

	Companies	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
57	CIB Rent Operative Leasing Ltd. Capital HUF 800,000,000	Budapest	1	Central-European International Bank	100.00	
58	CIB Residential Property Leasing Ltd. Capital HUF 50,010,000	Budapest	1	CIB Credit	100.00	
59	CIB Service Property Utilisation and Services Ltd. Capital HUF 15,300,000,000	Budapest	1	Central-European International Bank	100.00	
60	CIL Bajor Co. Ltd. Capital HUF 20,000,000	Budapest	1	CIB Insurance Broker CIB Real Estate	50.00 50.00 100.00	
61	CIL Buda Square Ltd. Capital HUF 500,000	Budapest	1	CIB Leasing CIB Real Estate	50.00 50.00 100.00	
62	CIL Danubius Co. Ltd Capital HUF 20,000,000	Budapest	1	CIB Insurance Broker CIB Real Estate	50.00 50.00 100.00	
63	CIL Nagyteteny Ltd. Capital HUF 3,000,000	Budapest	1	CIB Real Estate CIB Leasing	50.00 50.00 100.00	
64	CIL Vaci ut Property Utilisation Limited Liability Company Capital HUF 3,000,000	Budapest	1	CIB Insurance Broker CIB Real Estate	50.00 50.00 100.00	
65	CIL - FOOD 2006 Ltd Capital HUF 3,000,000	Budapest	1	CIB Leasing CIB Real Estate	50.00 50.00 100.00	
66	Cimabue Sicav (d)	Luxembourg	4	EurizonLife	100.00	
67	Consumer Finance Holding a.s. Capital SKK 1,600,000,000	Kezmarok	1	Vseobecna Uverova Banka	100.00	
68	CR Firenze Gestion Internationale S.A. Capital Euro 500,000	Luxembourg	1	Intesa Sanpaolo	100.00	
69	Duomo Funding Plc (l)	Dublin	4	Intesa Sanpaolo	-	
70	Epsilon Associati SGR S.p.A. Capital Euro 5,200,000 in shares of Euro 0.52	Milano	1	Eurizon Capital SGR	93.75	
71	Equiter S.p.A. (former Fin. OPI S.p.A.) Capital Euro 150,000,000 in shares of Euro 5	Torino	1	Intesa Sanpaolo	100.00	
72	ERFI 2000 Ingatlan kft Capital Huf 2,247,600,000 in shares of Huf 1	Budapest	1	Cib Service Property Utilisation and Services	100.00	
73	Eurizon A.I. SGR S.p.A. Capital Euro 4,420,000 in shares of Euro 130	Milano	1	Eurizon Capital SGR Intesa Sanpaolo	90.00 10.00 100.00	
74	Eurizon Alternative Investments S.G.R. S.p.A. Capital Euro 1,000,000 in shares of Euro 100	Milano	1	Eurizon Capital SGR	100.00	
75	Eurizon Capital S.A. Capital Euro 5,000,000	Luxembourg	1	Eurizon Capital SGR	100.00	
76	Eurizon Capital S.G.R. S.p.A. Capital Euro 35,000,000 in shares of Euro 1	Torino	1	Intesa Sanpaolo	100.00	
77	Eurizon Vita S.p.A. Capital Euro 295,322,508 in shares of Euro 1	Torino	1	Intesa Sanpaolo	99.96	
78	EurizonLife Ltd Capital Euro 625,000	Dublin	1	Eurizon Vita	100.00	
79	EurizonTutela S.p.A. Capital Euro 27,912,258 in shares of Euro 1	Torino	1	Eurizon Vita	100.00	
80	Euro-Tresorerie S.A. Capital Euro 250,038,322.20 in shares of Euro 15.30	Paris	1	Financiere Fideuram	100.00	
81	Fideuram Asset Management (Ireland) Ltd Capital Euro 1,000,000	Dublin	1	Banca Fideuram	100.00	
82	Fideuram Bank (Monaco) S.A.M. (former Fideuram Wargny Gestion S.A.M.) Capital Euro 5,000,000 in shares of Euro 200	Monaco	1	Fideuram Bank Luxembourg	99.96	
83	Fideuram Bank (Suisse) S.A. Capital CHF 15,000,000	Lugano	1	Fideuram Bank Luxembourg	99.97	
84	Fideuram Bank Luxembourg S.A. (former Fideuram Bank S.A.) Capital Euro 30,000,000	Luxembourg	1	Banca Fideuram	100.00	
85	Fideuram Fiduciaria S.p.A. Capital Euro 1,551,000 in shares of Euro 517	Roma	1	Banca Fideuram	100.00	
86	Fideuram France S.A. (former Banque Privée Fideuram S.A.) Capital Euro 132,530,240	Paris	1	Financiere Fideuram	99.95	
87	Fideuram Fund Bond Global Emerging Markets (d)	Luxembourg	4	Eurizon Vita	71.78	-
88	Fideuram Fund Bond Global High Yield (d)	Luxembourg	4	Eurizon Vita	76.74	-
89	Fideuram Fund Bond Usd (d)	Luxembourg	4	Eurizon Vita	89.30	-
90	Fideuram Fund Equity Europe (d)	Luxembourg	4	Eurizon Vita	74.25	-

	Companies	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available %
91	Fideuram Fund Equity Global Emerging Markets (d)	Luxembourg	4	Eurizon Vita	80.79	-
92	Fideuram Fund Equity Italy (d)	Luxembourg	4	Eurizon Vita	90.85	-
93	Fideuram Fund Equity Japan (d)	Luxembourg	4	Eurizon Vita	78.21	-
94	Fideuram Fund Equity Pacific Ex Japan (d)	Luxembourg	4	Eurizon Vita	75.71	-
95	Fideuram Fund Equity Usa (d)	Luxembourg	4	Eurizon Vita	73.12	-
96	Fideuram Fund Equity Usa Growth (d)	Luxembourg	4	Eurizon Vita	99.70	-
97	Fideuram Fund Equity Usa Value (d)	Luxembourg	4	Eurizon Vita	99.62	-
98	Fideuram Fund Euro Bond Long Risk (d)	Luxembourg	4	Eurizon Vita	90.56	-
99	Fideuram Fund Euro Bond Low Risk (d)	Luxembourg	4	Eurizon Vita	63.39	-
100	Fideuram Fund Euro Bond Medium Risk (d)	Luxembourg	4	Eurizon Vita	73.13	-
101	Fideuram Fund Euro Corporate Bond (d)	Luxembourg	4	Eurizon Vita	73.75	-
102	Fideuram Fund Euro Defensive Bond (d)	Luxembourg	4	Eurizon Vita	62.80	-
103	Fideuram Fund Europe Listed Consumer Discretionary Equity (d)	Luxembourg	4	Eurizon Vita	97.36	-
104	Fideuram Fund Europe Listed Consumer Staples Equity (d)	Luxembourg	4	Eurizon Vita	96.50	-
105	Fideuram Fund Europe Listed Energy Materials Utilities Equity (d)	Luxembourg	4	Eurizon Vita	95.19	-
106	Fideuram Fund Europe Listed Financials Equity (d)	Luxembourg	4	Eurizon Vita	96.08	-
107	Fideuram Fund Europe Listed Health Care Equity (d)	Luxembourg	4	Eurizon Vita	96.11	-
108	Fideuram Fund Europe Listed Industrials Equity (d)	Luxembourg	4	Eurizon Vita	96.14	-
109	Fideuram Fund Europe Listed T.T. Equity (d)	Luxembourg	4	Eurizon Vita	94.93	-
110	Fideuram Fund Inflation Linked (d)	Luxembourg	4	Eurizon Vita	60.56	-
111	Fideuram Fund Zero Coupon 2009 (d)	Luxembourg	4	Eurizon Vita	100.00	-
112	Fideuram Fund Zero Coupon 2010 (d)	Luxembourg	4	Eurizon Vita	100.00	-
113	Fideuram Fund Zero Coupon 2011 (d)	Luxembourg	4	Eurizon Vita	100.00	-
114	Fideuram Fund Zero Coupon 2012 (d)	Luxembourg	4	Eurizon Vita	100.00	-
115	Fideuram Fund Zero Coupon 2013 (d)	Luxembourg	4	Eurizon Vita	100.00	-
116	Fideuram Fund Zero Coupon 2014 (d)	Luxembourg	4	Eurizon Vita	100.00	-
117	Fideuram Fund Zero Coupon 2015 (d)	Luxembourg	4	Eurizon Vita	100.00	-
118	Fideuram Fund Zero Coupon 2016 (d)	Luxembourg	4	Eurizon Vita	100.00	-
119	Fideuram Fund Zero Coupon 2017 (d)	Luxembourg	4	Eurizon Vita	100.00	-
120	Fideuram Fund Zero Coupon 2018 (d)	Luxembourg	4	Eurizon Vita	100.00	-
121	Fideuram Fund Zero Coupon 2019 (d)	Luxembourg	4	Eurizon Vita	100.00	-
122	Fideuram Fund Zero Coupon 2020 (d)	Luxembourg	4	Eurizon Vita	100.00	-
123	Fideuram Fund Zero Coupon 2021 (d)	Luxembourg	4	Eurizon Vita	100.00	-
124	Fideuram Fund Zero Coupon 2022 (d)	Luxembourg	4	Eurizon Vita	100.00	-
125	Fideuram Fund Zero Coupon 2023 (d)	Luxembourg	4	Eurizon Vita	100.00	-
126	Fideuram Fund Zero Coupon 2024 (d)	Luxembourg	4	Eurizon Vita	100.00	-
127	Fideuram Fund Zero Coupon 2025 (d)	Luxembourg	4	Eurizon Vita	100.00	-
128	Fideuram Fund Zero Coupon 2026 (d)	Luxembourg	4	Eurizon Vita	100.00	-
129	Fideuram Fund Zero Coupon 2027 (d)	Luxembourg	4	Eurizon Vita	100.00	-
130	Fideuram Fund Zero Coupon 2028 (d)	Luxembourg	4	Eurizon Vita	100.00	-
131	Fideuram Fund Zero Coupon 2029 (d)	Luxembourg	4	Eurizon Vita	100.00	-
132	Fideuram Fund Zero Coupon 2030 (d)	Luxembourg	4	Eurizon Vita	100.00	-
133	Fideuram Fund Zero Coupon 2031 (d)	Luxembourg	4	Eurizon Vita	100.00	-
134	Fideuram Fund Zero Coupon 2032 (d)	Luxembourg	4	Eurizon Vita	100.00	-
135	Fideuram Fund Zero Coupon 2033 (d)	Luxembourg	4	Eurizon Vita	100.00	-
136	Fideuram Fund Zero Coupon 2034 (d)	Luxembourg	4	Eurizon Vita	100.00	-
137	Fideuram Fund Zero Coupon 2035 (d)	Luxembourg	4	Eurizon Vita	100.00	-
138	Fideuram Fund Zero Coupon 2036 (d)	Luxembourg	4	Eurizon Vita	100.00	-
139	Fideuram Fund Zero Coupon 2037 (d)	Luxembourg	4	Eurizon Vita	100.00	-
140	Fideuram Fund Zero Coupon 2038 (d)	Luxembourg	4	Eurizon Vita	85.80	-
141	Fideuram Gestions S.A. Capital Euro 10,000,000 in shares of Euro 100	Luxembourg	1	Banca Fideuram Eurizon Vita	99.94 0.06 100.00	
142	Fideuram Investimenti S.G.R. S.p.A. Capital Euro 25,850,000 in shares of Euro 517	Roma	1	Banca Fideuram	99.50	
143	Financière Fideuram S.A. Capital Euro 346,761,600 in shares of Euro 25	Paris	1	Banca Fideuram	100.00	
144	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	

Companies		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
145	Finor Leasing d.o.o. Capital Euro 2,044,700	Koper	1	Banka Koper	100.00	
146	Focus Rendimento Assoluto 5 Anni (d)	Milano	4	Eurizon Capital SGR	100.00	
147	Fondo Caravaggio Sicav (d)	Luxembourg	4	EurizonLife	100.00	-
148	GE.FI.L. - Gestione Fiscalità Locale S.p.A. Capital Euro 2,583,000 in shares of Euro 2	La Spezia	1	Cassa di Risparmio della Spezia	100.00	
149	IE-Services Szolgaltato es Kereskedelmi Kft Capital HUF 1,050,000 in shares of HUF 1,000	Budapest	1	Central-European International Bank	100.00	
150	IMI Capital Markets USA Corp. Capital USD 5,000 in shares of USD 1	New York	1	IMI Investments	100.00	
151	IMI Finance Luxembourg S.A. Capital Euro 100,000	Luxembourg	1	IMI Investments	100.00	
152	IMI Investimenti S.p.A. Capital Euro 579,184,200 in shares of Euro 5	Bologna	1	Intesa Sanpaolo	100.00	
153	IMI Investments S.A. Capital USD 30,000,000	Luxembourg	1	Banca IMI	100.00	
154	IMMIT - Immobili Italiani S.p.A. (former Nuova Real Estate) Capital Euro 290,972,537 in shares of Euro 1	Torino	1	Intesa Sanpaolo	100.00	
155	Immobiliare Nuova Sede S.r.L. Capital Euro 51,480	Firenze	1	Cassa di Risparmio di Firenze	100.00	
156	Infogroup S.p.A. Capital Euro 3,000,000 in shares of Euro 1	Firenze	1	Cassa di Risparmio di Firenze Cassa di Risparmio di Pistoia e Pescia Cassa di Risparmio di Civitavecchia Cassa di Risparmio di Orvieto	94.00 4.00 1.00 1.00 100.00	
157	Inter-Europa Beruhazo Kft Capital HUF 7,078,700,000 in shares of HUF 1	Budapest	1	Central-European International Bank	100.00	
158	Inter Europa Ertekesitesi Kft. Capital HUF 30,000,000 in shares of HUF 1	Budapest	1	Central-European International Bank	100.00	
159	Intesa Distribution International Services S.A. Capital Euro 1,500,000	Luxembourg	1	Eurizon Capital SGR Société Européenne de Banque	99.97 0.03 100.00	
160	Intesa Funding LLC Capital USD 10,000 in shares of USD 1	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
161	Intesa Global Finance Company Ltd Capital Euro 100,000	Dublin	1	Intesa Sanpaolo Holding International	100.00	
162	Intesa Investimenti S.p.A. Capital Euro 1,000,000,000 in shares of Euro 1,000	Milano	1	Intesa Sanpaolo	100.00	
163	Intesa Lease Sec S.r.l. Capital Euro 60,000	Milano	1	Intesa Sanpaolo	60.00	
164	Intesa Leasing d.o.o. Beograd Capital Euro 5,350,000	Beograd	1	Banca Intesa a.d., Beograd CIB Leasing	51.00 49.00 100.00	
165	Intesa Preferred Capital Company L.L.C. (m) Capital Euro 46,000,000 in shares of Euro 1	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
166	Intesa Previdenza - Società di Intermediazione Mobiliare S.p.A. Capital 15,300,000 in shares of Euro 500	Milano	1	Intesa Sanpaolo	78.53	
167	Intesa Real Estate S.r.l. Capital Euro 4,625,000	Milano	1	Intesa Sanpaolo	100.00	
168	Intesa Sanpaolo Bank Albania Sh.A. (former American Bank of Albania) (n) Capital ALL 5,562,517,674 in shares of ALL 357	Tirana	1	Intesa Sanpaolo	80.98	
169	Intesa Sanpaolo Bank Ireland Plc Capital Euro 400,500,000 in shares of Euro 1	Dublin	1	Intesa Sanpaolo	100.00	
170	Intesa Sanpaolo Banka d.d. Bosna I Hercegovina (former UPI Banka d.d.) Capital BAM 45,296,000 in shares of BAM 100	Sarajevo	1	Intesa Sanpaolo Holding International	84.34	
171	Intesa Sanpaolo Holding International S.A. Capital Euro 4,052,848,126	Luxembourg	1	Intesa Sanpaolo	100.00	
172	Intesa Sanpaolo Private Banking S.p.A. Capital Euro 52,000,000 in shares of Euro 4	Milano	1	Intesa Sanpaolo	100.00	
173	Intesa Sanpaolo Romania S.A. Commercial Bank (o) Capital Ron 251,111,110 in shares of Ron 10	Arad	1	Intesa Sanpaolo	99.25	
174	Intesa Sanpaolo Servizi Transazionali S.p.A. Capital Euro 120,000,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	

Companies		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
175	Intesa Sec. 2 S.r.l. Capital Euro 15,000	Milano	1	Intesa Sanpaolo	60.00	
176	Intesa Sec. 3 S.r.l. Capital Euro 70,000	Milano	1	Intesa Sanpaolo	60.00	
177	Intesa Sec. Npl S.p.A. Capital Euro 129,000 in shares of Euro 1	Milano	1	Intesa Sanpaolo	60.00	
178	Intesa Sec. S.p.A. Capital Euro 100,000 in shares of Euro 100	Milano	1	Intesa Sanpaolo	60.00	
179	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	
180	IntesaBci Preferred Securities Investor Trust Capital Euro 1,000 in shares of Euro 1,000	Newark	1	IntesaBci Preferred Capital Company III	100.00	
181	IntesaTrade Sim S.p.A. Capital Euro 30,000,000 in shares of Euro 16	Milano	1	Intesa Sanpaolo	100.00	
182	Inversiones Mobiliarias S.A.- IMSA Capital PEN 7,941,112.83 in shares of PEN 0.03	Lima	1	Intesa Sanpaolo	99.40	
183	Invest Holding d.o.o. Capital HRK 30,000,000	Karlovac	1	Privredna Banka Zagreb	56.38	
184	KMB Bank (Closed Joint-Stock Company) (former Small Business Credit Bank) Capital RUB 5,737,167,800 in shares of RUB 12,350	Moscow	1	Intesa Sanpaolo Holding International	75.00	
185	KMB - Leasing (Closed Joint-Stock Company) Capital RUB 3,000,000 in shares of RUB 100	Moscow	1	KMB 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	Leasint S.p.A. (former Intesa Leasing) Capital Euro 172,043,500 in shares of Euro 1.24	Milano	1	Mediocredito Italiano	100.00	
188	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 0.04 100.00	
189	Levanna Sicav (d)	Luxembourg	4	EurizonLife	100.00	-
190	Lima Sudameris Holding S.A. in liquidation Capital PEN 168,190,806.15	Lima	1	Intesa Sanpaolo IMSA	52.87 47.13 100.00	
191	Lux Gest Asset Management S.A. Capital Euro 200,000	Luxembourg	1	Société Européenne de Banque	100.00	
192	Margit Business Center Limited Liability Company Capital HUF 221,000,000	Budapest	1	Central-European International Bank	100.00	
193	Medimurska Banka d.d. Capital HRK 127,900,000 in shares of HRK 400	Čakovec	1	Privredna Banka Zagreb	96.39	
194	Mediocredito Italiano S.p.A. (former Banca Intesa Mediocredito) Capital Euro 572,043,495 in shares of Euro 1	Milano	1	Intesa Sanpaolo	100.00	
195	Mediofactoring S.p.A. (former Intesa Mediofactoring) Capital Euro 220,000,000 in shares of Euro 100	Milano	1	Intesa Sanpaolo	100.00	
196	Monteta S.p.A. (former Consumer Financial Services S.r.l.) Capital Euro 109,830,000 in shares of Euro 10	Bologna	1	Intesa Sanpaolo	100.00	
197	Neos Banca S.p.A. Capital Euro 89,818,181.70 in shares of Euro 0.26	Bologna	1	Intesa Sanpaolo	100.00	
198	Neos Finance S.p.A. Capital Euro 102,018,306 in shares of Euro 6	Bologna	1	Neos Banca	100.00	
199	NHS Investments S.A. Capital Euro 168,000,000	Luxembourg	1	IMI Investimenti	100.00	
200	Obudai Dunapart Office Building Center Ltd Capital HUF 2,330,000,000	Budapest	1	Cil Buda Square Ltd	100.00	
201	PBZ Card d.o.o. Capital HRK 50,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
202	PBZ Invest d.o.o. Capital HRK 5,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
203	PBZ Leasing d.o.o. za poslove leasinga Capital HRK 15,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
204	PBZ Nekretnine d.o.o. Capital HRK 3,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
205	PBZ Stambena Stedionica d.d. Capital HRK 115,000,000 in shares of HRK 100	Zagreb	1	Privredna Banka Zagreb	100.00	
206	Pravex Bank Joint-Stock Commercial Bank Capital UAH 991,499,139 in shares of UAH 1	Kiev	1	Intesa Sanpaolo	100.00	

	Companies	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
207	Private Equity International S.A. Capital Euro 252,999,968	Luxembourg	1	Intesa Sanpaolo	100.00	
208	Privredna Banka Zagreb d.d. Capital HRK 1,907,476,900 in shares of HRK 100	Zagreb	1	Intesa Sanpaolo Holding International	76.59	
209	Recovery a.s. Capital SKK 1,000,000 in shares of SKK 10,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
210	Romulus Funding Corporation (l)	Delaware	4	Intesa Sanpaolo	-	
211	Sanpaolo Bank (Suisse) S.A. Capital CHF 20,000,000	Lugano	1	Société Européenne de Banque	99.98	
212	Sanpaolo Bank S.A. Capital Euro 140,000,000	Luxembourg	1	Intesa Sanpaolo	100.00	
213	Sanpaolo Fiduciaria S.p.A. Capital Euro 1,032,000 in shares of Euro 5.16	Milano	1	Intesa Sanpaolo	100.00	
214	Sanpaolo IMI Bank (International) S.A. Capital Euro 172,238,000	Funchal	1	Intesa Sanpaolo	100.00	
215	Sanpaolo IMI Capital Company I L.l.c. (q) Capital Euro 45,001,000	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
216	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	
217	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	
218	Sanpaolo IMI US Financial Co. Capital USD 1,000 in shares of Euro 1	Wilmington (Delaware)	1	Intesa Sanpaolo	100.00	
219	Sanpaolo Immobiliere S.A. Capital Euro 250,000	Luxembourg	1	Sanpaolo Bank Eurizon Capital	99.99 0.01 100.00	
220	Sanpaolo International Formulas Fund (former Fondo Doppia Opportunità) (d)	Luxembourg	4	EurizonLife	100.00	-
221	Sanpaolo Invest Ireland Ltd Capital Euro 500,000	Dublin	1	Banca Fideuram	100.00	
222	Sanpaolo Invest SIM S.p.A. Capital Euro 14,980,000 in shares of Euro 140	Roma	1	Banca Fideuram	100.00	
223	Sanpaolo Real Estate S.A. Capital Euro 3,000,000	Luxembourg	1	Sanpaolo Bank	100.00	
224	SEB Trust Limited Capital Euro 410,000	St Helier Jersey	1	Société Européenne de Banque	100.00	
225	SEP-Servizi e Progetti S.p.A. Capital Euro 1,560,000 in shares of Euro 0.52	Torino	1	Intesa Sanpaolo	100.00	
226	Servitia S.A. Capital Euro 1,500,000	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
227	Setefi S.p.A. Capital Euro 8,450,000 in shares of Euro 52	Milano	1	Moneta	100.00	
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	Luxembourg	1	Intesa Sanpaolo Holding International	100.00	
230	SP Lux Sicav II (d)	Luxembourg	4	EurizonLife	100.00	-
231	Split 2 S.r.l. (r)	Treviso	4	Leasint	-	-
232	SPQR II S.r.l. (l)	Roma	4	Banca Infrastrutture Innovazione e Sviluppo		
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 99.97	
234	Sudameris S.A. Capital Euro 49,671,600	Paris	1	Intesa Sanpaolo Holding International	99.87	
235	Tiepolo Sicav (d)	Luxembourg	4	EurizonLife	100.00	-
236	Vseobecna Uverova Banka a.s. Capital SKK 12,978,108,000	Bratislava	1	Intesa Sanpaolo Holding International	96.50	
237	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	
238	VUB Factoring a.s. Capital SKK 67,194,000 in shares of SKK 9,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
239	VUB Leasing A.S. (former B.O.F. A.S.) (s) Capital SKK 500,000 in shares of SKK 2.5	Bratislava	1	Vseobecna Uverova Banka	70.00	
240	VUB Leasingova a.s. Capital SKK 11,000,000 in shares of SKK 1,000,000	Bratislava	1	Vseobecna Uverova Banka	100.00	

	Companies	Registered office	Type of relationship (a)	Investment direct ownership	Investment % held	Votes available % (b)
241	VUB Poistovaci Makler s.r.o. (former B.O.F. poist'ovaci makler s.r.o.) Capital SKK 500,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
242	ZAO Banca Intesa Closed Joint-stock Company Capital RUB 3,600,000,000 in shares of RUB 1,000	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) Company for which the Group holds the majority of risks and benefits (sic12).

(d) Collective investment entity in which the 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 26.77% of share capital.

(f) Please note that there is a put option sold/call option purchased from minority shareholders on 10.43% of share capital.

(g) Please note that there is a put option sold/call option purchased from minority shareholders on 7% of share capital.

(h) Please note that there is a put option sold/call option purchased from minority shareholders on 2.78% of share capital.

(i) Please note that there is a put option sold/call option purchased from minority shareholders on 10.29% of share capital.

(j) This company is being disposed of by Cassa di Risparmio di Firenze (IFRS 5).

(k) Please note that there is a put option sold/call option purchased from minority shareholders on 40% of ordinary shares.

(l) Company for which the Group holds the majority of risks and benefits (SIC 12); the group does not hold any equity stake in the share capital.

(m) Considering the "preferred shares" issued for a total of 200,000,000 euro the equity stake equals 18.70%.

(n) Please note that there is a put option sold/call option purchased from minority shareholders on 19.02% of the share capital. The disposal of a 1.39% 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.

(o) The Parent Company holds options for the acquisition of the remaining 0.75% of the stake.

(p) Considering the "preferred shares" issued for a total of 500,001,000 euro the equity stake equals 2.15%.

(q) Considering the "preferred shares" issued 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.

(s) Please note that there is a put option sold/call option purchased from minority shareholders on 30% of share capital.

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 under 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 recognition value of goodwill and its recoverable amount, if lower. This recoverable amount is equal to the higher of 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 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 the recoverable amount is under book value the relative difference is recorded in the income statement.
For the consolidation of companies subject to joint control, financial statements as at 31 December 2008 have been used.
For the 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

In order to achieve the twin aim of having an "insurance" against the continuing uncertainty concerning the size and duration of the crisis in international markets and avoiding being penalised by the competitive distortions generated by the different level of "protection" given to the major international banking groups by the Governments of their respective countries, the Intesa Sanpaolo Group decided to implement the procedure for the issue of 4 billion euro of special bank bonds to be subscribed for by the Ministry of the Economy and Finance (so-called "Tremonti bonds") that are valid as Core Tier 1 capital.
The subscription by the Ministry of the Economy and Finance is subject to the conditions set forth in art. 2 of the decree issued by the Ministry on 25 February 2009, in particular the assessments by the Bank of Italy.

SECTION 5 - OTHER ASPECTS

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, Sud Polo Vita and the former Carifirenze Group) 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 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 income, the fiscal losses are transferred to the Parent Company.

Non-EU subsidiaries

Consob, in accordance with Law 262/2005 governing the protection of savings and the regulation of financial markets, has set certain conditions for the listing of companies that control non-EU foreign companies (art. 36 Market Regulation). Specifically, for subsidiaries based in non-EU countries that are considered significant on the basis of the aforementioned regulation, the parent company listed in Italy must:

a) make subsidiary financial statements, prepared for the purpose of the consolidated financial statements and including at least the balance sheet and income statement, available to the public;
b) obtain the articles of association and details of the membership and powers of the control bodies from the subsidiaries;
c) ensure that the subsidiaries: i) provide the parent company auditor with the information necessary to perform annual and interim audits of the parent company; ii) use an administrative and accounting system appropriate for regular reporting to the management and auditor of the parent company of the income statement, balance sheet and financial data necessary for the preparation of the consolidated financial statements. The control body of the listed parent company must notify Consob and the market management company without delay of any event or circumstance resulting in the system's inability to meet the aforementioned conditions.

With regard to the above, Borsa Italiana requires the management body of the companies controlling non-EU companies to certify whether or not the conditions set forth in the abovementioned art. 36 of the Market Regulation have been met.
Also in order to meet these regulatory requirements, Intesa Sanpaolo has implemented a governance and internal control system capable of continuously monitoring the typical company and Group risks. In particular, the internal systems for accounting and financial information are monitored by the Manager responsible for preparing the Company's financial reports (in compliance with the provisions of art. 154-bis of the Consolidated Law on Finance), on the basis of the company regulations called "Guidelines for administrative financial governance" designed to verify on an ongoing basis the adequacy and the effective application of the administrative and accounting procedures at Group level, and to establish a system of information flows and relationships with the other Parent Company functions and with the banking subsidiaries.
In this context, and with specific reference to banking subsidiaries based in non-EU countries as at year-end 2008 and to the provisions set forth in the aforesaid art. 36, Intesa Sanpaolo has set up a plan of controls that monitors on an ongoing basis the presence of the conditions set out above and, in particular, has acquired the information required from the non-EU companies for the purposes of this regulation and has verified that the administrative and accounting systems of these companies are appropriate for regular reporting to the competent structure within the Parent Company and to the latter's Independent auditors of the income statement, balance sheet and financial data necessary for the preparation of the Consolidated financial statements. The Parent Company also ensures that the banking subsidiaries' financial statements, prepared for the purpose of the Consolidated financial statements are available to the public and that these companies provide the independent auditors with all the information necessary to conduct their auditing activities.
More specifically, for the first certification issued in the "Interim statement as at 30 September 2008", the meeting of the Management Board of Intesa Sanpaolo of 11 November 2008 verified the presence of the conditions required by the Market Regulation for the investments in non-EU companies over which control was acquired up to 16 May 2008. The Control Committee and the Supervisory Board were subsequently informed of the verifications made. This verification was also conducted by the Management Board on 13 January 2009 for the banking subsidiary Pravex Bank, acquired after 16 May 2008.
No acquisitions have been made during the period after the date of the first certification issued in the "Interim statement as at 30 September 2008" of companies based in non-European Union countries that, considered independently, are of material significance for the purposes of the regulation in question.
The results of the verifications conducted have confirmed that the conditions set forth in art. 36 of the Market Regulation, subsections a), b) and c), have been met.

Other aspects

Reconta Ernst & Young audited the Consolidated financial statements as at 31 December 2008, 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.

A. 2 – MAIN FINANCIAL STATEMENT CAPTIONS

This chapter contains the **Accounting standards** adopted for the preparation of the 2008 Consolidated financial statements**.**

Compared to the previous year's financial statements, the standards have changed only in relation to the amendments to IAS 39 and IFRS 7 introduced by European Commission Regulation 1004/2008 mentioned above.

More specifically, with its document "Reclassification of financial assets" issued October 2008, the IASB made changes to IAS 39 in relation to the classification of financial instruments, and to IFRS 7 with regard to the related disclosure. These amendments were endorsed by the European Commission on 15 October 2008 and became effective immediately.

The change provided the possibility, not permitted until the present amendments became effective, of reclassifying non-derivative financial assets no longer held for trading from the category of trading financial instruments (financial assets designated at fair value through profit or loss) to the other categories established by IAS 39 (investments held to maturity, assets available for sale, loans and receivables). The possibility was also established of reclassifying financial assets available for sale to the loans and receivables category. Such reclassifications are now permitted when a financial asset, as a result of a rare circumstance, i.e. an event that is unusual and highly unlikely to recur in the near term, is no longer held for trading or available for sale and therefore it is considered possible by the company that said asset will be held for a foreseeable future period or until maturity. The current financial crisis was classed by the IASB as a rare circumstance. The reclassifications, as a result of the exceptional situation, could be made with reference to the values as at 1 July 2008 if carried out by 1 November 2008.

The Intesa Sanpaolo Group considered it appropriate to identify certain securities mainly consisting of bonds not quoted on active markets and certain loans originally classified under trading assets or under assets available for sale that currently do not have any risk of impairment for which the current and foreseeable future market conditions no longer permit active management and that as a consequence will be held in portfolio. These assets have therefore been reclassified to the loans category and are consequently valued at amortised cost from the time of their reclassification.

Specifically, within the securities portfolio, the reclassifications mainly involved certain structured credit products held by Intesa Sanpaolo and Banca IMI, and certain securities in the portfolio of Banca Infrastrutture Innovazione e Sviluppo issued by local authorities or from securitisations (4,075 million euro), the latter also to align the accounting classification of the two banks (BIIS and OPI) operating in public finance and merged as of 1 January 2008. As regards reclassifications to the loan portfolio these related to certain syndicated loans to be placed with other financial institutions.

In accordance with the transitional provision established by the aforementioned accounting document, reclassifications were carried out for 10,144 million euro in terms of nominal value by 1 November 2008 and therefore taking as reference the value of these assets as at 1 July 2008, if already present as at that date in the portfolio, or with reference to the purchase price, if this took place after 1 July 2008, or at nominal value for loans issued after that date. The sum of 119 million euro was reclassified after 1 November 2008 and therefore on the basis of the fair value as at the date of reclassification.

(in millions of euro)

Type of instrument	Previous classification	New classification	Nominal value	Book value after reclassification	Fair value as at 31.12.2008	Impact on the income statement (before tax)	Impact on shareholders' equity (before tax)
Debt securities	Financial assets held for trading	Loans	4,020	3,868	3,436	432	-
Debt securities	Financial assets held for trading	Financial assets available for sale	130	120	120	16	-16
Funds/Stocks	Financial assets held for trading	Financial assets available for sale	111	100	100	11	-11
Debt securities	Financial assets available for sale	Loans	5,175	5,290	4,452	-	838
Loans	Financial assets available for sale	Loans	827	825	774	-	51
Total reclassification			**10,263**	**10,203**	**8,882**	**459**	**862**

(*) Fair value as at the date of reclassification

If the Group had not taken up the option to reclassify the abovementioned financial assets, additional negative amounts totalling 459 million euro (gross of the tax effect) (141 million euro as at 30 September 2008) would have been recognised in the income statement, and the valuation reserves under shareholders' equity before tax would have been 862 million euro lower (212 million euro as at

30 September 2008).
The internal rate of return of the reclassified portfolio was 5.4%.
Lastly, as a result of the abovementioned reclassifications additional interest income of 13 million euro was recorded as the recovery on an accruals basis of the loss recognised upon reclassification, and that no significant gains or income were realised from the repayments or the disposals that took place after the reclassification.

The illustration of the accounting policies adopted in the Consolidated financial statements by Intesa Sanpaolo considers 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.

The reclassifications to other categories of financial assets are not permitted unless there is an event that is unusual and highly unlikely to recur in the near term.
In such cases debt securities and equities not held for trading may be reclassified into other categories established by IAS 39 if the conditions for their recognition apply (Investments held to maturity, Financial assets held for sale, Loans and Receivables). The transfer value is the fair value at the time of the reclassification.
Upon reclassification, the presence of any embedded derivative contracts, that must be separated from the host contract, is assessed.

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 quotations 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 title has been transferred.

When 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
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.
In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Investments held to maturity unless there is an event that is unusual and highly unlikely to recur in the near term. In such cases, debt securities may be reclassified to the categories, established by IAS 39, of Investments held to maturity and Loans and Receivables if the conditions for their recognition apply. The transfer value is the fair value at the time of the reclassification.

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 the accounting standards, recognition occurs following the reclassification from Investments held to maturity or, when rare circumstances occur, from Financial assets held for trading, the recognition value is the fair value as 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 the 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 an impairment loss.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and its fair value, namely the estimated future cash flows, discounted at the market interest rate as at the financial statements date, 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 title has been transferred.
When 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, 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
Quoted 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.
In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Financial assets available for sale. If during a year, prior to expiry, more than an insignificant amount classified under this category is sold or reclassified, the remaining investments held to maturity are reclassified as Financial assets available for sale and the portfolio in question may not be used for the next two years, unless the sales and reclassifications:
– are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
– occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
– are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Recognition criteria
Initial recognition of financial assets occurs at settlement date.
On initial recognition, financial assets classified in this category are recorded at fair value, inclusive of any costs and revenues directly attributable to the asset.
If inclusion in this category occurs following reclassification from Financial assets available for sale or, when rare circumstances occur, from Financial assets held for trading, the fair value of the asset as 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 an impairment loss. 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 are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in 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 title has been transferred.
When 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, 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.
Reclassifications to the other categories of financial assets established in IAS 39 are not permitted.

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.
If, when rare circumstances occur, the inclusion in this category occurs following reclassification from Financial assets available for sale or from Financial assets held for trading, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

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 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.
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 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.
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 title has been transferred.
When 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.
Reclassifications to the other categories of financial assets are not permitted.
Intesa Sanpaolo has only classified in this category investments with respect to insurance policies and certain debt securities with incorporated derivatives or debt securities subject to financial hedging and equity investments of over 20% held, directly or through funds, in companies involved in the venture capital business.

Recognition criteria
On initial recognition, financial assets are measured at fair value, without considering transaction costs or revenues directly attributable to the instrument.

Measurement criteria
After initial recognition, the financial instruments in question are measured at fair value. The effects of the application of this measurement criterion are recorded in the income statement.

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 title has been transferred.
Whenever 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, 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.

6. Hedging transactions

Classification criteria: type of hedge

Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a 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.

Recognition criteria

Hedging derivative financial instruments, like all derivatives, are initially recognised and subsequently measured at fair value.

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 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 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, 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

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 lessor.

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 property, 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 goods 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, irrespective 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 depreciation, determined in the absence of previous impairment losses.

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 will be 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 testing.
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 the discounting, using a rate representing the time value of money and the asset's specific risks, of 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 7-10 years, core deposits in 18-24 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 as having 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. The 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 the 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 it. Therefore, it represents 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 for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (probability test). Deferred tax assets and liabilities related to the same tax and due in the same period are compensated.

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 financial assets available for sale 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, leads to the belief that the Bank will not undertake any transactions which may cause taxation of 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 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 in 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 of a fiscal nature, originating 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

Amounts 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 lessee 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 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

Classification criteria
Financial liabilities designated at fair value through profit and loss are recorded under this caption, on the basis of the fair value option given to companies by IAS 39, in compliance with the cases contemplated in the reference regulations.
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 above, were also designated at fair value, thereby eliminating or considerably reducing "accounting biases" that would otherwise have arisen from measuring assets and liabilities on the basis of different accounting criteria.
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.

Recognition criteria
These liabilities are recorded at fair value as at the date of issue, including 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.

Measurement criteria
These liabilities are measured at fair value through profit and loss.

Derecognition criteria
The financial liabilities measured at fair value through profit and loss are derecognised when the contractual rights to the related cash flows expire or when the financial liability is sold with the substantial transfer of all the risks and rewards connected to it.

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: 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 securities available for sale 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 essentially reflect those 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 that include income and charges for the period, accrued on assets and liabilities, are shown in the financial statements as an increase or decrease of the assets and liabilities to which 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 Finance Law 2007, which brought forward 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 proportional share 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, related to estimated possible disbursements connected to credit risk related to guarantees and commitments, determined applying the same criteria set out above with respect to loans, are recognised 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 the 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 events. 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 corporate management include:
- the measurement of impairment losses on loans and, generally, other financial assets;
- 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 insured people) and financial (deriving from the possible trend in financial markets) suppositions used to structure insurance products and define the basis for calculating integrative reserves.

Fair value measurement

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, 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, hedge funds are also considered quoted on an active market if they provide for a monthly liquidation of the quotas. 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 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.
When the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-offer spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical arm's length transaction, motivated by normal business considerations, as at the measurement date. Such techniques include:
- reference to market values indirectly connected to the instrument to be valued and deduced 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: absolute priority is given to effective market quotes available on active markets for the assets and liabilities to be valued or for similar assets and liabilities (comparable approach), and a lower priority to non-observable and, therefore, more discretional inputs (mark-to-model approach).

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 technique 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. Issued bonds for which the fair value option has been exercised are measured by the same process.
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, various valuation techniques are used: 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 subsidiary and, lastly, financial, income statement and balance sheet analytical valuation techniques.
For further information on the valuation techniques actually used to value the financial instruments please see Part E - Market risks, of these Notes to the Consolidated financial statements.
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 measurement is carried out by discounting future cash flows. This is based on the discount rate adjustment approach in which the risk factors connected to the granting of loans are taken into consideration in the rate used to discount future cash flows;
– 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 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 in the yield curve and the valuation of the credit risk associated to the issuer;
– for securities issued with floating and fixed rates with medium- and long-term maturities, the fair value shown in the Notes to the financial statements has been determined taking into account the effects attributable to the Bank's credit worthiness.

Non-financial assets

Regarding 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

The 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 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 present value of the financial asset or financial liability. In 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 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 loan. For financial assets/liabilities with a 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 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 retrocession, for non-use, for advance termination, and underwriting, facility and arrangement fees. 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, intragroup 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 fees correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front fees 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.
Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and remuneration 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/audit 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 measured 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 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 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 and Financial assets designated at fair value through profit and loss are subject to impairment testing 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 loans according to the definitions of the 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 related 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 permit an estimation of 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 by identifying the highest possible synergies (as permitted by the various regulations) 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 standards. This time period is reduced to six months solely for counterparties that are natural persons for whom the recognition of a worsening credit situation and the consequent transfer of the non-performing loans generally take place following unpaid instalments or continuous defaults for more than 90/180 days.
The allocation also takes into account corrective factors such as the state of the economic cycle and the concentration of credit risks towards persons who have a significant exposure to the Group.
With reference to assets available for sale, the process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.

The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and external indicators deriving from the market values of the company (only for quoted equities).
Within the first category the following indicators are considered to be significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. For the second category, the following factors represent significant indicators of potential problems: a stock price, also observed in comparison with the performance of the related market index, of over 30% less than the initial recognition value or lower than the initial recognition value for a continuous period of more than 12 months, and a market capitalisation as at the date of the valuation of less than the company's net book value.
The presence of an internal impairment indicator of the issuer and of a quoted price of over 30% less than the initial recognition value or for a period of more than 12 months, results in the recognition of impairment. In the other cases the recognition of impairment must be confirmed by the outcome of specific assessments as regards the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter.

Investments in associates and companies subject to joint control
At each balance sheet date the equity investments in associates or companies subject to joint control are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and external indicators deriving from the market values of the company (only for quoted equities).
Within the first category the following indicators are considered to be significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. For the second category, the following factors represent significant indicators of potential problems: a stock price, also observed in comparison with the performance of the related market index, of over 30% less than the initial recognition value or lower than the initial recognition value for a continuous period of more than 12 months, and a market capitalisation as at the date of the valuation of less than the company's net book value.
The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.
The recoverable amount consists of the higher of the fair value less costs to sell and the value in use.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter above.
Value in use is the present value of expected future cash flows from the asset; 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, 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 testing if there is the indication that the book value of the asset may no longer be recovered. The 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 the carrying value for a continuous period of three years.
For other property, equipment and intangible assets (other than those recognised following business combinations) it is assumed that the carrying value normally corresponds to the 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.
Intangible assets recognised following a business combination and in application of IFRS 3 are subjected to an impairment test at each balance sheet date to assess whether there is objective evidence that the asset may have been impaired.
Intangible assets with a finite life, represented by the value of the asset management portfolio, the value of the insurance portfolio and the core deposits, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.
Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash Generating Unit (CGU) to which the values are attributed at the time of the business combinations. The amount of any impairment is determined on the basis of the difference between the CGU's book value and its recoverable amount represented by the higher of the fair value, less costs to sell, and the value in use.
The book value of the CGUs must be determined in a manner consistent with the criterion used to determine their recoverable amount. For a banking business the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these form part of the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore their book value must be determined in accordance with the scope of the estimation of the recoverable amount and must, therefore, also include the financial assets/liabilities. Consequently, these assets and liabilities must be properly allocated to the associated CGUs.
On this basis, the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to consolidated shareholders' equity including the minority interest.
Thus, the carrying value of the CGUs consisting of companies that belong to a single operating division (Eurizon Capital, Banca Fideuram, Public Finance and International Subsidiary Banks) is determined by summing the individual book values of each company in the Consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their net book value, taking into account any goodwill and intangibles recorded upon acquisition (net of subsequent amortisations and any write-downs) and the consolidation entries. With regard to the determination of the carrying value of the other two divisions (Banca dei Territori and Corporate & Investment Banking), given that the Parent Company contributes to the management of these divisions, and this subdivision is not represented in the accounting information, the overall carrying value of the CGUs cannot be determined on the basis of book values. As a consequence, the use of operational factors is required to make the subdivision following a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting information. The operational driver is identified as the "economic capital" determined by the Risk Management Department for each operating division: this represents the foreseeable capital absorption to cover risks over a period of one year, measured on a prudential basis using internally developed qualitative models. The resulting book values already take into account the effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter above.
The value in use of a CGU is determined by estimating the present value of future cash flows that may be expected to be generated by the CGU. These cash flows are determined by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan. The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity, using an appropriate growth rate "g" for the purposes of the so-called terminal value. The rate "g" is determined by assuming that the growth factor is the lower of the average growth rate for the forecasting period of the analysis and the average rate of increase in the Gross Domestic Product in the countries where the cash flows are generated.
For the determination of the value in use, the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates used incorporate the present market values with reference to the risk free component and the premiums for the risk associated with the equity component observed over a sufficiently long time period to reflect market conditions and different economic cycles. Also, given the diverse risks of the respective operating areas, different Beta coefficients are used for each CGU. All the resulting rates have been corrected to take into account the "Country Risk".

The cash flows produced by the foreign banking subsidiaries are estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

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 the Articles of Association or of 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) the fair value, as at the transaction date, of the assets sold, the liabilities undertaken and the capital instruments issued by the acquirer in exchange for acquisition of control; and (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 consideration. When settlement does not occur in the short-term, the 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 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. 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.

In order to determine 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 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.
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.
The Intesa Sanpaolo Group's organisational model is structured into six areas of activities with specific operating characteristics: 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 Treasury 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 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 intra-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.
Each segment is also assigned the allocated capital, represented by the capital absorption on the basis of the Risk Weighted Assets (RWAs) determined by applying the instructions issued by the Bank of Italy in accordance with the Basel 2 regulations. For asset management, business risk was also taken into consideration, and for the insurance segment reference was made to the capital absorbed by insurance risk.
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 geographical groups defined on the basis of the residence of the juridical entities which make up the Group: Italy, Europe, Rest of the World.

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	31.12.2008	31.12.2007
a) Cash	4,124	-	-	4,124	2,891
b) On demand deposits with Central Banks	3,711	-	-	3,711	572
TOTAL	**7,835**	**-**	**-**	**7,835**	**3,463**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: break down

(in millions of euro)

	Banking group		Insurance companies		Other companies		31.12.2008	31.12.2007
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted		
A. Cash assets								
1. Debt securities	8,989	4,346	171	-	-	-	13,506	17,400
1.1 structured securities	*237*	*217*	-	-	-	-	*454*	*431*
1.2 other debt securities	*8,752*	*4,129*	*171*	-	-	-	*13,052*	*16,969*
2. Equities	229	47	-	-	-	-	276	1,407
3. Quotas of UCITS	1,441	440	73	-	-	-	1,954	7,173
4. Loans	-	-	-	-	-	-	-	-
4.1 repurchase agreements	-	-	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-	-	-
5. Non-performing assets	2	-	-	-	-	-	2	9
6. Assets sold not derecognised	2,964	76	-	-	-	-	3,040	6,777
Total A	**13,625**	**4,909**	**244**	**-**	**-**	**-**	**18,778**	**32,766**
B. Derivatives								
1. Financial derivatives	731	37,028	2	44	-	-	37,805	18,533
1.1 trading	*731*	*36,912*	-	*16*	-	-	*37,659*	*18,173*
1.2 fair value option	-	-	-	*5*	-	-	*5*	*132*
1.3 other	-	*116*	*2*	*23*	-	-	*141*	*228*
2. Credit derivatives	-	4,497	-	-	-	-	4,497	1,460
2.1 trading	-	*4,497*	-	-	-	-	*4,497*	*1,460*
2.2 fair value option	-	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-	-
Total B	**731**	**41,525**	**2**	**44**	**-**	**-**	**42,302**	**19,993**
TOTAL (A+B)	**14,356**	**46,434**	**246**	**44**	**-**	**-**	**61,080**	**52,759**

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.

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 Loans to customers.
Equities measured at cost were immaterial.
Assets sold not derecognised include securities related to reverse repurchase agreements.

2.2 Financial assets held for trading: borrower/issuer break down

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2008	31.12.2007
A) CASH ASSETS					
1. Debt securities	**13,335**	**171**	**-**	**13,506**	**17,400**
a) Governments and Central Banks	4,974	5	-	4,979	3,258
b) Other public entities	537	-	-	537	997
c) Banks	3,672	55	-	3,727	6,012
d) Other issuers	4,152	111	-	4,263	7,133
2. Equities	**276**	**-**	**-**	**276**	**1,407**
a) Banks	64	-	-	64	208
b) Other issuers	212	-	-	212	1,199
- *insurance companies*	*27*	-	-	*27*	*95*
- *financial institutions*	*30*	-	-	*30*	*128*
- *non-financial companies*	*155*	-	-	*155*	*976*
- *other*	-	-	-	-	-
3. Quotas of UCITS	**1,881**	**73**	**-**	**1,954**	**7,173**
4. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
5. Non-performing assets	**2**	**-**	**-**	**2**	**9**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	5
c) Banks	-	-	-	-	-
d) Other counterparties	2	-	-	2	4
6. Assets sold not derecognised	**3,040**	**-**	**-**	**3,040**	**6,777**
a) Governments and Central Banks	2,290	-	-	2,290	4,283
b) Other public entities	620	-	-	620	118
c) Banks	58	-	-	58	705
d) Other issuers	72	-	-	72	1,671
Total A	**18,534**	**244**	**-**	**18,778**	**32,766**
B) DERIVATIVES					
a) Banks	33,776	41	-	33,817	15,332
b) Customers	8,480	5	-	8,485	4,661
Total B	**42,256**	**46**	**-**	**42,302**	**19,993**
TOTAL (A+B)	**60,790**	**290**	**-**	**61,080**	**52,759**

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

2.3 Financial assets held for trading: derivatives

(in millions of euro)

	31.12.2008	31.12.2007
Financial assets held for trading: trading derivatives	**42,302**	**19,993**
Banking group	*42,256*	*19,791*
Insurance companies	*46*	*202*
Other companies	*-*	*-*

2.3.1 Banking group

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	31.12.2008	31.12.2007
A) QUOTED DERIVATIVES							
1) Financial derivatives	**1**	**2**	**727**	**-**	**1**	**731**	**907**
with exchange of underlying asset	1	2	727	-	1	731	62
- options bought	*-*	*-*	*716*	*-*	*1*	*717*	*59*
- other derivatives	*1*	*2*	*11*	*-*	*-*	*14*	*3*
without exchange of underlying asset	-	-	-	-	-	-	845
- options bought	*-*	*-*	*-*	*-*	*-*	*-*	*845*
- other derivatives	*-*	*-*	*-*	*-*	*-*	*-*	*-*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**1**	**2**	**727**	**-**	**1**	**731**	**907**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	**30,264**	**5,346**	**1,268**	**-**	**150**	**37,028**	**17,424**
with exchange of underlying asset	42	5,277	319	-	19	5,657	2,013
- options bought	*1*	*233*	*309*	*-*	*19*	*562*	*449*
- other derivatives	*41*	*5,044*	*10*	*-*	*-*	*5,095*	*1,564*
without exchange of underlying asset	30,222	69	949	-	131	31,371	15,411
- options bought	*3,778*	*45*	*908*	*-*	*14*	*4,745*	*3,935*
- other derivatives	*26,444*	*24*	*41*	*-*	*117*	*26,626*	*11,476*
2) Credit derivatives	**-**	**-**	**-**	**4,497**	**-**	**4,497**	**1,460**
with exchange of underlying asset	-	-	-	3,959	-	3,959	1,239
without exchange of underlying asset	-	-	-	538	-	538	221
Total B	**30,264**	**5,346**	**1,268**	**4,497**	**150**	**41,525**	**18,884**
TOTAL (A + B)	**30,265**	**5,348**	**1,995**	**4,497**	**151**	**42,256**	**19,791**

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	31.12.2008	31.12.2007
A) QUOTED DERIVATIVES							
1) Financial derivatives	**-**	**-**	**2**	**-**	**-**	**2**	**2**
with exchange of underlying asset	-	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	2	-	-	2	2
- *options bought*	-	-	-	-	-	-	-
- *other derivatives*	-	-	*2*	-	-	*2*	*2*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**-**	**-**	**2**	**-**	**-**	**2**	**2**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	**-**	**22**	**21**	**-**	**1**	**44**	**200**
with exchange of underlying asset	-	-	-	-	-	-	11
- *options bought*	-	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-	*11*
without exchange of underlying asset	-	22	21	-	1	44	189
- *options bought*	-	-	*12*	-	*1*	*13*	*36*
- *other derivatives*	-	*22*	*9*	-	-	*31*	*153*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total B	**-**	**22**	**21**	**-**	**1**	**44**	**200**
TOTAL (A + B)	**-**	**22**	**23**	**-**	**1**	**46**	**202**

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)

	31.12.2008	31.12.2007
Financial assets held for trading (other than those sold not derecognised and non-performing)	**15,736**	**25,980**
Banking group	*15,492*	*25,778*
Insurance companies	*244*	*202*
Other companies	*-*	*-*

2.4.1 Banking group

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**17,198**	**1,407**	**7,173**	**-**	**25,778**
B. Increases	**439,873**	**29,595**	**21,416**	**-**	**490,884**
B.1 purchases	428,679	27,841	20,749	-	477,269
of which business combinations	*22*	*5*	*5*	-	32
B.2 positive fair value differences	475	55	151	-	681
B.3 other changes	10,719	1,699	516	-	12,934
C. Decreases	**-443,736**	**-30,726**	**-26,708**	**-**	**-501,170**
C.1 sales	-423,722	-28,128	-25,675	-	-477,525
of which business combinations	-	-	-	-	-
C.2 reimbursements	-8,424	-	-	-	-8,424
C.3 negative fair value differences	-1,039	-85	-312	-	-1,436
C.4 other changes	-10,551	-2,513	-721	-	-13,785
D. Final amount	**13,335**	**276**	**1,881**	**-**	**15,492**

Other changes conventionally includes amounts relating to reclassification to the loans to customers and loans to banks portfolios under the terms of changes to IAS 39 approved by the European Union on 15 October 2008.

2.4.2 Insurance companies

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**202**	**-**	**-**	**-**	**202**
B. Increases	**337**	**-**	**106**	**-**	**443**
B.1 purchases	94	-	106	-	200
of which business combinations	-	-	*90*	-	90
B.2 positive fair value differences	6	-	-	-	6
B.3 other changes	237	-	-	-	237
C. Decreases	**-368**	**-**	**-33**	**-**	**-401**
C.1 sales	-59	-	-	-	-59
of which business combinations	-	-	-	-	-
C.2 reimbursements	-296	-	-	-	-296
C.3 negative fair value differences	-11	-	-25	-	-36
C.4 other changes	-2	-	-8	-	-10
D. Final amount	**171**	**-**	**73**	**-**	**244**

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)

	31.12.2008	31.12.2007
Financial assets designated at fair value	**19,727**	**19,998**
Banking group	*1,178*	*660*
Insurance companies	*18,549*	*19,338*
Other companies	-	-

3.1.1 Banking Group

(in millions of euro)

	31.12.2008		31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	535	523	113	521
1.1. structured securities	-	-	*5*	-
1.2. other debt securities	*535*	*523*	*108*	*521*
2. Equities	-	-	-	-
3. Quotas of UCITS	-	103	13	1
4. Loans	-	7	-	-
4.1 structured	-	-	-	-
4.2 other	-	*7*	-	-
5. Non-performing assets	-	-	-	-
6. Assets sold not derecognised	10	-	-	12
Total	**545**	**633**	**126**	**534**
Cost	**471**	**643**	**127**	**541**

Assets sold not derecognised include securities related to reverse repurchase agreements.

3.1.2 Insurance companies

(in millions of euro)

	31.12.2008		31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	11,043	1	9,905	515
1.1. structured securities	*582*	-	-	-
1.2. other debt securities	*10,461*	*1*	*9,905*	*515*
2. Equities	1,688	-	3,379	152
3. Quotas of UCITS	67	5,728	115	5,250
4. Loans	-	22	-	22
4.1 structured	-	-	-	-
4.2 other	-	*22*	-	*22*
5. Non-performing assets	-	-	-	-
6. Assets sold not derecognised	-	-	-	-
Total	**12,798**	**5,751**	**13,399**	**5,939**
Cost	**13,285**	**6,402**	**14,080**	**5,988**

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	31.12.2008	31.12.2007
1. Debt securities	**1,058**	**11,044**	**-**	**12,102**	**11,054**
a) Governments and Central Banks	653	7,725	-	8,378	7,426
b) Other public entities	53	25	-	78	510
c) Banks	164	1,035	-	1,199	1,608
d) Other issuers	188	2,259	-	2,447	1,510
2. Equities	**-**	**1,688**	**-**	**1,688**	**3,531**
a) Banks	-	144	-	144	447
b) Other issuers	-	1,544	-	1,544	3,084
- insurance companies	-	*76*	-	76	*159*
- financial institutions	-	*57*	-	57	*188*
- non-financial companies	-	*1,310*	-	1,310	*2,737*
- other	-	*101*	-	101	-
3. Quotas of UCITS	**103**	**5,795**	**-**	**5,898**	**5,379**
4. Loans	**7**	**22**	**-**	**29**	**22**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	7	13	-	20	3
d) Other counterparties	-	9	-	9	19
5. Non-performing assets	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
6. Assets sold not derecognised	**10**	**-**	**-**	**10**	**12**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	10	-	-	10	12
d) Other issuers	-	-	-	-	-
TOTAL	**1,178**	**18,549**	**-**	**19,727**	**19,998**

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	**634**	**-**	**14**	**-**	**648**
B. Increases	**693**	**-**	**298**	**7**	**998**
B.1 purchases	76	-	264	-	340
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	9	-	13	-	22
B.3 other changes	608	-	21	7	636
C. Decreases	**-269**	**-**	**-209**	**-**	**-478**
C.1 sales	-49	-	-175	-	-224
of which business combinations	-	-	-	-	-
C.2 reimbursements	-149	-	-20	-	-169
C.3 negative fair value differences	-50	-	-1	-	-51
C.4 other changes	-21	-	-13	-	-34
D. Final amount	**1,058**	**-**	**103**	**7**	**1,168**

3.3.2 Insurance companies

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**10,420**	**3,531**	**5,365**	**22**	**19,338**
B. Increases	**4,904**	**417**	**1,424**	**38**	**6,783**
B.1 purchases	3,163	37	1,168	-	4,368
of which business combinations	*1,835*	-	-	-	1,835
B.2 positive fair value differences	972	106	34	7	1,119
B.3 other changes	769	274	222	31	1,296
C. Decreases	**-4,280**	**-2,260**	**-994**	**-38**	**-7,572**
C.1 sales	-1,518	-224	-21	-11	-1,774
of which business combinations	-	-	-	-	-
C.2 reimbursements	-1,938	-	-	-	-1,938
C.3 negative fair value differences	-650	-1,238	-562	-	-2,450
C.4 other changes	-174	-798	-411	-27	-1,410
D. Final amount	**11,044**	**1,688**	**5,795**	**22**	**18,549**

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		31.12.2008		31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	4,776	2,791	14,463	20	-	-	19,239	2,811	22,649	5,739
1.1 Structured securities	*16*	*432*	-	-	-	-	*16*	*432*	*298*	*517*
1.2 Other debt securities	*4,760*	*2,359*	*14,463*	*20*	-	-	*19,223*	*2,379*	*22,351*	*5,222*
2. Equities	789	1,438	703	-	-	-	1,492	1,438	3,167	1,414
2.1 Measured at fair value	*789*	*1,409*	*703*	-	-	-	*1,492*	*1,409*	*3,167*	*1,382*
2.2 Measured at cost	-	*29*	-	-	-	-	-	*29*	-	*32*
3. Quotas of UCITS	61	359	23	80	-	-	84	439	87	459
4. Loans	-	218	-	-	-	-	-	218	-	612
5. Non-performing assets	5	-	8	-	-	-	13	-	-	-
6. Assets sold not derecognised	3,326	23	-	-	-	-	3,326	23	2,353	434
TOTAL	**8,957**	**4,829**	**15,197**	**100**	**-**	**-**	**24,154**	**4,929**	**28,256**	**8,658**

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

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.

Assets sold not derecognised include securities related to reverse repurchase agreements.

4.2 Financial assets available for sale: borrower/issuer breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2008	31.12.2007
1. Debt securities	**7,567**	**14,483**	**-**	**22,050**	**28,388**
a) Governments and Central Banks	3,692	11,398	-	15,090	17,375
b) Other public entities	1,017	370	-	1,387	3,824
c) Banks	1,392	1,183	-	2,575	2,757
d) Other issuers	1,466	1,532	-	2,998	4,432
2. Equities	**2,227**	**703**	**-**	**2,930**	**4,581**
a) Banks	387	60	-	447	771
b) Other issuers	1,840	643	-	2,483	3,810
- insurance companies	*511*	*60*	-	*571*	*765*
- financial institutions	*357*	*11*	-	*368*	*355*
- non-financial companies	*925*	*487*	-	*1,412*	*2,677*
- other	*47*	*85*	-	*132*	*13*
3. Quotas of UCITS	**420**	**103**	**-**	**523**	**546**
4. Loans	**218**	**-**	**-**	**218**	**612**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	12	-	-	12	13
d) Other counterparties	206	-	-	206	599
5. Non-performing assets	**5**	**8**	**-**	**13**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	1	8	-	9	-
d) Other counterparties	4	-	-	4	-
6. Assets sold not derecognised	**3,349**	**-**	**-**	**3,349**	**2,787**
a) Governments and Central Banks	1,943	-	-	1,943	1,074
b) Other public entities	43	-	-	43	-
c) Banks	754	-	-	754	803
d) Other counterparties	609	-	-	609	910
TOTAL	**13,786**	**15,297**	**-**	**29,083**	**36,914**

4.3 Financial assets available for sale: hedged assets

(in millions of euro)

	31.12.2008	31.12.2007
Financial assets available for sale: hedged assets	**2,635**	**5,565**
Banking group (*)	*1,491*	*4,176*
Insurance companies	*1,144*	*1,389*
Other companies	-	-

(*) As at 31.12.2008 hedged financial assets available for sale sold not derecognised amounted to 543 million euro.

4.3.1 Banking group

(in millions of euro)

Assets/Type of hedge	Hedged assets 31.12.2008		Hedged assets 31.12.2007	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	1,491	-	4,176	-
2. Equities	-	-	-	-
3. Quotas of UCITS	-	-	-	-
4. Loans	-	-	-	-
5. Portfolio	-	-	-	-
TOTAL	**1,491**	**-**	**4,176**	**-**

4.3.2 Insurance companies

(in millions of euro)

Assets/Type of hedge	Hedged assets 31.12.2008		Hedged assets 31.12.2007	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	1,144	-	1,389	-
2. Equities	-	-	-	-
3. Quotas of UCITS	-	-	-	-
4. Loans	-	-	-	-
5. Portfolio	-	-	-	-
TOTAL	**1,144**	**-**	**1,389**	**-**

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	31.12.2008	31.12.2007
1. Financial assets with specific fair value hedges	**2,034**	**1,144**	**-**	**3,178**	**6,979**
a) Interest rate risk	1,991	1,144	-	3,135	6,979
b) Price risk	-	-	-	-	-
c) Foreign exchange risk	-	-	-	-	-
d) Credit risk	-	-	-	-	-
e) Various risks	43	-	-	43	-
2. Financial assets with specific cash flow hedges	**-**	**-**	**-**	**-**	**-**
a) Interest rate risk	-	-	-	-	-
b) Foreign exchange risk	-	-	-	-	-
c) Other	-	-	-	-	-
TOTAL	**2,034**	**1,144**	**-**	**3,178**	**6,979**

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

(in millions of euro)

	31.12.2008	31.12.2007
Financial assets available for sale (other than those sold not derecognised and non-performing)	**25,721**	**34,126**
Banking group	*10,432*	*15,950*
Insurance companies	*15,289*	*17,886*
Other companies	*-*	*290*

4.5.1 Banking group

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**11,520**	**3,405**	**413**	**612**	**15,950**
B. Increases	**13,780**	**798**	**773**	**158**	**15,509**
B.1 purchases	9,242	446	703	145	10,536
of which business combinations	*676*	*59*	*144*	*-*	*879*
B.2 positive fair value differences	25	94	11	13	143
B.3 write-backs recognised in	1	-	-	-	1
- income statement	*1*	*X*	*-*	*-*	*1*
- shareholders' equity	*-*	*-*	*-*	*-*	*-*
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	4,512	258	59	-	4,829
C. Decreases	**-17,733**	**-1,976**	**-766**	**-552**	**-21,027**
C.1 sales	-10,363	-459	-715	-5	-11,542
of which business combinations	*-*	*-*	*-*	*-*	*-*
C.2 reimbursements	-1,686	-11	-10	-	-1,707
C.3 negative fair value differences	-709	-605	-28	-46	-1,388
C.4 impairment losses recognised in	-26	-787	-1	-	-814
- income statement	*-26*	*-787*	*-1*	*-*	*-814*
- shareholders' equity	*-*	*-*	*-*	*-*	*-*
C.5 transfers to other portfolios	-4,914	-114	-	-	-5,028
C.6 other changes	-35	-	-12	-501	-548
D. Final amount	**7,567**	**2,227**	**420**	**218**	**10,432**

4.5.2 Insurance companies

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**16,577**	**1,176**	**133**	**-**	**17,886**
B. Increases	**8,949**	**347**	**29**	**-**	**9,325**
B.1 purchases	8,516	335	4	-	8,855
of which business combinations	*882*	-	*2*	-	*884*
B.2 positive fair value differences	119	7	1	-	127
B.3 write-backs recognised in	-	-	-	-	-
- income statement	-	*X*	-	-	-
- shareholders' equity	-	-	-	-	-
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	314	5	24	-	343
C. Decreases	**-11,043**	**-820**	**-59**	**-**	**-11,922**
C.1 sales	-9,367	-347	-47	-	-9,761
of which business combinations	-	-	-	-	-
C.2 reimbursements	-1,273	-	-	-	-1,273
C.3 negative fair value differences	-296	-164	-7	-	-467
C.4 impairment losses recognised in	-25	-122	-3	-	-150
- income statement	*-25*	*-122*	*-3*	-	*-150*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-	-	-	-
C.6 other changes	-82	-187	-2	-	-271
D. Final amount	**14,483**	**703**	**103**	**-**	**15,289**

4.5.3 Other companies

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**290**	**-**	**-**	**-**	**290**
B. Increases	**-**	**-**	**-**	**-**	**-**
B.1 purchases	-	-	-	-	-
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	-	-	-	-	-
B.3 write-backs recognised in	-	-	-	-	-
- income statement	-	*X*	-	-	-
- shareholders' equity	-	-	-	-	-
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	-	-	-	-	-
C. Decreases	**-290**	**-**	**-**	**-**	**-290**
C.1 sales	-	-	-	-	-
of which business combinations	-	-	-	-	-
C.2 reimbursements	-	-	-	-	-
C.3 negative fair value differences	-14	-	-	-	-14
C.4 impairment losses recognised in	-	-	-	-	-
- income statement	-	-	-	-	-
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-276	-	-	-	-276
C.6 other changes	-	-	-	-	-
D. Final amount	**-**	**-**	**-**	**-**	**-**

Assets available for sale of other companies were zero at the end of 2008, largely as a result of reclassification to the loan portfolio assets after changes to IAS 39 introduced by the above-mentioned European Commission regulation 1004/2008.

Impairment tests for financial assets available for sale

As required under IFRS, financial assets available for sale are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and external indicators deriving from the market values of the company (only for quoted equities).
The presence of an internal impairment indicator of the issuer and of a quoted price of over 30% less than the initial recognition value or for a period of more than 12 months, results in the recognition of impairment. In the other cases the recognition of impairment must be confirmed by the outcome of specific assessments as regards the security and the investment.
The extremely negative financial markets performance in 2008 led to emergence of the respective price-related impairment indicators on the various quoted securities.
The presence of these indicators calls for a "basic" assessment of the company, adopting methodologies based on market criteria or on expected discounted cash flows in order to quantify the impact of measurement of the security, where internal impairment indicators are present, or confirmation of the significance of values assumed from official prices where the impairment indicators are detected by the financial markets.
In fact, it is considered that also where stock exchange prices show that quoted securities are subject to strong depression, objective impairment testing should be carried out. The market prices of securities could represent the best fair value assessment when the financial markets operate regularly and efficiently (and in such conditions, basic assessments of the company to be measured normally reflect the market price fair value), but this is not the case in situations where the market is turbulent or affected by strong speculative factors steered by short-term trading logic and as such, therefore, conflict with the aim of impairment testing that also involves medium/long-term analysis to detect impairment considered irrecoverable in a reasonable period of time.
For these reasons, therefore, the impairment indicators offered by the market prices of individual securities are also considered in relation to the general performance of the market on which the security is quoted and to the company's capital base. In any event, these are also paired with a "basic" assessment of the security.
Analysis carried out showed the need to adjust many equity investment values. As mentioned above, the adjustments were determined in reference to the market price of shares quoted on active markets and on the "basic" assessment performed by applying the various valuation methodologies applied as standard practice in other cases.
The more significant impairment losses recorded involved Natixis (436 million euro) and the London Stock Exchange Group (269 million euro).

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		31.12.2008		31.12.2007	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
1. Debt securities	4,975	4,872	-	-	-	-	4,975	4,872	4,233	4,201
1.1 Structured securities	*102*	*102*	-	-	-	-	*102*	*102*	-	-
1.2 Other debt securities	*4,873*	*4,770*	-	-	-	-	*4,873*	*4,770*	*4,233*	*4,201*
2. Loans	-	-	-	-	-	-	-	-	-	-
3. Non-performing assets	1	1	-	-	-	-	1	1	1	1
4. Assets sold not derecognised	596	596	-	-	-	-	596	596	1,689	1,689
TOTAL	**5,572**	**5,469**	**-**	**-**	**-**	**-**	**5,572**	**5,469**	**5,923**	**5,891**

For the illustration of the criteria for the determination of the fair value reference should be made to Part A – Accounting policies.
Assets sold not derecognised include securities related to repurchase agreements.

5.2 Investments held to maturity: borrowers/issuers

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2008	31.12.2007
1. Debt securities	**4,975**	**-**	**-**	**4,975**	**4,233**
a) Governments and Central Banks	4,119	-	-	4,119	3,890
b) Other public entities	73	-	-	73	8
c) Banks	490	-	-	490	281
d) Other issuers	293	-	-	293	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	**596**	**-**	**-**	**596**	**1,689**
a) Governments and Central Banks	596	-	-	596	1,689
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
TOTAL	**5,572**	**-**	**-**	**5,572**	**5,923**

Concerning 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)

	31.12.2008	31.12.2007
Investments held to maturity (other than assets sold not derecognised and non-performing)	**4,975**	**4,233**
Banking group	*4,975*	*4,233*
Insurance companies	-	-
Other companies	-	-

5.4.1 Banking group

(in millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**4,233**	**-**	**4,233**
B. Increases	**2,544**	**-**	**2,544**
B.1 purchases	420	-	420
of which business combinations	-	-	-
B.2 write-backs	-	-	-
B.3 transfers from other portfolios	124	-	124
B.4 other changes	2,000	-	2,000
C. Decreases	**-1,802**	**-**	**-1,802**
C.1 sales	-	-	-
of which business combinations	-	-	-
C.2 reimbursements	-1,123	-	-1,123
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-679	-	-679
D. Final amount	**4,975**	**-**	**4,975**

The increases and decreases mainly include the Parent Company transfer of assets sold and not derecognised on repurchase agreements.

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)

	31.12.2008	31.12.2007
Due from banks: breakdown	**56,371**	**62,831**
Banking group	*56,245*	*62,728*
Insurance companies	*125*	*103*
Other companies	*1*	*-*

6.1.1 Banking group

(in millions of euro)

	31.12.2008	31.12.2007
A. Due from Central Banks	**4,486**	**8,168**
1. Time deposits	1,633	2,357
2. Compulsory reserve	2,110	4,653
3. Repurchase agreements	742	1,055
4. Other	1	103
B. Due from banks	**51,759**	**54,560**
1. Current accounts and deposits	10,019	7,295
2. Time deposits	8,626	8,418
3. Other loans	31,364	37,956
3.1 Repurchase agreements	*23,386*	*32,291*
3.2 Financial leases	*7*	*-*
3.3 Other	*7,971*	*5,665*
4. Debt securities	1,359	829
4.1 Structured	*131*	*307*
4.2 Other	*1,228*	*522*
5. Non-performing assets	32	7
6. Assets sold not derecognised	359	55
TOTAL (book value)	**56,245**	**62,728**
TOTAL (fair value)	**56,077**	**62,709**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Concerning Non-performing assets, see Part E – Information on risks and relative hedging policies, Section – Credit risk.
Assets sold not derecognised include securities related to reverse repurchase agreements.

6.1.2 Insurance companies

(in millions of euro)

	31.12.2008	31.12.2007
A. Due from Central Banks	**-**	**-**
1. Time deposits	-	-
2. Compulsory reserve	-	-
3. Repurchase agreements	-	-
4. Other	-	-
B. Due from banks	**125**	**103**
1. Current accounts and deposits	25	3
2. Time deposits	-	-
3. Other loans	-	-
3.1 Repurchase agreements	-	-
3.2 Financial leases	-	-
3.3 Other	-	-
4. Debt securities	100	100
4.1 Structured	-	-
4.2 Other	*100*	*100*
5. Non-performing assets	-	-
6. Assets sold not derecognised	-	-
TOTAL (book value)	**125**	**103**
TOTAL (fair value)	**125**	**103**

6.1.3 Other companies

No significant amounts pertaining to other companies were recorded.

6.2 Due from banks: assets with specific hedges

(in millions of euro)

	31.12.2008	31.12.2007
Due from banks: assets with specific hedges	**230**	**729**
Banking group	*230*	*729*
Insurance companies	-	-
Other companies	-	-

6.2.1 Banking group

(in millions of euro)

	31.12.2008	31.12.2007
1. Due from banks with specific fair value hedges	**230**	**542**
a) Interest rate risk	230	542
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Due from banks with specific cash flow hedges	**-**	**187**
a) Interest rate risk	-	50
b) Foreign exchange risk	-	137
c) Other	-	-
TOTAL	**230**	**729**

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 2008 there were no lease receivables from banks.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(in millions of euro)

	31.12.2008	31.12.2007
Loans to customers: breakdown	**395,189**	**335,273**
Banking group	*393,955*	*334,857*
Insurance companies	*13*	*39*
Other companies	*1,221*	*377*

7.1.1 Banking group

(in millions of euro)

	31.12.2008	31.12.2007
1. Current accounts	37,727	31,384
2. Repurchase agreements	8,177	3,459
3. Mortgages	168,876	155,718
4. Credit card loans, personal loans and transfer of one fifth of salaries	15,675	14,032
5. Financial leases	22,498	19,116
6. Factoring	8,322	6,548
7. Other operations	106,319	89,580
8. Debt securities	12,437	6,116
8.1 Structured securities	*1,759*	*153*
8.2 Other debt securities	*10,678*	*5,963*
9. Non-performing assets	11,517	7,596
10. Assets sold not derecognised	2,407	1,308
TOTAL (book value)	**393,955**	**334,857**
TOTAL (fair value)	**389,077**	**334,518**

Assets sold not derecognised include securities related to reverse repurchase agreements.
The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Concerning 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)

	31.12.2008	31.12.2007
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	11	39
8. Debt securities	2	-
8.1 Structured securities	-	-
8.2 Other debt securities	*2*	-
9. Non-performing assets	-	-
10. Assets sold not derecognised	-	-
TOTAL (book value)	**13**	**39**
TOTAL (fair value)	**13**	**39**

7.1.3 Other companies

(in millions of euro)

	31.12.2008	31.12.2007
1. Current accounts	215	-
2. Repurchase agreements	-	-
3. Mortgages	-	-
4. Credit card loans, personal loans and transfer of one fifth of salaries	-	-
5. Financial leases	170	74
6. Factoring	-	-
7. Other operations	130	47
8. Debt securities	699	256
8.1 Structured securities	*318*	*50*
8.2 Other debt securities	*381*	*206*
9. Non-performing assets	7	-
10. Assets sold not derecognised	-	-
TOTAL (book value)	**1,221**	**377**
TOTAL (fair value)	**1,191**	**377**

7.2 Loans to customers: borrower/issuer breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2008	31.12.2007
1. Debt securities	**12,437**	**2**	**699**	**13,138**	**6,372**
a) Governments	1,760	-	-	1,760	742
b) Other public entities	3,928	-	-	3,928	1,570
c) Other issuers	6,749	2	699	7,450	4,060
- non-financial companies	*1,067*	-	-	*1,067*	*520*
- financial institutions	*3,766*	-	*699*	*4,465*	*1,308*
- insurance companies	*1,852*	*2*	-	*1,854*	*2,054*
- other	*64*	-	-	*64*	*178*
2. Loans	**367,594**	**11**	**515**	**368,120**	**319,997**
a) Governments	2,915	-	-	2,915	3,365
b) Other public entities	14,653	-	-	14,653	13,732
c) Other counterparties	350,026	11	515	350,552	302,900
- non-financial companies	*232,115*	-	*265*	*232,380*	*202,064*
- financial institutions	*28,605*	-	*244*	*28,849*	*20,764*
- insurance companies	*168*	-	-	*168*	*108*
- other	*89,138*	*11*	*6*	*89,155*	*79,964*
3. Non-performing assets	**11,517**	**-**	**7**	**11,524**	**7,596**
a) Governments	11	-	-	11	1
b) Other public entities	616	-	-	616	133
c) Other counterparties	10,890	-	7	10,897	7,462
- non-financial companies	*7,826*	-	*4*	*7,830*	*5,240*
- financial institutions	*123*	-	-	*123*	*48*
- insurance companies	-	-	-	-	*1*
- other	*2,941*	-	*3*	*2,944*	*2,173*
4. Assets sold not derecognised	**2,407**	**-**	**-**	**2,407**	**1,308**
a) Governments	430	-	-	430	-
b) Other public entities	1,120	-	-	1,120	120
c) Other counterparties	857	-	-	857	1,188
- non-financial companies	*111*	-	-	*111*	*30*
- financial institutions	*694*	-	-	*694*	*1,087*
- insurance companies	-	-	-	-	-
- other	*52*	-	-	*52*	*71*
TOTAL	**393,955**	**13**	**1,221**	**395,189**	**335,273**

7.3 Loans to customers: assets with specific hedges

(in millions of euro)

	31.12.2008	31.12.2007
Loans to customers: assets with specific hedges	**29,568**	**21,366**
Banking group	*29,568*	*21,366*
Insurance companies	-	-
Other companies	-	-

7.3.1 Banking group

(in millions of euro)

	31.12.2008	31.12.2007
1. Loans to customers with specific fair value hedges	**29,568**	**21,321**
a) Interest rate risk	29,568	21,321
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Loans to customers with specific cash flow hedges	**-**	**45**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	45
c) Other	-	-
TOTAL	**29,568**	**21,366**

As illustrated in Part A – Accounting policies and Part E – Information on risks and relative hedging policies, loans to customers are also 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.

7.3.2 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	31.12.2008						
	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	211	-	977	*9*	257	1,234	*109*
Between 3 and 12 months	1	-	2,847	*25*	721	3,568	*301*
Between 1 and 5 years	3	1,819	9,546	*71*	2,337	11,883	*812*
Over 5 years	-	-	7,685	*67*	2,151	9,836	*443*
Unspecified maturity	470	189	571	-	4	575	*7*
Total, gross	**685**	**2,008**	**21,626**	***172***	**5,470**	**27,096**	***1,672***
Adjustments	-182	-	-363	-	-	-363	-
- individual	*-125*	-	*-162*	-	-	*-162*	-
- collective	*-57*	-	*-201*	-	-	*-201*	-
Total, net	**503**	**2,008**	**21,263**	***172***	**5,470**	**26,733**	***1,672***

Financial leases envisage that on termination of the lease, provided all obligations have been met, the leaseholder has the option to:

– purchase the asset against payment of a set price;
– return the asset covered by the lease.

The duration of a lease, in relation to the economic life of the assets involved, and the pre-established redemption value of the assets in general encourage leaseholders to purchase the asset on expiry of the lease.

Leased assets vary according to the applicant type and/or nature of the business operations performed. In general, leased assets fall into 4 categories: vehicles (cars, commercial vehicles, industrial vehicles), air/rail/sea transport (aircraft, seagoing craft, rail stock), instrumental and property (buildings for commercial and industrial use, either ready built or to be constructed).

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.

Derivatives are considered quoted only if traded on regulated markets. For futures, on the basis of the instructions issued by the Bank of Italy, the relative margins are recorded under Loans to customers.

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

(in millions of euro)

	31.12.2008	31.12.2007
Hedging derivatives: breakdown by type of derivative and underlying asset	**5,389**	**3,017**
Banking group	*5,389*	*2,813*
Insurance companies	-	*204*
Other companies	-	-

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	**4,848**	**457**	**-**	**-**	**84**	**5,389**
with exchange of underlying asset	-	456	-	-	84	540
- *options bought*	-	-	-	-	*80*	*80*
- *other derivatives*	-	*456*	-	-	*4*	*460*
without exchange of underlying asset	4,848	1	-	-	-	4,849
- *options bought*	*348*	-	-	-	-	*348*
- *other derivatives*	*4,500*	*1*	-	-	-	*4,501*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**4,848**	**457**	**-**	**-**	**84**	**5,389**
TOTAL (A+B) 31.12.2008	**4,848**	**457**	**-**	**-**	**84**	**5,389**
TOTAL (A+B) 31.12.2007	**2,604**	**200**	**-**	**-**	**9**	**2,813**

The table indicates positive values of hedging derivatives.
The respective assets/liabilities hedged are indicated in specific tables included in 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	**-**	**-**	**-**	**-**	**-**	**-**
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 B	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31.12.2008	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 31.12.2007	**4**	**-**	**-**	**200**	**-**	**204**

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)

	31.12.2008	31.12.2007
Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)	**5,389**	**3,017**
Banking group	*5,389*	*2,813*
Insurance companies	-	*204*
Other companies	-	-

8.2.1 Banking group

(in millions of euro)

Operations/Type of hedge	**Fair value**						**Cash flow**	
	Specific							
	interest rate risk	**foreign exchange risk**	**credit risk**	**price risk**	**various risks**	**Generic**	**Specific**	**Generic**
1. Financial assets available for sale	196	72	-	-	10	X	-	X
2. Loans	87	-	-	X	72	X	-	X
3. Investments held to maturity	X	-	-	X	-	X	3	X
4. Portfolio	X	X	X	X	X	12	X	-
5. Foreign investments	X	X	X	X	X	X	-	X
Total assets	**283**	**72**	**-**	**-**	**82**	**12**	**3**	**-**
1. Financial liabilities	2,886	-	-	X	294	X	-	X
2. Portfolio	X	X	X	X	X	1,751	X	6
Total liabilities	**2,886**	**-**	**-**	**-**	**294**	**1,751**	**-**	**6**
1. Forecast transactions	X	X	X	X	X	X	-	-

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

No amounts pertaining to insurance companies were recorded.

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 portfolios

(in millions of euro)

	Banking group	**Insurance companies**	**Other companies**	**31.12.2008**	**31.12.2007**
1. Positive fair value change	**66**	**-**	**-**	**66**	**12**
1.1. of specific portfolios	66	-	-	66	12
a) loans	*66*	-	-	*66*	*12*
b) assets available for sale	-	-	-	-	-
1.2. overall	-	-	-	-	-
2. Negative fair value change	**-**	**-**	**-**	**-**	**-**
2.1. of specific portfolios	-	-	-	-	-
a) loans	-	-	-	-	-
b) assets available for sale	-	-	-	-	-
2.2. overall	-	-	-	-	-
TOTAL	**66**	**-**	**-**	**66**	**12**

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

(in millions of euro)

Hedged assets	31.12.2008	31.12.2007
1. Loans	12,621	22,773
2. Assets available for sale	-	3
3. Portfolio	6,950	-
TOTAL	**19,571**	**22,776**

The figure refers to the nominal value of coupons on floating rate mortgages and securities 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		Votes available %
				Direct ownership	% held	
A. COMPANIES SUBJECT TO JOINT CONTROL						
1	Allfunds Bank S.A. Capital Euro 27,040,620 in shares of Euro 30	Madrid	7	Intesa Sanpaolo	50.00	50.00
2	Augusto S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
3	Colombo S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
4	Diocleziano S.r.l. Capital Euro 10,000	Milano	7	Intesa Sanpaolo	5.00	5.00
5	Enerpoint Energy S.r.l. Capital Euro 100,000	Desio	7	Equiter	50.00	50.00
6	Findomestic Banca S.p.A. Capital Euro 400,000,000 in shares of Euro 50	Firenze	7	Cassa di Risparmio di Firenze Cassa di Risparmio di Pistoia e Pescia	47.17 2.83	47.17 2.83
7	Green Initiative Carbon Asset s (GICA) S.a. Capital Chf 3,500,000 in shares of Chf 100	Lugano	7	Equiter	25.00	25.00
8	International Entertainment S.p.A. Capital Euro 19,000,000 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	Noverca Italia S.r.l. Capital Euro 120,000	Roma	7	Intesa Sanpaolo	34.00	34.00
13	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
14	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
15	Soprarno S.g.r. S.p.A.(b) Capital Euro 2,000,000 in shares of Euro 1	Firenze	7	Cassa di Risparmio di Firenze	47.50	47.50
16	TLX S.p.A. Capital Euro 5,000,000 in shares of Euro 1	Milano	7	Banca Imi	50.00	50.00
17	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
18	Centradia Group Ltd (in liq.) Capital Euro 38,750,026.09 in shares of Euro 1	London	7	Intesa Sanpaolo	29.03	30.45
B. INVESTMENTS IN ASSOCIATES						
1	Aeroporti Holding S.r.l. Capital Euro 50,000,000	Torino	4	Equiter	35.31	35.31
2	AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l. Capital Euro 350,000	Milano	4	Intesa Sanpaolo	42.86	42.86
3	Ambienta Società di Gestione del Risparmio S.p.A. Capital Euro1,500,000 in shares of Euro 100	Milano	4	Equiter	20.00	20.00
4	Autostrade Lombarde S.p.A. Capital Euro 95,000,000 in shares of Euro 10	Brescia	4	Intesa Sanpaolo	39.30	39.30
5	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
6	C.A.I. Compagnia Aerea Italiana S.p.A. Capital Euro 501,266,508 in shares of Euro 1	Milano	4	Intesa Sanpaolo	11.81	11.81
7	CARICESE S.r.l. Capital Euro 1,499,349	Bologna	4	Cassa di Risparmio in Bologna Cassa di Risparmio di Firenze Cassa di Risparmio di Orvieto Cassa di Risparmio di Civitavecchia Cassa di Risparmio di Pistoia e Pescia	19.90 1.95 0.03 0.03 0.03	0.00 0.00 0.00 0.00 0.00
8	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
9	CE.SPE.VI. S.r.l. Capital Euro 1,116,267	Pistoia	4	Cassa di Risparmio di Pistoia e Pescia	20.00	20.00
10	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
11	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

		Registered office	Type of relationship (a)	Investment Direct ownership	% held	Votes available %
12	Cr Firenze Mutui S.r.l. Capital Euro 10,000	Conegliano Veneto	8	Cassa di Risparmio di Firenze	10.00	10.00
13	Data Service S.p.A. Capital Euro 14,916,526.95 in shares of Euro 1.15	Roma	4	Imi Investimenti	16.31	16.31
14	Esaote 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	42.50	42.50
16	Europrogetti e Finanza S.p.A. Capital Euro 5,636,400 in shares of Euro 0.30	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	Gcl Holdings L.P. S.a.r.l. Capital Euro 41,820	Luxembourg	4	Intesa Sanpaolo	22.30	22.30
19	Grande Jolly S.r.l. Capital Euro 150,354,508.02	Milano	4	Intesa Sanpaolo	2.64	2.64
20	I. Tre Iniziative Immobiliari Industriali S.p.A. Capital Euro 510,000 in shares of Euro 0.51	Rovigo	4	Cassa di Risparmio del Veneto	20.00	20.00
21	Infragruppo S.p.A. Capital Euro 156,939,500 in shares of Euro 1	Bergamo	4	IMI Investimenti	21.71	21.71
22	Intesa Soditic Trade Finance Ltd. Capital USD 5,000,000	London	4	Intesa Sanpaolo Holding International	50.00	50.00
23	Intesa Vita S.p.A. Capital Euro 394,226,300 in shares of Euro 5	Milano	4	Intesa Sanpaolo	50.00	44.44
24	Ism Investimenti S.p.A. Capital Euro 5,000,000 in shares of Euro 1	Mantova	4	Imi Investimenti	28.57	28.57
25	Italfondiario S.p.A. Capital Euro 20,000,000 in shares of Euro 1	Roma	4	Intesa Sanpaolo	11.25	11.25
26	Manadarin Capital Management S.A. Capital Euro 271,000	Luxembourg	4	Private Equity International	20.00	20.00
27	Mater-Bi S.p.A. Capital Euro 14,560,000 in shares of Euro 0.52	Milano	4	Intesa Sanpaolo	34.48	34.48
28	Mega International S.p.A. Capital Euro 918,000 in shares of Euro 0.51	Faenza	4	Neos Banca	48.00	48.00
29	Misr Alexandria for Financial Investments Mutual Fund Co. Capital EGP 30,000,000	Cairo	4	Bank of Alexandria	25.00	25.00
30	Misr International Towers Co. Capital EGP 40,000,000	Cairo	4	Bank of Alexandria	27.86	27.86
31	Newcocot S.p.A. Capital Euro 3,249,832 in shares of Euro 1	Cologno Monzese	4	Intesa Sanpaolo	24.61	24.61
32	Nh Hoteles S.A. Capital Euro 295,940,916	Madrid	4	Private Equity International Intesa Sanpaolo	2.80 2.33	
33	Nh Italia S.r.l. Capital Euro 226,698,564.59	Milano	4	Intesa Sanpaolo	42.75	42.75
34	Noverca S.r.l. Capital Euro 2,949,288.52	Roma	4	Intesa Sanpaolo	10.00	10.00
35	Nuovo Trasporto Viaggiatori S.p.A. Capital Euro 87,156,763 in shares of Euro 1	Roma	4	Imi Investimenti	20.00	20.00
36	Obiettivo Nord - Est Sicav S.p.a. Capital Euro 14,307,469 in shares of Euro 4.89	Venezia Marghera	4	Intesa Sanpaolo	13.68	13.68
37	Penghua Fund Management Co. Ltd. Capital CNY 150,000,000 in shares of CNY 1	Shenzhen	4	Intesa Sanpaolo	49.00	49.00
38	Pietra S.r.l. Capital Euro 40,000	Milano	4	Intesa Sanpaolo	22.22	22.22
39	Pirelli & C. S.p.A. Capital Euro 1,556,692,865.28 in shares of Euro 0.29	Milano	4	Intesa Sanpaolo	1.58	1.62
40	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
41	Rizzoli Corriere della Sera MediaGroup S.p.A. Capital Euro 762,019,050 in shares of Euro 1	Milano	4	Intesa Sanpaolo	4.83	5.02
42	S.A.F.I. S.r.l. Capital Euro 100,000	Spinea	4	Centro Leasing Rete	20.00	20.00
43	Sagat S.p.A. Capital Euro 10,165,200 in shares of Euro 5.16	Caselle Torinese	4	Equiter	12.40	12.40
44	SI Holding S.p.A.(b) Capital Euro 27,000,000 in shares of Euro 0.60	Milano	4	Intesa Sanpaolo Cassa di Risparmio di Firenze Cariromagna	36.74 5.26 0.25	36.74 5.26 0.25

		Registered office	Type of relationship (a)	Investment Direct ownership	% held	Votes available %
45	SIA - SSB S.p.A. Capital Euro 22,091,286.62 in shares of Euro 0.13	Milano	4	Intesa Sanpaolo	28.02	28.02
				Banca Imi	1.39	1.39
				Cassa di Risparmio di Firenze	0.49	0.49
				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
46	Slovak Banking Credit Bureau s.r.o. Capital SKK 300,000	Bratislava	4	Vseobecna Uverova Banka	33.33	33.33
47	Solar Express S.r.l. Capital Euro 32,500	Firenze	4	Intesa Sanpaolo	40.00	40.00
48	Spezia Risorse S.p.A. Capital Euro 799,831 in shares of Euro 1	La Spezia	4	GE.FI.L	20.00	20.00
49	Sviluppo Industriale S.p.A. Capital Euro 1,412,162.65 in shares of Euro 51.65	Pistoia	4	Cassa di Risparmio di Pistoia e Pescia	29.19	29.19
50	Tangenziali Esterne Milano S.p.A. Capital Euro 7,350,000 in shares of Euro 3.75	Milano	4	Intesa Sanpaolo	5.00	5.00
51	Telco S.p.A. Capital Euro 4,849,038,420 in shares of Euro 2.50	Milano	4	Intesa Sanpaolo	10.65	10.65
52	Termomeccanica S.p.A. Capital Euro 3,666,635.96 in shares of Euro 0.52	La Spezia	4	Intesa Sanpaolo	27.50	27.50
				Cassa di Risparmio della Spezia	5.37	5.37
53	Uno A Erre Italia S.p.A. Capital Euro 8,153,756 in shares of Euro 0.01	Arezzo	4	Intesa Sanpaolo	18.90	18.90
				Mediocredito Italiano	1.37	1.37
54	UPA Servizi S.p.A. Capital Euro 1,504,278 in shares of Euro 1	Padova	4	Cassa di Risparmio del Veneto	44.32	44.32
55	Varese Investimenti S.p.A. Capital Euro 600,000 in shares of Euro 10	Varese	4	Intesa Sanpaolo	40.00	40.00
56	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
57	Evoluzione 94 S.p.A. (in liq) Capital Euro 5,722,081.78 in shares of Euro 0.03	Milano	4	Intesa Sanpaolo	24.10	24.10
				C.R. Bologna	2.55	2.55
				C.R. Friuli Venezia Giulia	1.97	1.97
58	Idra Partecipazioni S.p.A. (in liq.) Capital Euro 117,496 in shares of Euro 0.01	Milano	4	Intesa Sanpaolo	23.82	23.82
				Ldv Holding	14.80	14.80
59	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
60	Impianti S.r.l. (in liq.) Capital Euro 92,952	Milano	4	Intesa Sanpaolo	26.27	26.27
				Banca di Trento e Bolzano	1.69	1.69
61	P.B. S.r.l. (in liq.) Capital Euro 119,000 in shares of Euro 1	Milano	4	Intesa Sanpaolo	42.24	42.24
				Cassa di Risparmio di Firenze	4.96	4.96
62	Progema S.r.l. (in liq.) Capital Euro 46,440	Torino	4	SEP	10.00	10.00
				Neos Banca	10.00	10.00
63	Sanpaolo Imi Private Equity Scheme b.v. (in liq.) (b) Capital Euro 100,000	Amsterdam	4	Ldv Holding	23.50	23.50
				Cassa di Risparmio di Firenze	8.00	8.00
64	Società Gestione per il Realizzo S.p.A.(in liq.) Capital Euro 2,946,459 in shares of Euro 0.10	Roma	4	Intesa Sanpaolo	38.33	38.33
				Banca Fideuram	0.63	0.63
				Cassa di Risparmio di Firenze	0.42	0.42
				Cassa di Risparmio di Civitavecchia	0.16	0.16

(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) Company undergoing disposal;

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					**500**	
Allfunds Bank S.A.	163	146	16	94	72	-
Augusto S.r.l.	-	-	-	-	-	-
Colombo S.r.l.	-	-	-1	-	-	-
Diocleziano S.r.l.	-	-	-	-	-	-
Enerpoint Energy S.r.l.	6	-	-	-	-	-
Findomestic Banca S.p.A.	11,798	1,237	62	771	385	-
Green Initiative Carbon Asset s (GICA) S.a.	2	-	-	-	-	-
International Entertainment S.p.A.(a)	-	-	-	-	10	-
Leonardo Technology S.p.A.	69	9	-1	19	5	-
Luxiprivilege Conseil S.a.	-	-	-	-	-	-
Monte Mario 2000 S.r.l.	1	-	-	-	-	-
Noverca Italia S.r.l.	43	-	-	37	13	-
for Compulsory Pension Fund Management	15	6	3	15	7	-
Shangai Sino-Italy Business Advisory Company Ltd	1	-	-	-	-	-
Soprarno S.g.r. S.p.A. (b)	2	2	-1	1	-	-
TLX S.p.A.	8	9	-	5	3	-
Vub Generali Dochodkova Spravcovska Spolocnost A.s.	11	4	1	10	5	-
Centradia Group Ltd (in liq.)	-	-	-	-	-	-
A.2. Investment in associates					**2,095**	
Aeroporti Holding S.r.l.	53	-	-	52	20	-
AL.FA.-Un'Altra Famiglia dopo di noi-Impresa Sociale S.r.l.	-	-	-	-	-	-
Ambienta Società di Gestione del Risparmio S.p.A.	-	-	-	1	-	-
Autostrade Lombarde S.p.A.	131	2	1	98	45	-
Banca Impresa Lazio S.p.A.	28	1	-1	7	1	-
C.A.I. Compagnia Aerea Italiana S.p.A. (a)	-	-	-	-	100	-
CARICESE S.r.l.	10	-	-	2	-	-
Cassa di Risparmio di Fermo S.p.A.	-	-	6	149	50	-
CE.SPE.VI. S.r.l.	1	-	-	1	-	-
Collegamento Ferroviario Genova-Milano S.p.A.	-	-	-	-	-	-
Consorzio per gli Studi Universitari a Distanza S.c.a.r.l.	-	-	-	-	-	-
Data Service S.p.A.	110	47	-2	16	5	2
Esaote S.p.A.	330	161	1	118	70	-
Euromilano S.p.A.	240	36	1	40	19	-
Europrogetti e Finanza S.p.A.	11	2	-2	6	-	-
F.I.L.A. Fabbrica Italiana Lapis e Affini S.p.A.	178	180	6	28	15	-
Gcl Holdings L.P. S.a.r.l. (a)	-	-	-	-	45	-
Grande Jolly S.r.l.	955	235	-14	454	16	-
I. Tre Iniziative Immobiliari Industriali S.p.A.	20	5	-	1	-	-
Infragruppo S.p.A.	751	129	-27	79	13	-
Intesa Soditic Trade Finance Ltd.	5	4	1	5	2	-
Intesa Vita S.p.A.	23,379	1,397	63	1,675	647	-
Ism Investimenti S.p.A.	84	-	-	42	12	-
Italfondiario S.p.A.	83	74	7	40	3	-
Manadarin Capital Management S.A.	-	-	-	-	-	-
Mater-Bi S.p.A.	57	52	-1	26	9	-
Mega International S.p.A.	3	-	-	-	-	-
Misr Alexandria for Financial Investments Mutual Fund Co.	15	2	1	15	4	-
Misr International Towers Co.	20	3	2	16	4	-
Newcocot S.p.A.	35	36	-	9	4	-
Nh Hoteles S.A.	3,326	1,464	-	1,125	73	28
Nh Italia S.r.l.	1,095	298	-47	413	184	-
Noverca S.r.l.	33	22	-	31	4	-
Nuovo Trasporto Viaggiatori S.p.A. (a)	-	-	-	-	35	-
Obiettivo Nord - Est Sicav S.p.a.	15	1	-3	14	2	-
Penghua Fund Management Co. Ltd.	119	86	31	69	75	-
Pietra S.r.l.	27	-	-	24	5	-
Pirelli & C. S.p.A.	7,434	4,470	-51	2,500	38	22
R.C.N. Finanziaria S.p.A.	305	8	-10	7	2	-
Rizzoli Corriere della Sera MediaGroup S.p.A.	1,378	2,000	20	1,138	66	36
S.A.F.I. S.r.l.	1	-	-	1	-	-
Sagat S.p.A.	190	70	6	62	17	-

(in millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
SI Holding S.p.A.(b)	3,657	484	8	59	-	-
SIA - SSB S.p.A.	290	337	9	158	74	-
Slovak Banking Credit Bureau s.r.o.	-	1	-	-	-	-
Solar Express S.r.l. (a)	-	-	-	-	-	-
Spezia Risorse S.p.A.	7	-	-	1	-	-
Sviluppo Industriale S.p.A.	4	-	-	2	-	-
Tangenziali Esterne Milano S.p.A.	5	-	-1	4	-	-
Telco S.p.A.	7,251	193	-1,499	3,553	378	-
Termomeccanica S.p.A.	317	237	50	98	32	-
Uno A Erre Italia S.p.A.	90	146	-14	4	-	-
UPA Servizi S.p.A.	9	-	-	1	5	-
Varese Investimenti S.p.A.	1	-	-	1	-	-
Consorzio Bancario SIR S.p.A. (in liq.)	-	-	-	-500	-	-
Evoluzione 94 S.p.A. (in liq)	9	3	2	8	2	-
Idra Partecipazioni S.p.A. (in liq.)	-	8	-	-	-	-
Ifas Gruppo S.p.A. (in liq.)	23	-	-	-15	-	-
Impianti S.r.l. (in liq.)	7	-	-	-117	-	-
P.B. S.r.l. (in liq.)	7	-	-	7	3	-
Progema S.r.l. (in liq.)	-	-	-	-	-	-
Sanpaolo Imi Private Equity Scheme b.v. (in liq.) (b)	-	-	-	-	-	-
Società Gestione per il Realizzo S.p.A. (in liq.)	62	5	-1	40	16	-
Total companies carried at equity					**2,595**	
Banca d'Italia					627	
Other minor (c)					8	
Total					**3,230**	

a) Newly-incorporated/acquired company

b) Company undergoing disposal;

c) Mostly includes marginal companies: i) in liquidation and/or terminating activities and ii) start-ups with no balance sheet. In particular:
- 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	31.12.2008	31.12.2007
A. Initial amount	**3,522**	**-**	**-**	**3,522**	**2,183**
B. Increases	**1,152**	**-**	**-**	**1,152**	**2,608**
B.1 purchases	754	-	-	754	2,244
of which business combinations	*450*			*450*	*1,562*
B.2 write-backs	-	-	-	-	-
B.3 revaluations	145	-	-	145	324
B.4 other changes	253	-	-	253	40
C. Decreases	**-1,444**	**-**	**-**	**-1,444**	**-1,269**
C.1 sales	-319	-	-	-319	-283
C.2 impairment losses (a)	-357	-	-	-357	-19
C.3 other changes	-768	-	-	-768	-967
D. Final amount	**3,230**	**-**	**-**	**3,230**	**3,522**
E. Total revaluations	**1,094**	**-**	**-**	**1,094**	**949**
F. Total impairment losses	**412**	**-**	**-**	**412**	**55**

(a) includes -30 million euro due to losses on investments in associates and companies subject to joint control carried at equity.

10.4 Commitments referred to investments in companies subject to joint control

As at 31 December 2008 there were no significant commitments referred to companies subject to joint control.

10.5 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 sold having the equity investment in Intesa Vita as underlying asset, in which Intesa Sanpaolo holds a 50% stake.

To complete the information, the following commitments referred to investments in subsidiaries should be noted:

- after obtaining control (with an 89.7% share) of Cassa di Risparmio di Firenze, in accordance with the Shareholders' Agreement which entered into force after the delisting of Cassa di Risparmio di Firenze, Intesa Sanpaolo recognised a total of approximately 574 million euro to "Commitments against put options issued" for the remaining 10.3%;
- further to the Shareholders' Agreement stipulated in 2006 between Intesa Sanpaolo Holding International and International Finance Corporation – IFC of Washington DC, Intesa Sanpaolo recognised approximately 58 million euro to "Commitments against put options issued" for the remaining 7% of Banca Intesa Beograd;
- further to the Shareholders' Agreement stipulated between Intesa Sanpaolo, Finanziaria B.T.B. and ISA regarding approximately 10% of Banca di Trento e Bolzano share capital, Intesa Sanpaolo recognised approximately 37 million euro to "Commitments against put options issued";
- following the purchase of 80% of share capital of Intesa Sanpaolo Bank of Albania, based on the provisions of the "Shareholders Agreement" and agreements with the European Bank for Reconstruction, Intesa Sanpaolo recognised approximately 28 million euro under "commitments against put options issued" relating to the remaining 19% of the Albanian bank;
- the squeeze-out and sell-out rules of the Slovenian Companies Act of 3 May 2006 envisage a put option in favour of minority shareholders of Banka Koper if Intesa Sanpaolo should exceed 90% of the bank's share capital. These squeeze-out and sell-out rules led to the recognition of approximately 9 million euro to "Commitments against put options issued".

Impairment testing of investments

As required under IFRS, equity investments are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable.
With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and external indicators deriving from the market values of the company (only for quoted equities). If impairment indicators are detected the recoverable value is calculated, represented by the higher of the fair value less costs to sell and the value in use, and if the latter proves lower than the carrying value, impairment is recognised.
With regard to certain investments, namely Telco, RCS, Pirelli, NH Hoteles and Allfunds, impairment indicators were detected attributable to the consistent fall in prices in the first four cases and to a business performance strongly influenced by reduced AUM volumes in the case of Allfunds (a company that provides depositary bank services for a number of fund management companies).
For these investments a "basic" assessment was carried out based on an estimation of expected discounted cash flows.
The assessments, which produced values lower than the carrying value of the investments, led to impairment being recognised for Telco (165 million euro), RCS (78 million euro), Allfunds (60 million euro) and NH Hoteles (16 million).

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)

	31.12.2008	31.12.2007
A. Casualty branch	**27**	**22**
A.1 premiums reserves	16	12
A.2 claims reserves	11	10
A.3 other reserves	-	-
B. Life branch	**13**	**12**
B.1 mathematical reserves	12	12
B.2 reserves for amounts to be disbursed	1	-
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	40	34

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

Technical insurance reserves reassured with third parties recorded no significant changes during the year. The slight increase recorded is also attributable to inclusion in the aggregate of the contribution from the newly acquired Centrovita, an insurance company subsidiary to Banca CR Firenze.

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	31.12.2008	31.12.2007
A. Property and equipment used in operations					
1.1 owned	5,034	22	52	5,108	5,058
a) land	*1,465*	*15*	*1*	*1,481*	*1,591*
b) buildings	*2,683*	*6*	*47*	*2,736*	*2,681*
c) furniture	*288*	*1*	-	*289*	*238*
d) electronic equipment	*487*	-	*1*	*488*	*442*
e) other	*111*	-	*3*	*114*	*106*
1.2 acquired in leasing	29	-	-	29	25
a) land	*18*	-	-	*18*	*16*
b) buildings	*11*	-	-	*11*	*8*
c) furniture	-	-	-	-	-
d) electronic equipment	-	-	-	-	-
e) other	-	-	-	-	*1*
Total A	**5,063**	**22**	**52**	**5,137**	**5,083**
B. Investment property					
2.1 owned	108	10	-	118	107
a) land	*32*	*7*	-	*39*	*52*
b) buildings	*76*	*3*	-	*79*	*55*
2.2 acquired in leasing	-	-	-	-	1
a) land	-	-	-	-	*1*
b) buildings	-	-	-	-	-
Total B	**108**	**10**	**-**	**118**	**108**
TOTAL (A + B)	**5,171**	**32**	**52**	**5,255**	**5,191**

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

Not applicable to the Intesa Sanpaolo Group.

12.3 Property and equipment used in operations: annual changes

(in millions of euro)

	31.12.2008	31.12.2007
Property and equipment used in operations	**5,137**	**5,083**
Banking group	*5,063*	*4,997*
Insurance companies	*22*	*23*
Other companies	*52*	*63*

12.3.1 Banking group

(in millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**1,588**	**3,770**	**738**	**2,111**	**328**	**8,535**
A.1 Total net adjustments	-	-1,145	-501	-1,670	-222	-3,538
A.2 Net initial carrying amount	**1,588**	**2,625**	**237**	**441**	**106**	**4,997**
B. Increases	**163**	**736**	**108**	**309**	**71**	**1,387**
B.1 Purchases	161	438	98	285	60	1,042
of which business combinations	*142*	*387*	*18*	*27*	*15*	*589*
B.2 Capitalised improvement costs	-	84	-	-	-	84
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	-	-	-	-	-	-
B.7 Other changes	2	214	10	24	11	261
C. Decreases	**-268**	**-667**	**-57**	**-263**	**-66**	**-1,321**
C.1 Sales	-245	-535	-6	-10	-22	-818
of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	-113	-47	-234	-31	-425
C.3 Impairment losses recognised in	-	-	-	-2	-	-2
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	*-2*	-	*-2*
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfer to	-16	-4	-	-	-	-20
a) investment property	-	*-1*	-	-	-	*-1*
b) non-current assets held for sale and discontinued operations	*-16*	*-3*	-	-	-	*-19*
C.7 Other changes	-7	-15	-4	-17	-13	-56
D. Net final carrying amount	**1,483**	**2,694**	**288**	**487**	**111**	**5,063**
D.1 Total net adjustments	-	1,042	548	1,904	253	3,747
D.2 Gross final carrying amount	**1,483**	**3,736**	**836**	**2,391**	**364**	**8,810**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Disposal of Immit real estate

The company was founded at the end of 2007 with the aim of listing according to Italian Law 296/06, which established the Società di Investimento Immobiliari Quotate, taking advantage of tax incentives envisaged under the new law.
For this purpose, at the start of 2008 the second real estate transfer stage was implemented, with Intesa Sanpaolo and eleven other Group companies contributing 276 properties (to reach a total of 285) to IMMIT. Later, the other transferors subscribed agreements to transfer their investments in IMMIT to the

Parent Company. In order to benefit from the SIIQ regime, however, it was necessary for IMMIT to be admitted to trading on regulated markets by 31 December 2008. The market situation forced IMMIT to forego the listing.
As there were no longer the grounds for operation as an SIIQ, in December 2008 IMMIT assigned all the properties (except one), for a total value of approximately 850 million euro, to a real estate fund managed by FIMIT SGR, and immediately afterwards disposed of 70% of the fund units received following contributions from certain institutional investors. At consolidated level, the entire real estate disposal transaction gave rise to overall net capital gains of approximately 100 million euro.
Its role having expired, in 2009 IMMIT will be absorbed into Intesa Sanpaolo (presumably via a merger by incorporation).

12.3.2 Insurance companies

(in millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**16**	**7**	**1**	**-**	**3**	**27**
A.1 Total net adjustments	-	-1	-	-	-3	-4
A.2 Net initial carrying amount	**16**	**6**	**1**	**-**	**-**	**23**
B. Increases	**7**	**3**	**-**	**-**	**-**	**10**
B.1 Purchases	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
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	7	3	-	-	-	10
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-8**	**-3**	**-**	**-**	**-**	**-11**
C.1 Sales	-8	-2	-	-	-	-10
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	-	-	-	-	-	-
D. Net final carrying amount	**15**	**6**	**1**	**-**	**-**	**22**
D.1 Total net adjustments	-	2	-	-	3	5
D.2 Gross final carrying amount	**15**	**8**	**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	**3**	**59**	**-**	**1**	**1**	**64**
A.1 Total net adjustments	-	-1	-	-	-	-1
A.2 Net initial carrying amount	**3**	**58**	**-**	**1**	**1**	**63**
B. Increases	**-**	**-**	**-**	**-**	**2**	**2**
B.1 Purchases	-	-	-	-	1	1
of which business combinations	-	-	-	-	*1*	*1*
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
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	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	1	1
C. Decreases	**-2**	**-11**	**-**	**-**	**-**	**-13**
C.1 Sales	-2	-8	-	-	-	-10
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	-	-	-	-2
D. Net final carrying amount	**1**	**47**	**-**	**1**	**3**	**52**
D.1 Total net adjustments	-	2	-	-	-	2
D.2 Gross final carrying amount	**1**	**49**	**-**	**1**	**3**	**54**
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	**20**	**38**	**33**	**17**	**-**	**-**	**53**	**55**
A.1 Total net adjustments	-	-	-	-	-	-	-	-
A.2 Net initial carrying amount	**20**	**38**	**33**	**17**	**-**	**-**	**53**	**55**
B. Increases	**20**	**52**	**-**	**-**	**-**	**-**	**20**	**52**
B.1 Purchases	19	48	-	-	-	-	19	48
of which business combinations	*19*	*48*	-	-	-	-	*19*	*48*
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	-	1	-	-	-	-	-	1
B.7 Other changes	1	3	-	-	-	-	1	3
C. Decreases	**-8**	**-14**	**-26**	**-14**	**-**	**-**	**-34**	**-28**
C.1 Sales	-4	-8	-19	-11	-	-	-23	-19
of which business combinations	-	-	-	-	-	-	-	-
C.2 Depreciation	-	-3	-	-	-	-	-	-3
C.3 Negative fair value differences	-	-	-	-	-	-	-	-
C.4 Impairment losses	-	-	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-	-
C.6 Transfer to other assets	-	-	-7	-3	-	-	-7	-3
a) property used in operations	-	-	-7	-3	-	-	-7	-3
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
C.7 Other changes	-4	-3	-	-	-	-	-4	-3
D. Net final carrying amount	**32**	**76**	**7**	**3**	**-**	**-**	**39**	**79**
D.1 Total net adjustments	-	-	-	-	-	-	-	-
D.2 Gross final carrying amount	**32**	**76**	**7**	**3**	**-**	**-**	**39**	**79**
E. Fair value measurement	**32**	**76**	**8**	**4**	**-**	**-**	40	80

12.5 Commitments to purchase property and equipment

No significant commitments to purchase property and equipment were recorded as at 31 December 2008.

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		31.12.2008		31.12.2007	
	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**	**18,656**	**X**	**1,038**	**X**	**-**	**X**	**19,694**	**X**	**17,464**
A.1.1 Group	x	18,656	x	1,038	x	-	x	**19,694**	x	17,464
A.1.2 Minority interests	x	x	x	x	x	x	x	x	x	x
A.2 Other intangible assets	**4,566**	**2,384**	**507**	**-**	**-**	**-**	**5,073**	**2,384**	**5,923**	**2,384**
A.2.1 Assets measured at cost	4,566	2,384	507	-	-	-	5,073	2,384	5,923	2,384
a) Internally generated intangible assets	273	-	7	-	-	-	*280*	*-*	*378*	*-*
b) Other assets	4,293	2,384	500	-	-	-	*4,793*	*2,384*	*5,545*	*2,384*
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**4,566**	**21,040**	**507**	**1,038**	**-**	**-**	**5,073**	**22,078**	**5,923**	**19,848**

With regard to the recognition methods for Goodwill and Other intangible assets, reference should be made to Part A - Accounting policies. For a description of transactions performed in 2008 reference should instead be made to Part G - Business combinations.
It should be noted that figures as at 31 December 2007 for goodwill and other intangible assets were restated compared to figures published at that date to take into account the definitive cost allocation incurred at the end of 2007 for the acquisition of Eurizon Investimenti (formerly Nextra).
Among Other intangible assets with a finite useful life, 4,536 million euro refer to intangibles recognised in relation to business combinations. Of these, 1,613 million euro refer to intangibles linked to asset management, 584 million euro to the value of the insurance policy portfolio and 2,339 million euro to core deposits. The remainder refers mainly to software.
Other intangible assets with an indefinite useful life refer to brand name, recognised on acquisition of the former Sanpaolo IMI Group.

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

(in millions of euro)

Goodwill	**31.12.2008**	**31.12.2007**
Banca dei Territori	11,901	9,453
Corporate & Investment Banking	3,455	3,013
Public Finance	10	10
Eurizon Capital	1,411	1,530
Banca Fideuram	979	1,559
International Subsidiary Banks	1,938	1,899
Total	**19,694**	**17,464**

13.2 Intangible assets: annual changes

(in millions of euro)

	31.12.2008	**31.12.2007**
Intangible assets	**27,151**	**25,771**
Banking group	*25,606*	*24,182*
Insurance companies	*1,545*	*1,589*
Other companies	*-*	*-*

The increases in intangible assets from business combinations include assets involved in the purchase price allocation process regarding acquisition of the Cassa di Risparmio di Firenze 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 figures recorded as part of the abovementioned allocation process are:

- intangible assets: core deposits	502	million euro (finite life)
- intangible assets: asset management portfolio	58	million euro (finite life)
- intangible assets: insurance portfolio	40	million euro (finite life)

In addition, acquisitions performed during 2008 (Cassa di Risparmio di Firenze Group, Pravex Bank, Intesa Sanpaolo Servizi Transazionali and a minor transaction in the insurance segment) led to the recognition of goodwill totalling 3,591 million euro, of which 390 million euro refer to the subsidiary Pravex Bank, written down in full after impairment testing of goodwill at CGU level.

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	**16,624**	**1,024**	**-**	**5,983**	**2,384**	**26,015**
A.1 Total net adjustments	-196	-647	-	-990	-	-1,833
A.2 Net initial carrying amount	**16,428**	**377**	**-**	**4,993**	**2,384**	**24,182**
B. Increases	**3,628**	**166**	**-**	**699**	**-**	**4,493**
B.1 Purchases	3,589	-	-	673	-	4,262
of which business combinations	*3,589*	-	-	*573*	-	*4,162*
B.2 Increases of internally generated intangible assets	X	166	-	-	-	166
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	12	-	-	-	-	12
B.6 Other changes	27	-	-	26	-	53
C. Decreases	**-1,400**	**-270**	**-**	**-1,399**	**-**	**-3,069**
C.1 Sales	-313	-	-	-	-	-313
of which business combinations	*-313*	-	-	-	-	*-313*
C.2 Impairment losses	-1,065	-270	-	-1,378	-	-2,713
- Amortisation	X	-270	-	-627	-	-897
- Write-downs recognised in	-1,065	-	-	-751	-	-1,816
shareholders' equity	*X*	-	-	-	-	-
income statement	*-1,065*	-	-	*-751*	-	*-1,816*
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	-	-	-	-21	-	-21
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-22	-	-	-	-	-22
D. Net final carrying amount	**18,656**	**273**	**-**	**4,293**	**2,384**	**25,606**
D.1 Total net adjustments	1,261	917	-	2,368	-	4,546
E. Gross final carrying amount	**19,917**	**1,190**	**-**	**6,661**	**2,384**	**30,152**
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	**1,036**	**2**	**-**	**654**	**-**	**1,692**
A.1 Total net adjustments	-	-1	-	-102	-	-103
A.2 Net initial carrying amount	**1,036**	**1**	**-**	**552**	**-**	**1,589**
B. Increases	**2**	**7**	**-**	**48**	**-**	**57**
B.1 Purchases	2	-	-	48	-	50
of which business combinations	*2*	-	-	*48*	-	*50*
B.2 Increases of internally generated intangible assets	X	7	-	-	-	7
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	**-**	**-1**	**-**	**-100**	**-**	**-101**
C.1 Sales	-	-	-	-	-	-
of which business combinations	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-96	-	-96
- Amortisation	X	-	-	-96	-	-96
- 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	-	-1	-	-4	-	-5
D. Net final carrying amount	**1,038**	**7**	**-**	**500**	**-**	**1,545**
D.1 Total net adjustments	-	-	-	198	-	198
E. Gross final carrying amount	**1,038**	**7**	**-**	**698**	**-**	**1,743**
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 2008.

Information on intangible assets and goodwill

The application of IFRS 3 to the accounting of acquisitions often leads to the recognition of new intangible assets and goodwill.

In the case of the Intesa Sanpaolo Group, the various acquisitions performed after first-time adoption of IAS/IFRS led to the recognition of significant amounts for intangible assets and goodwill.

The following table summarises the different values, broken down by related business unit. The table also illustrates changes occurring in 2008, including the effects of measurement performed at the end of 2008 and described below.

(in millions of euro)

CGU	TOTAL 2007 financial statements (a)	Acquisitions			Amortisation	Impairment	IFRS 5 reclassifications	Other changes 2008 (b)	TOTAL 2008 financial statements
		CR Firenze	ISST	Pravex					
BANCA DEI TERRITORI	**14,111**	**3,560**	**-**	**-**	**-325**	**-194**	**-21**	**-528**	**16,603**
- Intangible asset management - distribution	580	35			-87	-194	-1		333
- Intangible assets (insurance) - product. and distribut.	640	40			-103			7	584
- Intangible core deposits	1,931	502			-135		-20		2,278
- Intangible brand name	1,507								1,507
- Goodwill	9,453	2,983						-535	11,901
CORPORATE & INVESTMENT BANKING	**3,515**	**-**	**191**	**-**	**-**	**-**	**-**	**251**	**3,957**
- Intangible brand name	502								502
- Goodwill	3,013		191					251	3,455
PUBLIC FINANCE	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Goodwill	10								
EURIZON CAPITAL	**2,160**	**48**	**-**	**-**	**-94**	**-350**	**-**	**-49**	**1,715**
- Intangible asset management - production	630	23			-94	-255			304
- Goodwill	1,530	25				-95		-49	1,411
BANCA FIDEURAM	**3,435**	**-**	**-**	**-**	**-162**	**-882**	**-**	**-**	**2,391**
- Intangible asset management - product. and distribut.	1,437				-159	-302			976
- Intangible core deposits	64				-3				61
- Intangible brand name	375								375
- Goodwill	1,559					-580			979
INTERNATIONAL SUBSIDIARY BANKS	**1,899**	**-**	**-**	**390**	**-**	**-390**	**-**	**39**	**1,938**
- Goodwill	1,899			390		-390		39	1,938
TOTAL	**25,130**	**3,608**	**191**	**390**	**-581**	**-1,816**	**-21**	**-287**	**26,614**
- Intangible asset management	2,647	58	-	-	-340	-751	-1	-	1,613
- Intangible assets (insurance)	640	40	-	-	-103	-	-	7	584
- Intangible core deposits	1,995	502	-	-	-138	-	-20	-	2,339
- Intangible brand name	2,384	-	-	-	-	-	-	-	2,384
- Goodwill	17,464	3,008	191	390	-	-1,065	-	-294	19,694

(a) With reference to the CGU Eurizon Capital the figures as at 31.12.2007 have been restated compared to those published as at that date to take into account the definitive allocation of the cost incurred at the of 2007 for the acquisition of Eurizon Investimenti (former Nextra).

(b) These include: Disposal of branches as required by the Antitrust Authority, reorganisation of corporate activities in Luxembourg, put options of Banca Intesa Beograd and CR Forlì e Romagna, acquisition of the Life Branch by Sud Polo Vita, sale of Carifano and exchange differences.

Intangible assets recognised include intangible assets linked to customers, represented by the measurement of asset management and insurance portfolio and of core deposits. Such assets, all with a finite life, are originally measured by discounting the income margin cash flows over a period which expresses the residual, contractual or estimated life of accounts existing at the time of the business combination.

The brand name, an intangible asset linked to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.

As described in Part G of the Notes to the consolidated financial statements, three acquisitions were performed during the year that led to the recognition of intangibles and goodwill: Cassa di Risparmio di Firenze Group, Intesa Sanpaolo Servizi Transazionali and Pravex.

From the acquisition of the Cassa di Risparmio di Firenze Group, intangible assets linked to customers were identified, with recognition of intangibles relating to asset management, core deposits and insurance contracts. A total of 3,008 million euro was recognised for goodwill.

Intesa Sanpaolo’s acquisition of MPS Finance Banca Mobiliare (now renamed Intesa Sanpaolo Servizi Transazionali) in the second quarter of 2008 led to the recognition of 191 million euro goodwill, whilst for the acquisition of Pravex goodwill of 390 million euro was recognised.

In addition final purchase price allocation was completed for Eurizon Investimenti, acquired at the end of 2007.

For the intangible assets with a finite life, the amortisation for the year was recognised to the income statement (under Net adjustment to/recoveries on intangible assets) for a total of 581 million euro (approximately 400 million euro net of the related tax effect).

Pursuant to IAS 36, these are subjected to impairment testing on an annual basis to verify recoverability of the value of both intangible assets with an indefinite life and goodwill. For intangible assets with a finite useful life, impairment must be calculated each time there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value less costs to sell and the value in use. The value in use is mainly represented by the present value of net cash flows expected from the business measured.
The impairment estimates illustrated below are based on the value in use given the decreased significance, in a context strongly influenced by a particularly hard-hitting financial crisis, of market benchmarks needed to estimate fair value.
Lastly, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows for the intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows for the asset initially recognised on application of IFRS 3 and those deriving from later changes, improvements or developments since its acquisition. This because it would prove difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers, contracts, etc., to separate flows relating to the original asset from others.
This concept can also be applied in impairment testing of goodwill to calculate the value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.

Impairment testing of intangibles

Asset management portfolio

2008 saw a reduction in the asset management portfolio in relation to both the loss of interest in such products by investors, also as a result of the significant decrease in yield on most financial instruments, and to the new MiFID directive which led to a reduction in the individual profitability of several products. The latter also felt the impact of reduced flexibility of operating costs compared to the decrease in volumes.
The portfolio measurement criteria envisage an estimate of the current value of profit margins generated from existing accounts as at the date of the assessment, over a timespan that expresses their estimated residual life. This value, considered to have a finite life, is amortised on a straight-line basis over the period of greatest significance in terms of expected future economic benefits (7-10 years). This approach envisages that the value of the intangible, in terms of both the production activity component and the component attributable to product distribution, is calculated for each product line, discounting cash flows at a risk-free discounting rate plus a spread that reflects the capital cost. Profits for the production component are determined by deducting SGR management expense from revenues, and for the distribution component by deducting distributor bank management expense.

