Banca Intesa

ANNUAL REPORT 2006

INTESA SANPAOLO

WARNING

The present communication refers to Banca Intesa S.p.A.'s Parent Company's Financial Statements as at 31st December 2006 and Gruppo Intesa's Consolidated Financial Statements as at 31st December 2006 and does not include assets, liabilities and statement of income components as at 31st December 2006 of the merged company Sanpaolo IMI S.p.A. and of the Sanpaolo IMI Group, since the merger came into legal and accounting effects as of 1st January 2007.

WARNING

Please note that as of 25th April 2007 214,623 new Intesa Sanpaolo S.p.A. ordinary shares, with regular rights have been issued following the exercise by the Management of the merged company Sanpaolo IMI and its subsidiaries, of corresponding subscription rights relative to a stock option plan approved by the Board of Directors of the aforementioned Company on 17th December 2002, on the basis of the specific mandate conferred to the same Board by the Shareholders' Meeting of Sanpaolo IMI S.p.A. of 30th April 2002.

This led to an increase in the ordinary share capital of Intesa Sanpaolo S.p.A. of 111,603.96 euro to reach 6,161,652,830.84 euro and of an equal amount in total capital which, including saving shares reached 6,646,547,922.56 euro, as well as an increase in the Share premium reserve of 379,410.54 euro, which reached 5,559,452,895.16 euro.

The aforementioned new share capital is divided into 12,781,822,928 shares of nominal value of 0.52 euro each, comprising 11,849,332,367 ordinary shares and 932,490,561 non-convertible saving shares.

The relative attestation has been transmitted to the Turin Company Register on 26th April 2007.

The foregoing led to a consequent update in the Proposals to the Shareholders' Meeting for the allocation of net income for 2006 and for the distribution of dividends and reserves indicated on page 304 of this Report.

In particular, the further disbursement of 81,556.74 euro, corresponding to the attribution of a unit amount of 0.38 euro (including 0.13 euro from the distribution of dividends and 0.25 euro from the distribution of the Share premium reserve) to be assigned also to the aforementioned 214,623 new ordinary shares, led to – without prejudice to the integration, for further 22.320,80 euro, of the legal reserve to reach a fifth of the new share capital – a consistent decrease in the portion of net income destined to the Extraordinary reserve and in the residual Share premium reserve.

Supervisory Board of
14th April 2007

Ordinary Shareholders' Meeting of
30th April – 3rd May 2007

Report and consolidated financial statements of Gruppo Intesa 2006

Report and Parent Company's financial statements 2006

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 6.646.436.318,60 Euro Registration number on the Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks No. 5361 and Parent Company of "Intesa Sanpaolo", included in the National Register of Banking Groups.

Contents

Board of Directors, General Management, Board of Statutory Auditors and Independent Auditors until 31st December 2006

Board of Directors

Chairman	*	Giovanni BAZOLI
Deputy Chairmen	*	Giampio BRACCHI
		René CARRON
Managing Director and Chief Executive Officer	*	Corrado PASSERA
Directors		Giovanni ANCARANI
		Francesco ARCUCCI
		Benito BENEDINI
		Antoine BERNHEIM
		Jean Frédéric DE LEUSSE
		Gilles DE MARGERIE
	*	Ariberto FASSATI
	*	Giancarlo FORESTIERI
		Paolo FUMAGALLI
		Giangiacomo NARDOZZI
		Georges PAUGET
		Eugenio PAVARANI
		Giovanni PERISSINOTTO
		Ugo RUFFOLO
		Gino TROMBI

** Members of the Executive Committee*

General Management

General Manager	Corrado PASSERA

Board of Statutory Auditors

Chairman	Gianluca PONZELLINI
Auditors	Rosalba CASIRAGHI
	Paolo Andrea COLOMBO
	Franco DALLA SEGA
	Livio TORIO

Independent Auditors RECONTA ERNST & YOUNG S.p.a.

Supervisory Board, Management Board, General Management, Manager in charge of preparing the Company's financial reports and Independent Auditors from 1st January 2007

Supervisory Board

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

Management Board (appointed on 2nd January 2007)

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

General Management

Deputy to the CEO	Pietro MODIANO
General Manager	Francesco MICHELI
Manager in charge of preparing the Company's financial reports	Bruno PICCA
Independent Auditors	RECONTA ERNST & YOUNG S.p.a.

Gruppo Intesa - Financial highlights and alternative performance measures (°)

Caption	2006	2005	Changes		2005	Changes	
		restated (*)	amount	%		amount	%
Statement of income (in millions of euro)							
Net interest income	5,778	5,310	468	8.8	5,285	493	9.3
Net fee and commission income	3,569	3,430	139	4.1	3,904	-335	-8.6
Profits (Losses) on trading	959	620	339	54.7	675	284	42.1
Operating income	10,536	9,605	931	9.7	10,029	507	5.1
Operating costs	-5,430	-5,256	174	3.3	-5,516	-86	-1.6
Operating margin	5,106	4,349	757	17.4	4,513	593	13.1
Net adjustments to loans	-863	-740	123	16.6	-715	148	20.7
Net income	2,559	3,025	-466	-15.4	3,025	-466	-15.4
Balance sheet (in millions of euro)							
Loans to customers	190,830	168,767	22,063	13.1	169,478	21,352	12.6
Financial assets / liabilities held for trading	30,680	29,818	862	2.9	29,818	862	2.9
Financial assets available for sale	5,518	4,380	1,138	26.0	4,379	1,139	26.0
Investments	9,315	9,188	127	1.4	9,181	134	1.5
Total assets	291,781	273,760	18,021	6.6	273,535	18,246	6.7
Direct customer deposits	202,762	187,207	15,555	8.3	187,590	15,172	8.1
Indirect customer deposits	300,823	287,800	13,023	4.5	287,800	13,023	4.5
of which assets under management	*58,881*	*59,045*	*-164*	*-0.3*	*59,045*	-164	-0.3
Net interbank position	-9,591	-4,576	5,015		-4,660	4,931	
Shareholders' equity	18,166	16,705	1,461	8.7	16,705	1,461	8.7
Operating structure							
Number of employees	56,665	55,658	1,007		60,778	-4,113	
- Italy	*40,656*	*40,230*	*426*		*42,062*	*-1,406*	
- Abroad	*16,009*	*15,428*	*581*		*18,716*	*-2,707*	
Number of branches	3,972	3,851	121		3,970	2	
- Italy	*3,168*	*3,106*	*62*		*3,106*	*62*	
- Abroad	*804*	*745*	*59*		*864*	*-60*	

(°) Figures from the reclassified statement of income and reclassified balance sheet as described in the report on operations.

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

	2006	2005 restated (*)	2005
Balance sheet ratios (%)			
Loans to customers / Total assets	65.4	61.6	62.0
Investments (a) / Total assets	3.2	3.4	3.4
Direct customer deposits / Total assets	69.5	68.4	68.6
Assets under management / Indirect customer deposits	19.6	20.5	20.5
Statement of income ratios (%)			
Net interest income / Operating income	54.8	55.3	52.7
Net fee and commission income / Operating income	33.9	35.7	38.9
Operating costs / Operating income	51.5	54.7	55.0
Net income / Average total assets (ROA)	0.9	1.1	1.1
Net income / Average shareholders' equity (ROE) (b)	16.3	22.3	22.3
Adjusted net income / Adjusted average shareholders' equity (adjusted ROE) (c)	18.0	24.8	24.8
Economic Value Added (E.V.A.) (d) (in millions of euro)	1,109	1,775	1,752
Risk ratios (%)			
Net doubtful loans / Loans to customers	0.9	0.7	0.7
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	67.1	69.2	69.3
Capital at Risk (C.a.R.) (e) - average for the period (in millions of euro)	32.1	25.6	25.6
Capital at Risk (C.a.R.) (e) - period-end (in millions of euro)	18.9	36.6	36.6
Capital ratios (%) (f)			
Tier 1 capital (g) net of preference shares / Risk-weighted assets (Core Tier 1)	5.51	-	7.10
Tier 1 capital (g) / Risk-weighted assets	6.29	-	7.94
Total capital (h) / Risk-weighted assets	9.50	-	10.34
Risk-weighted assets (in millions of euro)	202,088	-	190,038
Basic earnings per share (basic EPS) (i) - euro	**0.403**	**-**	**0.470**
Diluted earnings per share (diluted EPS) (l) - euro	**0.403**	**-**	**0.469**

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

(a) Investments include investments held to maturity, investments in associates and companies subject to joint control, property, equipment and intangible assets.

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

(c) Ratio between net income inclusive of the change in the period in valuation reserves on assets available for sale and weighted average of share capital, share premium reserve, reserves and valuation reserves (excluding the aforementioned change in valuation reserves on assets available for sale).

(d) 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.

(e) The indicator probabilistically measures, in terms of average or period-end figures, market risks of the trading portfolio defined as the sum of Value at Risk (VaR) in time-series simulation, delta-gamma-vega VaR (DGV) and correlated and non-correlated simulations on illiquid parameters, using a 99% confidence level and 1 working-day holding period.

(f) Figures for 2005 have not been restated to consider the change in the consolidation area.

(g) Paid-in share capital, share premium reserve and reserves and retained earnings minus treasury shares, goodwill, intangible assets and after the application of so-called "prudential filters" set out by supervisory regulations.

(h) Tier 1 capital plus eligible subordinated liabilities, valuation reserves, with the application of so-called "prudential filters", net of equity investments as set out by supervisory regulations.

(i) Net income attributable to holders of ordinary shares compared to the weighted average number of ordinary shares outstanding. Figures for 2005 have not been restated.

(l) The dilutive effect on the figure as at 31.12.2005 considers the issue of ordinary shares following the potential exercise of all the stock options set out in the relevant assignment plan. Figures for 2005 have not been restated.

Gruppo Intesa – Financial highlights and alternative performance measures by business area (°)

	Retail Division			Italian Subsidiary Banks Division			International Subsidiary Banks Division			Corporate Division and B.I. Infrastrutture e Sviluppo		
	2006	2005 restated (*)	2005	2006	2005 restated (*)	2005	2006	2005 restated (*)	2005	2006	2005 restated (*)	2005
Statement of income (in millions of euro)												
Operating income	5,580	5,231	5,358	1,680	1,556	1,520	1,255	1,087	1,156	1,852	1,658	1,903
Operating costs	-2,940	-2,870	-2,956	-806	-784	-765	-677	-600	-657	-696	-692	-798
Operating margin	2,640	2,361	2,402	874	772	755	578	487	499	1,156	966	1,105
Balance sheet (in millions of euro)												
Loans to customers	88,376	81,160	81,160	28,371	25,530	25,472	14,797	11,947	11,837	56,688	44,768	46,896
Direct customer deposits	76,768	76,577	76,577	28,034	26,222	26,222	17,213	13,336	13,149	40,320	36,558	37,187
Allocated capital	4,986	4,765	4,919	1,717	1,585	1,581	1,143	837	983	3,590	3,179	3,147
Statement of income ratios (%)												
Operating costs / Operating income	52.7	54.9	55.2	48.0	50.4	50.3	53.9	55.2	56.8	37.6	41.8	41.9
Income (Loss) before tax from continuing operations / Allocated capital	41.7	40.2	39.5	42.9	35.1	34.4	40.2	44.2	35.3	29.2	27.5	34.6
Economic Value Added (E.V.A.) (in millions of euro)	936	837	832	224	172	166	208	193	163	442	373	484

(°) Figures from the reclassified statement of income and reclassified balance sheet as described in the report on operations.

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

The merger with the Sanpaolo IMI group and the new Business Plan

The merger between Intesa and Sanpaolo IMI

Rationale of the merger

2006 was a year of fundamental importance for the growth of Banca Intesa.

The integration with Sanpaolo IMI – decided by the respective Boards of Directors in August and perfected, with the stipulation of the deed of merger, at the end of the year – led, in fact, to the formation, on 1st January 2007, of one of the most important European Banking Groups, with a grass-root presence in Italy and an important presence in other European Countries.

In recent years the Italian financial industry was characterised by a progressive consolidation process. In this context, Intesa and Sanpaolo have shown that they are capable of successfully seizing the organic and external growth opportunities, playing a forefront role and becoming two of the leading players at domestic level. The important merger and restructuring processes which both Groups have realised in the last few years have produced very positive results. Their profitability has reached high levels and the risk profile of assets is among the best of the banking industry.

At the same time an analogous consolidation process occurred and is still under way at European level, with cross border transactions which led to the formation of important entities with a stong international connotation.

The merger between Intesa and Sanpaolo represented a unique opportunity for both Groups to achieve the size to compete with large European banks and lay the foundations for a further growth process.

The integration realised offers in itself an outstanding opportunity of value creation for shareholders, of improvement of the quality of products and services on more competitive terms for customers and of professional enhancement for employees.

As already illustrated, the merger presents extremely attractive characteristics with respect to:

- high territorial complementarity, with a widespread presence throughout the national territory, concentrated in the wealthiest areas of the Country and limited overlapping;
- increased operational efficiency, due to economies of scale achieved as a result of the dimension reached;
- prevalence of the domestic retail component in the activities of both Groups, which permits to reap the maximum potential benefits from the merger with a limited execution risk;
- compatibility of the organisational models, characterised for both Intesa and Sanpaolo by the presence of an operational parent company with direction and control functions over local banks and specialised companies on specific products and services;
- extension of the pursuable strategic alternatives, thanks to the achievement of a sound leadership on the domestic market, which represents the ideal starting point for the future expansion abroad, also considering the experience of many of the largest international financial groups which have thrived starting from a sound rooting in their domestic market.

In fact, Intesa Sanpaolo has a unique positioning in Italy, which may not be replicated by competitors with any other integration on the market.

In particular, the New Group has a distribution network of approximately 5,500 branches; it is market leader in the Retail, Private and SME segments, due to a retail customer base of 12 million, in placement of asset management products and life insurance policies and in the residential mortgages segment.

In Corporate & Investment Banking, Intesa Sanpaolo is by far the leading national operator, is at the top of the ranking for factoring, trade finance, project and acquisition finance and syndicated lending. It is also the key Italian operator in the capital markets segment, achieving a significant critical mass in market-making activities and leading specialised operator in the Public Entities and Infrastructures sector.

With the Eurizon Group it is market leader in the promotion and management of mutual funds and in a forefront position in terms of the issuance of insurance premiums in the life branch.

Furthermore, the New Group, due to the complementary presence of Intesa and Sanpaolo in the markets of Central-Eastern Europe strengthened its coverage and commercial effectiveness in this area, where it is among the leading players in 10 Countries, with almost 1,400 branches.

Corporate governance system

The merger plan sets forth that Intesa Sanpaolo adopt the so-called dual corporate governance system: the adoption of this model is expected to result in a corporate governance better suited to the needs of the new corporate entity and entails that administration and control are conducted by a Management Board and a Supervisory Board.

The choice of the dual model was preferred for a number of reasons. First of all, the fact that it – albeit with specific characteristics which distinguish it in the various systems – appears to be widely used by larger companies with a widespread shareholder base in other Countries of the European Union; the New Bank resulting from the merger ranks at the top of the European banking system and a choice of this kind seems only natural.

Furthermore, the dual model provides for a better separation between ownership and management, since the Supervisory Board is the filter between shareholders and the management body – the Management Board – and therefore seems to be more capable than the traditional model of effectively meeting the need for greater transparency and reducing potential conflicts of interest. More specifically, the Supervisory Board which combines certain powers typical of the Shareholders' Meeting, functions of the Board of Statutory Auditors and certain powers of "top management", performs direction and control functions, which also relate to the basis of decisions, with respect to the management of the company, functions which are more extensive than those typically performed by the Board of Statutory Auditors.

Very briefly, in the dual model the Shareholders' Meeting appoints and revokes the Supervisory Board which in turn appoints the Management Board. In addition, the Shareholders' Meeting: a) resolves upon the distribution of profits; b) resolves upon transactions of the Extraordinary Shareholders' Meeting; c) exercises, concurrently with the Supervisory Board, liability actions against members of the Management Board; d) appoints the independent auditors.

The Supervisory Board fulfils, in addition to functions typical of the Board of Statutory Auditors in the traditional model, duties traditionally reserved for the shareholders' meetings. More specifically, it: a) appoints and revokes members of the Management Board and determines the relative remuneration; b) exercises liability action against members of the Management Board; c) approves the financial statements; d) in addition, to the extent possible according to the Articles of Association, can be assigned executive administration tasks.

The Management Board fulfils the functions which in the traditional model are carried out by the Board of Directors: therefore, it is required to manage the company and is allowed to appoint one or more Managing Directors.

Organisational activities

The integration process commenced after the merger came into effects. The main activities conducted so far focused on the definition of the organisational structure of the new Group, the management of activities relative to compliance and the choice of the IT system. Key projects for the integration commenced and will be completed in the next few months. These refer to the definition and management of the migration to the target system and the operations for integration of legal entities, in Italy and abroad, in the various business areas.

On 2nd January 2007 the Management Board of Intesa Sanpaolo defined the organisational structure of first and second level for Business Units and Head Office Departments, defined the respective responsibilities and appointed the managers in charge. Subsequently the organisational structure was completed with the definition of the third and fourth level of responsibilities in the Divisions Banca dei Territori, Corporate & Investment Banking, Foreign Banks, Group's Finance, of the Head Office Departments and Staff Units and with the appointment of the managers in charge.

Furthermore, Intesa Sanpaolo's main governance documents are being completed: the Group's Regulations, which defines the means of interaction between the Parent Company and Group companies; the Group Committees Regulation, that specifies the means of functioning of the various Group's consultative and decision-making Committees; Management Autonomy Limits which detail autonomy assigned to managers in charge as concerns spending and operations in general. The preparation of such documents attentively considered the specific characteristics and prior experience of the two Groups, which were combined and enhanced to meet the requirements of the new Intesa Sanpaolo group.

Furthermore, compliance requirements necessary to ensure, already starting from 1st January 2007, the management of the new Bank were identified, designing the most suitable solutions to guarantee the necessary business continuity. In February a subsequent phase commenced with the main objective of managing organisational and IT activities for the management of operations until the complete migration to a single IT system.

On this point, on 20th February 2007 the Management Board chose the target IT system of the New Group. The reference IT platform is based on the solutions of former Sanpaolo IMI, enhanced and enriched to satisfy the functional requirements of the integrated operating system and on solutions implemented with selected components of the former Banca Intesa system. The migration on the target system has already commenced and entails three macro-phases: operational planning and identification of the work groups, which will permit to confirm the integration plan and the cost of the intervention; preparation of the migration and test, which includes the preparation of the technological infrastructures and of the target system; completion of the roll-out on Intesa Sanpaolo and on the banks, which will permit the completion of the realisation of Banca dei Territori and the distinctive businesses.
In parallel to the project of migration of the IT system, various projects commenced – for the convergence of stand alone initiatives of the former banks – aimed at guaranteeing operating and commercial continuity and continued compliance with regulatory requirements.

Accounting aspects

The deed of merger between Banca Intesa and Sanpaolo IMI was stipulated on 28th December 2006, with legal, accounting and tax effects as of 1st January 2007; such date was identified, pursuant to IFRS 3, as the date of acquisition of control and thus as the date in which the balance sheet figures of the merged company (acquired company) were recognised in the accounts of the surviving company (acquirer).
Banca Intesa - which as of the date on which the merger became effective adopted Intesa Sanpaolo as its new corporate name - increased its share capital by 3,033,435,122.64 euro through the issuance of 5,833,529,082 ordinary shares with a nominal value of 0.52 euro each attributed to Sanpaolo IMI shareholders according to the exchange ratio of 3.115 Intesa Sanpaolo ordinary shares for every ordinary or preference share of Sanpaolo IMI with a nominal value of 2.88 euro each.
The merger between Banca Intesa and Sanpaolo IMI must be accounted for using IFRS 3 on business combinations.
The merger has been conceived of as a "merger of equals". However, IFRS 3 requires that an acquirer be identified in any business combination. Banca Intesa – based on quantitative factors relative to the number of outstanding and newly-issued shares and the size of the two Groups, and since it was the entity which issued the shares – was identified as the acquirer as provided for by IFRS 3.
IFRS 3 requires that the cost of a business combination be determined as the sum of the fair value, at transaction date: (i) of assets sold, (ii) of liabilities undertaken and (iii) capital instruments issued by the acquirer in exchange of acquisition of control. To this value must be added (iv) costs directly attributable to the business combination.
Therefore, in the business combination between Intesa and Sanpaolo IMI the cost of the acquisition is represented by the fair value at transaction date (that is from the date of the issue of new securities, which coincides with the date in which the merger comes into legal effects), of shares which the surviving company, Banca Intesa, issued in exchange of the shares of the merged company Sanpaolo IMI. Since such shares are listed, the fair value of the Intesa share is represented by the stock price on the market (reference price) on the day before the date in which the merger comes into legal effect.
The cost was therefore determined in 34,126 million euro to which the accessory costs of the transaction must be added.
The cost of the business combination must be allocated to assets, liabilities and potential liabilities as well as to intangible assets not recorded in the balance sheet of the Sanpaolo Group, within the limits of their fair value. After this allocation any further residual value must be recorded as goodwill, which will be subject to impairment test once a year.
IFRS 3 sets forth that the cost must be allocated within twelve months from the date of acquisition. For certain preliminary indications on the means of allocation of the acquisition cost please refer to Part G of the Notes to the consolidated financial statements.

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

As is generally known, in the context of the merger with Sanpaolo IMI, the definition of relations with Crédit Agricole S.A. was particularly important. Crédit Agricole S.A. has been an Intesa shareholder since December 1989 and is member of the Voting Syndicate of Intesa.
Already on 11th October 2006, Intesa and Crédit Agricole S.A. entered into an agreement in connection with the Plan for the merger between Intesa and Sanpaolo.
The Agreement provided for:

- the sale by Intesa Sanpaolo to Crédit Agricole of its entire equity stake in Cassa di Risparmio di Parma e Piacenza (representing 100% of the share capital), for a cash consideration of 3.8 billion euro;
- the sale of the entire equity stake in Banca Popolare FriulAdria (representing 76.05% of the share capital) for a cash consideration of 836.5 million euro;
- the sale of 193 Intesa branches (number subsequently determined in 202) identified by the parties – to be transferred to the aforementioned subsidiary banks – for a cash consideration of 1,330 million euro;
- if the project of the setting up of the pan-European joint-venture is not deemed feasible, the unwinding of CAAM sgr on terms consistent with the original sale of 65% of Nextra by Intesa to Crédit Agricole. A call option for Banca Intesa and a put option for Crédit Agricole are exercisable on the activities attributable to the 65% stake of Nextra Investment Management sold by Banca Intesa to Crédit Agricole in December 2005 at the same price paid two years ago (815.8 million euro) less the dividends received in the meantime by Crédit Agricole plus the cost of equity accrued during the period (calculated applying a 9% interest rate on 815.8 million euro). Until the exercise of the call/put option the existing agreements will remain in force but shall be amended with respect to two issues relating to the exclusive distribution terms: Crédit Agricole waived its right to purchase, following the merger, the asset management companies of the Sanpaolo IMI Group and it acknowledged that the latter's branches do not fall within the scope of the branch network for the purpose of the distribution agreement;
- the continuation of the existing consumer credit arrangements – relating to the Gruppo Intesa network before the merger – that will remain in force for a three-year period at the end of which the parties will reconsider the ownership structure of Agos. A call/put option shall become exercisable for the sale to Crédit Agricole of Intesa Sanpaolo's 49% interest in Agos.

The valuation of Cassa di Risparmio di Parma e Piacenza, of Banca Popolare FriulAdria and of the 202 branches was in line with market multiples of comparable transactions and was confirmed by analyses carried out by an independent expert Prof. Paolo Iovenitti nominated by Banca Intesa. Also the valuation of the activities attributable to the 65% of Nextra Investment Management sold at the end of 2005 was confirmed by the aforementioned independent expert.

On 1st March 2007, the sale of the equity stake in Cassa di Risparmio di Parma e Piacenza was executed through the transfer by Intesa Sanpaolo of 75% of the share capital to Crédit Agricole S.A. and of 10% to Sacam, a company of the Crédit Agricole group, and the simultaneous payment of the consideration of 3,230 million euro by the acquirers. Following subsequent agreements occurred between Crédit Agricole and Fondazione Cariparma – which Intesa Sanpaolo accepted – 15% of the share capital of Cariparma was sold to the Fondazione for a consideration of 570 million euro, to be paid within the end of July 2007. To guarantee the obligation, Fondazione Cariparma made a pledge in favour of Intesa Sanpaolo of the entire equity stake acquired.
Again on 1st March 2007, the sale of the equity stake in Banca Popolare FriulAdria (representing 76.05% of the share capital) to Crédit Agricole for a cash consideration of 836.5 million euro was executed.
The sale of the branches should be executed within the summer, whereas the acquisition by the Intesa Sanpaolo Group of the business branch relative to Nextra should occur subsequently.

On 19th March 2007, Intesa Sanpaolo S.p.A. and Crédit Agricole S.A. have agreed that CAAM sgr, their joint-venture in the asset management activities in Italy, will be unwound with both parties exercising their respective option and the purchase by Intesa Sanpaolo of the activities attributable to the 65% of Nextra Investment Management sold by Banca Intesa to Crédit Agricole in December 2005. The repurchase consideration will be of approximately 800 million euro - corresponding to the price of the sale transaction in December 2005 net of the amount resulting from the sale to Crédit Agricole of the mutual funds dedicated to the Cariparma network and the real estate funds - less the dividends received in the meantime by the Crédit Agricole Group plus the cost of equity accrued during the period (calculated applying a 9% interest rate on 815.8 million euro, the price of the previous sale transaction). The finalisation of the transaction is expected by year-end and is subject to relevant authorisation and the completion of the last branch sale to Crédit Agricole scheduled on 1st July 2007.

With a measure of 20th December 2006, the Italian Competition Authority authorised the merger but required some that the following conditions must be met, in addition to the implementation of the commitments made with Crédit Agricole:
- disposal of further 197 branches, through transparent and non-discriminatory procedures, to one or more third parties that are independent and non-shareholders;

- non-opening, for a period of two years, of new branches, in 19 Provinces;
- disposal to independent third-party subjects of a business consisting of an organised complex of activities and structures directed toward the production and management of Branch I, III and V life insurance policies, represented by 1,133 branches of: i) the savings banks controlled by Intesa Casse del Centro, ii) Sanpaolo Banco di Napoli and iii) other branches of Banca Intesa operating in the same geographical areas; the distribution capacity of the third-party subject will be guaranteed through an exclusive agreement with said business that will have a duration of no less than six years, tacitly renewable for a further three years, save for notice to quit on the part of the purchaser;
- abstention from the distribution of Branch I, III and V life insurance policies produced by i) Intesa Vita and/or Generali through bank branches headed by the Sanpaolo IMI Group prior to merger and ii) Eurizon Vita through bank branches headed, on the same date, by Gruppo Intesa;
- adoption of suitable measures so that the members of the Supervisory Board and the Management Board of the New Bank expressed by Generali, or in any case having direct or indirect personal ties to Generali, do not participate in the discussion or vote on resolutions that have as their direct object the business strategy of Eurizon and its subsidiaries, and do not influence these companies' business strategies in the production and/or distribution of Branch I, III and V life insurance policies in any way.

Intesa Sanpaolo has to date complied with the terms agreed upon with the Italian Competition Authority. In addition to the aforementioned sales of Cariparma and FriulAdria and the unwinding of the joint venture with CAAM, the timing for the sale to Crédit Agricole of 202 branches has been defined and entails that a part of the branches will be transferred as of 1st April 2007 and the rest with effects as of 1st July 2007. Furthermore, a project for the spin-off of the bancassurance activities has been defined and, in the next few months the procedure for the sale of further 197 branches will commence. Lastly, all the preparatory interventions necessary to rapidly execute the remaining measures required by the Authority have all been taken.

The 2005 – 2007 Business Plan

The merger with Sanpaolo IMI led to the advance conclusion of the 2005 – 2007 Business Plan. A concise assessment of the positive results achieved in these two years of intense efforts is provided hereafter.

The objective of the Plan was to take among the best European banks, operating on three main drivers: sustainable growth, strict cost discipline and distinct focus on risk management and capital allocation.

The first pillar set forth a strong and balanced growth in revenues, with a 7.4% average increase in operating income over the three years, mostly in net interest income and net fee and commission income, but with great attention to trading activities. Based on achieved results, revenues for 2006 increased in consistent terms by 8.7% as average for the two years 2005-2006, compared to the 2004 figure restated to consider the adoption of the new international accounting standards.

Strict cost discipline – the second pillar – means attentive management of administrative expenses without eliminating the investments necessary for growth. Operating margin increased on average, in the two years, by 17.7%, compared to a 15.6% annual growth target. This was possible since strong revenues growth absorbed the more contained growth in operating costs (+1.9%), higher, over the two years, than the figure set out in the Plan (+1.1%), especially for the strong investments made by subsidiaries abroad and for the cost of the free assignment of shares to the employees of the Group. In 2006 the cost/income ratio was 51.5%, in line with the forecasts of the Plan which set out the ratio at 50% in 2007 (it was 59% in 2004).

The improvement of asset quality represented the third objective. In the two years significant progress was made on this front and results were in line with the commitments of the Plan. The cost of lending remained constantly under 0.5% of loans to customers and the net doubtful loans / loans to customers was in line with objectives, at 0.9%.

Net income, forecasted in approximately 3 billion euro in 2007, almost reached 2.6 billion euro in 2006, despite considerable charges, obviously not included in Plan, sustained for the integration. On a consistent basis, net income in 2004 was under 1.9 billion euro.

ROE[1] in 2006 equalled 18.1%. It had been forecasted at 20% for 2007.

The rating assigned to Banca Intesa highlighted, compared to 2004, an upgrading by all rating agencies, in line with provisions in the Plan. In particular, Standard&Poor's upgraded the long- term debt rating from A- to A in July 2004 and from A to A+ in October 2005, Moody's from A1 to Aa3 in June 2006 and Fitch from A+ to AA- in July 2006.

[1] Calculated, in this case, according to the methodology used for the Business Plan: ratio between annual net income and sum of share capital, share premium reserve, reserves and valuation reserves at the end of the year.

Following the approval of the merger with Sanpaolo IMI, Standard&Poor's upgraded the rating from A+ to AA-, while Moody's and Fitch confirmed their opinion on Banca Intesa extending it to the new entity Intesa Sanpaolo.

The new 2007 – 2009 Business Plan

In the three-years 2007-2009 the strategy of the Intesa Sanpaolo Group is expected to be aimed at sustainable growth and strong value creation which must be pursued by developing the trust of its stakeholders and maintaining a strict control over all management levels.

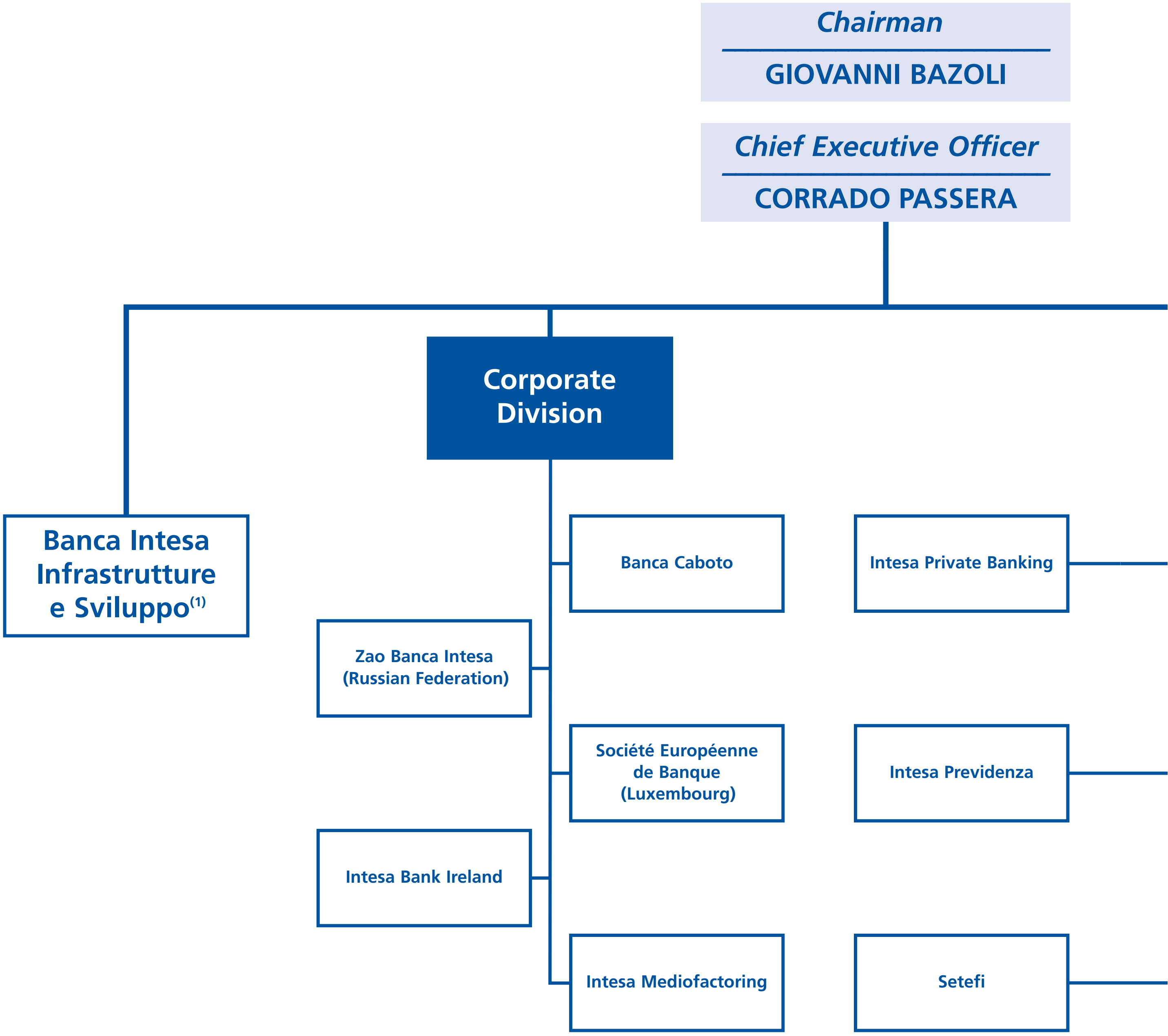
The main strategic guidelines which are expected to enable the New Group to achieve these objectives may be summarised in the following points:

- consolidate excellence in customer relations, through a strong focus on product/service innovation, the capillary coverage of the national territory and the sharing of the operating and management best practices;
- achieve and maintain a clear cost leadership, thanks to economies of scale in product factories, in service/support activities and synergies in governance and control functions;
- focus on human and professional growth of all employees, in order to enhance quality and motivation of human resources, which is a key success factor for the New Group. The formation of a leading Group in Italy with international growth ambitions will in fact offer new professional development opportunities both for current employees and for the talented resources which it will be capable of attracting;
- support Italy's development, by financing large works and supporting the growth of Italian companies – both at national and international level – developing local markets, innovating and modernising the Public Administration;
- significantly strengthen the presence abroad, by benefiting from the strong growth potential of the International Banks already controlled in Central-Eastern Europe, and creating the conditions to significantly increase geographic diversification in the future;
- optimise risk profile and capital management, by leveraging the excellent asset quality and utilising the advanced risk management processes/tools.

These objectives and strategies will represent the cornerstone of the New Business Plan – to be approved by the Management Board and the Supervisory Board and presented to the markets in April 2007 – as well as the starting point for the definition of the action plans for each of the Group's business areas.

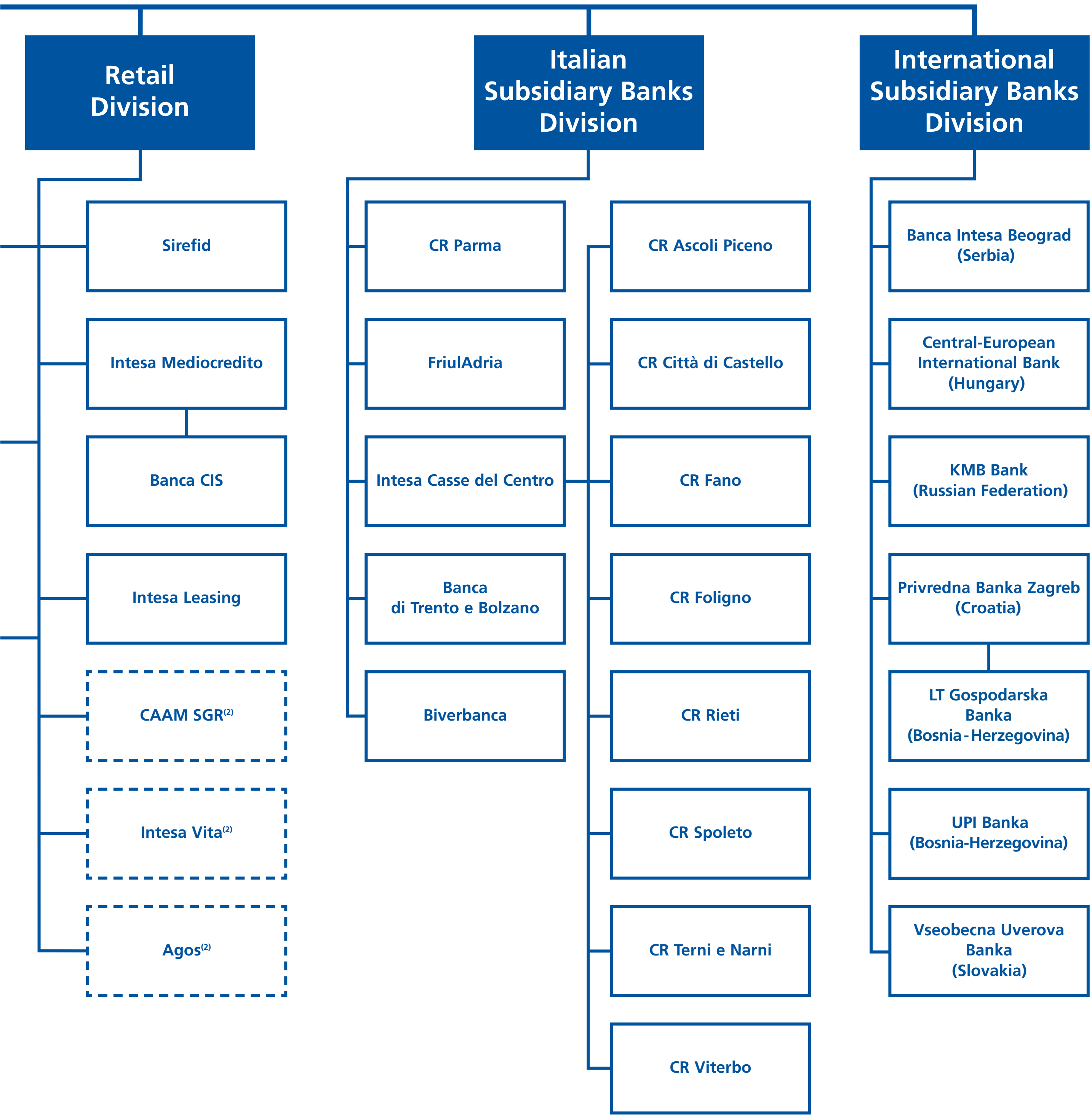
Gruppo Intesa
Report on operations and consolidated financial statements

Report on operations



(1) Subsidiary bank specialised in Public & Infrastructure Finance.
(2) Jointly-controlled or associated company, carried at equity.

Main Group Companies



The macroeconomic scenario and lending and deposit collecting activities

The macroeconomic scenario

During 2006 the US economy showed further signs of slowdown and GDP growth rates declined towards 3% in the second half of the year. The weakness in the residential building sector spread its effects on the manufacturing sectors more linked to construction activities and, recently, also signs of inventory surpluses appeared, thus extending the decline in activity indicators. However, the American economy still benefits from the support given by corporate investments, which are, in turn, fuelled by high profits and by the rises in employment and incomes. In the absence of evident signs of crisis, the Federal Reserve maintained a cautious tightening stance, justified by fears linked to possible tensions on prices; after having raised official interest rates to 5.25%, from August it refrained from further interventions, signalling to markets its intention to wait for clearer indications on the evolution of the economic cycle before changing the direction of its monetary policy.

The Euro Zone economy, instead, recorded growth rates above expectations, due to a higher domestic demand. Projected growth rates have been revised upwards considerably, but the actual figure was in any case surprising (2.8%). As expected, the solid macroeconomic prospects, the rapid rise in monetary and credit aggregates and the expectation of inflation rates exceeding again 2% during 2007, persuaded the European Central Bank to continue the gradual tightening initiated at the end of 2005. The interest rate on main refinancing operations was progressively raised to 3.50%. Forecasts for 2007 and companies' expectations reflect a modest slowdown in growth partly due to the impact of fiscal manoeuvres announced in certain large European Countries. Domestic demand will continue to drive growth. Such scenario also benefits from the less unfavourable trend of raw material prices: crude oil, in particular, registered a net price fall after having touched its all-time peaks at the beginning of August.

The Italian economy benefited from a positive industrial situation, due to both the robust demand for capital goods and the appreciable expansion in private consumption. After the slowdown of the second quarter, industrial production rose by more than one percent in the third quarter, creating the basis of a GDP increase in line with the potential estimated for Italy. The year-end figure published by Istat (1.9%) exceeded consensus projections for 2006, even if they had been revised upwards in the previous months. Projections for 2007 continue to show a slight slowdown, in line with the expectations for the whole of the Euro Zone.

Central and Eastern European Countries continue to benefit from good economic growth rates, substantial flows of foreign capitals and monetary stability. The regained strength of the Euro Zone's domestic demand sustains the economic cycle in the whole area. The trend in interest rates reflects the difference in local conditions: in fact, short-term interest rates rise in Hungary and Slovakia, decline in Russia and Croatia.

The worsening of the economic situation in the United States and the suspension of interest rate rises by the Fed created the conditions for a widespread and significant rebound in world bond markets. The downward phase in prices, initiated in January, terminated in early July, and was followed by three months of almost uninterrupted price rises. On the European market the positive phase mainly referred to medium and long maturities, because the short ones were affected by the tightening orientation of monetary policy. Consequently, the yield curve in euro continued to flatten.

2006 resulted positive also for the emerging markets sector. In a structural context of greater financial soundness, the reduction in interest rates and the low market volatility favoured the return of investment flows towards many emerging economies. Starting from July, risk premiums quickly shrank, down to the lows of the beginning of the year. Moreover, the tensions in foreign currencies that characterised the Spring did not recur.

Till September the euro registered modest changes against the US dollar but, later, capital flows determined a rapid appreciation of the European currency. Compared to the end of 2005, the euro rose 8.8% against the dollar and 11.7% against the yen. In the first half, significant currency depreciations affected the countries with considerable external imbalances, such as the Icelandic crown and the New Zealand dollar. Though with broad fluctuations, the Hungarian forint closed the year very close to the levels of the end of 2005.

On credit markets, a good risk propensity well supported the demand for corporate bonds, particularly in the high yield segment. The favourable performance and the low volatility profile of stock markets led, though with a short interruption in mid-year, to gradually declining premiums for corporate risk. Important support was also given by the speculative default rates that remained below expectations (and below the long-period average) for the whole of 2006, and by the abundant liquidity available on the markets.
Equity indexes recorded a positive trend, with the European stock markets rising more than the US and Japan stock markets: the DJ Eurostoxx index closed the year with a progress of 20.3%, against +13.6% of S&P500 and +6.9% of Nikkei 225. For the Italian stock market, 2006 was the fourth year of consecutive rise, with a 19.1% performance of the Mibtel index; the rise was generalised for all market indexes, even if the best performances were recorded once again by the medium and small cap stocks, and, in terms of countervalue, volumes registered a 20% progress from the previous year. The IPO market registered a brilliant result with 21 new listings, up from the 15 of the previous year.