For the purpose of the 2008 financial statements, amortisation for the year for the asset was recorded in the income statement and, given the abovementioned indicators, impairment testing was then performed on the component referring to the Eurizon Capital portfolio (whose operating assets also include the CR Firenze Gestion Internationale portfolio acquired from Cassa di Risparmio di Firenze) and to the Banca Fideuram portfolio, through a new measurement of assets under the methods indicated, consistent with measurements taken on initial recognition of the assets. It should be mentioned that, though the measurement of the asset management portfolio was performed in reference to the production and distribution components, in the balance sheet asset management portfolio was recognised as a single intangible asset, and the total value was then subjected to impairment testing.
Two summary tables follow to illustrate the calculation parameters used and the results of impairment test (gross and net of the tax effect).

(in millions of euro)

Intangible Assets Under Management	AUM volumes		Surrender rates	Discount rates
	Amount as at 31.12.2008	Change compared to 31.12.2007		
AUM production - Eurizon Capital [(a)]	140,005	-20.7%	24.7%	11.0%
AUM distribution - Eurizon Capital [(a)] [(b)]	76,684	-11.4%	24.7%	9.2%
AUM production and distribution - Banca Fideuram	40,053	-20.6%	14.0%	10.0%

[(a)] The change compared to 31.12.2007 takes into account the reduction in AUM relating to the Carifirenze Group, acquired at the beginning of 2008.

[(b)] The change compared to 31.12.2007 reflects the benefit arising from the acquisition Eurizon Investimenti, in relation to which only the production component has been valued.

(in millions of euro)

Intangible Assets Under Management	Book value before impairment test		Value in use		Impairment	
	Gross value	Net value	Gross value	Net value	Gross value	Net value
AUM production - Eurizon Capital	559	413	304	229	255	184
AUM distribution - Eurizon Capital	528	359	334	227	194	132
AUM production and distribution - Banca Fideuram	1,278	870	976	665	302	205
TOTAL	**2,365**	**1,642**	**1,614**	**1,121**	**751**	**521**

The overall decrease in the asset management intangible value is mainly attributable to the decrease in AUM volumes and the change in surrender options used in forecasting future flows, due to the strong increase in surrenders recorded in 2008. Additional factors contributed to impairment of the assets, though to a lesser extent than those indicated previously. These were the decrease in volume profits, the increase in expense per product unit and the increase in the capital cost used as the discounting rate for the discounting of future cash flows.

Insurance portfolio

The insurance portfolio also felt the impact of the financial crisis, though to a lesser extent than asset management. Volumes and profitability in 2008 recorded a decrease compared to previous years.
Valuation of the insurance portfolio uses 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 valuation date. The resulting value, considered to have a finite life, is amortised at decreasing amounts over a period expressing the residual life of the insurance contracts.
For the purpose of the 2008 financial statements, the amortisation for the year of the asset concerned was recognised to the income statement and, in consideration of the abovementioned indicators, impairment testing was then performed by means of a new measurement of the asset, in accordance with the methodologies described above and consistent with those applied on initial recognition of the asset. The valuation was performed on the Eurizon Vita, Eurizon Life, Sud Polo Vita and Centrovita portfolios.

To verify the value of this intangible asset, the potential impairment indicators used were the decrease in value of the underlying AFS financial assets of the insurance products, volumes and profitability. Calculation of the value in use of these elements was based on the decrease in prospective financial management income considered in the stochastic valuation model and the mathematical reserves for insurance products, which decreased by approximately 10% during the year.
In addition, effects linked to the write-down of investments can result in time misalignment between the valuation of investments performed at year end and the allocation of services to policyholders. In the long term this allocation is implemented via the calculation of the segregated internal management yields which, in observance of rules established by the supervisory authority, considers that the portion of the write-down attributed to policyholders to be only that referring to the effects of divestment or maturity of the investments, temporarily leaving the Company liable for the latent capital loss portion. This aspect is considered during assessment of the value of the existing portfolio to take into account the lower charges deriving from the expected reduction in yield of segregated internal management, partially offsetting the reduction in future margins.
Analysis performed shows that the value of these intangibles is higher than that recognised to the

consolidated financial statements after deducting related amortisation, as the negative elements described above did not lead to impairment losses exceeding the value recorded as amortisation, and consequently no recognition of impairment was required in the income statement.

Core deposits

"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 interbank 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" is therefore linked to the trend of funding and market interest rates and to changes in funding volumes. 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 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. This value, considered to have a finite life, is amortised on a straight-line basis over the period of greatest significance in terms of expected future economic benefits (18-24 years).

For the 2008 financial statements the amortisation of the asset for the year was recognised to the income statement. In addition, as these are intangible assets with a finite life, as mentioned previously the existence of impairment indicators has to be verified; in this case impairment testing has to be performed.

The area of reference for the purpose of impairment testing is represented by the contract types considered in the initial measurement of intangible assets for the balances as at 31 December 2008. Verification was performed with regard to the Banca dei Territori CGU (also including CR Firenze) and Banca Fideuram. These two being the only CGUs for which the core deposits intangible is recognised.

To detect potential impairment indicators, the following factors were taken into account: the total deposit volumes, mark-down (the difference between the Euribor 1 month rate and the rate paid to the customer on deposits and current accounts) and the cost-income ratio.

From these analyses it emerged that volumes increased significantly compared to the balances analysed at the time of purchase price allocation, whilst profitability shows results similar to those for 31 December 2007, due on the one hand to growth of the commission component and decreased operating costs and, on the other hand, to deterioration of the contribution from interest and the decrease in mark-down towards the end of 2008. Furthermore, this component is expected to record a downward trend in a relatively short term (12-18 months) and therefore this decrease, in consideration of the flow measurement time horizon, has only a marginal effect on the asset value.

Given the situations illustrated above, no indicators were therefore identified to imply that the intangible asset is impaired.

Brand name

IFRS 3 considers the "brand name" a marketing-related intangible asset, which may be recorded at the time of purchase price allocation in business combinations.

For this purpose please note that the term "brand" is used in accounting standards 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 acquisition of the Sanpaolo IMI Group, it was decided to limit the analysis to just 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 on 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.

As this intangible asset has no independent cash flows, but is instead systematically linked to flows of the related CGU, for the purpose of the 2008 financial statements impairment testing it was included in the verification of the retention of goodwill for the various CGUs.

Impairment of CGUs and goodwill

Definition of Cash Generating Units (CGUs)

For verifying impairment of intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, for the purpose of IAS 36, the estimate of value in use requires the preliminary assignment of such intangible assets to relatively independent organisational units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them. In IAS/IFRS terminology such business units are known as Cash Generating Units (CGUs).

Specifically, the allocation of goodwill as at the date of the business combination takes into account the benefits produced by the synergies expected from the combination.

In the Intesa Sanpaolo Group, the CGUs which in the long-term benefit from the synergies of the business combinations performed and which to various extents have recognised goodwill values are:

– Banca dei Territori;
– Corporate & Investment Banking;
– Public Finance;
– Eurizon Capital;
– Banca Fideuram;
– International Subsidiary Banks.

These CGUs correspond to the Group’s business units and at the same time are the core business areas considered for segment reporting.

These divisions are considered representative of Cash Generating Units since each represents the smallest group of assets generating independent incoming cash flows and also the minimum level for the 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.

Nevertheless, given the conditions under which management operations developed in the second half of 2008, International Subsidiary Banks calls for a number of specific comments.

It should firstly be mentioned that the cash flows of the various Group companies forming this business unit were strictly dependent upon policies formulated by Division Governance Centres and Head Office Departments of the Parent Company. These policies were defined and implemented in compliance with a management plan designed to develop the entire Division in a balanced manner, without considering the individual development of the companies concerned. Specifically, the expansion strategies for the various operating units, the identification and development of new credit and saving products, limits to the assumption of financial risk, commercial penetration and operations specialisation initiatives were outlined and steered at central level, following a portfolio strategy, and not devolved to the individual subsidiaries. Therefore there is strong interaction of the flows that, at the same time, impose both single and integrated governance of all companies in the Division, and the central monitoring and control of operations of the overall business activities of the Division.

However, it is important to consider that not all factors affecting the mutual level of cash flows within the Division, and therefore the intensity of their interdependence, can be controlled by the Group’s Head Office Departments. In fact, there are circumstances outside the Group that could have varying levels of impact on the capacity to systematically manage CGU flows and control over their generation. These are circumstances largely determined in the wider sense by environmental conditions.

For Banks operating abroad, the effects of country risk must be considered: i.e. the risk linked to economic, political and institutional events in the country in which the subsidiary and its business activities are based.

Specifically, if the cash flows expected by the Parent Company from activities for which a foreign subsidiary is legally liable are extensively conditioned - in terms of extent, quality and trends - by institutional, economic and political circumstances in the country in which it is based, the subsidiary cannot be considered an integral part of the single management model for the CGU to which it belongs. The company in question therefore, even if only temporarily, must be excluded from the CGU, regardless of the Group’s management willingness to keep it within the CGU, due to the above-mentioned factors over which the Bank and Group's management clearly have no influence. The flows of the company, in fact, eventually depend more on the environmental conditions of the country than on the logistics of single centralised management of the Division, and therefore for impairment testing purposes must be subjected to independent valuation until the conditions for the systematic central control of cash flows of the subsidiary are restored.

Over and above the serious recession common to most countries, Ukraine is currently subject to a political, economic and institutional crisis without equal, a crisis that is gradually worsening, as objectively

demonstrated by the extent of absolute values and changes in country's CDS prices.
After a growth maintained in the first part of 2008, in the second half of the year Ukraine saw an overall decline that led to a consistent decrease in the GDP (in the fourth quarter, the GDP fell by a further 10%), due to a strong fall in the demand for goods and services and in international commerce. The currency scenario also changed completely. Whereas in the first part of the year the Central Bank was called upon to monitor appreciation of the local currency, sustained by mass inflows of capital from abroad, it was later called upon to intervene to halt depreciation, more than 50% higher than the peaks recorded in the summer. During 2008 the risks of rising inflation and exchange control forced the Authorities to repeatedly increase interest rates.
Given the severe real economy recession and fears for the prospects of the local currency, there were clear signs of a slowdown in terms of deposits and loans. As the financial position deteriorated, the country's external vulnerability increased further. On the financial markets, the CDS spreads, as already mentioned, rose considerably, whilst the leading rating agencies downgraded the country rating.
With regard to the loan intermediaries sector, this crisis has led to Ukraine adopting extraordinary lending, financial and management policies, completely separate to those disclosed and which continue to be disclosed by the International Subsidiary Banks Division as a whole. The political and institutional situation in the country has gradually become much more unstable, at the same time affecting the institutional outlook.
In such circumstances, a cautious approach to the economic and institutional phenomena in Ukraine and a careful assessment of their consequences on management variables of the subsidiary Pravex, especially from the point of view of their interdependence on variables of the entire CGU, lead to the classification of the company as a completely separate CGU for the purposes of impairment testing for the Parent Company's and consolidated financial statements, and therefore its separate treatment for the year from that of the Group's International Subsidiary Banks Division.
Such separate assessment for impairment testing purposes has no bearing on the Group's intention to support development of the subsidiary in question.

Book value of the CGUs

The book value of the CGUs must be determined in a manner consistent with the criterion for estimating their recoverable amount. For a banking business the cash flows generated by a CGU cannot be identified without considering the cash flows deriving from financial assets/liabilities, as these form part of the core business. In other words, the recoverable amount of the CGUs is influenced by the aforementioned cash flows and therefore their book value must be determined in accordance with the scope of the estimation of the recoverable amount and must, therefore, also include the financial assets/liabilities. Consequently, these assets and liabilities must be properly allocated to the associated CGUs.
On the above basis, the book value of Intesa Sanpaolo's CGUs may be determined in terms of contribution to the consolidated shareholders' equity including the minority interest.
Thus, the carrying value of the CGUs consisting of companies that belong to a single operating division (Eurizon Capital, Banca Fideuram, Public Finance and International Subsidiary Banks) has been determined by summing the individual book values of each company in the Consolidated financial statements, namely the contribution to consolidated shareholders' equity and corresponding to their net book value, taking into account any goodwill and intangibles recorded upon acquisition (net of subsequent amortisations and any write-downs) and the consolidation entries. With regard to the determination of the carrying value of the other two divisions (Banca dei Territori and Corporate & Investment Banking), given that the Parent Company contributes to the management of these divisions, and this subdivision is not represented in the accounting information, the overall carrying value of the CGUs cannot be determined on the basis of book values. As a consequence, the use of operational factors was required to make the subdivision following a detailed allocation of the intangibles and goodwill to the two CGUs in accordance with the available accounting information. The operational driver has been identified as the "economic capital" determined by the Risk Management Department for each operating division: this represents the foreseeable capital absorption to cover risks over a period of one year, measured on a prudential basis using internally developed qualitative models. The resulting book values already take into account the effects of any impairment of the individual assets, including those relating to intangible assets with a finite life.

The table below illustrates the book values of the CGUs and the goodwill and brand name allocations to each. The values refer to the situation prior to goodwill impairment and take into account the portion of goodwill attributable to minority interests.

(in millions of euro)

Values / CGU	Book value before impairment test			
	Value as at 31.12.2008	*of which goodwill Group share*	*of which brand name*	*of which minority interests*
Banca dei Territori	27,243	*11,901*	*1,507*	*862*
Corporate & Investment Banking	11,053	*3,455*	*502*	-
Public Finance	1,012	*10*	-	-
Eurizon Capital	2,168	*1,506*	-	-
Banca Fideuram	3,057	*1,559*	*375*	-
International Subsidiary Banks	6,623	*1,951*	-	*772*
Pravex (Ukraine)	552	*390*	-	-
Foreign exchange differences	-180	*-138*	-	-
TOTALE	**51,528**	***20,634***	***2,384***	***1,634***

Criteria for estimates of CGUs' value in use

The value in use of a CGU is determined by estimating the present value of future cash flows that may be expected to be generated by the CGU.
These cash flows are estimated by using the latest publicly available business plan or, in its absence, through the drawing up by management of an internal forecast plan.
The forecasting period for the analysis usually consists of a maximum of five years. The cash flow of the final year of the forecast is projected in perpetuity, using an appropriate growth rate "g" for the purposes of the so-called terminal value. The "g" rate is determined by assuming that the growth factor is the lower of the average growth rate for the forecasting period of the analysis and the average rate of increase in the Gross Domestic Product in the countries where the cash flows are generated.
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present valuations of the time value of money and the asset's specific risks. Specifically, the discount rates used incorporate the present market values with reference to the risk free component and the premiums for the risk associated with the equity component observed over a sufficiently long time period to reflect market conditions and different economic cycles. Also, given the diverse risks of the respective operating areas, different Beta coefficients are used for each CGU. All the resulting rates have been adjusted to take into account the "Country Risk".
The cash flows produced by the foreign banking subsidiaries are estimated in the currency in which they are generated and translated into euro using the spot exchange rate as at the date of the determination of the value in use.

Cash flow estimates

With regard to calculation of the value in use of CGUs for impairment testing purposes, the financial market and real economy trends in 2008, the still persistent worsening of the major macroeconomic indicators and uncertainties regarding the future scenario mean that the definition of future cash flows from operating activities, the growth rates important in calculating the terminal value of CGUs and the discounting rates for cash flows is particularly complex.
To calculate the flows, estimates are produced using an analytical approach for the first three-year period 2009-2011, then using extrapolation criteria for the periods thereafter and to determine the flows for infinite projection for the purpose of obtaining the terminal value.
For impairment testing purposes, the 2009-2011 flows were estimated through the formulation of a forecasting plan by management – reported to the Management Board – the values of which will form the basis for the next three-year plan. These forecasts took into consideration a particularly cautious analysis of the macroeconomic, banking and financial sector scenarios for both Italy and the other countries in which the Group operates.
The first step in defining future cash flows for the various business areas is represented by forecasts of the macroeconomic and sector scenarios.
The uncertainties of the current financial markets crisis and of the real economy suggest extreme caution in defining the macroeconomic scenario for the next 2-3 years.
The macroeconomic scenario used is based on the assumption that the current recession suffered by the leading economies (therefore including Italy, a country in which almost 80% of the Group's business is developed), particularly harsh towards the end of 2008, will persist throughout 2009, albeit with the

negative phase easing somewhat in the last part of the year. For 2010 a virtual stagnation is forecast, whereas in 2011 it is hoped that the macroeconomic indicators will gradually improve.
In Eastern European countries the situations vary, with some countries in a more critical situation than others. Prudent forecasts suggest a possible significant recovery in growth rates (albeit at slower rates than those prior to the crisis) only from 2011.
As already mentioned, the situation in Ukraine appears to be very serious, where macroeconomic indicators have suffered a drastic and sudden deterioration. The combination of the economic and financial crisis with the political crisis would imply extreme caution in forecasting the country's recovery.
Egypt, on the other hand, has for the most part felt no direct impact of the financial crisis, but could suffer some indirect negativity from possible reductions in tourism and exports.
With regard to the banking and financial sector, the drop in rates, particularly fast in the first part of 2009, should continue until the first few months of 2010, when the trend will begin to reverse, in line with monetary policy. 2009 forecasts announce a positive year for direct customer deposits, reflecting the banks' strategy in support of its liquidity profile, and the persistence of high risk aversion among households. The slowing down of lending activities, also due to falling demand, will continue at least throughout 2009.
For asset management, 2008 was a heavily negative year, in which the structural problems of the market were exacerbated by the effects of the financial and economic crisis. There are no prospects for a quick turnaround, especially during 2009, when household confidence is expected to fall to its lowest level. A slow recovery in the sector could be seen only in 2010, in correspondence with an easing of market uncertainty and with hopes of an economic recovery.
With regard to the Eastern European countries, the effects of the real economic crisis suggest that a consistent contraction in deposit and loans growth rates is highly likely throughout the next three years, with a more limited impact on interest rates. The following years offer hopes of a return to more sustained growth rates, though these are likely to be slower than those recorded prior to the crisis. The forecasts for Egypt, only marginally affected by the financial crisis, suggest that the growth rate recorded in recent years should continue over the coming three-year period.

The table below illustrates the forecasts for the main macroeconomic indicators used.

Italy	2008	2009	2010	2011
REAL ECONOMY				
Real GDP Italy	-0.9	-2.9	0.0	1.3
Consumer prices Italy	3.3	1.1	1.8	1.9
Period end ECB rate	2.5	1.0	2.0	3.0
BANKING SECTOR				
Loans (average volumes)	7.7	1.1	2.3	4.2
Direct customer deposits (average volumes)	11.0	8.5	5.3	4.7
Average customer spread	3.12	2.87	2.80	2.98
Mutual funds (end of period stock)	-15.0	-9.0	1.0	3.0
Portfolio management (end of period stock)	-11.9	-6.3	4.1	5.6
Life technical reserves (end of period stock)	3.7	5.8	7.8	8.0

Values		Albania	Bosnia -Herzegovina	Croatia	Serbia	Slovenia	Slovak Republic	Hungary	Romania	Russia	Ukraine	Egypt
2008	Real GDP	5.8	5.3	2.0	5.7	4.2	6.8	1.2	8.2	5.8	1.9	7.2
	Inflation	3.5	7.0	6.1	12.9	5.7	4.6	6.1	7.9	14.1	25.3	18.3
	Increase in loans	39.0	25.0	12.9	40.0	20.0	17.0	23.8	39.0	35.0	59.8	13.4
	Increase in deposits	11.0	7.0	9.4	11.0	4.8	6.8	9.3	21.0	17.0	30.3	14.6
	Loan interest rates	14.0%	7.6%	10.0%	17.8%	6.2%	6.8%	9.5%	16.1%	13.4%	17.6%	13.0%
	Deposit interest rates	6.2%	3.3%	3.5%	6.8%	3.7%	3.9%	7.5%	10.1%	6.7%	9.9%	6.8%
2009	Real GDP	1.0	0.5	-0.5	1.0	-0.5	-0.5	-3.0	1.0	-1.0	-6.0	4.0
	Inflation	2.0	3.5	3.2	8.0	2.5	2.5	2.1	5.0	13.5	22.0	9.5
	Increase in loans	2.3	3.0	2.0	6.8	1.5	1.5	3.4	4.5	-5.0	-9.0	10.1
	Increase in deposits	3.0	4.0	2.7	9.0	2.0	2.0	4.8	6.0	5.0	2.0	10.5
	Loan interest rates	13.8%	n.a	10.1%	18.1%	4.8%	5.0%	9.4%	16.9%	16.4%	18.9%	13.8%
	Deposit interest rates	6.0%	n.a	3.5%	7.4%	2.3%	2.3%	7.4%	10.7%	9.1%	11.0%	7.4%
2010	Real GDP	2.0	1.5	1.0	2.0	1.2	1.5	0.5	2.0	0.5	-1.0	4.3
	Inflation	2.3	3.8	3.5	6.0	3.0	3.0	2.5	4.5	12.0	15.0	7.5
	Increase in loans	4.3	5.3	4.5	8.0	4.2	4.5	3.0	6.5	4.0	-2.0	11.5
	Increase in deposits	4.7	5.8	5.0	8.8	4.6	5.0	4.3	7.2	8.0	5.0	11.0
	Loan interest rates	13.4%	n.a	9.5%	16.0%	5.0%	5.2%	8.1%	15.1%	13.5%	16.0%	11.9%
	Deposit interest rates	5.5%	n.a	2.8%	4.8%	2.5%	2.5%	5.7%	8.5%	7.0%	9.5%	5.9%
2011	Real GDP	3.5	3.5	2.5	3.5	2.5	3.2	1.5	3.5	3.0	2.5	4.5
	Inflation	2.5	4.0	3.5	4.5	3.0	3.0	3.0	4.0	10.5	12.0	6.0
	Increase in loans	7.5	9.4	7.5	10.0	6.9	7.8	5.6	9.4	13.0	14.0	12.5
	Increase in deposits	7.2	9.0	7.2	9.6	6.6	7.4	5.4	9.0	12.0	11.0	12.0
	Loan interest rates	13.7%	n.a	9.7%	15.6%	6.2%	6.3%	7.5%	14.5%	12.5%	14.0%	11.5%
	Deposit interest rates	5.7%	n.a	3.0%	4.3%	3.4%	3.4%	5.0%	7.7%	6.5%	8.0%	5.6%

The estimation of future cash flows of the various CGUs was performed in several steps.

For the initial forecasting period, i.e. 2009-2011, the forecasts formulated by Group management were used. These forecasts, matching the logic required for impairment testing purposes, were highly conservative in all business segments: in line with the macroeconomic forecasts illustrated above, the future cash flows predict that 2009 will be significantly influenced by the current crisis and by particularly low interest rates. 2010 suggests a gradual recovery of all business segments and 2011 should show considerably better results.

The forecast figures, though incorporating the difficult macroeconomic scenario, take into account the structural capacity of the Group to generate income through its strong focus on lending intermediation, limited financial leverage, the excellent liquidity profile, constant control of operating costs and the careful monitoring of credit quality.

The profit forecasts for the various CGUs have been adjusted to take into account: (i) components not allocated to the CGUs (cash flows attributable to central assets); (ii) income components that have no effect on cash flows. This with the aim of achieving the estimated future cash flows, consistent with IFRS provisions.

In addition, as the flows to be discounted have to be prepared in consideration of the current setup of the CGUs, it was confirmed that they do not include any restructuring or reorganisation plans not yet launched or for which the Group has not yet made any binding commitment to third parties.

For the International Subsidiary Banks CGU, the flows were determined in local currency and converted to euro at the 31 December 2008 exchange rates.

As part of the valuation criteria for the financial matrix, i.e. that used to estimate the value in use, the terminal value of a company at the end of the flow forecasting period is normally determined by infinite capitalisation of the cash flow achievable in normal conditions at an appropriate "g" rate. This rate, even if subject to time variations, may be assumed to be constant or decreasing (or increasing in rarer circumstances).

As an alternative to the terminal value estimation methodology, legal provisions also envisage (i) the exit multiple approach and (ii) the approach based on an estimation of the liquidation value of the company. Specifically, with regard to approach (i) it should be mentioned that an exit multiple estimate has complex (and potentially subjective) elements that become even more marked at times of market uncertainty and volatility such as now. Approach (ii) is valid only for companies due to be wound up on termination of the forecasting period, and therefore not usable with a view to a business as a going concern.

In the decisions to be made with reference to criteria for the extrapolation of cash flows beyond the forecasting period, it is important to take into account the current market context in defining the prospective scenario. As already mentioned, the current strong economic crisis will certainly have a negative impact on the time horizon envisaged in the flow forecasts, which are therefore highly

conservative. On the other hand it is reasonable to assume that, after the crisis, the period required for recovery of the economy could extend beyond 2011, which in fact is considered not to fully reflect a situation of normality. As the verification of retained values of the CGUs must be performed over a long-term period, it was considered appropriate to extend cash flow observation beyond the three-year period used for forecasting by management, before determining the terminal value by means of a constant or decreasing "g" rate as required by IFRS.
A growth process beyond 2011 was therefore considered in two steps.
The first step for 2012-2013, for which growth rates were extrapolated from the forecasting period, assumes that the five-year period (the maximum envisaged under IFRS) can achieve flows considered "normal" and can therefore be infinitely projected (step two) in order to determine the terminal value.
More specifically, for the Italian CGUs, flows for 2012 and 2013 were extrapolated on the basis of the CAGR (Compound Annual Growth Rate) of the natural logarithm for net profits estimation in the 2009-2011 plan. This in order to express a physiological slowing down of growth implicit in the plan, before alignment to the growth rate expected in the economy as a whole. For the international CGUs (International Subsidiary Banks and Pravex), the 2012 and 2013 cash flows were extrapolated on the basis of the average between (i) CAGR of net profits from the 2009-2011 plan and (ii) the nominal GDP growth rate for each country concerned. This to express the tendential alignment of growth implicit in the growth plan for the country concerned, for companies operating in strong development contexts.
In step two, for all CGUs, on termination of the extrapolation period (2014), the flows were infinitely projected assuming the growth factor to be the expected real GDP growth rate for each country considered in the period 2008-2013, to which the inflation rate is added (determined as specified below) in order to express the rate in nominal terms.
It should be remembered that rates are nominal when the cash flows are calculated in inflationary currency, whereas they are expressed in real terms if the cash flows are determined in constant (or real) currency. In the case of Intesa Sanpaolo, as the flows are expressed in inflationary currency, the growth rates are expressed in nominal terms.

Cash flow discounting rates
For the determination of the value in use the cash flows must be discounted at a rate that reflects the present market valuations of the time value of money and the asset's specific risks.
In practice, the first characteristic (current market conditions) translates into the calculation of all benchmarks based on the latest available information as at the reference date of the estimate, so as to best take into account the current market assessments. The second characteristic (consistency between flows and rates) must follow the specificity of flows used for impairment testing of the CGUs. This rate (in its various components) must therefore be decided by observing the specific nature of flows used to assess each CGU, in order to maintain coherence and consistency with the flows. Specifically, consistency becomes important with regard to inflation, country risk and other risk factors that, according to IAS 36, may be expressed in the flows or rate. It is important to point out that a characteristic common to all CGUs recording goodwill (and, in general, intangibles with an indefinite life) is the long-term perspective of flows used to estimate the CGU value in use. In fact, by its very nature goodwill has an indefinite useful life, and therefore future cash flows are normally infinitely projectable. This long term perspective should be reflected in all discounting rate benchmarks by means of the appropriate selection of each, in such a way that they express 'normal' conditions in the long term.
The discounting rate should normally include the cost of the various sources of funding of the asset to be assessed, in other words the equity cost and debt cost (i.e. WACC, weighted average capital cost). However, for a bank this is estimated only from the equity side, i.e. taking into account only the bank's own capital cost (Ke).
The capital cost is determined using the Capital Asset Pricing Model (CAPM). Based on this model the capital cost is calculated as the sum of risk-free ROI and a risk premium, in turn dependent on the specific risks implicit in the business activities (i.e. both business segment risk and country risk).
As the various CGUs of the Intesa Sanpaolo Group operate in different business segments and with different risk factors, the specific capital costs of each CGU were identified.
Lastly, it should be mentioned that as the cash flows are determined in nominal terms, as already indicated for the growth rates, the discounting rate is also determined in nominal terms, i.e. incorporating expected inflation.
In detailing the various components that go to determine discounting rates, it should be mentioned that:
– the risk-free component is determined on the basis of December 2008 ROI on German government 10-year bonds (the only bonds in Europe in the current financial crisis context that have near risk-free rates), and 30-year bonds for international subsidiary banks operating in countries which in the last few

years have recorded GDP growth considerably higher than those recorded in mature markets;

- the equity risk premium – represented by the difference between stock market yield and the ROI on risk-free securities determined in reference to a wide time horizon – was calculated on the basis of historic data, given its higher degree of reliability and visibility and also in the light of the current macroeconomic context which, on the one hand, reflects particularly volatile stock market prices that tend not to express economic "fundamentals" and, on the other hand, offer a framework of uncertainty in which it is difficult to formulate reliable results forecasts in order to estimate the equity risk premium implicit in quoted prices. Specifically, the geometric mean for the equity risk premium was used, recorded on the US market for the period 1928-2007, adjusted for the differential between the US inflation rate and the German inflation rate (the market used as the basis for risk-free calculation);
- the Beta coefficient, which measures the specific degree of risk of an individual company or business sector, was calculated by identifying a sample of companies, comparable in business terms, for each CGU, and with reference to this sample the mean Beta figure used was that recorded on a monthly basis over a five-year period;
- the country risk premium was considered separately to the risk-free component in order to gain a clearer picture of the risk factors specific to this component which, especially for certain countries in which the Group operates, are of particular importance. This component was calculated on the basis of historic data and taking into consideration two factors: (i) the differential between the historic ROI of government securities in the country to which the country risk premium refers, and the ROI on government securities issued in a risk-free country; (ii) adjustment of the premium estimated under (i) considering the higher degree of stock market risk in government securities issued in the country concerned. This component is measured as a ratio of stock market volatility (expressed in terms of standard deviation) and the volatility of the government securities market of the country to which the country risk refers. In this way, the country risk premium is expressed in the prospective terms of an investor in the stock market of the country in question.

The discounting rates, determined in real terms as for the "g" growth rates, are adjusted to nominal values by adding an appropriate inflation rate. The inflation rate is determined country by country, based on the average inflation rate for the 2008-2013 period.

The table below summarises the abovementioned growth rate and discounting rate components used for each CGU. Growth rates for 2008-2013 incorporate both the growth rate forecast in the plan prepared by management and the extrapolation performed for 2012-2013. In determining the growth rates, the non-recurring components attributable to the impairment of equities, intangibles and goodwill, merger and restructuring related charges, profits from discontinued operations and extraordinary tax-related components are deducted from the figures recorded for 2008. The higher rates referring to the Corporate & Investment Banking and Public Finance Divisions are affected by the particularly limited results for 2008, due to negative components linked to the valuation of financial instruments.

Rates/ parameters CGU	Nominal growth rates 2008 - 2013	Growth rates - nominal terminal value (g)	Nominal discounting rates	Inflation rates
Banca dei Territori	2.88%	1.74%	9.10%	1.74%
Corporate & Investment Banking	16.82%	1.74%	11.80%	1.74%
Public Finance	15.22%	1.74%	10.13%	1.74%
Eurizon Capital	6.41%	1.74%	11.15%	1.74%
Banca Fideuram	3.45%	1.74%	10.08%	1.74%
International Subsidiary Banks	12.35%	7.62%	(1)	(2)
Pravex (Ukraine)	n.s.	n.s.	31.29%	13.30%
Weighted average rate	**7.65%**	**2.76%**	**n.s.**	**n.s.**

(1) The rates applied for the various international subsidiary branches were as follows: Intesa Sanpaolo Bank Albania (Albania) 20.66%, Banka Koper (Slovenia) 11.21%, BIB (Serbia) 20.52%, Bank of Alexandria (Egypt) 19.46%, CIB (Hungary) 12.86%, Intesa Sanpaolo Bank (Romania)15.51%, KMB Bank (Russia) 20.91%, PBZ (Croatia) 13.09%, Intesa Sanpaolo Banka Bosna I Hercegovina (Bosnia) 24.55%, VUB (Slovakia) 11.91%

(2) The rates applied for the various international subsidiary branches were as follows: Intesa Sanpaolo Bank Albania (Albania) 3.17%, Banka Koper (Slovenia) 2.74%, BIB (Serbia) 6.12%, Bank of Alexandria (Egypt) 8.29%, CIB (Hungary) 3.22%, Intesa Sanpaolo Bank (Romania) 4.37%, KMB Bank (Russia) 9.93%, PBZ (Croatia) 3.05%, Intesa Sanpaolo Banka Bosna I Hercegovina (Bosnia) 5.17%, VUB (Slovakia) 2.87%

Impairment testing results

Impairment testing has led to the need to record goodwill impairment for the two CGUs operating in the asset management sector, Eurizon Capital and Banca Fideuram, due to the difficult operating context for the sector which worsened in 2008 and which will be reflected in future profitability prospects. With regard to Eurizon Capital, goodwill impairment of 95 million euro was recorded, whilst the goodwill impairment figure for Banca Fideuram was 580 million euro.

Values in use obtained were significantly higher than the book values for the Banca dei Territori and Corporate & Investment Banking CGUs, despite the presence of significant goodwill, and for the Public Finance CGU whose book value involves no goodwill.

With regard to the International Subsidiary Banks CGU, the overall value in use shows a wide margin with respect to book values. However, with regard to Pravex, it was considered appropriate to eliminate goodwill (by the sum of 390 million euro, of which 125 million euro refers to exchange rate differences matured on goodwill since the date of acquisition), in consideration of the country risk explained above.

Overall, the 2008 financial statements record goodwill impairment of a total 1,065 million euro.

The table below illustrates the sensitivity (in percentage terms) of the value in use of the various CGUs to changes in the "g" rate or discounting rate +/- 10 basis points.

Sensitivity / CGU	Sensitivity to growth rate "g" +/- 10 bps	Sensitivity to discount rate -/+ 10 bps
Banca dei Territori	1.12%	1.41%
Corporate & Investment Banking	0.73%	1.02%
Public Finance	0.92%	1.21%
Eurizon Capital	0.81%	1.10%
Banca Fideuram	0.91%	1.20%
International Subsidiary Banks	1.45%	1.66%
Pravex (Ukraine)	n.s.	n.s.

It should also be mentioned that – in stress test terms – for CGUs for which no goodwill impairment was recorded, even a deterioration in the growth rate of 50 basis points and an increase in the discounting rate of 100 basis points, considered jointly, would not result in significant impairment. The same conclusion can be drawn in the absence of impairment even if the infinite projection of flows were applied in reference to the final year of the management-formulated forecast (2011) rather than from 2014.

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

14.1 Deferred tax assets: breakdown

Deferred tax assets, recognised with regard to deductible temporary differences, totalled 4,743 million euro, of which 4,148 million refers to taxes recorded through profit and loss and 595 million euro for taxes with a balancing entry under shareholders' equity. The first of these amounts refers to tax losses brought forward, to the portion of tax benefits not offset in relation to adjustments to loans deductible in future years, to provisions for risks and charges, and to the benefit from realignment of the taxable value of goodwill pursuant to art. 15, par. 10, Law Decree 185/2008. Deferred tax assets recorded as a balancing entry under shareholders' equity almost exclusively refer to tax on negative valuation reserves for financial assets available for sale and cash flow hedges.

14.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 2,854 million euro and the balancing entry is mostly in the income statement (2,770 million euro) as well as in shareholders' equity (84 million euro). The former mostly refer to the residual portion of deferred tax liabilities registered following the purchase price allocation of the acquisition of the Sanpaolo IMI Group and the Cassa di Risparmio di Firenze Group.

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

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2008	31.12.2007
1. Initial amount	**1,505**	**70**	**-**	**1,575**	**1,360**
2. Increases	**4,583**	**154**	**5**	**4,742**	**2,765**
2.1 Deferred tax assets recognised in the period	3,619	138	5	3,762	945
a) related to previous years	*575*	-	-	*575*	*55*
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	*11*	-	-	*11*	*7*
d) other	*3,033*	*138*	*5*	*3,176*	*883*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	875	9	-	884	136
2.4 Business combinations	89	7	-	96	1,684
3. Decreases	**-2,110**	**-59**	**-**	**-2,169**	**-2,550**
3.1 Deferred tax assets eliminated in the period	-639	-56	-	-695	-796
a) reversals	*-639*	*-56*	-	*-695*	*-794*
b) write-offs	-	-	-	-	*-2*
c) due to changes in accounting criteria	-	-	-	-	-
3.2 Tax rate reductions	-	-	-	-	-421
3.3 Other decreases	-1,471	-3	-	-1,474	-855
3.4 Business combinations	-	-	-	-	-478
4. Final amount	**3,978**	**165**	**5**	**4,148**	**1,575**

It should be mentioned that deferred tax assets recognised for the year and relating to past years, totalling 575 million euro, include deferred tax assets on past years' tax losses of Intesa Sanpaolo Holding International of 572 million euro.
Of the deferred tax assets for the year under point 2.1 d) Other, for 3,176 million euro, 2,193 million euro refer to the tax redemption of goodwill for exercise of the option indicated in the following point and to the residual adjustment of loans and provisions for risks and charges.
Other increases recorded under point 2.3, totalling 884 million euro, mainly include the reversal of offsetting performed in the previous year.
Other decreases as per point 3.3, amounting to 1,474 million euro, mainly include offsetting performed during the year between deferred tax assets and liabilities.

Recognition of deferred tax assets on exercise of the option pursuant to art. 15, par. 10, Law Decree 185/08, converted to Law 2/09

As already mentioned, Law Decree no. 185 of 29 November 2008 (the Anti-Crisis Decree), converted to Law no. 2 of 28 January 2009, envisages several scenarios for optional realignment of tax and balance sheet values.

Of particular interest to our Group is the option of obtaining tax benefits on the higher values recognised to the balance sheet for goodwill, brand names and other intangibles following company mergers, spin-offs and neutral contributions of businesses (art. 15, par. 10).

As these are transactions of a fiscal nature, reference should be made to the Intesa Sanpaolo financial statements and those of other Group companies, and only subsequently to the Group consolidated statements.

Realignment pursuant to art. 15, par. 10 refers to the higher values for goodwill and intangibles recognised to the Intesa Sanpaolo 2008 financial statements and those of other fully consolidated companies, in the same tax regime, emerging at the time of mergers, spin-offs or neutral contribution of businesses.

The Intesa Sanpaolo Group decided to redeem only goodwill recognised to the parent company financial statements and those of certain subsidiaries as follows.

Goodwill as at 31 December 2008, redeemable pursuant to the abovementioned art. 15, par. 10, for the Parent Company totalled 6,270 million euro (6,790 million euro at Group level).

Exercise of the option leads to the payment of 16% substitute tax in 2009, for the Parent Company amounting to 1,003 million euro (1,086 million euro at Group level). Amortisation of the higher taxable value recognised after realignment will be deducted from income as an off-balance sheet item over nine years from 2010, applying the tax rates valid at the time, for a total of 2,025 million euro for the Parent Company (2,193 million euro at Group level).

No deferred tax liabilities have been provisioned for the goodwill recognised.

The net positive effect of the transaction on the 2008 income statement, due to the effect of the accounting treatment described under the next point, amounts to 1,022 million euro for the Parent Company (1,107 million euro at Group level).

The related detailed statement is provided below.

(in millions of euro)

	Goodwill	Substitute tax	Deferred tax assets	Impact on the income statement
Intesa Sanpaolo	6,270	1,003	2,025	1,022
Banca dell'Adriatico	110	18	36	18
Banco di Napoli	172	28	56	28
CariRomagna	10	2	3	2
CariFirenze	74	12	24	12
CariVeneto	154	25	50	25
GROUP TOTAL	**6,790**	**1,086**	**2,193**	**1,107**

The accounting treatment of tax redemption presents various problems.

In the case of redemption of goodwill, accounting treatment is particularly complex and susceptible to different interpretation, given that there is no specific provision in IAS 12 regarding the taxable element of goodwill after initial recognition. IAS 12 merely forbids the recognition of deferred tax assets on initial recognition of goodwill from acquisitions not recognised for tax purposes.

Analysis performed by the Italian accounting profession led to the consideration of three different accounting treatments as compatible with IFRS:

1. recognition through profit and loss of substitute tax only (and related recognition of the benefit from tax deductibility in the nine years following that of exercise of the option);
2. immediate recognition through profit and loss of both the substitute tax and the deferred tax assets representing the future tax benefit;
3. recognition of substitute tax as a tax credit under assets and subsequent recognition through profit and loss over nine years in correspondence with the tax deduction.

Of the three possible solutions, Intesa Sanpaolo and Group companies decided to apply the second, which envisages the recognition of both the substitute tax and the tax asset corresponding to future benefits achieved from tax deductibility of goodwill at the standard rate. In this way the financial statements

immediately and fully reflect the benefit achieved from redemption.
At Group level, the redemption of goodwill led to the recognition of future tax benefits of 2,193 million euro, with a balancing entry in the 2008 income statement.
Substitute tax was also recognised to the income statement for a total of 1,086 million euro, with a positive balance that increases 2008 net profits by 1,107 million euro.
However, it was decided that redemption of intangibles with a finite life and the brand name was inappropriate.

Recognition of deferred tax assets on past years' tax losses of Intesa Sanpaolo Holding International

As at 31 December 2008, Intesa Sanpaolo Holding International – Luxembourg had accumulated total estimated past years' tax losses of approximately 2,000 million euro. Based on Luxembourg law, such losses can be utilised with no time limit.
For several years, due to changes in Luxembourg laws, a group tax consolidation system has been adopted, members of which in addition to the Holding are Société Européenne de Banque (SEB) and another two minor subsidiaries of the Holding, which offers the gradual utilisation of such losses to offset income produced by companies included in the tax consolidation.
Until now it has been considered inappropriate to recognise deferred tax assets on such losses in our own consolidated statements, also due to the considerable disproportion between their total and their utilisation options by consolidated companies.
Following the restructuring of Group business in Luxembourg (which amongst other things led to the corporate and private banking business previously carried out by Sanpaolo Bank being centralised within SEB) and the preparation of a project to streamline the lending activities of the Group's international companies – also involving share capital increases for the Luxembourg subsidiaries – the prospects of a more rapid utilisation of the aforementioned losses became much more consistent and, based on prudential criteria, allow total reabsorption of the tax losses to be envisaged over an estimated seven years, therefore allowing recognition to the 2008 consolidated financial statements of deferred tax assets of 572 million euro at the current Luxembourg tax rate (28.59%).

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

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2008	31.12.2007
1. Initial amount	**2,685**	**271**	**4**	**2,960**	**429**
2. Increases	**1,785**	**185**	**-**	**1,970**	**4,642**
2.1 Deferred tax liabilities recognised in the period	472	169	-	641	280
a) related to previous years	-	-	-	-	*10*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*472*	*169*	-	*641*	*270*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	1,032	2	-	1,034	69
2.4 Business combinations	281	14	-	295	4,293
3. Decreases	**-2,121**	**-39**	**-**	**-2,160**	**-2,111**
3.1 Deferred tax liabilities eliminated in the period	-763	-35	-	-798	-463
a) reversals	*-760*	*-35*	-	*-795*	*-452*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-3*	-	-	*-3*	*-11*
3.2 Tax rate reductions	-	-	-	-	-729
3.3 Other decreases	-1,358	-4	-	-1,362	-858
3.4 Business combinations	-	-	-	-	-61
4. Final amount	**2,349**	**417**	**4**	**2,770**	**2,960**

Deferred tax liabilities for the year recorded under point 2.1 c) Other, totalling 641 million, refer mainly to the division into instalments of tax on capital gains achieved from the disposal of 198 branches in the first quarter of 2008.
Other increases recorded under point 2.3, totalling 1,034 million euro, mainly include the reversal of

offsetting performed in the previous year.
Business combinations recorded under point 2.4, amounting to 295 million euro, essentially refer to the acquisition of Cassa di Risparmio di Firenze and related subsidiaries.
Other decreases as per point 3.3, amounting to 1,362 million euro, mainly include offsetting performed during the year between deferred tax assets and liabilities.

14.5 Changes in deferred tax assets (recorded in equity)

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2008	31.12.2007
1. Initial amount	**74**	**34**	**-**	**108**	**42**
2. Increases	**359**	**186**	**-**	**545**	**229**
2.1 Deferred tax assets recognised in the period	325	177	-	502	55
a) related to previous years	*2*	-	-	*2*	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*323*	*177*	-	*500*	*55*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	30	-	-	30	25
2.4 Business combinations	4	9	-	13	149
3. Decreases	**-58**	**-**	**-**	**-58**	**-163**
3.1 Deferred tax assets eliminated in the period	-9	-	-	-9	-88
a) reversals	*-9*	-	-	*-9*	*-88*
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
3.2 Tax rate reductions	-	-	-	-	-36
3.3 Other decreases	-49	-	-	-49	-22
3.4 Business combinations	-	-	-	-	-17
4. Final amount	**375**	**220**	**-**	**595**	**108**

14.6 Changes in deferred tax liabilities (recorded in equity)

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2008	31.12.2007
1. Initial amount	**210**	**10**	**-**	**220**	**142**
2. Increases	**25**	**51**	**-**	**76**	**2,690**
2.1 Deferred tax liabilities recognised in the period	9	30	-	39	78
a) related to previous years	-	-	-	-	*2*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*9*	*30*	-	*39*	*76*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	9	-	-	9	19
2.4 Business combinations	7	21	-	28	2,593
3. Decreases	**-195**	**-17**	**-**	**-212**	**-2,612**
3.1 Deferred tax liabilities eliminated in the period	-114	-17	-	-131	-146
a) reversals	*-16*	*-17*	-	*-33*	*-135*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-98*	-	-	*-98*	*-11*
3.2 Tax rate reductions	-	-	-	-	-40
3.3 Other decreases	-81	-	-	-81	-52
3.4 Business combinations	-	-	-	-	-2,374
4. Final amount	**40**	**44**	**-**	**84**	**220**

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	31.12.2008	31.12.2007
A. Non-current assets held for sale					
A.1 Investments in associates and companies subject to joint control	77	-	-	77	627
A.2 Property and equipment	3	-	-	3	13
A.3 Intangible assets	-	-	-	-	-
A.4 Other	-	-	-	-	-
Total A	**80**	**-**	**-**	**80**	**640**
B. Discontinued operations					
B.1 Financial assets held for trading	-	-	-	-	1
B.2 Financial assets designated at fair value through profit and loss	-	4	-	4	-
B.3 Financial assets available for sale	-	12	-	12	-
B.4 Investments held to maturity	-	-	-	-	-
B.5 Due from banks	74	-	-	74	79
B.6 Loans to customers	890	-	-	890	3,353
B.7 Investments in associates and companies subject to joint control	2	-	-	2	-
B.8 Property and equipment	13	-	-	13	5
B.9 Intangible assets	21	1	-	22	81
B.10 Other	38	-	-	38	63
Total B	**1,038**	**17**	**-**	**1,055**	**3,582**
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
D.2 Due to customers	711	-	-	711	2,985
D.3 Securities issued	241	-	-	241	53
D.4 Financial liabilities held for trading	-	-	-	-	1
D.5 Financial liabilities designated at fair value through profit and loss	-	2	-	2	-
D.6 Allowances	10	-	-	10	29
D.7 Other	36	21	-	57	72
Total D	**998**	**23**	**-**	**1,021**	**3,265**

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 2008, 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	1,977	-	-	1,977
Amounts to be debited - deriving from securities transactions	704	-	-	704
Transit items	1,582	-	-	1,582
Cheques drawn on the bank settled	113	-	-	113
Leasehold improvements	160	-	-	160
Amounts due from tax authorities relating to insurance business	-	339	-	339
Other	5,533	1,101	6	6,640
TOTAL 31.12.2008	**10,069**	**1,440**	**6**	**11,515**
TOTAL 31.12.2007	**9,417**	**842**	**131**	**10,390**

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2008	31.12.2007
1. Due to Central Banks	**9,464**	**-**	**-**	**9,464**	**13,218**
2. Due to banks	**42,256**	**17**	**8**	**42,281**	**54,470**
2.1 Current accounts and deposits	6,976	1	-	6,977	7,732
2,2 Time deposits	16,515	-	-	16,515	20,593
2.3 Loans	12,759	16	8	12,783	13,348
2.3.1 Financial leases	-	-	-	-	-
2.3.2 Other	*12,759*	*16*	*8*	*12,783*	*13,348*
2.4 Debts for commitments to repurchase own equity instruments	10	-	-	10	92
2.5 Liabilities related to assets sold not derecognised	5,917	-	-	5,917	12,529
2.5.1 Repurchase agreements	*5,917*	-	-	*5,917*	*12,529*
2.5.2 Other	-	-	-	-	-
2.6 Other debts	79	-	-	79	176
TOTAL	**51,720**	**17**	**8**	**51,745**	**67,688**
Fair value	**51,525**	**17**	**8**	**51,550**	**67,567**

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.

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 under Due to banks totalled 2 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 1,933 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)

	31.12.2008	31.12.2007
1. Due to banks with specific fair value hedges	**1,445**	**1,875**
a) Interest rate risk	1,445	1,401
b) Foreign exchange risk	-	-
c) Various risks	-	474
2. Due to banks with specific cash flow hedges	**51**	**3,294**
a) Interest rate risk	51	3,294
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**1,496**	**5,169**

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	31.12.2008	31.12.2007
1. Current accounts and deposits	173,392	-	-	173,392	152,220
2. Time deposits	29,166	-	-	29,166	26,538
3. Public funds under administration	156	-	-	156	165
4. Loans	7,088	-	-	7,088	16,646
4.1 Financial leases	-	-	-	-	-
4.2 Other	*7,088*	-	-	*7,088*	*16,646*
5. Debts for commitments to repurchase own equity instruments	812	-	-	812	239
6. Liabilities related to assets sold not derecognised	4,500	-	-	4,500	8,020
6.1 Repurchase agreements	*4,500*	-	-	*4,500*	*8,020*
6.2 Other	-	-	-	-	-
7. Other debts	2,365	19	-	2,384	2,764
TOTAL	**217,479**	**19**	**-**	**217,498**	**206,592**
Fair value	**217,468**	**19**	**-**	**217,487**	**206,585**

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.

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 under Due to customers totalled 75 million euro as at 31 December 2008.

2.3 Breakdown of caption 20 Due to customers: structured debts

The Group's structured debts amounted to 183 million euro.
Insurance and Other companies have not issued any structured debts.

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

Debts with specific hedges included under Due to customers are immaterial.

2.5 Financial lease payables

Financial lease payables included under 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		31.12.2008		31.12.2007	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
A. Quoted securities	**78,983**	**76,205**	**-**	**-**	**-**	**-**	**78,983**	**76,205**	**31,180**	**30,942**
1. bonds	77,983	75,205	-	-	-	-	77,983	75,205	30,171	29,933
1.1 structured	*20,395*	*19,371*	-	-	-	-	*20,395*	*19,371*	*9,850*	*9,844*
1.2 other	*57,588*	*55,834*	-	-	-	-	*57,588*	*55,834*	*20,321*	*20,089*
2. other	1,000	1,000	-	-	-	-	1,000	1,000	1,009	1,009
2.1 structured	-	-	-	-	-	-	-	-	-	-
2.2 other	*1,000*	*1,000*	-	-	-	-	*1,000*	*1,000*	*1,009*	*1,009*
B. Unquoted securities	**108,521**	**106,471**	**-**	**-**	**776**	**776**	**109,297**	**107,247**	**108,711**	**108,333**
1. bonds	56,846	54,796	-	-	-	-	56,846	54,796	78,290	77,912
1.1 structured	*3,689*	*3,543*	-	-	-	-	*3,689*	*3,543*	*4,234*	*4,234*
1.2 other	*53,157*	*51,253*	-	-	-	-	*53,157*	*51,253*	*74,056*	*73,678*
2. other	51,675	51,675	-	-	776	776	52,451	52,451	30,421	30,421
2.1 structured	-	-	-	-	-	-	-	-	*15*	*15*
2.2 other	*51,675*	*51,675*	-	-	*776*	*776*	*52,451*	*52,451*	*30,406*	*30,406*
TOTAL	**187,504**	**182,676**	**-**	**-**	**776**	**776**	**188,280**	**183,452**	**139,891**	**139,275**

In the table, issues traded on regulated markets are classified under quoted securities.
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 under Securities issued totalled 19,956 million euro.

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

(in millions of euro)

	31.12.2008	31.12.2007
1. Securities with specific fair value hedges	**70,646**	**59,190**
a) Interest rate risk	67,388	55,155
b) Foreign exchange risk	-	159
c) Various risks	3,258	3,876
2. Securities with specific cash flow hedges	**1,668**	**1,274**
a) Interest rate risk	1,668	1,274
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**72,314**	**60,464**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(in millions of euro)

	31.12.2008	31.12.2007
Financial liabilities held for trading: breakdown	**45,870**	**24,608**
Banking group	*45,746*	*24,546*
Insurance companies	*124*	*62*
Other companies	*-*	*-*

4.1.1 Banking group

(in millions of euro)

	31.12.2008				31.12.2007			
	Nominal value	Fair value		Fair value (*)	Nominal value	Fair value		Fair value (*)
		quoted	unquoted			quoted	unquoted	
A. CASH LIABILITIES								
1. Due to banks	**1,632**	**1,750**	**5**	**1,755**	**3,217**	**3,135**	**82**	**3,217**
2. Due to customers	**5**	**6**	**-**	**6**	**34**	**34**	**-**	**34**
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	**1,637**	**1,756**	**5**	**1,761**	**3,251**	**3,169**	**82**	**3,251**
B. DERIVATIVES								
1. Financial derivatives	**X**	**1,218**	**37,667**	**X**	**X**	**1,154**	**18,887**	**X**
1.1 Trading	X	1,218	36,830	X	X	1,154	18,491	X
1.2 Fair value option	X	-	8	X	X	-	29	X
1.3 Other	X	-	829	X	X	-	367	X
2. Credit derivatives	**X**	**-**	**5,100**	**X**	**X**	**-**	**1,254**	**X**
2.1 Trading	X	-	5,100	X	X	-	1,254	X
2.2 Fair value option	X	-	-	X	X	-	-	X
2.3 Other	X	-	-	X	X	-	-	X
Total B	**X**	**1,218**	**42,767**	**X**	**X**	**1,154**	**20,141**	**X**
TOTAL (A+B)	**X**	**2,974**	**42,772**	**X**	**X**	**4,323**	**20,223**	**X**

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

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)

	31.12.2008				31.12.2007			
	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	-	-	-	-	-	-	-	-
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	-	124	X	X	3	59	X
1.1 Trading	X	-	66	X	X	3	18	X
1.2 Fair value option	X	-	25	X	X	-	36	X
1.3 Other	X	-	33	X	X	-	5	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	X	-	124	X	X	3	59	X
TOTAL (A+B)	X	-	124	X	X	3	59	X

(*) 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 has subordinated liabilities of 9 million euro classified under Financial liabilities held for trading.

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

The Intesa Sanpaolo Group has structured debts of 37 million euro classified under Financial liabilities held for trading.

4.4 Financial liabilities held for trading: derivatives

(in millions of euro)

	31.12.2008	31.12.2007
Financial liabilities held for trading: derivatives	**44,109**	**21,357**
Banking group	*43,985*	*21,295*
Insurance companies	*124*	*62*
Other companies	*-*	*-*

4.4.1 Banking group

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	31.12.2008	31.12.2007
A) QUOTED DERIVATIVES							
1) Financial derivatives	**-**	***5***	***1,207***	**-**	***6***	***1,218***	***1,154***
with exchange of underlying asset	-	5	826	-	-	831	91
- *options issued*	-	-	*826*	-	-	*826*	*89*
- *other derivatives*	-	*5*	-	-	-	*5*	*2*
without exchange of underlying asset	-	-	381	-	6	387	1,063
- *options issued*	-	-	*381*	-	*6*	*387*	*1,063*
- *other derivatives*	-	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**-**	**5**	**1,207**	**-**	**6**	**1,218**	**1,154**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	***29,485***	***6,714***	***1,427***	**-**	***41***	***37,667***	***18,887***
with exchange of underlying asset	61	6,340	217	-	-	6,618	2,893
- *options issued*	*7*	*191*	*193*	-	-	*391*	*281*
- *other derivatives*	*54*	*6,149*	*24*	-	-	*6,227*	*2,612*
without exchange of underlying asset	29,424	374	1,210	-	41	31,049	15,994
- *options issued*	*4,088*	*54*	*1,144*	-	-	*5,286*	*4,464*
- *other derivatives*	*25,336*	*320*	*66*	-	*41*	*25,763*	*11,530*
2) Credit derivatives	**-**	**-**	**-**	***5,100***	**-**	***5,100***	***1,254***
with exchange of underlying asset	-	-	-	4,447	-	4,447	1,143
without exchange of underlying asset	-	-	-	653	-	653	111
Total B	**29,485**	**6,714**	**1,427**	**5,100**	**41**	**42,767**	**20,141**
TOTAL (A + B)	**29,485**	**6,719**	**2,634**	**5,100**	**47**	**43,985**	**21,295**

Derivatives are considered quoted only if traded on regulated markets. In compliance with Bank of Italy instructions, variation margins with clearing houses with regard to futures are recorded under 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	31.12.2008	31.12.2007
A) QUOTED DERIVATIVES							
1) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	***3***
with exchange of underlying asset	-	-	-	-	-	-	-
- *options issued*	-	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	3
- *options issued*	-	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-	*3*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**3**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	***33***	***45***	***1***	**-**	***45***	***124***	***59***
with exchange of underlying asset	-	45	1	-	-	46	1
- *options issued*	-	-	-	-	-	-	-
- *other derivatives*	-	*45*	*1*	-	-	*46*	*1*
without exchange of underlying asset	33	-	-	-	45	78	58
- *options issued*	-	-	-	-	-	-	-
- *other derivatives*	*33*	-	-	-	*45*	*78*	*58*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total B	**33**	**45**	**1**	**-**	**45**	**124**	**59**
TOTAL (A + B)	**33**	**45**	**1**	**-**	**45**	**124**	**62**

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

Financial cash liabilities is exclusively made up of short positions.

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)

	31.12.2008	31.12.2007
Financial liabilities held for trading: derivatives	**25,119**	**27,270**
Banking group	*3,878*	*4,214*
Insurance companies	*21,241*	*23,056*
Other companies	-	-

5.1.1 Banking group

(in millions of euro)

	31.12.2008				31.12.2007			
	Nominal value	Fair value		Fair value (**)	Nominal value	Fair value		Fair value (**)
		quoted	unquoted			quoted	unquoted	
1.Due to banks	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	X	-	-	-	X
1.2 other	-	-	-	X	-	-	-	X
2. Due to customers	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	X	-	-	-	X
2.2 other	-	-	-	X	-	-	-	X
3. Debt securities	4,111	-	3,878	4,024	4,306	-	4,214	4,214
3.1 structured	*4,111*	-	*3,878*	X	*4,306*	-	*4,214*	X
3.2 other	-	-	-	X	-	-	-	X
TOTAL	**4,111**	**-**	**3,878**	**4,024**	**4,306**	**-**	**4,214**	**4,214**

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

5.1.2 Insurance companies

(in millions of euro)

	31.12.2008				31.12.2007			
	Nominal value	Fair value		Fair value (*)	Nominal value	Fair value		Fair value (*)
		quoted	unquoted			quoted	unquoted	
1.Due to banks	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	X	-	-	-	X
1.2 other	-	-	-	X	-	-	-	X
2. Due to customers	21,241	-	21,241	21,241	23,056	-	23,056	23,056
2.1 structured	-	-	-	X	-	-	-	X
2.2 other	*21,241*	-	*21,241*	X	*23,056*	-	*23,056*	X
3. Debt securities	-	-	-	-	-	-	-	-
3.1 structured	-	-	-	X	-	-	-	X
3.2 other	-	-	-	X	-	-	-	X
TOTAL	**21,241**	**-**	**21,241**	**21,241**	**23,056**	**-**	**23,056**	**23,056**

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

Liabilities designated at fair value as at 31 December 2008 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	**-**	**23,056**	**4,214**	**27,270**
B. Increases	**-**	**2,107**	**2**	**2,109**
B.1 issues	-	382	-	**382**
B.2 sales	-	893	-	**893**
of which business combinations	-	*893*	-	*893*
B.3 positive fair value differences	-	-	-	**-**
B.4 other changes	-	832	2	**834**
C. Decreases	**-**	**-3,922**	**-338**	**-4,260**
C.1 sales	-	-17	-177	**-194**
C.2 reimbursements	-	-1,649	-22	**-1,671**
C.3 negative fair value differences	-	-2,164	-139	**-2,303**
C.4 other changes	-	-92	-	**-92**
D. Final amount	**-**	**21,241**	**3,878**	**25,119**

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

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

(in millions of euro)

	31.12.2008	31.12.2007
Hedging derivatives: breakdown by type of derivative and underlying asset	**5,086**	**2,234**
Banking group	*4,943*	*2,213*
Insurance companies	*141*	*20*
Other companies	*2*	*1*

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	**4,267**	**676**	**-**	**-**	**-**	**4,943**
with exchange of underlying asset	1	632	-	-	-	633
- *options issued*	-	-	-	-	-	-
- *other derivatives*	*1*	*632*	-	-	-	*633*
without exchange of underlying asset	4,266	44	-	-	-	4,310
- *options issued*	*2*	-	-	-	-	*2*
- *other derivatives*	*4,264*	*44*	-	-	-	*4,308*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**4,267**	**676**	**-**	**-**	**-**	**4,943**
TOTAL (A+B) 31.12.2008	**4,267**	**676**	**-**	**-**	**-**	**4,943**
TOTAL (A+B) 31.12.2007	**2,043**	**155**	**-**	**13**	**2**	**2,213**

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	**141**	**-**	**-**	**-**	**-**	**141**
with exchange of underlying asset	-	-	-	-	-	-
- *options issued*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
without exchange of underlying asset	141	-	-	-	-	141
- *options issued*	-	-	-	-	-	-
- *other derivatives*	*141*	-	-	-	-	*141*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**141**	**-**	**-**	**-**	**-**	**141**
TOTAL (A+B) 31.12.2008	**141**	**-**	**-**	**-**	**-**	**141**
TOTAL (A+B) 31.12.2007	**20**	**-**	**-**	**-**	**-**	**20**

6.1.3 Other companies

As at 31 December 2008 the amount pertaining to other companies was 2 million euro.

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

(in millions of euro)

	31.12.2008	31.12.2007
Hedging derivatives: breakdown by hedged portfolio and type of hedge	**5,086**	**2,234**
Banking group	*4,943*	*2,213*
Insurance companies	*141*	*20*
Other companies	*2*	*1*

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	822	-	-	-	-	X	-	X
2. Loans	1,658	-	-	X	-	X	-	X
3. Investments held to maturity	X	3	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	91	X	3
5. Foreign investments	X	X	X	X	X	X	-	X
Total assets	**2,480**	**3**	**-**	**-**	**-**	**91**	**-**	**3**
1. Financial liabilities	1,107	44	-	X	602	X	5	X
2. Portfolio	X	X	X	X	X	49	X	559
Total liabilities	**1,107**	**44**	**-**	**-**	**602**	**49**	**5**	**559**
1. Forecast transactions	X	X	X	X	X	X	-	-

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	141	-	-	-	-	X	-	X
2. Loans	-	-	-	X	-	X	-	X
3. Investments held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	-	X	-
5. Foreign investments	X	X	X	X	X	X	-	X
Total assets	**141**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X
2. Portfolio	X	X	X	X	X	-	X	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	-

6.2.3 Other companies

As at 31 December 2008 the amounts pertaining to other companies totalled 2 million euro (referred to financial liabilities with associated interest rate risk).

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	31.12.2008	31.12.2007
1. Positive fair value change of financial liabilities	1,267	-	-	1,267	35
2. Negative fair value change of financial liabilities	-31	-	-	-31	-39
TOTAL	**1,236**	**-**	**-**	**1,236**	**-4**

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

(in millions of euro)

	31.12.2008	31.12.2007
1. Debts	-	-
2. Portfolio	37,235	1,185
TOTAL	**37,235**	**1,185**

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	1,457	20	2	1,479
Amounts due to third parties	3,801	-	-	3,801
Transit items	1,194	-	-	1,194
Adjustments for portfolio items to be settled	616	-	-	616
Amounts to be credited and items under processing	3,853	-	-	3,853
Personnel charges	1,315	1	1	1,317
Due to social security entities	28	-	-	28
Guarantees given and commitments	404	-	-	404
Other items relating to insurance business	-	624	-	624
Due to tax authorities	1,240	92	1	1,333
Other	5,372	-	25	5,397
TOTAL 31.12.2008	**19,280**	**737**	**29**	**20,046**
TOTAL 31.12.2007	**15,994**	**1,906**	**51**	**17,951**

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2008	31.12.2007
A. Initial amount	**1,483**	**4**	**1**	**1,488**	**1,158**
B. Increases	**346**	**1**	**-**	**347**	**1,112**
B.1 Provisions in the year	71	1	-	72	91
B.2 Other	275	-	-	275	1,021
of which business combinations	*155*	-	-	*155*	*1,003*
C. Decreases	**-346**	**-1**	**-1**	**-348**	**-782**
C.1 Benefits paid	-188	-	-	-188	-247
C.2 Other	-158	-1	-1	-160	-535
of which business combinations	-	-	-	-	*-141*
D. Final amount	**1,483**	**4**	**-**	**1,487**	**1,488**

C.1 refers to benefits paid as at 31 December 2008.
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 qualifying as unfunded defined benefit plans totalled 1,468 million euro at the end of 2008, while at the end of 2007 it amounted to 1,490 million euro.
Actuarial gains not recognised in the income statement, in application of the "corridor approach", totalled 29 million euro and actuarial losses amounted to 10 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	31.12.2008	31.12.2007
1. Post employment benefits	**504**	**-**	**-**	**504**	**486**
2. Other allowances for risks and charges	**3,466**	**12**	**-**	**3,478**	**3,707**
2.1 Legal disputes	1,293	1	-	1,294	1,210
2.2 Personnel charges	1,190	5	-	1,195	1,364
2.3 Other	983	6	-	989	1,133
TOTAL	**3,970**	**12**	**-**	**3,982**	**4,193**

1 – Post employment benefits include both allowances for defined benefit plans, illustrated in point 12.3 below, and "internal" allowances for defined contribution plans.
The contents of 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	**486**	**3,695**	**-**	**12**	**-**	**-**	**486**	**3,707**
B. Increases	**306**	**1,778**	**-**	**8**	**-**	**-**	**306**	**1,786**
B.1 Provisions in the year	85	567	-	8	-	-	85	575
B.2 Time value changes	15	82	-	-	-	-	15	82
B.3 Changes due to discount rate variations	-	45	-	-	-	-	-	45
B.4 Other	206	1,084	-	-	-	-	206	1,084
of which business combinations	*191*	*84*	-	-	-	-	*191*	*84*
C. Decreases	**-288**	**-2,007**	**-**	**-8**	**-**	**-**	**-288**	**-2,015**
C.1 Uses in the year	**-36**	**-1,030**	**-**	**-8**	**-**	**-**	-36	-1,038
C.2 Changes due to discount rate variations	-	-	-	-	-	-	-	-
C.3 Other	-252	-977	-	-	-	-	-252	-977
of which business combinations	-	-	-	-	-	-	-	-
D. Final amount	**504**	**3,466**	**-**	**12**	**-**	**-**	**504**	**3,478**

As at 31 December 2008 the variations due to changes in the discounting rate totalled 45 million euro, of which 36 million euro attributable to the Parent Company.

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 the Intesa Sanpaolo Group 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 enactment 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 "deferred beneficiaries" (who have stopped working 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 for 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.

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. and other Group banks are jointly responsible for 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. and other Group banks are 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 Cheques, 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 Udine e Pordenone formerly enrolled in the Complementary pension fund of the Cassa, transferred to the fund during 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; and retired employees enrolled in the former Carive internal fund, transferred to that Fund as at 1/1/2008;
- pension fund for 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;
- pension fund for employees of the Cassa di Risparmio di Padova e Rovigo – retired employee section. This fund has legal status, full economic independence pursuant to article 12 of the Italian Civil Code and is independently managed. 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.

In addition, it should be noted that savings banks under the control of Casse del Centro provide defined benefit pension plans for retired 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.

As of these financial statements, funds referring to the newly acquired Banca CR Firenze are also included among post-employment benefits. Specifically:
- an internal Fund, recognised by CR Firenze, which operates as a defined benefit for both personnel recruited up to 31 December 1990, to which an additional income is granted, and to personnel recruited up to 28 April 1993 which receive additional income and an integrated state pension;
- an external Fund with legal status and full economic independence for employees of the Cassa in service as at 31 December 1990 and already enrolled in the former 'contracted-out' fund.

The Cassa di Risparmio di Firenze post employment benefits also include the supplementary pension fund of Cassa di Risparmio di Mirandola S.p.A., incorporated in 2006 by Banca CR Firenze (the amount of this fund is approximately 3 million euro) and a fund of a marginal amount established to pay supplementary pensions to former employees enrolled in the Cassa Pensione Dipendenti Enti Locali (CPDEL) pension fund. In accordance with trade union agreements, Banca CR Firenze is co-obliged for both these funds.
Minor post employment benefits are also included, established by a number of the savings banks controlled by Banca CR Firenze (Cassa di Risparmio Pistoia e Pescia, Cassa di Risparmio della Spezia and Cassa di Risparmio di Civitavecchia).

The complete list of funds is provided under point 5 in this section.

2. Changes in the exercise of the funds

As already illustrated in Part A – Accounting policies, for defined benefit plans, the liability 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	31.12.2008			31.12.2007		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	**1,490**	**338**	**2,590**	**1,198**	**269**	**-**
Current service costs	3	3	18	21	4	21
Recognised past service costs	-	-	-	-	-	-
Unrecognised past service costs	-	-	-	-	-	-
Interest costs	72	12	125	70	16	119
Recognised actuarial losses	-	-	-	-	-	-
Unrecognised actuarial losses	10	80	16	-40	6	-
Positive exchange differences	-	1	-	-	-	-
Increases - business combinations	155	133	-	1,003	139	1,821
Participants' contributions	-	4	-	-	-	11
Recognised actuarial gains	-	-5	-	-	-	-
Unrecognised actuarial gains	-8	-15	-20	-21	-25	-91
Negative exchange differences	-	-17	-	-	-9	-
Benefits paid	-188	-29	-188	-247	-19	-241
Decreases - business combinations	-	-	-	-141	-50	-
Curtailments of the fund	-	-	-	-	-	-
Settlements of the fund	-	-145	-	-	-	-
Other increases	30	27	91	19	7	950
Other decreases	-96	-	-	-372	-	-
Final amount	**1,468**	**387**	**2,632**	**1,490**	**338**	**2,590**
Total unrecognised actuarial gains	**-8**	**-15**	**-20**	**-21**	**-25**	**-91**
Total unrecognised actuarial losses	**10**	**80**	**16**	**-**	**6**	**-**

Liabilities of the defined benefit obligations pension plan	31.12.2008			31.12.2007		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	1,468	108	-	1,490	5	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	279	2,632	-	333	2,590

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	31.12.2008		31.12.2007	
	Internal plans	External plans	Internal plans	External plans
Initial amount	**244**	**2,563**	**76**	**-**
Expected return	6	123	18	115
Recognised actuarial losses	-	-	-	-
Unrecognised actuarial losses	-15	-171	-3	-24
Positive exchange differences	1	-	-	-
Increases- business combinations	113	-	170	1,624
Employer contributions	3	-	9	11
Participants' contributions	-	-	-	-
Recognised actuarial gains	-	-	-	-
Unrecognised actuarial gains	-	-	-	8
Negative exchange differences	-14	-	-7	-
Decreases - business combinations	-	-	-	-
Benefits paid	-15	-188	-20	-241
Curtailments of the fund	-135	-	-	-
Settlements of the fund	-	-	-	-
Other changes	-1	120	1	1,070
Final amount	**187**	**2,447**	**244**	**2,563**
Total unrecognised actuarial gains	**-**	**-**	**-**	**8**
Total unrecognised actuarial losses	**-15**	**-171**	**-3**	**-24**

(in millions of euro)

	31.12.2008				31.12.2007			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities and equity funds	25	13.4	248	10.1	43	17.6	432	16.9
Debt securities and bond investment funds	85	45.5	1,411	57.7	169	69.3	1,269	49.5
Real estate assets and equity shareholdings in real estate companies	2	1.1	495	20.2	3	1.2	495	19.3
Insurance activities	14	7.5	88	3.6	12	4.9	135	5.3
Other assets	61	32.5	205	8.4	17	7.0	232	9.0
TOTAL	**187**	**100.0**	**2,447**	**100.0**	**244**	**100.0**	**2,563**	**100.0**

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)

	31.12.2008			31.12.2007		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
1. Present value of the defined benefit obligations	1,468	387	2,632	1,490	338	2,590
2. Fair value of the plan assets	-	187	2,447	-	244	2,563
A. Fund status	**-1,468**	**-200**	**-185**	**-1,490**	**-94**	**-27**
1. Unrecognised actuarial gains (sum of cumulated gains)	29	40	86	21	25	66
2. Unrecognised actuarial losses (sum of cumulated losses)	-10	-104	-163	-	-3	24
3. Unrecognised past service costs	-	-	-	-	-	-
4. Unrecognised assets because not reimbursable	-	-	100	-	-	9
5. Fair value of assets reimbursable by third parties	-	-	-	-	-	-
B. Total	**19**	**-64**	**23**	**21**	**22**	**99**
Recognised assets	**-**	**135**	**-**	**-**	**247**	**-**
Recognised liabilities	**1,487**	**271**	**208**	**1,511**	**360**	**126**

5. Description of the main actuarial assumptions

The table below indicates the actuarial assumptions and the minimum and maximum interest rates used by the various funds.

Actuarial assumptions	31.12.2008				31.12.2007			
	Discount rates	Expected rate of return	Expected rates of wage rises	Annual inflation rate	Discount rates	Expected rate of return	Expected rates of wage rises	Annual inflation rate
EMPLOYEE TERMINATION INDEMNITIES	4.5%	X	3.1%	2.0%	4.8%	X	3.0%	2.0%
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%	4.9%	-	2.0%	4.9%	-	-	2.0%
Pension fund for the tax-collection employees of former Cariplo	4.6%	4.8%	-	2.0%	4.8%	4.3%	-	2.0%
Pension fund for Managers of former Comit (API)	4.3%	4.8%	-	2.0%	4.8%	-	-	2.0%
London branch pension fund	6.3%	-	4.3%	3.0%	5.0%	-	4.5%	3.0%
New York branch pension fund	6.3%	7.5%	3.0%	2.5%	5.8%	7.5%	3.0%	2.5%
Cassa di Risparmio di Viterbo fund	4.1%	4.9%	2.0%	2.0%	4.9%	4.3%	2.0%	2.0%
Cassa di Ascoli Piceno fund	4.8%	4.9%	2.0%	2.0%	4.9%	4.3%	2.0%	2.0%
Cassa di Città di Castello fund	4.7%	4.9%	2.0%	2.0%	4.9%	4.3%	2.0%	2.0%
Cassa di Foligno fund	4.6%	4.8%	2.0%	2.0%	4.9%	4.3%	2.0%	2.0%
Cassa di Rieti fund	4.6%	4.9%	2.0%	2.0%	4.9%	4.3%	2.0%	2.0%
Cassa di Spoleto fund	4.8%	4.9%	2.0%	2.0%	4.9%	4.3%	2.0%	2.0%
Cassa di Terni e Narni fund	4.1%	4.9%	2.0%	2.0%	4.9%	4.3%	2.0%	2.0%
Banca CR Firenze fund	5.0%	-	-	2.0%	-	-	-	-
Cassa di Risparmio di Pistoia e Pescia fund	4.5%	-	-	2.0%	-	-	-	-
Cassa di Risparmio di Civitavecchia fund	3.4%	-	-	2.0%	-	-	-	-
Cassa di Risparmio della Spezia fund	4.5%	-	-	2.0%	-	-	-	-
Medical Plan Bank of Alexandria	11.5%	-	10.0%	6.0%	-	-	-	-
EXTERNAL PLANS								
Supplementary pension fund for Employees of Istituto Bancario San Paolo di Torino	5.0%	5.0%	1.5%	2.0%	5.0%	4.3%	4.0%	2.0%
Supplementary pension fund for Employees of Banco di Napoli - Sect. A	4.8%	4.9%	1.5%	2.0%	4.9%	4.3%	4.0%	2.0%
Pension fund for the employees of former Cariplo	4.6%	4.8%	-	2.0%	4.8%	3.8%	-	2.0%
Pension fund for the employees of former Crediop	4.9%	4.9%	1.5%	2.0%	4.3%	4.0%	5.0%	2.0%
Employee pension fund Cariparo-retired employees section	4.9%	4.9%	-	2.0%	4.9%	4.3%	-	2.0%

(*) During 2008 this Fund was transferred to Section A of the Supplementary Pension Fund for the Employees of former Banco di Napoli.

12.4 Allowances for risks and charges – Other allowances

Allowances for legal disputes mainly refer to provisions for revocatory actions and other litigation.

The allowance for personnel includes charges for incentive-driven exit plans and charges for seniority bonuses to employees and other charges.

Other allowances mainly include provisions for tax litigation, fraud and other litigation.

(in millions of euro)

	31.12.2008	31.12.2007
2. Other allowances		
2.1 legal disputes	1,294	1,210
2.2 personnel charges	1,195	1,364
staff leaving incentives	*869*	*1,095*
seniority bonuses to employees	*186*	*163*
other personnel expenses	*140*	*106*
2.3 other risks and charges	989	1,133
other indemnities due to agents of the distribution network	*144*	*133*
renegotiation of mortgage loans	-	-
customers' complaints on Cirio, Argentina and Parmalat placements	*44*	*44*
other	*801*	*956*
TOTAL	**3,478**	**3,707**

SECTION 13 – TECHNICAL RESERVES – CAPTION 130

13.1 Technical reserves: breakdown

(in millions of euro)

	Direct work	Indirect work	31.12.2008	31.12.2007
A. Casualty branch	**201**	**-**	**201**	**148**
A.1 premiums reserves	135	-	135	104
A.2 claims reserves	61	-	61	43
A.3 other reserves	5	-	5	1
B. Life branch	**15,651**	**-**	**15,651**	**17,457**
B.1 mathematical reserves	15,118	-	15,118	16,747
B.2 reserves for amounts to be disbursed	346	-	346	407
B.3 other reserves	187	-	187	303
C. Technical reserves for investment risks to be borne by the insured	**4,396**	**-**	**4,396**	**3,966**
C.1 reserves for contracts with disbursements connected with investment funds and market indices	3,801	-	3,801	3,542
C.2 reserves from pension fund management	595	-	595	424
D. Total insurance reserves carried by reinsurers	**20,248**	**-**	**20,248**	**21,571**

13.2 Technical reserves: annual changes

(in millions of euro)

	31.12.2008	31.12.2007
A. Casualty branch	**201**	**148**
Initial amount as at 31.12.2007	148	-
Business combinations	14	110
Change in the reserve (+/-)	39	38
B. Life branch and other technical reserves	**20,047**	**21,423**
Initial amount as at 31.12.2007	21,423	-
Business combinations	1,899	22,430
Change in premiums	1,265	1,476
Change in payments	-4,717	-4,605
Changes due to income and other bonuses recognised to insured parties (+/-)	364	358
Changes due to exchange differences (+/-)	5	-5
Changes in other technical reserves (+/-)	-192	1,769
C. Total technical reserves	**20,248**	**21,571**

SECTION 14 – REIMBURSABLE SHARES – CAPTION 150

Not applicable to 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)

	31.12.2008	31.12.2007
1. Share capital	**6,647**	**6,647**
2. Share premium reserve	**33,102**	**33,457**
3. Reserves	**8,075**	**5,712**
4. (Treasury shares)	**-11**	**-2,207**
a) Parent Company	-11	-2,207
b) subsidiaries	-	-
5. Valuation reserves	**-1,412**	**699**
6. Capital instruments	**-**	**-**
7. Net income (loss) pertaining to the Group	**2,553**	**7,250**
TOTAL	**48,954**	**51,558**

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	**11,849,332,367**	**932,490,561**
- fully paid-in	11,849,332,367	932,490,561
- not fully paid-in	-	-
A.1 Treasury shares (-)	**-407,994,175**	**-103,000**
A.2 Shares outstanding: initial number	**11,441,338,192**	**932,387,561**
B. Increases	**414,718,337**	**44,000**
B.1 New issues	-	-
- for consideration	-	-
business combinations	-	-
conversion of bonds	-	-
exercise of warrants	-	-
other	-	-
- for free	-	-
in favour of employees	-	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	414,718,337	44,000
B.3 Other	-	-
C. Decreases	**-9,746,183**	**-44,000**
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-9,746,183	-44,000
C.3 Disposal of companies	-	-
C.4 Other	-	-
D. Shares outstanding: final number	**11,846,310,346**	**932,387,561**
D.1 Treasury shares (+)	3,022,021	103,000
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 2008 amounted to 6,647 million euro, divided into 11,849,332,367 ordinary shares and 932,490,561 non-convertible 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 non-convertible 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 total dividend per non-convertible 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.

As at 31 December Intesa Sanpaolo shares were held by Banca IMI (for an exchange value of 2 million euro), in relation to its institutional trading activities, and by collective investment entities (for an exchange value of 9 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 8,075 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. This reserve also includes unclaimed and forfeited dividends, as provided for by the Articles of Association.
Concentration reserves pursuant to 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	31.12.2008	31.12.2007
1. Financial assets available for sale	-877	-367	-43	-1,287	150
2. Property and equipment	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Foreign investment hedges	-	-	-	-	-
5. Cash flow hedges	-413	-	-	-413	133
6. Foreign exchange differences	-56	-	1	-55	74
7. Non-current assets held for sale and discontinued operations	-	-	-	-	-
8. Legally-required revaluations	343	-	-	343	342
TOTAL	**-1,003**	**-367**	**-42**	**-1,412**	**699**

15.7 Valuation reserves: annual changes

(in millions of euro)

	31.12.2008	31.12.2007
Valuation reserves	**-1,412**	**699**
Banking group	*-1,003*	*774*
Insurance companies	*-367*	*-56*
Other companies	*-42*	*-19*

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	**227**	**-**	**-**	**-**	**133**	**72**	**-**	**342**
B. Increases	**674**	**-**	**-**	**-**	**203**	**3**	**-**	**1**
B.1 fair value increases	143	-	-	-	1	-	-	-
B.2 other changes	531	-	-	-	202	3	-	1
C. Decreases	**-1,778**	**-**	**-**	**-**	**-749**	**-131**	**-**	**-**
C.1 fair value decreases	-1,388	-	-	-	-735	-	-	-
C.2 other changes	-390	-	-	-	-14	-131	-	-
D. Final amount	**-877**	**-**	**-**	**-**	**-413**	**-56**	**-**	**343**

With particular regard to the cash flow hedge reserve, it should be noted that, without prejudice to the effectiveness of the related hedges, the total as at the end of the year will be recognised to the income statement with breakdown as follows in line with that of the cash flows hedged: 38% within five years, 28% between years five and ten, 34% from year eleven.

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	**-56**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**262**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 fair value increases	127	-	-	-	-	-	-	-
B.2 other changes	135	-	-	-	-	-	-	-
C. Decreases	**-573**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 fair value decreases	-467	-	-	-	-	-	-	-
C.2 other changes	-106	-	-	-	-	-	-	-
D. Final amount	**-367**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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	**-21**	**-**	**-**	**-**	**-**	**2**	**-**	**-**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 fair value increases	-	-	-	-	-	-	-	-
B.2 other changes	-	-	-	-	-	-	-	-
C. Decreases	**-22**	**-**	**-**	**-**	**-**	**-1**	**-**	**-**
C.1 fair value decreases	-14	-	-	-	-	-	-	-
C.2 other changes	-8	-	-	-	-	-1	-	-
D. Final amount	**-43**	**-**	**-**	**-**	**-**	**1**	**-**	**-**

15.8 Valuation reserve of financial assets available for sale: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		31.12.2008		31.12.2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	140	-973	128	-354	-	-43	268	-1,370	61	-361
2. Equities	215	-223	1	-134	-	-	216	-357	685	-247
3. Quotas of UCITS	12	-21	1	-9	-	-	13	-30	21	-5
4. Loans	21	-48	-	-	-	-	21	-48	1	-5
TOTAL	**388**	**-1,265**	**130**	**-497**	**-**	**-43**	**518**	**-1,805**	**768**	**-618**

The negative reserve of assets available for sale also includes reserves 'crystallised' as assets reclassified to the IAS Loans & Receivables portfolio following amendments to IAS 39 (198 million euro at the time of reclassification and 169 million euro remaining as at 31 December 2008).

15.9 Valuation reserve of financial assets available for sale: annual changes

(in millions of euro)

	31.12.2008	31.12.2007
Valuation reserve of financial assets available for sale	**-1,287**	**150**
Banking group	*-877*	*227*
Insurance companies	*-367*	*-56*
Other companies	*-43*	*-21*

15.9.1 Banking group

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans
1. Initial amount	**-208**	**424**	**15**	**-4**
2. Positive fair value differences	**258**	**334**	**18**	**64**
2.1 fair value increases	25	94	11	13
2.2 reversal to the income statement of negative reserves	24	181	2	-
- impairment	*4*	*174*	-	-
- disposal	*20*	*7*	*2*	-
2.3 other changes	209	59	5	51
3. Negative fair value differences	**-883**	**-766**	**-42**	**-87**
3.1 fair value decreases	-709	-605	-28	-46
3.2 impairment losses	-1	-32	-	-
3.3 reversal to the income statement of positive reserves: disposal	-7	-108	-11	-
3.4 other changes	-166	-21	-3	-41
4. Final amount	**-833**	**-8**	**-9**	**-27**

15.9.2 Insurance companies

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans
1. Initial amount	**-71**	**14**	**1**	**-**
2. Positive fair value differences	**186**	**75**	**1**	**-**
2.1 fair value increases	119	7	1	-
2.2 reversal to the income statement of negative reserves	27	17	-	-
- impairment	*10*	*14*	-	-
- disposal	*17*	*3*	-	-
2.3 other changes	40	51	-	-
3. Negative fair value differences	**-341**	**-222**	**-10**	**-**
3.1 fair value decreases	-296	-164	-7	-
3.2 impairment losses	-	-	-	-
3.3 reversal to the income statement of positive reserves: disposal	-7	-5	-2	-
3.4 other changes	-38	-53	-1	-
4. Final amount	**-226**	**-133**	**-8**	**-**

15.9.3 Other companies

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans
1. Initial amount	**-21**	**-**	**-**	**-**
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	**-22**	**-**	**-**	**-**
3.1 fair value decreases	-14	-	-	-
3.2 impairment losses	-	-	-	-
3.3 reversal to the income statement of positive reserves: disposal	-	-	-	-
3.4 other changes	-8	-	-	-
4. Final amount	**-43**	**-**	**-**	**-**

SECTION 16 - MINORITY INTERESTS – CAPTION 210

16.1 Minority interests: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2008	31.12.2007
1. Share capital	444	19	-	463	334
2. Share premium reserve	128	-	-	128	121
3. Reserves	357	29	-	386	218
4. (Treasury shares)	-	-	-	-	-
5. Valuation reserves	-4	-2	-	-6	12
6. Equity instruments	-	-	-	-	-
7. Profit (Loss) on minority interests	136	-7	-	129	106
TOTAL	**1,061**	**39**	**-**	**1,100**	**791**

As at 31 December 2008, minority interests amounted to 463 million euro and mainly referred to ordinary 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	31.12.2008	31.12.2007
1. Financial assets available for sale	-5	-2	-	-7	6
2. Property and equipment	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Foreign investment hedges	-	-	-	-	-
5. Cash flow hedges	-3	-	-	-3	-
6. Foreign exchange differences	-6	-	-	-6	-4
7. Non-current assets held for sale and discontinued operations	-	-	-	-	-
8. Legally-required revaluations	10	-	-	10	10
TOTAL	**-4**	**-2**	**-**	**-6**	**12**

16.3 Equity instruments: breakdown and annual changes

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		31.12.2008		31.12.2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1	-6	29	-31	-	-	30	-37	3	-2
2. Equities	3	-1	-	-	-	-	3	-1	4	-
3. Quotas of UCITS	-	-2	1	-1	-	-	1	-3	1	-
4. Loans	-	-	-	-	-	-	-	-	-	-
TOTAL	**4**	**-9**	**30**	**-32**	**-**	**-**	**34**	**-41**	**8**	**-2**

16.5 Valuation reserves: annual changes

(in millions of euro)

	31.12.2008	31.12.2007
Valuation reserves	**-6**	**12**
Banking group	*-4*	*12*
Insurance companies	*-2*	*-*
Other companies	*-*	*-*

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**	**-**	**-**	**-**	**-**	**-4**	**-**	**10**
B. Increases	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 fair value increases	4	-	-	-	-	-	-	-
B.2 other changes	-	-	-	-	-	-	-	-
C. Decreases	**-15**	**-**	**-**	**-**	**-3**	**-2**	**-**	**-**
C.1 fair value decreases	-15	-	-	-	-3	-2	-	-
C.2 other changes	-	-	-	-	-	-	-	-
D. Final amount	**-5**	**-**	**-**	**-**	**-3**	**-6**	**-**	**10**

16.5.2 Insurance companies

As at 31 December 2008, the 2 million euro recorded under valuation reserves for insurance companies refers to assets available for sale.

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	31.12.2008	31.12.2007
1) Financial guarantees given	**16,811**	**-**	**-**	**16,811**	**13,436**
a) Banks	337	-	-	337	516
b) Customers	16,474	-	-	16,474	12,920
2) Commercial guarantees given	**36,453**	**-**	**-**	**36,453**	**37,079**
a) Banks	3,524	-	-	3,524	2,569
b) Customers	32,929	-	-	32,929	34,510
3) Irrevocable commitments to lend funds	**51,585**	**-**	**-**	**51,585**	**63,673**
a) Banks	8,857	-	-	8,857	10,996
- of certain use	*6,836*	-	-	*6,836*	*7,019*
- of uncertain use	*2,021*	-	-	*2,021*	*3,977*
b) Customers	42,728	-	-	42,728	52,677
- of certain use	*8,947*	-	-	*8,947*	*10,329*
- of uncertain use	*33,781*	-	-	*33,781*	*42,348*
4) Underlying commitments on credit derivatives: protection sales	**74,858**	**-**	**-**	**74,858**	**63,884**
5) Assets pledged as collateral of third party commitments	**41**	**-**	**-**	**41**	**154**
6) Other commitments	**16,710**	**-**	**-**	**16,710**	**2,505**
TOTAL	**196,458**	**-**	**-**	**196,458**	**180,731**

2. Assets pledged as collateral of liabilities and commitments

(in millions of euro)

	31.12.2008	31.12.2007
1. Financial assets held for trading	5,631	9,871
2. Financial assets designated at fair value through profit and loss	10	46
3. Financial assets available for sale	7,564	1,784
4. Investments held to maturity	835	1,984
5. Due from banks	3,020	2,735
6. Loans to customers	8,525	9,268
7. Property and equipment	198	5
TOTAL	**25,783**	**25,693**

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, and are allocated to the various captions according to the nature of the asset. The amounts included as potential lease payments are 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	31.12.2008
Assets in the balance sheet	8,252	560	8,812
Infra-group assets	2	-	2
Total Assets	**8,254**	**560**	**8,814**
Financial liabilities in the balance sheet	19,453	-	19,453
Technical reserves in the balance sheet	3,801	595	4,396
Infra-group liabilities	-	-	-
Total Liabilities	**23,254**	**595**	**23,849**

5. Management and dealing on behalf of third parties

5.1 Banking group

(in millions of euro)

	31.12.2008	31.12.2007
1. Dealing in financial instruments on behalf of third parties		
a) Purchases	440,577	907,640
1. settled	*439,471*	*904,599*
2. to be settled	*1,106*	*3,041*
b) Sales	433,850	908,000
1. settled	*433,757*	*906,299*
2. to be settled	*93*	*1,701*
2. Portfolio management		
a) individual	59,254	76,293
b) collective	84,989	108,460
3. Custody and administration of securities		
a) third party securities held in deposit: related to depositary bank activities (excluding individual portfolio management schemes)	75,562	54,849
1. securities issued by companies included in the consolidation area	*402*	*615*
2. other securities	*75,160*	*54,234*
b) other third party securities held in deposit (excluding individual portfolio management schemes): other	590,112	604,350
1. securities issued by companies included in the consolidation area	*118,094*	*102,126*
2. other securities	*472,018*	*502,224*
c) third party securities deposited with third parties	729,893	572,154
d) portfolio securities deposited with third parties	54,003	50,381
4. Other	**181,976**	**94,855**

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)

	2008	2007
Interest and similar income: breakdown	**28,041**	**24,385**
Banking group	*27,150*	*23,527*
Insurance companies	*838*	*804*
Other companies	*53*	*54*

1.1.1 Banking group

(in millions of euro)

	Performing financial assets		Non-performing financial assets	Other assets	2008	2007
	Debt securities	Loans				
1. Financial assets held for trading	923	1	-	-	924	1,620
2. Financial assets designated at fair value through profit and loss	30	-	-	-	30	20
3. Financial assets available for sale	621	31	-	-	652	686
4. Investments held to maturity	268	1	-	-	269	241
5. Due from banks	151	2,787	4	7	2,949	2,761
6. Loans to customers	462	21,035	377	153	22,027	17,860
7. Hedging derivatives	X	X	X	-	-	19
8. Assets sold not derecognised	53	166	-	-	219	283
9. Other assets	X	X	X	80	80	37
TOTAL	**2,508**	**24,021**	**381**	**240**	**27,150**	**23,527**

Financial assets held for trading also includes interest income on securities relating to repurchase agreements.
Interest income on non-performing assets refers to interest, other than that recorded under 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	2008	2007
	Debt securities	Loans				
1. Financial assets held for trading	7	-	-	-	7	2
2. Financial assets designated at fair value through profit and loss	113	-	-	-	113	94
3. Financial assets available for sale	713	-	-	-	713	712
4. Investments held to maturity	-	-	-	-	-	-
5. Due from banks	-	2	-	-	2	1
6. Loans to customers	-	-	-	-	-	-
7. Hedging derivatives	X	X	X	2	2	-5
8. Assets sold not derecognised	-	-	-	-	-	-
9. Other assets	X	X	X	1	1	-
TOTAL	**833**	**2**	**-**	**3**	**838**	**804**

1.1.3 Other companies

(in millions of euro)

	Performing financial assets		Non-performing financial assets	Other assets	2008	2007
	Debt securities	Loans				
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets designated at fair value through profit and loss	-	-	-	-	-	28
3. Financial assets available for sale	7	-	-	-	7	-
4. Investments held to maturity	-	-	-	-	-	25
5. Due from banks	-	-	-	-	-	-
6. Loans to customers	22	24	-	-	46	-
7. Hedging derivatives	X	X	X	-	-	1
8. Assets sold not derecognised	-	-	-	-	-	-
9. Other assets	X	X	X	-	-	-
TOTAL	**29**	**24**	**-**	**-**	**53**	**54**

1.2 Interest and similar income: differentials on hedging transactions

Information on differentials on hedging transactions is illustrated in table 1.5, since the balance is included under interest expense for 2008 while for 2007 the amount was positive.

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

The balance as at 31 December 2008 includes 3,897 million euro relating to financial assets in foreign currency.

1.3.2 Interest income on financial lease receivables

Interest income on financial leases amounted to 1,345 million euro.

1.3.3 Interest income on loans using public funds under administration

Interest income on public funds under administration was immaterial.

1.4 Interest and similar expense: breakdown

(in millions of euro)

	2008	2007
Interest and similar expense: breakdown	**15,587**	**14,219**
Banking group	*15,552*	*14,154*
Insurance companies	*4*	*14*
Other companies	*31*	*51*

1.4.1 Banking group

(in millions of euro)

	Debts	Securities	Other liabilities	2008	2007
1. Due to banks	2,598	X	90	2,688	3,477
2. Due to customers	5,096	X	1	5,097	4,830
3. Securities issued	X	6,843	8	6,851	5,779
4. Financial liabilities held for trading	-	4	-	4	45
5. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
6. Financial liabilities associated to assets sold not derecognised	272	-	-	272	23
7. Other liabilities	X	X	-	-	-
8. Hedging derivatives	X	X	640	640	-
TOTAL	**7,966**	**6,847**	**739**	**15,552**	**14,154**

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	2008	2007
1. Due to banks	2	X	1	3	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	1	1	12
8. Hedging derivatives	X	X	-	-	-
TOTAL	**2**	**-**	**2**	**4**	**14**

1.4.3 Other companies

(in millions of euro)

	Debts	Securities	Other liabilities	2008	2007
1. Due to banks	1	X	-	1	-
2. Due to customers	-	X	-	-	-
3. Securities issued	X	20	-	20	51
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	10	10	-
TOTAL	**1**	**20**	**10**	**31**	**51**

1.5 Interest and similar expense: differentials on hedging transactions

(in millions of euro)

	Banking group	Insurance companies	Other companies	2008	2007
A. Positive differentials on					
A.1 specific fair value hedges of assets	2,290	-	-	2,290	1,144
A.2 specific fair value hedges of liabilities	3,767	-	-	3,767	1,523
A.3 generic hedges of interest rate risk	1,557	2	-	1,559	1,284
A.4 specific cash flow hedges of assets	18	-	-	18	296
A.5 specific cash flow hedges of liabilities	11	-	-	11	24
A.6 generic cash flow hedges	214	-	-	214	216
Total A	**7,857**	**2**	**-**	**7,859**	**4,487**
B. Negative differentials on					
B.1 specific fair value hedges of assets	-1,997	-	-10	-2,007	-905
B.2 specific fair value hedges of liabilities	-4,627	-	-	-4,627	-1,857
B.3 generic hedges of interest rate risk	-1,705	-	-	-1,705	-1,236
B.4 specific cash flow hedges of assets	-10	-	-	-10	-258
B.5 specific cash flow hedges of liabilities	-17	-	-	-17	-27
B.6 generic cash flow hedges	-141	-	-	-141	-189
Total B	**-8,497**	**-**	**-10**	**-8,507**	**-4,472**
TOTAL (A - B)	**-640**	**2**	**-10**	**-648**	**15**

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 2008 includes 3,745 million euro relating 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)

	2008	2007
Fee and commission income: breakdown	**6,738**	**7,304**
Banking group	*6,369*	*6,883*
Insurance companies	*365*	*403*
Other companies	*4*	*18*

2.1.1 Banking group

(in millions of euro)

	2008	2007
A) Guarantees given	**302**	**280**
B) Credit derivatives	**1**	**1**
C) Management, dealing and consultancy services	**2,971**	**3,616**
1. trading in financial instruments	83	143
2. currency dealing	69	70
3. portfolio management	1,680	1,693
3.1. individual	*344*	*358*
3.2. collective	*1,336*	*1,335*
4. custody and administration of securities	110	103
5. depositary bank	126	158
6. placement of securities	309	593
7. reception and transmission of orders	182	186
8. consultancy services	33	26
9. distribution of third party services	379	644
9.1. portfolio management	*77*	*185*
9.1.1. individual	*18*	*54*
9.1.2. collective	*59*	*131*
9.2. insurance products	*299*	*443*
9.3. other products	*3*	*16*
D) Collection and payment services	**494**	**586**
E) Servicing related to securitisations	**11**	**3**
F) Services related to factoring	**103**	**88**
G) Tax collection services	**-**	**-**
H) Other services	**2,487**	**2,309**
TOTAL	**6,369**	**6,883**

H - Other services mostly recorded commissions on deposits, current accounts and overdrafts of 896 million euro, fees on credit and debit cards of 630 million euro as well as commissions on loans of 659 million euro.

2.1.2 Insurance companies

(in millions of euro)

	2008	2007
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. reception and transmission of orders	-	-
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	**365**	**403**
TOTAL	**365**	**403**

2.1.3 Other companies

(in millions of euro)

	2008	2007
A) Guarantees given	**-**	**-**
B) Credit derivatives	**-**	**1**
C) Management, dealing and consultancy services	**2**	**17**
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. reception and transmission of orders	-	-
8. consultancy services	-	-
9. distribution of third party services	2	17
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	*2*	*17*
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	**2**	**-**
TOTAL	**4**	**18**

2.2 Fee and commission income: distribution channels of products and services: Banking group

(in millions of euro)

	2008	2007
A) Group branches	**1,774**	**2,173**
1. portfolio management	1,211	1,128
2. placement of securities	275	540
3. third party services and products	288	505
B) "Door-to-door" sales	**535**	**698**
1. portfolio management	451	562
2. placement of securities	8	10
3. third party services and products	76	126
C) Other distribution channels	**59**	**46**
1. portfolio management	18	3
2. placement of securities	26	43
3. third party services and products	15	-

2.3 Fee and commission expense: breakdown

(in millions of euro)

	2008	2007
Fee and commission expense: breakdown	**1,247**	**1,382**
Banking group	*1,076*	*1,195*
Insurance companies	*169*	*173*
Other companies	*2*	*14*

2.3.1 Banking group

(in millions of euro)

	2008	2007
A) Guarantees received	**40**	**48**
B) Credit derivatives	**3**	**4**
C) Management, dealing and consultancy services	**625**	**682**
1. trading in financial instruments	39	74
2. currency dealing	2	3
3. portfolio management	101	25
3.1 own customers	-	-
3.2 delegated	*101*	*25*
4. custody and administration of securities	73	70
5. placement of financial instruments	36	41
6. "door-to-door" sale of financial instruments, products and services	374	469
D) Collection and payment services	**129**	**156**
E) Other services	**279**	**305**
TOTAL	**1,076**	**1,195**

E – Other services includes 178 million euro of fees on credit and debit cards.

2.3.2 Insurance companies

(in millions of euro)

	2008	2007
A) Guarantees received	**-**	**-**
B) Credit derivatives	**-**	**-**
C) Management, dealing and consultancy services	**3**	**5**
1. trading in financial instruments	-	-
2. currency dealing	-	-
3. portfolio management	3	5
3.1 own customers	-	-
3.2 delegated	*3*	*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	**166**	**168**
TOTAL	**169**	**173**

2.3.3 Other companies

Fee and commission expense pertaining to other companies are entered in Other services for 2 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		2008		2007	
	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	408	19	-	1	-	-	408	20	465	22
B. Financial assets available for sale	110	11	63	1	-	-	173	12	196	2
C. Financial assets designated at fair value through profit and loss	-	-	56	11	-	-	56	11	70	4
D. Investments in associates and companies subject to joint control	24	X	-	X	-	X	24	X	22	X
TOTAL	**542**	**30**	**119**	**13**	**-**	**-**	**661**	**43**	**753**	**28**

SECTION 4 – PROFITS (LOSSES) ON TRADING - CAPTION 80

4.1 Profits (Losses) on trading: breakdown

(in millions of euro)

	2008	2007
Profits (Losses) on trading: breakdown	**-1,329**	**-165**
Banking group	*-1,290*	*-188*
Insurance companies	*-37*	*22*
Other companies	*-2*	*1*

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	**681**	**2,193**	**-1,451**	**-2,765**	**-1,342**
1.1 Debt securities	475	887	-1,039	-696	-373
1.2 Equities	55	983	-85	-1,480	-527
1.3 Quotas of UCITS	151	295	-312	-565	-431
1.4 Loans	-	-	-	-	-
1.5 Other	-	28	-15	-24	-11
2. Financial liabilities held for trading	**73**	**591**	**-88**	**-690**	**-114**
2.1 Debt securities	46	216	-61	-194	7
2.2 Other	27	375	-27	-496	-121
3. Foreign exchange	**X**	**X**	**X**	**X**	**553**
4. Derivatives	**19,371**	**50,470**	**-21,230**	**-49,291**	**-387**
4.1 Financial derivatives	15,473	47,626	-16,599	-46,874	-81
- On debt securities and interest rates	*13,578*	*42,288*	*-14,422*	*-41,760*	*-316*
- On equities and stock indexes	*1,738*	*5,043*	*-2,088*	*-4,779*	*-86*
- On currencies and gold	*X*	*X*	*X*	*X*	*293*
- Other	*157*	*295*	*-89*	*-335*	*28*
4.2 Credit derivatives	3,898	2,844	-4,631	-2,417	-306
TOTAL	**20,125**	**53,254**	**-22,769**	**-52,746**	**-1,290**

For detailed information on structured financial products and their impact on the income statement, please refer to Part E of these Notes to the Consolidated Financial Statements - Information on risks and relative hedging policies.

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	**6**	**7**	**-36**	**-3**	**-26**
1.1 Debt securities	6	6	-11	-	1
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCITS	-	-	-25	-3	-28
1.4 Loans	-	-	-	-	-
1.5 Other	-	1	-	-	1
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Other	-	-	-	-	-
3. Foreign exchange	**X**	**X**	**X**	**X**	**1**
4. Derivatives	**12**	**59**	**-9**	**-74**	**-12**
4.1 Financial derivatives	12	59	-9	-74	-12
- On debt securities and interest rates	*4*	*10*	*-1*	*-49*	*-36*
- On equities and stock indexes	*8*	*49*	*-8*	*-23*	*26*
- On currencies and gold	*X*	*X*	*X*	*X*	*-*
- Other	*-*	*-*	*-*	*-2*	*-2*
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**18**	**66**	**-45**	**-77**	**-37**

4.1.3 Other companies

Net result pertaining to other companies was immaterial (-2 million euro in 2008).

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	2008	2007
A. Income from					
A.1 fair value hedge derivatives	6,961	2	-	6,963	1,528
A.2 financial assets hedged (fair value)	3,743	146	-	3,889	145
A.3 financial liabilities hedged (fair value)	145	-	-	145	429
A.4 cash flow hedge: derivatives	-	-	-	-	-
A.5 currency assets and liabilities	-	-	-	-	-
Total A	**10,849**	**148**	**-**	**10,997**	**2,102**
B. Expenses for					
B.1 fair value hedge derivatives	-5,763	-156	-	-5,919	-952
B.2 financial assets hedged (fair value)	-591	-26	-	-617	-995
B.3 financial liabilities hedged (fair value)	-4,599	-	-	-4,599	-114
B.4 cash flow hedge: derivatives	-	-	-	-	-2
B.5 currency assets and liabilities	-5	-	-	-5	-12
Total B	**-10,958**	**-182**	**-**	**-11,140**	**-2,075**
TOTAL (A - B)	**-109**	**-34**	**-**	**-143**	**27**

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

6.1 Profits (Losses) on disposal or repurchase: breakdown

(in millions of euro)

	2008	2007
Profits (Losses) on disposal or repurchase: breakdown	**46**	**266**
Banking group	*131*	*287*
Insurance companies	*-85*	*-21*
Other companies	*-*	*-*

6.1.1 Banking group

(in millions of euro)

	2008			2007		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	1	-3	-2	2	-	2
2. Loans to customers	71	-119	-48	159	-317	-158
3. Financial assets available for sale	212	-47	165	505	-64	441
3.1 Debt securities	*24*	*-35*	*-11*	*27*	*-24*	*3*
3.2 Equities	*163*	*-*	*163*	*447*	*-40*	*407*
3.3 Quotas of UCITS	*25*	*-12*	*13*	*29*	*-*	*29*
3.4 Loans	*-*	*-*	*-*	*2*	*-*	*2*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**284**	**-169**	**115**	**666**	**-381**	**285**
Financial liabilities						
1. Due to banks	-	-	-	-	-3	-3
2. Due to customers	-	-	-	-	-	-
3. Securities issued	21	-5	16	30	-25	5
Total liabilities	**21**	**-5**	**16**	**30**	**-28**	**2**

6.1.2 Insurance companies

(in millions of euro)

	2008			2007		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	106	-191	-85	159	-180	-21
3.1 Debt securities	*99*	*-82*	*17*	*41*	*-155*	*-114*
3.2 Equities	*5*	*-107*	*-102*	*113*	*-25*	*88*
3.3 Quotas of UCITS	*2*	*-2*	*-*	*5*	*-*	*5*
3.4 Loans	*-*	*-*	*-*	*-*	*-*	*-*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**106**	**-191**	**-85**	**159**	**-180**	**-21**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

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)

	2008	2007
Profits (Losses) on financial assets/liabilities designated at fair value	**6**	**320**
Banking group	*68*	*7*
Insurance companies	*-62*	*313*
Other companies	*-*	*-*

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	**22**	**2**	**-51**	**-3**	**-30**
1.1 Debt securities	9	2	-50	-1	-40
1.2 Equities	-	-	-	-	-
1.3 Quotas of UCITS	13	-	-1	-2	10
1.4 Loans	-	-	-	-	-
2. Financial liabilities held for trading	**139**	**14**	**-**	**-41**	**112**
2.1 Debt securities	139	14	-	-41	112
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	**44**	**1**	**-58**	**-1**	**-14**
4.1 Financial derivatives	44	1	-58	-1	-14
- On debt securities and interest rates	*44*	*-*	*-58*	*-*	*-14*
- On equities and stock indexes	*-*	*1*	*-*	*-1*	*-*
- On currencies and gold	*X*	*X*	*X*	*X*	*-*
- Other	*-*	*-*	*-*	*-*	*-*
4.2 Credit derivatives	-	-	-	-	-
TOTAL DERIVATIVES	**44**	**1**	**-58**	**-1**	**-14**
TOTAL	**205**	**17**	**-109**	**-45**	**68**

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	**1,119**	**710**	**-2,450**	**-1,393**	**-2,014**
1.1 Debt securities	972	264	-650	-190	396
1.2 Equities	106	271	-1,238	-789	-1,650
1.3 Quotas of UCITS	34	171	-562	-374	-731
1.4 Loans	7	4	-	-40	-29
2. Financial liabilities held for trading	**2,171**	**90**	**-1**	**-**	**2,260**
2.1 Debt securities	-	-	-	-	-
2.2 Due to banks	18	-	-	-	18
2.3 Due to customers	2,153	90	-1	-	2,242
3. Foreign currency financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivatives	**35**	**75**	**-41**	**-346**	**-308**
4.1 Financial derivatives	35	75	-41	-346	-308
- On debt securities and interest rates	*34*	*44*	*-27*	*-186*	*-135*
- On equities and stock indexes	*1*	*31*	*-13*	*-160*	*-141*
- On currencies and gold	*X*	*X*	*X*	*X*	*-31*
- Other	*-*	*-*	*-1*	*-*	*-1*
4.2 Credit derivatives	-	-	-	-	-
TOTAL DERIVATIVES	**35**	**75**	**-41**	**-346**	**-308**
TOTAL	**3,325**	**875**	**-2,492**	**-1,739**	**-62**

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)

	2008	2007
Net impairment losses on loans: breakdown	**-2,433**	**-1,043**
Banking group	*-2,397*	*-1,043*
Insurance companies	*-*	*-*
Other companies	*-36*	*-*

8.1.1 Banking group

(in millions of euro)

	Impairment losses			Recoveries				2008	2007
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-66	-3	-	-	-	5	-64	27
B. Loans to customers	-175	-3,289	-487	232	1,054	9	323	-2,333	-1,070
C. Total	**-175**	**-3,355**	**-490**	**232**	**1,054**	**9**	**328**	**-2,397**	**-1,043**

8.1.2 Insurance companies

No amounts pertaining to insurance companies were recorded.

8.1.3 Other companies

(in millions of euro)

	Impairment losses			Recoveries				2008	2007
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-	-	-	-	-	-	-	-
B. Loans to customers	-4	-32	-	-	-	-	-	-36	-
C. Total	**-4**	**-32**	**-**	**-**	**-**	**-**	**-**	**-36**	**-**

8.2 Net impairment losses on financial assets available for sale: breakdown

(in millions of euro)

	2008	2007
Net impairment losses on financial assets available for sale: breakdown	**-963**	**-62**
Banking group	*-813*	*-54*
Insurance companies	*-150*	*-*
Other companies	*-*	*-8*

8.2.1 Banking group

(in millions of euro)

	Impairment losses		Recoveries		2008	2007
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-26	-	1	-25	-6
B. Equities	-	-787	-	-	-787	-48
C. Quotas of UCITS	-	-1	-	-	-1	-
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-814**	**-**	**1**	**-813**	**-54**

8.2.2 Insurance companies

(in millions of euro)

	Impairment losses		Recoveries		2008	2007
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-25	-	-	-25	-
B. Equities	-	-122	-	-	-122	-
C. Quotas of UCITS	-	-3	-	-	-3	-
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-150**	**-**	**-**	**-150**	**-**

8.2.3 Other companies

(in millions of euro)

	Impairment losses		Recoveries		2008	2007
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-	-	-	-	-8
B. Equities	-	-	-	-	-	-
C. Quotas of UCITS	-	-	-	-	-	-
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-**	**-**	**-**	**-**	**-8**

8.3 Net impairment losses on investments held to maturity: breakdown

8.3.1 Banking group

No amounts pertaining to the Banking group were recorded.

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)

	2008	2007
Net impairment losses on other financial activities: breakdown	**126**	**-36**
Banking group	*112*	*-34*
Insurance companies	*17*	*-2*
Other companies	*-3*	*-*

8.4.1 Banking group

(in millions of euro)

	Impairment losses			Recoveries				2008	2007
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-59	-16	-	54	-	138	117	-25
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-34	-6	-	37	-	4	1	-8
D. Other operations	-	-4	-5	-	3	-	-	-6	-1
E. Total	**-**	**-97**	**-27**	**-**	**94**	**-**	**142**	**112**	**-34**

8.4.2 Insurance companies

(in millions of euro)

	Impairment losses			Recoveries				2008	2007
	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	-	-	-	-	17	-	-	17	-2
E. Total	**-**	**-**	**-**	**-**	**17**	**-**	**-**	**17**	**-2**

8.4.3 Other companies

(in millions of euro)

	Impairment losses			Recoveries				2008	2007
	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	-	-3	-	-	-	-	-	-3	-
E. Total	**-**	**-3**	**-**	**-**	**-**	**-**	**-**	**-3**	**-**

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	2008	2007
1. Life branch	**1,618**	**-**	**1,618**	**1,600**
1.1 Gross accounted premiums (+)	1,622	-	1,622	1,604
1.2 Premiums ceded for reinsurance (-)	-4	X	-4	-4
2. Casualty branch	**155**	**-**	**155**	**108**
2.1 Gross accounted premiums (+)	192	-	192	148
2.2 Premiums ceded for reinsurance (-)	-17	X	-17	-10
2.3 Changes in the gross amount of premium reserve (+/-)	-24	-	-24	-30
2.4 Changes in premium reserves reassured with third parties (+/-)	4	-	4	-
3. Total net premiums	**1,773**	**-**	**1,773**	**1,708**

SECTION 10 - OTHER NET INSURANCE INCOME (EXPENSE) - CAPTION 160

10.1 Other net insurance income (expense): breakdown

(in millions of euro)

	2008	2007
1. Net change in technical reserves	3,337	2,932
2. Claims accrued and paid during the year	-4,882	-4,897
3. Other income/expenses arising from insurance business	-30	-159
TOTAL	**-1,575**	**-2,124**

10.2 Breakdown of Net change in technical reserves

(in millions of euro)

Net change in technical reserves	2008	2007
1. Life branch	**3,337**	**2,932**
A. Mathematical reserves	*2,802*	*2,439*
A.1 Gross annual amount	*2,801*	*2,438*
A.2 Amount reinsured with third parties (-)	*1*	*1*
B. Other technical reserves	52	-32
B.1 Gross annual amount	*52*	*-32*
B.2 Amount reinsured with third parties (-)	-	-
C. Technical reserves for investment risks to be borne by the insured	483	525
C.1 Gross annual amount	*483*	*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	-	-

10.3 Breakdown of Claims accrued and paid during the year

(in millions of euro)

Charges associated to claims	**2008**	**2007**
Life branch: charges associated to claims, net of reinsurance ceded	**-4,845**	**-4,867**
A. Amounts paid	-4,939	-4,570
A.1 Gross annual amount	*-4,941*	*-4,571*
A.2 Amount reinsured with third parties (-)	*2*	*1*
B. Change in funds for amounts to be disbursed	94	-297
B.1 Gross annual amount	*94*	*-299*
B.2 Amount reinsured with third parties (-)	*-*	*2*
Casualty branch: charges associated to claims, net of recoveries and reinsurance ceded	**-37**	**-30**
C. Amounts paid	-26	-21
C.1 Gross annual amount	*-26*	*-21*
C.2 Amount reinsured with third parties (-)	-	-
D. Change in recoveries net of quotas borne by reinsurers	2	-
E. Change in damage fund	-13	-9
E.1 Gross annual amount	*-14*	*-8*
E.2 Amount reinsured with third parties (-)	*1*	*-1*

10.4 Breakdown of Other income/expenses arising from insurance business

(in millions of euro)

	2008	**2007**
Other income	**276**	**116**
Life branch	273	116
Casualty branch	3	-
Other expenses	**-306**	**-275**
Life branch	-282	-266
Casualty branch	-24	-9

SECTION 11 - ADMINISTRATIVE EXPENSES - CAPTION 180

11.1 Personnel expenses: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	2008	2007
1) Personnel employed	**6,282**	**46**	**1**	**6,329**	**5,952**
a) wages and salaries	3,982	32	1	4,015	3,970
b) social security charges	1,008	7	-	1,015	1,007
c) termination indemnities	140	-	-	140	169
d) supplementary benefits	5	-	-	5	20
e) provisions for termination indemnities	71	1	-	72	-171
f) provisions for post employment benefits	100	-	-	100	40
- defined contribution plans	*11*	-	-	*11*	*1*
- defined benefit plans	*89*	-	-	*89*	*39*
g) payments to external pension funds	222	2	-	224	139
- defined contribution plans	*219*	*2*	-	*221*	*138*
- defined benefit plans	*3*	-	-	*3*	*1*
h) costs from share based payments	-27	-	-	-27	37
i) other benefits in favour of employees	781	4	-	785	741
2) Other personnel	**20**	**3**	**-**	**23**	**12**
3) Directors	**36**	**1**	**-**	**37**	**30**
4) Expenses for exit incentives	**-**	**-**	**-**	**-**	**-**
TOTAL	**6,338**	**50**	**1**	**6,389**	**5,994**

It should be specified that caption 3) Directors includes remuneration to members of the Board of Directors, Management Board and Supervisory Board and members of the Boards of Statutory Auditors of the various Group companies.

11.2 Average number of employees by categories: Banking group

	Banking group	Insurance companies	Other companies	2008	2007
Personnel employed	**109,205**	**573**	**-**	**109,778**	**97,272**
a) managers	1,741	33	-	1,774	1,718
b) total officers	33,554	165	-	33,719	33,995
of which 3rd and 4th level	11,478	44	-	*11,522*	*12,245*
c) other employees	73,910	375	-	74,285	61,559
Other personnel	**223**	**20**	**-**	**243**	**359**
TOTAL	**109,428**	**593**	**-**	**110,021**	**97,631**

11.3 Post employment defined benefit plans: total expense

(in millions of euro)

	2008			2007		
	Employee Termination Indemnities	Internal plans	External plans	Employee Termination Indemnities	Internal plans	External plans
Current service cost	-3	-3	-18	-21	-4	-21
Financial costs of determining the present value of the defined benefit obligations	-72	-12	-125	-70	-16	-119
Expected return from the fund's assets	-	6	123	-	18	115
Reimbursement from third parties	-	-	-	-	-	-
Actuarial gains recognised	-	5	-	-	-	-
Actuarial losses recognised	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Curtailment of the fund	-	-	-	-	-	-
Settlement of the fund	-	-	-	-	-	-
Assets incurred in the year and not recognised	-	-	-	-	-	-

This table illustrates the economic components referred to Allowances for risks and charges - post employment benefits recorded under liabilities line 120-a in the Consolidated balance sheet.

11.4 Other benefits in favour of employees

The balance as at 31 December 2008 amounted to 785 million euro, of which 570 million euro referred to charges relating to incentive-driven exit plans. The residual 215 million euro essentially referred to contributions for health assistance, lunch vouchers, premiums of insurance policies stipulated in favour of employees and provisions for seniority bonuses.

11.5 Other administrative expenses: breakdown

(in millions of euro)

	2008	2007
Expenses for maintenance of information technology and electronic equipment	825	747
Telephonic, teletransmission and transmission expenses	174	167
Information technology expenses	**999**	**914**
Rentals and service charges - real estate	404	363
Security services	76	81
Cleaning of premises	64	59
Expenses for maintenance of real estate assets	68	73
Energy costs	138	114
Property costs	7	11
Management of real estate assets	**757**	**701**
Printing, stationery and consumables expenses	74	70
Transport and related services expenses (including counting of valuables)	107	101
Information expenses	137	126
Postal and telegraphic expenses	170	165
General structure costs	**488**	**462**
Expenses for consultancy fees	345	328
Legal and judiciary expenses	176	93
Insurance premiums - banks and customers	111	122
Professional and legal expenses	**632**	**543**
Advertising and promotional expenses	**226**	**211**
Services rendered by third parties	**169**	**134**
Indirect personnel costs	**150**	**136**
Other costs	**188**	**194**
Indirect taxes and duties	**642**	**615**
Recovery of taxes and duties	**-494**	**-498**
Recovery of other expenses	**-91**	**-96**
TOTAL	**3,666**	**3,316**

Other administrative expenses in 2008 include 287 million euro merger and restructuring-related charges gross of the tax effect illustrated below.

Merger and restructuring-related charges: breakdown

(in millions of euro)

	2008	2007
Personnel expenses	**570**	**572**
- expenses for incentive-driven exit plans	570	572
Other administrative expenses	**287**	**263**
- information technology expenses	183	124
- management of real estate assets	2	-
- professional and legal expenses	72	102
- advertising and promotional expenses	9	16
- services rendered by third parties	3	-
- indirect personnel costs	3	1
- other costs	15	20
Net adjustments to property, equipment and intangible assets	**62**	**23**
Net provisions for risks and charges	**-**	**14**
Tax effect	-262	-265
TOTAL	**657**	**607**

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	2008
Net provisions for legal disputes	-389	55	-334
Net provisions for other personnel charges	-6	3	-3
Net provisions for risks and charges	-86	58	-28
TOTAL	**-481**	**116**	**-365**

The amounts listed above include a 97 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)

	2008	2007
Net adjustments to property and equipment: breakdown	**-432**	**-437**
Banking group	*-430*	*-431*
Insurance companies	*-1*	*-5*
Other companies	*-1*	*-1*

13.1.1 Banking group

(in millions of euro)

	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Owned	-427	-2	-	-429
- used in operations	*-424*	*-2*	-	*-426*
- investment	*-3*	-	-	*-3*
A.2 Acquired in financial leases	-1	-	-	-1
- used in operations	*-1*	-	-	*-1*
- investment	-	-	-	-
TOTAL	**-428**	**-2**	**-**	**-430**

For the determination of impairment losses, see the illustration provided in Part A – Accounting policies.

13.1.2 Insurance companies

Net adjustments to property and equipment of the insurance companies were immaterial.

13.1.3 Other companies

Net adjustments to property and equipment of other companies were immaterial.

SECTION 14 – NET ADJUSTMENTS TO/RECOVERIES ON INTANGIBLE ASSETS - CAPTION 210

14.1 Net adjustments to intangible assets: breakdown

(in millions of euro)

	2008	2007
Net adjustments to intangible assets: breakdown	**-1,744**	**-921**
Banking group	*-1,648*	*-818*
Insurance companies	*-96*	*-103*
Other companies	-	-

14.1.1 Banking group

(in millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-897	-751	-	-1,648
- internally generated	*-270*	-	-	*-270*
- other	*-627*	*-751*	-	*-1,378*
A.2 Acquired in financial leases	-	-	-	-
TOTAL	**-897**	**-751**	**-**	**-1,648**

For a description of the impairment testing methods for intangible assets and related impairment recognised to the income statement, see Part B – Section 13 – Intangible Assets in these Notes to the Consolidated Financial Statements.

14.1.2 Insurance companies

(in millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-96	-	-	-96
- internally generated	-	-	-	-
- other	*-96*	-	-	*-96*
A.2 Acquired in financial leases	-	-	-	-
TOTAL	**-96**	**-**	**-**	**-96**

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	58	-	-	58
Settlements for legal disputes	14	-	-	14
Amortisation of leasehold improvements	48	-	-	48
Contributions to National Guarantee Fund	9	-	-	9
Other non-recurring expenses	193	4	1	198
Other	111	-	1	112
TOTAL 31.12.2008	**433**	**4**	**2**	**439**
TOTAL 31.12.2007	**253**	**-**	**26**	**279**

Other non-recurring charges include 102 million euro unclaimed bank drafts for which the three-year prescription period expired between 28 December 2001 and 31 December 2007 (i.e. issued between 28 December 1998 and 31 December 2004). The total of these bank drafts must be transferred by the end of May 2009 to a special Fund established by the state depositary banks.

15.2 Other operating income: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	TOTAL
Recovery of expenses	46	3	-	49
Income IT companies	30	-	-	30
Insurance reimbursements	1	-	-	1
Reimbursements for services rendered to third parties	64	-	-	64
Income related to consumer credit and leasing	66	-	1	67
Rentals and recovery of expenses on real estate	34	-	-	34
Other non-recurring income	213	12	1	226
Other	138	12	-	150
TOTAL 31.12.2008	**592**	**27**	**2**	**621**
TOTAL 31.12.2007	**399**	**11**	**31**	**441**

Other income includes 126 million euro compensation for damages from the IMI SIR settlement.

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	2008	2007
1) Companies subject to joint control					
A. Revenues	41	-	-	41	63
1. Revaluations	*41*	-	-	*41*	*63*
2. Profits on disposal	-	-	-	-	-
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-61	-	-	-61	-1
1. Write-downs	*-1*	-	-	*-1*	*-1*
2. Impairment losses	*-60*	-	-	*-60*	-
3. Losses on disposal	-	-	-	-	-
4. Other	-	-	-	-	-
Net result	**-20**	**-**	**-**	**-20**	**62**
2) Investments in associates					
A. Revenues	493	-	-	493	295
1. Revaluations	*104*	-	-	*104*	*261*
2. Profits on disposal	*389*	-	-	*389*	*34*
3. Write-backs	-	-	-	-	-
4. Other	-	-	-	-	-
B. Charges	-297	-	-	-297	-19
1. Write-downs	*-29*	-	-	*-29*	*-12*
2. Impairment losses	*-267*	-	-	*-267*	*-6*
3. Losses on disposal	*-1*	-	-	*-1*	*-1*
4. Other	-	-	-	-	-
Net result	**196**	**-**	**-**	**196**	**276**
TOTAL	**176**	**-**	**-**	**176**	**338**

For companies subject to joint control and subject to significant influence, income from registration at fair value of the 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

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.

The results of impairment testing on goodwill recorded in the financial statements have led to impairment of 1,065 million euro, including 580 million euro attributable to Banca Fideuram, 390 million euro to Pravex Bank and 95 million euro to Eurizon Capital.

For a description of the impairment testing methods for goodwill, reference should be made to Part B – Section 13 – Intangible Assets in these Notes to the Consolidated Financial Statements.

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	2008	2007
A. Real estate assets	192	-	-	192	42
- profits on disposal	*196*	-	-	*196*	*44*
- losses on disposal	*-4*	-	-	*-4*	*-2*
B. Other assets [(a)]	11	-	-	11	-1
- profits on disposal	12	-	-	*12*	1
- losses on disposal	*-1*	-	-	*-1*	*-2*
Net result	**203**	**-**	**-**	**203**	**41**

[(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	2008	2007
1. Current taxes (-)	-3,015	20	-	-2,995	-2,149
2. Changes in current taxes of previous years (+/-)	66	-	-	66	-2
3. Reduction in current taxes of the year (+)	8	-	-	8	7
4. Changes in deferred tax assets (+/-)	2,982	89	5	3,076	-285
5. Changes in deferred tax liabilities (+/-)	565	-131	-	434	890
6. Taxes on income for the year (-) (-1+/-2+3+/-4+/-5)	**606**	**-22**	**5**	**589**	**-1,539**

20.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(in millions of euro)

	2008
Income before tax from continuing operations	1,057
Income before tax from discontinued operations	1,457
Theoretical taxable income	**2,514**

	Taxes	%
Theoretical taxes for the year	812	32.3
Impact of participation exemption	463	18.4
Impact of lower tax rates for foreign companies	-268	-10.7
Impact of non-deductible IRAP on personnel expenses	283	11.3
Impact of non-deductible IRAP on adjustments to loans	110	4.4
Impact of 2008 Budget Law (revised tax rates and taxable income)	93	3.7
Other charges and non-deductible provisions	18	0.7
Actual tax rate for the period prior to realignment of goodwill (L.D. 185/2008) and recognition of deferred tax assets on past years' ISHI tax losses	**1,511**	**60.1**
of which: - taxes on income from continuing operations	**1,090**	
- taxes on income from discontinued operations	**421**	

	Taxes	%
Substitute tax for realignment of goodwill (L.D.185/2008)	1,086	43.2
Deferred tax assets on realignment of goodwill	-2,193	-87.2
Recognition of deferred tax assets on past years' tax losses of Intesa Sanpaolo Holding Int.	-572	-22.8
Actual tax rate for the period after realignment of goodwill (L.D. 185/2008) and recognition of deferred tax assets on past years' ISHI tax losses	**-168**	**-6.7**
of which: - taxes on income from continuing operations	**-589**	
- taxes on income from discontinued operations	**421**	

(*) Includes the 0.9% impact of regional additions to IRAP.

For a clearer understanding of the figures illustrated in the table above, it should be noted that the 2008 tax provisions, for current and deferred taxes, were significantly influenced by a number of extraordinary components already illustrated in Part B – Section 14, i.e.: 1) application of the realignment of tax values on goodwill to those of the balance sheet (art. 15, par. 10, Law Decree 185/2008, converted to Law 2/2009) which led to the recognition of deferred tax assets of 2,193 million euro for deduction of goodwill amortisation and parallel charge to the same item of 1,086 million euro substitute tax, for a net contribution to the income statement of 1,107 million euro; and 2) the recognition of out-of-period income of 572 million euro against the recognition of deferred tax assets on past years' tax losses of the Luxembourg subsidiary Intesa Sanpaolo Holding International.
To complete the information, it should also be noted that the participation exemption effects include negative components from adjustments for impairment of goodwill, whilst the line relating to the 2008 Finance Law also includes the effects of widening of the taxable base pursuant to Law Decree 102/08, converted to Law 133/08, which amongst other things envisaged partial non-deductibility of interest expense paid by banks.

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	2008	2007
Discontinued operations					
1. Income	325	13	-	338	817
2. Charges	-213	-33	-	-246	-517
3. Valuation differences on discontinued operations and related liabilities	-	-8	-	-8	-2
4. Profits (Losses) on disposal	1,373	-	-	1,373	4,082
5. Taxes and duties	-426	5	-	-421	-345
Income (Loss)	**1,059**	**-23**	**-**	**1,036**	**4,035**

21.2 Breakdown of taxes on discontinued operations

(in millions of euro)

	2008	2007
1. Current taxes (-)	-94	-351
2. Changes in deferred tax assets (+/-)	4	6
3. Changes in deferred tax liabilities (-/+)	-331	-
4. Income taxes (-1 +/-2 +/-3)	**-421**	**-345**

SECTION 22 – MINORITY INTERESTS - CAPTION 330

22.1 Breakdown of caption 330 Minority interests

Minority interests amounted to 129 million euro. Among the more significant elements is the contribution of minority interests of the Cassa di Risparmio di Firenze Group (66 million euro) and of the Privredna Banka Zagabria Group (40 million euro).

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

	31.12.2008		31.12.2007	
	Ordinary shares	Saving shares	Ordinary shares	Saving shares
Weighted average number of shares	11,812,160,556	932,377,916	11,765,727,729	932,401,829
Income attributable to the various categories of shares *(millions of euro)*	2,344	209	6,698	552
Basic EPS (*euro*)	0.20	0.22	0.57	0.59
Diluted EPS (*euro*)	0.20	0.22	0.57	0.59

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 REPORTING

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 2008[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	8,032	1,340	293	1,479	10	158	318	11,630
Dividends and profits (losses) on investments carried at equity	75	10	-	-	15	-	38	138
Net fee and commission income	3,797	963	55	581	328	469	-321	5,872
Profits (Losses) on trading	110	-157	-	234	11	-10	-241	-53
Income from insurance business	414	-	-	-	-	-	-14	400
Other operating income (expenses)	108	53	-	-9	3	4	11	170
Operating income	**12,536**	**2,209**	**348**	**2,285**	**367**	**621**	**-209**	**18,157**
Personnel expenses	-3,672	-340	-32	-613	-55	-122	-912	-5,746
Other administrative expenses	-2,788	-585	-53	-475	-93	-190	806	-3,378
Adjustments to property, equipment and intangible assets	-66	-11	-	-140	-2	-15	-578	-812
Operating costs	**-6,526**	**-936**	**-85**	**-1,228**	**-150**	**-327**	**-684**	**-9,936**
Operating margin	**6,010**	**1,273**	**263**	**1,057**	**217**	**294**	**-893**	**8,221**
Goodwill impairment	-9	-2	-	-390	-95	-580	11	-1,065
Net provisions for risks and charges	-117	-8	-1	-14	-1	-45	-132	-318
Net adjustments to loans	-1,746	-367	-129	-329	-	-	5	-2,566
Net impairment losses on other assets	-148	-47	-1	-7	-	-4	-742	-949
Profits (Losses) on investments held to maturity and on other investments	-	-241	-	13	-	-	494	266
Income (Loss) before tax from continuing operatior	**3,990**	**608**	**132**	**330**	**121**	**-335**	**-1,257**	**3,589**
Taxes on income from continuing operations	-1,310	-251	-72	-136	-52	-55	1,696	-180
Merger and restructuring related charges (net of tax)	-466	-43	-1	-7	-9	-15	-116	-657
Effect of purchase cost allocation (net of tax)	-520	6	-4	-	-257	-316	3	-1,088
Income (Loss) after tax from discontinued operations	51	-	-	-	-	-	985	1,036
Minority interests	-63	-	-	-1	-	-	-83	-147
Net income	**1,682**	**320**	**55**	**186**	**-197**	**-721**	**1,228**	**2,553**

A.2 Breakdown by business area: balance sheet as at 31 December 2008[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	217,926	103,666	38,492	29,847	-	1,802	3,456	395,189
Direct customer deposits	219,894	91,492	7,593	28,212	-	6,583	77,123	430,897
of which: due to customers	*141,564*	*37,639*	*5,701*	*26,285*	-	*6,381*	*-72*	*217,498*
securities issued	*57,089*	*49,975*	*1,892*	*1,927*	-	*202*	*77,195*	*188,280*
financial liabilities designated at fair value through profit and loss	*21,241*	*3,878*	-	-	-	-	-	*25,119*

[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 REPORTING

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 2008[a]

(in millions of euro)

	Italy	Europe	Rest of the world	Total
Net interest income	9,294	2,026	310	11,630
Dividends and profits (losses) on investments carried at equity	109	12	17	138
Net fee and commission income	4,770	1,017	85	5,872
Profits (Losses) on trading	224	271	-548	-53
Income from insurance business	337	63	-	400
Other operating income (expenses)	110	51	9	170
Operating income	**14,844**	**3,440**	**-127**	**18,157**
Personnel expenses	-5,001	-665	-80	-5,746
Other administrative expenses	-2,749	-584	-45	-3,378
Adjustments to property, equipment and intangible assets	-660	-145	-7	-812
Operating costs	**-8,410**	**-1,394**	**-132**	**-9,936**
Operating margin	**6,434**	**2,046**	**-259**	**8,221**
Goodwill impairment	-675	-390	-	-1,065
Net provisions for risks and charges	-318	3	-3	-318
Net adjustments to loans	-2,112	-436	-18	-2,566
Net impairment losses on other assets	-493	-457	1	-949
Profits (Losses) on investments held to maturity and on other investments	338	-72	-	266
Income (Loss) before tax from continuing operations	**3,174**	**694**	**-279**	**3,589**
Taxes on income from continuing operations	-527	321	26	-180
Merger and restructuring related charges (net of tax)	-651	-6	-	-657
Effect of purchase cost allocation (net of tax)	-1,050	-38	-	-1,088
Income (Loss) after tax from discontinued operations	1,035	1	-	1,036
Minority interests	-82	-59	-6	-147
Net income	**1,899**	**913**	**-259**	**2,553**

B.2 Breakdown by geographical area: balance sheet as at 31 December 2008[a]

(in millions of euro)

	Italy	Europe	Rest of the world	Total
Loans to customers	337,249	46,343	11,597	395,189
Direct customer deposits	315,333	76,481	39,083	430,897
of which: due to customers	*175,683*	*36,313*	*5,502*	*217,498*
securities issued	*127,304*	*27,395*	*33,581*	*188,280*
financial liabilities designated at fair value through profit and loss	*12,346*	*12,773*	-	*25,119*

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, and permit a transparent representation of the risk profile of its portfolios.
This is testified by the great efforts made in recent years to obtain the validation by the Supervisory Authorities of the Internal Models for market risks and for credit derivatives, and the recently obtained recognition of the use of internal ratings for the calculation of the requirement to cover credit risk in the Corporate segment: on this point see the paragraph dedicated to the Basel 2 Project, which describes the phases of the rollout plan for the internal models for credit and operational risks.
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, and from the Chief Risk Officer reporting directly to the Chief Executive Officer.
The economic capital, defined as the maximum "unexpected" loss that the Group may incur over a period of one year, is a key measure for determining the Group's financial structure and guiding its operations, ensuring the balance between risks assumed and shareholder return. To this end, the Group, as also required by "Pillar 2" of the Basel 2 regulations, defines its risk tolerance as follows:
- guaranteeing sound management of the public and social objectives of financial stability of intermediaries, ensuring that risk is at a 99.9% confidence level deemed to be congruous, even in conditions of severe stress;
- to ensure, alongside this general aim, the objective of the coverage of liabilities with customers and the market at a target confidence level of 99.96%, in line with the solvency of entities with an agency rating of AA-.

The Group sets out these general principles in policies, limits and criteria applied to the various risk categories and business areas with specific risk tolerance sub-thresholds, in a comprehensive framework of governance, control limits and procedures.
The risks identified, covered and incorporated within the economic capital, considering the benefits of diversification, are as follows:
- 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 level of absorption of economic capital is estimated on the basis of the current situation and also at a forecast level, based on the Budget assumptions and the projected economic scenario under ordinary and stress conditions. The capital position forms the basis for the business reporting and is submitted quarterly to the Group Risk Governance Committee, the Management Board and the Control Committee, as part of the Group's Risks Tableau de Bord.
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 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 Company'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.

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 Law 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 profit from 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.
In 2008, the Intesa Sanpaolo Group began the approval process for the adoption of the advanced approaches within the "Basel 2 Project".
With regard to credit risks, a "first scope" of Group entities that use approaches based on internal models was identified. For this scope of entities, the Group obtained authorisation for the use of the IRB Foundation approach for the Corporate segment, starting from the report as at 31 December 2008. The rating models and credit processes for the SME Retail and Retail (Residential mortgages) were also implemented in 2008. With the release of the Loss Given Default (LGD) model, which is at the completion stage, it will be possible to send the request for authorisation for the use of the IRB Advanced approach during 2009.
Also under development are the rating models for the other segments and the extension of the scope of entities for their application, in accordance with the progressive rollout plan for the advanced approaches presented to the Supervisory authority.
As regards operational risks, preparatory works are in their final phases and will permit the submission of the request for validation for the Advanced approach in 2009.
Furthermore, in 2008 the Group presented 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.

As part of the adoption of "Basel 2" for the Italian banking system, the Bank of Italy in its Circular 263 of 27 December 2006 “New regulations for the prudential supervision of banks” set out the procedures that must be adopted by Italian banks and banking groups when disclosing information to the public concerning capital adequacy, risk exposure and the general features of the risk identification, measurement and management systems (Basel 2 Pillar 3).
In summary, the new instructions require the compilation of a separate disclosure on the risks of the banking group in addition to the one already contained in the financial statements. This disclosure, drawn up in accordance with the provisions of the aforementioned circular, which incorporates the provisions of annex XII to the EU Directive 2006/48, is published in accordance with the rules laid down by the Bank of Italy with the following frequency:
– figures as at 31 December: full qualitative and quantitative disclosure;
– figures as at 30 June: update of the quantitative disclosure (because Intesa Sanpaolo forms part of the groups that have adopted IRB and/or AMA approaches for credit and operational risk);
– figures as at 31 March/30 September: update of the information relating to capital and capital adequacy (because Intesa Sanpaolo forms part of the groups that have adopted IRB and/or AMA approaches for credit and operational risk).
The Intesa Sanpaolo Group publishes the Basel 2 Pillar 3 disclosure and subsequent updates on its Internet site at the address: group.intesasanpaolo.com.

Internal control system

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 control system capable of identifying, measuring and continuously monitoring the risks typical of its business activities.
Intesa Sanpaolo’s internal control system is built around a set of rules, procedures and organisational structures aimed at ensuring compliance with 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 internal control system is characterised by a documentary infrastructure (regulatory framework) that provides organised and systematic access to the guidelines, procedures, organisational structures, and risks and controls within the business, incorporating both the Company policies and the instructions of the Supervisory Authorities, and the provisions of the Law, including the principles laid down in Legislative Decree 231/2001 and Law 262/2005.
The regulatory framework consists of “Governance Documents” that oversee the operation of the Bank (Articles of Association, Code of Ethics, Group Regulations, Authorities and powers, Policies, Guidelines, Function charts of the Organisational Structures, Organisational Models, etc.) and of more strictly operational regulations that govern business processes, individual operations and the associated controls.
More specifically, the Company rules set out organisational solutions that:
– ensure sufficient separation between the operational and control functions and prevent situations of conflict of interest in the assignment of responsibilities;
– are capable of adequately identifying, measuring and monitoring the main risks assumed in the various operational segments;
– enable the recording, with an adequate level of detail, of every operational event and, in particular, of every transaction, ensuring their correct allocation over time;
– guarantee reliable information systems and suitable reporting procedures for the various managerial levels assigned the functions of governance and control;
– ensure the prompt notification to the appropriate levels within the business and the swift handling of any anomalies found by the business units and the control functions.
The Company’s organisational solutions also enable the uniform and formalised identification of responsibilities, particularly in relation to the tasks of controlling and correcting the irregularities found.

At Corporate Governance level, Intesa Sanpaolo has adopted a dual governance model, in which the functions of control and strategic management, performed by the Supervisory Board, are separated from the management of the Company's business, which is exercised by the Management Board in accordance with the provisions of art. 2409-octies and subsequent of the Italian Civil Code and art. 147-ter and subsequent of the Consolidated Law on Finance.
The Supervisory Board has established an internal Control Committee that proposes, advises and enquires on matters regarding the internal control system, risk management and the accounting and IT system. The Committee also performs the duties and tasks of a Surveillance Body pursuant to Italian Legislative Decree 231/2001 on the administrative responsibility of companies, supervising operations and compliance with the organisational, management and control Model adopted by the Bank.
From a more strictly operational perspective the Bank has identified the following macro types of control:
– 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 control system. It is performed by different structures which are independent from productive structures.

The internal control system is periodically reviewed and adapted in relation to business development and the reference context.
As a consequence, Intesa Sanpaolo's control structure is in compliance with the instructions issued by the Supervisory Authorities. Indeed, alongside an intricate system of line controls involving all the function heads and personnel, a Chief Risk Officer area has been established specifically dedicated to second level controls that incorporates both units responsible for the control of risk management (in particular, the Risk Management Department, Credit Quality Monitoring, and Internal Validation in accordance with Basel 2), and the management of compliance controls (Compliance Department). Also reporting to the Chief Risk Officer is the Legal Affairs Department, which monitors and controls the legal risk of Intesa Sanpaolo and its Group.
There is also a dedicated Internal Auditing Department, which reports directly to the Chairman of the Management Board and the Chairman of the Supervisory Board, and is also functionally linked to the Control Committee.

The Compliance Department

The government of compliance risk is of strategic importance to the Intesa Sanpaolo Group as it considers compliance with the regulations and fairness in business to be fundamental to the conduct of banking operations, which by nature is founded on trust.
The management of the risk of non-compliance was assigned, in the first half of 2008, to a function operating within the Internal Auditing Department. In June, in accordance with the Supervisory provisions issued by the Bank of Italy on 10 July 2007 and the regulatory provisions contained in the joint Regulation issued by Consob and the Bank of Italy on 29 October 2007, Intesa Sanpaolo established a specific Compliance Department, reporting to the Chief Risk Officer.
The Compliance Department during the second half of the year implemented a project designed to set out the Group Compliance Model, based on Guidelines approved by the Management Board and the Supervisory Board. These Guidelines identify the responsibilities and macro processes for compliance, aimed at minimising the risk of non-compliance through a joint effort by all the company functions. The Compliance Department is responsible, in particular, for overseeing the guidelines, policies and methodologies relating to the management of compliance risk. The Compliance Department, including through the coordination of other corporate functions, is also responsible for the identification and assessment of the risks of non-compliance, the proposal of the functional and organisational measures for their mitigation, the pre-assessment of the compliance of innovative projects, operations and new products and services, the provision of advice and assistance to the governing bodies and the business units in all areas with a significant risk of non-compliance, the monitoring, also together with the Internal Auditing Department, of ongoing compliance, and the promotion of a corporate culture founded on principles of

honesty, fairness and respect for the spirit and the letter of the rules.
The activities carried out during the year concentrated on the regulatory areas considered to be the most significant in terms of compliance risk. In particular:

- with reference to the area of financial intermediation and investment services, these activities involved the government of the process of compliance with the MiFID legislation, from the implementation of the governance and organisational measures required by the implementing regulations issued by the Supervisory Authorities, through to the setting up of policies, processes and procedures and the establishment of the necessary training initiatives. The compliance activities also involved the clearing of new products and services, the management of conflicts of interest and the monitoring of customer activity for the prevention of market abuse;
- with regard to the countering of money laundering and terrorist financing, these activities involved the coordination of the organisational, IT and training activities aimed at the implementation of the Third European Directive. Monitoring also continued of the proper maintenance of the Single Electronic Archive together with the analysis of suspicious transactions for assessment concerning the reporting to the competent Authorities;
- support was provided to the business structures for the proper management of reporting transparency and more generally in relation to the regulations for consumer protection;
- the organisational, management and control Model pursuant to Italian Legislative Decree 231/2001 was overseen by verifying its compliance with the Company regulations, updating it to take into account the new predicate offences, and coordinating the training activities and the verification of its proper implementation;
- the controls on the business processes required for the certifications by the Manager responsible for preparing the Company's financial reports pursuant to art. 154 of the Consolidated Law on Finance were conducted and, on specific request by the Bank of Italy, an extraordinary verification was conducted aimed at confirming that - with reference to the capital and to the minimum individual and consolidated requirements as at 30 June - the business processes enable compliance with the provisions concerning the calculability of the capital items and the correct quantification of the risk-weighted assets.

The Internal Auditing Department

With regard to Internal Auditing activities, the Internal Auditing Department is responsible for ensuring the ongoing 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 control system and its adequacy in ensuring the effectiveness and efficiency of company processes, the safeguarding of asset value and loss protection, the reliability and completeness of accounting and management information, and the compliance of transactions with the 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 uses personnel with the appropriate professional skills and expertise and ensures that its activities are performed in accordance with the international best practice and standards for internal auditing established by the Institute of Internal Auditors (IIA).
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.
During the year, the auditing was performed directly for the Parent Company Intesa Sanpaolo and for Banche dei Territori, and also for a limited number of other subsidiaries with an outsourcing contract. For the other Group companies second level controls were conducted (indirect surveillance).
The surveillance was particularly affected by the delicate situation of the international economic-financial crisis, which worsened in the second half of the year. Consequently, also in accordance with instructions issued by the Control Committee and the Top Management, verifications were aimed at monitoring the evolution of the risks associated with credit quality, liquidity, financial operations, and the Group's Investment Banking.
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 the internal validation of the models and the ICAAP process developed for Basel 2 and the 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.

During the year the Internal Auditing Department also ensured the supervision of 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 control system established 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. Direct reviews and verification interventions were also conducted.
In conducting its duties, the Internal Auditing Department used methodologies for the preliminary analysis of risks in the various areas. Based on the assessments made and on the consequent priorities, the Internal Auditing Department prepared and submitted an Annual Intervention Plan for prior examination to the Control Committee, the Management Board and the Supervisory Board, on the basis of which it conducted its activities during the year, completing all the scheduled 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 control 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.
A similar approach is used with respect to the responsibilities of administrative bodies pursuant to Legislative Decree 231/01 for the Control Committee, as Surveillance body.

1.1. CREDIT RISK

The Group adopts credit strategies and policies aimed at:
- coordination of the actions aimed at the achievement of a sustainable objective, consistent with the risk appetite and value creation;
- 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 of the relationships which present irregularities, both aimed at rapidly identifying any signs of deterioration in risk exposures.

The quality of the loan portfolio is constantly monitored by 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 course 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

In 2008, the areas of responsibility relating to credit operations were redefined through a new organisational structure based on a rigorous segregation of functions and tasks.
Within the specific area of Group credit management, the Chief Financial Officer - in accordance with the strategic guidelines and risk management policies set out by the Management Board and approved by the Supervisory Board - sets out the credit strategies and assesses the need for their adjustment over time; the Chief Lending Officer coordinates the implementation of the credit guidelines established for the Group, makes the significant credit decisions and supervises doubtful credit and the recovery of non-performing loans; the Chief Risk Officer ensures the measurement and control of the Group risk exposures and monitors risk performance and credit quality on an ongoing basis; and the Chief Operating Officer provides specialist support in the setting out of the credit processes ensuring the synergy between costs and excellence of the service offered.
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.
Intesa Sanpaolo, as the Parent Company, has set out codes of conduct in relation to credit risk acceptance, in order to prevent excessive concentrations, limit potential losses and ensure 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.

The Chief Risk Officer 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 measurement uses rating models that 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.
As described in the paragraph relating to the Basel 2 Project, the Group:
- has obtained the authorisation for the use of the IRB Foundation approach for the Corporate segment;
- has implemented the rating models and the credit processes for the SME Retail and Retail (Residential mortgages); with the release of the Loss Given Default (LGD) model, which is in the completion stage, it will be possible to send the request for authorisation for the use of the IRB Advanced approach during 2009;
- the rating models for the other segments are also being developed and extended to the other Group lending banks, according to a progressive rollout plan for the advanced approaches presented to the Supervisory authority.

The allocation of the rating is generally spread across the branches, except for certain types of counterparty (mainly large groups and complex conglomerates, non-banking financial institutions and insurance companies), which are centralised in specialist Head Office units and require expert assessments.
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. 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 electronic procedure, enables constant monitoring, largely with automatic interventions, of all the phases for the management of anomalous positions. The positions which show an anomalous trend are classified into different processes based on the risk level, including the automatic classification in non-performing assets, as described in the related paragraph below.
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 the Operating Units of the Banca dei Territori and the Corporate and Investment Banking Divisions, down to the respective Area structures, access via the Bank's Intranet to a wide range of specific monthly reports for their respective portfolios and to a series of "Alerts" that identify the potentially-critical situations among those analysed.
In 2009, the review of the content and layout will be completed and the target version of the Credit Information Portal will be made available to the Parent Company and the Network Banks.
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 particular confidence levels. These indicators are calculated with reference to the current portfolio situation and on a dynamic basis, by determining the projected level, based on both the forecasted macro economic scenario and on stress scenarios.
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.

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 the classification of non-performing assets in the various risk categories (doubtful loans, substandard loans, restructured loans and exposures expired and/or past due), the Bank applies regulations issued by the Bank of Italy, supplemented by internal provisions that establish criteria and automatic rules for the transfer of loans to the various risk categories.
With reference to loans expired and/or past due, restructured loans and substandard loans, the structures responsible for their management are identified, on the basis of pre-determined thresholds of increasing significance, within the decentralised organisational units in the Areas/Banks that perform specialist activities and within the Head Office structures, responsible for the overall management and coordination of these matters.

During 2008, the management of doubtful loans - pending the implementation of a project aimed at the overall redefinition of the loan recovery operations within the Group - continued using essentially the same procedures as those adopted in the year 2007.
Specifically, for the former Sanpaolo Network this management remained centralised in specialised head office functions within the Loan Recovery Department that rely on personnel located throughout the branch network to conduct the related recovery activities. As part of these activities, in order to identify the optimal strategies to be implemented for each position, judicial and non-judicial solutions have been examined in terms of costs and benefits, also considering the financial impact of the estimated recovery times.

The assessment of the loans has been reviewed whenever events capable of significantly changing recovery prospects became 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.
As regards the former Intesa Network, the management of doubtful loans - with the exception of loans of an amount up to 15,500 euro that are sold without recourse to third party companies when classified as doubtful - has been assigned by management mandate and within set limits to the company Italfondiario S.p.A..
The activities carried out by Italfondiario have already been subject to ongoing monitoring by the relevant internal functions of the Bank.
Please note in particular that the assessment of loans has been conducted using similar procedures to those established for the internal management of positions, and the other management activities are progressively being brought into line with the guidelines established for the internally managed positions. On this point please note that, since June 2008, the Loan Recovery Department has also supervised the management of the positions assigned 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 structure 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 expired and/or past due loans as well as positions that meet the criteria of Objective Substandard Loan established by the Bank of Italy.
The return to performing of exposures classified as Substandard, Restructured and Doubtful, is governed by the Supervisory Authority and specific internal regulations, and takes place on the proposal of the aforementioned structures responsible for their management, upon ascertainment that the critical conditions or state of default no longer exist.
As for exposures classified in "loans expired and past due" the return to performing occurs automatically when the exposure is reimbursed.
The overall non-performing loan portfolio is continually monitored through a predetermined control system and periodic managerial reporting.

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 measurement 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	1	14	-	6	-	60,769	-	290	61,080
2. Financial assets available for sale	5	-	-	-	-	13,781	8	15,289	29,083
3. Investments held to maturity	-	1	-	-	-	5,571	-	-	5,572
4. Due from banks	1	27	-	4	-	56,213	-	126	56,371
5. Loans to customers	3,968	5,286	399	1,867	-	382,436	6	1,227	395,189
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	1,177	-	18,550	19,727
7. Financial assets under disposal	8	19	-	6	-	932	-	16	981
8. Hedging derivatives	-	-	-	-	-	5,389	-	-	5,389
Total 31.12.2008	**3,983**	**5,347**	**399**	**1,883**	**-**	**526,268**	**14**	**35,498**	**573,392**
Total 31.12.2007	**2,927**	**3,589**	**190**	**1,002**	**-**	**473,800**	**-**	**38,640**	**520,148**

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	28	-7	-	21	X	X	60,769	60,790
2. Financial assets available for sale	5	-	-	5	13,794	-13	13,781	13,786
3. Investments held to maturity	1	-	-	1	5,571	-	5,571	5,572
4. Due from banks	106	-74	-	32	56,258	-45	56,213	56,245
5. Loans to customers	22,578	-11,058	-	11,520	384,903	-2,467	382,436	393,956
6. Financial assets designated at fair value through profit and loss	-	-	-	-	X	X	1,177	1,177
7. Financial assets under disposal	45	-12	-	33	937	-5	932	965
8. Hedging derivatives	-	-	-	-	X	X	5,389	5,389
Total A	**22,763**	**-11,151**	**-**	**11,612**	**461,463**	**-2,530**	**526,268**	**537,880**
B. Other consolidated companies								
1. Financial assets held for trading	114	-114	-	-	X	X	290	290
2. Financial assets available for sale	8	-	-	8	15,289	-	15,289	15,297
3. Investments held to maturity	-	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	126	-	126	126
5. Loans to customers	36	-30	-	6	1,227	-	1,227	1,233
6. Financial assets designated at fair value through profit and loss	-	-	-	-	X	X	18,550	18,550
7. Financial assets under disposal	-	-	-	-	16	-	16	16
8. Hedging derivatives	-	-	-	-	X	X	-	-
Total B	**158**	**-144**	**-**	**14**	**16,658**	**-**	**35,498**	**35,512**
Total 31.12.2008	**22,921**	**-11,295**	**-**	**11,626**	**478,121**	**-2,530**	**561,766**	**573,392**
Total 31.12.2007	**16,703**	**-8,564**	**-431**	**7,708**	**438,998**	**-2,302**	**512,440**	**520,148**

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	15	-13	-	2
b) Substandard loans	90	-63	-	27
c) Restructured exposures	-	-	-	-
d) Past due exposures	4	-	-	4
e) Country risk	-	X	-	-
f) Other assets	64,085	X	-45	64,040
Total A.1	**64,194**	**-76**	**-45**	**64,073**
A.2 Other companies				
a) Non-performing	82	-74	-	8
b) Other	2,425	-	-	2,425
Total A.2	**2,507**	**-74**	**-**	**2,433**
TOTAL A	**66,701**	**-150**	**-45**	**66,506**
B. OFF-BALANCE SHEET EXPOSURES				
B.1 Banking group				
a) Non-performing	5	-	-	5
b) Other	48,108	X	-13	48,095
Total B.1	**48,113**	**-**	**-13**	**48,100**
B.2 Other companies				
a) Non-performing	-	-	-	-
b) Other	-	X	-	-
Total B.2	**-**	**-**	**-**	**-**
TOTAL B	**48,113**	**-**	**-13**	**48,100**

A.1.4. On-balance sheet exposures to banks: changes in 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	**7**	**-**	**-**	**7**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**8**	**92**	**-**	**4**	**-**
B.1 inflows from performing exposures	4	92	-	6	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	4	-	-	-2	-
B.4 business combinations	-	-	-	-	-
C. Decreases	**-**	**-2**	**-**	**-7**	**-**
C.1 outflows to performing exposures	-	-	-	-	-
C.2 write-offs	-	-	-	-	-
C.3 repayments	-	-2	-	-7	-
C.4 credit disposals	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
C.7 business combinations	-	-	-	-	-
D. Final gross exposure	**15**	**90**	**-**	**4**	**-**
- 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	**7**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**6**	**63**	**-**	**-**	**-**
B.1 impairment losses	6	63	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	-	-	-	-	-
B.4 business combinations	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**
C.1 recoveries on impairment losses	-	-	-	-	-
C.2 recoveries on repayments	-	-	-	-	-
C.3 write-offs	-	-	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-	-
C.5 other decreases	-	-	-	-	-
C.6 business combinations	-	-	-	-	-
D. Final total adjustments	**13**	**63**	**-**	**-**	**-**
- 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	13,048	-9,067	-	3,981
b) Substandard loans	7,018	-1,712	-	5,306
c) Restructured exposures	534	-135	-	399
d) Past due exposures	2,035	-161	-	1,874
e) Country risk	-	X	-	-
f) Other assets	417,088	X	-2,488	414,600
Total A.1	**439,723**	**-11,075**	**-2,488**	**426,160**
A.2 Other companies				
a) Non-performing	77	-70	-	7
b) Other	33,025	-	-	33,025
Total A.2	**33,102**	**-70**	**-**	**33,032**
TOTAL A	**472,825**	**-11,145**	**-2,488**	**459,192**
B. OFF-BALANCE SHEET EXPOSURES				
B.1 Banking group				
a) Non-performing	767	-158	-	609
b) Other	133,009	X	-292	132,717
Total B.1	**133,776**	**-158**	**-292**	**133,326**
B.2 Other companies				
a) Non-performing	-	-	-	-
b) Other	6	X	-	6
Total B.2	**6**	**-**	**-**	**6**
TOTAL B	**133,782**	**-158**	**-292**	**133,332**

A.1.7. On-balance sheet exposures to customers: changes in 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	**10,267**	**5,019**	**262**	**1,120**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**4,630**	**8,087**	**482**	**4,635**	**-**
B.1 inflows from performing loans	775	4,869	253	3,877	-
B.2 transfers from other non-performing exposure categories	2,542	1,713	147	94	-
B.3 other increases	977	1,299	65	431	-
B.4 business combinations	336	206	17	233	-
C. Decreases	**-1,849**	**-6,088**	**-210**	**-3,720**	**-**
C.1 outflows to performing loans	-106	-1,214	-10	-1,104	-
C.2 write-offs	-557	-177	-72	-18	-
C.3 repayments	-1,025	-1,885	-80	-818	-
C.4 credit disposals	-58	-18	-	-	-
C.5 transfers to other non-performing exposure categories	-78	-2,709	-47	-1,689	-
C.6 other decreases	-25	-85	-1	-91	-
C.7 business combinations	-	-	-	-	-
D. Final gross exposure	**13,048**	**7,018**	**534**	**2,035**	**-**
- of which exposures sold not derecognised	*9*	*15*	-	*7*	-

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	**7,340**	**1,444**	**72**	**131**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**3,185**	**1,764**	**168**	**271**	**-**
B.1 impairment losses	1,839	1,359	93	210	-
B.2 transfers from other non-performing exposure categories	618	186	63	16	-
B.3 other increases	488	159	8	38	-
B.4 business combinations	240	60	4	7	-
C. Decreases	**-1,458**	**-1,496**	**-105**	**-241**	**-**
C.1 recoveries on impairment losses	-415	-391	-9	-26	-
C.2 recoveries on repayments	-309	-155	-3	-18	-
C.3 write-offs	-557	-177	-72	-18	-
C.4 transfers to other non-performing exposure categories	-42	-683	-21	-145	-
C.5 other decreases	-135	-90	-	-34	-
C.6 business combinations	-	-	-	-	-
D. Final total adjustments	**9,067**	**1,712**	**135**	**161**	**-**
- 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 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	**55,527**	**39,601**	**13,796**	**2,967**	**754**	**12,957**	**364,630**	**490,232**
B. Derivatives	**17,513**	**14,537**	**4,626**	**303**	**237**	**27**	**4,256**	**41,499**
B.1. Financial derivatives	15,754	13,209	4,298	97	212	22	3,409	37,001
B.2. Credit derivatives	1,759	1,328	328	206	25	5	847	4,498
C. Guarantees given	**5,352**	**2,593**	**2,978**	**996**	**84**	**454**	**40,847**	**53,304**
D. Commitments to lend funds	**7,885**	**4,101**	**4,636**	**1,232**	**1,443**	**596**	**66,728**	**86,621**
Total	**86,277**	**60,832**	**26,036**	**5,498**	**2,518**	**14,034**	**476,461**	**671,656**

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 account for 35% 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 the majority, 68% of the total, whilst 21% fall within the BB+/BB- range and 11% fall under higher risk classes (of which around 1% are below B-).

(in millions of euro)

	Internal rating classes							Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Under B-	Non-performing exposures		
A. On-balance sheet exposures	**69,641**	**52,806**	**87,545**	**73,041**	**34,246**	**3,782**	**11,593**	**157,578**	**490,232**
B. Derivatives	**17,253**	**14,211**	**4,958**	**1,098**	**563**	**31**	**22**	**3,363**	**41,499**
B.1. Financial derivatives	15,874	12,997	4,630	892	538	27	20	2,023	37,001
B.2. Credit derivatives	1,379	1,214	328	206	25	4	2	1,340	4,498
C. Guarantees given	**6,334**	**6,656**	**9,922**	**10,184**	**3,400**	**490**	**415**	**15,903**	**53,304**
D. Commitments to lend funds	**8,157**	**5,101**	**8,189**	**5,374**	**2,864**	**171**	**177**	**56,588**	**86,621**
Total	**101,385**	**78,774**	**110,614**	**89,697**	**41,073**	**4,474**	**12,207**	**233,432**	**671,656**

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	**23,759**	**458**	**188,887**	**30,810**	**243,914**
COLLATERAL [(1)]					
Real estate assets	8	1	128,442	2,161	130,612
Securities	23,195	2	13,184	2,637	39,018
Other assets	3	6	3,076	2,921	6,006
GUARANTEES [(1)]					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	*30*	*11*	*41*
Other counterparties	-	-	-	-	-
Guarantees given					
Governments	*100*	*100*	*3,802*	*6,621*	*10,623*
Other public entities	*124*	*19*	*614*	*428*	*1,185*
Banks	*324*	*49*	*3,311*	*2,082*	*5,766*
Other counterparties	*9*	*178*	*45,213*	*6,281*	*51,681*
TOTAL GUARANTEES [(1)]	**23,763**	**355**	**197,672**	**23,142**	**244,932**

[(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	**1,987**	**22**	**21,051**	**5,702**	**28,762**
COLLATERAL [(1)]					
Real estate assets	22	-	7,192	544	7,758
Securities	2	-	630	626	1,258
Other assets	2,371	4	1,054	221	3,650
GUARANTEES [(1)]					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	-	-	-
Other counterparties	-	-	-	-	-
Guarantees given					
Governments	-	-	*2,029*	-	*2,029*
Other public entities	*4*	-	*9*	*48*	*61*
Banks	*64*	*7*	*1,099*	*125*	*1,295*
Other counterparties	*47*	-	*9,333*	*1,186*	*10,566*
TOTAL GUARANTEES [(1)]	**2,510**	**11**	**21,346**	**2,750**	**26,617**

[(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	**-**	**-**	**-**	**-**	**4,536**	**2,157**	**711**	**224**
AMOUNT GUARANTEED	**-**	**-**	**-**	**-**	**4,536**	**2,157**	**668**	**107**
COLLATERAL (1)								
Real estate assets	-	-	-	-	3,687	1,218	159	26
Securities	-	-	-	-	77	79	85	20
Other assets	-	-	-	-	27	33	38	6
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	-	-	-	-	*1*	*2*	*3*	-
Other public entities	-	-	-	-	*3*	*6*	*7*	-
Banks	-	-	-	-	*6*	*8*	*8*	*2*
Financial institutions	-	-	-	-	*31*	*4*	*15*	*2*
Insurance companies	-	-	-	-	*1*	-	*1*	-
Non-financial companies	-	-	-	-	*15*	*17*	*3*	-
Other counterparties	-	-	-	-	*1,940*	*825*	*355*	*59*
TOTAL GUARANTEES (1)	**-**	**-**	**-**	**-**	**5,788**	**2,192**	**674**	**115**
EXCESS FAIR VALUE GUARANTEE	**-**	**-**	**-**	**-**	**1,252**	**35**	**6**	**8**

(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	**-**	**-**	**-**	**-**	**155**	**116**	**39**	**27**
AMOUNT GUARANTEED	**-**	**-**	**-**	**-**	**145**	**117**	**35**	**10**
COLLATERAL (1)								
Real estate assets	-	-	-	-	83	23	6	1
Securities	-	-	-	-	9	1	10	1
Other assets	-	-	-	-	3	2	3	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	-	-	-	-	*1*	-	-	*6*
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	*3*	-	-	-
Other counterparties	-	-	-	-	*60*	*90*	*16*	*1*
TOTAL GUARANTEES (1)	**-**	**-**	**-**	**-**	**159**	**116**	**36**	**10**
EXCESS FAIR VALUE GUARANTEE	**-**	**-**	**-**	**-**	**14**	**-1**	**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 31.12.2008	TOTAL 31.12.2007
	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	4	-	-	11	22,608	22,623	-	-	-	-	3,529	3,529	26,152	22,969
Individual impairment losses	-2	-	-	-	-	-2	-	-	-	-	-	-	-2	-54
Collective impairment losses	-	-	-	-	-6	-6	-	-	-	-	-1	-1	-7	-18
Net exposure	2	-	-	11	22,602	22,615	-	-	-	-	3,528	3,528	26,143	22,897
OTHER PUBLIC ENTITIES														
Gross exposure	2	76	-	556	22,111	22,745	-	-	-	-	3,773	3,773	26,518	26,170
Individual impairment losses	-1	-6	-	-12	-	-19	-	-	-	-	-	-	-19	-1
Collective impairment losses	-	-	-	-	-50	-50	-	-	-	-	-2	-2	-52	-49
Net exposure	1	70	-	544	22,061	22,676	-	-	-	-	3,771	3,771	26,447	26,120
FINANCIAL INSTITUTIONS														
Gross exposure	568	43	13	26	38,040	38,690	1	4	-	-	17,121	17,126	55,816	52,587
Individual impairment losses	-487	-17	-2	-9	-	-515	-	-	-	-	-	-	-515	-361
Collective impairment losses	-	-	-	-	-92	-92	-	-	-	-	-52	-52	-144	-122
Net exposure	81	26	11	17	37,948	38,083	1	4	-	-	17,069	17,074	55,157	52,104
INSURANCE COMPANIES														
Gross exposure	-	-	-	-	2,980	2,980	-	-	-	-	2,069	2,069	5,049	5,949
Individual impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective impairment losses	-	-	-	-	-2	-2	-	-	-	-	-4	-4	-6	-7
Net exposure	-	-	-	-	2,978	2,978	-	-	-	-	2,065	2,065	5,043	5,942
NON-FINANCIAL COMPANIES														
Gross exposure	9,509	4,958	521	982	233,468	249,438	217	424	-	110	99,787	100,538	349,976	353,229
Individual impairment losses	-6,606	-1,252	-133	-68	-	-8,059	-85	-56	-	-16	-	-157	-8,216	-6,818
Collective impairment losses	-	-	-	-	-1,909	-1,909	-	-	-	-	-190	-190	-2,099	-2,035
Net exposure	2,903	3,706	388	914	231,559	239,470	132	368	-	94	99,597	100,191	339,661	344,376
OTHER COUNTERPARTIES														
Gross exposure	2,965	1,941	-	460	97,881	103,247	1	7	-	3	6,730	6,741	109,988	99,883
Individual impairment losses	-1,971	-437	-	-72	-	-2,480	-	-1	-	-	-	-1	-2,481	-1,525
Collective impairment losses	-	-	-	-	-433	-433	-	-	-	-	-43	-43	-476	-768
Net exposure	994	1,504	-	388	97,448	100,334	1	6	-	3	6,687	6,697	107,031	97,590

B.2. 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	11,527	3,727	1,094	209	97	21	43	9	295	23
A.2. Substandard loans	6,025	4,605	861	628	63	28	10	-	52	36
A.3. Restructured exposures	493	363	39	35	-	-	2	1	-	-
A.4. Past due exposures	2,008	1,855	23	15	3	3	1	1	-	-
A.5. Other exposures	334,957	332,989	63,213	62,770	8,079	8,060	4,539	4,529	6,302	6,251
Total A	**355,010**	**343,539**	**65,230**	**63,657**	**8,242**	**8,112**	**4,595**	**4,540**	**6,649**	**6,310**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	175	125	14	8	-	-	-	-	29	-
B.2. Substandard loans	378	323	54	52	1	1	-	-	2	2
B.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
B.4. Past due exposures	111	95	-	-	-	-	3	3	-	-
B.5. Other exposures	65,706	65,552	44,466	44,344	20,883	20,875	1,226	1,224	728	722
Total B	**66,370**	**66,095**	**44,534**	**44,404**	**20,884**	**20,876**	**1,229**	**1,227**	**759**	**724**
TOTAL (A+B) 31.12.2008	**421,380**	**409,634**	**109,764**	**108,061**	**29,126**	**28,988**	**5,824**	**5,767**	**7,408**	**7,034**
TOTAL 31.12.2007	**402,071**	**392,070**	**123,116**	**121,824**	**25,853**	**25,791**	**3,890**	**3,855**	**5,857**	**5,489**

B.3. 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	-	8	2	-	-	-	-
A.2. Substandard loans	-	-	90	27	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	4	4	-	-	-	-	-	-
A.5. Other exposures	17,133	17,131	38,485	38,452	3,114	3,111	2,779	2,774	2,573	2,571
Total A	**17,134**	**17,131**	**38,585**	**38,483**	**3,122**	**3,113**	**2,779**	**2,774**	**2,573**	**2,571**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	1	1	-	-	-	-
B.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
B.4. Past due exposures	-	-	4	4	-	-	-	-	-	-
B.5. Other exposures	14,178	14,178	30,121	30,116	1,585	1,584	1,940	1,934	284	283
Total B	**14,178**	**14,178**	**30,125**	**30,120**	**1,586**	**1,585**	**1,940**	**1,934**	**284**	**283**
TOTAL (A+B) 31.12.2008	**31,312**	**31,309**	**68,710**	**68,603**	**4,708**	**4,698**	**4,719**	**4,708**	**2,857**	**2,854**
TOTAL 31.12.2007	**27,834**	**27,830**	**55,795**	**55,746**	**5,201**	**5,197**	**4,046**	**4,035**	**3,818**	**3,816**

B.4. Large credit risks

Large risks	
a) Amount (in millions of euro)	10,959
b) Number	2

C. SECURITISATIONS AND ASSET SALES

C.1. Securitisations

Qualitative information

Securitisations structured in the year are described in the paragraphs below.

Adriano Finance

On 4 August 2008, a securitisation was completed of a portfolio of performing residential mortgages through the vehicle Adriano Finance.
The structuring of the transaction was carried out by Intesa Sanpaolo and Banca IMI as Arrangers.
Adriano Finance issued RMBS securities at par (Adriano Finance F/R Notes due December 2055) for a total amount of 7,998 million euro, made up as follows:
- Class A for an amount of 7,558 million euro (senior tranche);
- Class B for an amount of 440 million euro (junior tranche).

The Class A notes (with an expected average lifetime of 4.9 years), eligible for ECB refinancing operations, are quoted on the Luxembourg Stock Exchange and have obtained a AAA rating from both the Standard & Poor's and Moody's agencies. The Class B notes on the other hand are unrated.
Both classes of Notes have been fully underwritten by Intesa Sanpaolo. The transaction's financial structure provides for the half-yearly payment of interest on 5 February and 5 August of each year. The first coupon was paid on 5 February 2009, whereas the repayment of the principal will start, after 18 months from the issue, from the payment date of 5 February 2010.
The Bank also granted the vehicle a subordinated loan with limited recourse (with the same maturity date as the legal maturity for the notes) for an amount of 50 million euro that was used on the date of the issue of the notes to establish the Cash Reserve required by the Rating Agencies.
Given that the securities in question have not been sold definitively to parties outside the Group, in accordance with the IAS/IFRS the conditions have not been met for the derecognition of the underlying loans with respect to which the Group continues to maintain all the risks and benefits and that are, therefore, still recorded under the consolidated balance sheet assets.

On 18 December 2008, a second securitisation was completed, again through the vehicle Adriano Finance, of a portfolio of performing residential mortgages.
The structuring of the transaction was performed by Intesa Sanpaolo as Arranger.
Adriano Finance issued RMBS notes with a price corresponding to 100% of their nominal amount (Adriano Finance F/R Notes due December 2058) for a total amount of 5,679 million euro, made up as follows:
- Class A for an amount of 5,281 million euro (senior tranche);
- Class B for an amount of 398 million euro (junior tranche).

For the Class A notes, with an average expected lifetime of 4.9 years, quoted on the Luxembourg Stock Exchange and assigned a AAA rating by Standard & Poor's, a request has been made to the Luxembourg central bank for eligibility for use for ECB refinancing operations. The Class B notes on the other hand are unrated.
Both classes of Notes have been fully underwritten by Intesa Sanpaolo.
The transaction's financial structure provides for the half-yearly payment of interest on 31 January and 31 July of each year. The first coupon will be paid on 31 July 2009, whereas the repayment of the principal will start, after at least 18 months from the issue, from the payment date of 31 July 2010.
The Bank also granted the vehicle a subordinated loan with limited recourse (with the same maturity date as the legal maturity for the notes) for an amount of 50 million euro that was used on the date of the issue of the notes to establish the Cash Reserve required by Standard & Poor's.
Given that the securities in question have not been sold definitively to parties outside the Group, in accordance with the IAS/IFRS the conditions have not been met for the derecognition of the underlying loans with respect to which the Group continues to maintain all the risks and benefits and that are, therefore, still recorded under the consolidated balance sheet assets.

Adriano Finance 2

On 31 December 2008, a securitisation was completed of a portfolio of performing residential mortgages through the vehicle Adriano Finance 2.
The structuring of the transaction was performed by Intesa Sanpaolo and Banca IMI as Arrangers.
Adriano Finance 2 issued RMBS notes with a price corresponding to 100% of their nominal amount (Adriano Finance F/R Notes due June 2061) for a total amount of 13,050 million euro, made up as follows:

– Class A for an amount of 12,174 million euro (senior tranche);
– Class B for an amount of 876 million euro (junior tranche).

For the Class A notes, with an average expected lifetime of 5 years, quoted on the Luxembourg Stock Exchange and assigned a AAA rating by Fitch, a request has already been made to the Luxembourg central bank for eligibility for use for ECB refinancing operations. The Class B notes are unrated.
The transaction's financial structure provides for the half-yearly payment of interest on 29 January and 29 July of each year. The first coupon will be paid on 29 July 2009, whereas the repayment of the principal will start, after at least 18 months from the issue, from the payment date of 29 July 2010.
The Bank also granted the vehicle a subordinated loan with limited recourse (with the same maturity date as the legal maturity for the notes) for an amount of 150 million euro that was used on the date of the issue of the notes to establish the Cash Reserve required by Fitch.
Given that the securities in question have not been sold definitively to parties outside the Group, in accordance with the IAS/IFRS the conditions have not been met for the derecognition of the underlying loans with respect to which the Group continues to maintain all the risks and benefits and that are, therefore, still recorded in the consolidated balance sheet assets.

SPQRII

In July 2008, in order to reduce the overall cost of funding and increase the level of liquidity of its assets, Banca IMI completed a securitisation of securities recorded under financial assets held for trading, aimed at making the portfolio sold more effective for the purposes of funding from the European Central Bank.
This transaction included the sale without recourse to SPQR II S.r.l. (a multi-segment Special Purpose Vehicle regulated by Law 130/99, already used for a similar transaction originated by the former Banca OPI) of a portfolio of bonds issued by Italian and foreign banks, insurance companies, corporates and securitisation vehicles, for a market value of around 747.8 million euro.
SPQR II in turn issued:

– Class A senior notes for 696,250,000 euro, with an A rating (Fitch Ratings) and quoted on the Luxembourg stock exchange;
– Class D junior notes for 82,195,000 euro, without a rating and unquoted.

Both classes were subscribed for by Banca IMI at nominal value, and because the Company had consequently substantially maintained all the risks and benefits attached to the transferred assets, the transaction was not derecognised in these financial statements.
From an operational perspective, the Senior class was set aside with the European Central Bank by means of repurchase agreements carried out through the Parent Company Intesa Sanpaolo.
For this transaction Banca IMI acted as originator, sole arranger, lead manager and swap counterparty for the hedging. It also supported the credit enhancement of the overall structure, through a subordinated loan agreement commitment for a maximum amount of 100 million euro, which could be requested by SPQR II S.r.l. when certain conditions were met. Banca IMI also undertook the role of servicer.

On 23 December 2008, Banca Infrastrutture Innovazione e Sviluppo (BIIS) carried out a securitisation of one of its portfolios for 1,330 million euro, consisting of bonds issued by Italian local authorities (municipal, provincial and regional) through the vehicle SPQR II, as part of the prudential enhancement of the already broad availability of the Intesa Sanpaolo Group's eligible assets for the Central Banks.
The structuring of the transaction was performed by Banca IMI as Arranger. Banca IMI was responsible for the offer of securities, as Lead Manager and Book Runner.
The transaction consists of one single senior tranche (class A) of 1,238 million euro, with an expected average lifetime of 9.3 years, quoted on the Luxembourg Stock Exchange and rated A by Fitch Ratings, and one junior tranche (class D) of 92 million euro.
The Notes are issued at a price equal to 100% of the nominal amount of the Notes and pay a floating rate coupon based on the 6 month Euribor rate.
Both classes of notes were purchased in full by BIIS.
Given that the securities in question have not been sold definitively to parties outside the Group, in accordance with the IAS/IFRS the conditions have not been met for the derecognition of the underlying loans with respect to which the Group continues to maintain all the risks and benefits and that are, therefore, still recorded in the consolidated balance sheet assets.

CR Firenze Mutui

Although not realised during the year, please note that Carifirenze, consolidated for the first time in the complete financial statements of the Intesa Sanpaolo Group, as at the year end had an outstanding securitisation relating to "performing" mortgages, carried out in the fourth quarter of 2002, through the special purpose vehicle CR Firenze Mutui S.r.l.. For this transaction the vehicle had issued securities for 521 million euro. As at the year end date the securities issued amounted to 197.8 million euro. Of these, Carifirenze kept the entire junior tranche (class D) of 8.2 million euro in its portfolio.
With regard to the performance of the transaction, as at the year end, in consideration of the residual value of the securitised loans and outstanding commitments, a value adjustment was made to the class "D" notes with the recognition in the income statement of the amount of 1.4 million euro, including 0.3 million euro from the reversal to the income statement of the valuation reserve. For these securities, monitoring is performed on a quarterly basis of the performance of the transaction, in order to determine the valuation of the class "D" notes included in the Bank's portfolio, and to adjust them to their estimated realisable value.

Quantitative information

Please note that the tables below (with the exception of those of paragraph C.1.8) do not include the transactions in which the Group, as originator, has fully repurchased the securities issued by the vehicle used for the securitisation (self-securitisations).

These involved, as at 31 December 2008, the transactions carried out through the vehicles Adriano Finance, Adriano Finance 2 and SPQR II.

For this type of transaction, as stated in the paragraphs above, given that the securities in question have not been sold definitively to parties outside the Group, in accordance with the IAS/IFRS the conditions have not been met for the derecognition of the underlying loans with respect to which the Group continues to maintain all the risks and benefits and that are, therefore, still recorded under the consolidated balance sheet assets.

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	**241**	**230**	**146**	**133**	**116**	**107**
a) Non-performing	*-*	*-*	*63*	*54*	*22*	*16*
b) Other	*241*	*230*	*83*	*79*	*94*	*91*
B. Third party underlying assets	**5,475**	**5,135**	**749**	**664**	**67**	**65**
a) Non-performing	*-*	*-*	*-*	*-*	*-*	*-*
b) Other	*5,475*	*5,135*	*749*	*664*	*67*	*65*
Total	**5,716**	**5,365**	**895**	**797**	**183**	**172**

Part of the positions shown in the table above has been included within the structured credit products: 3,607 million euro of gross exposures and 3,185 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**	**-**	**-**	**19**	**19**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	*13*	*13*	-	-	*19*	*19*	-	-	-	-	-	-
B. Third party underlying assets	**-**	**-**	**70**	**70**	**2**	**2**	**-**	**-**	**774**	**774**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	*70*	*70*	*2*	*2*	-	-	*774*	*774*	-	-
TOTAL	**13**	**13**	**70**	**70**	**21**	**21**	**-**	**-**	**774**	**774**	**-**	**-**

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	**42**	**-**	**59**	**-8**	**62**	**-9**
A.1 Intesa Lease Sec						
- performing leasing contracts	*25*	-	-	-	-	-
A.2 Intesa Sec 2						
- performing residential mortgages	*15*	-	*5*	-	*31*	-
A.3 Intesa Sec						
- performing mortgages	-	-	-	-	*8*	*-1*
A.4 Intesa Sec Npl						
- doubtful mortgages	-	-	*54*	*-8*	*16*	*-6*
A.5 Cr Firenze Mutui						
- performing mortgages	*2*	-	-	-	*7*	*-2*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**188**	**-11**	**74**	**-5**	**45**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	*165*	*-7*	-	-	*27*	-
C.2 Da Vinci						
- Loans to the aircraft sector	*2*	*-4*	*1*	*-1*	-	-
C.3 Vespucci						
- Asset backed securities and collateralised debt obligations	-	-	*70*	*-4*	-	-
C.4 Split 2						
- performing leasing contracts	*21*	-	*3*	-	*18*	-
TOTAL	**230**	**-11**	**133**	**-13**	**107**	**-9**

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	**-**	**-**	**-**	**-**	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Da Vinci												
- loans to the aircraft and aeronautical sector	-	-	-	-	*19*	-	-	-	-	-	-	-
TOTAL	**13**	**-**	**-**	**-**	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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						
- public sector financing	*295*	*-2*	-	-	-	-
A.2 Capital Mortgages						
- residential mortgages	*59*	*-1*	*4*	-	-	-
A.3 Cartesio						
- loans	*122*	-	-	-	-	-
A.4 Cordusio RMBS Securitisation						
- residential mortgages	*57*	-	*11*	*-2*	-	-
A.5 CPG tranche AEM						
- public utilities	*52*	-	-	-	-	-
A.6 D'Annunzio						
- trade receivables	*185*	-	-	-	-	-
A.7 Duchess (*)						
- securities	*119*	*-59*	-	-	-	-
A.8 Euterpe						
- amounts due from tax authorities - utilities	*145*	-	-	-	-	-
A.9 Fondo Immobili Pubblici						
- public real estate assets	*84*	*-2*	*173*	*-6*	-	-
A.10 Geldilux						
- loans	*235*	*-3*	-	-	-	-
A.11 Posillipo Finance						
- securities	*199*	-	-	-	-	-
A.12 Rhodium (*)						
- securities	*74*	*-12*	-	-	-	-
A.13 Santander Hipotecario						
- residential mortgages	*51*	-	-	-	-	-
A.14 Soc. Cart. Crediti INPS						
- social security contributions	*495*	*-1*	-	-	-	-
A.15 Smstr (*)						
- securities	*57*	*-35*	-	-	-	-
A.16 Società di Cartolarizzazione Italiana Crediti 1						
- personal loans	*205*	-	-	-	-	-
A.17 Stone tower (*)						
- securities	*55*	*-3*	-	-	-	-
A.18 Duomo portfolio	489	-	3	-	-	-
A.19 Romulus portfolio	398	-33	4	-	-	-
A.20 Single management portfolio of investment grade ABS	101	-	-	-	-	-
A.21 Residual portfolio divided in 406 securities	1,658	-189 (**)	469	-77 (***)	65	-2
TOTAL	**5,135**	**-340**	**664**	**-85**	**65**	**-2**

(*) 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.

(**) Of which -9 million euro related to securities included in packages.

(***) Of which -42 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	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Manzoni												
- Asset Backed Securities	-	-	-	-	*2*	-	-	-	-	-	-	-
A.3 Romulus												
- Asset Backed Securities and Collateralised debt obligations	-	-	*70*	-	-	-	-	-	*774*	-	-	-
Total	**-**	**-**	**70**	**-**	**2**	**-**	**-**	**-**	**774**	**-**	**-**	**-**

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	936	82	13	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	247	62	43	-	-	-
Investments held to maturity	120	-	-	-	-	-
Loans (**)	3,874	579	71	13	844	2
Total 31.12.2008	**5,177**	**723**	**127**	**13**	**844**	**2**
Total 31.12.2007	**6,978**	**770**	**130**	**13**	**1,233**	**2**

(*) 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 307 million euro and of 19 million euro.

(**) This caption includes off-balance sheet exposures referred to "Guarantees given" and "Credit lines".

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	**1,922**	**384**
A.1 Fully derecognised	390	*X*
1. Doubtful loans	*86*	*X*
2. Substandard loans	*2*	*X*
3. Restructured exposures	-	*X*
4. Past due exposures	-	*X*
5. Other assets	*302*	*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	1,532	384
1. Doubtful loans	*6*	-
2. Substandard loans	*8*	-
3. Restructured exposures	-	-
4. Past due exposures	*4*	-
5. Other assets	*1,514*	*384*
B. Third party underlying assets	**1,413**	**100**
B.1. Doubtful loans	-	-
B.2. Substandard loans	-	-
B.3. Restructured exposures	-	-
B.4. Past due exposures	2	-
B.5. Other assets	1,411	100

C.1.6. Stakes in special purpose vehicles

Name	Direct ownership	Registered office	% Stake
Intesa Lease Sec	Intesa Sanpaolo	Milano	60.00%
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	60.00%
Augusto	Intesa Sanpaolo	Milano	5.00%
Adriano Finance	Intesa Sanpaolo	Milano	5.00%
Adriano Finance 2	Intesa Sanpaolo	Milano	5.00%
Adriano Finance 3	Intesa Sanpaolo	Milano	5.00%
Colombo	Intesa Sanpaolo	Milano	5.00%
Diocleziano	Intesa Sanpaolo	Milano	5.00%
CR Firenze Mutui	CR Firenze	Conegliano Veneto	10.00%

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 and have 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	-	20	-	20	-	100	-	93	-	-
Intesa Sanpaolo	Intesa Sec 2	-	487	-	219	-	79	-	-	-	-
Italfondiario	Intesa Sec Npl	84	17	56	-	100	-	44	-	-	-
Intesa Sanpaolo	Intesa Sec 3	19	2,417	-	767	-	31	-	-	-	-
Leasint	Split 2	10	604	-	399	-	66	-	-	-	-
Leasint	Intesa Lease Sec	-	261	-	209	-	88	-	-	-	-
CR Firenze	CR Firenze Mutui	4	184	-	65	-	68	-	-	-	-
Total		**117**	**3,990**	**56**	**1,679**						

C.1.8. Banking group's special purpose vehicles

Intesa Sec

Securitisation of performing mortgages

(in millions of euro)

A. Securitised assets			**20**
A.1 Loans		18	
- loans outstanding	*17*		
- past due loans	*1*		
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			**10**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		10	
C. Securities issued			**25**
C.1 Class A1		-	
C.2 Class A2		10	
C.3 Class B		7	
C.4 Class C		8	
D. Financing received			**2**
E. Other liabilities			**3**
E.1 Due to Parent Company		-	
E.2 Accrued expenses – interest on securities issued		1	
E.3 Accrued expenses on IRS		1	
E.4 "Additional return" allowance		1	
F. Interest expense on securities issued			**2**
G. Commissions and fees			**-**
G.1 Servicing		-	
G.2 Other services		-	
H. Other expenses			**2**
H.1 Interest expense		2	
H.2 Additional return		-	
I. Interest income on securitised assets			**2**
L. Other revenues			**2**
L.1 Interest income		2	

Intesa Sec 2

Securitisation of performing residential mortgages

(in millions of euro)

A. Securitised assets			**487**
A.1 Loans		470	
- loans outstanding	*450*		
- past due loans	*20*		
A.2 Securities		-	
A.3 Other assets		17	
- accrued income on IRS	*2*		
- suspended items for DPP	*9*		
- tax credits	*6*		
B. Investments of the funds collected from loan management			**82**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		82	
C. Securities issued			**504**
C.1 Class A1		-	
C.2 Class A2		402	
C.3 Class B		41	
C.4 Class C		61	
D. Financing received			**19**
E. Other liabilities			**18**
E.1 Due to Parent Company		4	
E.2 Other DPP liabilities		9	
E.3 Accrued expenses – interest on securities issued		2	
E.4 Accrued expenses on IRS		3	
F. Interest expense on securities issued			**31**
G. Commissions and fees			**1**
G.1 Servicing		1	
G.2 Other services		-	
H. Other expenses			**44**
H.1 Interest expense		35	
H.2 Cost of liquidation DPP of the period		9	
I. Interest income on securitised assets			**35**
L. Other revenues			**41**
L.1 Interest income		41	
L.2 Revenues from penalties for advanced extinguishment and other		-	

Intesa Sec 3
Securitisation of performing residential mortgages

(in millions of euro)

A. Securitised assets			**2,436**
A.1 Loans		2,411	
- loans outstanding	*2,371*		
- past due loans	*40*		
A.2 Securities		-	
A.3 Other assets		25	
- accrued income on IRS	*24*		
- tax credits/ others	*1*		
B. Investments of the funds collected from loan management			**236**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		236	
C. Securities issued			**2,551**
C.1 class A1		182	
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”		35	
E.3 Accrued expenses – interest on securities issued		22	
E.4 Accrued expenses on IRS		28	
F. Interest expense on securities issued			**170**
G. Commissions and fees			**4**
G.1 Servicing		4	
G.2 Securities placement commissions		-	
H. Other expenses			**180**
H.1 Interest expense		147	
H.2 Additional return		33	
I. Interest income on securitised assets			**166**
L. Other revenues			**186**
L.1 Interest income		184	
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			**101**
A.1 Loans		93	
- loans outstanding	*1*		
- past due loans	*84*		
- loans for overdue interest	*8*		
A.2 Securities		-	
A.3 Other assets		8	
- cap premium paid	*6*		
- other loans	*2*		
B. Investments of the funds collected from loan management			**21**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		21	
C. Securities issued			**159**
C.1 Class A		-	
C.2 Class B		-	
C.3 Class C		118	
C.4 Class D		41	
C.5 Class E		-	
D. Financing received			**2**
E. Other liabilities			**20**
E.1 Amounts due for services rendered		3	
E.2 Accrued expenses – interest on securities issued		15	
E.3 Other accrued expenses		-	
E.4 Floor option premium		2	
F. Interest expense on securities issued			**15**
G. Commissions and fees			**3**
G.1 Servicing		3	
G.2 Other services		-	
H. Other expenses			**18**
H.1 Interest expense		1	
H.2 Other expenses		3	
H.3 Losses on overdue interest		11	
H.4 Forecasted losses on loans		3	
I. Interest income on securitised assets			**18**
L. Other revenues			**28**
L.1 Interest income		1	
L.2 Recovery of legal expenses		1	
L.3 Write-backs		26	

Split 2

Securitisation of loans arising from leasing contracts

(in millions of euro)

A. Securitised assets		**614**
A.1 Loans	614	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**116**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	116	
C. Securities issued		**705**
C.1 Class A	577	
C.2 Class B	64	
C.3 Class C	46	
C.4 Class D	18	
D. Financing received		**-**
E. Other liabilities		**23**
F. Interest expense on securities issued		**42**
G. Commissions and fees		**1**
G.1 Servicing	1	
G.2 Other services	-	
H. Other expenses		**1**
I. Interest income on securitised assets		**38**
L. Other revenues		**5**

SPQR II (CBO 1 transaction)

Performing securities AFS issued by public entities

(in millions of euro)

A. Securitised assets		**1,834**
A.1 Loans	-	
A.2 Securities	1,834	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**180**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	17	
B.4 Investments and cash equivalents	121	
B.5 Accrued income and prepaid expenses	42	
C. Securities issued		**1,917**
C.1 Class A1	1,850	
C.4 Class D	67	
D. Financing received		**-**
E. Other liabilities		**97**
E.1 Accrued expenses and deferred income	82	
E.2 Due to the originator	15	
F. Interest expense on securities issued		**99**
G. Commissions and fees		**-**
H. Other expenses		**7**
I. Interest income on securitised assets		**84**
L. Other revenues		**22**

SPQR II (CBO 2 transaction)

Performing securities AFS issued by public entities

(milioni di euro)

A. Securitised assets		**1,309**
A.1 Loans	-	
A.2 Securities	1,307	
A.3 Other assets	2	
B. Investments of the funds collected from loan management		**53**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	52	
B.4 Investments and cash equivalents	-	
B.5 Accrued income and prepaid expenses	1	
C. Securities issued		**1,330**
C.1 Class A1	1,238	
C.4 Class D	92	
D. Financing received		-
E. Other liabilities		**32**
E.1 Accrued expenses and deferred income	2	
E.2 Due to the originator	30	
F. Interest expense on securities issued		**1**
G. Commissions and fees		**-**
H. Other expenses		**10**
I. Interest income on securitised assets		**11**
L. Other revenues		**-**

Intesa Lease Sec

Securitisation of performing loans arising from leasing contracts

(in millions of euro)

A. Securitised assets			**261**
A.1 Loans		261	
- principal	*244*		
- credits for invoiced leasing instalments	*17*		
A.2 Securities		-	
A.3 Other assets		-	
B. Investments of the funds collected from loan management			**35**
B.1 Debt securities		31	
B.2 Equities		-	
B.3 Liquidity		4	
C. Securities issued			**275**
C.1 Class A1		-	
C.2 Class A2		58	
C.3 Class A3		111	
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			**21**
G. Commissions and fees			**1**
G.1 Servicing		1	
G.2 Other services		-	
H. Other expenses			**33**
H.1 Interest expense		17	
H.2 Other expenses		3	
H.3 Losses on loans		1	
H.4 Forecasted losses on loans		1	
H.5 Additional return		11	
I. Interest income on securitised assets			**29**
L. Other revenues			**22**
L.1 Interest income		19	
L.2 Value recoveries		2	
L.3 Other revenues		1	

CR Firenze Mutui

Securitisation of performing residential mortgages

(milioni di euro)

A. Securitised assets		**188**
A.1 Loans	188	
A.2 Securities	-	
A.3 Other assets	-	
B. Investments of the funds collected from loan management		**22**
B.1 Debt securities	-	
B.2 Equities	-	
B.3 Liquidity	22	
C. Securities issued		**198**
C.1 Class A	154	
C.2 Class B	28	
C.3 Class C	8	
C.4 Class D	8	
D. Financing received		-
E. Other liabilities		**12**
F. Interest expense on securities issued		**11**
G. Commissions and fees		**4**
G.1 Servicing	4	
G.2 Other services	-	
H. Other expenses		**-**
I. Interest income on securitised assets		**13**
L. Other revenues		**2**

Adriano Finance (Tranche 1)

Securitisation of performing residential mortgages

(milioni di euro)

A. Securitised assets			**7,333**
A.1 Loans		7,119	
- loans outstanding	*7,080*		
- past due loans	*39*		
A.2 Securities		-	
A.3 Other assets		214	
- accrued income on IRS	*208*		
- tax credits/ others	*6*		
B. Investments of the funds collected from loan management			**1,289**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		*1,289*	
C. Securities issued			**7,998**
C.1 Class A		*7,558*	
C.2 Class B		*440*	
D. Financing received			**51**
E. Other liabilities			**575**
E.1 Due to Parent Company		*6*	
E.2 Allowance for "additional return"		*39*	
E.3 Accrued expenses – interest on securities issued		*175*	
E.4 Accrued expenses on IRS		*355*	
F. Interest expense on securities issued			**175**
G. Commissions and fees			**7**
G.1 Servicing		*6*	
G.2 Other services		*1*	
H. Other expenses			**395**
H.1 Interest expense		*356*	
H.2 Additional return		*39*	
I. Interest income on securitised assets			**344**
L. Other revenues			**231**
L.1 Interest income		*229*	
L.2 Revenues from penalties for advanced extinguishment and other		*2*	

Adriano Finance (Tranche 2)

Securitisation of performing residential mortgages

(milioni di euro)

A. Securitised assets			**5,577**
A.1 Loans		5,566	
- loans outstanding	*5,523*		
- past due loans	*43*		
A.2 Securities		-	
A.3 Other assets		11	
- accrued income on IRS	*11*		
- tax credits	-		
B. Investments of the funds collected from loan management			**260**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		*260*	
C. Securities issued			**5,679**
C.1 Class A		5,281	
C.2 Class B		398	
D. Financing received			**50**
E. Other liabilities			**106**
E.1 Due to Parent Company		1	
E.3 Accrued expenses – interest on securities issued		9	
E.4 Accrued expenses on IRS		96	
F. Interest expense on securities issued			**9**
G. Commissions and fees			**1**
G.1 Servicing		1	
G.2 Other services		-	
H. Other expenses			**96**
H.1 Interest expense		96	
H.2 Other expenses		-	
I. Interest income on securitised assets			**58**
L. Other revenues			**50**
L.1 Interest income		50	
L.2 Revenues from penalties for advanced extinguishment and other		-	

Adriano Finance 2

Securitisation of performing residential mortgages

(milioni di euro)

A. Securitised assets			**13,058**
A.1 Loans		12,998	
- loans outstanding	*12,996*		
- past due loans	*2*		
A.2 Securities		-	
A.3 Other assets		60	
- accrued income on mortgages	*60*		
B. Investments of the funds collected from loan management			**233**
B.1 Debt securities		-	
B.2 Equities		-	
B.3 Liquidity		*233*	
C. Securities issued			**13,050**
C.1 Class A		*12,174*	
C.2 Class B		*876*	
D. Financing received			**150**
E. Other liabilities			**94**
E.1 Due to customers		*29*	
E.3 Accrued expenses – interest on securities issued		*2*	
E.4 Accrued expenses on IRS		*63*	
F. Interest expense on securities issued			**1**
G. Commissions and fees			**1**
G.1 Servicing		*1*	
G.2 Other services		-	
H. Other expenses			**64**
H.1 Interest expense		*63*	
H.2 Forecast losses on loans		*1*	
I. Interest income on securitised assets			**35**
L. Other revenues			**28**
L.1 Interest income		*28*	
L.2 Revenues from penalties for advanced extinguishment and other		-	

C.2. Sales

C.2.1. Financial assets sold not derecognised

(in millions of euro)

	Cash assets					Derivatives	Total 31.12.2008	Total 31.12.2007
	Debt securities	Equities	UCITS	Loans	Non-performing assets			
FINANCIAL ASSETS HELD FOR TRADING	**3,040**	**-**	**-**	**-**	**-**	**-**	**3,040**	**6,777**
- Financial assets sold totally recognised (book value)	3,040	-	-	-	-	-	3,040	6,777
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**10**	**-**	**-**	**-**	**-**	**X**	**10**	**12**
- Financial assets sold totally recognised (book value)	10	-	-	-	-	X	10	12
- Financial assets sold partly recognised (book value)	-	-	-	-	-	X	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	X	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**3,349**	**-**	**-**	**-**	**-**	**X**	**3,349**	**2,787**
- Financial assets sold totally recognised (book value)	3,349	-	-	-	-	X	3,349	2,787
- Financial assets sold partly recognised (book value)	-	-	-	-	-	X	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	X	-	-
INVESTMENTS HELD TO MATURITY	**596**	**X**	**X**	**-**	**-**	**X**	**596**	**1,689**
- Financial assets sold totally recognised (book value)	596	X	X	-	-	X	596	1,689
- Financial assets sold partly recognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	-	X	-	-
DUE FROM BANKS	**359**	**X**	**X**	**-**	**-**	**X**	**359**	**55**
- Financial assets sold totally recognised (book value)	359	X	X	-	-	X	359	55
- Financial assets sold partly recognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	-	X	-	-
LOANS TO CUSTOMERS	**2,358**	**X**	**X**	**49**	**-**	**X**	**2,407**	**1,308**
- Financial assets sold totally recognised (book value)	2,358	X	X	49	-	X	2,407	1,308
- Financial assets sold partly recognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly recognised (full value)	-	X	X	-	-	X	-	-
Total 31.12.2008	**9,712**	**-**	**-**	**49**	**-**	**-**	**9,761**	**X**
Total 31.12.2007	**12,557**	**-**	**-**	**71**	**-**	**-**	**X**	**12,628**

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		Securities issued		Total 31.12.2008	Total 31.12.2007
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	Fully recognised	Partly recognised		
Financial assets held for trading	2,779	-	6,319	-	-	-	9,098	6,777
Financial assets measured at fair value	-	-	8	-	-	-	8	12
Financial assets available for sale	1,313	-	68	-	-	-	1,381	2,787
Investments held to maturity	408	-	-	-	-	-	408	1,689
Due from banks	-	-	-	-	-	-	-	55
Loans to customers	-	-	1	-	3,159	-	3,160	1,308
Total	**4,500**	**-**	**6,396**	**-**	**3,159**	**-**	**14,055**	**12,628**

The financial liabilities corresponding to financial assets sold and not derecognised (shown in the columns Due to banks and Due to customers) relate to reverse repurchase agreements, as shown in the tables 1.1 Due to banks and 2.1 Due to customers.
The column Securities issued shows (as required by the regulations) the securities issued by the vehicles Split 2 and Intesa Sec 3.

D. MODELS FOR THE MEASUREMENT OF CREDIT RISK

As at 31 December, the expected loss on core banks (Basel 2 validation area) was made up 0.46% of disbursed loans, a 0.05 percentage point increase on the figure as at the end of 2007. This increase was partly due to the introduction of the new rating models in the Retail segment and partly to the general deterioration of credit quality, as a result of the economic crisis.
The economic capital corresponded to 3.5% of disbursed loans, a reduction of 0.1% compared to the figure in 2007. This figure runs counter to the expected loss as a result of the greater diversification of the portfolio.

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 specific Technical Committees, to monitor financial and operational risks, and of the Group Compliance Committee, and is chaired by the Managing Director and CEO.
The Group Financial Risks Committee, chaired by the Chief Risk Officer and the Chief Financial Officer, is responsible for setting out the methodological and measurement guidelines for financial risks, establishing the operational limits and assessing the risk profile of the Group and its main operational units. The Committee also sets out the strategies for the management of the banking book to be submitted to the competent Bodies and establishes the guidelines on liquidity, interest rate and exchange risk. The Committee 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 risk profile and the opportune interventions aimed at changing it are examined periodically 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.

INFORMATION ON FINANCIAL PRODUCTS

The negative phase of the financial markets and the difficulties faced by certain financial institutions, including major players, led supranational and national Supervisory authorities to recommend the utmost transparency in the disclosure to shareholders and investors of credit and market risk exposure accepted in the various forms, directly or through vehicles.
The information below is required by the Bank of Italy (communication of 18 June 2008), and by Consob (letter of 23 July 2008), and also considers the recommendations contained in the Report of the Financial Stability Forum of April 2008, referred to by both Supervisory Authorities.

DETERMINATION OF THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Information in this chapter integrates the accounting principles adopted by the Intesa Sanpaolo Group, and explicitly explains valuation concepts and parameters.
In the preparation of information, a clear and simple approach is adopted, avoiding where possible excessive technicalities.
Since these are, in any case, complex disclosures, it was decided to facilitate the reader by adding new terms (mainly mathematical and English terms normally used by practitioners) to the Glossary attached to the Annual report 2008.
The production of a Glossary illustrating the technical terms and the acronyms used is required by Consob in the mentioned communication.

General Principles

IAS/IFRS prescribe that products in the trading portfolio must be recorded at fair value through profit and loss.

The existence of official prices in an active market[1] 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

[1] 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. The criteria to determine price reliability are described in the paragraph on identification, certification and treatment of market data.

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: if a published price quotation in an active market is available then the other valuation approaches may not be used.

Hierarchy of fair value

As described above, the hierarchy of measurement models, i.e. of the approaches adopted for fair value measurement attributes absolute priority to effective market quotes for valuation of assets and liabilities or for similar assets and liabilities (comparable approach) and a lower priority to non-observable and, therefore, more discretional inputs (mark-to-model approach).
Consequently, fair value is determined using one of the following approaches with a clear order of preference.

i. Effective market quotes

In this case the valuation is the price of the same financial instrument to be measured on the basis of prices quoted on an active market.
The percentage (determined in relation to fair value in case of derivatives) of instruments valued with this methodology on the total of instruments measured at fair value is set out below:

Financial assets:

– cash	73.9%
– derivatives	1.7%

Financial liabilities:

– cash	31.1%
– derivatives	2.8%

ii. Valuation Techniques: Comparable Approach

In this case the valuation is not based on the price of the same financial instrument to be measured, but on prices or credit spreads presumed from official quotes of instruments which are similar in terms of risk factors, using a given calculation methodology (pricing model).
The use of this approach requires the search for transactions on active markets in relation to instruments that, in terms of risk factors, are comparable 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 (determined in relation to fair value in case of derivatives) of instruments valued with this methodology on the total of instruments measured at fair value is set out below:

Financial assets:

– cash	22.3%
– derivatives	97.8%

Passività finanziarie:

– per cassa	68.9%
– strumenti derivati	95.4%

iii. Valuation Techniques: Mark-to-Model Approach

In this case valuations are based on various inputs, which are not presumed directly from parameters which may be observed on the market and therefore imply estimates and assumptions on the part of the valuator.
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 that may be attributed probabilities presumed from past experience or on the basis of the assumed behaviour;
- the level 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 (determined in relation to fair value in case of derivatives) of instruments valued with this methodology on the total of instruments measured at fair value is set out below:

Financial assets:	
– cash	3.8%
– derivatives	0.5%
Financial liabilities:	
– cash	---
– derivatives	1.8%

The valuation process of financial instruments

The valuation process of financial instruments entails various phases which are summarised below.

1. *Identification, certification and treatment of market data and the sources for measurements*

The fair value calculation process and the need to distinguish between products which may be measured on the basis of effective market quotes rather than through the application of comparable or mark-to-model approaches, highlight the need to establish univocal principles in the determination of market parameters.

To this end the Market Data Reference Guide – a document prepared and updated by the Risk Management Department on the basis of the Group's Internal Regulations approved by the Administrative bodies of the Parent Company and Group Companies – establishes the processes necessary to identify market parameters and the means according to which such parameters must be extracted and used. Such market data may be both elementary and derived data. In particular, for each reference category (asset class), the regulation determines the relative requisites, as well as the cut-off and certification means.

The document defines the collection of the contribution sources deemed adequate for the assessment of financial instruments. Adequacy is guaranteed by the respect of reference requirements, which are based on comparability, availability and transparency of the data, or the possibility of extracting the figure from one or more info providing systems, of measuring the contribution bid-ask, and lastly, for OTC products, of verifying the comparability of the contribution sources.

For each market parameter category the cut-off time is determined univocally, with reference to the timing of definition of the parameter, the reference bid/ask side and the number of contributions necessary to verify the price.

The use of all market parameters in Intesa Sanpaolo is subordinated to their certification (Validation Process) by the Risk Management Department (RMD), in terms of specific controls (verifying the integrity of data contained on the proprietary platform with respect to the source of contribution), reliability tests (consistency of each single figure with similar or comparable figures) and verification of concrete application means.

2. *Certification of pricing models and Model Risk Assessment*

This phase is principally aimed at verifying the consistency and the adherence of the various measurement techniques used by the Bank with current market practice, at highlighting any critical aspects in the pricing models used and at determining any adjustments necessary for valuation.

The validation process is particularly important at the start of activities in a new financial instrument which requires the development of further pricing models, and when the Bank decides to use a new model to measure payoffs previously managed with models deemed to be less adequate. In general, all models used by the Bank for the assessment must be submitted to an internal certification process which involves various competent structures. The possibility of independent certification issued by high standing financial service companies is also provided for in highly-complex cases and/or in presence of market turbulence (so-called market dislocation). For example, Intesa Sanpaolo used a similar validation for CDO exposures.

The new measurement models entail not only an in-depth analysis of financial aspects but also a full understanding of numerical aspects, replicating, where deemed necessary, the pricing libraries of Front Office systems, after the analysis of available literature and the independent derivation of the necessary analytical results, considering also numerical-implementation aspects. Moreover, the types of payoff connected to the model are analysed in detail together with the pertinent figures (verifying presence, liquidity and frequency of update of contributions), as well as the means of calibration chosen. In fact, one of the fundamental requirements for the certification of a pricing model is its capability of replicating available market prices, optimising its internal parameters (or meta-data) to capture to the best information provided by quoted instruments (calibration procedure). Once the quality of repricing of the elementary instruments selected for calibration is certified, the influence of the model's parameters (parameters which are not quoted or observable on the markets) on the pricing of complex instruments is analysed. Lastly, where possible, market tests are performed comparing the prices of complex financial instruments obtained from the model with the available quotes.

If the analysis described above does not identify any evident criticalities, the model is deemed to be validated and may be used for official measurements.

Instead, if the analysis highlights limits or alerts for a specific pricing model which are not so severe as to deem analytical tools used inadequate, the Risk Management Department performs further analyses to determine adjustments due to the so-called "model risk". For a more detailed description see the specific paragraph below.

3. *Monitoring consistency of pricing models over time*

Once a pricing model for complex financial instruments is certified and operational, it is necessary to periodically monitor its adherence to the market in order to highlight any gaps promptly and start the necessary verifications and interventions.

– *Repricing of elementary instruments contributed*

Adherence to the market of a calibrated pricing model is controlled by verifying that the model effectively reproduces all market prices deemed to be relevant and sufficiently liquid. With particular reference to interest rate derivatives, an automatic repricing system for elementary financial instruments is also operational in the Bank's Front Office systems, which allows the systematic verification of any gaps between the models and the market and their possible impact on the risk positions in the books.

Where significant gaps arise and the price of a given elementary instrument falls outside the market's bid-ask quotes, the analysis of the impact on the risk positions of the respective trading portfolios is performed and the adjustment to be applied to the valuations of the respective portfolios is quantified.

– *Comparison with benchmarks*

The monitoring methodology described above is further strengthened by extensive benchmarking of data used. In particular, access to the services of a qualified outside provider (Markit) enable to obtain detailed information on the parameters contributed by primary market counterparties and referred to interest rate instruments (cap/floor, European and Bermuda swaption, CMS), equities (options on indices and on single stocks) and for CDS. Such information are far richer than those normally available from standard contribution sources, for example in terms of maturities, underlying assets and strikes. Any significant gaps are quantified with respect to the average bid-ask spread supplied by the outside provider and therefore treated as in the case of repricing of elementary instruments contributed. The possibility of extending the comparison with benchmarks also to other instruments or underlying assets is constantly monitored.

Information on valuation models which are concretely used for measurement of financial instruments

1. *Pricing model for non-contributed securities*

Pricing of non-contributed securities (that is, securities without official quotes expressed by an active market) occurs through the use of an appropriate credit spread test (in application of the so-called comparable approach): given a non-contributed security, the level of the credit spread is estimated starting from contributed and liquid financial instruments with similar characteristics. The hierarchy of sources which are used to estimate the level of the credit spread are the following:

1. contributed and liquid securities (benchmark) of the same issuer;
2. Credit Default Swaps on the same reference entity;
3. contributed and liquid securities of an issuer with the same rating and belonging to the same sector.

In any case the different seniority of the security is considered to be priced relatively to the issuer's debt structure.

2. Models for pricing interest rate, foreign exchange, equity and inflation derivatives

Interest rate, foreign exchange, equity and inflation derivatives, if not traded on regulated markets, are Over The Counter (OTC) instruments, which are bilaterally exchanged with market counterparties and are valued through specific pricing models, fed by input parameters (such as yield, foreign exchange and volatility curves) observed on the market and subject to the monitoring processes illustrated above. In terms of fair value hierarchy, prices determined in this way fall in the Comparable Approach category.

The table below illustrates the main models used to price OTC derivatives on the basis of the category of underlying asset.

Category of Underlying Asset	Pricing Model Used	Main Models Input parameters
Interest rate	Net Present Value, Black, SABR, Libor Market Model, Hull-White at 1 and 2 factors, Mixture of Hull-White at 1 and 2 factors, Bivariate lognormal, Rendistato	Interest rate curves (considering: deposits, FRA, Futures, OIS and swap), cap/floor and swaption volatility, correlation between interest rates
Foreign exchange rate	Garman-Kohlhagen, Lognormal with Uncertain Volatility	Interest rate curves, spot and forward FX, FX volatility
Equity	Net present Value, Black-Scholes Generalised, Heston	Underlying asset spot rate, interest rate curves, expected dividends, underlying asset volatility, correlation between underlying assets
Inflation	Bifactorial	Nominal interest rate curves, inflation rate curves, interest rate volatility, inflation rate volatility, seasonality ratios of consumer price index

Moreover, the determination of fair value must consider not only market factors and the nature of the contract (maturity, type of contract, etc.), but also the credit quality of the counterparty. In particular:

– mark-to-market, i.e. pricing using risk-free curves;
– fair value, which considers counterparty credit risk and future exposures of the contract.

The difference between fair value and mark-to-market – so-called Credit Risk Adjustment (CRA) – is the discounted value of the expected future loss, considering that the future exposure has a volatility related to that of the markets. The application of this methodology occurs as follows:

– in case of positive net present exposure, the CRA is calculated starting from the latter, from market spreads and in function of the average residual life of the contract;
– in case of net present exposure close to zero or negative, CRA is determined assuming that the future exposure may be estimated through Basel 2 add-on factors.

3. Model for pricing structured credit products

Regarding ABS, if significant prices are not available (level 1, effective market quotes), valuation techniques consider parameters which may be presumed from the market (level 2, comparable approach).

Spreads are presumed from new issuers and/or collected from the major investment banks, verifying the consistency of such valuations with the prices presumed from the market (level 1).

In addition to these quantitative controls, the definition of the price and its verification is further strengthened by a qualitative analysis relative to the performance of the underlying asset presumed from periodic investor reports.

Lastly, prices calculated in this way are subject to backtesting with actual sale prices to verify their consistency with the levels expressed by the market.

With reference to complex credit derivatives (CDOs), in the light of the phenomena of market dislocation of financial and credit markets, Intesa Sanpaolo recently dedicated particular attention to pricing methodologies, and prepared a new Fair Value Policy that was applied starting from the 2007 financial statements. In 2008, no material changes were made to the Policy, although the ongoing improvement of input treatment continued, in order to ensure consistent adherence to the market figures. At the same time the Waterfall assessment was added to the valuation framework. This determines the handling of the priorities for payments and its main impact involves the establishment of the priority for the repayment of the various tranches (Notes) starting from the Supersenior (paydown), if the structures involved (Cashflow CDOs) fail the Overcollateralisation and Interest Coverage Tests.

The Fair Value Policy also defined specific policies relative to inputs necessary for valuations.

Regarding CDO pricing, Intesa Sanpaolo uses a quantitative model which estimates losses on collateral with a simulation of the relevant cash flows which uses copula functions.

The most significant factors considered in the simulation – for each collateral – are the risk-neutral probability of default derived from market spreads, recovery rates, the correlation between the value of collaterals present in the structure and the expected residual life of the contract.

For spreads, the valuation process incorporates, as promptly as possible, all market inputs: synthetic indices are used such as ABX, consensus parameters calculated by multicontribution platforms, market spread estimates made available by primary dealers.

The Market Data Reference Guide, which sets out credit spread contribution sources, was moreover integrated with specific policies for the other inputs such as correlations and recovery rates.

For specific types of collateral, such as trust preferred securities, the probability of default is estimated using the Expected Default Frequency from Moody's - KMV.

For the purpose of incorporating high market dislocation and intense market illiquidity phenomena in valuations, a series of corrections have been prepared for valuations referred to the main input parameters; in particular:

– stress of recovery rates: expected recovery rates on the assets held as collateral in every deal have been decreased by 25% (75% for underlying REITS);
– stress of asset value correlation: inter and intra correlations have been increased by 15% or 25% depending on the type of product;
– stress of spreads: the spreads, used to determine the marginal distributions of defaults have been increased by 10%;
– stress of expected residual lives: the latter have been increased by 1 year.

Each of these modules contributes to the definition of a sensitivity grid of the value to the single parameter; results are then aggregated assuming independence between the single elements.

After this valuation, credit analyses on underlying assets were fine-tuned to incorporate further valuation elements not included in the quantitative models. In particular, a Qualitative Credit Review is provided for and entails an accurate analysis of credit aspects referred to the specific structure of the ABS/CDO and to the collateral present. This has the purpose of identifying any present or future weak points which emerge from the characteristics of the underlying assets, which could have been missed by rating agencies and as such not fully considered in the valuations described in the previous point. The results of this analysis are condensed in certain objective elements (such as Past Due, Weighted Average Delinquency, etc.) which are summarised in an indicator representing credit quality. On the basis of the value of this synthetic indicator, specific thresholds have been identified which correspond to a number of downgrades, so to proceed to a consistent adjustment in the valuation. Finally, for this class of products, Top Management has the possibility of deciding a further adjustment which must be based on prices observed from counterparties and on expert opinions.

4. The pricing model for hedge funds

The main parameter used for the valuation of hedge funds is the operating NAV (Net Asset Value)[2].
The operating NAV does not always coincide with the NAV used for accounting purposes (so-called accounting NAV) as the former can be prudentially adjusted by the Risk Management Department, during the valuation of inventories for accounting purposes, on the basis of certain indicators, circumstances or events, including the following in particular:

– the average volatility of the NAV;
– the time period within which the position may be reasonably considered to be settled;
– the presence of hard[3] or soft lock-up clauses[4];
– the presence of fees to be paid upon exit from the fund;
– the occurrence of delays or suspensions in redemptions;
– the existence of illiquid positions in the fund (with the consequent establishment of side-pockets).

For the financial statements as at 31 December 2008, it was considered appropriate to review the fair value policy, mainly as a result of the significant use by the Funds of instruments and devices aimed at slowing down cash outflows, to the final investors, and therefore capable of severely conditioning the level of liquidity of these Funds. The adjustments arising from this review involved in particular the prudential adjustments associated with the terms of liquidity of the fund and the establishment of an analytical valuation approach for the most critical positions. In terms of the fair value hierarchy, this resulted, for a part of the portfolio positions, in the transition from valuations performed on the basis of "Effective market quotes" to valuations performed using the "Comparable approach" or the "Mark-to-Model Approach".

For the Funds with a liquidity window of between 30 to 120 days, the operating NAV was prudentially adjusted by a "reduction percentage" corresponding to the volatility of the Fund reduced by a "threshold value" of 15%.
More specifically, the situation of liquidity of the Fund had the following repercussions on the type of NAV used for the valuation for accounting purposes.

Fund liquidability terms	Accounting class
<= 30 days	Operating NAV
30 days < x <= 120 days	Operating NAV - % reduction based on NAV volatility
Soft lock-up	Operating NAV - % reduction based on any early exit fee due
> 120 days or Hard lock-up (including any funds on which the lock-up proves lower, but for which the Bank does not have an updated NAV)	The value attributed to the quota is equal to the lower of its average recognition cost and the operating NAV

The need for the valuation to incorporate the particular situations of volatility and illiquidity arising in the last quarter of 2008 led to the establishment of an analytical valuation approach designed to capture these exceptional conditions in a timely manner and to quantify the effects in terms of fair value.
For Funds whose redemptions were not suspended, which created side pockets and that held assets considered to be "at risk", the accounting NAV was reduced by a percentage equal to the related amount in portfolio.
For Funds whose redemptions were suspended, first of all the changed terms of liquidity of the

[2] The value of the individual quotas of the fund provided regularly by the fund itself or by the administrator of the fund, gross of any exit fees.

[3] Hard lock-up: a strong constraint to liquidity, in other words during the hard lock-up period it is not possible to exit from the fund.

[4] Soft lock-up: a weaker constraint against liquidity; during the soft lock-up period it is possible to exit from the investment earlier than recommended, subject to the payment of a "penalty" (early exit fee).

investment were verified with the operators and the Funds themselves. Once the estimated date for the release of the suspensions had been confirmed, the criteria established for the corresponding accounting class were applied, with the following precautions:

- if the Fund had declared a part of its portfolio to be illiquid, the accounting NAV was further reduced by a percentage corresponding to the related amount;
- if the Fund had not declared a percentage of illiquid assets and it was one of the Funds valued at the lower of Cost and NAV, when the operating NAV was used (because it was lower than cost) it was also prudentially accompanied by a reduction percentage obtained by considering the volatility of the available price quotations.

Adjustments adopted to reflect model risk and other uncertainties related to the valuation

In general, model risk is represented by the possibility that the valuation of a complex instrument is materially influenced by the model chosen. In fact, since there are often alternative models which may be used for pricing the same instrument and since there is no standard practice on the market for measuring complex financial instruments, it is possible that models which price elementary instruments the same quality may give rise to different prices for exotic instruments. In these cases, where possible, alternative models are compared, and where necessary, model inputs are subjected to stress tests, thus obtaining useful elements to quantify fair value adjustments. Such adjustments, expressed in terms of measurable financial indicators (vega, delta, correlation shift), are periodically reviewed also in the light of market trends, or the introduction of new liquid instruments, different calculation methodologies and, in general, methodological advances which may also lead to considerable changes in selected models and in their implementation.

These fair value adjustments, due to model risks, are part of a Mark to Market Adjustment Policy adopted for the purpose of considering, in addition to model risk described above, also other factors eligible to influence valuation and essentially attributable to:

- high and/or complex risk profile;
- position illiquidity determined by temporary or structural conditions or in relation to the entity of exchange values held (in case of excessive concentration);
- valuation difficulties due to the lack of liquid and observable market parameters.

In particular, in the presence of product illiquidity, the fair value is adjusted.

This adjustment is generally not very relevant for instruments for which the valuation is supplied directly by the market. For this purpose quoted securities with a high liquidity are valued directly at mid price, whereas for quoted securities with low liquidity and unquoted securities the bid price is used for long positions and the ask price for short positions.

Conversely, for derivatives for which fair value is determined with a valuation technique, the adjustment may be calculated with different means according to the availability on the market of bid and ask quotes and products with similar characteristics in terms of contract type, underlying asset, currency, maturity and volumes traded which may be used as benchmarks.

Where none of the indications above is available, stress tests are performed on input parameters deemed to be relevant in the model.

The main factors considered to be illiquid (in addition to the inputs for the valuation of structured credit derivatives, illustrated above) and for which the respective adjustments have been calculated, are represented by: correlation of CMS Spread Options, certain inflation rates, Rendistato as well as volatility of Caps/Floors on 1-month and 12-month Euribor.

The adjustment management process is formalised with appropriate calculation methodologies on the basis of the different configurations of the points set out above.

The criteria for the release is subordinated to the elimination of the factors indicated above and disciplined by the Risk Management Department.

Such processes are a combination of quantitative elements that are rigidly specified and qualitative elements which must necessarily derive from management assessments.

For new products, the decision to apply Mark-to-Market Adjustment processes is taken by the New Product Committee upon the proposal of the Risk Management Department.

QUANTITATIVE INFORMATION ON THE FINANCIAL ASSETS AND LIABILITIES

The tables below detail the book values of the:

a) financial assets represented by securities measured at amortised cost and fair value; the latter have been broken down between quoted and unquoted instruments with an indication of the level of hierarchy for the determination of fair value applied;

b) financial liabilities represented by securities and subject to measurement at fair value, broken down between quoted and unquoted instruments and with an indication of the level of hierarchy of fair value applied;

c) financial and credit derivative instruments, broken down between quoted and unquoted instruments and with an indication of the level of hierarchy of fair value applied.

(in millions of euro)

Financial assets represented by securities/ Derivatives	Quoted	Unquoted	*of which level 2*	*of which level 3*	2008	2007
Securities held to maturity	4,975	-	*X*	*X*	4,975	4,233
Securities classified under loans to customers	-	13,138	*X*	*X*	13,138	6,372
Securities classified under loans to banks	-	1,459	*X*	*X*	1,459	929
Securities held for trading	10,903	4,833	*4,082*	*751*	15,736	25,980
Securities on which the fair value option has been exercised	13,333	6,355	*6,355*	-	19,688	19,964
Securities available for sale	20,815	4,688	*3,115*	*1,573*	25,503	33,515
Total Financial assets represented by securities	**50,026**	**30,473**	***13,552***	***2,324***	**80,499**	**90,993**
Derivatives held for trading	733	41,569	*41,351*	*218*	42,302	19,993
Total	**50,759**	**72,042**	***54,903***	***2,542***	**122,801**	**110,986**

(in millions of euro)

Financial liabilities represented by securities issued and designated at fair value / Derivatives	Unquoted	unquoted	*of which level 2*	*of which level 3*	2008	2007
Short positions on securities designated at fair value	1,755	5	*5*	-	1,760	3,251
Issued securities on which the fair value option has been exercised	-	3,878	*3,878*	-	3,878	4,214
Total Financial liabilities represented by securities issued and designated at fair value	**1,755**	**3,883**	***3,883***	**-**	**5,638**	**7,465**
Derivatives held for trading	1,219	42,891	*42,102*	*789*	44,110	21,357
Total	**2,974**	**46,774**	***45,985***	***789***	**49,748**	**28,822**

The tables below provide an overview of the financial instruments represented by securities and derivatives that are subject to measurement at fair value and that contribute to different items in the financial statements, with a separate indication of the values associated with certain areas (structured credit products, hedge funds, and merchant banking investments). For the sake of completeness, tables have also been included with a breakdown of the securities valued at amortised cost, with a separated indication of the abovementioned areas.

(in millions of euro)

Financial assets: securities classified under loans to customers	Quoted	Unquoted	*of which level 2*	*of which level 3*	2008	2007
Structured credit products	-	2,102	*X*	*X*	2,102	2,198
Other debt securities	-	11,036	*X*	*X*	11,036	4,174
TOTAL	**-**	**13,138**	**-**	**-**	**13,138**	**6,372**

(in millions of euro)

Financial assets: securities classified under loans to banks	Quoted	Unquoted	*of which level 2*	*of which level 3*	2008	2007
Structured credit products	-	15	*X*	*X*	15	21
Other debt securities	-	1,444	*X*	*X*	1,444	908
TOTAL	**-**	**1,459**	**-**	**-**	**1,459**	**929**

(in millions of euro)

Financial assets: securities held for trading	**Quoted**	**Unquoted**	***of which level 2***	***of which level 3***	**2008**	**2007**
Debt securities	**9,160**	**4,346**	**3,668**	**678**	**13,506**	**17,400**
Structured credit products	-	921	246	675	921	2,822
Other securitisations	31	352	349	3	383	1,644
Other debt securities	9,129	3,073	3,073	-	12,202	12,934
Equities	229	47	*47*	-	276	1,407
Quotas of UCITS	**1,514**	**440**	**367**	**73**	**1,954**	**7,173**
Hedge Funds	643	209	*136*	*73*	*852*	792
Other UCITS quotas	871	231	*231*	-	*1,102*	6,381
TOTAL	**10,903**	**4,833**	***4,082***	***751***	**15,736**	**25,980**

(in millions of euro)

Financial assets: securities on which the fair value option has been exercised	**Quoted**	**Unquoted**	***of which level 2***	***of which level 3***	**2008**	**2007**
Debt securities	11,578	524	*524*	-	*12,102*	11,054
Equities	1,688	-	-	-	*1,688*	3,531
Quotas of UCITS	67	5,831	*5,831*	-	*5,898*	5,379
TOTAL	**13,333**	**6,355**	***6,355***	**-**	**19,688**	**19,964**

(in millions of euro)

Financial assets: securities available for sale	**Quoted**	**Unquoted**	***of which level 2***	***of which level 3***	**2008**	**2007**
Debt securities	**19,239**	**2,811**	**2,676**	**135**	**22,050**	**28,388**
Equities	**1,492**	**1,438**	**-**	**1,438**	**2,930**	**4,581**
Merchant banking investments	485	651	-	651	1,136	-
Other investments	1,007	787	-	787	1,794	4,581
Quotas of UCITS	**84**	**439**	**439**	**-**	**523**	**546**
TOTAL	**20,815**	**4,688**	**3,115**	**1,573**	**25,503**	**33,515**

(in millions of euro)

Financial assets: derivatives	**Quoted**	**Unquoted**	***of which level 2***	***of which level 3***	**2008**	**2007**
Financial derivatives	**733**	**37,072**	**37,072**	**-**	**37,805**	**18,533**
Credit derivatives	**-**	**4,497**	**4,279**	**218**	**4,497**	**1,460**
Structured credit products	-	533	315	218	533	614
Other credit derivatives	-	3,964	3,964	-	3,964	846
TOTAL	**733**	**41,569**	***41,351***	***218***	**42,302**	**19,993**

(in millions of euro)

Financial liabilities: short positions on securities designated at fair value	**Quoted**	**Unquoted**	***of which level 2***	***of which level 3***	**2008**	**2007**
Due to banks	1,749	5	*5*	-	1,754	3,217
Due to customers	6	-	-	-	6	34
TOTAL	**1,755**	**5**	***5***	**-**	**1,760**	**3,251**

(in millions of euro)

Financial liabilities: issued securities - Fair value option	**Quoted**	**Unquoted**	***of which level 2***	***of which level 3***	**2008**	**2007**
Structured securities	-	3,878	*3,878*	-	3,878	4,214
Other securities	-	-	-	-	-	-
TOTAL	**-**	**3,878**	***3,878***	**-**	3,878	**4,214**

(in millions of euro)

Financial liabilities: derivatives	**Quoted**	**Unquoted**	***of which level 2***	***of which level 3***	**2008**	**2007**
Financial derivatives	**1,219**	**37,791**	**37,791**	**-**	**39,010**	**20,103**
Credit derivatives	**-**	**5,100**	**4,311**	**789**	**5,100**	**1,254**
Structured credit products	-	1,100	311	789	1,100	402
Other credit derivatives	-	4,000	4,000	-	4,000	852
TOTAL	**1,219**	**42,891**	***42,102***	***789***	**44,110**	**21,357**

STRUCTURED CREDIT PRODUCTS

The business model: objectives, strategies and relevance

Intesa Sanpaolo has not carried out any new structured credit transactions since the first signs of the crisis in the markets. The positions currently held therefore derive from transactions carried out in the first half of this decade that were characterised by their instrumentality for proprietary trading activities. More specifically, in the past the structured credit transactions formed part of a typical carry-trade approach aimed at generating appreciable returns on the investment of excess capital in assets deemed to have good credit quality. This activity was performed within operating limits that guaranteed the consistency of outstanding volumes with the Group's overall risk propensity. Such limits have been progressively tightened so that in particular the component represented by investments in CDOs is insignificant and has been constantly decreasing since 2003. Conversely, the Group never applied the Originate-to-Distribute model with reference to these products. Consequently, also in 2008, the strategies regarding structured credit products focused on the management of existing investments and did not involve a review of a reference business model.

In 2008, the success of the approach, already applied with good results in the second half of 2007, was confirmed. Its guidelines consist of:

– gradual portfolio reduction, through a systematic process of sales and unwinding which exploits the prepayments and instalments of structures in the portfolio;
– risk profile management achieved via "short" positions on derivative markets with reference to the indexes representative of the US real estate market (ABX and CMBX), to the market of US leveraged loans (LCDX) and to certain selected single-names whose performance is considered to be particularly affected by the dynamics of the structured credit market.

It must be noted that a systematic process of sales and unwinding is possible because of the limited volume of the structured credit portfolio on total Group assets and of the high incidence of unfunded structures in the portfolio. This last characteristic does not generate pressures on the liquidity position.

In 2008, specific strategies were also developed to ensure that each individual transaction was accompanied by the most appropriate choices in terms of the treatment of risks and disposal or at least partial hedging. The analysis of seniority rights in case of early reimbursement played a fundamental role in this valuation. In addition, as a result of the amendments introduced by IAS 39, some of these positions were reclassified, in order to apply an accounting treatment consistent with the strategic guidelines set out in this chapter and with the levels of liquidity of the individual instruments indicated by the market.

Highlights

Before describing the results as at 31 December 2008 in detail, please note that the qualitative and quantitative composition of the investments in structured credit products, penalised to various extents by the events that affected financial markets from the second half of 2007, has changed little with respect to the information disclosed as at the end of last year and the last quarter. Compared to 30 September, despite the fact that an increasing amount of these investments (around 20%) were downgraded, the overall high quality of the portfolio was confirmed, as demonstrated by the following indicators:

– around 96% of the exposure was Investment Grade, compared to 98% as at 30 September 2008;
– around 66% of this exposure had a Super senior (31%) or AAA (35%) rating;
– only 4% had a rating equal to or lower than BBB;
– 40% of the exposure had a vintage[5] prior to 2005;
– 30% of the exposure had a 2005 vintage;
– only 10% of exposure referred to the US Residential area, and 29% referred to the US non residential area;
– the remaining exposure (61% of the total) mainly related to the European area[6] (52%).

Considering underlying contract types, approximately one third of the exposure is represented by ABS (16%) and RMBS (18%); the rest is almost entirely made up of CDOs (28%) and CLOs (34%); CMBS represent 4% of the total.

As concerns valuation methods, unfunded positions are measured using the Mark-to-Model Approach with the sole exception of "short" positions on ABX and CMBX indices, which have been measured on the

[5] 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.

[6] With particular reference to RMBS pertaining to the European area, please note that 20% referred to Spain and 12% to the United Kingdom.

basis of effective market quotes. For funded products, the use of valuation methods involved the Comparable Approach in 82% of cases and the Mark-to-Model Approach (18% of cases). For further details on adopted valuation methods see details on the determination of the fair value of financial assets and liabilities provided in the previous pages.
The structured credit products affected by the financial crisis that, up until 30 June 2008 were almost entirely classified under the trading book[7], were partly reclassified following the amendments made to IAS 39 last October. The tables below therefore show the aggregate of the structured credit products, split between the part remaining in the trading book and the part reclassified under loans. The income statement effects reported show the impact on the "Profits (Losses) on trading – Caption 80" of both the aggregates. For the part reclassified, the income statement effect represents the impact on the "Profits (Losses) on trading – Caption 80" up to 1 July 2008, in accordance with the provisions of the amendments to the accounting standards.
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 detailed tables.
In the summary tables provided below, table (a) sets out risk exposure as at 31.12.08 and income statement captions (sum of realised charges and profits, write-downs and write-backs) of the year, compared with the corresponding values recorded as at 31 December 2007.
Table (b) sets out figures related to s.c. structured packages, normally made up of an asset (security) whose credit risk is entirely hedged by a specific credit default swap. Risk exposure in the table refers to the protection seller and not to the issuer of the asset hedged. For a more complete description of exposures of this type see the specific paragraphs (Monoline risk and Non monoline packages) and the relative tables.
The conversion into euro of values expressed in USD as at 31 December 2007 occurred at an exchange rate of 1.4721 euro per dollar and as at 31 December 2008 at an exchange rate of 1.3917 euro per dollar.

[7] The following exceptions were presented in the Half-yearly report as at 30 June 2008:
certain securities classified as available for sale relating to the Romulus vehicle, a position of the Parent Company, moreover originating from the aforementioned vehicle, and a limited number of securities ascribable to Carifirenze; as at 31 December 2008 all these positions, except the one relating to the Parent Company, were classified under the loan portfolio;
a credit line of 63 million euro not included in the summary table, granted to a bank involved in the origination of subprime and Alt-A mortgages. Given that the related drawdown was fully repaid on 1 July 2008, this credit line has no longer been considered for the purposes of this disclosure.
a portion of securities held by Banca Intesa Infrastrutture Innovazione e Sviluppo, not included in the summary table, classified almost fully under Loans & Receivables not implying any particular risks (see para. Monoline risk).

Structured credit products: summary tables

a) Exposure in funded and unfunded ABS/CDOs

(in millions of euro)

Financial assets held for trading	**31.12.2008**		**31.12.2007**	
	Risk exposure (*) (including write-downs and write-backs)	**Income Statement Profits (Losses) on trading**	**Risk exposure** (*) (including write-downs and write-backs)	**Income Statement Profits (Losses) on trading**
US subprime exposure	**23**	**-4**	**-40**	**-163**
Contagion area	**207**	**-166**	**521**	**-142**
- Multisector CDOs	125	-103	375	-57
- Alt-A	-	-	-	-
- TruPS	82	-63	146	-85
- Prime CMOs	-	-	-	-
Other structured credit products	**3,056**	**-327**	**3,333**	**-108**
- Funded European/US ABS/CDOs	430	-53	582	-23
- Unfunded super senior CDOs	3,043	-249	3,173	-87
- Other unfunded positions	-417	-25	-422	2
Total	**3,286**	**-497**	**3,814**	**-413**
in addition to:				
"Short" positions of funds	-	41	-	40
Total Financial assets held for trading	**3,286**	**-456**	**3,814**	**-373**

(in millions of euro)

Loans	**31.12.2008**		**31.12.2007**	
(reclassification following amendments to IAS 39 of 15 October 2008)	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement Profits (Losses) on trading**	**Risk exposure** (**) (including write-downs and write-backs)	**Income Statement Profits (Losses) on trading**
US subprime exposure	**6**	**-**	**-9**	**-**
Contagion area	**138**	**-5**	**166**	**-21**
- Multisector CDOs	12	-	18	-
- Alt-A	78	-2	93	-20
- TruPS	-	-	-	-
- Prime CMOs	48	-3	55	-1
Other structured credit products	**1,973**	**-57**	**2,062**	**-70**
- Funded European/US ABS/CDOs	1,729	-57	1,781	-70
- Unfunded super senior CDOs	-	-	-	-
- Other Romulus-funded securities	244	-	281	-
Total	**2,117**	**-62**	**2,219**	**-91**
in addition to:				
"Short" positions of funds	-	-	-	-
Total Loans	**2,117**	**-62**	**2,219**	**-91**
Total	**5,403**	**-518**	**6,033**	**-464**

(*) 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 reference date. 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, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

b) Exposure in packages

(in millions of euro)

Detailed table	31.12.2008		31.12.2007	
	Credit exposure to protection seller (CDS fair value) post write-down	**Income Statement Profits (Losses) on trading**	**Credit exposure to protection seller** (CDS fair value) post write-down	**Income Statement Profits (Losses) on trading**
Monoline risk	-	-94	61	-25
Non monoline packages	154	-	454	-5
Total	**154**	**-94**	**515**	**-30**

A more detailed explanation of the performances of the various products included within the scope of this disclosure is provided below, however, please note that the increase in the "long" position in the US Subprime is due to the strategy implemented for the positions in ABX indexes. As concerns the income statement, during the period under consideration, the effect of the loss attributable in particular to US Subprime exposures fell drastically compared to the previous quarter, in absolute and relative terms, due to the valuations adopted at the end of 2007 and the effectiveness of the hedges during the year.
More specifically, the negative result of the structured credit products during the period (-612 million euro) was mostly attributable to the following three areas:
- unfunded CDOs (-392 million euro net of hedges) with a significant presence of US RMBS not classified as subprime (see item i. of paragraph "Contagion" area) and TRUPS in collateral (see item iii. of the paragraph "Contagion" area), as well as transactions classified as unfunded super senior CDOs (see items iii. and iv. of the paragraph "Other structured credit products"); the profit and loss for this category (-470 million euro) only partially benefited from the positive contribution from the index hedges and the short positions in funds. The latter, in particular, generated an overall effect of 78 million euro that enabled the reduction of the net negative impact of the unfunded instruments to -392 million euro, with a contribution in the fourth quarter of -285 million euro;
- European and US ABSs (-126 million euro) for which the income statement effects of the securities reclassified in accordance with the amendments made to IAS 39 remained unchanged, whereas there was a deterioration in the funded positions that were not reclassified held in the ABS portfolio of the Parent Company and Banca IMI;
- exposure in packages (-94 million euro), arising from the decision to fully write-down the Group's gross exposure to monoline counterparties.

The impact on the "Profits (Losses) on trading – Caption 80" of the structured credit products reclassified under the Loans category did not change compared to the impact noted as at 30 September 2008. The securities reclassified from the trading book to the loan portfolio had a total nominal value, as at 31 December 2008, of 2,028 million euro, corresponding to a risk exposure of 1,855 million euro, whereas the portion of the portfolio reclassified from financial assets available for sale to the loan portfolio amounted to a nominal value, as at 31 December 2008, of 307 million euro, corresponding to a risk exposure of 262 million euro. The negative result of the structured credit products, without taking into account the effects of the abovementioned reclassifications, would have increased to 911 million euro; the positive effect on the income statement from the reclassification amounted to 299 million euro[8].

US subprime exposure

Please note that a universally agreed-upon definition of subprime mortgages does not exist. In general, this expression indicates mortgaged lending which is riskier since it is granted to borrowers that have previously defaulted or because the debt-to-income or loan-to-value ratio is high.
As at 31 December 2008, 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 said, for US subprime exposure, Intesa Sanpaolo intends the products - cash investments (securities and funded CDOs) and derivative positions (unfunded CDOs) with collateral mainly made up of US

[8] In addition to a benefit of 36 million euro for the Valuation reserve under shareholders' equity as a result of the reclassification of the financial assets available for sale to the loan portfolio.

residential mortgages other than in the "prime" sector (i.e. Home Equity Loans, residential mortgages with B&C ratings and similar) granted in the years 2005/06/07, irrespective of the FICO score[9] and the Loan-to-Value10 (LTV) as well as those with collateral made up of US residential mortgages granted before 2005, with FICO score under 629 and Loan-to-Value exceeding 90% (the weight of this second class of products in the Intesa Sanpaolo Group's portfolio as at 31 December 2008 was again not significant, as had occurred as at 31 December 2007).
The risk on these investments was managed and reduced via short positions on ABX indexes. These positions were actively managed on the basis of the market movements and write-downs of the portfolio investments. The write-down made in this category was partially offset by the profits from the realisation of the short positions taken up initially on ABX indexes.

US subprime exposure

(in millions of euro)

Financial assets held for trading	**Position as at 31.12.2008**		**2008 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 ABS	15	1	-2	-4	-6	*-1*
Funded CDO	27	2	-	-4	-4	*1*
Unfunded super senior CDOs [(1)]	204	19	-	-20	-20	*-2*
Position on ABX indexes	14	1	144	-118	26	*3*
"Long" positions	**260**	**23**	**142**	**-146**	**-4**	***1***
Net position	**"long" 260**	**"long" 23**	**142**	**-146**	**-4**	***1***

(in millions of euro)

Loans	**Position as at 31.12.2008**		**2008 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 ABS	-	-	-	-	-	-
Funded CDO	-	-	-	-	-	-
Romulus-funded ABS/CDOs	9	6	-	-	-	-
"Long" positions	**9**	**6**	**-**	**-**	**-**	**-**
Total	**269**	**29**	**142**	**-146**	**-4**	***1***

(*) 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).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

(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.

The net nominal "long" position of 269 million euro as at 31 December 2008 compares with 49 million euro as at 31 December 2007. The increase was mainly attributable to the close of "short" positions on ABX indexes during the second half of the year. In terms of risk exposure, as at 31 December 2008 there was a gross "long" position of 22 million euro, increasing to 23 million euro taking into account the outstanding remaining "long" positions on ABX indexes, amounting to 1 million euro. Also to be noted is the position originating from the Romulus vehicle and reclassified to the loans category as a result of the amendments to IAS 39 with a nominal value of 9 million euro and a value of 6 million euro in terms of risk exposure. The overall "long" position in US Subprime rose as a whole to 29 million euro as at

9 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.

10 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.

31 December 2008, an increase on the 12 million euro as at 30 September 2008 (-49 million euro as at 31 December 2007). The securities reclassified had a fair value, as at 31 December 2008, of 4 million euro. The positive impact on the Valuation reserve under Shareholders' Equity of the reclassification, therefore, amounted to 2 million euro.
During the year, these positions had an overall negative impact on the income statement of 4 million euro (-5 million euro as at 30 September 2008), an improvement of 1 million euro in the fourth quarter. These figures compare with the 163 million euro loss recorded as at 31 December 2007. With regard to the Funded ABS component, please note that 28% had a AAA rating, 53% a B rating and the remaining 19% a CCC rating. The original LTV equalled 91%, while average delinquency[fn] at 30, 60 and 90 days was respectively equal to 6%, 4% and 9%. The cumulated loss[11] equalled 28%.
Some positions are partly quoted on active markets (ABX indexes), and as such are measured on the basis of prices issued by these markets, and partly not quoted on an active market (funded and unfunded super senior ABSs-CDOs) that are therefore measured using the Comparable Approach or the Mark-to-Model Approach.

"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 (44%), CMBS (5%), HY CBOs (5%), Consumer ABS (1.7%), European ABS (26.4%).
   Over 59% of the US RMBS component had a vintage prior to 2005 and an immaterial exposure to subprime risk (on average 4.3%).
   These were transactions with a AA/A (64%) and B (36%) rating and an average protection (attachment point[12]) of 21%.

[11] Cumulated loss realised on the collateral of the instrument at a certain date.
[12] Level over which a protection seller covers the losses of the protection buyer.

"Contagion" area: Multisector CDOs

(in millions of euro)

Financial assets held for trading	Position as at 31.12.2008		2008 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	343	169	1	-115	-114	*-65*
"Long" positions	**343**	**169**	**1**	**-115**	**-114**	***-65***
CMBX hedges and derivatives	61	44	-3	14	11	*3*
"Short" positions of funds	**-**	**65**	**-**	**41**	**41**	**2**
Net position [(1)]	**"long" 282**	**"long" 125**	**-2**	**-60**	**-62**	**-60**

(in millions of euro)

Loans	Position as at 31.12.2008		2008 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*
Romulus-funded ABS/CDOs	16	12	-	-	-	-
"Long" positions	**16**	**12**	**-**	**-**	**-**	**-**
Total	**298**	**137**	**-2**	**-60**	**-62**	***-60***

(*) 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 reference date. 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, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

(1) The figures relating to the nominal value and exposure to risk do not include the short positions of funds.

Taking into account the write-downs and write-backs, together with the hedges on CMBX indexes and certain positions in single name credit default swaps on associated names taken during the year[13], the net risk exposure as at 31 December 2008 was 137 million euro, a significant reduction compared to both the 210 million euro as at 30 September 2008 and the 393 million euro as at 31 December 2007, due to the heavy write-downs made to the unfunded positions included in this category. The changes in the conditions of the residential market have shifted the risk towards the Commercial Real Estate segment. To address this situation the Group heavily wrote down the positions involved (-115 million euro in 2008, including -65 million euro in the fourth quarter alone) and implemented suitable cover, via CMBX indexes, to minimise the negative impact on the income statement. The exposure in question also included 12 million euro (nominal value of 16 million euro) of securities of the vehicle Romulus that were reclassified to the loans category. As at 31 December 2008 the securities reclassified had a fair value of 9 million euro, with a positive impact of the reclassification on the Valuation reserve under Shareholders' Equity amounting to 3 million euro.
During the year, the overall impact on the income statement ascribable to these positions (including those on CMBX indexes and other derivatives) was -103 million euro, of which -62 million euro in the fourth quarter. Considering, for the sake of completeness, the Group's investment in funds, which had taken "short" positions on the US credit market, and which had a positive impact on the income statement of 41 million euro, the impact on the income statement for the entire year amounted to -62 million euro, of which -60 million euro in the fourth quarter. These figures compare with a loss of 2 million euro as at 30 September 2008 and a loss of 17 million euro as at 31 December 2007. With the exception of the funded positions relating to the vehicle Romulus and the "short" hedging positions, all valued using effective market quotes, this area included unfunded instruments valued using the Mark-to-Model Approach. Of the short positions in funds, 55% were valued on the basis of effective

[13] But not in "short" positions of Funds.

market quotes and 45% on the basis of the comparable approach.

ii. ***Alt-A - Alternative A Loans***: ABS (securities) with underlying US 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.
All the positions in the Group portfolio had a 2005 vintage and ratings of AAA (66%), AA (26%), A (7%) and BB (1%).

"Contagion" area: Alt-A - Alternative A Loans

(in millions of euro)

Financial assets held for trading	**Position as at 31.12.2008**		**2008 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*
Other securities available for sale[(1)]	9	-	-	-	-	-
"Long" positions	**9**	**-**	**-**	**-**	**-**	**-**

(in millions of euro)

Loans	**Position as at 31.12.2008**		**2008 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	45	44	-	-1	-1	-
Alt-A No Agency	42	34	-	-1	-1	-
"Long" positions	**87**	**78**	**-**	**-2**	**-2**	**-**
Total	**96**	**78**	**-**	**-2**	**-2**	**-**

(*) 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 reference date. 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, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

(1) Risk position classified among securities available for sale, attributed to the Parent Company and originating from the Romulus vehicle, transferred at fair value in 2008.

Taking into account the write-downs and write-backs, the risk exposure as at 31 December 2008 was 78 million euro, compared to 80 million euro as at 30 September 2008 and 93 million euro as at 31 December 2007. The bonds included in this category were reclassified to the loans caption. The nominal value of the securities reclassified was 87 million euro and the risk exposure corresponded to 78 million euro. The securities had a fair value of 62 million euro and the positive impact of the reclassification as at 31 December 2008, therefore, amounted to 16 million euro.
During the year the impact on the "Profits (Losses) on trading – Caption 80" attributable to these positions was -2 million euro, unchanged compared to 30 September 2008, as a result of the reclassifications following the amendments to IAS 39. These figures compare with a loss of 20 million euro recorded as at 31 December 2007.
The Alt-A No Agency component presents an original average LTV of 70% and average delinquency at 30, 60 and 90 days equal respectively to 4.4%, 2.7% and 3.5%. Cumulated loss equalled 3.9%.

iii. ***TruPS – Trust Preferred Securities of REITs (Real Estate Investment Trust):*** financial instruments similar to preferred shares issued by US real estate trustees to finance residential or commercial initiatives.
The positions in the Group's portfolio had an A- and BBB+ rating (unfunded CDOs) and a AAA rating (funded CDOs) and an average attachment point of 38%.