Italian lending and deposit collecting activities

In 2006 interest rates progressively increased, following the more tightening stance of monetary policy. The upward trend should be confirmed for the whole of 2007, also considering that the upward trend in money market interest rates is expected to continue.
More in detail, the interest rate on total loans to households and enterprises recorded a significant increase, on average over the twelve months. The growth in lending rates, particularly intense in the second half of the year, referred to both the interest rates on loans with maturity under one year and those with more prolonged maturity. Within loans to the production sector noteworthy is the reduction in spreads between interest rates on new loans under one million euro and those on larger loans, which would confirm the declared favourable orientation of the banking system towards granting loans to small and medium-sized enterprises.
The adjustment of borrowing cost to the rise in money market yields was very rapid for both households and enterprises. Between December 2005 and last November, against an increase in three-month Euribor, the rise in interest rates for new floating-rate mortgages to households was only slightly lower, similarly to the change registered in new loans to enterprises, which even benefited from a lending rate lower than inflation in the production sector during the whole year.
Also bank funding activities registered a rise in interest rates. The increase in the overall cost of funding from households and non-financial enterprises was determined equally by the evolution in bond yields and in interest rates on deposits, whilst the rise in household current accounts was more contained.
Considering the higher growth rates registered in lending interest rates, bank spreads between lending and funding rates returned steadily over 3% in the second half of 2006, at 3.02% on average over the twelve months (+6 basis points on the 2005 average) and reaching 3.12% at the end of the period (+22 basis points from the end of 2005). With regard to unit margins of intermediation activities, comparing the figures at the beginning and at the end of the year, the short-term mark-up[2] declined from 2.85% to 2.28%, whereas the contribution margin of on demand funding[3] (mark-down) rose from the initial 1.64% to 2.48%. Consequently, short-term spreads increased to 4.76%, gaining 27 basis points from the levels of December 2005.
In line with the current trend in the Euro Zone, the loans granted by Italian banks registered a considerable acceleration in 2006. The most substantial contribution to the evolution of lending activities was again given by the medium- and long-term component, even if short-term loans recorded a significant recovery. Such evolution benefited from the continued growth in household loans as well as from the marked strengthening of corporate activities, determined by the mix of attractive offer conditions and of the need to fund the economic recovery. This encouraging positively-evolving context is completed by a persistently high quality of the customer portfolio.
More in detail, starting from the second half, the demand for household loans gradually slowed down, particularly for residential mortgages, but it did not halt the process of structural growth.
With regard to enterprises, lending activities were characterised by a constant acceleration, with a demand mainly addressed – as for households – to long-term loans. The economic recovery has also sustained a progressive acceleration, till the end of the year, of the demand for shorter-term loans.
The acceleration in corporate lending concerned all sectors of the production of goods and services. In particular, loans to manufacturing companies, after a period of stalemate, strengthened, mainly in the

[2] Difference between the interest rates applied to households and companies on loans with maturity under one year and one-month euribor.
[3] Difference between one-month euribor and interest rates on households and companies current accounts.

transport sector and the metal products sector. The stronger trend in loans to the production sector reflected not only expansive lending conditions, but also the soundness of economic recovery, which induced enterprises to have a more confident attitude towards the evolution of production, of orders and of investments. A contribution to this positive trend was also given by the continuation of the restructuring and consolidation process under way in many production sectors, finalised to the increase of international competitiveness.

With regard to deposit collecting activities, in 2006 the development of domestic funding, according to the harmonised definition[4], recorded a rise compared to the previous year, mainly sustained by bonds and repurchase agreements, which entirely absorbed the slowdown in on demand instruments linked to the rise in market interest rates, that made holding liquidity less attractive.

The trend in funding activities signals however the persistence of a prudent attitude in investors. Indications to the same direction also come from the moderate rise in indirect customer deposits, which is affected by the poor performance of the asset management component (individual portfolio management schemes and mutual funds).

[4] Sum of current accounts (including bank cashiers' cheques), deposits with notice period (saving deposits), deposits with predefined maturity (current accounts and term deposits, certificates of deposit), repurchase agreements and bonds (including subordinated liabilities). All contract types, with the except on of bonds, refer to Italian customers, excluding the Central Administration, in euro and foreign currency. Bonds refer to the total amount issued, irrespective of residence and sector of the holder.

Economic results

Gruppo Intesa in 2006

The 2006 statement of income closed with a consolidated net income of 2,559 million euro, approximately 15% lower than the 3,025 million euro of 2005.
Two important events which significantly affected the comparison must be highlighted. First of all, last year's financial statements had benefited from considerable non-recurring income, including 682 million euro of capital gain from the sale of the controlling stake (65%) in Nextra Asset Management to Crédit Agricole. Secondly it must be noted that the 2006 statement of income was influenced by integration charges specifically referred to the merger with Sanpaolo IMI.
In fact, on the basis of international accounting standards, the best possible estimate of the future charges connected to the agreement signed with Trade Unions on 1st December 2006 for the reduction in headcount has been recorded in a specific caption of the reclassified statement of income and allocated to a specific allowance.
As is generally known, Banca Intesa and Sanpaolo IMI on 1st December 2006 signed with Trade Unions an agreement for an efficient integration of human resources, which sets forth the activation of the Solidarity Allowance as per Ministerial Decree 158/00 and Ministerial Decree 226/06 exclusively on a voluntary basis for employees who qualify for pensions within 1st January 2013, as well as specific incentive-driven plans for those who have the requisites for pensions. In both cases non-recurring charges are expected for the Bank and in the case of the activation of the Allowance for incentive-driven exit plans for the payment of the special indemnity and the continuation of pre-defined benefits.
Based on the requests received by the eligible parties and of a reasonable estimate of the number of people who will accept the proposal in the terms set out by the agreement, provisions were determined, net of taxes, in 238 million euro.
Excluding these considerable extraordinary captions, as well as net provisions for risks and charges of last year and other non-recurring captions, which impacted in an opposite direction, increasing 2005 net income and reducing 2006 net income, the comparison would show an approximately 12% growth rate in 2006 with respect to the previous year.

The satisfactory result for 2006 was mainly ascribable to the good progress of operating income (+9.7%), whereas operating costs recorded a more contained expansion (+3.3%), which may be attributed mostly to the numerous development plans under way both at the retail network and the network in Central-Eastern Europe. Net adjustments to loans and net provisions for risks and charges together decreased by approximately 8%. Income (Loss) before tax from continuing operations amounted to 4,175 million euro, 3.8% higher than the figure of 2005 that, as already mentioned, benefited from considerable non recurring income. The increase in profitability led tax charge to rise to 1,347 million euro, corresponding to an approximately 32% tax rate.

The tables hereafter and the relative comments analyse the results recorded in the statement of income in 2006 compared to those of 2005, restated on a consistent basis to consider changes occurred in the consolidation area, illustrated in Part A of the Notes to the consolidated financial statements.
For the sake of completeness, the tables hereafter also present the comparison with the figures originally published in the Annual report 2005. The reclassification of statement of income figures relative to non-current assets held for sale and discontinued operations, in compliance with provisions of IFRS 5, is included in the column of restated figures.

Reclassification criteria of the statement of income

For the purpose of a more effective representation of results, a condensed statement of income was prepared through opportune restatements and according to presentation criteria deemed to be better suited to represent the content of captions according to the principle of operating consistency.

Reclassifications – detailed in the reconciliation presented in the attachments to the present volume in compliance with Consob requirements provided for with Communication 6064293 of 28th July 2006 – are listed below:

- dividends on shares classified as assets available for sale and as assets held for trading are reallocated in profits (losses) on trading; likewise, the implicit cost for the financing of the purchase of shares held for trading is transferred from interest to profits (losses) on trading;
- interest rate differentials matured and collected on currency interest rate swaps which set out the exchange of two floating rates, classified as held for trading, stipulated to hedge floating rate funding in foreign currency, are recorded in net interest income considering their close correlation;
- fair value adjustments in hedge accounting are registered in net interest income due to their close correlation with the latter;
- profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities are included in profits (losses) on trading;
- recovery of expenses and of taxes and duties are directly deducted from administrative expenses instead of recorded in other operating income;
- 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 in net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in absence of changes in forecasted expected future flows. A consistent approach is used for the time value of Employee termination indemnities and Allowances for risks and charges;
- impairment of property, equipment and intangible assets (of negligible amount) is excluded from net adjustments to property, equipment and intangible assets – that thus solely express depreciation and amortisation – and are included in a residual caption which records net impairment losses on financial assets available for sale, investments held to maturity and other financial activities;
- Profits (Losses) on disposal of investments in associates and companies subject to joint control and Profits (Losses) on disposal of investments are recorded in Profits (losses) on investments held to maturity and on other investments, net of the net income recorded by investments carried at equity which is posted in a specific caption in Operating income;
- integration charges related to the merger between Banca Intesa and Sanpaolo IMI, are reclassified net of the fiscal effect in a specific caption from the captions Personnel expenses and Administrative expenses.

Reclassified consolidated statement of income

(in millions of euro)

	2006	2005 restated (*)	Changes amount	Changes %	2005	Changes amount	Changes %
Net interest income	5,778	5,310	468	8.8	5,285	493	9.3
Dividends	13	12	1	8.3	12	1	8.3
Profits (Losses) on investments carried at equity	175	200	-25	-12.5	151	24	15.9
Net fee and commission income	3,569	3,430	139	4.1	3,904	-335	-8.6
Profits (Losses) on trading	959	620	339	54.7	675	284	42.1
Other operating income (expenses)	42	33	9	27.3	2	40	
Operating income	**10,536**	**9,605**	**931**	**9.7**	**10,029**	**507**	**5.1**
Personnel expenses	-3,138	-3,063	75	2.4	-3,207	-69	-2.2
Other administrative expenses	-1,780	-1,705	75	4.4	-1,795	-15	-0.8
Adjustments to property, equipment and intangible assets	-512	-488	24	4.9	-514	-2	-0.4
Operating costs	**-5,430**	**-5,256**	**174**	**3.3**	**-5,516**	**-86**	**-1.6**
Operating margin	**5,106**	**4,349**	**757**	**17.4**	**4,513**	**593**	**13.1**
Goodwill impairment	-	-6	-6		-6	-6	
Net provisions for risks and charges	-181	-393	-212	-53.9	-416	-235	-56.5
Net adjustments to loans	-863	-740	123	16.6	-715	148	20.7
Net impairment losses on other assets	-1	-21	-20	-95.2	-28	-27	-96.4
Profits (Losses) on investments held to maturity and on other investments	114	833	-719	-86.3	834	-720	-86.3
Income (Loss) before tax from continuing operations	**4,175**	**4,022**	**153**	**3.8**	**4,182**	**-7**	**-0.2**
Taxes on income from continuing operations	-1,347	-1,017	330	32.4	-1,082	265	24.5
Merger and restructuring related charges (net of taxes)	-242	-	242	-	-	242	-
Income (Loss) after tax from discontinued operations	83	154	-71	-46.1	32	51	
Minority interests	-110	-134	-24	-17.9	-107	3	2.8
Net income	**2,559**	**3,025**	**-466**	**-15.4**	**3,025**	**-466**	**-15.4**

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

Quarterly development of the reclassified consolidated statement of income

(in millions of euro)

	2006				2005 restated (*)			
	Fourth quarter	Third quarter restated (*)	Second quarter restated (*)	First quarter restated (*)	Fourth quarter	Third quarter	Second quarter	First quarter
Net interest income	1,570	1,435	1,413	1,360	1,333	1,349	1,333	1,295
Dividends	-	-	13	-	-	-	12	-
Profits (Losses) on investments carried at equity	65	31	50	29	50	47	50	53
Net fee and commission income	861	863	895	950	848	818	881	883
Profits (Losses) on trading	226	202	175	356	114	170	153	183
Other operating income (expenses)	17	3	10	12	23	3	15	-8
Operating income	**2,739**	**2,534**	**2,556**	**2,707**	**2,368**	**2,387**	**2,444**	**2,406**
Personnel expenses	-822	-766	-779	-771	-823	-753	-745	-742
Other administrative expenses	-498	-425	-441	-416	-466	-409	-441	-389
Adjustments to property, equipment and intangible assets	-150	-128	-121	-113	-151	-117	-114	-106
Operating costs	**-1,470**	**-1,319**	**-1,341**	**-1,300**	**-1,440**	**-1,279**	**-1,300**	**-1,237**
Operating margin	**1,269**	**1,215**	**1,215**	**1,407**	**928**	**1,108**	**1,144**	**1,169**
Goodwill impairment	-	-	-	-	-6	-	-	-
Net provisions for risks and charges	-108	-17	-18	-38	-192	-45	-112	-44
Net adjustments to loans	-318	-173	-165	-207	-263	-165	-123	-189
Net impairment losses on other assets	4	-4	-4	3	-18	1	-8	4
Profits (Losses) on investments held to maturity and on other investments	63	1	50	-	709	41	22	61
Income (Loss) before tax from continuing operation	**910**	**1,022**	**1,078**	**1,165**	**1,158**	**940**	**923**	**1,001**
Taxes on income from continuing operations	-278	-319	-346	-404	-45	-318	-306	-348
Merger and restructuring related charges (net of taxes)	-242	-	-	-	-	-	-	-
Income (Loss) after tax from discontinued operations	19	23	22	19	94	56	-1	5
Minority interests	-23	-29	-29	-29	-27	-33	-36	-38
Net income	**386**	**697**	**725**	**751**	**1,180**	**645**	**580**	**620**

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

Operating income

The rise in operating income, which totalled 10,536 million euro (+9.7% compared to the consistent figure for 2005), was due to the combined effect of the increase in net interest income (+8.8%), in net fee and commission income (+4.1%) – which, in absolute terms, are the most significant components – as well as in profits on trading, up by over 50% with respect to the comparative figure.
Operating income rose also with respect to the figure originally published in the 2005 financial statements (approximately +5%) which, as already mentioned, referred to a different consolidation area.

Net interest income

(in millions of euro)

	2006	2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Relations with customers	6,862	5,861	1,001	17.1	5,887	975	16.6
Relations with banks	-220	-97	123		-174	46	26.4
Securities issued	-2,865	-2,396	469	19.6	-2,390	475	19.9
Differentials on hedging derivatives	322	419	-97	-23.2	424	-102	-24.1
Financial assets held for trading	1,157	1,016	141	13.9	978	179	18.3
Investments held to maturity	105	123	-18	-14.6	123	-18	-14.6
Financial assets available for sale	132	91	41	45.1	142	-10	-7.0
Non-performing assets	327	303	24	7.9	299	28	9.4
Other net interest income	-53	-43	10	23.3	-36	17	47.2
Interest margin	**5,767**	**5,277**	**490**	**9.3**	**5,253**	**514**	**9.8**
Fair value adjustments in hedge accounting	**11**	**33**	**-22**	**-66.7**	**32**	**-21**	**-65.6**
Net interest income	**5,778**	**5,310**	**468**	**8.8**	**5,285**	**493**	**9.3**

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

Breakdown by component of net interest income (5,778 million euro up by 8.8%) showed, on the one hand, the higher contribution of operations with customers and, on the other hand, higher interest expense on interbank relations and securities issued. Furthermore, the 2006 result benefited from higher interest on financial assets.
More specifically, net interest income with customers highlighted a rise which reflected the positive trend registered by the retail segment, in terms of both volumes and spread, the disbursements to public entities and to fund infrastructural projects, as well as the increase in operations of certain Group banks in Central-Eastern Europe. Conversely, the negative balance of interest on interbank relations increased and the cost of funding via securities showed a marked expansion, also considering differentials on hedging derivatives, ascribable to both higher funds raised with this contract type and the rise in interest rates recognised to underwriters.
Lastly, the caption includes fair value adjustments in hedge accounting, that is the imbalance of positive and negative variations in the fair value of hedging derivatives and the relevant assets and liabilities hedged.
Considering quarterly development, net interest income in the fourth quarter of 2006 posted an increase on the fourth quarter of the previous year, and reached the highest level in all the quarters of the last two years.
Net interest income increased even in the comparison with the figure originally published for 2005 (+9.3%).

Dividends and profits on investments carried at equity

The caption refers to the dividends collected from unconsolidated equity investments, which were practically stable with respect to the previous year (13 million euro, ex 12 million euro). It does not include dividends on shares held for trading or available for sale, that – as already highlighted above – in the reclassified statement of income are posted in profits (losses) on trading.
The profits deriving from measurement with the equity method refer to the subsidiaries in which the Group has a significant influence, or has joint control. The figure showed a decline with respect to 2005 (from 200 million euro to 175 million euro) also due to the reclassification in this caption of the relevant portion of the net income recorded by Nextra in 2005 (higher than in 2006, due to dilutive effect of the subsequent partial disposal of the participated company), as well as to the negative effect of the equity investment in Pirelli (-21 million euro) due to the consolidated loss recorded by the latter as at 30th September 2006.

Net fee and commission income

(in millions of euro)

	2006	2005	Changes		31.12.2005	Changes	
		restated (*)	amount	%		amount	%
Guarantees given	149	140	9	6.4	142	7	4.9
Collection and payment services	297	296	1	0.3	283	14	4.9
Current accounts	695	694	1	0.1	748	-53	-7.1
Fees on credit and debit cards	301	283	18	6.4	288	13	4.5
Commercial banking activities	**1,442**	**1,413**	**29**	**2.1**	**1,461**	**-19**	**-1.3**
Dealing and placement of securities	960	880	80	9.1	470	490	
Dealing in currencies	41	41	-	-	40	1	2.5
Portfolio management	178	173	5	2.9	761	-583	-76.6
Distribution of insurance products	407	412	-5	-1.2	411	-4	-1.0
Other	134	145	-11	-7.6	151	-17	-11.3
Management, dealing and consultancy activities	**1,720**	**1,651**	**69**	**4.2**	**1,833**	**-113**	**-6.2**
Tax collection	**-**	**-**	**-**	**-**	**277**	**-277**	
Other net fee and commission income	**407**	**366**	**41**	**11.2**	**333**	**74**	**22.2**
Net fee and commission income	**3,569**	**3,430**	**139**	**4.1**	**3,904**	**-335**	**-8.6**

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

Net fee and commission income rose to 3,569 million euro (+4.1%).
The rise confirmed the trend towards a growing incidence, compared to the previous year, of commissions generated on management, dealing and consultancy activities (1,720 million euro), with respect to those originated by traditional commercial banking activities (1,442 million euro).
In fact, while the latter posted a 2.1% rise, again driven by fees on credit and debit cards, the former recorded a 4.2% growth rate, especially due to the development of commissions on dealing and placement of securities and to the contribution generated by individual portfolio management schemes.

In commissions from commercial banking activities and commissions from services, the highest growth rates were recorded by the Group's international entities, especially banks of Central-Eastern Europe.
As concerns quarterly development, net fee and commission income in the last quarter of 2006, despite a contained rise with respect to the corresponding period of the previous year, confirmed lower growth rates in the second half of 2006 with respect to the first half.
The comparison of net fee and commission income with the figure originally published for 2005 showed an 8.6% reduction which is attributable to the change in the consolidation area.

Profits (Losses) on trading

(in millions of euro)

	2006	2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Interest rates	173	-58	231		-58	231	
Equities	417	466	-49	-10.5	523	-106	-20.3
Foreign exchange	217	185	32	17.3	176	41	23.3
Credit derivatives (trading book)	44	12	32		12	32	
Profits (Losses) on trading	**851**	**605**	**246**	**40.7**	**653**	**198**	**30.3**
Profits (Losses) on disposal of financial assets available for sale and financial liabilities	**108**	**15**	**93**		**22**	**86**	
Profits on trading	**959**	**620**	**339**	**54.7**	**675**	**284**	**42.1**

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

Profits (Losses) on trading includes: i) profits and losses on disposal of financial assets held for trading or available for sale, ii) valuation differences on financial assets held for trading designated at fair value, and iii) dividends collected on shares held for trading or available for sale and any related charges.
More specifically, the caption was the sum of 851 million euro of profits on trading, with an almost 41% rise with respect to the comparative figure, and 108 million euro of profits on disposal of financial assets available for sale and financial liabilities (ex 15 million euro).
As concerns trading activities, trading on equities, mostly attributable to Banca Intesa and Banca Caboto, at 417 million euro continued to represent the most significant component, though on lower levels than those of 2005 (466 million euro). In addition to ordinary activities, this result also included valuation and/or disposal effects of important equity stakes classified as held for trading (175 million euro compared to approximately 190 million euro of previous year).
Profits on foreign exchange activities - generated by the Parent Company and also, to a significant extent, by the Central-Eastern European subsidiaries - equalled 217 million euro, with respect to the 185 million euro as at 31st December 2005.
Interest rate activities also generated profits, equal to 173 million euro, compared to the 58 million euro loss in the comparison period. The contribution of trading of credit derivatives rose to 44 million euro (12 million euro as at 31st December 2005).
Lastly, the 108 million euro imbalance of profits on the disposal of assets available for sale (15 million euro as at 31st December 2005) also included the sale of private equity investments. Quarterly development showed profits on trading in the fourth quarter of 2006 higher than in the quarters of 2005.

Other operating income (expenses)

Other operating income (expenses) is a residual caption which comprises income and expenses of various nature. The caption does not include recovery of expenses and taxes and duties, which in this reclassified statement of income is directly deducted from administrative expenses.
In 2006 net operating income equalled 42 million euro, compared to 33 million euro of the previous year. The typical components of this caption include rentals, income and expenses related to finance lease contracts, amortisation of leasehold improvements, and expenses for litigations and for customer restoration not covered by specific provisions.

Operating costs

(in millions of euro)

	2006	2005 restated [(*)]	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Wages and salaries	2,234	2,090	144	6.9	2,193	41	1.9
Social security charges	588	579	9	1.6	606	-18	-3.0
Other	316	394	-78	-19.8	408	-92	-22.5
Personnel expenses	**3,138**	**3,063**	**75**	**2.4**	**3,207**	**-69**	**-2.2**
General structure costs	461	444	17	3.8	477	-16	-3.4
Information technology expenses	448	432	16	3.7	448	-	-
Indirect taxes and duties	369	368	1	0.3	379	-10	-2.6
Management of real estate assets	311	302	9	3.0	310	1	0.3
Legal and professional expenses	179	194	-15	-7.7	208	-29	-13.9
Advertising and promotional expenses	155	131	24	18.3	135	20	14.8
Indirect personnel costs	75	59	16	27.1	62	13	21.0
Other costs	116	117	-1	-0.9	134	-18	-13.4
Recovery of expenses and charges	-334	-342	-8	-2.3	-358	-24	-6.7
Administrative expenses	**1,780**	**1,705**	**75**	**4.4**	**1,795**	**-15**	**-0.8**
Property and equipment	267	247	20	8.1	264	3	1.1
Intangible assets	245	241	4	1.7	250	-5	-2.0
Adjustments	**512**	**488**	**24**	**4.9**	**514**	**-2**	**-0.4**
Operating costs	**5,430**	**5,256**	**174**	**3.3**	**5,516**	**-86**	**-1.6**

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

The rise in operating costs resulted from personnel expenses (+2.4%), administrative expenses (+4.4%), and adjustments to property, equipment and intangible assets (+4.9%).
With reference to personnel expenses it must be noted that the trend is related to rises for the renewal of the national labour contract and higher costs sustained by certain bank subsidiaries, especially international, as a result of the expansion of activities and the operating network. Breakdown of administrative expenses showed differentiated trends. The contractions of legal and professional expenses were accompanied by increases in expenses – such as training, information technology and advertising – more directly related to the development of new products and services, to the aforementioned operational expansion, as well as the rationalisation of structures and processes. More contained increases were also recorded by general structure costs. Indirect taxes and duties are mostly attributable to operations with customers and lead to recoveries from customers which – as already indicated – together with other recoveries in the reclassified statement of income are directly deducted from total administrative expenses.
The rise of adjustments to property, equipment and intangible assets, overall equal to 512 million euro, was especially attributable to investments to support commercial expansion and improved operating efficiency.
Considering quarterly development, operating costs showed an upward trend, which usually occurs at the end of the year.
The comparison with the figures originally published – for a different consolidation area – showed instead a slight reduction in operating costs.

The cost/income ratio decreased from 54.7% of December 2005 to 51.5% of December 2006, recording an over 3 percentage point improvement, as a result of the favourable trends posted by operating income and the constant attention paid to a targeted growth in operating costs.

Operating margin

Driven by the progress of operating income, operating margin rose to 5,106 million euro (+17.4% compared to restated figures of 2005 and approximately +13.1% on figures originally published) notwithstanding the increase in operating costs explained above.

Income (Loss) before tax from continuing operations

Income (Loss) before tax from continuing operation equalled 4,175 million euro, with a 3.8% rise compared to the 4,022 million euro of 2005. This result also stems from the registration of net adjustments to loans and various provisions for risks and charges of 1,044 million euro, down with respect to the 1,133 million euro of the previous year, net adjustments to other assets of 1 million euro and gains on measurement or on disposal of investments of 114 million euro, compared to 833 million euro of 2005, which, as already mentioned above, had benefited by considerable non-recurring income, in particular that from the sale of Nextra.

Net provisions for risks and charges

After the particularly high levels reached in the previous year, a considerable decrease was recorded by net provisions for risks and charges in the year (181 million euro, compared to 393 million euro of 2005). These provisions are aimed at covering probable charges deriving mainly from revocatory actions, legal litigations and any other litigation with customers and personnel. Their amount is systematically updated on the basis of the litigations under way and the assessment as concerns their possible outcomes.

Net adjustments to loans

In the year net adjustments to loans equalled 863 million euro compared to 740 million euro of December 2005, with 16.6% increase. The figure reflected adjustments of 1,543 million euro, almost unchanged, and write-backs of 680 million euro (approximately -14%, mostly attributable to the Parent Company).

(in millions of euro)

	2006	2005 restated (*)	Changes amount	Changes %	2005	Changes amount	Changes %
Doubtful loans	559	471	88	18.7	489	70	14.3
Other non-performing loans	223	255	-32	-12.5	249	-26	-10.4
Performing loans	120	48	72		14	106	
Net impairment losses on loans	**902**	**774**	**128**	**16.5**	**752**	**150**	**19.9**
Net adjustments to guarantees and commitments	**-39**	**-34**	**5**	**14.7**	**-37**	**2**	**5.4**
Net adjustments to loans	**863**	**740**	**123**	**16.6**	**715**	**148**	**20.7**

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

The table sets out breakdown of net impairment losses on non-performing loans and highlights that the rise in overall amount mostly referred to doubtful loans which increased from the 471 million euro of 2005 to the 559 million euro of 2006. This trend was mostly attributable to the transfer to this category of positions previously included in substandard loans. Relatively to the latter, in fact, other non-performing loans decreased to 223 million euro, compared to 255 million euro of previous year. Such reduction was even more evident considering that in the first quarter of the year substandard loans had considerably increased following the introduction of new rules for the transfer to substandard loans – and thus with higher write-down levels – of loans past due.

Assessments on performing loans required, with reference to the respective risk configurations, net adjustments of 120 million euro, for the purpose of maintaining a congruous coverage of positions, also in consideration of volume growth.

Lastly, net write-backs of 39 million euro were posted on non-cash credit risk relative to guarantees and commitments outstanding (34 million euro of net write-backs in the first nine months of 2005).

On a quarterly basis, net adjustments highlighted in the last part of the year – following lower write-backs – an amount which is on the higher level with respect to those of the previous quarters.

Net income

Net income, which as illustrated hereafter, is net of taxes on income from continuing operations showed a considerable rise with respect to 2005 (+32.4%), especially significant considering that integration charges for 242 million euro were not present in the previous year.

Taxes on income from continuing operations

Taxes on income from continuing operations, both current and deferred, referred to the 2006 amounted to 1,347 million euro, with a 330 million euro rise with respect to the comparative figure of 2005 (+32.4%). The higher absolute value of the tax burden (calculated via the application of regulations in force in the various Countries in which the Group operates) is the result of the expansion of taxable income and an approximately 32% tax rate, and the reduced tax rate which had been applied to the capital gain from the sale of Nextra in 2005.

Integration charges, net of taxes

As already mentioned, the 2006 statement of income was burdened by a figure equal to the best possible estimate of the future charges connected to the agreement signed with Trade Unions on 1st December 2006 to achieve an effective integration of the human resources of the two Groups.
The caption also includes expenses for organisational, IT and legal advice which refer to the first integration interventions.
Net of the pertinent tax effect, provisions for personnel costs totalled 238 million euro, while consulting fees amounted to 4 million euro.

Income (Loss) on discontinued operations, net of tax

The caption contains mostly – in relation to the occurred disposal of the tax collection subsidiaries to Riscossione S.p.A. in the third quarter – the income and charges referred to the tax collection activities until 30th June 2006 as well as the gain from the sale itself.
The comparative figure as at December 2005, mostly referred to the restatement on a consistent basis of income and charges of the tax collection companies within the results of discounted operations as well as the effects of the sale of Banco Wiese Sudameris.

Net income

Net income for the period equalled 2,559 million euro, with an approximately 15% decrease compared to the 3,025 million euro of 2005 (approximately +12% if figures for the two years are rendered comparable by excluding the aforementioned non-recurring income and charges), after the deduction of the relevant tax burden and minority interests.

Balance sheet aggregates

General aspects

The following tables analyse balance sheet aggregates as at 31 December 2006 compared with figures for the previous year, restated to permit a consistent comparison in consideration of the changes occurred in the consolidation area, and with the original figures published in the Annual Report 2005.

Reclassified consolidated balance sheet

(in millions of euro)

Assets	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Financial assets held for trading	46,328	51,067	-4,739	-9.3	51,067	-4,739	-9.3
Financial assets available for sale	5,518	4,380	1,138	26.0	4,379	1,139	26.0
Investments held to maturity	2,823	2,810	13	0.5	2,810	13	0.5
Due from banks	30,363	27,184	3,179	11.7	27,111	3,252	12.0
Loans to customers	190,830	168,767	22,063	13.1	169,478	21,352	12.6
Investments in associates and companies subject to joint control	2,183	2,099	84	4.0	2,091	92	4.4
Property, equipment and intangible assets	4,309	4,279	30	0.7	4,280	29	0.7
Tax assets	2,502	3,055	-553	-18.1	3,096	-594	-19.2
Non-current assets held for sale and discontinued operations	69	3,739	-3,670	-98.2	2,869	-2,800	-97.6
Other assets	6,856	6,380	476	7.5	6,354	502	7.9
Total Assets	**291,781**	**273,760**	**18,021**	**6.6**	**273,535**	**18,246**	**6.7**

Liabilities and Shareholders' Equity	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Due to banks	39,954	31,760	8,194	25.8	31,771	8,183	25.8
Direct customer deposits	202,762	187,207	15,555	8.3	187,590	15,172	8.1
Financial liabilities held for trading	15,648	21,249	-5,601	-26.4	21,249	-5,601	-26.4
Tax liabilities	1,474	1,057	417	39.5	1,091	383	35.1
Liabilities associated with non-current assets held for sale and discontinued operations	63	3,716	-3,653	-98.3	2,963	-2,900	-97.9
Other liabilities	9,589	8,427	1,162	13.8	8,531	1,058	12.4
Allowances for specific purpose	3,273	2,819	454	16.1	2,834	439	15.5
Share capital	3,613	3,596	17	0.5	3,596	17	0.5
Reserves	10,785	9,255	1,530	16.5	9,255	1,530	16.5
Valuation reserves	1,209	829	380	45.8	829	380	45.8
Minority interests	852	820	32	3.9	801	51	6.4
Net income	2,559	3,025	-466	-15.4	3,025	-466	-15.4
Total Liabilities and Shareholders' Equity	**291,781**	**273,760**	**18,021**	**6.6**	**273,535**	**18,246**	**6.7**

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

Reclassification criteria of the balance sheet

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

- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of hedging derivatives and Fair value change of financial assets/liabilities in hedged portfolios in Other assets/liabilities;
- the aggregation in just one caption of property and equipment and intangible assets;
- the aggregation of Due to customers and Securities issued in just one caption, called Direct customer deposits;
- the aggregation in just one caption of allowances for specific purpose (Employee termination indemnities and Allowances for risks and charges);

– the restatement of assets and liabilities as at 31st December 2005, sold in 2006, in the caption "Non-current assets held for sales and discontinued operations" and "Liabilities associated to non-current assets held for sale and discontinued operations".

Again, for the purposes of a more effective representation of the composition of the aggregates, in the subsequent detailed tables and in the relative comments derivatives recorded in Financial assets/liabilities held for trading and Due from/Due to banks are presented net and the value of fair value hedge derivatives is presented together with assets and liabilities hedged.

Loans to customers

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Current accounts	22,878	20,702	2,176	10.5	19,370	3,508	18.1
Mortgages	84,995	76,391	8,604	11.3	76,387	8,608	11.3
Advances and other loans	70,675	60,127	10,548	17.5	62,184	8,491	13.7
Repurchase agreements	2,971	3,692	-721	-19.5	3,692	-721	-19.5
Non-performing loans	4,960	5,170	-210	-4.1	5,160	-200	-3.9
Loans represented by securities	4,351	2,685	1,666	62.0	2,685	1,666	62.0
Loans to customers	**190,830**	**168,767**	**22,063**	**13.1**	**169,478**	**21,352**	**12.6**
Net value of related fair value hedge derivatives	**9**	**17**	**-8**	**-47.1**	**17**	**-8**	**-47.1**
Fair value change of financial assets in hedged portfolios	**-1**	**-**	**1**	**-**	**-**	**1**	**-**
Total	**190,838**	**168,784**	**22,054**	**13.1**	**169,495**	**21,343**	**12.6**

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

Loans to customers – inclusive of loans represented by securities issued by customers – reached 190,830 million euro up by over 13% on the consistent figure of December 2005. Excluding repurchase agreements, which due to their nature are extremely volatile, loans to customers would show an even higher growth rate (+13.8%). The increase in overall volumes is attributable to almost all lending contracts. Medium- and long-term lending represented by mortgages increased (+11.3%) and represented approximately 45% of total loans to customers. Also advances and other loans significantly increased (+17% approximately) due to i) the rise of loans for infrastructural projects, ii) the growth in consumer lending, as well as iii) the expansion in the operations of subsidiaries, especially in Central-Eastern Europe. An upward trend was also recorded by demand for short-term funding through overdrafts on current accounts (+10.5%) and loans granted via the underwriting of securities (+62%). Instead, repurchase agreements decreased (-20% approximately).
Including net value of related fair value hedge derivatives, offset by fair value measurement of loans hedged, total loans to customers amounted to 190,838 million euro (+ 13.1%).
With reference to the original 2005 figures, the caption – though affected by changes occurred in the consolidation area – confirms a progress close to 13%.

Loans to customers: loan portfolio quality

(in millions of euro)

	31.12.2006			31.12.2005 restated (*)			31.12.2005
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure	Net exposure
Doubtful loans	5,046	-3,384	1,662	3,995	-2,766	1,229	1,227
Substandard loans	3,771	-1,013	2,758	4,330	-1,196	3,134	3,126
Restructured loans	137	-36	101	124	-32	92	92
Past due loans	454	-15	439	754	-39	715	715
Non-performing loans	**9,408**	**-4,448**	**4,960**	**9,203**	**-4,033**	**5,170**	**5,160**
Performing loans to customers	**186,990**	**-1,120**	**185,870**	**164,617**	**-1,020**	**163,597**	**164,318**
Loans to customers	**196,398**	**-5,568**	**190,830**	**173,820**	**-5,053**	**168,767**	**169,478**
Net value of related fair value hedge derivatives	**9**	**-**	**9**	**17**	**-**	**17**	**17**
Fair value change of financial assets in hedged portfolios	**-1**	**-**	**-1**	**-**	**-**	**-**	**-**
Total	**196,406**	**-5,568**	**190,838**	**173,837**	**-5,053**	**168,784**	**169,495**

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

Total non-performing loans equalled 4,960 million euro, compared to the 5,170 million euro of the end of 2005 and the incidence of non-performing loans on total loans to customers decreased to 2.6% from approximately 3% of the previous year.

In particular, net doubtful loans totalled 1,662 million euro, compared to the 1,229 million euro of December 2005, mostly as a result of the transfer to doubtful loans of certain retail exposures, previously classified as substandard loans. Nonetheless, the incidence on total loans was close to 0.9% compared to 0.7% at the end of 2005, with a degree of coverage of approximately 67%.

As a result of such transfers, substandard loans recorded a 12% contraction to 2,578 million euro, with an incidence on total loans to customers of approximately 1.4%, with respect to approximately 1.9% of December 2005, and a degree of coverage of approximately 27%, slightly lower than at the end of 2005, sufficient to cover the intrinsic risk of this type of portfolio.

Past-due loans recorded an approximately 39% net decrease to 439 million euro, with an incidence on total loans to customers which dropped from over 0.4% of the end of 2005 to 0.2%. Lastly, restructured loans totalled 101 million euro, only marginally higher than the 92 million euro as at 31st December 2005.

Risk implicit in performing loans is calculated collectively on the basis of the risk configuration of the entire portfolio analysed via models which consider the Probability of Default (PD) and the Loss Given Default (LGD) of individual loans.

Cumulated collective adjustments amounted to 1,120 million euro, approximately 10% higher than the figure at the end of 2005, and represented an average percentage of approximately 0.6% of gross exposure related to performing loans to customers. Such cumulated provisions are unchanged with respect to December 2005, and are still deemed to be adequate to cover the risk of performing loans.

Customer funds

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes		31.12.2005	Changes	
			amount	%		amount	%
Deposits	18,620	15,351	3,269	21.3	15,306	3,314	21.7
Current accounts and other	89,600	85,688	3,912	4.6	85,493	4,107	4.8
Other	5,729	3,739	1,990	53.2	4,377	1,352	30.9
Repurchase agreements	8,784	10,094	-1,310	-13.0	10,094	-1,310	-13.0
Due to customers	**122,733**	**114,872**	**7,861**	**6.8**	**115,270**	**7,463**	**6.5**
Securities issued	**80,029**	**72,335**	**7,694**	**10.6**	**72,320**	**7,709**	**10.7**
Direct customer deposits	**202,762**	**187,207**	**15,555**	**8.3**	**187,590**	**15,172**	**8.1**
Net value of related fair value hedge derivatives	**1,156**	**97**	**1,059**		**97**	**1,059**	
Total	**203,918**	**187,304**	**16,614**	**8.9**	**187,687**	**16,231**	**8.6**
Indirect customer deposits	**300,823**	**287,800**	**13,023**	**4.5**	**287,800**	**13,023**	**4.5**
Customer deposits under administration	**504,741**	**475,104**	**29,637**	**6.2**	**475,487**	**29,254**	**6.2**

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

Direct customer deposits, including securities issued, reached 202,762 million euro, (+8.3% on the consistent figure of last December), reflecting customer propensity for liquidity or, in any case, for short-term investments. More in detail, deposits and current accounts, considered together, in fact showed a significantly higher figure (approximately +7%) with respect to the end of December 2005. Even higher (+10.6%) was the increase in Securities issued – certificates of deposit and structured or plain vanilla bonds – due to the appreciation shown by the market for securities issued by the Group, even those placed with institutional investors, including subordinated issues. Excluding the contraction of repurchase agreements (approximately -13%), the increase in direct customer deposit would be closed to 10%.
Including in the aggregate the net value of related fair value hedge derivatives, which is offset by fair value measurement of customer deposits hedged (mainly securities issued), total customer deposits equalled 203,918 million euro, approximately 9% higher with respect to the consistent figure of the end of the previous year.
The comparison with the original figures in the Annual report 2005, though affected by changes occurred in the consolidation area, confirm an increase exceeding 8%.

Indirect customer deposits

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Individual portfolio management schemes	28,873	31,543	-2,670	-8.5	31,543	-2,670	-8.5
Bancassurance products	30,008	27,502	2,506	9.1	27,502	2,506	9.1
Total assets under management	**58,881**	**59,045**	**-164**	**-0.3**	**59,045**	**-164**	**-0.3**
Assets under administration and in custody	**241,942**	**228,755**	**13,187**	**5.8**	**228,755**	**13,187**	**5.8**
Indirect customer deposits	**300,823**	**287,800**	**13,023**	**4.5**	**287,800**	**13,023**	**4.5**

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

Indirect customer deposits reached 301 billion euro, 4.5% higher than the consistent figure at the end of 2005, registering overall a more contained increase with respect to direct customer deposits, confirming customer propensity for investments that may be easily liquidated.
The most significant component by far was assets under administration, which increased to 242 billion euro, with a 5.8% rise, while assets under management – which represented approximately 20% of indirect customer deposits – basically confirmed the figure for the previous year, in relation to positive trend of bankassurance products which offset the unfavourable trend of individual portfolio management schemes.

Financial assets / liabilities held for trading

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Bonds and other debt securities	31,144	31,964	-820	-2.6	31,964	-820	-2.6
Equities and quotas of UCITS	2,202	3,056	-854	-27.9	3,056	-854	-27.9
Trading portfolio	**33,346**	**35,020**	**-1,674**	**-4.8**	**35,020**	**-1,674**	**-4.8**
Net value of debt securities derivatives and interest rate derivatives	133	-729	862		-767	900	
Net value of currency derivatives	-189	-150	39	26.0	-112	77	68.8
Net value of equity derivatives and stock index derivatives	-267	-507	-240	-47.3	-507	-240	-47.3
Net value of credit derivatives	-2	3	-5		3	-5	
Net value of trading derivatives	**-325**	**-1,383**	**-1,058**	**-76.5**	**-1,383**	**-1,058**	**-76.5**
Other liabilities held for trading	**-2,341**	**-3,819**	**-1,478**	**-38.7**	**-3,819**	**-1,478**	**-38.7**
Financial assets / liabilities held for trading	**30,680**	**29,818**	**862**	**2.9**	**29,818**	**862**	**2.9**

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

Financial assets held for trading – recorded at fair value through profit and loss – amounted to almost 31 billion euro, net of the relevant liabilities, with an increase close to 3% with respect to both the restated figure and the original figures of the Annual report 2005. The aggregate was mainly made up of debt securities, that totalled approximately 31 billion euro. Equities, for approximately 2 billion euro, as well as the positive/negative value of trading derivatives are also included. In detail, the trading portfolio recorded an approximately 5% decrease to 33,346 million euro, which was affected by both equities and bonds.

As concerns trading derivatives, which recorded a net negative value of 325 million euro, the most significant component referred to contracts on equities and stock indexes.
Financial liabilities held for trading totalled 2.3 billion euro, with a 38.7% decrease.

Financial assets available for sale

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Bonds and other debt securities	2,486	2,055	431	21.0	2,054	432	21.0
Equities and quotas of UCITS	47	36	11	30.6	36	11	30.6
Securities available for sale	**2,533**	**2,091**	**442**	**21.1**	**2,090**	**443**	**21.2**
Equity stakes	1,855	1,684	171	10.2	901	954	
Private equity investments	350	291	59	20.3	1,074	-724	-67.4
Equity stakes available for sale	**2,205**	**1,975**	**230**	**11.6**	**1,975**	**230**	**11.6**
Loans available for sale	**780**	**314**	**466**		**314**	**466**	
Financial assets available for sale	**5,518**	**4,380**	**1,138**	**26.0**	**4,379**	**1,139**	**26.0**
Net value of related fair value hedge derivatives	**-16**	**-33**	**-17**	**-51.5**	**-33**	**-17**	**-51.5**
Total	**5,502**	**4,347**	**1,155**	**26.6**	**4,346**	**1,156**	**26.6**

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

Financial assets available for sale totalled 5,518 million euro, with a 26% increase with respect to both the consistent restated figure and the original figure published in the Annual report 2005. The caption included debt securities and equities not held for trading purposes of 2,533 million euro, with a considerable increase (approximately +21%) with respect to the figure at the end of 2005.
The caption also included equity stakes and private equity investments of 2,205 million euro, with an approximately 12% progress, as a result of a rise in both types of investments.
Lastly, the caption included portions of syndicated loans to be placed with third parties amounting to 780 million euro.
As is generally known, financial assets available for sale are measured at fair value with recognition of changes in a specific valuation reserve under shareholders' equity.

Investments held to maturity

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Government securities	2,520	2,554	-34	-1.3	2,554	-34	-1.3
Bonds and other debt securities	303	256	47	18.4	256	47	18.4
Investments held to maturity	**2,823**	**2,810**	**13**	**0.5**	**2,810**	**13**	**0.5**

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

The caption includes debt securities held by Group companies (mainly Eastern-European banks and among these, in particular, VUB), that, on first time adoption of IAS/IFRS, the relevant holding entity has confirmed will be held to maturity. The relevant values, which are practically stable, almost entirely referred to domestic securities.

Investments in associates and companies subject to joint control

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Investments in associates and companies subject to joint control	1,745	1,653	92	5.6	1,645	100	6.1
Other	438	446	-8	-1.8	446	-8	-1.8
Investments in associates and companies subject to joint control	**2,183**	**2,099**	**84**	**4.0**	**2,091**	**92**	**4.4**

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

Investments in associates and companies subject to joint control, which are carried at equity and recorded in the consolidated balance sheet totalled 1,745 million euro, calculated based on the pro quota value of the company's shareholders' equity increased by any goodwill.
The subcaption "other" includes Gruppo Intesa's holding in the Bank of Italy which is stated at cost (433 million euro) due to the peculiarity of the equity investment, together with few cases of controlled entities which, in consideration of their immateriality and specific characteristics, are also stated at cost.

Net interbank position

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Loans	3,325	2,537	788	31.1	2,517	808	32.1
Deposits	-7,333	-6,311	1,022	16.2	-6,338	995	15.7
Net interbank position repayable on demand	**-4,008**	**-3,774**	**234**	**6.2**	**-3,821**	**187**	**4.9**
Loans	27,038	24,647	2,391	9.7	24,594	2,444	9.9
Deposits	-32,621	-25,449	7,172	28.2	-25,433	7,188	28.3
Net interbank position with notice period	**-5,583**	**-802**	**4,781**		**-839**	**4,744**	
Net interbank position	**-9,591**	**-4,576**	**5,015**		**-4,660**	**4,931**	
Net value of related fair value hedge derivatives	**43**	**60**	**-17**	**-28.3**	**60**	**-17**	**-28.3**
Total	**-9,548**	**-4,516**	**5,032**		**-4,600**	**4,948**	

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

At the end of December 2006 the net interbank position recorded an expansion in its negative balance, from 4.6 billion euro at the end of 2005 to 9.6 billion euro.
The rise, which occurred in the period, is the combined result of the modest increase in the debt balance of the "on demand" component and of a more significant progress in the "with notice period" debt position. The higher overall debt balance must also to be considered in relation to the need to support the growth in loans to customers.