"Contagion" area: TruPS – Trust Preferred Securities of REITs

(in millions of euro)

Financial assets held for trading	Position as at 31.12.2008		2008 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	2	-	-1	-1	*1*
Unfunded super senior CDOs	231	80	-	-62	-62	*-17*
"Long" positions	**235**	**82**	**-**	**-63**	**-63**	***-16***

(in millions of euro)

Loans	Position as at 31.12.2008		2008 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	-	-	-	-	-	-
"Long" positions	**-**	**-**	**-**	**-**	**-**	**-**
Total	**235**	**82**	**-**	**-63**	**-63**	***-16***

(*) 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 reference date. 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, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

Taking into account the write-downs and write-backs, the risk exposure as at 31 December 2008 amounted to 82 million euro, compared to 97 million euro recognised as at 30 September 2008 and 146 million euro as at 31 December 2007.

In the year, the overall impact on the income statement ascribable to these positions was -63 million euro, of which -16 million euro in the fourth quarter. These figures compare to a loss of 85 million euro recognised as at 31 December 2007. Since these were mainly unfunded positions, none of the financial instruments included within this category were reclassified.

The significant loss attributable to the instruments in this area mostly derived from the widening in the spreads used for the calculation of marginal probability distributions and from the defaults which in particular affected two positions.

Such products are almost entirely represented by unfunded super senior CDOs measured using the so-called Mark-to-Model Approach.

iv. ***Prime CMOs***: securities issued with guarantee mostly represented by loans assisted by mortgages on US residential buildings.
They have a 2005 vintage and AAA rating.

"Contagion" area: Prime CMOs

(in millions of euro)

Financial assets held for trading	**Position as at 31.12.2008**		**2008 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)	-	-	-	-	-	-
"Long" positions	**-**	**-**	**-**	**-**	**-**	**-**

(in millions of euro)

Loans	**Position as at 31.12.2008**		**2008 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)	53	48	-	-3	-3	-
"Long" positions	**53**	**48**	**-**	**-3**	**-3**	**-**
Total	**53**	**48**	**-**	**-3**	**-3**	**-**

(*) 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 reference date. 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, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

Taking into account the write-downs and write-backs, the risk exposure as at 31 December 2008 was 48 million euro, the same as that recognised as at 30 September 2008. This figure compares to the risk exposure of 55 million euro recognised as at 31 December 2007.
The bonds included in this aggregate possessed the features for reclassification to the loans category. As at 31 December 2008, the fair value of these securities was 35 million euro, with a positive impact from the reclassification of 13 million euro.
During the year, the impact on the "Profits (Losses) on trading – Caption 80" attributable to these positions was -3 million euro, unchanged compared to the amount recognised as at 30 September 2008. This figure compares with the loss of 1 million euro recognised as at 31 December 2007.
The Prime CMOs component presents an original average LTV of 65% and average delinquency at 30, 60 and 90 days equal respectively to 0.6%, 0.4% and 0.6%. Cumulated loss equalled 0.7%.

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 eventual existence of asymmetries between the cash and derivatives market, of the same underlying asset, which it is possible to use without direct exposure to market risks.
Both the security and the connected derivative have been valued with the Mark-to-Model methodologies 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.
During 2008, the Intesa SanPaolo Group reduced its exposure to monoline counterparties deriving from

transactions in structured packages, by closing certain transactions. The overall nominal value of the assets underlying these transactions was in fact reduced from 266 million euro as at 31 December 2007 to 165 million euro as at 31 December 2008. Although the packages, as already mentioned above, do not entail a market risk associated with the nature of the underlying asset, for the sake of completeness please note that the assets making up the package include, for a nominal value of 116 million euro as at 31 December 2008, securities with US RMBS collateral with a significant subprime content[14].
As at 31 December 2008, the credit risk exposure on the aforesaid protection purchases from monoline insurers amounted to 84 million euro, compared to 60 million euro as at 30 September 2008 and 54 million euro as at 31 December 2007. This was fully written down (the write-down amounted to 35 million euro as at 30 September 2008 and 14 million euro as at 31 December 2007), with a negative impact on the income statement for the year of 74 million euro (-51 million euro in the fourth quarter).
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, market risk generated by the underlying asset does not affect the bank which solely bears counterparty risk generated by the "short" position in the protection purchase. The rationale for these transactions lies in the possibility of exploiting certain segmentations in the international market, without incurring in directional risks. The overall exposure to monoline counterparties in this category was also reduced during the year.
As at 31 December 2008, the credit risk exposure on the aforesaid protection purchases from monoline insurers amounted to 27 million euro, compared to 16 million euro as at 30 September 2008 and 32 million euro as at 31 December 2007. This exposure was also fully written down. The write-down amounted to 14 million euro as at 30 September 2008 and 11 million euro as at 31 December 2007. The negative impact on the income statement for the year was 20 million euro (-13 million euro in the fourth quarter).
In conclusion, as at 31 December 2008, the credit risk exposure with monoline insurers due to counterparty risk amounted to 111 million euro, compared to 76 million euro as at 30 September 2008 and 86 million euro as at 31 December 2007. The deterioration of the credit rating of the counterparties led to a full write-down of the positions held with them, compared to a write-down of 25 million euro as at 31 December 2007, with a negative impact on the 2008 income statement of 94 million euro, (-64 million euro in the fourth quarter).
Please note that protection single name CDS amounting to approximately 32 million euro (13 million euro as at 31 December 2007) have also been purchased and that 69% of exposure to monoline insurers referred to MBIA, while the remaining 31% referred to other monoline insurers with ratings from BBB to AAA.

[14] The percentage in US subprime was 37.5%.

Monoline risk

(in millions of euro)

Product	Position as at 31.12.2008				2008 income statement Profits (Losses) on trading	
					Fair value write-down of the hedge from Monoline insurers	
	Nominal value of the underlying asset	**Fair value of the underlying asset** (net of accruals)	**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	**whole year**	*of which 4Q*
Positions in packages:						
Subprime	165	81	84	-	-72	*-50*
Other underlying assets (1)	-	-	-	-	-2	*-1*
Sub-total	**165**	**81**	**84**	**-**	**-74**	***-51***
Positions in other derivatives:						
Other underlying assets	209	182	27	-	-20	*-13*
Total	**374**	**263**	**111**	**-**	**-94**	***-64***

(1) Underlying other than US RMBS, both European and US.

Lastly, for the sake of completeness, please note that there is another form of exposure to monoline insurers, which, however, does not generate particular risk situations. It stems from the investment in securities for which the monoline insurer provides a credit enhancement[15] 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). The securities in question[16], with a nominal value as at 31 December 2008 of 529 million euro (1,273 million euro as at 31 December 2007[17]), consisted of 26% of ABSs with underlying Italian health receivables and the remainder of financings of infrastructures. They were all recorded in the banking book, 96.6% in the Loans & Receivables (L&R) portfolio and the remainder as 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. Please note that, to date, there are no creditworthiness deteriorations in single issuers/borrowers which might suggest the application of particular measures such as prudential provisions. For this purpose, it must be noted that all such issues have an Investment Grade rating and that ABS with underlying Italian health receivables are also all assisted by delegated regional payment.

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). Underlying assets are mostly made up of CLOs and ABS CDOs with a limited portion of US Subprime (equal to approximately 16%). Please note that the aggregate was significantly reduced during 2008 as a result, among other things, of the exercise by Intesa SanPaolo of an early termination option for a structure with a nominal value of around 700 million euro.

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

[16] Wholly held by Banca Infrastrutture Innovazione e Sviluppo.

[17] The considerable decrease is attributable to the entire reimbursement of two securitisations of health receivables from regions during the year.

Non monoline packages

(in millions of euro)

Product	Position as at 31.12.2008				Income statement as at 31.12.2008 Profits (Losses) on trading	
	Nominal value of the underlying asset	Fair value of the underlying asset (net of accruals)	Credit risk exposure to protection sellers (fair value of the CDS) pre write-down	Credit risk exposure to protection sellers (fair value of the CDS) post write-down	Fair value write-down of the hedge	
					whole year	*of which 4Q*
Positions in packages:						
Subprime	558	398	160	154	-	*12*
Total	**558**	**398**	**160**	**154**	**-**	***12***

These positions, as at 31 December 2008, amounted to 558 million euro in terms of nominal value, compared to 1,547 million euro as at 30 September 2008 and 2,487 million euro as at 31 December 2007. As at the same date, the credit risk exposure to counterparties of the transactions included in the aggregate amounted to 160 million euro (257 million euro as at 30 September 2008 and 459 million euro as at 31 December 2007) and were written down by 6 million euro (18 million euro as at 30 September 2008 and 5 million euro as at 31 December 2007) in application of systematic adjustments made on the entire universe of derivatives to incorporate the credit risk adjustment in fair value which, in this particular case, reflects a minimum[18] counterparty risk (so-called credit risk adjustment). The negative impact on the income statement for the year was nil, with a positive contribution of 12 million euro in the fourth quarter (compared to a loss of 12 million euro recognised as at 30 September 2008 and of 5 million euro recognised as at 31 December 2007). The improvement at the end of the year was mainly linked to the revision of the collateralisation agreements with one of the counterparties of one of these transactions that enabled the mitigation of the counterparty risk.
These positions are valued using the mark-to-model approach.

[18] Also due to the presence of many transactions which have a specific collateral agreement.

Other structured credit products

As mentioned in the introduction, the effects of the crisis that hit the US financial markets progressively spread first to products with collateral represented by non subprime US residential mortgages and then to the entire sector of structured credit products, including instruments with underlying assets not originated in the US.

Details are provided below of the different types of products relating to this last category that during the year 2008 had a negative impact on the income statement of 384 million euro, with a contribution of -249 million euro in the fourth quarter. The year-end figures compare with a loss of 135 million euro recognised as at 30 September 2008 and the loss of 178 million euro as at 31 December 2007. This aggregate includes both financial instruments classified in the trading book and financial instruments reclassified to the loan portfolio following the amendments to the IAS 39.

i. *ABSs/funded CDOs:* The European ABS/CDO portfolio consists of 16% of ABSs of receivables (Credit Card, Leasing, Personal Loans, etc.), 39% RMBSs (of which around half, 51%, are Italian), 10% CMBSs, 14% CDOs and 21% CLOs (mainly of small and medium enterprises). It is a portfolio characterised by high credit quality (AAA 76%, AA/A 22%, BBB/BB 2%). The collateral of the CMBS portfolio is mostly made up of Offices (44%), Retail/Shopping Centres (27%), Mixed Use (10%), Nursing Homes (8%), Residential (6%), Industrial (4%). The measurement of the European ABS/CDO portfolio is based on the comparable approach in 86% of cases, and on Mark-to-Model for the remaining 14%. As for the US ABS/CDO portfolio, on the other hand, these are securities with US underlying, with collateral represented by Credit Cards (47%), CMBSs (41%) and High Yield CLOs (12%). It is made up of 20% of AAA positions, 67% AA/A and 13% BBB/BB. The collateral of the CMBS portfolio is entirely made up of Small Commercial Loans, with a AA rating. The valuation of the US ABS/CDO portfolio is based on the comparable approach in 88% of cases, and on Mark-to-Model for the remaining 12%.
   - European ABSs/CDOs classified in the trading book.
     The portfolio as at 31 December 2008 amounted to 477 million euro[19] of nominal value (416 million euro as at 30 September 2008 and 517 million euro as at 31 December 2007) corresponding to a risk exposure of 424 million euro (391 million euro as at 30 September 2008 and 510 million euro as at 31 December 2007). As at 31 December 2008 the negative impact on this portfolio was 35 million euro (-3 million euro as at 30 September 2008 and -4 million euro as at 31 December 2007) with a negative contribution in the fourth quarter of 32 million euro, mainly attributable to the banking subsidiary Banca IMI.
   - European ABSs/CDOs classified under loans.
     During the year, these securities, with a nominal value of 1,840 million euro[20] (1,821 million euro as at 30 September 2008 and 1,781 million euro as at 31 December 2007), were reclassified to the loans caption following the amendments to IAS 39. As at 31 December 2008 the risk exposure for this category amounted to 1,686 million euro compared to 1,700 million euro as at 30 September 2008 and 1,713 million euro as at 31 December 2007. The securities included in the reclassified portfolio had a fair value, as at 31 December 2008, of 1,420 million euro. The positive impact of the reclassification was 266 million euro as at the year-end.
     During the year, the overall impact on the income statement of this aggregate amounted to -57 million euro[21], unchanged with respect to 30 September 2008 as a result of the reclassification. This figure compares with the loss of 70 million euro recognised as at 31 December 2007.
   - US ABSs/CDOs classified in the trading book.
     The portfolio as at 31 December 2008 amounted to 18 million euro of nominal value (20 million euro as at 30 September 2008 and 75 million euro as at 31 December 2007) and 6 million euro of risk exposure (14 million euro as at 30 September 2008 and 72 million euro as at 31 December 2007). The overall impact on the income statement, as at 31 December 2008, was -18 million euro (-10 million euro as at 30 September 2008 and -15 million euro as at 31 December 2007), with a contribution of -8 million euro in the fourth quarter. This aggregate fell considerably during the year as a result of realisations that generated losses totalling 7 million euro.
   - US ABSs/CDOs classified under loans.

[19] Of which 399 million euro pertaining to Banca IMI and 1 million euro pertaining to Carifirenze (classified under securities available for sale)

[20] Of which 308 million euro relating to Banca IMI, 8 million euro to Carifirenze (benefit from the reclassification to the Valuation reserve under Shareholders' Equity of 6 million euro) and 64 million euro attributable to Banca Fideuram (benefit from the reclassification to the Valuation reserve under Shareholders' Equity of 1 million euro).

[21] Of which -6 million euro ascribable to Banca IMI.

The features of the securities included in this portfolio permitted their reclassification to the loans caption. This involved securities with a nominal value of 48 million euro (71 million euro as at 30 September 2008 and 73 million euro as at 31 December 2007) corresponding to a risk exposure of 43 million euro (66 million euro as at 30 September 2008 and 68 million euro as at 31 December 2007). Their fair value as at 31 December 2008 was 39 million euro. The income statement received a benefit from the reclassification of 4 million euro as at 31 December 2008. During the fourth quarter there were redemptions of the securities belonging to this category. These securities did not generate any impact on the "Profits (Losses) on trading – Caption 80".

ii. Funded ABS/CDOs ascribable to the Romulus vehicle

These are securities that were classified, until 30 June 2008, as available for sale and were reclassified to loans following the amendments to IAS 39. The underlying is mainly US: Credit Card, Leveraged Loan, Student Loan and Corporate Risk. As at 31 December 2008, these amounted to 282 million euro of nominal value (278 million euro as at 30 September 2008 and 279 million euro as at 31 December 2007) and were written down overall by 38 million euro (16 million euro as at the end of last year). The write-down was recorded as an offsetting entry to the specific Shareholders' Equity Reserve up to the time of the reclassification. The securities included in this aggregate had a fair value of 220 million euro as at 31 December 2008 and the positive impact on Shareholders' Equity solely associated with the change in fair value amounted to 25 million euro. The portfolio consists of 55% of exposures with a AAA rating and 45% with a AA/A rating.

The securities are valued on the basis of the comparable approach in 58% of cases, and on Mark-to-Model for the remaining 42%.

iii. Unfunded super senior Multisector CDOs

This component, 790 million euro of nominal value as at 31 December 2008 (772 million euro as at 30 September 2008 and 760 million euro as at 31 December 2007), comprised super senior positions with High Grade well diversified collateral, or characterised by high credit quality RMBSs and therefore not included, as such, in the "contagion" area. The collateral is mostly invested in CMBSs and corporate loans representing 74%; the average collateral represented by US RMBSs totalled only 25%, whereas the subprime component was 2.7%. These structures had an average attachment point of 16.1%, and all had a AA rating, whilst 81% of the vintage was prior to 2005. During the year, the related impact on the income statement amounted to -65 million euro (+2 million euro from realised net income and -67 million euro from valuations), with a contribution of -51 million euro in the fourth quarter, compared to a loss of 14 million euro recognised as at 30 September 2008 and 16 million euro recognised as at 31 December 2007.

The deterioration seen in this category was mainly due to the downgrade and the defaults of the assets present in the collateral of a particular position.

Such positions are valued on a Mark-to-Model basis.

iv. Unfunded super senior Corporate Risk CDOs

Super senior in this residual category were mostly characterised by collateral subject to corporate risk and amounted to 2,596 million euro of nominal value as at 31 December 2008 (2,556 million euro as at 30 September 2008 and 2,488 million euro as at 31 December 2007). More in detail, the US collateral component was 35.1% (mainly represented by CLOs, 74%), the European component was 34.9% (of which 44% referred to Italian consumer credit and 38.6% to CLOs) and the emerging markets' component was 29.9% (bonds and project finance). These structures had an average attachment point of 31%. During the year, the related impact on the income statement amounted to -184 million euro (+3 million euro from realised income and -187 million euro from valuations), with a contribution of -152 million euro in the fourth quarter. The loss for the year 2008 compares with the negative figure recorded as at 30 September 2008 of 32 million euro and the loss of 71 million euro recorded as at 31 December 2007.

The deterioration was due marginally to the widening in the spreads and mainly to the forecast for the performance of the US and European leveraged loan market.

Such positions are valued on a Mark-to-Model basis.

v. Other unfunded positions

These comprise net "short" positions almost entirely on mezzanine tranches of unfunded CDOs with mainly European underlying, for a total of 396 million euro of nominal value as at 31 December 2008 (383 million euro as at 30 September 2008 and 396 million euro as at 31 December 2007). During

the year, the related impact on the income statement amounted to -25 million euro (-2 million euro from realised net charges and -23 million euro from valuations, attributable to the general deterioration of the "long" positions included in this group), with a contribution of 6 million euro in the fourth quarter. This figure compares to a loss of 19 million euro recorded as at 30 September 2008 and to a profit of 2 million euro recorded as at 31 December 2007.
Such positions are valued on a Mark-to-Model basis.

Other structured credit products

(in millions of euro)

Financial assets held for trading	**Position as at 31.12.2008**		**Income statement as at 31.12.2008 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 European ABS/CDOs	477	424	3	-38	-35	*-32*
Funded US ABS/CDOs	18	6	-7	-11	-18	*-8*
Unfunded super senior multisector CDOs	790	707	2	-67	-65	*-51*
Unfunded super senior corporate risk CDOs	2,596	2,336	3	-187	-184	*-152*
Other unfunded "short" positions	-396	-417	-2	-23	-25	*-6*
"Long" positions	**3,485**	**3,056**	**-1**	**-326**	**-327**	**-249**

(in millions of euro)

Loans	**Position as at 31.12.2008**		**Income statement as at 31.12.2008 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 European ABS/CDOs	1,840	1,686	-	-57	-57	-
Funded US ABS/CDOs	48	43	-	-	-	-
Funded Romulus vehicle ABS/CDOs	282	244	-	-	-	-
"Long" positions	**2,170**	**1,973**	**-**	**-57**	**-57**	**-**
Total	**5,655**	**5,029**	**-1**	**-383**	**-384**	**-249**

(*) 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 reference date. 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, vice versa, they indicate the maximum potential gain (in the same scenario in terms of default and recovery levels).

(**) For assets reclassified to loans, exposure to risk is provided by the carrying value of the security, equal to fair value at the reclassification date, plus accrued interest calculated at the actual interest rate net of net value adjustments to the portfolio.

Outlook for the whole year

The financial situation with particular reference to activities connected with structured credit products is also set to remain difficult in 2009 in view of the trends in the European and US economies and the continuing difficulties in the US residential mortgage sector. On other side, the aggressive monetary and fiscal policies put into action at global level are not expected to have significant effects on growth and financial stabilisation until the beginning of 2010.

Against this background it seems unlikely that Intesa Sanpaolo Group will be able to count on a recovery in the value of the structured credit products still held in the books.

At the same time, it is not expected that there will be material impacts on the income statement. This expectation is supported by the following considerations:

- the already-high levels of write-downs to structures connected to US residential mortgages;
- the exposure in CMBS is limited, concentrated on higher creditworthiness classes and is currently valued on a stringent basis; moreover, hedging strategies, based on the use of derivatives on representative market indices have been devised for exposures in US CMBS;
- structured credit with collateral represented by US corporate loans are almost all of the highest credit quality (super senior), and they were also written-down at the end of 2008 in line with the spreads quoted by the market;

– the good credit quality of the European ABS portfolio and, within it, the marginal exposure to mortgages disbursed in countries which in the last few years experienced the highest price rises accompanied by a somewhat less rigorous control in disbursement quality (Spain, UK and Ireland). Furthermore, these positions have largely been classified to the banking book and therefore effects will only be generated in the income statement in the event of actual impairment of credit quality and there will be no impact from further negative movements in the market due to illiquidity or contagion.

In terms of quantitative scenario analysis, as already described in the paragraph dedicated to management of market risks originated from the trading book, the negative impact, solely for the component still classified as trading, on the fair value of the structured credit book deriving from a 25 basis points widening in credit spreads[22] is estimated at 12 million euro.

[22] This impact would have been 27 million euro if the Structured Credit Products had not been reclassified to the loan portfolio.

INFORMATION ON ACTIVITIES PERFORMED THROUGH SPECIAL PURPOSE ENTITIES (SPEs)

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;
- 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 normally 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 scope of consolidation 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 scope of consolidation *ex* IAS 27, are: Intesa Funding LLC, San Paolo IMI US Financial CO., IntesaBCI Preferred Capital Company LLC III and SanPaolo IMI Capital Company LLC 1. All these SPEs are based in the USA.
Compared to 31 December 2007 please note the extinguishment of liabilities of the vehicles Intesa Bank Overseas and Intesa Preferred Capital Company LLC., companies for which the closure process has commenced. The funding SPEs, BCI US Funding LLC I, BCI US Funding LLC II and BCI US Funding LLC III were also liquidated in 2008.
The table below shows the required figures and information as at 31 December 2008.

(in millions of euro)

FUNDING SPEs		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA FUNDING LLC	Funding	6,966	-	-	-	(1)	6,982	6,966			
SANPAOLO IMI US FINANCIAL CO	Funding	5,667	-	-	-	(1)	5,676	5,667			
INTESABCI PREFERRED CAPITAL COMPANY LLC III	Funding	517	-	-	-	(1)	500	517			
SANPAOLO IMI CAPITAL COMPANY LLC1	Funding	1,060	-	-	-	(1)	1,000	1,000			

(1) Subordinated guarantee given by Intesa Sanpaolo.

The total assets of these vehicles are almost entirely made up of loans to the Parent Company Intesa Sanpaolo.
Total funding of SPEs above had a 3.3% incidence on total direct customer deposits in consolidated financial statements.

SPEs for insurance products

These are 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 pursuant to IAS27 / SIC 12.
In the Group there are 64 entities of this type with total assets of approximately 10 billion euro (of which 9 billion euro relative to funds which report to Fideuram Gestions).
The assets of the Fideuram Gestions funds consist of bonds and equities. The assets of the other funds in which Eurizon Vita/Eurizon Life hold the majority of the quotas in circulation are invested in bonds and liquidity for around 70% (except for the SPLux Sicav 2 Equity 100 fund, which has invested around 70% of the portfolio in equity funds and shares) and, for the remainder, in corporate bonds (around 12%) and equity and bond mutual funds (around 9%).
In any case, these funds do not hold securities with underlying subprime mortgages or any other structured credit products affected by the financial crisis.
The total assets of these SPEs represented around 2% of the Group's total consolidated assets.

Securitisation SPEs

These are funding SPEs which permit an entity to raise resources with the securitisation of part of its assets. In particular, this involves 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 scope of consolidation as at 31 December 2008 pursuant to 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 Lease Sec S.r.l., Split 2 S.r.l.; also, please note that the companies ISP CB Ipotecario S.r.l., ISP CB Pubblico S.r.l. and ISP Sec 4 S.r.l. were not operational as at 31 December 2008. During the year 2008, the SPEs Adriano Finance S.r.l. – Series 1 and 2 – and Adriano Finance 2 S.r.l. were added to those already reported as at 31 December 2007. Please also note that the securitisation of Adriano Finance 3 S.r.l. is currently being set up.
The company Sec NPL 2 S.r.l., now Calit S.r.l., following the resolution of the Shareholders' Meeting of 7 May 2008, modified its corporate purpose, which is now financial and operating leasing of equipment and real estate assets. During the fourth quarter the company Calit S.r.l. was sold and, consequently, left the scope of consolidation.
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.
The securities held have been measured at fair value, as in previous years, except for the securities issued by the vehicles Adriano Finance S.r.l. and Adriano Finance 2 S.r.l. that are classified under the loan portfolio and have therefore been valued at amortised cost.
The table below shows the required figures and information as at 31 December 2008.

(in millions of euro)

SECURITISATION SPEs	Type of asset	Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA SEC SPA (1)	performing mortgages	30	-	-	-	Guarantee agreement (11)	13	25	8	AFS	Fair value
INTESA SEC 2 SRL (2)	residential mortgages	569	1	-	-	-	-	504	51	HFT - Loans	Fair value/ amortised cost
INTESA SEC 3 SRL (3)	residential mortgages	2,672	-	-	-	-	-	2,551	192	HFT - Loans	Fair value/ amortised cost
INTESA SEC NPL SPA (4)	non-performing loans	122	-	-	-	-	-	159	70	AFS	Fair value
INTESA LEASE SEC SRL (5)	leasing contracts	296	4	-	-	-	-	275	25	HFT	Fair value
SPLIT 2 SRL	performing leasing contracts	730	-	-	-	-	-	705	43	Loans - HFT - HTM	Fair value/ amortised cost
ISP CB IPOTECARIO SRL (6)	mortgaged loans	(10)									
ISP CB PUBBLICO SRL (6)	public entities financing	(10)									
ISP SEC 4 SRL	performing residential mortgages	(10)									
ADRIANO FINANCE SRL - Series 1 (7)	performing residential mortgages	8,622	-	-	-	-	-	7,998	7,998	Loans	Amortised cost
ADRIANO FINANCE SRL - Series 2 (8)	performing residential mortgages	5,837	-	-	-	-	-	5,679	5,679	Loans	Amortised cost
ADRIANO FINANCE 2 SRL(9)	performing residential mortgages	13,291	-	-	-	-	-	13,050	13,050	Loans	Amortised cost
CR Firenze Mutui S.r.l.	performing residential mortgages	210	-	-	-	-	-	198	9	Loans	Amortised cost
AUGUSTO SRL (12)	land financing (100%)	38	10			-		46	16	AFS	Fair value
COLOMBO SRL	public works financing	104	7			-		104	-		
DIOCLEZIANO SRL	Land loans (82%) Public works (12%) Indus. (6%)	134	28			-		147	41	AFS	Fair value

(1) ISP made the commitment to support the vehicle, through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The indemnity does not cover security-related costs and securitisation operating costs. A swap contract exists as an interest rate risk hedge.

(2) ISP made the commitment to support the vehicle, through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The indemnity does not cover security-related costs and securitisation operating costs. ISP also granted a subordinated loan of 19 million euro used by the vehicle to set up the cash reserve for credit enhancement of the operation as required by the rating agencies. A swap contract exists as an interest rate risk hedge.

(3) ISP granted limited recourse subordinated financing of 23 million euro used by Intesa SEC3 to set up the cash reserve for credit enhancement of the operation as required by the rating agencies. A swap contract signed with ISP exists as an interest rate risk hedge.

(4) ISP granted a guarantee and indemnity contract of 0.5 million euro, in case of declarations or guarantees which lead to a reduction in loan value. The bank is also committed to supporting the vehicle, through limited recourse subordinated financing, in relation to any higher charge or liability of a fiscal, legal, regulatory or supervisory nature. The indemnity does not cover security-related costs and securitisation operating costs. Subordinated financing was granted for approximately 2 million euro. Cumulated losses will be absorbed by tranche E (equity) held by ISP, the value of which was adjusted in the current and previous years. An Interest Rate Cap and Interest Rate Floor also exist as interest rate risk hedges.

(5) The company has an existing swap contract as interest rate risk hedge..

(6) These vehicles were set up pursuant to art. 7-bis of Italian Law 130/99. Therefore they are not issuers of securities, instead issuing guarantees to holders of bonds (Guaranteed Bank Bonds) issued by third parties.

(7) ISP granted limited recourse subordinated financing of 51 million euro, used by the vehicle to set up the cash reserve required by the Rating Agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (440 million euro), fully subscribed by ISP. A swap contract exists as an interest rate risk hedge.

(8) ISP granted limited recourse subordinated financing of 50 million euro, used by the vehicle to set up the cash reserve required by the Rating Agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (398 million euro), fully subscribed by ISP. A swap contract exists as an interest rate risk hedge.

(9) ISP granted limited recourse subordinated financing of 150 million euro, used by the vehicle to set up the cash reserve required by the Rating Agencies in support of vehicle liquidity. Credit enhancement is instead made up of Class B securities (876 million euro), fully subscribed by ISP. A swap contract exists as an interest rate risk hedge.

(10) Established companies not yet operative as at 31 December 2008.

(11) Stand-by letter of credit/surety given by ISP to Calyon Milano as guarantee of a liquidity line granted in favour of the vehicle by Calyon Milano.

(12) The company issued two series of bonds with different portfolios as underlying assets. The figures indicated represent the sum of the issues.

For the securitisations prior to 1 January 2004 (Intesa Sec, Intesa Sec 2, Intesa Sec Npl and Intesa Lease Sec.), the Group availed itself of the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1 and, thus, assets or liabilities sold and derecognised, based on previous accounting principles and deriving from securitisations, have not been recorded in the financial statements. For transactions stipulated after that date provisions of IAS 39 on derecognition of financial assets and liabilities are applied.

The securitised assets of the vehicles in this category consist of performing mortgages for Intesa Sec Spa, of performing residential mortgages for Intesa Sec 2, Intesa Sec 3, Adriano Finance and Adriano Finance 2, of doubtful mortgages for Intesa Sec NPL, of performing leasing contracts for Intesa Lease Sec and Split 2, and of uses of liquidity. Total assets of Augusto, Colombo and Diocleziano are instead almost entirely made up by long-term mortgages.

The total assets of the consolidated SPEs not derecognised (Intesa SEC3 Srl., Split 2 Srl., Adriano Finance, Adriano Finance 2) represented around 5% of the Group's total consolidated assets.

For the sake of completeness, please note the presence of C.R. Firenze Mutui S.r.l., a securitisation vehicle with own underlying assets (performing mortgages) belonging to the Carifirenze Group, acquired in the first half of 2008. This vehicle, consolidated at equity, had total securitised assets of 188 million euro.

Furthermore, Intesa Sanpaolo controls pursuant to the aforesaid SIC 12:

i. Romulus Funding Corporation, a company based in the USA that 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;
ii. 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 through Funding contracts with Romulus.

Intesa Sanpaolo, for the guarantee given to Romulus, set up in the Annual report 2007 an allowance for risks and charges of 8 million euro. In the first half of 2008, an AFS security of the vehicle was transferred to the Parent Company, which impaired it for approximately 7.5 million euro; an amount equal to the allowance for risks and charges set up at the end of 2007 was reversed to the income statement.

The table below sets out the information requested by Consob, with reference to 31 December 2008.

(in millions of euro)

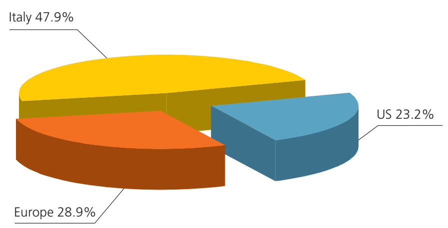
ROMULUS AND DUOMO		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
ROMULUS FUNDING CORP.	Asset back commercial paper conduit	1,628 (1)		576	447	Letter of credit	70	1,670	895	Loans	Amortised cost
DUOMO FUNDING CORP.	purchase of assets and Romolus financing	1,090		1,188	1,184		-	-	-		

(1) of which 1,090 million euro for loans disbursed to Duomo, for transactions reported in the latter's financial statements.

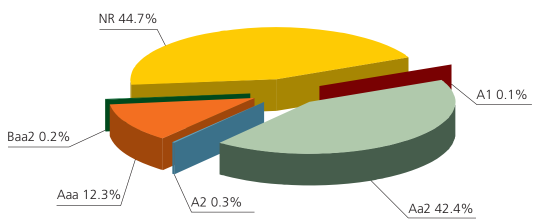
The total assets of the vehicle Romulus include loans to Duomo of 1,090 million euro. The vehicle's securities portfolio, which as at 30 June 2008 consisted of securities available for sale and securities classified under the loans category, was reclassified, for the securities available for sale portion, in accordance with the amendments introduced by IAS 39. As at 31 December 2008 these securities were reclassified to the loan securities category for a value of 534 million euro, valued at amortised cost. The fair value of the securities as at the same date was 505 million euro. The accumulated write-down of the securities at the time of the reclassification was 45 million euro (19 million euro as at 31 December 2007) and was allocated to a specific Shareholders' Equity Reserve. The vehicle's assets also include liquidity and other assets for 4 million euro.
Duomo's total assets are made up of loans to Intesa Sanpaolo for 529 million euro, as collateral for an intragroup protection sale on the risk of a primary insurance company, of loans to the subsidiary Intesa Sanpaolo Bank Ireland for 150 million euro, of debt securities classified under the loan portfolio for 381 million euro (fair value of the same amount as at 31 December), of loans to customers for 29 million euro and of liquidity and other assets for one million euro.
The total assets of the above SPEs represented 0.4% of the Group's total consolidated assets.

The following additional information is provided concerning the portfolios of assets held by the two vehicles:

Breakdown by geographical area



Breakdown of assets by rating



Please note that the eligible assets in the portfolios of the Romulus and Duomo vehicles, even though in part (approximately 45%) not supported by an external rating, were in any case of sufficient quality to allow the commercial paper issued by Romulus to maintain the A-1+/P-1 ratings. More specifically, the percentage of assets with a Aaa and Aa rating increased from around 46% in June 2008 to around 55% at the end of December 2008. Even though the rating of some of the securities was downgraded, the average quality of the portfolio was maintained through the acquisition of assets with high credit quality.
Of the securities classified in the loan portfolios of these vehicles, 46% had a 2002 vintage, 8% a 2003 vintage and the remaining 46% a 2007 vintage.
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 2008.

(in millions of euro)

SPQR 2		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
SPQR II SRL (CBO 1)	Performing Loans & Rece	2,014	-	50	-	-	-	1,917	1,917	Loans [1]	Amortised cost
SPQR II SRL (CBO 2)	Performing Loans & Rece	1,362	-	100	-	-	-	1,330	1,330	Loans [1]	Amortised cost

[1] BIIS has reclassified these securities, originally classified as AFS, to the loans portfolio pursuant to paragraph 50E of the revised IAS 39. This reclassification was recorded in the Interim Statement as at 30 September 2008.

The assets of the vehicles are almost entirely made up of a portfolio of debentures issued by Italian public entities, with a nominal value of around 3 billion euro, sold to the vehicles by Banca OPI (now Banca Intesa Infrastrutture, Innovazione e Sviluppo). The vehicles, in turn, issued senior and junior bonds; both types of securities were repurchased by BIIS, which designated the senior classes as collateral to its funding with the European Central Bank, via transactions conducted through the Parent Company Intesa Sanpaolo.
The incidence of total assets of securitisation SPEs with respect to the Group's total consolidated assets was approximately 0.5%.
Lastly, Intesa Sanpaolo acquired protection on its credit exposures from the vehicles:

- "Da Vinci", synthetic securitisation aimed at covering and actively managing its risk exposure in the aircraft and aeronautic sector;
- Vespucci, a synthetic securitisation on an asset backed-securities portfolio and collateralised debt obligations (CDOs) aimed at managing trading activity in structured credit products.

As at 31 December 2008 the Intesa SanPaolo Group's exposure to the vehicle Da Vinci amounted to 26 million euro (of which 8 million euro relating to debt securities and 19 million euro to guarantees issued). The exposure to the vehicle Vespucci, entirely represented by debt securities classified under the trading book, amounted to 72 million euro in nominal value, corresponding to a risk exposure of 68 million euro. These securities form part of the structured credit products affected by the financial crisis.

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 repurchase agreement 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 to 31 December 2008, which did not present changes compared to the situation at the end of 2007.

(in millions of euro)

FINANCIAL ENGINEERING		Vehicle data		Liquidity lines		Guarantees given		Securities issued	of which: held by the Group		
		Total assets	Cumulated losses	loan facilities	use	nature	amount	amount	amount	IAS classification	Valuation
INTESA INVESTIMENTI SPA	Financial Engineering	1,071	-	-	-	-	-	-	-		

The assets of the vehicle are almost entirely made up of term deposits with the Parent Company Intesa Sanpaolo.

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 entities of this type, 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 110 million euro as at 31 December 2008).

Leveraged & Acquisition Finance SPEs
For the description of the transactions which involve these vehicles see the specific section dedicated to Leveraged Finance transactions.

Credit Derivative 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.

From the above, it is clear that the use of Special Purpose Entities is part of the ordinary operations of the Intesa Sanpaolo Group, for both funding and lending activities.
Such activities, performed both via consolidated SPEs, and with unconsolidated SPEs are qualitatively and quantitatively significant.
However, it must be underlined that this does not lead to risks which are appreciably higher than activities performed without the use of SPEs.

DISCLOSURE ON INVESTMENTS IN HEDGE FUNDS

The Bank has long operated in the Hedge Fund market for proprietary trading purposes, through a specific specialist desk. The average size of the portfolio has risen from 398 million euro in 2002 to 888 million euro in 2008.

Until 31 December 2007, the portfolio's annual performance had always been positive, particularly significant in some cases. As at 31 December 2008, however, the contribution to the Profits (Losses) on trading attributable to these investments was negative at 145 million euro (compared to the 100 million euro of net income recorded as at 31 December 2007), with a negative contribution of 74 million euro in the final quarter of 2008.

The 145 million euro loss recognised as at 31 December 2008 within the Profits (Losses) on trading included:

- 16 million euro of net realised losses during the year relating to the trading of funds;
- 122 million euro of net write-downs of the outstanding positions as at the end of December;
- 7 million euro mainly from foreign exchange losses.

With regard to the net capital losses on the year-end positions (-122 million euro), these were spread across 47 positions, with a book value of 852 million euro, of which 38 with losses (of -205 million euro) and 9 with gains (of 83 million euro). The positions with gains are partly represented by funds that have seen their value increase following the negative performance of the US credit market. The related performance (corresponding to 41 million euro) has also been included in the disclosure relating to structured credit products.

The main reason underlying the negative results relates to the events that took place from last September, which were capable of generating waves of redemptions in the asset management industry also as a result of the deleveraging of their balance sheets by the financial and banking institutions.

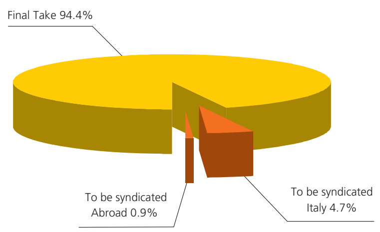
The extent of these phenomena rendered the strategies for the diversification of the portfolio completely ineffective, especially in the months of September and October, together with the tactical movements made previously that, in theory, should have countered the explosion of systemic risk.

In 2009, the intention is to focus the portfolio more on strategies linked to credit, which are considered to have high potential returns, as these are assets at extremely distressed prices, whereas the timescale for the investments will tend to be extended up to 3-5 years.

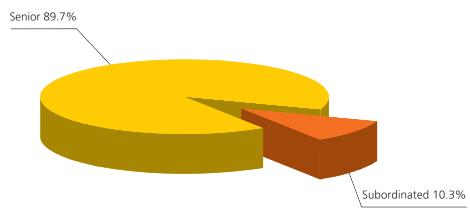
LEVERAGED FINANCE TRANSACTIONS

Since there is no univocal and universally agreed-upon definition of leveraged finance transactions, Intesa Sanpaolo decided to include in this category the exposures (loans granted and disbursed in relation to structured financing, normally medium/long term) to legal entities in which the majority of share capital is held by private equity funds.
These positions are mostly aimed at supporting Leveraged Buy Out projects (therefore with high leverage), connected with the acquisition of companies or business lines also through special purpose entities (SPEs), 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 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.
As at 31 December 2008, around 100 transactions, for a total amount granted of 4,790 million euro, met the above definition.
Such exposures are mostly classified in the loan portfolio. These also include the portions of syndicated loans underwritten or under syndication destined from the outset to be sold. In line with information requests, breakdown of exposures by geographic area, economic sector and by level of subordination is set out below.

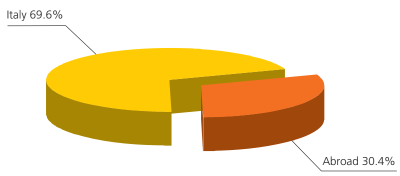
Breakdown by type of risk



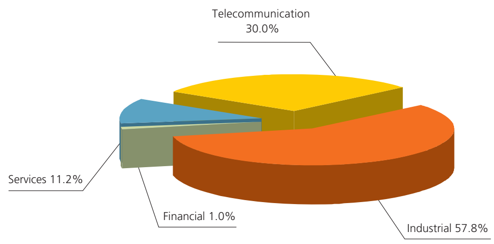
Breakdown by subordination level



Breakdown by geographical area



Breakdown by economic sector



INFORMATION ON TRADING TRANSACTIONS IN DERIVATIVES WITH CUSTOMERS

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 of 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 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 Banca Infrastrutture Innovazione e Sviluppo, sign derivative contracts to manage their liquidity and modify/hedge their debt positions.

The centres of responsibility which sign contracts with customers (essentially, Intesa Sanpaolo, network banks, as well as Banca Infrastrutture Innovazione e Sviluppo) 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 2008, 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, considering netting agreements, of 2,524 million euro (1,364 million euro as at 31 December 2007). The notional value of such derivatives totalled 47,076 million euro (40,131 million euro as at 31 December 2007). Of these, notional value of plain vanilla contracts was 32,590 million euro (25,715 million euro as at 31 December 2007), and of structured contracts was 14,486 million euro (14,416 million euro as at 31 December 2007).
Please note that the fair value of structured contracts outstanding with the 10 customers with the highest exposures was 221 million euro (213 million euro as at 31 December 2007). The same indicator, referred to the total contracts with a positive fair value, was 688 million euro.
Conversely, negative fair value determined with the same criteria, for the same types of contracts, with the same counterparties, totalled 443 million euro at 31 December 2008 (883 million at 31 December 2007). The notional value of such derivatives totalled 11,759 million euro (30,057 million euro as at 31 December 2007). Of these, notional value of plain vanilla contracts was 10,365 million euro (25,123 million euro as at 31 December 2007), and of structured contracts was 1,394 million euro (4,934 million euro as at 31 December 2007).
The fair value of derivative financial instruments stipulated with customers was determined considering, as for all other OTC derivatives, the creditworthiness of the single counterparty (s.c. Credit Risk Adjustment). On contracts outstanding as at 31 December 2008, this implied the registration in the income statement, under profits from trading, of adjustments of 65 million euro, compared to the 33 million euro as at 31 December 2007, with a negative impact, during the year, of 32 million euro. Adjustments are recorded, for every single contract, on the market value determined using the risk free curves.
As concerns the means of calculation of the aforesaid Credit Risk Adjustment and, in general, the various methodologies used in the determination of the fair value of financial instruments, see the specific paragraphs in this chapter.

Please note that contracts made up of combinations of more elementary derivative instruments have been considered "structured" and that the aforesaid figures do not include fair value of derivatives embedded in structured bond issues as well as the relative hedges with banks and financial companies.

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 indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in credit default swaps (CDS);
- spreads in issued bonds;
- correlation instruments;
- dividend derivatives;
- asset backed securities (ABS);
- commodities.

Some of the other Group subsidiaries hold smaller trading portfolios with a marginal risk (around 8% of the Group's overall risk). In particular, the risk factors of the international subsidiaries' trading portfolios were interest rates and foreign exchange rates, both relating to linear pay-offs.

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 Intesa Sanpaolo (internal model extended during 2007 to the books of the former SANPAOLO IMI Finance Department) and Banca IMI (the internal model, previously validated for the former Banca Caboto component, was extended, in the first quarter of 2008, to the former Banca IMI portfolios).
In particular, the validated risk profiles for market risks are: (i) generic on debt securities and generic/specific on equities for Intesa Sanpaolo and Banca IMI, (ii) position risk on quotas of UCITS solely with reference to the quotas in CPPI (Constant Proportion Portfolio Insurance) for Banca IMI, and (iii) optional risk and specific risk for the CDS portfolio for Intesa Sanpaolo.

Operating VaR

The analysis of market risk profiles relative to the trading 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, ABS, hedge funds).
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 investments).

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
During the fourth quarter of 2008 market risks originated by Intesa Sanpaolo and Banca IMI increased compared to the previous periods. The average daily operating VaR for the fourth quarter of 2008 was 60.4 million euro, a 45% increase on the third quarter.
With regard to the whole of 2008, the average risk profile (47.8 million euro) increased compared to the average values in 2007 (26.5 million euro).

Daily Operating VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison between the 4th and the 3rd quarter of 2008 [a]

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Intesa Sanpaolo	42,1	36,9	46,8	31,5	37,9	29,4
Banca IMI	18,3	11,9	21,2	10,1	12,9	9.0
Total	**60,4**	**49,8**	**67,4**	**41,6**	**50,8**	**38,4**

[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.

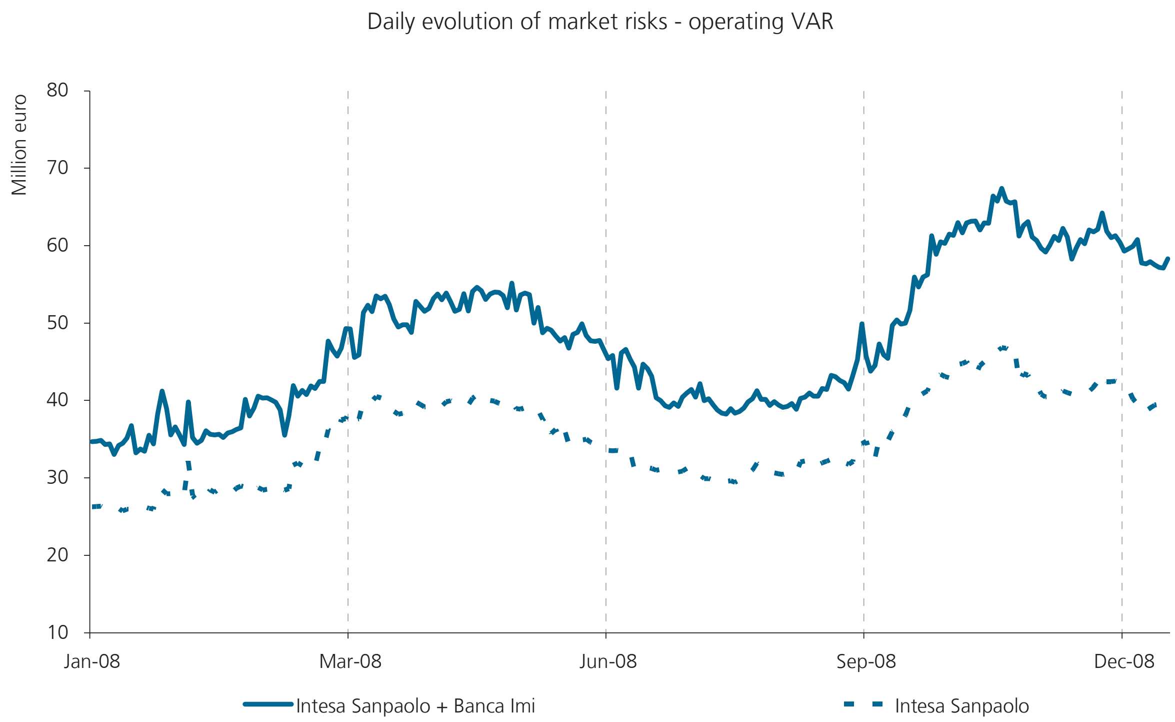
Daily Operating VaR of the trading portfolio for Intesa Sanpaolo and Banca IMI – Comparison 2008-2007 (a)

(in millions of euro)

	2008				2007		
	average	minimum	maximum	last day	average	minimum	maximum
Intesa Sanpaolo	35,2	25,7	46,8	40,8	19.6	14.8	25.3
Banca IMI	12,5	6,4	21,2	17,4	6.9	4.3	11.1
Total	**47,8**	**33,1**	**67,4**	**58,2**	**26.5**	**21.2**	**35.2**

(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.

These trends, for both Intesa Sanpaolo and Banca IMI, are attributable in particular to the increase in volatility during 2008 that raised further as a result of the crisis in the markets following the Lehman Brothers bankruptcy.
In October, as permitted by the IFRS regulations, certain highly illiquid securities were reclassified to LR (mainly ABS). The average VaR in the fourth quarter of 2008 in this segment, not included in the monitoring of VaR limits and statistics referred to above, was around 10 million euro.



For Intesa Sanpaolo the breakdown of the risk profile in the fourth quarter of 2008 with regard to the various factors shows the prevalence of the hedge fund risk, which represented 38% of total operating VaR. Credit spread risk was the most significant component for Banca IMI, representing 40% of the total.

Contribution of risk factors to overall operating VaR [(a)]

4th quarter 2008	Shares	Hedge fund	Rates	Credit spread	Foreign exchange	Other parameters
Intesa Sanpaolo	9%	38%	16%	14%	1%	22%
Banca IMI	27%	-	21%	40%	5%	7%
Total	**16%**	**23%**	**18%**	**24%**	**3%**	**16%**

[(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.

With regard to the hedge fund portfolio, the table below shows the exposures broken down by type of strategy adopted.

Contribution of strategies to portfolio breakdown [(a)]

	31.12.2008	31.12.2007
- Relative Value / Arbitrage	20%	19%
- Event Driven	37%	26%
- Multistrategy, Funds of Funds	5%	10%
- Credit / Emerging	8%	2%
- Directional	6%	11%
- Equity Hedge / long-short	24%	32%
Total hedge funds	**100%**	**100%**

[(a)] The table sets out on every line the percentage of total cash exposures calculated on amounts at period-end.

The concentration limits assigned to hedge fund activity in terms of maximum percentage investment in the portfolio and maximum percentage with respect to the AUM (Assets Under Management) were particularly effective in containing the effects generated within the hedge fund industry in the fourth quarter of 2008.
Risk control relative to the trading activities of Intesa Sanpaolo and Banca IMI also uses scenario analyses and stress tests. The impact on the income statement of selected scenarios relating to the evolution of stock prices, interest rates, credit spreads and foreign exchange rates as at the end of December are summarised in the following table.

(in millions of euro)

	Equity		Interest rates		Credit spreads		Foreign Exchange rates	
	volatility +10% and prices -5%	volatility -10% and prices +5%	-25bp	+25bp	-25bp	+25bp	-10%	+10%
Total	-5	2	10	-12	43	-43	2	1
of which SCP					*12*	*-12*		

In particular:
– for positions on stock markets, a "bearish" scenario, that is, a 5% decrease in stock prices with a simultaneous 10% increase in volatility would have led to a 5 million euro loss; a "bullish" scenario, that is, a 5% rise in stock prices with a simultaneous 10% decrease in volatility, would have led to a 2 million euro gain;
– for exposures to interest rates, a parallel +25 basis point shift in the yield curve would have led to a 12 million euro loss whereas a parallel -25 basis point shift would have led to a 10 million euro gain;
– for exposures affected by changes in credit spreads, a 25 basis point widening in spreads would have led to a 43 million euro loss, of which 12 million euro attributable to structured credit products (SCP);
– lastly, with reference to exposures on the EUR/USD market, the portfolio's position was basically protected from both devaluation and revaluation of the US Dollar due to the effect of option structures aimed at protecting from directional movements.

Backtesting

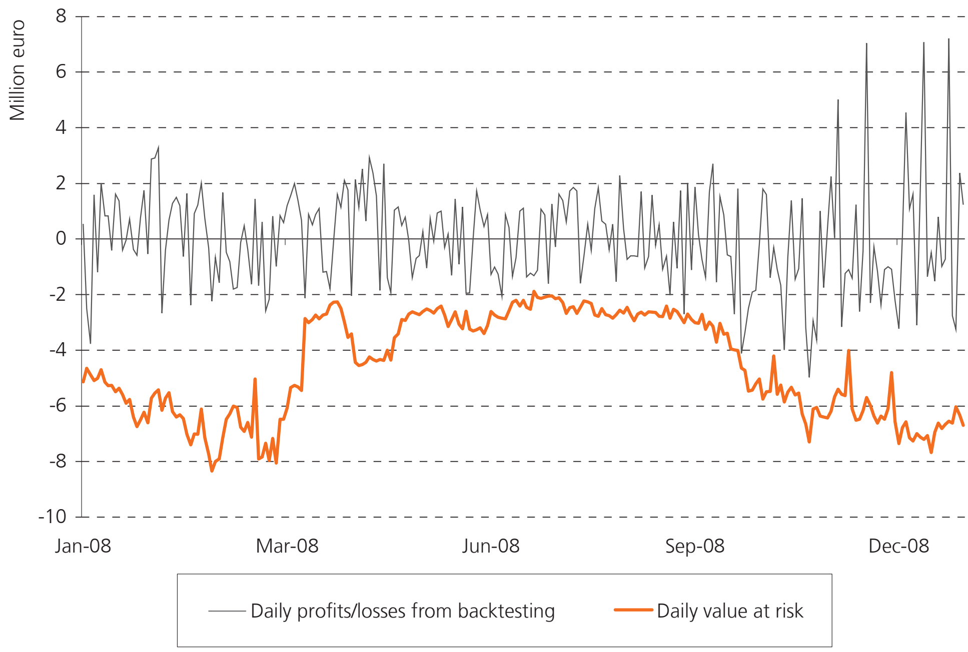
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

– 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.

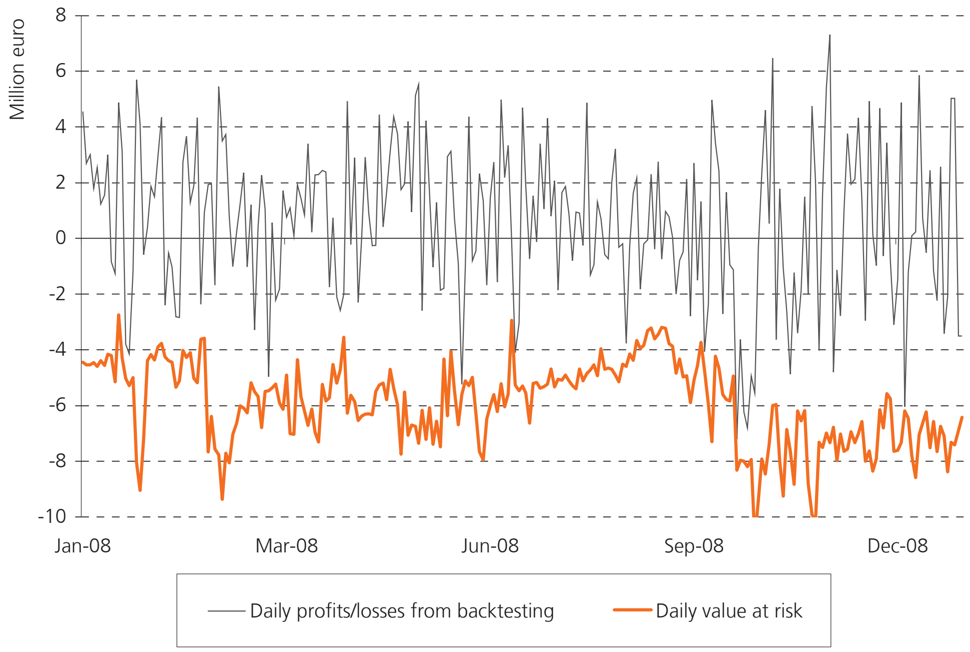
Backtesting in Intesa Sanpaolo

Intesa Sanpaolo's regulatory backtesting, set out in the following graph, does not present any critical situation. 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

Banca IMI's regulatory backtesting, set out in the following graph, does not present any critical situation. 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.



Regulatory trading book: on-balance sheet exposures to equities and UCITS

(in millions of euro)

	Book values	
	Listed	**Unlisted**
A. Equities	**229**	**47**
A.1. Shares	229	47
A.2. Innovative equity instruments	-	-
A.3. Other equities	-	-
B. UCITS	**1,441**	**440**
B.1. Italian	49	231
- harmonised open-end	35	231
- not harmonised open-end	-	-
- closed-end	14	-
- reserved	-	-
- speculative	-	-
B.2. Other EU Countries	744	29
- harmonised open-end	742	29
- not harmonised open-end	2	-
- not harmonised closed-end	-	-
B.3. Non-EU Countries	648	180
- open-end	648	177
- closed-end	-	3
Total	**1,670**	**487**

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 indexes.

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	52%	-8%	57%	10%	38%	2%
Banca IMI	48%	9%	64%	1%	-	26%
Total	**100%**	**-**	**60%**	**6%**	**20%**	**14%**

[(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 by type of issuer.

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.

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.

During the Management Board meeting held on 11 November last, a new VaR limit for the Group was resolved of 75 million euro (previously 60 million euro).
Given the trend in the volatility of the risk factors used for the calculation of the historical VaR that reached unprecedented record levels, the increase in the limit was resolved in order to guarantee sufficient operational flexibility to the risk-taking centres to enable the active management of the business risks in support of the commercial and investment banking operations. Please note that this increase in the limits was smaller in size than the increase in volatility in the market.

In the light of these new limits, the use of operating VaR autonomy limits in Intesa Sanpaolo, in the component sub-allocated to organisational units, was on average 77% in 2008, with a maximum use of 104%; VaR operating limits in Banca IMI equalled on average 58%, with a maximum use of 96%.

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 held by the Parent Company and other Group companies.
The following methods are used to measure financial 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). Besides measuring the equity portfolio, 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. Value at Risk calculation models have certain limitations, as they are based on the statistical assumption of the normal distribution of the returns and on the observation of historical data that may not be repeated in the future. Consequently, VaR results can not guarantee that the possible future losses will not exceed the statistically calculated estimates.
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). For 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 an estimate of the prepayment effect and of 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, excluding 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. The latter, in turn, cover the risk in the market so that the hedging transactions 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

Interest margin sensitivity – in the event of a 100 basis points rise in interest rates – amounted to +102 million euro at the end of 2008 (-92 million euro in case of reduction), lower than at the end of 2007 (+204 million euro and -205 million euro, respectively in the case of increase/decrease of interest rates), mostly as a result of fixed rate investments in order to hedge the risk of sight deposits.
The aforesaid potential impact would be reflected, in case of invariance of the other income components and net of fiscal effects, also in the Bank's year-end profit/loss, taking into account the abovementioned assumptions concerning the measurement procedures.
In 2008, interest rate risk generated by the Intesa Sanpaolo Group's banking book, measured through shift sensitivity analysis, registered an average value of 376 million euro and 484 million euro at year end, almost entirely concentrated on the euro currency; these figures compare with a figure of 369 million euro at the end of 2007.
Interest rate risk, measured in terms of VaR, averaged 134 million euro in 2008 (104 million euro at the end of 2007), with a minimum value of 92 million euro and a maximum value of 218 million euro. At the end of December 2008 VaR totalled 177 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 Equiter, Imi Investimenti, Intesa Sanpaolo Holding International and Private Equity 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 the listed assets recorded in the AFS category.

Impact on Shareholders' Equity

		Impact on shareholders' equity (in millions of euro)
Price shock	-10%	-75
Price shock	10%	75

1. Banking book: on-balance sheet exposure

(in millions of euro)

Exposure types	Book values	
	Listed	Unlisted
A. Equities	**789**	**1,438**
A.1. Shares	788	1,221
A.2. Innovative equity instruments	-	-
A.3. Other equities	1	217
B. UCITS	**61**	**463**
B.1. Italian	39	359
- harmonised open-end	*38*	*140*
- not harmonised open-end	-	-
- closed-end	*1*	*166*
- reserved	-	*48*
- speculative	-	*5*
B.2. Other EU Countries	22	39
- harmonised open-end	*22*	*16*
- not harmonised open-end	-	-
- not harmonised closed-end	-	*23*
B.3. Non-EU Countries	-	65
- open-end	-	*26*
- closed-end	-	*39*
Total	**850**	**1,901**

The table does not include the 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

The price risk generated by minority stakes in listed companies, measured in terms of VaR, registered an average level in 2008 of 126 million euro (113 million euro at the end of 2007) with minimum and maximum values of 104 million euro and 156 million euro respectively. The VaR at the end of 2008 amounted to 120 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 currencies and banknotes;
- collection and/or payment of interests, commissions, dividends, administrative costs, etc. in foreign currencies.

More specifically, "structural" foreign exchange risk refers to the exposures deriving from the commercial operations and the 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 include: 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, with the purpose of ensuring the elimination of such a risk. Similar risk containment is performed by the Group's various companies as concerns their banking book. Substantially, foreign exchange risk is mitigated by the practice of raising funds in the same currency as assets.
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 by the Group Risk Governance Committee and the Group Financial Risks Committee, taking into consideration the advantages and the costs embedded in hedging transactions.
The foreign exchange hedges implemented during the year are related to both the disposal of equity investments and the net income in foreign currency generated by the Parent Company's branches abroad.

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	**39,619**	**2,451**	**8,933**	**2,868**	**3,043**	**20,905**
A.1 Debt securities	2,701	284	258	904	841	4,894
A.2 Equities	783	88	4	5	15	152
A.3 Loans to banks	7,279	771	405	744	980	2,881
A.4 Loans to customers	28,854	1,308	8,266	1,215	1,161	12,968
A.5 Other financial assets	2	-	-	-	46	10
B. OTHER ASSETS	**4,679**	**43**	**31**	**34**	**-**	**300**
C. FINANCIAL LIABILITIES	**69,753**	**7,599**	**3,093**	**2,065**	**2,750**	**18,832**
C.1 Due to banks	12,534	488	2,140	173	19	2,614
C.2 Due to customers	22,015	849	413	202	2,374	14,064
C.3 Debt securities	35,204	6,262	540	1,690	357	2,154
C.4 Other financial liabilities	-	-	-	-	-	-
D. OTHER LIABILITIES	**2,562**	**40**	**8**	**64**	**-**	**239**
E. FINANCIAL DERIVATIVES						
- Options						
long positions	*2,221*	*215*	*80*	*709*	-	*414*
short positions	*1,422*	*181*	*55*	*196*	-	*467*
- Other derivatives						
long positions	*53,443*	*8,024*	*1,309*	*2,604*	-	*9,350*
short positions	*26,588*	*3,145*	*7,159*	*3,757*	-	*7,672*
TOTAL ASSETS	**99,962**	**10,733**	**10,353**	**6,215**	**3,043**	**30,969**
TOTAL LIABILITIES	**100,325**	**10,965**	**10,315**	**6,082**	**2,750**	**27,210**
IMBALANCE (+/-)	**-363**	**-232**	**38**	**133**	**293**	**3,759**

The 3,759 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 177 million euro as at 31 December 2008. This potential impact would only be reflected in the Shareholders' equity, as specified above.

1.2.6. FINANCIAL DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1. Regulatory trading book: period-end and average notional amounts

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2008		Total 31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Forward rate agreements	**-**	**595,213**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**595,213**	**-**	**115,611**
2. Interest rate swaps	**-**	**1,114,361**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,114,361**	**-**	**1,250,221**
3. Domestic currency swaps	**-**	**-**	**-**	**-**	**-**	**652**	**-**	**-**	**-**	**652**	**-**	**1,258**
4. Currency interest rate swaps	**-**	**-**	**-**	**-**	**-**	**26,829**	**-**	**-**	**-**	**26,829**	**-**	**13,194**
5. Basis swaps	**-**	**320,653**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**320,653**	**-**	**55,512**
6. Exchange of stock indexes	**-**	**-**	**-**	**297**	**-**	**-**	**-**	**-**	**-**	**297**	**-**	**1,392**
7. Exchange of real indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8. Futures	**108,934**	**-**	**620**	**-**	**3**	**-**	**195**	**-**	**109,752**	**-**	**135,771**	**-**
9. Caps	**-**	**211,048**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**211,048**	**-**	**251,407**
- Bought	-	98,316	-	-	-	-	-	-	-	98,316	-	104,574
- Issued	-	112,732	-	-	-	-	-	-	-	112,732	-	146,833
10. Floors	**-**	**178,491**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**178,491**	**-**	**147,939**
- Bought	-	92,333	-	-	-	-	-	-	-	92,333	-	74,842
- Issued	-	86,158	-	-	-	-	-	-	-	86,158	-	73,097
11. Other options	**374,906**	**119,964**	**18,676**	**27,436**	**-**	**8,295**	**4**	**461**	**393,586**	**156,156**	**95,820**	**107,594**
- Bought	213,618	60,486	5,536	11,899	-	4,400	4	219	219,158	77,004	59,371	54,223
Plain vanilla	*213,618*	*59,567*	*5,536*	*11,555*	-	*4,032*	*4*	*219*	*219,158*	*75,373*	*59,371*	*51,744*
Exotic	-	*919*	-	*344*	-	*368*	-	-	-	*1,631*	-	*2,479*
- Issued	161,288	59,478	13,140	15,537	-	3,895	-	242	174,428	79,152	36,449	53,371
Plain vanilla	*161,288*	*58,489*	*13,140*	*15,490*	-	*3,351*	-	*238*	*174,428*	*77,568*	*36,449*	*49,924*
Exotic	-	*989*	-	*47*	-	*544*	-	*4*	-	*1,584*	-	*3,447*
12. Forward contracts	**7,382**	**2,656**	**-**	**-**	**-**	**73,782**	**-**	**7**	**7,382**	**76,445**	**1,391**	**73,677**
- Purchases	4,207	891	-	-	-	37,902	-	7	4,207	38,800	664	36,472
- Sales	3,175	1,765	-	-	-	21,478	-	-	3,175	23,243	727	20,294
- Currency against currency	-	-	-	-	-	14,402	-	-	-	14,402	-	16,911
13. Other derivatives	**-**	**2,008**	**-**	**-**	**-**	**1,310**	**-**	**138**	**-**	**3,456**	**-**	**4,654**
TOTAL	**491,222**	**2,544,394**	**19,296**	**27,733**	**3**	**110,868**	**199**	**606**	**510,720**	**2,683,601**	**232,982**	**2,022,459**
AVERAGE VALUES	**327,023**	**2,181,473**	**20,384**	**30,077**	**4**	**108,910**	**126**	**600**	**347,537**	**2,321,060**	**170,778**	**1,574,835**

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 31.12.2008		Total 31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Forward rate agreements	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10**	**-**	**-**
2. Interest rate swaps	**-**	**76,503**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**76,503**	**-**	**94,431**
3. Domestic currency swaps	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
4. Currency interest rate swaps	**-**	**-**	**-**	**-**	**-**	**3,378**	**-**	**-**	**-**	**3,378**	**-**	**3,660**
5. Basis swaps	**-**	**4,309**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,309**	**-**	**3,030**
6. Exchange of stock indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
7. Exchange of real indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8. Futures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. Caps	**-**	**633**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**633**	**-**	**482**
- Bought	-	621	-	-	-	-	-	-	-	621	-	482
- Issued	-	12	-	-	-	-	-	-	-	12	-	-
10. Floors	**-**	**6,256**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,256**	**-**	**361**
- Bought	-	6,254	-	-	-	-	-	-	-	6,254	-	269
- Issued	-	2	-	-	-	-	-	-	-	2	-	92
11. Other options	**-**	**589**	**-**	**553**	**-**	**-**	**-**	**-**	**-**	**1,142**	**-**	**223**
- Bought	-	489	-	553	-	-	-	-	-	1,042	-	148
Plain vanilla	-	*489*	-	*528*	-	-	-	-	-	*1,017*	-	*108*
Exotic	-	-	-	*25*	-	-	-	-	-	*25*	-	*40*
- Issued	-	100	-	-	-	-	-	-	-	100	-	75
Plain vanilla	-	*100*	-	-	-	-	-	-	-	*100*	-	*75*
Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	**150**	**-**	**-**	**-**	**-**	**104**	**-**	**-**	**150**	**104**	**-**	**8**
- Purchases	79	-	-	-	-	21	-	-	79	21	-	6
- Sales	71	-	-	-	-	1	-	-	71	1	-	2
- Currency against currency	-	-	-	-	-	82	-	-	-	82	-	-
13. Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**217**
TOTAL	**150**	**88,300**	**-**	**553**	**-**	**3,482**	**-**	**-**	**150**	**92,335**	**-**	**102,412**
AVERAGE VALUES	**-**	**143,088**	**-**	**345**	**-**	**3,946**	**-**	**-**	**-**	**147,379**	**-**	**141,361**

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 31.12.2008		Total 31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	**37**	-	-	-	-	-	-	-	**37**	-	**889**
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	**14**	-	-	-	**14**	-	**14**
5. Basis swaps	-	**350**	-	-	-	-	-	-	-	**350**	-	-
6. Exchange of stock indexes	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Caps	-	**2,432**	-	-	-	-	-	-	-	**2,432**	-	**594**
- Bought	-	12	-	-	-	-	-	-	-	12	-	64
- Issued	-	2,420	-	-	-	-	-	-	-	2,420	-	530
10. Floors	-	**4,569**	-	-	-	-	-	-	-	**4,569**	-	**6,937**
- Bought	-	19	-	-	-	-	-	-	-	19	-	7
- Issued	-	4,550	-	-	-	-	-	-	-	4,550	-	6,930
11. Other options	-	**4,933**	-	**7,239**	-	**6**	-	-	-	**12,178**	-	**7,568**
- Bought	-	30	-	407	-	-	-	-	-	437	-	743
Plain vanilla	-	*20*	-	*389*	-	-	-	-	-	*409*	-	*710*
Exotic	-	*10*	-	*18*	-	-	-	-	-	*28*	-	*33*
- Issued	-	4,903	-	6,832	-	6	-	-	-	11,741	-	6,825
Plain vanilla	-	*1,621*	-	*6,429*	-	-	-	-	-	*8,050*	-	*5,078*
Exotic	-	*3,282*	-	*403*	-	*6*	-	-		*3,691*	-	*1,747*
12. Forward contracts	-	-	-	-	-	**53**	-	-	-	**53**	-	**2**
- Purchases	-	-	-	-	-	36	-	-	-	36	-	2
- Sales	-	-	-	-	-	17	-	-	-	17	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	**12,321**	-	**7,239**	-	**73**	-	-	-	**19,633**	-	**16,004**
AVERAGE VALUES	-	**11,149**	-	**4,624**	-	**292**	-	**2**	-	**16,067**	-	**18,334**

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 31.12.2008		Total 31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
A. Regulatory trading book	**491,223**	**2,223,742**	**19,296**	**27,437**	**2**	**110,869**	**200**	**607**	**510,721**	**2,362,655**	**230,913**	**1,969,193**
1. Operations with exchange of underlying asset	8,404	44,212	1,159	2,117	2	108,832	196	7	9,761	155,168	24,679	106,621
- Purchases	*4,665*	*22,515*	*608*	*1,123*	-	*54,834*	*189*	*7*	*5,462*	*78,479*	*7,520*	*56,358*
- Sales	*3,739*	*21,697*	*551*	*994*	*2*	*29,182*	*7*	-	*4,299*	*51,873*	*17,076*	*29,421*
- Currency against currency	-	-	-	-	-	*24,816*	-	-	-	*24,816*	*83*	*20,842*
2. Operations without exchange of underlying asset	482,819	2,179,530	18,137	25,320	-	2,037	4	600	500,960	2,207,487	206,234	1,862,572
- Purchases	*268,411*	*1,138,426*	*5,496*	*12,674*	-	*1,177*	*4*	*261*	*273,911*	*1,152,538*	*129,404*	*1,001,798*
- Sales	*214,408*	*1,041,104*	*12,641*	*12,646*	-	*793*	-	*339*	*227,049*	*1,054,882*	*76,830*	*860,761*
- Currency against currency	-	-	-	-	-	*67*	-	-	-	*67*	-	*13*
B. Banking book	**150**	**95,963**	-	**7,791**	-	**3,556**	-	-	**150**	**107,310**	-	**115,295**
B.1 Hedging	150	83,991	-	553	-	3,482	-	-	150	88,026	-	99,382
1.Operations with exchange of underlying asset	150	-	-	-	-	3,461	-	-	150	3,461	-	3,668
- Purchases	*79*	-	-	-	-	*3,083*	-	-	*79*	*3,083*	-	*3,032*
- Sales	*71*	-	-	-	-	*233*	-	-	*71*	*233*	-	*468*
- Currency against currency	-	-	-	-	-	*145*	-	-	-	*145*	-	*168*
2. Operations without exchange of underlying asset	-	83,991	-	553	-	21	-	-	-	84,565	-	95,714
- Purchases	-	*35,963*	-	*553*	-	*20*	-	-	-	*36,536*	-	*57,689*
- Sales	-	*48,028*	-	-	-	*1*	-	-	-	*48,029*	-	*38,025*
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	11,972	-	7,238	-	74	-	-	-	19,284	-	15,913
1. Operations with exchange of underlying asset	-	-	-	1,979	-	14	-	-	-	1,993	-	1,028
- Purchases	-	-	-	*1,414*	-	-	-	-	-	*1,414*	-	*219*
- Sales	-	-	-	*565*	-	-	-	-	-	*565*	-	*795*
- Currency against currency	-	-	-	-	-	*14*	-	-	-	*14*	-	*14*
2. Operations without exchange of underlying asset	-	11,972	-	5,259	-	60	-	-	-	17,291	-	14,885
- Purchases	-	*5,645*	-	*257*	-	*36*	-	-	-	*5,938*	-	*1,262*
- Sales	-	*6,327*	-	*5,002*	-	*24*	-	-	-	*11,353*	-	*13,623*
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-

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. Regulatory trading book														
A.1 Governments and Central Banks	304	-	-	-	-	-	-	413	36	-	-	-	412	36
A.2 public entities	480	-	38	1	-	2	-	-	-	-	-	-	-	-
A.3 banks	1,716	23,635	5,001	63	776	631	538	2,357	372	-	70	3	1,731	1,160
A.4 financial institutions	408	7,542	1,219	15	258	220	204	277	104	-	4	1	516	319
A.5 insurance companies	1	-	-	-	3	9	13	2	31	-	-	-	163	27
A.6 non-financial companies	1,349	16	195	88	6	19	362	290	81	50	-	10	256	66
A.7 other counterparties	11	-	2	-	-	-	14	-	10	13	-	2	-	-
Total 31.12.2008	**4,269**	**31,193**	**6,455**	**167**	**1,043**	**881**	**1,131**	**3,339**	**634**	**63**	**74**	**16**	**3,078**	**1,608**
Total 31.12.2007	**2,665**	**11,841**	**651**	**159**	**1,981**	**73**	**539**	**1,206**	**230**	**11**	**-**	**13**	**3,120**	**3,260**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	162	1,138	21	-	67	1	41	264	5	-	-	-	100	71
B.4 financial institutions	-	259	1	-	7	4	124	6	11	-	-	-	29	4
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	115	-	2	-	-	-	3	-	-	-	-	-	-	-
B.7 other counterparties	4	-	1	-	-	5	-	-	-	-	-	-	-	-
Total 31.12.2008	**281**	**1,397**	**25**	**-**	**74**	**10**	**168**	**270**	**16**	**-**	**-**	**-**	**129**	**75**
Total 31.12.2007	**359**	**1,024**	**42**	**-**	**7**	**37**	**157**	**19**	**23**	**-**	**-**	**-**	**96**	**41**

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. Regulatory trading book														
A.1 Governments and Central Banks	3	1	-	-	-	-	-	-	-	-	-	-	-	-
A.2 public entities	45	-	2	17	-	-	100	-	12	-	-	-	-	-
A.3 banks	1,914	26,581	3,012	29	864	1	992	3,836	365	-	42	1	7,313	1,872
A.4 financial institutions	827	7,635	1,204	11	161	-	232	466	91	-	2	1	823	877
A.5 insurance companies	40	10	3	27	6	-	2	-	-	-	-	-	13	1
A.6 non-financial companies	41	2	8	-	-	-	173	74	42	1	-	1	2	2
A.7 other counterparties	98	-	-	-	-	-	14	-	1	2,867	-	-	-	-
Total 31.12.2008	**2,968**	**34,229**	**4,229**	**84**	**1,031**	**1**	**1,513**	**4,376**	**511**	**2,868**	**44**	**3**	**8,151**	**2,752**
Total 31.12.2007	**3,733**	**8,976**	**516**	**607**	**2,411**	**34**	**649**	**2,105**	**192**	**1**	**-**	**1**	**2,393**	**2,171**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	392	908	57	112	-	-	27	473	4	-	-	-	19	6
B.4 financial institutions	11	250	2	-	-	-	-	-	-	-	-	-	14	7
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	4	-	-	-	-	-	3	-	-	-	-	-	-	-
B.7 other counterparties	567	-	-	143	-	-	1	-	-	-	-	-	-	-
Total 31.12.2008	**974**	**1,158**	**59**	**255**	**-**	**-**	**31**	**473**	**4**	**-**	**-**	**-**	**33**	**13**
Total 31.12.2007	**741**	**1,163**	**24**	**341**	**-**	**-**	**11**	**98**	**3**	**-**	**-**	**-**	**92**	**58**

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. Regulatory trading book	**1,170,664**	**876,502**	**634,871**	**2,682,037**
A.1 Financial derivatives on debt securities and interest rates	1,078,306	842,320	623,615	2,544,241
A.2 Financial derivatives on equities and stock indexes	5,164	16,474	6,095	27,733
A.3 Financial derivatives on foreign exchange rates and gold	87,112	17,187	5,158	109,457
A.4 Financial derivatives - other	82	521	3	606
B. Banking book	**67,717**	**20,076**	**24,055**	**111,848**
B.1 Financial derivatives on debt securities and interest rates	64,601	14,351	21,552	100,504
B.2 Financial derivatives on equities and stock indexes	2,308	3,740	1,742	7,790
B.3 Financial derivatives on foreign exchange rates and gold	808	1,985	761	3,554
B.4 Financial derivatives - other	-	-	-	-
Total 31.12.2008	**1,238,381**	**896,578**	**658,926**	**2,793,885**
Total 31.12.2007	**893,498**	**722,742**	**524,818**	**2,141,058**

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end and average notional amounts

(in millions of euro)

	Regulatory trading book		Other operations	
	single counterparty	more counterparties (*basket*)	single counterparty	more counterparties (*basket*)
1. Protection purchases				
1.1 Physical settlement	33,568	36,999	66	-
Credit default swap	*33,568*	*36,999*	*66*	-
Credit default option	-	-	-	-
Credit linked notes	-	-	-	-
1.2 Cash settlement	211	1,515	413	-
Credit default swap	*195*	*1,515*	*413*	-
Total rate of return swap	*16*	-	-	-
Credit linked notes	-	-	-	-
Total 31.12.2008	**33,779**	**38,514**	**479**	**-**
Total 31.12.2007	**31,043**	**31,376**	**488**	**-**
Average values	**16,855**	**25,178**	**402**	**-**
2. Protection sales				
2.1 Physical settlement	32,827	38,959	-	-
Credit default swap	*32,827*	*38,887*	-	-
Credit linked notes	-	*72*	-	-
2.2 Cash settlement	1,026	1,871	-	-
Credit default swap	*886*	*1,871*	-	-
Credit linked notes	-	-	-	-
Total rate of return swap	*140*	-	-	-
Total 31.12.2008	**33,853**	**40,830**	**-**	**-**
Total 31.12.2007	**29,097**	**34,530**	**-**	**105**
Average values	**16,598**	**26,679**	**-**	**92**

Part of the contracts in force as at 31 December 2008, set out in the table above, is included in structured credit products which were affected to different extents by the financial market crisis: 2,415 million euro of protection purchases and 5,155 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. Regulatory trading book	**71,714**	**4,497**	**1,562**
A.1 Protection purchases with	65,143	4,371	1,562
1. Governments and Central Banks	-	-	-
2. Other public entities	*23*	*49*	*2*
3. Banks	*48,897*	*3,255*	*1,120*
4. Financial institutions	*16,223*	*1,067*	*440*
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
A.2 Protection sales with	6,571	126	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*5,313*	*102*	-
4. Financial institutions	*1,258*	*24*	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
B. Banking book	**573**	**-**	**-**
B.1 Protection purchases with	573	-	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*51*	-	-
4. Financial institutions	*522*	-	-
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 31.12.2008	**72,287**	**4,497**	**1,562**
Total 31.12.2007	**50,270**	**1,330**	**990**

B.3. Credit derivatives: negative fair value - financial risk

(in millions of euro)

	Notional amount	Negative fair value
Regulatory trading book		
1. Protection purchases with		
1.1 Governments and Central Banks	-	-
1.2 Other public entities	-	-
1.3 Banks	5,188	102
1.4 Financial institutions	1,962	31
1.5 Insurance companies	-	-
1.6 Non-financial companies	-	-
1.7 Other counterparties	-	-
Total 31.12.2008	**7,150**	**133**
Total 31.12.2007	**17,153**	**178**

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. Regulatory trading book	**17,848**	**109,873**	**19,255**	**146,976**
A.1 Credit derivatives with "qualified reference obligation"	13,676	99,350	15,634	128,660
A.2 Credit derivatives with "unqualified reference obligation"	4,172	10,523	3,621	18,316
B. Banking book	**11**	**28**	**440**	**479**
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	11	28	440	479
Total 31.12.2008	**17,859**	**109,901**	**19,695**	**147,455**
Total 31.12.2007	**12,230**	**56,739**	**15,501**	**84,470**

1.3 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, liquidity risk management processes and measurement methods

Liquidity risk is defined as the risk that the bank is not able to meet its payment obligations when they fall due (funding liquidity risk). Normally, the bank is able to cover cash outflows with cash inflows, liquid assets and its ability to obtain credit. With regard to the highly liquid assets in particular, there may be strains in the market that make them difficult (or even impossible) to sell or be used as collateral in exchange for funds. From this perspective, the bank's liquidity risk is closely tied to the market liquidity conditions (market liquidity risk).

The Guidelines for Liquidity Risk Management adopted by the Intesa Sanpaolo Group outline the set of principles, methodologies, regulations and control processes required to prevent the occurrence of a liquidity crisis and call for the Group to develop prudential approaches to liquidity management, making it possible to maintain the overall risk profile at extremely low levels.

The main principles underpinning the Liquidity Policy of the Intesa Sanpaolo Group are:

– the existence of an operating structure that works within set limits and of a control structure that is independent from the operating structure;
– a prudential approach to the estimation of the cash inflow and outflow projections for all the balance sheet and off-balance sheet items, especially those without a contractual maturity (or with a maturity date that is not significant);
– assessment of the impact of various scenarios, including stress testing scenarios, on the cash inflows and outflows over time;
– maintenance of an adequate level of unencumbered, high liquid assets, capable of enabling ordinary operations, also on an intraday basis, and overcoming the initial stages of a shock involving the Group's own liquidity or system liquidity.

Intesa Sanpaolo directly manages its own liquidity, coordinates its management at Group level in all currencies, ensures the adoption of adequate control techniques and procedures, and provides complete and accurate information to the Operational Committees (Group Risk Governance Committee and Group Financial Risks Committee) and the Statutory Bodies.

The departments of the Parent Company that are in charge of ensuring the correct application of the Guidelines are the Treasury Department, responsible for liquidity management, and the Risk Management Department, responsible for monitoring indicators and verifying the observation of limits.

These Guidelines are broken down into three macro areas – short-term, structural and the contingency liquidity plan – and provide for the application of analyses conducted using stress scenarios (market related and firm specific).

The short term Liquidity Policy includes the set of metrics, limits and observation thresholds that enable the measurement, both under normal market conditions and under conditions of stress, of the liquidity risk exposure over the short term, setting the maximum amount of risk that can be assumed and ensuring the utmost prudence in its management.

The structural Liquidity Policy of the Intesa Sanpaolo Group incorporates the set of measures and limits designed to control and manage the risks deriving from the mismatch of the medium to long-term maturities of the assets and liabilities, essential for the strategic planning of liquidity management. This involves the adoption of internal limits for the transformation of maturity dates aimed at preventing the medium to long-term operations from giving rise to excessive imbalances to be financed in the short term.

Together with the short term and structural Liquidity Policy, the Guidelines provide for the management methods of a potential liquidity crisis, defined as a situation of difficulty or inability of the Bank to meet its cash obligations falling due, without implementing procedures and/or employing instruments that, due to their intensity or manner of use, do not qualify as ordinary administration.

The Contingency Liquidity Plan, by setting itself the objectives of safeguarding the Group's asset value and, at the same time, guaranteeing the continuity of operations under conditions of extreme liquidity emergency, ensures the identification of the early warning signals and their ongoing monitoring, the definition of procedures to be implemented in situations of liquidity stress, the immediate lines of action, and the intervention measures for the resolution of emergencies. The early warning indicators, aimed at spotting the signs of a potential liquidity strain, both systemic and specific, are continuously recorded and reported to the departments responsible for the management and monitoring of liquidity.

The liquidity position of the Parent Bank and the Group companies is regularly presented by the Risk Management Department and discussed during the Group Financial Risks Committee meetings.

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	Unspecified maturity
Cash assets	**54,977**	**21,101**	**10,336**	**17,038**	**30,903**	**15,824**	**24,449**	**118,960**	**121,884**	**11,035**
A.1 Government bonds	5	1	6	31	298	676	2,500	4,985	5,556	-
A.2 Listed debt securities	4	5	3	36	219	301	472	5,500	5,034	5
A.3 Other debt securities	17	14	1	44	217	319	904	5,254	8,258	2
A.4 Quotas of UCITS	416	20	-	-	-	-	-	-	449	712
A.5 Loans	54,535	21,061	10,326	16,927	30,169	14,528	20,573	103,221	102,587	10,316
- Banks	*6,541*	*13,930*	*2,675*	*4,744*	*8,563*	*1,064*	*1,699*	*1,983*	*339*	*309*
- Customers	*47,994*	*7,131*	*7,651*	*12,183*	*21,606*	*13,464*	*18,874*	*101,238*	*102,248*	*10,007*
Cash liabilities	**164,616**	**13,783**	**8,054**	**11,943**	**24,366**	**12,839**	**16,811**	**72,261**	**45,831**	**1,707**
B.1 Deposits	159,512	4,312	3,000	3,858	7,424	3,073	2,830	3,409	2,750	316
- Banks	*4,871*	*974*	*1,748*	*1,750*	*3,440*	*1,272*	*1,308*	*2,637*	*1,243*	*10*
- Customers	*154,641*	*3,338*	*1,252*	*2,108*	*3,984*	*1,801*	*1,522*	*772*	*1,507*	*306*
B.2 Debt securities	4,323	1,656	1,819	2,657	9,364	7,758	12,940	64,724	38,576	1,391
B.3 Other liabilities	781	7,815	3,235	5,428	7,578	2,008	1,041	4,128	4,505	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*79*	*3,181*	*1,988*	*2,996*	*5,405*	*3,559*	*5,318*	*6,635*	*4,936*	*120*
- Short positions	*112*	*5,859*	*2,682*	*4,501*	*16,898*	*10,647*	*7,524*	*12,144*	*3,567*	*96*
C.2 Deposits and loans to be settled										
- Long positions	*395*	*2,979*	-	-	-	-	-	-	-	-
- Short positions	-	*2,675*	*100*	*18*	*34*	*100*	-	-	-	-
C.3 Irrevocable commitments to lend funds										
- Long positions	*164*	*1,143*	*64*	*158*	*1,647*	*3,407*	*5,724*	*24,426*	*2,829*	*1,307*
- Short positions	*786*	*57*	-	*5*	*1,837*	*2,498*	*2,920*	*47,999*	*6,682*	-

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	Unspecified maturity
Cash assets	**3,053**	**1,242**	**1,434**	**2,161**	**3,328**	**2,221**	**2,044**	**8,081**	**2,921**	**163**
A.1 Government bonds	-	-	-	-	-	6	4	209	38	-
A.2 Listed debt securities	-	-	1	-	24	76	14	350	149	-
A.3 Other debt securities	-	121	-	55	50	15	232	562	620	-
A.4 Quotas of UCITS	678	-	-	-	-	-	-	-	-	69
A.5 Loans	2,375	1,121	1,433	2,106	3,254	2,124	1,794	6,960	2,114	94
- Banks	*1,339*	*408*	*829*	*528*	*1,164*	*988*	*624*	*1,337*	*34*	*-*
- Customers	*1,036*	*713*	*604*	*1,578*	*2,090*	*1,136*	*1,170*	*5,623*	*2,080*	*94*
Cash liabilities	**4,829**	**4,380**	**2,643**	**5,152**	**29,540**	**7,118**	**1,566**	**2,035**	**94**	**4**
B.1 Deposits	4,702	3,545	1,005	2,602	3,329	911	412	311	63	4
- Banks	*970*	*1,149*	*710*	*1,780*	*2,452*	*679*	*197*	*104*	*52*	*-*
- Customers	*3,732*	*2,396*	*295*	*822*	*877*	*232*	*215*	*207*	*11*	*4*
B.2 Debt securities	-	316	1,435	1,890	22,907	6,132	1,154	1,724	31	-
B.3 Other liabilities	127	519	203	660	3,304	75	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*287*	*7,347*	*2,855*	*4,826*	*16,694*	*8,194*	*4,613*	*6,318*	*1,279*	*25*
- Short positions	*260*	*4,044*	*2,112*	*3,082*	*4,344*	*2,493*	*3,134*	*4,463*	*1,477*	*65*
C.2 Deposits and loans to be settled										
- Long positions	*441*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*140*	*75*	*-*	*223*	*-*	*3*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds										
- Long positions	*5*	*3*	*22*	*55*	*294*	*335*	*1,201*	*4,208*	*3,935*	*-*
- Short positions	*13*	*66*	*-*	*-*	*644*	*334*	*1,102*	*6,655*	*4,208*	*-*

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	Unspecified maturity
Cash assets	**472**	**89**	**94**	**125**	**140**	**142**	**29**	**493**	**724**	**7**
A.1 Government bonds	-	-	-	-	-	-	-	1	43	-
A.2 Listed debt securities	-	-	-	-	1	-	1	1	81	-
A.3 Other debt securities	-	-	-	-	-	-	-	20	123	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-	-
A.5 Loans	472	89	94	125	139	142	28	471	477	7
- Banks	*404*	*61*	*69*	*63*	*22*	*127*	*13*	*-*	*-*	*-*
- Customers	*68*	*28*	*25*	*62*	*117*	*15*	*15*	*471*	*477*	*7*
Cash liabilities	**479**	**584**	**953**	**593**	**441**	**1,083**	**240**	**1,533**	**1,496**	**3**
B.1 Deposits	479	143	187	111	106	11	34	19	2	3
- Banks	*187*	*30*	*34*	*7*	*7*	*1*	*1*	*7*	*2*	*2*
- Customers	*292*	*113*	*153*	*104*	*99*	*10*	*33*	*12*	*-*	*1*
B.2 Debt securities	-	441	740	445	230	1,072	206	1,514	1,494	-
B.3 Other liabilities	-	-	26	37	105	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*8*	*705*	*217*	*340*	*490*	*1,145*	*500*	*3,228*	*907*	*-*
- Short positions	*8*	*88*	*102*	*145*	*343*	*623*	*312*	*566*	*1,997*	*5*
C.2 Deposits and loans to be settled										
- Long positions	*23*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*21*	*2*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds										
- Long positions	*-*	*42*	*73*	*-*	*25*	*102*	*22*	*-*	*1*	*-*
- Short positions	*42*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

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	Unspecified maturity
Cash assets	**332**	**17**	**272**	**233**	**583**	**436**	**200**	**285**	**385**	**24**
A.1 Government bonds	-	-	-	-	56	-	-	-	121	-
A.2 Listed debt securities	-	-	-	-	318	199	121	-	33	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	49	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-	1
A.5 Loans	332	17	272	233	209	237	79	285	182	23
- Banks	*198*	*5*	*212*	*116*	*44*	*38*	*29*	*102*	-	-
- Customers	*134*	*12*	*60*	*117*	*165*	*199*	*50*	*183*	*182*	*23*
Cash liabilities	**125**	**8**	**396**	**201**	**8**	**316**	**108**	**539**	**248**	**-**
B.1 Deposits	125	8	-	3	8	24	-	64	40	-
- Banks	*42*	*8*	-	-	-	*24*	-	-	-	-
- Customers	*83*	-	-	*3*	*8*	-	-	*64*	*40*	-
B.2 Debt securities	-	-	396	198	-	292	108	475	208	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*19*	*228*	*414*	*337*	*262*	*402*	*171*	*564*	*275*	-
- Short positions	*19*	*753*	*568*	*568*	*1,240*	*66*	*58*	*20*	*152*	-
C.2 Deposits and loans to be settled										
- Long positions	*63*	-	-	-	-	-	-	-	-	-
- Short positions	-	*63*	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds										
- Long positions	-	*4*	-	-	*9*	-	*8*	*10*	*50*	-
- Short positions	*6*	*4*	-	-	-	-	-	-	-	-

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	Unspecified maturity
Cash assets	**303**	**137**	**142**	**197**	**486**	**326**	**442**	**1,881**	**3,129**	**30**
A.1 Government bonds	-	-	-	-	-	-	-	-	230	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	28	-	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-	1
A.5 Loans	303	137	142	197	486	326	442	1,853	2,899	29
- Banks	*119*	*32*	*43*	*25*	*74*	*11*	*17*	*49*	*34*	-
- Customers	*184*	*105*	*99*	*172*	*412*	*315*	*425*	*1,804*	*2,865*	*29*
Cash liabilities	**413**	**142**	**60**	**274**	**474**	**18**	**96**	**13**	**137**	**-**
B.1 Deposits	413	89	26	158	138	18	96	13	103	-
- Banks	*199*	*86*	*23*	*138*	*111*	*4*	*12*	*5*	*103*	-
- Customers	*214*	*3*	*3*	*20*	*27*	*14*	*84*	*8*	-	-
B.2 Debt securities	-	53	34	116	336	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	34	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*41*	*19*	*228*	*165*	*91*	*135*	*686*	-	*3*
- Short positions	-	*561*	*79*	*802*	*1,118*	*174*	*48*	*699*	-	*2*
C.2 Deposits and loans to be settled										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds										
- Long positions	-	*19*	*1*	*2*	*4*	*6*	*7*	-	-	-
- Short positions	*25*	-	-	-	-	-	-	-	-	-

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	Unspecified maturity
Cash assets	**2,660**	**1,521**	**224**	**1,479**	**2,266**	**1,961**	**3,076**	**6,344**	**4,171**	**191**
A.1 Government bonds	4	10	10	707	311	644	839	1,650	1,051	5
A.2 Listed debt securities	1	2	2	3	9	3	30	53	49	-
A.3 Other debt securities	92	-	-	-	30	65	58	159	34	-
A.4 Quotas of UCITS	12	-	-	-	-	-	-	-	35	8
A.5 Loans	2,551	1,509	212	769	1,916	1,249	2,149	4,482	3,002	178
- Banks	*1,139*	*1,292*	*97*	*116*	*953*	*17*	*39*	*163*	*22*	-
- Customers	*1,412*	*217*	*115*	*653*	*963*	*1,232*	*2,110*	*4,319*	*2,980*	*178*
Cash liabilities	**6,782**	**2,519**	**644**	**1,585**	**2,886**	**1,545**	**2,248**	**2,165**	**1,422**	**103**
B.1 Deposits	6,771	2,419	603	1,538	2,793	1,361	1,809	1,153	862	103
- Banks	*456*	*598*	*396*	*193*	*271*	*315*	*146*	*97*	*55*	-
- Customers	*6,315*	*1,821*	*207*	*1,345*	*2,522*	*1,046*	*1,663*	*1,056*	*807*	*103*
B.2 Debt securities	11	100	27	35	93	184	439	1,012	560	-
B.3 Other liabilities	-	-	14	12	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*28*	*740*	*271*	*733*	*856*	*937*	*1,117*	*949*	*316*	*1*
- Short positions	*28*	*1,227*	*318*	*701*	*940*	*677*	*928*	*1,359*	*15*	*1*
C.2 Deposits and loans to be settled										
- Long positions	*71*	-	-	-	-	-	-	-	-	-
- Short positions	-	*55*	-	-	*2*	*13*	-	-	-	-
C.3 Irrevocable commitments to lend funds										
- Long positions	*219*	*39*	*29*	*10*	*44*	*167*	*122*	*28*	*6*	*1*
- Short positions	*39*	-	-	-	-	-	-	-	-	-

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	2,316	8,639	28,987	3,825	63,111	110,601
2. Securities issued	-	17	29,964	216	3,863	153,444
3. Financial liabilities held for trading	9	162	9,736	87	670	35,082
4. Financial liabilities at fair value	-	-	-	-	-	3,878
Total 31.12.2008	**2,325**	**8,818**	**68,687**	**4,128**	**67,644**	**303,005**
Total 31.12.2007	**3,270**	**6,152**	**55,589**	**3,500**	**68,231**	**221,675**

3. Geographical breakdown of financial liabilities

(in millions of euro)

	Italy	Other European countries	America	Asia	Rest of the World
1. Due to customers	172,909	33,868	3,437	585	6,680
2. Due to banks	15,389	25,497	1,193	6,795	2,846
3. Securities issued	123,613	29,580	33,341	610	360
4. Financial liabilities held for trading	9,645	31,693	4,309	57	42
5. Financial liabilities at fair value	3,878	-	-	-	-
Total 31.12.2008	**325,434**	**120,638**	**42,280**	**8,047**	**9,928**
Total 31.12.2007	**291,227**	**104,859**	**26,101**	**8,801**	**11,656**

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, 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's Operational Risk Committee (made up of the heads of the areas of the corporate centre and of the business areas that are 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 had a long centralised function within the Risk Management Department for managing 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 individual organisational units that participated in the process and to 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).

In 2008, the "integrated" Self-Assessment (SA) process was implemented at Group level for the first time. The objective of this process is to assess the exposure to Operational Risk at Organisational Unit and business process level, contributing to the model for the determination of the Group's exposure to Operational Risks, and to generate synergies with the information flows to the other corporate control and compliance functions.

This process was assigned to the decentralised functions responsible for the Operational Risk Management (ORMD) supported by the Operational Risk Management Department. Around 70 Group Companies were involved, 40% abroad and 60% in Italy. A total of over 450 Organisational Units were involved. The Operational Environment Assessment (OEA), conducted for the first time during the second half of the year, is the qualitative analysis of the current exposure to Operational Risks, performed by means of an assessment of the Risk Factors in terms of "significance" and "control" and aimed at identifying areas of vulnerability and any mitigation actions to address them, thus promoting "proactive" risk management (Risk Ownership). The Scenario Analysis (AS), already in use, on the other hand, is aimed at identifying the operational risks from a forward-looking perspective, measuring exposure in terms of frequency, average impact, and worst case scenario.

The Self-Assessment process identified a good overall level of control of operational risks and contributed to enhancing the dissemination of a business culture focused on the ongoing control of these risks.

The internal model for the calculation of capital absorption is designed to combine all the main quantitative (internal and external historical incurred loss data) and qualitative information sources (scenario analysis and operational environment assessment).

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, determining the annual loss distribution curve and, consequently, obtaining a measurement of the associated risk.

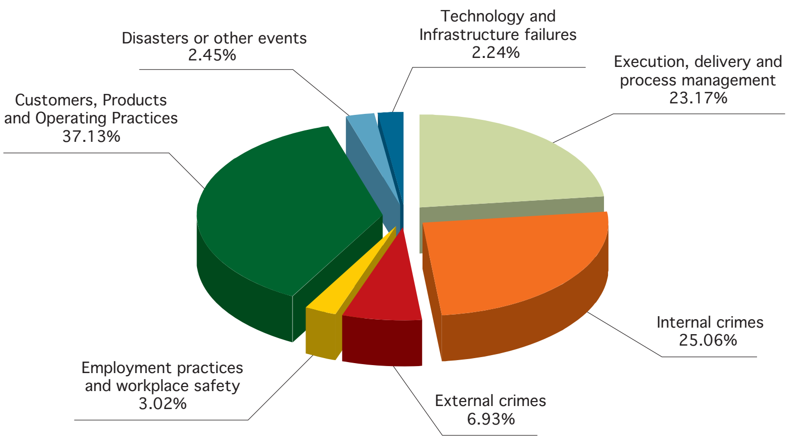
The qualitative component (scenario analyses) focuses on the forward-looking assessment of the risk exposure of each unit and is based on the structured, organised collection of subjective estimates expressed directly by Management (subsidiary companies, Parent Company's business areas, Corporate

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 estimation 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 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 the 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.
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.
The EurizonVita insurance group adopts the recommendations from the banking Parent Company in relation to Operational Risks and is also assessing the adequacy of the entire process in the light of the specific, regulatory and non-regulatory, developments for insurance companies at international (ORX consortium- Insurance Sector), European (Solvency II) and national level (ISVAP, COVIP, and ANIA).

QUANTITATIVE INFORMATION

The capital absorption for Operational Risks with the Standard Approach for the Group calculated a value of approximately 2.3 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 2.1 billion euro. The breakdown of operational events by type is shown below.

Breakdown of Economic Capital referred to 2008



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 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 consequently involved all the approximately 27,000 customers of the former SanPaolo IMI Group who bought Parmalat bonds that were then converted into shares and warrants of the new Parmalat. Of these, around 16,600 took part in the procedure. The examination of the applications started in November 2008 and is due to be concluded by the end of 2009.
The assessments are based on the principle of fairness and are conducted by five joint committees organised on a regional basis.
The repayment proposals made to date as part of the conciliation have been in line with the related specific provisions made.
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. During 2008 two significant settlements were reached between the Committee and several counterparties as part of the actions for compensation brought by the Committee on behalf of the parties being represented by it. Through the first agreement, which has been almost completely fulfilled, the entitled parties were able to obtain an overall recovery of around 13 million euro. Through the second agreement, for which the acceptances by the interested parties are in the process of being gathered, if all the entitled parties were to accept the overall recovery would amount to around 36 million euro.
For the Argentina bonds, complaints are managed by the ordinary procedure in place for any other financial product, according to a case-by-case assessment of the individual positions. Like all other legal risk measurement procedures provisions are made on each occasion that are deemed to be consistent with the specific circumstances of each case.
The same criteria are applied to the assessments of claims relating to bonds issued by companies belonging to the Lehman Brothers Group whose default was declared on 15 September 2008.

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.

The Group considers these claims to be totally unfounded and it is confident that it will be able to oppose them on both the merits of the case and on the basis of the lack of capacity to act in court proceedings of the Extraordinary Administration bodies.

Equitalia Polis S.p.A. (former Gest Line S.p.A.) – Tax-collection litigation
With three different transactions, the first in September 2006, the second in December 2007 and the last in April 2008, the Bank, as part of the State's internalisation of tax-collection activities, sold to Equitalia S.p.A. (a company owned by Agenzia delle Entrate and INPS) the entire equity investment in Gest Line S.p.A., 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 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. However, 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.
However, despite this latest legislative intervention, there is still some uncertainty regarding the interpretation of the extension of the amnesty, whose application in cases brought before the courts has led to judgements that have not been unequivocal.
In any event, the related risks are covered by provisions considered to be adequate.

IMI/SIR dispute
The Management Board meeting of 25 July 2007 approved the Bank's acceptance of the proposal made by the Rovelli family for the settlement of the IMI – SIR dispute, through a payment to Intesa Sanpaolo of the overall amount of 200 million euro and the assignment by the heirs of Mr. Rovelli to the Bank, of tax credits from the Government Authorities amounting to around 144 million euro.
The fulfilment of this settlement is still underway. In the first half of 2008, a total of 67.8 million euro were credited and recorded under "other income". Subsequently, during the course of July, the Public Prosecutor of the Court of Monza authorised the transfer to the Bank of a further 59 million euro, which were recorded in the third quarter of last year.
The final tranche of around 73.2 million euro was due to be received at the end of 2008, however this did not take place due to difficulties encountered by the debtors in realising the financial assets.
The funds are expected to be received during 2009.

Banca Infrastrutture Innovazione e Sviluppo and Municipality of Taranto Dispute

B.I.I.S., as the successor to Banca OPI, is involved in a case pending before the Court of Taranto brought by the Municipality of Taranto in relation to the subscription in May 2004 by Banca OPI for a 250,000,000 euro bond issued by this Municipality. The judgement is due to be issued before the summer.
As things stand it has not been necessary to change the classification of the performing loan due from the Municipality of Taranto, or to make any provisions for risks and charges.

Other judicial and administrative proceedings

Please note that a criminal investigation is underway in the United States instigated by the District Prosecutor of New York and the Department of Justice aimed at verifying the methods used for the clearing through the United States of payments in dollars to/from countries embargoed by the US government in the years from 2001 to 2008.
The investigation involves the treatment of payment orders in dollars generally issued in the SWIFT interbank payments settled through US banks, and the alleged omission or alteration of the information relating to the originators and beneficiaries of these payments.
The Bank is cooperating in full with this investigation.
A parallel administrative proceeding is also underway, initiated in March 2007 by the US banking supervisory authorities that, having found certain weaknesses in 2006 in the anti-money laundering systems of the New York branch, requested a series of actions (already implemented) to strengthen the anti-money laundering procedures and an examination of the payment traffic of the first half of 2006 by an independent consultant to verify the existence of any violations of the local anti-money laundering and embargo regulations.
Based on the information available it is not currently possible to make any forecasts concerning the timescale for the completion or the outcome of these proceedings.

Tax litigation

The risks associated with tax litigation are covered by specific provisions for risks and charges.
With regard to the Parent Company, in 2008, a reimbursement of tax credits of around 307 million euro was received, with the consequent release of the corresponding precautionary provisions of around 31 million euro.
New disputes also arose for around 46 million euro, relating to issues of law involving the charge of the alleged failure to pay:

- stamp duty in relation to compulsory accounting figures, for a total of around 15 million euro, as tax, penalty and interest relating to the years 2005 and 2006;
- IRES and IRAP of around 31 million euro as tax, penalty and interest relating to the years 2003-2006, mainly referring to the significance of the repurchase agreements for the purposes of the calculation of the deduction of the write-down of receivables, together with other less significant items.

It is believed that both charges can be effectively opposed in judicial proceedings.
The outstanding tax litigation as at 31 December 2008 involving the other, Italian and international, companies of the Group included within the scope of consolidation, amounted to a total of 117 million euro, respectively attributable to 94 million euro for actions brought by the Financial Authorities – for capital, penalties and interest – and to 23 million euro for tax credits recorded in the financial statements. The disputes involve 41 million euro relating to direct taxes, around 9 million euro for withholding tax, 30 million euro for VAT, and around 13 million euro for other taxation. With regard to the most significant disputes that arose in 2008, which generally involve issues of interpretation, the following should be noted in particular:

- Centro Leasing Banca, for a total of 17 million euro solely relating to 2003, due to a disputable reclassification of sale & lease back transactions as ordinary loans guaranteed by real estate, on the basis of the case-law principle of abuse of rights;
- Eurizon Vita, for a total of 15 million euro due to the recovery of VAT for the years 2003 and 2004 relating to the tax treatment applied to the provision of services associated with co-insurance;
- Banca Fideuram, for a total of around 12 million euro relating to direct taxes for the year 2003, due to the derecognition of the accrual principle relating to charges associated with the incentive scheme for financial planners.

Labour litigation

During the year the INPS of Turin confirmed a payment demand relating to the failure by Sanpaolo IMI to pay contributions to finance the involuntary unemployment for the period 1 November 2002 – 31 December 2006. This risk has been covered by a provision considered to be sufficient based on the probable outcome of the dispute.

SECTION 2 – RISKS OF INSURANCE COMPANIES

2.1 INSURANCE RISKS

Life branch

The typical risks of the life insurance portfolio (managed by EurizonVita, EurizonLife, SudPoloVita and CentroVita) may 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, aimed at measuring profitability and identifying any weaknesses beforehand, by means of specific sensitivity analyses. The issue process for a product involves its prior presentation to the Product Committee, made up of the heads of all company functions and the General management, in order to take account of and validate its structure and features. Where the economic impact is significant revenue related information is also provided, such as results from profit testing.
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)

Breakdown of mathematical reserves of life branch: maturity	**Mathematical reserve**	**%**
up to 1 year	1,195,437	6.60
1 to 5 years	8,023,290	44.30
6 to 10 years	2,300,581	12.70
11 to 20 years	1,228,356	6.78
over 20 years	5,364,047	29.62
TOTAL	**18,111,711**	**100.00**

Almost 50% 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%	33,795	2.04	396,197	1.97
from 1% to 3%	549,255	33.07	9,841,968	48.98
from 3% to 5%	188,121	11.33	5,076,598	25.26
Insurance products	**889,524**	**53.56**	**4,930,319**	**24.53**
Shadow reserve	**-**		**-147,861**	**-0.74**
TOTAL	**1,660,695**	**100.00**	**20,097,221**	**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 Program) 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

The risks of the casualty insurance portfolio mainly relate to premium and reserve risks.
Premium risks are protected initially during definition of the technical features and product pricing, and over the life of the instrument by means of periodic checks on the sustainability and profitability (both at product level and at the portfolio level, including all of the liabilities).
Reserve risk is guarded against through the exact calculation of mathematical reserves. More specifically, for companies with casualty branches the technical reserves may be broken down into: premium reserves, claims reserves, profit sharing and reversal reserves, other technical reserves and the equalisation reserve.
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 Reinsurance function with suitable indications of the portfolio characteristics in order to prepare the annual reinsurance plan.

A breakdown of the claims reserves as at 31 December 2008 for EurizonTutela and CentroVita is provided below.

(in thousands of euro)

Development of Casualty Branch Reserves	Year of generation/event					
	2004	2005	2006	2007	2008	TOTAL
Reserve amount:						
as at 31/12 generation year N	9,359	11,593	18,219	20,390	34,026	93,587
as at 31/12 year N+1	2,245	6,305	7,693	11,560		27,803
as at 31/12 year N+2	740	2,792	4,490			8,022
as at 31/12 year N+3	881	1,417				2,298
as at 31/12 year N+4	732					732
Total claims paid	**6,358**	**10,322**	**11,833**	**14,981**	**13,421**	**56,915**
Claims reserve booked as at 31.12.2008	**732**	**1,417**	**4,490**	**11,560**	**34,026**	**52,225**
Final claims reserve for previous years						**8,925**
Total claims reserve booked as at 31.12.2008						**61,150**

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 diverse types, are discussed, normally on a monthly basis, by specific investment committees.
As already mentioned above, in order to measure and manage all the (underwriting and financial) risks together, a simulation tool, known as FAP, is also used with the objective of measuring the intrinsic value, the fair value of the liabilities and the 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 process makes it possible to calculate the sensitivity of liabilities with respect to the movements of market risk factors in order to effectively manage the financial assets covering technical provisions.

Investment portfolios

As at 31 December 2008, the investment portfolios of the Group companies, recorded at book value, amounted to 42,547 million euro; of these, the share regarding traditional revaluable life policies and free capital (“Class C” portfolio or portfolio at risk) amounted to 16,160 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 totalling 26,387 million euro.

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

Financial assets under separate management and free capital

In terms of breakdown by asset class, at the end of 2008 and net of the positions in derivative financial instruments detailed below, 94.6% of the assets (15,450 million euro) consisted of bonds, whereas assets subject to equity price risk represented 4.4% of the total and amounted to 720 million euro. The remaining part (1%, 164 million euro) consisted of investments relating to UCITS, Private Equity and Hedge Funds.
Investments relating to EurizonVita’s and SudPoloVita’s free capital amounted to 846.4 million euro (market values, net of current account balances) and had a risk level in terms of Value at Risk (99% confidence level, 10-day holding period) of 11 million euro.

Interest rate risk exposure

The breakdown by maturity of bonds showed 12.5% short-term (under 1 year), 37% medium-term and 45% long-term (over five years).

(in thousands of euro)

Financial assets	Book value	%	Duration
Fixed-rate bonds	**11,573,410**	**70.86**	**5.14**
up to 1 year	1,680,732	10.29	
1 to 5 years	4,772,489	29.22	
over 5 years	5,120,189	31.35	
Floating rate/indexed bonds	**3,876,724**	**23.73**	**2.37**
up to 1 year	363,954	2.23	
1 to 5 years	1,243,584	7.61	
over 5 years	2,269,186	13.89	
TOTAL	**15,450,134**	**94.59**	
Equities or similar capital securities	**720,183**	**4.41**	
UCITS, Private Equity, Hedge Fund	**163,967**	**1.00**	
TOTAL AS AT 31.12.2008	**16,334,284**	**100.00**	

The Modified duration of the bond portfolio, calculated by means of the sensitivity to uniform and parallel variations of the interest rate curve of ±25 basis points, is 4.4 years. The reserves relating to the revaluable contracts under Separate Management have an average modified duration of 3.9 years. The related portfolios of assets have a modified duration of around 3.3 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 643 million euro. In this scenario, the value of hedging derivatives increases by 122 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	
			+100 bps	**-100 bps**
Fixed-rate bonds	11,573,410	75.74	-559,941	630,113
Floating rate/indexed bonds	3,876,724	25.37	-82,737	89,170
Interest rate risk hedging effect	-169,953	-1.11	122,468	-155,048
Total	**15,280,181**	**100.00**	**-520,210**	**564,235**

Credit risk exposure

The investment portfolio had a high credit quality. As shown in the table below, AAA/AA bonds represented approximately 79% of total investments and A bonds 12%. Low investment grade securities (BBB) constituted around 3% of the total and the portion of speculative grade or unrated securities was marginal.

(in thousands of euro)

Breakdown of financial assets by issuer rating	Book value	%
Bonds	**15,450,134**	**94.59**
AAA	3,656,298	22.38
AA	9,333,136	57.14
A	2,015,496	12.34
BBB	424,785	2.60
Speculative grade	9,154	0.06
Unrated	11,265	0.07
Equities or similar capital securities	**720,183**	**4.41**
UCITS, Private Equity, Hedge Fund	**163,967**	**1.00**
TOTAL	**16,334,284**	**100.00**

The analysis of the exposure in terms of the issuers/counterparties produced the following results: securities issued by Governments, Central Banks and other public entities represented approximately 75% of the total investments, whereas financial companies (mostly banks) contributed to around 15% of the exposure and industrial securities made up approximately 4%.
The sensitivity values of the fair value of the bonds with respect to a variation in the creditworthiness of the issuers, namely a market credit spread shock of ±100 basis points, as at end of 2008, are shown in the table below.

(in thousands of euro)

	Book value	%	Fair value changes due to credit spread fluctuations	
			+100 bps	**-100 bps**
Government bonds	12,332,402	79.82	-631,256	708,754
Corporate bonds	3,117,732	20.18	-127,681	137,132
Total	**15,450,134**	**100.00**	**-758,937**	**845,886**

Equity risk exposure

The sensitivity of the equity portfolio to a hypothetical deterioration in equity prices of 10% amounts to 72 million euro, as shown in the table below.

(in thousands of euro)

	Book value	%	Fair value changes due to stock price fluctuations
			-10%
Equities - Financial institutions	139,514	19.37	-13,951
Equities - Non-financial companies and other counterparties	580,669	80.63	-58,067
Total	**720,183**	**100.00**	**-72,018**

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.

Financial derivative instruments

Financial derivative instruments are used to cover the financial risks of the investment portfolio or for effective management.

The table below shows the book values of the financial derivative instruments as at 31 December 2008.

(in thousands of euro)

Type of underlying	Interest rates		Equities, equity indexes, commodities, exchange rates		TOTAL	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Hedging derivatives	-	-169,953	-	-	-	-169,953
Effective management derivatives	-	-12,192	-	3,119	-	-9,073
TOTAL	**-**	**-182,145**	**-**	**3,119**	**-**	**-179,026**

The capital losses shown for the hedging derivatives are offset, due to the nature of the instruments, by the capital gains on the positions hedged.

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.
The risks associated with these entities fall within the scope of the monitoring by Risk Management. More specifically, the potential interest rate and exchange rate risks arising from the operations of the two companies must be covered in accordance with the Intesa Sanpaolo Group policy for the management of these risks.
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 2008, the investment portfolio of the vehicle Romulus included 1,624 million euro of financial instruments classified under loans to customers. Of these, 1,090 million euro consisted of loans to the vehicle Duomo and the remaining 534 million euro of securities. A part of these, with a nominal value as at 31 December 2008 of 307 million euro, were classified in the AFS portfolio at the end of 2007 and were reclassified, during 2008, in accordance with the amendments introduced by IAS 39. The exposure to the risk of these financial instruments at the time of their reclassification amounted to 262 million euro, with an adjustment of 45 million euro allocated to a specific Shareholders' Equity reserve. The fair value of the securities in question as at 31 December 2008 was 233 million euro, with a reclassification benefit of 29 million euro.
As part of the analysis of the impact of the financial crisis on structured credit products, the 307 million euro of securities was posted:
- for 9 million euro to the subprime segment;
- for 16 million euro to the "contagion" area (Multisector CDOs);
- for 282 million euro to other structured credit products.

The negative fair value differences of 45 million euro recorded as an offsetting entry in the specific Shareholders' Equity Reserve were broken down as follows:
- 3 million euro for positions included in the subprime segment;
- 4 million euro for positions in the "contagion" area (Multisector CDOs);
- 38 million euro for securities which are part of other structured credit products.

At the end of 2008, the portfolio of the Duomo vehicle was made up – in addition to the amounts due from Group banks – of 410 million euro of loans to customers, 381 million euro of which were represented by securities. 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

The control of capital adequacy at group level and at the level of individual entities in the group is ensured by capital management activity which defines the size and optimum combination of the different capital instruments, consistently with the risk exposure taken on and with supervisory requirements.

The Intesa Sanpaolo Group assigns a key role to capital management and allocation also in respect of the management of operations. In this regard, the allocation of capital to the Business Units is based on their specific capacity to contribute to the creation of value, taking into account the level of return expected by shareholders.

The concept of capital at risk itself varies in relation to its measurement approach:

– regulatory capital covering Pillar 1 risks;
– overall internal capital covering Pillar 2 risks, for ICAAP purposes[1].

Regulatory capital and overall internal capital differ from each other by definition and as to their coverage of risk categories. The first arises from formats defined in supervisory provisions, the second from the actual measurement of exposure amounts.

Hence, capital management activity comprises the management of current and prospective capital adequacy through careful control of both regulatory requirements (Pillar 1) and operational constraints (Pillar 2).

This activity is dynamic over time and first of all reflects the capital requirements linked to the multi-annual objectives set out in the Business Plan. Subsequently, a review is carried out when defining annual budget targets: based on the expected trends in loans, other assets and income statement aggregates, risks are quantified and their compatibility at group level and at the level of each group entity is verified. Additionally, capital requirement monitoring is conducted during the year and on a quarterly basis, and if necessary appropriate actions are taken to direct and control balance sheet aggregates.

Further analyses for preliminary assessment of capital adequacy are performed when planning extraordinary operations (mergers, acquisitions, disposals, etc.) whether internal to the Group or changing the Group’s perimeter.

[1] In accordance with the regulatory provisions, the Group has completed the actions aimed at meeting the requirements laid down by the Second Pillar of Circular 263, by preparing and sending the Simplified ICAAP Report to the Supervisory Authority - on approval by the Supervisory Board – with the figures as at 30 June and 31 December 2008. The Group plans to make further refinements to the measurement systems and contents of the ICAAP report with a view to sending the final document with the figures for 31 December 2008 and the forecast figures for 31 December 2009 to the Supervisory Authority by 30 April 2009.

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	**33,102**
Reserves	**8,075**
Legal reserve	*1,329*
Extraordinary reserve	*1,901*
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	*3,991*
Other reserves	*320*
Valuation reserves	**-1,412**
Legally-required revaluations	*343*
Valuation reserve from translation of financial statements in foreign currency	*-55*
Valuation reserve of financial assets available for sale	*-1,287*
Valuation reserve of cash flow hedges	*-413*
Treasury shares	**-11**
Net income	**2,553**
Total	**48,954**

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	no.	407,994,175
Purchased	no.	9,746,183
Share swap with CR Firenze shares	no.	398,904,617
Sold	no.	15,813,720
End-of-year number	no.	3.022.021

Non-convertible saving shares:		
Initial number	no.	103,000
Purchased	no.	44,000
Sold	no.	44,000
End-of-year number	no.	103.000

SECTION 2 – REGULATORY CAPITAL AND CAPITAL RATIOS

2.1. Scope of application of regulations

Regulatory capital has 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).
The "New regulations for the prudential supervision of banks" enable banks and banking groups to adopt internal risk measurement systems for calculating capital requirements subject to the prior authorization of the Bank of Italy, provided that the bank or banking group meets specific minimum organizational and quantitative requirements.
Intesa Sanpaolo has been authorised by the Bank of Italy to adopt the Foundation Internal Rating Based method (FIRB) for calculating capital requirements for credit risk, only using internal assessment of probability of default (PD) parameters for the regulatory corporate portfolio.

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" of Tier 1 capital; 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". Negative Tier 1 "prudential filters" include 50% of the net tax benefit recorded in the income statement as at 31 December 2008, arising from the tax relief on goodwill pursuant to Law Decree 185/2008 converted into Law 2/2009.
  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 equity instruments not included in Tier 1 capital, hybrid instruments, Tier 2 subordinated liabilities, unrealised capital gains on equity investments, excess value adjustments with respect to expected losses, and the other positive elements that constitute secondary-quality asset 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.