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

This caption contains assets and related liabilities which no longer refer to continuing operations as they are undergoing disposal. For 2006, the most significant amounts referred to the investments in Intesa Renting, while for 2005 the figures recorded both the sale of Banco Wiese Sudameris and the restatement in this caption, on a consistent basis, of the balance sheet aggregates of the Group's tax collection companies (Esa.Tri., E.Tr., Serit Rieti and Serit Terni), which have since then been sold.

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Loans to customers	-	-	-	-	-	-	-
Investments in associates and companies subject to joint control	1	15	-14	-93.3	15	-14	-93.3
Discontinued operations	7	3,701	-3,694	-99.8	2,831	-2,824	-99.8
Property and equipment	61	23	38		23	38	
Other	-	-	-	-	-	-	-
Liabilities associated with non-current assets held for sale and discontinued operations	-63	-3,716	-3,653	-98.3	-2,963	-2,900	-97.9
Non-current assets held for sale and discontinued operations and related liabilities	**6**	**23**	**-17**	**-73.9**	**-94**	**100**	

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

Allowances for specific purpose

The caption amounted to 3,273 million euro and included cumulated provisions for Employee termination indemnities of 1,158 million euro and allowances for risks and charges for a total of 2,115 million euro. The latter, which showed an increase with respect to the end of 2005, for 310 million euro referred to pension funds, whilst the remaining portion (1,805 million euro) covered, as concerns the larger amounts, charges relative to legal disputes (356 million euro), revocatory actions (524 million euro), and other litigations (89 million euro), as well as charges related to the sale of equity stakes (114 million euro) and charges related to personnel (472 million euro). This last allowance includes the estimated charges of 349 million euro associated to the agreement with the Trade Unions signed on 1st December 2006 to support an effective integration of the human resources of the two Groups.

Shareholders' equity

The Group's shareholders' equity, including net income for the period, amounted to 18,166 million euro. It included valuation reserves of 1,209 million euro which for 344 million euro referred to legally-required revaluations recorded in the past based on specific laws and for 711 million euro derived from fair value measurement of financial assets available for sale and cash flow hedge derivatives. The remaining 154 million euro represented foreign exchange differences, of which 33 million euro referred to European subsidiaries which had adopted the euro as the local currency.

Valuation reserves

(in millions of euro)

	Valuation reserves as at 31.12.2005	Change in the period	Valuation reserves as at 31.12.2006
Financial assets available for sale	389	239	628
Cash flow hedges	-39	122	83
Legally-required revaluations	345	-1	344
Other	134	20	154
Valuation reserves	**829**	**380**	**1,209**

Shareholders' equity for supervisory purposes

Shareholders' equity for supervisory purposes and related capital ratios as at 31st December 2006 were determined using the instructions issued by the Bank of Italy which consider IAS/IFRS principles.

(in millions of euro)

Total capital and capital ratios	**31.12.2006**	**31.12.2005**
Tier 1 capital	12,708	15,096
Tier 2 capital	8,039	5,800
Items to be deducted	-1,556	-1,240
Total capital	**19,191**	**19,656**
Credit risks	15,128	13,760
Market risks	922	1,303
Tier 3 subordinated loans	-	-
Other capital requirements	117	140
Capital requirements	**16,167**	**15,203**
Excess capital	**3,024**	**4,453**
Risk-weighted assets	**202,088**	**190,038**
Capital ratios %		
Core Tier 1 / Total risk-weighted assets	5.51	7.10
Tier 1 / Total risk-weighted assets	6.29	7.94
Total capital / Total risk-weighted assets	9.50	10.34

Shareholders' equity for supervisory purposes amounted to 19,191 million euro, against risk-weighted assets of 202,088 million euro. The Total capital ratio equalled 9.50%, of which 6.29% referred to Tier 1 capital. The ratio between Tier 1 capital net of preference shares (Core Tier 1) and risk-weighted assets equalled 5.51%.

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 31.12.2006*
Parent Company's balances as at 31st December 2006	**15,323**	**2,241**
Effect of consolidation of subsidiaries subject to control and joint control	2,644	1,341
Effect of consolidation of subsidiaries carried at equity	132	175
Reversal of adjustments to subsidiaries, investments in associates and companies subject to joint control	-195	-195
Dividends collected during the period	-	-1,023
Other	262	20
Consolidated balances as at 31st December 2006	**18,166**	**2,559**

Breakdown of consolidated results by business area and geographic area

In this chapter consolidated results are broken down by business area (the so-called primary segment foreseen by IAS 14).
Gruppo Intesa operated, until 31st December 2006, with a divisional, customer-oriented structure, made up of the following business areas: the Retail Division, the Italian Subsidiary Banks Division, the International Subsidiary Banks Division and the Corporate Division. The latter as of 1st January 2006 is considered together with Banca Intesa Infrastrutture e Sviluppo (B.I.I.S.), the new Group bank which absorbed the activities related to the public sector and to infrastructures. In consideration of the close proximity between the Corporate Division's operations and B.I.I.S. it was deemed advisable, in the comments which follow, to consider them as part of the same segment.
The organisational structure is completed by the Central Structures which guarantee governance and control of the operating units.
The ***Retail Division*** operated with over 2,100 branches and over 26,000 employees serving approximately 6 million customers, consisting of Households, SMEs (with turnover up to 50 million euro) and Non-Profit Entities. The Retail Division is in charge of the Parent Company's traditional lending and deposit collecting activities and also the offer of i) private banking services, ii) bancassurance and pension products, iii) mutual funds, iv) industrial and consumer credit, v) financial leasing, as well as vi) management of electronic payment instruments.
The ***Italian Subsidiary Banks Division*** is constituted by the Italian subsidiary banks performing mainly retail banking activities. They are medium-sized or small banks, with a markedly local vocation, that operate with approximately 960 branches and over 8,000 employees in close coordination with the Retail Division, pursuing the optimisation of commercial synergies by sharing the most important initiatives and serving approximately 1.7 million customers.
The ***International Subsidiary Banks Division*** provides directives, coordination and support to the subsidiaries abroad that mainly perform retail and commercial banking activities mostly in Central-Eastern Europe, in Croatia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina and the Russian Federation. This involves approximately 5 million customers, which are served by approximately 790 branches and 15,000 employees in the Group.
The ***Corporate Division***, considered together with ***Banca Intesa Infrastrutture e Sviluppo***, manages a customer portfolio of approximately 19,000 large companies and financial institutions with a turnover exceeding 50 million euro, and operates through approximately 60 branches and with over 3,000 employees, with specific skills in mergers and acquisitions, structured finance, merchant banking, capital markets, global custody, and through the specialised network abroad made up of the Parent Company's branches and representative offices and of other Group companies performing corporate banking activities. The Division guarantees reference customers a global and integrated offer of products and services through both traditional territorial structures and IT channels and operates in close proximity with Banca Intesa Infrastrutture e Sviluppo, which is responsible for the integrated service offering to all the public and private entities involved in public expenditure.
As mentioned above, ***Central Structures*** are in charge of governance and control activities and also of treasury and strategic finance activities as well as of the management of the Parent Company's securities portfolio.

With regard to secondary segment reporting, based on geographic area, Gruppo Intesa's activities are mostly concentrated in Italy (88% and 82% of the total respectively for loans to customers and customer deposits). The Group has also a significant presence in Central–Eastern European Countries (Croatia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina), and in the Russian Federation that together represent respectively approximately 8% and 13% of the aforementioned balance sheet aggregates.

Retail Division

(in millions of euro)

	2006	2005 restated (*)	Changes amount	Changes %	2005	Changes amount	Changes %
Net interest income	3,157	2,833	324	11.4	2,839	318	11.2
Dividends	1	-	1	-	-	1	-
Profits (Losses) on investments carried at equity	115	119	-4	-3.4	98	17	17.3
Net fee and commission income	2,273	2,243	30	1.3	2,399	-126	-5.3
Profits (Losses) on trading	4	-1	5		2	2	
Other operating income (expenses)	30	37	-7	-18.9	20	10	50.0
Operating income	**5,580**	**5,231**	**349**	**6.7**	**5,358**	**222**	**4.1**
Personnel expenses	-1,657	-1,649	8	0.5	-1,686	-29	-1.7
Other administrative expenses	-1,060	-1,014	46	4.5	-1,058	2	0.2
Adjustments to property, equipment and intangible assets	-223	-207	16	7.7	-212	11	5.2
Operating costs	**-2,940**	**-2,870**	**70**	**2.4**	**-2,956**	**-16**	**-0.5**
Operating margin	**2,640**	**2,361**	**279**	**11.8**	**2,402**	**238**	**9.9**
Goodwill impairment	-	-	-	-	-	-	-
Net provisions for risks and charges	-8	-4	4		-7	1	14.3
Net adjustments to loans	-554	-442	112	25.3	-448	106	23.7
Net impairment losses on other assets	-	-	-	-	-	-	-
Profits (Losses) on investments held to maturity and on other investments	-	-2	-2		-2	-2	
Income (Loss) before tax from continuing operations	**2,078**	**1,913**	**165**	**8.6**	**1,945**	**133**	**6.8**

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Loans to customers	88,376	81,160	7,216	8.9	81,160	7,216	8.9
Due to customers	55,032	52,650	2,382	4.5	52,650	2,382	4.5
Securities issued	21,736	23,927	-2,191	-9.2	23,927	-2,191	-9.2
Net interbank position	-19,357	-16,952	2,405	14.2	-16,952	2,405	14.2

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

The Retail Division serves Households, Affluent and Private customers, SMEs with a turnover up to 50 million euro, Religious and Non-Profit Entities, and included product companies in the fields of industrial credit and leasing. In 2006, operating income registered a 6.7% increase to 5,580 million euro from 5,231 million in 2005, accounting for 53% of consolidated operating income (54% in 2005). Revenue growth was fostered in particular by mortgages (8%) and personal loans (27%). Operating costs increased 2.4% to 2,940 million euro from 2,870 million and led to an 11.8% increase in operating margin, which rose to 2,640 from 2,361 million, and a decrease in the cost/income ratio to 53% from 55%. Net provisions and adjustments rose to 562 million euro from 446 million. With no profit or loss on investments held to maturity and on other investments, income before tax amounted to 2,078 million euro, up 8.6% compared to the 1,913 million for 2005.
Balance sheet figures showed loans to customers of 88,376 million euro (+8.9%) and customer deposits, including securities issued, virtually stable at 77 billion euro, as well as a higher recourse to interbank credit to fund the rise in loans to customers. The Division had risk-weighted assets for 82.6 billion euro and an allocated capital of 4,986 million euro.

Considering the performance of a part of the Division, that is the aggregate of retail branches and SME branches, income before tax from continuing operations totalled 1,636 million euro with a 7.8% increase with respect to the same period of the previous year. Such trend was affected by a strong increase in interest margin, partly offset by higher net adjustments to loans. Operating margin amounted to 2,055 million euro with an improvement of 195 million euro (equal to 10.5%) due to a substantial increase in operating income (+263 million euro, equal to 5.8%) against a rise in operating costs (+68 million euro, equal to 2.6%). In particular, net interest income recorded a 10.6% improvement compared to December

2005, mainly due to the confirmation of the strong expansion of medium- and long-term loans, that registered an 11.8% growth rate in terms of average volumes and the satisfactory trend recorded by short-term deposits, up by 3.3%. Demand for residential mortgages from retail customers continued to rise. Medium- and long-term loans also registered an expansion in the SME market with a 5.2% increase compared to the same period of the previous year.

Average volumes of direct customer deposits (current accounts and saving deposits) highlighted a 3.3% rise. A reduction was instead registered on bond issues, following the Bank's decision to offer customers different products with similar maturities (bancassurance products and mutual funds) and to place bonds issued by third parties.

Interest rates remained practically stable for the funding component, with an upward trend in the last part of the year. Interest rates on loans progressively rose though less significantly than the far higher increase recorded on financial markets.

The positive statement of income result benefited from the strong increase in medium- and long-term lending, the expansion in short-term funding and stable interest rates on deposits.

Non-interest income showed a slight decrease of 0.2% with respect to 2005.

This result was mainly due to the commissions related to the assets under management following the great success of the Intesa Garanzia Attiva fund, only partly offset by the slight decline in the revenues linked to asset under management and bancassurance activities.

The other categories that registered a positive performance concerned corporate derivatives, that attracted renewed interest from customers, and the credit and debit cards segment.

Operating costs registered a 2.6% increase compared to December 2005, particularly due to the expansion of the other administrative expenses.

In 2006 retail market activities showed the completion of a range of innovative products tailored to meet the needs of specific segments and the launch of initiatives and products finalised to the acquisition of new customers.

Within investment products, noteworthy is the success of Intesa Garanzia Attiva, the first fund with guaranteed capital on the Italian market. In the bancassurance segment the development of the Index Linked offer continued with the launch of 26 issues. Within assets under administration, the issue of structured bonds with guaranteed capital at maturity continued, with the addition of the launch of bonds at particularly aggressive conditions, reserved to new customers.

Within the mortgaged lending segment, the success of the Intesa Rata Sicura product range, destined to protect holders of floating-rate mortgages from the risk of rising interest rates, continued. Almost 11,000 customers purchased one of the types of coverage and those who had purchased it in 2005 saw the activation, when interest rates started to rise in September 2006, of the coverage through the Maximum Rate cap derivative.

Medium- and long-term loans destined to business customers were strengthened with the launch in the second half of PrestIntesa Business, an innovative product to fund corporate investments with a pricing linked to customer's rating, which allows to apply particularly competitive conditions to customers with higher creditworthiness.

The range of current accounts was further enriched with the launch of Conto Intesa Light and Conto Intesa Business Light, created to meet the basic needs of individual and business customers, and of Conto Intesa Agri, which is addressed to farming customers.

The offer of payment instruments was completed with the introduction in May of the Intesa Platino card and the launch in December of the Intesa Blu card, the new basic credit card that combines high security standards with a competitive pricing. With the aim of offering customers the highest degree of technologic security (the new EMV chip) in the prevention of frauds and cloning, the replacement – free of charge for customers – of debit and credit cards was initiated and will continue for the whole of 2007.

With the purpose of informing on leading-edge products and attracting new customers, activities dedicated to households focused in 2006 on the launch of various advertising initiatives with the choice of words and images aimed at presenting Banca Intesa as a reality close to people's needs.

2006 recorded the consolidation of the discount programme Bonus Intesa, which, through the development of agreements with national and domestic partners, offers purchase and saving possibilities in over 14,000 retail outlets which cover almost all categories of goods, from catering to clothing. In December 2006 the holders of accounts of the Conto Intesa range benefited from cash-backs on their current accounts for almost 3 million euro.

With regard to Premium customers, 2006 was characterised by a profound renewal of the investment segment. As to assets under management, the funds Premium Power, Absolute, and Intesa Garanzia Attiva – the first guaranteed fund in Italy – were launched. The range of "Special" attack-products, which had

great commercial success during the year, included the development of the Basket and Intesa Sempre Special and, above all, the birth of the Vitamina C product. Important novelties also for current accounts and monetics were: i) the evolution of Conto Intesa Personal which is totally free for top customers and the creation of the "Formula famiglia", which reserves the same account conditions to the family members of our customers and therefore poses the basis for the enlargement of the customer base and the attraction of the successors, and ii) the launch of Intesa Platino, the credit card offering the best services in terms of flexibility of use and services included.
The objective of providing a top-quality service, meeting customer needs in the financial consultancy area, was pursued through initiatives of investors personalisation and through an attentive focus on the monitoring of customer portfolios: through the introduction of the new "Questionario Unico", most of customers were contacted during the year in order to define, precisely and with the aid of their portfolio manager, their needs and their risk profile. In coherence with the analysis of customer needs, a process was then completed assigning risk levels to products and portfolios, that could be of guidance for managers in defining the correct and balanced commercial proposal.
In 2006 important innovations were made in the offering to ***Small Business*** customers. The current accounts range was enriched with the Conto Separato Agenti Assicurativi and, starting from November, with the already-mentioned Conto Intesa Business Light, tailored to meet the needs of operators with limited transactional requirements. In the second half of the year a subsidised offer was made available to free lance professionals to support them in the compliance of the new regulations introduced by the "Decreto Bersani", setting out the need of a separate account dedicated to professional activities. After Intesa eBusiness, Banca Intesa's solution for businesses which want to deploy the e-Commerce channel, Intesa Vacanze was relaunched, aimed at financing customer holidays at partner tourist structures, with good results in terms of acquisition of tourist operators. With regard to funding activities, the placement of structured bonds dedicated to Small Businesses (yields linked to the European inflation and three-year maturity).
Within the ***Small and medium-sized enterprises*** segment, the introduction in 2006 of the Intesa Agri account completed the new targeted range of accounts that already included the Intesa PMI and Intesa PMI Plus accounts. The accounts of the new range, which have been well accepted by customers, already represent 25% of total current accounts of the segment. In particular, the incentive of the Intesa PMI Plus account on the utilisation of Banca Intesa loans, with a cash-back of paid interest was particularly appreciated. Furthermore, the benefits of Bonus Intesa have been extended to these accounts, as concerns the possibility of benefiting from discounts and participating to the circuit as partner. The service model, which sets out dedicated managers in the branches to meet the specific needs of target customers, was progressively rolled out to approximately 600 branches with the aim of serving in a specialised way an increasingly higher number of customers.
In the ***SME*** market, as regards medium- and long-term loans, the financing offer developed with Eurofidi led to a considerable growth in new loans.
During 2006 the offer of financial and professional services (for the development of the brand and of marketing policies) foreseen by the IntesaBrand product continued. Also IntesaSoluzioni, regrouping non-financial products and services (such as credit portfolio management, consultancy regarding management/software solutions, renting of company cars, travels management) offered at attractive conditions in cooperation with other corporate partners, had a notable success with SME customers. In December a new service was introduced and offered in cooperation with Edison, with the purpose of providing all the necessary support to optimise management of electricity and gas supplies to companies. With the aim of enhancing consultancy services, the IntesaEsplora product was introduced in December to provide adequate assistance to enterprises for the promotion of their activities or for the search of new supply sources in foreign markets, providing customers with a rapid access to economic, fiscal and commercial information in foreign markets. Moreover, new functionalities of the Intesa Flash card were released in order to enable payment of salaries, cash management for employees' business travels, expense claims and various types of refund.

The Retail Division is in charge of certain subsidiaries, the activities of which are strictly synergic with the Parent Company's sales network. Private banking activities are performed through ***Banca Intesa Private Banking (IPB)***, for which 2006 highlighted a positive trend in revenues, linked to the expansion of the customer base and of the relevant assets. More specifically, operating income recorded an approximately 41% rise, due to the positive trend in both net interest income, more than doubled, and net fee and commission income, up by 34%. The increase in operating income allowed to easily absorb higher growth-related costs: it must be recalled that the transfer to Intesa Private Banking of Banca Intesa's private customers occurred gradually starting from 2005 and, consequently, in that year part of the charges were still recorded in the Parent Company's statement of income. IPB's statement of income for 2006 closed with a net income of 54 million euro, approximately 31% higher than the comparative figure. Balance sheet assets evidenced a substantial increase in intermediated volumes, with direct customer deposits almost doubled to almost 1.9 billion euro, and considerably higher in indirect customer deposits, which exceeded 33 billion euro (approximately +20%). As concerns assets, increases were recorded mainly by due from banks (approximately +55% to 1.4 billion euro) and trading activities within the proprietary portfolio (0.4 billion euro overall), aimed to a more efficient management of liquid funds.

The Gruppo Intesa network also distributes the supplementary pension funds of ***Intesa Previdenza***. As at 31st December 2006, just before the introduction of the reform of supplementary social security, the company managed net assets of 1,515 million euro (+27% from the end of 2005), related for 806 million euro to open-end pension funds (53% of the total) and for 708 million euro to closed-end funds (47% of the total). Within open-end pension funds, the rises in net funding mainly regarded PrevidSystem and Intesa MiaPrevidenza, whereas within closed-end funds, the highest contribution was given by the pension fund of Banca Intesa employees.
The company's 2006 statement of income closed with a net income of 1.4 million euro, with an increase compared to 0.3 million euro in 2005, mainly as a result of the positive performance of commission income which amply absorbed the rise in operating costs mainly attributable to investments of administrative-procedural nature related to the introduction of the new social security scenario, especially in view of future provisions for employee termination indemnities of private sector employees.

Medium- and long-term lending activities are carried out through Banca Intesa Mediocredito and Banca CIS.
Banca Intesa Mediocredito posted a net income for 2006 of 26.5 million euro, with an approximately 45% reduction compared to the figure of the previous year, mainly as a result of substantial provisions for possible loan losses. With regard to the contributions from the various operating areas, operating income despite the non-registration of dividends, which had been registered in the previous year, rose by 4.6% compared to 2005, as a result of higher net interest income (+8.4%) and higher net fee and commission income (+14.2%). Operating costs registered a contraction (approximately -1%), resulting from the drop in personnel expenses (-3.2%), due to non-recurring items in the comparative figure, and from the moderate rise, slightly over 5%, in other administrative expenses. Lastly, net adjustments to loans, up by approximately 44%, negatively affected profitability for the year. With regard to balance sheet aggregates, loans to customers evidenced, with respect to the figures as at the end of 2005, a 2.6% rise to 13,506 million euro and also net interbank, which was the main source of funding, showed a corresponding increase of 5.1% to 11,800 million euro.

Banca CIS closed the statement of income for 2006 with a net income of 12.4 million euro, more contained with respect to the 14 million euro of the previous year. This result was determined by the slight reduction in operating income (-0.6%), despite the good performance of net interest income (+2.4%), and by the rise in operating costs (+10.2%) entirely attributable to higher other administrative expenses also determined by the activation of new services in 2006. Furthermore, net adjustments to loans for possible loan losses were increased following the deterioration of certain exposures and, in particular, the transfer to doubtful loans of the positions of two industrial groups. Balance sheet aggregates recorded loans to customers at 1,377 million euro (+6.7% with respect to as at 31st December 2005) and net interbank – which was the main source of funding - at 1,109 million euro (+8.8%).

Intesa Leasing, placing its products through the network of Group banks, recorded excellent commercial results, with value of new contracts up by over 14% despite a lower number of new operations, that for approximately 60% referred to real estate leasing. The company is ranked in third position among operators in the sector, with an over 7% market share. As at 31st December 2006, loans to customers exceeded 8 billion euro (approximately +23% on December 2005). The statement of income closed with a net income of 27.6 million euro, up by over 30% on the result of the previous year.

Setefi, specialised in management of electronic payment systems, performs the duties of acquirer for retailers, issues proprietary credit cards and manages the Moneta cards for Group banks. The company uses its own network of POS terminals and is in charge of the e-money system through the management of the Monetaonline site. In 2006, activities further expanded, with a 14% increase in total transaction volumes. The number of directly-issued and managed cards rose to 3.8 million while proprietary and third-party POS terminals rose to approximately 129,000.

Setefi closed the statement of income with a net income for 2006 of 31.2 million euro, up by 17% with respect to 2005.

The Division's operating margin also benefited from commissions for the distribution of ***Intesa Vita*** insurance products placed through the branch network. Intesa Vita is a subsidiary of the Generali group and is consolidated by Intesa with the equity method. The statement of income as at 31st December 2006 closed with a net income, determined according to IAS/IFRS, of approximately 200 million euro, after having collected gross premiums of over 6 billion euro. As at 31st December 2006, Intesa Vita's technical insurance reserves exceeded 26 billion euro, while shareholders' equity equalled 1,660 million euro.
Finally, a contribution to the results achieved by the Division came from the consumer credit activities performed through ***Agos***, the joint venture established with Crédit Agricole, that registered a net income for the period of 64 million euro, up by approximately 18% with respect to that of 2005.

Italian Subsidiary Banks Division

(in millions of euro)

	2006	2005 restated (*)	Changes amount	Changes %	2005	Changes amount	Changes %
Net interest income	1,057	929	128	13.8	903	154	17.1
Dividends	11	11	-	-	10	1	10.0
Profits (Losses) on investments carried at equity	-	-	-	-	-	-	-
Net fee and commission income	553	532	21	3.9	523	30	5.7
Profits (Losses) on trading	59	77	-18	-23.4	77	-18	-23.4
Other operating income (expenses)	-	7	-7		7	-7	
Operating income	**1,680**	**1,556**	**124**	**8.0**	**1,520**	**160**	**10.5**
Personnel expenses	-529	-521	8	1.5	-509	20	3.9
Other administrative expenses	-246	-235	11	4.7	-228	18	7.9
Adjustments to property, equipment and intangible assets	-31	-28	3	10.7	-28	3	10.7
Operating costs	**-806**	**-784**	**22**	**2.8**	**-765**	**41**	**5.4**
Operating margin	**874**	**772**	**102**	**13.2**	**755**	**119**	**15.8**
Goodwill impairment	-	-	-	-	-	-	-
Net provisions for risks and charges	-24	-138	-114	-82.6	-137	-113	-82.5
Net adjustments to loans	-116	-94	22	23.4	-93	23	24.7
Net impairment losses on other assets	-2	-1	1		-	2	-
Profits (Losses) on investments held to maturity and on other investments	5	18	-13	-72.2	18	-13	-72.2
Income (Loss) before tax from continuing operations	**737**	**557**	**180**	**32.3**	**543**	**194**	**35.7**

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Loans to customers	28,371	25,530	2,841	11.1	25,472	2,899	11.4
Due to customers	18,503	17,373	1,130	6.5	17,373	1,130	6.5
Securities issued	9,531	8,849	682	7.7	8,849	682	7.7
Net interbank position	1,518	2,289	-771	-33.7	2,289	-771	-33.7

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

The Italian Subsidiary Banks Division enhanced its economic results with an 8% increase in operating income, that at 1,680 million euro represented approximately 16% of the Group's consolidated operating income. Operating costs, at 806 million euro, led to an operating margin of 874 million euro (+13.2%), corresponding to a cost/income ratio of 48% (ex 50.4%). Also income before tax from continuing operations registered an appreciable rise to 737 million euro (+32.3%).
Balance sheet figures highlighted loans to customers of 28,371 million euro (+11.1%) and direct customer deposits, including securities issued, of 28,034 million euro (+6.9%). The Division had risk-weighted assets for 28.6 billion euro and an allocated capital of 1,717 million euro.

Cassa di Risparmio di Parma e Piacenza closed the statement of income for 2006 with a net income of 203 million euro, approximately 42% higher than the figure of the previous year. A significant contribution to this result was given by the rise in net interest income (approximately +18%), which benefited from the rises in interest rates and in intermediated volumes, coupled with the positive performance of net fee and commission income (approximately +5%) driven by the positive results of commercial banking activities and, especially by management and dealing services, with particular reference to bancassurance activities and individual portfolio management schemes. The reduction in profits on trading was instead attributable to the inclusion in the comparable figure of non-recurring profits generated by the sale of securities. The overall rise in operating income (+6.6%), which – in absolute terms – balanced the increase in operating costs (+5.8%), linked to the expansion of operations, was supplemented by the positive effects of lower adjustments to loans (approximately -3%) and, especially, more contained levels of provisions for risks and charges which were particularly high in 2005 following the Parmalat default. It has to be noted that provisions for 25 million euro were allocated against future charges for incentive-driven employee exit plans.
As to balance sheet figures, loans to customers increased to 13,007 million euro compared to as at 31st December 2005 (+11.2%) and also direct customer deposits at 13,479 million euro showed an appreciable

increase (+7.3%). Lastly, indirect customer deposits registered an approximately 7% rise to over 28 billion euro.

Banca Popolare FriulAdria closed the statement of income for 2006 with a net income exceeding 60 million euro, with an over 11% rise on the previous year, attributable to the positive performance of operating income (+11.2%), which easily absorbed the contained increase in operating costs. More in detail, net interest income evidenced an approximately 14% progress, also in relation to higher intermediated volumes, whilst commissions practically confirmed the contribution of the previous year (-0.6%). A significant rise was registered also on profits on trading (approximately +78%). Despite the contained increase in operating costs (+2.2%) the cost income ratio registered an improvement exceeding 4 basis points, down to 49.3%. However, net adjustments to loans recorded a moderate rise, mainly due to the deterioration of an important position. 6.6 million euro were allocated to incentive-driven exit plans. As to balance sheet figures, increases were recorded by both loans to customers (+10.2% to 4,123 million euro) and direct customer deposits (+9% to 3,336 million euro), attributable to bond issues as well as to the short-term component. Also indirect customer deposits rose (+4.4% to 5,371 million euro) due to the positive contribution of assets under administration.

Banca di Trento e Bolzano closed 2006 with a net income of 12 million euro, with a 16.4% reduction on the previous year. However, the reduction is linked to the considerable effect of the integration charges, made up of voluntary resignations (4.3 million euro), and to the fact that 2005 had benefited from substantial non-recurring profits generated by the sale of securities. Nevertheless, all intermediate margins for 2006 show higher values than in 2005. In fact, operating income rose by 2.8%, as a result of increases both in net interest income and in net fee and commission income; operating margin increased by 3.7% despite the physiological rise (+2.3%) in operating costs and lower non-recurring profits generated by the sale of securities. The benefit from lower provisions for risks and charges was partly offset by higher net adjustments to loans.
Balance sheet figures highlighted a progress close to 9% in loans to customers (2,075 million euro) and an over 8% rise in direct customer deposits to 1,821 million euro. Also indirect customer deposits registered a significant increase (approximately +17% to 2,301 million euro).

Cassa di Risparmio di Biella e Vercelli closed the statement of income with a net income of 33 million euro, with an approximately 14% rise on the figure of 2005. This result was determined by the positive performance of operating income (+6.8%) including a contained rise in net interest income (+2.1%), in net fee and commission income (+1.4%) and a considerable contribution of profits on trading (negative in the previous year), partly due to the capital gain generated by the sale of certain equity investments. The rise in operating costs (+2.8%), mainly attributable to higher administrative expenses, was balanced by lower net adjustments to loans allowing then to maintain almost unaltered the rise in operating margin. With regard to balance sheet figures, loans to customers recorded a virtual stability from December 2005 (-0.1% to 2,323 million euro), whereas direct customer deposits confirmed a recovery (+8.1% to 2,440 million euro). Indirect customer deposits stood at 3,102 million euro against 3,248 million euro as at the end of 2005.

The Saving Banks in Central Italy, united under the control of ***Intesa Casse del Centro***, highlighted, on an aggregate basis, a rise in operating income both in net interest income (approximately +13%), which still represented the main source of revenues, and in net fee and commission income (approximately +6%). With regard to costs, after the severe containment policy enacted in the last few years, further savings were registered (approximately -2%) notwithstanding the support to the new phase of expansion. Conversely, net adjustments to loans and provisions for risks and charges increased.
In short, the Saving Banks, considered on a single basis, registered the following net incomes: Cassa di Risparmio di Ascoli Piceno, 17.4 million euro (+7.1%); Cassa di Risparmio di Terni e Narni, 16.7 million euro (+2.8%); Cassa di Risparmio di Rieti, 16.6 million euro (+56.6%); Cassa di Risparmio di Viterbo, 15.3 million euro (-24.9%); Cassa di Risparmio di Fano, 12 million euro (+32.5%); Cassa di Risparmio di Foligno, 11 million euro (unchanged); Cassa di Risparmio di Spoleto, 10.2 million euro (+13%); Cassa di Risparmio di Città di Castello, 6.1 million euro (+21.8%). Compared to December 2005, main aggregate balance sheet figures showed an improvement in loans to customers, which reached 6.8 billion euro with an increase close to 18%, a progress exceeding 5% in direct customer deposits, which totalled 6.9 billion euro and a slight rise in indirect customer deposits which stood at 5.7 billion euro.

International Subsidiary Banks Division

(in millions of euro)

	2006	2005 restated (*)	Changes amount	Changes %	2005	Changes amount	Changes %
Net interest income	745	684	61	8.9	730	15	2.1
Dividends	1	-	1	-	-	1	-
Profits (Losses) on investments carried at equity	-1	-6	-5	-83.3	-6	-5	-83.3
Net fee and commission income	321	273	48	17.6	305	16	5.2
Profits (Losses) on trading	187	147	40	27.2	144	43	29.9
Other operating income (expenses)	2	-11	13		-17	19	
Operating income	**1,255**	**1,087**	**168**	**15.5**	**1,156**	**99**	**8.6**
Personnel expenses	-309	-275	34	12.4	-300	9	3.0
Other administrative expenses	-283	-247	36	14.6	-270	13	4.8
Adjustments to property, equipment and intangible assets	-85	-78	7	9.0	-87	-2	-2.3
Operating costs	**-677**	**-600**	**77**	**12.8**	**-657**	**20**	**3.0**
Operating margin	**578**	**487**	**91**	**18.7**	**499**	**79**	**15.8**
Goodwill impairment	-	-	-	-	-	-	-
Net provisions for risks and charges	-10	1	-11		-13	-3	-23.1
Net adjustments to loans	-126	-128	-2	-1.6	-141	-15	-10.6
Net impairment losses on other assets	12	1	11		-7	19	
Profits (Losses) on investments held to maturity and on other investments	6	9	-3	-33.3	9	-3	-33.3
Income (Loss) before tax from continuing operations	**460**	**370**	**90**	**24.3**	**347**	**113**	**32.6**

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005 restated (*)	Changes amount	Changes %
Loans to customers	14,797	11,947	2,850	23.9	11,837	2,960	25.0
Due to customers	16,007	12,696	3,311	26.1	12,509	3,498	28.0
Securities issued	1,206	640	566	88.4	640	566	88.4
Net interbank position	155	-1,098	1,253		-1,182	1,337	

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

Positive results were also achieved by the Group entities operating in markets outside Italy, which find in the Central-Eastern European Countries, characterised by high growth rates, the most attractive development opportunities. The Division, which is in charge of international subsidiaries, recorded a positive trend. Operating income rose by over 15% to 1,255 million euro and represented approximately 12% of the Group's consolidated operating income. The programmed increase in operating costs to 677 million euro (+12.8%) was linked to the expansion of activities and of the operating network in the various areas where the Group is active. Therefore, operating margin improved by 18.7% to 578 million euro, with a cost/income ratio of 53.9% (ex 55.2%). Income before tax from continuing operations rose by 24.3% to 460 million euro.
Balance sheet figures showed loans to customers of 14,797 million euro (+23.9%) and direct customer deposits, including securities issued, of 17,213 million euro (+29.1%). The Division had risk-weighted assets for 19 billion euro and an allocated capital of 1,143 million euro.

Gruppo Intesa operates in Central-Eastern Europe with the fourth largest Hungarian bank (Central-European International Bank), the second largest Croatian bank (Privredna Banka Zagreb), the second largest Slovakian bank (Vseobecna Uverova Banka), the second largest bank in Serbia (Banca Intesa Beograd) and with the fifth largest bank in Bosnia and Herzegovina (UPI Banka). In the latter Country Gruppo Intesa acquired LTG Banka in the last part of 2005. Lastly, the Division also operates in the Russian Federation with KMB Bank.

The ***Central-European International Bank (CIB)*** group registered a net income for 2006 of 96.3 million euro, over 28% higher than that of 2005, following a generalised increase in all main income components, overall up by approximately 20% despite the less favourable HUF/euro exchange rate. In particular, net interest income recorded a moderate rise, since the benefit from higher intermediated volumes was mostly eroded by the contraction in spreads, whereas net fee and commission income registered a good progress (approximately +16%), driven by current accounts and credit and debit cards. Also profits on trading highlighted a considerable rise (approximately +57%). As to charges, the rise in operating costs (approximately +15%), was directly connected to the expansion in operations, with the opening of new branches and with the increase in the number of employees. Also higher net adjustments to loans reflected the strong expansion of lending. Balance sheet aggregates evidenced, compared to as at 31st December 2005, a rise in loans to customers (approximately +18% to 5,632 million euro), in direct customer deposits (approximately +44% to 4,553 million euro) and in indirect customer deposits (approximately +31% to 5,027 million euro).

The ***Privredna Banka Zagreb (PBZ)*** group registered a net income for 2006 of 131 million euro, with an increase (approximately +22% on the previous year) determined, to a significant extent, by both the positive performance of net interest income (approximately +9%) and by net fee and commission income (approximately +19%), also driven by the expansion of credit cards. Profits on trading rose (approximately +11%). Such results led to an operating income up by approximately 13%, which was capable of adequately covering higher operating costs (approximately +9%) linked to the opening of new operating units and to the rise in the number of employees. The already appreciable economic results also benefited from the decrease in net adjustments to loans. Balance sheet figures highlighted a significant progress in loans to customers (+29% to 5,020 million euro), mainly directed to the retail market, and in direct customer deposits (+14% to 5,049 million euro), especially due to the progress recorded by the corporate segment. Lastly, indirect customer deposits recorded a considerable increase (over 70%), reaching 2,138 million euro, also due to the positive performance achieved.

The ***Vseobecna Uverova Banka (VUB)*** group posted a net income of approximately 101 million euro, up by 2% on the figure of 2005, restated on a consistent basis to consider the extension in the consolidation area to the consumer credit companies. In detail, operating income recorded a 9% growth rate, attributable partly to the appreciation of the local currency, but, mainly, to the positive contribution of net fee and commission income (+8%), also due to the development of credit cards and profits on trading (+26%), whereas the increase in operating costs (+2%) was exclusively determined by the currency appreciation. Higher adjustments to loans, mostly relative to consumer loans, were balanced by write-backs on other assets, leading to an income before tax from continuing operations up by 17%. The lower change in net income, contained to 2%, was due to higher taxes compared to the previous year, which benefited from past fiscal losses. As concerns balance sheet items, the comparison with the figures as at 31st December 2005 highlights – also following the strong appreciation of the local currency in the last part of the year – rises both in loans to customers (approximately +19% to 2,687 million euro) and in direct customer deposits (approximately +25% to 5,841 million euro). Indirect customer deposits were, instead, virtually unchanged (-0.9% to 1,292 million euro).

Banca Intesa Beograd closed the statement of income with a net income of approximately 22 million euro, (approximately 20 million euro in 2005). The rise in operating income (approximately +7%), attributable to the trend of net interest income and net fee and commission income, was entirely absorbed by the substantial increase in operating costs, linked to the organisational effort, currently under way, to strengthen the territorial presence and to broaden the range of products offered to customers. However results benefited from lower net adjustments to loans. Balance sheet figures highlighted rises, compared to the end of 2005, in both loans to customers (from 504 million euro to 720 million euro) and direct customer deposits (from 725 million euro to 1,098 million euro).

KMB Bank is a leading bank in lending and leasing activities for small and medium-sized enterprises in the Russian Federation. In 2006, the bank further expanded its operations in the SME sector, which represents 70% of the total credit portfolio. The bank has the objective of expanding activities in the retail segment. The statement of income closed with a net income of over 9 million euro, compared to 1.5 million euro in 2005. The increase was determined, to a great extent, by both net interest income and net fee and commission income, benefiting from higher intermediated volumes of loans to customers, that almost reached 600 million euro, with respect to 372 million euro as at 31st December 2005, and direct customer deposits which rose to 458 million euro (ex 191 million euro).

UPI Banka, fifth largest bank in Bosnia and Herzegovina in terms of total assets, entered in the consolidation area in the first quarter of 2006, closed the year with a net income of approximately 0.3 million euro. The reversal with respect to the upward trend shown during the year is due to the fact that the good progress of net interest income and of net fee and commission income was entirely absorbed by higher operating costs determined by the foreseen restructuring and merger with LTG Banka. The result

was then affected by the rise in net adjustments to loans following the deterioration of the corporate loan portfolio.
Main balance sheet aggregates highlighted, compared to 2005, a rise in both loans to customers (approximately +16% to 127 million euro) and direct customer deposits (approximately +15% to 214 million euro).

During the third quarter of 2006, Banca Intesa acquired, through the Croatian subsidiary PBZ, the control of ***LTG Banka***, which operates in Bosnia and Herzegovina with 6 regional branches and 19 branch offices. Awaiting the expected reorganisation and integration with Group structures, the bank recorded an operating income of approximately 6 million euro, almost entirely absorbed by operating costs. The balance sheet recorded loans to customers for 49 million euro and direct customer deposits for 68 million euro.

Corporate Division

(in millions of euro)

	2006	2005 restated (*)	Changes amount	Changes %	2005	Changes amount	Changes %
Net interest income	661	611	50	8.2	599	62	10.4
Dividends	6	3	3		2	4	
Profits (Losses) on investments carried at equity	15	-	15	-	3	12	
Net fee and commission income	684	652	32	4.9	926	-242	-26.1
Profits (Losses) on trading	454	364	90	24.7	404	50	12.4
Other operating income (expenses)	32	28	4	14.3	-31	63	
Operating income	**1,852**	**1,658**	**194**	**11.7**	**1,903**	**-51**	**-2.7**
Personnel expenses	-283	-272	11	4.0	-358	-75	-20.9
Other administrative expenses	-341	-351	-10	-2.8	-372	-31	-8.3
Adjustments to property, equipment and intangible assets	-72	-69	3	4.3	-68	4	5.9
Operating costs	**-696**	**-692**	**4**	**0.6**	**-798**	**-102**	**-12.8**
Operating margin	**1,156**	**966**	**190**	**19.7**	**1,105**	**51**	**4.6**
Goodwill impairment	-	-3	-3		-3	-3	
Net provisions for risks and charges	-32	-33	-1	-3.0	-18	14	77.8
Net adjustments to loans	-90	-51	39	76.5	13	-103	
Net impairment losses on other assets	-7	-6	1	16.7	-6	1	16.7
Profits (Losses) on investments held to maturity and on other investments	20	-	20	-	-3	23	
Income (Loss) before tax from continuing operations	**1,047**	**873**	**174**	**19.9**	**1,088**	**-41**	**-3.8**

(in millions of euro)

	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Loans to customers	56,688	44,768	11,920	26.6	46,896	9,792	20.9
Due to customers	27,990	26,575	1,415	5.3	27,204	786	2.9
Securities issued	12,330	9,983	2,347	23.5	9,983	2,347	23.5
Net interbank position	-9,036	-4,339	4,697		-147	8,889	

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

The Corporate Division closed the statement of income for 2006 with an operating income of 1,852 million euro (equal to approximately 18% of the Group's consolidated figure), up by 194 million euro with respect to the consistent figure for the previous year (+11.7%).
Net loans to customers continued the upward trend already shown in the previous quarters, with a 26.6% increase from the beginning of the year; this rise also includes the significant performance shown by the State and Infrastructures segment, which more than doubled loans to customers. Even excluding such component, the trend of loans to customers still remains more than positive (+10.9%) due to the commercial effort to support corporate lending. Also customer deposits rose (+5.3%), particularly due to the good trend of funding from Mid Corporate (+37.7%) and Large Corporate (+16.0%) counterparties, as well as for Banca Intesa Infrastrutture e Sviluppo (+30.9%).
Net interest income (661 million euro) increased (+8.2% on the consistent figure). This increase was driven by the positive contribution of operating volumes on Mid, Large Corporate and State and Infrastructures segments, which amply balanced the reduction in loans linked to Structured Finance operations. Furthermore, excluding capital market and merchant banking activities, affected by the higher funding cost mostly due to the rise in interest rates, the increase in net interest income would rise to +20.6% with respect to the same period of the previous year.
Net fee and commission income increased (+4.9%), mainly due to the development of the Investment Banking commissions on Mid Corporate customers. Profits on trading recorded a good performance (+24.7% to 454 million euro) which benefited from both the capital gains generated by the sale of the Fiat and Parmalat stakes in the merchant banking portfolio, and the positive trend of fixed income and equity capital market activities performed by Banca Caboto. As a result of the virtual stability of operating costs, operating margin reached 1,156 million euro compared to the 966 million euro recorded in 2005 (+19.7%).
Income before tax from continuing operations reached 1,047 million euro (+19.9%), despite the rise in net adjustments to loans (+39 million euro), which was affected by the expansion in operating volumes.

The Corporate Division absorbed 29.5% of Group capital, with an increasing incidence with respect to that highlighted in 2005 (28.2%). In absolute terms, capital absorbed rose by 411 million euro as a result of the development of corporate loans. Higher capital absorption was more than balanced by the evolution of net income which determined an improvement in EVA of 69 million euro. Equally noteworthy was the progress in terms of efficiency: the cost/income ratio decreased by 4 percentage points with respect to the same period of 2005, to 37.6%.

The Corporate Division's activities include four business departments:
- Corporate Relations Department, which manages the relations with Italian and international Large and Mid Corporates (with turnover exceeding 50 million euro), and also coordinates the relevant commercial operations performed through the branches abroad;
- Investment Banking Department, which includes Structured Finance and M&A;
- Financial Institutions Department, which is responsible for the relations with Italian and international financial institutions, for the management of transactional services related to payment systems, custody and settlement of securities as custodian and correspondent bank;
- Merchant Banking Department, which operates in the private equity area also through the company Private Equity International (PEI).

The Corporate Division is also responsible for the coordination of the branches abroad, of the representative offices and of the companies Société Européenne de Banque, Intesa Bank Ireland and Zao Banca Intesa. Lastly, also Banca Caboto and Intesa Mediofactoring are included in the Corporate Division.

Banca Intesa Infrastrutture e Sviluppo (BIIS), which operates in close co-ordination with the Corporate Division, continued, as a separate legal entity, to provide support to the public sector in 2006, as formerly done by Parent Company's State and Infrastructures Department.
The public infrastructures sector in Italy is undergoing a phase of reassessment and reallocation of resources, also following: i) the various priorities set out by the new Government, ii) the investments that are under definition consistently with public finance conditions and iii) the uncertainties derived by a legislation in evolution in the sector. In such context, characterised by the partial interruption of large public works and financial operations in the public sector, development activities in favour of the cooperation between public and private sectors were further expanded, with the definition of numerous operations of primary importance for the Country:
- in favour of the development of Country's large infrastructures, via the continuation of the financing to Anas for the realisation of the third lane of the Rome ring-road, of the Mestre Motorway link and the completion of the Salerno-Reggio Calabria motorway; the project financing for the realisation of the Rome Interport at Fiumicino; the continuation of the assistance to the concessionaires for the Pedemontana Lombarda and Brebemi motorways, and to the promoter of the project for the Milan external ring-road;
- in support of health services, universities and public research, the contribution to the containment of the liquidity crises of the regional health systems, with the organisation of numerous operations for the collection of health receivables towards Regions: the overall contribution of approximately 2.1 billion euro (of which approximately 1 billion euro entirely subscribed by the Bank) favoured numerous suppliers of ASL (Local Health Units) and hospitals, including approximately 800 units in the Lazio Region, approximately 300 in the Abruzzo Region and approximately 700 in the Piemonte Region, as well as approximately 150 pharmacies of the Molise Region. Furthermore, the Bank assists the Foundation "Rita Levi Montalcini Onlus" acting as treasurer and funded numerous health structures and universities, including the new surgical centre for cardiovascular emergency at Bologna, the new premises of the Institute of Pharmaceutical Research "Mario Negri", the Biology Institute of Pavia and the Faculty of Engineering of Bergamo;
- for the improvement of public and public utility services, the continuation of the project finance interventions in favour of the solution of the environmental emergency in Sicily, as well as the financing and supporting activities in favour of local companies providing public services;
- in support of the financial balance in the public sector, the participation in the securitisation of real estate properties owned by the State (operation named 'Patrimonio Uno'); the organisation and underwriting, for 4.6 billion euro, of the financial coverage of the transfer to the Revenue Agency made by the concessionaires of tax collection activities, controlled by Riscossione S.p.A.; the funding, for a total of 0.3 billion euro, of the priority investment programmes for the Ministry of Defence; the numerous operations of debt restructuring and of organisation and underwriting of bonds issued by Local Authorities;

- in support of urban projects and of projects for territorial development, project finance for the construction and management of the international tourist port of Marina di Ravenna;
- to promote efficient management of current bank operations, the agreement between INPS (Social Security National Institute), Banca Intesa Infrastrutture e Sviluppo and Banca Intesa to test the innovative credit service for the social security service provided by the Institute through the use of prepaid cards; the assistance given to numerous entities for an efficient management of treasury and of collection and payment activities, also promoting a broader use of IT orders with digital signature.

BIIS's statement of income for 2006 registered a generalised and appreciable improvement and consolidation, compared to the pro forma figures of the previous year, confirming the decision of designing a new legal entity separate from Banca Intesa, which reached and outperformed targets in terms of increase in economic margins and of improvement of the assets indicators set out in the Business Plan.

Operating income rose 46.3% compared to the previous year reaching 99 million euro, made up for 56.1 million euro of net interest income, for 41,3 million euro of net fee and commission income and for 1.7 million euro of profits on trading. Total operating costs increased by 9.2%, from 37.5 million euro to 41.0 million euro, characterised, on the one hand, by the foreseen rise in personnel expenses (+35.2%), after the hiring of new specialised resources, and, on the other hand, by the reduction in other administrative expenses (-2.6%), even if certain cost items were not present last year since directly referred to the establishment of the bank. Operating margin exceeded 58 million euro, with a progress which almost doubled with respect to 2005. Net income, amounting to approximately 237.6 million euro, received the contribution of income after tax from discontinued operations for approximately 202 million euro, derived from the balance of income and charges relative to the disposal of E.TR. The cost/income ratio equalled 41.3% and 40.6% for only last quarter. In the previous year the figures were respectively 55.4% and 41.4%. EVA (Economic Value Added) reached 9.5 million euro.

As to main balance sheet aggregates, lending activities, consisting of loans to customers and financial assets available for sale, amounting to 14,552 million euro, more than doubled from the beginning of the year. Breakdown by contract type showed the prevalence of mortgages and loans (45.1%) and of security subscriptions (19.7%). Breakdown by counterparty showed that the most important segment was related to Public Entities and Administrations (40%) and to non-financial companies, including the concessionaires for tax collection activities (46%). Direct customer deposits rose to 1,253 million euro (+30.9%), while net interbank was negative and totalled 12,585 million euro, more than doubled with respect to the figures as at 1st January 2006.

The foreseen integration with Banca OPI will lead to the creation by the end of the year of the top Italian bank in Public Finance and one of the leaders in Europe, starting from 42 billion euro of loans to customers and 301 million euro of operating income, aggregate for the two banks in 2006.

With regard to corporate customers, market share in the Mid segment continued to increase, whereas the leadership in the Large corporate segment in Italy and Foreign corporates, as well as the primary role in all main domestic turnaround programmes consolidated. The effectiveness of the new service model is proved by the constant rise in the number of deals concluded in Structured Finance (in particular syndicated lending, acquisition finance and real estate) and Investment Banking also in the Mid segment. The new model, coupled with the launch of products specifically designed to support internationalisation and innovation, allowed to strengthen positioning in the Corporate sector.

Noteworthy was the excellent appreciation which Mid and Large Corporates reserved to Intesa Export. In consideration of the success achieved by the initiative, the renewal of the agreement with SACE (Institute for insurance services on foreign trade) is under negotiation. Furthermore, with the purpose of improving customer credit standings under Basle II, new products of hybrid financing particularly innovative for the Italian market are under study.

As concerns the Large corporate segment in Italy, the market context induced numerous customers to postpone certain important and large operations to the last part of the year, when, in fact, they have been concluded.

The projects set out in the Business Plan with direct impact on the Corporate segment include: the re-launching of the Mid corporate segment through higher focus on the Commercial and Wholesale Banking product offering; the development of new Investment Banking products, such as the initiatives in partnership with the most important international banks for the launch of mezzanine loans and for the private placement to institutional investors of debt instruments issued by Corporate customers; the strengthening of cross-selling activities in the Capital Market, Structured Finance and Trade Finance sectors; the participation to the only European platform for exchange and settlement in euro (Project SEPA) which will start in 2008.

Lastly, the process aimed at reducing the portfolio's risk profile with a reassessment of assets in absolute terms continued, with a contraction of the assets characterised by higher risk, and an increase in those with higher credit rating.

Within ***Investment Banking*** activities, important operations in all main sectors were closed in 2006.
In the project finance segment, large operations were concluded and the most important ones regarded the following sectors: i) energy (the expansion of a petrochemical complex in Kuwait and the funding of the development of an oil&gas field in the Philippines), ii) shipping (China Ocean Shipping Company and D'Amico International and Grandi Navi Veloci), and iii) telecom (participation to the funding of the acquisition of the Danish TDC, the Irish company Eircom and the funding of the acquisition of two primary operators in the Czech Republic).
Leveraged & acquisition finance activities included the structuring and granting of credit facilities in support of the acquisition of important corporate groups (Giochi Preziosi, Arena, Seves, Cifa, Limoni, ABX, Lediberg, Sisal) by private equity funds, as well as for the acquisition of Esaote by a syndicate of investors. Other operations were related to credit lines in favour of the Intercos, Stroili, Avio and Same Deutz-Fahr groups, and to the origination of credit facilities in favour of highly-leveraged entities in relation to corporate acquisitions, leverage buy-outs or medium-term refinancing transactions.
With regard to the real estate segment, in 2006 Banca Intesa consolidated its leadership in both advisory and lending activities, analysing loans for approximately 7 billion euro and structuring credit lines for approximately 2.6 billion euro. The most important deals were Progetto Nepal, with the refinancing of the Real Estate Fund Spazio Industriale and the funding of Fondo Raissa (Morgan Stanley and Pirelli RE). Other operations concerned the funding of the acquisition of the French company France Printemps as well as the structuring and/or financing in favour of ABX, Express Holding and Fondo Immobiliare Speculativo Patrimonio Uffici. The Bank also implemented the securitisation of part of the debt deriving from the conclusion of the funding of the real estate fund Patrimonio Uno, promoted by the Ministry of Economy with assets from Public entities and State-owned companies. Another securitisation referred to the second tranche of health receivables of the Abruzzo Region.
The Bank continued, through the Duomo Funding company, warehousing activities, which enable customers, with modalities similar to those used in securitisations, to privately fund the accumulation of a credit portfolio to the size capable of allowing the subsequent placement in bond markets. Lastly, the securitisation of health receivables of the Lazio Region was completed with the issue of asset backed securities placed with institutional investors.
With regard to syndicated loans, Banca Intesa acted as agent bank in the most important operations in the Italian market, consolidating its development in terms of number of mandates regarding both corporate and structured loans.
Within the Advisory/M&A sector, in 2006, advisory services were provided for the Mid and Large Corporate segments, for financial sponsors and for public-sector companies. In particular, noteworthy was the role of financial advisor in Sigma Tau, Sisal and Avio operations and the role of financial co-advisor in the Esaote operation.
Lastly, consultancy activities, related to extraordinary financial operations performed under mandates given by selected customers in the Mid Corporate segment and by Banca Intesa Infrastrutture e Sviluppo, continued in 2006. Particular attention was paid to the support of companies expanding through acquisitions, as well as to privatisation and merger programmes in the local utilities sector. In this context noteworthy was the Bank's role in the listing of Gas Plus.

Within activities with ***Financial Institutions***, significant interventions aimed at strengthening the service of depositary bank were analysed, developed and implemented during 2006.
In particular, the analyses related to the operating model, which permits the daily calculation service of the value of the quota of (NAV) funds which are in custody, were carried out.
Actions were undertaken to develop sophisticated personalisations of the communication systems to and from customers, which allowed to take targeted marketing actions.
During 2006, the Payments area was subject to a restructuring aimed at increasing the focus on the core business of selling products and cash services to the network of foreign and Italian correspondents. Furthermore, marketing actions continued, in coordination with Group's foreign and domestic subsidiaries, aimed at increasing payment flows in a context of synergy and higher competitiveness at Group level.
With regard to transactional services in the securities area, new multi-party clearing solutions were developed, in addition to the traditional product for securities settlement reserved to customers operating in the Italian markets. In this way the action aimed at enlarging the final base of traders, who avail themselves of Banca Intesa's services as settlement agent in Italy, continued. In 2006 a new service was

launched for the fiscal representation and outsourcing of administrative activities on Italian securities dedicated to central depositaries abroad (CSD).
Moreover, IT systems of communication and reporting with customers, including a sophisticated Internet-based platform, were further promoted and developed, and the network of markets, covered by depositaries abroad in support of domestic customers' trans-national businesses, was expanded. Lastly, a new "Order Routing" product and service, tailored for the needs of the most advanced institutional customers, was launched.

In 2006 ***Merchant Banking*** activities were very intense on disinvestments but, especially, on the acquisition of new equity investments. Deals were concluded in all traditional operating areas, from private equity investments – both direct and through funds – to institutional and development equity investments. As at 31st December 2006 the total merchant banking portfolio (direct and through the subsidiary PEI Private Equity International) amounted to approximately 1.8 billion euro, made up of 52 equity investments and certain investments in funds.
Among disinvestment activities, the following operations – for their particular weight within the portfolio – must be noted: the disposal of the whole stake in Fiat SpA – derived from the conversion of the convertendo loan – gradually implemented in relation to the maturity of hedging operations; the exercise of the right to recede – provided for in the contract – concerning the equity investment in Olimpia and the consequent sale of the stake to Pirelli; the sale to the market of the equity investment in Parmalat SpA. During the year certain companies in the merchant banking portfolio (Piaggio SpA and Bolzoni SpA) were listed on the Italian stock market, allowing a partial disinvestment. Lastly, other private equity investments were sold such as ISB (owner of Cantiere del Pardo and Dufour), Limoni (retailer of cosmetics and toileteries) and Fincantieri.
On the other hand, investment activities were equally important and included: the acquisition of Esaote, the establishment of a joint venture with the listed Spanish company NH Hoteles, the acquisition – together with other institutional investors – of an approximately 39% stake in Pirelli Tyre, the subscription of a capital increase of Prada for approximately 100 million euro and the acquisition of 5% of the Sigma Tau company.
Furthermore, traditional investment activities in the private equity segment continued and led to the acquisition of a stake in the CIFA group and to an equity investment in the holding company controlling Stroili Oro.
Finally, noteworthy was the launch of a new initiative in the mezzanine financing sector in collaboration with a primary private group (Mezzanove Capital).

Also Banca Caboto and Intesa Mediofactoring are included in the Corporate Division.
Despite more contrasted markets, particularly stock markets in May and June, ***Banca Caboto*** concluded important operations in primary Italian markets, in both the fixed-income and the equity segments. It concluded the Fiat and Fidis bond issues acting as joint bookrunner and as lead manager in the placement of ABS of the real estate fund "Patrimonio Uno". Furthermore, it implemented important securitisations of receivables from public entities (Atlantide 3 and D'Annunzio operations) and of consumer loans. In stock markets the Saras, Piaggio, GasPlus and Bolzoni operations permitted the company to reach a 6% market share, confirming its second position as Italian bank for placements and capital increases made with the role of bookrunner, though certain large IPOs were suspended due to the aforementioned adverse market conditions.
Activities on both cash and derivative secondary markets registered rising profits, in particular in the fixed-income segment; within market-making activities in the equity segment, noteworthy is the 7.7% market share reached at the end of the year for options listed on IDEM. Within dealing in listed instruments, the important positioning on the MTA was confirmed, with a 5.18% market share.
In the above context the statement of income for 2006 closed with positive results, following the good trend of ordinary operations. Operating income, mainly driven by profits on trading, touched 234 million euro, with an approximately 23% rise compared to the 190 million euro of 2005. The decline in operating costs to 143 million euro, allowed to reduce the cost/income ratio to approximately 60% from the previous 76%; this indicator confirms the rising attention paid to the use of resources and the first results of the organisational restructurings and of the cuts in the number of staff. Net income of 90 million euro, with an approximately 26% increase on the previous year, reflected the improvement of all economic indicators, both as concerns ordinary activities and non-recurring operations, which had negatively affected the result of the previous year.
Intesa Mediofactoring closed 2006 with an almost 5% rise in the volumes of loans to customers despite a decline in certain market shares. The increase in volumes, however, was not matched by an increase in

revenues. In fact, the statement of income highlights a contained drop in net interest income (-2%) and a virtual stability in net fee and commission income (-0.8%). Effective operating cost containment (approximately -4%) and lower net adjustments to loans (approximately -14%) were absorbed by high provisions for risks and charges and by charges against revocatory actions, which led to a decline in net income (approximately -38% to 28 million euro) compared to the previous year, which had benefited from the revenues linked to the acquisition of the business branch from Faber Factor.

Lastly, as already-mentioned, the Corporate Division is also responsible for the operations of the following three foreign banks:

Société Européenne de Banque continues to operate with success in the Luxembourg financial market, mainly in support of corporate customers as well as in the private banking and mutual fund management areas. In 2006 the company recorded a net income of over 23 million euro, with a 28% increase on the previous year, especially for the excellent performance of interest margin (+43%) and for the containment to physiological levels of the higher operating costs.

Intesa Bank Ireland continued to operate profitably in wholesale banking and dealing in financial markets even if with a lower net income (15 million euro) compared to that of the previous year (23 million euro). This is due to less favourable opportunities in interest rate markets as well as to a particularly cautious operating strategy which privileged a low risk profile even if somewhat detrimental for yields. Operating costs remained at very contained levels.

Zao Banca Intesa, the bank established to assist Italian enterprises operating in the Russian market and those interested in operating there, offering commercial and financial services to corporate customers, closed 2006 with a modest net income, but over the corresponding period of 2005, which stems from operating income of 4.6 million euro mostly absorbed by structure costs.

Central structures

Central structures, are responsible not only for governance and control, but also for treasury and strategic finance activities and proprietary portfolio management.

As regards ***treasury*** activities, in 2006 Banca Intesa confirmed its leadership in domestic and cross-border payment systems in euro, slightly increasing the levels of activities in terms of volumes, compared to the previous year. During the year interventions within the "TARGET2" project (the new Eurosystem's gross settlement system) continued, in view of the start-up of the first connectivity tests scheduled for July 2007. Furthermore the activities related to the development of the software which will enable the Bank, from January 2007, to allocate as collateral a part of the loans included in the balance sheet, to improve management of liquidity and of infra-day settlements ("ABACO" project, Attivi BAncari COllateralizzati) were completed.

During the year, net requirements of short-term liquidity remained at contained levels, in line with the previous year, but with a slight increase in the last part of the year due to higher funding requirements by the subsidiaries. In 2006, the Bank further increased the recourse to funding through the global commercial paper programme, also obtaining the STEP certification (Short Term European Paper) by ACI/FBE (the Financial Markets Association/European Banking Federation) for the European part of the said programme, which constitutes an opportunity to expand issues on the European market. In line with European market trends – which, following the American market, record a strong expansion in commercial paper activities – the range of money market products in which the Bank operates was also expanded, through the London branch, on the lending segment, with European Commercial Paper (ECP), the liquidity of which is continuously rising. On money markets, the higher liquidity led to trading results that outperformed targets, especially in the euro segment.

Also money market operations and foreign exchange transactions in New Europe Countries recorded positive results.

The start-up of the European Central Bank's monetary tightening process and the termination of the policy of excessive monetary liquidity (quantitative easing) in Japan determined, from the beginning of 2006, a significant reallocation of global assets on financial markets. In the Government securities segment, this determined a progressively upward trend of market yields on the European curve, a continuous flattening of curves, as well as a marked widening of asset swap spreads. Relative value operations initially privileged strategies aimed at containing portfolio durations, also through funding operations in the repurchase agreement and derivative segments as well as through broadening basis risk on asset swaps operations. Within European Government securities, positions were mainly concentrated on German, French and Italian securities. With particular reference to the latter, the pre-election period, the problems connected with the sustainability of the debt and of the budget deficit and the consequent expectations on the moves of the rating agencies offered good purchase opportunities. The subsequent desired performance of Italian securities permitted to achieve the target results and the positive elimination of the connected risks. The overall position in covered bonds and triple-A ABSs was then increased, to pursue both effective risk-reward management and higher territorial diversification.

In New York, good results were achieved by portfolio management of ABS with high ratings. The consolidation of the qualitative and quantitative skills needed in the selection of securities and in performance monitoring allowed to seize the opportunities offered in this fixed-income American sector, where interesting risk/yield profiles are achievable. Considering these aspects, during the year it was deemed wise to reallocate part of the portfolio limits of Milan to the New York branch. At the same time, for a higher diversification, the start-up of the operations in Commercial Mortgage Backed Securities (CMBS) and in "Student Loans" subordinated securities was authorised and achieved good results in the last period of the year.

Within the ***proprietary portfolio***, the credit market was characterised by a progressive shrinking of spreads, which touched all-time bottoms in the second half of the year. In such context, activities were aimed at reducing credit-risk positions in corporate bonds and at protecting the portfolio, in phases of highest volatility, through credit default swaps on main European indexes.

As to stock markets, the last quarter of the year confirmed the upward trend already evidenced in the previous quarter. Also volatility continued the downward trend already observed during the year, although with lower intensity. In this context, the Bank succeeded in achieving positive performances, also through an attentive selection of securities and the dispersion of yields on the European stock market.

Also in the fixed-income segment, the last part of the year confirmed certain trends emerged during the year, especially with regard to the upward trend of interest rates in the euro area and to a virtual stability of the dollar. Management privileged the containment of risk exposure, which remained overall very limited.

The positive trend of the emerging markets, for which the improvement in spreads was generalised, continued regularly. All Countries contributed positively and main Countries' macroeconomic conditions showed positive signs which are not expected to disappear very shortly. Portfolio management was therefore characterised by low duration, but with, at the same time, relative value activities among the various Countries and among yield curves.
In the area of the structured credit products operations privileged investments in the high rating part of capital structure, for the purpose of minimising connected credit, volatility and liquidity risks. In the ABS segment, which recorded a strong market development with a marked contraction in spreads, portfolio composition privileged securitisations of residential mortgages and tranches with high ratings, in order to maintain a satisfactory degree of liquidity. In the CDO (Collateralised Debt Obligation) segment, investments, based on conservative criteria, were more oriented to the US market, more diversified in supply and with higher absolute returns.
With regard to ***Asset & Liability Management*** activities, the management of interest rate and liquidity risks is charged to the Finance and Treasury Department, while strategic ALM and monitoring of the aforementioned risks are included in the "Value Governance Area" (Planning & Control and Risk Management Department). Exposure to interest rate risk is maintained at modest levels: even significant movements in the yield curve generate virtually negligible variations. Structural liquidity risk is managed by monitoring cash flows at maturity. The analysis of medium- and long-term mismatching drives the decisions on bond issues.

Within ***structured finance*** operations, on 15th December 2006 Banca Intesa sold pro soluto (without recourse) to Intesa Sec. 3 Srl (special purpose vehicle for the securitisation established pursuant to Law 130/1999) a portfolio of performing residential mortgages, for an amount of approximately 3.6 billion euro, for a structured funding transaction through the issue of mortgage-backed securities. The sale will become effective only at the time of the issue of securities which will occur, subject to adequate market conditions. The sale price is equal to the book value of loans and will be paid upon placement of securities. Securitised loans have been recorded in the financial statements as loans sold but not derecognised therefore not reducing consolidated assets and interest margin.
With regard to ***funding activities***, in 2006, the total amount of Banca Intesa's bond issues placed in the domestic market amounted to over 3,500 million euro, with a significant increase from the approximately 1,140 million euro of 2005. Breakdown by placed securities showed a prevalence of the component consisting of plain vanilla securities with an incidence of 52.6%, whereas the weight of structured bonds was 45.5% and that of inflation-indexed bonds was 1.9%. Breakdown by maturity showed a concentration on maturity of six years (approximately 40% of the total), two years (approximately 35%) and three years (approximately 12%), followed by securities with maturity of four years (approximately 10%) and, lastly, five-year bonds (approximately 3%). With regard to the structured bonds segment, two Banca Intesa's issues totalling 1,280 million euro were placed during the year exclusively through the network of the Italian Post Office. The prevailing part of funding operations were however performed on international markets, for a nominal value close to 12 billion euro (approximately +35% compared to the previous year), of which over 9 billion euro within the European Medium Term Notes programme which concerned – almost for an equal amount – public issues and private placements. Lastly, in 2006 Banca Intesa launched its first Extendible Notes issue on the US market, for an amount equal to 3 billion US dollars for institutional investors. This is a floating-rate issue with an initial maturity of 13 months, for which each month investors have the right of extending, up to five years, the maturity of the notes. This is the largest single tranche issue ever placed by Banca Intesa and also the largest inaugural issue of extendible notes by an Italian issuer.

As concerns governance functions, ***organisational development*** activities continued to pursue projects under way and commenced numerous new projects. In particular, in addition to the redefinition of organisational macro-models, noteworthy was the adaptation to the provisions set out by the New Basel Accord and, in the last part of the year, the significant organisational effort finalised to the integration between Banca Intesa and Sanpaolo IMI.
In particular, in compliance with Supervisory Instructions 684666 of 15.7.2004 regarding "Business Continuity in case of emergency", during 2006 Banca Intesa, in function of the degree of criticality of Bank's processes, implemented the solutions for business continuity, agreed upon with Top Management in the previous years. The solutions for business continuity include the "Crisis management organisational model", finalised to the united and orderly management of emergency situations, and the "Operating Continuity Plans" for the coordinated management of situations characterised by inaccessibility of the premises (where critical operations are performed) and unavailability of essential personnel; as to

technologic solutions, the activities foreseen in 2006 for the improvement of Disaster Recovery, already operational from 2005 at the new dedicated information technology centre, were performed.
Lastly, in compliance with Legislative Decree 196 of 30th June 2003 - Code for the protection of personal data, the "Documento Programmatico sulla Sicurezza", related to minimum safety measures to adopt in treating data, has been updated.

The pursue of a sustainable growth objective must be based on enhancement of ***human resources***. For this reason the long-term training programme for a total of 800,000 man-days continued in 2006: approximately 370,000 man-days of training were delivered in addition to the 320,000 man-days already delivered in 2005.

With the perspective of reducing future staff redundancy determined by reorganisation/restructuring processes linked to the merger with Sanpaolo IMI, with the Agreement of 1st December 2006 the Parent Company and the Group Trade Unions decided to undertake an initiative for incentive-driven exit plans, both through extraordinary recourse to the Solidarity Allowance of the banking sector (ex Ministerial Decree 158 of 2000 and 226 of 2006), and through specific actions with the employees who already have the requisites to immediately obtain retirement or old-age pensions. Adhesion to these initiatives is voluntary and must be requested by 30th June 2007; exits will be planned gradually during 2007 taking account of operating needs.
Subsequently, Group banks (Banca di Trento e Bolzano, Banca Popolare Friuladria, Cassa di Risparmio di Parma e Piacenza, Cassa di Risparmio di Fano, Cassa di Risparmio di Viterbo, Banca Intesa Mediocredito, Intesa Mediofactoring and Banca CIS) applied at their level the Agreement of 1st December 2006, reproducing the same conditions and timing.
Such initiative will enable the Group not only to absorb staff redundancies, but also to implement a drastic rejuvenation of staff, with consequent benefits in terms of savings in personnel costs which represent important cost synergies.
The initiative is addressed to all Group employees who will have the pension requisites as of 1st July 2007 and before the end of 2012 (with a window no later than 1st January 2013).
The mentioned initiatives of incentive-driven exit plans concern at Group level (Banca Intesa, Banca di Trento e Bolzano, Cassa di Risparmio di Fano, Cassa di Risparmio di Viterbo, Banca Intesa Mediocredito, Intesa Mediofactoring and Banca CIS) a total of approximately 3,000 employees belonging to the various personnel categories (2,507 with access to the Solidarity Allowance and approximately 500 entitled to retirement), 2,900 of which at Banca Intesa (2,420 with access to the Solidarity Allowance and 480 entitled to retirement).

GEOGRAPHIC AREAS

Gruppo Intesa has its key strength in the domestic market, with particular presence in the North-Western and North-Eastern areas. In fact, approximately 83% of operating margin and approximately 81% of income before tax from continuing operations was generated in Italy. Central-Eastern European markets – that constitute the most attractive foreign operating area – contributed for approximately 11% and of the total.
Likewise, also balance sheet aggregates were mainly generated by the Italian market. Loans granted by the domestic network represented over approximately 88% of the consolidated total, whereas loans granted by Central-Eastern European Countries represented approximately 8%. Approximately 82% of customer deposits, excluding debt securities issued, was collected by the Italian operating network whilst approximately 13% was attributable to Central-Eastern European subsidiaries.

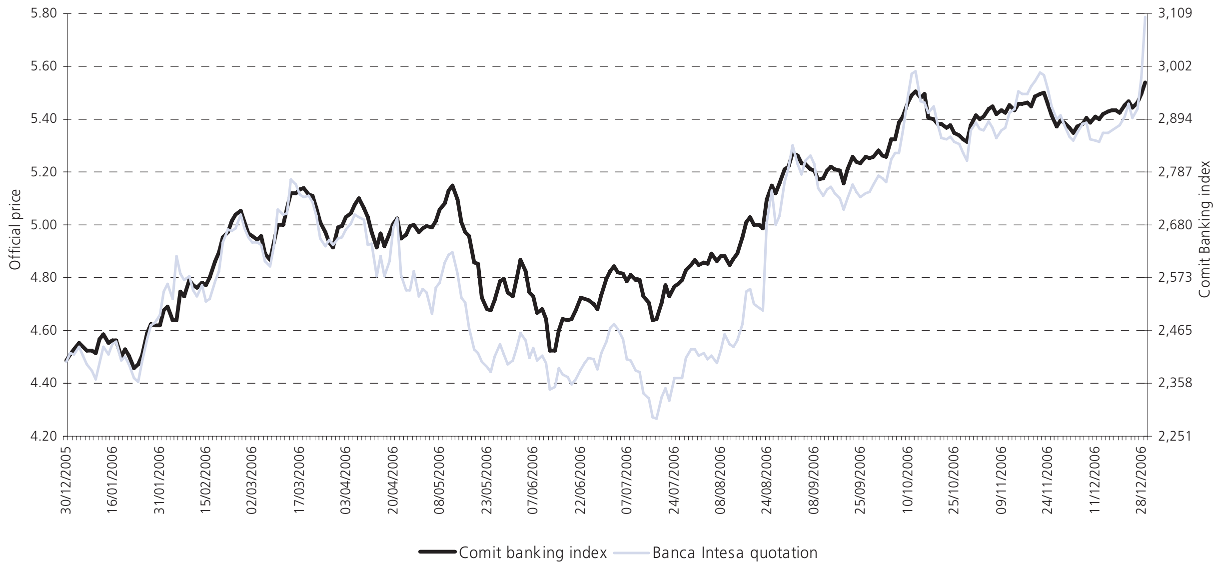
The Banca Intesa share

Stock price performance

In 2006 the Italian Stock Exchange recorded three absolutely distinct phases: a first phase of growth of financial markets, which led the COMIT index to reach in May a 12.2% performance with respect to the beginning of the year; a second phase in which, due to concerns regarding the trends recorded by raw materials and inflation, financial markets in just one month entirely lost the ground gained in the first five months of the year; a third phase, positive, that led indexes to close at the top of the year. The COMIT index recorded an 18.9% rise in 2006, slightly lower than the European average (+20.3% the DJ Euro Stoxx index, in the same period).
The banking sector recorded a positive trend, with a 23.5% progress, outperforming the market by almost 5 percentage points thanks to favourable expectations regarding interest rates, the restart of the consolidation process and the good results recorded by banks. The European banking sector also recorded a positive trend (+22.5% from the beginning of the year) though lower than in Italy.

The quotation of the Banca Intesa ordinary share closed 2006 with a 29% rise, after a sustained growth rate in the first quarter, mostly absorbed by a similar decline in the second quarter and a significant recovery in the second half of the year, in connection with the progress of the merger project with Sanpaolo IMI, terminated with a 7% rise in the last eighth of the year, the week preceding the formation of Intesa Sanpaolo.
The Banca Intesa saving share registered a 31% progress, reducing its discount with respect to the ordinary share from 7% at the end of 2005 to 5%.
The capitalisation of Banca Intesa as at 31st December 2006 almost reached 40 billion euro, over 9 billion euro higher than at the end of 2005.

BANCA INTESA ORDINARY SHARES QUOTATION
AND BANKING INDEX



Earning per share

The measurement of earnings per share – known as EPS – is regulated by a specific accounting principle, IAS 33. In the table below, the indicator is presented in the two formulations: "basic" and "diluted".
Basic EPS is calculated by dividing net income attributable to holders of ordinary shares (therefore net of the dividend attributed to saving shares and the Allowance for charitable, social and cultural contributions) by the weighted average number of ordinary shares outstanding. Diluted EPS is calculated considering, at the denominator, the dilutive effect of the issue of ordinary shares deriving from the exercise of the stock options set out in the plan resolved upon in 2002 by Banca Intesa's Shareholders' Meeting.
The exercise of the options related to the 2003-2005 stock option plan and the consequent increase in share capital led the two ratios to fully converge starting from June 2006.

	31.12.2006			31.12.2005		
	Attributable net income (*) (in millions of euro)	**Weighted average number of ordinary shares**	**Euro**	**Attributable net income (*)** (in millions of euro)	**Weighted average number of ordinary shares**	**Euro**
Basic EPS	2,417.5	6,002,261,619	0.403	2,799.6	5,955,380,517	0.470
Diluted EPS	2,417.5	6,002,261,619	0.403	2,799.6	5,963,635,153	0.469

(*) Net income calculated deducting dividend attributed to saving shares and net income attributed to Allowance for charitable contributions.

EPS was determined considering a unit dividend from distribution of net income for the period for each saving share currently outstanding of 0.141 euro, without considering the distribution of reserves of further 0.25 euro.
The tables below provide the reconciliation between net income for the period and net income attributable to holders of ordinary shares, used as numerator in the two ratios, as well as the quantification of the dilutive effect on the weighted average number of ordinary shares outstanding, deriving from the aforementioned exercise of stock options.
For a detailed description of the stock option plan please refer to the illustration which is provided in Part I of the Notes to the consolidated financial statements.

(in millions of euro)

	2006	2005
Net income	2,559.0	3,025.0
minus		
dividends attributed to saving shares	-131.5	-215.4
portion of net income attributed to Allowance for charitable contributions	-10.0	-10.0
Net income attributable to ordinary shares	**2,417.5**	**2,799.6**

A portion of "attributable" net income, namely 83 million euro, derives from income (loss) after tax from discontinued operations. The amount is immaterial for the calculation of both basic and diluted EPS as described above.

	31.12.2006	31.12.2005
Weighted average number of ordinary shares outstanding (for basic EPS)	**6,002,261,619**	**5,955,380,517**
plus		
Weighted dilutive effect due to the potential exercise of stock options	-	8,254,636
Weighted average number of ordinary shares after dilutive effect (for diluted EPS)	**6,002,261,619**	**5,963,635,153**

Price/book value

The index identifies the value attributed by the market to the share capital of a listed company and, therefore, indirectly to the entire value of its activities. Though it is affected by the exogenous factors which influence stock prices, the index, expressed as a multiple of total net shareholders' equity, measures the greater or lower confidence which financial analysts and the financial community have in the profitability prospects and the capital strength of company.
For Gruppo Intesa the evolution of this indicator – calculated on average figures and at the end of 2006 – highlights the positive performance of the share during the year and, more generally, in the last few years and confirms the appreciation of the targets reached.

(in millions of euro)

	31.12.2006	2006	2005	2004	2003	2002
Market capitalisation	39,924	33,724	26,258	20,414	17,140	16,856
Shareholders' equity (*)	18,166	17,435	15,337	15,328	14,521	14,061
Price / book value	**2.20**	**1.93**	**1.71**	**1.33**	**1.18**	**1.20**

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

Pay-out ratio

The index expresses the ratio between net income and the portion paid out as dividends. The significant increase in pay-out proves the increasing attention paid to investor expectations.

(in millions of euro)

	2006	2005	2004	2003	2002
Net income (*)	2,559	3,025	1,884	1,214	200
Dividends (**)	4,867	1,532	729	330	108
Pay-out ratio	**190%**	**51%**	**39%**	**27%**	**54%**

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

(**) Dividends in 2003 and 2002 do not consider the countervalue of the free distribution of own shares which using book value of shares in the two financial statements (3.180 euro and 2.049 euro per share respectively) was overall equal to 1,013 million in 2003 and 326 million in 2002.

Dividend in 2006 was calculated with reference to shares outstanding at the date of payment, thus considering the share capital increase due to the merger of Sanpaolo IMI with and into Banca Intesa with legal effects as of 1st January 2007. The amount also considers the distribution of reserves of 3.195 million euro

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 using the average annual stock price, highlights an increase, despite the significant rise in the price of the Banca Intesa share in 2006.

(in euro)

	2006	2005	2004	2003	2002
Ordinary share					
Dividend per share (*)	0.380	0.220	0.105	0.049	0.015
Average stock price	4.903	3.857	3.072	2.600	2.578
Dividend yield	7.75%	5.70%	3.42%	1.88%	0.58%
Saving share					
Dividend per share (*)	0.391	0.231	0.116	0.060	0.028
Average stock price	4.620	3.550	2.403	1.887	1.878
Dividend yield	8.46%	6.51%	4.83%	3.18%	1.49%

(*) Dividends in 2003 and 2002 do not consider the countervalue of the free distribution of own shares which using book value of shares in the two financial statements (3.180 euro and 2.049 euro respectively per share) was overall equal to 1,013 million euro in 2003 and 326 million euro in 2002. The amount for 2006 considers the distribution of reserves of 0.25 for each ordinary and saving share.

Rating

The ratings of Banca Intesa's debt at the end of 2006, set out in the following table, highlighted upgradings from to the end of 2005 by all three rating agencies.

Moody's upgraded both the long-term debt rating (from A1 to Aa3) and financial strength (from B- to B), the agency Fitch upgraded the long-term debt rating (from A+ to AA-) and the short-term debt rating (from F1 to F1+) and also Standard & Poor's raised Banca Intesa long-term debt rating (from A+ to AA-) and short-term debt rating (from A-1 to A-1+).

	Rating Agency		
	Moody's	**Standard & Poor's**	**Fitch**
Short-term debt	P-1	A-1+	F1+
Long-term debt	Aa3	AA-	AA-
Outlook	Stable	Stable	Stable
Financial strength	B	-	-
Individual	-	-	B
Support	-	-	2

Following the merger with Sanpaolo IMI, Intesa Sanpaolo registered the upgrade of the Support Rating by Fitch from 2 to 1 and the confirmation of all of Banca Intesa's other ratings.

Social and environmental responsibility

In July 2006 the Board of Directors of Banca Intesa approved the Code of Ethics, the Guidelines and the first Social and Environmental Report, referred to 2005, to implement the Corporate Social Responsibility (CSR) principles set out in the 2005 – 2007 Business Plan. It was an important result, which is part of a path which commenced some time ago. Considerations related to CSR had in fact already been introduced in the 2002 – 2005 Business Plan, which reserved a particular attention to the effects that a player such as Banca Intesa, important in terms of size and growth ambitions, could have on its social environment, on the economy and on overall welfare.
With the second 2005 – 2007 Business Plan, Banca Intesa's style of responsibility was further defined. The objective of being the "Bank of sustainable growth" emerged more clearly: in other words, growing and also stimulating the growth of the entire economic system, paying utmost attention to value creation not only in economic, but also in social and environmental terms, sustaining the community and the environment with a long-term view.
An overall social responsibility view emerged, not limited to humanitarian and charitable works – though these also express the solidarity principle that the Bank has long shown that it shares – but is considered the expression of a duty to continuously improve the recovery of the deeper raison d'etre of a banking institution: being an intermediary not only of economic resources but also of projects and therefore of the future, safeguarding saving and with it the trust of those who deposit it.
Banca Intesa therefore has adopted various instruments to guide its social responsibility, and defined their management model.
The starting point was the process which led to the formulation and consequent adoption of the **Code of Ethics** and which involved all Bank structures which are reference points for the various stakeholder categories: customers, shareholders, employees, commercial partners, suppliers, community, environment. With the support and coordination of the Social and Environmental Responsibility Office, which has been formed in the meantime and directly reports to the Managing Director and CEO, an attentive analysis was conducted on the expectations of all stakeholder categories, using the involvement instruments available (focus groups, stakeholder assessments, climate surveys).
In parallel, through internal sharing mechanisms, which also involved all top management, and on the basis of the corporate mission, the values on which the Bank wants to make a commitment were identified. In adopting the Code of Ethics, Banca Intesa formally declared it wanted to make a commitment and explicitly expressed the principles to be applied in relations with the various stakeholders. The Code was designed as a compass that orients daily activities: an instrument which does not only express generic concepts, but details for each stakeholder category the specific principles which best balance the expectations of stakeholders with the values and interests of the company, based on a constant and constructive dialogue.
The **Social and environmental responsibility guidelines** were also developed with the collaboration of all structures and are a concrete set of plans and actions, which set out in even more operational terms Banca Intesa's style of responsibility.
In 2006 the Bank took another important step: it decided to publish its first **Social and Environmental Report**, referred to 2005, first of all to face its stakeholders in a transparent manner, reporting the initiatives with particular social and environmental impact, and measuring its achievements also in these areas. Banca Intesa's first Social and Environmental Report is the starting point to activate a new channel for dialogue with stakeholders, an instrument to plan commitments to improve and an in-depth report of the means of resolution of sensitive areas. For each stakeholder category, it identifies critical issues and permits the assessment of actions taken to respond to such issues. Commitments for the future set continuous improvement objectives, which are aimed at meeting their expectations, always consistent with the corporate identity and with declared values. The identification of the critical areas and the commitments to address them in a transparent manner sets the foundations to permit, year after year, the verification of the respect of such commitments and their effectiveness in providing adequate responses to problems. The judgement on these issues must be expressed by stakeholders, who will continue to be involved in various ways in a constructive and stable dialogue.

The CSR management model adopted by Banca Intesa deserves a specific mention. It is based on two principles, both expressed in the section of the Code of Ethics which regulates its implementation and control. The first is the principle of self-responsibility of the single internal structures, which are committed to guaranteeing the application of social self-responsibility values and principles in their ordinary operations. This means that CSR issues are not the exclusive domain of a specialised office, but must be adopted by all structures, and become an integral part of every activity of the Bank. In this context the Social and Environmental Responsibility Office performs a role of support, consulting and, where necessary, coordination, but every structure is protagonist and responsible for commitments, actions and relations.
To enhance the effectiveness of the self-responsibility principle and make it operational "professionals responsible for CSR" have been identified within each function. These professionals collaborate in particular with the Social and Environmental Responsibility Office, they have been trained to increase their competence and sensitivity to CSR issues, but live and operate daily in their respective structures. With this network of approximately 50 people the Bank aims to achieve a rapid, effective and permanent osmosis between business areas and CSR principles. This model builds on the precise decision of favouring a flexible and interconnected circulation of ideas and information deeming it better suited to the complexity intrinsic to the management of issues connected to CSR. In order to be alive, issues related to CSR must follow the increasingly-rapid changes in society and its needs, in a constant dialogue with its representatives which must occur at more levels, but which it is extremely important occur with those who must directly provide operating responses.
The second principle is the in-depth dissemination of the CSR culture within the company: in 2006 there was an extremely close collaboration between the Social and Environmental Responsibility Office and the Training Department, to design and deliver both general training on this point and specific interventions targeted to specific professional categories. As part of this collaboration, a distance training course targeted to all employees was developed, to introduce the basic concepts of social and environmental responsibility and make the Bank's interpretation increasingly clear and widespread, in addition to illustrating the contents and characteristics of the instruments it has implemented. Furthermore, the contents of numerous classroom training courses targeted to specific professional categories (apprentices, branch managers, branch operators) have been revisited to include specific modules dedicated to CSR issues. This aimed at providing employees - which on the one hand are themselves stakeholders, but on the other hand are the first interpreters of the values and the style of responsibility of the Bank – with the awareness necessary to understand the contribution that each individual, with his/her daily behaviour, may give to the concrete implementation of the objectives which the Bank has set itself, not alone, but on the basis of a continuous dialogue with all its stakeholders and, ultimately, with the whole of society.

Forecast for 2007

Forecasts for 2007 expect a more moderate rise in the real economy and a gradual deceleration of the growth in bank lending and deposit collecting activities, consistent with the rise in interest rates and expectations of a more moderate growth in the real economy.
As concerns, in particular, loans to enterprises it is possible to expect a gradual decline from the peaks of growth recorded at the end of 2006; demand for the financing of working capital and investments is forecasted to remain strong. An incentive to bank loans could in any case come, starting from the second half of 2007, from the unavailability of TFR for companies with over 50 employees.
In parallel, loans to households will be affected by the increase in interest rates, and the further tax tightening on housing (increase in taxes on real estate and limitation of tax incentives for restructurings) and the slowdown in real estate prices. Despite these limitative factors, household demand for loans will continue to be substantial, in consideration of the wide gap existing between the European average for the use of consumer credit, of the continuous innovation in offering policies, aimed at greater product flexibility and customisation, and of the extension of potential beneficiaries.
The vigorous growth shown by bank deposits in the last few months of last year leads to expect a gradual slowdown in 2007. The main element for the containment of deposits is represented by the continuation of the rise in money market rates which should, in particular, limit the expansion of on demand deposits. Furthermore, a slowdown in the placement of bonds is expected, essentially attributable to the decrease in the growth rate of long-term loans. Despite these limitative factors, the possible reallignment in taxation of financial investments may stimulate a temporary recovery of on demand deposits and certificates of deposit.
Though slowing down, the trend of traditional lending and deposit collecting activities will provide a positive contribution to the statement of income of the banking industry. In particular, also due to the recovery of the average level of interest rate spreads, the trend of interest margin is forecasted to further strengthen in 2007. In parallel, the evolution of non-interest income is expected to grow moderately, reflecting a trend for asset management which is not particularly favourable and increasing price competition on services related to current accounts.
As concerns operating costs, the expected scenario foresees a contained rise, in line with the trend of the most recent years: cost discipline will continue to represent an important lever for value creation. As concerns adjustments and prudential provisions, banks are expected to maintain a vigil attitude, but without any tightening with respect to 2006, also considering that the favourable economic situation will contribute to contain risks of worsening in the quality of loans granted to households and enterprises.
In short, industry accounts for 2007 should confirm the robustness of fundamentals for Italian banks which already emerged in 2006: increasing profitability, due to rising revenues and operating costs under control, good loan portfolio quality and sound capitalisation.

The main pillars of the 2007-2009 Business Plan – the first for the new bank Intesa Sanpaolo – are indicated in the initial part of this Report. Detailed objectives and operating plans as well as objectives for 2007 will be approved by the Management Board in its next meeting. These will be disclosed with specific communications to Shareholders and the market.

The Management Board

Torino, 23rd March 2007

Independent Auditors’ Report on the Consolidated financial statements

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

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

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

1. We have audited the consolidated financial statements of Banca Intesa S.p.A. (now Intesa Sanpaolo S.p.A.) and subsidiaries (the Intesa Group), as of and for the year ended December 31, 2006, comprising the consolidated balance sheet, the consolidated statement of operations, changes in shareholders' equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

   The consolidated financial statements include the comparative information for the prior year. As described in the explanatory notes, management, pursuant to the international accounting standard IFRS 5, has modified the comparative information related to the prior year's audited consolidated financial statements, on which we issued our auditors' report on date April 3, 2006. We have examined the methods adopted to retrospectively adjust the comparative financial information for the prior period and the information presented in the explanatory notes in this respect for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2006.