Deductions are made, in the manner described above, 50% from "Tier 1 capital before elements to be deducted" and 50% from "Tier 2 capital before elements to be deducted" on the following elements: equity investments; expected losses in excess of impairment provisions made on the regulatory corporate portfolio; expected losses on capital instruments, and – if eligible for inclusion in the issuer's regulatory capital – on 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 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)
SANPAOLO IMI Capital Company I	8.126%; from 10/11/2010 1-year Euribor + 3.5% p.a.	YES	10-Nov-2000	perpetual	10-Nov-2010	Euro	1,000,000,000	1,000
Intesa Preferred LLC III	6.988% fixed rate; from 12/07/2011 3-month Euribor +2.60%	YES	12-Jul-2001	perpetual	12-Jul-2011	Euro	500,000,000	498
Intesa Sanpaolo	8.047% up to 20/06/2018 (excluded); thereafter at 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Euro	1,250,000,000	1,250
Intesa Sanpaolo	8.698% up to 24/9/2018 (excluded); thereafter at 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Euro	250,000,000	250
Total preference shares and innovative equity instruments (Tier I)								**2,998**

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	6.625% fixed rate	NO	8-May-2008	8-May-2018	NO	Euro	1,250,000,000	1,242
Intesa Sanpaolo	6.16% fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Euro	120,000,000	119
Banca CR Firenze	6-month Euribor + 1.40%	NO	19-Jun-2002	21-Jun-2012	NO	Euro	200,000,000	198
Banca CR Firenze	6-month Euribor + 0.95%	NO	5-Dec-2003	5-Dec-2013	NO	Euro	200,000,000	150
Centro Leasing Banca S.p.A.	3-month Euribor + 0.85%	NO	17-Jul-2007	17-Jul-2017	NO	Euro	30,000,000	25
Total hybrid instruments (Upper Tier II)								**1,734**
Banca di Trento e di Bolzano	1st year: 4%; 2nd year: 4.10%; thereafter 71% 10-year swap rate with minimum 3%	NO	4-Apr-2003	4-Apr-2010	NO	Euro	9,000,000	4
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	4-Apr-2003	4-Apr-2010	NO	Euro	16,000,000	6
Cassa di Risparmio di Orvieto S.p.A.	6-month Euribor - 0.10%	NO	14-Jan-2005	14-Jan-2012	NO	Euro	17,000,000	14
Centro Leasing Banca S.p.A.	up to 27/9/2011 (excluded): 3-month Euribor + 0.65% p.a.; thereafter 3-month Euribor + 1.25% p.a.	YES	27-Sep-2006	27-Sep-2016	27-Sep-2011	Euro	90,000,000	68
Cassa di Risparmio della Spezia S.p.A.	for the first 5 years: 3-month Euribor + 0.10%; for the following 5 years: 3 month Euribor + 0.30%	YES	14-Dec-2007	14-Dec-2017	14-Dec-2012	Euro	30,000,000	30
Banca CR Firenze	6-month Euribor	NO	24-Jun-2002	22-Jul-2009	NO	Euro	50,000,000	10
Banca CR Firenze	6-month Euribor	NO	7-Jan-2003	3-Feb-2010	NO	Euro	30,000,000	12
Banca CR Firenze	3-month Euribor	NO	19-Jan-2004	18-Feb-2011	NO	Euro	23,000,000	14
Banca CR Firenze	6-month Euribor	NO	21-Jun-2004	28-Jul-2011	NO	Euro	40,000,000	24
Banca CR Firenze	3-month Euribor + 0.45%; as of 30/5/2010 3-month Euribor + 0.70%	YES	30-May-2005	30-May-2015	30-May-2010	Euro	16,200,000	16
Banca CR Firenze	6-month Euribor + 0.15%	NO	10-Apr-2006	22-May-2013	NO	Euro	85,000,000	12
Banca CR Firenze	6-month Euribor + 0.40%; as of 15/12/2009 3-month Euribor + 0.60%	YES	15-Dec-2004	15-Dec-2014	15-Dec-2009	Euro	150,000,000	145
Intesa Sanpaolo	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%)	NO	16-Jun-1998	17-Jun-2013	NO	Lit	500,000,000,000	177
Intesa Sanpaolo	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%)	NO	30-Jun-1998	1-Jul-2013	NO	Lit	200,000,000,000	73
Intesa Sanpaolo	8% 1st coupon, 5% 2nd coupon, 4% 3rd coupon, thereafter 70% of 10-year swap rate	NO	9-Mar-1999	9-Mar-2014	NO	Lit	480,000,000,000	208
Intesa Sanpaolo	8% 1st coupon, 5.5% 2nd coupon, 4% 3rd coupon, thereafter 65% of 10-year swap rate with minimum 4%	NO	15-Jul-1999	15-Jul-2014	NO	Euro	250,000,000	218
Intesa Sanpaolo	5.30% fixed rate	NO	22-Oct-1999	1-Jan-2010	NO	Euro	150,000,000	60
Intesa Sanpaolo	5.10% fixed rate	NO	17-Nov-1999	17-Nov-2009	17-Nov-2005	Euro	350,000,000	70
Intesa Sanpaolo	5.20% fixed rate	NO	7-Dec-1999	1-Jan-2010	NO	Euro	90,000,000	36
Intesa Sanpaolo	5.30% fixed rate	NO	21-Jan-2000	1-Jan-2010	NO	Euro	100,000,000	40
Intesa Sanpaolo	5.50% fixed rate	NO	16-Feb-2000	1-Jan-2010	NO	Euro	41,000,000	16
Intesa Sanpaolo	6.11% fixed rate; as of 23/2/2005 97% of 30-year euro swap mid rate	NO	23-Feb-2000	23-Feb-2015	NO	Euro	65,000,000	65
Intesa Sanpaolo	92% of 30-year Euro Swap mid rate: never less than that of previous coupon	NO	12-Mar-2001	23-Feb-2015	NO	Euro	50,000,000	50
Intesa Sanpaolo	5.35% fixed rate	NO	9-Apr-2001	9-Apr-2011	NO	Euro	125,478,000	75

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	Euro	265,771,000	213
Intesa Sanpaolo	5.50% fixed rate	NO	12-Apr-2002	12-Apr-2012	NO	Euro	126,413,000	100
Intesa Sanpaolo	5.85% fixed rate; as of 08/05/2009 3 month Euribor +1.25%	YES	8-May-2002	8-May-2014	8-May-2009	Euro	500,000,000	498
Intesa Sanpaolo	3-month Euribor + 0.25%	YES	8-Feb-2006	8-Feb-2016	8-Feb-2011	Euro	1,500,000,000	1,458
Intesa Sanpaolo	5.50% fixed rate; as of 19/12/2011 3 month GBP Libor + 0.99%	YES	19-Jul-2006	19-Dec-2016	19-Dec-2011	Lgs	1,000,000,000	1,046
Intesa Sanpaolo	6.375% fixed rate; as of 12/11/2012 3-month GBP Libor	YES	12-Oct-2007	12-Oct-2017	12-Oct-2012	Lgs	250,000,000	262
Intesa Sanpaolo	5.75% fixed rate	NO	15-Sep-1999	15-Sep-2009	NO	Euro	150,000,000	30
Intesa Sanpaolo	6.375% fixed rate	NO	6-Apr-2000	6-Apr-2010	NO	Euro	500,000,000	200
Intesa Sanpaolo	3.72% fixed rate, as of 3/8/2009 6-month Euribor +0.60% p.a.	YES	3-Aug-2004	3-Aug-2014	3-Aug-2009	Euro	133,793,000	126
Intesa Sanpaolo	2.90% fixed rate, as of 1/8/2010 6-month Euribor + 0.74% p.a.	YES	1-Aug-2005	1-Aug-2015	1-Aug-2010	Euro	20,000,000	19
Intesa Sanpaolo	5.375% fixed rate	NO	13-Dec-2002	13-Dec-2012	NO	Euro	30,000,000	239
Intesa Sanpaolo	up to 20/02/2013 (excluded): 3-month Euribor + 0.25% p.a.; thereafter 3-month Euribor +0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	20-Feb-2013	Euro	750,000,000	749
Intesa Sanpaolo	up to 9/6/2010 (excluded): 3.75% p.a. thereafter: 3-month Euribor + 1.05% p.a.	YES	9-Jun-2003	9-Jun-2015	9-Jun-2010	Euro	350,000,000	348
Intesa Sanpaolo	up to 18/03/2019 (excluded): 5.625% p.a.; thereafter: 3-month Sterling LIBOR + 1.125% p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	Lgs	165,000,000	173
Intesa Sanpaolo	up to 28/06/2011 (excluded): 3-month Euribor + 0.30% p.a.; thereafter 3-month Euribor + 0.90% p.a.	YES	28-Jun-2004	28-Jun-2016	28-Jun-2011	Euro	700,000,000	698
Intesa Sanpaolo	up to 02/03/2015 (excluded): 3.75% p.a.; thereafter: 3-month Euribor +0.89% p.a.	YES	2-Mar-2005	2-Mar-2020	2-Mar-2015	Euro	500,000,000	496
Intesa Sanpaolo	up to 19/04/2011 (excluded): 3-month Euribor +0.20% p.a.; thereafter: 3-month Euribor +0.80% p.a.	YES	19-Apr-2006	19-Apr-2016	19-Apr-2011	Euro	500,000,000	485
Intesa Sanpaolo	up to 26/6/2013 (excluded): 4.375% p.a., thereafter: 3-month Euribor +1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	26-Jun-2013	Euro	500,000,000	500
Banca Fideuram	6-month Euribor + 0.50% p.a.	NO	1-Oct-1999	1-Oct-2009	NO	Euro	200,000,000	40
Intesa Sanpaolo	5.87% fixed rate	NO	26-Nov-2008	26-Nov-2015	NO	Euro	415,000,000	415
Intesa Sanpaolo	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Euro	545,000,000	544
Intesa Sanpaolo	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Euro	382,000,000	382
Intesa Sanpaolo	4.80% fixed rate	NO	28-Mar-2008	28-Mar-2015	NO	Euro	800,000,000	799
Intesa Sanpaolo	4.00% fixed rate	NO	30-Sep-2008	30-Sep-2015	NO	Euro	1,097,000,000	1,026

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	5.75% fixed rate; as of 28/05/2013 3 month Euribor +1.98%	YES	28-May-2008	28-May-2018	28-May-2013	Euro	1,000,000,000	994
Findomestic Banca S.p.A.	up to 27/01/2011 (included): 3-month Euribor + 0.28% p.a.; thereafter 3-month Euribor +0.60% p.a.	YES	27-Jan-2006	27-Jan-2016	27-Jan-2011	Euro	150,000,000	69
Cassa dei Risparmi di Forlì e della Romagna	up to 10/6/2005 (included): 3-month Euribor + 0.40% p.a.; thereafter 3-month Euribor +1.00% p.a.	YES	10-Jun-2005	10-Jun-2015	10-Jun-2010	Euro	70,000,000	53
Pravex Bank	7.025% (Libor + 5%)	NO	other issues placed as of 12/09/2000	other issues with final expiry at 31/07/2016	NO	Usd	11,100,000	10
Total eligible subordinated liabilities (Lower Tier II)								**13,415**

Tier 3 capital

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)
Banca CR Firenze	3-month Euribor + 0.25%	NO	21-Dec-2006	21-Dec-2009	NO	Eur	60,000,000	30
Total Tier III subordinated liabilities								**30**
Total								**18,177**

Subordinated debts have been issued which are eligible to be considered in Tier 3 Capital, net of intragroup operations to "cover" market risks.

Quantitative information

(in millions of euro)

	31.12.2008	31.12.2007
A. Tier 1 capital before the application of prudential filters	**29,352**	**25,252**
B. Tier 1 capital prudential filters	-1,639	-189
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	*-1,639*	*-189*
C. Tier 1 before items to be deducted (A+B)	**27,713**	**25,063**
D. Items to be deducted from Tier 1	**639**	**775**
E. Total Tier 1 capital (C-D)	**27,074**	**24,288**
F. Tier 2 capital before the application of prudential filters	**15,387**	**12,287**
G. Tier 2 capital prudential filters	-	-208
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	*-208*
H. Tier 2 before items to be deducted (F+G)	**15,387**	**12,079**
I. Items to be deducted from Tier 2	**639**	**775**
L. Total Tier 2 capital (H-I)	**14,748**	**11,304**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**2,774**	**2,629**
N. Regulatory capital (E+L-M)	**39,048**	**32,963**
O. Tier 3 capital	**30**	**550**
P. Regulatory capital including Tier 3 (N+O)	**39,078**	**33,513**

2.3. Capital adequacy

Qualitative information

The year 2008 saw the full entry into force of the "New regulations for the prudential supervision of banks" (Circular 263 of 27 December 2006 issued by the Bank of Italy), implementing the provisions on the International Convergence of Capital Measurement and Capital Standards (Basel II). In particular, under these provisions, banking groups must hold total capital equivalent to at least 8% of their total risk-weighted assets (total capital ratio) in relation to the typical risks associated with banking and financial activities (credit and counterparty risks, market risks and operational risks), weighted on the basis of regulatory segmentation of borrowing counterparties and taking into account credit risk mitigation techniques.

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 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 for calculating capital requirements for market risks is permitted; in particular, Intesa Sanpaolo and Banca IMI apply an internal model for calculating general position risk (price fluctuation risk) and specific risk (issuer risk) in respect of equity securities, and general position risk in respect of debt securities; for Intesa Sanpaolo the calculation of the risk specific to certain types of credit derivatives in the trading portfolio is also included in the internal model, while standard assessment methods are used for the other risks. Counterparty risk is calculated independently of the allocated portfolio.

The group-level capital requirement is calculated as the sum of the individual requirements of the single companies that make up the Banking group, net of exposures arising from intragroup relations included in the calculation of credit, counterparty and settlement risk.

In addition to the Total capital ratio referred to above, other more rigorous ratios are also used to assess capital adequacy: 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.

Having obtained the authorisation from the Supervisory Authority, the Intesa Sanpaolo Group with effect from 31 December 2008 has adopted the Foundation Internal Rating Based (FIRB) approach to calculate its credit risk capital requirements with reference to the regulatory portfolio Exposures to corporates. The

initial scope of application of the FIRB approach includes the Parent Company, the network banks (with the exception of Carifirenze and Casse del Centro) and the main specialised lending companies.
If the standardised approach had been used, capital ratios would have been 6.9 % (Tier 1 capital ratio) and 10.0 % (Total capital ratio).

Quantitative information

(in millions of euro)

	Unweighted amounts	Weighted amounts/ requirements
A. RISK ASSETS		
A.1 Credit and counterparty risk	**582,919**	**335,556**
1. Standard methodology	387,507	194,458
2. Methodology based on internal ratings	187,208	138,199
2.1 Base	*187,208*	*138,199*
2.2 Advanced	-	-
3. Securitisations	8,204	2,899
B. CAPITAL REQUIREMENTS		
B.1 Credit and counterparty risks		**26,844**
B.2 Market risk		**1,444**
1. Standard methodology		1,243
2. Internal models		198
3. Concentration risk		3
B.3 Operational risk		**2,327**
1. Base methodology		70
2. Standard methodology		2,257
3. Advanced methodology		-
B.4 Other capital requirements		**31**
B.5 Total capital requirements		**30,646**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS		
C.1 Risk-weighted assets		**383,072**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)		**7.1%**
C.3 Total capital / Risk-weighted assets (Total capital ratio)		**10.2%**

At 31 December 2007 the ratios calculated in accordance with the previous method (Basel I) were respectively: Tier 1 capital ratio, 6.5%; Total capital ratio, 9.0%.

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. Cassa di Risparmio di Firenze	29-Jan-2008	4,205	81.43	1,020	79	79
2. Pravex	27-Jun-2008	489	100.00	28	-9	-10
3. Intesa Sanpaolo Servizi Transazionali	14-May-2008	330	100.00	46	23	5

[(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 2008.

[(e)] Net income / loss recorded by the subsidiary for full year 2008.

[(f)] Net income / loss recorded after acquisition date and included in Gruppo Intesa Sanpaolo's consolidated result. The amount related to Pravex does not include goodwill impairment equal to - 390 million euro.

1.2 Other information on business combinations

1.2.1 Annual changes in goodwill

(in millions of euro)

	31.12.2008
Initial goodwill (*)	**17,464**
Increases	**3,630**
- Goodwill recorded in the year:	3,589
goodwill from the acquisition of Carifirenze Group	*3,008*
goodwill from the acquisition of Pravex	*390*
goodwill from the acquisition of Intesa Sanpaolo Servizi Transazionali	*191*
- Positive foreign exchange differences	41
Decreases	**-1,400**
- Impairment recorded in the year	-1,065
- Disinvestments	-313
- Negative foreign exchange differences	-22
Final Goodwill	**19,694**

(*) Figures restated to consider the effects of the final allocation of the acquisition cost of Eurizon Investimenti (former Nextra).

In the table below goodwill is allocated to the different business units which correspond to the Cash Generating Units (CGU).
The figure at 31 December 2007 for CGU Eurizon Capital has been restated from the figure published in the 2007 statements, to account for the final allocation of the cost incurred at the end of 2007 for the purchase of Eurizon Investimenti (former Nextra).

(in millions of euro)

Goodwill	31.12.2008	31.12.2007 (*)
Banca dei Territori	11,901	9,453
Corporate & Investment Banking	3,455	3,013
Public Finance	10	10
International Subsidiary Banks	1,938	1,899
Eurizon Capital	1,411	1,530
Banca Fideuram	979	1,559
Total	**19,694**	**17,464**

(*) Figures restated to consider the effects of the final allocation of the acquisition cost of Eurizon Investimenti (former Nextra).

1.2.2 Other information

The acquisition of Cassa di Risparmio di Firenze

Book value and fair value of assets and liabilities acquired

Assets/Liabilities	Cassa di Risparmio di Firenze Group	
	Book value	Fair value
Assets		
Financial assets	5,543	5,543
Due from banks	1,252	1,252
Loans to customers	20,385	20,483
Investments in associates and companies subject to joint control	382	370
Property and equipment	649	762
Intangible assets	18	618
Goodwill	322	2,652
Other assets	609	609
Total Assets	**29,160**	**32,289**
Liabilities		
Due to banks	4,281	4,281
Due to customers	11,980	11,980
Securities issued	6,536	6,481
Financial liabilities	981	981
Other liabilities and allowances for risks	3,471	3,747
Shareholders' equity	201	357
Minority interests	1,710	4,462
Total Liabilities and Shareholders’ Equity	**29,160**	**32,289**

Description of the transaction

In January 2008 Intesa Sanpaolo acquired a 40.3% stake in Carifirenze – 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.
Before the transaction, Intesa Sanpaolo already held 18.6% of Carifirenze.
The Intesa Sanpaolo Ordinary Shareholders’ Meeting of 2 October 2007 had authorised the purchase and disposal of own ordinary shares up to a maximum number of 800 million. This transaction included the purchase of approximately 399 million own ordinary shares in order to acquire control of Carifirenze.

The purchase programme was executed from 3 October to 7 November 2007. In that period 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.
At the time of execution of the share swap, Intesa Sanpaolo granted Ente Cassa di Risparmio di Firenze a put option which sets forth that Ente shall have the right to sell to Intesa Sanpaolo that, after obtaining the necessary authorisations of the competent Authorities, shall be obliged to purchase all Syndicated Shares (currently 85,276,948 shares, that is 10.29% of share capital) held by Ente Firenze at the time of the exercise of that option. The Put Option may be exercised by the Ente, at any time until expiry of the shareholders' agreement signed with Intesa Sanpaolo, at a price equal to the fair market value set for the Offer indicated below. After that the put option shall be forfeited.
In the period between 10 March and 1 April 2008, Intesa Sanpaolo launched a mandatory public tender offer to buy all the Carifirenze shares at the same price used to determine the exchange ratio, that is 6.735 euro per share. The offer referred 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. As a result of the offer, Intesa Sanpaolo held, together with Ente Cassa di Risparmio di Firenze, 821,318,695 shares equal to 99.093% of the share capital of Cassa di Risparmio di Firenze. Therefore, Intesa Sanpaolo exercised, on 15 April 2008, the squeeze-out right provided for by art.111 of TUF (Consolidated Law on Finance) on all the residual 7,517,322 Carifirenze ordinary shares subject to the offer and not tendered at a unit price of 6.735 euro "cum dividend" (that is, inclusive of the coupon to receive the dividend related to 2007), i.e. at the unit consideration of the offer. After the completion of the transaction, Intesa Sanpaolo and Ente Cassa di Risparmio di Firenze hold all the Cassa's shares, with respective stakes of 89.71% and 10.29%.
Under IFRS 3, the cost of a business combination is measured as the aggregate of: the fair value, at the date of exchange, of assets given and liabilities assumed and any costs directly attributable to the combination. On the basis of the abovementioned elements (shares sold, payment subsequent to the tender offer, liability for put option and accessory costs) the cost of the acquisition was determined at 4,205 million euro; comparison of this amount with Carifirenze's proportional net equity of 1,131 million euro determines a difference to be allocated of 3,074 million euro, plus the goodwill implicit in the portion already held before the exchange, amounting to 356 million euro. This purchase cost was allocated to assets, liabilities and other intangible assets not recorded in Carifirenze's financial statements, within the limits of their fair values. The fair value of these captions was calculated with reference to 1 January 2008 (the actual date of the transaction is 29 January 2008) which was the closest accounting date from which the relevant accounting data could be drawn. The allocation was defined within twelve months from the acquisition date, i.e. for preparation of the financial statements for 2008.

Purchase cost allocation
The assets and liabilities recognised in the financial statements of Cassa di Risparmio di Firenze not already measured at fair value mostly refer to:
- loans to customers;
- loans represented by securities;
- 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 customer-related intangibles of the Cassa di Risparmio di Firenze Group were identified; they can be grouped into two main categories:
- client relationship intangibles which in turn may be divided into asset management activities and funding activities through the management of so-called "core deposits";
- activities relating to contractual relationships arising from the subscription of insurance contracts.

"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 the 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 measurement considers contracts in force at the acquisition date, and does not consider replacement/generation capacity (which is included in goodwill). 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 (24 years).
For asset management, the activities of the Cassa di Risparmio di Firenze Group include both savings product management (by CRF Gestion Internationale) and product distribution by banking networks. 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 the 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 (7 years).
With regard to insurance contracts too the Cassa di Risparmio di Firenze Group provides both insurance product management (through Centrovita) and product placement activity through the banking networks. The intangible asset presents a finite useful life since it is referred to contractual relations (insurance contracts) mostly with determined duration. The value of the insurance product management activity was measured by discounting the flows representing the future income stream from the policies already in force at the acquisition date over the period of their residual life. The insurance product placement activity was not valued since the agreement between Centrovita and the banks of the Cassa di Risparmio di Firenze Group would expire at the end of December 2007 and the insurance business was being reorganised.
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 portions corresponding to the residual life of the contracts at acquisition date.
All the aforementioned intangible assets are subject to impairment testing annually and whenever impairment indicators are present 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, of 2,652 million euro, between total purchase cost and the fair value of assets, liabilities and intangible assets not recognised in the balance sheet was allocated to goodwill in caption "130. Intangible assets". Also considering the goodwill implicit in the share already held by Intesa Sanpaolo in Carifirenze (amounting to 356 million euro), total goodwill comes to 3,008 million euro.

The following table summarises the allocation of purchase costs.

(in millions of euro)

Acquisition cost	**4,205**
Pro quota shareholders' equity (*)	**1,131**
Difference to be allocated	**3,074**
Loans to customers	98
Issued securities	55
Real estate assets	113
Investments not fully consolidated	-12
Fair value of assets and liabilities	**254**
Core deposits	502
Asset management portfolio	58
Insurance portfolio	40
Recognition of intangible assets	**600**
Deferred tax	**-276**
Minority interests	**-156**
Goodwill (**)	**2,652**
Difference allocated	**3,074**

(*) Calculated net of goodwill recognised to the consolidated financial statements of Cassa di Risparmio di Firenze.

(**) Calculated net of goodwill recognised to the consolidated financial statements of Cassa di Risparmio di Firenze. 356 million euro added for goodwill implicit to the investment already held in Cassa di Risparmio di Firenze; total goodwill equals 3,008 million euro.

The table below shows the effect on the 2008 consolidated income statement arising 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 intangibles (previously not recorded in the financial statements of the Banca CR Firenze Group).

(in millions of euro)

Interest income (*)	-56
Interest expense	-26
Impairment on property and equipment	2
Impairment on intangible assets	-37
Taxes on income from continuing operations	37
Net income (loss)	**-80**
Minority interests	**19**
Parent Company's net income (loss)	**-61**

(*) The amount includes the economic effects of early termination of loans designated at fair value.

The acquisition of Pravex

On 27 June 2008 Intesa Sanpaolo and the controlling shareholders of JSC Pravex-Bank finalised Intesa Sanpaolo's acquisition of 100% of the share capital of Pravex, in accordance with the agreement executed on 4 February 2008, at a price of 502 million euro including repayment to the sellers of a capital increase carried out in the meantime and of accessory costs. Moreover, the acquisition agreement included a purchase price adjustment mechanism based on "completion accounts" prepared by Pravex; through this mechanism, on 28 November Intesa Sanpaolo obtained a reduction of 13 million euro on the purchase price. The 390 million euro difference between the abovementioned purchase price (inclusive of price adjustment) and the acquired entity's net book value at 30 June 2008 – which was 99 million euro – has been recognised as goodwill.

Book value and fair value of assets and liabilities acquired

(in millions of euro)

Assets/Liabilities	Pravex	
	Book value	Fair value
Assets		
Financial assets	-	-
Due from banks	185	185
Loans to customers	587	587
Investments in associates and companies subject to joint control	-	-
Property and equipment	67	67
Intangible assets	1	1
Goodwill	-	390
Other assets	57	57
Total Assets	**897**	**1,287**
Liabilities		
Due to banks	113	113
Due to customers	616	616
Securities issued	49	49
Financial liabilities	-	-
Other liabilities and allowances for risks	20	20
Shareholders' equity	99	489
Minority interests	-	-
Total Liabilities and Shareholders' Equity	**897**	**1,287**

In October 2008 Intesa Sanpaolo subscribed for an increase in the share capital of Pravex of approximately 72 million euro.
Lastly, subsequent to an impairment test on goodwill, the goodwill recognised for the acquisition of Pravex Bank (390 million euro) was fully impaired.

The acquisition of Intesa Sanpaolo Servizi Transazionali

In the second quarter of 2008, in accordance with the commitments made by the parties in the agreement signed on 31 March 2008, Intesa Sanpaolo acquired MPS Finance Banca Mobiliare (now Intesa Sanpaolo Servizi Transazionali), the company that handled the depositary bank services of Banca Monte dei Paschi di Siena, for a consideration of 196 million euro plus – in accordance with the commitments made by the parties – 134 million euro pertaining to the capital of MPS Finance, for a total outlay of 330 million euro. The 189 million euro difference between the aggregate cost of the purchase and the company's net book value, which at the time of the purchase amounted to 141 million euro, was recorded as goodwill, to which the 2 million euro already recorded in the accounts of ISP Servizi Transazionali were added, reaching a total amount of 191 million euro.

Book value and fair value of assets and liabilities acquired

(in millions of euro)

Assets/Liabilities	**Intesa Sanpaolo Servizi Transazionali**	
	Book value	**Fair value**
Assets		
Financial assets	2	2
Due from banks	2,608	2,608
Loans to customers	206	206
Investments in associates and companies subject to joint control	-	-
Property and equipment	-	-
Intangible assets	-	-
Goodwill	2	191
Other assets	11	11
Total Assets	**2,829**	**3,018**
Liabilities		
Due to banks	1,375	1,375
Due to customers	1,233	1,233
Securities issued	-	-
Financial liabilities	10	10
Other liabilities and allowances for risks	70	70
Shareholders' equity	141	330
Minority interests	-	-
Total Liabilities and Shareholders' Equity	**2,829**	**3,018**

Final allocation of the purchase cost of Eurizon Investimenti (former Nextra)

On 27 December 2007, 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. Concurrently and as a result of the dissolution, Intesa Sanpaolo purchased from Crédit Agricole the assets pertaining to 65% of Nextra Investment Management (business line that 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.

Since under IFRS 3 final allocation of cost must be made within twelve months from the acquisition date, that is in the financial statements at 31 December 2008, the 798 million euro difference between the purchase price and the book value of the purchased assets and liabilities, pending measurement of the latter’s fair value, was provisionally recorded as goodwill in the consolidated financial statements for 2007 without allocating purchase price to the assets and liabilities of the acquired company. In the consolidated financial statements as at 31 December 2007 that goodwill was impaired by 169 million euro (the aggregate impairment charge recognised in the 2007 financial statements, of 196 million euro, also included 27 million euro goodwill impairment on Intesa Holding Asset Management, merged by incorporation into Intesa Sanpaolo during 2007).

In the 2008 financial statements, part of the difference was allocated to intangible assets relating to the management of asset management products to the amount of 180 million euro against which deferred tax liabilities of 57 million euro were recorded. The intangible asset is considered to have a finite useful life and its value was measured only with reference to contracts in force at acquisition date. Again (as for the other PPAs) value is measured by discounting the flows representing the income stream generated by these assets over the period of the expected residual life of the contracts.

The intangible asset is recognised in caption “130. Intangible assets” of the balance sheet; its amortisation (recorded in the income statement in caption “210. Net adjustment to/recoveries on intangible assets”) in 2008 amounted to approximately 26 million euro (18 million euro net of tax) and was calculated using the straight-line method over the period in which the expected economic benefits of the asset are most significant (7 years).

Consequently, the share allocated to goodwill was 506 million euro.

Lastly, on 7 April 2008 Eurizon Investimenti was partially spun off into Eurizon Capital SGR; the residual (non-significant) portion was subsequently merged by incorporation into the Parent Company

Intesa Sanpaolo.

Book value and fair value of assets and liabilities acquired

(in millions of euro)

Assets/Liabilities	Eurizon Investimenti (former Nextra)	
	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	181
Goodwill	-	506
Other assets	149	149
Total Assets	**335**	**1,021**
Liabilities		
Due to banks	77	77
Due to customers	3	3
Securities issued	-	-
Financial liabilities	-	-
Other liabilities and allowances for risks	151	208
Shareholders' equity	66	695
Minority interests	38	38
Total Liabilities and Shareholders' Equity	**335**	**1,021**

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

2.1 Business combinations

No business combinations were effected after the end of 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. The Regulations set out the criteria and principles for identifying related parties, assessing and approving transactions, and subsequently providing information to Corporate bodies and to the market. In 2008, changes to the Regulations have been made to strengthen the monitoring of Group controls further.

In accordance with the criteria set out in IAS 24, the Regulations define the rules for identifying in concrete terms the various entities belonging to the categories defined 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 Operations and Special Projects.

Although no Bank shareholder, alone or jointly with others, is able to exercise control or significant influence on management as per IAS 24, the Management and Supervisory Boards have 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 standards, in order to include those Shareholders and their corporate 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 approach enables closer monitoring of transactions with the main shareholders, by subjecting them to the same assessment and approval procedure as for transactions with related parties.

The Regulations set forth the assessment procedures that must be followed by the Parent Company and subsidiary companies when carrying out transactions with related parties, to ensure appropriateness of the transactions. The Regulations require, inter alia, detailed examination of the rationale for the transaction and its potential effects on the Bank's financials.

With regard to approval, the transactions falling under the sole responsibility of the Management Board are "significant" transactions between the Parent Company and its related parties. "Significant" transactions are those having a major impact on the Bank's financials, as defined on the basis of specific qualitative and/or quantitative criteria applying to each type of transaction. In particular, they include:

1) transactions for an amount in excess of 3 million euro (or in excess of 20 million euro if the transactions are with companies belonging to the banking or corporate 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 produce changes in the Banking Group;
    c) the purchase and sale of companies, business lines or entire business portfolios;
    d) framework agreements governing the provision of services or the placement or distribution of products/services with annual duration and automatic renewal, or multi-year;
2) transactions for an amount in excess of 25% of each company's Tier 1 capital/shareholder's equity or in any case higher than 25 million euro, investments in companies of the banking or corporate Group through capital interventions, hybrid capital instruments, eligible subordinated liabilities in the subsidiary's regulatory capital, the granting of overdrafts that are not for the purpose of supporting the subsidiary's core business;

3) if the amount exceeds 0.50% of the consolidated regulatory capital, the granting of overdrafts to related parties that are not part of the Banking Group;
4) financial and commercial transactions other than those mentioned above for an amount in excess of 20 million euro, excluding credit transactions and bank funding operations carried out at market conditions.

Stricter limits have been established for non-performing exposures (substandard, doubtful and restructured loans).

The Management Board always has jurisdiction over transactions that, due to their subject, the nature of the parties, the consideration paid and 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).

In compliance with the provisions of the Corporate Governance 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 fall within the scope of the Management Board if any economic conditions differ from market conditions, except when subsidiaries are involved.

The Regulations also establish that decision-making bodies can make use of independent experts, where considered appropriate, in respect with the degree of significance of the transaction, its specific economic or structural characteristics 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 changes made to the Regulations in 2008, the prior opinion of the Parent Company's Control Committee is also required for the most significant transactions between subsidiary banks and parties related to 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 its subsidiaries. Different 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, please note 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 deed must have the approval of the Parent Company. As provided for by 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 in which board members have administration, direction or control functions. Moreover, it also applies to the controlling companies and 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 set forth 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, in his/her own name 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 account 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 2008 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)

	31.12.2008
Short-term benefits [(1)]	107
Post-retirement benefits [(2)]	4
Other long-term benefits [(3)]	-
Employee termination indemnities [(4)]	5
Stock option plans [(5)]	2
Total remuneration paid to managers with strategic responsibilities	**118**

[(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, in aggregate, to other Key Managers (art. 78 of Issuers Regulation 11971/99), as well as the stock option plans reserved for 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.

Shareholdings of Supervisory and Management Board Members and Key Managers

The table below indicates the shareholdings 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 2007	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2008
Bernheim Antoine	Intesa Sanpaolo ord.	398,533			398,533
Bussolotto Pio [(a)]	Intesa Sanpaolo ord.	182,447			na
Bussolotto Pio [(a) (b)]	Intesa Sanpaolo ord.	3,893			na
Ferro Angelo	Intesa Sanpaolo ord.	180,830			180,830
Ferro Angelo	Intesa Sanpaolo rnc.	4,277			4,277
Ferro Angelo [(b)]	Intesa Sanpaolo ord.	1,925			1,925
Fontana Giuseppe [(b)]	Intesa Sanpaolo ord.	2,000			2,000
Micheli Francesco	Intesa Sanpaolo ord.	2,100,124			2,100,124
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.	6,426,499			6,426,499
Rossi Orazio	Intesa Sanpaolo ord.	163,827			163,827
Sacchi Morsiani Gian Guido	Intesa Sanpaolo ord.	700,164			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
Other managers with strategic responsibilities [(d)]	Intesa Sanpaolo ord.	839,260			1,284,745
	Intesa Sanpaolo rnc.	30,000	90,000		120,000

[(a)] In service until 8 April 2008.

[(b)] In the name of the spouse.

[(c)] Indirectly held.

[(d)] Of which 10,856 shares as at 31.12.2007 and 15,360 shares as at 31.12.2008 in the name of the spouses. The number at the end of 2008 differs from the number at the end of 2007 for the changes in the composition of "Other managers with strategic responsibilities"

2. Information on transactions with related parties

Transactions of atypical and/or unusual nature

During 2008, no "atypical or unusual" transactions were carried out by the Group, the importance/relevance of which might have given rise to concerns regarding the protection of shareholders' equity or of minority shareholders' interests (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 intragroup related parties, as they are netted in the consolidated financial statements, are not included herein.
Receivable and payable balances with related parties as at 31 December 2008 within the consolidated accounts, amount to a total that is insignificant compared to the size of the Group's capital base. Likewise, the weight of income and charges with related parties on consolidated operating margin is insignificant.

	31.12.2008	
	Amount (in millions of euro)	**Impact** (%)
Total financial assets	10,351	1.6
Total other assets	38	0.2
Total financial liabilities	4,305	1.1
Total other liabilities	112	0.1

	31.12.2008	
	Amount (in millions of euro)	**Impact** (%)
Total interest income	176	0.4
Total interest expense	-33	0.1
Total fee and commission income	30	0.3
Total fee and commission expense	-1	-
Total operating costs	-7	0.1

The table below sets out the main terms of reference of transactions with each category of related party, as identified by IAS 24, net of intragroup operations. Please see the previous paragraph for information on compensation to Supervisory and Management Board Members, General Managers and Key Managers, as well as information on Shareholders and their corporate 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) i.e. on parties that are not related pursuant to IAS 24, but are nevertheless included as a form of self-regulation. With regard to Investments in associates and companies subject to joint control, please see the tables in the Notes to the consolidated financial statements – Part B – Information on the consolidated balance sheet – Assets – Section 10.

(in millions of euro)

	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees given
Subsidiaries	1	-	-	-	27	6	-	21	5	1	2
Companies subject to joint control	5	17	-	400	16	-	2	24	-	26	2
Associates	22	30	-	8	3,743	9	40	893	20	40	795
Managers with strategic responsibilities and control bodies	-	-	-	-	7	-	-	24	-	-	-
Other related parties	-	-	-	-	48	2	-	1,129	2	5	2
Total	**28**	**47**	**-**	**408**	**3,841**	**17**	**42**	**2,091**	**27**	**72**	**801**
Shareholders (*)	1,953	474	-	243	3,357	21	147	1,080	918	40	355

(*) Shareholders and their groups that hold a stake in the Bank's voting share capital exceeding 2% (calculated considering only shares owned).

Relations between the Intesa Sanpaolo Group and Key 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, Telco and SI Holding (the latter included in non-current assets held for sale and discontinued operations at 31 December 2008).
With regard to transactions with companies subject to joint control (joint venture) we should highlight, inter alia, those with Findomestic, which are attributable to the Group's normal business activities, in joint venture with other parties.

A detailed list of unconsolidated subsidiaries and companies subject to significant influence as at 31 December 2008 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 relatives 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 2008 by the Parent Company or subsidiary banks with related parties (net of intragroup operations netted in the consolidated financial statements) are reported below. In this regard, please note that, as per IAS 24, no Bank shareholder, alone or jointly with others, is able to exercise control or significant influence on management; nevertheless, the Management and Supervisory Boards have deemed it 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 corporate 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 approach enables closer monitoring of transactions with the main shareholders, by subjecting these transactions to the same assessment and approval procedure as applied to transactions with related parties, and by including them in the summary reporting table in the previous paragraph.

With regard to relations with associates, overdrafts were granted during 2008 to Telco, GCL Holdings Sca-GCL Holdings Srl-Guala Closures SpA and their subsidiaries, to the Sagat Group, Grande Jolly, SI Holding (included in the non-current assets held for sale and discontinued operations at 31.12.08), to Centrale dei Bilanci-Cerved-Lince and its subsidiaries, to Mezzanove Finance Sarl, Euromilano and to RCS Mediagroup; all these loans were granted at market interest rates. Guala Closures was sold off in September under the tender offer for its entire capital launched by GCL Holdings Srl (an associated company in which the Bank holds an indirect stake).
In March, the Parent Company completed the sale of the 19.19% stake held in Speed SpA to Pirelli & C. (Pirelli group), an associated company, for a consideration of 83.4 million euro, realising 19.5 million euro on the sale.
In the same month, Sud Polo Vita (a subsidiary established in 2007 following the Competition Authority's request, and whose sale to third parties has been postponed) benefited from a partial spin-off of a business line of Intesa Vita (associated company), a transaction described in the Bank's 2007 Annual report. With regard to Intesa Vita, in 2008 the agreements on the sale of policies were revised.
In the year, a stake was acquired in the share capital of Nuovo Trasporto Viaggiatori, which was also granted credit lines and a leasing contract for the development of high-speed passenger rail transport. All financing was disbursed at market interest rates.

With regard to transactions with companies subject to joint control (joint venture), please note that on 30 May 2008, in compliance with the agreements signed in 2007 and after having obtained the necessary authorisations, Intesa Sanpaolo finalised the sale to Crédit Agricole SA of its entire 49% interest in Agos - its joint venture in the consumer credit business in Italy - for a consideration of 546 million euro. An increase in share capital was subscribed with regard to NH Italia, a joint venture operating in the hotel business, and to International Entertainment, a joint venture operating in the TV production sector.
Findomestic Banca was granted credit lines at market conditions; in September the Group participated on a proportional basis to a share capital increase of 30 million euro, and an agreement was signed with Centrofactoring for with-recourse advance of amounts due to retailers from Findomestic on consumer credit purchases.
Pension funds companies of the Mediolanum Group were granted financing at market conditions.

Lastly, as already reported, Intesa Sanpaolo is among the Italian banking creditors of the Carlo Tassara Group which at the end of 2008 signed a term sheet with the object to stabilise and gradually reduce the total debt owed by the Carlo Tassara Group to Italian and foreign banks, over a period of 12 months from the signing of the final agreement.

Additional information on the Intesa Sanpaolo 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. Stock granting plan for employees

On 16 October 2008 the Bank and the Group-wide Trades Union delegations reached an agreement which defined the Corporate Productivity Bonus for Group banks and companies for 2008. The Parties jointly determined a Productivity Bonus to be granted by the Bank in recognition of the contribution given by all staff to the Group's restructuring and reorganisation processes – which in 2008 concerned most of the corporate structures – while also taking into account the financial market trend.

Under the agreement, conditional to approval by the competent corporate bodies and to the terms they would establish, all personnel in open-ended employment or hired with apprenticeship contracts could request payment of the bonus by means of Intesa Sanpaolo ordinary shares, benefiting from the tax and social security contribution facilities provided for participants who held those shares for at least 3 years from receiving them.

However, it has not been possible to convene an Extraordinary Shareholders' Meeting to obtain the requisite approval of the employee Stock granting plan defined by the abovementioned agreement. Therefore, the bonus was not paid through the granting of shares plan but was paid in cash.

1.2. Stock option plans already resolved upon by SANPAOLO IMI

On 14 November 2005, the Board of Directors of Sanpaolo IMI launched a new stock option plan, acting on the mandate given to it by the Shareholders' Meeting of 30 April 2002, in favour of 48 executives holding key positions in the Group with a strong influence on the strategic decisions aimed at achieving Business Plan objectives and increasing the value of the Group.

This plan provides for the assignment, redefined after the merger following the resolution of the Shareholders' Meeting of 1 December 2006, of a total of 30,059,750 options, exercisable after approval of the 2008 financial statements and not later than 30 April 2012 at a strike price of 3.9511 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 assigned stock options in the Bank's own shares in the ratio of one share per option;
– the exercise price for the options under the plan was set at 4.074 euro for all participants;
– the number of options assigned to each participant was established on the basis of the three-year monetary bonus provided for in the 2005-2007 incentive plan;
– the period for exercising the options was from 1 June 2008 to 23 December 2008.

On 26 July 2006, the Board of Directors of Banca Fideuram resolved to extend the expiry date of the 2005-2007 incentive plan to 2008, mandating the Managing Director to redefine the terms of the stock option plan.

On 28 May 2008, Banca Fideuram's Board of Directors decided to pay cash settlements in lieu of the provisions of the stock option plan approved on 16 March 2005 to those Private Bankers of the Fideuram and Sanpaolo Invest networks who had accrued stock options. The cash settlement, of 0.50 euro per option (for a total disbursement of approximately 1.3 million euro), would be paid in 2009 at the end of the four-year incentive plan. The decision to settle the stock option plan in cash was made necessary by the changes in market conditions during the three years in which the plan was in force.

The decision was particularly influenced by the following considerations:

– the slump in financial markets;
– the delisting of Banca Fideuram shares;
– the consequent impossibility of achieving the main aim of the plan, which had been to offer the Group's Private Bankers an incentive linked to the possibility of making a capital gain on Banca Fideuram shares.

Banca Fideuram’s Shareholders’ Meeting of 10 July 2008 therefore revoked the previous Shareholders’ Meeting resolution of 10 April 2008 which had authorised the purchase and disposal of the Bank's own shares for the purposes of the stock option plan.

B. QUANTITATIVE INFORMATION

Intesa Sanpaolo

Stock option plans in 2008

	Number of shares	Average strike price (euro)	Market price (euro)
Rights existing as at 31December 2007	27,100,500	3.951	5.397 (a)
Rights exercised in 2008	-	-	-
Rights expired (b)	-	-	-
Rights annulled in 2008 (c)	-2,492,000	3.951	-
Rights assigned in 2008	-	-	-
Rights existing as at 31 December 2008	24,608,500	3.951	2.519 (d)
Of which: exercisable as at 31 December 2008	-	-	-

(a) Official reference price as at 28 December 2007.

(b) Rights no longer exercisable following expiry of exercise period.

(c) Rights no longer exercisable following termination of employment.

(d) Official reference price as at 30 December 2008.

Details on strike price and residual maturity

Strike price (euro)	Exercise period	Number of shares	Of which exercisable as at 31 December 2008	
			Number	Contractual average residual maturity
3.951	March 2009 - April 2012	24,608,500	-	-

Banca Fideuram

Stock option plans in 2008

	31.12.2008			31.12.2007		
	Number of options	Average prices	Average expiration	Number of options	Average prices	Average expiration
A. Initial amount	**5,738,832**	**4.074**	**June-December 2008**	**5,626,203**	**4.074**	**June-December 2008**
B. Increases	-	-	X	112,629	-	X
B.1 New issues	-	-	*X*	-	-	*X*
B.2 Other changes	-	-	*X*	*112,629*	-	*X*
C. Decreases	-5,738,832	-	X	-	-	X
C.1 Annulled	*-2,540,378*	-	*X*	-	-	*X*
C.2 Exercised	-	-	*X*	-	-	*X*
C.3 Expired	-	-	*X*	-	-	*X*
C.4 Other	*-3,198,454*	-	*X*	-	-	*X*
D. Final amount	**-**	**-**	**-**	**5,738,832**	**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

	2008	2007	Changes	
			amount	%
Income statement (in millions of euro)				
Net interest income	4,970	4,908	62	1.3
Net fee and commission income	2,749	3,125	-376	-12.0
Profits (Losses) on trading	-835	97	-932	
Operating income	8,936	9,677	-741	-7.7
Operating costs	-5,514	-5,693	-179	-3.1
Operating margin	3,422	3,984	-562	-14.1
Net adjustments to loans	-1,101	-626	475	75.9
Income after tax from discontinued operations	787	4,164	-3,377	-81.1
Net income	1,069	5,798	-4,729	-81.6
Balance sheet (in millions of euro)				
Loans to customers	207,461	183,663	23,798	13.0
Direct customer deposits	260,848	223,061	37,787	16.9
Indirect customer deposits	337,568	405,886	-68,318	-16.8
of which assets under management	*78,410*	*101,165*	*-22,755*	*-22.5*
Total assets	429,327	395,391	33,936	8.6
Shareholders' equity	45,719	47,971	-2,252	-4.7
Operating structure				
Number of employees	40,433	41,619	-1,186	
- Italy	*39,874*	*41,060*	*-1,186*	
- Abroad	*559*	*559*	*-*	
Number of branches	2,960	2,980	-20	
- Italy	*2,944*	*2,966*	*-22*	
- Abroad	*16*	*14*	*2*	

Figures restated on a consistent basis.

	2008	2007
Profitability ratios (%)		
Cost / Income	61.7	58.8
Net income / Average shareholders' equity (ROE) [(a)]	2.3	16.6
Risk ratios (%)		
Net doubtful loans / Loans to customers	0.7	0.7
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	72.2	72.8
Capital ratios (%) [(b)]		
Tier 1 capital [(c)] net of preference shares / Risk-weighted assets (Core Tier 1)	13.9	
Tier 1 capital [(c)] / Risk-weighted assets	15.1	
Total capital [(d)] / Risk-weighted assets	19.5	
Risk-weighted assets (in millions of euro)	249,674	
Shares [(e)]		
Number of ordinary shares (thousands)	11,849,332	11,849,332
Share price at period-end - ordinary share (euro)	2.519	5.397
Average share price for the period - ordinary share (euro)	3.834	5.579
Average market capitalisation (in millions of euro)	48,639	71,058
Book value per share (euro)	3.858	4.231
Long-term rating		
Moody's	Aa2	Aa2
Standard & Poor's	AA-	AA-
Fitch	AA-	AA-

Figures restated on a consistent basis.

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

[(b)] Ratios as at 31 December 2008 are determined using the methodology set out in the Basel 2 Capital Accord.

[(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)] Figures for 2007 not restated. Book value per share does not consider treasury shares.

Report on operations

The Parent Company Intesa Sanpaolo

General aspects

For the purpose of a more effective representation of results, the reclassified and restated income statement and balance sheet of the Parent Company Intesa Sanpaolo as at 31 December 2008 are presented hereafter. The restated financial statements were obtained by making appropriate adjustments to historical data to reflect the significant effects of such changes retroactively.
As concerns the income statement, the figures for 2007 have been restated to reflect both the components that during 2008 were recognised under non-current assets held for sale and discontinued operations and the changes in the scope of consolidation consequent on corporate operations, disinvestments and transfers of branches.
Moreover, to provide a more effective representation of income statement results, in addition to the above-mentioned restatements, the reclassified tables also show some reclassifications and aggregations with respect the model provided in Circular 262/05 of the Bank of Italy, adopting presentation criteria deemed to provide a clearer representation of operations.
Breakdowns of restatements and reclassifications performed are provided in separate tables included in the attachments to the Financial Statements, as also required by Consob in its Communication 6064293 of 28 July 2006.
In detail, restatements in the income statement concerned:
– the transfer of 186 branches to Cassa di Risparmio del Veneto and 168 branches to Banco di Napoli carried out respectively in September and November 2008, under the network's geographical reorganisation project ;
– the merger by incorporation of subsidiary bank Banca Intesa France, and its ensuing transformation into a foreign branch, realised on 30 September 2008, but effective for accounting and tax purposes as of 1 January 2008;
– merger by incorporation of subsidiaries Eurizon Solution and Eurizon Investimenti, legally effective as of 31 March 2008 and 1 October 2008 respectively, and effective for accounting and tax purposes as of 1 January 2008.

Under IFRS 5, reclassification was performed of the economic effects of 16 branches scheduled for sale in the first quarter of 2009, in compliance with the anti-concentration measure issued by the Italian Competition Authority after the acquisition of Cassa di Risparmio di Firenze.

Reclassifications and aggregations are as follows:
– dividends on shares classified as assets available for sale and as assets held for trading have been recognised in Profits (Losses) on trading;
– fair value adjustments in hedge accounting, in view of the close correlation that has arisen in the current market climate, have been reclassified from interest margin to profits (losses) on trading;
– profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities have been reclassified to profits (losses) on trading;
– profits (losses) on financial assets and liabilities designated at fair value through profit and loss have been recognised in 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, relating to guarantees, commitments and credit derivatives, are reported in net adjustments to loans;
– net impairment losses on financial assets available for sale and other financial activities, apart from those described above, have been recognised in net impairment losses on other assets;
– 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 net impairment losses on other assets;
– profits (losses) on equity investments together with profits (losses) on disposal of investments, are

recognised in profits (losses) on investments held to maturity and on other investments;
- 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;
- merger and restructuring related charges have been reclassified, net of the tax effect, to a separate caption, mainly from personnel expenses, administrative expenses and, to a lesser extent, from other income statement captions;
- the economic effect of purchase cost allocation, net of the tax effect, is indicated in a specific caption. It represents the shares of adjustments to financial assets and liabilities and intangible assets which are recognised at fair value in accordance with IFRS 3. This caption also includes the impairment of intangible components performed during the year.

For the balance sheet, certain assets and liabilities were aggregated as described below:
- cash and cash equivalents were included in the residual caption other assets;
- hedging derivatives and fair value changes of financial assets/liabilities in hedged portfolios were included in other assets/liabilities;
- property and equipment and intangible assets were grouped in a single caption;
- amounts due to customers and securities issued were grouped in a single caption;
- allowances for specific purposes (employee termination indemnities and allowances for risks and charges) were grouped in a single caption
- reserves were recognised in aggregate form, net of any 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 consolidated income statement

(in millions of euro)

	2008	2007	Changes	
			amount	%
Net interest income	4,970	4,908	62	1.3
Dividends	1,185	700	485	69.3
Net fee and commission income	2,749	3,125	-376	-12.0
Profits (Losses) on trading	-835	97	-932	
Other operating income (expenses)	867	847	20	2.4
Operating income	**8,936**	**9,677**	**-741**	**-7.7**
Personnel expenses	-3,014	-3,112	-98	-3.1
Other administrative expenses	-1,970	-1,962	8	0.4
Adjustments to property, equipment and intangibles assets	-530	-619	-89	-14.4
Operating costs	**-5,514**	**-5,693**	**-179**	**-3.1**
Operating margin	**3,422**	**3,984**	**-562**	**-14.1**
Net provisions for risks and charges	-214	-377	-163	-43.2
Net adjustments to loans	-1,101	-626	475	75.9
Net impairment losses on other assets	-324	-35	289	
Profits (Losses) on investments held to maturity and on other investments	-1,182	45	-1,227	
Income (Loss) before tax from continuing operations	**601**	**2,991**	**-2,390**	**-79.9**
Taxes on income from continuing operations	375	-1,186	1,561	
Integration charges (net of taxes)	-484	-481	3	0.6
Effect of purchase cost allocation (net of tax)	-210	310	-520	
Income (Loss) after tax from discontinued operations	787	4,164	-3,377	-81.1
Net income	**1,069**	**5,798**	**-4,729**	**-81.6**

Figures restated on a consistent basis.

The 2008 income statement of Intesa Sanpaolo closed with a net income of 1,069 million euro, showing a marked decease from the previous year, due, on the one hand, to the fall in capital gains from non-current assets held for sale and discontinued operations, from 4,164 million euro in 2007 to 787 million euro in 2008, and, on the other, to the worsening international financial crisis which, besides shrinking the profit margins of core business activities, required extraordinary adjustments to some asset captions.

Against this background, operating margin was 3,422 million euro, with a 14.1% decrease from the previous year, primarily attributable to the decline in operating income, in particular profits on trading and net fee and commission income, only partly offset by the containment of operating costs.

Income before tax from continuing operations fell by 79.9%, due to the increase in adjustments to loans and to major impairments made to some controlling and minority shareholdings.

In detail, operating income amounted to 8,936 million euro, down 7.7% from the previous year. As to the performance of individual aggregates, net interest income was almost unvaried, at 4,970 million euro (+1.3%) since the growth in flows from operations with customers and banks, including differentials on hedging derivatives, was largely offset by the decreased revenue from financial activities.

Dividends rose 69% from the previous year to 1,185 million euro, due to the recognition in the income statement of revenues distributed by companies belonging to the former Sanpaolo IMI Group, which in the previous year, as a consequence of the application of IFRS3, had been charged against the value of the same equity investments. Also in accordance with IFRS3, during 2008, 77 million euro of dividends distributed by Cassa di Risparmio di Firenze have been charged against the value of the equity investment in this bank.

Net fee and commission income was 2,749 million euro, a 12% decrease from the previous year, mostly attributable to management, dealing and consultancy activities which recorded a decline in commissions on dealing and placement of securities (-12.6%), commissions on the distribution of insurance products (-19.5%) and on portfolio management (-25.8%). The decline is attributable to both the drop in placement activity and the reduction in assets under management, due to the loss of investor confidence leading to

preference for short-term, low-risk investment products. Commissions on commercial banking activities recorded a smaller decline (-3.2%). The reduction in commissions on current accounts and on other services was partly offset by the rise in commissions on guarantees given.
Profits on trading were heavily affected by the deepening of the financial market crisis, especially in the last quarter of 2008. The year ended with a loss of 835 million euro, mainly attributable to valuation of structured credit products, which generated a negative effect of 574 million euro, and to the reduction in the market value of other components of the trading portfolio. Compared to 2007, there has also been a decline in profits from the sale of instruments available for sale and dividends and similar income on shares classified as assets held for trading and available for sale.
Other operating income was 867 million euro, increasing 2.4% from the previous year, and mainly consists of income from services rendered to Group companies. During the year, the non-recurring component consisting of 126 million of income from the IMI-SIR dispute was in large part offset by the higher expenses for 84 million euro arising from the obligation (established by Legislative Decree 134/2008, transposed into Law 166/2008) to transfer the amounts of expired, uncollected bank drafts – previously recorded in out-of-period income – to a dedicated Fund established pursuant to Law 266/2008.
Operating costs amounted to 5,514 million euro, down 3.1% from the previous year, thanks to a decrease in personnel expenses and in adjustments to property, equipment and intangible assets.
Personnel expenses, which totalled 3,014 million euro, decreased 3.1% in all wage components, reflecting the staff optimisation actions under way. Excluding from the result of 2007 the contribution of 174 million euro arising from the entry into force, on 1 January 2007, of the supplementary social security reform, the reduction would be equal to 8.3%.
Administrative expenses amounting to 1,970 million euro, remained largely unchanged from 2007. As to individual components, there was an increase in legal and professional expenses and in expenses for the management of real estate assets, offset by a decline in general structure costs and in information technology and advertising and promotional expenses.
Adjustments to property, equipment and intangible assets, of 530 million euro, fell 14.4%, in large part due to the sale of individual real estate units to the subsidiary Immit in the first quarter of 2008.
The trends of operating income and costs described above led to an operating margin of 3,422 million euro, with a decline of 14.1% from the previous year.
Net provisions for risks and charges were 214 million euro, a drop of more than 43% from 2007, when considerable costs were incurred for the settlement of certain legal disputes. These provisions essentially cover probable risks arising from revocatory actions and, to a lesser extent, claims for damages, lawsuits and other disputes.
Net adjustments to loans amounted to 1,101 million euro, increasing more than 75% from the previous year; more than 50% of these adjustments reflects analytical assessment of substandard and restructured loans, while the remaining part mainly relates to doubtful loans.
Net impairment losses on other assets of 324 million euro (35 million euro in 2007), are entirely attributable to adjustments to financial assets available for sale. The main value reductions concerned the shares held in the London Stock Exchange (264 million euro), Banca Generali (30 million euro), CAM Finanziaria (7 million euro), Hopa (6 million euro), as well as debt securities Altius Funding (7 million euro).
On investments held to maturity and on other investments, net losses of 1,182 million euro were recorded, attributable on the one hand to adjustments to equity investments for 2,067 million euro following assessment of recoverability of their book value, which is illustrated in detail in the Notes to the consolidated financial statements, and on the other to net income from the sale of shareholdings and other investments, respectively for 610 million euro and 275 million euro. The main impairments to equity investments concerned Banca Fideuram (1,165 million euro), Pravex Bank (400 million euro), Eurizon Capital (211 million euro), Telco (144 million euro), RCS (72 million euro), Allfunds (40 million euro) and Pirelli (20 million euro). On the other hand, profits mainly resulted from the sale of shareholdings in Agos, Centrale dei Bilanci, Banque Palatine, Lima Sudameris Holding, Pirelli RE and Imsa. Profits on disposal of other investments resulted from the sale of individual real estate units to subsidiary company Immit.
Income before tax from continuing operations amounted to 601 million euro.
Taxes on income from continuing operations, both current and deferred, show a tax credit of 375 million euro. This caption in fact records the accounting effects of taking up the possibility offered by Legislative Decree 185/2008, converted into Law 2/2009, of realigning the book values of goodwill and other intangible assets not yet recognised for tax purposes by paying a substitute tax at 16% rate.
Specifically, this procedure was followed with regard to goodwill, for 6,270 million euro. Against this tax revaluation in the accounts of 2008, substitute tax charges for 1,003 million euro have been recognised, and the benefits linked to future tax deductibility of the freed amounts consisting of deferred tax assets

relating to the new temporary deductible difference, amounting to 2,025 million euro.
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) amounted to 484 million euro, of which 279 million euro pertained to activation of the Solidarity Allowance associated with the early retirement incentive programme; 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 (165 million euro) and to adjustments to property, equipment and intangible assets (40 million euro) partly attributable to the write off of procedures that have been discontinued subsequent to the merger.
The effect of purchase cost allocation represents the negative result, in terms of interest adjustments, amortisation and depreciation and capital gains/losses, attributable to the revaluation of loans, real estate and 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. These negative components amounted to 210 million euro net of the relative tax effect and include, in addition to the share of amortisation/depreciation pertaining to 2008, about 74 million euro of impairment losses on intangible assets relating to the distribution component of asset management.
Finally, income after tax from discontinued operations, 787 million euro, mainly included the profits from the disposal of branches to third-party banks in application of the already mentioned decision 16249 issued on 20 December 2006 by the Italian Competition Authority, in connection with the merger between Banca Intesa and Sanpaolo IMI.
The income statement closed with a net income for the period of 1,069 million euro.

Reclassified balance sheet

(in millions of euro)

Assets	31.12.2008	31.12.2007	Changes amount	Changes %
Financial assets held for trading	22,664	24,288	-1,624	-6.7
Financial assets designated at fair value	253	385	-132	-34.3
Financial assets available for sale	7,360	4,036	3,324	82.4
Investments held to maturity	2,097	2,356	-259	-11.0
Due from banks	114,879	100,022	14,857	14.9
Loans to customers	207,461	183,663	23,798	13.0
Equity investments	41,057	37,099	3,958	10.7
Property, equipment and intangible assets	13,089	13,472	-383	-2.8
Tax assets	4,192	2,200	1,992	90.5
Non-current assets held for sale and discontinued operations	353	17,981	-17,628	-98.0
Other assets	15,922	9,889	6,033	61.0
Total Assets	**429,327**	**395,391**	**33,936**	**8.6**

Liabilities and Shareholders' Equity	31.12.2008	31.12.2007	Changes amount	Changes %
Due to banks	87,689	79,990	7,699	9.6
Due to customers and securities issued	260,848	223,061	37,787	16.9
Financial liabilities held for trading	15,913	10,066	5,847	58.1
Financial liabilities designated at fair value	-	-	-	-
Tax liabilities	2,079	1,513	566	37.4
Liabilities associated with non-current assets held for sale and discontinued operations	297	16,482	-16,185	-98.2
Other liabilities	13,530	12,521	1,009	8.1
Allowances for specific purpose	3,252	3,787	-535	-14.1
Share capital	6,647	6,033	614	10.2
Reserves	37,354	34,554	2,800	8.1
Valuation reserves	649	1,586	-937	-59.1
Net income	1,069	5,798	-4,729	-81.6
Total Liabilities and Shareholders' Equity	**429,327**	**395,391**	**33,936**	**8.6**

Figures restated on a consistent basis.

With regard to balance sheet figures as at 31 December 2008, loans to customers totalled 207,461 million euro, up 13% from the corresponding figure at December 2007. The increase is partly attributable to the reclassification – performed in the second half of the year in application of the amendments to IAS 39 and described in the Consolidated financial statements – of approximately 3,400 million euro, of which approximately 2,600 million euro of debt securities previously classified as financial assets held for trading and 800 million euro of loans previously classified as financial assets available for sale. Net of these reclassifications, the increase would have been of 11.1%. Breakdown by contract type shows a more marked growth of repurchase agreements and current accounts, while the other types of contract as a whole shows a declining trend.
As to loan quality, non-performing loans to customers stood at 4,105 million euro compared to 2,845 million euro at the end of 2007, with a coverage rate of approximately 53%.
In particular, doubtful loans rose from 1,067 to 1,426 million euro, an increase of 359 million euro, with a coverage ratio of about 72%; substandard and restructured loans grew by 860 million euro from 1,489 to 2,349 million euro, with a coverage ratio of 27%; past due exposures stood at 330 million euro, compared to 289 at the end of 2007, and their coverage ratio was more than 9%.
With regard to performing loans to customers, excluding those represented by securities (196,296 million

euro), collective adjustments of 945 million euro were carried out, providing a coverage ratio of approximately 0.5%, which rises to 0.6% without loans to Group companies.
Direct customer deposits, including securities issued, at 260,848 million euro, recorded overall improvement from the already sustained growth recorded as at 31 December 2007 (+16.9%), primarily thanks to the growth in subordinated liabilities and in funding through bonds and certificates of deposit.
At year-end 2008, indirect customer deposits stood at 337 billion euro compared to 406 billion euro at the end of 2007, a decline of about -17% which involved all segments. In detail, the asset management component fell 23%, with a more marked decline in the mutual fund segment, while assets under administration and in custody decreased by about 15%.
Financial assets held for trading, which comprise debt securities and equities held for trading, net of liabilities (15,913 million euro), totalled 6,751 million euro, a decrease of approximately 52.5% from 31 December 2007, mostly attributable to the securities portfolio, only partly due to the above-mentioned reclassification to the loans category.
Financial assets available for sale amounted to 7,360 million euro, an increase of 82% from 2007; they comprise equity stakes, private equity investments and debt securities and equities.
Equity investments, at 41,057 million euro, comprise equity investments in subsidiaries, associates and companies subject to joint control. The net increase on the figure, on a consistent basis, as at 31 December 2007 was 3,958 million euro, and mainly reflects acquisition of the equity investments in Cassa di Risparmio di Firenze, Pravex Bank and Intesa Sanpaolo Servizi Transazionali, as well as the value increases of subsidiaries Cassa di Risparmio del Veneto and Banco di Napoli following the contribution of branches under the project for the geographical reorganisation of the Banca dei Territori network.

Other information

This Report on the Intesa Sanpaolo S.p.A. financial statements includes only a comment on the Bank's performance and related alternative performance indicators. For all other information required by Law, reference should be made to the Consolidated Report on Operations or the Notes to these separate financial statements.
Specifically, the Report on the Consolidated financial statements should be referred to for:
– information on risks and uncertainties, as the same considerations illustrated apply also to the corresponding paragraph of the consolidated financial statements;
– risks linked to capital stability and to going concern issues, discussed in the introduction to the Consolidated Report on Operations; in addition, Part F of the Notes to the separate financial statements provide information on capital;
– information required pursuant to art. 123-*bis* of the Consolidated Law on Finance.
Reference should instead be made to the Notes to these separate financial statements with regard to:
– information on the Bank's transactions with related parties, provided in Part H. As regards Parent Company's and subsidiary companies' shares held by Supervisory and Management Board Members, General Managers, in aggregate form by other Key Managers and other persons pursuant to art. 79 of Issuers Regulation 11971/99, details are provided in Part H of the Notes to the consolidated financial statements;
– information on financial and operational risks, illustrated in Part E;
– information regarding obligations pursuant to art. 36 of the Market Regulation, with reference to subsidiaries located in non-EU member states, provided in Part A;
– the list of subsidiaries, companies subject to joint control and companies subject to significant influence as at 31 December 2008, provided in Part B.
Information on the Corporate Governance system of the Intesa Sanpaolo is contained in a separate volume.
Lastly, it should be specified that pursuant to article 2497 and subsequent articles of the Italian Civil Code, Intesa Sanpaolo exercises 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.

Forecast for 2009

With regard to prospects for 2009 for the Parent Company Intesa Sanpaolo, forecasts are consistent with those of the Group.

In particular, satisfactory performance of lending and funding volumes is expected, albeit at lower levels than in 2008. Revenues are expected to decrease, as are operating costs.
The expected deterioration in credit quality should lead to a significant increase in net adjustments.
In conclusion, a positive net income is expected.

The Management Board

Milano, 20 March 2009

Proposals to the Shareholders' Meeting

Distinguished Shareholders.

In the Reports on operations which accompany the Group’s Consolidated Financial Statements and the Parent Company's Financial Statements for 2008, the Directors have illustrated the economic and on financial markets situation which has developed since the second half of 2008.
The Directors believe that at this time, when the market perceives capitalisation of the banks as particularly important, it is appropriate to strengthen the Bank’s and the Group’s capital base and, as a consequence, to allocate net income to the reserves, to the extent permitted by the Articles of Association.

Therefore, pursuant to article 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 financial year 1 January - 31 December 2008, which provides for the distribution of dividends only to non convertible saving shares, as per article 28.3 of the Articles of Association, for an amount equal to 5% of their nominal value. Consequently, only non convertible saving shares will receive a dividend per share of 0.026 euro.

We therefore submit to Your approval the following allocation of the Company’s net income, amounting to 1,068,659,742.12 euro:

	(euro)
Net income for the period	1,068,659,742.12
Assignment of a dividend of 0.026 euro for each of the 932,490,561 saving shares (determined pursuant to Art. 28 of the Articles of Association), for total disbursement of	24,244,754.59
Assignment to the Extraordinary reserve of the residual net income	1,044,414,987.53

We bring to Your attention that the difference (23,438,628.88 euro) arising from the merger by incorporation of the subsidiary Eurizon Solution, was allocated against the Extraordinary reserve.

We propose that the dividend on saving shares be made payable, in compliance with legal provisions, as of 21 May 2009, with detachment of the coupon on 18 May 2009.

If the proposal for the allocation of net income obtains Your approval, the resulting shareholders' equity of Intesa Sanpaolo S.p.A. will be as indicated in the table below.

(in millions of euro)

Shareholders' equity	Annual report 2008	Change due to the allocation of 2008 net income	Share capital and reserves after the allocation of 2008 net income
Share capital			
- ordinary	*6,162*	-	*6,162*
- saving	*485*	-	*485*
Total share capital	**6,647**	**-**	**6,647**
Share premium reserve	33,271	-	33,271
Reserves	4,083	1,044	5,127
Valuation reserves	649	-	649
Treasury shares	-	-	-
Total reserves	**38,003**	**1,044**	**39,047**
TOTAL	**44,650**	**1,044**	**45,694**

The Management Board

Milano, 20 March 2009

Certification of the Parent Company's financial statements pursuant to art. 154 bis of Legislative Decree 58/1998

1. The undersigned Corrado Passera (as Managing Director and CEO) and Ernesto Riva (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's features and
   – the actual application of the administrative and accounting procedures employed to draw up the Parent Company's financial statements during the year 2008.

2. Verification of the appropriateness and effective application of the administrative and accounting procedures employed to draw up the Parent Company's financial statements as at 31 December 2008 was performed in the context of the reorganisation of corporate processes and IT systems consequent on the integration of operations after the merger between Intesa and Sanpaolo IMI. The assessment was based on methods defined by Intesa Sanpaolo consistently with the COSO and – as to the IT component – COBIT models, which are internationally accepted frameworks for internal control systems.[1]

3. The undersigned also certify that:

   3.1 The Parent Company's financial statements as at 31 December 2008:
   – have been prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of 19 July 2002;
   – correspond to the results of the books and accounts;
   – have been prepared in compliance with Legislative Decree 38/2005 and, to the extent applicable, with Legislative Decree 87/1992, as well as with the implementing rules on the preparation of accounts issued by the Bank of Italy and with the rules issued by Consob for listed issuers;
   – give a true and fair presentation of the assets, liabilities, profit or loss and financial position of the issuer.

   3.2 The report on operations includes a fair review of the development and operating margin, as well as of the position of the issuer, together with a description of the main risks and uncertainties

20 March 2009

Corrado Passera
Managing Director and CEO

Ernesto Riva
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

ERNST & YOUNG

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Independent auditors' report
Pursuant to Article 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, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree No. 38/2005 is the responsibility of the Intesa Sanpaolo S.p.A.'s Management Board. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with 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 present the comparative data of the preceding year. As described in the explanatory notes, the Management Board restated the comparative data related to the financial statements of the preceding year, on which we issued our auditors' report on March 27, 2008. 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, 2008.

3. In our opinion, the financial statements of Intesa Sanpaolo S.p.A. as of December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of 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.

4. The Management Board of Intesa Sanpaolo S.p.A. is responsible for the preparation of the Report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree No. 58/1998. For this purpose, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on operations is consistent with the financial statements of Intesa Sanpaolo S.p.A. as of December 31, 2008.

Turin, Italy, March 25, 2009

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

Parent Company’s financial statements

Balance sheet

(in euro)

Assets		31.12.2008	31.12.2007	Changes	
				amount	%
10.	Cash and cash equivalents	5,000,033,408	1,761,473,217	3,238,560,191	
20.	Financial assets held for trading	22,664,007,376	24,194,652,648	-1,530,645,272	-6.3
30.	Financial assets designated at fair value through profit and loss	252,902,081	385,195,875	-132,293,794	-34.3
40.	Financial assets available for sale	7,360,426,362	4,020,793,173	3,339,633,189	83.1
50.	Investments held to maturity	2,096,596,209	2,340,005,044	-243,408,835	-10.4
60.	Due from banks	114,878,587,955	100,832,096,034	14,046,491,921	13.9
70.	Loans to customers	207,461,246,416	196,462,979,770	10,998,266,646	5.6
80.	Hedging derivatives	4,274,900,112	1,506,580,413	2,768,319,699	
90.	Fair value change of financial assets in hedged portfolios (+/-)	64,669,485	11,847,733	52,821,752	
100.	Equity investments	41,057,322,763	37,080,635,224	3,976,687,539	10.7
110.	Property and equipment	2,666,904,458	2,588,267,693	78,636,765	3.0
120.	Intangible assets	10,422,031,522	11,215,717,053	-793,685,531	-7.1
	of which				
	- goodwill	*6,869,648,856*	*7,310,309,001*	*-440,660,145*	*-6.0*
130.	Tax assets	4,192,386,097	2,188,554,068	2,003,832,029	91.6
	a) current	*1,883,201,063*	*1,526,314,478*	*356,886,585*	*23.4*
	b) deferred	*2,309,185,034*	*662,239,590*	*1,646,945,444*	
140.	Non-current assets held for sale and discontinued operations	352,668,725	3,758,886,068	-3,406,217,343	-90.6
150.	Other assets	6,582,116,015	6,521,300,181	60,815,834	0.9
Total Assets		**429,326,798,984**	**394,868,984,194**	**34,457,814,790**	**8.7**

Balance sheet

(in euro)

Liabilities and Shareholders' Equity		31.12.2008	31.12.2007	Changes amount	%
10.	Due to banks	87,688,810,397	86,007,694,839	1,681,115,558	2.0
20.	Due to customers	130,351,226,601	132,477,467,763	-2,126,241,162	-1.6
30.	Securities issued	130,497,062,749	97,717,650,283	32,779,412,466	33.5
40.	Financial liabilities held for trading	15,913,269,643	10,087,346,271	5,825,923,372	57.8
50.	Financial liabilities designated at fair value through profit and loss	-	-	-	-
60.	Hedging derivatives	2,535,916,763	1,756,219,882	779,696,881	44.4
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,057,804,029	34,386,581	1,023,417,448	
80.	Tax liabilities	2,078,968,216	1,499,348,471	579,619,745	38.7
	a) current	*1,130,740,284*	*288,715,958*	*842,024,326*	
	b) deferred	*948,227,932*	*1,210,632,513*	*-262,404,581*	*-21.7*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	296,640,051	2,258,063,128	-1,961,423,077	-86.9
100.	Other liabilities	9,935,642,889	10,701,000,048	-765,357,159	-7.2
110.	Employee termination indemnities	861,477,643	1,016,233,500	-154,755,857	-15.2
120.	Allowances for risks and charges	2,391,245,385	2,871,578,392	-480,333,007	-16.7
	a) post employment benefits	*295,995,512*	*281,496,444*	*14,499,068*	*5.2*
	b) other allowances	*2,095,249,873*	*2,590,081,948*	*-494,832,075*	*-19.1*
130.	Valuation reserves	649,466,959	1,586,490,700	-937,023,741	-59.1
140.	Reimbursable shares	-	-	-	-
150.	Equity instruments	-	-	-	-
160.	Reserves	4,083,418,439	3,101,040,757	982,377,682	31.7
170.	Share premium reserve	33,270,641,555	33,456,707,511	-186,065,956	-0.6
180.	Share capital	6,646,547,923	6,646,547,923	-	-
190.	Treasury shares (-)	-	-2,159,678,151	-2,159,678,151	
200.	Net income (loss)	1,068,659,742	5,810,886,296	-4,742,226,554	-81.6
Total Liabilities and Shareholders' Equity		**429,326,798,984**	**394,868,984,194**	**34,457,814,790**	**8.7**

Income statement

(in euro)

		2008	2007	Changes amount	%
10.	Interest and similar income	17,414,152,433	15,865,598,698	1,548,553,735	9.8
20.	Interest and similar expense	-12,563,247,041	-11,060,620,761	1,502,626,280	13.6
30.	**Interest margin**	**4,850,905,392**	**4,804,977,937**	**45,927,455**	**1.0**
40.	Fee and commission income	3,126,832,268	3,499,150,667	-372,318,399	-10.6
50.	Fee and commission expense	-378,341,643	-354,504,809	23,836,834	6.7
60.	**Net fee and commission income**	**2,748,490,625**	**3,144,645,858**	**-396,155,233**	**-12.6**
70.	Dividend and similar income	1,250,967,981	939,861,228	311,106,753	33.1
80.	Profits (Losses) on trading	-880,663,459	-445,576,397	435,087,062	97.6
90.	Fair value adjustments in hedge accounting	-93,458,487	7,050,621	-100,509,108	
100.	Profits (Losses) on disposal or repurchase of	111,574,413	219,308,561	-107,734,148	-49.1
	a) loans	*833,484*	*-80,764,407*	*81,597,891*	
	b) financial assets available for sale	*98,394,405*	*300,112,126*	*-201,717,721*	*-67.2*
	c) investments held to maturity	*180,546*	*71,327*	*109,219*	
	d) financial liabilities	*12,165,978*	*-110,485*	*12,276,463*	
110.	Profits (Losses) on financial assets and liabilities designated at fair value	-37,611,887	-2,898,282	34,713,605	
120.	**Net interest and other banking income**	**7,950,204,578**	**8,667,369,526**	**-717,164,948**	**-8.3**
130.	Net losses / recoveries on impairment	-1,306,670,491	-530,806,401	775,864,090	
	a) loans	*-1,035,036,623*	*-473,103,549*	*561,933,074*	
	b) financial assets available for sale	*-323,408,603*	*-25,077,032*	*298,331,571*	
	c) investments held to maturity	-	-	-	-
	d) other financial activities	*51,774,735*	*-32,625,820*	*84,400,555*	
140.	**Net income from banking activities**	**6,643,534,087**	**8,136,563,125**	**-1,493,029,038**	**-18.3**
150.	Administrative expenses	-5,715,554,156	-5,754,283,808	*-38,729,652*	*-0.7*
	a) personnel expenses	*-3,459,976,702*	*-3,614,295,146*	*-154,318,444*	*-4.3*
	b) other administrative expenses	-2,255,577,454	-2,139,988,662	*115,588,792*	5.4
160.	Net provisions for risks and charges	-246,267,080	-405,638,445	-159,371,365	-39.3
170.	Net adjustments to / recoveries on property and equipment	-252,198,979	-292,827,086	-40,628,107	-13.9
180.	Net adjustments to / recoveries on intangible assets	-552,363,268	-449,006,254	103,357,014	23.0
190.	Other operating expenses (income)	909,654,102	733,190,290	176,463,812	24.1
200.	**Operating expenses**	**-5,856,729,381**	**-6,168,565,303**	**-311,835,922**	**-5.1**
210.	Profits (Losses) on equity investments	-1,456,849,734	-227,488,781	1,229,360,953	
220.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
230.	Goodwill impairment	-	-	-	-
240.	Profits (Losses) on disposal of investments	275,168,259	6,774,223	268,394,036	
250.	**Income (Loss) before tax from continuing operations**	**-394,876,769**	**1,747,283,264**	**-2,142,160,033**	
260.	Taxes on income from continuing operations	676,615,485	-365,887,786	1,042,503,271	
270.	**Income (Loss) after tax from continuing operations**	**281,738,716**	**1,381,395,478**	**-1,099,656,762**	**-79.6**
280.	Income (Loss) after tax from discontinued operations	786,921,026	4,429,490,818	-3,642,569,792	-82.2
290.	**Net income (loss)**	**1,068,659,742**	**5,810,886,296**	**-4,742,226,554**	**-81.6**

Changes in shareholders' equity as at 31 December 2008

(in euro)

	31.12.2008												
	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 1.1.2008	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
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR													
Reserves				923,536,188								-923,536,188	-
Dividends and other allocations [(a)]												-4,887,350,108	-4,887,350,108
CHANGES IN THE PERIOD													
Changes in reserves			168,530,039	223,695,589	-168,530,039	-523,026,070	-414,123,570	125,899					-713,328,152
Operations on shareholders' equity													-
Issue of new shares			-354,595,995								2,159,678,151		1,805,082,156
Purchase of treasury shares													-
Extraordinary dividends													-
Changes in equity instruments													-
Derivatives on treasury shares													-
Stock options				3,675,944									3,675,944
Net income (loss) for the period												1,068,659,742	1,068,659,742
SHAREHOLDERS' EQUITY AS AT 31.12.2008	6,161,652,832	484,895,091	33,270,641,555	3,998,429,634	84,988,805	-29,890,354	-307,673,740	987,031,053	-	-	-	1,068,659,742	45,718,734,618

(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 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.

Statement of cash flows

(in euro)

	31.12.2008	31.12.2007
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**6,553,201,795**	**3,676,587,208**
- net income (-/+)	1,068,659,742	5,810,886,296
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	2,703,611,887	296,106,967
- gains/losses on hedging activities (-/+)	93,458,486	-7,050,621
- net losses/recoveries on impairment (+/-)	3,123,763,475	730,806,400
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	804,562,247	741,833,340
- net provisions for risks and charges and other costs/revenues (+/-)	1,146,424,372	936,778,947
- taxes and duties to be settled (+)	-	679,068,401
- net adjustments to/recoveries on disposal groups net of tax effect (-/+)	-	4,042,811
- other adjustments (+/-)	-2,387,278,414	-5,515,885,333
2. Cash flow from / used in financial assets	**-33,847,817,854**	**4,162,123,122**
- financial assets held for trading	-4,486,782,151	12,466,144,975
- financial assets designated at fair value through profit and loss	94,681,907	782,751,207
- financial assets available for sale	-5,412,293,732	268,158,622
- due from banks: repayable on demand	-11,890,282,000	12,537,822,000
- due from banks: other	-1,484,681,725	-14,743,201,681
- loans to customers	-7,939,239,487	-12,979,101,245
- other assets	-2,729,220,666	5,829,549,244
3. Cash flow from / used in financial liabilities	**36,143,867,490**	**-5,006,742,106**
- due to banks: repayable on demand	-11,265,705,000	2,194,957,000
- due to banks: other	12,946,820,557	-4,847,102,447
- due to customers	-2,126,241,162	-262,451,250
- securities issued	32,779,412,466	5,162,949,810
- financial liabilities held for trading	5,825,923,372	-489,229,902
- financial liabilities designated at fair value through profit and loss	-	-
- other liabilities	-2,016,342,743	-6,765,865,317
Net cash flow from (used in) operating activities	**8,849,251,431**	**2,831,968,224**
B. INVESTING ACTIVITIES		
1. Cash flow from	**4,558,639,078**	**6,895,434,577**
- sales of equity investments	1,059,259,976	1,383,072,276
- dividends collected on equity investments	1,184,150,442	700,268,417
- sales of investments held to maturity	253,000,000	150,000,000
- sales of property and equipment	7,000,000	11,000,000
- sales of intangible assets	268,000,000	1,000,000
- sales of subsidiaries and business branches	1,787,228,660	4,650,093,884
2. Cash flow used in	**-7,441,658,360**	**-2,658,827,889**
- purchases of equity investments	-7,111,658,360	-2,345,491,424
- purchases of investments held to maturity	-15,000,000	-
- purchases of property and equipment	-276,000,000	-277,000,000
- purchases of intangibles assets	-39,000,000	-32,000,000
- purchases of subsidiaries and business branches	-	-4,336,465
Net cash flow from (used in) investing activities	**-2,883,019,282**	**4,236,606,688**
C. FINANCING ACTIVITIES		
- issues / purchases of treasury shares	2,159,678,151	-2,134,634,898
- share capital increases	-	-
- dividend distribution and other	-4,887,350,109	-4,877,268,552
Net cash flow from (used in) financing activities	**-2,727,671,958**	**-7,011,903,450**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,238,560,191**	**56,671,462**
RECONCILIATION		
Cash and cash equivalents at beginning of period	1,761,473,217	1,704,801,755
Net increase (decrease) in cash and cash equivalents	3,238,560,191	56,671,462
Cash and cash equivalents: foreign exchange effect	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**5,000,033,408**	**1,761,473,217**

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 IAS/IFRS 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 2008 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.
The Parent Company's financial statements have been prepared using the international accounting standards in force as at 31 December 2008 (including the SIC and IFRIC interpretation documents).
The most significant change compared to the 2007 financial statements is the EC Regulation 1004/2008, with which the European Commission endorsed the IASB document "Reclassification of financial assets". This document – discussed in more detail below – introduced changes to IAS 39 and IFRS 7 that, in particular circumstances, authorise the reclassification of certain financial instruments. The application of this Regulation has had impacts on the Parent Company's 2008 financial statements that are described in part A.2 of these Notes to the Parent Company's financial statements.
For the sake of completeness, please also note EC Regulation 1126/2008, which brought together in a single text all the accounting standards and interpretation documents contained in the previous regulation 1725/2003 and subsequent amending acts, and the subsequent endorsement – even though it is only effective from 1 January 2009 – of the revised versions of IAS 23 – Borrowing Costs (EC Regulation 1260/2008), of IAS 1 – Presentation of Financial Statements (EC Regulation 1274/2008), and of certain amendments to IFRS 2 (EC Regulation 1261/2008).
During the year the new interpretation documents IFRIC 13 – Customer Loyalty Programmes (EC Regulation 1262/2008) and IFRIC 14, relating to defined benefit assets (EC Regulation 1263/2008) were also endorsed. None of these documents had any impact on the Parent Company's 2008 financial statements.

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 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 these 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 as at 31 December 2008 and the relevant details in the Notes to the Parent Company's financial statements - in accordance with the provisions of IFRS 5 - show some assets due for imminent disposal within non-current assets held for sale and discontinued operations. These are branches of the La Spezia and Pistoia areas under disposal following the order by the Italian Competition Authority resulting from the acquisition of the Cassa di Risparmio di Firenze Group.
The income statement and the relevant details in the Notes to the Parent Company's financial statements include under non-current assets held for sale and discontinued operations the capital gains from the sales carried out during the year, and in particular from the sale of 129 branches to Veneto Banca, Credito Valtellinese, Banca Popolare di Bari, Banca Popolare Alto Adige and Banca Carige.
This caption also includes all the profits earned by the entities sold up to the date of completion of the transactions and the economic effects attributable to the abovementioned non-current assets held for sale and discontinued operations.
The Parent Company's financial statement forms and the Notes to the Parent Company's financial statements show, in addition to the figures for the reference period, the comparative figures as at 31 December 2007. The income statement and the relevant details in the Notes to the Parent Company's financial statements have also been amended for the comparison year in accordance with IFRS 5 to take into account the effects on the income statement of the abovementioned non–current assets held for sale and discontinued operations.
The Attachments include tables with the reconciliations between such comparative figures and the balance sheet and income statement figures originally published in the 2007 Annual report, together with specific reconciliations between these figures and the reclassified statements included in the Report on operations accompanying these financial statements.

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 2008 and for 2007 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 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.

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. They also take into account the instructions issued by the Bank of Italy in the letter of 2 January 2009, which introduced

changes to some of the tables in the Notes to the financial statements and provided clarifications and explanations on specific matters.

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, no significant events occurred in the period after the financial statement date.

SECTION 4 - OTHER ASPECTS

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, Sud Polo Vita and the former Carifirenze Group) 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 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.

Non-EU subsidiaries

As regards the disclosure in relation to subsidiaries based in non-European countries that are considered significant on the basis of the Consob regulations, please refer to the contents of the section with the same heading in the Notes to the consolidated financial statements.

Other aspects

Reconta Ernst & Young audited Intesa Sanpaolo's financial statements as at 31 December 2008, in execution of the resolution of the Shareholders' Meeting of 20 April 2006, which appointed it as independent auditor for the years from 2006 to 2011, included.

A. 2 – MAIN FINANCIAL STATEMENT CAPTIONS

This chapter contains the Accounting standards adopted for the preparation of the Parent Company's 2008 financial statements.
Compared to the previous year's financial statements, the standards have changed only in relation to the amendments to IAS 39 and IFRS 7 introduced by the European Commission Regulation 1004/2008 already mentioned above.
More specifically, with its document "Reclassification of financial assets" issued October 2008, the IASB made changes to IAS 39, in relation to the classification of financial instruments, and to IFRS 7 with regard to the related disclosure. These amendments were endorsed by European Commission on 15 October 2008 and became effective immediately.
The change provided the possibility, not permitted until the present amendments became effective, of reclassifying non-derivative financial assets no longer held for trading from the category of trading financial instruments (financial assets designated at fair value through profit or loss) to the other categories established by IAS 39 (investments held to maturity, financial assets available for sale, loans and receivables). The possibility was also established of reclassifying financial assets available for sale to the loans and receivables category. Such reclassifications are now permitted when a financial asset, as a result of a rare circumstance, i.e. an event that is unusual and highly unlikely to recur in the near term, is no longer held for trading or available for sale and therefore it is considered possible by the company that said asset will be held for a foreseeable future period or until maturity. The current financial crisis was classed by the IASB as a rare circumstance. The reclassifications, as a result of the exceptional situation, could be made with reference to the values as at 1 July 2008 if carried out by 1 November 2008.
Intesa Sanpaolo considered it appropriate to identify certain bonds not quoted on active markets and certain loans originally classified under trading assets or under assets available for sale that currently do not have any risk of impairment for which the current and foreseeable future market conditions no longer permit active management and that as a consequence will be held in portfolio. These assets have therefore been reclassified to the loans category and are consequently valued at amortised cost from the time of their reclassification.
Specifically, within the securities portfolio, the reclassifications mainly involved certain structured credit products. With regard to the loan portfolio certain syndicated loans originally intended for placement with other financial institutions were reclassified.
In accordance with the transitional provision established by the aforementioned accounting document, reclassifications were carried out for 4,177 million euro in terms of nominal value by 1 November 2008 and therefore taking as reference the value of these assets as at 1 July 2008 if already present as at that date in the portfolio or with reference to the purchase price, if this took place after 1 July 2008, or at nominal value for loans issued after that date. No reclassifications were carried out after 1 November 2008.
More specifically the following financial assets were reclassified:

(in millions of euro)

Type of instrument	Previous classification	New classification	Nominal value	Book value after reclassification	Fair value as at 31.12.2008	Impact on the income statement (before tax)	Impact on the shareholders' equity reserves (before tax)
Debt securities	Financial assets held for trading	Loans	3,350	3,224	2,867	357	-
Loans	Financial assets available for sale	Loans	827	825	774	-	51
Total reclassification			**4,177**	**4,049**	**3,641**	**357**	**51**

If the Bank had not taken up the option to reclassify the abovementioned financial assets, additional negative amounts before tax totalling 357 million euro would have been recognised in the income statement, and the valuation reserves under shareholders' equity, before tax, would have been 51 million euro lower.
The internal rate of return of the reclassified portfolio was 5.9%.
Lastly, as a result of the abovementioned reclassifications additional interest income of 12 million euro was recorded as the recovery on an accruals basis of the loss recognised upon reclassification, and that no significant gains or income were realised from the repayments or the disposals that took place after the reclassification.

The illustration of accounting policies applied in Intesa Sanpaolo financial statements considers 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.

The reclassifications to other categories of financial assets are not permitted unless there is an event that is unusual and highly unlikely to recur in the near term.
In such cases debt securities and equities not held for trading may be reclassified into other categories established by IAS 39 if the conditions for their recognition apply (Investments held to maturity, Financial assets available for sale, Loans and Receivables). The transfer value is the fair value at the time of the reclassification.
Upon reclassification, the presence of any embedded derivative contracts, that have to be separated, is assessed.

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 quotations 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 title has been transferred.
When 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
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.
In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Investments held to maturity unless there is an event that is unusual and highly unlikely to recur in the near term. In such cases, debt securities may be reclassified to the categories, established by IAS 39, of Investments held to maturity and Loans and Receivables if the conditions for their recognition apply. The transfer value is the fair value at the time of the reclassification.

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 the accounting standards, recognition occurs following the reclassification from Investments held to maturity or, when rare circumstances occur, from Financial assets held for trading, the recognition value is the fair value as 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 the 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 an impairment loss.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and its fair value, namely the estimated future cash flows, discounted at the market interest rate as at the financial statements date, 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 title has been transferred.
When 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, 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

Quoted 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.

In the cases provided for by the accounting standards, reclassifications are only permitted towards the category Financial assets available for sale. If during a year, prior to expiry, more than an insignificant amount classified under this category is sold or reclassified, the remaining investments held to maturity are reclassified as Financial assets available for sale and the portfolio in question may not be used for the next two years, unless the sales and reclassifications:

- are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Recognition criteria

Initial recognition of financial assets occurs at settlement date.

On initial recognition, financial assets classified in this category are recorded at fair value, inclusive of any costs and revenues directly attributable to the asset. If inclusion in this category occurs following reclassification from Financial assets available for sale or, when rare circumstances occur, from Financial assets held for trading, the fair value of the asset as 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 an impairment loss. 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 are no longer applicable following an event subsequent to the registration of impairment, recoveries are recorded in 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 title has been transferred.

When 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, 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.
Reclassifications to the other categories of financial assets established in IAS 39 are not permitted.

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.
If, when rare circumstances occur, the inclusion in this category occurs following reclassification from Financial assets available for sale or from Financial assets held for trading, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

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 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.
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 objective evidence of loss has emerged from individual measurement 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. Measurement also considers the risk connected to 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 title has been transferred.

When 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.

Reclassifications to the other categories of financial assets are not permitted.

Intesa Sanpaolo has only classified in this category some debt securities with incorporated derivatives or debt securities subject to financial hedging and equity investments of over 20% held, directly or through funds, in companies involved in the venture capital business.

Recognition criteria

On initial recognition, financial assets are recognised at fair value, without considering transaction costs or revenues directly attributable to the instrument.

Measurement criteria

After initial recognition, the financial instruments in question are measured at fair value. The effects of the application of this measurement criterion are recorded in the income statement.

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 title has been transferred.

Whenever 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, 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.

6. Hedging transactions

Classification criteria: type of hedge

Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such a 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.

Recognition criteria
Hedging derivative financial instruments, like all derivatives, are initially recognised and subsequently measured at fair value.

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 within 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 lessor.

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 property, 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 goods 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 the carrying value of the assets.
The following are not depreciated:
– land, irrespective 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 depreciation, determined 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 will be 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 testing.

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 the discounting, using a rate representing the time value of money and the asset's specific risks, of 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 7-10 years, core deposits in 18-24 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 as having 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.

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 the 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 it. Therefore, it represents 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 for which it is likely that there will be future taxable amounts at the time when the related tax deductibility occurs (so-called probability test). 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 financial assets available for sale 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, leads to the belief that the Bank will not undertake any transactions which may cause taxation 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 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 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 in 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, originating 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

Amounts 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 lessee 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
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 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. 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 that 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 to which 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 Finance Law 2007, which brought forward 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 discounting, the rate used is the average market yield curve on the measurement dates, taking into account the average remaining life of the liability, weighted based on the 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 the 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 corporate management include:

– the measurement of impairment losses on loans and, generally, other financial assets;
– 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

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, 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, hedge funds are also considered quoted on an active market if they provide for a monthly liquidation of the quotas. 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 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.

When the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, and bid-offer spreads and volatility that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose

objective is the establishment of the price of a hypothetical arm's length transaction, motivated by normal business considerations, as at the measurement date. Such techniques include:
– reference to market values indirectly connected to the instrument to be valued and deduced from products with the same risk profile (comparable approach);
– valuations performed using – even partially – 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: absolute priority is given to effective market quotes available on active markets for the assets and liabilities to be valued or for similar assets and liabilities (comparable approach), and a lower priority to non-observable and, therefore, more discretional inputs (mark-to-model approach).

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, various measurement methods are used: 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.

For further information on the measurement models actually used to determine the value of the financial instruments please see Part E - Market risks, of these Notes to the Parent Company's financial statements.

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 Parent Company's financial statements is calculated as set out below:
– for medium- and long-term assets and liabilities, measurement is carried out by discounting future cash flows. This is based on the discount rate adjustment approach in which the risk factors connected to the granting of loans are taken into consideration in the rate used to discount future cash flows;
– 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 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 in the yield curve and the valuation of the credit risk associated to the issuer;
– for securities issued with floating and fixed rates with medium- and long-term maturities, the fair value shown in the Notes to the Parent Company's financial statements has been determined taking into account the effects attributable to the Bank's credit worthiness.

Non-financial assets

Regarding 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

The 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. In 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 a 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 lending (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 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 immaterial.

Regarding 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 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 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 and Financial assets designated at fair value through profit and loss are subject to impairment testing 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 loans 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 permit an estimation of 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 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 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 standards. This time period is reduced to six months solely for counterparties that are natural persons for whom the recognition of a worsening credit situation and the consequent transfer among the non-performing loans generally take place following unpaid instalments or continuous defaults for more than 90/180 days.
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.
With reference to assets available for sale, the process of detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down.
The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and external indicators deriving from the market values of the company (only for quoted equities).
Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. For the second category, the following factors represent significant indicators of potential problems: the stock price, also observed in comparison with the performance of the related market index, of over 30% less than the initial recognition value or lower than the initial recognition value for a continuous period of more than 12 months, and a market capitalisation as at the date of the valuation of less than the company's net book value.
The presence of an internal impairment indicator of the issuer and of a quoted price of over 30% less than the initial recognition value or for a continuous period of more than 12 months, results in the recognition of impairment.
In the other cases the recognition of impairment must be confirmed by the outcome of specific assessments as regards the security and the investment.
The amount of the impairment is calculated with reference to the fair value of the financial asset.
For an illustration of the methods used to determine fair value, see the relevant chapter.

Equity investments

At each balance sheet date the equity investments in associates or companies subject to joint control are subjected to an impairment test to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The detection of any impairment involves the verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and external indicators deriving from the market values of the company (only for quoted equities).
Within the first category, the following indicators are considered significant: the generation of negative economic results or in any case a significant variance with respect to the targets budgeted or established in the multi-year plans disclosed to the market, the announcement/start up of restructuring plans, and the downgrading by more than two categories of the rating issued by a specialist company. For the second category, the following factors represent significant indicators of potential problems: the stock price, also observed in comparison with the performance of the related market index, of over 30% less than the initial recognition value or lower than the initial recognition value for a continuous period of more than 12 months, and a market capitalisation as at the date of the valuation of less than the company's net book value.
The presence of impairment indicators results in the recognition of a write-down to the extent that the recoverable amount is lower than the recognition value.
The recoverable amount consists of the higher of the fair value net of sales costs and the value in use.
For an illustration of the valuation techniques used to determine fair value, see the relevant chapter above.
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 suitable to repay the risk of the asset and other factors, 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).

For controlling investments in subsidiaries, the single investments are not individually significant for the purposes of the impairment test in the Parent Company's financial statements, instead they are included in the impairment test of the Cash Generating Units (CGU) conducted at consolidated level. More specifically, when an investment does not produce cash flows that are largely independent of the cash flows from other assets the impairment tests are conducted at CGU level, rather than at the individual investment level. Consequently, when the assets attributable to a subsidiary are included in a CGU that is broader than the investment itself, as described in more detail in the following chapter, the impairment test can only be conducted at this level and not at the level of individual subsidiary for which the accurate estimation of a value in use is not possible.

Other non-financial assets

Property, equipment and intangible assets with definite useful life are subject to impairment testing if there is the indication that the book value of the asset may no longer be recovered. The 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 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 those recognised following business combinations) it is assumed that the carrying value normally corresponds to the 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.

Intangible assets recognised following a business combination and in application of IFRS 3 are subjected to an impairment test at each balance sheet date to assess whether there is objective evidence of an impairment loss.

Intangible assets with a finite life, represented by the value of the asset management portfolio, the value of the insurance portfolio and the core deposits, in the presence of impairment indicators are subjected to a new valuation process to assess the recoverability of the book values. The recoverable amount is determined on the basis of the value in use, namely the present value estimated using a rate representing the time value of money and the asset's specific risks, of the income margins generated by the existing relations as at the valuation date over a period which expresses their expected residual life.

Intangible assets with an indefinite life, represented by the valuation of the brand name and goodwill, do not have independent cash flows and therefore annually undergo an assessment of the adequacy of the value recorded under the assets with reference to the Cash Generating Unit (CGU) to which the values are attributed at the time of the business combinations. Given that the identification of the CGUs requires the analysis of the operational criteria and reporting methods used by the management and that the strategic decisions made by the Parent Company's management are based on the Group as a whole and not solely on the Parent Company as an individual entity, the CGUs have been identified with reference to the consolidated financial statements.

The identified CGUs are represented in some cases (Banca dei Territori and Corporate & Investment Banking) by operations conducted directly by the Parent Company and some subsidiaries, in other cases (Foreign banks) by combinations of subsidiaries, and also (Public Finance, Banca Fideuram and Eurizon Capital) when they are linked to the associated legal entity. Therefore, the assessment of the retention of the goodwill values recorded in the Intesa Sanpaolo Group's financial statements is conducted at consolidated level with reference to the individual CGUs without conducting a new test, if the result is negative, in the separate financial statements at individual subsidiary level. If, at consolidated financial statement level, an impairment needs to be recognised for a particular CGU, this write-down must be assigned to the assets that make up the CGU starting with goodwill. If the need to record an adjustment relates to a CGU that does not coincide with the associated legal entity, the write-down is assigned to the banking subsidiaries, after the elimination of the goodwill pertaining to the CGU recorded in the separate financial statements under a specific caption, on the basis of the respective fair values.

For a description of the criteria for the determination of the recoverable amount of the CGUs see the contents of Part A - Accounting standards, of the consolidated financial statements.

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 the Articles of Association or of 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) the fair value, as at the transaction date, of the assets sold, the liabilities undertaken and the capital instruments issued by the acquirer in exchange of acquisition of control; and (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 consideration. When that settlement does not occur in the short-term, the 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. 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.
In order to determine 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.
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). 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.

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)

	31.12.2008	31.12.2007
a) Cash	1,896	1,589
b) On demand deposits with Central Banks	3,104	172
TOTAL	**5,000**	**1,761**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(in millions of euro)

	31.12.2008		31.12.2007	
	Quoted	**Unquoted**	**Quoted**	**Unquoted**
A. Cash assets				
1. Debt securities	4,701	2,922	4,334	6,692
1.1 structured securities	-	*61*	*8*	*154*
1.2 other debt securities	*4,701*	*2,861*	*4,326*	*6,538*
2. Equities	5	-	32	-
3. Quotas of UCITS	666	209	22	792
4. Loans	-	-	-	-
4.1 repurchase agreements	-	-	-	-
4.2 other	-	-	-	-
5. Non-performing assets	-	-	-	-
6. Assets sold not derecognised	744	12	2,428	1,110
Total A	**6,116**	**3,143**	**6,816**	**8,594**
B. Derivatives				
1. Financial derivatives	12	10,823	1	7,576
1.1 trading	*12*	*10,803*	*1*	*7,363*
1.2 fair value option	-	*15*	-	*3*
1.3 other	-	*5*	-	*210*
2. Credit derivatives	-	2,570	-	1,208
2.1 trading	-	*2,570*	-	*1,208*
2.2 fair value option	-	-	-	-
2.3 other	-	-	-	-
Total B	**12**	**13,393**	**1**	**8,784**
TOTAL (A+B)	**6,128**	**16,536**	**6,817**	**17,378**

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.
Only derivatives traded on regulated markets are considered quoted derivatives.
Equities measured at cost represent an immaterial portion of A.2.
In compliance with Bank of Italy instructions, variation margins with Clearing Houses related to futures are recorded under Loans to customers.
Assets sold not derecognised include securities related to reverse repurchase agreements.

2.2. Financial assets held for trading: borrower/issuer breakdown

(in millions of euro)

	31.12.2008	31.12.2007
A. CASH ASSETS		
1. Debt securities	**7,623**	**11,026**
a) Governments and Central Banks	3,134	659
b) Other public entities	178	457
c) Banks	2,400	4,339
d) Other issuers	1,911	5,571
2. Equities	**5**	**32**
a) Banks	-	3
b) Other issuers	5	29
- *insurance companies*	-	*2*
- *financial institutions*	-	-
- *non-financial companies*	*5*	*27*
- *other*	-	-
3. Quotas of UCITS	**875**	**814**
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	**756**	**3,538**
a) Governments and Central Banks	259	1,559
b) Other public entities	479	-
c) Banks	18	685
d) Other issuers	-	1,294
Total A	**9,259**	**15,410**
B) DERIVATIVES		
a) Banks	10,478	7,152
b) Customers	2,927	1,633
Total B	**13,405**	**8,785**
TOTAL (A+B)	**22,664**	**24,195**

2.3. Financial assets held for trading: derivatives

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Currencies and gold	Equities	Loans	Other	31.12.2008	31.12.2007
A) QUOTED DERIVATIVES							
1) Financial derivatives	**1**	**-**	**11**	**-**	**-**	**12**	**1**
with exchange of underlying asset	-	-	11	-	-	11	1
- *options bought*	-	-	-	-	-	-	*1*
- *other derivatives*	-	-	*11*	-	-	*11*	-
without exchange of underlying asset	1	-	-	-	-	1	-
- *options bought*	-	-	-	-	-	-	-
- *other derivatives*	*1*	-	-	-	-	*1*	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**1**	**-**	**11**	**-**	**-**	**12**	**1**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	**7,327**	**3,263**	**218**	**-**	**15**	**10,823**	**7,576**
with exchange of underlying asset	-	3,206	8	-	-	3,214	950
- *options bought*	-	*179*	*8*	-	-	*187*	*184*
- *other derivatives*	-	*3,027*	-	-	-	*3,027*	*766*
without exchange of underlying asset	*7,327*	*57*	*210*	-	*15*	*7,609*	*6,626*
- *options bought*	*830*	*40*	*210*	-	-	*1,080*	*1,592*
- *other derivatives*	*6,497*	*17*	-	-	*15*	*6,529*	*5,034*
2) Credit derivatives	**-**	**-**	**-**	**2,570**	**-**	**2,570**	**1,208**
with exchange of underlying asset	-	-	-	*2,322*	-	*2,322*	*994*
without exchange of underlying asset	-	-	-	*248*	-	*248*	*214*
Total B	**7,327**	**3,263**	**218**	**2,570**	**15**	**13,393**	**8,784**
TOTAL (A + B)	**7,328**	**3,263**	**229**	**2,570**	**15**	**13,405**	**8,785**

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	**11,026**	**32**	**814**	**-**	**11,872**
B. Increases	**72,570**	**427**	**1,375**	**-**	**74,372**
B.1 purchases	67,579	421	1,226	-	69,226
of which business combinations	*65*	-	-	-	65
B.2 positive fair value differences	62	1	91	-	154
B.3 other changes	4,929	5	58	-	4,992
C. Decreases	**-75,973**	**-454**	**-1,314**	**-**	**-77,741**
C.1 sales	-68,266	-423	-1,071	-	-69,760
of which business combinations	-	-	-	-	-
C.2 reimbursements	-3,649	-	-	-	-3,649
C.3 negative fair value differences	-441	-1	-213	-	-655
C.4 other changes	-3,617	-30	-30	-	-3,677
D. Final amount	**7,623**	**5**	**875**	**-**	**8,503**

Other changes conventionally include the amounts related to assets sold not derecognised at the beginning and at the end of the period.
The same item conventionally includes amounts relating to the reclassification to the loans to customers and due from banks portfolio under the terms of the changes to IAS 39 approved by the European Union on 15 October 2008.
Amounts relating to "business combinations" refer to various forms of corporate transactions involving fully consolidated subsidiaries.

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)

	31.12.2008		31.12.2007	
	Quoted	**Unquoted**	**Quoted**	**Unquoted**
1. Debt securities	28	215	45	328
1.1. structured securities	-	-	*5*	-
1.2. other debt securities	*28*	*215*	*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	10	-	-	12
Total	**38**	**215**	**45**	**340**
Cost	**38**	**236**	**46**	**348**

Assets sold not derecognised include 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)

	31.12.2008	31.12.2007
1. Debt securities	**243**	**373**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	151	232
d) Other issuers	92	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	**10**	**12**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	10	12
d) Other issuers	-	-
TOTAL	**253**	**385**

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	**373**	**-**	**-**	**-**	**373**
B. Increases	**112**	**-**	**-**	**-**	**112**
B.1 purchases	66	-	-	-	66
of which business combinations	-	-	-	-	-
B.2 positive fair value differences	4	-	-	-	4
B.3 other changes	42	-	-	-	42
C. Decreases	**-242**	**-**	**-**	**-**	**-242**
C.1 sales	-37	-	-	-	-37
of which business combinations	-	-	-	-	-
C.2 reimbursements	-144	-	-	-	-144
C.3 negative fair value differences	-27	-	-	-	-27
C.4 other changes	-34	-	-	-	-34
D. Final amount	**243**	**-**	**-**	**-**	**243**

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)

	31.12.2008		31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	94	1,088	419	765
1.1 Structured securities	-	-	-	-
1.2 Other debt securities	*94*	*1,088*	*419*	*765*
2. Equities	636	885	1,164	1,045
2.1 Measured at fair value	*636*	*874*	*1,164*	*1,027*
2.2 Measured at cost	-	*11*	-	*18*
3. Quotas of UCITS	1	44	3	13
4. Loans	-	217	-	612
5. Non-performing assets	-	-	-	-
6. Assets sold not derecognised	-	4,395	-	-
TOTAL	**731**	**6,629**	**1,586**	**2,435**

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.
Assets sold not derecognised include securities related to reverse repurchase agreements.

4.2 Financial assets available for sale: borrower/issuer breakdown

(in millions of euro)

	31.12.2008	31.12.2007
1. Debt securities	**1,182**	**1,184**
a) Governments and Central Banks	2	11
b) Other public entities	149	95
c) Banks	763	772
d) Other issuers	268	306
2. Equities	**1,521**	**2,209**
a) Banks	321	420
b) Other issuers	1,200	1,789
- insurance companies	*511*	*736*
- financial institutions	*93*	*136*
- non-financial companies	*550*	*917*
- other	*46*	-
3. Quotas of UCITS	**45**	**16**
4. Loans	**217**	**612**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	12	14
d) Other counterparties	205	598
5. Non-performing assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
6. Assets sold not derecognised	**4,395**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	4,395	-
d) Other counterparties	-	-
TOTAL	**7,360**	**4,021**

4.3 Financial assets available for sale: hedged assets

As at 31 December 2008, 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 2008, 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	**1,184**	**2,209**	**16**	**612**	**4,021**
B. Increases	**5,350**	**577**	**99**	**849**	**6,875**
B.1 purchases	5,186	444	95	145	5,870
of which business combinations	*15*	-	-	-	*15*
B.2 positive fair value differences	1	64	-	2	67
B.3 write-backs recognised in	1	-	-	-	1
- income statement	*1*	*X*	-	-	*1*
- shareholders' equity	-	-	-	-	-
B.4 transfers from other portfolios	-	-	-	-	-
B.5 other changes	162	69	4	702	937
C. Decreases	**-5,352**	**-1,265**	**-70**	**-1,244**	**-7,931**
C.1 sales	-19	-318	-67	-5	-409
of which business combinations	-	-	-	-	-
C.2 reimbursements	-734	-	-	-34	-768
C.3 negative fair value differences	-66	-488	-3	-36	-593
C.4 impairment losses recognised in	-11	-314	-	-	-325
- income statement	*-11*	*-314*	-	-	*-325*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-47	-	-1,165	-1,212
C.6 other changes	-4,522	-98	-	-4	-4,624
D. Final amount	**1,182**	**1,521**	**45**	**217**	**2,965**

With regard to equities:

– "purchases" refer mainly to London Stock Exchange Plc. (148 million euro), Telecom Italia S.p.A. (100 million euro), Giochi Preziosi S.p.A. (62 million euro), GCL Special Closures S.r.l. (44 million euro), Quattroduedue Holding B.V. (36 million euro), Parmalat S.p.A. (20 million euro), Acotel Group S.p.A. (12 million euro) and Società per il Mercato dei Titoli di Stato – MTS S.p.A. (12 million euro);
– "positive fair value differences" refer mainly to Istituto per il Credito Sportivo (22 million euro), Cassa di Risparmio della Provincia di Chieti S.p.A. (7 million euro), Sviluppo TM S.p.A. (4 million euro) and Banca delle Marche S.p.A. (4 million euro);
– "B.5 - other changes" essentially refer to realised gains net of the reversal to the income statement of the related reserve;
– "sales" refer mainly to the disposal of Telecom Italia S.p.A. (95 million euro), Speed S.p.A. (83 million euro), Scotiabank Perù S.A.A. (77 million euro), CIFA – Compagnia Italiana Forme Acciaio S.p.A. (34 million euro) and Ansaldo STS S.p.A. (17 million euro);
– "negative fair value differences" in equities refer mainly to the interests in Assicurazioni Generali S.p.A. (241 million euro), Parmalat S.p.A. (53 million euro), Banco Patagonia S.A. (43 million euro), Prada S.p.A. (18 million euro), Milano Assicurazioni S.p.A. (17 million euro), Alfieri Associated Investor Servicos de Consultoria S.A. (14 million euro), Euro-Clear Clearance System Public Ltd. Co. (11 million euro), Granarolo S.p.A. (8 million euro) and Edison S.p.A. (8 million euro);
– "impairment losses" on equities refer mainly to London Stock Exchange Plc. (264 million euro), Banca Generali S.p.A. (30 million euro), Cam Finanziaria S.p.A. (7 million euro) and Hopa S.p.A. (6 million euro);
– "other changes" refer mainly to the subscription to the global voluntary takeover bid launched by Fondiaria-SAI on ordinary Immobiliare Lombarda shares for 45 million euro and to the transfer of the interest in GCL Special Closures S.r.l. to GCL Holdings LP Sarl for 44 million euro;
– "transfers to other portfolios" refer to the reclassification to significant equity investments of the interests in NH Hoteles S.A. and Centro Factoring 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.
Amounts relating to "business combinations" refer to various forms of corporate transactions involving fully consolidated subsidiaries.

Impairment tests for financial assets available for sale

As required under IFRS, financial assets available for sale are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of such assets is not fully recoverable.
The process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down.
For further details on the criteria for impairment testing of financial assets available for sale, reference should be made to Part A - Accounting policies of the Notes to the consolidated and Parent Company's financial statements and to Part B – Information on the consolidated balance sheet – Assets of the Notes to the consolidated financial statements.
The main impairment loss recorded concerned London Stock Exchange (264 million euro).

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(in millions of euro)

	31.12.2008		31.12.2007	
	Book value	Fair value	Book value	Fair value
1. Debt securities	1,513	1,464	684	684
1.1 structured securities	-	-	-	-
1.2 other debt securities	*1,513*	*1,464*	*684*	*684*
2. Loans	-	-	-	-
3. Non-performing assets	-	-	-	-
4. Assets sold not derecognised	584	583	1,656	1,656
TOTAL	**2,097**	**2,047**	**2,340**	**2,340**

Assets sold not derecognised include securities related to reverse repurchase agreements.

5.2 Investments held to maturity: borrowers/issuers

(in millions of euro)

	31.12.2008	31.12.2007
1. Debt securities	**1,513**	**684**
a) Governments and Central Banks	1,494	678
b) Other public entities	4	6
c) Banks	-	-
d) Other issuers	15	-
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	**584**	**1,656**
a) Governments and Central Banks	584	1,656
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
TOTAL	**2,097**	**2,340**

5.3 Investments held to maturity: hedged assets

As at 31 December 2008, 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	**684**	**-**	**684**
B. Increases	**1,699**	**-**	**1,699**
B.1 purchases	15	-	15
of which business combinations	*15*	-	*15*
B.2 write-backs	-	-	-
B.3 transfers from other portfolios	-	-	-
B.4 other changes	1,684	-	1,684
C. Decreases	**-870**	**-**	**-870**
C.1 sales	-	-	-
of which business combinations	-	-	-
C.2 reimbursements	-253	-	-253
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-617	-	-617
D. Final amount	**1,513**	**-**	**1,513**

Subcaptions "other changes" conventionally include the amounts related to assets sold not derecognised at the beginning and at the end of the period.
Amounts relating to "business combinations" refer to various forms of corporate transactions involving fully consolidated subsidiaries.

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(in millions of euro)

	31.12.2008	31.12.2007
A. Due from Central Banks	**127**	**2,275**
1. Time deposits	2	2
2. Compulsory reserve	125	2,266
3. Repurchase agreements	-	-
4. Other	-	7
B. Due from banks	**114,752**	**98,557**
1. Current accounts and deposits	17,562	15,262
2. Time deposits	59,671	50,409
3. Other loans	30,576	28,215
3.1 Repurchase agreements	*21,832*	*22,402*
3.2 Financial leases	-	-
3.3 Other	*8,744*	*5,813*
4. Debt securities	3,990	2,144
4.1 Structured	-	-
4.2 Other	*3,990*	*2,144*
5. Non-performing assets	9	7
6. Assets sold not derecognised	2,944	2,520
TOTAL (book value)	**114,879**	**100,832**
TOTAL (fair value)	**114,818**	**100,823**

Assets sold not derecognised include 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)

	31.12.2008	31.12.2007
1. Due from banks with specific fair value hedges	**525**	**551**
a) Interest rate risk	525	551
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Due from banks with specific cash flow hedges	**-**	**187**
a) Interest rate risk	-	50
b) Foreign exchange risk	-	137
c) Other	-	-
TOTAL	**525**	**738**

6.3 Financial leases

Intesa Sanpaolo has no financial leases with banks.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(in millions of euro)

	31.12.2008	31.12.2007
1. Current accounts	23,240	20,357
2. Repurchase agreements	5,581	1,587
3. Mortgages	74,280	78,707
4. Credit card loans, personal loans and transfer of one fifth of salaries	2,292	3,306
5. Financial leases	-	-
6. Factoring	8	15
7. Other operations	88,469	81,284
8. Debt securities	7,064	4,753
8.1 Structured securities	*-*	*-*
8.2 Other debt securities	*7,064*	*4,753*
9. Non-performing assets	4,085	3,448
10. Assets sold not derecognised	2,442	3,006
TOTAL (book value)	**207,461**	**196,463**
TOTAL (fair value)	**205,681**	**196,208**

Assets sold not derecognised refer to mortgages sold as part of the Intesa 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.

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.

7.2 Loans to customers: borrower/issuer breakdown

(in millions of euro)

	31.12.2008	31.12.2007
1. Debt securities	**7,064**	**4,753**
a) Governments	634	709
b) Other public entities	306	-
c) Other issuers	6,124	4,044
- non-financial companies	*54*	*36*
- financial institutions	*4,258*	*2,091*
- insurance companies	*1,812*	*1,739*
- other	-	*178*
2. Loans	**193,870**	**185,256**
a) Governments	434	334
b) Other public entities	658	1,041
c) Other counterparties	192,778	183,881
- non-financial companies	*106,550*	*104,344*
- financial institutions	*46,909*	*37,733*
- insurance companies	*498*	*332*
- other	*38,821*	*41,472*
3. Non-performing assets	**4,085**	**3,448**
a) Governments	-	-
b) Other public entities	5	-
c) Other counterparties	4,080	3,448
- non-financial companies	*2,851*	*2,312*
- financial institutions	*38*	*28*
- insurance companies	-	*1*
- other	*1,191*	*1,107*
4. Assets sold not derecognised	**2,442**	**3,006**
a) Governments	-	-
b) Other public entities	-	-
c) Other counterparties	2,442	3,006
- non-financial companies	*42*	*25*
- financial institutions	-	-
- insurance companies	-	-
- other	*2,400*	*2,981*
TOTAL	**207,461**	**196,463**

7.3 Loans to customers: assets with specific hedges

(in millions of euro)

	31.12.2008	31.12.2007
1. Loans to customers with specific fair value hedges	**6,368**	**5,065**
a) Interest rate risk	6,368	5,065
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Loans to customers with specific cash flow hedges	**-**	**45**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	45
c) Other	-	-
TOTAL	**6,368**	**5,110**

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 Loans to customers.

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

(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	**3,981**	**294**	**-**	**-**	**-**	**4,275**
with exchange of underlying asset	-	294	-	-	-	294
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	*294*	-	-	-	*294*
without exchange of underlying asset	3,981	-	-	-	-	3,981
- *options bought*	*11*	-	-	-	-	*11*
- *other derivatives*	*3,970*	-	-	-	-	*3,970*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**3,981**	**294**	**-**	**-**	**-**	**4,275**
TOTAL (A+B) 31.12.2008	**3,981**	**294**	**-**	**-**	**-**	**4,275**
TOTAL (A+B) 31.12.2007	**1,482**	**25**	**-**	**-**	**-**	**1,507**

The table indicates positive values of hedging derivatives.
The respective assets/liabilities hedged are indicated in specific tables that 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	11	-	-	X	-	X	-	X
3. Investments held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	12	X	-
5. Foreign investments	X	X	X	X	X	X	-	X
Total assets	**11**	**-**	**-**	**-**	**-**	**12**	**-**	**-**
1. Financial liabilities	2,421	-	-	X	294	X	-	X
2. Portfolio	X	X	X	X	X	1,531	X	6
Total liabilities	**2,421**	**-**	**-**	**-**	**294**	**1,531**	**-**	**6**
1. Forecast transactions	X	X	X	X	X	X	-	-

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 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 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 portfolios

(in millions of euro)

	31.12.2008	31.12.2007
1. Positive fair value change	**65**	**12**
1.1. of specific portfolios	65	12
a) loans	*65*	*12*
b) assets available for sale	-	-
1.2. overall	-	-
2. Negative fair value change	**-**	**-**
2.1. of specific portfolios	-	-
a) loans	-	-
b) assets available for sale	-	-
2.2. overall	-	-
TOTAL	**65**	**12**

9.2 Assets hedged by macrohedging of interest rate risk: breakdown

(in millions of euro)

Hedged assets	31.12.2008	31.12.2007
1. Loans	12,448	22,473
2. Assets available for sale	-	-
3. Portfolio	-	-
TOTAL	**12,448**	**22,473**

The figure refers mainly 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. BANCA C.I.S. S.p.A.	Cagliari	44.63	44.63
3. BANCA DELL'ADRIATICO S.p.A.	Pesaro	100.00	100.00
4. BANCA DI TRENTO E BOLZANO S.p.A.	Trento	8.29	8.29
5. BANCA FIDEURAM S.p.A.	Roma	100.00	100.00
6. BANCA IMI S.p.A.	Milano	100.00	100.00
7. BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO S.p.A.	Roma	100.00	100.00
8. BANCA INTESA A.D. - BEOGRAD	Novi Beograd	15.21	15.21
9. BANCA PROSSIMA S.p.A.	Milano	100.00	100.00
10. BANCO DI NAPOLI S.p.A.	Napoli	100.00	100.00
11. BANK OF ALEXANDRIA	Cairo	80.00	80.00
12. BANKA KOPER D.D.	Koper (Slovenia)	97.22	97.22
13. BN FINRETE S.p.A. in liquidation	Napoli	99.00	99.00
14. CASSA DEI RISPARMI DI FORLI' E DELLA ROMAGNA S.p.A. - CARIROMAGNA	Forlì	66.31	66.31
15. CASSA DI RISPARMIO DEL FRIULI VENEZIA GIULIA S.p.A. - CariFVG	Gorizia	100.00	100.00
16. CASSA DI RISPARMIO DEL VENETO S.p.A.	Padova	100.00	100.00
17. CASSA DI RISPARMIO DI FIRENZE S.p.A.	Firenze	89.71	89.71
18. CASSA DI RISPARMIO DI VENEZIA S.p.A.	Venezia	100.00	100.00
19. CASSA DI RISPARMIO IN BOLOGNA S.p.A.	Bologna	100.00	100.00
20. CENTRAL-EUROPEAN INTERNATIONAL BANK Ltd	Budapest	10.90	10.90
21. CENTRO FACTORING S.p.A.	Firenze	10.81	10.81
22. COFRAGEF S.A. - COMPAGNIE FRANCAISE DE GESTION FINANCIERE IN LIQUIDATION	Paris	99.76	99.76
23. CONSORZIO STUDI E RICERCHE FISCALI - GRUPPO INTESA SANPAOLO	Roma	55.00	55.00
24. CORMANO S.r.l.	Varese	70.82	70.82
25. COTONIFICIO BRESCIANO OTTOLINI - C.B.O. S.r.l. in liquidation	Salò (Brescia)	97.58	97.58
26. CR FIRENZE Gestion Internationale S.A.	Luxembourg	100.00	100.00
27. EQUITER S.p.A.	Torino	100.00	100.00
28. EURIZON A.I. SGR S.p.A.	Milano	10.00	10.00
29. EURIZON CAPITAL SGR S.p.A.	Milano	100.00	100.00
30. EURIZON VITA S.p.A.	Torino	99.96	99.96
31. FINANZIARIA B.T.B S.p.A.	Trento	99.29	99.29
32. IFAS GRUPPO S.p.A. in liquidation	Torino	45.00	45.00
33. IMI INVESTIMENTI S.p.A.	Bologna	100.00	100.00
34. IMIFIN S.p.A. in liquidation	Roma	100.00	100.00
35. IMMIT - IMMOBILI ITALIANI S.p.A.	Torino	100.00	100.00
36. INTESA BANK IRELAND PLC (in voluntary liquidation)	Dublin	100.00	100.00
37. INTESA BANK OVERSEAS Ltd (in voluntary liquidation)	Gr. Cayman	100.00	100.00
38. INTESA BRASIL EMPREENDIMENTOS S.A.	Sao Paulo	100.00	100.00
39. INTESA FUNDING LLC	Wilmington	100.00	100.00
40. INTESA INVESTIMENTI S.p.A.	Milano	100.00	100.00
41. INTESA LEASE SEC S.r.l.	Milano	60.00	60.00
42. INTESA PREFERRED CAPITAL COMPANY LLC	Wilmington	100.00	100.00
43. INTESA PREVIDENZA - SOCIETA' D'INTERMEDIAZIONE MOBILIARE S.p.A.	Milano	78.53	78.53
44. INTESA REAL ESTATE S.r.l.	Milano	100.00	100.00
45. INTESA SANPAOLO BANK ALBANIA SH.A. (a)	Tirana	80.98	88.76

	Registered office	% held	Votes available %
46. INTESA SANPAOLO BANK IRELAND PLC	Dublin	100.00	100.00
47. INTESA SANPAOLO FORMAZIONE Società Consortile per Azioni	Napoli	80.00	80.00
48. INTESA SANPAOLO HOLDING INTERNATIONAL S.A.	Luxembourg	100.00	100.00
49. INTESA SANPAOLO PRIVATE BANKING S.p.A.	Milano	100.00	100.00
50. INTESA SANPAOLO REAL ESTATE ROMANIA S.A.	Arad	100.00	100.00
51. INTESA SANPAOLO ROMANIA S.A. COMMERCIAL BANK	Arad	99.25	99.25
52. INTESA SANPAOLO SERVIZI TRANSAZIONALI S.p.A.	Milano	100.00	100.00
53. INTESA SEC. 2 S.r.l.	Milano	60.00	60.00
54. INTESA SEC. 3 S.r.l.	Milano	60.00	60.00
55. INTESA SEC. NPL S.p.A.	Milano	60.00	60.00
56. INTESA SEC. S.p.A.	Milano	60.00	60.00
57. INTESABCI PREFERRED CAPITAL COMPANY LLC III DELAWARE	Wilmington	100.00	100.00
58. INTESASANPAOLO EURODESK S.p.r.l.	Bruxelles	100.00	100.00
59. INTESATRADE S.I.M. S.p.A.	Milano	100.00	100.00
60. INVERSIONES MOBILIARIAS S.A. "IMSA"	Lima	99.40	99.40
61. ISP CB IPOTECARIO S.r.l.	Milano	100.00	100.00
62. ISP CB PUBBLICO S.r.l.	Milano	60.00	60.00
63. ISP SEC. 4 S.r.l.	Milano	100.00	100.00
64. LIMA SUDAMERIS HOLDING S.A. in liquidation	Lima	52.87	52.87
65. MEDIOCREDITO ITALIANO S.p.A.	Milano	100.00	100.00
66. MEDIOFACTORING S.p.A.	Milano	100.00	100.00
67. MONETA S.p.A.	Bologna	100.00	100.00
68. NEOS BANCA S.p.A.	Bologna	100.00	100.00
69. OOO INTESA REALTY RUSSIA	Moscow	100.00	100.00
70. OTTOBRE 2008 S.r.l.	Milano	100.00	100.00
71. PHONIX BETEILIGUNGS GmbH - in liquidation	Berlin	100.00	100.00
72. PRAVEX BANK Joint-Stock Commercial Bank	Kiev	100.00	100.00
73. PRIVATE EQUITY INTERNATIONAL S.A.	Luxembourg	100.00	100.00
74. SANPAOLO BANK S.A.	Luxembourg	100.00	100.00
75. SANPAOLO FIDUCIARIA S.p.A.	Milano	100.00	100.00
76. SANPAOLO IMI BANK (INTERNATIONAL) S.A.	Funchal	100.00	100.00
77. SANPAOLO IMI Capital Company I, L.L.C.	Wilmington	100.00	100.00
78. SANPAOLO IMI U.S. FINANCIAL CO.	Wilmington	100.00	100.00
79. SEP - Servizi e Progetti S.p.A.	Torino	100.00	100.00
80. SOCIETA' ITALIANA DI REVISIONE E FIDUCIARIA S.I.RE.F. S.p.A.	Milano	100.00	100.00
81. STUDI E RICERCHE PER IL MEZZOGIORNO (b)	Napoli	16.67	16.67
82. SUD POLO VITA S.p.A.	Torino	98.79	98.79
83. ZAO BANCA INTESA Closed Joint-stock Company	Moscow	100.00	100.00
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	29.03	30.45
4. COLOMBO S.r.l.	Milano	5.00	5.00
5. DIOCLEZIANO S.r.l.	Milano	5.00	5.00
6. INTERNATIONAL ENTERTAINMENT S.p.A.	Roma	50.00	50.00
7. LEONARDO TECHNOLOGY S.p.A.	Milano	25.00	25.00
8. NOVERCA ITALIA S.R.L.	Roma	34.00	34.00
9. SHANGHAI SINO-ITALY BUSINESS ADVISORY COMPANY LIMITED	Shangai	40.00	40.00

	Registered office	% held	Votes available %
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 S.p.A.	Roma	12.00	12.00
4. C.A.I. Compagnia Aerea Italiana S.p.A.	Milano	11.81	11.81
5. CASSA DI RISPARMIO DI FERMO S.p.A.	Fermo	33.33	33.33
6. CONSORZIO BANCARIO SIR S.p.A in liquidation	Roma	32.86	32.86
7. ESAOTE S.p.A.	Milano	37.95	37.95
8. EUROMILANO S.p.A.	Milano	42.50	42.50
9. EUROPROGETTI E FINANZA S.p.A.	Roma	15.97	15.97
10. EVOLUZIONE 94 S.p.A. in liquidation	Milano	24.10	24.10
11. F.I.L.A. FABBRICA ITALIANA LAPIS ED AFFINI S.p.A.	Milano	24.75	24.75
12. GCL HOLDINGS L.P. S.à.r.l.	Luxembourg	22.30	22.30
13. GRANDE JOLLY S.r.l.	Milano	2.64	2.64
14. INTESA VITA S.p.A. (c)	Milano	50.00	44.44
15. ITALFONDIARIO S.p.A.	Roma	11.25	11.25
16. MATER-BI S.p.A.	Milano	34.48	34.48
17. NEWCOCOT S.p.A.	Cologno Monzese	24.61	24.61
18. NH HOTELES S.A.	Madrid	2.33	2.33
19. NH ITALIA S.r.l.	Milano	42.75	42.75
20. NOVERCA S.r.l.	Roma	10.00	10.00
21. OBIETTIVO NORDEST SICAV	Venezia Marghera	13.68	13.68
22. P.B. S.r.l. in liquidation	Milano	42.24	42.24
23. PENGHUA FUND MANAGEMENT Co. Ltd.	Shenzen	49.00	49.00
24. PIETRA S.r.l.	Milano	22.22	22.22
25. PIRELLI & C. S.p.A.	Milano	1.58	1.62
26. R.C.N. FINANZIARIA S.p.A.	Mantova	23.96	23.96
27. RIZZOLI CORRIERE DELLA SERA MEDIAGROUP S.p.A.	Milano	4.83	5.02
28. SIA - SSB S.p.A.	Milano	28.02	28.02
29. SOCIETA' GESTIONE PER IL REALIZZO in liquidation S.p.A.	Roma	38.33	38.33
30. SOLAR EXPRESS S.r.l.	Firenze	40.00	40.00
31. TANGENZIALI ESTERNE DI MILANO S.p.A.	Milano	5.00	5.00
32. TELCO S.p.A.	Milano	10.65	10.65
33. TERMOMECCANICA S.p.A.	La Spezia	27.50	27.50
34. UNO A ERRE ITALIA S.p.A.	Arezzo	18.90	18.90
35. VARESE INVESTIMENTI S.p.A.	Varese	40.00	40.00

(a) In relation to the equity investment in Intesa Sanpaolo Bank Albania SH.A. there are Potential Voting Rights on 7.8% of the capital due to a call option held by Intesa Sanpaolo. Please note that the shareholding includes 1.39% corresponding to the share of former Banca Italo Albanese (merged into Intesa Sanpaolo Bank Albania) sold to Società Italiana per le Imprese all'Estero (Simest) in July 2006, based on the terms and conditions that governed the transaction.