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of the Intesa Group as of December 31, 2006 and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree No. 38/2005.

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.259.500,00 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
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

4. The Extraordinary Shareholders' Meeting held on December 1, 2006 approved the merger of Sanpaolo IMI S.p.A. into Banca Intesa S.p.A. with legal effects as of January 1, 2007. As described in the management report, the date from which the balance sheet figures of the merged company are recognised in the accounts of the acquiring company, pursuant to IFRS 3, has been identified as January 1, 2007.

Milan, March 29, 2007

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

Consolidated financial statements

Consolidated balance sheet

(in millions of euro)

Assets		31.12.2006	31.12.2005	Changes amount	Changes %
10.	Cash and cash equivalents	1,895	1,797	98	5.5
20.	Financial assets held for trading	46,328	51,067	-4,739	-9.3
30.	Financial assets designated at fair value through profit and loss	-	-	-	
40.	Financial assets available for sale	5,518	4,379	1,139	26.0
50.	Investments held to maturity	2,823	2,810	13	0.5
60.	Due from banks	30,363	27,111	3,252	12.0
70.	Loans to customers	190,830	169,478	21,352	12.6
80.	Hedging derivatives	873	1,278	-405	-31.7
90.	Fair value change of financial assets in hedged portfolios (+/-)	-1	-	1	
100.	Investments in associates and companies subject to joint control	2,183	2,091	92	4.4
110.	Technical insurance reserves reassured with third parties	-	-	-	
120.	Property and equipment	2,928	2,924	4	0.1
130.	Intangible assets	1,381	1,356	25	1.8
	of which				
	- goodwill	*926*	*869*	*57*	*6.6*
140.	Tax assets	2,502	3,096	-594	-19.2
	a) current	*1,100*	*1,670*	*-570*	*-34.1*
	b) deferred	*1,402*	*1,426*	*-24*	*-1.7*
150.	Non-current assets held for sale and discontinued operations	69	2,869	-2,800	-97.6
160.	Other assets	4,089	3,279	810	24.7
Total Assets		**291,781**	**273,535**	**18,246**	**6.7**

Consolidated balance sheet

(in millions of euro)

Liabilities and Shareholders' Equity	31.12.2006	31.12.2005	Changes amount	Changes %
10. Due to banks	39,954	31,771	8,183	25.8
20. Due to customers	122,733	115,270	7,463	6.5
30. Securities issued	80,029	72,320	7,709	10.7
40. Financial liabilities held for trading	15,648	21,249	-5,601	-26.4
50. Financial liabilities designated at fair value through profit and loss	-	-	-	
60. Hedging derivatives	1,878	1,410	468	33.2
70. Fair value change of financial liabilities in hedged portfolios (+/-)	-	-	-	
80. Tax liabilities	1,474	1,091	383	35.1
a) current	*903*	*643*	*260*	*40.4*
b) deferred	*571*	*448*	*123*	*27.5*
90. Liabilities associated with non-current assets held for sale and discontinued operations	63	2,963	-2,900	-97.9
100. Other liabilities	7,711	7,121	590	8.3
110. Employee termination indemnities	1,158	1,102	56	5.1
120. Allowances for risks and charges	2,115	1,732	383	22.1
a) post employment benefits	*310*	*320*	*-10*	*-3.1*
b) other allowances	*1,805*	*1,412*	*393*	*27.8*
130. Technical reserves	-	-	-	
140. Valuation reserves	1,209	829	380	45.8
150. Reimbursable shares	-	-	-	
160. Equity instruments	-	-	-	
170. Reserves	5,226	3,745	1,481	39.5
180. Share premium reserve	5,559	5,510	49	0.9
190. Share capital	3,613	3,596	17	0.5
200. Treasury shares (-)	-	-	-	
210. Minority interests (+/-)	852	801	51	6.4
220. Net income (loss)	2,559	3,025	-466	-15.4
Total Liabilities and Shareholders' Equity	**291,781**	**273,535**	**18,246**	**6.7**

Consolidated statement of income

(in millions of euro)

		2006	2005	Changes amount	Changes %
10.	Interest and similar income	11,512	9,786	1,726	17.6
20.	Interest and similar expense	-5,992	-4,673	1,319	28.2
30.	**Interest margin**	**5,520**	**5,113**	**407**	**8.0**
40.	Fee and commission income	4,018	4,191	-173	-4.1
50.	Fee and commission expense	-449	-563	-114	-20.2
60.	**Net fee and commission income**	**3,569**	**3,628**	**-59**	**-1.6**
70.	Dividend and similar income	527	701	-174	-24.8
80.	Profits (Losses) on trading	503	13	490	
90.	Fair value adjustments in hedge accounting	11	32	-21	-65.6
100.	Profits (Losses) on disposal or repurchase of	61	-	61	
	a) loans	*-48*	*-23*	*25*	
	b) financial assets available for sale	*83*	*23*	*60*	
	c) investments held to maturity	*-*	*1*	*-1*	
	d) financial liabilities	*26*	*-1*	*27*	
110.	Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	
120.	**Net interest and other banking income**	**10,191**	**9,487**	**704**	**7.4**
130.	Net losses / recoveries on impairment	-677	-549	128	23.3
	a) loans	*-706*	*-568*	*138*	*24.3*
	b) financial assets available for sale	*-14*	*-22*	*-8*	*-36.4*
	c) investments held to maturity	*4*	*4*	*-*	*-*
	d) other financial activities	*39*	*37*	*2*	*5.4*
140.	**Net income from banking activities**	**9,514**	**8,938**	**576**	**6.4**
150.	Net insurance premiums	-	-	-	
160.	Other net insurance income (expense)	-	-	-	
170.	**Net income from banking and insurance activities**	**9,514**	**8,938**	**576**	**6.4**
180.	Administrative expenses	-5,666	-5,258	408	7.8
	a) personnel expenses	*-3,546*	*-3,160*	*386*	*12.2*
	b) other administrative expenses	*-2,120*	*-2,098*	*22*	*1.0*
190.	Net provisions for risks and charges	-196	-436	-240	-55.0
200.	Net adjustments to / recoveries on property and equipment	-257	-259	-2	-0.8
210.	Net adjustments to / recoveries on intangible assets	-246	-249	-3	-1.2
220.	Other operating expenses (income)	375	316	59	18.7
230.	**Operating expenses**	**-5,990**	**-5,886**	**104**	**1.8**
240.	Profits (Losses) on investments in associates and companies subject to joint control	235	226	9	4.0
250.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	
260.	Goodwill impairment	-	-6	-6	
270.	Profits (Losses) on disposal of investments	54	755	-701	-92.8
280.	**Income (Loss) before tax from continuing operations**	**3,813**	**4,027**	**-214**	**-5.3**
290.	Taxes on income from continuing operations	-1,227	-1,045	182	17.4
300.	**Income (Loss) after tax from continuing operations**	**2,586**	**2,982**	**-396**	**-13.3**
310.	Income (Loss) after tax from discontinued operations	83	150	-67	-44.7
320.	**Net income (loss)**	**2,669**	**3,132**	**-463**	**-14.8**
330.	Minority interests	-110	-107	3	2.8
340.	**Parent Company's net income (loss)**	**2,559**	**3,025**	**-466**	**-15.4**

Changes in consolidated shareholders’ equity as at 31st December 2006

(in millions of euro)

	31.12.2006												
	Share capital		Share premium reserve	Reserves		Valuation reserves				Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity
	ordinary shares	saving shares		retained earnings	other	available for sale	cash flow hedges	legally-required revaluations	other				
AMOUNTS AS AT 1.1.2006													
- Group	**3,111**	**485**	**5,510**	**3,660**	**85**	**389**	**-39**	**345**	**134**	**-**	**-**	**3,025**	**16,705**
- minority interests	**367**	**3**	**124**	**178**	**-**	**7**	**-2**	**11**	**6**	**-**	**-**	**107**	**801**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR													
Reserves													
- Group				**1,483**								**-1,483**	**-**
- minority interests				**59**								**-59**	**-**
Dividends and other allocations [a]												**-1,590**	**-1,590**
CHANGES IN THE PERIOD													
Changes in reserves													
- Group				**-2**		**239**	**122**	**-1**	**20**				**378**
- minority interests	**-53**		**-9**	**-15**		**-1**	**2**	**-2**	**-1**				**-79**
Operations on shareholders' equity													
Issue of new shares													
- Group	17		49										66
- minority interests	13			55									68
Purchase of treasury shares													
- Group											-		-
- minority interests													
Extraordinary dividends													
Changes in equity instruments													
Derivatives on treasury shares													
Stock options													-
Net income (loss)													
- Group												**2,559**	**2,559**
- minority interests												**110**	**110**
SHAREHOLDERS’ EQUITY AS AT 31.21.2006													
- 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**

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

Changes in consolidated shareholders' equity as at 31st December 2005

(in millions of euro)

	31.12.2005												
	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 1.1.2005													
- Group	**3,076**	**485**	**5,406**	**2,527**	**85**	**117**	**-32**	**357**	**102**	**-**	**-10**	**1,856**	**13,969**
- minority interests	**339**	**3**	**123**	**228**	**-**	**3**	**-2**	**-**	**-**	**-**	**-**	**84**	**778**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR													
Reserves													
- Group				**1,117**								**-1,117**	**-**
- minority interests				**32**								**-32**	**-**
Dividends and other allocations [(a)]												**-791**	**-791**
CHANGES IN THE PERIOD													
Changes in reserves													
- Group				**8**		**272**	**-7**	**-12**	**32**				**293**
- minority interests	**25**		**1**	**-82**		**4**		**11**	**6**				**-35**
Operations on shareholders' equity													
Issue of new shares													
- Group	35		104										139
- minority interests	3												3
Purchase of treasury shares													
- Group											10		10
- minority interests													
Extraordinary dividends													
Changes in equity instruments													
Derivatives on treasury shares													
Stock options				8									8
Net income (loss)													
- Group												**3,025**	**3,025**
- minority interests												**107**	**107**
SHAREHOLDERS' EQUITY AS AT 31.12.2005													
- Group	**3,111**	**485**	**5,510**	**3,660**	**85**	**389**	**-39**	**345**	**134**	**-**	**-**	**3,025**	**16,705**
- minority interests	**367**	**3**	**124**	**178**	**-**	**7**	**-2**	**11**	**6**	**-**	**-**	**107**	**801**

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

Consolidated statement of cash flows

(in millions of euro)

	31.12.2006	31.12.2005
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**5,934**	**5,032**
- net income (+/-)	2,669	3,132
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	256	-70
- gains/losses on hedging activities (-/+)	-11	-32
- net losses/recoveries on impairment (+/-)	1,001	880
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	503	523
- net provisions for risks and charges and other costs/revenues (+/-)	349	584
- net insurance premiums to be collected (-)	-	-
- other insurance revenues/charges to be collected (-/+)	-	-
- taxes and duties to be settled (+)	1,301	1,155
- net adjustments/recoveries on disposal groups net of tax effect (-/+)	-	-
- other adjustments (+/-)	-134	-1,140
2. Cash flow from / used in financial assets	**-23,484**	**-1,694**
- financial assets held for trading	4,485	6,684
- financial assets designated at fair value through profit and loss	-	-
- financial assets available for sale	-1,169	443
- due from banks: repayable on demand	-815	375
- due from banks: other	-3,182	1,234
- loans to customers	-22,116	-10,713
- other assets	-687	283
3. Cash flow from / used in financial liabilities	**19,888**	**-3,871**
- due to banks: repayable on demand	1,021	85
- due to banks: other	7,198	-2,552
- due to customers	7,860	5,535
- securities issued	8,754	1,421
- financial liabilities held for trading	-5,603	-8,775
- financial liabilities designated at fair value through profit and loss	-	-
- other liabilities	658	415
Net cash flow from (used in) operating activities	**2,338**	**-533**
B. INVESTING ACTIVITIES		
1. Cash flow from	**451**	**2,813**
- sales of investments in associates and companies subject to joint control	292	96
- dividends collected on investments in associates and companies subject to joint control	35	35
- sales/reimbursements of investments held to maturity	-	-
- sales of property and equipment	110	129
- sales of intangible assets	22	29
- sales of subsidiaries and business branches	-8	2,524
2. Cash flow used in	**-1,255**	**-1,667**
- purchases of investments in associates and companies subject to joint control	-132	-129
- purchases of investments held to maturity	-440	-351
- purchases of property and equipment	-309	-391
- purchases of intangible assets	-277	-249
- purchases of subsidiaries and business branches	-97	-547
Net cash flow from (used in) investing activities	**-804**	**1,146**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-	10
- share capital increases	134	142
- dividend distribution and other	-1,590	-791
Net cash flow from (used in) financing activities	**-1,456**	**-639**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**78**	**-26**
RECONCILIATION		
Cash and cash equivalents at beginning of period	1,797	1,785
Net increase (decrease) in cash and cash equivalents	78	-26
Cash and cash equivalents: foreign exchange effect	20	38
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,895**	**1,797**

LEGENDA: (+) 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 28th February 2005, Gruppo Intesa's Consolidated financial statements have been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission provided for by Community Regulation 1606 of 19th July 2002.
The Consolidated financial statements as at 31st December 2006 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 22nd December 2005 which issued Circular 262/05. These Instructions set out compulsory financial statement forms and their means of preparation, as well as the contents of the notes to the financial statements.
In the preparation of the Consolidated financial statements, the principles in force as at 31st December 2006 have been used (including the interpretation documents called SIC and IFRIC), as endorsed by the European Commission and listed in detail in a specific table included in the attachments to this Annual report. With respect to principles endorsed as at 31st December 2005 particularly noteworthy, since applicable to banking activities, is the subsequent endorsement (EC Regulation 108/2006) of principle IFRS 7 (Financial instruments: disclosures).

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The Consolidated financial statements are made up of the Balance sheet, the Statement of income, 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 Gruppo Intesa's balance sheet and financial position has also been included. In compliance with provisions of Art.5 of Legislative Decree 38/2005, the Consolidated financial statements have been drawn up in euro as functional currency.
The amounts indicated in the Consolidated financial statements and in the Notes to the consolidated financial statements as well as those in the Report on operations are expressed in millions of euro, unless otherwise specified.
The Consolidated financial statements are prepared with the application of the general principles set out by IAS 1 and the specific accounting principles endorsed by the European Commission and illustrated in Part A.2 of the present Notes to the consolidated financial statements, as well as in compliance with the general assumptions set forth by the Framework for the Preparation and Presentation of Financial Statements issued by IASB.
No exceptions to the application of IAS/IFRS have been made.
The Consolidated financial statements and the Notes to the consolidated financial statements present, in addition to figures for the reference period, the comparative figures as at 31st December 2005, restated in compliance with provisions of IFRS 5. The Attachments include a table which sets out the reconciliation between such comparative figures and the statement of income originally published in the Annual report 2005.
The Report on operations and the Notes to the consolidated financial statements contain all information required by international accounting standards, by current regulations, by the Bank of Italy and by Consob (Italian Securities Exchange Commission), in addition to other information which is not compulsory but is nonetheless deemed to be necessary in order to give a true and fair representation of the Group's situation.

Contents of consolidated financial statement forms

Consolidated balance sheet and Consolidated statement of income

The compulsory forms of the balance sheet and statement of income 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 2006 and for 2005 are in any case included. In the statement of income 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 in the portion pertaining to the Group and 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 in 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 Circular 262/2005 of the Bank of Italy and the further disclosures required by international accounting standards.

SECTION 3 – CONSOLIDATION AREA AND CONSOLIDATION METHODS

Consolidation area

The consolidated financial statements include Banca Intesa and the companies which it directly and indirectly controls and consider in the consolidation area – as specifically set out by the new IAS/IFRS principles – also the companies operating in dissimilar sectors from the Parent Company as well as private equity investments. Similarly, special purpose entities (SPE/SPV) are included when the requisite of effective control recurs, even if there is no direct or indirect stake in the company.
Companies are considered subsidiaries when 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 in effective voting rights at any time.
Companies are considered to be subject to joint control if their voting rights and the control of their economic activities are equally shared by Banca Intesa, directly or indirectly, and another entity. Furthermore a company is qualified as subject to joint control if, even though voting rights are not equally shared, control on its economic activities and its strategies is shared on the basis of contractual agreements.
Companies are considered associates, that is subject to significant influence, when the Parent Company, 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 Gruppo Intesa holds a 26.8% stake, is an exception since, considering its peculiarity, it is maintained at cost and is therefore not carried at equity.

Certain companies in which the Parent Company holds an equity stake exceeding 20% of voting share capital, and in any case of limited absolute amount, are excluded from the consolidation area and are classified in Financial assets available for sale since Banca Intesa, directly or indirectly, exclusively holds rights on a portion of the rewards of the investment, does not have access to management policies and may exercise limited governance rights to safeguard its economic interests.
Companies for which the shares have been received as pledges with voting rights are not consolidated, in consideration of the substance underlying the pledge, which has the purpose of guaranteeing loans and not of exercising control and direction over financial and economic policies in order to benefit from the economic return on the shares. Furthermore, certain investments in subsidiaries, associates and companies subject to joint control are excluded from the consolidation area in consideration of their immateriality.
The Annual report 2006 includes for the first time in the consolidation area the equity investments in UPI Banka, LTG Banka which were acquired during the year and Delta Leasing which started operations.
Following their disposal, Banco Wiese Sudameris and related subsidiaries (with the exception of Wiese Leasing, now Gestiones Recuperaciones de Activos), as well as the Group's tax-collection companies (Esatri, E.TR., Serit Rieti and Serit Terni) are no longer included in the consolidation area.
The acquisition of the new stakes indicated above, for an overall amount of 48.6 million euro entirely paid, determined the registration of goodwill for 28 million euro.
In addition to those listed above, the following transactions occurred with reference to companies already controlled – directly or indirectly – by Banca Intesa: the acquisition of a further 28.33% stake in Banca Cis and the disposal of a 7% stake in Banca Intesa Beograd, thus leading the controlling stakes respectively to 83.7% and 83%.
Lastly, though immaterial for consolidated financial statement figures, Intesa Gestione Crediti, Intesa E-Lab, Magazzini Generali Fiduciari Cariplo and Phoenix Beteiligungs have been merged into Banca Intesa, Compagnia Regionale Leasing has been merged into C.R. Terni and Société Foncière Meyerbeer has been merged into Sudameris S.A.

The following table indicates the investments in subsidiaries which are included in the full consolidation area of the Consolidated financial statements as at 31st December 2006. The table does not include companies subject to joint control that, as described in detail in the subsequent chapter on consolidation methods, are carried at equity.

Consolidated companies

	Companies	Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
A.	**CONSOLIDATED COMPANIES**					
	Parent Company					
	Banca Intesa S.p.A. Capital Euro 3,613,001,195.96 in shares of Euro 0.52	Milano				
	A. 1 Companies subject to full consolidation					
1	Agricola Investimenti S.p.A. Capital Euro 500,000 in shares of Euro 1	Milano	1	Banca Intesa	100.00	
2	Atlantis Sociedad Anonima Capital ARP 3,489,505 in shares of ARP 1	Buenos Aires	1	Intesa Holding International Sudameris	18.75 81.25	
3	B.I. Private Equity Ltd Capital Euro 100,000 in shares of Euro 1	Dublin	1	Private Equity International	100.00	
4	Bajor Center Ltd Capital HUF 160,000,000	Budapest	1	CIL Bajor Co.	100.00	
5	Banca Caboto S.p.A. Capital Euro 482,464,000 in shares of Euro 1	Milano	1	Banca Intesa	100.00	
6	Banca Cis S.p.A. Capital Euro 170,276,569.35 in shares of Euro 51.65	Cagliari	1	Banca Intesa Banca Intesa Mediocredito	28.33 55.37	
7	Banca di Trento e Bolzano S.p.A. Capital Euro 55,103,550.84 in shares of Euro 0.52	Trento	1	Banca Intesa Finanziaria BTB	8.28 61.80	
8	Banca Intesa (France) S.A. Capital Euro 160,270,853.25 in shares without nominal value	Paris	1	Banca Intesa	99.99	
9	Banca Intesa a.d., Beograd Capital CSD 5,180,100,000 in shares of CSD 100,000	Novi Beograd	1	Intesa Holding International	83.00	
10	Banca Intesa Infrastrutture e Sviluppo S.p.A. Capital Euro 346,300,000 in shares of Euro 1	Roma	1	Banca Intesa	100.00	
11	Banca Intesa Mediocredito S.p.A. Capital Euro 500,000,000 in shares of Euro 1	Milano	1	Banca Intesa	100.00	
12	Banca Intesa Private Banking S.p.A. Capital Euro 52,000,000 in shares of Euro 4	Milano	1	Banca Intesa	100.00	
13	Banca Popolare FriulAdria S.p.A. Capital Euro 101,975,060 in shares of Euro 5	Pordenone	1	Banca Intesa	76.05	
14	BCI U.S. Funding LLC I [c] Capital USD 10,000,000 in "common shares" of USD 10,000	Wilmington *(Delaware)*	1	Banca Intesa	100.00	
15	BCI U.S. Funding LLC II [d] Capital Euro 27,500,000 in "common shares" of Euro 1,000	Wilmington *(Delaware)*	1	Banca Intesa	100.00	
16	BCI U.S. Funding LLC III [e] Capital GBP 6,000,000 in "common shares" of GBP 1,000	Wilmington *(Delaware)*	1	Banca Intesa	100.00	
17	BL Yachtclub Ltd. Subscribed capital HUF 3,000,000	Budapest	1	CIB Real Estate CIB Insurance Broker	96.67 3.33	
18	Cards d.o.o. Capital Euro 5,112.92	Skopje	1	PBZ Card	95.00	
19	Carifano - Cassa di Risparmio di Fano Capital Euro 77,289,674.04 in shares of Euro 5.16	Fano	1	Intesa Casse del Centro	30.00	86.63
20	Cassa di Risparmio della Provincia di Viterbo S.p.A. Capital Euro 49,407,056.31 in shares of Euro 0.51	Viterbo	1	Intesa Casse del Centro	75.81	82.02
21	Cassa di Risparmio di Ascoli Piceno S.p.A. Capital Euro 70,755,020 in shares of Euro 258.23	Ascoli Piceno	1	Intesa Casse del Centro	66.00	
22	Cassa di Risparmio di Biella e Vercelli S.p.A. Capital Euro 117,500,000 in shares of Euro 1	Biella	1	Banca Intesa	55.00	
23	Cassa di Risparmio di Città di Castello S.p.A. Capital Euro 23,750,000 in shares of Euro 0.50	Città di Castello *(Perugia)*	1	Intesa Casse del Centro	82.19	
24	Cassa di Risparmio di Foligno S.p.A. Capital Euro 17,720,820 in shares of Euro 0.52	Foligno *(Perugia)*	1	Intesa Casse del Centro	70.47	
25	Cassa di Risparmio di Parma e Piacenza S.p.A. Capital Euro 500,000,000 in shares of Euro 1	Parma	1	Banca Intesa	100.00	
26	Cassa di Risparmio di Rieti S.p.A. Capital Euro 47,339,291 in shares of Euro 51.65	Rieti	1	Intesa Casse del Centro	85.00	
27	Cassa di Risparmio di Spoleto S.p.A. Capital Euro 35,070,334 in shares of Euro 1	Spoleto *(Perugia)*	1	Intesa Casse del Centro	59.44	
28	Cassa di Risparmio Terni e Narni S.p.A. Capital Euro 21,000,000 in shares of Euro 6	Terni	1	Intesa Casse del Centro	75.00	
29	Central-European International Bank Ltd. Capital HUF 40,500,000,000 in shares of HUF 1,000	Budapest	1	Intesa Holding International	100.00	
30	Centurion Financial Services Ltd. Capital KM 195,500	Sarajevo	1	PBZ Card	100.00	

Companies		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
31	CENTURION Financne Storitve d.o.o. Capital SIT 395,000,000	Ljubljana	1	Banca Popolare Friuladria PBZ Card	75.00 25.00	
32	CIB Car Trading limited Liability Company Capital HUF 10,000,000	Budapest	1	CIB Credit	100.00	
33	CIB Credit Ltd Capital HUF 50,000,000 in shares of HUF 1,000,000	Budapest	1	CIB Leasing CIB Real Estate	98.00 2.00	
34	CIB Factor Financial Service Ltd. Capital HUF 103,500,000 in shares of HUF 100,000	Budapest	1	CIB REAL Property Utilisation and Serv. CIB Service Property Utilisation and Serv.	50.00 50.00	
35	CIB Insurance Broker Ltd. Capital HUF 10,000,000 in shares of HUF 10,000	Budapest	1	CIB Leasing	100.00	
36	CIB Inventory Management Limited Liability Company Capital HUF 3,000,000	Ujlengyel	1	CIB Insurance Broker CIB Real Estate	50.00 50.00	
37	CIB Investment Fund Management Ltd. Capital HUF 300,000,000 in shares of HUF 10,000	Budapest	1	Central-European International Bank CIB REAL Property Utilisation and Serv.	93.34 6.66	
38	CIB Leasing Ltd. Capital HUF 1,520,000,000 in shares of HUF 10,000	Budapest	1	CIB Rent Operative Leasing	100.00	
39	CIB Real Estate Ltd Capital HUF 50,000,000 in shares of HUF 1,000,000	Budapest	1	CIB Leasing	100.00	
40	CIB REAL Property Utilisation and Services Ltd. Capital HUF 4,400,000,000 in shares of HUF 10,000	Budapest	1	Central-European International Bank CIB Service Property Utilisation and Serv.	26.00 74.00	
41	CIB Rent Operative Leasing Ltd. Capital HUF 800,000,000 in shares of HUF 4,444.44	Budapest	1	Central-European International Bank	100.00	
42	CIB Residential Property Leasing Ltd. Capital HUF 50,000,000 in shares of HUF 10,000	Budapest	1	CIB Credit	100.00	
43	CIB Service Property Utilisation and Services Ltd. Capital HUF 15,300,000,000 in shares of HUF 10,000	Budapest	1	Central-European International Bank CIB Leasing	99.99 0.01	
44	CIL - FOOD 2006 Ltd Capital HUF 3,000,000	Budapest	1	CIB Real Estate CIB Rent Operative Leasing	50.00 50.00	
45	CIL Bajor Co. Ltd. Capital HUF 20,000,000 in shares of HUF 10,000,000	Budapest	1	CIB Insurance Broker CIB Real Estate	50.00 50.00	
46	CIL Danubius Co. Ltd Capital HUF 20,000,000 in shares of HUF 10,000,000	Budapest	1	CIB Insurance Broker CIB Real Estate	50.00 50.00	
47	CIL Nagyteteny Ltd. Capital HUF 3,000,000	Budapest	1	CIB Real Estate CIB Rent Operative Leasing	50.00 50.00	
48	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	
49	Comit Investments (Ireland) Ltd Capital Euro 6,000 in shares of Euro 60 Capital GBP 1,000 in shares of GBP 1	Dublin	1	Banca Intesa	99.21	
50	Consumer Finance Holding a.s. Capital SKK 1,600,000,000	Kezmarok	1	Vseobecna Uverova Banka	100.00	
51	Duomo Funding PLC Capital Euro 40,000	Dublin	4			
52	Finanziaria B.T.B. S.p.A. Capital Euro 56,832,921.60 in shares of Euro 0.52	Trento	1	Banca Intesa	99.29	
53	Gestiones y Recuperaciones de Activos S.A. Capital NS 17,208,350.16 in shares of NS 19.92	Lima	1	Inversiones Mobiliarias	99.94	
54	Intesa Bank Ireland Plc. Capital Euro 8,000,000 in shares of Euro 50	Dublin	1	Banca Intesa	99.99	
55	Intesa Bank Overseas Ltd. Capital USD 10,000,000 in shares of USD 1	Cayman Islands	1	Banca Intesa	100.00	
56	Intesa Brasil Empreendimentos S.A. Capital BRL 2,150,100 in shares without nominal value	São Paulo	1	Banca Intesa	100.00	
57	Intesa Casse del Centro S.p.A. Capital Euro 774,240,078 in shares of Euro 1	Spoleto (Perugia)	1	Banca Intesa	96.07	
58	Intesa Distribution International Services S.A. Capital Euro 1,500,000 in shares of Euro 25	Luxembourg	1	Intesa Distribution Services Société Européenne de Banque	99.97 0.03	
59	Intesa Distribution Services S.r.l.. Capital Euro 5,000,000	Milano	1	Banca Intesa Intesa Holding Asset Management	32.05 67.95	
60	Intesa Formazione S.c.p.a. Capital Euro 120,000 in shares without nominal value	Napoli	1	Banca Intesa Intesa Casse del Centro	80.00 20.00	
61	Intesa Funding LLC Capital USD 10,000 in shares of USD 1	Wilmington (Delaware)	1	Banca Intesa	100.00	
62	Intesa Global Finance Company Ltd Capital Euro 100,000 in shares of Euro 1	Dublin	1	Intesa Holding International	100.00	
63	Intesa Holding Asset Management S.p.A. Capital Euro 45,238,752 in shares of Euro 52	Milano	1	Banca Intesa	100.00	

Companies		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
64	Intesa Holding International S.A. Capital Euro 2,897,558,699 in shares of Euro 311	Luxembourg	1	Banca Intesa	99.99	
65	Intesa Investimenti S.p.A. Capital Euro 1,000,000,000 in shares of Euro 1,000	Milano	1	Banca Intesa	100.00	
66	Intesa Lease Sec. S.r.l. Capital Euro 60,000	Milano	1	Banca Intesa	60.00	
67	Intesa Leasing d.o.o. Beograd Capital Euro 5,350,000	Novi Beograd	1	Banca Intesa a.d., Beograd CIB Leasing	51.00 49.00	
68	Intesa Leasing S.p.A. Capital Euro 38,451,895.56 in shares of Euro 0.52	Milano	1	Banca Intesa	99.67	
69	Intesa Mediofactoring S.p.A. Capital Euro 155,000,000 in shares of Euro 100	Milano	1	Banca Intesa	100.00	
70	Intesa Preferred Capital Company L.L.C. [f] Capital Euro 46,000,000 in shares of Euro 1	Wilmington (Delaware)	1	Banca Intesa	100.00	
71	Intesa Previdenza - Società di Intermediazione Mobiliare S.p.A. Capital 15,300,000 in shares of Euro 500	Milano	1	Banca Intesa	78.53	
72	Intesa Real Estate S.r.l. Capital Euro 4,625,000	Milano	1	Banca Intesa	100.00	
73	Intesa Renting S.p.A. Capital Euro 3,000,000 in shares of Euro 1	Milano	1	Intesa Leasing	65.00	
74	Intesa Sec. S.p.A. Capital Euro 100,000 in shares of Euro 100	Milano	1	Banca Intesa	60.00	
75	Intesa Sec. 2 S.r.l. Capital Euro 15,000	Milano	1	Banca Intesa	60.00	
76	Intesa Sec. 3 S.r.l. Capital Euro 70,000	Milano	1	Banca Intesa	60.00	
77	Intesa Sec. Npl S.p.A. Capital Euro 129,000 in shares of Euro 1	Milano	1	Banca Intesa	60.00	
78	Intesa Sec. Npl 2 S.r.l. Capital Euro 70,000	Milano	1	Banca Intesa	100.00	
79	IntesaBci Preferred Capital Company L.L.C. III [g] Capital Euro 11,000,000 in shares of Euro 1	Wilmington (Delaware)	1	Banca Intesa	100.00	
80	IntesaBci Preferred Securities Investor Trust Capital Euro 1,000 in shares of Euro 1,000	Newark	1	IntesaBci Preferred Capital Company III	100.00	
81	IntesaTrade Sim S.p.A. Capital Euro 30,000,000 in shares of Euro 16	Milano	1	Banca Intesa	100.00	
82	Inversiones Mobiliarias S.A.- IMSA Capital PEN 26,666,332.83 in shares of PEN 0.03	Lima	1	Banca Intesa	99.82	
83	Invest Holding d.o.o. Capital HRK 30,000,000	Karlovac	1	Privredna Banka Zagreb	56.38	
84	KMB - Leasing Capital RUB 3,000,000 in shares of RUB 100	Moscow	1	KMB Bank	100.00	
85	KMB Bank Capital RUB 1,937,183,950 in shares of RUB 12,350	Moscow	1	Intesa Holding International	75.00	
86	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	
87	Lima Sudameris Holding S.A Capital PEN 168,310,351.08 in shares of PEN 0.09	Lima	1	Banca Intesa IMSA	52.84 47.12	
88	LT Gospodarska Banka d.d. Capital KM 17,656,800	Sarajevo	1	Privredna Banka Zagreb	66.95	66.99
89	Luxicav Conseil S.A. Capital Euro 75,000 in shares of Euro 25	Luxembourg	1	Société Européenne de Banque	99.97	
90	Margit Business Center Limited Liability Company Capital HUF 221,000,000	Budapest	1	CIB REAL Property Utilisation and Serv.	100.00	
91	Medimurska Banka d.d. Capital HRK 127,900,000 in shares of HRK 400	Čakovec	1	Privredna Banka	96.39	
92	OOO Intesa Realty Russia Capital RUB 10,000	Moscow	1	Banca Intesa	100.00	
93	PBZ Card d.o.o. Capital HRK 50,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
94	PBZ Invest d.o.o. Capital HRK 5,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
95	PBZ Leasing d.o.o. Capital HRK 15,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	
96	PBZ Nekretnine d.o.o. Capital HRK 3,000,000	Zagreb	1	Privredna Banka Zagreb	100.00	

Companies		Registered office	Type of relationship (a)	Investment direct ownership	% held	Votes available % (b)
97	PBZ Stambena stedionica d.d. Capital HRK 30,000,000 in shares of HRK 100	Zagreb	1	Privredna Banka Zagreb	100.00	
98	Phönix Beteiligungs Gmbh Capital Euro 25,000	Berlino	1	Banca Intesa	100.00	
99	Private Equity International S.A. Capital Euro 252,999,968 in shares of Euro 26	Luxembourg	1	Banca Intesa	99.99	
100	Privredna Banka Zagreb d.d. Capital HRK 1,907,476,900 in shares of HRK 100	Zagreb	1	Intesa Holding International	76.30	
101	Recovery a.s. Capital SKK 1,000,000 in shares of SKK 10,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
102	Romulus Funding Corporation Capital Euro 10,000	Delaware	2			
103	S.A.T.A. – Sociedade de Assessoria Técnica e Administrativa S.A. Capital BRL 14,584,177 in shares of BRL 0.74	São Paulo	1	Intesa Brasil Empreendimentos	99.99	
104	Sailview Company Ltd. Capital Euro 5,906,730 in shares of Euro 1.25	Dublin	1	Private Equity International	99.99	
105	Scala Advisory S.A. Capital Euro 75,000 in shares of Euro 25	Luxembourg	1	Banca Intesa Société Européenne de Banque	99.97 0.03	
106	SEB Trust Limited Capital Euro 410,000 in shares of Euro 1	St Helier Jersey	1	Société Européenne de Banque	99.99	
107	Servitia S.A. Capital Euro 1,500,000 in shares without nominal value	Luxembourg	1	Société Européenne de Banque	99.99	
108	Setefi S.p.A. Capital Euro 8,450,000 in shares of Euro 52	Milano	1	Banca Intesa	100.00	
109	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	Banca Intesa	100.00	
110	Société d'Investissements et de Financements Immobiliers – FINAMERIS S.A. Capital Euro 762,245 in shares without nominal value	Paris	1	Banca Intesa (France)	99.99	
111	Société Européenne de Banque S.A. Capital Euro 45,000,000 in shares without nominal value	Luxembourg	1	Intesa Holding International	99.99	
112	Sudameris S.A. Capital Euro 543,047,483.73 in shares without nominal value	Paris	1	Intesa Holding International	99.99	
113	UPI Banka d.d. Capital KM 22,900,000 in shares of KM 100	Sarajevo	1	Intesa Holding International	81.18	
114	V 141 Ltd. Capitale HUF 42.000.000	Budapest	1	CIL Danubius	100.00	
115	Vseobecna Uverova Banka a.s. Capital SKK 12,978,108,000 in shares	Bratislava	1	Intesa Holding International	96.49	
116	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	
117	VUB Factoring a.s. Capital SKK 67,194,000 in shares of SKK 9,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
118	VUB Leasingova a.s. Capital SKK 11,000,000 in shares of SKK 1,000,000	Bratislava	1	Vseobecna Uverova Banka	100.00	
119	ZAO Banca Intesa Capital RUB 1,260,000,000 in shares of RUB 1,000	Moscow	1	Banca Intesa	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 - common management as defined in Art. 26.1 of the "Legislative Decree 87/92";
6 - common management as defined in Art. 26.2 of the "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. There are no potential voting rights.

(c) Considering the "preferred shares" issued by BCI US Funding Trust for a total of USD 200,001,000, the equity stake equals 4.76%.

(d) Considering the "preferred shares" issued by BCI US Funding Trust for a total of euro 550,001,000, the equity stake equals 4.76%.

(e) Considering the "preferred shares" issued by BCI US Funding Trust for a total of GBP 120,001,000, the equity stake equals 4.76%.

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

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

(#) Companies from merchant banking activities.

Consolidation methods

Full consolidation
This method involves the "line by line" aggregation of the individual amounts reported in the balance sheets and statements of income of the subsidiary companies concerned. Following the allocation to minority shareholders of their interests, in a specific caption, in equity and in the result for the period, the residual value is eliminated against the book value of the subsidiaries concerned.
Any positive differences arising on consolidation, after the allocation to the assets and liabilities of the consolidated subsidiary, are recorded in the caption Intangible assets as goodwill or other intangible assets at the date of first consolidation. Negative differences are recognised in the statement of income.
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 price be lower, the difference is recorded in the statement of income.
The "purchase method" is applied starting from the date of acquisition, that is from the moment in which control of acquired company is obtained. Therefore, the economic results of a subsidiary acquired in the reference period are included in the Consolidated financial statements starting from the date of acquisition. Likewise, economic results of a subsidiary sold are included in the Consolidated financial statements until the date in which control ceased.
Once a year (or every time that there is evidence of impairment losses) an impairment test is carried out for goodwill. This requires the identification of the cash-generating unit to which goodwill is allocated. Any impairment losses are determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, if lower. Such recoverable amount is equal to the higher between the fair value of the cash-generating unit less costs to sell and the relative value in use. The consequent adjustments are posted in the statement of income.
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 statement of income.
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, Banca Intesa 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 pertaining to the Group of the company's results for the period are recorded in a specific caption of the consolidated statement of income.
If there is evidence that the value of an investment in an associate or a company subject to joint control may have decreased, the recoverable amount is estimated, considering the present value of expected cash flows, including the value of final disposal of the investment. If the recoverable amount is under book value the relative difference is recorded in the statement of income.
For consolidation of companies subject to joint control, financial statements as at 31st December 2006 have been used.

For consolidation of investments in associates the most recent approved (annual or interim) figures have been used. In certain marginal cases the companies do not apply IAS/IFRS and, therefore, for such companies it was verified that the adoption of IAS/IFRS would not have produced significant effects on Gruppo Intesa'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 Euro Zone are translated into euro applying to the assets and liabilities in the balance sheet the spot exchange rate at period-end and to the statement of income 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 statement of income, 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 statement of income of the year in which the foreign operation is sold.

SECTION 4 – SIGNIFICANT EVENTS SUBSEQUENT TO FINANCIAL STATEMENT DATE

As already described in the initial part of the Report on operations, to which reference must be made, on 1st January 2007 the merger by incorporation of Sanpaolo IMI with and into Banca Intesa came into legal effect, and the latter from that date took on the name of Intesa Sanpaolo S.p.A.
On 1st March, Intesa Sanpaolo S.p.A. and Crédit Agricole S.A., after obtaining the relevant authorisations from the Bank of Italy, signed – effective as of 1st March 2007 – the contract for the sale of the entire equity stakes held by Intesa Sanpaolo in Cassa di Risparmio di Parma e Piacenza (representing 100% of share capital, 85% purchased by the Crédit Agricole group and 15% by Fondazione Cariparma), for a cash consideration of 3.8 billion euro, and in Banca Popolare FriulAdria (representing 76.05% of share capital), for a cash consideration of 836.5 million euro, with a total capital gain of approximately 3 billion euro which will be accounted for in the consolidated statement of income of Intesa Sanpaolo in the first quarter of 2007.
A further 202 former Banca Intesa branches will be sold to Crédit Agricole for a cash consideration of 1.3 billion euro. The sale will take place as follows: i) 29 branches will be transferred to Banca Popolare FriulAdria at the end of March, with effect as of 1st April 2007, and the resulting shares immediately sold to Cariparma, which will control Banca Popolare FriulAdria, and ii) the remaining 173 branches will be transferred to Cassa di Risparmio di Parma e Piacenza at the end of June, with effect as of 1st July 2007, and the resulting shares immediately sold, on a proportional basis, to Crédit Agricole and Fondazione Cariparma.
All the above is in accordance with both the disclosures made in the press releases issued by Banca Intesa and Crédit Agricole on 11th October 2006 and the decision of the Italian Competition Authority "AGCM" issued on 20th December 2006.

SECTION 5 - OTHER ASPECTS

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

Representation of assets to be sold to Crédit Agricole

As already described, on 11th October 2006 Banca Intesa signed with Crédit Agricole an agreement in which Banca Intesa made a commitment to sell, and Crédit Agricole to purchase, the equity investments in Cassa di Risparmio di Parma e Piacenza and in Banca Popolare FriulAdria as well as approximately 200 branches of Banca Intesa and/or companies controlled by the latter. The finalisation of the agreement was conditional upon the stipulation of the merger between Banca Intesa and Sanpaolo IMI and the authorisations by the competent national and EU authorities.

For the purpose of the application of IFRS 5, regarding non-current assets held for sale and discontinued operations, Banca Intesa considered the need, for the registration in the financial statements, of maintaining the correlation between the programmed sales and the merger with Sanpaolo IMI and the subsequent merger by incorporation occurred with effects as of 2007.

On the one hand, the finalisation of the sales was conditional upon the receipt of the authorisations of the competent national and EU authorities. Such authorisations were received at the end of February 2007. However, the sales of assets to Crédit Agricole are directly connected to the finalisation of the merger with Sanpaolo IMI. The aforementioned agreement provides for the fact that the finalisation of the sale is subject to the finalisation of the merger. Consequently, on the basis of this situation it was deemed that conditions provided for by par.7 of IFRS 5 are not met as at 31st December 2006.

The purpose of IFRS 5 is mainly informative and is aimed at identifying and isolating assets or groups of assets which in the future will no longer generate cash flows for the company. In substance the separate registration of such assets or groups of assets is aimed at enabling the reader of the financial statements to assess the future and identify the income flows and balance sheet situation of the company once the sale has been executed. The relation between the sales of assets and the merger implies that the correct valuation of the Group's income prospects and financial flows must consider not only the aforementioned sales but also the assets and liabilities which will be acquired following the merger and the correlated statement of income components. In this particular case the informative requirement is satisfied by the specific explanatory notes required by par. 41 a), b) and d) of IFRS 5 when the conditions for classification are satisfied after financial statement date but prior to their publication.

Option for the national fiscal consolidation provisions

Starting from 2004 Banca Intesa and the Group's Italian companies (with the exclusion of Banca CIS, Banca di Trento e Bolzano, FinBTB, FriulAdria) have adopted the so-called "national fiscal consolidation", set forth by Articles 117-129 of the new Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides for an option, based on which the total net income or fiscal loss of every controlled subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries) and, consequently, a sole tax debit/credit.

Based on this option, Group companies which opted for the "national fiscal consolidation" determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent Company. If one or more companies have a negative taxable income, in presence of a consolidated income in the year or of highly probable future taxable incomes, the fiscal losses are transferred to the Parent Company.

A. 2 – MAIN FINANCIAL STATEMENT CAPTIONS

This chapter presents the **Accounting principles** adopted in the preparation of the 2006 Consolidated financial statements. The illustration of accounting principles adopted by the Group refers to the following phases: classification, recognition, measurement and derecognition of asset and liability captions. For each of these phases the description of related economic effects, if significant, is also indicated.

1. Financial assets held for trading

Classification criteria
This category includes debt securities and equities and the positive value of derivative contracts held for trading. Derivative contracts also include those embedded in combined financial instruments which are subject to separate accounting when:
- their characteristics and risks are not closely related to the characteristics of the host contract;
- embedded instruments, even though separate, fully meet the definition of derivative;
- combined instruments are not measured at fair value with changes in fair value recognised through profit and loss.

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

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

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

2. Financial assets available for sale

Classification criteria

The present category includes the financial assets that do not fall within any of the other categories such as Loans, Financial assets held for trading or Investments held to maturity.

In particular, this caption is made up of i) bonds which are not held for trading and which are not included in Investments held to maturity or in Loans, ii) equity investments which are not held for trading and do not qualify as investments in subsidiaries, associates or entities subject to joint control, including private equity investments and private equity funds as well as iii) the portions of syndicated loans that, from inception, are destined for sale.

Recognition criteria

Initial recognition of the financial asset occurs at settlement date for debt securities and equities and at disbursement date for loans.

On initial recognition, assets are recorded at fair value, including transaction costs and revenues directly attributable to the instrument. If, in the cases provided for by accounting principles, recognition occurs following the reclassification of Investments held to maturity, recognition value is represented by fair value at the time of transfer.

Measurement criteria

After initial recognition, Financial assets available for sale are measured at fair value, through the registration in the statement of income 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 statement of income.

Fair value is determined on the basis of criteria already illustrated for financial assets held for trading.

Equities included in this category and any derivative instruments which have equities as underlying assets, for which it is not possible to determine a reliable fair value, are maintained at cost.

Financial assets available for sale are assessed to identify if they show objective evidence of a decline in fair value.

If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate, or through specific valuation methodologies as concerns equities.

If the reasons for impairment cease to exist, following an event which occurred after the registration of the impairment, value recoveries are posted through the statement of income 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 carrying amount of the financial asset to exceed amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria

Financial assets are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the assets. Conversely, if a significant part of the risks and rewards relative to the sold financial assets is maintained, they continue to be recorded in assets, even though their ownership has been transferred.

In case it is not possible to ascertain the substantial transfer of risks and rewards, the financial assets are derecognised where no control over the assets has been maintained. If this is not the case, when, even partial, control is maintained, then the assets continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of assets sold and to variations in the relevant cash flows.

Lastly, financial assets sold are derecognised if the entity retains the contractual rights to receive the cash flows of the asset, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

3. Investments held to maturity

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

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

Measurement criteria
After the initial recognition, Investments held to maturity are valued at amortised cost, using the effective interest method.
Profits or losses referred to investments held to maturity are recorded in the statement of income when assets are derecognised or impaired, and through the amortisation process of the difference between book value and the value reimbursable at maturity.
Investments held to maturity are assessed to identify if they show objective evidence of possible impairment.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the statement of income.
If the reasons for impairment cease to exist following an event which occurred after the registration of impairment losses, value recoveries are posted through the statement of income. The size of the recovery must not lead carrying amount of the financial asset to exceed amortised cost had no impairment losses been recognised in previous periods.

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

4. Loans

Classification criteria
Loans include loans to customers and due from banks, both disbursed directly and acquired by third parties, which entail fixed or in any case determinable payments, which are not quoted on an active market and which are not classified at inception in Financial assets available for sale.
The caption Loans to customers also includes commercial loans, repurchase agreements with the obligation to resell at a later date, and securities underwritten at issue or via private placements, with determined or determinable payments, not quoted in active markets, as well as financial lease receivables at balance sheet date or that in any case have already led to a contractual obligation for the parties involved.
The caption Loans to customers also includes loans deriving from factoring activities, that is advances on with recourse transactions, as well as receivables acquired in without recourse transactions, after having verified that the substantial transfer to the factoring company of the risks and rewards connected to loans

purchased has occurred. In presence of factoring without recourse for which the precondition of the transfer of risks and rewards from the seller to the factor is not met, any advances made to the seller are recorded under assets.

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.
Finance lease receivables are recognised at a value equal to the net investment in the finance lease, including initial direct costs.

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 enables to distribute the economic effect of the costs/revenues through the expected residual life of the loan.
For finance lease receivables, interest income is recorded in the statement of income, while instalments – which represent the reimbursement of the principal – are deducted from the value of the receivable.
The amortised cost method is not used for loans whose short maturity implies that the application of the discounting approach leads to immaterial effects. Such loans are recorded at historical cost. An analogous measurement criterion is applied to loans with unspecified maturity or with notice period.
Loans are reassessed for the purpose of identifying those which, due to events occurred after initial recognition, show objective evidence of possible impairment. These include doubtful loans, substandard, restructured or past due loans according to the rules issued by the Bank of Italy, consistent with IAS/IFRS regulations.
Such non-performing loans are subject to an individual assessment process and the adjustment of each loan is equal to the difference between carrying value at the time of valuation (amortised cost) and present value of expected future cash flows, calculated applying the original effective interest rate.
Forecasted future cash flows consider expected recovery times, presumed recoverable amount of any guarantees as well as costs which it is deemed will be sustained for the recovery of the exposure.
The original effective rate of each loan remains unchanged over time even though the relationship has been restructured with a variation of the contractual interest rate and even though the relationship, in practice, no longer bears contractual interest.
The adjustment is recorded in the statement of income.
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 statement of income and must not lead carrying amount of the loan to exceed amortised cost had no impairment losses been recognised in previous periods.
Recoveries on impairment include time value effects.
Loans for which no individual evidence of impairment exists are subject to collective measurement. This measurement occurs for groups of loans with the same credit risk characteristics and the relevant percentage losses are estimated considering historical loss data, based on objective elements observable at measurement date, which enable to estimate the intrinsic loss for each loan category. The valuation also considers the risk of the borrower’s Country of residence.
Collective adjustments are recorded in the statement of income.

Derecognition criteria

Loans sold are derecognised solely if the sale leads to the substantial transfer of all the risks and rewards connected to the loans. Conversely, if a significant part of the risks and rewards relative to the sold loans is maintained, they continue to be recorded in assets, even though their ownership has been transferred.

In case it is not possible to ascertain the substantial transfer of risks and rewards, the loans are derecognised where no control over the loans has been maintained. If this is not the case, when, even partial, control is maintained, then the loans continue to be recognised for the entity's continuing involvement, measured by the exposure to changes in value of loans sold and to variations in the relevant cash flows.
Lastly, loans sold are derecognised if the entity retains the contractual rights to receive the cash flows of the loan, but signs a simultaneous obligation to pay such cash flows, and only such cash flows, to third parties.

5. Financial assets designated at fair value through profit and loss

Gruppo Intesa decided not to adopt the so-called "fair value option", that is it did not avail itself of the possibility of measuring at fair value through profit and loss financial assets other than those for which IAS 39 requires the application of fair value measurement considering their specific functional destination. Therefore, exclusively financial assets held for trading, those which are subject to fair value hedges and hedging derivatives are measured at fair value through profit and loss.

6. Hedging transactions

Types of hedges

Hedging transactions are aimed at neutralising potential losses on a specific item or group of items, attributable to a certain risk, if such risk should actually occur.
The following three types of hedging transactions are used:

- fair value hedge, which has the objective of covering exposure to changes in the fair value of one or more captions in the balance sheet attributable to a specific risk. This hedging is mainly used for specific market risk on fixed rate or structured bond issues; furthermore, fair value macrohedging has also been activated and aimed at hedging risk of fair value changes intrinsic in the coupons under accrual of the floating rate mortgages disbursed. The Bank is exposed to this risk in the period from the date in which the coupon is set and the date of payment of the instalment;
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is used to stabilise the interest flow on variable rate funding to the extent that the latter finances fixed rate investments;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in foreign currency.

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

Measurement criteria

Hedging derivatives are measured at fair value; in particular:

- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the statement of income 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 statement of income only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

Derivatives are designated as hedging instruments if there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective at inception and prospectively over the entire period of the hedge.
The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction.

A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is in the limits set out by the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.
Effectiveness is assessed at every close of annual or interim financial statements using:
- prospective tests, which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- retrospective tests, which highlight the degree of hedge effectiveness reached in the period to which they refer. In other words, they measure to what extent results achieved differ from perfect hedging.

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

7. Investments in associates and companies subject to joint control

Recognition, classification and measurement criteria

The caption includes investments in companies subject to joint control and associates.
Companies are considered as subject to joint control when the voting rights and the control of the economic activities of the company are equally shared by Banca Intesa, 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 Banca Intesa, 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 certain subsidiaries which, due to their negligible size, are carried at cost and the equity stake in Bank of Italy.
If there is evidence of impairment, recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, included the final disposal value.
If recoverable amount is lower than carrying value, the difference is recorded in the statement of income.
If the reasons for impairment are removed following an event subsequent to the registration of impairment, recoveries are recorded in the statement of income.

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 finance 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, increase the value of assets, while other ordinary maintenance costs are recorded in the statement of income.

Measurement criteria
Property and equipment, including investment buildings, are measured at cost, net of depreciation and impairment losses.
Property and equipment are systematically depreciated, adopting the straight-line method over their useful life, indicated below with reference to the main equipment categories: furniture, ordinary office equipment, fittings, plants and any type of equipment: 8 years; bullet-proof bank counters: 6 years; alarm systems, video filming appliances: 4 years; motor vehicles, information technology appliances and electronic equipment: 3 years. Depreciable amount is represented by the cost of the good since the residual value at the end of the depreciation period is not deemed to be significant. Buildings are depreciated for a portion equal to 3% per year, deemed to be fit to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in carrying value of the assets.
The following are not depreciated:
- land, irrespectively of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life. If its value is incorporated in the value of the building, by applying a component approach, land is considered separable from the building; the division between the value of the land and that of the building is calculated on the basis of a specific independent expert opinion solely for entire buildings owned by the Bank for which the Company has the full use of the land;
- works of art, since the useful life of a work of art cannot be estimated and its value is normally destined to increase over time.

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

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

9. Intangible assets

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

Recognition and measurement criteria
An intangible asset may be recognised as goodwill 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 statement of income.
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. Such recoverable amount is equal to the higher between the fair value of the cash-generating unit, less any cost to sell and the relative value in use. The consequent adjustments are posted in the statement of income.

Other intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets are realised and if the cost of the asset may be reliably determined. If this is not the case the cost of the intangible asset is recorded in the statement of income in the year in which it was sustained.
The cost of intangible assets is amortised in a straight line based on the intangible's useful life which, for application software, does not exceed five years.
If there is any indication that shows that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the statement of income, is equal to the difference between the book value of the assets and the recoverable amount.

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-currents assets held for sale and discontinued operations. Such assets/liabilities are measured at the lower between carrying value and their fair value less costs to sell.
The income and charges (net of tax impact) attributable to non-current assets held for sale and discontinued operations or recorded as such in the year are recognised in the statement of income in a separate caption.

11. Current and deferred tax

The Group records the impact of current and deferred tax applying the tax rates in force in the Countries in which consolidated subsidiaries operate.
Income taxes are recorded in the statement of income with the exception of those relative to items directly debited or credited in equity.
The provision for income taxes is determined with reference to a prudent estimate of current and deferred taxation. In particular, deferred tax assets and liabilities are determined irrespective of temporal limits and according to all temporary differences between book value attributed to assets or liabilities and the corresponding values for fiscal purposes.
Deferred tax assets, relative to deductible temporary differences or to future tax benefits deriving from the possibility of carried forward tax losses, are recognised to the extent that they have a high probability of recovery, based on the continuing capacity to generate taxable income in future years of the relevant company or of the Parent Company, following the exercise of the option relative to the "national fiscal consolidation".
Deferred tax liabilities have been fully accounted for, with reference to all temporary taxable differences, with the sole exception of shareholders' equity reserves subject to a suspended tax regime, since the size of the available reserves which have already been taxed, leads to believe that the Bank will not undertake any transactions which may lead to tax the untaxed reserves.
Deferred tax assets and liabilities are accounted for in the balance sheet with open balances and without offsetting effects, the former in the Tax assets caption and the latter in the Tax liabilities caption.
In addition, this item reflects the deferred taxation on consolidation adjustments, if it is likely that the taxes concerned will become payable by a Group company. These taxes essentially reflect those arising from the allocation of positive consolidation differences in the assets of the consolidated company.
Deferred tax assets and liabilities are systematically reviewed considering any changes in fiscal regulations or tax rates and the situation of the Group companies involved.

12. Allowances for risks and charges

Post employment benefits

Inside-Company post employment benefits are set up based on internal 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 forecasted 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 statement of income, 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 statement of income on the basis of the expected average remaining working life of the participants to the plan or in the year in the case of retired personnel.

Other allowances

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

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

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 statement of income.

13. Payables and securities issued

Classification criteria

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

It also includes the payables recorded by the Group companies in the capacity of lessee in finance 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 statement of income.
Placement of own securities, subsequently to their repurchase, is considered a new issue with recognition at the new placement price.

14. Financial liabilities held for trading
The caption includes the negative value of fair value measurement of derivatives held for trading as well as the negative value of embedded derivatives in combined contracts but which are 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
Gruppo Intesa decided not to adopt the so-called "fair value option" , that is, it did not avail itself of the possibility of measuring at fair value through profit and loss, financial liabilities other than those which IAS 39 requires the application of fair value measurement considering their specific functional destination. Therefore, only financial liabilities held for trading and those which are subject to fair value hedges and hedging derivatives are measured at fair value through profit and loss.

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
Gruppo Intesa's Consolidated financial statements do not include assets or liabilities which present insurance risks.

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.

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

Employee termination indemnities are recorded based on their actuarial value.

For the purposes of defining actuarial value, the Projected Unit Credit Method is used. This method sets out that future obligations are forecasted 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, 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 costs as the net of provisions made, provisions accrued in previous years and not yet accounted for, accrued interest 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 statement of income on the basis of the expected average remaining working life of the participants to the plan.

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 statement of income, 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

Revenues are recognised when they are collected or, in case of sale of goods or products, when it is probable that the economic benefits will be received and these benefits may be measured reliably, in case of services, when these have been rendered. In particular:

- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost;
- overdue interest, which may be provided for by the relevant contracts is recorded in the statement of income solely at the time of collection;
- dividends are posted in the statement of income 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 price and the fair value of the instrument, are recognised in the statement of income 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 statement of income 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;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, unless the Group has maintained most of the risks and rewards related to the asset.

Fair value measurement

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

Financial instruments

For financial instruments the fair value is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other financial instruments.
A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency. The following instruments are considered quoted on an active market which respects the characteristics indicated above: mutual funds, spot exchange rates, futures, options, equities listed on a regulated market and bonds for which it is possible to continuously derive at least a bid and ask price on a quotation service with a bid-ask spread under an interval deemed to be congruous. Lastly, also hedge funds are considered quoted on an active market if these provide for a monthly liquidation of the quotas or, if they do not, if they present liquidability conditions no higher than four months. Conversely, all other securities, derivatives and hedge funds which do not fall in the categories described above are not considered quoted on an active market.
For financial instruments quoted on active markets the current bid price is used for financial assets and the current asking price for financial liabilities, struck on the most advantageous active market to which Banca Intesa had access at the close of the reference period.
For financial instruments for which the bid-ask spread is scarcely significant or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
In case of absence of an active and liquid market the fair value of financial instruments is mostly determined via the use of valuation techniques which have the objective of establishing the price of a hypothetical arm's length transaction, motivated by normal business considerations, at measurement date. Valuation techniques incorporate all factors that market participants consider in setting a price: time value using the risk free rate, insolvency risk, prepayment and surrender risk, volatility of the financial instrument, as well as, if relevant, foreign exchange rates, raw material prices and stock prices.
In presence of high risk or parameters which are not directly observable on the market for more innovative financial products, the fair value desumed 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 desumable from the market. The identification and application of the latter is carried out on the basis of the liquidity, depth and observability of reference markets. When using a calculation model, the need to make an adjustment to incorporate counterparty credit risk is considered.
In particular, bonds are measured by discounting future cash flows provided for in the contract, adjusted to consider issuer risk.
For derivatives, in consideration of their number and complexity, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.
For equities a hierarchy and an order of valuation techniques have been developed which considers: direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, comparable transactions of companies operating in the same sectors and offering products/services similar to those of the equity investment to be measured, the application of average significant market multiples of comparable companies with respect to balance sheet and statement of income aggregates of the equity investment and, lastly, financial, equity and balance sheet individual valuation methods.
As concerns loans available for sale and assets and liabilities measured at cost or amortised cost, fair value for balance sheet purposes or included in the Notes to the consolidated financial statements is calculated as set out below:

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

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

Amortised cost measurement
Amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the net carrying amount of the financial asset or financial liability. For the calculation of the present value the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability – or for a shorter period when certain conditions recur (for example review of market interest rates).
After initial recognition, amortised cost enables to allocate revenues and costs directly by decreasing or increasing the value of the instrument over the entire expected life of the instrument via the amortisation process. The determination of amortised cost is different depending on the fact that financial

assets/liabilities have fixed or variable rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the financing. For financial assets/liabilities with variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the statement of income as income or loss.
Loans, investments held to maturity and financial assets available for sale, payables and securities issued are measured at amortised cost.
Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.
Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument which are not debited to the client. Such commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate, thereby the effective interest rate associated to the transaction differs from contractual interest rate. Transaction costs do not include costs/income referred to more than one transaction and the components related to events which may occur during the life of the financial instrument, but which are not certain at the time of the initial agreement, such as for example: commissions for distribution, for non-use, for advance termination, for underwriting, for facility and arrangement. Furthermore, amortised cost does not include costs which would be sustained independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of the financing (e.g. activities related to the loan granting process), as well as commissions of services received following structured finance activities which would in any case have been received independently from the subsequent financing of the transaction and, lastly, intergroup costs and income.
With reference to loans, the following costs are considered directly attributable to the financial instrument: fees paid to distribution networks, fees paid for the origination and/or the participation to syndicated loans and lastly, up-front commissions correlated to loans disbursed at rates exceeding market rates. Income considered in the calculation of amortised cost includes: up-front commissions correlated to loans disbursed at rates under market rates, income for the participation of syndicated loans and brokerage commissions received.
As concerns securities not classified as held for trading, the following are considered transaction costs: commissions on contracts with brokers operating on the Italian stock exchange, commissions paid to dealers operating on the Italian and foreign stock and bond markets defined on the basis of the commission tables. Stamp duty is not considered in amortised cost since immaterial.
For securities issued, amortised cost considers placement commissions on bond issues paid to third parties, amounts paid to Exchanges and compensation paid to Independent auditors for the activities performed for each single issue, while amortised cost does not consider commissions paid to rating agencies, legal and advisory/review expenses for the annual update of prospectuses, the costs for the use of indexes and commissions which originate during the life of the bond issue.
Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected future cash flows at a rate equal to the effective interest rate of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous registration in the statement of income of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, also structured assets and liabilities which are not recognised at fair value through profit and loss for which the embedded derivative has been separated from the financial instrument are measured at amortised cost.
The amortised cost measurement criteria is not applied to financial assets/liabilities hedged for which fair value changes related to the risk hedged are recorded through profit and loss. The financial instrument is again measured at amortised cost in case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraph relative to measurement criteria of due to and from banks and customers and securities issued, measurement at amortised cost is not applied to short-term

assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable.

Impairment of assets

Financial assets

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

Investments in associates and companies subject to joint control

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

The impairment test is conducted on an annual basis for each investment which leads to record goodwill in the Parent Company or consolidated financial statements, and only in presence of signs of impairment (represented by the situations already indicated above with reference to financial assets available for sale) for the remaining investments.

The impairment test entails the determination of recoverable amount, represented by the higher between fair value less costs to sell and value in use.

As concerns valuation techniques used to calculate fair value less costs to sell, please refer to the relevant illustrative chapter herein.

Value in use is the current value of expected future cash flows from the asset undergoing the impairment process; it reflects estimated expected future cash flows from the asset, the estimate of possible changes in the amount and/or timing of cash flows, time value of money, the price able to repay the risk of the asset and other factors such as for example the illiquidity of the asset, which may affect the appreciation by market participants of expected future cash flows from the asset.

Value in use is determined by discounting future cash flows (DCF - Discounted Cash Flow).

Other non-financial assets

Property, equipment and intangible assets with definite useful life are subject to impairment test if there is the indication that the book value of the asset may no longer be recovered. Recoverable amount is determined with reference to the fair value of the property and equipment or intangible assets less costs to sell or the value in use if determinable and if it is higher than fair value.

As concerns property, fair value is mostly determined on the basis of an opinion prepared by an independent expert. The expert opinion is periodically renewed every time there is a change in real estate market trends which might lead to deem that previous estimates are no longer accurate and in any case every three years. Impairment is recorded only in the case that the fair value less costs to sell or value in use is lower than carrying value for a continuous period of three years.

For other property, equipment and intangible assets (other than goodwill) it is assumed that carrying value normally corresponds to value in use, since determined by a depreciation or amortisation process estimated on the basis of the effective contribution of the asset to the production process and since the determination of fair value is extremely subjective. The two values diverge and lead to impairment, in case of damages, exit from the production process or other similar non-recurring circumstances.

Business combinations

The transfer of control over a company (or over a group of assets managed together as a single business) is considered a business combination.

For this purpose the transfer of control occurs when more than one-half of the voting rights is acquired, or when, even if the combining entity does not acquire more than one-half of the other entity's voting rights, control is obtained since, as a consequence of the combination, the acquirer has the power: (i) over one-half of voting rights of another company, by virtue of an agreement with other investors, (ii) to govern the financial and operating policies of the other entity on the basis of Articles of Association or an agreement, (iii) to appoint or remove the majority of the members of the company's governing body, (iv) to cast the majority of the votes at meetings of the company's governing body.

IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity stakes, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.

The acquisition and therefore, the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange normally coincides with the date of the acquisition. However, it is always necessary to

verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.
The cost of a business combination must be determined as the sum of (i) fair value, at transaction date, of assets sold, liabilities undertaken and capital instruments issued by the acquirer in exchange of acquisition of control; (ii) any accessory costs directly attributable to the business combination.
In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments) purchase price is the agreed-upon consideration. In case settlement does not occur in the short-term, fair value of any deferred component is calculated by discounting the amounts payable to their present value; in case payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, please refer to the relevant paragraph and note that, in case of shares listed on active markets, fair value is represented by stock exchange quotations at acquisition date or, should that not be available, the last quotation available.
Purchase cost at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration are not included in purchase cost since already considered either in the fair value of equity instruments or as reduction in the premium or an increase in the discount on the initial issue of debt instruments.
For the purpose of determining the cost of the business combination, the price identified as illustrated above is increased by the external costs sustained to execute the transaction 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 obtainment 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 included 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. 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 statement of income.
The identification of the fair value of assets, liabilities and contingent liabilities of the acquired entity may be provisionally determined within the end of the year in which the combination is realised and must be definitively determined within twelve months from acquisition date.
If control is achieved in stages, each transaction is registered separately and assets, liabilities and contingent liabilities acquired are recorded at fair value on the date of each exchange transaction. In particular, for every purchase of an interest, deemed to be qualified, the fair value of assets and liabilities is identified, within the limits of materiality. On the date of realisation of the business combination, that is on the date of acquisition of control, the portion of assets and liabilities acquired before the acquisition is revalued and the revaluation is recorded in shareholders' equity.
Registration of further minority stakes in already-controlled companies occurs based on the so-called “Parent Company theory” according to which the differences between acquisition cost and book value of acquired minority stakes are considered goodwill (where these cannot be registered in other asset or liability captions); in case of sale of minority stakes without the loss of control, the difference between consideration received and the interest in the net fair value of assets and liabilities sold, comprehensive of the portion of goodwill, is registered in the statement of income.
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 Gruppo Intesa, 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 transaction, unless they lead to a significant variation in cash flows, 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 and in the absence of significant changes in cash flows, this is accounted for by privileging the continuity of the values of the merged company.

Criteria for the preparation of segment reporting
The business areas which make up the primary segment are defined on the basis of the Group's organisational and governance structure. Preparation criteria and the contents are therefore consistent with the internal reporting periodically prepared for top executives (management reporting).
The Group is made up of four divisions, which operate alongside central structures which are in charge of ensuring governance and control. In particular:
- the Retail Division serves Households, SMEs and Non-Profit Entities. It provides the following services: private banking, wealth management, management of electronic payment instruments, industrial credit and leasing;
- the Italian Subsidiary Banks Division which groups subsidiary banks with a markedly local vocation: Cariparma, FriulAdria, Banca di Trento e Bolzano, Biverbanca and Intesa Casse del Centro;
- the International Subsidiary Banks Division coordinates subsidiaries which carry out retail and commercial banking activities in Central-Eastern Europe: PBZ in Croatia, VUB in Slovakia, Banca Intesa Beograd (former Delta Banka) in Serbia and Montenegro, CIB in Hungary , UPI Banka and LTG Banka in Bosnia-Erzegovina and KMB Bank in the Russian Federation;
- the Corporate Division manages relations with large companies, financial institutions and operates in close coordination with B.I.I.S. which conducts its activities in the public sector (State and local authorities). Activities of the Corporate Division include mergers and acquisitions, structured finance, merchant banking, capital markets (Banca Caboto) and global custody. It is also in charge of the international network made up of branches, representative offices and subsidiaries which carry out corporate banking activities.

Geographic areas which make up secondary segment reporting disclosures are defined on the basis of the territorial breakdown of Group activities and consider both the economic and strategic importance and the potential of the reference markets. Such areas are identified by geographic groups defined on the basis of the residence of the juridical entities which make up the Group:
- Italy;
- Eastern Europe;
- Other Countries.

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.
As concerns the measurement of revenues and costs deriving from inter-segment transactions, the application of a contribution model at multiple Internal Transfer Rates 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.

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	31.12.2006	31.12.2005
a) Cash	1,615	-	5	1,620	1,563
b) On demand deposits with Central Banks	275	-	-	275	234
Total	**1,890**	**-**	**5**	**1,895**	**1,797**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		Total 31.12.2006	Total 31.12.2005
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted		
A. Cash assets								
1. Debt securities	12,219	12,300	-	-	-	-	24,519	26,650
1.1 structured securities	*293*	*346*	-	-	-	-	*639*	*523*
1.2 other debt securities	*11,926*	*11,954*	-	-	-	-	*23,880*	*26,127*
2. Equities	873	15	-	-	-	-	888	1,837
3. Quotas of UCITS	681	583	-	-	-	-	1,264	1,219
4. Loans	-	-	-	-	-	-	-	-
4.1 repurchase agreements	-	-	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-	-	-
5. Non-performing assets	-	4	-	-	-	-	4	-
6. Assets sold not derecognised	5,897	775	-	-	-	-	6,672	5,314
Total A	**19,670**	**13,677**	**-**	**-**	**-**	**-**	**33,347**	**35,020**
B. Derivatives								
1. Financial derivatives	209	12,265	-	-	-	-	12,474	15,273
1.1 trading	*209*	*12,249*	-	-	-	-	*12,458*	*15,273*
1.2 fair value option	-	-	-	-	-	-	-	-
1.3 other	-	*16*	-	-	-	-	*16*	-
2. Credit derivatives	-	507	-	-	-	-	507	774
2.1 trading	-	*506*	-	-	-	-	*506*	*774*
2.2 fair value option	-	-	-	-	-	-	-	-
2.3 other	-	*1*	-	-	-	-	*1*	-
Total B	**209**	**12,772**	**-**	**-**	**-**	**-**	**12,981**	**16,047**
TOTAL (A+B)	**19,879**	**26,449**	**-**	**-**	**-**	**-**	**46,328**	**51,067**

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

2.2 Financial assets held for trading: borrower/issuer breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
A. CASH ASSETS					
1. Debt securities	**24,519**	**-**	**-**	**24,519**	**26,650**
a) Governments and Central Banks	3,075	-	-	3,075	2,731
b) Other public entities	168	-	-	168	2,118
c) Banks	9,748	-	-	9,748	8,997
d) Other issuers	11,528	-	-	11,528	12,804
2. Equities	**888**	**-**	**-**	**888**	**1,837**
a) Banks	133	-	-	133	456
b) Other issuers	755	-	-	755	1,381
- *insurance companies*	*71*	-	-	*71*	*153*
- *financial institutions*	*57*	-	-	*57*	*53*
- *non-financial companies*	*605*	-	-	*605*	*1,150*
- *other*	*22*	-	-	*22*	*25*
3. Quotas of UCITS	**1,264**	**-**	**-**	**1,264**	**1,219**
4. Loans	**-**	**-**	**-**	**-**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
5. Non-performing assets	**4**	**-**	**-**	**4**	**-**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	4	-	-	4	-
6. Assets sold not derecognised	**6,672**	**-**	**-**	**6,672**	**5,314**
a) Governments and Central Banks	4,236	-	-	4,236	4,102
b) Other public entities	-	-	-	-	90
c) Banks	996	-	-	996	104
d) Other issuers	1,440	-	-	1,440	1,018
Total A	**33,347**	**-**	**-**	**33,347**	**35,020**
B) DERIVATIVES					
a) Banks	10,501	-	-	10,501	13,364
b) Customers	2,480	-	-	2,480	2,683
Total B	**12,981**	**-**	**-**	**12,981**	**16,047**
TOTAL (A+B)	**46,328**	**-**	**-**	**46,328**	**51,067**

2.3 Financial assets held for trading: trading derivatives

(in millions of euro)

	31.12.2006	31.12.2005
Financial assets held for trading: trading derivatives	**12,981**	**16,047**
Banking group	*12,981*	*16,047*
Insurance companies	-	-
Other companies	-	-

2.3.1 Banking group

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Foreign exchange and gold	Equities	Loans	Other	31.12.2006	31.12.2005
A) QUOTED DERIVATIVES							
1) Financial derivatives	**-**	**-**	**209**	**-**	**-**	**209**	**123**
with exchange of underlying asset	-	-	27	-	-	27	19
- *options bought*	-	-	*26*	-	-	*26*	*15*
- *other derivatives*	-	-	*1*	-	-	*1*	*4*
without exchange of underlying asset	-	-	182	-	-	182	104
- *options bought*	-	-	*182*	-	-	*182*	*87*
- *other derivatives*	-	-	-	-	-	-	*17*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**-**	**-**	**209**	**-**	**-**	**209**	**123**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	**10,364**	**640**	**1,261**	**-**	**-**	**12,265**	**15,150**
with exchange of underlying asset	5	635	59	-	-	699	1,213
- *options bought*	*3*	*42*	*36*	-	-	*81*	*78*
- *other derivatives*	*2*	*593*	*23*	-	-	*618*	*1,135*
without exchange of underlying asset	10,359	5	1,202	-	-	11,566	13,937
- *options bought*	*558*	*3*	*1,086*	-	-	*1,647*	*3,551*
- *other derivatives*	*9,801*	*2*	*116*	-	-	*9,919*	*10,386*
2) Credit derivatives	**-**	**-**	**-**	**507**	**-**	**507**	**774**
with exchange of underlying asset	-	-	-	492	-	492	740
without exchange of underlying asset	-	-	-	15	-	15	34
Total B	**10,364**	**640**	**1,261**	**507**	**-**	**12,772**	**15,924**
TOTAL (A + B)	**10,364**	**640**	**1,470**	**507**	**-**	**12,981**	**16,047**

The table above presents breakdown of derivatives on the basis of underlying risk.
The figures in the table above, together with those set out in table 4.4.1 relative to Financial liabilities held for trading, differ from breakdown in the corresponding table in the Report on operations since in the latter contracts with multiple risks are attributed to the prevailing risk category.

2.3.2 Insurance companies

Not applicable to Gruppo Intesa.

2.3.3 Other companies

No amounts pertaining to other companies were recorded.

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

(in millions of euro)

	31.12.2006	31.12.2005
Financial assets held for trading (other than those sold not derecognised and non-performing)	**26,671**	**29,706**
Banking group	*26,671*	*29,706*
Insurance companies	-	-
Other companies	-	-

2.4.1 Banking group

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**26,650**	**1,837**	**1,219**	**-**	**29,706**
B. Increases	**363,276**	**34,440**	**2,689**	**-**	**400,405**
B.1 purchases	358,350	33,322	2,571	-	394,243
B.2 positive fair value differences	99	85	57	-	241
B.3 other changes	4,827	1,033	61	-	5,921
C. Decreases	**-365,407**	**-35,389**	**-2,644**	**-**	**-403,440**
C.1 sales	-343,844	-34,530	-2,556	-	-380,930
C.2 reimbursements	-13,177	-	-1	-	-13,178
C.3 negative fair value differences	-184	-44	-8	-	-236
C.4 other changes	-8,202	-815	-79	-	-9,096
D. Final amount	**24,519**	**888**	**1,264**	**-**	**26,671**

2.4.2 Insurance companies

Not applicable to Gruppo Intesa.

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

Caption not applicable to Gruppo Intesa.

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE - CAPTION 40

4.1 Financial assets available for sale: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		Total 31.12.2006		Total 31.12.2005	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	1,608	615	-	-	166	83	1,774	698	922	1,132
1.1 Structured securities	*-*	*7*	-	-	*166*	*83*	*166*	*90*	*-*	*8*
1.2 Other debt securities	*1,608*	*608*	-	-	-	-	*1,608*	*608*	*922*	*1,124*
2. Equities	1,149	1,071	-	-	-	-	1,149	1,071	734	1,258
2.1 Measured at fair value	*1,149*	*1,057*	-	-	-	-	*1,149*	*1,057*	*734*	*1,234*
2.2 Measured at cost	-	*14*	-	-	-	-	-	*14*	-	*24*
3. Quotas of UCITS	-	31	-	-	-	-	-	31	13	2
4. Loans	-	780	-	-	-	-	-	780	-	314
5. Non-performing assets	-	-	-	-	-	-	-	-	-	4
6. Assets sold not derecognised	12	3	-	-	-	-	12	3	-	-
Total	**2,769**	**2,500**	**-**	**-**	**166**	**83**	**2,935**	**2,583**	**1,669**	**2,710**

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.
As concerns the subcaption Non-performing assets, please refer to Part E – Information on risks and relative hedging policies, Section – Credit risk.

4.2 Financial assets available for sale: borrower/issuer breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Debt securities	**2,223**	**-**	**249**	**2,472**	**2,054**
a) Governments and Central Banks	1,129	-	-	1,129	276
b) Other public entities	159	-	-	159	214
c) Banks	259	-	-	259	298
d) Other issuers	676	-	249	925	1,266
2. Equities	**2,220**	**-**	**-**	**2,220**	**1,992**
a) Banks	295	-	-	295	89
b) Other issuers	1,925	-	-	1,925	1,903
- insurance companies	*634*	-	-	*634*	*563*
- financial institutions	*209*	-	-	*209*	*110*
- non-financial companies	*972*	-	-	*972*	*1,019*
- other	*110*	-	-	*110*	*211*
3. Quotas of UCITS	**31**	**-**	**-**	**31**	**15**
4. Loans	**780**	**-**	**-**	**780**	**314**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	7	-	-	7	-
d) Other counterparties	773	-	-	773	314
5. Non-performing assets	**-**	**-**	**-**	**-**	**4**
a) Governments and Central Banks	-	-	-	-	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	4
6. Assets sold not derecognised	**15**	**-**	**-**	**15**	**-**
a) Governments and Central Banks	12	-	-	12	-
b) Other public entities	-	-	-	-	-
c) Banks	3	-	-	3	-
d) Other counterparties	-	-	-	-	-
TOTAL	**5,269**	**-**	**249**	**5,518**	**4,379**

4.3 Financial assets available for sale: hedged assets

(in millions of euro)

	31.12.2006	31.12.2005
Financial assets available for sale: hedged assets	**979**	**310**
Banking group	*979*	*310*
Insurance companies	*-*	*-*
Other companies	*-*	*-*

4.3.1 Banking group

(in millions of euro)

Assets/Type of hedge	Hedged assets			
	31.12.2006		31.12.2005	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	979	-	310	-
2. Equities	-	-	-	-
3. Quotas of UCITS	-	-	-	-
4. Loans	-	-	-	-
5. Portfolio	-	-	-	-
Total	**979**	**-**	**310**	**-**

4.3.2 Insurance companies

Not applicable to Gruppo Intesa.

4.3.3 Other companies

No amounts pertaining to other companies were recorded.

4.4 Financial assets available for sale: assets with specific hedges

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Financial assets with specific fair value hedges	**979**	**-**	**-**	**979**	**310**
a) Interest rate risk	979	-	-	979	310
b) Price risk	-	-	-	-	-
c) Foreign exchange risk	-	-	-	-	-
d) Credit risk	-	-	-	-	-
e) Various risks	-	-	-	-	-
2. Financial assets with specific cash flow hedges	**-**	**-**	**-**	**-**	**-**
a) Interest rate risk	-	-	-	-	-
b) Foreign exchange risk	-	-	-	-	-
c) Other	-	-	-	-	-
TOTAL	**979**	**-**	**-**	**979**	**310**

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

(in millions of euro)

	31.12.2006	31.12.2005
Financial assets available for sale (other than those sold not derecognised and non-performing)	**5,503**	**4,375**
Banking group	*5,254*	*3,891*
Insurance companies	*-*	*-*
Other companies	*249*	*484*

4.5.1 Banking group

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans	Total
A. Initial amount	**1,570**	**1,992**	**15**	**314**	**3,891**
B. Increases	**9,159**	**1,149**	**101**	**846**	**11,255**
B.1 purchases	8,858	588	85	841	10,372
B.2 positive fair value differences	32	334	8	5	379
B.3 write-backs recognised in	-	-	-	-	-
- statement of income	-	*X*	-	-	-
- shareholders' equity	-	-	-	-	-
B.4 transfers from other portfolios	-	84	-	-	84
B.5 other changes	269	143	8	-	420
C. Decreases	**-8,506**	**-921**	**-85**	**-380**	**-9,892**
C.1 sales	-7,873	-747	-84	-370	-9,074
C.2 reimbursements	-582	-7	-	-	-589
C.3 negative fair value differences	-31	-30	-	-5	-66
C.4 impairment losses recognised in	-4	-10	-	-	-14
- statement of income	*-4*	*-10*	-	-	*-14*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-	-	-	-
C.6 other changes	-16	-127	-1	-5	-149
D. Final amount	**2,223**	**2,220**	**31**	**780**	**5,254**

4.5.2 Insurance companies

Not applicable to Gruppo Intesa.

4.5.3 Other companies

Financial assets available for sale pertaining to other companies decreased from 484 million euro to 249 million euro. The reduction referred essentially to the reimbursement of debt securities.

SECTION 5 - INVESTMENTS HELD TO MATURITY - CAPTION 50

5.1 Investments held to maturity: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		Total 31.12.2006		Total 31.12.2005	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
1. Debt securities	2,795	2,746	-	-	-	-	2,795	2,746	2,809	2,792
1.1 Structured securities	-	-	-	-	-	-	-	-	-	-
1.2 Other debt securities	*2,795*	*2,746*	-	-	-	-	*2,795*	*2,746*	*2,809*	*2,792*
2. Loans	-	-	-	-	-	-	-	-	-	-
3. Non-performing assets	1	1	-	-	-	-	1	1	1	1
4. Assets sold not derecognised	27	28	-	-	-	-	27	28	-	-
Total	**2,823**	**2,775**	**-**	**-**	**-**	**-**	**2,823**	**2,775**	**2,810**	**2,793**

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

5.2 Investments held to maturity: borrowers/issuers breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Debt securities	**2,795**	**-**	**-**	**2,795**	**2,809**
a) Governments and Central Banks	2,428	-	-	2,428	2,554
b) Other public entities	101	-	-	101	5
c) Banks	212	-	-	212	197
d) Other issuers	54	-	-	54	53
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	**27**	**-**	**-**	**27**	**-**
a) Governments and Central Banks	27	-	-	27	-
b) Other public entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other counterparties	-	-	-	-	-
TOTAL	**2,823**	**-**	**-**	**2,823**	**2,810**

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

Not applicable to Gruppo Intesa.

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)

	31.12.2006	31.12.2005
Investments held to maturity (other than assets sold not derecognised and non-performing)	**2,795**	**2,809**
Banking group	*2,795*	*2,809*
Insurance companies	-	-
Other companies	-	-

5.4.1 Banking group

(in millions of euro)

	Debt securities	Loans	Total
A. Initial amount	**2,809**	**-**	**2,809**
B. Increases	**697**	**-**	**697**
B.1 purchases	444	-	444
B.2 write-backs	4	-	4
B.3 transfers from other portfolios	-	-	-
B.4 other changes	249	-	249
C. Decreases	**-711**	**-**	**-711**
C.1 sales	-	-	-
C.2 reimbursements	-652	-	-652
C.3 impairment losses	-	-	-
C.4 transfers to other portfolios	-	-	-
C.5 other changes	-59	-	-59
D. Final amount	**2,795**	**-**	**2,795**

5.4.2 Insurance companies

Not applicable to Gruppo Intesa.

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)

	31.12.2006	31.12.2005
Due from banks: breakdown	**30,363**	**27,111**
Banking group	*30,334*	*27,015*
Insurance companies	-	-
Other companies	*29*	*96*

6.1.1 Banking group

(in millions of euro)

	31.12.2006	31.12.2005
A. Due from Central Banks	**4,393**	**2,848**
1. Time deposits	521	274
2. Compulsory reserve	2,908	1,968
3. Repurchase agreements	960	604
4. Other	4	2
B. Due from banks	**25,941**	**24,167**
1. Current accounts and deposits	2,448	2,518
2. Time deposits	5,155	6,734
3. Other loans	18,206	14,637
3.1 Repurchase agreements	*15,718*	*12,655*
3.2 Finance leases	-	-
3.3 Other	*2,488*	*1,982*
4. Debt securities	127	223
4.1 Structured	-	-
4.2 Other	*127*	*223*
5. Non-performing assets	-	1
6. Assets sold not derecognised	-	-
7. Trade receivables	5	54
Total (book value)	**30,334**	**27,015**
Total (fair value)	**30,308**	**27,023**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
As concerns the subcaption Non-performing assets, please refer to Part E – Information on risks and relative hedging policies, Section – Credit risk.
The subcaption B.7 Trade receivables includes due from banks for services rendered.

6.1.2 Insurance companies

Not applicable to Gruppo Intesa.

6.1.3 Other companies

Due from banks pertaining to other companies included current accounts and deposits for 3 million euro and 26 million euro respectively.

6.2 Due from banks: assets with specific hedges

(in millions of euro)

	31.12.2006	31.12.2005
Due from banks: assets with specific hedges	**112**	**1,292**
Banking group	*112*	*1,292*
Insurance companies	-	-
Other companies	-	-

6.2.1 Banking group

(in millions of euro)

	31.12.2006	31.12.2005
1. Due from banks with specific fair value hedges	**6**	**1,007**
a) Interest rate risk	6	1,007
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Due from banks with specific cash flow hedges	**106**	**285**
a) Interest rate risk	55	61
b) Foreign exchange risk	51	224
c) Other	-	-
TOTAL	**112**	**1,292**

6.2.2 Insurance companies

Not applicable to Gruppo Intesa.

6.2.3 Other companies

No amounts pertaining to other companies were recorded.

6.3 Finance leases

As at 31st December 2006 there were no lease receivables from banks.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Loans to customers: breakdown	**190,830**	**169,478**
Banking group	*190,322*	*168,720*
Insurance companies	-	-
Other companies	*508*	*758*

7.1.1 Banking group

(in millions of euro)

	31.12.2006	31.12.2005
1. Current accounts	22,877	19,370
2. Repurchase agreements	2,972	3,692
3. Mortgages	84,995	76,387
4. Credit card loans, personal loans and transfer of one fifth of salaries	6,487	5,909
5. Finance leases	9,223	7,985
6. Factoring	5,044	4,974
7. Other operations	48,183	42,803
8. Debt securities	3,993	1,955
8.1 Structured securities	-	*101*
8.2 Other debt securities	*3,993*	*1,854*
9. Non-performing assets	4,957	5,159
10. Assets sold not derecognised	1,056	-
11. Trade receivables	535	486
Total (book value)	**190,322**	**168,720**
Total (fair value)	**191,448**	**169,744**

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

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

As concerns the subcaption Non-performing assets, please refer to Part E – Information on risks and relative hedging policies, Section – Credit risk.
The subcaption 11. Trade receivables includes loans to customers for services rendered.

7.1.2 Insurance companies

Not applicable to Gruppo Intesa.

7.1.3 Other companies

(in millions of euro)

	31.12.2006	31.12.2005
1. Current accounts	-	-
2. Repurchase agreements	-	-
3. Mortgages	-	-
4. Credit card loans, personal loans and transfer of one fifth of salaries	47	-
5. Finance leases	91	8
6. Factoring	-	-
7. Other operations	-	3
8. Debt securities	358	730
8.1 Structured securities	*79*	-
8.2 Other debt securities	*279*	*730*
9. Non-performing assets	3	1
10. Assets sold not derecognised	-	-
11. Trade receivables	9	16
Total (book value)	**508**	**758**
Total (fair value)	**509**	**758**

7.2 Loans to customers: borrower/issuer breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Debt securities	**3,993**	**-**	**358**	**4,351**	**2,685**
a) Governments	-	-	-	-	32
b) Other public entities	1,624	-	-	1,624	1,340
c) Other issuers	2,369	-	358	2,727	1,313
- non-financial companies	*136*	-	-	*136*	*105*
- financial institutions	*162*	-	*358*	*520*	*988*
- insurance companies	*2,071*	-	-	*2,071*	*98*
- other	-	-	-	-	*122*
2. Loans	**180,316**	**-**	**147**	**180,463**	**161,633**
a) Governments	2,538	-	-	2,538	4,656
b) Other public entities	3,948	-	1	3,949	3,709
c) Other counterparties	173,830	-	146	173,976	153,268
- non-financial companies	*113,901*	-	*93*	*113,994*	*88,289*
- financial institutions	*13,639*	-	-	*13,639*	*12,087*
- insurance companies	*677*	-	-	*677*	*1,100*
- other	*45,613*	-	*53*	*45,666*	*51,792*
3. Non-performing assets	**4,957**	**-**	**3**	**4,960**	**5,160**
a) Governments	2	-	-	2	1
b) Other public entities	134	-	-	134	4
c) Other counterparties	4,821	-	3	4,824	5,155
- non-financial companies	*3,540*	-	-	*3,540*	*3,594*
- financial institutions	*72*	-	-	*72*	*87*
- insurance companies	-	-	-	-	-
- other	*1,209*	-	*3*	*1,212*	*1,474*
4. Assets sold not derecognised	**1,056**	**-**	**-**	**1,056**	**-**
a) Governments	-	-	-	-	-
b) Other public entities	28	-	-	28	-
c) Other counterparties	1,028	-	-	1,028	-
- non-financial companies	-	-	-	-	-
- financial institutions	*1,002*	-	-	*1,002*	-
- insurance companies	-	-	-	-	-
- other	*26*	-	-	*26*	-
TOTAL	**190,322**	**-**	**508**	**190,830**	**169,478**

7.3 Loans to customers: assets with specific hedges

(in millions of euro)

	31.12.2006	31.12.2005
Loans to customers: assets with specific hedges	**2,073**	**1,203**
Banking group	*2,073*	*1,203*
Insurance companies	-	-
Other companies	-	-

7.3.1 Banking group

(in millions of euro)

	31.12.2006	31.12.2005
1. Loans to customers with specific fair value hedges	**1,923**	**1,203**
a) Interest rate risk	1,923	945
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	258
2. Loans to customers with specific cash flow hedges	**150**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	150	-
c) Other	-	-
TOTAL	**2,073**	**1,203**

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

7.3.2 Insurance companies

Not applicable to Gruppo Intesa.