(b) The stake of the ordinary share capital held is 100%, which is reduced to 4.31% if preferred shares are considered..

(c) Company included among significant shareholdings since overall the Group holds a controlling stake.

(d) The stake of the ordinary share capital held is 50%, which is reduced to 44% if preferred shares are considered.

(*) Intesa Sanpaolo holds 5% of the share capital of SPVs Adriano Finance S.r.l., Adriano Finance 2 S.r.l., Adriano Finance 3 S.r.l., which are included in the line-by-line scope of consolidation.

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					**38,672**	**-**
1. AGRICOLA INVESTIMENTI S.r.l. in liquidation	4	-	-	-	-	-
2. BANCA C.I.S. S.p.A.	1,718	132	14	286	128	-
3. BANCA DELL'ADRIATICO S.p.A.	5,125	756	30	445	466	-
4. BANCA DI TRENTO E BOLZANO S.p.A.	2,846	274	11	162	11	-
5. BANCA FIDEURAM S.p.A.	12,010	1,671	8	1,761	2,477	-
6. BANCA IMI S.p.A.	81,405	76,382	281	1,777	2,470	-
7. BANCA INFRASTRUTTURE INNOVAZIONE E SVILUPPO S.p.A.	44,991	7,992	44	745	902	-
8. BANCA INTESA A.D. - BEOGRAD	2,801	2,114	72	488	179	-
9. BANCA PROSSIMA S.p.A.	344	13	-2	117	120	-
10. BANCO DI NAPOLI S.p.A.	29,091	2,917	381	2,690	3,349	-
11. BANK OF ALEXANDRIA	4,145	463	32	340	1,274	-
12. BANKA KOPER D.D.	2,502	421	27	234	252	-
13. BN FINRETE S.p.A. in liquidation (a)	1	-	-	-	-	-
14. CASSA DEI RISPARMI DI FORLI' E DELLA ROMAGNA S.p.A. - CARIROMAGNA	4,351	408	10	355	286	-
15. CASSA DI RISPARMIO DEL FRIULI VENEZIA GIULIA S.p.A. - CariFVG	3,953	456	40	372	361	-
16. CASSA DI RISPARMIO DEL VENETO S.p.A.	22,356	2,327	166	1,672	1,777	-
17. CASSA DI RISPARMIO DI FIRENZE S.p.A.	20,867	1,657	49	1,832	4,190	-
18. CASSA DI RISPARMIO DI VENEZIA S.p.A.	4,997	752	123	573	635	-
19. CASSA DI RISPARMIO IN BOLOGNA S.p.A.	9,500	1,228	35	893	915	-
20. CENTRAL-EUROPEAN INTERNATIONAL BANK Ltd	11,326	2,296	116	706	101	-
21. CENTRO FACTORING S.p.A.	1,175	83	6	61	5	-
22. COFRAGEF S.A. - COMPAGNIE FRANCAISE DE GESTION FINANCIERE IN LIQUIDATION	-	-	-	-	-	-
23. CONSORZIO STUDI E RICERCHE FISCALI - GRUPPO INTESA SANPAOLO	-	1	2	-	-	-
24. CORMANO S.r.l.	-	-	-	-	-	-
25. COTONIFICIO BRESCIANO OTTOLINI - C.B.O. S.r.l. in liquidation (b)	-	-	-	-	-	-
26. CR FIRENZE Gestion Internationale S.A.	40	54	12	28	53	-
27. EQUITER S.p.A.	263	10	-4	259	324	-
28. EURIZON A.I. SGR S.p.A.	27	25	5	17	1	-
29. EURIZON CAPITAL SGR S.p.A.	1,030	925	92	595	2,020	-
30. EURIZON VITA S.p.A.	24,042	6,585	-15	1,124	2,423	-
31. FINANZIARIA B.T.B S.p.A.	93	6	4	72	134	-
32. IFAS GRUPPO S.p.A. in liquidation	23	-	-	-15	-	-
33. IMI INVESTIMENTI S.p.A.	900	58	16	897	917	-
34. IMIFIN S.p.A. in liquidation (a)	1	-	-	-	-	-
35. IMMIT - IMMOBILI ITALIANI S.p.A.	986	324	200	1,203	1,038	-
36. INTESA BANK IRELAND PLC (in voluntary liquidation)	-	-	-	-	-	-
37. INTESA BANK OVERSEAS Ltd (in voluntary liquidation)	-	-	-	-	-	-
38. INTESA BRASIL EMPREENDIMENTOS S.A.	3	9	-9	-23	1	-
39. INTESA FUNDING LLC	6,966	126	-	-	-	-
40. INTESA INVESTIMENTI S.p.A.	1,054	45	28	1,033	1,000	-
41. INTESA LEASE SEC S.r.l.	-	-	-	-	-	-
42. INTESA PREFERRED CAPITAL COMPANY LLC	44	8	1	44	44	-
43. INTESA PREVIDENZA - SOCIETA' D'INTERMEDIAZIONE MOBILIARE S.p.A.	25	14	1	20	12	-
44. INTESA REAL ESTATE S.r.l.	46	13	8	41	39	-
45. INTESA SANPAOLO BANK ALBANIA SH.A.	870	81	15	74	148	-
46. INTESA SANPAOLO BANK IRELAND PLC	28,171	1,930	7	970	921	-
47. INTESA SANPAOLO FORMAZIONE Società Consortile per Azioni (a)	7	3	-	-	-	-
48. INTESA SANPAOLO HOLDING INTERNATIONAL S.A.	10,106	331	-185	4,862	5,274	-
49. INTESA SANPAOLO PRIVATE BANKING S.p.A.	3,730	314	57	176	82	-
50. INTESA SANPAOLO REAL ESTATE ROMANIA S.A.	-	-	-	-	-	-
51. INTESA SANPAOLO ROMANIA S.A. COMMERCIAL BANK	700	160	4	136	147	-

(milioni di euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
52. INTESA SANPAOLO SERVIZI TRANSAZIONALI S.p.A.	4,172	77	5	146	329	-
53. INTESA SEC. 2 S.r.l.	-	-	-	-	-	-
54. INTESA SEC. 3 S.r.l.	-	-	-	-	-	-
55. INTESA SEC. NPL S.p.A.	1	-	-	-	-	-
56. INTESA SEC. S.p.A.	-	-	-	-	-	-
57. INTESABCI PREFERRED CAPITAL COMPANY LLC III DELAWARE	529	35	-	8	9	-
58. INTESASANPAOLO EURODESK S.p.r.l.	-	-	-	-	-	-
59. INTESATRADE S.I.M. S.p.A.	116	28	3	34	25	-
60. INVERSIONES MOBILIARIAS S.A. "IMSA"	8	17	13	8	-	-
61. ISP CB IPOTECARIO S.r.l.	-	-	-	-	-	-
62. ISP CB PUBBLICO S.r.l.	-	-	-	-	-	-
63. ISP SEC. 4 S.r.l.	-	-	-	-	-	-
64. LIMA SUDAMERIS HOLDING S.A. in liquidation	11	28	27	11	-	-
65. MEDIOCREDITO ITALIANO S.p.A.	13,250	890	10	1,387	1,437	-
66. MEDIOFACTORING S.p.A.	6,929	332	51	381	290	-
67. MONETA S.p.A.	2,646	189	-3	128	218	-
68. NEOS BANCA S.p.A.	2,923	280	3	188	184	-
69. OOO INTESA REALTY RUSSIA	-	-	-	-	-	-
70. OTTOBRE 2008 S.r.l. (c)	-	-	-	-	-	-
71. PHONIX BETEILIGUNGS GmbH - in liquidation	-	-	-	-	-	-
72. PRAVEX BANK Joint-Stock Commercial Bank	637	121	-10	105	162	-
73. PRIVATE EQUITY INTERNATIONAL S.A.	1,051	49	27	563	501	-
74. SANPAOLO BANK S.A.	3,515	628	45	216	199	-
75. SANPAOLO FIDUCIARIA S.p.A.	12	6	2	8	17	-
76. SANPAOLO IMI BANK (INTERNATIONAL) S.A.	197	17	16	196	180	-
77. SANPAOLO IMI Capital Company I, L.L.C.	1,060	84	-	48	45	-
78. SANPAOLO IMI U.S. FINANCIAL CO.	5,667	143	-	-	-	-
79. SEP - Servizi e Progetti S.p.A.	13	22	1	7	5	-
80. SOCIETA' ITALIANA DI REVISIONE E FIDUCIARIA S.I.RE.F. S.p.A.	11	8	1	8	2	-
81. STUDI E RICERCHE PER IL MEZZOGIORNO	-	2	-	-	-	-
82. SUD POLO VITA S.p.A.	4,816	1,600	-10	158	494	-
83. ZAO BANCA INTESA Closed Joint-stock Company	397	36	7	94	99	-
B. Companies subject to joint control					**100**	**-**
1. ALLFUNDS BANK S.A.	163	146	16	94	72	-
2. AUGUSTO S.r.l.	-	-	-	-	-	-
3. CENTRADIA GROUP LIMITED (in liquidation)	-	-	-	-	-	-
4. COLOMBO S.r.l.	-	-	-1	-	-	-
5. DIOCLEZIANO S.r.l.	-	-	-	-	-	-
6. INTERNATIONAL ENTERTAINMENT S.p.A. (c)	-	-	-	-	10	-
7. LEONARDO TECHNOLOGY S.p.A.	69	9	-1	19	5	-
8. NOVERCA ITALIA S.R.L.	43	-	-	37	13	-
9. SHANGHAI SINO-ITALY BUSINESS ADVISORY COMPANY LIMITED	1	-	-	-	-	-

(milioni di euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
C. Companies subject to significant influence					**1,753**	
1. AL.FA. - UN'ALTRA FAMIGLIA DOPO DI NOI - IMPRESA SOCIALE S.r.l.	-	-	-	-	-	-
2. AUTOSTRADE LOMBARDE S.p.A.	131	2	1	98	44	-
3. BANCA IMPRESA LAZIO S.p.A.	28	1	-1	7	1	-
4. C.A.I. Compagnia Aerea Italiana S.p.A. (c)	-	-	-	-	100	-
5. CASSA DI RISPARMIO DI FERMO S.p.A.	-	-	6	149	48	-
6. CONSORZIO BANCARIO SIR S.p.A in liquidation (d)	-	-	-	-500	-	-
7. ESAOTE S.p.A.	330	161	1	118	39	-
8. EUROMILANO S.p.A.	240	36	1	40	13	-
9. EUROPROGETTI E FINANZA S.p.A.	11	2	-2	6	-	-
10. EVOLUZIONE 94 S.p.A. in liquidation	9	3	2	8	2	-
11. F.I.L.A. FABBRICA ITALIANA LAPIS ED AFFINI S.p.A.	178	180	6	28	15	-
12. GCL HOLDINGS L.P. S.à.r.l. (c)	-	-	-	-	45	-
13. GRANDE JOLLY S.r.l.	955	235	-14	454	15	-
14. INTESA VITA S.p.A.	23,379	1,397	63	1,675	561	-
15. ITALFONDIARIO S.p.A.	83	74	7	40	12	-
16. MATER-BI S.p.A.	57	52	-1	26	11	-
17. NEWCOCOT S.p.A.	35	36	-	9	4	-
18. NH HOTELES S.A.	3,326	1,464	-	1,125	33	13
19. NH ITALIA S.r.l.	1,095	298	-47	413	196	-
20. NOVERCA S.r.l.	33	22	-	31	4	-
21. OBIETTIVO NORDEST SICAV	15	1	-3	14	2	-
22. P.B. S.r.l. in liquidation	7	-	-	7	-	-
23. PENGHUA FUND MANAGEMENT Co. Ltd.	119	86	31	69	54	-
24. PIETRA S.r.l.	27	-	-	24	5	-
25. PIRELLI & C. S.p.A.	7,434	4,470	-51	2,500	38	22
26. R.C.N. FINANZIARIA S.p.A.	305	8	-10	7	5	-
27. RIZZOLI CORRIERE DELLA SERA MEDIAGROUP S.p.A.	1,378	2,000	20	1,138	66	36
28. SIA - SSB S.p.A.	290	337	9	158	58	-
29. SOCIETA' GESTIONE PER IL REALIZZO in liquidation S.p.A.	62	5	-1	40	-	-
30. SOLAR EXPRESS S.r.l. (c)	-	-	-	-	-	-
31. TANGENZIALI ESTERNE DI MILANO S.p.A.	5	-	-1	4	1	-
32. TELCO S.p.A.	7,251	193	-1,499	3,553	378	-
33. TERMOMECCANICA S.p.A.	317	237	50	98	3	-
34. UNO A ERRE ITALIA S.p.A.	90	146	-14	4	-	-
35. VARESE INVESTIMENTI S.p.A.	1	-	-	1	-	-
D. Other equity investments					**532**	
BANCA D'ITALIA					532	
TOTALE					**41,057**	

(a) Financial statements as at 31/12/2007

(b) Balance as at 31/10/2007

(c) Newly-incorporated/-acquired company

(d) Financial statements as at 31/12/2006

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.

With regard to companies set up for the purpose of issuing hybrid capital instruments (Intesa Preferred Capital Company LLC, IntesaBCI Preferred Capital Company LLC III and Sanpaolo IMI Capital Company I, LLC), Intesa Sanpaolo holds 100% of voting rights. Considering the Preferred Shares issued, the percentage held drops to 18.70% in Intesa Preferred Capital Company LLC, to 2.15% in IntesaBCI Preferred Capital Company LLC III and to 4.31% in Sanpaolo IMI Capital Company I, LLC.
Considering its peculiarity, as already described in accounting policies, the stake in the Bank of Italy is also included.

10.3 Equity investments: annual changes

(in millions of euro)

	31.12.2008	31.12.2007
A. Initial amount	**37,081**	**11,988**
B. Increases	**10,946**	**40,976**
B.1 purchases	3,399	36,116
of which business combinations	-	-
B.2 write-backs	-	-
B.3 revaluations	-	-
B.4 other changes	7,547	4,860
C. Decreases	**-6,970**	**-15,883**
C.1 sales	-1,311	-96
C.2 impairment losses	-2,067	-270
C.3 other changes	-3,592	-15,517
D. Final amount	**41,057**	**37,081**
E. Total revaluations	**391**	**420**
F. Total impairment losses	**-3,179**	**-1,508**

Subcaption B.1 "Purchases" essentially refers to the following transactions:

– 255,569,436 shares of Cassa di Risparmio di Firenze S.p.A., corresponding to 30.83% of share capital, at a price of 1,724 million euro;
– 991,499,139 shares of Pravex Bank Joint – Stock Commercial Bank, corresponding to 100% of share capital, at a price of 562 million euro;
– 120,000,000 shares of Intesa Sanpaolo Servizi Transazionali S.p.A., corresponding to 100% of share capital, at a price of 329 million euro;
– 45,714,421 shares of IMMIT – Immobili Italiani S.p.A., corresponding to 15.7% of share capital, at a price of 158 million euro. All reorganisation action completed in 2007 and 2008 at prices of 5 million euro and 874 million euro, respectively;
– subscription to a share capital increase of Banca Prossima S.p.A., for a total of 110 million euro;
– subscription to a share capital increase of Intesa Sanpaolo Romania S.A., for a total of 100 million euro;
– 59,181,394 shares of Alitalia – Compagnia Aerea Italiana S.p.A., corresponding to 11.8% of share capital, at a price of 100 million euro;
– subscription to a share capital increase of ZAO Banca Intesa Closed Joint Stock Company, for a total of 67 million euro;
– subscription to a share capital increase of NH Italia S.r.l., for a total of 60 million euro;
– 12,181,926 shares of Cassa dei Risparmi di Forlì e della Romagna S.p.A., corresponding to 8% of share capital, at a price of 48 million euro and subscription to a share capital increase for a total of 11 million euro;
– 4,000 shares of CR Firenze Gestion Internationale S.A., corresponding to 80% of share capital, at a price of 47 million euro; as a result of this transaction the Bank's equity investment rose to 100%;
– 31,960 shares of Banka Koper D.D., corresponding to a 6% stake, at a price of 17 million euro; as a result of this transaction the Bank's equity stake rose to 97.22%;
– subscription to a share capital increase of Intesa Sanpaolo Bank Albania SH.A., for a total of 14 million euro;
– 40,800 shares of Noverca Italia S.r.l., corresponding to 34% of share capital, at a price of 13 million euro.

Subcation B.4 "Other changes" essentially refers to the following transactions:

– Swap of 398,904,617 Intesa Sanpaolo ordinary shares with 334,090,969 Cassa di Risparmio di Firenze ordinary shares 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, for a total value of 1,906 million euro. The transaction

was completed with the subsequent mandatory takeover bid of all Carifirenze shares. As a result of the takeover bid the Bank holds 89.7% of Carifirenze;
- transfer of Intesa Sanpaolo real estate to the subsidiary IMMIT S.p.A. for 874 million euro;
- Eurizon Investimenti S.p.A. spin-off to Eurizon Capital SGR S.p.A. for 726 million euro and the merger by incorporation of the subsidiary Intesa Distribution Services S.r.l. to Eurizon Capital SGR S.p.A. for 4 million euro;
- integration of Banca OPI S.p.A. into Banca Intesa Infrastrutture e Sviluppo (now BIIS – Banca Infrastrutture e Innovazione e Sviluppo). The integration was completed on the total spin-off of Banca OPI in favour of BIIS and Intesa Sanpaolo for 555 million euro and 285 million euro, respectively (allocation of the investment in Equiter S.p.A.);
- transfer to Mediocredito Italiano S.p.A. of the investment in Leasint S.p.A. for 542 million euro;
- transfer to Banco di Napoli S.p.A. of 168 branches of the former Intesa network for a value of 440 million euro, corresponding to a 200 million euro share capital increase and 240 million euro share premium;
- reorganisation of the Luxembourg-based investments via disposal of a business line free of charge and without share swap to Intesa Sanpaolo Holding International S.A. for a value of 409 million euro;
- transfer to Cassa di Risparmio del Veneto S.p.A. of 186 branches of the former Intesa network for a value of 370 million euro, corresponding to a 150 million euro share capital increase and 220 million euro share premium;
- a 239 million euro change in the recognition of profits from disposal of Casse del Centro to Cassa di Risparmio di Firenze, which as an intragroup transactions is recognised to a specific reserve in the Bank's shareholders' equity;
- partial spin-off of Neos Banca S.p.A. with allocation of the entire investment in Consumer Financial Services S.r.l. (now Moneta S.p.A.) to Intesa Sanpaolo for a value of 193 million euro, and transfer by Intesa Sanpaolo of the investment in Setefi S.p.A. to Moneta S.p.A. for a value of 25 million euro;
- merger by incorporation of the subsidiary Panonska Banka A.D. into Banca Intesa Beograd A.D. for 171 million euro;
- payment for a future capital increase amounting to 150 million euro in favour of Eurizon Vita S.p.A.;
- merger by incorporation of the subsidiary Inter-Europa Bank Nyrt. into Central-European International Bank Ltd. for 101 million euro.

Subcaption C.1 "Sales" essentially refers to the following transactions:
- disposal of the investment in Casse del Centro S.p.A. at a price of 1,010 million euro;
- disposal of the investment in Centrale dei Bilanci S.p.A. at a price of 125 million euro;
- disposal of the investment in I2 Capital S.p.A. at a price of 84 million euro;
- disposal of the investment in Pirelli RE Integrated Facility Management Netherlands BV at a price of 64 million euro;
- disposal of the investment in Universo Servizi S.p.A. at a price of 20 million euro;
- disposal of the investment in Sanpaolo Imi Insurance Broker S.p.A. at a price of 7 million euro.

Subcation C.3 "Other changes" essentially refers to the following transactions:
- total spin-off of Banca OPI in favour of BIIS and Intesa Sanpaolo for 555 million euro and 285 million euro, respectively (allocation of the investment in Equiter S.p.A.);
- spin-off of Eurizon Investimenti S.p.A. in favour of Eurizon Capital SGR S.p.A. for 726 million euro and subsequent merger by incorporation into Intesa Sanpaolo for 4 million euro;
- reorganisation of the Luxembourg-based investments via disposal of a business line free of charge and without a share swap with Sanpaolo Bank S.A. and Eurizon Capital SGR S.p.A. for a value of 408 million euro and 1 million euro, respectively, in favour of Intesa Sanpaolo Holding International S.A.;
- Transfer of the investment in Leasint S.p.A. (to which the investment in Sanpaolo Leasint S.p.A. had previously been transferred for a value of 388 million euro) to Mediocredito Italiano S.p.A. for 542 million;
- merger by incorporation of the subsidiary Banca Intesa France S.A. into Intesa Sanpaolo S.p.A. for 211 million euro;
- partial spin-off of Neos Banca S.p.A. for a value of 193 million euro by allocation to

Intesa Sanpaolo of the total investment in Consumer Financial Services S.r.l. (now Moneta S.p.A.);
- merger by incorporation of the subsidiary Panonska Banka A.D. into Banca Intesa Beograd A.D. for 171 million euro;
- merger by incorporation of the subsidiary Inter-Europa Bank Nyrt. into Central-European International Bank Ltd. for 101 million euro;
- reclassification of the subsidiary SI Holding S.p.A. to Non-current assets held for sale and discontinued operations for 55 million euro;
- merger by incorporation of the subsidiary Eurizon Solutions S.p.A. into Intesa Sanpaolo S.p.A. for 43 million euro.

10.4 Commitments referred to investments in subsidiaries

The main elements of the commitments concerning equity investments in subsidiaries are described below:
- after obtaining control (with an 89.7% share) of Cassa di Risparmio di Firenze, in accordance with the Shareholders' Agreement which entered into force after the delisting of Cassa di Risparmio di Firenze, Intesa Sanpaolo recognised a total of approximately 574 million euro to "Commitments against put options issued" for the remaining 10.3%;
- further to the Shareholders' Agreement stipulated in 2006 between Intesa Sanpaolo Holding International and International Finance Corporation – IFC of Washington DC, Intesa Sanpaolo recognised approximately 58 million euro to "Commitments against put options issued" for the remaining 7% of Banca Intesa Beograd;
- further to the Shareholders' Agreement stipulated between Intesa Sanpaolo, Finanziaria B.T.B. and ISA regarding approximately 10% of Banca di Trento e Bolzano share capital, Intesa Sanpaolo recognised approximately 37 million euro to "Commitments against put options issued";
- following the purchase of 80% of share capital of Intesa Sanpaolo Bank of Albania, based on the provisions of the "Shareholders Agreement" and agreements with the European Bank for Reconstruction, Intesa Sanpaolo recognised approximately 28 million euro under "commitments against put options issued" relating to the remaining 19% of the Albanian bank;
- the squeeze-out and sell-out rules of the Slovenian Companies Act of 3 May 2006 envisage a put option in favour of minority shareholders of Banka Koper if Intesa Sanpaolo should exceed 90% of the bank's share capital. These squeeze-out and sell-out rules led to the recognition of approximately 9 million euro to "Commitments against put options issued".

10.5 Commitments referred to investments in companies subject to joint control

There are no commitments referred to investments in companies subject to joint control.

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 sold having the equity investment in Intesa Vita as underlying asset, in which Intesa Sanpaolo holds a 50% stake.

Impairment testing of investments

As required under IFRS, equity investments are subjected to impairment testing to assess whether there is objective evidence to consider that the carrying value of the assets is not fully recoverable.
With reference to investments in associates and companies subject to joint control, the process of detection of any impairment involves verification of the presence of impairment indicators and the determination of any write-down. The impairment indicators are essentially divided into two categories: indicators deriving from internal factors relating to the company being valued, and therefore qualitative, and external indicators deriving from the market values of the company (only for quoted equities). If impairment indicators are detected the recoverable value is calculated, represented by the higher of the fair value less costs to sell and the value in use, and if the latter proves lower than the carrying value, impairment is recognised.
For controlling investments in subsidiaries, the single investments are not individually significant for the purposes of the impairment test in the Parent Company's financial statements; instead they are included in the impairment test of the Cash Generating Units (CGU) conducted at consolidated level. More specifically, when an investment does not produce cash flows that are largely independent of the cash flows from other assets the impairment tests are conducted at CGU level, rather than at the individual investment level. Consequently, when the assets attributable to a subsidiary are included in a CGU that is broader than the investment itself, as described in more detail in the following chapter, the impairment test can only be conducted at this level and not at the level of individual subsidiary for which the accurate estimation of a value in use is not possible.
For further information on policy regarding the impairment testing of investments, reference should be made to Part A – Accounting policies in the Notes to the Parent Company's financial statements.
With regard to investments in associates or companies subject to joint control, impairment testing led to the need to adjust the values of certain companies. Specifically, write-downs were recorded mainly for the investments in Telco (144 million euro), RCS (72 million euro), Allfunds (40 million euro) and Pirelli (20 million euro).
With regard to investments in subsidiaries, impairment testing at consolidated level on Cash Generating Units led to the need to recognise impairment on goodwill for: Eurizon Capital, Banca Fideuram and Pravex Bank. The calculated value in use, compared with the carrying value of investments in the Intesa Sanpaolo balance sheet, led to the recognition of a write-down of 211 million euro for Eurizon Capital, 1,165 million euro for Banca Fideuram and 400 million euro for Pravex Bank.

SECTION 11 – PROPERTY AND EQUIPMENT – CAPTION 110

11.1 Property and equipment: breakdown of assets measured at cost

(in millions of euro)

	31.12.2008	31.12.2007
A. Property and equipment used in operations		
1.1 owned	2,651	2,572
a) land	*887*	*886*
b) buildings	*1,267*	*1,218*
c) furniture	*171*	*151*
d) electronic equipment	*321*	*312*
e) other	*5*	*5*
1.2 acquired in financial lease	16	16
a) land	*13*	*13*
b) buildings	*3*	*3*
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**2,667**	**2,588**
B. Investment property		
2.1 owned	-	-
a) land	-	-
b) buildings	-	-
2.2 acquired in financial lease	-	-
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
TOTAL (A + B)	**2,667**	**2,588**

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

As at 31 December 2008 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	**899**	**1,751**	**756**	**2,885**	**28**	**6,319**
A.1 Total net adjustments	-	-530	-605	-2,573	-23	-3,731
A.2 Net initial carrying amount	**899**	**1,221**	**151**	**312**	**5**	**2,588**
B. Increases	**1**	**104**	**50**	**188**	**1**	**344**
B.1 Purchases	1	36	50	188	1	276
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	65	-	-	-	65
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	-	-	-	-	-	-
B.7 Other changes	-	3	-	-	-	3
C. Decreases	**-**	**-55**	**-30**	**-179**	**-1**	**-265**
C.1 Sales	-	-	-4	-3	-	-7
of which business combinations	-	-	*-4*	*-3*	-	*-7*
C.2 Depreciation	-	-53	-24	-174	-1	-252
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	-	-2	-	-	-	-2
a) investment property	-	-	-	-	-	-
b) non-current assets held for sale and discontinued operations	-	-2	-	-	-	-2
C.7 Other changes	-	-	-2	-2	-	-4
D. Net final carrying amount	**900**	**1,270**	**171**	**321**	**5**	**2,667**
D.1 Total net adjustments	-	-589	-630	-2,730	-24	-3,973
D.2 Gross final carrying amount	900	1,859	801	3,051	29	6,640
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Total net adjustments (A1 and D1) include the amounts relating to depreciation and to adjustments recorded for the purpose of aligning the book value of an asset to its recoverable amount.
Subcaption E - Measurement at cost does not present any value since, as per instructions issued by the Bank of Italy, it must be completed only for property and equipment measured at fair value.

11.4 Investment property: annual changes

As at the date of the financial statements there is no investment property.

11.5 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31 December 2008 came to approximately 57 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)

	31.12.2008		31.12.2007	
	Finite useful life	**Indefinite useful life**	**Finite useful life**	**Indefinite useful life**
A.1 Goodwill	**X**	**6,870**	**X**	**7,310**
A.2 Other intangible assets	**1,543**	**2,009**	**1,897**	**2,009**
A.2.1 Assets measured at cost	1,543	2,009	1,897	2,009
a) Internally generated			-	-
intangible assets	*268*	-	*374*	-
b) Other assets	*1,275*	*2,009*	*1,523*	*2,009*
A.2.2 Assets measured at fair value	-	-	-	-
a) Internally generated			-	-
intangible assets	-	-	-	-
b) Other assets	-	-	-	-
TOTAL	**1,543**	**8,879**	**1,897**	**9,319**

The figures indicated above refer to internally generated software. Other assets and goodwill essentially reflect components from the purchase cost allocation process, as per IFRS 3, as part of the merger by incorporation of SANPAOLO IMI into Banca Intesa.

For the impairment calculation methods, 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	**7,310**	**1,652**	**-**	**2,151**	**2,009**	**13,122**
A.1 Total net adjustments	-	-1,278	-	-628	-	-1,906
A.2 Net initial carrying amount	**7,310**	**374**	**-**	**1,523**	**2,009**	**11,216**
B. Increases	**-**	**163**	**-**	**37**	**-**	**200**
B.1 Purchases	-	1	-	37	-	38
of which business combinations	-	*1*	-	*7*	-	*8*
B.2 Increases of internally generated intangible assets	X	162	-	-	-	162
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	**-440**	**-269**	**-**	**-285**	**-**	**-994**
C.1 Sales	-440	-	-	-	-	-440
of which business combinations	-327	-	-	-	-	-327
C.2 Impairment losses	-	-268	-	-284	-	-552
- Amortisation	X	-268	-	-175	-	-443
- Write-downs recognised in	-	-	-	-109	-	-109
shareholders' equity	*X*	-	-	-	-	-
income statement	-	-	-	*-109*	-	*-109*
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	-	-1	-	-1	-	-2
D. Net final carrying amount	**6,870**	**268**	**-**	**1,275**	**2,009**	**10,422**
D.1 Total net adjustments	-	-1,538	-	-928	-	-2,466
E. Gross final carrying amount	**6,870**	**1,806**	**-**	**2,203**	**2,009**	**12,888**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Total net adjustments (A.1 and D.1) 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. Also included are the amortisation of assets which after the integration process show no future utilisation prospects for the Bank, and the portion of impairment of intangibles with an indefinite useful life.

Subcaption B.1 Purchases relating to Other intangible assets: internally generated refers to the purchase of goods and external and internal services for the development of new software or for enhancing existing software.

Amounts relating to "business combinations" refer to various forms of corporate transactions involving fully consolidated subsidiaries.

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 completed 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 2008 amounted to approximately 11 million euro and referred to software.

Information on intangible assets and goodwill

Intangible assets and goodwill recognised to the Intesa Sanpaolo balance sheet derive mainly from the merger between Banca Intesa and Sanpaolo IMI completed on 1 January 2007.
Reference should be made to Part B – Information on the consolidated balance sheet – Assets of the consolidated financial statements for further details of the various components and measurement criteria.
The following table summarises the different values recorded for changes occurring in 2008, including the effects of measurement performed at the end of 2008 and described below.

(millions of euro)

	TOTAL 2007 financial statements	Amortisation	Impairment	IFRS 5 riclassification	Other variations 2008 (*)	TOTAL 2008 financial statements
- Intangible asset management - distribution	387	-55	-109	-	-	223
- Intangible insurance - distribution	71	-10	-	-	-	61
- Intangible core deposit	996	-59	-	-	-	937
- Intangible brand name	2,009	-	-	-	-	2,009
- Goodwill	7,310	-	-	-	-440	6,870
TOTALE	10,773	-124	-109	-	-440	10,100

(*) These include: disposal of branches as required by antitrust, intragroup branch contributions to Cassa di Risparmio del Veneto and Banco di Napoli

Intangible assets recognised include intangible assets linked to customers, represented by the measurement of asset management and insurance portfolio accounts (for the value component attributable to distribution) and to core deposits. Such assets, all with a finite life, are originally measured by discounting the income margin cash flows over a period which expresses the residual, contractual or estimated life of accounts existing at the time of the business combination.
The brand name, an intangible asset linked to marketing, was also measured. This asset is considered to have an indefinite life since it is expected to contribute for an indefinite period of time to the formation of income flows.
For the intangible assets with a finite useful life, the amortisation for the year was recognised to the income statement (under Net adjustment to/recoveries on intangible assets) for a total of 124 million euro (approximately 84 million euro net of the related tax effect).

Pursuant to IAS 36, these are submitted to impairment testing on an annual basis to verify recoverability of the value of both intangible assets with an indefinite useful life and goodwill. For intangible assets with a finite useful life, impairment must be calculated each time there is evidence of impairment indicators. The recoverable amount consists of the higher of the fair value less costs to sell and the value in use. The value in use is mainly represented by the present value of net cash flows expected from the business measured.
Lastly, it should be mentioned that IAS 36, for the purpose of calculating the value in use of intangibles subject to impairment testing, states that reference must be made to cash flows for the intangible asset in its current condition (as at the impairment test date), with no distinction between cash flows for the asset initially recognised on application of IFRS 3 and those deriving from later changes, improvements or developments since its acquisition. This because it would prove difficult, especially with regard to extraordinary transactions between businesses or changes in the asset following significant turnover in volumes, customers, contracts, etc., to separate flows relating to the original asset from others.
This concept can also be applied in impairment testing of goodwill to calculate the value in use of the CGUs, for which the cash flows have to be considered with regard to all assets and liabilities of that CGU and not only the assets and liabilities for which goodwill was recognised on application of IFRS 3.
The next chapter illustrates the results of impairment testing of intangible assets recognised to the Intesa Sanpaolo financial statements. However, with regard to impairment testing of the brand name and goodwill, reference should be made to Part B - Information on the consolidated balance sheet - Assets of the consolidated financial statements as impairment testing was performed at Cash Generating Unit level.

Impairment testing of intangibles

Asset management portfolio

2008 saw a reduction in the asset management portfolio in relation to both the loss of interest in such products by investors, also as a result of the significant decrease in yield on most financial instruments, and to the new MiFID directive which led to a reduction in the individual profitability of several products. The latter also felt the impact of reduced flexibility of operating costs compared to the decrease in volumes.

For the purpose of the 2008 financial statements, the amortisation for the year of the asset concerned was recognised to the income statement and, in consideration of the above-mentioned indicators, impairment test was then performed on the Eurizon Capital portfolio for the amount attributable to Parent Company distribution activity.

From the tests performed, net impairment emerged of 74 million euro, mainly attributable to the change in surrender options used to forecast future profits and the change in volume profitability. With regard to the total AUM volumes distributed by Intesa Sanpaolo it should be mentioned that the increase compared to the previous year is due solely to the acquisition of Eurizon Investimenti (which had the distribution contract with former Banca Intesa branches), without the effect of which a strong decrease would have been recorded.

Two summary tables follow to illustrate the calculation parameters used and the results of impairment test (gross and net of the tax effect).

(in millions of euro)

Intangible Asset Under Management	AUM volumes		Surrender rate	Discount rate
	Amount as at 31.12.2008	Variation with respect to 31.12.2007		
AUM distribution	49,968	2.0%	24.7%	9.2%

(in millions of euro)

Intangible Asset Under Management	Book value before		Value in use		Impairment	
	Gross value	Net value	Gross value	Net value	Gross value	Net value
AUM distribution	332	226	223	152	109	74

Insurance portfolio

The insurance portfolio also felt the impact of the financial crisis, though to a lesser extent than asset management. Volumes and profitability in 2008 recorded a decrease compared to previous years.

For the purpose of the 2008 financial statements, the amortisation for the year of the asset concerned was recognised to the income statement and, in consideration of the above-mentioned indicators, impairment test was then performed by means of a new measurement of the asset. The measurement was performed in reference to the Eurizon Vita, Eurizon Life and Sud Polo Vita portfolios for the value component attributable to Parent Company distribution activity.

Impairment testing showed that the value of these intangible assets is higher than the amount recorded in the Parent Company's financial statements and therefore no impairment need be recognised to the income statement.

Core deposits

"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.

For the 2008 financial statements the amortisation of the asset for the year was recognised to the income statement. In addition, as these are intangible assets with a finite life, as mentioned previously the existence of impairment indicators has to be verified; in this case impairment testing has to be performed. The area of reference for the purpose of impairment testing is represented by the contract types considered in the initial measurement of intangible assets for the balances as at 31 December 2008.

As already reported in Part B – Information on the consolidated balance sheet – Assets of the consolidated financial statements, no indicators were detected to imply that the intangible asset is impaired.

Brand name

IFRS 3 considers the "brand name" a marketing-related intangible asset, which may be recorded at the time of purchase cost allocation in business combinations.
For this purpose please note that the term "brand" is used in accounting standards 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.
The value recorded in the Intesa Sanpaolo financial statements refers to the Sanpaolo IMI brand recognised at the time of the Banca Intesa-Sanpaolo IMI merger.
As this intangible asset has no independent cash flows, for impairment testing purposes for the 2008 financial statements it was included in the verification of the retention of goodwill for the various CGUs and therefore reference should be made to Part B – Information on the consolidated balance sheet – Assets of the consolidated financial statements.

Impairment of CGUs and goodwill

For verifying impairment of intangible assets with an indefinite life (including goodwill) that do not generate cash flows unless jointly with other business, for the purpose of IAS 36, the estimate of value in use requires the preliminary assignment of such intangible assets to relatively independent organisational units, able to generate cash flows strongly independent of those produced in other business areas, but interdependent within the business unit generating them. In IAS/IFRS terminology such business units are known as Cash Generating Units (CGUs).
Specifically, the allocation of goodwill as at the date of the business combination takes into account the benefits produced by the synergies expected from the combination.
In the Intesa Sanpaolo Group, the CGUs which in the long-term benefit from the synergies of the business combinations performed and which to various extents have recognised goodwill values are:

– Banca dei Territori;
– Corporate & Investment Banking;
– Public Finance;
– Eurizon Capital;
– Banca Fideuram;
– International Subsidiary Banks.

More specifically, goodwill recognised to the Intesa Sanpaolo financial statements is in part attributed to the Banca dei Territori CGU and in part to the Corporate & Investment Banking CGU.
As CGU identification requires an analysis of the management characteristics and reporting methods used by management, and as the logic for strategic decision-making by management of the Parent Company is that of the Group as a whole and not only that of the Parent Company as an individual entity, the CGUs are identified in the consolidated financial statements.
Therefore, as already mentioned, for an illustration of the impairment testing of this component, reference should be made to Part B - Information on the consolidated balance sheet - Assets of the consolidated financial statements.

SECTION 13 – TAX ASSETS AND LIABILITIES – CAPTION 130 AND CAPTION 80

13.1 Deferred tax assets: breakdown

(in millions of euro)

	31.12.2008		31.12.2007	
Corresponding caption in income statement	**IRES (27,5%)**	**IRAP (4,80%)**	**IRES (27,5%)**	**IRAP (4,90%)**
A. Temporary deductible differences				
Adjustment to/Impairment of loans deductible in future years	399	-	253	-
Provisions for future charges	316	-	374	-
Higher tax value of equity investments, securities and other assets	49	-	43	-
Extraordinary charges for incentive-driven exit plans	217	-	255	-
Other	1,794	297	189	-
B. Taxable temporary differences				
Costs deducted off balance sheet (art. 109 TUIR)	58	7	44	-
Capital gains in installments	375	1	11	-
Differences between book and tax value (art. 128 TUIR)	-	-	-	-
Lower tax value of equity investments, securities and other assets	44	70	396	-
Other	389	-	4	-
TOTAL	**1,909**	**219**	**659**	**-**
Corresponding caption in shareholders' equity	**IRES (27,5%)**	**IRAP (4,80%)**	**IRES (27,5%)**	**IRAP (4,90%)**
Cash flow hedge	125	22	-	-
Recognition of actuarial gains/losses	-	-	-	-
Assets available for sale	31	3	3	-
TOTAL	**156**	**25**	**3**	**-**
Total deferred tax assets	**2,065**	**244**	**662**	**-**

13.2 Deferred tax liabilities: breakdown

(in millions of euro)

	31.12.2008		31.12.2007	
Corresponding caption in income statement	**IRES (27,5%)**	**IRAP (4,80%)**	**IRES (27,5%)**	**IRAP (4,90%)**
A. Taxable temporary differences				
Costs deducted off balance sheet (art. 109 TUIR)	42	-	-	8
Lower tax value of securities and other assets	738	108	1,084	219
Other	32	10	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	**812**	**118**	**893**	**217**
Corresponding caption in shareholders' equity	**IRES (27,5%)**	**IRAP (4,80%)**	**IRES (27,5%)**	**IRAP (4,90%)**
Cash flow hedge	-	-	43	8
Reserve pursuant to Law 169/83	4	-	4	-
Reserve pursuant to Law 213/98	8	-	8	-
Assets available for sale	6	-	12	26
TOTAL	**18**	**-**	**67**	**34**
Total deferred tax liabilities	**830**	**118**	**960**	**251**

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

(in millions of euro)

	31.12.2008	31.12.2007
1. Initial amount	**659**	**905**
2. Increases	**3,244**	**1,647**
2.1 Deferred tax assets recognised in the period	2,513	552
a) related to previous years	-	*44*
b) due to changes in accounting criteria	-	-
c) value recoveries	-	-
d) other	*2,513*	*508*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	731	-
2.4 Business combinations	-	1,095
3. Decreases	**-1,775**	**-1,893**
3.1 Deferred tax assets eliminated in the period	-458	-500
a) reversals	*-458*	*-500*
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
3.2 Tax rate reductions	-	-275
3.3 Other decreases	-1,282	-773
3.4 Business combinations	-35	-345
4. Final amount	**2,128**	**659**

Deferred tax assets recognised in the period – other includes 2,025 million euro deferred tax assets recognised following the tax redemption of goodwill, recognised after the Banca Intesa-Sanpaolo IMI merger as permitted under art. 15, par. 10 of Law Decree 185/2008, converted to Law 2/2009. Further details are provided in section 14 of the Notes to the consolidated financial statements – Part B – Assets.
Other increases refer to write-off of netting against deferred tax liabilities performed as at 31 December 2007 for 725 million euro.
Other decreases as at 31 December 2008 refer to the netting of deferred tax liabilities for the year of 1,085 million euro.
The subcaption Business combinations as at 31 December 2008 refers to deferred tax assets transferred to the fully consolidated subsidiaries Banco di Napoli and Cassa di Risparmio del Veneto as part of the geographical reorganisation.

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

(in millions of euro)

	31.12.2008	31.12.2007
1. Initial amount	**1,110**	**158**
2. Increases	**1,117**	**2,533**
2.1 Deferred tax liabilities recognised in the period	381	76
a) related to previous years	-	*7*
b) due to changes in accounting criteria	-	-
c) other	*381*	*69*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	736	-
2.4 Business combinations	-	2,457
3. Decreases	**-1,297**	**-1,581**
3.1 Deferred tax liabilities eliminated in the period	-196	-198
a) reversals	*-196*	*-198*
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-630
3.3 Other decreases	-1,101	-753
3.4 Business combinations	-	-
4. Final amount	**930**	**1,110**

Other increases refer to write-off of netting against deferred tax assets performed as at 31 December 2007 for 725 million euro.
Other decreases as at 31 December 2008 refer to the netting of deferred tax assets for the year of 1,085 million euro.

13.5 Changes in deferred tax assets (recorded in equity)

(in millions of euro)

	31.12.2008	31.12.2007
1. Initial amount	**3**	**5**
2. Increases	**181**	**22**
2.1 Deferred tax assets recognised in the period	181	8
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*181*	*8*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
2.4 Business combinations	-	14
3. Decreases	**-3**	**-24**
3.1 Deferred tax assets eliminated in the period	-3	-5
a) reversals	*-3*	*-5*
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	**181**	**3**

13.6 Changes in deferred tax liabilities (recorded in equity)

(in millions of euro)

	31.12.2008	31.12.2007
1. Initial amount	**101**	**88**
2. Increases	**-**	**2,144**
2.1 Deferred tax liabilities recognised in the period	-	22
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	-	*22*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
2.4 Business combinations	-	2,122
3. Decreases	**-83**	**-2,131**
3.1 Deferred tax liabilities eliminated in the period	-83	-
a) reversals	-	-
b) due to changes in accounting criteria	-	-
c) other	*-83*	-
3.2 Tax rate reductions	-	-21
3.3 Other decreases	-	-
3.4 Business combinations	-	-2,110
4. Final amount	**18**	**101**

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)

	31.12.2008	31.12.2007
A. Non-current assets held for sale		
A.1 Investments in associates and companies subject to joint control	55	460
A.2 Property and equipment	1	566
A.3 Intangible assets	-	35
A.4 Other	-	-
Total A	**56**	**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	69	76
B.6 Loans to customers	224	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	4	36
Total B	**297**	**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	283	755
D.3 Securities issued	8	33
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-
D.6 Allowances	6	49
D.7 Other	-	16
Total D	**297**	**2,258**

Investments in associates and companies subject to joint control refer to the 55 million euro share of the investment in SI Holding SpA.
Discontinued operations and related liabilities refer to branches expected to be sold in 2009, as required by the ruling of the Italian Competition Authority following the acquisition of Cassa di Risparmio di Firenze.

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 do not include companies subject to significant influence not carried at equity.

SECTION 15 – OTHER ASSETS – CAPTION 150

15.1 Other assets: breakdown

(in millions of euro)

	TOTAL
Amounts to be debited - under processing	1,226
Amounts to be debited - deriving from securities transactions	115
Bank cheques drawn on third parties to be settled	2
Transit items	1,137
Checks and other instruments held	14
Leasehold improvements	83
Due from Group companies on fiscal consolidation	116
Other	3,889
TOTAL 31.12.2008	**6,582**
TOTAL 31.12.2007	**6,521**

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(in millions of euro)

	31.12.2008	31.12.2007
1. Due to Central Banks	**9,247**	**12,709**
2. Due to banks	**78,442**	**73,299**
2.1 Current accounts and deposits	8,335	8,469
2.2 Time deposits	61,557	46,119
2.3 Loans	4,600	15,802
2.3.1 Financial leases	-	-
2.3.2 Other	*4,600*	*15,802*
2.4 Debts for commitments to repurchase own equity instruments	-	-
2.5 Liabilities related to assets sold not derecognised	3,950	2,867
2.5.1 Repurchase agreements	*3,950*	*2,867*
2.5.2 Other	-	-
2.6 Other debts	-	42
TOTAL	**87,689**	**86,008**
Fair value	**87,489**	**85,938**

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 854 million euro in Due to Central Banks, of which 478 million euro securities in the assets portfolio.

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. As at 31 December 2008 Intesa Sanpaolo had no subordinated debts to banks.

1.3 Breakdown of caption 10 Due to banks: structured debts

As at 31 December 2008 Intesa Sanpaolo has structured debts totalling 40 million euro.

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

(in millions of euro)

	31.12.2008	31.12.2007
1. Due to banks with specific fair value hedges	**3,731**	**5,674**
a) Interest rate risk	3,263	5,200
b) Foreign exchange risk	-	-
c) Various risks	468	474
2. Due to banks with specific cash flow hedges	**96**	**231**
a) Interest rate risk	96	231
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**3,827**	**5,905**

1.5 Financial lease payables

Intesa Sanpaolo has no financial leases with banks.

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(in millions of euro)

	31.12.2008	31.12.2007
1. Current accounts and deposits	95,423	91,899
2. Time deposits	21,895	21,642
3. Public funds under administration	14	45
4. Loans	4,965	9,988
4.1 Financial leases	*9*	*15*
4.2 Other	*4,956*	*9,973*
5. Debts for commitments to repurchase own equity instruments	-	-
6. Liabilities related to assets sold not derecognised	6,775	7,306
6.1 Reverse repurchase agreements	*4,202*	*3,632*
6.2 Other	*2,573*	*3,674*
7. Other debts	1,279	1,597
TOTAL	**130,351**	**132,477**
Fair value	**130,351**	**132,477**

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 details of the aforementioned transaction see Part E – Section C of the Notes to the Parent Company's financial statements and 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 under Due to customers totalled 1,614 million euro.

2.3 Breakdown of caption 20 Due to customers: structured debts

As at 31 December 2008 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)

	31.12.2008	31.12.2007
1. Due to customers with specific fair value hedges	**1,614**	**1,573**
a) Interest rate risk	1,614	1,573
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	**1,614**	**1,618**

2.5 Financial lease payables

2.5.1 Financial lease payables: breakdown by time interval

(in millions of euro)

	31.12.2008	31.12.2007
Financial lease payables	**-**	**-**
a) within 1 year	2	6
b) between 2 and 5 years	2	3
c) over 5 years	5	6
TOTAL	**9**	**15**

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(in millions of euro)

	31.12.2007		31.12.2007	
	Book value	Fair value	Book value	Fair value
A. Quoted securities	**62,825**	**60,717**	**27,138**	**26,904**
1. bonds	62,825	60,717	27,138	26,904
1.1 structured	*12,700*	*12,291*	*9,850*	*9,844*
1.2 other	*50,125*	*48,426*	*17,288*	*17,060*
2. other	-	-	-	-
2.1 structured	-	-	-	-
2.2 other	-	-	-	-
B. Unquoted securities	**67,672**	**65,817**	**70,580**	**70,210**
1. bonds	42,349	40,494	63,158	62,788
1.1 structured	*2,567*	*2,438*	*2,903*	*2,903*
1.2 other	*39,782*	*38,056*	*60,255*	*59,885*
2. other	25,323	25,323	7,422	7,422
2.1 structured	-	-	-	-
2.2 other	*25,323*	*25,323*	*7,422*	*7,422*
Total	**130,497**	**126,534**	**97,718**	**97,114**

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. Securities issued includes subordinated securities amounting to 17,496 million euro.

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

(in millions of euro)

	31.12.2008	31.12.2007
1. Securities with specific fair value hedges	**57,102**	**53,565**
a) Interest rate risk	53,844	49,529
b) Foreign exchange risk	-	159
c) Various risks	3,258	3,877
2. Securities with specific cash flow hedges	**104**	**204**
a) Interest rate risk	104	204
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**57,206**	**53,769**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(in millions of euro)

	31.12.2008				31.12.2007			
	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	5	6	-	-	52	34	-	-
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	5	6	-	-	52	34	-	-
B. DERIVATIVES								
1. Financial derivatives	X	-	12,679	X	X	1	9,018	X
1.1 Trading	X	-	11,834	X	X	1	8,665	X
1.2 Fair value option	X	-	59	X	X	-	50	X
1.3 Other	X	-	786	X	X	-	303	X
2. Credit derivatives	X	-	3,228	X	X	-	1,034	X
2.1 Trading	X	-	3,228	X	X	-	1,034	X
2.2 Fair value option	X	-	-	X	X	-	-	X
2.3 Other	X	-	-	X	X	-	-	X
Total B	-	-	15,907	-	-	1	10,052	X
TOTAL (A+B)	5	6	15,907	-	52	35	10,052	-

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

A.2 Due to customers includes short selling.

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

Intesa Sanpaolo has no subordinated liabilities classified under Financial liabilities held for trading.

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

Intesa Sanpaolo has no structured debts classified under 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	31.12.2008	31.12.2007
A) QUOTED DERIVATIVES							
1) Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	***1***
with exchange of underlying asset	-	-	-	-	-	-	-
- *options issued*	-	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	1
- *options issued*	-	-	-	-	-	-	*1*
- *other derivatives*	-	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**1**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	**7,285**	**5,168**	**211**	**-**	**15**	**12,679**	**9,018**
with exchange of underlying asset	10	5,110	-	-	-	5,120	2,165
- *options issued*	*7*	*185*	-	-	-	*192*	*127*
- *other derivatives*	*3*	*4,925*	-	-	-	*4,928*	*2,038*
without exchange of underlying asset	7,275	58	211	-	15	7,559	6,853
- *options issued*	*837*	*44*	*211*	-	-	*1,092*	*1,659*
- *other derivatives*	*6,438*	*14*	-	-	*15*	*6,467*	*5,194*
2) Credit derivatives	**-**	**-**	**-**	**3,228**	**-**	**3,228**	**1,034**
with exchange of underlying asset	-	-	-	2,846	-	*2,846*	926
without exchange of underlying asset	-	-	-	382	-	*382*	108
Total B	**7,285**	**5,168**	**211**	**3,228**	**15**	**15,907**	**10,052**
TOTAL (A + B)	**7,285**	**5,168**	**211**	**3,228**	**15**	**15,907**	**10,053**

Derivatives are considered quoted only if traded on regulated markets. In compliance with Bank of Italy instructions, variation margins with clearing houses with regard to futures are recorded under Due to customers.

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

Financial cash liabilities held for trading is exclusively made up of short positions.

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 assets

(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	**1,933**	**603**	**-**	**-**	**-**	**2,536**
with exchange of underlying asset	-	603	-	-	-	603
- *options issued*	-	-	-	-	-	-
- *other derivatives*	-	*603*	-	-	-	*603*
without exchange of underlying asset	1,933	-	-	-	-	1,933
- *options issued*	*1*	-	-	-	-	*1*
- *other derivatives*	*1,932*	-	-	-	-	*1,932*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**1,933**	**603**	**-**	**-**	**-**	**2,536**
TOTAL (A+B) 31.12.2008	**1,933**	**603**	**-**	**-**	**-**	**2,536**
TOTAL (A+B) 31.12.2007	**1,603**	**153**	**-**	**-**	**-**	**1,756**

The table indicates negative values of hedging derivatives.
The respective assets/liabilities hedged are indicated in specific tables 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	541	-	-	-	-	-	-	-
3. Investments held to maturity	X	-	-	-	-	-	-	X
4. Portfolio	X	X	X	X	X	91	X	-
5. Foreign investments	X	X	X	X	X	X	-	X
Total assets	**541**	**-**	**-**	**-**	**-**	**91**	**-**	**-**
1. Financial liabilities	793	-	-	-	603	-	5	X
2. Portfolio	X	X	-	X	X	48	X	455
Total liabilities	**793**	**-**	**-**	**-**	**603**	**48**	**5**	**455**
1. Forecast transactions	X	X	X	X	X	X	-	-

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)

	31.12.2008	31.12.2007
1. Positive fair value change of financial liabilities	1,058	34
2. Negative fair value change of financial liabilities	-	-
TOTAL	**1,058**	**34**

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

(in millions of euro)

	31.12.2008	31.12.2007
1. Debts	-	-
2. Portfolio	32,852	1,185
TOTAL	**32,852**	**1,185**

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 hedging 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)

	TOTAL
Due to suppliers	883
Amounts due to third parties	2,887
Transit items	922
Adjustments for portfolio items to be settled	12
Amounts to be credited and items under processing	2,357
Personnel charges	903
Due to social security entities	129
Guarantees given and commitments	262
Due to Group companies on fiscal consolidation	194
Due to tax authorities	429
Other	958
TOTAL 31.12.2008	**9,936**
TOTAL 31.12.2007	**10,701**

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(in millions of euro)

	31.12.2008	31.12.2007
A. Initial amount	**1,016**	**888**
B. Increases	**81**	**417**
B.1 Provisions in the year	42	-125
B.2 Other	39	542
of which business combinations	-	*519*
C. Decreases	**-236**	**-289**
C.1 Benefits paid	-105	-178
C.2 Other	-131	-111
of which business combinations	*-71*	-
D. Final amount	**861**	**1,016**

C.1 refers to benefits paid as at 31 December 2008.
For greater detail on actuarial calculations, see Section 12.3 – Post employment defined benefit plans.
2008 figures relating to "business combinations" refer to various forms of corporate transactions involving fully consolidated subsidiaries.

11.2 Other information

The value of employee termination indemnities qualifying as unfunded defined benefit plans totalled 848 million euro at the end of 2008, while at the end of 2007 it amounted to 1,018 million euro.
Actuarial gains not recognised in the income statement, in application of the "corridor approach", totalled 13 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(in millions of euro)

	31.12.2008	31.12.2007
1. Post employment benefits	**296**	**282**
2. Other allowances for risks and charges	**2,095**	**2,590**
2.1 legal disputes	722	787
2.2 personnel charges	708	1,017
2.3 other	665	786
TOTAL	**2,391**	**2,872**

The contents of 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	**282**	**2,590**	**2,872**
B. Increases	**62**	**1,173**	**1,235**
B.1 Provisions in the year	53	254	307
B.2 Time value changes	9	59	68
B.3 Changes due to discount rate variations	-	36	36
B.4 Other	-	824	824
of which business combinations	-	-	-
C. Decreases	**-48**	**-1,668**	**-1,716**
C.1 Uses in the year	-11	-813	-824
C.2 Changes due to discount rate variations	-	-	-
C.3 Other	-37	-855	-892
of which business combinations	-	-	-
D. Final amount	**296**	**2,095**	**2,391**

The increase in 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 for 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 for 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 enactment 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 "deferred beneficiaries" (who have stopped working 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 for proposal to pensioners, exceptionally involving one-off payments to liquidate their pension position;
- Supplementary pension fund for 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 requesting liquidation;
- three defined benefit plans in force at the London branch, relating 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 for 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.

External funds include:
- Supplementary pension fund for 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 the former Banco di Napoli; to retired employees receiving Supplementary Pension Cheques, formerly the SANPAOLO IMI internal fund; to the employees of the Cassa di Risparmio di Bologna, formerly enrolled in the Complementary Pension Fund for Employees of that bank, transferred to the Complementary Pension Fund for the Employees of Banco di Napoli in 2004; the current and retired employees of Banca Popolare dell'Adriatico, formerly enrolled in the Company Pension Fund for employees of the former Banca Popolare dell'Adriatico, transferred to the Fund in question on 30/6/2006; and retired employees enrolled in the former Carive internal fund, transferred to the Fund in question on 1/1/2008;
- Pension fund for employees of 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, transferred 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 commitments of the Fund – Section I.

2. Changes in the exercise of the funds

(in millions of euro)

Defined benefit obligations	31.12.2008			31.12.2007		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Initial amount	**1,018**	**312**	**2,542**	**915**	**191**	**-**
Current service costs	-	2	18	8	4	21
Recognised past service costs	-	-	-	-	-	-
Unrecognised past service costs	-	-	-	-	-	-
Interest costs	44	7	122	48	15	116
Recognised actuarial losses	-	-	5	-	6	-
Unrecognised actuarial losses	7	8	11	-27	-	-
Positive exchange differences	-	1	-	-	-	-
Increases - business combinations	-	-	-	519	139	1,769
Participants' contributions	-	4	-	-	-	11
Recognised actuarial gains	-	-5	-6	-	-	-4
Unrecognised actuarial gains	-	-14	-15	-21	-25	-82
Negative exchange differences	-	-17	-	-	-9	-
Benefits paid	-105	-13	-185	-178	-17	-239
Decreases - business combinations	-71	-	-	-	-	-
Curtailments	-	-	-	-	-	-
Settlements	-	-145	-	-	-	-
Other increases	20	-	93	16	8	950
Other decreases	-65	-	-	-262	-	-
Final amount	**848**	**140**	**2,585**	**1,018**	**312**	**2,542**
Total unrecognised actuarial gains	**-**	**-14**	**-15**	**-21**	**-25**	**-82**
Total unrecognised actuarial losses	**7**	**8**	**11**	**-**	**-**	**-**

Liabilities of the defined benefit obligations pension plan	31.12.2008			31.12.2007		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
Unfunded plans	848	50	-	1,018	-	-
Partly funded plans	-	-	-	-	-	-
Wholly funded plans	-	90	2,585	-	312	2,542

On the basis of actuarial calculations, the present value of the defined benefit obligations, excluding Employee termination indemnities, was as follows.

Internal plans:

– 30 million euro referred to the Supplementary pension fund for tax-collection personnel formerly employed by Cariplo, entirely contributed by Intesa Sanpaolo S.p.A.;
– 36 million euro referred to the Supplementary pension fund for top management of Banca Commerciale Italiana, entirely contributed by Intesa Sanpaolo S.p.A.;
– 14 million euro referred to the Supplementary pension fund for employees of Mediocredito Lombardo, entirely contributed by Intesa Sanpaolo S.p.A.;
– 47 million euro referred to defined benefit plans at the London branch, entirely contributed by Intesa Sanpaolo S.p.A.;
– 13 million euro referred to defined benefit plans at the New York branch, entirely contributed by Intesa Sanpaolo S.p.A.

External plans:
- 1,045 million euro referred to the Pension fund "Cassa di Previdenza" for employees of Istituto Bancario San Paolo di Torino (975 million euro pertaining to Intesa Sanpaolo S.p.A.);
- 645 million euro referred to the Complementary Pension Fund for the Employees of Banco di Napoli (452 million euro pertaining to Intesa Sanpaolo S.p.A.);
- 33 million euro referred to Pension fund for employees of former Crediop hired before 30 September 1989; entirely contributed by Intesa Sanpaolo S.p.A.;
- 862 million euro referred to Pension fund for 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	**31.12.2008**		**31.12.2007**	
	Internal plans	**External plans**	**Internal plans**	**External plans**
Initial amount	**240**	**2,524**	**73**	**-**
Expected return	6	122	12	113
Recognised actuarial losses	-	-20	-1	-
Unrecognised actuarial losses	-15	-151	-2	-24
Positive exchange differences	1	-	-	-
Increases - Business combinations	-	-	170	1,620
Employer contributions	3	-	6	11
Participants' contributions	-	-	-	-
Recognised actuarial gains	-	-	-	-
Unrecognised actuarial gains	-	-	-	7
Negative exchange differences	-15	-	-7	-
Decreases - business combinations	-	-	-	-
Benefits paid	-4	-185	-12	-239
Curtailments	-	-	-	-
Settlements	-135	-	-	-
Other changes	-	121	1	1,036
Final amount	**81**	**2,411**	**240**	**2,524**
Total unrecognised actuarial gains	**-**	**-**	**-**	**7**
Total unrecognised actuarial losses	**-15**	**-151**	**-2**	**-24**

The final amount of internal plans was broken down as follows:
- 30 million euro referred to Supplementary pension fund for tax-collection personnel formerly employed by Cariplo;
- 37 million euro referred to defined benefit plans at the London branch;
- 14 million euro referred to defined benefit plans at the New York branch.

The final amount of external plans was broken down as follows:
- 880 million euro referred to the Pension Fund (Cassa di Previdenza) for employees of the Istituto Bancario San Paolo di Torino;
- 598 million euro referred to the Complementary Pension Fund for employees of Banco di Napoli;
- 32 million euro referred to the Pension fund for employees of former Crediop hired before 30 September 1989;
- 901 million euro referred to the Pension fund for employees of Cariplo.

(in millions of euro)

	31.12.2008				31.12.2007			
	Internal plans	%	External plans	%	Internal plans	%	External plans	%
Equities and equity funds	24	29.6	227	9.4	43	17.9	412	16.3
Debt securities and bond investment funds	26	32.1	1,411	58.5	167	69.5	1,269	50.3
Real estate assets and equity shareholdings in real estate companies	2	2.5	481	20.0	3	1.3	481	19.1
Insurance activities	15	18.5	89	3.7	12	5.0	135	5.3
Other assets	14	17.3	203	8.4	15	6.3	227	9.0
Total	**81**	**100.0**	**2,411**	**100.0**	**240**	**100.0**	**2,524**	**100.0**

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)

	31.12.2008			31.12.2007		
	Employee termination indemnities	Internal plans	External plans	Employee termination indemnities	Internal plans	External plans
1. Present value of the defined benefit obligations	848	140	2,585	1,018	312	2,542
2. Fair value of the plan assets	-	81	2,411	-	240	2,524
A. Fund status	**-848**	**-59**	**-174**	**-1,018**	**-72**	**-18**
1. Unrecognised actuarial gains (sum of cumulated gains)	20	32	104	21	18	89
2. Unrecognised actuarial losses (sum of cumulated losses)	-7	-25	-186	-	-2	-24
3. Unrecognised past service costs	-	-	-	-	-	-
4. Unrecognised assets because not reimbursable	-	-	100	-	-	9
5. Fair value of assets reimbursable by third parties	-	-	-	-	-	-
B. Total	**13**	**7**	**18**	**21**	**16**	**74**
Recognised assets	**-**	**29**	**-**	**-**	**167**	**-**
Recognised liabilities	**861**	**95**	**193**	**1,039**	**255**	**182**

With regard to Employee termination indemnities "Recognised liabilities" do not include amounts referring to employees of branches for disposal as ordered by the Italian Competition Authority, reclassified to 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 jointly responsible. The portions of liabilities posted by Intesa Sanpaolo S.p.A. totalled:
- 29 million euro referred to the Supplementary pension fund for tax-collection personnel formerly employed by Cariplo;
- 37 million euro referred to the Supplementary pension fund for top management of Banca Commerciale Italiana;
- 16 million euro referred to the Supplementary pension fund for employees of Mediocredito Lombardo;
- 11 million euro referred to defined benefit plans at the London branch;
- 1 million euro referred to defined benefit plans at the New York branch.

Concerning external funds, the portions of liabilities posted by Intesa Sanpaolo totalled:
- 144 million euro referred to the Pension Fund (Cassa di Previdenza) for employees of the Istituto Bancario San Paolo di Torino;
- 22 million euro referred to the Complementary Pension Fund for the Employees of Banco di Napoli;

– 2 million euro referred to the Pension fund for employees of former Crediop hired before 30 September1989.

For the Pension fund for employees of Cariplo, no liability is recorded since plan assets exceed the liability to beneficiaries.

5. Description of the main actuarial assumptions

Actuarial assumptions	31.12.2008				31.12.2007			
	Discount rate	Expected yield rates	Expected increase in salaries (a)	Annual inflation rate	Discount rate	Expected yield rates	Expected increase in salaries	Annual inflation rate
EMPLOYEE TERMINATION INDEMNITIES	4.4%	X	3.0%	2.0%	4.7%	X	3.5%	2.0%
INTERNAL PLANS	5.1%	5.5%	3.4%	2.2%	5.0%	5.4%	3.8%	2.2%
EXTERNAL PLANS	4.8%	4.9%	1.5%	2.0%	4.9%	4.2%	4.0%	2.0%

(a) Net of career developments.

12.4 Allowances for risks and charges – Other allowances

(in millions of euro)

	31.12.2008	31.12.2007
2. Other allowances		
2.1 legal disputes	722	787
2.2 personnel charges	708	1,031
staff leaving incentives	*537*	*851*
seniority bonuses to employees	*112*	*117*
other personnel expenses	*59*	*63*
2.3 other risks and charges	665	772
customers' complaints on Cirio, Argentina and Parmalat placements	*30*	*30*
other	*635*	*742*
TOTAL	**2,095**	**2,590**

Other allowances refers to:

– legal disputes: the allowance was set up mainly to cover expected outlay for litigation and other revocatory action;
– personnel charges: the allowance includes charges for employee seniority bonuses, calculated on the basis of actuarial assumptions, voluntary exit incentive charges and other charges;
– other: referred to provisions to cover tax litigations, frauds, disputes outstanding with the formerly wholly-owned company Equitalia Polis S.p.A. – former Gest Line – which performs tax-collection activities, of which an 85% stake was sold to Equitalia S.p.A – former Riscossioni S.p.A., bonuses, charges related to activation of the conciliation commissions on Parmalat bonds and other litigation charges.

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)

	31.12.2008	31.12.2007
1. Share capital	6,647	6,647
2. Share premium reserve	33,271	33,457
3. Reserves	4,083	3,101
4. (Treasury shares)	-	-2,160
5. Valuation reserves	649	1,586
6. Equity instruments	-	-
7. Net income (loss)	1,069	5,811
TOTAL	**45,719**	**48,442**

14.2 Share capital and Treasury shares: breakdown

For information of 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	**11,849,332,367**	**932,490,561**
- fully paid-in	11,849,332,367	932,490,561
- not paid-in	-	-
A.1 Treasury shares (-)	-398,904,617	-
A.2 Shares outstanding: initial number	**11,450,427,750**	**932,490,561**
B. Increases	**398,904,617**	**-**
B.1 New issues	-	-
- for consideration	-	-
business combinations	-	-
conversion of bonds	-	-
exercise of warrants	-	-
other	-	-
- for free	-	-
in favour of employees	-	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	398,904,617	-
B.3 Other	-	-
C. Decreases	-	-
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other	-	-
D. Shares outstanding: final number	**11,849,332,367**	**932,490,561**
D.1 Treasury shares (+)	-	-
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 2008 amounted to 6,647 million euro, divided into 11,849,332,367 ordinary shares and 932,490,561 non-convertible saving shares, with a nominal value of 0.52 euro each. Each ordinary share gives the right to one vote at 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 non-convertible 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 total dividend per non-convertible 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.

At the date of these financial statements the share capital was fully paid-in and liberated.

Entries made in accordance with IFRS 3 regarding 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.

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 4,083 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 law, must be at least one fifth of share capital; in the past it was set up 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 pursuant to 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 649 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 31.12.2008	**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)	33,271	5,727	27,032	512	A, B, C -	3,195
– Legal reserve	1,329	85	1,244		A(1), B	
– Extraordinary reserve	1,900		1,900		A, B, C	-
– 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	16	16			A, B, C	
– Reserve for stock option plans	13		13		A	
– Merger goodwill Banca Intesa France	7		7		A, B, C	
– Reserve for disposal of Casse del Centro	235	-	235		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	-
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	-30		-30		(4)	
– CFH valuation reserve	-308		-308		(4)	
– Treasury shares	-				-	
Total Capital and Reserves	**44,650**	**10,109**	**31,515**	**3,026**	**-**	
Non-distributable portion (d)	32,582					

(a) The portion of reserves not distributable for fiscal purposes pursuant to art. 109, par. 4 of the Italian Income Tax Code (TUIR) as amended by Legislative Decree 247/2005 amounts to 326 million euro.

(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 portion of 31,093 million euro originated by the merger with Sanpaolo IMI

(d) In accordance with art. 16, par. 1 of Legislative Decree 87/92, the non-distributable portion refers to research and development costs as at 31.12.2008 for 268 million euro, revaluation reserves, share premium reserve for 31,093 million euro (merger reserve) and valuation reserves, which can be decreased only in compliance 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 the 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, i.e. reserves essentially similar to retained earnings reserves.

In addition to the uses occurred in the last three years set out in the table, the Extraordinary 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)

	31.12.2008	31.12.2007
1. Financial assets available for sale	-30	493
2. Property and equipment	-	-
3. Intangible assets	-	-
4. Foreign investment hedges	-	-
5. Cash flow hedges	-308	106
6. Foreign exchange differences	-	-
7. Non-current assets held for sale and discontinued operations	-	-
8. Legally-required revaluations	987	987
TOTAL	**649**	**1,586**

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	**493**	**-**	**-**	**-**	**106**	**-**	**-**	**987**
B. Increases	**163**	**-**	**-**	**-**	**198**	**-**	**-**	**-**
B.1 fair value increases	77	-	-	-	-	-	-	-
B.2 other changes	86	-	-	-	198	-	-	-
C. Decreases	**-686**	**-**	**-**	**-**	**-612**	**-**	**-**	**-**
C.1 fair value decreases	-569	-	-	-	-612	-	-	-
C.2 other changes	-117	-	-	-	-	-	-	-
D. Final amount	**-30**	**-**	**-**	**-**	**-308**	**-**	**-**	**987**

14.9 Valuation reserve of financial assets available for sale: breakdown

(in millions of euro)

	31.12.2008		31.12.2007	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1	-54	5	-15
2. Equities	173	-128	537	-38
3. Quotas of UCITS	4	-	6	-
4. Loans	11	-37	-	-2
TOTAL	**189**	**-219**	**548**	**-55**

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**	**499**	**6**	**-2**
2. Positive fair value differences	**31**	**101**	**2**	**29**
2.1 fair value increases	3	63	-	11
2.2 reversal to the income statement of negative reserves	5	2	-	-
- *impairment*	3	1	-	-
- *disposal*	2	1	-	-
2.3 other changes	23	36	2	18
3. Negative fair value differences	**-74**	**-555**	**-4**	**-53**
3.1 fair value decreases	-69	-456	-1	-43
3.2 reversal to the income statement of positive reserves: disposal	-	-63	-3	-
3.3 other changes	-5	-36	-	-10
4. Final amount	**-53**	**45**	**4**	**-26**

OTHER INFORMATION

1. Guarantees and commitments

(in millions of euro)

	31.12.2008	31.12.2007
1) Financial guarantees given	**46,048**	**41,428**
a) Banks	24,506	23,724
b) Customers	21,542	17,704
2) Commercial guarantees given	**30,347**	**32,436**
a) Banks	3,789	2,443
b) Customers	26,558	29,993
3) Irrevocable commitments to lend funds	**32,520**	**35,532**
a) Banks	6,928	4,551
- *of certain use*	*4,216*	*1,694*
- *of uncertain use*	*2,712*	*2,857*
b) Customers	25,592	30,981
- *of certain use*	*240*	*462*
- *of uncertain use*	*25,352*	*30,519*
4) Underlying commitments on credit derivatives: protection sales	**29,961**	**37,936**
5) Assets pledged as collateral of third party commitments	**4**	**2**
6) Other commitments	**1,536**	**575**
TOTAL	**140,416**	**147,909**

2. Assets pledged as collateral of liabilities and commitments

(in millions of euro)

	31.12.2008	31.12.2007
1. Financial assets held for trading	1,178	3,651
2. Financial assets designated at fair value through profit and loss	10	12
3. Financial assets available for sale	4,546	17
4. Investments held to maturity	822	1,973
5. Due from banks	2,944	2,520
6. Loans to customers	190	200
7. Property and equipment	198	-
TOTAL	**9,888**	**8,373**

3. Information on operating leases

The costs recorded in the year according to asset type referred to motor vehicles, office equipment and central and peripheral software, and do not include the portion of potential lease payments.
Minimum lease payments due by 31 December 2009 totalled 29 million euro while those due from 1 January 2010 to 31 December 2013 amounted to 32 million euro.

4. Management and dealing on behalf of third parties

(in millions of euro)

	31.12.2008	31.12.2007
1. Dealing in financial instruments on behalf of third parties		
a) Purchases	1,720	457
1. settled	*1,720*	*457*
2. to be settled	-	-
b) Sales	2,115	253
1. settled	*2,115*	*253*
2. to be settled	-	-
2. Portfolio management		
a) individual	157	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)	57,273	71,804
1. securities issued by the reporting bank	*184*	*225*
2. other securities	*57,089*	*71,579*
b) other third party securities held in deposit (excluding individual portfolio management schemes): other	587,775	553,178
1. securities issued by the reporting bank	*57,517*	*46,323*
2. other securities	*530,258*	*506,855*
c) third party securities deposited with third parties	607,859	546,621
d) portfolio securities deposited with third parties	33,232	27,858
4. Other	**81,554**	**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	2008	2007
	Debt securities	Loans				
1. Financial assets held for trading	488	-	-	-	488	1,136
2. Financial assets available for sale	130	31	-	-	161	94
3. Investments held to maturity	96	-	-	-	96	96
4. Due from banks	327	4,763	-	-	5,090	4,290
5. Loans to customers	184	10,819	180	153	11,336	9,950
6. Financial assets designated at fair value through profit and loss	11	-	-	-	11	33
7. Hedging derivatives	X	X	X	-	-	57
8. Assets sold not derecognised	-	166	-	-	166	183
9. Other assets	X	X	X	66	66	27
TOTAL	**1,236**	**15,779**	**180**	**219**	**17,414**	**15,866**

Interest and similar income also includes interest income on securities relating to repurchase agreements.
Interest income on non-performing assets refers to interest, other than that recorded under Recoveries, accrued in the year, as well as collected interest on overdue loans.

1.2. Interest and similar income: differentials on hedging transactions

Information on differentials on hedging transactions is illustrated in table 1.5, since the balance is included under interest expense.

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

As at 31 December 2008, interest income on foreign currency financial assets amounted to 1,526 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 was immaterial.

1.4 Interest and similar expense: breakdown

(in millions of euro)

	Debts	Securities	Other liabilities	2008	2007
1. Due to banks	3,861	X	53	3,914	4,113
2. Due to customers	2,873	X	1	2,874	2,773
3. Securities issued	X	4,958	-	4,958	4,010
4. Financial liabilities held for trading	-	4	-	4	40
5. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
6. Financial liabilities associated to assets sold not derecognised	171	-	-	171	123
7. Other liabilities	X	X	1	1	1
8. Hedging derivatives	X	X	641	641	-
TOTAL	**6,905**	**4,962**	**696**	**12,563**	**11,060**

1. Due to banks and 2. Due to customers also include interest expense on repurchase agreements, even if the transaction referred to securities recorded under assets.
Interest accrued on financial liabilities associated with assets sold and not derecognised refers to the Intesa Sec III securitisation.

1.5 Interest and similar expense: differentials on hedging transactions

(in millions of euro)

	2008	2007
A. Positive differentials on		
A.1 specific fair value hedges of assets	261	337
A.2 specific fair value hedges of liabilities	3,688	1,367
A.3 generic hedges of interest rate risk	1,411	1,137
A.4 specific cash flow hedges of assets	15	293
A.5 specific cash flow hedges of liabilities	5	22
A.6 generic cash flow hedges	117	-
Total A	**5,497**	**3,156**
B. Negative differentials on		
A.1 specific fair value hedges of assets	-267	-330
A.2 specific fair value hedges of liabilities	-4,267	-1,422
A.3 generic hedges of interest rate risk	-1,530	-1,066
A.4 specific cash flow hedges of assets	-9	-258
A.5 specific cash flow hedges of liabilities	-11	-23
A.6 generic cash flow hedges	-54	-
Total B	**-6,138**	**-3,099**
TOTAL (A - B)	**-641**	**57**

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 2008 included 2,458 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 as at 31 December 2008 was immaterial.

1.6.3 Interest expense on public funds under administration

As at 31 December 2008, 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)

	2008	2007
A) Guarantees given	**227**	**218**
B) Credit derivatives	**1**	**-**
C) Management, dealing and consultancy services	**1,546**	**1,747**
1. dealing in financial instruments	6	10
2. dealing in foreign exchange	52	55
3. portfolio management	112	32
3.1. individual	*4*	*32*
3.2. collective	*108*	-
4. custody and administration of securities	81	68
5. depositary bank	87	105
6. placement of securities	633	787
7. reception and transmission of orders	83	91
8. consultancy services	2	8
9. distribution of third party services	490	591
9.1. portfolio management	*101*	*132*
9.1.1. individual	*98*	*131*
9.1.2. collective	*3*	*1*
9.2. insurance products	*339*	*427*
9.3. other products	*50*	*32*
D) Collection and payment services	**186**	**292**
E) Servicing related to securitisations	**7**	**1**
F) Services related to factoring	**-**	**-**
G) Tax collection services	**-**	**-**
H) Other services	**1,160**	**1,242**
TOTAL	**3,127**	**3,500**

Commissions on own customers portfolio management derive from the merger by incorporation of Eurizon Investimenti Sgr, finalised on 1 October 2008, with accounting and tax effects backdated to 1 January 2008 regarding business operations of the company up to 7 April, the date on which the spin-off to Eurizon Capital Sgr S.p.A. was completed.

Commissions from collection and payment services as at 31 December 2007 included 50 million euro commissions on credit facilities arranged, in 2008 classified under commissions on Other services – short-term financing.
H - Other services mostly recorded commissions on current accounts and overdrafts of 474 million euro, fees on credit and debit cards of 223 million euro, commissions on medium-/long-term lending and structured finance of 133 million euro and on short-term financing of 180 million euro.

2.2 Fee and commission income: distribution channels of products and services

(in millions of euro)

	2008	2007
A) Group branches	**1,122**	**1,410**
1. portfolio management	100	164
2. placement of securities	633	787
3. third party services and products	389	459
B) "Door-to-door" sales	**112**	**-**
1. portfolio management	112	-
2. placement of securities	-	-
3. third party services and products	-	-
C) Other distribution channels	**1**	**-**
1. portfolio management	1	-
2. placement of securities	-	-
3. third party services and products	-	-

2.3 Fee and commission expense: breakdown

(in millions of euro)

	2008	2007
A) Guarantees received	**41**	**61**
B) Credit derivatives	**3**	**4**
C) Management, dealing and consultancy services	**99**	**68**
1. dealing in financial instruments	9	18
2. dealing in foreign exchange	2	3
3. portfolio management	38	3
3.1 own customers	*38*	*2*
3.2 delegated	*-*	*1*
4. custody and administration of securities	50	44
5. placement of financial instruments	-	-
6. "door-to-door" sale of financial instruments, products and services	-	-
D) Collection and payment services	**72**	**82**
E) Other services	**163**	**140**
TOTAL	**378**	**355**

Commissions on own customers portfolio management derive from the merger by incorporation of Eurizon Investimenti Sgr finalised on 1 October 2008, with accounting and tax effects backdated to 1 January 2008.
E – Other services includes 74 million euro fees on credit and debit cards, 29 million euro intermediation on other banking operations, and 57 million euro services rendered by resident banks including 38 million euro by Banca IMI on the Forex segment classified under Other operating expenses in 2007 for 9 million euro.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(in millions of euro)

	2008		2007	
	Dividends	Income from quotas of UCITS	Dividends	Income from quotas of UCITS
A. Financial assets held for trading	2	-	189	-
B. Financial assets available for sale	65	1	51	-
C. Financial assets designated at fair value through profit and loss	-	-	-	-
D. Equity investments	1,184	X	700	X
TOTAL	**1,251**	**1**	**940**	**-**

D – Equity investments includes the dividends distributed by:

– Banca Fideuram S.p.A. for 206 million euro;
– Banco di Napoli S.p.A. for 112 million euro;
– Eurizon Capital SGR S.p.A. for 99 million euro;
– Cassa di Risparmio del Veneto S.p.A. for 91 million euro;
– Cassa di Risparmio di Bologna S.p.A. for 80 million euro;
– Eurizon Vita S.p.A. for 74 million euro;
– Iml Investimenti S.p.A. for 60 million euro;
– Cassa di Risparmio di Venezia for 48 million euro;
– Mediofactoring S.p.A. for 38 million euro;
– Intesa Sanpaolo Private Banking S.p.A. for 34 million euro;
– Casse del Centro S.p.A. for 34 million euro;
– Intesa Distribution Services S.r.L. for 33 million euro;
– Setefi S.p.A. for 33 million euro;
– Banca Infrastrutture e Innovazione e Sviluppo S.p.A. for 29 million euro;
– Intesa Investimenti S.p.A. for 27 million euro;
– Cassa di Risparmio del Friuli Venezia Giulia S.p.A. for 25 million euro;
– Cassa di Risparmio di Firenze S.p.A. for 20 million euro;
– Other equity investments for 141 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	**154**	**312**	**-655**	**-150**	**-339**
1.1 Debt securities	62	306	-441	-118	-191
1.2 Equities	1	4	-1	-14	-10
1.3 Quotas of UCITS	91	2	-213	-18	-138
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**	**67**
4. Derivatives	**12,911**	**13,740**	**-15,075**	**-12,195**	**-609**
4.1 Financial derivatives	10,693	12,921	-12,087	-11,743	-206
- On debt securities and interest rates	*10,001*	*12,320*	*-11,362*	*-11,227*	*-268*
- On equities and stock indexes	*683*	*354*	*-711*	*-257*	*69*
- On currencies and gold	*X*	*X*	*X*	*X*	*10*
- Other	*9*	*247*	*-14*	*-259*	*-17*
4.2 Credit derivatives	2,218	819	-2,988	-452	-403
TOTAL	**13,065**	**14,052**	**-15,730**	**-12,345**	**-881**

Net result includes profits, losses, revaluations and write-downs 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)

	2008	2007
A. Income from		
A.1 fair value hedge derivatives	5,055	447
A.2 financial assets hedged (fair value)	663	44
A.3 financial liabilities hedged (fair value)	75	381
A.4 cash flow hedge: derivatives	-	-
A.5 foreign exchange assets and liabilities	-	-
Total A	**5,793**	**872**
B. Expenses for		
B.1 fair value hedge derivatives	-2,226	-660
B.2 financial assets hedged (fair value)	-11	-117
B.3 financial liabilities hedged (fair value)	-3,649	-87
B.4 cash flow hedge: derivatives	-	-1
B.5 foreign exchange assets and liabilities	-	-
Total B	**-5,886**	**-865**
TOTAL (A - B)	**-93**	**7**

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE - CAPTION 100

6.1 Profits (Losses) on disposal or repurchase: breakdown

(in millions of euro)

	2008			2007		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	1	-	1	2	-	2
2. Loans to customers	21	-21	-	14	-97	-83
3. Financial assets available for sale	101	-3	98	302	-2	300
3.1 Debt securities	*1*	*-3*	*-2*	*1*	*-2*	*-1*
3.2 Equities	*97*	-	*97*	*299*	-	*299*
3.3 Quotas of UCITS	*3*	-	*3*	-	-	-
3.4 Loans	-	-	-	*2*	-	*2*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**123**	**-24**	**99**	**318**	**-99**	**219**
Financial liabilities						
1. Due to banks	-	-	-	-	-2	-2
2. Due to customers	-	-	-	-	-	-
3. Securities issued	14	-2	12	27	-25	2
Total liabilities	**14**	**-2**	**12**	**27**	**-27**	**-**

Profits on disposal of equities classified as financial assets available for sale include the results of the sale of:
- Scotiabank Perù S.A.A. for 31 million euro;
- CIFA – Compagnia Italiana Forme Acciaio S.p.A. for 30 million euro;
- Speed S.p.A. for 19 million euro;
- Ansaldo STS S.p.A. for 4 million euro;
- other minority interests for 13 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	**4**	**-**	**-27**	**-**	**-23**
1.1 Debt securities	4	-	-27	-	-23
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	**44**	**-**	**-59**	**-**	**-15**
4.1 Financial derivatives	44	-	-59	-	-15
- On debt securities and interest rates	*44*	-	*-59*	-	*-15*
- On equities and stock indexes	-	-	-	-	-
- On currencies and gold	*X*	*X*	*X*	*X*	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**48**	**-**	**-86**	**-**	**-38**

SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – CAPTION 130

8.1 Net impairment losses on loans: breakdown

(in millions of euro)

	Impairment losses			Recoveries				2008	2007
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-11	-1	-	-	-	2	-10	28
B. Loans to customers	-86	-1,425	-105	119	464	-	8	-1,025	-501
C. Total	**-86**	**-1,436**	**-106**	**119**	**464**	**-**	**10**	**-1,035**	**-473**

8.2 Net impairment losses on financial assets available for sale: breakdown

(in millions of euro)

	Impairment losses		Recoveries		2008	2007
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-11	-	1	-10	-
B. Equities	-	-314	-	-	-314	-25
C. Quotas of UCITS	-	-	-	-	-	-
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-325**	**-**	**1**	**-324**	**-25**

The valuation of financial assets available for sale led to impairment losses in 2008 mostly referred to:
– London Stock Exchange Plc for 264 million euro;
– Banca Generali S.p.A. for 30 million euro;
– Cam Finanziaria S.p.A. for 7 million euro;
– Hopa S.p.A. for 6 million euro;
– Molmed – Molecular Medicine S.p.A. for 2 million euro;
– other minority interests for 5 million euro.

8.3 Net impairment losses on investments held to maturity: breakdown

As at 31 December 2008, Intesa Sanpaolo did not record any impairment losses on investments held o maturity.

8.4 Net impairment losses on other financial activities: breakdown

(in millions of euro)

	Impairment losses			Recoveries				2008	2007
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-47	-3	-	38	-	64	52	10
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to lend funds	-	-	-	-	-	-	-	-	-43
D. Other operations	-	-	-	-	-	-	-	-	-
E. Total	**-**	**-47**	**-3**	**-**	**38**	**-**	**64**	**52**	**-33**

SECTION 9 - ADMINISTRATIVE EXPENSES - CAPTION 150

9.1 Personnel expenses: breakdown

(in millions of euro)

	2008	2007
1) Personnel employed	**3,444**	**3,604**
a) wages and salaries	2,097	2,307
b) social security charges	546	607
c) termination indemnities	88	121
d) supplementary benefits	-	1
e) provisions for termination indemnities	42	-125
f) provisions for post employment benefits	53	29
- defined contribution plans	-	-
- defined benefit plans	*53*	*29*
g) payments to external pension funds	135	100
- defined contribution plans	*134*	*100*
- defined benefit plans	*1*	-
h) costs from share based payments	-28	38
i) other benefits in favour of employees	511	526
2) Other personnel	**6**	**-**
3) Directors	**10**	**10**
4) Expenses for exit incentives	**-**	**-**
TOTAL	**3,460**	**3,614**

Provisions to employee termination indemnities determined on the basis of Art. 2120 of the Italian Civil Code amounted to 36 million euro.
As per Bank of Italy instructions, personnel expenses, including employee termination indemnities, also covers the cost of Bank employees seconded to Group companies and related recoveries.
Costs deriving from share-based payment agreements include the release of unused amounts provisioned in 2007 for the employee stock granting plan.

9.2 Average number of employees by categories

	2008	2007
Personnel employed	**42,391**	**47,914**
a) managers	606	736
b) total officers	16,882	19,027
of which 3rd and 4th level	*5,938*	*6,862*
c) other employees	24,903	28,151
Other personnel	668	381
TOTAL	**43,059**	**48,295**

9.3 Post employment defined benefit plans: total expense

(in millions of euro)

	2008			2007		
	Employee Termination Indemnities	**Internal plans**	**External plans**	**Employee Termination Indemnities**	**Internal plans**	**External plans**
Current service cost	-	-2	-18	-	-4	-21
Financial costs of determining the present value of the defined benefit obligations	-44	-7	-122	-	-15	-116
Expected return from the fund's assets	-	6	122	-	12	113
Reimbursement from third parties	-	-	-	-	-	-
Actuarial gains recognised	-	5	-	-	-	-
Actuarial losses recognised	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Curtailment of the fund	-	-	-	-	-	-
Settlement of the fund	-	-	-	-	-	-
Assets incurred in the year and not recognised	-	-	-	-	-	-

9.4 Other benefits in favour of employees

The balance as at 31 December 2008 amounted to 511 million euro, of which 386 million euro referred to charges on incentive-driven exit plans, 41 million euro to contributions for Cassa ssistenza, 40 million euro for lunch vouchers, 16 million euro for employee seniority bonuses and 28 million euro for other minor charges and benefits.

9.5 Other administrative expenses: breakdown

(in millions of euro)

	2008	2007
Expenses for maintenance of information technology and electronic equipment	687	604
Telephonic, teletransmission and transmission expenses	88	84
Information technology expenses	**775**	**688**
Rentals and service charges - real estate	295	245
Security services	31	39
Cleaning of premises	33	34
Expenses for maintenance of real estate assets, furniture and equipment	35	64
Energy costs	89	77
Property costs	-	-
Management of real estate assets	**483**	**459**
Printing, stationery and consumables expenses	59	62
Transport and related services expenses (including counting of valuables)	66	71
Information expenses	27	36
Postal and telegraphic expenses	112	123
Other rental charges	18	19
General structure costs	**282**	**311**
Expenses for consultancy fees	208	200
Legal and judiciary expenses	96	64
Insurance premiums - banks and customers	32	40
Professional and legal expenses	**336**	**304**
Advertising and promotional expenses	**88**	**113**
Services rendered by third parties	**92**	**95**
Indirect personnel costs	**78**	**79**
Costs reimbursed to Group companies	**23**	**7**
Other costs	**57**	**44**
Indirect taxes and duties	**330**	**361**
Recovery of taxes and duties	**-278**	**-313**
Recovery of other expenses	**-10**	**-8**
TOTAL	**2,256**	**2,140**

Details of merger and restructuring related charges with breakdown by expense type are provided below.

9.6 Merger and restructuring-related charges: breakdown

(in millions of euro)

	2008	2007
Personnel expenses	**386**	**433**
- expenses for incentive-driven exit plans	386	433
Other administrative expenses	**259**	**246**
- information technology expenses	180	123
- management of real estate assets	2	-
- professional and legal expenses	59	90
- advertising and promotional expenses	3	15
- indirect personnel costs	3	-
- other costs	12	18
Net adjustments to property, equipment and intangible assets	**57**	**22**
Other operating income (expenses)	**-16**	**-**
Tax effect	**-202**	**-220**
TOTAL	**484**	**481**

SECTION 10 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 160

10.1 Net provisions for risks and charges: breakdown

(in millions of euro)

	Provisions	Uses	2008
Net provisions for legal disputes	-271	35	-236
Net provisions for other personnel charges	-	-	-
Net provisions for risks and charges	-33	23	-10
TOTALE	**-304**	**58**	**-246**

Net provisions for risks and charges, which amounted to 246 million euro, recorded the provisions attributable to the year relating to:
- litigation, including revocatory actions and other disputes;
- guarantees issued for the sale of equity investments and other loan transactions.

The above provisions include the discounting effects (4 million euro), as well as interest expense due to time value (32 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	-252	-	-	-252
- used in operations	*-252*	-	-	*-252*
- investment	-	-	-	-
A.2 Acquired in financial leases	-	-	-	-
- used in operations	-	-	-	-
- investment	-	-	-	-
TOTAL	**-252**	**-**	**-**	**-252**

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	-443	-109	-	-552
- internally generated	*-268*	-	-	*-268*
- other	*-175*	*-109*	-	*-284*
A.2 Acquired in financial leases	-	-	-	-
TOTAL	**-443**	**-109**	**-**	**-552**

Net adjustments for impairment relate to the write-down of intangible asset management portfolio recorded as part of the acquisition cost allocation process of SANPAOLO IMI.

SECTION 13 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 190

13.1 Other operating expenses: breakdown

(in millions of euro)

	2008	2007
Charges for litigations and provisions for customer restorations	1	6
Burglaries and robberies	5	5
Amortisation of leasehold improvements	34	28
Other non-recurring expenses	104	38
Other	28	32
Total	**172**	**109**

Non-recurring charges include 84 million euro unclaimed bank drafts for which the three-year prescription period expired between 28 October 2001 and 31 December 2007 (i.e. issued between 28 October 1998 and 31 December 2004). The total of these bank drafts must be transferred by the end of May 2009 to a special Fund established by the state depositary banks.

13.2 Other operating income: breakdown

(in millions of euro)

	2008	2007
Income on securitisations	-	-
Recovery of insurance costs	1	2
Recovery of other expenses	1	2
Recovery of taxes and interest of previous years	5	4
Cheques prescribed	-	-
Recovery of rents paid	25	25
Recovery of services rendered to Group companies	797	651
Recovery of services rendered to third parties	53	76
Recovery of taxes and duties	-	-
Other	200	82
Total	**1,082**	**842**

Other income includes 126 million euro compensation for damages from the IMI SIR settlement.

SECTION 14 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – CAPTION 210

14.1 Profits (Losses) on disposal of equity investments: breakdown

(in millions of euro)

	2008	2007
A. Profit	**612**	**44**
1. Revaluations	-	-
2. Profits on disposal	612	44
3. Write-backs	-	-
4. Other	-	-
B. Losses	**-2,069**	**-271**
1. Write-downs	-	-270
2. Impairment losses	-2,067	-
3. Losses on disposal	-2	-1
4. Other	-	-
Net result	**-1,457**	**-227**

Profits on disposal mainly refer to the sale of investments in Agos for 412 million euro, Centrale dei Bilanci S.r.l. for 93 million euro, Banque Palatine for 33 million euro, Lima Sudameris Holding S.A. for 22 million euro, Pirelli RE Integrated Facility Mng Netherlands BV for 19 million euro, Inversiones Mobiliarias S.A. – IMSA for 13 million euro, Equitalia Polis S.p.A. (formerly GEST Line S.p.A.) for 7 million euro, Sanpaolo Imi Insurance Broker S.p.A. for 5 million euro, Società Gestione per il Realizzo (in liquidation) for 3 million euro, Universo Servizi S.p.A. for 3 million euro and other minority interests for 2 million euro.

Impairment losses refer mainly to the subsidiaries Banca Fideuram S.p.A. for 1,165 million euro, Pravex Bank Joint Stock Commercial Bank for 400 million euro, Eurizon Capital SGR S.p.A. for 211 million euro, Telco S.p.A. for 144 million euro, Rizzoli Corriere della Sera MediaGroup S.p.A. for 72 million euro, Allfunds for 40 million euro, Pirelli & C. S.p.A. for 20 million euro, NH Hoteles S.A. for 9 million euro and other minority interests for 6 million euro.

SECTION 15 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE - CAPTION 220

Not applicable to Intesa Sanpaolo.

SECTION 16 – GOODWILL IMPAIRMENT - CAPTION 230

16.1 Goodwill impairment: breakdown

Intesa Sanpaolo did not record any goodwill impairment.

SECTION 17 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 240

17.1 Profits (Losses) on disposal of investments: breakdown

(in millions of euro)

	2008	2007
A. Real estate assets	275	7
- profits on disposal	*279*	*7*
- losses on disposal	*-4*	-
B. Other assets	-	-
- profits on disposal	-	-
- losses on disposal	-	-
Net result	**275**	**7**

Net profits refer to the transfer at market value of a real estate portfolio to the subsidiary Immit.

SECTION 18 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 260

18.1 Taxes on income from continuing operations: breakdown

(in millions of euro)

	2008	2007
1. Current taxes (-)	-1,532	-862
2. Changes in current taxes of previous years (+/-)	67	7
3. Reduction in current taxes of the year (+)	-	-
4. Changes in deferred tax assets (+/-)	2,055	-242
5. Changes in deferred tax liabilities (+/-)	86	731
6. Taxes on income for the year (-) (-1+/-2+3+/-4+/-5)	**676**	**-366**

18.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(in millions of euro)

	2008	2007
Income before tax from continuing operations	-395	1,760
Income before tax from discontinued operations	1,126	4,751
Theoretical taxable income	**731**	**6,511**

(in millions of euro)

		%
Income tax - Theoretical tax expense	**229**	**31.4**
Increases of taxes	**1,041**	**142.5**
Greater base and actual IRAP rate	186	25.5
Non-deductible costs (losses on equity investments, ICI [local property tax], personnel costs, etc.)	839	114.7
Other	16	2.2
Decreases of taxes	**-586**	**-80.3**
Non-taxed gains on equity investments	-179	-24.5
Tax-exempt portion of dividends	-326	-44.6
Income subject to facilitated rate/Income subject to reduced income tax rate (12.5%)	-8	-1.1
Other	-73	-10.0
Total change in taxes	**455**	**62.2**
Actual income tax expense for the period prior to realignment of goodwill (L.D. 185/2008)	**684**	**93.6**
of which: - taxes on income from continuing operations	**345**	**87.4**
- taxes on income from discontinued operations	**339**	**-**

		%
Substitute tax for realignment of goodwill (L.D.185/2008)	1,003	137.2
Deferred tax assets on realignment of goodwill	-2,025	-277.0
Actual balance sheet tax charge after realignment of goodwill (L.D. 185/2008)	**-338**	**-46.2**
of which: - taxes on income from continuing operations	**-677**	**171.3**
- taxes on income from discontinued operations	**339**	**-**

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)

	2008	2007
Discontinued operations		
1. Income	87	499
2. Charges	-45	-292
3. Valuation differences on discontinued operations and related liabilities	-	-
4. Profits (Losses) on disposal	1,084	4,551
5 Taxes and duties	-339	-329
Income (Loss)	**787**	**4,429**

19.2 Breakdown of taxes on discontinued operations

(in millions of euro)

	2008	2007
1. Current taxes (-)	-68	-339
2. Changes in deferred tax assets (+/-)	-	10
3. Changes in deferred tax liabilities (-/+)	-271	-
4. Income taxes (-1 +/-2 +/-3)	**-339**	**-329**

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

For details, reference should be made to the relevant section of the Notes to the Consolidated Financial Statements.

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

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 Intesa Sanpaolo for collective measurement 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)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk	Other Assets	Total
1. Financial assets held for trading	1	8	-	2	-	22,653	22,664
2. Financial assets available for sale	-	-	-	-	-	7,360	7,360
3. Investments held to maturity	-	-	-	-	-	2,097	2,097
4. Due from banks	1	4	-	4	-	114,870	114,879
5. Loans to customers	1,426	2,068	278	329	-	203,360	207,461
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	253	253
7. Financial assets under disposal	-	3	-	1	-	288	292
8. Hedging derivatives	-	-	-	-	-	4,275	4,275
Total 31.12.2008	**1,428**	**2,083**	**278**	**336**	**-**	**355,156**	**359,281**
Total 31.12.2007	**1,295**	**1,795**	**95**	**347**	**-**	**328,867**	**332,399**

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	22,653	22,664
2. Financial assets available for sale	-	-	-	-	7,360	-	7,360	7,360
3. Investments held to maturity	-	-	-	-	2,097	-	2,097	2,097
4. Due from banks	23	-14	-	9	114,886	-16	114,870	114,879
5. Loans to customers	8,689	-4,588	-	4,101	204,304	-944	203,360	207,461
6. Financial assets designated at fair value through profit and loss	-	-	-	-	X	X	253	253
7. Financial assets under disposal	5	-1	-	4	289	-1	288	292
8. Hedging derivatives	-	-	-	-	X	X	4,275	4,275
Total 31.12.2008	**8,728**	**-4,603**	**-**	**4,125**	**328,936**	**-961**	**355,156**	**359,281**
Total 31.12.2007	**7,841**	**-4,309**	**-**	**3,532**	**303,774**	**-983**	**328,867**	**332,399**

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	7	-6	-	1
b) Substandard loans	11	-7	-	4
c) Restructured exposures	-	-	-	-
d) Past due exposures	5	-1	-	4
e) Country risk	-	X	-	-
f) Other assets	123,100	X	-16	123,084
Total A	**123,123**	**-14**	**-16**	**123,093**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	5	-	-	5
b) Other	42,276	X	-13	42,263
Total B	**42,281**	**-**	**-13**	**42,268**

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.1.4. On-balance sheet exposures to banks: changes in gross 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	**3**	**-**	**-**	**7**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**4**	**13**	**-**	**5**	**-**
B.1 inflows from performing exposures	4	13	-	5	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	-	-	-	-	-
B.4 business combinations	-	-	-	-	-
C. Decreases	**-**	**-2**	**-**	**-7**	**-**
C.1 outflows to performing exposures	-	-	-	-	-
C.2 write-offs	-	-	-	-	-
C.3 repayments	-	-2	-	-7	-
C.4 credit disposals	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
C.7 business combinations	-	-	-	-	-
D. Final gross exposure	**7**	**11**	**-**	**5**	**-**
- 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	**3**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**3**	**7**	**-**	**1**	**-**
B.1 impairment losses	3	7	-	1	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	-	-	-	-	-
B.4 business combinations	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**
C.1 recoveries on impairment losses	-	-	-	-	-
C.2 recoveries on repayments	-	-	-	-	-
C.3 write-offs	-	-	-	-	-
C.4 transfers to other non-performing exposure categories	-	-	-	-	-
C.5 other decreases	-	-	-	-	-
C.6 business combinations	-	-	-	-	-
D. Final total adjustments	**6**	**7**	**-**	**1**	**-**
- 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) Doubtful loans	5,129	-3,703	-	1,426
b) Substandard loans	2,837	-766	-	2,071
c) Restructured exposures	364	-86	-	278
d) Past due exposures	364	-34	-	330
e) Country risk	-	X	-	-
f) Other assets	215,348	X	-945	214,403
Total A	**224,042**	**-4,589**	**-945**	**218,508**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	476	-74	-	402
b) Other	106,874	X	-175	106,699
Total B	**107,350**	**-74**	**-175**	**107,101**

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.
Restructured loans include 72 million euro of exposures for which there is cash collateral among the deposit liabilities.

A.1.7. On-balance sheet exposures to customers: changes in 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	**4,759**	**2,548**	**143**	**370**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**1,849**	**3,550**	**398**	**1,982**	**-**
B.1 inflows from performing loans	299	1,977	194	1,669	-
B.2 transfers from other non-performing exposure categories	1,036	879	144	20	-
B.3 other increases	514	694	60	293	-
B.4 business combinations	-	-	-	-	-
C. Decreases	**-1,479**	**-3,261**	**-177**	**-1,988**	**-**
C.1 outflows to performing loans	-18	-299	-	-449	-
C.2 write-offs	-181	-62	-71	-5	-
C.3 repayments	-559	-1,216	-63	-482	-
C.4 credit disposals	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-13	-1,149	-27	-890	-
C.6 other decreases	-	-7	-	-89	-
C.7 business combinations	-708	-528	-16	-73	-
D. Final gross exposure	**5,129**	**2,837**	**364**	**364**	**-**
- of which exposures sold not derecognised	*3*	*11*	-	*5*	**-**

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	**3,464**	**759**	**48**	**35**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**1,173**	**888**	**141**	**160**	**-**
B.1 impairment losses	574	741	75	130	-
B.2 transfers from other non-performing exposure categories	366	110	62	7	-
B.3 other increases	233	37	4	23	-
B.4 business combinations	-	-	-	-	-
C. Decreases	**-934**	**-881**	**-103**	**-161**	**-**
C.1 recoveries on impairment losses	-156	-173	-4	-6	-
C.2 recoveries on repayments	-151	-75	-2	-13	-
C.3 write-offs	-181	-62	-71	-5	-
C.4 transfers to other non-performing exposure categories	-7	-418	-18	-102	-
C.5 other decreases	-	-8	-4	-26	-
C.6 business combinations	-439	-145	-4	-9	-
D. Final total adjustments	**3,703**	**766**	**86**	**34**	**-**
- of which exposures sold not derecognised	-	*2*	-	-	-

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.
The "other increases" mainly include the verification of interest due and the increases in the balances of the funds in foreign currency following the change in the exchange rate.
The "other decreases" include the transfers of funds adjusted following sales to third parties.
The amounts relating to "business combinations" refer to corporate transactions of a different nature that involved wholly controlled entities.

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	**133,858**	**23,269**	**8,983**	**1,573**	**293**	**4,115**	**169,510**	**341,601**
B. Derivatives	**1,706**	**1,037**	**61**	**3**	**1**	**12**	**6,291**	**9,111**
B.1. Financial derivatives	312	707	61	3	1	10	5,444	6,538
B.2. Credit derivatives	1,394	330	-	-	-	2	847	2,573
C. Guarantees given	**28,336**	**2,749**	**2,817**	**713**	**12**	**295**	**41,478**	**76,400**
D. Commitments to lend funds	**3,775**	**3,373**	**4,371**	**865**	**1,288**	**448**	**49,738**	**63,858**
Total	**167,675**	**30,428**	**16,232**	**3,154**	**1,594**	**4,870**	**267,017**	**490,970**

Securitised exposures not derecognised, amounting to 2,442 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	**138,228**	**28,862**	**44,377**	**32,867**	**17,010**	**852**	**4,114**	**75,291**	**341,601**
B. Derivatives	**1,480**	**649**	**272**	**532**	**230**	**16**	**12**	**5,920**	**9,111**
B.1. Financial derivatives	466	432	272	532	230	16	10	4,580	6,538
B.2. Credit derivatives	1,014	217	-	-	-	-	2	1,340	2,573
C. Guarantees given	**28,486**	**5,323**	**7,557**	**7,788**	**2,957**	**413**	**295**	**23,581**	**76,400**
D. Commitments to lend funds	**3,874**	**4,000**	**6,146**	**3,215**	**1,618**	**83**	**100**	**44,822**	**63,858**
Total	**172,068**	**38,834**	**58,352**	**44,402**	**21,815**	**1,364**	**4,521**	**149,614**	**490,970**

Securitised exposures not derecognised amount to 2,442 million euro, of which 1 million euro with "BBB+/BBB-" rating, 4 million euro with "BB+/BB-" rating, 1 million euro with "B+/B-" rating, 17 million euro for not-performing exposures, the remaining 2,419 million euro have no internal rating.

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	**22,201**	**331**	**82,757**	**11,769**	**117,058**
COLLATERAL (1)					
Real estate assets	-	-	55,859	464	56,323
Securities	22,017	-	7,859	1,586	31,462
Other assets	-	-	693	1,291	1,984
GUARANTEES (1)					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	*30*	*11*	*41*
Other counterparties	-	-	-	-	-
Guarantees given					
Governments	-	-	*914*	*21*	*935*
Other public entities	*124*	*19*	*22*	*222*	*387*
Banks	*54*	*47*	*608*	*866*	*1,575*
Other counterparties	*6*	*178*	*16,772*	*4,317*	*21,273*
TOTAL GUARANTEES (1)	**22,201**	**244**	**82,757**	**8,778**	**113,980**

(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	**26**	**14**	**12,671**	**4,307**	**17,018**
COLLATERAL (1)					
Real estate assets	-	-	4,038	484	4,522
Securities	-	-	267	471	738
Other assets	6	3	271	120	400
GUARANTEES (1)					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	-	-	-
Other counterparties	-	-	-	-	-
Guarantees given					
Governments	-	-	*214*	-	*214*
Other public entities	*4*	-	-	*3*	*7*
Banks	*13*	*1*	*411*	*83*	*508*
Other counterparties	*3*	-	*7,470*	*1,015*	*8,488*
TOTAL GUARANTEES (1)	**26**	**4**	**12,671**	**2,176**	**14,877**

(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	-	-	-	-	**2,110**	**795**	**199**	**82**
AMOUNT GUARANTEED	-	-	-	-	**2,110**	**795**	**194**	**50**
COLLATERAL (1)								
Real estate assets	-	-	-	-	1,710	569	33	11
Securities	-	-	-	-	30	64	41	14
Other assets	-	-	-	-	5	1	3	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*	*1*	*2*	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other counterparties	-	-	-	-	*364*	*160*	*115*	*24*
TOTAL GUARANTEES (1)	-	-	-	-	**2,110**	**795**	**194**	**50**
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	**-**	**-**	**-**	**-**	**95**	**72**	**24**	**24**
AMOUNT GUARANTEED	**-**	**-**	**-**	**-**	**95**	**72**	**22**	**9**
COLLATERAL (1)								
Real estate assets	-	-	-	-	50	9	4	1
Securities	-	-	-	-	8	1	3	-
Other assets	-	-	-	-	2	-	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	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	-	-
Banks	-	-	-	-	*1*	-	-	*6*
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other counterparties	-	-	-	-	*34*	*62*	*13*	*1*
TOTAL GUARANTEES (1)	**-**	**-**	**-**	**-**	**95**	**72**	**23**	**8**
EXCESS FAIR VALUE GUARANTEE	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-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 31.12.2008	TOTAL 31.12.2007
	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	-	-	-	-	6,465	6,465	-	-	-	-	2,100	2,100	8,565	6,054
Specific impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-19
Portfolio impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-1
Net exposure	-	-	-	-	6,465	6,465	-	-	-	-	2,100	2,100	8,565	6,034
OTHER PUBLIC ENTITIES														
Gross exposure	1	6	-	-	1,776	1,783	-	-	-	-	776	776	2,559	4,020
Specific impairment losses	-1	-2	-	-	-	-3	-	-	-	-	-	-	-3	-1
Portfolio impairment losses	-	-	-	-	-2	-2	-	-	-	-	-1	-1	-3	-7
Net exposure	-	4	-	-	1,774	1,778	-	-	-	-	775	775	2,553	4,012
FINANCIAL INSTITUTIONS														
Gross exposure	351	24	-	4	54,019	54,398	1	3	-	-	23,290	23,294	77,692	69,722
Specific impairment losses	-327	-14	-	-1	-	-342	-	-	-	-	-	-	-342	-323
Portfolio impairment losses	-	-	-	-	-54	-54	-	-	-	-	-50	-50	-104	-77
Net exposure	24	10	-	3	53,965	54,002	1	3	-	-	23,240	23,244	77,246	69,322
INSURANCE COMPANIES														
Gross exposure	-	-	-	-	3,183	3,183	-	-	-	-	2,058	2,058	5,241	5,498
Specific impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio impairment losses	-	-	-	-	-1	-1	-	-	-	-	-4	-4	-5	-4
Net exposure	-	-	-	-	3,182	3,182	-	-	-	-	2,054	2,054	5,236	5,494
NON-FINANCIAL COMPANIES														
Gross exposure	3,761	2,009	364	246	108,510	114,890	119	263	64	21	77,983	78,450	193,340	201,378
Specific impairment losses	-2,808	-601	-86	-23	-	-3,518	-35	-26	-13	-	-	-74	-3,592	-3,362
Portfolio impairment losses	-	-	-	-	-818	-818	-	-	-	-	-118	-118	-936	-989
Net exposure	953	1,408	278	223	107,692	110,554	84	237	51	21	77,865	78,258	188,812	197,027
OTHER COUNTERPARTIES														
Gross exposure	1,016	798	-	114	41,395	43,323	-	4	-	1	667	672	43,995	48,971
Specific impairment losses	-567	-149	-	-10	-	-726	-	-	-	-	-	-	-726	-718
Portfolio impairment losses	-	-	-	-	-70	-70	-	-	-	-	-2	-2	-72	-94
Net exposure	449	649	-	104	41,325	42,527	-	4	-	1	665	670	43,197	48,159

B.2. 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	4,739	1,398	308	13	40	7	41	8	1	-
A.2. Substandard loans	2,684	2,029	81	14	62	28	10	-	-	-
A.3. Restructured exposures	337	254	25	23	-	-	2	1	-	-
A.4. Past due exposures	361	328	3	2	-	-	-	-	-	-
A.5. Other exposures	181,630	180,791	21,516	21,442	7,472	7,453	4,302	4,292	428	425
Total A	**189,751**	**184,800**	**21,933**	**21,494**	**7,574**	**7,488**	**4,355**	**4,301**	**429**	**425**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	118	84	2	1	-	-	-	-	-	-
B.2. Substandard loans	242	216	27	27	1	1	-	-	-	-
B.3. Restructured exposures	64	51	-	-	-	-	-	-	-	-
B.4. Past due exposures	20	20	-	-	-	-	2	2	-	-
B.5. Other exposures	46,124	46,013	33,428	33,374	26,055	26,047	1,108	1,106	159	159
Total B	**46,568**	**46,384**	**33,457**	**33,402**	**26,056**	**26,048**	**1,110**	**1,108**	**159**	**159**
TOTAL (A+B) 31.12.2008	**236,319**	**231,184**	**55,390**	**54,896**	**33,630**	**33,536**	**5,465**	**5,409**	**588**	**584**
TOTAL 31.12.2007	**240,352**	**235,217**	**60,554**	**60,186**	**30,829**	**30,771**	**3,483**	**3,452**	**425**	**422**

B.3. 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	-	-	3	-	4	1	-	-	-	-
A.2. Substandard loans	-	-	11	4	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	5	4	-	-	-	-	-	-
A.5. Other exposures	87,873	87,872	30,308	30,300	1,992	1,990	2,689	2,684	238	238
Total A	**87,873**	**87,872**	**30,327**	**30,308**	**1,996**	**1,991**	**2,689**	**2,684**	**238**	**238**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	1	1	-	-	-	-
B.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
B.4. Past due exposures	-	-	4	4	-	-	-	-	-	-
B.5. Other exposures	8,158	8,157	31,174	31,170	881	880	1,838	1,832	225	224
Total B	**8,158**	**8,157**	**31,178**	**31,174**	**882**	**881**	**1,838**	**1,832**	**225**	**224**
TOTAL (A+B) 31.12.2008	**96,031**	**96,029**	**61,505**	**61,482**	**2,878**	**2,872**	**4,527**	**4,516**	**463**	**462**
TOTAL 31.12.2007	**80,827**	**80,824**	**54,629**	**54,610**	**4,287**	**4,284**	**3,348**	**3,338**	**480**	**478**

B.4. Large risks

Large risks	**31.12.2008**	**31.12.2007**
a) Amount (in millions of euro)	7,683	10,796
b) Number	1	2

C. SECURITISATIONS AND ASSET SALES

C.1. Securitisations

Qualitative information

For the qualitative information, please refer to the details provided in Part E of the Notes to the consolidated financial statements concerning the Adriano Finance and Adriano Finance 2 transactions in relation to the Parent Company.

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 exposure		Mezzanine exposure		Junior exposure	
	gross	net	gross	net	gross	net
A. Originated underlying assets	**6**	**2**	**138**	**125**	**85**	**78**
a) Non-performing	-	-	*63*	*54*	*22*	*16*
b) Other	*6*	*2*	*75*	*71*	*63*	*62*
B. Third party underlying assets	**3,643**	**3,350**	**559**	**480**	**52**	**51**
a) Non-performing	-	-	-	-	-	-
b) Other	*3,643*	*3,350*	*559*	*480*	*52*	*51*
Total	**3,649**	**3,352**	**697**	**605**	**137**	**129**

Part of the positions shown in the table above has been included in the structured credit products. 2,436 million euro of gross exposures and 2,064 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 exposure		Mezzanine exposure		Junior exposure		Senior exposure		Mezzanine exposure		Junior exposure	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
A. Originated underlying assets	**13**	**13**	**-**	**-**	**19**	**19**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	*13*	*13*	-	-	*19*	*19*	-	-	-	-	-	-
B. Third party underlying assets	**-**	**-**	**70**	**25**	**2**	**2**	**-**	**-**	**2,561**	**2,561**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	*70*	*25*	*2*	*2*	-	-	*2,561*	*2,561*	-	-
Total	**13**	**13**	**70**	**25**	**21**	**21**	**-**	**-**	**2,561**	**2,561**	**-**	**-**

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	**-**	**-**	**54**	**-8**	**55**	**-7**
A.1 Intesa Sec 2						
- performing residential mortgages	-	-	-	-	*31*	-
A.2 Intesa Sec						
- performing mortgages	-	-	-	-	*8*	*-1*
A.3 Intesa Sec Npl						
- doubtful mortgages	-	-	*54*	*-8*	*16*	*-6*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**2**	**-4**	**71**	**-5**	**23**	**-**
C.1 Intesa Sec 3						
- performing residential mortgages	-	-	-	-	*23*	-
C.2 Da Vinci						
- loans to the aircraft sector	*2*	*-4*	*1*	*-1*	-	-
C.3 Vespucci						
- asset backed securities and collateralised debt obligations	-	-	*70*	*-4*	-	-
Total	**2**	**-4**	**125**	**-13**	**78**	**-7**

The securitisations in the previous table include those for which the Group used the exemption from compliance to IAS/IFRS permitted on first-time adoption by IFRS 1. Based on this 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*	-	-	-	-	-	-	-	-	-	-	-
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Da Vinci												
- loans to the aircraft and aeronautical sector	-	-	-	-	*19*	-	-	-	-	-	-	-
Total	**13**	**-**	**-**	**-**	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 Romulus Funding Corp.	-	-	-	-	-	-
- securities	*893*	-	-	-	-	-
A.2 Soc. Cart. Crediti INPS	-	-	-	-	-	-
- social security benefits	*408*	-	-	-	-	-
A.3 Geldilux	-	-	-	-	-	-
- loans	*235*	*-3*	-	-	-	-
A.4 AYT Cedulas						
- public sector financing	*225*	*-2*	-	-	-	-
A.5 Duchess (*)	-	-	-	-	-	-
- securities	*119*	*-59*	-	-	-	-
A.6 Società di Cartolarizzazione Italiana	-	-	-	-	-	-
Loans	-	-	-	-	-	-
- personal loans	*111*	-	-	-	-	-
A.7 Rhodium (*)	-	-	-	-	-	-
- securities	*74*	*-12*	-	-	-	-
A.8 Smstr (*)	-	-	-	-	-	-
- securities	*57*	*-35*	-	-	-	-
A.9 Stone Tower (*)	-	-	-	-	-	-
- securities	*55*	*-3*	-	-	-	-
A.10 Portfolio of investment grade ABS securities	-	-	-	-	-	-
subject to unitary management	*101*	-	-	-	-	-
A.11 Residual portfolio divided in 338 securities	*1,072*	*-179 (**)*	*480*	*-79 (***)*	*51*	*-1*
Total	**3,350**	**-293**	**480**	**-79**	**51**	**-1**

(*) 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 - 9 million euro related to securities included in packages.

(***) Of which - 42 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	-	-	-	-	-	-	-	-	*1,184*	-	-	-
A. 2 Manzoni												
- Asset Backed Securities	-	-	-	-	*2*	-	-	-	-	-	-	-
A. 3 Romulus												
-Asset Backed Securities and Collateralised Debt Obligations	-	-	*25*	*-45*	-	-	-	-	*1,377*	-	-	-
Total	**-**	**-**	**25**	**-45**	**2**	**-**	**-**	**-**	**2,561**	**-**	**-**	**-**

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	595	68	-	-	-	-
Financial assets - fair value option	-	-	-	-	-	-
Financial assets available for sale	45	59	35	-	-	-
Investments held to maturity	-	-	-	-	-	-
Loans [b]	2,710	407	71	13	2,586	2
Total 31.12.2008	**3,350**	**534**	**106**	**13**	**2,586**	**2**
Total 31.12.2007	**4,971**	**712**	**101**	**13**	**1,233**	**2**

(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 95 million euro and of 19 million euro.

(b) This caption includes off-balance sheet exposures referred to "Guarantees given" and "Credit lines".

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	**952**	**384**
A.1 Fully derecognised	202	X
1. Doubtful loans	*84*	*X*
2. Substandard loans	-	*X*
3. Restructured exposures	-	*X*
4. Past due exposures	-	*X*
5. Other assets	*118*	*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	750	384
1. Doubtful loans	*1*	-
2. Substandard loans	*3*	-
3. Restructured exposures	-	-
4. Past due exposures	*1*	-
5. Other assets	*745*	*384*
B. Third party underlying assets	**1,355**	**100**
B.1 Doubtful loans	-	-
B.2 Substandard loans	-	-
B.3 Restructured exposure	-	-
B.4 Past due exposures	1	-
B.5 Other assets	1,354	100

C.1.6. 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%
Augusto	Milano	5.00%
Adriano Finance	Milano	5.00%
Adriano Finance 2	Milano	5.00%
Adriano Finance 3	Milano	5.00%
Colombo	Milano	5.00%
Diocleziano	Milano	5.00%
ISP CB Ipotecario	Milano	100.00%
ISP CB Pubblico	Milano	60.00%
ISP Sec 4	Milano	100.00%

C.1.7. Servicer activities – collection of securitised loans and repayment 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	-	20	-	20	-	100.0	-	92.7	-	-
Intesa Sec 2	-	487	-	219	-	79.1	-	-	-	-
Intesa Sec 3	19	2,417	-	767	-	31.3	-	-	-	-
Total	**19**	**2,924**	**-**	**1,006**						

Self-securitisations carried out by Intesa Sanpaolo S.p.A.

The securitisations originated by Intesa Sanpaolo S.p.A. in which it underwrote all the securities issued by the related vehicle (self-securitisations) have not been shown in the tables of Part E, section C "Securitisation and asset sales" of the Notes to the financial statements.

In 2008, Intesa Sanpaolo S.p.A. originated two securitisations through the vehicles Adriano Finance Srl and Adriano Finance 2 Srl.

On 4 August 2008, the securitisation was completed of a portfolio of performing residential mortgages of 7,998 million euro, sold without recourse to the vehicle Adriano Finance Srl on 28 March 2008. The company Adriano Finance issued RMBS securities at par (Adriano Finance F/R Notes December 2055) for a total amount of 7,997,850,000 euro.