7.3.3 Other companies

No amounts pertaining to other companies were recorded.

7.4 Finance leases

(in millions of euro)

Time bands	31.12.2006						
	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	38	-	388	*8*	87	475	*14*
Between 3 and 12 months	-	-	1,150	*25*	245	1,395	*33*
Between 1 and 5 years	-	-	4,195	*57*	797	4,992	*283*
Over 5 years	-	-	2,991	*39*	552	3,543	*938*
Unspecified maturity	133	662	176	-	-	176	-
Total, gross	**171**	**662**	**8,900**	***129***	**1,681**	**10,581**	***1,268***
Adjustments	-29	-1	-141	-	-	-141	-
- individual	*-29*	-	*-57*	-	-	*-57*	-
- collective	-	*-1*	*-84*	-	-	*-84*	-
Total, net	**142**	**661**	**8,759**	***129***	**1,681**	**10,440**	***1,268***

The table shows the reconciliation between gross investment and the present value of minimum lease payments (capital). Loans (9,562 million euro) include non-performing loans for 248 million euro.
Finance lease receivables, as already pointed out in Part A – Accounting policies, include loans related to buildings under construction and assets to be leased for 661 million euro.

SECTION 8 – HEDGING DERIVATIVES – CAPTION 80 OF ASSETS

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

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

(in millions of euro)

	31.12.2006	31.12.2005
Hedging derivatives: breakdown by type of derivative and underlying asset	**873**	**1,278**
Banking group	*873*	*1,278*
Insurance companies	-	-
Other companies	-	-

8.1.1 Banking group

(in millions of euro)

Type of derivatives/Underlying assets	Interest rate	Foreign exchange 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	**854**	**19**	-	-	-	**873**
with exchange of underlying asset	-	14	-	-	-	14
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	*14*	-	-	-	*14*
without exchange of underlying asset	854	5	-	-	-	859
- *options bought*	-	-	-	-	-	-
- *other derivatives*	*854*	*5*	-	-	-	*859*
2) Credit derivatives	-	-	-	-	-	-
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**854**	**19**	-	-	-	**873**
TOTAL (A+B) 31.12.2006	**854**	**19**	-	-	-	**873**
TOTAL (A+B) 31.12.2005	**1,244**	**34**	-	-	-	**1,278**

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

8.1.2 Insurance companies

Not applicable to Gruppo Intesa.

8.1.3 Other companies

No amounts pertaining to other companies were recorded.

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

(in millions of euro)

	31.12.2006	31.12.2005
Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)	**873**	**1,278**
Banking group	*873*	*1,278*
Insurance companies	-	-
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	91	-	-	-	-	X	-	X
2. Loans	32	-	-	X	-	X	6	X
3. Investments held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	1	X	-
Total assets	**123**	**-**	**-**	**-**	**-**	**1**	**6**	**-**
1. Financial liabilities	580	-	-	X	16	X	-	X
2. Portfolio	X	X	X	X	X	-	X	147
Total liabilities	**580**	**-**	**-**	**-**	**16**	**-**	**-**	**147**

The table indicates positive fair values of hedging derivatives, broken down in relation to asset or liability hedged and type of hedge. These mostly refer to fair value hedges of liabilities issued 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

Not applicable to Gruppo Intesa.

8.2.3 Other companies

No amounts pertaining to other companies were recorded.

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

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

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Positive fair value change	**-**	**-**	**-**	**-**	**-**
1.1. of specific portfolios	-	-	-	-	-
a) loans	-	-	-	-	-
b) assets available for sale	-	-	-	-	-
1.2. overall	-	-	-	-	-
2. Negative fair value change	**-1**	**-**	**-**	**-1**	**-**
2.1. of specific portfolios	-1	-	-	-1	-
a) loans	*-1*	-	-	*-1*	-
b) assets available for sale	-	-	-	-	-
2.2. overall	-	-	-	-	-
TOTAL	**-1**	**-**	**-**	**-1**	**-**

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

(in millions of euro)

Hedged assets	31.12.2006	31.12.2005
1. Loans	21,000	-
2. Assets available for sale	-	-
3. Portfolio	-	-
TOTAL	**21,000**	**-**

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

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

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

		Registered office	Type of relationship [(a)]	Investment Direct ownership	% held	Votes available %
A. COMPANIES SUBJECT TO JOINT CONTROL						
1	Agos S.p.A. Capital Euro 60,908,120 in shares of Euro 520	Milano	7	Banca Intesa	49.00	49.00
2	Augusto S.r.l. Capital Euro 10,000	Milano	7	Banca Intesa	5.00	5.00
3	CAAM Società di Gestione del Risparmio S.p.A. Capital Euro 24,172,200 in shares of Euro 51.65	Milano	7	Banca Intesa Intesa Holding Asset Management	32.05 2.95	32.05 2.95
4	Colombo S.r.l. Capital Euro 10,000	Milano	7	Banca Intesa	5.00	5.00
5	Diocleziano S.r.l. Capital Euro 10,000	Milano	7	Banca Intesa	5.00	5.00
6	I2 Capital S.p.A. [(#)] Capital Euro 32,527,356 in shares of Euro 1	Ivrea	7	Banca Intesa	8.01	8.01
7	Leonardo Technology S.p.A. [(#)] Capital Euro 120,000 in shares of Euro 1	Milano	7	Banca Intesa	33.33	33.33
8	Luxiprivilège Conseil S.A. Capital Euro 75,000 in shares of Euro 25	Luxembourg	7	Société Européenne de Banque	50.00	50.00
9	Monte Mario 2000 S.r.l. Capital Euro 51,480	Roma	7	Intesa Real Estate	47.50	47.50
10	PBZ Croatia Osiguranje Public Limited Company Capital HRK 56,000,000 in shares of HRK 1,000	Zagreb	7	Privredna Banka Zagreb	50.00	50.00
11	Po Vita Compagnia di Assicurazioni S.p.A. Capital Euro 114,200,000 in shares of Euro 1	Parma	7	C.R. di Parma e Piacenza	50.00	50.00
12	Shanghai Sino-Italy Business Advisory Company Limited Capital USD 1,200,000	Shanghai	7	Banca Intesa	40.00	40.00
13	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
B. INVESTMENT IN ASSOCIATES						
1	Autostrade Lombarde S.p.A. Capital Euro 95,000,000 in shares of Euro 10	Bergamo	8	Banca Intesa	3.80	3.80
2	Banca Impresa Lazio S.p.A. Capital Euro 7,000,000 in shares of Euro 10,000	Roma	8	Banca Intesa	12.00	12.00
3	CAAM Alternative Investments S.G.R. S.p.A. Capital Euro 4,420,000 in shares of Euro 130	Milano	8	Banca Intesa	10.00	10.00
4	Camigliati Scuola Management Territoriale S.c.r.l. Capital Euro 16,455	Camigliatello Silano	8	Intesa Formazione	20.00	20.00
5	Capitale e Sviluppo S.p.A. Capital Euro 4,390,250 in shares of Euro 51.65	Perugia	8	C.R. di Foligno C.R. di Spoleto C.R. Terni e Narni	9.76 9.76 9.76	9.76 9.76 9.76
6	Cassa di Risparmio della Provincia di Teramo S.p.A. Capital Euro 26,000,000 in shares of Euro 0.52	Teramo	8	Banca Intesa	20.00	20.00
7	Cassa di Risparmio di Fermo S.p.A. Capital Euro 39,241,087.50 in shares of Euro 51.65	Fermo	8	Banca Intesa	33.33	33.33
8	Cedacri S.p.A. Capital Euro 12,609,000 in shares of Euro 1,000	Collecchio	8	C.R. di Biella e Vercelli Intesa Casse del Centro	5.48 3.01	5.48 3.01
9	Collegamenti Integrati Veloci CIV S.p.A. Capital Euro 10,000,000 in shares of Euro 1	Tortona	8	Banca Intesa	5.00	5.00
10	Collegamento Ferroviario Genova-Milano Capital Euro 120,000 in shares of Euro 1	Genova	8	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	8	Banca Cis	33.33	33.33
12	Elettrostudio Trading S.r.l. Capital Euro 100,000	Venezia	8	Banca Popolare Friuladria	30.00	30.00
13	Euromilano S.p.A. [(#)] Capital Euro 6,500,000 in shares of Euro 100	Milano	8	Banca Intesa	37.50	37.50

		Registered office	Type of relation-ship [a]	Investment		Votes available %
				Direct ownership	% held	
14	Europrogetti e Finanza S.p.A. Capital Euro 9,769,760 in shares of Euro 0.52	Roma	8	Banca Intesa	15.97	15.97
15	F.I.L.A. Fabbrica Italiana Lapis e Affini S.p.A. [#] Capital Euro 2,917,215 in shares of Euro 1.62	Milano	8	Banca Intesa	24.75	24.75
16	Fiere di Parma S.p.A. Capital Euro 20,235,270 in shares of Euro 10	Parma	8	C.R. Parma e Piacenza	17.33	17.33
17	Finance Lab S.r.l. Capital Euro 50,000	Pordenone	8	Banca Popolare Friuladria	40.00	40.00
18	Grande Jolly S.r.l. Capital Euro 12,000,000	Milano	8	Banca Intesa	7.00	7.00
19	Imaging S.p.A. Capital Euro 30,000,000 in shares of Euro 1	Milano	8	Banca Intesa	37.95	37.95
20	Intesa Soditic Trade Finance Ltd Capital USD 5,000,000 in shares of USD 1	Londra	8	Intesa Holding International	50.00	50.00
21	Intesa Vita S.p.A. Capital Euro 394,226,300 in shares of Euro 5	Milano	8	Banca Intesa	50.00	44.44
22	Italfondiario S.p.A. Capital Euro 20,000,000 in shares of Euro 1	Roma	8	Banca Intesa	11.25	11.25
23	Mater-Bi S.p.A. [#] Capital Euro 14,560,000 in shares of Euro 0.52	Milano	8	Banca Intesa	34.48	34.48
24	Neubor Glass S.p.A. Capital Euro 2,100,000 in shares of Euro 1	San Vito al Tagliamento	8	Banca Popolare FriulAdria	24.70	24.70
25	NH Italia S.r.l. Capital Euro 82,363,636.36	Milano	8	Banca Intesa	45.00	45.00
26	Obiettivo Nord - Est Sicav S.p.A. Capital Euro 23,510,723 in shares without nominal value	Venezia Marghera	8	Banca Intesa	9.21	9.21
27	P.B. S.r.l. [#] Capital Euro 119,000	Milano	8	Banca Intesa	42.24	42.24
28	Pirelli & C. S.p.A. [#] Capital Euro 2,791,311,344.64 in shares of Euro 0.52	Milano	8	Banca Intesa	1.52	1.56
29	R.C.N. Finanziaria S.p.A.[#] Capital Euro 27,135,988 in shares of Euro 0.50	Mantova	8	Banca Intesa	23.96	23.96
30	Rizzoli Corriere della Sera MediaGroup S.p.A. [#] Capital Euro 762,019,050 in shares of Euro 1	Milano	8	Banca Intesa	4.58	4.77
31	Rodriquez Pietra Ligure S.r.l. [#] Capital Euro 20,000	Milano	8	Banca Intesa	22.22	22.22
32	Saper Participacoes Ltda Capital BRL 727.26	Saõ Paulo	8	SATA	37.90	37.90
33	Slovak Banking Credit Bureau s.r.o. Capital SKK 300,000	Bratislava	8	Vseobecna Uverova Banka	33.33	33.33
34	Società per i Servizi Bancari S.p.A. Capital Euro 10,763,984.27 in shares of Euro 0.13	Milano	8	Banca Intesa	17.83	17.83
				Banca di Trento e Bolzano	0.23	0.23
				Banca Popolare Friuladria	0.06	0.06
				C.R. della Provincia di Viterbo	0.05	0.05
				C.R. di Ascoli Piceno	0.02	0.02
				C.R. di Biella e Vercelli	0.11	0.11
				C.R. di Città di Castello	0.04	0.04
				C.R. di Foligno	0.04	0.04
				C.R. di Parma e Piacenza	0.21	0.21
				C.R. di Rieti	0.05	0.05
				C.R. di Spoleto	0.01	0.01
				C.R. di Terni	0.04	0.04
35	Synesis Finanziaria S.p.A. [#] Capital Euro 200,000,000 in shares of Euro 1	Torino	8	Banca Intesa	25.00	25.00
36	Tangenziali Esterne Milano S.p.A. Capital Euro 7,000,000 in shares of Euro 5	Milano	8	Banca Intesa	5.00	5.00
37	Termomeccanica S.p.A.[#] Capital Euro 3,029,468 in shares of Euro 0.52	La Spezia	8	Banca Intesa	33.29	33.29

		Registered office	Type of relation-ship (a)	Investment Direct ownership	% held	Votes available %
38	Turismo & Immobiliare S.p.A. (#) Capital Euro 120,000 in shares of Euro 1	Milano	8	Banca Intesa	25.00	25.00
39	Uno A Erre Italia S.p.A. (#) Capital Euro 13,857,951 in shares of Euro 0.01	Arezzo	8	Banca Intesa	13.51	13.51
				Banca Intesa Mediocredito	11.14	11.14

(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 - common management as defined in Art. 26.1 of the "Legislative Decree 87/92";
6 - common management as defined in Art. 26.2 of the "Legislative Decree 87/92";
7 - joint control;
8 - associate.

(#) Companies from merchant banking activities.

The illustration of the criteria and the methods for the definition of the consolidation area and the motivations which determine that a company is subject to joint control or significant influence is contained in Part A – Accounting policies, to which reference must 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					**404**	
1. Agos S.p.A.	7,447	593	70	337	220	-
2. Augusto S.r.l.	-	-	-	-	-	-
3. CAAM Società di Gestione del Risparmio S.p.A.	403	743	46	203	82	-
4. Colombo S.r.l.	-	-	-1	-	-	-
5. Diocleziano S.r.l.	-	-	-	-	-	-
6. I2 Capital S.p.A.	164	3	-22	120	12	-
7. Leonardo Technology S.p.A.	-	-	-	-	5	-
8. Luxiprivilège Conseil S.A.	-	-	-	-	-	-
9. Monte Mario 2000 S.r.l.	1	-	-	-	-	-
10. PBZ Croatia Osiguranje Public Limited Company	12	5	2	11	6	-
11. Po Vita Compagnia di Assicurazioni S.p.A.	3,070	822	14	125	75	-
12. Shanghai Sino-Italy Business Advisory Company Limited	-	-	-	-	-	-
13. VUB GENERALI dochodkova spravcovska spolocnost, a.s.	9	2	-3	8	4	-
A.2. Investment in associates					**1,341**	
1. Autostrade Lombarde S.p.A.	147	2	1	97	4	-
2. Banca Impresa Lazio S.p.A.	7	-	-	7	1	-
3. CAAM Alternative Investments S.G.R.	25	29	8	15	1	-
4. Camigliati Scuola Management Territoriale S.c.r.l.	-	-	-	-	-	-
5. Capitale e Sviluppo S.p.A.	4	-	-	3	1	-
6. Cassa di Risparmio della Provincia di Teramo S.p.A.	3,065	173	26	299	60	-
7. Cassa di Risparmio di Fermo S.p.A.	1,303	80	9	146	49	-
8. Cedacri S.p.A.	107	153	7	52	6	-
9. Collegamenti Integrati Veloci CIV S.p.A.	20	-	-	10	-	-
10. Collegamento Ferroviario Genova-Milano	-	-	-	-	-	-
11. Consorzio per gli Studi Universitari a Distanza S.c.a.r.l.	-	-	-	-	-	-
12. Elettrostudio Trading S.r.l.	-	-	-	-	-	-
13. Euromilano S.p.A.	185	30	1	36	14	-
14. Europrogetti e Finanza S.p.A.	18	7	-1	7	1	-
15. F.I.L.A. Fabbrica Italiana Lapis e Affini S.p.A.	99	63	2	43	16	-
16. Fiere di Parma S.p.A.	43	18	-1	23	8	-
17. Finance Lab S.r.l.	1	1	-	1	-	-
18. Grande Jolly S.p.A.	-	-	-	-	1	-
19. Imaging S.p.A.	-	-	-	-	39	-
20. Intesa Soditic Trade Finance Ltd	19	3	-	4	2	-
21. Intesa Vita S.p.A.	28,823	7,746	79	1,421	635	-
22. Italfondiario S.p.A.	114	78	23	51	4	-
23. Mater-Bi S.p.A.	44	35	-1	27	11	-
24. Neubor Glass S.p.A.	13	13	1	3	1	-
25. NH Italia S.r.l.	288	3	-5	283	135	-
26. Obiettivo Nord - Est Sicav S.p.A.	25	4	3	27	2	-
27. P.B. S.r.l.	121	-	-	-	2	-
28. Pirelli & C. S.p.A.	6,906	572	140	4,661	61	62
29. R.C.N. Finanziaria S.p.A.	68	-	-1	47	4	-
30. Rizzoli Corriere della Sera MediaGroup S.p.A.	1,418	151	124	1,199	138	133
31. Rodriquez Pietra Ligure S.r.l.	-	-	-	-	1	-
32. Saper Participacoes Ltda	-	-	-	-	-	-
33. Slovak Banking Credit Bureau s.r.o.	-	-	-	-	-	-
34. Società per i Servizi Bancari S.p.A.	124	178	11	68	2	-
35. Synesis Finanziaria S.p.A.	502	122	118	499	125	-
36. Tangenziali Esterne Milano S.p.A.	5	-	-1	5	-	-
37. Termomeccanica S.p.A.	74	9	2	35	12	-
38. Turismo & Immobiliare S.p.A.	78	-	-1	16	5	-
39. Uno A Erre Italia S.p.A. (ex Ecc Holding)	107	169	-15	13	-	-
Total companies carried at equity					1,745	
Banca d'Italia					**433**	
Other minor non-consolidated companies					5	
Total					**2,183**	

(*) Company established in February 2006 as vehicle for the purchase of 100% of Esaote. As at 31st December 2006 the Company availed itself of the faculty of not preparing the financial statements.

In the table above, values under 0.5 million euro are indicated with a dash.
The financial highlights refer to the last approved financial statements.
In compliance with Bank of Italy instructions, total revenues refer to the sum of the income components which present a positive sign, gross of tax. The fair value column sets out the values of the listed companies classified as Companies subject to significant influence.
Shareholders' equity includes the company's net income for the period.
Considering its peculiarity, already described in the Report on operations and in accounting principles, the stake in the Bank of Italy is also included.

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

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
A. Initial amount	**2,091**	**-**	**-**	**2,091**	**2,174**
B. Increases	**640**	**-**	**-**	**640**	**403**
B.1 purchases	132	-	-	132	129
B.2 write-backs	-	-	-	-	2
B.3 revaluations	202	-	-	202	158
B.4 other changes	306	-	-	306	114
C. Decreases	**-548**	**-**	**-**	**-548**	**-486**
C.1 sales	-292	-	-	-292	-96
C.2 impairment losses	-30	-	-	-30	-11
C.3 other changes	-226	-	-	-226	-379
D. Final amount	**2,183**	**-**	**-**	**2,183**	**2,091**
E. Total revaluations	**625**	**-**	**-**	**625**	**423**
F. Total impairment losses	**36**	**-**	**-**	**36**	**47**

10.4 Commitments referred to investments in companies subject to joint control

As at 31st December 2006 Gruppo Intesa had no commitments referred to companies subject to joint control.

10.5 Commitments referred to investments in companies subject to significant influence

As at 31st December 2006 Gruppo Intesa had no commitments referred to companies subject to significant influence.

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

Caption not applicable to Gruppo Intesa.

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	31.12.2006	31.12.2005
A. Property and equipment used in operations					
1.1 owned	2,860	-	50	2,910	2,881
a) land	*717*	-	*4*	*721*	*723*
b) buildings	*1,565*	-	*44*	*1,609*	*1,594*
c) furniture	*187*	-	-	*187*	*173*
d) electronic equipment	*316*	-	*1*	*317*	*288*
e) other	*75*	-	*1*	*76*	*103*
1.2 acquired in leasing	2	-	-	2	2
a) land	-	-	-	-	-
b) buildings	*1*	-	-	*1*	*2*
c) furniture	-	-	-	-	-
d) electronic equipment	-	-	-	-	-
e) other	*1*	-	-	*1*	-
Total A	**2,862**	**-**	**50**	**2,912**	**2,883**
B. Investment property					
2.1 owned	16	-	-	16	41
a) land	*5*	-	-	*5*	*15*
b) buildings	*11*	-	-	*11*	*26*
2.2 acquired in leasing	-	-	-	-	-
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
Total B	**16**	**-**	**-**	**16**	**41**
TOTAL (A + B)	**2,878**	**-**	**50**	**2,928**	**2,924**

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

Caption not applicable to Gruppo Intesa.

12.3 Property and equipment used in operations: annual changes

(in millions of euro)

	31.12.2006	31.12.2005
Property and equipment used in operations	**2,912**	**2,883**
Banking group	*2,862*	*2,822*
Insurance companies	*-*	*-*
Other companies	*50*	*61*

12.3.1 Banking group

(in millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**719**	**2,593**	**605**	**1,605**	**251**	**5,773**
A.1 Total net adjustments	-	-997	-432	-1,317	-205	-2,951
A.2 Net initial carrying amount	**719**	**1,596**	**173**	**288**	**46**	**2,822**
B. Increases	**14**	**179**	**59**	**181**	**59**	**492**
B.1 Purchases	2	50	50	172	35	309
B.2 Capitalised improvement costs	-	47	-	1	1	49
B.3 Write-backs recognised in	-	13	-	-	-	13
a) shareholders' equity	-	-	-	-	-	-
b) statement of income	-	*13*	-	-	-	*13*
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) statement of income	-	-	-	-	-	-
B.5 Positive foreign exchange differences	1	15	1	3	-	20
B.6 Transfer from investment property	10	13	-	-	-	23
B.7 Other changes	1	41	8	5	23	78
C. Decreases	**-16**	**-209**	**-45**	**-153**	**-29**	**-452**
C.1 Sales	-5	-73	-6	-10	-4	-98
C.2 Depreciation	-	-75	-37	-136	-19	-267
C.3 Impairment losses recognised in	-	-1	-	-	-	-1
a) shareholders' equity	-	-	-	-	-	-
b) statement of income	-	*-1*	-	-	-	*-1*
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) statement of income	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-1	-	-	-	*-1*
C.6 Transfer to	-1	-2	-	-	-	-3
a) investment property	*-1*	*-2*	-	-	-	*-3*
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-10	-57	-2	-7	-6	-82
D. Net final carrying amount	**717**	**1,566**	**187**	**316**	**76**	**2,862**
D.1 Total net adjustments	-	1,025	455	1,431	194	3,105
D.2 Gross final carrying amount	**717**	**2,591**	**642**	**1,747**	**270**	**5,967**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Subcaptions A.1 and D.1 - Total net adjustments show the sum of depreciation and adjustments.
Subcaption E - Measurement at cost does not present any values since, as provided for by the instructions issued by the Bank of Italy, it must be filled in only for property and equipment measured at fair value.

12.3.2 Insurance companies

Not applicable to Gruppo Intesa.

12.3.3 Other companies

Changes pertaining to other companies referred to new investments mostly attributable to companies of the Central-European International Bank group for 45 million euro and to the classification in discontinued operations of property and equipment of Intesa Renting for 56 million euro.

12.4 Investment property: annual changes

(in millions of euro)

	Banking group		Insurance companies		Other companies		Total	
	Land	Buildings	Land	Buildings	Land	Buildings	Land	Buildings
A. Gross initial carrying amount	**5**	**22**	**-**	**-**	**10**	**4**	**15**	**26**
A.1 Total net adjustments	-	-	-	-	-	-	-	-
A.2 Net initial carrying amount	**5**	**22**	**-**	**-**	**10**	**4**	**15**	**26**
B. Increases	**1**	**6**	**-**	**-**	**-**	**-**	**1**	**6**
B.1 Purchases	-	-	-	-	-	-	-	-
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	2	-	-	-	-	1	2
B.7 Other changes	-	4	-	-	-	-	-	4
C. Decreases	**-1**	**-17**	**-**	**-**	**-10**	**-4**	**-11**	**-21**
C.1 Sales	-1	-5	-	-	-	-	-1	-5
C.2 Depreciation	-	-1	-	-	-	-	-	-1
C.3 Negative fair value differences	-	-	-	-	-	-	-	-
C.4 Impairment losses	-	-	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-	-	-
C.6 Transfer to other assets	-	-9	-	-	-10	-4	-10	-13
a) property used in operations	-	-9	-	-	-10	-4	-10	-13
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
C.7 Other changes	-	-2	-	-	-	-	-	-2
D. Net final carrying amount	**5**	**11**	**-**	**-**	**-**	**-**	**5**	**11**
D.1 Total net adjustments	-	-	-	-	-	-	-	-
D.2 Gross final carrying amount	**5**	**11**	**-**	**-**	**-**	**-**	**5**	**11**
E. Fair value measurement	**8**	**18**	**-**	**-**	**-**	**-**	8	18

12.5 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31st December 2006 totalled approximately 36 million euro mostly referred to electronic equipment and buildings.

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		31.12.2006		31.12.2005	
	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**	**926**	**X**	**-**	**X**	**-**	**X**	**926**	**X**	**869**
A.1.1 Group	x	926	x	-	x	-	x	926	x	869
A.1.2 Minority interests	x	x	x	x	x	x	x	x	x	x
A.2 Other intangible assets	**455**	**-**	**-**	**-**	**-**	**-**	**455**	**-**	**487**	**-**
A.2.1 Assets measured at cost	455	-	-	-	-	-	455	-	487	-
a) Internally generated intangible assets	*294*	-	-	-	-	-	*294*	-	*319*	-
b) Other assets	*161*	-	-	-	-	-	*161*	-	*168*	-
A.2.2 Assets measured at fair value	-	-	-	-	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-	-	-	-	-
b) Other assets	-	-	-	-	-	-	-	-	-	-
Total	**455**	**926**	**-**	**-**	**-**	**-**	**455**	**926**	**487**	**869**

With reference to Intangible assets with indefinite useful life (goodwill), please refer to Part A – Accounting policies, as concerns the determination of adjustments, and to Part G – Business combinations, for the description of transactions concluded during 2006 and in the first months of 2007.

13.2 Intangible assets: annual changes

(in millions of euro)

	31.12.2006	31.12.2005
Intangible assets	**1,381**	**1,356**
Banking group	*1,381*	*1,356*
Insurance companies	-	-
Other companies	-	-

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	**875**	**1,060**	**-**	**559**	**-**	**2,494**
A.1 Total net adjustments	-6	-741	-	-391	-	-1,138
A.2 Net initial carrying amount	**869**	**319**	**-**	**168**	**-**	**1,356**
B. Increases	**82**	**150**	**-**	**72**	**-**	**304**
B.1 Purchases	64	150	-	63	-	277
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	*X*	-	-	-	-	-
- statement of income	*X*	-	-	-	-	-
B.5 Positive foreign exchange differences	18	-	-	-	-	18
B.6 Other changes	-	-	-	9	-	9
C. Decreases	**-25**	**-175**	**-**	**-79**	**-**	**-279**
C.1 Sales	-18	-	-	-4	-	-22
C.2 Impairment losses	-	-174	-	-72	-	-246
- Amortisation	X	-174	-	-72	-	-246
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
statement of income	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- shareholders' equity	*X*	-	-	-	-	-
- statement of income	*X*	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-7	-1	-	-3	-	-11
D. Net final carrying amount	**926**	**294**	**-**	**161**	**-**	**1,381**
D.1 Total net adjustments	-	916	-	441	-	1,357
E. Gross final carrying amount	**926**	**1,210**	**-**	**602**	**-**	**2,738**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Subcaptions A.1 and D.1 – Total net adjustments present the balance of the cumulated amortisation of intangible assets with finite useful life, respectively at the beginning and at the end of the year. Subcaption F - Measurement at cost does not present any values since, as provided for by the instructions issued by the Bank of Italy, it must be filled in only for intangible assets measured at fair value.

13.2.2 Insurance companies

Not applicable to Gruppo Intesa.

13.2.3 Other companies

No amounts pertaining to other companies were recorded.

13.3 Other information

Commitments as at 31st December 2006 amounted to approximately 11 million euro and mostly referred to software.

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

14.1 Deferred tax assets: breakdown

Deferred tax assets, recorded with reference to temporary deductible differences, amounted to 1,402 million euro and mostly referred to adjustments to loans (449 million euro) and to allowances for risks and charges and for guarantees and commitments for a total of 653 million euro.

14.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 571 million euro (142 million euro recorded in equity) and essentially referred to the revaluation of real estate assets on first-time consolidation (130 million euro), to the valuation of securities available for sale and cash flow hedge derivatives (110 million euro), to the difference between book value and value recognised for tax purposes of land and real estate (108 million euro) and equity investments (81 million euro).

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

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Initial amount	**1,356**	**-**	**1**	**1,357**	**1,485**
2. Increases	**507**	**-**	**-**	**507**	**1,407**
2.1 Deferred tax assets recognised in the period	467	-	-	467	543
a) related to previous years	*66*	-	-	*66*	-
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	-	-	-	-	-
d) other	*401*	-	-	*401*	*543*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	40	-	-	40	864
3. Decreases	**-503**	**-**	**-1**	**-504**	**-1,535**
3.1 Deferred tax assets eliminated in the period	-455	-	-	-455	-1,091
a) reversals	*-455*	-	-	*-455*	*-1,091*
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-48	-	-1	-49	-444
4. Final amount	**1,360**	**-**	**-**	**1,360**	**1,357**

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

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Initial amount	**392**	**-**	**-**	**392**	**410**
2. Increases	**121**	**-**	**1**	**122**	**324**
2.1 Deferred tax liabilities recognised in the period	74	-	1	75	90
a) related to previous years	*15*	-	-	*15*	-
b) due to changes in accounting criteria	-	-	-	-	-
c) value recoveries	-	-	-	-	-
d) other	*59*	-	*1*	*60*	*90*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	47	-	-	47	234
3. Decreases	**-85**	**-**	**-**	**-85**	**-342**
3.1 Deferred tax liabilities eliminated in the period	-41	-	-	-41	-309
a) reversals	*-33*	-	-	*-33*	*-304*
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*-8*	-	-	*-8*	*-5*
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-44	-	-	-44	-33
4. Final amount	**428**	**-**	**1**	**429**	**392**

14.5 Changes in deferred tax assets (recorded in equity)

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Initial amount	**69**	**-**	**-**	**69**	**-**
2. Increases	**7**	**-**	**-**	**7**	**80**
2.1 Deferred tax assets recognised in the period	6	-	-	6	13
a) related to previous years	-	-	-	-	-
b) due to changes in accounting criteria	-	-	-	-	-
c) other	*6*	-	-	*6*	*13*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	1	-	-	1	67
3. Decreases	**-34**	**-**	**-**	**-34**	**-11**
3.1 Deferred tax assets eliminated in the period	-30	-	-	-30	-8
a) reversals	*-30*	-	-	*-30*	*-8*
b) write-offs	-	-	-	-	-
c) due to changes in accounting criteria	-	-	-	-	-
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-4	-	-	-4	-3
4. Final amount	**42**	**-**	**-**	**42**	**69**

14.6 Changes in deferred tax liabilities (recorded in equity)

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Initial amount	**56**	**-**	**-**	**56**	**-**
2. Increases	**107**	**-**	**2**	**109**	**73**
2.1 Deferred tax liabilities recognised in the period	87	-	2	89	10
a) related to previous years	*-*	*-*	*-*	*-*	*-*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*87*	*-*	*2*	*89*	*10*
2.2 New taxes or tax rate increases	-	-	-	-	-
2.3 Other increases	20	-	-	20	63
3. Decreases	**-23**	**-**	**-**	**-23**	**-17**
3.1 Deferred tax liabilities eliminated in the period	-21	-	-	-21	-14
a) reversals	*-2*	*-*	*-*	*-2*	*-12*
b) due to changes in accounting criteria	*-*	*-*	*-*	*-*	*-*
c) other	*-19*	*-*	*-*	*-19*	*-2*
3.2 Tax rate reductions	-	-	-	-	-
3.3 Other decreases	-2	-	-	-2	-3
4. Final amount	**140**	**-**	**2**	**142**	**56**

14.7 Other information

It must be noted that deferred tax assets included 28 million euro relative to tax losses from Group companies.

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	31.12.2006	31.12.2005
A. Non-current assets held for sale					
A.1 Investments in associates and companies subject to joint control	1	-	-	1	15
A.2 Property and equipment	4	-	57	61	23
A.3 Intangible assets	-	-	-	-	-
A.4 Other	-	-	-	-	-
Total A	**5**	**-**	**57**	**62**	**38**
B. Discontinued operations					
B.1 Financial assets held for trading	-	-	-	-	98
B.2 Financial assets designated at fair value through profit and loss	-	-	-	-	-
B.3 Financial assets available for sale	-	-	-	-	290
B.4 Investments held to maturity	-	-	-	-	-
B.5 Due from banks	-	-	1	1	781
B.6 Loans to customers	-	-	2	2	1,429
B.7 Investments in associates and companies subject to joint control	-	-	-	-	-
B.8 Property and equipment	-	-	-	-	158
B.9 Intangible assets	-	-	-	-	5
B.10 Other	-	-	4	4	70
Total B	**-**	**-**	**7**	**7**	**2,831**
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	-	-	50	50	419
D.2 Due to customers	-	-	9	9	2,104
D.3 Securities issued	-	-	-	-	173
D.4 Financial liabilities held for trading	-	-	-	-	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
D.6 Allowances	-	-	-	-	141
D.7 Other	-	-	4	4	126
Total D	**-**	**-**	**63**	**63**	**2,963**

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 31st December 2006, 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	31.12.2006	31.12.2005
Amounts to be debited - under processing	981	-	-	981	529
Amounts to be debited - deriving from securities transactions	241	-	-	241	765
Bank cheques drawn on third parties to be settled	607	-	-	607	543
Transit items	621	-	-	621	401
Cheques drawn on the bank settled	59	-	-	59	70
Cautionary deposits on behalf of third parties	22	-	-	22	22
Leasehold improvements	116	-	-	116	93
Other	1,381	-	61	1,442	856
Total	**4,028**	**-**	**61**	**4,089**	**3,279**

LIABILITIES

SECTION 1 – DUE TO BANKS – CAPTION 10

1.1 Due to banks: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Due to Central Banks	**6,554**	**-**	**-**	**6,554**	**6,077**
2. Due to banks	**33,389**	**-**	**11**	**33,400**	**25,694**
2.1 Current accounts and deposits	6,745	-	-	6,745	6,076
2.2 Time deposits	12,509	-	5	12,514	11,366
2.3 Loans	4,131	-	6	4,137	3,893
2.3.1 Finance leases	-	-	-	-	-
2.3.2 Other	*4,131*	-	*6*	*4,137*	*3,893*
2.4 Debts for commitments to repurchase own equity instruments	-	-	-	-	-
2.5 Liabilities related to assets sold not derecognised	9,825	-	-	9,825	4,262
2.5.1 Repurchase agreements	*9,825*	-	-	*9,825*	*4,216*
2.5.2 Other	-	-	-	-	*46*
2.6 Other debts	164	-	-	164	77
2.7 Trade payables	15	-	-	15	20
Total	**39,943**	**-**	**11**	**39,954**	**31,771**
Fair value	**39,943**	**-**	**11**	**39,954**	**31,771**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Repurchase agreements related to assets sold not derecognised are included for 1,848 million euro (2,012 million euro in 2005) in subcaption 1. Due to Central Banks and for 4,475 million euro (833 million euro in 2005) in subcaption 2.5.1 Repurchase agreements.
Subcaption 2.7 Trade payables includes due to banks for services rendered.

1.2 Breakdown of caption 10 Due to banks: subordinated debts

The complete list of subordinated debts is presented in Part F – Information on capital. The amount included in caption Due to banks totalled 44 million euro.

1.3 Breakdown of caption 10 Due to banks: structured debts

Gruppo Intesa has not issued any structured debts.

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

(in millions of euro)

	31.12.2006	31.12.2005
1. Due to banks with specific fair value hedges	**576**	**16**
a) Interest rate risk	576	16
b) Foreign exchange risk	-	-
c) Various risks	-	-
2. Due to banks with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**576**	**16**

1.5 Finance lease payables

The Group has no finance 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	31.12.2006	31.12.2005
1. Current accounts and deposits	89,572	-	28	89,600	85,493
2. Time deposits	18,580	-	40	18,620	15,306
3. Public funds under administration	69	-	-	69	67
4. Loans	1,096	-	-	1,096	1,081
4.1 Financial leases	-	-	-	-	-
4.2 Other	*1,096*	-	-	*1,096*	*1,081*
5. Debts for commitments to repurchase own equity instruments	-	-	-	-	-
6. Liabilities related to assets sold not derecognised	10,582	-	-	10,582	10,094
6.1 Repurchase agreements	*10,582*	-	-	*10,582*	*10,094*
6.2 Other	-	-	-	-	-
7. Other debts	2,752	-	-	2,752	3,218
8. Trade payables	14	-	-	14	11
Total	**122,665**	**-**	**68**	**122,733**	**115,270**
Fair value	**122,665**	**-**	**68**	**122,733**	**115,270**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Subcaption 6.1 Repurchase agreements also includes repurchase agreements on securities received from repurchase agreements of 8,675 million euro (7,803 million euro in 2005).
Subcaption 8. Trade payables includes due to customers for services rendered.

2.2 Breakdown of caption 20 Due to customers: subordinated debts

The complete list of subordinated debts is presented in Part F – Information on capital. The amount included in caption Due to customers totalled 91 million euro.

2.3 Breakdown of caption 20 Due to customers: structured debts

Gruppo Intesa has not issued any structured debts.

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

(in millions of euro)

	31.12.2006	31.12.2005
1. Due to customers with specific fair value hedges	**125**	**20**
a) Interest rate risk	19	20
b) Foreign exchange risk	-	-
c) Various risks	106	-
2. Due to customers with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**125**	**20**

2.5 Finance lease payables

Finance lease payables included in the caption Due to customers are immaterial.

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		31.12.2006		31.12.2005	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
A. Quoted securities	**13,798**	**13,784**	**-**	**-**	**-**	**-**	**13,798**	**13,784**	**13,087**	**13,099**
1. bonds	13,798	13,784	-	-	-	-	13,798	13,784	13,087	13,099
1.1 structured	*11,668*	*11,668*	-	-	-	-	*11,668*	*11,668*	*11,081*	*11,081*
1.2 other	*2,130*	*2,116*	-	-	-	-	*2,130*	*2,116*	*2,006*	*2,018*
2. other	-	-	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-	-	-
B. Unquoted securities	**65,197**	**65,131**	**-**	**-**	**1,034**	**1,034**	**66,231**	**66,165**	**59,233**	**59,246**
1. bonds	54,489	54,420	-	-	-	-	54,489	54,420	48,685	48,698
1.1 structured	*8,899*	*8,899*	-	-	-	-	*8,899*	*8,899*	*9,453*	*9,453*
1.2 other	*45,590*	*45,521*	-	-	-	-	*45,590*	*45,521*	*39,232*	*39,245*
2. other	10,708	10,711	-	-	1,034	1,034	11,742	11,745	10,548	10,548
2.1 structured	*1*	*1*	-	-	*1,034*	*1,034*	*1,035*	*1,035*	*1,314*	*1,314*
2.2 other	*10,707*	*10,710*	-	-	-	-	*10,707*	*10,710*	*9,234*	*9,234*
Total	**78,995**	**78,915**	**-**	**-**	**1,034**	**1,034**	**80,029**	**79,949**	**72,320**	**72,345**

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

3.2 Breakdown of caption 30 Securities issued: subordinated securities

The complete list of subordinated securities is presented in Part F – Information on capital. The amount included in caption Securities issued equalled 10,639 million euro.

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

(in millions of euro)

	31.12.2006	31.12.2005
1. Securities with specific fair value hedges	**30,085**	**33,751**
a) Interest rate risk	25,491	32,762
b) Foreign exchange risk	-	-
c) Various risks	4,594	989
2. Securities with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**30,085**	**33,751**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Financial liabilities held for trading: breakdown	**15,648**	**21,249**
Banking group	*15,648*	*21,249*
Insurance companies	-	-
Other companies	-	-

4.1.1 Banking group

(in millions of euro)

	31.12.2006				31.12.2005			
	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	**1,489**	**-**	**1,620**	**1,620**	**1,609**	**-**	**1,839**	**1,839**
2. Due to customers	**717**	**721**	**-**	**720**	**1,963**	**1,805**	**175**	**2,015**
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	**2,206**	**721**	**1,620**	**2,340**	**3,572**	**1,805**	**2,014**	**3,854**
B. DERIVATIVES								
1. Financial derivatives	**X**	**268**	**12,529**	**X**	**X**	**169**	**16,490**	**X**
1.1 Trading	X	268	10,970	X	X	169	14,787	X
1.2 Fair value option	X	-	-	X	X	-	-	X
1.3 Other	X	-	1,559	X	X	-	1,703	X
2. Credit derivatives	**X**	**-**	**510**	**X**	**X**	**-**	**771**	**X**
2.1 Trading	X	-	510	X	X	-	769	X
2.2 Fair value option	X	-	-	X	X	-	-	X
2.3 Other	X	-	-	X	X	-	2	X
Total B	**-**	**268**	**13,039**	**-**	**-**	**169**	**17,261**	**-**
TOTAL (A+B)	**2,206**	**989**	**14,659**	**2,340**	**3,572**	**1,974**	**19,275**	**3,854**

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

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

4.1.2 Insurance companies

Not applicable to Gruppo Intesa.

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

Gruppo Intesa does not have any subordinated liabilities classified in caption Financial liabilities held for trading.

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

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

4.4 Financial liabilities held for trading: derivatives

(in millions of euro)

	31.12.2006	31.12.2005
Financial liabilities held for trading: derivatives	**13,307**	**17,430**
Banking group	*13,307*	*17,430*
Insurance companies	-	-
Other companies	-	-

4.4.1 Banking group

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Foreign exchange and gold	Equities	Loans	Other	31.12.2006	31.12.2005
A) QUOTED DERIVATIVES							
1) Financial derivatives	***42***	**-**	***226***	**-**	**-**	***268***	***169***
with exchange of underlying asset	42	-	6	-	-	48	55
- *options issued*	*42*	-	*5*	-	-	*47*	*42*
- *other derivatives*	-	-	*1*	-	-	*1*	*13*
without exchange of underlying asset	-	-	220	-	-	220	114
- *options issued*	-	-	*219*	-	-	*219*	*93*
- *other derivatives*	-	-	*1*	-	-	*1*	*21*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**42**	**-**	**226**	**-**	**-**	**268**	**169**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	***10,202***	***803***	***1,524***	**-**	**-**	***12,529***	***16,490***
with exchange of underlying asset	2	706	33	-	-	741	1,181
- *options issued*	-	56	33	-	-	89	81
- *other derivatives*	2	650	-	-	-	652	1,100
without exchange of underlying asset	10,200	97	1,491	-	-	11,788	15,309
- *options issued*	590	8	1,275	-	-	1,873	4,269
- *other derivatives*	9,610	89	216	-	-	9,915	11,040
2) Credit derivatives	**-**	**-**	**-**	***510***	**-**	***510***	***771***
with exchange of underlying asset	-	-	-	492	-	492	751
without exchange of underlying asset	-	-	-	18	-	18	20
Total B	**10,202**	**803**	**1,524**	**510**	**-**	**13,039**	**17,261**
TOTAL (A + B)	**10,244**	**803**	**1,750**	**510**	**-**	**13,307**	**17,430**

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 Due to customers.
The column Other includes derivatives which present more than one type of risk.
Figures in the aforementioned table, together with those set out in table 2.3.1 relative to Financial assets held for trading, differ from the breakdown provided in the corresponding table in the Report on operations since in the latter contracts with multiple risks are attributed to the prevailing risk category.

4.4.2 Insurance companies

Not applicable to Gruppo Intesa.

4.4.3 Other companies

No amounts pertaining to other companies were recorded.

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

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

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

Caption not applicable to Gruppo Intesa.