The Class A notes, eligible for ECB repo operations, are listed on the Luxembourg Stock Exchange and have obtained a AAA rating from both the Standard & Poor's and Moody's agencies. The Class B notes on the other hand are unrated.

During December 2008 two additional securitisations were completed of performing residential mortgages originated by Intesa Sanpaolo, respectively emanating from the former Intesa pool (issuer Adriano Finance Srl) and the former Sanpaolo IMI pool (issuer Adriano Finance 2 Srl). The mortgages were sold without recourse to these vehicles (both pursuant to Law 130/99), respectively on 24 November and 15 December 2008, as part of the prudential enhancement of the already broad availability of the Intesa Sanpaolo Group's eligible assets for the Central Banks.

The main features of these transactions are detailed below.

On 18 December 2008 a securitisation was completed of a portfolio of performing residential mortgages for 5,679 million euro. Adriano Finance Srl issued RMBS notes with a price corresponding to 100% of their nominal amount (Adriano Finance F/R Notes due December 2058) for a total amount of 5,678,650,000 euro.

For the Class A notes, listed on the Luxembourg Stock Exchange and assigned a AAA rating by Standard & Poor's, a request has already been made to the Luxembourg central bank for eligibility for use for ECB repo operations. The Class B notes are unrated.

On 31 December 2008 a securitisation was completed of a portfolio of performing residential mortgages for an amount of 13,050 million euro. The company Adriano Finance 2 Srl issued RMBS notes with a price corresponding to 100% of their nominal amount (Adriano Finance F/R Notes due June 2061) for a total amount of 13,049,750,000 euro.

For the Class A notes, listed on the Luxembourg Stock Exchange and assigned a AAA rating by Fitch, a request has already been made to the Luxembourg central bank for eligibility for use for ECB repo operations. The Class B notes are unrated.

These transactions, broken down into tranches, are summarised in the table below:

(in millions of euro)

Vehicle	Type of security issued	Type of asset securitised	Principal as at 31.12.2008
Adriano Finance S.r.l.	Senior	performing long-term mortgages	12,839
- of which first mortgage portfolio securitised (4 August 2008)			7,558
- of which second mortgage portfolio securitised (Adriano-bis Securitisation) (18 December 2008)			5,281
Adriano Finance S.r.l.	Junior	performing long-term mortgages	838
- of which first mortgage portfolio securitised (4 August 2008)			440
- of which second mortgage portfolio securitised (Adriano-bis Securitisation) (18 December 2008)			398
Adriano Finance 2 S.r.l.	Senior	performing long-term mortgages	12,173
Adriano Finance 2 S.r.l.	Junior	performing long-term mortgages	876
Total			**26,726**

C.2. Sales

C.2.1. Financial assets sold not derecognised

(in millions of euro)

	Cash assets					Derivatives	Total 31.12.2008	Total 31.12.2007
	Debt securities	Equities	UCITS	Loans	Non-performing assets			
FINANCIAL ASSETS HELD FOR TRADING	**756**	**-**	**-**	**-**	**-**	**-**	**756**	**3,538**
- Financial assets sold totally recognised (book value)	756	-	-	-	-	-	756	3,538
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**10**	**-**	**-**	**-**	**-**	**-**	**10**	**12**
- Financial assets sold totally recognised (book value)	10	-	-	-	-	-	10	12
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**4,395**	**-**	**-**	**-**	**-**	**-**	**4,395**	**-**
- Financial assets sold totally recognised (book value)	4,395	-	-	-	-	-	4,395	-
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-
INVESTMENTS HELD TO MATURITY	**584**	**-**	**-**	**-**	**-**	**-**	**584**	**1,656**
- Financial assets sold totally recognised (book value)	584	-	-	-	-	-	584	1,656
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-
DUE FROM BANKS	**2,944**	**-**	**-**	**-**	**-**	**-**	**2,944**	**2,520**
- Financial assets sold totally recognised (book value)	2,944	-	-	-	-	-	2,944	2,520
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-
LOANS TO CUSTOMERS	**-**	**-**	**-**	**2,425**	**17**	**-**	**2,442**	**3,006**
- Financial assets sold totally recognised (book value)	-	-	-	2,425	17	-	2,442	3,006
- Financial assets sold partly recognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly recognised (full value)	-	-	-	-	-	-	-	-
Total 31.12.2008	**8,689**	**-**	**-**	**2,425**	**17**	**-**	**11,131**	
Total 31.12.2007	**10,732**	**-**	**-**	**-**	**-**	**-**		**10,732**

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 corresponding to financial assets sold not derecognised

(in millions of euro)

	Due to customers		Due to banks		Total	Total
	Fully recognised	Partly recognised	Fully recognised	Partly recognised	31.12.2008	31.12.2007
Financial assets held for trading	155	-	593	-	748	3,943
Financial assets measured at fair value	-	-	10	-	10	11
Financial assets available for sale	2,683	-	1,749	-	4,432	-
Investments held to maturity	305	-	272	-	577	1,868
Due from banks	1,059	-	1,804	-	2,863	2,562
Loans to customers	2,573	-	-	-	2,573	3,693
Total 31.12.2008	**6,775**	**-**	**4,428**	**-**	**11,203**	**12,077**

The financial liabilities associated to financial assets sold and not derecognised referred to reverse repurchase agreements and to securitisations, as shown in tables 1.1 Due to banks and 2.1 Due to customers.

D. MODELS FOR THE MEASUREMENT OF CREDIT RISK

As at 31 December 2008, expected losses totalled 0.46% of disbursed loans.

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	
	Quoted	**Unquoted**
A. Equities	**5**	**-**
A.1. Shares	5	-
A.2. Innovative equity instruments	-	-
A.3. Other equities	-	-
B. UCITS	**666**	**209**
B.1. Italian	23	-
- harmonised open-end	23	-
- not harmonised open-end	-	-
- closed-end	-	-
- reserved	-	-
- speculative	-	-
B.2. Other EU Countries	-	29
- harmonised open-end	-	29
- not harmonised open-end	-	-
- not harmonised closed-end	-	-
B.3. Non-EU Countries	643	180
- open-end	643	177
- closed-end	-	3
Total	**671**	**209**

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 2008 amounted to -22 million euro (+24 million euro in case of reduction).
The aforesaid potential impact would be reflected, in the 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 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 170 million euro during 2008, and 188 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 62 million euro during 2008, with a minimum value of 16 million euro and a maximum value of 121 million euro. At the end of December 2008 VaR totalled 59 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

		Impact on shareholders' equity (in millions of euro)
Price shock	-10%	-62
Price shock	10%	62

Banking book: on-balance sheet exposure

(in millions of euro)

	Book values	
	Quoted	Unquoted
A. Equities	**636**	**885**
A.1. Shares	636	885
A.2. Innovative equity instruments	-	-
A.3. Other equities	-	-
B. UCITS	**1**	**44**
B.1. Italian	1	34
- harmonised open-end	-	-
- not harmonised open-end	-	-
- closed-end	1	14
- reserved	-	20
- speculative	-	-
B.2. Other EU Countries	-	-
- harmonised open-end	-	-
- not harmonised open-end	-	-
- not harmonised closed-end	-	-
B.3. Non-EU Countries	-	10
- open-end	-	10
- closed-end	-	-
Total	**637**	**929**

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

The price risk generated by minority stakes in listed companies, mainly held in the AFS category, reached an average level in 2008, measured in terms of VaR (99% confidence level, 10-day holding period) of 93 million euro, with minimum and maximum values of 80 million euro and 107 million euro respectively. The VaR at the end of 2008 amounted to 94 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	**22,952**	**1,769**	**2,772**	**2,457**	**2,431**
A.1 Debt securities	2,324	143	28	693	81
A.2 Equities	686	78	1	-	130
A.3 Loans to banks	7,338	726	1,737	875	740
A.4 Loans to customers	12,604	822	1,006	889	1,480
A.5 Other financial assets	-	-	-	-	-
B. OTHER ASSETS	**4,633**	**19**	**25**	**30**	**227**
C. FINANCIAL LIABILITIES	**52,533**	**7,028**	**1,077**	**1,458**	**2,259**
C.1 Due to banks	13,809	2,023	780	685	1,182
C.2 Due to customers	18,476	636	280	127	276
C.3 Debt securities	20,248	4,369	17	646	801
C.4 Other financial liabilities	-	-	-	-	-
D. OTHER LIABILITIES	**2,526**	**35**	**8**	**55**	**212**
E. FINANCIAL DERIVATIVES					
- Options					
long positions	*1,507*	*103*	*73*	*138*	*37*
short positions	*1,454*	*111*	*77*	*138*	*38*
- Other derivatives					
long positions	*52,021*	*7,253*	*1,406*	*2,968*	*6,527*
short positions	*24,801*	*2,081*	*3,247*	*3,948*	*6,726*
TOTAL ASSETS	**81,113**	**9,144**	**4,276**	**5,593**	**9,222**
TOTAL LIABILITIES	**81,314**	**9,255**	**4,409**	**5,599**	**9,235**
IMBALANCE (+/-)	**-201**	**-111**	**-133**	**-6**	**-13**

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 120 million euro as at 31 December 2008. 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 amounts

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2008		Total 31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Forward rate agreements	**-**	**19,418**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19,418**	**-**	**42,406**
2. Interest rate swaps	**-**	**335,775**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**335,775**	**-**	**458,101**
3. Domestic currency swaps	**-**	**-**	**-**	**-**	**-**	**652**	**-**	**-**	**-**	**652**	**-**	**821**
4. Currency interest rate swaps	**-**	**-**	**-**	**-**	**-**	**21,051**	**-**	**-**	**-**	**21,051**	**-**	**9,033**
5. Basis swaps	**-**	**21,130**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,130**	**-**	**37,576**
6. Exchange of stock indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
7. Exchange of real indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8. Futures	**13,075**	**-**	**2**	**-**	**-**	**-**	**-**	**-**	**13,077**	**-**	**41,657**	**-**
9. Caps	**-**	**9,442**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,442**	**-**	**14,317**
- Bought	-	6,056	-	-	-	-	-	-	-	6,056	-	7,584
- Issued	-	3,386	-	-	-	-	-	-	-	3,386	-	6,733
10. Floors	**-**	**10,374**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,374**	**-**	**11,911**
- Bought	-	7,553	-	-	-	-	-	-	-	7,553	-	9,302
- Issued	-	2,821	-	-	-	-	-	-	-	2,821	-	2,609
11. Other options	**-**	**10,191**	**35**	**7,867**	**-**	**8,026**	**-**	**-**	**35**	**26,084**	**23,599**	**29,041**
- Bought	-	6,678	35	4,963	-	4,049	-	-	35	15,690	11,882	16,588
Plain vanilla	-	*3,408*	*35*	*4,582*	-	*3,684*	-	-	*35*	*11,674*	*11,882*	*11,581*
Exotic	-	*3,270*	-	*381*	-	*365*	-	-	-	*4,016*	-	*5,007*
- Issued	-	3,513	-	2,904	-	3,977	-	-	-	10,394	11,717	12,453
Plain vanilla	-	*3,441*	-	*2,783*	-	*3,684*	-	-	-	*9,908*	*11,717*	*8,932*
Exotic	-	*72*	-	*121*	-	*293*	-	-	-	*486*	-	*3,521*
12. Forward contracts	**2,271**	**31**	**-**	**-**	**-**	**71,529**	**-**	**-**	**2,271**	**71,560**	**2,274**	**58,975**
- Purchases	1,695	30	-	-	-	37,438	-	-	1,695	37,468	1,285	30,166
- Sales	576	1	-	-	-	21,264	-	-	576	21,265	989	16,890
- Currency against currency	-	-	-	-	-	12,827	-	-	-	12,827	-	11,919
13. Other derivatives	**-**	**2,062**	**-**	**-**	**-**	**56**	**-**	**72**	**-**	**2,190**	**-**	**4,677**
TOTAL	**15,346**	**408,423**	**37**	**7,867**	**-**	**101,314**	**-**	**72**	**15,383**	**517,676**	**67,530**	**666,858**
AVERAGE VALUES	**19,709**	**496,053**	**58**	**10,730**	**1**	**104,916**	**-**	**109**	**19,768**	**611,808**	**58,674**	**716,571**

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 31.12.2008		Total 31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	134,900	-	-	-	-	-	-	-	134,900	-	124,320
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	3,641	-	-	-	3,641	-	4,112
5. Basis swaps	-	7,734	-	-	-	-	-	-	-	7,734	-	6,626
6. Exchange of stock indexes	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Caps	-	962	-	-	-	-	-	-	-	962	-	797
- Bought	-	962	-	-	-	-	-	-	-	962	-	797
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floors	-	235	-	-	-	-	-	-	-	235	-	371
- Bought	-	221	-	-	-	-	-	-	-	221	-	273
- Issued	-	14	-	-	-	-	-	-	-	14	-	98
11. Other options	-	1,755	-	595	-	-	-	-	-	2,350	-	737
- Bought	-	1,655	-	595	-	-	-	-	-	2,250	-	651
Plain vanilla	-	*1,655*	-	*556*	-	-	-	-	-	*2,211*	-	*579*
Exotic	-	-	-	*39*	-	-	-	-	-	*39*	-	*72*
- Issued	-	100	-	-	-	-	-	-	-	100	-	86
Plain vanilla	-	*100*	-	-	-	-	-	-	-	*100*	-	*86*
Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	81	-	-	-	81	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	81	-	-	-	81	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	145,586	-	595	-	3,722	-	-	-	149,903	-	136,963
AVERAGE VALUES	-	133,426	-	341	-	3,874	-	-	-	137,641	-	137,996

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 31.12.2008		Total 31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
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	-	2,389	-	-	-	-	-	-	-	2,389	-	838
- Bought	-	10	-	-	-	-	-	-	-	10	-	60
- Issued	-	2,379	-	-	-	-	-	-	-	2,379	-	778
10. Floors	-	4,565	-	-	-	-	-	-	-	4,565	-	7,154
- Bought	-	17	-	-	-	-	-	-	-	17	-	94
- Issued	-	4,548	-	-	-	-	-	-	-	4,548	-	7,060
11. Other options	-	4,924	-	4,498	-	6	-	-	-	9,428	-	6,615
- Bought	-	40	-	198	-	-	-	-	-	238	-	530
Plain vanilla	-	*30*	-	*159*	-	-	-	-	-	*189*	-	*469*
Exotic	-	*10*	-	*39*	-	-	-	-	-	*49*	-	*61*
- Issued	-	4,884	-	4,300	-	6	-	-	-	9,190	-	6,085
Plain vanilla	-	*1,602*	-	*3,972*	-	-	-	-	-	*5,574*	-	*4,671*
Exotic	-	*3,282*	-	*328*	-	*6*	-	-		*3,616*	-	*1,414*
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	11,878	-	4,498	-	6	-	-	-	16,382	-	14,607
AVERAGE VALUES	-	10,796	-	3,153	-	32	-	-	-	13,981	-	18,122

The table above shows the financial derivatives recognised in the financial statements in the trading book, but not forming part of the regulatory trading book. Specifically, the derivatives recorded separately from the combined financial instruments are shown together with the put and call options relating to commitments on equity investments.

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 31.12.2008		Total 31.12.2007	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
A. Regulatory trading book	**15,346**	**387,293**	**37**	**7,867**	**-**	**101,314**	**-**	**72**	**15,383**	**496,546**	**64,155**	**632,657**
1. Operations with exchange of underlying asset	2,382	131	2	272	-	99,912	-	-	2,384	100,315	17,794	74,273
- Purchases	*1,696*	*131*	-	*272*	-	*55,372*	-	-	*1,696*	*55,775*	*4,959*	*39,968*
- Sales	*686*	-	*2*	-	-	*28,899*	-	-	*688*	*28,899*	*12,835*	*20,722*
- Currency against currency	-	-	-	-	-	*15,641*	-	-	-	*15,641*	-	*13,583*
2. Operations without exchange of underlying asset	12,964	387,162	35	7,595	-	1,402	-	72	12,999	396,231	46,361	558,384
- Purchases	*8,702*	*229,830*	*35*	*4,708*	-	*787*	-	*36*	*8,737*	*235,361*	*32,072*	*276,831*
- Sales	*4,262*	*157,332*	-	*2,887*	-	*611*	-	*36*	*4,262*	*160,866*	*14,289*	*281,540*
- Currency against currency	-	-	-	-	-	*4*	-	-	-	*4*	-	*13*
B. Banking book	**-**	**149,730**	**-**	**5,093**	**-**	**3,728**	**-**	**-**	**-**	**158,551**	**-**	**144,945**
B.1 Hedging	-	137,852	-	595	-	3,722	-	-	-	142,169	-	130,338
1.Operations with exchange of underlying asset	-	-	-	-	-	3,722	-	-	-	3,722	-	4,112
- Purchases	-	-	-	-	-	*3,577*	-	-	-	*3,577*	-	*3,810*
- Sales	-	-	-	-	-	-	-	-	-	-	-	*134*
- Currency against currency	-	-	-	-	-	*145*	-	-	-	*145*	-	*168*
2. Operations without exchange of underlying asset	-	137,852	-	595	-	-	-	-	-	138,447	-	126,226
- Purchases	-	*85,869*	-	*595*	-	-	-	-	-	*86,464*	-	*89,491*
- Sales	-	*51,983*	-	-	-	-	-	-	-	*51,983*	-	*36,735*
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	11,878	-	4,498	-	6	-	-	-	16,382	-	14,607
1. Operations with exchange of underlying asset	-	-	-	1,979	-	-	-	-	-	1,979	-	1,014
- Purchases	-	-	-	*1,414*	-	-	-	-	-	*1,414*	-	*219*
- Sales	-	-	-	*565*	-	-	-	-	-	*565*	-	*795*
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Operations without exchange of underlying asset	-	11,878	-	2,519	-	6	-	-	-	14,403	-	13,593
- Purchases	-	*5,578*	-	*49*	-	-	-	-	-	*5,627*	-	*941*
- Sales	-	*6,300*	-	*2,470*	-	*6*	-	-	-	*8,776*	-	*12,652*
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-

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. Regulatory trading book														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 public entities	19	-	2	-	-	-	-	-	-	-	-	-	-	-
A.3 banks	620	4,927	60	5	86	5	467	1,936	101	-	1	-	398	131
A.4 financial institutions	180	265	105	14	31	9	179	44	46	-	-	-	98	70
A.5 insurance companies	-	-	-	-	3	8	13	-	4	-	-	-	-	-
A.6 non-financial companies	840	7	106	7	-	7	294	257	57	14	-	3	255	62
A.7 other counterparties	4	-	1	-	-	-	2	-	-	-	-	-	-	-
Total 31.12.2008	**1,663**	**5,199**	**274**	**26**	**120**	**29**	**955**	**2,237**	**208**	**14**	**1**	**3**	**751**	**263**
Total 31.12.2007	**875**	**4,594**	**249**	**53**	**733**	**22**	**342**	**609**	**138**	**8**	**-**	**12**	**1,226**	**918**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	13	4,167	1	-	71	2	4	284	3	-	-	-	3,071	889
B.4 financial institutions	-	259	-	-	7	4	-	6	-	-	-	-	29	4
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 other counterparties	3	-	1	-	-	5	-	-	-	-	-	-	-	-
Total 31.12.2008	**16**	**4,426**	**2**	**-**	**78**	**11**	**4**	**290**	**3**	**-**	**-**	**-**	**3,100**	**893**
Total 31.12.2007	**36**	**1,788**	**2**	**-**	**11**	**36**	**4**	**20**	**11**	**-**	**-**	**-**	**396**	**261**

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. Regulatory trading book														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 banks	-817	-5,119	62	-1	-38	-	-1,011	-3,737	126	-	-14	-	-3,209	756
A.4 financial institutions	-287	-250	12	-1	-	-	-155	-39	30	-	-	-	-27	1
A.5 insurance companies	-34	-10	3	-20	-6	-	-1	-	-	-	-	-	-13	1
A.6 non-financial companies	-27	-2	6	-	-	-	-123	-60	32	-1	-	1	-1	-
A.7 other counterparties	-94	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2008	**-1,259**	**-5,381**	**83**	**-22**	**-44**	**-**	**-1,290**	**-3,836**	**188**	**-1**	**-14**	**1**	**-3,250**	**758**
Total 31.12.2007	**-1,203**	**-4,085**	**145**	**-263**	**-191**	**1**	**-469**	**-1,714**	**128**	**-**	**-8**	**-**	**-1,475**	**553**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	-98	-1,662	1	-15	-	-	-1	-602	-	-	-	-	-22	6
B.4 financial institutions	-2	-250	-	-	-	-	-	-	-	-	-	-	-14	7
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	-4	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 other counterparties	-560	-	-	-130	-	-	-1	-	-	-	-	-	-	-
Total 31.12.2008	**-664**	**-1,912**	**1**	**-145**	**-**	**-**	**-2**	**-602**	**-**	**-**	**-**	**-**	**-36**	**13**
Total 31.12.2007	**-775**	**-1,554**	**3**	**-334**	**-**	**-**	**-6**	**-150**	**1**	**-**	**-**	**-**	**-92**	**58**

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. Regulatory trading book	**351,731**	**98,575**	**69,659**	**519,965**
A.1 Financial derivatives on debt securities and interest rates	266,065	81,247	63,400	410,712
A.2 Financial derivatives on equities and stock indexes	1,046	3,795	3,026	7,867
A.3 Financial derivatives on foreign exchange rates and gold	84,556	13,525	3,233	101,314
A.4 Financial derivatives - other	64	8	-	72
B. Banking book	**78,201**	**58,740**	**29,421**	**166,362**
B.1 Financial derivatives on debt securities and interest rates	75,837	53,074	28,630	157,541
B.2 Financial derivatives on equities and stock indexes	1,631	3,430	31	5,092
B.3 Financial derivatives on foreign exchange rates and gold	733	2,236	760	3,729
B.4 Financial derivatives - other	-	-	-	-
Total 31.12.2008	**429,932**	**157,315**	**99,080**	**686,327**
Total 31.12.2007	**516,408**	**191,026**	**110,993**	**818,427**

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end and average notional amounts

(in millions of euro)

	Regulatory trading book		Other operations	
	single counterparty	more counterparties (basket)	single counterparty	more counterparties (basket)
1. Protection purchases				
1.1 Physical settlement	15,095	9,940	66	-
Credit default swap	*15,095*	*9,940*	*66*	-
Credit default option	-	-	-	-
Credit linked notes	-	-	-	-
1.2 Cash settlement	628	1,210	507	-
Credit default swap	*612*	*1,210*	*507*	-
Total rate of return swap	*16*	-	-	-
Total 31.12.2008	**15,723**	**11,150**	**573**	**-**
Total 31.12.2007	**22,181**	**15,016**	**181**	**402**
Average values	**18,952**	**13,083**	**377**	**201**
2. Protection sales				
2.1 Physical settlement	15,348	12,039	-	-
Credit default swap	*15,318*	*11,912*	-	-
Credit linked notes	*30*	*127*	-	-
Other derivatives	-	-	- -	-
2.2 Cash settlement	976	1,520	-	78
Credit default swap	*836*	*1,520*	-	*78*
Credit linked notes	-	-	-	-
Total rate of return swap	*140*	-	-	-
Total 31.12.2008	**16,324**	**13,559**	**-**	**78**
Total 31.12.2007	**19,569**	**18,293**	**-**	**105**
Average values	**17,947**	**15,926**	**-**	**92**

Part of the contracts in force as at 31 December 2008, set out in the table above, is included in structured credit derivatives which were affected to different extents by the financial market crisis: 2,415 million euro of protection purchases and 5,155 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 the 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. Regulatory trading book	**26,184**	**2,570**	**1,565**
A.1 Protection purchases with	24,785	2,556	1,565
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*17,904*	*1,910*	*1,125*
4. Financial institutions	*6,881*	*646*	*440*
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
A.2 Protection sales with	1,399	14	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*1,093*	*12*	-
4. Financial institutions	*306*	*2*	-
5. Insurance companies	-	-	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
B. Banking book	**573**	**-**	**-**
B.1 Protection purchases with	573	-	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*51*	-	-
4. Financial institutions	*522*	-	-
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 31.12.2008	**26,757**	**2,570**	**1,565**
Total 31.12.2007	**37,489**	**1,208**	**630**

B.3. Credit derivatives: negative fair value - financial risk

(in millions of euro)

	Notional amount	Negative fair value
Regulatory trading book		
1. Protection purchases with		
1.1 Governments and Central Banks	-	-
1.2 Other public entities	-	-
1.3 Banks	1,094	-11
1.4 Financial institutions	574	-5
1.5 Insurance companies	-	-
1.6 Non-financial companies	420	-1
1.7 Other counterparties	-	-
Total 31.12.2008	**2,088**	**-17**
Total 31.12.2007	**13,339**	**-143**

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. Regulatory trading book	**13,917**	**32,930**	**9,909**	**56,756**
A.1 Credit derivatives with "qualified reference obligation"	9,914	23,794	6,457	40,165
A.2 Credit derivatives with "unqualified reference obligation"	4,003	9,136	3,452	16,591
B. Banking book	**11**	**200**	**440**	**651**
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	11	200	440	651
Total 31.12.2008	**13,928**	**33,130**	**10,349**	**57,407**
Total 31.12.2007	**13,112**	**48,986**	**13,649**	**75,747**

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	Unspecified maturity
Cash assets	**43,838**	**26,358**	**15,866**	**22,050**	**20,242**	**16,545**	**15,392**	**75,999**	**67,291**	**3,924**
A.1 Government bonds	-	-	-	-	123	202	1,624	2,395	1,631	-
A.2 Quoted debt securities	-	-	-	2	13	9	70	1,565	293	-
A.3 Other debt securities	1	172	340	138	285	229	2,125	12,091	3,727	-
A.4 Quotas of UCITS	244	-	-	-	-	-	-	-	-	-
A.5 Loans	43,593	26,186	15,526	21,910	19,821	16,105	11,573	59,948	61,640	3,924
- Banks	*13,653*	*20,628*	*8,064*	*12,501*	*11,169*	*3,222*	*3,641*	*12,499*	*11,098*	*134*
- Customers	*29,940*	*5,558*	*7,462*	*9,409*	*8,652*	*12,883*	*7,932*	*47,449*	*50,542*	*3,790*
Cash liabilities	**102,610**	**4,991**	**7,259**	**12,058**	**17,481**	**9,899**	**16,042**	**69,883**	**41,238**	**-**
B.1 Deposits	100,660	3,505	4,194	6,904	7,141	4,177	11,347	12,546	10,948	-
- Banks	*6,745*	*1,695*	*3,667*	*4,941*	*6,031*	*3,642*	*11,102*	*11,866*	*10,833*	-
- Customers	*93,915*	*1,810*	*527*	*1,963*	*1,110*	*535*	*245*	*680*	*115*	-
B.2 Debt securities	1,488	870	695	1,501	4,651	4,828	4,559	55,931	28,140	-
B.3 Other liabilities	462	616	2,370	3,653	5,689	894	136	1,406	2,150	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*3*	*4,570*	*3,044*	*3,747*	*5,512*	*3,150*	*3,154*	*3,655*	*1,603*	-
- Short positions	*2*	*7,543*	*3,395*	*5,051*	*16,697*	*10,341*	*5,456*	*9,650*	*2,257*	-
C.2 Deposits and loans to be settled										
- Long positions	*913*	-	-	-	-	-	-	-	-	-
- Short positions	-	*149*	*100*	*278*	*284*	*101*	-	-	-	-
C.3 Irrevocable commitments to lend funds										
- Long positions	-	*3*	*4*	*2,004*	*1,300*	*2,164*	*2,217*	*12,921*	*2,328*	-
- Short positions	*2,203*	*57*	-	*5*	*1,077*	*2,164*	*2,187*	*12,922*	*2,329*	-

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	Unspecified maturity
Cash assets	**2,079**	**1,563**	**1,387**	**2,335**	**3,486**	**2,328**	**1,446**	**6,147**	**2,081**	**52**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	21	74	4	209	116	-
A.3 Other debt securities	-	453	-	55	50	67	87	534	619	-
A.4 Quotas of UCITS	676	-	-	-	-	-	-	-	-	-
A.5 Loans	1,403	1,110	1,387	2,280	3,415	2,187	1,355	5,404	1,346	52
- Banks	*712*	*526*	*803*	*836*	*1,972*	*961*	*454*	*1,055*	*21*	-
- Customers	*691*	*584*	*584*	*1,444*	*1,443*	*1,226*	*901*	*4,349*	*1,325*	*52*
Cash liabilities	**3,241**	**7,148**	**3,564**	**5,921**	**20,665**	**8,768**	**1,362**	**1,804**	**44**	**-**
B.1 Deposits	3,177	6,622	2,175	3,590	8,001	2,782	213	1,091	13	-
- Banks	*1,250*	*1,052*	*808*	*1,795*	*2,445*	*733*	*192*	*1,088*	*11*	-
- Customers	*1,927*	*5,570*	*1,367*	*1,795*	*5,556*	*2,049*	*21*	*3*	*2*	-
B.2 Debt securities	-	160	1,188	1,685	9,400	5,911	1,149	713	31	-
B.3 Other liabilities	64	366	201	646	3,264	75	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*1*	*7,448*	*3,033*	*5,248*	*17,199*	*8,541*	*4,937*	*5,919*	*835*	-
- Short positions	*3*	*4,973*	*1,996*	*3,423*	*4,989*	*2,805*	*3,450*	*3,489*	*889*	-
C.2 Deposits and loans to be settled										
- Long positions	*441*	-	-	-	-	-	-	-	-	-
- Short positions	-	*140*	*75*	-	*223*	-	*3*	-	-	-
C.3 Irrevocable commitments to lend funds										
- Long positions	-	-	*11*	*2*	*265*	*344*	*1,175*	*3,683*	*3,882*	-
- Short positions	*20*	*66*	-	-	*256*	*327*	*1,055*	*3,760*	*3,881*	-

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	Unspecified maturity
Cash assets	**438**	**85**	**79**	**211**	**105**	**35**	**24**	**446**	**265**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	19	123	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-	-
A.5 Loans	438	85	79	211	105	35	24	427	142	-
- Banks	*373*	*57*	*69*	*161*	*24*	*29*	*13*	-	-	-
- Customers	*65*	*28*	*10*	*50*	*81*	*6*	*11*	*427*	*142*	-
Cash liabilities	**471**	**512**	**977**	**499**	**240**	**966**	**227**	**1,514**	**1,494**	**-**
B.1 Deposits	471	297	766	462	75	115	155	149	-	-
- Banks	*265*	*211*	*617*	*369*	*5*	*112*	*127*	*149*	-	-
- Customers	*206*	*86*	*149*	*93*	*70*	*3*	*28*	-	-	-
B.2 Debt securities	-	215	184	-	60	851	72	1,365	1,494	-
B.3 Other liabilities	-	-	27	37	105	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*709*	*290*	*397*	*402*	*1,173*	*532*	*3,059*	*784*	-
- Short positions	-	*91*	*193*	*184*	*270*	*233*	*335*	*264*	*611*	-
C.2 Deposits and loans to be settled										
- Long positions	*120*	-	-	-	-	-	-	-	-	-
- Short positions	-	*118*	*2*	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds										
- Long positions	-	*52*	-	-	-	-	-	-	-	-
- Short positions	*52*	-	-	-	-	-	-	-	-	-

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	Unspecified maturity
Cash assets	**287**	**55**	**337**	**229**	**589**	**353**	**187**	**280**	**126**	**15**
A.1 Government bonds	-	-	-	-	56	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	318	199	121	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-	-
A.5 Loans	287	55	337	229	215	154	66	280	126	15
- Banks	*203*	*8*	*290*	*115*	*46*	*42*	*29*	*102*	*39*	-
- Customers	*84*	*47*	*47*	*114*	*169*	*112*	*37*	*178*	*87*	*15*
Cash liabilities	**225**	**2**	**5**	**3**	**-**	**316**	**107**	**538**	**249**	**-**
B.1 Deposits	225	2	5	3	-	262	107	119	88	-
- Banks	*124*	*2*	*5*	-	-	*262*	*107*	*95*	*88*	-
- Customers	*101*	-	-	*3*	-	-	-	*24*	-	-
B.2 Debt securities	-	-	-	-	-	54	-	419	161	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*265*	*590*	*370*	*327*	*402*	*179*	*564*	*333*	-
- Short positions	-	*790*	*980*	*792*	*1,188*	*86*	*69*	*20*	*87*	-
C.2 Deposits and loans to be settled										
- Long positions	*63*	-	-	-	-	-	-	-	-	-
- Short positions	-	*63*	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds										
- Long positions	-	*92*	*2*	-	*1*	-	*4*	-	-	-
- Short positions	*95*	*4*	-	-	-	-	-	-	-	-

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	Unspecified maturity
Cash assets	**203**	**129**	**284**	**174**	**1,234**	**99**	**15**	**598**	**34**	**1**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	28	-	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-	-
A.5 Loans	203	129	284	174	1,234	99	15	570	34	1
- Banks	*178*	*44*	*227*	*101*	*701*	*13*	*1*	*438*	*34*	-
- Customers	*25*	*85*	*57*	*73*	*533*	*86*	*14*	*132*	-	*1*
Cash liabilities	**302**	**108**	**173**	**232**	**130**	**10**	**85**	**3**	**34**	**-**
B.1 Deposits	302	91	173	232	130	10	85	3	-	-
- Banks	*182*	*91*	*173*	*221*	*108*	-	*5*	-	-	-
- Customers	*120*	-	-	*11*	*22*	*10*	*80*	*3*	-	-
B.2 Debt securities	-	17	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	34	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	*233*	*104*	*500*	*323*	*133*	*154*	*33*	-	-
- Short positions	-	*565*	*98*	*810*	*1,117*	*185*	*69*	*480*	-	-
C.2 Deposits and loans to be settled										
- Long positions	*7*	-	-	-	-	-	-	-	-	-
- Short positions	-	*6*	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds										
- Long positions	-	*24*	*1*	*1*	*1*	-	-	-	-	-
- Short positions	*27*	-	-	-	-	-	-	-	-	-

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	Unspecified maturity
Cash assets	**252**	**168**	**375**	**296**	**224**	**126**	**60**	**761**	**41**	**1**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Quoted debt securities	-	2	1	-	3	-	20	6	-	-
A.3 Other debt securities	-	-	-	-	-	27	-	21	-	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-	-
A.5 Loans	252	166	374	296	221	99	40	734	41	1
- Banks	*160*	*39*	*329*	*126*	*56*	*19*	*-*	*13*	*-*	*-*
- Customers	*92*	*127*	*45*	*170*	*165*	*80*	*40*	*721*	*41*	*1*
Cash liabilities	**224**	**95**	**125**	**177**	**319**	**443**	**208**	**289**	**319**	**-**
B.1 Deposits	224	95	92	165	303	303	112	91	37	-
- Banks	*110*	*71*	*76*	*161*	*265*	*294*	*98*	*36*	*37*	*-*
- Customers	*114*	*24*	*16*	*4*	*38*	*9*	*14*	*55*	*-*	*-*
B.2 Debt securities	-	-	19	-	16	140	96	198	282	-
B.3 Other liabilities	-	-	14	12	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	*1*	*744*	*319*	*795*	*938*	*947*	*1,077*	*1,370*	*312*	*-*
- Short positions	*-*	*1,227*	*687*	*891*	*1,008*	*700*	*846*	*1,319*	*15*	*-*
C.2 Deposits and loans to be settled										
- Long positions	*88*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*65*	*7*	*-*	*2*	*13*	*-*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds										
- Long positions	*-*	*55*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*55*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*

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	826	4,095	32,780	3,923	31,541	57,186
2. Securities issued	-	17	19,216	-	880	110,384
3. Financial liabilities held for trading	6	-	1,894	71	214	13,728
4. Fair value financial liabilities	-	-	-	-	-	-
Total 31.12.2008	**832**	**4,112**	**53,890**	**3,994**	**32,635**	**181,298**
Total 31.12.2007	**557**	**3,490**	**15,642**	**2,201**	**40,698**	**161,789**

3. Geographical breakdown of financial liabilities

(in millions of euro)

	Italy	Other European Countries	America	Asia	Rest of the World
1. Due to customers	106,818	5,400	16,357	457	1,319
2. Due to banks	41,792	36,015	1,058	6,777	2,046
3. Securities issued	106,524	4,173	19,190	610	-
4. Financial liabilities held for trading	4,560	9,516	1,756	48	34
5. Fair value financial liabilities	-	-	-	-	-
Total 31.12.2008	**259,694**	**55,104**	**38,361**	**7,892**	**3,399**
Total 31.12.2007	**238,992**	**53,298**	**19,941**	**8,672**	**5,372**

SECTION 4 - OPERATIONAL RISK

QUALITATIVE INFORMATION
Qualitative information is contained in Part E of the Notes to the consolidated financial statements.

QUANTITATIVE INFORMATION
The capital absorption for Operational Risks with the Standard Approach for Intesa Sanpaolo was approximately 1.3 billion euro. The result obtained with the internal model was on similar levels; the Economic Capital (Parent Company's contribution to consolidated amount) absorbed by operational risks, with a 99.96% confidence level and diversified with the other risk types, totalled around 1 billion euro.

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 8%. This capital requirement may be reduced by 25% provided that the amount of the consolidated regulatory capital, including Tier 3 capital, is equal to or higher than total consolidated capital requirements.

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 2008 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.

Further details on qualitative information on regulatory capital and capital ratios are 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 reimburse-ment	Currency	Original amount in currency (in millions)	Contribution to capital for supervisory purposes (in millions of euro)
Subordinated linked to Preferred Shares issue	8.126%; from 10/11/2010 1-year Euribor + 3.5% p.a.	YES	10-Nov-2000	perpetual	10-Nov-2010	Euro	1,000	1,000
Subordinated deposit	6.988% fixed rate; from 12/07/2011 3-month Euribor + 2.60%	YES	12-Jul-2001	perpetual	12-Jul-2011	Euro	500	500
Subordinated bonds	8.698% up to 24/9/2018 (excluded); thereafter at 3-month Euribor + 5.05%	YES	24-Sep-2008	perpetual	24-Sep-2018	Euro	250	250
Subordinated bonds	8.047% up to 20/06/2018 (excluded); thereafter at 3-month Euribor + 4.10%	YES	20-Jun-2008	perpetual	20-Jun-2018	Euro	1,250	1,250
Total innovative equity instruments (Tier I)								**3,000**

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)	**Contribution to capital for supervisory purposes** (in millions of euro)
Subordinated bonds	6.625% fixed rate	NO	8-May-2008	8-May-2018	NO	Euro	1,250	1,242
Subordinated bonds	6.16% fixed rate	NO	27-Jun-2008	27-Jun-2018	NO	Euro	120	119
Total hybrid instruments (Upper Tier 2)								**1,361**
Subordinated bonds	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%)	NO	16-Jun-1998	17-Jun-2013	NO	Lit	500,000	258
Subordinated bonds	8% for 1st coupon, 6.375% for 2nd and 3rd coupons, 13.8% thereafter less 2 times the 12-month Libor (max 5.3%-min 4.5%)	NO	30-Jun-1998	1-Jul-2013	NO	Lit	200,000	103
Subordinated bonds	8% 1st coupon, 5% 2nd coupon, 4% 3rd coupon, thereafter 70% of 10-year swap rate	NO	9-Mar-1999	9-Mar-2014	NO	Lit	480,000	248
Subordinated bonds	8% 1st coupon, 5.5% 2nd coupon, 4% 3rd coupon, thereafter 65% of 10-year swap rate with minimum 4%	NO	15-Jul-1999	15-Jul-2014	NO	Euro	250	218
Subordinated bonds	5.3% fixed rate	NO	22-Oct-1999	1-Jan-2010	NO	Euro	150	60
Subordinated bonds	5.1% fixed rate	NO	17-Nov-1999	17-Nov-2009	17-Nov-2005	Euro	350	70
Subordinated bonds	5.2% fixed rate	NO	7-Dec-1999	1-Jan-2010	NO	Euro	90	36
Subordinated bonds	5.3% fixed rate	NO	21-Jan-2000	1-Jan-2010	NO	Euro	100	40
Subordinated bonds	5.5% fixed rate	NO	16-Feb-2000	1-Jan-2010	NO	Euro	41	16
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	Euro	65	65
Subordinated bonds	92% of 30-year Euro Swap mid rate: never less than that of previous coupon	NO	12-Mar-2001	23-Feb-2015	NO	Euro	50	50
Subordinated bonds	5.35% fixed rate	NO	9-Apr-2001	9-Apr-2011	NO	Euro	125	75
Subordinated bonds	5.20% fixed rate	NO	15-Jan-2002	15-Jan-2012	NO	Euro	266	213
Subordinated bonds	5.50% fixed rate	NO	12-Apr-2002	12-Apr-2012	NO	Euro	126	100
Subordinated bonds	5.85% fixed rate; as of 08/05/2009 3-month Euribor + 1.25%	YES	8-May-2002	8-May-2014	8-May-2009	Euro	500	498
Subordinated bonds	3-month Euribor + 0.25%	YES	8-Feb-2006	8-Feb-2016	8-Feb-2011	Euro	1,500	1,493
Subordinated bonds	5.87% fixed rate	NO	26-Nov-2008	26-Nov-2015	NO	Euro	415	415
Subordinated bonds	6.25% fixed rate	NO	12-Nov-2008	12-Nov-2015	NO	Euro	545	544
Subordinated bonds	6.16% fixed rate	NO	29-Oct-2008	29-Oct-2015	NO	Euro	382	382
Subordinated bonds	4.80%	NO	28-Mar-2008	28-Mar-2015	NO	Euro	800	800
Subordinated bonds	5.75% fixed rate; as of 28/05/2013 3-month Euribor + 1.98%	YES	28-May-2008	28-May-2018	28-May-2013	Euro	1,000	997
Subordinated bonds	4.00%	NO	30-Sep-2008	30-Sep-2015	NO	Euro	1,097	1,028
Subordinated bonds	5.50% fixed rate; as of 19/12/2011 3-month GBP Libor + 0.99%	YES	19-Jul-2006	19-Dec-2016	19-Dec-2011	GBP	1,000	1,047

Characteristics of subordinated instruments	Interest rate	Step-up	Issue date	Expiry date	Early reimburse-ment	Currency	Original amount in currency (in millions)	Contribution to capital for supervisory purposes (in millions of euro)
Subordinated bonds	6.375% fixed rate; as of 12/11/2012 3-month GBP Libor	YES	12-Oct-2007	12-Oct-2017	12-Oct-2012	GBP	250	262
Subordinated bonds	5.75% p.a.	NO	15-Sep-1999	15-Sep-2009	NO	Euro	150	30
Notes	6.375% p.a.	NO	6-Apr-2000	6-Apr-2010	NO	Euro	500	200
Notes	5.375% p.a.	NO	13-Dec-2002	13-Dec-2012	NO	Euro	300	239
Notes	up to 9/6/2010 (excluded): 3.75% p.a. thereafter: 3-month Euribor + 1.05% p.a.	YES	9-Jun-2003	9-Jun-2015	9-Jun-2010	Euro	350	349
Notes	up to 18/03/2019 (excluded): 5.625% p.a., thereafter 3-month Sterling LIBOR + 1.125% p.a.	YES	18-Mar-2004	18-Mar-2024	18-Mar-2019	GBP	165	173
Notes	up to 28/06/2011 (excluded): 3-month Euribor + 0.30% p.a.; thereafter 3-month Euribor + 0.90% p.a.	YES	28-Jun-2004	28-Jun-2016	28-Jun-2011	Euro	700	699
Subordinated bonds	up to 3/8/2009 (excluded): 3.72% p.a., thereafter 6-month Euribor + 0.60% p.a.	YES	3-Aug-2004	3-Aug-2014	3-Aug-2009	Euro	134	134
Subordinated bonds	up to 01/08/2010 (excluded): 2.90% p.a., thereafter 6-month Euribor + 0.74% p.a.	YES	1-Aug-2005	1-Aug-2015	1-Aug-2010	Euro	20	20
Notes	up to 02/03/2015 (excluded): 3.75% p.a., thereafter 3-month Euribor + 0.89% p.a.	YES	2-Mar-2005	2-Mar-2020	2-Mar-2015	Euro	500	496
Notes	up to 20/02/2013 (excluded): 3-month Euribor + 0.25% p.a.; thereafter 3-month Euribor + 0.85% p.a.	YES	20-Feb-2006	20-Feb-2018	20-Feb-2013	Euro	750	749
Notes	up to 19/04/2011 (excluded): 3-month Euribor + 0.20% p.a.; thereafter 3-month Euribor + 0.80% p.a.	YES	19-Apr-2006	19-Apr-2016	19-Apr-2011	Euro	500	492
Notes	up to 26/6/2013 (excluded): 4.375% p.a., thereafter 3-month Euribor +1.00% p.a.	YES	26-Jun-2006	26-Jun-2018	26-Jun-2013	Euro	500	500
Total eligible subordinated liabilities (Lower Tier 2)								**13,099**
TOTAL								**17,460**

Quantitative information

(in millions of euro)

	31.12.2008	31.12.2007
A. Tier 1 capital before the application of prudential filters	**38,714**	**33,102**
B. Tier 1 capital prudential filters	-605	-10
B.1 Positive IAS/IFRS prudential filters (+)	-	-
B.2 Negative IAS/IFRS prudential filters (-)	*-605*	*-10*
C. Tier 1 before items to be deducted (A+B)	**38,109**	**33,092**
D. Items to be deducted from Tier 1	**490**	**945**
E. Total Tier 1 capital (C-D)	**37,619**	**32,147**
F. Tier 2 capital before the application of prudential filters	**15,406**	**12,675**
G. Tier 2 capital prudential filters	-	-184
G.1 Positive IAS/IFRS prudential filters (+)	-	-
G.2 Negative IAS/IFRS prudential filters (-)	-	*-184*
H. Tier 2 before items to be deducted (F+G)	**15,406**	**12,491**
I. Items to be deducted from Tier 2	**490**	**945**
L. Total Tier 2 capital (H-I)	**14,916**	**11,546**
M. Items to be deducted from total Tier 1 and Tier 2 capital	**3,783**	**3,417**
N. Regulatory capital (E+L-M)	**48,752**	**40,276**
O. Tier 3 capital	**-**	**254**
P. Regulatory capital including Tier 3 (N+O)	**48,752**	**40,530**

2.2. Capital adequacy

Qualitative information

The year 2008 saw the full entry into force of the "New regulations for the prudential supervision of banks" (Circular 263 of 27 December 2006 issued by the Bank of Italy), implementing the provisions on the International Convergence of Capital Measurement and Capital Standards (Basel II). In this regard, Intesa Sanpaolo has been authorised by the Bank of Italy to adopt the Foundation Internal Rating Based method (FIRB) for calculating capital requirements for credit risk, only using internal assessment of probability of default (PD) parameters for the regulatory corporate portfolio.

Under the above mentioned Supervisory Instructions, the bank must hold total capital equivalent to at least 8% of the total risk-weighted assets (total capital ratio) in relation to the typical risks associated with banking and financial activities (credit and counterparty risks, market risks and operational risks), weighted on the basis of regulatory segmentation of borrowing counterparties and taking into account credit risk mitigation techniques. This capital requirement may be reduced by 25% provided that the amount of the consolidated regulatory capital, including Tier 3 capital, is equal to or higher than total consolidated capital requirements.

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 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. Counterparty risk is calculated independently of the allocated portfolio.

Moreover, a specific capital requirement pertaining to operational risk has been established, in order to address the increased exposure of banks to this type of risk and upgrade the units for the management and control of intermediaries.

For the assessment of capital 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 2008, Intesa Sanpaolo had a Tier 1 ratio (Tier 1 capital/risk-weighted assets) equal to 15.1% and a Total capital ratio (regulatory capital/risk-weighted assets) equal to 19.5%.

Quantitative information

(in millions of euro)

	Unweighted amounts	Weighted amounts/ requirements
A. RISK ASSETS		
A.1 Credit and counterparty risk	**469,674**	**224,437**
1. Standard methodology	*341,565*	*122,168*
2. Methodology based on internal ratings	121,664	100,220
2.1 Base	*121,664*	*100,220*
2.2 Advanced	-	-
3. Securitisations	*6,445*	*2,049*
B. CAPITAL REQUIREMENTS		
B.1 Credit and counterparty risks		**17,955**
B.2 Market risk		**746**
1. Standard methodology		*654*
2. Internal models		*92*
3. Concentration risk		-
B.3 Operational risk		**1,273**
1. Base methodology		-
2. Standard methodology		*1,273*
3. Advanced methodology		-
B.4 Other capital requirements		**-**
B.5 Total capital requirements		**14,980**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS		
C.1 Risk-weighted assets		**249,674**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)		**15.1%**
C.3 Total capital / Risk-weighted assets (Total capital ratio)		**19.5%**

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 2008:

- acquisition of control of the Carifirenze Group on 29 January 2008;
- acquisition of control of Pravex Bank on 27 June 2008;
- acquisition of control of Intesa Sanpaolo Servizi Transazionali (former MPS Finance) finalised on 14 May 2008;

For a description of the abovementioned transactions, 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)

	31.12.2008
Initial goodwill	**7,310**
Increases	**-**
- Goodwill recorded in the year	-
- Positive foreign exchange differences	-
Decreases	**-440**
- Impairment recorded in the year	-
- Disinvestments	-440
- Negative foreign exchange differences	-
Final goodwill	**6,870**

The reduction in goodwill is attributable to the following factors:

- the sale of branches to comply with the decision issued by the Italian Competition Authority,
- intragroup transfer of branches to Cassa di Risparmio del Veneto,
- intragroup transfer of branches to Banco di Napoli.

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

2.1 Business combinations

No business combinations were carried out after the end of 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. The Regulations set out the criteria and principles for identifying related parties, assessing and approving transactions, and subsequently providing information to Corporate bodies and to the market. In the first six months changes to the Regulations were made in order to strengthen the coverage of Group controls further.

In accordance with the criteria set out in IAS 24, the Regulations define the rules for identifying in concrete terms the various entities belonging to the categories defined 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 Operations and Special Projects.

Although no Bank shareholder, alone or jointly with others, is able to exercise control or significant influence on management as per IAS 24, the Management and Supervisory Boards have 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 standards, in order to include those Shareholders and their corporate 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 approach enables closer monitoring of transactions with the main shareholders, by subjecting them to the same assessment and approval procedure as for transactions with related parties.

The Regulations set forth the assessment procedures that must be followed by the Parent Company and subsidiary companies when carrying out transactions with related parties, to ensure appropriateness of the transactions. The Regulations require, inter alia, detailed examination of the rationale for the transaction and its potential effects on the Bank's financials.

With regard to approval, the transactions falling under the sole responsibility of the Management Board are "significant" transactions between the Parent Company and its related parties. "Significant" transactions are those having a major impact on the Bank's financials, as defined on the basis of specific qualitative and/or quantitative criteria applying to each type of transaction. In particular, they include:

1) transactions for an amount in excess of 3 million euro (or in excess of 20 million euro if the transactions are with companies belonging to the banking or corporate 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 produce changes in the Banking Group;
    c) the purchase and sale of companies, business lines or entire business portfolios;
    d) framework agreements governing the provision of services or the placement or distribution of products/services with annual duration and automatic renewal, or multi-year;
2) transactions for an amount in excess of 25% of each company's Tier 1 capital/shareholder's equity or in any case higher than 25 million euro, investments in companies of the banking or corporate Group through capital interventions, hybrid capital instruments, eligible subordinated liabilities in the subsidiary's regulatory capital, the granting of overdrafts that are not for the purpose of supporting the subsidiary's core business;

3) the granting of overdrafts to related parties that are not part of the Banking Group, for an amount in excess of 0.50% of the consolidated regulatory capital;
4) financial and commercial transactions other than those mentioned above for an amount in excess of 20 million euro, excluding credit transactions and bank funding operations carried out at market conditions.

Stricter limits have been established for non-performing exposures (substandard, doubtful and restructured loans).
The Management Board always has jurisdiction over transactions that, due to their subject, the nature of the parties, the consideration paid and 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).
In compliance with the provisions of the Corporate Governance 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 of independent experts, where considered appropriate, in respect with the degree of significance of the transaction, its specific economic or structural characteristics 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 changes made to the Regulations in 2008, the prior opinion of the Parent Company's Control Committee is also required for the most significant transactions between subsidiary banks and parties related to 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 its subsidiaries. Different 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, please note 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 deed must have the approval of the Parent Company. As provided for by 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 in which board members have administration, direction or control functions. Moreover, it also applies to the controlling companies and 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 set forth 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, in his/her own name 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 account 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 2008, 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 operations 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)

	31.12.2008
Short-term benefits [1]	23
Post-retirement benefits [2]	2
Other long-term benefits [3]	-
Employee termination indemnities [4]	5
Stock option plans [5]	1
Total remuneration paid to Key Managers	**31**

[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 law 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 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)

EXECUTIVE/DIRECTOR	OFFICE DESCRIPTION			COMPENSATION			
Name and Surname	**Office**	**Term of office**	**Expiry date**	**Compensation for the office in the reporting company** (1)	**Non-monetary benefits**	**Bonuses and other incentives**	**Other compens.** (2)
Giovanni BAZOLI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Chairman Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	1,200			
	Chairman Strategy Committee	from 01/01/08 to 31/12/08	31 December 2009	-			
	Chairman Nomination Committee	from 01/01/08 to 31/12/08	31 December 2009	-			
	Attendance fees			4			
Antoine BERNHEIM	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Deputy Chairman Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	200			
	Member Strategy Committee	from 01/01/08 to 31/12/08	31 December 2009	-			
	Attendance fees			2			
Rodolfo ZICH	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Deputy Chairman Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	200			
	Member Strategy Committee	from 01/01/08 to 31/12/08	31 December 2009	-			
	Member Nomination Committee	from 01/01/08 to 31/12/08	31 December 2009	-			
	Attendance fees			4			
Carlo BAREL DI SANT'ALBANO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	- (a)			
	Member Strategy Committee	from 01/01/08 to 31/12/08	31 December 2009				
	Attendance fees			- (a)			
Pio BUSSOLOTTO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 08/04/08	8 April 2008	41			8
	Member Strategy Committee	from 01/01/08 to 08/04/08	8 April 2008				
	Attendance fees			2			
Rosalba CASIRAGHI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			71
	Member Control Committee	from 01/01/08 to 31/12/08	31 December 2009				
	Attendance fees			134			
Marco CIABATTONI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 30/04/08 to 31/12/08	31 December 2009	100			
	Member Financial Statements Committee	from 30/04/08 to 31/12/08	31 December 2009				
	Attendance fees			18			
Giovanni COSTA	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Member Financial Statements Committee	from 01/01/08 to 19/05/08	19 May 2008	-			
	Member Strategy Committee	from 20/05/08 to 31/12/08	31 December 2009				
	Attendance fees			20			
Franco DALLA SEGA	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			89
	Secretary Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
Gianluca FERRERO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Member Financial Statements Committee	from 01/01/08 to 31/12/08	31 December 2009	-			
	Attendance fees			38			
Angelo FERRO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Member Nomination Committee	from 01/01/08 to 31/12/08	31 December 2009				
	Attendance fees			2			
Pietro GARIBALDI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Member Control Committee	from 01/01/08 to 31/12/08	31 December 2009	-			
	Attendance fees			134			
Fabrizio GIANNI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 27/04/08	27 April 2008	49			
	Member Nomination Committee	from 01/01/08 to 27/04/08	27 April 2008				
	Attendance fees			-			
Giulio LUBATTI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Chairman Control Committee	from 01/01/08 to 31/12/08	31 December 2009	50			
	Member Remuneration Committee (3)	from 01/01/08 to 31/12/08	31 December 2009				
	Attendance fees			136			
Giuseppe MAZZARELLO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Member Nomination Committee	from 01/01/08 to 31/12/08	31 December 2009				
	Attendance fees			2			

(in thousands of euro)

EXECUTIVE/DIRECTOR	OFFICE DESCRIPTION			COMPENSATION			
Name and Surname	**Office**	**Term of office**	**Expiry date**	**Compensation for the office in the reporting company** (1)	**Non-monetary benefits**	**Bonuses and other incentives**	**Other compens.** (2)
Eugenio PAVARANI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			31
	Chairman Financial Statements Committee	from 01/01/08 to 31/12/08	31 December 2009	50			
	Member Remuneration Committee (3)	from 01/01/08 to 31/12/08	31 December 2009	-			
	Attendance fees			38			
Gianluca PONZELLINI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			88
	Chairman Remuneration Committee (3)	from 01/01/08 to 31/12/08	31 December 2009	-			
	Member Control Committee	from 01/01/08 to 31/12/08	31 December 2009	-			
	Attendance fees			126			
Gian Guido SACCHI MORSIANI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Member Financial Statements Committee	from 01/01/08 to 31/12/08	31 December 2009				
	Attendance fees			40			
Ferdinando TARGETTI	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Member Financial Statements Committee	from 01/01/08 to 31/12/08	31 December 2009				
	Attendance fees			38			
Livio TORIO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 01/01/08 to 31/12/08	31 December 2009	150			118
	Member Control Committee	from 01/01/08 to 31/12/08	31 December 2009				
	Attendance fees			122			
Riccardo VARALDO	**INTESA SANPAOLO S.p.a.**						
	Member Supervisory Board	from 30/04/08 to 31/12/08	31 December 2009	100			9
	Member Nomination Committee	from 30/04/08 to 31/12/08	31 December 2009				
	Attendance fees						
Enrico SALZA	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	Chairman Management Board	from 01/01/08 to 31/12/08	31 December 2009	1,200			
Orazio ROSSI	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/08 to 31/12/08	31 December 2009	150			311
	Deputy Chairman Management Board	from 01/01/08 to 31/12/08	31 December 2009	200			
Corrado PASSERA	**INTESA SANPAOLO S.p.a.**						
	Managing Director and Chief Executive Officer	from 01/01/08 to 31/12/08	31 December 2009	350			
	Member Management Board	from 01/01/08 to 31/12/08	31 December 2009	150			
	General Manager	from 01/01/08 to 31/12/08	31 December 2009	1,500	311	750	

(in thousands of euro)

EXECUTIVE/DIRECTOR	OFFICE DESCRIPTION			COMPENSATION			
Name and Surname	Office	Term of office	Expiry date	Compensation for the office in the reporting company (1)	Non-monetary benefits	Bonuses and other incentives	Other compens. (2)
Aureliano BENEDETTI	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 20/05/08 to 31/12/08	31 December 2009	92			810
Elio CATANIA	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/08 to 31/12/08	31 December 2009	150			
Giuseppe FONTANA	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/08 to 31/12/08	31 December 2009	150			28
Gianluigi GARRINO	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/08 to 31/12/08	31 December 2009	150			39
Giovanni Battista LIMONTA	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/08 to 13/05/08	31 December 2009	55			44
Virgilio MARRONE	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/08 to 31/12/08	31 December 2009	150			
Emilio OTTOLENGHI	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/08 to 31/12/08	31 December 2009	150			227
Giovanni PERISSINOTTO	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/08 to 31/12/08	31 December 2009	150			
Marcello SALA	**INTESA SANPAOLO S.p.a.**						
	Member Management Board	from 01/01/08 to 31/12/08	31 December 2009	150			53
Pietro MODIANO	**INTESA SANPAOLO S.p.a.**						
	General Manager and Deputy to the CEO	from 01/01/08 to 12/12/08	31 December 2009	1,195	197		3,750 (b)
Francesco MICHELI	**INTESA SANPAOLO S.p.a.**						
	General Manager	from 01/01/08 to 31/12/08	31 December 2009	1,250	95	625	- (c)
Other key managers				8,384	456	4,164	1,500 (d)

(1) Compensation for the offices in Intesa Sanpaolo S.p.A. and salaries, excluding compulsory collective social security benefits paid by the Bank and provisions for employee termination indemnities.

(2) Includes the compensation accrued with Intesa Sanpaolo subsidiary companies.

(3) The office of Member of the Remuneration Committee does not receive any attendance fee payment.

(a) 150,000 euro for the office of Member of the Supervisory Board and 2,000 euro, as attendance fee, for the office of Member of the Strategy Committee. Both amounts have been entirely reversed to IFIL INVESTMENTS S.p.A..

(b) The compensation paid for the offices in Group companies representing INTESA SANPAOLO S.p.A., which amounts to 257 thousand euro, has not been included in this item, since it was reversed in full to the Bank.

(c) The compensation paid for the offices in Group companies representing INTESA SANPAOLO S.p.A., which amounts to 79 thousand euro, has not been included in this item, since it was reversed in full to the Bank.

(d) The compensation paid for the offices in Group companies representing INTESA SANPAOLO S.p.A., which amounts to 564 thousand euro, has not been included in this item, since it was reversed in full to the Bank.

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 2008 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 euro)	**Market price** (in euro)	**Residual Maturity rights existing as at 31.12.2008**
Rights existing as at 31 December 2007	3,115,000	3.951	5.397 (a)	
Adjustments for changes in the scope of consolidation and company operations (b)	311,500	3.951	-	
Rights exercised in 2008	-	-	-	
Rights expired (c)	-	-	-	
Rights annulled in 2008 (d)	-	-	-	
Rights assigned in 2008	-	-	-	
Rights existing as at 31 December 2008	3,426,500	3.951	2.519 (e)	March 2009 - April 2012
Of which: exercisable as at 31 December 2008	-	-		

(a) Official reference price as at 28 December 2007.
(b) The reference scope was updated based on changes in the organisational structure and responsibilities occurred in 2008.
(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 30 December 2008.

Strike price (in euro)	**Exercise period**	**Number of shares**	**Of which exercisable as at 31 December 2008**	
			Number	**Contractual average residual maturity**
3.951	March 2009 - April 2012	3,426,500	-	-

2. Information on transactions with related parties

Transactions of atypical and/or unusual nature

During 2008, no "atypical or unusual" transactions were carried out by the Parent Company, the importance/relevance of which might have given rise to concerns regarding the protection of shareholders' equity or of minority shareholders' interests (any atypical or unusual transactions must also be disclosed to the market pursuant to art. 71 bis of Consob 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 2008 – other than those intragroup – amount to a total that is insignificant compared to the size of the Bank's capital base. Likewise, the weight of income and charges with related parties on the Parent Company's operating margin is insignificant.

	31.12.2008	
	Amount (in millions of euro)	**Impact** (%)
Total financial assets	130,483	36.8
Total other assets	3,956	35.3
Total financial liabilities	84,153	36.0
Total other liabilities	1,476	11.8

	31.12.2008	
	Amount (in millions of euro)	**Impact** (%)
Total interest income	7,767	44.6
Total interest expense	7,014	55.8
Total fee and commission income	1,012	32.4
Total fee and commission expense	107	28.3
Total operating costs	182	3.2

The table below sets out the main terms of reference of transactions with each category of related party, as identified by IAS 24. Please see the previous paragraph for information on compensation to Supervisory and Management Board Members, as well as information on Shareholders and their corporate 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) and on parties that are not related pursuant to IAS 24, but are nevertheless included as a form of self-regulation. With regard to Equity investments, please see the tables in the Notes to the Parent Company's financial statements – Part B – Information on the Parent Company's balance sheet – Assets – Section 10.

(in millions of euro)

	Financial assets held for trading	Financial assets available for sale	Investments held to maturity	Due from banks	Loans to customers	Other financial assets	Due to banks	Due to customers	Financial liabilities held for trading	Other financial liabilities	Guarantees given
Subsidiaries	3,665	4,928	-	83,451	29,992	3,933	58,470	19,092	3,572	1,368	-
Companies subject to joint control	5	12	-	400	16	-	2	16	-	23	2
Associates	21	-	-	8	3,483	-	40	858	19	40	763
Key Managers and control bodies	-	-	-	-	1	-	-	16	-	-	-
Other related parties	-	-	-	-	38	2	-	991	-	5	-
Total	**3,691**	**4,940**	**-**	**83,859**	**33,530**	**3,935**	**58,512**	**20,973**	**3,591**	**1,436**	**765**
Shareholders (*)	435	430	-	243	3,355	21	147	922	8	40	351

(*) Shareholders and their groups that hold a stake in the Bank's voting share capital exceeding 2% (calculated considering only shares owned).

Relations between the Intesa Sanpaolo Group and Key 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 intragroup transactions carried out in 2008, 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.

Intragroup 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 transactions within the Group carried out through Banca IMI;
- the outsourcing relationships, reviewed during 2008 in relation to the Groups' different structure, that regulate auxiliary activities provided by the Parent Company mainly to the Network Banks. The services

provided, in particular, 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 (certain agreements are extended to some associates/joint ventures) or, more generally, intragroup support and consultancy;
– 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, Telco and SI Holding (the latter included in non-current assets held for sale and discontinued operations at 31 December 2008).
With regard to transactions with companies subject to joint control (joint venture) we should highlight, inter alia, those with Findomestic, which are attributable to the Group's normal business activities, in joint venture with other parties.
The category "Other related parties" includes the Bank's pension funds, the close relatives of board members, entities controlled by or related to the latter.
For information on the transactions entered into by the Group, see the corresponding chapter in the Notes to the Consolidated financial statements.

Particularly significant transactions
There were no particularly significant transactions with related parties in the year.
However we report below certain transactions finalised in 2008 by the Parent Company or its subsidiaries with related parties, mostly within the Group, as part of the Group's rationalisation plan, performed maintaining consistency of book values and, as a rule, with the support of independent appraisals. In this regard, please note that, as per IAS 24, no Bank shareholder, alone or jointly with others, is able to exercise control or significant influence on management; nevertheless, the Management and Supervisory Boards have deemed it 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 corporate 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 approach enables closer monitoring of transactions with the main shareholders, by subjecting these transactions to the same assessment and approval procedure as applied to transactions with related parties, and by including them in the summary reporting table in the previous paragraph.
During 2008 the activities aimed at implementing the strategic options set out in the Business Plan and at rationalising Group structure continued.
As regards the rationalisation of Group structure, various intragroup mergers became effective as of 1 January 2008 and involved both Italian and international subsidiaries.
In Italy, the integration between Banca Intesa Infrastrutture e Sviluppo SpA – which took on the new corporate name of Banca Infrastrutture Innovazione e Sviluppo (BIIS) – and Banca per la Finanza alle Opere Pubbliche e alle Infrastrutture (Banca OPI) was completed. This operation was realised through the total spin-off of Banca OPI. 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 (now Equiter) and in SINLOC, which were transferred, respectively, to Intesa Sanpaolo and Fin.OPI.
Fin.OPI – since renamed Equiter – was turned into the Group's investment management & advisory company. As part of this project, with effect from 1st July, a portion of the assets of Imi Investimenti was spun off to Equiter, consisting of the 35.3% stake in Aeroporti Holding and the 12.4% stake in Sagat for a total book value of 38.3 million euro. The spin-off transaction was implemented through a simplified procedure, since both the spun-off company and the beneficiary company are fully held subsidiaries of Intesa Sanpaolo, without establishing a share swap ratio, without recourse to a Court-appointed expert and without any impact on the income statement.
Leasint, the company formed through the merger by incorporation of Sanpaolo Leasint into Intesa Leasing, started operations at the beginning of the year.
March saw the completion of the Mediocredito Italiano (former Banca Mediocredito) project, which gave rise to a new bank with the mission of supporting the network of branches in the promotion of SMEs and local development, through the transfer of 100% of Leasint from the Parent Company to Mediocredito Italiano. The transfer was effected at a price of 542 million euro, supported by the appraisal performed by a Court-appointed expert pursuant to art. 2343 of the Italian Civil Code. The integration process between Mediocredito Italiano and Leasint commenced in the third quarter: in the coming months, this process will lead to the centralisation of certain management and governance structures so as to ensure consistency in

strategic direction and management policies.
On 7 October 2008, Leasint purchased from the Parent Company the entire capital of special purpose vehicle Calit at a price of 624 thousand euro, equal to Calit's book value at 30 September 2008; on 28 October 2008 the contribution to Calit of the business line consisting of the leasing activities of the Cariparma and Friuladria networks was finalised. In this regard, the expert's appraisal report produced pursuant to art. 2465 of the Italian Civil Code stated that the value of the business line contributed to Calit was equal at least to the value of the increase in Calit's share capital reserved to the transferring company, Leasint; Calit was sold in December.
In February Intesa Sanpaolo finalised the purchase, at market values, of the equity investment in the London Stock Exchange Group (2.26%) held by Banca IMI, without any impact on the income statement.
In September, Banca IMI's stake in MTS was transferred to the Parent Company at a price of 12.3 million euro, corresponding to the valuation that had emerged from recent market transactions.
In the framework of the Industrial Project of the new Banca IMI, approved in 2007 with regard to the investment banking area, Banca IMI's Board of Directors and the Parent Company's Management Board have approved the transfer to Banca IMI of the assets pertaining to the Parent Company's structured finance transactions and investment banking business unit. This transaction will be carried out through the spin-off and transfer to Banca IMI of the business line, which currently comprises about 120 human resources and structured finance assets for a total estimated value of 11.1 billion euro, as assessed by an expert pursuant to art. 2343 of the Italian Civil Code. Finalisation of this operation is planned for 2009.
As part of the project for the geographical reorganisation of the network, several contributions of branches have been carried out, and have been recorded consistent with book values without producing effects on the Parent Company's financial statements and consolidated financial statements, namely:

- in September the contribution to Cassa di Risparmio di Padova e Rovigo (since renamed Cassa di Risparmio del Veneto) of the business line consisting of 186 operating centres or branches (corresponding to 178 bank branches) previously belonging to the former Banca Intesa network located in Veneto, except for the operating centres or branches located in the province of Venezia, against the subscription of an increase in the subsidiary bank's share capital of a nominal value of 150 million euro at a total subscription price of 370 million euro, of which 220 million euro as share premium. The branches of Cassa di Risparmio di Padova e Rovigo were merged with the Intesa Sanpaolo branches present in the Veneto Region (except for the province of Venezia) forming a new banking entity, Cassa di Risparmio del Veneto;
- in November 2008 the contribution to Banco di Napoli of the business line consisting of 168 operating centres or branches (corresponding to 154 local bank branches) previously belonging to the former Banca Intesa network located in Calabria, Basilicata, Campania, Puglia as well as Napoli and its province, against subscription of an increase in the share capital of Banco di Napoli of a nominal value of 200 million euro at a total subscription price of 440 million euro, of which 240 million euro as share premium;
- in February 2009 the contribution of 14 operating centres or branches of the former Banca Intesa located in Romagna to Cassa dei Risparmi di Forlì e della Romagna, - with legal effect from 23 February 2009, against subscription of a share capital increase of 38 million euro. With regard to third-party shareholders, the transaction was finalised on the basis of a share swap;
- in February 2009 the contribution to Cassa di Risparmio in Bologna of the business line comprising 39 operating centres or branches previously belonging to the former Banca Intesa network and located in the geographical area of operation of the Cassa, against the subscription of an increase in the share capital of Cassa di Risparmio in Bologna at a total price of 195 million euro, including a share premium component of 60 million euro and with legal effect from the end of February – beginning of March;
- in March 2009 the contribution to Banca CIS of the business line comprising 93 operating centres or branches belonging to the Intesa Sanpaolo network present in Sardegna, against subscription of an increase in the share capital of Banca CIS (since renamed Banca di Credito Sardo) at a total price of 146 million euro, including 88 million euro as capital and 58 million euro as share premium, with legal effect from the end of February – the beginning of March; with regard to third-party shareholders, the transaction was finalised on the basis of a share swap.

In June, Cassa di Risparmio di Firenze transferred to Intesa Sanpaolo its stake in Cassa dei Risparmi di Forlì e della Romagna, equal to 8.09% of share capital, at a price of 48 million euro (against a carrying value of 49.2 million euro), corresponding to the subscription price of the share capital increase approved by the company on 5 April 2008, confirmed by the appraisal carried out by an independent expert appointed by the parties.

By way of implementation of the covenants contained in the shareholders' agreement concluded by the Bank and Ente Cassa di Risparmio di Firenze (Ente Firenze), in December Intesa Sanpaolo SpA transferred to Banca CR Firenze SpA its 96.07% stake in Casse del Centro SpA for a consideration of 1,010 million euro, determined on the basis of the fair market value assessed by an independent expert.

On 9 December the Parent Company purchased from CR Firenze SpA the 80% held by the latter in CR Firenze Gestion Internationale SA at a price of 46.8 million euro (on the basis of the value determined by the expert, after distribution of the interim dividend) in view of the subsequent transfer of 100% of CR Firenze Gestion Internationale SA to Eurizon Capital Sgr SpA. The transactions did not produce impacts on the consolidated financial statements. Subsequently, CR Firenze Gestion International SA will be merged by incorporation into Eurizon Capital SA. The operation will be implemented in 2009.

As part of the reorganisation of the Group's asset management sector, aimed at centralising individual and collective management activities in Eurizon Capital, Eurizon Investimenti Sgr (former CAAM Sgr), control of which had been acquired at the end of 2007 through purchase of the assets attributable to the 65% stake in Nextra Investment Management, was merged into Eurizon Capital Sgr on 7 April 2008. Since the residual assets of Eurizon Investimenti Sgr mostly comprise tax payables/receivables, provisions for current disputes and available liquidity and since they did not include property and equipment or intangible assets of significant value, in October the company was merged into the Parent Company, following the simplified procedure provided for by art. 2505 of the Italian Civil Code, since the company was a fully-owned subsidiary. In December, Eurizon Capital Sgr also absorbed Intesa Distribution Services Srl by means of merger under the simplified procedure. The integration of Intesa Distribution International Services S.A. into Eurizon Capital S.A. should be completed in 2009.

In July, the spin-off of Eurizon Alternative Investments Sgr into Eurizon A.I. Sgr was finalised.

In the first months of 2009 the 49% stake in Penghua Fund Management and the 19.9% stake in Union Life held by the Parent Company (as a consequence of the 2007 merger by incorporation of former sub-holding Eurizon Financial Group - EFG - into Intesa Sanpaolo), should be transferred respectively to Eurizon Capital Sgr and Eurizon Vita. The transfer of Penghua shall be implemented through transfer of the stake on the basis of expert appraisal pursuant to art. 2343 of the Italian Civil Code, while the transfer of Union Life shall take place through sale and purchase at a price established on the basis of the original purchase price (86 million euro), since it concerns an acquisition completed in 2007, which still finds support in the company's and market performance data.

To complete the project described in the financial statements of 2007, the merger by incorporation of subsidiary Eurizon Solutions into Intesa Sanpaolo was finalised in March.

As part of the project aimed at the rationalisation of the Group's fiduciary activities performed by Società Italiana di Revisione e Fiduciaria S.I.RE.F. SpA (Sirefid) and by Sanpaolo Fiduciaria SpA (Spfid), both wholly held subsidiaries of the Parent Company, in December, with effect from 1st January 2009, the partial spin-off of Spfid to Sirefid was performed, concerning the assets represented by classic fiduciary mandates – except for the fiduciary mandates in common with Sirefid and for trust management activity – and all Spfid staff, for a total book value at 31 December 2007 of 6.2 million euro. The spin-off, which was neutral for taxation purposes, was performed in a simplified manner, since the companies were entirely held by Intesa Sanpaolo - without determination of a share swap ratio and consequent issue of a fairness opinion by a Court-appointed independent expert – consistent with book values and without impacts on the income statement.

As to the reconfiguration of the Group's consumer finance and e-money business, in November, the partial proportional spin-off of Neos Banca SpA was effected in favour of Intesa Sanpaolo SpA and Consumer Financial Service Srl (CFS, now renamed Moneta). The two spun-off asset portfolios are respectively (values at 31 December 2007) (i) the 100% stake in CFS, recorded in the balance sheet of Neos Banca with a value of 109.5 million euro and (ii) the business unit providing "loans against transfer of one fifth of salaries/pension", for a net book value of 7 thousand euro, consisting of assets of 27.43 million euro (including loans to customers for one fifth of salaries/pensions for 27.17 million euro) and liabilities amounting to 27.42 million euro (including interbank exposure towards the Parent Company for 24.13 million euro, employee termination indemnities and other staff-related allowances for risks and charges of 2.89 million). This transaction was supported by a "fairness opinion" and carried out consistent with book values. In December the contribution of 100% of Setefi Srl by the Parent Company to subsidiary company CFS was finalised: against the contribution, recorded with consistent book values, CFS resolved a capital increase of 5 million euro (with share premium reserve of about 20 million euro) and changed its name to Moneta SpA.

On 4 August 2008, as foreseen in the Business Plan, the Board of Directors of Intesa Sanpaolo Private Banking (ISPB) approved the project for concentration in ISPB of private banking activities in the framework of a multifaceted project for the rationalisation and integration of the distribution structure, aimed at

protecting and increasing the assets of the Private business and at creating a distinctive value proposal for its customers. Under the project approved by the Shareholders' Meeting of ISPB of 18 February 2009, reorganisation will be implemented by means of: (i) contribution by the Parent Company of a business line consisting of 24 private branches and 38 operating centres, a shareholders' equity of 145 million euro, with consequent increase in the share capital of ISPB; (ii) partial spin-off to ISPB of the same business lines from the Network Banks comprising 29 private branches and 37 operating centres, shareholders' equity for 19 million euro (the spin-off will be effected in 3 lots); (iii) the sale of 1 branch and 1 local office from Cariromagna. The above-mentioned transactions will be finalised in March/July 2009 and will be recorded with consistent book values, since they pertain to intragroup corporate reorganisation, without economic or tax impact or impact on the Group's Regulatory capital. The business line contributed by the Parent Company was appraised by an independent expert pursuant to art. 2343 of the Italian Civil Code; the spin-offs, since they concern wholly-owned subsidiaries of the Parent Company, will be performed under the simplified procedure, without determining share swap ratios.
As part of the project for the enhancement of non-core real estate assets through the establishment of a real estate company destined to become a listed Real Estate Investment Company, named IMMIT SpA, which received an initial contribution of nine real estate assets at the end of 2007, in February Intesa Sanpaolo made a second contribution of 224 real estate assets for an amount of 841 million euro. In the same month, after eleven Group companies contributed a further 52 real estate assets, for a value of 158 million euro, Intesa Sanpaolo took over from the transferee companies the stakes they held in IMMIT against payment of a consideration corresponding to the value of the contributed real estate assets. Valuations were made through appraisal by a Court-appointed expert pursuant to art. 2343 of the Italian Civil Code.
In the framework of the initiatives aimed at simplifying the equity investment portfolio, in September the companies Immobiliare Bella Riva Srl, Immobiliare 21 Srl and Immobiliare Nettuno SpA were merged by incorporation into Intesa Real Estate Srl, after Intesa Real Estate had acquired Immobiliare Nettuno from Cassa di Risparmio in Bologna SpA (for a consideration of 1.5 million euro determined on the basis of an expert's appraisal of the current value of the assets). The merger was carried out in simplified form, with consistent book values.
As to international activities, consistent with the Business Plan and, effective from 1st January 2008, integration was carried out between the two subsidiary banks operating in Serbia (Banca Intesa Beograd and Panonska Banka), as well as the two operating in Albania (Banca Italo Albanese and American Bank of Albania), in Hungary (Central-European International Bank and Inter-Europa Bank) and in Bosnia (UPI Banka and LTG). Some international banks have been substantially recapitalised in order to support their development and competitive effort.
During the first half of 2008, IE Befektetési Alapkezelo Zrt (100% CIB Bank Ltd) was merged by incorporation into the asset management company CIB Investment Fund Management Ltd (95% CIB Bank Ltd and 5% CIB Real Ltd post transaction).
In October, ISP Holding International SA – Lux finalised its purchase of the 18.95% stake held by PBZ in ISP Banka dd Bosna I Hercegovina (former UPI Banka) for an overall amount of 17.3 million euro, determined on the basis of an independent expert's appraisal.
A project is under way in Croatia for the creation of a newco that will manage the cards of all the Group's International Banks (including Egypt). The newco will receive the controlling stake (75%) in Centurion Financne Storitve as well as the business line in charge of card management from Banka Koper, while PBZ Cards will contribute to it the card-processing business line and its shareholding (25%) in Centurion (which will thus become a wholly-owned subsidiary of the newco).
Under the plan for the reorganisation of the Group's French activities, Banque Privée Fideuram transferred its equity investment in the Monegasque asset management company Fideuram Wargny Gestion SAM to subsidiary Fideuram Bank (Luxembourg), at a book value of 5.9 million euro. The reorganisation project concerning the presence on the Monaco market, approved at the end of May, was completed in November 2008 with the transformation of Fideuram Wargny Gestion SAM into a bank, renamed Fideuram Bank (Monaco) SAM, and the concurrent contribution of assets to the Monaco branch of Banca Fideuram.
As concerns reorganisation of the Group's activities in Luxembourg, previously conducted in the "Private/Corporate" and "Securities Services" areas through Sanpaolo Bank SA, Société Européenne de Banque (SEB) and Eurizon Capital SA (only for the fund administration business line), leading to the creation of two specialised banks – a Private/Corporate Bank (SEB) and a Securities Services Bank (Sanpaolo Bank SA), supported by a IT service company, Servitia, in June 2008 the contribution of business lines between the companies was performed through:

– sale of subsidiary bank Sanpaolo Bank (Suisse) by Sanpaolo Bank SA to SEB for a price of

12.5 million euro;
- transfer of business lines "Securities Services" and "Private/Corporate" respectively from SEB to Sanpaolo Bank SA and vice-versa through the Luxembourg legal instrument of the "transfer of business line free of charge and without the exchange of shares" (the equivalent of a partial spin-off), for book values of 184.7 million euro and 6.5 billion euro respectively;
- transfer of Eurizon Capital SA's fund administration business line to Sanpaolo Bank SA for a value of 41.4 million euro;
- transfer of the IT-related business lines of Sanpaolo Bank SA and Eurizon Capital SA to Servitia – for a total price of 5 million euro – and transfer of Servitia from SEB to Intesa Sanpaolo Holding International.

The valuations were performed with the assistance of an external advisor.
Under the plan for the integration and rationalisation of organisational structures, on 30 September Banca Intesa France was merged by incorporation into Intesa Sanpaolo, and concurrently its activities were transferred to the newly established Paris branch of the Parent Company.
On 18 December 2008 the Parent Company concluded the agreement for the purchase of 26,570 shares in Banka Koper d.d. (Slovenia) from Istrabenz, Luka Koper and Intereuropa Koper (together holding 5% of the share capital) for a total consideration of 13.7 million euro, thus bringing the Parent Company's overall shareholding in Banka Koper from 92.22% to 97.22%.

With regard to relations with associates, overdrafts were granted during 2008 to Telco, GCL Holdings Sca-GCL Holdings Srl-Guala Closures SpA and their subsidiaries, to the Sagat Group, Grande Jolly, SI Holding (included in the non-current assets held for sale and discontinued operations at 31.12.08), to Centrale dei Bilanci-Cerved-Lince and its subsidiaries, to Mezzanove Finance Sarl, Euromilano and to RCS Mediagroup; all these loans were granted at market interest rates. Guala Closures was sold off in September under the tender offer for its entire capital launched by GCL Holdings Srl (an associated company in which the Bank holds an indirect stake).
In March, the Parent Company completed the sale of the 19.19% stake held in Speed SpA to Pirelli & C. (Pirelli group), an associated company, for a consideration of 83.4 million euro, realising 19.5 million euro on the sale.
In the same month, Sud Polo Vita (a subsidiary established in 2007 following the Competition Authority's request, and whose sale to third parties has been postponed) benefited from a partial spin-off of a business line of Intesa Vita (associated company), a transaction described in the Bank's 2007 Annual report. With regard to Intesa Vita, in 2008 the agreements on the sale of policies were revised.
In the year, a stake was acquired in the share capital of Nuovo Trasporto Viaggiatori, which was also granted credit lines and a leasing contract for the development of high-speed passenger rail transport. Financing was disbursed at market interest rates.

With regard to transactions with companies subject to joint control (joint ventures), please note that on 30 May 2008, in compliance with the agreements signed in 2007 and after having obtained the necessary authorisations, Intesa Sanpaolo finalised the sale to Crédit Agricole SA of its entire 49% interest in Agos - its joint venture in the consumer credit business in Italy - for a consideration of 546 million euro. An increase in share capital was subscribed with regard to NH Italia, a joint venture operating in the hotel business, and to International Entertainment, a joint venture operating in the TV production sector.
Findomestic Banca was granted credit lines at market conditions; in September the Group participated on a proportional basis to a share capital increase of 30 million euro, and an agreement was signed with Centrofactoring for with-recourse advance of amounts due to retailers from Findomestic on consumer credit purchases.
Pension funds companies of the Mediolanum Group were granted financing at market conditions.

Lastly, as already reported, Intesa Sanpaolo is among the Italian banking creditors of the Carlo Tassara Group which at the end of 2008 signed a term sheet with the object to stabilise and gradually reduce of the total debt owed by the Carlo Tassara Group to Italian and foreign banks, over a period of 12 months from the signing of the final agreement.

Additional information on the Intesa Sanpaolo 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. With regard to changes in the Parent Company's equity investment portfolio, please also see Section 10 of the Notes to the Parent Company's financial statements – Part B – Information on the Parent Company's balance sheet – Assets.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

1. Description of share-based payments

1.1. Stock granting plan for employees

On 16 October 2008 the Bank and the Group-wide Trades Union delegations reached an agreement which defined the Corporate Productivity Bonus for Group banks and companies for 2008. The Parties jointly determined a Productivity Bonus to be granted by the Bank in recognition of the contribution given by all staff to the Group’s restructuring and reorganisation processes – which in 2008 concerned most of the corporate structures – while also taking into account the financial market trend.
Under the agreement, conditional to approval by the competent corporate bodies and to the terms they would establish, all personnel in open-ended employment or hired with apprenticeship contracts could request payment of the bonus by means of Intesa Sanpaolo ordinary shares, benefiting from the tax and social security contribution facilities provided for participants who held those shares for at least 3 years from receiving them.
However, it has not been possible to convene an Extraordinary Shareholders’ Meeting to obtain the requisite approval of the employee Stock granting plan defined by the abovementioned agreement. Therefore, the bonus was not paid through the granting of shares but was paid in cash.

1.2. Stock option plans already resolved upon by SANPAOLO IMI

On 14 November 2005, the Board of Directors of SANPAOLO IMI launched a new stock option plan, acting on the mandate given to it by the Shareholders' Meeting of 30 April 2002, in favour of 48 executives holding key positions in the Group with a strong influence on the strategic decisions aimed at achieving Business Plan objectives and increasing the value of the Group.
This plan provides for the assignment, redefined after the merger following the resolution of the Shareholders' Meeting of 1 December 2006, of a total of 30,059,750 options, exercisable after approval of the 2008 financial statements and not later than 30 April 2012 at a strike price of 3.9511 euro.

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 2008 broken down by strike price and residual maturity.

	Number of shares	Average strike price (euro)	Market price (euro)	Residual Maturity rights existing as at 31.12.2008
Rights existing as at 31 December 2007	14,329,000	3.951	5.397 (a)	
Adjustments for changes in the reference area (b)	-623,000	3.951	-	
Rights exercised in 2008	-	-	-	
Rights expired (c)	-	-	-	
Rights annulled in 2008 (d)	-2,336,250	3.951	-	
Rights assigned in 2008	-	-	-	
Rights existing as at 31 December 2008	11,369,750	3.951	2.519 (e)	March 2009 - April 2012
Of which: exercisable as at 31 December 2008	-	-	-	

(a) Official reference price as at 28 December 2007.

(b) The reference scope was updated based on changes in the organisational structure and responsibilities of beneficiaries within the Group.

(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 30 December 2008.

Strike price (euro)	Exercise period	Number of shares	Of which exercisable as at 31 December 2008	
			Number	Contractual average residual maturity
3.951	March 2009 - April 2012	11,369,750	-	-

Attachments

Reconciliation statements

Reconciliation between consolidated financial statements and restated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2007 and the consolidated balance sheet as at 31 December 2007 adjusted in compliance with IFRS 3

Reconciliation between the consolidated balance sheet as at 31 December 2007 adjusted in compliance with IFRS 3 and the restated consolidated balance sheet as at 31 December 2007

Reconciliation between the consolidated income statement as at 31 December 2007 and the consolidated income statement for 2007 adjusted in compliance with IFRS 5

Reconciliation between the consolidated income statement for 2007 adjusted in compliance with IFRS 5 and the restated consolidated income statement for 2007

Reconciliation between the consolidated income statement for 2008 and the restated consolidated income statement for 2008

Restated consolidated financial statements

Restated consolidated balance sheet

Restated consolidated income statement

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between the restated consolidated balance sheet and the reclassified consolidated balance sheet

Reconciliation between the restated consolidated income statement and the reclassified consolidated income statement

Reconciliation between Intesa Sanpaolo financial statements and restated Intesa Sanpaolo financial statements

Reconciliation between the Intesa Sanpaolo balance sheet as at 31 December 2007 and the restated Intesa Sanpaolo balance sheet as at 31 December 2007

Reconciliation between the Intesa Sanpaolo income statement as at 31 December 2007 and the Intesa Sanpaolo income statement for 2007 adjusted in compliance with IFRS 5

Reconciliation between the Intesa Sanpaolo income statement for 2007 adjusted in compliance with IFRS 5 and the restated Intesa Sanpaolo income statement for 2007

Restated Intesa Sanpaolo financial statements

Restated Intesa Sanpaolo balance sheet

Restated Intesa Sanpaolo income statement

Reconciliation between restated Intesa Sanpaolo financial statements and reclassified Intesa Sanpaolo financial statements

Reconciliation between the restated Intesa Sanpaolo balance sheet and the reclassified Intesa Sanpaolo balance sheet

Reconciliation between the restated Intesa Sanpaolo income statement and the reclassified Intesa Sanpaolo income statement

Other Attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2008

Statement of Intesa Sanpaolo property, equipment and financial assets subject to revaluation

Statement on Intesa Sanpaolo pension funds

Table of significant equity investments in unquoted companies pursuant to art. 126 of Consob Regulation 11971 of 14 May 1999

Fees for auditing and services other than auditing pursuant to art. 149-duodecies of Consob Regulation 11971

Reconciliation between consolidated financial statements and restated financial statements

Reconciliation between the consolidated balance sheet as at 31 December 2007 and the consolidated balance sheet as at 31 December 2007 adjusted in compliance with IFRS 3

(in millions of euro)

Assets		31.12.2007 Published (*)	Definitive allocation of cost for the acquisition of Eurizon Investimenti	31.12.2007
10.	Cash and cash equivalents	3,463	-	3,463
20.	Financial assets held for trading	52,759	-	52,759
30.	Financial assets designated at fair value through profit and loss	19,998	-	19,998
40.	Financial assets available for sale	36,914	-	36,914
50.	Investments held to maturity	5,923	-	5,923
60.	Due from banks	62,831	-	62,831
70.	Loans to customers	335,273	-	335,273
80.	Hedging derivatives	3,017	-	3,017
90.	Fair value change of financial assets in hedged portfolios (+/-)	12	-	12
100.	Investments in associates and companies subject to joint control	3,522	-	3,522
110.	Technical insurance reserves reassured with third parties	34	-	34
120.	Property and equipment	5,191	-	5,191
130.	Intangible assets	25,714	57	25,771
	of which			-
	- goodwill	17,587	-123	*17,464*
140.	Tax assets	3,639	-	3,639
	a) current	1,956	-	*1,956*
	b) deferred	1,683	-	*1,683*
150.	Non-current assets held for sale and discontinued operations	4,222	-	4,222
160.	Other assets	10,390	-	10,390
Total Assets		**572,902**	**57**	**572,959**

(*) Figures originally published in the Annual Report 2007.

(in millions of euro)

	Liabilities and Shareholders' Equity	31.12.2007 Published (*)	Definitive allocation of cost for the acquisition of Eurizon Investimenti	31.12.2007
10.	Due to banks	67,688	-	67,688
20.	Due to customers	206,592	-	206,592
30.	Securities issued	139,891	-	139,891
40.	Financial liabilities held for trading	24,608	-	24,608
50.	Financial liabilities designated at fair value through profit and loss	27,270	-	27,270
60.	Hedging derivatives	2,234	-	2,234
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	-4	-	-4
80.	Tax liabilities	3,806	57	3,863
	a) current	*683*	-	*683*
	b) deferred	*3,123*	*57*	*3,180*
90.	Liabilities associated with non-current assets			-
	held for sale and discontinued operations	3,265	-	3,265
100.	Other liabilities	17,951	-	17,951
110.	Employee termination indemnities	1,488	-	1,488
120.	Allowances for risks and charges	4,193	-	4,193
	a) post employment benefits	*486*	-	*486*
	b) other allowances	*3,707*	-	*3,707*
130.	Technical reserves	21,571	-	21,571
140.	Valuation reserves	699	-	699
150.	Reimbursable shares	-	-	-
160.	Equity instruments	-	-	-
170.	Reserves	5,712	-	5,712
180.	Share premium reserve	33,457	-	33,457
190.	Share capital	6,647	-	6,647
200.	Treasury shares (-)	-2,207	-	-2,207
210.	Minority interests (+/-)	791	-	791
220.	Net income (loss)	7,250	-	7,250
	Total Liabilities and Shareholders' Equity	**572,902**	**57**	**572,959**

(*) Figures originally published in the Annual Report 2007.

Reconciliation between the consolidated balance sheet as at 31 December 2007 adjusted in compliance with IFRS 3 and the restated consolidated balance sheet as at 31 December 2007

(in millions of euro)

Assets		31.12.2007	Discontinued operations (a)	Other changes in the scope of consolidation				31.12.2007
				Carifirenze Group (b)	Pravex Bank (c)	Intesa Sanpaolo Servizi Transazionali (d)	Other (e)	Restated
10.	Cash and cash equivalents	3,463	-11	272	48	-	-10	3,762
20.	Financial assets held for trading	52,759	-34	200	-	2	-3	52,924
30.	Financial assets designated at fair value through profit and loss	19,998	-2	1,703	-	-	-	21,699
40.	Financial assets available for sale	36,914	-6	3,357	-	-	-43	40,222
50.	Investments held to maturity	5,923	-	-	-	-	-	5,923
60.	Due from banks	62,831	-25	1,252	147	2,608	-12	66,801
70.	Loans to customers	335,273	-2,641	20,383	510	206	-609	353,122
80.	Hedging derivatives	3,017	-	10	-	-	-	3,027
90.	Fair value change of financial assets in hedged portfolios (+/-)	12	-	-	-	-	-	12
100.	Investments in associates and companies subject to joint control	3,522	-125	382	-	-	-643	3,136
110.	Technical insurance reserves reassured with third parties	34	-	-	-	-	-	34
120.	Property and equipment	5,191	-30	649	35	-	-12	5,833
130.	Intangible assets	25,771	-146	340	32	2	356	26,355
	of which							-
	- goodwill	*17,464*	*-146*	*322*	-	-	*356*	*17,996*
140.	Tax assets	3,639	-16	188	-	2	-4	3,809
	a) current	*1,956*	*-12*	*87*	-	*2*	*-1*	*2,032*
	b) deferred	*1,683*	*-4*	*101*	-	-	*-3*	*1,777*
150.	Non-current assets held for sale and discontinued operations	4,222	3,055	-	-	-	677	7,954
160.	Other assets	10,390	-19	422	9	8	-22	10,788
Total Assets		**572,959**	**-**	**29,158**	**781**	**2,828**	**-325**	**605,401**

(a) Restatement of discontinued operations, in line with provisions of IFRS 5 for the income statement only.
In particular, reference is made to discontinued operations involving:
- the subsidiary Cassa di Risparmio di Fano S.p.A. (completed in 2008)
- the subsidiary Calit S.r.l., a leasing company serving the Cariparma and FriulAdria distribution networks (completed in 2008)
- the business line regarding the direct pension consultant network of Eurizon Vita (completed at the beginning of January 2009)
- 17 branches of the La Spezia and Pistoia areas under disposal following the order by the Italian Competition Authority resulting from acquisition of the Cassa di Risparmio di Firenze Group (due for completion in 2009)

(b) Acquisition effective for accounting purposes from 01/01/2008

(c) Acquisition effective for accounting purposes from 30/06/2008

(d) Acquisition effective for accounting purposes from 30/06/2008

(e) Deconsolidation of the investment in CR Firenze carried at equity as at 31/12/2007 and restating under discontinued operations of its subsidiary Cassa di Risparmio di Orvieto

(in millions of euro)

Liabilities and Shareholders' Equity		31.12.2007	Liabilities associated with discontinued operations [a]	Other changes in the scope of consolidation				31.12.2007
				Carifirenze Group (b)	Pravex Bank (c)	Intesa Sanpaolo Servizi Transazionali (d)	Other (e)	Restated
10.	Due to banks	67,688	-5	4,281	141	1,375	-	73,480
20.	Due to customers	206,592	-995	11,980	506	1,233	-383	218,933
30.	Securities issued	139,891	-682	6,536	40	-	-210	145,575
40.	Financial liabilities held for trading	24,608	-9	56	-	9	-	24,664
50.	Financial liabilities designated at fair value through profit and loss	27,270	-2	889	-	-	-	28,157
60.	Hedging derivatives	2,234	-2	36	-	-	-	2,268
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	-4	-	-	-	-	-	-4
80.	Tax liabilities	3,863	-17	70	7	4	-1	3,926
	a) current	*683*	*-11*	*24*	-	*4*	*-1*	*699*
	b) deferred	*3,180*	*-6*	*46*	*7*	-	-	*3,227*
90.	Liabilities associated with non-current assets							-
	held for sale and discontinued operations	3,265	1,793	-	-	-	642	5,700
100.	Other liabilities	17,951	-53	1,163	5	66	-40	19,092
110.	Employee termination indemnities	1,488	-5	156	-	-	-3	1,636
120.	Allowances for risks and charges	4,193	-15	283	-	-	-5	4,456
	a) post employment benefits	*486*	*-6*	*197*	-	-	-	*677*
	b) other allowances	*3,707*	*-9*	*86*	-	-	*-5*	*3,779*
130.	Technical reserves	21,571	-8	1,901	-	-	-	23,464
140.	Valuation reserves	699	-	-	-	-	-	699
150.	Reimbursable shares	-	-	-	-	-	-	-
160.	Equity instruments	-	-	-	-	-	-	-
170.	Reserves	5,712	-	336	-	-	-336	5,712
180.	Share premium reserve	33,457	-	-	-	-	-	33,457
190.	Share capital	6,647	-	-	-	-	-	6,647
200.	Treasury shares (-)	-2,207	-	-	-	-	-	-2,207
210.	Minority interests (+/-)	791	-	1,471	82	141	11	2,496
220.	Net income (loss)	7,250	-	-	-	-	-	7,250
Total Liabilities and Shareholders' Equity		**572,959**	**-**	**29,158**	**781**	**2,828**	**-325**	**605,401**

[a] Restatement of liabilities associated with discontinued operations, in line with provisions of IFRS 5 for the income statement only.
In particular, reference is made to discontinued operations involving:
- the subsidiary Cassa di Risparmio di Fano S.p.A. (completed in 2008)
- the subsidiary Calit S.r.l., a leasing company serving the Cariparma and FriulAdria distribution networks (completed in 2008)
- the business line regarding the direct pension consultant network of Eurizon Vita (completed at the beginning of January 2009)
- 17 branches of the La Spezia and Pistoia areas under disposal following the order by the Italian Competition Authority resulting from acquisition of the Cassa di Risparmio di Firenze Group (due for completion in 2009)

[b] Acquisition effective for accounting purposes from 01/01/2008

[c] Acquisition effective for accounting purposes from 30/06/2008

[d] Acquisition effective for accounting purposes from 30/06/2008

[e] Deconsolidation of the investment in CR Firenze carried at equity as at 31/12/2007 and restating under discontinued operations of its subsidiary Cassa di Risparmio di Orvieto

Reconciliation between the consolidated income statement as at 31 December 2007 and the consolidated income statement for 2007 adjusted in compliance with IFRS 5

(in millions of euro)

	2007 Published (*)	Impact of IFRS 5 adoption: Disposal of branches (a)	Disposal of Cassa di Risparmio di Fano SpA (b)	Disposal of Calit (c)	Other disposals (d)	2007
10. Interest and similar income	24,527	-17	-67	-58	-	24,385
20. Interest and similar expense	-14,250	3	28	-	-	-14,219
30. Interest margin	**10,277**	**-14**	**-39**	**-58**	**-**	**10,166**
40. Fee and commission income	7,327	-9	-14	-	-	7,304
50. Fee and commission expense	-1,383	-	1	-	-	-1,382
60. Net fee and commission income	**5,944**	**-9**	**-13**	**-**	**-**	**5,922**
70. Dividend and similar income	781	-	-	-	-	781
80. Profits (Losses) on trading	-166	-	1	-	-	-165
90. Fair value adjustments in hedge accounting	27	-	-	-	-	27
100. Profits (Losses) on disposal or repurchase of	266	-	-	-	-	266
a) loans	*-156*	-	-	-	-	*-156*
b) financial assets available for sale	*420*	-	-	-	-	*420*
c) investments held to maturity	-	-	-	-	-	-
d) financial liabilities	*2*	-	-	-	-	*2*
110. Profits (Losses) on financial assets and liabilities designated at fair value	320	-	-	-	-	320
120. Net interest and other banking income	**17,449**	**-23**	**-51**	**-58**	**-**	**17,317**
130. Net losses / recoveries on impairment	-1,143	-	2	-	-	-1,141
a) loans	*-1,045*	-	*2*	-	-	*-1,043*
b) financial assets available for sale	*-62*	-	-	-	-	*-62*
c) investments held to maturity	-	-	-	-	-	-
d) other financial activities	*-36*	-	-	-	-	*-36*
140. Net income from banking activities	**16,306**	**-23**	**-49**	**-58**	**-**	**16,176**
150. Net insurance premiums	1,717	-	-	-	-9	1,708
160. Other net insurance income (expense)	-2,134	-	-	-	10	-2,124
170. Net income from banking and insurance activities	**15,889**	**-23**	**-49**	**-58**	**1**	**15,760**
180. Administrative expenses	-9,381	11	28	3	29	-9,310
a) personnel expenses	*-6,041*	*8*	*22*	*3*	*14*	*-5,994*
b) other administrative expenses	*-3,340*	*3*	*6*	-	*15*	*-3,316*
190. Net provisions for risks and charges	-577	-	-	-	-	-577
200. Net adjustments to / recoveries on property and equipment	-438	-	1	-	-	-437
210. Net adjustments to / recoveries on intangible assets	-921	-	-	-	-	-921
220. Other operating expenses (income)	163	-	-	-1	-	162
230. Operating expenses	**-11,154**	**11**	**29**	**2**	**29**	**-11,083**
240. Profits (Losses) on investments in associates and companies subject to joint control	338	-	-	-	-	338
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-
260. Goodwill impairment	-196	-	-	-	-	-196
270. Profits (Losses) on disposal of investments	41	-	-	-	-	41
280. Income (Loss) before tax from continuing operations	**4,918**	**-12**	**-20**	**-56**	**30**	**4,860**
290. Taxes on income from continuing operations	-1,549	5	11	6	-12	-1,539
300. Income (Loss) after tax from continuing operations	**3,369**	**-7**	**-9**	**-50**	**18**	**3,321**
310. Income (Loss) after tax from discontinued operations	3,987	7	9	50	-18	4,035
320. Net income (loss)	**7,356**	**-**	**-**	**-**	**-**	**7,356**
330. Minority interests	-106	-	-	-	-	-106
340. Parent Company's net income (loss)	**7,250**	**-**	**-**	**-**	**-**	**7,250**

(*) Figures originally published in the Annual Report 2007.

(a) Includes the 2007 results of 17 branches of the La Spezia and Pistoia areas under disposal following the order by the Italian Competition Authority resulting from the acquisition of the Cassa di Risparmio di Firenze Group.

(b) Includes the 2007 results of the subsidiary Cassa di Risparmio di Fano.

(c) Includes the 2007 results of the subsidiary Calit.

(d) Includes the 2007 results of the business line regarding the direct pension consultant network of Eurizon Vita.

Reconciliation between the consolidated income statement for 2007 adjusted in compliance with IFRS 5 and the restated consolidated income statement for 2007

(in millions of euro)

	2007	Changes in the scope of consolidation											2007
		Carifirenze Group (a)	Pravex Bank (b)	Intesa Sanpaolo Servizi Transazionali (c)	Eurizon Investimenti Group (d)	CR Group Leasing (e)	Centro Factoring (e)	Sud Polo Vita (f)	Disposal of CR Orvieto (g)	Intesa Sanpaolo Bank Albania SH.A. (h)	Other (i)	Total change in the scope of consolida-tion	Restated
10. Interest and similar income	24,385	1,271	93	64	1	107	29	16	-45	15	-	1,551	25,936
20. Interest and similar expense	-14,219	-560	-34	-58	-	-77	-15	-	15	-5	-	-734	-14,953
30. Interest margin	**10,166**	**711**	**59**	**6**	**1**	**30**	**14**	**16**	**-30**	**10**	**-**	**817**	**10,983**
40. Fee and commission income	7,304	299	52	34	413	16	8	2	-9	1	61	877	8,181
50. Fee and commission expense	-1,382	-67	-3	-7	-291	-13	-7	-1	-	-	-	-389	-1,771
60. Net fee and commission income	**5,922**	**232**	**49**	**27**	**122**	**3**	**1**	**1**	**-9**	**1**	**61**	**488**	**6,410**
70. Dividend and similar income	781	6	-	-	-	-	-	-	-	-	-	6	787
80. Profits (Losses) on trading	-165	22	6	-	24	1	-	-2	-	-	-	51	-114
90. Fair value adjustments in hedge accounting	27	2	-	-	-	-	-	-	-	-	-	2	29
100. Profits (Losses) on disposal or repurchase of	266	10	-	-	-	-	4	1	-	-	-	15	281
a) loans	*-156*	-	-	-	-	-	-	-	-	-	-	-	*-156*
b) financial assets available for sale	*420*	*3*	-	-	-	-	-	*1*	-	-	-	*4*	*424*
c) investments held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-
d) financial liabilities	*2*	*7*	-	-	-	-	*4*	-	-	-	-	*11*	*13*
110. Profits (Losses) on financial assets and liabilities designated at fair value	320	30	-	-	-	-	-	-	-	-	-	30	350
120. Net interest and other banking income	**17,317**	**1,013**	**114**	**33**	**147**	**34**	**19**	**16**	**-39**	**11**	**61**	**1,409**	**18,726**
130. Net losses / recoveries on impairment	-1,141	-94	-23	-	-	-11	-5	-	5	-	-	-128	-1,269
a) loans	*-1,043*	*-89*	*-23*	-	-	*-10*	*-4*	-	*5*	-	-	*-121*	*-1,164*
b) financial assets available for sale	*-62*	*-1*	-	-	-	-	-	-	-	-	-	*-1*	*-63*
c) investments held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-
d) other financial activities	*-36*	*-4*	-	-	-	*-1*	*-1*	-	-	-	-	*-6*	*-42*
140. Net income from banking activities	**16,176**	**919**	**91**	**33**	**147**	**23**	**14**	**16**	**-34**	**11**	**61**	**1,281**	**17,457**
150. Net insurance premiums	1,708	579	-	-	-	-	-	20	-	-	-	599	2,307
160. Other net insurance income (expense)	-2,124	-606	-	-	-	-	-	-22	-	-	-	-628	-2,752
170. Net income from banking and insurance activities	**15,760**	**892**	**91**	**33**	**147**	**23**	**14**	**14**	**-34**	**11**	**61**	**1,252**	**17,012**
180. Administrative expenses	-9,310	-607	-80	-7	-75	-17	-8	-5	23	-4	-	-780	-10,090
a) personnel expenses	*-5,994*	*-385*	*-51*	*-4*	*-21*	*-10*	*-4*	*-1*	*13*	*-3*	*-5*	*-471*	*-6,465*
b) other administrative expenses	*-3,316*	*-222*	*-29*	*-3*	*-54*	*-7*	*-4*	*-4*	*10*	*-1*	*5*	*-309*	*-3,625*
190. Net provisions for risks and charges	-577	-22	-	-	-6	-1	-	-	-1	-	-	-30	-607
200. Net adjustments to / recoveries on property and equipment	-437	-25	-5	-	-	-1	-	-	1	-1	-	-31	-468
210. Net adjustments to / recoveries on intangible assets	-921	-17	-	-	-2	-	-	-	-	-	-	-19	-940
220. Other operating expenses (income)	162	101	3	1	4	-	-1	1	-	-	-61	48	210
230. Operating expenses	**-11,083**	**-570**	**-82**	**-6**	**-79**	**-19**	**-9**	**-4**	**23**	**-5**	**-61**	**-812**	**-11,895**
240. Profits (Losses) on investments in associates and companies subject to joint control	338	55	-	-	-	-	-	-	-	-	-64	-9	329
250. Valuation differences on property, equipment and intangible assets measured at fair value	-	1	-	-	-	-	-	-	-	-	-	1	1
260. Goodwill impairment	-196	-	-	-	-	-	-	-	-	-	-	-	-196
270. Profits (Losses) on disposal of investments	41	2	-	-	-	-	-1	-	-	-	-	1	42
280. Income (Loss) before tax from continuing operations	**4,860**	**380**	**9**	**27**	**68**	**4**	**4**	**10**	**-11**	**6**	**-64**	**433**	**5,293**
290. Taxes on income from continuing operations	-1,539	-158	-5	-10	-29	-2	-3	-3	5	-2	-	-207	-1,746
300. Income (Loss) after tax from continuing operations	**3,321**	**222**	**4**	**17**	**39**	**2**	**1**	**7**	**-6**	**4**	**-64**	**226**	**3,547**
310. Income (Loss) after tax from discontinued operations	4,035	-	-	-	-	-	-	-	5	-	-	5	4,040
320. Net income (loss)	**7,356**	**222**	**4**	**17**	**39**	**2**	**1**	**7**	**-1**	**4**	**-64**	**231**	**7,587**
330. Minority interests	-106	-178	-4	-17	-23	-2	-1	-3	1	-4	-	-231	-337
340. Parent Company's net income (loss)	**7,250**	**44**	**-**	**-**	**16**	**-**	**-**	**4**	**-**	**-**	**-64**	**-**	**7,250**

(a) 2007 results of the CR Firenze Group

(b) 2007 results of Pravex Bank

(c) 2007 results of Intesa Sanpaolo Servizi Transnazionali S.p.A., as stated in the independent expert report for transfer of the business line.

(d) 2007 results of the Eurizon Investimenti Group, restated net of the disposal of specific business lines to Credit Agricole in 2007

(e) 2007 results for the period prior to acquisition of the companies by the CR Firenze Group

(f) 2007 results for the portion transferred from Intesa Vita (25%)

(g) Restatement of 2007 results of Cassa di Risparmio di Orvieto to caption 310. Income (Loss) after tax from discontinued operations

(h) 2007 results for the period prior to acquisition of the company by the Intesa Sanpaolo Group

(i) Deconsolidation of companies carried at equity in the 2007 financial statements (CR Firenze, Eurizon Investimenti and Intesa Vita for the portion transferred to Sud Polo Vita) and other reclassifications.

Reconciliation between the consolidated income statement for 2008 and the restated consolidated income statement for 2008

(in millions of euro)

		2008	Changes in the scope of consolidation			2008
			Pravex Bank (a)	Intesa Sanpaolo Servizi Transazionali (a)	Total change in the scope of consolida-tion	restated
10.	Interest and similar income	28,041	36	73	109	28,150
20.	Interest and similar expense	-15,587	-13	-53	-66	-15,653
30.	**Interest margin**	**12,454**	**23**	**20**	**43**	**12,497**
40.	Fee and commission income	6,738	22	12	34	6,772
50.	Fee and commission expense	-1,247	-1	-2	-3	-1,250
60.	**Net fee and commission income**	**5,491**	**21**	**10**	**31**	**5,522**
70.	Dividend and similar income	704	-	-	-	704
80.	Profits (Losses) on trading	-1,329	4	-	4	-1,325
90.	Fair value adjustments in hedge accounting	-143	-	-	-	-143
100.	Profits (Losses) on disposal or repurchase of	46	-	-	-	46
	a) loans	*-50*	-	-	-	*-50*
	b) financial assets available for sale	*80*	-	-	-	*80*
	c) investments held to maturity	-	-	-	-	-
	d) financial liabilities	*16*	-	-	-	*16*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	6	-	-	-	6
120.	**Net interest and other banking income**	**17,229**	**48**	**30**	**78**	**17,307**
130.	Net losses / recoveries on impairment	-3,270	-5	-	-5	-3,275
	a) loans	*-2,433*	*-5*	-	*-5*	*-2,438*
	b) financial assets available for sale	*-963*	-	-	-	*-963*
	c) investments held to maturity	-	-	-	-	-
	d) other financial activities	*126*	-	-	-	*126*
140.	**Net income from banking activities**	**13,959**	**43**	**30**	**73**	**14,032**
150.	Net insurance premiums	1,773	-	-	-	1,773
160.	Other net insurance income (expense)	-1,575	-	-	-	-1,575
170.	**Net income from banking and insurance activities**	**14,157**	**43**	**30**	**73**	**14,230**
180.	Administrative expenses	-10,055	-38	-4	-42	-10,097
	a) personnel expenses	*-6,389*	*-29*	*-2*	*-31*	*-6,420*
	b) other administrative expenses	*-3,666*	*-9*	*-2*	*-11*	*-3,677*
190.	Net provisions for risks and charges	-365	-	-	-	-365
200.	Net adjustments to / recoveries on property and equipment	-432	-3	-	-3	-435
210.	Net adjustments to / recoveries on intangible assets	-1,744	-	-	-	-1,744
220.	Other operating expenses (income)	182	-	-	-	182
230.	**Operating expenses**	**-12,414**	**-41**	**-4**	**-45**	**-12,459**
240.	Profits (Losses) on investments in associates and companies subject to joint control	176	-	-	-	176
250.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-
260.	Goodwill impairment	-1,065	-	-	-	-1,065
270.	Profits (Losses) on disposal of investments	203	-	-	-	203
280.	**Income (Loss) before tax from continuing operations**	**1,057**	**2**	**26**	**28**	**1,085**
290.	Taxes on income from continuing operations	589	-1	-9	-10	579
300.	**Income (Loss) after tax from continuing operations**	**1,646**	**1**	**17**	**18**	**1,664**
310.	Income (Loss) after tax from discontinued operations	1,036	-	-	-	1,036
320.	**Net income (loss)**	**2,682**	**1**	**17**	**18**	**2,700**
330.	Minority interests	-129	-1	-17	-18	-147
340.	**Parent Company's net income (loss)**	**2,553**	**-**	**-**	**-**	**2,553**

[a] 2008 results for the period prior to acquisition of the companies by the Intesa Sanpaolo Group

Restated consolidated financial statements

Restated consolidated balance sheet

(in millions of euro)

Assets		31.12.2008	31.12.2007 restated	Changes amount	%
10.	Cash and cash equivalents	7,835	3,762	4,073	
20.	Financial assets held for trading	61,080	52,924	8,156	15.4
30.	Financial assets designated at fair value through profit and loss	19,727	21,699	-1,972	-9.1
40.	Financial assets available for sale	29,083	40,222	-11,139	-27.7
50.	Investments held to maturity	5,572	5,923	-351	-5.9
60.	Due from banks	56,371	66,801	-10,430	-15.6
70.	Loans to customers	395,189	353,122	42,067	11.9
80.	Hedging derivatives	5,389	3,027	2,362	78.0
90.	Fair value change of financial assets in hedged portfolios (+/-)	66	12	54	
100.	Investments in associates and companies subject to joint control	3,230	3,136	94	3.0
110.	Technical insurance reserves reassured with third parties	40	34	6	17.6
120.	Property and equipment	5,255	5,833	-578	-9.9
130.	Intangible assets	27,151	26,355	796	3.0
	of which				
	- goodwill	*19,694*	*17,996*	*1,698*	*9.4*
140.	Tax assets	7,495	3,809	3,686	96.8
	a) current	*2,752*	*2,032*	*720*	*35.4*
	b) deferred	*4,743*	*1,777*	*2,966*	
150.	Non-current assets held for sale and discontinued operations	1,135	7,954	-6,819	-85.7
160.	Other assets	11,515	10,788	727	6.7
Total Assets		**636,133**	**605,401**	**30,732**	**5.1**

(in millions of euro)

Liabilities and Shareholders' Equity		31.12.2008	31.12.2007 restated	variazioni assolute	variazioni %
10.	Due to banks	51,745	73,480	-21,735	-29.6
20.	Due to customers	217,498	218,933	-1,435	-0.7
30.	Securities issued	188,280	145,575	42,705	29.3
40.	Financial liabilities held for trading	45,870	24,664	21,206	86.0
50.	Financial liabilities designated at fair value through profit and loss	25,119	28,157	-3,038	-10.8
60.	Hedging derivatives	5,086	2,268	2,818	
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,236	-4	1,240	
80.	Tax liabilities	4,461	3,926	535	13.6
	a) current	*1,607*	*699*	*908*	
	b) deferred	*2,854*	*3,227*	*-373*	*-11.6*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	1,021	5,700	-4,679	-82.1
100.	Other liabilities	20,046	19,092	954	5.0
110.	Employee termination indemnities	1,487	1,636	-149	-9.1
120.	Allowances for risks and charges	3,982	4,456	-474	-10.6
	a) post employment benefits	*504*	*677*	*-173*	*-25.6*
	b) other allowances	*3,478*	*3,779*	*-301*	*-8.0*
130.	Technical reserves	20,248	23,464	-3,216	-13.7
140.	Valuation reserves	-1,412	699	-2,111	
150.	Reimbursable shares	-	-	-	
160.	Equity instruments	-	-	-	
170.	Reserves	8,075	5,712	2,363	41.4
180.	Share premium reserve	33,102	33,457	-355	-1.1
190.	Share capital	6,647	6,647	-	-
200.	Treasury shares (-)	-11	-2,207	-2,196	-99.5
210.	Minority interests (+/-)	1,100	2,496	-1,396	-55.9
220.	Net income (loss)	2,553	7,250	-4,697	-64.8
Total Liabilities and Shareholders' Equity		**636,133**	**605,401**	**30,732**	**5.1**

Restated consolidated income statement

(in millions of euro)

		2008 restated	2007 restated	Changes amount	Changes %
10.	Interest and similar income	28,150	25,936	2,214	8.5
20.	Interest and similar expense	-15,653	-14,953	700	4.7
30.	**Interest margin**	**12,497**	**10,983**	**1,514**	**13.8**
40.	Fee and commission income	6,772	8,181	-1,409	-17.2
50.	Fee and commission expense	-1,250	-1,771	-521	-29.4
60.	**Net fee and commission income**	**5,522**	**6,410**	**-888**	**-13.9**
70.	Dividend and similar income	704	787	-83	-10.5
80.	Profits (Losses) on trading	-1,325	-114	1,211	
90.	Fair value adjustments in hedge accounting	-143	29	-172	
100.	Profits (Losses) on disposal or repurchase of	46	281	-235	-83.6
	a) loans	*-50*	*-156*	*-106*	*-67.9*
	b) financial assets available for sale	*80*	*424*	*-344*	*-81.1*
	c) investments held to maturity	-	-	-	
	d) financial liabilities	*16*	*13*	*3*	*23.1*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	6	350	-344	-98.3
120.	**Net interest and other banking income**	**17,307**	**18,726**	**-1,419**	**-7.6**
130.	Net losses / recoveries on impairment	-3,275	-1,269	2,006	
	a) loans	*-2,438*	*-1,164*	*1,274*	
	b) financial assets available for sale	*-963*	*-63*	*900*	
	c) investments held to maturity	-	-	-	
	d) other financial activities	*126*	*-42*	*168*	
140.	**Net income from banking activities**	**14,032**	**17,457**	**-3,425**	**-19.6**
150.	Net insurance premiums	1,773	2,307	-534	-23.1
160.	Other net insurance income (expense)	-1,575	-2,752	-1,177	-42.8
170.	**Net income from banking and insurance activities**	**14,230**	**17,012**	**-2,782**	**-16.4**
180.	Administrative expenses	-10,097	-10,090	7	0.1
	a) personnel expenses	*-6,420*	*-6,465*	*-45*	*-0.7*
	b) other administrative expenses	*-3,677*	*-3,625*	*52*	*1.4*
190.	Net provisions for risks and charges	-365	-607	-242	-39.9
200.	Net adjustments to / recoveries on property and equipment	-435	-468	-33	-7.1
210.	Net adjustments to / recoveries on intangible assets	-1,744	-940	804	85.5
220.	Other operating expenses (income)	182	210	-28	-13.3
230.	**Operating expenses**	**-12,459**	**-11,895**	**564**	**4.7**
240.	Profits (Losses) on investments in associates and companies subject to joint control	176	329	-153	-46.5
250.	Valuation differences on property, equipment and intangible assets measured at fair value	-	1	-1	
260.	Goodwill impairment	-1,065	-196	869	
270.	Profits (Losses) on disposal of investments	203	42	161	
280.	**Income (Loss) before tax from continuing operations**	**1,085**	**5,293**	**-4,208**	**-79.5**
290.	Taxes on income from continuing operations	579	-1,746	2,325	
300.	**Income (Loss) after tax from continuing operations**	**1,664**	**3,547**	**-1,883**	**-53.1**
310.	Income (Loss) after tax from discontinued operations	1,036	4,040	-3,004	-74.4
320.	**Net income (loss)**	**2,700**	**7,587**	**-4,887**	**-64.4**
330.	Minority interests	-147	-337	-190	-56
340.	**Parent Company's net income (loss)**	**2,553**	**7,250**	**-4,697**	**-64.8**

Reconciliation between restated consolidated financial statements and reclassified consolidated financial statements

Reconciliation between the restated consolidated balance sheet and the reclassified consolidated balance sheet

(in millions of euro)

Captions of the reclassified consolidated balance sheet - Assets	Captions of the restated consolidated balance sheet - Assets	2008	2007
Financial assets held for trading		61,080	52,924
	Caption 20 - Financial assets held for trading	*61,080*	*52,924*
Financial assets designated at fair value through profit and loss		19,727	21,699
	Caption 30 - Financial assets designated at fair value through profit and loss	*19,727*	*21,699*
Financial assets available for sale		29,083	40,222
	Caption 40 - Financial assets available for sale	*29,083*	*40,222*
Investments held to maturity		5,572	5,923
	Caption 50 - Investments held to maturity	*5,572*	*5,923*
Due from banks		56,371	66,801
	Caption 60 - Due from banks	*56,371*	*66,801*
Loans to customers		395,189	353,122
	Caption 70 - Loans to customers	*395,189*	*353,122*
Investments in associates and companies subject to joint control		3,230	3,136
	Caption 100 - Investments in associates and companies subject to joint control	*3,230*	*3,136*
Property, equipment and intangible assets		32,406	32,188
	Caption 120 - Property and equipment	*5,255*	*5,833*
	+ Caption 130 - Intangible assets	*27,151*	*26,355*
Tax assets		7,495	3,809
	Caption 140 - Tax assets	*7,495*	*3,809*
Non-current assets held for sale and discontinued operations		1,135	7,954
	Caption 150 - Non-current assets held for sale and discontinued operations	*1,135*	*7,954*
Other assets		24,845	17,623
	Caption 10 - Cash and cash equivalents	*7,835*	*3,762*
	+ Caption 160 - Other assets	*11,515*	*10,788*
	+ Caption 110 - Technical insurance reserves reassured with third parties	*40*	*34*
	+ Caption 80 - Hedging derivatives	*5,389*	*3,027*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*66*	*12*
Total Assets	**Total Assets**	**636,133**	**605,401**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the restated consolidated balance sheet - Liabilities and Shareholders' Equity	2008	2007
Due to banks		51,745	73,480
	Caption 10 - Due to banks	*51,745*	*73,480*
Due to customers and securities issued		405,778	364,508
	Caption 20 - Due to customers	*217,498*	*218,933*
	+ Caption 30 - Securities issued	*188,280*	*145,575*
Financial liabilities held for trading		45,870	24,664
	Caption 40 - Financial liabilities held for trading	*45,870*	*24,664*
Financial liabilities designated at fair value through profit and loss		25,119	28,157
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*25,119*	*28,157*
Tax liabilities		4,461	3,926
	Caption 80 - Tax liabilities	*4,461*	*3,926*
Liabilities associated with non-current assets held for sale and discontinued operations		1,021	5,700
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*1,021*	*5,700*
Other liabilities		26,368	21,356
	Caption 100 - Other liabilities	*20,046*	*19,092*
	+ Caption 60 - Hedging derivatives	*5,086*	*2,268*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,236*	*-4*
Technical reserves		20,248	23,464
	Caption 130 - Technical reserves	*20,248*	*23,464*
Allowances for specific purpose		5,469	6,092
	Caption 110 - Employee termination indemnities	*1,487*	*1,636*
	Caption 120 - Allowances for risks and charges	*3,982*	*4,456*
Share capital		6,647	6,647
	Caption 190 - Share capital	*6,647*	*6,647*
Reserves (net of treasury shares)		41,166	36,962
	Caption 170 - Reserves	*8,075*	*5,712*
	Caption 180 - Share premium reserve	*33,102*	*33,457*
	– Caption 200 - Treasury shares	*-11*	*-2,207*
Valuation reserves		-1,412	699
	Caption 140 - Valuation reserves	*-1,412*	*699*
Minority interests		1,100	2,496
	Caption 210 - Minority interests	*1,100*	*2,496*
Net income (loss)		2,553	7,250
	Caption 220 - Net income (loss)	*2,553*	*7,250*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**636,133**	**605,401**

Reconciliation between the restated consolidated income statement and the reclassified consolidated income statement

(in millions of euro)

Captions of the reclassified consolidated income statement	Captions of the consolidated statement of income	2007	2008
Net interest income		11,630	10,368
	Caption 30 - Interest margin	12,497	10,983
	- Caption 30 (partial) - Contribution of insurance business	-1,196	-976
	- Caption 30 (partial) - Interest margin (Effect of purchase cost allocation)	226	271
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	7	10
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	241	225
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	-98	-103
	+ Caption 190 (partial)- 'Net provisions for risks and charges (Time value allowances for risks and charges)	-47	-42
Dividends and profits (losses) on investments carried at equity		138	305
	Caption 70 - Dividend and similar income	704	787
	- Caption 70 (partial) - Contribution of insurance business	-132	-133
	- Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	-548	-632
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	114	283
Net fee and commission income		5,872	6,654
	Caption 60 - Net fee and commission income	5,522	6,410
	- Caption 60 (partial) - Contribution of insurance business	350	244
Profits (Losses) on trading		-53	1,241
	Caption 80 - Profits (Losses) on trading	-1,325	-114
	+ Caption 90 - Fair value adjustments in hedge accounting	-143	29
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	80	424
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	16	13
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designed at fair value	6	350
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	548	632
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interest	-7	-10
	- Caption 80 (partial) - Contribution of insurance business	776	-88
	- Caption 100b (partial) Loss(es) on repurchase of financial liabilities (Effect of purchase cost allocation)	-3	13
	+ Caption 130 b) (partial) - Net losses / recoveries on impairment on financial assets available for sale	-1	-8
Income from insurance business		400	508
	+ Caption 150 - Net insurance premiums	1,773	2,307
	+ Caption 160 - Other net insurance income (expense)	-1,575	-2,752
	+ Caption 30 (partial) - Contribution of insurance business	1,196	976
	+ Caption 60 (partial) - Contribution of insurance business	-350	-244
	+ Caption 70 (partial) - Contribution of insurance business	132	133
	+ Caption 80 (partial) - Contribution of insurance business	-776	88
Other operating income (expenses)		170	170
	Caption 220 - Other operating income (expenses)	182	210
	- Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses and taxes and duties)	-12	-40
Operating income		**18,157**	**19,246**
Personnel expenses		-5,746	-5,792
	Caption 180 a) - Personnel expenses	-6,420	-6,465
	- Caption 180 a) (partial) - Personnel expenses (merger and restructuring related charges)	570	570
	- Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other captions)	98	103
	- Caption 180 a) (partial) - Personnel expenses (Effect of purchase cost allocation)	6	-
Other administrative expenses		-3,378	-3,323
	Caption 180 b) - Other administrative expenses	-3,677	-3,625
	- Caption 180 b) (partial) - Other administrative expenses (merger and restructuring related charges)	287	262
	+ Caption 220 (partial) Other operating income (expenses) (Recovery of expenses and taxes and duties)	12	40
Adjustments to property, equipment and intangible assets		-812	-881
	Caption 200 - Net adjustments to/recoveries on property and equipment	-435	-468
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	-1,744	-940
	- Caption 200 (partial) - Adjustments to intangible assets (merger and restructuring related charges))	14	-
	- Caption 210 (partial) - Adjustments to intangible assets (merger and restructuring related charges))	48	13
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	1	8
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	2	12
	- Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	-33	-28
	- Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	1,335	522
Operating costs		**-9,936**	**-9,996**
Operating margin		**8,221**	**9,250**
Goodwill impairment		-1,065	-
	Caption 260 - Goodwill impairment	-1,065	-196
	- Caption 260 -(partial) - Goodwill impairment	-	196
Net provisions for risks and charges		-318	-551
	Caption 190 - Net provisions for risks and charges	-365	-607
	- 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)	47	42
Net adjustments to loans		-2,566	-1,506
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	-50	-156
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	-2,438	-1,164
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	-241	-225
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	126	-42
	- Caption 130 d) (partial) - Net present value of mathematical reserves of the insurance business	-16	6
	- Caption 100 a) (partial) - Profits (Losses) on purchase/disposal of loans (Effect of purchase cost allocation)	53	75
Net impairment losses on other assets		-949	-71
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	-963	-63
	- Caption 130 b) (partial) - Net losses / recoveries on impairment on financial assets available for sale	1	8
	+ Caption 130 d) (partial) - Net present value of mathematical reserves of the insurance business	16	-6
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	-1	-8
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	-2	-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)	-	9
Profits (Losses) on investments held to maturity		266	102
and on other investments	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	176	329
	- Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	-114	-283
	+ Caption 270 - Profits (Losses) on disposal of investments	203	42
	- Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase cost allocation)	1	14
Income (Loss) before tax from continuing operations		**3,589**	**7,224**
Taxes on income from continuing operations		-180	-2,866
	Caption 290 - Taxes on income from continuing operations	579	-1,746
	- Caption 290 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	-262	-263
	- Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	-497	-857
Merger and restructuring related charges (net of taxes)		-657	-605
	+ Caption 180 a) (partial) - Personnel expenses (merger and restructuring related charges)	-570	-570
	+ Caption 180 b) (partial) - Other administrative expenses (merger and restructuring related charges)	-287	-262
	+ Caption 190 (partial) - Net provisions for risks and charges (merger and restructuring related charges)	-	-14
	+ Caption 200 (partial) - Adjustments to intangible assets (merger and restructuring related charges))	-14	-
	+ Caption 210 (partial) - Adjustments to intangible assets (merger and restructuring related charges)	-48	-13
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment - merger and restructuring related charges)	-	-9
	+ Caption 290 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	262	263
Effect of purchase cost allocation (net of tax)		-1,088	-10
	+ Caption 30 (partial) - interest margin (Effect of purchase cost allocation)	-226	-271
	+ Caption 100 b) (partial) - Loss(es) on repurchase of financial liabilities (Effect of purchase cost allocation)	3	-13
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (Effect of purchase cost allocation)	33	28
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (Effect of purchase cost allocation)	-1,335	-522
	+ Caption 100 a) (partial) - Profits (Losses) on disposal or repurchase of loans (Effect of purchase cost allocation)	-53	-75
	- Caption 180 a) (partial) - Personnel expenses (Effect of purchase cost allocation)	-6	-
	+ Caption 270 (partial) - Profits (Losses) on disposal of investments (Effect of purchase cost allocation)	-1	-14
	+ Caption 290 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	497	857
Income (Loss) after tax from discontinued operations		1,036	3,844
	Caption 310 - Income (Loss) after tax from discontinued operations	1,036	4,040
	+ Caption 260 - (partial) - Goodwill impairment (Impairment Eurizon Investimenti SGR S.p.A.)	-	-196
Minority interests		-147	-337
	Caption 330 - Minority interests	-147	-337
Net income	**Caption 340 - Parent Company's net income (loss)**	**2,553**	**7,250**

Reconciliation between Intesa Sanpaolo financial statements and restated Intesa Sanpaolo financial statements

Reconciliation between the Intesa Sanpaolo balance sheet as at 31 December 2007 and the restated Intesa Sanpaolo balance sheet as at 31 December 2007

(in millions of euro)

Assets		31.12.2007	Discontinued operations (a)	Other changes					31.12.2007
				Merger by incorporation of Banca Intesa France (b)	Merger by incorporation of Eurizon Investimenti Sgr SpA (c)	Disposal of branches to Cassa di Risparmio del Veneto (d)	Disposal of branches to Banco di Napoli (e)	Other (f)	restated
10.	Cash and cash equivalents	1,761	-	2	-	-24	-48	15	1,706
20.	Financial assets held for trading	24,195	-	66	76	-26	-23	-	24,288
30.	Financial assets designated at fair value through profit and loss	385	-	-	-	-	-	-	385
40.	Financial assets available for sale	4,021	-	15	-	-	-	-	4,036
50.	Investments held to maturity	2,340	-	15	1	-	-	-	2,356
60.	Due from banks	100,832	-20	529	64	-	-	-1,383	100,022
70.	Loans to customers	196,463	-261	905	-	-7,618	-5,826	-	183,663
80.	Hedging derivatives	1,507	-	-	-	-	-	-	1,507
90.	Fair value change of financial assets in hedged portfolios (+/-)	12	-	-	-	-	-	-	12
100.	Equity investments	37,081	-	3	15	-	-	-	37,099
110.	Property and equipment	2,588	-1	-	1	-12	-	-	2,576
120.	Intangible assets	11,216	-	1	1	-155	-173	6	10,896
	of which								-
	- goodwill	*7,310*	-	-	-	*-154*	*-173*	-	*6,983*
130.	Tax assets	2,188	-	4	28	-6	-14	-	2,200
	a) current	*1,526*	-	-	*24*	*-3*	*-5*	-	*1,542*
	b) deferred	*662*	-	*4*	*4*	*-3*	*-9*	-	*658*
140.	Non-current assets held for sale and discontinued operations	3,759	287	-	-	7,843	6,092	-	17,981
150.	Other assets	6,521	-5	4	146	-2	-8	8	6,664
Total Assets		**394,869**	**-**	**1,544**	**332**	**-**	**-**	**-1,354**	**395,391**

(a) Restatement of discontinued operations, in line with provisions of IFRS 5 for the income statement only.

(b) Merger by incorporation of Banca Intesa France with legal effect from 30 September 2008 and accounting/tax effect from 1 January 2008.

(c) Merger by incorporation of Eurizon Investimenti S.g.r. S.p.A. with legal effect from 1 October 2008 and accounting/tax effect from 1 January 2008.

(d) Disposal of 186 branches to Cassa di Risparmio del Veneto with effect from 27 September 2008.

(e) Disposal of 168 branches to Banco di Napoli with effect from 10 November 2008.

(f) Other transactions include effects of the merger by incorporation of Eurizon Solution S.p.A. with legal effect from 1 March 2008 and accounting/tax effect from 1 January 2008, and other minor transactions.

(in millions of euro)

Liabilities and Shareholders' Equity		31.12.2007	Liabilities associated with discontinued operations (a)	Other changes					31.12.2007 restated
				Merger by incorporation of Banca Intesa France (b)	Merger by incorporation of Eurizon Investimenti Sgr SpA (c)	Disposal of branches to Cassa di Risparmio del Veneto (d)	Disposal of branches to Banco di Napoli (e)	Other (f)	
10.	Due to banks	86,008	-	1,056	75	-4,218	-1,525	-1,406	79,990
20.	Due to customers	132,477	-281	205	-	-3,111	-3,794	-	125,496
30.	Securities issued	97,718	-	22	-	-23	-152	-	97,565
40.	Financial liabilities held for trading	10,087	-	29	-	-27	-23	-	10,066
50.	Financial liabilities designated at fair value through profit and loss	-	-	-	-	-	-	-	-
60.	Hedging derivatives	1,756	-	-	-	-	-	-	1,756
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	34	-	-	-	-	-	-	34
80.	Tax liabilities	1,500	-	-	15	-1	-2	1	1,513
	a) current	*289*	-	-	*15*	-	-	*1*	*305*
	b) deferred	*1,211*	-	-	-	*-1*	*-2*	-	*1,208*
90.	Liabilities associated with non-current assets								-
	held for sale and discontinued operations	2,258	287	-	-	7,843	6,092	2	16,482
100.	Other liabilities	10,701	-1	9	102	-45	-79	44	10,731
110.	Employee termination indemnities	1,016	-	-	2	-27	-39	1	953
120.	Allowances for risks and charges	2,872	-5	5	6	-10	-34	-	2,834
	a) post employment benefits	*282*	-	-	-	-	-	-	*282*
	b) other allowances	*2,590*	*-5*	*5*	*6*	*-10*	*-34*	-	*2,552*
130.	Valuation reserves	1,586	-	-	-	-	-	-	1,586
140.	Reimbursable shares	-	-	-	-	-	-	-	-
150.	Equity instruments	-	-	-	-	-	-	-	-
160.	Reserves	3,101	-	51	24	-	-	5	3,181
170.	Share premium reserve	33,457	-	-	76	-	-	-	33,533
180.	Share capital	6,647	-	160	24	-370	-440	12	6,033
190.	Treasury shares (-)	-2,160	-	-	-	-	-	-	-2,160
200.	Net income (loss)	5,811	-	7	8	-11	-4	-13	5,798
Total Liabilities and Shareholders' Equity		**394,869**	**-**	**1,544**	**332**	**-**	**-**	**-1,354**	**395,391**

(a) Restatement of liabilities associated with discontinued operations, in line with provisions of IFRS 5 for the income statement only.

(b) Merger by incorporation of Banca Intesa France with legal effect from 30 September 2008 and accounting/tax effect from 1 January 2008.

(c) Merger by incorporation of Eurizon Investimenti S.g.r. S.p.A. with legal effect from 1 October 2008 and accounting/tax effect from 1 January 2008.

(d) Disposal of 186 branches to Cassa di Risparmio del Veneto with effect from 27 September 2008.

(e) Disposal of 168 branches to Banco di Napoli with effect from 10 November 2008.

(f) Other transactions include effects of the merger by incorporation of Eurizon Solution S.p.A. with legal effect from 1 March 2008 and accounting/tax effect from 1 January 2008, and other minor transactions.

Reconciliation between the Intesa Sanpaolo income statement as at 31 December 2007 and the Intesa Sanpaolo income statement for 2007 adjusted in compliance with IFRS 5

(in millions of euro)

	2007 Published (a)	Impact of IFRS 5 adoption Disposal of branches (b)	2007
10. Interest and similar income	15,883	-17	15,866
20. Interest and similar expense	-11,063	3	-11,060
30. Interest margin	**4,820**	**-14**	**4,806**
40. Fee and commission income	3,509	-9	3,500
50. Fee and commission expense	-355	-	-355
60. Net fee and commission income	**3,154**	**-9**	**3,145**
70. Dividend and similar income	940	-	940
80. Profits (Losses) on trading	-446	-	-446
90. Fair value adjustments in hedge accounting	7	-	7
100. Profits (Losses) on disposal or repurchase of	219	-	219
a) loans	*-81*	-	*-81*
b) financial assets available for sale	*300*	-	*300*
c) investments held to maturity	-	-	-
d) financial liabilities	-	-	-
110. Profits (Losses) on financial assets and liabilities designated at fair value	-3	-	-3
120. Net interest and other banking income	**8,691**	**-23**	**8,668**
130. Net losses / recoveries on impairment	-531	-	-531
a) loans	*-473*	-	*-473*
b) financial assets available for sale	*-25*	-	*-25*
c) investments held to maturity	-	-	-
d) other financial activities	*-33*	-	*-33*
140. Net income from banking activities	**8,160**	**-23**	**8,137**
150. Administrative expenses	-5,765	11	-5,754
a) personnel expenses	*-3,622*	*8*	*-3,614*
b) other administrative expenses	*-2,143*	*3*	*-2,140*
160. Net provisions for risks and charges	-406	-	-406
170. Net adjustments to / recoveries on property and equipment	-293	-	-293
180. Net adjustments to / recoveries on intangible assets	-449	-	-449
190. Other operating expenses (income)	733	-	733
200. Operating expenses	**-6,180**	**11**	**-6,169**
210. Profits (Losses) on equity investments	-227	-	-227
220. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
230. Goodwill impairment	-	-	-
240. Profits (Losses) on disposal of investments	7	-	7
250. Income (Loss) before tax from continuing operations	**1,760**	**-12**	**1,748**
260. Taxes on income from continuing operations	-371	5	-366
270. Income (Loss) after tax from continuing operations	**1,389**	**-7**	**1,382**
280. Income (Loss) after tax from discontinued operations	4,422	7	4,429
290. Net income (loss)	**5,811**	**-**	**5,811**

[a] Figures originally published in the Annual Report 2007 in euro.

[b] Effects on the income statement of 16 branches due for disposal in the first quarter of 2009, as ordered by the Italian Antitrust Authority for the control of merger transactions following the acquisition of Cassa di Risparmio di Firenze

Reconciliation between the Intesa Sanpaolo income statement for 2007 adjusted in compliance with IFRS 5 and the restated Intesa Sanpaolo income statement for 2007

(in millions of euro)

	2007	Changes							2007
		Merger by incorporation of Eurizon Solutions (a)	Merger by incorporation of Banca Intesa France (b)	Merger by incorporation of Eurizon Investimenti Sgr S.p.A. (c)	Disposal of branches to Cassa di Risparmio del Veneto (d)	Disposal of branches to Banco di Napoli (e)	Other (f)	Total	Restated
10. Interest and similar income	15,866	-	60	1	-96	-47	-	-82	15,784
20. Interest and similar expense	-11,060	-1	-42	-	50	13	-4	16	-11,044
30. Interest margin	**4,806**	**-1**	**18**	**1**	**-46**	**-34**	**-4**	**-66**	**4,740**
40. Fee and commission income	3,500	-	5	69	-30	-14	-	30	3,530
50. Fee and commission expense	-355	-	-1	-38	-	-	-11	-50	-405
60. Net fee and commission income	**3,145**	**-**	**4**	**31**	**-30**	**-14**	**-11**	**-20**	**3,125**
70. Dividend and similar income	940	-	-	-	-	-	-	-	940
80. Profits (Losses) on trading	-446	-	-1	1	-	-	-	-	-446
90. Fair value adjustments in hedge accounting	7	-	-	-	-	-	-	-	7
100. Profits (Losses) on disposal or repurchase of	219	-	-	-	-	-	-	-	219
a) loans	*-81*	-	-	-	-	-	-	-	*-81*
b) financial assets available for sale	*300*	-	-	-	-	-	-	-	*300*
c) investments held to maturity	-	-	-	-	-	-	-	-	-
d) financial liabilities	-	-	-	-	-	-	-	-	-
110. Profits (Losses) on financial assets and liabilities designated at fair value	-3	-	-	-	-	-	-	-	-3
120. Net interest and other banking income	**8,668**	**-1**	**21**	**33**	**-76**	**-48**	**-15**	**-86**	**8,582**
130. Net losses / recoveries on impairment	-531	-	-3	-1	15	11	12	34	-497
a) loans	*-473*	-	*-3*	*-1*	*15*	*11*	*12*	*34*	*-439*
b) financial assets available for sale	*-25*	-	-	-	-	-	-	-	*-25*
c) investments held to maturity	-	-	-	-	-	-	-	-	-
d) other financial activities	*-33*	-	-	-	-	-	-	-	*-33*
140. Net income from banking activities	**8,137**	**-1**	**18**	**32**	**-61**	**-37**	**-3**	**-52**	**8,085**
150. Administrative expenses	-5,754	-76	-12	-16	29	20	-32	-87	-5,841
a) personnel expenses	*-3,614*	*-24*	*-8*	*-5*	*24*	*18*	*-7*	*-2*	*-3,616*
b) other administrative expenses	*-2,140*	*-52*	*-4*	*-11*	*5*	*2*	*-25*	*-85*	*-2,225*
160. Net provisions for risks and charges	-406	-	-	-	-	-	-	-	-406
170. Net adjustments to / recoveries on property and equipment	-293	-	-	-	-	-	-	-	-293
180. Net adjustments to / recoveries on intangible assets	-449	-9	-1	-1	-	-	-3	-14	-463
190. Other operating expenses (income)	733	80	1	-1	11	8	34	133	866
200. Operating expenses	**-6,169**	**-5**	**-12**	**-18**	**40**	**28**	**-1**	**32**	**-6,137**
210. Profits (Losses) on equity investments	-227	-	-	-	-	-	-	-	-227
220. Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-	-	-	-	-	-
230. Goodwill impairment	-	-	-	-	-	-	-	-	-
240. Profits (Losses) on disposal of investments	7	-	-	-	-	-	-	-	7
250. Income (Loss) before tax from continuing operations	**1,748**	**-6**	**6**	**14**	**-21**	**-9**	**-4**	**-20**	**1,728**
260. Taxes on income from continuing operations	-366	-5	1	-6	10	5	2	7	-359
270. Income (Loss) after tax from continuing operations	**1,382**	**-11**	**7**	**8**	**-11**	**-4**	**-2**	**-13**	**1,369**
280. Income (Loss) after tax from discontinued operations	4,429	-	-	-	-	-	-	-	4,429
290. Net income (loss)	**5,811**	**-11**	**7**	**8**	**-11**	**-4**	**-2**	**-13**	**5,798**

(a) Merger by incorporation of Eurizon Solutions S.p.A. with legal effect from 31 March 2008 and accounting/tax effect from 1 January 2008.

(b) Merger by incorporation of Banca Intesa France with legal effect from 30 September 2008 and accounting/tax effect from 1 January 2008.

(c) Merger by incorporation of Eurizon Investimenti S.g.r. S.p.A. with legal effect from 1 October 2008 and accounting/tax effect from 1 January 2008.

(d) Disposal of 186 branches to Cassa di Risparmio del Veneto with effect from 27 September 2008.

(e) Disposal of 168 branches to Banco di Napoli with effect from 10 November 2008.

(f) Other transactions include effects of the merger by incorporation of Eurizon Solution S.p.A. with legal effect from 1 March 2008 and accounting/tax effect from 1 January 2008, and other minor transactions.

Restated Intesa Sanpaolo financial statements

Restated Intesa Sanpaolo balance sheet

(in millions of euro)

	Assets	31.12.2008	31.12.2007 restated	Changes amount	Changes %
10.	Cash and cash equivalents	5,000	1,706	3,294	
20.	Financial assets held for trading	22,664	24,288	-1,624	-6.7
30.	Financial assets designated at fair value through profit and loss	253	385	-132	-34.3
40.	Financial assets available for sale	7,360	4,036	3,324	82.4
50.	Investments held to maturity	2,097	2,356	-259	-11.0
60.	Due from banks	114,879	100,022	14,857	14.9
70.	Loans to customers	207,461	183,663	23,798	13.0
80.	Hedging derivatives	4,275	1,507	2,768	
90.	Fair value change of financial assets in hedged portfolios (+/-)	65	12	53	
100.	Equity investments	41,057	37,099	3,958	10.7
110.	Property and equipment	2,667	2,576	91	3.5
120.	Intangible assets	10,422	10,896	-474	-4.4
	of which				
	- goodwill	*6,870*	*6,983*	*-113*	*-1.6*
130.	Tax assets	4,192	2,200	1,992	90.5
	a) current	*1,883*	*1,542*	*341*	*22.1*
	b) deferred	*2,309*	*658*	*1,651*	
140.	Non-current assets held for sale and discontinued operations	353	17,981	-17,628	-98.0
150.	Other assets	6,582	6,664	-82	-1.2
	Total Assets	**429,327**	**395,391**	**33,936**	**8.6**

(in millions of euro)

Liabilities and Shareholders' Equity		31.12.2008	31.12.2007	Changes	
			restated	assolute	%
10.	Due to banks	87,689	79,990	7,699	9.6
20.	Due to customers	130,351	125,496	4,855	3.9
30.	Securities issued	130,497	97,565	32,932	33.8
40.	Financial liabilities held for trading	15,913	10,066	5,847	58.1
50.	Financial liabilities designated at fair value through profit and loss	-	-	-	
60.	Hedging derivatives	2,536	1,756	780	44.4
70.	Fair value change of financial liabilities in hedged portfolios (+/-)	1,058	34	1,024	
80.	Tax liabilities	2,079	1,513	566	37.4
	a) current	*1,131*	*305*	*826*	
	b) deferred	*948*	*1,208*	*-260*	*-21.5*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	297	16,482	-16,185	-98.2
100.	Other liabilities	9,936	10,731	-795	-7.4
110.	Employee termination indemnities	861	953	-92	-9.7
120.	Allowances for risks and charges	2,391	2,834	-443	-15.6
	a) post employment benefits	*296*	*282*	*14*	*5.0*
	b) other allowances	*2,095*	*2,552*	*-457*	*-17.9*
130.	Valuation reserves	649	1,586	-937	-59.1
140.	Reimbursable shares	-	-	-	
150.	Equity instruments	-	-	-	
160.	Reserves	4,083	3,181	902	28.4
170.	Share premium reserve	33,271	33,533	-262	-0.8
180.	Share capital	6,647	6,033	614	10.2
190.	Treasury shares (-)	-	-2,160	-2,160	
200.	Net income (loss)	1,069	5,798	-4,729	-81.6
Total Liabilities and Shareholders' Equity		**429,327**	**395,391**	**33,936**	**8.6**

Restated Intesa Sanpaolo income statement

(in euro)

		2008	2007 restated	Changes amount	Changes %
10.	Interest and similar income	17,414	15,784	1,630	10.3
20.	Interest and similar expense	-12,563	-11,044	1,519	13.8
30.	**Interest margin**	**4,851**	**4,740**	**111**	**2.3**
40.	Fee and commission income	3,127	3,530	-403	-11.4
50.	Fee and commission expense	-378	-405	-27	-6.7
60.	**Net fee and commission income**	**2,749**	**3,125**	**-376**	**-12.0**
70.	Dividend and similar income	1,252	940	312	33.2
80.	Profits (Losses) on trading	-881	-446	435	97.5
90.	Fair value adjustments in hedge accounting	-93	7	-100	
100.	Profits (Losses) on disposal or repurchase of	111	219	-108	-49.3
	a) loans	*1*	*-81*	*82*	
	b) financial assets available for sale	*98*	*300*	*-202*	*-67.3*
	c) investments held to maturity	-	-	-	-
	d) financial liabilities	*12*	-	*12*	-
110.	Profits (Losses) on financial assets and liabilities designated at fair value	-38	-3	35	
120.	**Net interest and other banking income**	**7,951**	**8,582**	**-631**	**-7.4**
130.	Net losses / recoveries on impairment	-1,307	-497	810	
	a) loans	*-1,035*	*-439*	*596*	
	b) financial assets available for sale	*-324*	*-25*	*299*	
	c) investments held to maturity	-	-	-	-
	d) other financial activities	*52*	*-33*	*85*	
140.	**Net income from banking activities**	**6,644**	**8,085**	**-1,441**	**-17.8**
150.	Administrative expenses	-5,716	-5,841	*-125*	*-2.1*
	a) personnel expenses	*-3,460*	*-3,616*	*-156*	*-4.3*
	b) other administrative expenses	*-2,256*	*-2,225*	*31*	*1.4*
160.	Net provisions for risks and charges	-246	-406	-160	-39.4
170.	Net adjustments to / recoveries on property and equipment	-252	-293	-41	-14.0
180.	Net adjustments to / recoveries on intangible assets	-552	-463	89	19.2
190.	Other operating expenses (income)	910	866	44	5.1
200.	**Operating expenses**	**-5,856**	**-6,137**	**-281**	**-4.6**
210.	Profits (Losses) on equity investments	-1,457	-227	1,230	
220.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
230.	Goodwill impairment	-	-	-	-
240.	Profits (Losses) on disposal of investments	275	7	268	
250.	**Income (Loss) before tax from continuing operations**	**-394**	**1,728**	**-2,122**	
260.	Taxes on income from continuing operations	676	-359	1,035	
270.	**Income (Loss) after tax from continuing operations**	**282**	**1,369**	**-1,087**	**-79.4**
280.	Income (Loss) after tax from discontinued operations	787	4,429	-3,642	-82.2
290.	**Net income (loss)**	**1,069**	**5,798**	**-4,729**	**-81.6**

Reconciliation between restated Intesa Sanpaolo financial statements and reclassified Intesa Sanpaolo financial statements

Reconciliation between the restated Intesa Sanpaolo balance sheet and the reclassified Intesa Sanpaolo balance sheet

(in millions of euro)

Captions of the reclassified balance sheet - Assets	Captions of the restated balance sheet - Assets	2008	2007
Financial assets held for trading		22,664	24,288
	Caption 20 - Financial assets held for trading	*22,664*	*24,288*
Financial assets designated at fair value through profit and loss		253	385
	Caption 30 - Financial assets designated at fair value through profit and loss	*253*	*385*
Financial assets available for sale		7,360	4,036
	Caption 40 - Financial assets available for sale	*7,360*	*4,036*
Investments held to maturity		2,097	2,356
	Caption 50 - Investments held to maturity	*2,097*	*2,356*
Due from banks		114,879	100,022
	Caption 60 - Due from banks	*114,879*	*100,022*
Loans to customers		207,461	183,663
	Caption 70 - Loans to customers	*207,461*	*183,663*
Equity investments		41,057	37,099
	Caption 100 - Equity investments	*41,057*	*37,099*
Property, equipment and intangible assets		13,089	13,472
	Caption 110 - Property and equipment	*2,667*	*2,576*
	+ Caption 120 - Intangible assets	*10,422*	*10,896*
Tax assets		4,192	2,200
	Caption 130 - Tax assets	*4,192*	*2,200*
Non-current assets held for sale and discontinued operations		353	17,981
	Caption 140 - Non-current assets held for sale and discontinued operations	*353*	*17,981*
Other assets		15,922	9,889
	Caption 10 - Cash and cash equivalents	*5,000*	*1,706*
	+ Caption 150 - Other assets	*6,582*	*6,664*
	+ Caption 80 - Hedging derivatives	*4,275*	*1,507*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*65*	*12*
Total Assets	**Total Assets**	**429,327**	**395,391**

Captions of the reclassified balance sheet - Liabilities and Shareholders' Equity	Captions of the restated balance sheet - Liabilities and Shareholders' Equity	2008	2007
Due to banks		87,689	79,990
	Caption 10 - Due to banks	*87,689*	*79,990*
Due to customers and securities issued		260,848	223,061
	Caption 20 - Due to customers	*130,351*	*125,496*
	+ Caption 30 - Securities issued	*130,497*	*97,565*
Financial liabilities held for trading		15,913	10,066
	Caption 40 - Financial liabilities held for trading	*15,913*	*10,066*
Financial liabilities designated at fair value through profit and loss		-	-
	Caption 50 - Financial liabilities designated at fair value through profit and loss	*-*	*-*
Tax liabilities		2,079	1,513
	Caption 80 - Tax liabilities	*2,079*	*1,513*
Liabilities associated with non-current assets held for sale and discontinued operations		297	16,482
	Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations	*297*	*16,482*
Other liabilities		13,530	12,521
	Caption 100 - Other liabilities	*9,936*	*10,731*
	+ Caption 60 - Hedging derivatives	*2,536*	*1,756*
	+ Caption 70 - Fair value change of financial liabilities in hedged portfolios	*1,058*	*34*
Allowances for specific purpose		3,252	3,787
	Caption 110 - Employee termination indemnities	*861*	*953*
	Caption 120 - Allowances for risks and charges	*2,391*	*2,834*
Share capital		6,647	6,033
	Caption 180 - Share capital	*6,647*	*6,033*
Reserves (net of treasury shares)		37,354	34,554
	Caption 160 - Reserves	*4,083*	*3,181*
	Caption 170 - Share premium reserve	*33,271*	*33,533*
	– Caption 190 - Treasury shares	*-*	*-2,160*
Valuation reserves		649	1,586
	Caption 130 - Valuation reserves	*649*	*1,586*
Net income (loss)		1,069	5,798
	Caption 200 - Net income (loss)	*1,069*	*5,798*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**429,327**	**395,391**

Reconciliation between the restated Intesa Sanpaolo income statement and the reclassified Intesa Sanpaolo income statement

(in millions of euro)

Captions of the reclassified consolidated income statement	Captions of the restated consolidated income statement	2007	2008
Net interest income		4,970	4,908
	Caption 30 - Interest margin	*4,851*	*4,740*
	- Caption 10 (partial) - Interest income (Effect of purchase cost allocation)	*92*	*133*
	+ Caption 70 (partial) - Dividend and similar income related to financing transactions	*-*	*-*
	+ Caption 80 (partial) - Components of the profits (losses) on trading relating to net interests	*-*	*14*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*119*	*120*
	+ Caption 150 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*-60*	*-70*
	+ Caption 160 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-32*	*-29*
Dividends		1,185	700
	Caption 70 - Dividend and similar income	*1,252*	*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	*-67*	*-240*
Net fee and commission income		2,749	3,125
	Caption 60 - Net fee and commission income	*2,749*	*3,125*
Profits (Losses) on trading		-835	97
	Caption 80 - Profits (Losses) on trading	*-881*	*-446*
	+ Caption 90 - Fair value adjustments in hedge accounting	*-93*	*7*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*98*	*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	*12*	*-*
	+ Caption 110 - Profits (Losses) on financial assets and liabilities designed at fair value	*-38*	*-3*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*67*	*240*
	- Caption 80 (partial) - Components of the profits (losses) on trading relating to net interests	*-*	*-14*
Other operating income (expenses)		867	847
	Caption 190 - Other operating income (expenses)	*910*	*866*
	- Caption 190 (partial) Other operating income (expenses) (Recovery of merger and restructuring related charges)	*-16*	*-*
	– Caption 190 (partial) - Other operating income (expenses) (Recovery of expenses)	*-27*	*-19*
Operating income		**8,936**	**9,677**
Personnel expenses		-3,014	-3,112
	Caption 150 a) - Personnel expenses	*-3,460*	*-3,616*
	- Caption 150 a) (partial) - Personnel expenses (Merger and restructuring related charges)	*386*	*434*
	- Caption 150 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*60*	*70*
Other administrative expenses		-1,970	-1,962
	Caption 150 b) - Other administrative expenses	*-2,256*	*-2,225*
	- Caption 150 b) (partial) - Other administrative expenses (Merger and restructuring related charges)	*259*	*244*
	+ Caption 190 (partial) Other operating income (expenses) (Recovery of expenses)	*27*	*19*
Adjustments to property, equipment and intangible assets		-530	-619
	Caption 170 - Net adjustments to/recoveries on property and equipment	*-252*	*-293*
	- Caption 170 (partial) - Net adjustments to property and equipment (Effect of purchase cost allocation)	*-16*	*-20*
	+ Caption 180 - Net adjustments to/recoveries on intangible assets	*-552*	*-463*
	- Caption 180 (partial) - Net adjustments to intangible assets (Effect of purchase cost allocation)	*233*	*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 (Merger and restructuring related charges)	*14*	*5*
	- Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Merger and restructuring related charges)	*43*	*17*
Operating costs		**-5,514**	**-5,693**
Operating margin		**3,422**	**3,984**
Goodwill impairment		-	-
	Caption 230 - Goodwill impairment	*-*	*-*
Net provisions for risks and charges		-214	-377
	Caption 160 - Net provisions for risks and charges	*-246*	*-406*
	- Caption 160 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*32*	*29*
Net adjustments to loans		-1,101	-626
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*1*	*-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	*-1,035*	*-439*
	- Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-119*	*-120*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*52*	*-33*
Net impairment losses on other assets		-324	-35
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-324*	*-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 and on other investments		-1,182	45
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-*	*-*
	+ Caption 240 - Profits (Losses) on disposal of investments	*275*	*7*
	+ Caption 210 - Profits (Losses) on equity investments	*-1,457*	*-227*
	+ Caption 210 -(partial) - Profits (Losses) on equity investments	*-*	*265*
	+ Caption 220 - Valuation differences on property, equipment and intangible assets measured at fair value	*-*	*-*
Income (Loss) before tax from continuing operations		**601**	**2,991**
Taxes on income from continuing operations		375	-1,186
	Caption 260 - Taxes on income from continuing operations	*676*	*-359*
	- Caption 260 (partial) - Taxes on income from continuing operations (Merger and restructuring related charges)	*-202*	*-219*
	- Caption 260 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	*-99*	*-608*
Merger and restructuring related charges (net of taxes)		-484	-481
	+ Caption 150 a) (partial) - Personnel expenses (Merger and restructuring related charges)	*-386*	*-434*
	+ Caption 150 b) (partial) - Other administrative expenses (Merger and restructuring related charges)	*-259*	*-244*
	+ Caption 260 (partial) - Taxes on income from continuing operations (Merger and restructuring related charges)	*202*	*219*
	+ Caption 190 (partial) Other operating income (expenses) (Recovery of merger and restructuring related charges)	*16*	*-*
	- Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (Merger and restructuring related charges)	*-14*	*-5*
	- Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (Merger and restructuring related charges)	*-43*	*-17*
Effect of purchase cost allocation (net of tax)		-210	310
	+ Caption 10 (partial) - Interest income (Effect of purchase cost allocation)	*-92*	*-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)	*16*	*20*
	+ Caption 180 (partial) - Net adjustments to intangible assets (Effect of purchase cost allocation)	*-233*	*-125*
	+ Caption 260 (partial) - Taxes on income from continuing operations (Effect of purchase cost allocation)	*99*	*608*
Income (Loss) after tax from discontinued operations		787	4,164
	Caption 280 - Income (Loss) after tax from discontinued operations	787	4,429
	- Caption 210 (partial) Profits (Losses) on equity investments	-	-265
Net income	**Caption 290 - Net income (loss)**	**1,069**	**5,798**

Other attachments

List of the IAS/IFRS endorsed by the European Commission as at 31 December 2008

ACCOUNTING STANDARDS		Regulation endorsement
IFRS 1	First-time adoption of International Financial Reporting Standards	1126/2008 mod. 1260/2008 - 1274/2008
IFRS 2	Share-based payment	1126/2008 mod. 1261/2008
IFRS 3	Business combinations	1126/2008
IFRS 4	Insurance contracts	1126/2008 mod. 1274/2008
IFRS 5	Non-current assets held for sale and discontinued operations	1126/2008 mod. 1274/2008
IFRS 6	Exploration for and evaluation of mineral resources	1126/2008
IFRS 7	Financial instruments: disclosures	1126/2008 mod. 1274/2008
IFRS 8	Operating segments	1126/2008 mod. 1274/2008
IAS 1	Presentation of financial statements	1274/2008
IAS 2	Inventories	1126/2008
IAS 7	Statement of cash flows	1126/2008 mod. 1260/2008 - 1274/2008
IAS 8	Accounting policies, changes in accounting estimates and errors	1126/2008 mod. 1274/2008
IAS 10	Events after the reporting period	1126/2008 mod. 1274/2008
IAS 11	Construction contracts	1126/2008 mod. 1260/2008 - 1274/2008
IAS 12	Income taxes	1126/2008 mod. 1274/2008
IAS 16	Property, plant and equipment	1126/2008 mod. 1260/2008 - 1274/2008
IAS 17	Leases	1126/2008
IAS 18	Revenue	1126/2008
IAS 19	Employee benefits	1126/2008 mod. 1274/2008
IAS 20	Accounting for government grants and disclosure of government assistance	1126/2008 mod. 1274/2008
IAS 21	The effects of changes in foreign exchange rates	1126/2008 mod. 1274/2008
IAS 23	Borrowing costs (revised 2007)	1260/2008
IAS 24	Related party disclosures	1126/2008 mod. 1274/2008
IAS 26	Accounting and reporting by retirement benefit plans	1126/2008
IAS 27	Consolidated and separate financial statements	1126/2008 mod. 1274/2008
IAS 28	Investments in associates	1126/2008 mod. 1274/2008
IAS 29	Financial reporting in hyperinflationary economies	1126/2008 mod. 1274/2008
IAS 31	Interests in joint ventures	1126/2008
IAS 32	Financial instruments: presentation	1126/2008 mod. 1274/2008
IAS 33	Earnings per share	1126/2008 mod. 1274/2008
IAS 34	Interim financial reporting	1126/2008 mod. 1274/2008
IAS 36	Impairment of assets	1126/2008 mod. 1274/2008
IAS 37	Provisions, contingent liabilities and contingent assets	1126/2008 mod. 1274/2008
IAS 38	Intangible assets	1126/2008 mod. 1260/2008 - 1274/2008
IAS 39	Financial instruments: recognition and measurement *(except for certain rules on hedge accounting)*	1126/2008 mod. 1274/2008
IAS 40	Investment property	1126/2008 mod. 1274/2008
IAS 41	Agriculture	1126/2008 mod. 1274/2008

INTERPRETATIONS		Regulation endorsement
IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	1126/2008 mod. 1260/2008 - 1274/2008
IFRIC 2	Members' shares in cooperative entities and similar instruments	1126/2008
IFRIC 4	Determining whether an arrangement contains a lease	1126/2008
IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1126/2008
IFRIC 6	Liabilities arising from participating in a specific market - Waste electrical and electronic equipment	1126/2008
IFRIC 7	Applying the restatement approach under IAS 29 - Financial reporting in hyperinflationary economies	1126/2008 mod. 1274/2008
IFRIC 8	Scope of IFRS 2	1126/2008
IFRIC 9	Reassessment of embedded derivatives	1126/2008
IFRIC 10	Interim financial reporting and impairment	1126/2008 mod. 1274/2008
IFRIC 11	Group and treasury share transactions	1126/2008
IFRIC 13	Customer loyalty programmes	1262/2008
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction	1263/2008 mod. 1274/2008
SIC 7	Introduction of the euro	1126/2008 mod. 1274/2008
SIC 10	Government assistance - No specific relation to operating activities	1126/2008 mod. 1274/2008
SIC 12	Consolidation - special purpose entities	1126/2008
SIC 13	Jointly controlled entities - Non-monetary contributions by venturers	1126/2008 mod. 1274/2008
SIC 15	Operating leases - Incentives	1126/2008 mod. 1274/2008
SIC 21	Income taxes - Recovery of revalued non-depreciable assets	1126/2008
SIC 25	Income taxes - Changes in the tax status of an enterprise or its shareholders	1126/2008 mod. 1274/2008
SIC 27	Evaluating the substance of transactions involving the legal form of a lease	1126/2008
SIC 29	Service concession arrangements: disclosures	1126/2008 mod. 1274/2008
SIC 31	Revenue - Barter transactions involving advertising services	1126/2008
SIC 32	Intangible assets - Web site costs	1126/2008 mod. 1274/2008

Statement of Intesa Sanpaolo property, 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	**-**	**38**	**16**	**58**	**249**	**199**	**560**
Equity investments	**-**	**-**	**-**	**-**	**-**	**391**	**391**
a) Subsidiaries	-	-	-	-	-	43	43
b) Other	-	-	-	-	-	348	348
Total	**-**	**38**	**16**	**58**	**249**	**590**	**951**

Statement on Intesa Sanpaolo pension funds

Statement on the 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 and transferred to Esatri Esazioni Tributi S.p.A. - accounting records for the related transactions are segregated in accordance with corporate agreements requiring that gains on its own investments are provisioned, and with regulations contained in Italian Legislative Decree no. 124 of 21 April 1993, reviewed by Law no. 335 of 8 August 1995.
Based on the corporate agreements and special authorisation of the Bank of Italy, in 2002 procedures were completed for transformation of treatment from defined benefit to defined contribution. Then according to individual requests from all the personnel in service, the related individual positions were transferred to other external pension funds. As a result of these transactions the fund once again began to operate as a defined benefit plan for personnel already retired as at 31 December 2000.
As at 31 December 2007 the balance of the fund was 32 million euro. Following utilisation, deposits and provisioning, as at 31 December 2008 the fund recorded a balance of 29 million euro, with a decrease of 3 million euro.
The actuarial assumption is performed on an annual basis.

Fund balance

(in millions of euro)

Bonds	16
Accrued income on bonds	-
Cash equivalents	13
Total	**29**

Fund cash inflows (*)

(in millions of euro)

Return on investments	-
Provisions in the year	-
Total cash inflows	**-**

(*) Fund cash inflows amounted to less than one million euro

Fund cash outflows

(in millions of euro)

Past benefits paid	-3
Administrative expenses and other	-
Total cash outflows	**-3**

Supplementary pension fund in favour of employees of Mediocredito Lombardo "Trattamento integrativo delle pensioni di legge a favore dei dipendenti del Mediocredito Lombardo", final regulation approved on 8 March 1996

The fund's resources for personnel formerly employed by Mediocredito Lombardo are used as part of the Bank's securities. The following changes were recorded during the year:

(in millions of euro)

Balance as at 31 December 2007	17
Benefits paid in the year	-2
Provisions allocated in 2008	-
Termination section assets	-
Balance as at 31 December 2008	**15**

Annual actuarial tests to confirm the Fund's adequacy to meet its commitments have proved a technical and financial balance.
As from 24 April 1993, on entry into force of the Italian Law on Pension Funds (Legislative Decree no. 124 of 21 April 1993), new recruits to Mediocredito Lombardo were no longer registered to the supplementary pension envisaged from 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 "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. As at 31 December 2008 the only section of the Fund with a recorded value is that for retired employees.

Supplementary pension fund for 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 up to a certain date on the basis of specific bilateral agreements in favour of top management of Banca Commerciale Italiana.
The related provisions – which do not represent segregated funds – are invested without distinction (in a non-specific manner) as an assets component.
The pension fund fully covers technical needs as at the reference date, updated on an annual basis.
In 2006, following the start of liquidation of the pension fund for Banca Commerciale Italiana personnel, on behalf of fund beneficiaries applying for such treatment 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. The increased value of the mathematical reserve as at 31 December 2006 was offset by disposal to the company in settlement of the entire amount due to the Comit Fund.
The following changes were recorded during the year:

(in millions of euro)

Balance as at 31 December 2007	42
Benefits paid in the year	-5
Provisions allocated	-
Transfer from "Fondo pensioni per il personale della Banca Commerciale Italiana"	-
Balance as at 31 December 2008	**37**

Table of significant equity investments in unquoted companies pursuant to art. 126 of Consob Regulation 11971 of 14 May 1999

(List of equity investments in excess of 10% of the voting share capital in unquoted companies held directly and indirectly for whatever reason)

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
21 Investimenti SpA	11.76		Intesa Sanpaolo	Holding
A.M.P. Srl		100.00	C.R. Pistoia e Pescia	Pledge
Accessible Luxury Holdings 1 SA	15.65		Intesa Sanpaolo	Holding
Adar Holding SpA	16.91		Intesa Sanpaolo	Pledge
Aeroporti Holding Srl		35.31	Equiter	Holding
Agricola del Varano Srl		26.58	Cassa di Risparmio del Veneto	Pledge
Agricola Investimenti Srl in liquidation	100.00		Intesa Sanpaolo	Holding
Agromedimurje d.d.		10.07	Medimurska Banka	Holding
AL.FA. - Un'altra Famiglia Dopo di Noi - Impresa Sociale Srl	42.86		Intesa Sanpaolo	Holding
AL.GIO.FIN SpA	20.00		Intesa Sanpaolo	Pledge
Albergo il Giglio SpA		100.00	C.R. Pistoia e Pescia	Pledge
Alfa-Ex Ingatlanhasznosito es Forgalmazo Kft.		21.20	Central-European International Bank	Pledge
Alfieri Associates Investors Servicos de Consultoria SA	20.00		Intesa Sanpaolo	Holding
Allfunds Bank SA	50.00		Intesa Sanpaolo	Holding
Alpas Srl		100.00	C.R. Pistoia e Pescia	Pledge
Alpifin Srl in liquidation / composition with creditors		10.44	Cassa di Risparmio del Friuli Venezia Giulia - Carifvg	Holding
Ambienta SGR SpA		20.00	Equiter	Holding
Argol SpA	49.00		Intesa Sanpaolo	Pledge
Atlantis SA		81.25	Sudameris	Holding
		18.75	Intesa Sanpaolo Holding International	Holding
Attiva SpA - Ag. per la Trasformaz. Territor. in Veneto (former Cosecon SpA)		10.00	Cassa di Risparmio del Veneto	Holding
Aurum Toscana Srl		100.00	Banco di Napoli	Pledge
Autostrade Lombarde SpA	39.30		Intesa Sanpaolo	Holding
Bamcard d.d.		20.03	Intesa Sanpaolo Banka d.d. Bosna i Hercegovina	Holding
Banca C.R. Firenze Romania SA		56.23	C.R. Firenze	Holding
Banca C.I.S. SpA	44.63		Intesa Sanpaolo	Holding
		55.37	Mediocredito Italiano	Holding
Banca dell'Adriatico SpA	100.00		Intesa Sanpaolo	Holding
Banca di Trento e Bolzano SpA	8.29		Intesa Sanpaolo	Holding
		63.37	Finanziaria B.T.B	Holding
		0.00	Intesa Sanpaolo Private Banking	Pledge
Banca d'Italia	30.35		Intesa Sanpaolo	Holding
		0.22	C.R. Ascoli Piceno	Holding
		0.00	C.R. Rieti	Holding
		0.08	Cassa di Risparmio della Provincia di Viterbo	Holding
		0.11	C.R. Foligno	Holding
		0.15	C.R. Terni e Narni	Holding
		0.08	C.R. Città di Castello	Holding
		0.03	C.R. Spoleto	Holding
		0.62	Cassa di Risparmio del Friuli Venezia Giulia - Carifvg	Holding
		0.88	C.R. Venezia	Holding
		0.20	C.R. Forlì e della Romagna - Cariromagna	Holding
		1.20	Cassa di Risparmio del Veneto	Holding
		6.20	C.R. Bologna	Holding
		1.89	C.R. Firenze	Holding
		0.04	C.R. Civitavecchia	Holding
		0.08	C.R. Orvieto	Holding
		0.09	Cassa di Risparmio della Spezia	Holding
		0.38	C.R. Pistoia e Pescia	Holding
Banca Fideuram SpA	100.00		Intesa Sanpaolo	Holding
Banca IMI SpA	100.00		Intesa Sanpaolo	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Banca IMI Securities Corp.		100.00	IMI Capital Markets Usa	Holding
Banca Impresa Lazio SpA	12.00		Intesa Sanpaolo	Holding
Infrastr. e Svil.)	100.00		Intesa Sanpaolo	Holding
Banca Intesa a.d. Beograd	15.21		Intesa Sanpaolo	Holding
		77.79	Intesa Sanpaolo Holding International	Holding
Banca Prossima SpA	100.00		Intesa Sanpaolo	Holding
Banco di Napoli SpA	100.00		Intesa Sanpaolo	Holding
Bank of Alexandria	80.00		Intesa Sanpaolo	Holding
Banka Koper d.d.	97.22		Intesa Sanpaolo	Holding
Banque Espirito Santo et de la Venetie SA	12.50		Intesa Sanpaolo	Holding
Banque Galliere SA in liquidation		17.50	C.R. Bologna	Holding
Beato Edoardo Materiali Ferrosi Srl		50.00	Cassa di Risparmio del Veneto	Pledge
		50.00	C.R. Venezia	Pledge
Belisce d.d.		13.41	Privredna Banka Zagreb	Holding
Bi Private Equity Ltd		100.00	Private Equity International	Holding
Biessefin SpA in liquidation	36.10		Intesa Sanpaolo	Pledge
Binda SpA in liquidation	11.25		Intesa Sanpaolo	Holding
	0.19		Intesa Sanpaolo	Pledge
		0.00	Cormano	Holding
		0.01	Banco di Napoli	Pledge
		0.01	Banca IMI	Holding
		0.01	Cassa di Risparmio del Veneto	Pledge
		0.01	C.R. Firenze	Pledge
Blue Gem Luxembourg 1 Sarl		50.00	Eurizon Vita	Holding
Bn Finrete SpA in liquidation	99.00		Intesa Sanpaolo	Holding
Mediation and Development of S/M Entreprises		11.11	Banca Intesa a.d. - Beograd	Holding
C D I Calitri Denim Industries SpA under bankruptcy proceedings		14.29	Isveimer	Holding
C.A.I. Compagnia Aerea Italiana SpA (former Resco Uno Srl)	12.71		Intesa Sanpaolo	Holding
Cala Capitana Srl under bankruptcy proceedings	100.00		Intesa Sanpaolo	Pledge
Camigliati Scuola Management Territoriale Scrl		20.00	Intesa Sanpaolo Formazione	Holding
Cantiere Celli Srl		80.00	C.R. Venezia	Pledge
Cantiere Darsena Italia SpA in liquidation and composition with creditors	20.00		Intesa Sanpaolo	Holding
Caprera Srl	100.00		Intesa Sanpaolo	Pledge
Caricese Srl		19.90	C.R. Bologna	Holding
		1.94	C.R. Firenze	Holding
		0.03	C.R. Civitavecchia	Holding
		0.03	C.R. Orvieto	Holding
		0.03	C.R. Pistoia e Pescia	Holding
Cartitalia Srl under bankruptcy proceedings		51.00	Cormano	Holding
Cassa dei Risparmi di Forlì e della Romagna SpA - Cariromagna	66.31		Intesa Sanpaolo	Holding
Cassa di Risparmio del Friuli Venezia Giulia SpA - Carifvg	100.00		Intesa Sanpaolo	Holding
di Padova e Rovigo SpA)	100.00		Intesa Sanpaolo	Holding
Cassa di Risparmio della Provincia di Chieti SpA	20.00		Intesa Sanpaolo	Holding
Cassa di Risparmio della Provincia di Viterbo SpA		82.02	Casse del Centro	Holding
Cassa di Risparmio della Spezia SpA		80.00	C.R. Firenze	Holding
Cassa di Risparmio di Ascoli Piceno SpA		66.00	Casse del Centro	Holding
Cassa di Risparmio di Città di Castello SpA		82.19	Casse del Centro	Holding
Cassa di Risparmio di Civitavecchia SpA		51.00	C.R. Firenze	Holding
Cassa di Risparmio di Fermo SpA	33.33		Intesa Sanpaolo	Holding
Cassa di Risparmio di Firenze SpA	89.71		Intesa Sanpaolo	Holding
Cassa di Risparmio di Foligno SpA		70.47	Casse del Centro	Holding
Cassa di Risparmio di Orvieto SpA		73.57	C.R. Firenze	Holding
Cassa di Risparmio di Pistoia e Pescia SpA		60.00	C.R. Firenze	Holding
Cassa di Risparmio di Rieti SpA		85.00	Casse del Centro	Holding

Company	Percentage or quotas held direct	Percentage or quotas held indirect	Direct ownership	Type of right
Cassa di Risparmio di Spoleto SpA		60.13	Casse del Centro	Holding
Cassa di Risparmio di Terni e Narni SpA		75.00	Casse del Centro	Holding
Cassa di Risparmio di Venezia SpA	100.00		Intesa Sanpaolo	Holding
Cassa di Risparmio in Bologna SpA	100.00		Intesa Sanpaolo	Holding
Casse del Centro SpA (former Intesa Casse del Centro SpA)	96.07		C.R. Firenze	Holding
Ce.Spe.Vi. Srl - Centro di Sperimentazione per il Vivaismo		20.00	C.R. Pistoia e Pescia	Holding
Cedar Street Securities Corp.		100.00	Banca IMI Securities	Holding
Celeasing Srl in liquidation	100.00		Intesa Sanpaolo	Pledge
Cen.Ser. Centro Servizi SpA		11.76	Cassa di Risparmio del Veneto	Holding
Centradia Group Ltd in liquidation	30.45		Intesa Sanpaolo	Holding
Central-European International Bank Ltd	10.90		Intesa Sanpaolo	Holding
		89.10	Intesa Sanpaolo Holding International	Holding
Centro Factoring SpA	10.81		Intesa Sanpaolo	Holding
		0.11	C.R. Forlì e della Romagna - Cariromagna	Holding
		41.77	C.R. Firenze	Holding
		5.73	C.R. Pistoia e Pescia	Holding
		0.03	C.R. Orvieto	Holding
		0.16	Cassa di Risparmio della Spezia	Holding
		14.95	Centro Leasing Banca	Holding
Centro Leasing Banca SpA		77.49	C.R. Firenze	Holding
		7.09	C.R. Pistoia e Pescia	Holding
		0.93	C.R. Orvieto	Holding
		0.79	Cassa di Risparmio della Spezia	Holding
		0.56	C.R. Civitavecchia	Holding
		0.04	C.R. Forlì e della Romagna	Holding
Centro Leasing Gmbh		100.00	Centro Leasing Banca	Holding
Centro Leasing Rete SpA		100.00	Centro Leasing Banca	Holding
Centrovita Assicurazioni SpA		43.00	C.R. Firenze	Holding
		8.00	C.R. Pistoia e Pescia	Holding
Centurion Financijske Usluge d.o.o. (aka Centurion Financial Services Ltd)		100.00	Pbz Card	Holding
Centurion Financne Storitve d.o.o.		75.00	Banka Koper	Holding
		25.00	Pbz Card	Holding
Chess Ventures Ltd	49.75		Intesa Sanpaolo	Holding
China International Packaging Leasing Co. Ltd (Leasepack)		17.50	Intesa Sanpaolo Holding International	Holding
Cib Car Trading Limited Liability Company		100.00	Cib Credit	Holding
Cib Credit Ltd		2.00	Cib Real Estate	Holding
		98.00	Cib Leasing	Holding
Cib Expert Ltd		100.00	Cib Real Estate	Holding
Cib Factor Financial Service Ltd		50.00	Cib Service Property Utilisation and Services Ltd	Holding
		50.00	Cib Real Property Utilisation and Services	Holding
Cib Insurance Broker Ltd		100.00	Cib Leasing	Holding
Cib Inventory Management Limited Liability Company		100.00	Central-European International Bank	Holding
Cib Investment Fund Management Ltd		5.03	Cib Real Property Utilisation and Services	Holding
		94.98	Central-European International Bank	Holding
Cib Leasing Ltd		100.00	Cib Rent Operative Leasing	Holding
Cib New York Broker Rt. (former Ie-New York Broker Rt.)		100.00	Central-European International Bank	Holding
Cib Real Estate Ltd		100.00	Cib Leasing	Holding
Cib Real Property Utilisation and Services Ltd		54.27	Cib Service Property Utilisation and Services	Holding
		45.73	Central-European International Bank	Holding
Cib Rent Operative Leasing Ltd		100.00	Central-European International Bank	Holding
Cib Residential Property Leasing Ltd		100.00	Cib Credit	Holding
Cib Service Property Utilisation and Services Ltd		100.00	Central-European International Bank	Holding
Cil-Food 2006 Ltd		50.00	Cib Leasing	Holding
		50.00	Cib Real Estate	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Cil Bajor Co. Ltd		50.00	Cib Insurance Broker	Holding
		50.00	Cib Real Estate	Holding
Cil Buda Square Ltd		50.00	Cib Leasing	Holding
		50.00	Cib Real Estate	Holding
Cil Danubius Co. Ltd		50.00	Cib Insurance Broker	Holding
		50.00	Cib Real Estate	Holding
Cil Mnm Ltd		96.67	Cib Real Estate	Holding
Cil Nagyteteny Ltd		50.00	Cib Leasing	Holding
		50.00	Cib Real Estate	Holding
Cil Vaci ut Property Utilisation Limited Liability Company		50.00	Cib Insurance Broker	Holding
		50.00	Cib Real Estate	Holding
Cil-Golf Ltd		50.00	Cib Leasing	Holding
		50.00	Cib Real Estate	Holding
Cil-Log Ltd		50.00	Cib Leasing	Holding
		50.00	Cib Real Estate	Holding
Cimos International d.d.		13.56	Banka Koper	Holding
Citylife SpA		60.00	C.R. Firenze	Holding
		40.00	Infogroup - Informatica e Servizi Telematici	Holding
Cofragef SA - Compagnie Francaise de Gestion Financiere in liquidation		99.76	Intesa Sanpaolo	Holding
Collegamento Ferroviario Genova-Milano SpA		20.00	Banca Infrastrutture Innovazione e Sviluppo	Holding
Cometa Srl		100.00	C.R. Bologna	Pledge
Consorzio per gli studi universitari a distanza "F. Corongiu"		33.33	Banca C.I.S.	Holding
Consorzio Agrario Interprovinciale Forlì- Cesena e Rimini Scrl		10.37	C.R. Forlì e della Romagna - Cariromagna	Holding
Consorzio Bancario Sir SpA in liquidation	32.86		Intesa Sanpaolo	Holding
		5.63	Banca C.I.S.	Holding
		0.00	Banca di Trento e Bolzano	Holding
		0.69	Isveimer	Holding
Consul Service Srl in liquidation		98.41	Banca C.I.S.	Holding
Consumer Finance Holding A.S.		100.00	Vseobecna Uverova Banka	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 SA	100.00		Intesa Sanpaolo	Holding
Des Bains Hotel Srl	100.00		Intesa Sanpaolo	Pledge
Des Bains Management Srl	100.00		Intesa Sanpaolo	Pledge
Domina Group SpA in liquid./under bankruptcy proceedings	50.57		Intesa Sanpaolo	Pledge
Dulevo SpA under bankruptcy proceedings	16.30		Intesa Sanpaolo	Holding
	81.91		Intesa Sanpaolo	Pledge
Edilmarket Srl under bankruptcy proceedings	100.00		Intesa Sanpaolo	Pledge
Edm Srl under bankruptcy proceedings		25.00	C.R. Spoleto	Pledge
Eleven SpA	100.00		Cassa di Risparmio del Veneto	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 Srl		51.27	Cassa di Risparmio del Veneto	Pledge
Endeavour Holdings Srl		10.73	Private Equity International	Holding
Enerpoint Energy Srl		50.00	Equiter	Holding
Enerpoint SpA		19.80	Equiter	Holding
Ente Nazionale delle Sementi Elette	49.41		Intesa Sanpaolo	Holding
		7.85	C.R. Bologna	Holding
Epsilon Associati SGR SpA		93.75	Eurizon Capital SGR	Holding

Company	Percentage or quotas held direct	Percentage or quotas held indirect	Direct ownership	Type of right
Equinox Investment Company S.C.P.A.		28.98	Private Equity International	Holding
Equinox Two SCA		20.88	Private Equity International	Holding
Equipe Investments SpA		100.00	Cassa di Risparmio del Veneto	Pledge
Equiter SpA (former Fin.Opi SpA - Finanziaria per le Opere Pubbliche e le Infrastrutture)	100.00		Intesa Sanpaolo	Holding
Equitypar-Companhia de Partecipacoes SA		12.50	Intesa Brasil Empreendimentos	Holding
Erfi 2000 Ingatlan Kft		100.00	Cib Service Property Utilisation and Services	Holding
Erre-Effe-Ti SpA	100.00		Intesa Sanpaolo	Pledge
Esaote SpA (former Imaging SpA)	37.95		Intesa Sanpaolo	Holding
		19.99	IMI Investimenti	Holding
Esped Spedizioni Srl in liquidation		29.80	Cassa di Risparmio del Veneto	Pledge
Eurizon A.I. SGR SpA (former Caam A.I. SGR)	10.00		Intesa Sanpaolo	Holding
		90.00	Eurizon Capital SGR	Holding
Eurizon Alternative Investments SGR SpA		100.00	Eurizon Capital SGR	Holding
Eurizon Capital SA		100.00	Eurizon Capital SGR	Holding
Eurizon Capital SGR SpA	100.00		Intesa Sanpaolo	Holding
Eurizonlife Limited		100.00	EurizonVita	Holding
Eurizontutela SpA		100.00	EurizonVita	Holding
EurizonVita (Beijing) Business Advisory Co. Ltd		100.00	EurizonVita	Holding
EurizonVita SpA	99.96		Intesa Sanpaolo	Holding
Euromilano SpA	42.50		Intesa Sanpaolo	Holding
Europay Hrvatska d.o.o. in liquidation		12.50	Privredna Banka Zagreb	Holding
Europrogetti e Finanza SpA	15.97		Intesa Sanpaolo	Holding
Euro-Tresorerie SA		100.00	Financiere Fideuram	Holding
		0.00	Fideuram Bank Luxembourg	Holding
Evoluzione 94 SpA in liquidation	24.10		Intesa Sanpaolo	Holding
		2.55	C.R. Bologna	Holding
		1.97	Cassa di Risparmio del Friuli Venezia Giulia - Carifvg	Holding
Excelsior Lido Hotel Srl	100.00		Intesa Sanpaolo	Pledge
Excelsior Lido Management Srl	100.00		Intesa Sanpaolo	Pledge
F.I.L.A. Fabbrica Italiana Lapis ed Affini SpA	24.75		Intesa Sanpaolo	Holding
F2i - Fondi Italiani per le Infrastrutture SGR SpA		14.29	Banca Infrastrutture Innovazione e Sviluppo	Holding
Femi SpA		100.00	C.R. Bologna	Pledge
Fides SpA under bankruptcy proceedings		20.00	Isveimer	Holding
Fideuram Asset Management (Ireland) Ltd		100.00	Banca Fideuram	Holding
Fideuram Bank (Monaco) SAM (former Fideuram Wargny Gestion SAM)		99.96	Fideuram Bank Luxembourg	Holding
Fideuram Bank (Luxembourg) SA		100.00	Banca Fideuram	Holding
		0.00	EurizonVita	Holding
Fideuram Bank (Suisse) SA		99.97	Fideuram Bank Luxembourg	Holding
Fideuram Fiduciaria SpA		100.00	Banca Fideuram	Holding
Fideuram France SA (former Banque Privee Fideuram SA)		99.95	Financiere Fideuram	Holding
Fideuram Gestions SA		99.94	Banca Fideuram	Holding
		0.06	EurizonVita	Holding
Fideuram Investimenti SGR SpA		99.50	Banca Fideuram	Holding
Fidi Toscana SpA	0.23		Intesa Sanpaolo	Holding
		8.89	C.R. Firenze	Holding
		1.58	C.R. Pistoia e Pescia	Holding
Fidia-Fondo Interbancario d'investim. Az. SGR SpA	25.00		Intesa Sanpaolo	Holding
Fin.Ser. SpA		15.00	Cassa di Risparmio del Veneto	Holding
Fin.Tess. SpA under bankruptcy proceedings		98.00	Cassa di Risparmio del Veneto	Pledge
Financiere Fideuram SA		100.00	Banca Fideuram	Holding
		0.00	Fideuram Bank Luxembourg	Holding
Finanziaria B.T.B SpA	99.29		Intesa Sanpaolo	Holding
Finanziaria Lago SpA	12.50		Intesa Sanpaolo	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Findomestic Banca SpA		47.17	C.R. Firenze	Holding
		2.83	C.R. Pistoia e Pescia	Holding
Fineurop SpA	15.00		Intesa Sanpaolo	Holding
Finor Leasing d.o.o.		100.00	Banka Koper	Holding
Finsimpla SpA	100.00		Intesa Sanpaolo	Pledge
Fonti di Gaverina SpA	60.64		Intesa Sanpaolo	Pledge
Formula Sport Group Srl in liquidation	52.00		Intesa Sanpaolo	Pledge
Garibaldi Srl	100.00		Intesa Sanpaolo	Pledge
GCL Holding LP Sarl	22.30		Intesa Sanpaolo	Holding
Ge.Fi.L. - Gestione Fiscalità Locale SpA		100.00	Cassa di Risparmio della Spezia	Holding
Ge.I.Po. Srl	90.00		Intesa Sanpaolo	Pledge
Geni SpA under bankruptcy proceedings	35.91		Intesa Sanpaolo	Holding
Gepafin SpA-Garanzie Partecipazioni e Finanziamenti		3.37	C.R. Spoleto	Holding
		0.54	C.R. Città di Castello	Holding
		2.99	C.R. Foligno	Holding
		3.15	C.R. Terni e Narni	Holding
		0.16	C.R. Firenze	Holding
		0.34	C.R. Orvieto	Holding
Gestiones y Recuperaciones de Activos SA		99.94	Inversiones Mobiliarias	Holding
Giochi Preziosi SpA (former Lauro Ventuno SpA)	14.25		Intesa Sanpaolo	Holding
Goglio Luigi Milano SpA		16.07	IMI Investimenti	Holding
Granarolo SpA	19.78		Intesa Sanpaolo	Holding
Green Initiative Carbon Assets (Gica) SA		25.00	Equiter	Holding
Grin Srl in liquidation	100.00		Intesa Sanpaolo	Pledge
Guinness Peat Aviation Atr Ltd		12.50	Intesa Sanpaolo Bank Ireland	Holding
H.I.I.T. Holding Italiana Investimenti Tecnologici SpA	85.00		Intesa Sanpaolo	Pledge
Horizonte Club Italia Srl		100.00	Banco di Napoli	Pledge
Hotel Cipriani Asolo Srl	100.00		Intesa Sanpaolo	Pledge
Hotel Lido Due Srl	100.00		Intesa Sanpaolo	Pledge
Hotel Lido Quattro Srl	100.00		Intesa Sanpaolo	Pledge
Hotel Lido Tre Srl	100.00		Intesa Sanpaolo	Pledge
Hotel Lido Uno Srl	100.00		Intesa Sanpaolo	Pledge
Hrok - Hrvatsky Registar Obveza po Kreditima d.o.o. za Poslovne Usluge		14.70	Privredna Banka Zagreb	Holding
I.Tre - Iniziative Immobiliari Industriali SpA		20.00	Cassa di Risparmio del Veneto	Holding
Iam Piaggio SpA under bankruptcy proceedings	16.58		Intesa Sanpaolo	Holding
		3.86	Banca Fideuram	Holding
Idra Partecipazioni SpA in liquidation	23.82		Intesa Sanpaolo	Holding
		14.80	Ldv Holding	Holding
Ie-Services Szolgaltato es Kereskedelmi Kft.		100.00	Central-European International Bank	Holding
Ifas Gruppo SpA in liquidation	45.00		Intesa Sanpaolo	Holding
Il Mondo dei Fiori Srl	100.00		Intesa Sanpaolo	Pledge
IMI Capital Markets Usa Corp.		100.00	IMI Investments	Holding
IMI Finance Luxembourg SA		100.00	IMI Investments	Holding
IMI Investimenti SpA	100.00		Intesa Sanpaolo	Holding
IMI Investments SA		100.00	Banca IMI	Holding
		0.00	Banca IMI Securities	Holding
Imifin SpA in liquidation	100.00		Intesa Sanpaolo	Holding
Immit - Immobili Italiani SpA (former Nuova Real Estate SpA)	100.00		Intesa Sanpaolo	Holding
Immobiliare Femar SpA in liquidation		38.57	Cassa di Risparmio del Veneto	Pledge
Immobiliare Maggio Srl	100.00		Intesa Sanpaolo	Pledge
Immobiliare Novoli SpA		25.00	C.R. Firenze	Holding
Immobiliare Nuova Sede Srl		100.00	C.R. Firenze	Holding
Immobiliare Peonia Rosa Srl	57.00		Intesa Sanpaolo	Pledge
Immobiliare Rione San Gottardo SpA	100.00		Intesa Sanpaolo	Pledge

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Immobiliare Turistica M.O. Srl		50.00	C.R. Venezia	Pledge
IMP Industria Meccanica di Precisione Srl	100.00		Intesa Sanpaolo	Pledge
Impianti Srl in liquidation	26.27		Intesa Sanpaolo	Holding
		1.69	Banca di Trento e Bolzano	Holding
		5.25	Isveimer	Holding
Impresa Castelli Srl in liquidation	36.60		Intesa Sanpaolo	Pledge
Infogroup SpA - Informatica e Servizi Telematici		94.00	C.R. Firenze	Holding
		4.00	C.R. Pistoia e Pescia	Holding
		1.00	C.R. Civitavecchia	Holding
		1.00	C.R. Orvieto	Holding
Informatica Umbra Srl		8.33	C.R. Foligno	Holding
		8.33	C.R. Spoleto	Holding
Infragruppo SpA		21.71	IMI Investimenti	Holding
		51.24	Cassa di Risparmio del Veneto	Pledge
Iniziative Urbane SpA		11.11	Banca di Trento e Bolzano	Holding
Integrated Shipping Company - I.S.Co. SpA	100.00		Intesa Sanpaolo	Pledge
Inter-Europa Beruhazo Kft.		100.00	Central-European International Bank	Holding
Inter-Europa Ertekesitesi Kft.		100.00	Central-European International Bank	Holding
Interhold Srl	100.00		Intesa Sanpaolo	Pledge
Interline Turismo Club Srl	100.00		Intesa Sanpaolo	Pledge
International Business Science Company Soc. Cons. a r.l. - I.B.S.C.		18.18	Cassa di Risparmio del Friuli Venezia Giulia-Carifvg	Holding
International Entertainment SpA	50.00		Intesa Sanpaolo	Holding
Interporto di Vado Intermodal Operator Soc. Cons. per Azioni	98.49		Intesa Sanpaolo	Pledge
Intesa Bank Ireland Plc in liquidation	100.00		Intesa Sanpaolo	Holding
Intesa Bank Overseas Ltd in liquidation	100.00		Intesa Sanpaolo	Holding
Intesa Brasil Empreendimentos SA	100.00		Intesa Sanpaolo	Holding
Intesa Distribution International Services SA		0.03	Societe' Europeenne de Banque	Holding
		99.97	Eurizon Capital SGR	Holding
Intesa Funding Llc	100.00		Intesa Sanpaolo	Holding
Intesa Global Finance Company Ltd		100.00	Intesa Sanpaolo Holding International	Holding
Intesa Investimenti SpA	100.00		Intesa Sanpaolo	Holding
Intesa Lease Sec. Srl	60.00		Intesa Sanpaolo	Holding
Intesa Leasing d.o.o. Beograd		51.00	Banca Intesa a.d. - Beograd	Holding
		49.00	Cib Leasing	Holding
Intesa Preferred Capital Company Llc	100.00		Intesa Sanpaolo	Holding
Intesa Previdenza - SIM SpA	78.53		Intesa Sanpaolo	Holding
Intesa Real Estate Srl	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Bank Albania (former American Bank of Albania)	79.59		Intesa Sanpaolo	Holding
Intesa Sanpaolo Bank Ireland Plc	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Banka d.d. Bosna i Hercegovina (former Upi Banka d.d.)		84.35	Intesa Sanpaolo Holding International	Holding
Intesa Sanpaolo Eurodesk Sprl (former Cbe Service)	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Formazione Scpa	80.00		Intesa Sanpaolo	Holding
		20.00	Casse del Centro	Holding
Intesa Sanpaolo Holding International SA	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Private Banking SpA	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Real Estate Romania SA (former West Trade Center SA)	100.00		Intesa Sanpaolo	Holding
Intesa Sanpaolo Romania SA (former Bca Comerciala Sanpaolo IMI Bank	99.25		Intesa Sanpaolo	Holding
Intesa Sanpaolo Servizi Transazionali SpA (former Mps Finance Banca Mc	100.00		Intesa Sanpaolo	Holding
Intesa Sec. SpA	60.00		Intesa Sanpaolo	Holding
Intesa Sec. 2 Srl	60.00		Intesa Sanpaolo	Holding
Intesa Sec. 3 Srl	60.00		Intesa Sanpaolo	Holding
Intesa Sec. Npl SpA	60.00		Intesa Sanpaolo	Holding
Intesa Soditic Trade Finance Ltd		50.00	Intesa Sanpaolo Holding International	Holding
Intesa Vita SpA	50.00		Intesa Sanpaolo	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
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 Delaware	Holding
Intesatrade SIM SpA	100.00		Intesa Sanpaolo	Holding
Inversiones Mobiliarias SA - IMSA	99.40		Intesa Sanpaolo	Holding
Invest Holding d.o.o. Karlovak		56.38	Privredna Banka Zagreb	Holding
Investitori Associati SA in liquidation	16.67		Intesa Sanpaolo	Holding
Ion Investment Fund 1 Ltd	20.00		Intesa Sanpaolo	Holding
Ipef Partners Ltd in liquidation - London	40.50		Intesa Sanpaolo	Holding
Iscaim Srl in liquidation (former Immob. dell'Isola Cattaneo & C.)	48.57		Intesa Sanpaolo	Pledge
ISM Investimenti SpA		28.57	IMI Investimenti	Holding
Isp Cb Ipotecario Srl	100.00		Intesa Sanpaolo	Holding
Isp Cb Pubblico Srl	60.00		Intesa Sanpaolo	Holding
Isp Sec. 4 Srl	100.00		Intesa Sanpaolo	Holding
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
Italfondiario SpA	11.25		Intesa Sanpaolo	Holding
Italia Generali Costruzioni Srl under bankruptcy proceedings	100.00		Intesa Sanpaolo	Pledge
Italian Equity Advisors SpA under bankruptcy proceedings	17.16		Intesa Sanpaolo	Pledge
Ittica Ugento SpA under bankruptcy proceedings		26.96	Banco di Napoli	Pledge
Kish Receivables Co.		20.83	Tobuk	Holding
Kmb-Leasing (Closed Joint Stock Company)		100.00	Kmb Bank-Small Business Credit Bank	Holding
Kmb Bank-Small Business Credit Bank (Closed Joint Stock Company)		75.00	Intesa Sanpaolo Holding International	Holding
L.I.M.A. Lavorazione Italiana Metalli Affini SpA	12.51		Intesa Sanpaolo	Pledge
La Compagnia Finanziaria SpA	10.28		Intesa Sanpaolo	Holding
Laviosa Minerals SpA		14.08	C.R. Firenze	Pledge
LDV Holding B.V. in liquidation		100.00	IMI Investimenti	Holding
Leasint SpA (former Intesa Leasing SpA)		100.00	Mediocredito Italiano	Holding
Legnano Teknoelectric Company SpA	100.00		Intesa Sanpaolo	Pledge
Leiballi Carni SpA		33.33	Cassa di Risparmio del Veneto	Pledge
Lelle Spc - Real Estate Investment and Trading Co.		99.96	Cib Real Estate	Holding
		0.04	Cib Insurance Broker	Holding
Leonardo Technology SpA	25.00		Intesa Sanpaolo	Holding
Lido Real Estate Srl	100.00		Intesa Sanpaolo	Pledge
Lido Staff House Srl	100.00		Intesa Sanpaolo	Pledge
Lima Sudameris Holding SA in liquidation	52.87		Intesa Sanpaolo	Holding
		47.13	Inversiones Mobiliarias	Holding
Livi Srl		100.00	C.R. Pistoia e Pescia	Pledge
Lux Gest Asset Management SA		100.00	Societe' Europeenne de Banque	Holding
Luxi Privilege Conseil SA		50.00	Societe' Europeenne de Banque	Holding
MV Agusta Motor SpA	46.94		Intesa Sanpaolo	Pledge
Macrifin SpA	95.56		Intesa Sanpaolo	Pledge
Mandarin Capital Management SA		20.00	Private Equity International	Holding
Mandarin Capital Partners (Sca) Sicar		20.89	Private Equity International	Holding
Marche Capital SpA	11.99		Intesa Sanpaolo	Holding
Marco Holding Srl	100.00		Intesa Sanpaolo	Pledge
Margit Business Center Limited Liability Company		100.00	Central-European International Bank	Holding
Marina Fiorita Srl (formerly SpA)		92.22	C.R. Venezia	Pledge
Mater-Bi SpA	34.48		Intesa Sanpaolo	Holding
Mecaer Meccanica Aereonautica SpA		16.42	IMI Investimenti	Holding
Medimurska Banka d.d.		96.39	Privredna Banka Zagreb	Holding
Medinvest Srl under bankruptcy proceedings	100.00		Intesa Sanpaolo	Pledge
Mediocredito Italiano SpA (former Banca Intesa Mediocredito SpA)	100.00		Intesa Sanpaolo	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Mediofactoring SpA (former Intesa Mediofactoring SpA)	100.00		Intesa Sanpaolo	Holding
Mega International SpA under composition with creditors.		48.00	Neos Banca	Holding
Menhir Llp		20.00	Private Equity International	Holding
Merloni Termosanitari SpA	6.05		Intesa Sanpaolo	Holding
		7.42	IMI Investimenti	Holding
Mezzanove Capital (Sca) Sicar		26.85	Private Equity International	Holding
Mezzanove Capital Management Sarl		47.00	Private Equity International	Holding
Mirano Costruzioni Srl in liquidation		100.00	C.R. Venezia	Pledge
Misr Alexandria for Financial Investments Co.		25.00	Bank of Alexandria	Holding
Misr Financial Investments Co.		17.70	Bank of Alexandria	Holding
Misr International Towers Co.		27.86	Bank of Alexandria	Holding
Moneta SpA (former Consumer Financial Services Srl - CFS)	100.00		Intesa Sanpaolo	Holding
Monte Mario 2000 Srl		47.50	Intesa Real Estate	Holding
Myremi Srl		100.00	Banco di Napoli	Pledge
N.H. Italia Srl	42.75		Intesa Sanpaolo	Holding
Naga 008 SpA	100.00		Intesa Sanpaolo	Pledge
Neos Banca SpA	100.00		Intesa Sanpaolo	Holding
Neos Finance SpA		100.00	Neos Banca	Holding
Network Impresa SpA		18.95	Cassa di Risparmio del Veneto	Holding
Newcocot SpA	24.61		Intesa Sanpaolo	Holding
Newcosmit SpA	51.00		Cassa di Risparmio del Veneto	Pledge
Nhs Investments SA		100.00	IMI Investimenti	Holding
		0.00	Ldv Holding	Holding
Nicotra SpA	100.00		Intesa Sanpaolo	Pledge
Noverca Italia Srl	34.00		Intesa Sanpaolo	Holding
NTV - Nuovo Trasporto Viaggiatori SpA		20.00	IMI Investimenti	Holding
Nuova Cartiera di Arbatax SpA under bankruptcy proceedings		16.00	Banca C.I.S.	Holding
O.M.S.O. SpA Officina Macchine per Stampa su Oggetti	20.50		Intesa Sanpaolo	Pledge
Obiettivo Nordest Sicav SpA	33.54		Intesa Sanpaolo	Holding
Obuda Dunapart Office Building Center Ltd		100.00	Cil Buda Square	Holding
Olympia 1893 Srl (former Immobiliare Olympia '93 Srl)	100.00		Intesa Sanpaolo	Pledge
OOO Intesa Realty Russia	100.00		Intesa Sanpaolo	Holding
P.B. Srl in liquidation	42.24		Intesa Sanpaolo	Holding
		4.96	C.R. Firenze	Holding
Pan-Trgovina d.o.o. Novi Sad		38.72	Banca Intesa a.d. - Beograd	Holding
Pbz Card d.o.o.		100.00	Privredna Banka Zagreb	Holding
Pbz Croatia Osiguranje Public Limited Company for Compulsory Pension Fund Management		50.00	Privredna Banka Zagreb	Holding
Pbz Invest d.o.o.		100.00	Privredna Banka Zagreb	Holding
Pbz Leasing d.o.o. za Poslove Leasinga		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
Penghua Fund Management Co. Ltd	49.00		Intesa Sanpaolo	Holding
Phonix Beteiligungs Gmbh - in liquidation	100.00		Intesa Sanpaolo	Holding
Pietra Srl	22.22		Intesa Sanpaolo	Holding
Pravex Bank Jsc	100.00		Intesa Sanpaolo	Holding
Primorske Novice d.o.o.		17.12	Banka Koper	Holding
Private Equity International SA	100.00		Intesa Sanpaolo	Holding
Privredna Banka Zagreb d.d.		76.59	Intesa Sanpaolo Holding International	Holding
Pro Mac SpA		5.20	Banca IMI	Holding
		5.20	C.R. Firenze	Holding
Progema - Promozione Gestione Management Srl in liquidation		10.00	Neos Banca	Holding
		10.00	Sep - Servizi e Progetti	Holding
Progetti SpA	24.00		Intesa Sanpaolo	Pledge

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Progetto Milano Bastioni SpA	14.10		Intesa Sanpaolo	Holding
Protera Srl		11.47	C.R. Firenze	Holding
Quadrante SpA	50.00		Intesa Sanpaolo	Pledge
RCN Finanziaria SpA	23.96		Intesa Sanpaolo	Holding
Recovery A.S. in liquidation		100.00	Vseobecna Uverova Banka	Holding
S.A.F.I. Srl		20.00	Centro Leasing Rete	Holding
Sabaudia 29 Srl under bankruptcy proceedings	95.00		Intesa Sanpaolo	Pledge
SAGO SpA in liquidation	26.67		Intesa Sanpaolo	Holding
San Francesco Srl	100.00		Intesa Sanpaolo	Pledge
Sanpaolo Bank (Suisse) SA		99.98	Societe' Europeenne de Banque	Holding
Sanpaolo Bank SA	100.00		Intesa Sanpaolo	Holding
		0.00	IMI Investments	Holding
Sanpaolo Fiduciaria SpA	100.00		Intesa Sanpaolo	Holding
Sanpaolo IMI Bank (International) SA	100.00		Intesa Sanpaolo	Holding
		0.00	Intesa Sanpaolo Holding International	Holding
		0.00	IMI Investments	Holding
		0.00	Sanpaolo Bank	Holding
		0.00	Intesa Sanpaolo Bank Ireland	Holding
Sanpaolo IMI Capital Company I, L.L.C.	100.00		Intesa Sanpaolo	Holding
Sanpaolo IMI Equity Management SA		100.00	IMI Investimenti	Holding
		0.00	Ldv Holding	Holding
Sanpaolo IMI Fondi Chiusi SGR SpA		100.00	IMI Investimenti	Holding
Sanpaolo IMI Investimenti per lo Sviluppo SGR SpA		100.00	IMI Investimenti	Holding
Sanpaolo IMI Private Equity Scheme B.V. in liquidation		20.00	Sanpaolo IMI Equity Management	Holding
		23.50	Ldv Holding	Holding
		8.00	C.R. Firenze	Holding
Sanpaolo IMI U.S. Financial Co.	100.00		Intesa Sanpaolo	Holding
Sanpaolo Immobiliere SA		0.01	Eurizon Capital	Holding
		99.99	Sanpaolo Bank	Holding
Sanpaolo Invest Ireland Ltd		100.00	Banca Fideuram	Holding
Sanpaolo Invest SIM SpA		100.00	Banca Fideuram	Holding
Sanpaolo Leasint Gmbh in liquidation		100.00	Leasint	Holding
Sanpaolo Real Estate SA		100.00	Sanpaolo Bank	Holding
		0.00	Intesa Sanpaolo Holding International	Holding
Santa Chiara Srl		100.00	Banco di Napoli	Pledge
Saper Participacoes Ltda		37.90	Intesa Brasil Empreendimentos	Holding
Scuola di Vela S. Teresa Srl		12.39	Cassa di Risparmio della Spezia	Holding
Seaser SpA		100.00	Banca Infrastrutture Innovazione e Sviluppo	Pledge
Seb Trust Ltd		100.00	Societe' Europeenne de Banque	Holding
SEP - Servizi e Progetti SpA	100.00		Intesa Sanpaolo	Holding
Servis Usluznih Djelatnosti d.o.o.		19.85	Intesa Sanpaolo Banka d.d. Bosna i Hercegovina	Holding
Servitia SA		100.00	Societe' Europeenne de Banque	Holding
Setefi - Servizi Telematici Finanziari per il Terziario SpA	100.00		Moneta	Holding
Shanghai Sino-Italy Business Advisory Company Ltd	40.00		Intesa Sanpaolo	Holding
Si Holding SpA	36.74		Intesa Sanpaolo	Holding
		0.25	C.R. Forlì e della Romagna - Cariromagna	Holding
		5.26	C.R. Firenze	Holding

Company	Percentage or quotas held direct	Percentage or quotas held indirect	Direct ownership	Type of right
Sia - Ssb SpA	28.02		Intesa Sanpaolo	Holding
		0.03	C.R. Rieti	Holding
		0.02	C.R. Terni e Narni	Holding
		0.13	Banca di Trento e Bolzano	Holding
		0.02	C.R. Ascoli Piceno	Holding
		0.03	Cassa di Risparmio della Provincia di Viterbo	Holding
		1.39	Banca IMI	Holding
		0.02	C.R. Foligno	Holding
		NS	Banca C.I.S.	Holding
		0.02	C.R. Città di Castello	Holding
		0.01	C.R. Spoleto	Holding
		0.02	Banca Fideuram	Holding
		0.04	C.R. Forlì e della Romagna - Cariromagna	Holding
		0.49	C.R. Firenze	Holding
Sicil Power SpA	97.00		Intesa Sanpaolo	Pledge
Sirti SpA	100.00		Intesa Sanpaolo	Pledge
Sistemi Tecnologici Holding SpA	100.00		Intesa Sanpaolo	Pledge
Siteba - Sistemi Telematici Bancari SpA	18.31		Intesa Sanpaolo	Holding
		0.09	C.R. Rieti	Holding
		0.06	C.R. Terni e Narni	Holding
		0.05	C.R. Foligno	Holding
		0.16	Banca di Trento e Bolzano	Holding
		1.19	C.R. Firenze	Holding
Slovak Banking Credit Bureau s.r.o.		33.33	Vseobecna Uverova Banka	Holding
SOA Nordest Organismo di Attestazione SpA		15.00	Cassa di Risparmio del Veneto	Holding
Società Aree Industriali ed Artigianali - S.A.I.A. SpA	10.08		Intesa Sanpaolo	Holding
Società Azionaria Gest. Aerop. Torino S.A.G.A.T. SpA		12.40	Equiter	Holding
Società Europea di Sviluppo Srl	90.00		Cassa di Risparmio del Veneto	Pledge
Società Gestione per il Realizzo SpA in liquidation	38.33		Intesa Sanpaolo	Holding
		0.63	Banca Fideuram	Holding
		0.42	C.R. Firenze	Holding
		0.16	C.R. Civitavecchia	Holding
Società Italiana di Revisione e Fiduciaria S.I.Re.F. SpA	100.00		Intesa Sanpaolo	Holding
Societe' Europeenne de Banque SA		100.00	Intesa Sanpaolo Holding International	Holding
Solar Express Srl	40.00		Intesa Sanpaolo	Holding
Soprarno SGR SpA		47.50	C.R. Firenze	Holding
Speroni Beni Stabili Srl		100.00	Mediocredito Italiano	Pledge
Spezia Risorse SpA		20.00	Ge.Fi.L. - Gestione Fiscalita' Locale	Holding
Spinoffer Real Estate Srl	100.00		Intesa Sanpaolo	Pledge
Stabilimenti Attività Balneari Srl - S.A.B.	100.00		Intesa Sanpaolo	Pledge
Sti SpA (former Elsag Sti SpA)		11.29	Cassa di Risparmio della Spezia	Holding
Strutture Centrali Srl	25.00		Intesa Sanpaolo	Pledge
Sud Polo Vita SpA	98.79		Intesa Sanpaolo	Holding
		1.18	EurizonVita	Holding
Sudameris Inmobiliaria SA		100.00	Sudameris	Holding
Sudameris SA		99.87	Intesa Sanpaolo Holding International	Holding
Sviluppo Como SpA	15.00		Intesa Sanpaolo	Holding
Sviluppo Imprese Centro Italia SGR SpA		15.00	C.R. Firenze	Holding
Sviluppo Industriale SpA		29.19	C.R. Pistoia e Pescia	Holding
Tamma - Industrie Alimentari di Capitanata Srl	54.60		Intesa Sanpaolo	Pledge
Tebe Tours SpA		100.00	C.R. Firenze	Holding
Tecnoalimenti Soc. Cons. per Azioni	20.00		Intesa Sanpaolo	Holding
Tecnobiomedica SpA	26.27		Intesa Sanpaolo	Holding

Company	Percentage or quotas held direct	Percentage or quotas held indirect	Direct ownership	Type of right
Tecnocittà Srl in liquidation	12.00		Intesa Sanpaolo	Holding
Tecnofarmaci SpA	20.50		Intesa Sanpaolo	Holding
Tecnoforge SpA	14.77		Intesa Sanpaolo	Pledge
Tecnogen SpA	23.05		Intesa Sanpaolo	Holding
Tecnoitalia Srl	100.00		Intesa Sanpaolo	Pledge
Tecnotessile Soc. Naz. di Ricerca Tecnolog. a r.l.	40.00		Intesa Sanpaolo	Holding
Tehnolosko-Inovacijski Centar d.o.o.		11.20	Privredna Banka Zagreb	Holding
Telco SpA	10.65		Intesa Sanpaolo	Holding
Termomeccanica SpA	27.50		Intesa Sanpaolo	Holding
		5.37	Cassa di Risparmio della Spezia	Holding
Timavo e Tivene Srl (former P.Ind Srl)	100.00		Intesa Sanpaolo	Pledge
Tize' Centro Vacanze Srl		50.00	C.R. Forlì e della Romagna - Cariromagna	Pledge
		50.00	Cassa di Risparmio del Veneto	Pledge
TLX SpA		50.00	Banca IMI	Holding
To.Ro. Tosco Romagnola Soc. Cons. a r.l.		11.88	C.R. Forlì e della Romagna - Cariromagna	Holding
Tobuk Ltd		100.00	Intesa Sanpaolo 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
Umbra Cuscinetti SpA	40.68		Intesa Sanpaolo	Pledge
Unicar Furgonature SpA		40.52	C.R. Forlì e della Romagna - Cariromagna	Pledge
Union Life Insurance Company Ltd	19.90		Intesa Sanpaolo	Holding
United Valves Co. (Butterfly) in liquidation		25.00	Bank of Alexandria	Holding
Uno a Erre Italia SpA	18.90		Intesa Sanpaolo	Holding
		1.37	Mediocredito Italiano	Holding
Upa Servizi SpA		44.32	Cassa di Risparmio del Veneto	Holding
V.I.I.T. Veicolo Italiano Investimenti Tecnologici SpA	100.00		Intesa Sanpaolo	Pledge
Varese Investimenti SpA	40.00		Intesa Sanpaolo	Holding
Ver Capital SGR SpA		16.00	C.R. Firenze	Holding
Villa Cipriani Hotel Srl	100.00		Intesa Sanpaolo	Pledge
Villa Cipriani Management Srl	100.00		Intesa Sanpaolo	Pledge
Villaggio Turistico Internazionale Srl (former Sviluppo Marino Srl)	100.00		Intesa Sanpaolo	Pledge
Villanova SpA	49.67		Intesa Sanpaolo	Pledge
Vseobecna Uverova Banka A.S. - Vub		96.50	Intesa Sanpaolo Holding International	Holding
Vub Asset Management Spravcovska Spolocnost 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 Leasing A.S. (former B.O.F. A.S.)		70.00	Vseobecna Uverova Banka	Holding
Vub Leasingova A.S. in liquidation		100.00	Vseobecna Uverova Banka	Holding
Vub Poist'ovaci Makler s.r.o. (former B.O.F. Poist'ovaci Makler s.r.o.)		100.00	Vub Leasing	Holding
Zao Banca Intesa Closed Joint-Stock Company	100.00		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 Consob Regulation 11971

(in millions of euro)

Type of service	Intesa Sanpaolo		Group Companies (*)	
	Reconta Ernst & Young	Reconta Ernst & Young	Reconta Ernst & Young	Reconta Ernst & Young Network
Independent audit	5.1 (**)	-	16.1	-
Release of attestations	0.3	-	0.9	-
Tax consulting services	-	-	-	-
Other	1.1	-	1.1	0.1
agreed audit procedures	*1.0*	-	*1.1*	-
social report audit	*0.1*	-	-	-
other	*0.02*	-	*0.01*	*0.1*
TOTAL	**6.5**	**-**	**18.1**	**0.1**

(*) Group companies and other fully consolidated subsidiaries.

(**) Including costs for audit of Parent Company international branches for local purposes, 0.2 million euro ad hoc audit costs for the merger of Sanpaolo IMI into Intesa Sanpaolo (formerly Banca Intesa); a total of 1 million euro ad hoc audit costs for increased audit as a result of regulatory changes and the completed reorganisation and aggregation operations during the year, and other minor non-recurring amounts.

Amounts net of VAT and reimbursed expenses.

Glossary

GLOSSARY OF THE MAIN TERMS USED IN THE ANNUAL REPORT

(in the meaning adopted in the "Report" and with exclusion of the terms today widely used in the Italian language or which are used in a context that already clarifies their meaning)

ABS – Asset-Backed Securities
Financial securities whose yield and redemption are guaranteed by a pool of assets (collateral) of the issuer (usually a Special Purpose Vehicle – SPV), exclusively intended to ensure satisfaction of the rights attached to said financial securities.
Examples of assets pledged as collateral include mortgages, credit card receivables, short-term trade receivables and auto loans.

ABS (receivables)
ABS whose collateral is made up of receivables.

Acquisition finance
Leveraged buy-out financing.

Additional return
Type of remuneration of the junior securities arising from securitisation transactions. In addition to a fixed dividend, such securities accrue periodic earnings (quarterly, semi-annual, etc.), whose amount is linked to the profit generated by the transaction (which in turn reflects 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.

AIRB (Advanced Internal Ratings-Based) Approach
Approach to using internal ratings within the framework of the New Basel Accord, which provides for either the Foundation or the Advanced Approach. The Advanced Approach may be used only by institutions meeting more stringent requirements compared to the Foundation Approach. With the Advanced Approach, banks use their own internal estimates for all inputs (PD, LGD, EAD and Maturity) used for credit risk assessment, whereas, for Foundation IRB they only estimate PD.

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 Agency
Securities whose collateral consists of Alt-A mortgages, guaranteed by specialised Government Agencies.

ALT- A - Alternative A Loan
Residential mortgages generally of "prime" category, but which, due to various factors such as LTV ratio, documentation provided, borrower's income/employment situation, type of property etc., cannot be classified as standard contracts usable in subscription programmes.
Incomplete documentation is the main reason for a loan being classified as "Alt-A".

Alternative investment
Alternative investments comprise a wide range of investment products, including *private equity* and *hedge funds* (see definitions below).

Amortised cost
Differs from "cost" in that it provides for the progressive amortisation of the differential between the book value and nominal value of an asset or liability on the basis of the effective rate of return.

AP – Attachment Point
Level above which a protection seller will cover the losses of a protection buyer. It is typically used in synthetic CDOs.

Arranger
In the structured finance sector, the arranger is the entity that – albeit in different forms and with different titles (mandated lead arranger, joint lead arranger, sole arranger etc.) – coordinates the organisational aspects of the transaction.

Arrangement fee
A fee paid for professional advice and assistance provided in the loan structuring and arranging stage.

Asset allocation
The distribution of assets in an investment portfolio among different markets, geographical areas, sectors and products.

Asset management
The various activities relating to the management and administration of different customer assets.

Audit
In listed companies, it indicates the various examinations of the business activities 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 financial company that processes all the transactions performed by the operational units (*front office*).

Backtesting
Retrospective analyses performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually referred to securities or financial instruments in general, it identifies the portion of a portfolio dedicated to "proprietary" trading.

Basis swap
Contract providing for the exchange between two parties, of two floating-rate payments linked to a different index.

Best practice
It generally identifies conduct in line with state-of-the-art skills and techniques in a given technical/professional area.

Bid-ask spread
The difference between the buying and selling price of a given financial instrument or set of financial instruments.

Bookrunner
See *Lead manager*.

Brand name
IFRS 3 considers the "brand name" a potential, marketing related intangible asset, which may be recorded in the purchase cost allocation process. 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.

Budget
Forecast of cost and revenue performance of a company over a period of time.

CAGR (Compound Annual Growth Rate)
Compound annual growth rate of an investment over a specified period of time. If n is the number of years, CAGR is calculated as follows: (Ending value/Starting value)^(1/n) -1.

Capital Asset Pricing Model (CAPM)
An economic model for determining the "opportunity cost" i.e. the amount of income for the period necessary to remunerate the cost of capital.

Capital structure
It is the entire set of the various classes of bonds (tranches) issued by a special purpose vehicle (SPV), and backed by its asset portfolio, which have different risk and return characteristics, to meet the requirements of different categories of investors. Subordination relationships between the various tranches are regulated by a set of rules on the allocation of losses generated by the collateral:
Equity Tranche (B): The riskiest portion of the portfolio, it is also known as "first loss" and is subordinated to all other tranches; hence, it is the first to bear the losses which might occur in the recovery of the underlying assets.
Mezzanine Tranche (B): The tranche with intermediate subordination level between equity and senior tranches. The mezzanine tranche is normally divided into 2-4 tranches with different risk levels, subordinated to one another. They are usually rated in the range between BBB and AAA.
Senior/Super-senior Tranche (B): The tranche with the highest credit enhancement, i.e. having the highest priority claim on remuneration and reimbursement. It is normally also called super-senior tranche and, if rated, it has a rating higher than 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 associated with a particular risk.

Cash-generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash management
A banking service that in addition to informing companies on the status of their relations with the bank, is an operational tool enabling companies to transfer funds, thus leading to more efficient treasury management.

Categories of financial instruments provided for by IAS 39
Financial assets "held-for-trading", which includes the following: any asset acquired for the purpose of selling it in the near term or part of portfolios of instruments managed jointly for the purpose of short-term profit-taking, and assets that the entity decides in any case to measure at fair value, with fair value changes recognized in profit and loss; *financial assets "held-to-maturity",* non-derivative assets with fixed term and fixed or determinable payments, that an entity intends and is able to hold to maturity; "*Loans and receivables",* non-derivative financial assets with fixed or determinable payments not quoted in an active market; *financial assets "available-for-sale",* specifically designated as such, or, to a lesser extent, others not falling under the previous categories.

CDO – Collateralised Debt Obligation
Financial instruments issued within the framework of securitisation transactions, backed by a pool of loans, bonds and other financial assets (including securitisation tranches). In the case of synthetic CDOs the risk is backed by credit derivatives instead of the sale of assets (cash CDOs).

CDSs on ABX
An Asset-backed security index (ABX) is an index with asset-backed securities as an underlying. Each ABX refers to a basket of 20 reference obligations belonging to a specific ABS sector. Each ABX (there are five in total) reproduces a rating class (AAA, AA, A, BBB, and BBB-).
In particular, the ABX.HE index, launched on 19 January 2006 (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 valuation. The settlement admitted for contracts on ABX indices, as described in ISDA 2005 documentation, is PAUG (Pay As You Go): the protection seller pays the protection buyer the losses incurred as these emerge, without leading to termination of the contract.
Please note that the coverage achieved via the purchase of ABX indices, even if it is structured so as to

match as closely as possible the characteristics of the hedged portfolio, remains in any case exposed to basis risks. In other words, since it is not a specific hedge of individual exposures, it may generate volatility in the income statement whenever there is imperfect correlation between index prices and market value of the hedged positions.

CLO - Collateralised Loan Obligation
CDOs backed by a portfolio of corporate loans.

CMBS - Commercial Mortgage-Backed Securities
Debt instruments backed by mortgages on commercial real estate.

CMBX index
The same as the ABX index, the only difference being that the reference entities are CMBSs.

CMO - Collateralised Mortgage Obligation
Securities backed by mortgages in which the total amount of the issue is divided into tranches with different maturities and return. The tranches are repaid according to an order specified in the issue.

Collective assessment of performing loans
With reference to a homogeneous group of regularly performing financial assets, collective assessment defines the degree of credit risk potentially associated with them, though it is not yet possible to tie risk to a specific position.

Commercial paper
Short-term notes issued in order to collect funds from third party underwriters as an alternative to other forms of indebtedness.

Consumer ABS
ABS whose collateral is made up of consumer credits.

Core Business
Main area of business on which company's strategies and policies are focused.

Core deposits
"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.

Core Tier 1 ratio
The ratio of *Tier 1 capital*, net of preferred shares, to total risk-weighted assets. *Preferred shares* are innovative capital instruments, usually issued by foreign subsidiaries, and included in the tier 1 capital if their characteristics ensure the banks' asset stability. The Tier 1 ratio is the same ratio inclusive of the preferred shares in the numerator.

Corporate
Customer segment consisting of medium- and large-sized companies (*mid-corporate, large corporate*).

Cost/income ratio
Economic indicator consisting of the ratio of operating costs to net operating income.

Covered bond
Special bank bond that, in addition to the guarantee of the issuing bank, is also backed by a portfolio of mortgage loans or other high-quality loans sold to a special purpose vehicle.

Credit default swap/option
Contract under which one party transfers to another - in exchange for payment of a premium - the credit risk of a loan or security contingent on occurrence of a default event (in the case of an option the right must be exercised by the purchaser).

Credit derivatives
Derivative contracts for 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 of varying maturities and intensities, 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 credit rating of their issues (providing sureties, cash credit lines, etc.).

Credit/emerging markets (Funds)
Funds that invest in securities with credit risk exposure, since they are issued by financial or corporate entities, which may be located in emerging countries.

Credit-linked notes
Similar to bonds issued by a protection buyer or a special purpose vehicle 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 default event.

Credit risk
The risk that an unexpected change in a counterparty's creditworthiness, in the value of the collateral provided, or in the margins used in case of default might generate an unexpected variation in the value of the bank's exposure.

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 with respect to a credit portfolio at a specified confidence interval and a specified time horizon. CreditVaR is estimated through loss distribution and represents the difference between the average value of the distribution and the value corresponding to a certain percentile (usually 99.9%), which reflects the Bank's risk propensity.

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 change in portfolio value that would occur for a 1-basis-point increase in credit spreads.

Cumulative loss
Cumulative loss incurred, at a certain date, on the collateral of a specific structured product.

Default
Declared inability to honour one's debts and/or make the relevant interest payments.

Deferred tax (tax liabilities or assets)
Deferred tax liabilities are the amounts of income tax that will be payable in future periods and arising from taxable temporary differences.
Deferred tax assets are the amounts of income taxes claimable in future periods and arising from:
(a) deductible temporary differences;
(b) the carry forward of unused tax losses; and
(c) the carry forward of unused tax credits.
Temporary difference is the difference between the carrying amount of an asset or liability and its tax base.
There are two types of temporary difference:
(d) taxable temporary difference, i.e. a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in taxable amounts in the future when the carrying amount of the asset is recovered or the liability is settled; or
deductible temporary difference: a temporary difference that, when determining the taxable income (tax loss) of future periods, will result in amounts that are tax deductible in the future when the carrying amount of the asset is recovered or the liability is settled.

Delinquency
Failure to make loan payments at a certain date, normally provided at 30, 60 and 90 days.

Delta-Gamma-Vega (DGV VaR)
Parametric model for calculation of the VaR, able to assess both linear and non-linear risk factors.

Desk
It usually designates an operating unit dedicated to a particular activity.

Directional (Funds)
Funds that invest in financial instruments that profit from directional market movements, also through macroeconomic forecasting.

Domestic Currency Swap
Contract settled in euro, 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 difference between the forward and the spot exchange rates is settled in euro.

Duration
An indicator of the interest rate risk of a bond or bond 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 bond.

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 current accounts and time deposits, certificates of deposit), repo agreements and bonds (including subordinated loans). 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.

EAD – Exposure At Default
Relating to positions on or off balance sheet, it is defined as the estimated future value of an exposure upon default of a debtor. Only banks meeting the requirements for using the AIRB approach are entitled 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 internal or external to the bank, which represents the average risk level associable with a counterparty.

Embedded value
A measure of the underlying value of a life insurance company. It is the sum of the company's adjusted net asset value and the present value of the future income margins from the policies already in force over the period of their residual life.

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 indices.

Equity origination
Increase of a company's risk capital achieved by floating a new issue of stock.

Event-driven (Funds)
Funds that invest in opportunities arising out of significant events regarding the corporate sphere, such as mergers, acquisitions, defaults and reorganisations.

EVT – Extreme Value Theory
Statistical methodologies that deal with extreme hypothetical deviations from median of probability distributions of specific events.

Exotics (derivatives)
Non-standard instruments unlisted on the regular markets, whose price is based on mathematical models.

Facility (fee)
Fee calculated with reference to the disbursed amount of a loan.

Factoring
Sale of trade receivables to factoring companies, for credit management and collection, normally associated with the granting of a loan to the seller.

Fair value
The amount at which an asset could be bought or sold or a liability incurred or settled, in a current transaction between willing parties.

Fair value hedge
Hedging against the risk of change in the fair value of a financial statement item, attributable to a particular risk.

Fairness/Legal opinion
An opinion provided on request by experts of recognised professionalism and competence, on the adequacy of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

FICO Score
In the US, a credit score is a number (usually between 300 and 850) based on the statistical analysis of an individual's credit report. The FICO score is an indicator of the borrower's creditworthiness. A mortgage lender will use the "score" to assess borrower default risk and to correctly price risk.

Financial instruments listed in an active market
A financial instrument is regarded as listed in an active market if listed prices are promptly and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Forward Rate Agreement
See "*Forwards*".

Forwards
Forward contracts on interest rates, exchange rates or stock indices, 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 executed at a specified future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the object of the contract.

Front office
The divisions of a company designed to deal directly with customers.

Fundamental Valuation
Stock price analysis performed by estimating the fair value of stocks and comparing it with their market value.

Funding
The raising of capital, in various forms, to finance the company business or particular financial transactions.

Futures
Standardised forward contracts under which the parties agree to exchange securities or commodities at a specified price on a specified future date. Futures 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.

"G" factor ("g" growth rate)
It is the factor used for perpetuity projection of cash flows in order to calculate "terminal 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, acting as depositary bank and cash management, as well as various forms of portfolio performance reporting.

Goodwill
The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

Governance
The set of instruments, rules and standards 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.

Greeks
Greeks are the quantities that identify the greater or lesser sensitivity of a derivative contract, typically an option, to changes in the value of the underlying asset or other parameters (e.g. intrinsic volatility, interest rates, stock prices, dividends and correlations).

Hedge accounting
Rules pertaining to the accounting of hedging transactions.

Hedge fund
Mutual fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

HELs – Home Equity Loans
Loans granted up to the current market value of the real estate property used as collateral (therefore with a loan-to-value ratio higher than the ordinary thresholds), by means of first or second lien mortgages. Standard & Poor's considers Subprime and Home Equity Loan largely synonymous when the home equity loan borrowers have low credit score (FICO<659).

HY CBO – High-Yield Collateralised Bond Obligation
CDOs with collateral represented by High-Yield securities.

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 an asset exceeds its estimated recoverable amount.

Impairment test
The impairment test is an estimate of the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) of an asset or group of assets. Pursuant to IAS 36, the following assets should be tested for impairment annually:
- intangible assets with indefinite useful life
- goodwill acquired in a business combination

any asset, if there is any indication of impairment losses.

Index-linked
Policies whose performance at maturity depends on the performance of a reference parameter, which may be a stock index, a basket of securities or some other indicator.

Indirect customer deposits
The holding of third parties' securities and similar valuables not issued by the bank, at nominal value, excluding certificates of deposit and bank bonds.

Intangible asset
An identifiable, non-monetary asset lacking physical substance.

Internal dealing
Transactions between different operating units of the same company. These transactions are recognised in the accounts and contribute to determining the position (trading or hedging) of the individual units involved.

Intraday
Used to refer to an investment/disinvestment 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.

Investment property
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 high-quality bonds that have received a medium/high rating (e.g., not less than BBB on Standard & Poor's index).

IRS – Interest Rate Swap
A binding agreement between two parties to exchange two flows calculated over a notional amount with fixed/floating or floating/floating rate.

Joint venture
Agreement between 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 tranche of the securities issued, being the first to bear losses that may occur in the course of the recovery of the underlying assets.

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 event/loss combination and any business line.

Lead manager - Bookrunner Lead bank of a bond issue syndicate.
The lead manager deals with the debtor and is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the debtor. It also determines the terms and conditions of issue and coordinates its execution (usually placing the largest share of the issue on the market) and keeps the books (bookrunner); in addition to reimbursement of expenses and usual fees, the lead manager receives a special commission for its services.

Leveraged & acquisition finance
See "*Acquisition finance*".

Liquidity risk
The risk that a company will be unable to meet its payment obligations due to its inability to liquidate assets or obtain adequate funding from the market (funding liquidity risk) or due to the difficulty/impossibility of rapidly converting financial assets into cash without negatively and significantly affecting their price due to inadequate market depth or temporary market disruptions (market liquidity risk).

Loss Given Default (LGD)
It indicates the estimated loss rate in the event of borrower default.

Lower Tier 2
It designates subordinated liabilities that meet the eligibility criteria for inclusion in supplementary (Tier 2) capital.

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 weight of the borrower's own funds used to buy the asset on the value of the asset used as guarantee of the loan. The higher the LTV ratio, the lower the borrower's own funds used to buy the asset, the lower the creditor's protection.

M–Maturity
The remaining time of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced approach is adopted, while it is fixed at 2.5 years if the foundation approach is used.

Mark-down
Difference between 1-month euribor and the rate applied to current accounts of households and businesses.

Mark to Market
Process of determining the value of a portfolio of securities or other financial instruments by reference to the prices expressed by the market.

Market dislocation
Turbulence in financial markets characterised by a strong reduction in volumes traded on financial markets with difficulties in finding significant prices on specialised information providers.

Market making
Financial activity carried out by brokerage houses that ensure market liquidity and depth, both through their ongoing presence and by means of their role as competitive guides in determining prices.

Market neutral
Operating strategies involving securities designed to minimise the relevant portfolios' exposure to market volatility.

Market risk
Risk deriving from the fluctuation in the value of quoted financial instruments (shares, bonds, derivatives, securities denominated in foreign currency) and of financial instruments whose value is linked to market variables (loans to customers as concerns the interest rate component, deposits in euro and in foreign currency, etc.).

Mark-up
Difference between the overall interest rate applied to households and businesses on loans with a duration of less than one year and 1-month euribor.

Merchant banking
A range of activities including the underwriting of securities – both equities and bonds – issued by corporate clients for subsequent offering on the market, the acquisition of equity investments for longer periods but always with the aim of selling them later, and the provision of advisory services on mergers, acquisitions and reorganisations.

Mezzanine
In a securitisation transaction it is the tranche ranking between junior and senior tranche.

Monoline
Insurance companies which, in exchange for a commission, guarantee the reimbursement of certain bond issues. Formed in the 1970s 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 highly complex; the debt positions guaranteed by monoline insurers become easier to value and more appealing for risk-averse investors, since default 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, i.e. in a portfolio of investment funds managed by third parties.

NAV - Net Asset Value
The market value of one share of the fund's managed assets.

Non-performing
Term generally referring to loans for which payments are overdue.

Operational risk
The risk of incurring losses due to inadequacy or failures of processes, human resources or internal systems, or as a result of external events. Operational risk includes legal risk, that is the risk of losses deriving from breach of laws or regulations, contractual or non-contractual liability or other disputes; it does not include strategic risk (losses due to wrong management strategies) or reputational risk (loss of market shares as a consequence of negative publicity regarding the bank).

Option
Against payment of a premium, the buyer acquires the right, but not the 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
An individual's "close relatives" comprise those family members likely to influence or be influenced by such individual in their relations with the entity. They include the individual's non-separated spouse/domestic partner and the individual's children, his/her spouse's/domestic partner's children, and the individual's or his/her spouse's/domestic partner's dependents.

Outsourcing
The transfer of business processes to external providers.

Over-The-Counter (OTC)
It designates transactions carried out directly between the parties outside organised markets.

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 can be hedged with financial derivatives.

Past due loans
"Past due loans" are non-performing loans on which payments are past due and/or overdue on a continuing basis for over 90/180 days, in accordance with the definition set forth in current supervisory reporting rules.

Performing
Term generally referring to loans characterised by regular performance.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is listed on the regulated markets.

Pool (transactions)
See "*Syndicated lending*".

Preferred 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 the Bank.

Prime loan
Mortgage loan in which both the criteria used to grant the loan (loan-to-value, debt-to-income, etc.) and to assess the borrower's history (no past due reimbursements of loans, no bankruptcy, etc.) are sufficiently conservative to rank the loan as high-quality (as concerns the borrower) and low-risk.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity
Activity aimed at the acquisition of equity investments and their subsequent sale to specific counterparties, without public offerings.

Probability of Default (PD)
The likelihood that a debtor will default within the space of 1 year.

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 risk, and covering, in addition to cash flow analysis, technical examination of the project, the suitability of the sponsors engaged in its implementation and the markets where the product will be placed.

PV01
Measures the price value change of a financial asset following a one basis point shift in the yield curve.

Rating
An evaluation of the quality of a company or of its bond issues, based on the company's financial soundness and outlook.
Such evaluation is performed by specialised agencies or by the Bank based on internal models.

Real estate (finance)
Structured finance transactions in the real estate sector.

Real Estate Investment Trust (REITs)
REITs are entities that invest in different types of real estate or financial assets related to real estate, including malls, hotels, offices and mortgage loans.

Relative value/Arbitrage (Funds)
Funds that invest in market neutral strategies, profiting from the price differentials of particular securities or financial contracts, neutralising the underlying market risk.

Retail
Customer segment mainly including households, professionals, retailers and artisans.

Risk-based lending
A methodology applied to a credit portfolio to identify the most suitable pricing conditions taking into account the risk factor of each credit.

Risk Management
Activity pertaining to the identification, measurement, evaluation and overall management of various types of risk and their hedging.

RMBS - Residential Mortgage-Backed Securities
Asset-backed securities guaranteed by mortgages on residential real estate.

Scoring
System for the analysis of company customers, yielding an indicator obtained by examination of financial statements data and sector performance forecasts, analysed by means of statistical methods.

Senior/Super senior tranche
In a securitisation transaction, this is the tranche that has first claim on interest and principal payments.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other input variables.

Servicer
In securitisation transactions, it is the organisation that – on the basis of a specific servicing contract – continues to manage the securitised credits or assets after they have been transferred to the special purpose vehicle tasked with issuing the securities.

SPE/SPV
Special Purpose Entities or Special Purpose Vehicles are companies established by one or more entities to perform a specific transaction. Generally, SPEs/SPVs have no operating and managerial structures of their own and rely on those of the other parties involved in the transaction.

Speculative grade
Term used to identify issuers with a low credit rating (e.g., below BBB on Standard & Poor's index).

Spread
This term can indicate the difference between two interest rates, the difference between the bid and ask price of a security 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 CDS spreads or bond spreads, with a certain degree of probability and assuming a certain amount of time needed for the disposal of positions.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing in its profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock options
Term used to indicate the right granted to company managers to purchase the company's shares at a certain price (*strike price*).

Stress tests
A simulation procedure designed to assess the impact of extreme market scenarios on a bank's overall exposure to risk.

Structured export finance
Structured finance transactions in the goods and services export sector.

Subprime
A universally agreed-upon definition of sub-prime loans does not exist. In short, this term refers to loans granted to borrowers with low creditworthiness, either because of bad credit history (non-payment, debt settlements or doubtful loans) or because their 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 an interest rate swap, the parties exchange flows which may or may not be indexed to interest rates, calculated on a notional amount (e.g., one party pays a fixed rate flow while the counterparty pays a floating-rate flow). In the case of a currency swap, the parties exchange specific amounts of two different currencies at the outset, repaying them over time according to arrangements that may regard both the principal and the indexed interest flows.

Syndicated lending
Loans arranged and guaranteed by a pool of banks and other financial institutions.

Tier 1
Core capital (Tier 1) includes the paid-in capital, the share premium reserve, reserves from retained earnings (including IAS/IFRS first-time–adoption reserve other than those included under valuation reserves), and excludes treasury shares and intangible assets. Consolidated Tier 1 capital also includes minority interest.

Tier 2
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 the other positive elements that constitute capital items of a secondary nature; the positive “prudential filters” of Tier 2 capital are also included. The total of these elements, less net unrealised capital losses on equity investments, negative items 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 items to be deducted” and 50 per cent of “items to be deducted”.

Time value
Change in the financial value of an instrument with regard to the time frame in which certain monetary flows will become available or due.

Total capital ratio
Capital ratio referred to regulatory capital components (Tier 1 plus Tier 2).

Total return swap
A contract under which one party, usually the owner of a security or a debt instrument, agrees to make periodic payments to an investor (protection seller) of the capital gains and interest generated by the asset. On the other side, the investor agrees to make payments based on a floating rate, as well as any negative price changes of the asset from the date of the contract.

Trading book
The portion of a portfolio of securities or other financial instruments earmarked for trading activity.

Trustee (Real estate)
Real estate vehicles.

Trust-preferred Securities (TruPS)
Financial instruments similar to preferred shares, which are entitled to particular tax benefits.

Underwriting fee
Fee received in advance by the bank as compensation for assuming the underwriting risk associated with the granting of a loan.

Upper Tier 2
Hybrid capital instruments (e.g., perpetual loans) that make up the highest quality elements of Tier 2 capital.

Value in use
Value in use is the present value of estimated future cash flows expected to arise from an asset or from a cash-generating unit.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market trends, estimating probability and assuming that a certain amount of time is required to liquidate positions.

Vega01
Referred to a portfolio, it indicates the change in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Vintage
Date of generation of the collateral underlying the securitisation. It is an important factor in the assessment of the risk of the mortgage portfolios underlying securitisations. Especially in the US, the phenomenon of mortgages granted to borrowers with inadequate income and providing insufficient documentation became significant from 2005.

Warrant
Negotiable instrument that entitles the holder to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Waterfall
Characteristic of a CDO’s cash flow projection that is used in the CDO pricing process to model and allocate flows. It establishes the priority of payment of the various tranches in the event of failure of the tests on overcollateralisation and interest coverage ratios.

Wealth management
See “*Asset management*”.

What-if
Form of analysis that attempts to predict the response of specific elements to changes in baseline parameters.

Wholesale banking
Banking activity mainly consisting of high-value transactions concluded with major counterparties.

Intesa Sanpaolo Group Network

Intesa Sanpaolo Group branches in Italy

(December 2008)

Region	Intesa Sanpaolo				Subsidiaries [1]	Group
	Retail branches	SME branches	Private branches	Corporate branches		
Piemonte	461	40	23	5	27	**556**
Valle d'Aosta	29	1	1	-	-	**31**
Lombardia	1,162	84	23	14	75	**1,358**
Liguria	140	13	4	2	74	**233**
Trentino-Alto Adige	5	2	-	1	92	**100**
Veneto	10	1	-	8	706	**725**
Friuli-Venezia Giulia	17	3	-	1	163	**184**
Emilia Romagna	44	9	-	7	419	**479**
Toscana	102	12	2	3	393	**512**
Umbria	14	4	-	-	166	**184**
Marche	9	4	-	2	155	**170**
Lazio	323	13	5	2	190	**533**
Abruzzo	16	1	-	1	111	**129**
Molise	3	-	-	-	24	**27**
Campania	-	-	-	3	458	**461**
Puglia	-	-	-	1	296	**297**
Basilicata	-	-	-	-	37	**37**
Calabria	-	-	-	1	98	**99**
Sicilia	193	12	3	2	13	**223**
Sardegna	96	5	-	2	22	**125**
Total	**2,624**	**204**	**61**	**55**	**3,519**	**6,463**

(1) Banca Fideuram, Intesa Sanpaolo Private Banking, Banca Prossima, Neos Banca, Banca Infrastrutture Innovazione e Sviluppo, Banca di Credito Sardo, Mediocredito Italiano, Banca IMI.

Intesa Sanpaolo Group branches abroad

(December 2008)

Country	Intesa Sanpaolo	Subsidiaries	Group
Albania - *Intesa Sanpaolo Bank Albania*	-	33	**33**
Austria - *Vienna branch*	1	-	**1**
Austria - *Banca di Trento e Bolzano Dornbirn and Innsbruck branches*	-	2	**2**
Bahamas - *Nassau branch*	1	-	**1**
Bosnia - Herzegovina - *Intesa Sanpaolo Bosna i Hercegovina*	-	52	**52**
Croatia - *Privredna Banka Zagreb*	-	230	**230**
Egypt - *Bank of Alexandria*	-	200	**200**
United Arab Emirates - *Dubai branch*	1	-	**1**
Russian Federation - *KMB Bank*	-	89	**89**
Russian Federation - *ZAO Banca Intesa*	-	1	**1**
France - *Paris branch*	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 - *Intesa Sanpaolo Bank 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**
Principality of Monaco - *Fideuram Bank*	-	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*	-	92	**92**
Romania - *Banca CR Firenze Romania*	-	20	**20**
Serbia - *Banca Intesa Beograd*	-	230	**230**
Singapore - *Singapore branch*	1	-	**1**
Slovakia - *Vseobecna Uverova Banka*	-	253	**253**
Slovenia - *Banka Koper*	-	52	**52**
Spain - *Madrid branch*	1	-	**1**
USA - *New York branch*	1	-	**1**
Switzerland - *Intesa Sanpaolo Private Bank (Suisse)*	-	1	**1**
Switzerland - *Fideuram Bank Suisse*	-	2	**2**
Ukraine - *Pravex Bank*	-	596	**596**
Hungary - *Central-European International Bank*	-	153	**153**
Total	**16**	**2,017**	**2,033**

Representative Offices abroad
(December 2008)

Europe

Belgium
Brussels

Russia
Moscow

Poland
Warsaw

Spain
Barcelona

Sweden
Stockholm

Turkey
Istanbul

Africa

Egypt
Cairo

Morocco
Casablanca

Tunisia
Tunis

America

Argentina
Buenos Aires

Brazil
Saõ Paolo

Chile
Santiago

Mexico
Mexico City

United States
Los Angeles

Asia

South Korea
Seoul

United Arab Emirates
Dubai

India
Mumbai

Iran
Teheran

Libya
Beirut

People’s Republic of China
Beijing

Thailand
Bangkok

Vietnam
Ho Chi Minh City

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Financial calendar

Approval of results as at 31 March 2009:	14 May 2009
Approval of results as at 30 June 2009:	28 August 2009
Approval of results as at 30 September 2009:	10 November 2009

PREPRESS AND PRINTING: AGEMA CORPORATION – ITALIA

PRINTED ON FSC ECOLOGICAL PAPER WITH ECO-COMPATIBLE VEGETABLE INKS BY GRAFICHE AGEMA S.P.A. ITALIA – CERTIFIED COMPANY FOR ECO-SUSTAINABLE DEVELOPMENT.

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 have been inspired by the rich cultural wealth of our cities. They show the major fountains of each regional capital and of the head office cities of the Banche dei Territori. 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**
Fountain, Piazza delle Erbe

2. **Roma**
Fontana delle Tartarughe, Piazza Mattei

3. **Firenze**
Courtyard fountain, Palazzo Vecchio

4. **Venezia**
Fountain, Excelsior Palace Hotel

5. **Campobasso**
Fountain, Piazza Vittorio Emanuele

6. **Torino**
Fontana angelica delle Quattro Stagioni, Piazza Solferino

7. **Genova**
Fontana di Nettuno, Palazzo Doria Pamphilj

8. **Forlì**
Fountain, Piazza Ordelaffi

9. **Napoli**
Fountain, Capodimonte Gardens

10. **Bologna**
Fontana del Nettuno, Piazza Maggiore

11. **Milano**
Fountain, Piazza Fontana

12. **Perugia**
Fontana Maggiore, Piazza IV Novembre

13. **Palermo**
Fontana del Tritone, Archaeological Museum

14. **Pesaro**
Fountain, Piazza Maggiore

15. **Bari**
Fountain, Piazza Aldo Moro

16. **Cagliari**
Fontana della passeggiata, Via Roma

17. **L'Aquila**
Detail of the Fontana delle 99 Cannelle, Piazza San Vito

18. **Aosta**
Fountain, Via Croce di Città

19. **Trieste**
Fontana dei Tritoni, Piazza Vittorio Veneto

20. **Catanzaro**
Fountain, Piazza Santa Caterina

21. **Trento**
Fontana di Nettuno, Piazza del Duomo

22. **Potenza**
Fountain, Montereale Park

23. **Ancona**
Fontana dei Cavalli, Piazza Roma

24. **Gorizia**
Fountain, Piazza della Vittoria

Credits

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3-4-7-9-14-17-21 Archivi Alinari - Alinari archive, Firenze
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