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

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

(in millions of euro)

	31.12.2006	31.12.2005
Hedging derivatives: breakdown by type of derivative and underlying asset	**1,878**	**1,410**
Banking group	*1,878*	*1,410*
Insurance companies	-	-
Other companies	-	-

6.1.1 Banking group

(in millions of euro)

Type of derivatives/Underlying assets	Interest rate	Foreign exchange and gold	Equities	Loans	Other	Total
A) QUOTED DERIVATIVES						
1) Financial derivatives	**-**	**56**	**-**	**-**	**-**	**56**
with exchange of underlying asset	-	56	-	-	-	56
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	*56*	-	-	-	*56*
without exchange of underlying asset	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total A	**-**	**56**	**-**	**-**	**-**	**56**
B) UNQUOTED DERIVATIVES						
1) Financial derivatives	**1,804**	**18**	**-**	**-**	**-**	**1,822**
with exchange of underlying asset	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-
without exchange of underlying asset	1,804	18	-	-	-	1,822
- *options bought*	-	-	-	-	-	-
- *other derivatives*	*1,804*	*18*	-	-	-	*1,822*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**1,804**	**18**	**-**	**-**	**-**	**1,822**
TOTAL (A+B) 31.12.2006	**1,804**	**74**	**-**	**-**	**-**	**1,878**
TOTAL (A+B) 31.12.2005	**1,381**	**29**	**-**	**-**	**-**	**1,410**

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

Not applicable to Gruppo Intesa.

6.1.3 Other companies

No amounts pertaining to other companies were recorded.

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

(in millions of euro)

	31.12.2006	31.12.2005
Hedging derivatives: breakdown by hedged portfolio and type of hedge	**1,878**	**1,410**
Banking group	*1,878*	*1,410*
Insurance companies	-	-
Other companies	-	-

6.2.1 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	107	-	-	-	-	X	-	X
2. Loans	19	-	-	X	-	X	-	X
3. Investments held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	1	X	-
Total assets	**126**	**-**	**-**	**-**	**-**	**1**	**-**	**-**
1. Financial liabilities	1,659	55	-	X	-	X	1	X
2. Portfolio	X	X	X	X	X	36	X	-
Total liabilities	**1,659**	**55**	**-**	**-**	**-**	**36**	**1**	**-**

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

Not applicable to Gruppo Intesa.

6.2.3 Other companies

No amounts pertaining to other companies were recorded.

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

7.1 Fair value change of financial liabilities in hedged portfolios

No amounts relative to hedged financial liabilities were recorded.

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

No amounts relative to hedged financial liabilities were recorded.

SECTION 8 – TAX LIABILITIES – CAPTION 80

As regards information on this section, please refer to Section 14 of Assets.

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

As regards information on this section, please refer to 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	31.12.2006	31.12.2005
Due to suppliers	1,307	-	4	1,311	985
Amounts due to third parties	320	-	1	321	361
Transit items	249	-	-	249	138
Amounts to be paid - deriving from securities transactions	105	-	-	105	223
Outstanding items with the clearing house	916	-	1	917	789
Adjustments for portfolio items to be settled	135	-	1	136	134
Amounts to be credited and items under processing	2,089	-	-	2,089	1,855
Personnel charges	406	-	-	406	353
Due to social security entities	181	-	-	181	291
Other creditors	875	-	5	880	1,101
Other amounts due for foreign exchange transactions	117	-	-	117	101
Guarantees given and commitments	339	-	-	339	342
Other	656	-	4	660	448
Total	**7,695**	**-**	**16**	**7,711**	**7,121**

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
A. Initial amount	**1,102**	**-**	**-**	**1,102**	**1,089**
B. Increases	**162**	**-**	**-**	**162**	**143**
B.1 Provisions in the year	133	-	-	133	127
B.2 Other	29	-	-	29	16
C. Decreases	**-106**	**-**	**-**	**-106**	**-130**
C.1 Benefits paid	-97	-	-	-97	-104
C.2 Other	-9	-	-	-9	-26
D. Final amount	**1,158**	**-**	**-**	**1,158**	**1,102**

Subcaption B.1 - Provisions in the year includes current service cost for 55 million euro and interest cost for 45 million euro, as well as provisions destined to outside pension funds.
The value of the allowance for employee termination indemnities determined on the basis of art. 2120 of the Italian Civil Code amounted to 1,200 million euro.
As of 1st January 2007 Legge Finanziaria and the relevant implementation decrees introduced significant modifications in the regulations of employee termination indemnities, including the option given to workers as concerns the destination of his/her employee termination indemnities under accrual. In particular, the new flows of employee termination indemnities may be destined by the worker to specific pension plans or maintained at the employer (in this last case, the employer will pay annual employee termination provisions to a treasury account at INPS).
To date, the uncertainty as concerns the interpretation of the recently-issued aforementioned regulations, the possible alternative interpretations of the recognition according to IAS 19 of employee termination indemnities to be accrued and the consequent modifications of the actuarial calculations of employee termination indemnities accrued, as well as the impossibility of forecasting the decisions attributed to employees as concerns the destination of the employee termination indemnities under accrual (workers may take their decision within 30th June 2007) suggest to avoid

attempting forecasts as concerns possible modifications in the actuarial calculation of employee termination indemnities accrued as at 31st December 2006.

11.2 Other information

The present value of employee termination indemnities which qualify as unfunded defined benefit plans totalled 1,198 million euro at the end of 2006, while at the end of 2005 it amounted to 1,211 million euro.
Actuarial losses not recognised in the statement of income, in application of the "corridor approach", totalled 40 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	31.12.2006	31.12.2005
1. Post employment benefits	**310**	**-**	**-**	**310**	**320**
2. Other allowances for risks and charges	**1,804**	**-**	**1**	**1,805**	**1,412**
2.1 legal disputes	969	-	-	969	943
2.2 personnel charges	472	-	-	472	166
2.3 other	363	-	1	364	303
Total	**2,114**	**-**	**1**	**2,115**	**1,732**

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

12.2 Allowances for risks and charges: annual changes

(in millions of euro)

	Banking group		Insurance companies		Other companies		31.12.2006	
	Post employm. benefits	Other allowances	Post employm. benefits	Other allowances	Post employm. benefits	Other allowances	Post employm. benefits	Other allowances
A. Initial amount	**320**	**1,411**	**-**	**-**	**-**	**1**	**320**	**1,412**
B. Increases	**38**	**660**	**-**	**-**	**-**	**1**	**38**	**661**
B.1 Provisions in the year	17	614	-	-	-	1	17	615
B.2 Time value changes	3	19	-	-	-	-	3	19
B.3 Changes due to discount rate variations	-	-	-	-	-	-	-	-
B.4 Other	18	27	-	-	-	-	18	27
C. Decreases	**-48**	**-267**	**-**	**-**	**-**	**-1**	**-48**	**-268**
C.1 Uses in the year	-48	-202	-	-	-	-1	-48	-203
C.2 Changes due to discount rate variations	-	-5	-	-	-	-	-	-5
C.3 Other	-	-60	-	-	-	-	-	-60
D. Final amount	**310**	**1,804**	**-**	**-**	**-**	**1**	**310**	**1,805**

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

12.3 Post employment defined benefit plans

1. Illustration of the funds

Gruppo Intesa offers its employees certain defined benefit plans managed through internal funds, as concerns the Parent Company and certain Italian subsidiaries, and via Trusts with regard to certain branches abroad of the Parent Company.

In particular, at Banca Intesa there are the following pension plans:

- 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 Esa.Tri. Esazione Tributi S.p.A. and operates solely via defined benefits in favour of employees already retired as at 31st 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 1st January 1967 or employed until 28th April 1993. Starting from 24th April 1993, with the entry into force of the Law introducing pension funds (Legislative Decree 124 of 21st April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund. The supplementary pension is determined as the difference between 80% of the last theoretical wage for pension purposes, adjusted to consider if the employee matured or not 35 years of service at the company and the size of the pension matured according to the law; in any case the supplementary pension may not exceed an amount determined annually. An agreement was signed with Trade Unions in 2006 that set out the transformation of the regime for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits) a lump-sum has been identified which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the employee in service section should be extinguished. The agreement with Trade Unions also provides for a process – still to be activated – destined to propose to pensioners, as an extraordinary measure, one-off payments to liquidate their pension position. As at 31st December 2006 solely the section of the Fund relative to pensioners was recorded.
- Supplementary pension fund in favour of top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana": the fund refers to integrative provisions allocated until a certain date on the basis of an institutive resolution made by the Board of Directors on 30th 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. The higher value of the mathematical reserve calculated as at 31st December 2006 was amply offset by the sale to the company by the same parties of their integral credit with the BCI Fund.
- Three defined benefit plans in force at the London branch, relative to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches. The private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable

when the beneficiary turns 65 and the benefit is determined, with different rules by the various funds, on the basis of the annual gross wage received in the last year of service.

- A defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States which 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.

The following Group companies recognise their employees defined benefit plans:

- Cassa di Risparmio di Parma e Piacenza: it is an "internal" fund and Cassa di Risparmio di Parma e Piacenza provides for the obligation with beneficiaries with its shareholders' equity. Currently all plan participants are pensioners and the benefit to which they are entitled is the payment of a supplementary pension in addition to that received from INPS.
- Cassa di Risparmio di Biella e Vercelli: the fund was established for the purpose of integrating the INPS pension of employees who retired before 31st December 1997. The beneficiaries of the Fund are currently all pensioners. The overall pension is calculated for most beneficiaries on the basis of the emoluments received with reference to the last month of service.
- Saving banks, under the control of Intesa Casse del Centro: the individual saving banks provide defined benefit pension plans for non-active employees. The purpose of such funds is to integrate the annual pensions paid by INPS to reach a combined total of 75% of the last wage received by each plan participant.

2. Changes in the exercise of the funds

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

(in millions of euro)

Annual changes in the present value of the defined benefit obligations	31.12.2006	31.12.2005
A. Initial amount	**289**	**259**
B. Increases	**17**	**55**
B.1 Current service cost	6	21
B.2 Interest cost	12	9
B.3 Contributions by plan participants	-	-
B.4 Actuarial gains and losses	-8	18
B.5 Positive foreign exchange differences	-	4
B.6 Past service cost	-	-
B.7 Other	7	3
C. Decreases	**-37**	**-25**
C.1 Benefits paid	-18	-18
C.2 Curtailments	-	-
C.3 Settlements	-19	-7
C 4 Negative foreign exchange differences	-	-
C.5 Other	-	-
D. Final amount	**269**	**289**
Portion funded	**101**	**96**
Portion unfunded	**168**	**193**

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)

Annual changes of fair value of plan assets	31.12.2006	31.12.2005
A. Initial amount	**64**	**50**
B. Increases	**10**	**16**
B.1 Expected return on plan assets	5	5
B.2 Contributions by the employer	3	3
B.3 Contributions by plan participants	-	-
B.4 Actuarial gains and losses	2	5
B.5 Positive foreign exchange differences	-	3
B.6 Other	-	-
C. Decreases	**-1**	**-2**
C.1 Benefits paid	-1	-2
C 2 Negative foreign exchange differences	-	-
C.3 Settlements	-	-
C.4 Other	-	-
D. Final amount	**73**	**64**

Plan assets (%)	31.12.2006	31.12.2005
Equities	60.50	59.55
Debt securities	19.20	19.50
Real estate assets	2.80	1.42
Other assets	17.50	19.53
Total	**100.00**	**100.00**

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)

Reconciliation of present value of the defined benefit obligation and fair value of plan assets and liability recognised in the balance sheet	31.12.2006	31.12.2005
Present value of the defined benefit obligation	269	289
Fair value of plan assets	73	64
Difference between present value of the defined benefit obligation and fair value of plan assets	196	225
Actuarial gains/losses not recognised	-3	-14
Liability (Asset) recognised in the balance sheet	193	211
Corridor limit	29	26

5. Description of the main actuarial assumptions

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

Main actuarial assumptions	31.12.2006		31.12.2005	
	minimum	maximum	minimum	maximum
a. Discount rates	4.00	5.50	3.50	5.50
b. Expected return of plan assets	4.25	7.50	3.50	7.50
c. Expected rates of wage rises	3.00	4.25	2.00	4.30
d. Medical cost trend rates	n.a.	n.a.	n.a.	n.a.
e. Expected rate of pension rises	1.50	3.50	1.70	3.09
f. Inflation rate	2.00	2.95	2.00	2.50

12.4 Allowances for risks and charges – Other allowances

Other allowances refers to:

- legal disputes: the fund was set up to cover losses on legal disputes (356 million euro) and revocatory actions (524 million euro) and other litigations for 89 million euro;
- personnel charges: the allowance includes charges for incentive-driven exit plans for 349 million euro, charges connected to the assignment, for free, of shares to employees for 29 million euro and other charges for 94 million euro;
- other: mostly referred to provisions for the sale of equity investments (114 million euro), provisions for tax litigations (140 million euro) and other allowances (109 million euro).

SECTION 13 – TECHNICAL RESERVES – CAPTION 130

Caption not applicable to Gruppo Intesa.

SECTION 14 – REIMBURSABLE SHARES – CAPTION 150

Caption not applicable to Gruppo Intesa.

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

15.1 Group shareholders' equity: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
1. Share capital	**3,613**	**3,596**
2. Share premium reserve	**5,559**	**5,510**
3. Reserves	**5,226**	**3,745**
4. (Treasury shares)	**-**	**-**
a) Parent Company	-	-
b) subsidiaries	-	-
5. Valuation reserves	**1,209**	**829**
6. Equity instruments	**-**	**-**
7. Net income (loss) pertaining to the Group	**2,559**	**3,025**
Total	**18,166**	**16,705**

15.2 Share capital and Treasury shares: breakdown

As regards information of this section, please refer to point 15.4 below.

15.3 Share capital – Parent Company's number of shares: annual changes

	Ordinary	Other
A. Initial number of shares	**5,983,374,287**	**932,490,561**
- fully paid-in	5,983,374,287	932,490,561
- not paid-in	-	-
A.1 Treasury shares (-)	**-**	**-**
A.2 Shares outstanding: initial number	**5,983,374,287**	**932,490,561**
B. Increases	**51,670,065**	**150,000**
B.1 New issues	32,214,375	-
- for consideration	32,214,375	-
business combinations	-	-
conversion of bonds	-	-
exercise of warrants	-	-
other	*32,214,375*	-
- for free	-	-
in favour of employees	-	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	19,455,690	150,000
B.3 Other	-	-
C. Decreases	**-19,455,690**	**-150,000**
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-19,455,690	-150,000
C.3 Disposal of companies	-	-
C.4 Other	-	-
D. Shares outstanding: final number	**6,015,588,662**	**932,490,561**
D.1 Treasury shares (+)	-	-
D.2 Final number of shares	**6,015,588,662**	**932,490,561**
- fully paid-in	6,015,588,662	932,490,561
- not paid-in	-	-

15.4 Share capital: other information

The share capital of the Bank as at 31st December 2006 amounted to 3,613 million euro, divided into 6,015,588,662 ordinary shares and 932,490,561 unconvertible saving shares, with a nominal value of 0.52 euro each.

Based on the Bank's Articles of Association, in force as at 31st December 2006, each ordinary share gives the right to one vote in the Shareholders' Meeting.

Saving shares, which may be in bearer form, give the power to intervene and vote in the Special Meeting of saving shares holders.

Saving shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in one year the dividend is less than 5% of the nominal value of the unconvertible saving shares, the difference will be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the dividend per saving share will be 2% of nominal value higher than for ordinary shares.

In case of distribution of reserves the saving shares have the same rights as other shares. In the case of liquidation of the Company, saving shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.

As at 31st December 2006, there were no treasury shares held by the Bank or by other Group companies.
As at 31st December 2006 share capital was fully paid-in and liberated.

15.5 Reserves: other information

Reserves amounted to 5,226 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, art. 7), consolidation reserve and other reserves.
The legal reserve, set up as provided for by the law, must be at least one fifth of share capital; it was set up in the past by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating at least one twentieth of net income for the year.
The statutory or extraordinary reserve was set up as provided for by the Articles of Association by the allocation of residual net income after dividend distribution to ordinary and saving shares. Such reserve also includes unclaimed and forfeited dividends, as provided for by the Articles of Association.
Concentration reserves ex Law 218 of 30th 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.
Please refer to 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	31.12.2006	31.12.2005
1. Financial assets available for sale	628	-	-	628	389
2. Property and equipment	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Foreign investment hedges	-	-	-	-	-
5. Cash flow hedges	83	-	-	83	-39
6. Foreign exchange differences	154	-	-	154	134
7. Non-current assets held for sale and discontinued operations	-	-	-	-	-
8. Legally-required revaluations	344	-	-	344	345
Total	**1,209**	**-**	**-**	**1,209**	**829**

15.7 Valuation reserves: annual changes

(in millions of euro)

	31.12.2006	31.12.2005
Valuation reserves	**1,209**	**829**
Banking group	*1,209*	*829*
Insurance companies	-	-
Other companies	-	-

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	**389**	**-**	**-**	**-**	**-39**	**134**	**-**	**345**
B. Increases	**516**	**-**	**-**	**-**	**206**	**85**	**-**	**-**
B.1 fair value increases	508	-	-	-	205	-	-	-
B.2 other changes	8	-	-	-	1	85	-	-
C. Decreases	**-277**	**-**	**-**	**-**	**-84**	**-65**	**-**	**-1**
C.1 fair value decreases	-216	-	-	-	-19	-	-	-
C.2 other changes	-61	-	-	-	-65	-65	-	-1
D. Final amount	**628**	**-**	**-**	**-**	**83**	**154**	**-**	**344**

15.7.2 Insurance companies

Not applicable to Gruppo Intesa.

15.7.3 Other companies

No amounts pertaining to other companies were recorded.

15.8 Valuation reserve of financial assets available for sale: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		31.12.2006		31.12.2005	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	10	-33	-	-	-	-	10	-33	10	-7
2. Equities	646	-	-	-	-	-	646	-	388	-1
3. Quotas of UCITS	5	-	-	-	-	-	5	-	1	-
4. Loans	-	-	-	-	-	-	-	-	-	-2
Total	**661**	**-33**	**-**	**-**	**-**	**-**	**661**	**-33**	**399**	**-10**

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

(in millions of euro)

	31.12.2006	31.12.2005
Valuation reserve of financial assets available for sale	**628**	**389**
Banking group	*628*	*389*
Insurance companies	*-*	*-*
Other companies	*-*	*-*

15.9.1 Banking group

(in millions of euro)

	Debt securities	Equities	Quotas of UCITS	Loans
1. Initial amount	**3**	**387**	**1**	**-2**
2. Positive fair value differences	**41**	**460**	**7**	**8**
2.1 fair value increases	36	460	7	5
2.2 reversal to the statement of income of negative reserves	2	-	-	2
- impairment	*-*	*-*	*-*	*-*
- disposal	*2*	*-*	*-*	*2*
2.3 other changes	3	-	-	1
3. Negative fair value differences	**-67**	**-201**	**-3**	**-6**
3.1 fair value decreases	-59	-151	-1	-5
3.2 impairment losses	-	-	-	-
3.3 reversal to the statement of income of positive reserves: disposal	-4	-21	-	-
3.4 other changes	-4	-29	-2	-1
D. Final amount	**-23**	**646**	**5**	**-**

15.9.2 Insurance companies

Not applicable to Gruppo Intesa.

15.9.3 Other companies

No amounts pertaining to other companies were recorded.

SECTION 16 – MINORITY INTERESTS – CAPTION 210

16.1 Minority interests: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Share capital	329	-	1	330	370
2. Share premium reserve	115	-	-	115	124
3. Reserves	276	-	1	277	178
4. (Treasury shares)	-	-	-	-	-
5. Valuation reserves	20	-	-	20	22
6. Equity instruments	-	-	-	-	-
7. Minority interests	111	-	-1	110	107
Total	**851**	**-**	**1**	**852**	**801**

As at 31st December 2006, minority interests amounted to 330 million euro, broken down in 327 million euro relative to ordinary shares and 3 million euro referred to preferred shares.
As at 31st December 2006 share capital was fully paid-in and liberated.

16.2 Valuation reserves: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	31.12.2006	31.12.2005
1. Financial assets available for sale	6	-	-	6	7
2. Property and equipment	-	-	-	-	-
3. Intangible assets	-	-	-	-	-
4. Foreign investment hedges	-	-	-	-	-
5. Cash flow hedges	-	-	-	-	-2
6. Foreign exchange differences	5	-	-	5	6
7. Non-current assets held for sale and discontinued operations	-	-	-	-	-
8. Legally-required revaluations	9	-	-	9	11
Total	**20**	**-**	**-**	**20**	**22**

16.3 Equity instruments: breakdown and annual changes

Caption not applicable to Gruppo Intesa.

16.4 Valuation reserve of financial assets available for sale: breakdown

(in millions of euro)

	Banking group		Insurance companies		Other companies		31.12.2006		31.12.2005	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-	-	-	-	-	1	-
2. Equities	6	-	-	-	-	-	6	-	6	-
3. Quotas of UCITS	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-
Total	**6**	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**7**	**-**

16.5 Valuation reserves: annual changes

(in millions of euro)

	31.12.2006	31.12.2005
Valuation reserves	**20**	**22**
Banking group	*20*	*21*
Insurance companies	*-*	*-*
Other companies	*-*	*1*

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**	**-**	**-**	**-**	**-2**	**6**	**-**	**11**
B. Increases	**1**	**-**	**-**	**-**	**2**	**-**	**-**	**-**
B.1 fair value increases	-	-	-	-	1	-	-	-
B.2 other changes	1	-	-	-	1	-	-	-
C. Decreases	**-1**	**-**	**-**	**-**	**-**	**-1**	**-**	**-2**
C.1 fair value decreases	-1	-	-	-	-	-	-	-
C.2 other changes	-	-	-	-	-	-1	-	-2
D. Final amount	**6**	**-**	**-**	**-**	**-**	**5**	**-**	**9**

16.5.2 Insurance companies

Not applicable to Gruppo Intesa.

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	31.12.2006	31.12.2005
1) Financial guarantees given	**7,650**	**-**	**-**	**7,650**	**5,780**
a) Banks	941	-	-	941	1,249
b) Customers	6,709	-	-	6,709	4,531
2) Commercial guarantees given	**19,075**	**-**	**7**	**19,082**	**17,326**
a) Banks	1,594	-	-	1,594	1,393
b) Customers	17,481	-	7	17,488	15,933
3) Irrevocable commitments to lend funds	**30,948**	**-**	**-**	**30,948**	**37,886**
a) Banks	7,038	-	-	7,038	16,884
- of certain use	4,201	-	-	4,201	587
- of uncertain use	2,837	-	-	2,837	16,297
b) Customers	23,910	-	-	23,910	21,002
- of certain use	2,859	-	-	2,859	2,801
- of uncertain use	21,051	-	-	21,051	18,201
4) Underlying commitments on credit derivatives: protection sales	**44,371**	**-**	**-**	**44,371**	**46,777**
5) Assets pledged as collateral of third party commitments	**760**	**-**	**-**	**760**	**4**
6) Other commitments	**2,343**	**-**	**-**	**2,343**	**1,361**
Total	**105,147**	**-**	**7**	**105,154**	**109,134**

2. Assets pledged as collateral of liabilities and commitments

(in millions of euro)

	31.12.2006	31.12.2005
1. Financial assets held for trading	7,177	9,041
2. Financial assets designated at fair value through profit and loss	-	-
3. Financial assets available for sale	23	30
4. Investments held to maturity	133	108
5. Due from banks	248	121
6. Loans to customers	1,529	1,519
7. Property and equipment	3	3
8. Intangible assets	-	-
Total	**9,113**	**10,822**

Point 1. Financial assets held for trading refers to securities pledged as collateral for repurchase agreements.

3. Information on operating leases

The costs recorded in the year referred to motor vehicles, office equipment and central and peripheral software are allocated in the appropriate captions on the basis of the nature of the asset; the portion of potential lease payments there included is immaterial.

Minimum lease payments which expire within 31st December 2007 totalled 6 million euro while those that expire from 1st January 2008 to 31st December 2011 totalled 24 million euro.

4. Breakdown of investments related to unit-linked and index-linked policies

Caption not applicable to Gruppo Intesa.

5. Management and dealing on behalf of third parties

5.1 Banking group

(in millions of euro)

	31.12.2006
1. Dealing in financial instruments on behalf of third parties	
a) Purchases	855,427
1. settled	*854,426*
2. to be settled	*1,001*
b) Sales	903,922
1. settled	*902,454*
2. to be settled	*1,468*
2. Portfolio management	
a) individual	57,784
b) collective	1,097
3. Custody and administration of securities	
a) third parties securities held in deposit: related to depositary bank activities (excluding individual portfolio management schemes)	56,385
1. securities issued by companies included in the consolidation area	*288*
2. other securities	*56,097*
b) other third parties securities held in deposit (excluding individual portfolio management schemes): other	440,239
1. securities issued by companies included in the consolidation area	*41,235*
2. other securities	*399,004*
c) third parties securities deposited with third parties	413,505
d) portfolio securities deposited with third parties	51,190
4. Other	**434**

5.2 Insurance companies

Not applicable to Gruppo Intesa.

5.3 Other companies

No amounts pertaining to other companies were recorded.

Part C – Information on the consolidated statement of income

SECTION 1 – INTEREST – CAPTIONS 10 AND 20

1.1. Interest and similar income: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Interest and similar income: breakdown	**11,512**	**9,786**
Banking group	*11,476*	*9,746*
Insurance companies	*-*	*-*
Other companies	*36*	*40*

1.1.1 Banking group

(in millions of euro)

	Performing financial assets		Non-performing financial assets	Other assets	2006	2005
	Debt securities	Loans				
1. Financial assets held for trading	1,198	-	-	1	1,199	1,032
2. Financial assets available for sale	95	22	-	-	117	123
3. Investments held to maturity	105	-	-	-	105	123
4. Due from banks	30	1,009	-	8	1,047	735
5. Loans to customers	112	8,329	180	125	8,746	7,334
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-
7. Hedging derivatives	X	X	X	234	234	382
8. Assets sold not derecognised	11	-	-	-	11	-
9. Other assets	X	X	X	17	17	17
Total	**1,551**	**9,360**	**180**	**385**	**11,476**	**9,746**

The subcaption Financial assets held for trading also includes interest income on securities relative to repurchase agreements.
Interest income on non-performing assets refers to interest, other than that recorded in the caption Write-backs, accrued in the year as well as collected interest on overdue loans.

1.1.2 Insurance companies

Not applicable to Gruppo Intesa.

1.1.3 Other companies

Other companies highlight interest income from customers for 20 million euro and on debt securities available for sale for 16 million euro.

1.2 Interest and similar income: differentials on hedging transactions

(in millions of euro)

	Banking group	Insurance companies	Other companies	2006	2005
A. Positive differentials on					
A.1 specific fair value hedges of assets	171	-	-	171	96
A.2 specific fair value hedges of liabilities	1,287	-	-	1,287	1,365
A.3 generic hedges of interest rate risk	-	-	-	-	-
A.4 specific cash flow hedges of assets	3	-	-	3	7
A.5 specific cash flow hedges of liabilities	8	-	-	8	6
A.6 generic cash flow hedges	53	-	-	53	60
Total A	**1,522**	**-**	**-**	**1,522**	**1,534**
B. Negative differentials on					
B.1 specific fair value hedges of assets	-91	-	-	-91	-97
B.2 specific fair value hedges of liabilities	-1,100	-	-	-1,100	-1,003
B.3 generic hedges of interest rate risk	-1	-	-	-1	-
B.4 specific cash flow hedges of assets	-1	-	-	-1	-
B.5 specific cash flow hedges of liabilities	-12	-	-	-12	-14
B.6 generic cash flow hedges	-83	-	-	-83	-38
Total B	**-1,288**	**-**	**-**	**-1,288**	**-1,152**
TOTAL (A - B)	**234**	**-**	**-**	**234**	**382**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

The balance as at 31st December 2006 included 2,357 million euro relative to financial assets in foreign currency.

1.3.2 Interest income on finance lease receivables

Interest income on finance leases amounted to 346 million euro.

1.3.3 Interest income on loans using public funds under administration

As at 31st December 2006, interest income on loans using public funds under administration was immaterial.

1.4 Interest and similar expense: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Interest and similar expense: breakdown	**5,992**	**4,673**
Banking group	*5,954*	*4,640*
Insurance companies	*-*	*-*
Other companies	*38*	*33*

1.4.1 Banking group

(in millions of euro)

	Debts	Securities	Other liabilities	2006	2005
1. Due to banks	1,313	X	34	1,347	905
2. Due to customers	1,713	X	6	1,719	1,309
3. Securities issued	X	2,827	-	2,827	2,358
4. Financial liabilities held for trading	52	-	1	53	54
5. Financial liabilities designated at fair value through profit and loss	-	-	-	-	-
6. Financial liabilities associated to assets sold not derecognised	4	-	-	4	-
7. Other liabilities	X	X	4	4	14
8. Hedging derivatives	X	X	-	-	-
Total	**3,082**	**2,827**	**45**	**5,954**	**4,640**

The subcaptions Due to banks and Due to customers also include interest expense on repurchase agreements.

1.4.2 Insurance companies

Not applicable to Gruppo Intesa.

1.4.3 Other companies

Interest expense pertaining to other companies refers to interest on securities issued.

1.5 Interest and similar expense: differentials on hedging transactions

Information on differentials on hedging transactions is illustrated in table 1.2, since the balance is included, both for 2005 and for 2006, in interest income.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency financial liabilities

Interest and similar expense as at 31st December 2006 included 2,040 million euro relative to financial liabilities in foreign currency.

1.6.2 Interest expense on finance 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)

	31.12.2006	31.12.2005
Fee and commission income: breakdown	**4,018**	**4,191**
Banking group	*4,016*	*4,185*
Insurance companies	-	-
Other companies	*2*	*6*

2.1.1 Banking group

(in millions of euro)

	2006	2005
A) Guarantees given	**157**	**150**
B) Credit derivatives	**1**	**1**
C) Management, dealing and consultancy services	**1,810**	**2,025**
1. dealing in financial instruments	51	37
2. dealing in foreign exchange	44	43
3. portfolio management	165	888
3.1. individual	*143*	*143*
3.2. collective	*22*	*745*
4. custody and administration of securities	77	80
5. depositary bank	72	79
6. placement of securities	854	365
7. acceptance of trading instructions	102	106
8. consultancy services	7	8
9. distribution of third party services	438	419
9.1. portfolio management	*24*	*3*
9.1.1. individual	*24*	*3*
9.1.2. collective	-	-
9.2. insurance products	*406*	*411*
9.3. other products	*8*	*5*
D) Collection and payment services	**416**	**400**
E) Servicing related to securitisations	**3**	**4**
F) Services related to factoring	**96**	**93**
G) Tax collection services	**-**	**-**
H) Other services	**1,533**	**1,512**
Total	**4,016**	**4,185**

Subcaption H - Other services mostly recorded commissions on current accounts and overdrafts of 650 million euro, fees on credit and debit cards of 440 million euro as well as commissions on medium/long-term lending and structured finance of 256 million euro.

2.1.2 Insurance companies

Not applicable to Gruppo Intesa.

2.1.3 Other companies

Fee and commission income pertaining to other companies was immaterial.

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

(in millions of euro)

	2006	2005
A) Group branches	**1,437**	**1,554**
1. portfolio management	170	776
2. placement of securities	854	365
3. third party services and products	413	413
B) "Door-to-door" sales	**7**	**116**
1. portfolio management	7	114
2. placement of securities	-	-
3. third party services and products	-	2
C) Other distribution channels	**13**	**2**
1. portfolio management	12	1
2. placement of securities	-	-
3. third party services and products	1	1

2.3 Fee and commission expense: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Fee and commission expense: breakdown	**449**	**563**
Banking group	*448*	*562*
Insurance companies	*-*	*-*
Other companies	*1*	*1*

2.3.1 Banking group

(in millions of euro)

	2006	2005
A) Guarantees received	**8**	**8**
B) Credit derivatives	**8**	**29**
C) Management, dealing and consultancy services	**90**	**197**
1. dealing in financial instruments	37	28
2. dealing in foreign exchange	3	3
3. portfolio management	8	4
3.1 own customers	*4*	*-*
3.2 delegated	*4*	*4*
4. custody and administration of securities	29	26
5. placement of financial instruments	10	10
6. "door-to-door" sale of financial instruments, products and services	3	126
D) Collection and payment services	**119**	**116**
E) Other services	**223**	**212**
Total	**448**	**562**

Subcaption E – Other services includes 139 million euro of fees on credit and debit cards.

2.3.2 Insurance companies

Not applicable to Gruppo Intesa.

2.3.3 Other companies

Fee and commission expense pertaining to other companies was immaterial.

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		2006		2005	
	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	482	4	-	-	-	-	482	4	626	6
B. Financial assets available for sale	28	-	-	-	-	-	28	-	57	-
C. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-	-	-	-
D. Investments in associates and companies subject to joint control	13	-	-	-	-	-	13	-	12	-
Total	**523**	**4**	**-**	**-**	**-**	**-**	**523**	**4**	**695**	**6**

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

4.1 Profits (Losses) on trading: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Profits (Losses) on trading: breakdown	**503**	**13**
Banking group	*501*	*14*
Insurance companies	*-*	*-*
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	**241**	**1,119**	**-236**	**-837**	**287**
1.1 Debt securities	99	425	-184	-530	-190
1.2 Equities	85	644	-44	-281	404
1.3 Quotas of UCITS	57	30	-8	-6	73
1.4 Loans	-	-	-	-	-
1.5 Other	-	20	-	-20	-
2. Financial liabilities held for trading	**2**	**1**	**-**	**-1**	**2**
2.1 Debt securities	1	1	-	-1	1
2.2 Other	1	-	-	-	1
3. Foreign exchange	**X**	**X**	**X**	**X**	**190**
4. Derivatives	**8,023**	**22,652**	**-7,744**	**-22,906**	**22**
4.1 Financial derivatives	7,234	22,040	-6,930	-22,366	-25
- On debt securities and interest rates	*6,384*	*19,996*	*-6,093*	*-20,094*	*193*
- On equities and stock indexes	*850*	*2,044*	*-837*	*-2,269*	*-212*
- On foreign exchange and gold	*X*	*X*	*X*	*X*	*-3*
- Other	*-*	*-*	*-*	*-3*	*-3*
4.2 Credit derivatives	789	612	-814	-540	47
Total	**8,266**	**23,772**	**-7,980**	**-23,744**	**501**

The table above presents breakdown by contract type and differs from the table in the Report on operations to comment the same caption of the reclassified consolidated statement of income, in which amounts are set out considering the main nature of the activities carried out by operating units.
Net result includes profits, losses, capital gains and losses on foreign exchange and on foreign exchange and gold derivatives.

4.1.2 Insurance companies

Not applicable to Gruppo Intesa.

4.1.3 Other companies

Net result pertaining to other companies referred to foreign exchange trading.

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	2006	2005
A. Income from					
A.1 fair value hedge derivatives	67	-	-	67	77
A.2 financial assets hedged (fair value)	14	-	-	14	3
A.3 financial liabilities hedged (fair value)	1,042	-	-	1,042	1,038
A.4 cash flow hedge: derivatives	-	-	-	-	-
A.5 foreign exchange assets and liabilities	-	-	-	-	-
Total A	**1,123**	**-**	**-**	**1,123**	**1,118**
B. Expenses for					
B.1 fair value hedge derivatives	-1,043	-	-	-1,043	-1,009
B.2 financial assets hedged (fair value)	-12	-	-	-12	-24
B.3 financial liabilities hedged (fair value)	-53	-	-	-53	-51
B.4 cash flow hedge: derivatives	-	-	-	-	-
B.5 foreign exchange assets and liabilities	-4	-	-	-4	-2
Total B	**-1,112**	**-**	**-**	**-1,112**	**-1,086**
TOTAL (A - B)	**11**	**-**	**-**	**11**	**32**

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

6.1 Profits (Losses) on disposal or repurchase: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Profits (Losses) on disposal or repurchase: breakdown	**61**	**-**
Banking group	*61*	*-*
Insurance companies	*-*	*-*
Other companies	*-*	*-*

6.1.1 Banking group

(in millions of euro)

	2006			2005		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	2	-	2	-	-	-
2. Loans to customers	11	-61	-50	19	-42	-23
3. Financial assets available for sale	88	-5	83	92	-69	23
3.1 Debt securities	*5*	*-5*	*-*	*36*	*-1*	*35*
3.2 Equities	*79*	*-*	*79*	*56*	*-68*	*-12*
3.3 Quotas of UCITS	*3*	*-*	*3*	*-*	*-*	*-*
3.4 Loans	*1*	*-*	*1*	*-*	*-*	*-*
4. Investments held to maturity	-	-	-	1	-	1
Total assets	**101**	**-66**	**35**	**112**	**-111**	**1**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	80	-54	26	6	-7	-1
Total liabilities	**80**	**-54**	**26**	**6**	**-7**	**-1**

6.1.2 Insurance companies

Not applicable to Gruppo Intesa.

6.1.3 Other companies

No amounts pertaining to other companies were recorded.

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE - CAPTION 110

Caption not applicable to Gruppo Intesa.

SECTION 8 – NET LOSSES / RECOVERIES ON IMPAIRMENT – CAPTION 130

8.1 Net impairment losses on loans: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Net impairment losses on loans: breakdown	**-706**	**-568**
Banking group	*-706*	*-568*
Insurance companies	-	-
Other companies	-	-

8.1.1 Banking group

(in millions of euro)

	Impairment losses			Recoveries				2006	2005
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-	-4	-	-	-	4	-	-8
B. Loans to customers	-98	-1,165	-179	147	530	-	59	-706	-560
C. Total	**-98**	**-1,165**	**-183**	**147**	**530**	**-**	**63**	**-706**	**-568**

8.1.2 Insurance companies

Not applicable to Gruppo Intesa.

8.1.3 Other companies

No amounts pertaining to other companies were recorded.

8.2 Net impairment losses on financial assets available for sale: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Net impairment losses on financial assets available for sale: breakdown	**-14**	**-22**
Banking group	*-14*	*-22*
Insurance companies	-	-
Other companies	-	-

8.2.1 Banking group

(in millions of euro)

	Impairment losses		Recoveries		2006	2005
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-1	-3	-	-	-4	-9
B. Equities	-	-10	-	-	-10	-13
C. Quotas of UCITS	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-1**	**-13**	**-**	**-**	**-14**	**-22**

8.2.2 Insurance companies

Not applicable to Gruppo Intesa.

8.2.3 Other companies

No amounts pertaining to other companies were recorded.

8.3 Net impairment losses on investments held to maturity: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Net impairment losses on investments held to maturity: breakdown	**4**	**4**
Banking group	*4*	*4*
Insurance companies	-	-
Other companies	-	-

8.3.1 Banking group

(in millions of euro)

	Impairment losses			Recoveries				2006	2005
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Debt securities	-	-	-	-	4	-	-	4	4
B. Loans to banks	-	-	-	-	-	-	-	-	-
C. Loans to customers	-	-	-	-	-	-	-	-	-
D. Total	**-**	**-**	**-**	**-**	**4**	**-**	**-**	**4**	**4**

8.3.2 Insurance companies

Not applicable to Gruppo Intesa.

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)

	31.12.2006	31.12.2005
Net impairment losses on other financial activities: breakdown	**39**	**37**
Banking group	*39*	*38*
Insurance companies	-	-
Other companies	-	*-1*

8.4.1 Banking group

(in millions of euro)

	Impairment losses			Recoveries				2006	2005
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-20	-8	-	35	-	11	18	57
B. Credit derivatives	-	-	-	-	1	-	-	1	-2
C. Commitments to lend funds	-	-2	-	-	1	-	21	20	-20
D. Other operations	-	-1	-	-	-	-	1	-	3
E. Total	**-**	**-23**	**-8**	**-**	**37**	**-**	**33**	**39**	**38**

8.4.2 Insurance companies

Not applicable to Gruppo Intesa.

8.4.3 Other companies

As at 31st December 2006 no amounts pertaining to other companies were recorded.

SECTION 9 - NET INSURANCE PREMIUMS - CAPTION 150

Caption not applicable to Gruppo Intesa.

SECTION 10 - OTHER NET INSURANCE INCOME (EXPENSE) - CAPTION 160

Caption not applicable to Gruppo Intesa.

SECTION 11 - ADMINISTRATIVE EXPENSES - CAPTION 180

11.1 Personnel expenses: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	2006	2005
1) Personnel employed	**3,536**	**-**	**1**	**3,537**	**3,133**
a) wages and salaries	2,233	-	1	2,234	2,129
b) social security charges	588	-	-	588	584
c) termination indemnities	3	-	-	3	9
d) supplementary benefits	3	-	-	3	-
e) provisions for termination indemnities	133	-	-	133	127
f) provisions for post employment benefits	20	-	-	20	38
- defined contribution plans	*6*	-	-	*6*	*11*
- defined benefit plans	*14*	-	-	*14*	*27*
g) payments to external pension funds	85	-	-	85	80
- defined contribution plans	*85*	-	-	*85*	*80*
- defined benefit plans	-	-	-	-	-
h) costs from share based payments	24	-	-	*24*	72
i) other benefits in favour of employees	447	-	-	447	94
2) Other personnel	**-9**	**-**	**-**	**-9**	**13**
3) Directors	**18**	**-**	**-**	**18**	**14**
Total	**3,545**	**-**	**1**	**3,546**	**3,160**

Provisions to employee termination indemnities determined on the basis of Art. 2120 of the Italian Civil Code amounted to 140 million euro.

11.2 Average number of employees by categories: Banking group

	2006	2005
Personnel employed		
a) managers	782	782
b) total officers	19,812	19,356
of which 3rd and 4th level	*7,859*	*8,202*
c) other employees	35,509	36,672
Other personnel	**450**	**495**
Total	**56,553**	**57,305**

11.3 Post employment defined benefit plans: total expense

(in millions of euro)

Total expense recognised in the statement of income	2006	2005
a. Current service cost	6	21
b. Interest cost	12	9
c. Expected return on plan assets	-5	-5
d. Actuarial gains and losses recognised	1	2
e. Past service cost	-	-
f. Loss (Income) due to curtailments and settlements	-	-

The present table illustrates the economic components referred to Allowances for risks and charges - post employment benefits recorded in caption 120 – a, under liabilities in the Consolidated balance sheet.

11.4 Other benefits in favour of employees

The balance of the subcaption as at 31st December 2006 amounted to 447 million euro, of which 356 million euro referred to charges relative to incentive-driven exit plans which are allocated for 349 million euro in allowances for risks and charges and for 7 million euro in due to personnel. The residual 91 million euro essentially referred to contributions for health assistance, lunch contributions and premiums of insurance policies stipulated in favour of employees.

11.5 Other administrative expenses: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	2006	2005
Indirect taxes and duties	369	-	-	369	373
Information technology, processing and data processing services	448	-	-	448	440
Rentals and service charges - real estate	189	-	1	190	191
Expenses for consultancy fees	142	-	2	144	160
Postal, telegraphic and delivery services	87	-	-	87	77
Telephonic, teletransmission and transmission expenses	77	-	-	77	89
Legal expenses	35	-	-	35	36
Expenses for maintenance of real estate assets	20	-	-	20	17
Expenses for maintenance of furniture and equipments	47	-	-	47	41
Advertising and promotional expenses	155	-	-	155	135
Transport services	53	-	-	53	53
Lighting, central heating and air conditioning	68	-	-	68	63
Printing, stationery and consumables	47	-	-	47	45
Training expenses and reimbursements to personnel	75	-	-	75	61
Security services	37	-	-	37	35
Information expenses	35	-	-	35	42
Insurance premiums	41	-	1	42	40
Cleaning services	33	-	-	33	33
Rentals of property and equipment	17	-	-	17	22
Data storage and document processing	19	-	-	19	20
Integration charges	6	-	-	6	-
Other costs	115	-	1	116	125
Total	**2,115**	**-**	**5**	**2,120**	**2,098**

SECTION 12 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 190

12.1 Net provisions for risks and charges: breakdown

The caption Net provisions for risks and charges, which as at 31st December 2006 amounted to 196 million euro, recorded the provisions attributable to the year relative to legal disputes for 173 million euro, future charges on equity investments for 9 million euro, other allowances for the residual amount of 14 million euro. The amounts listed above include a 15 million euro 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)

	31.12.2006	31.12.2005
Net adjustments to property and equipment: breakdown	**-257**	**-259**
Banking group	*-256*	*-255*
Insurance companies	*-*	*-*
Other companies	*-1*	*-4*

13.1.2 Banking group

(in millions of euro)

	Depreciation	Impairment losses	Recoveries	Net result
A. Property and equipment				
A.1 Owned	-268	-1	13	-256
- used in operations	*-267*	*-1*	*13*	*-255*
- investment	*-1*	*-*	*-*	*-1*
A.2 Acquired in finance lease	-	-	-	-
- used in operations	-	-	-	-
- investment	-	-	-	-
Total	**-268**	**-1**	**13**	**-256**

As concerns the determination of impairment losses, please refer to the illustration provided in Part A – Accounting policies.

13.1.2 Insurance companies

Not applicable to Gruppo Intesa.

13.1.3 Other companies

Net adjustments to property and equipment was immaterial.

SECTION 14 – NET ADJUSTMENTS TO / RECOVERIES ON INTANGIBLE ASSETS - CAPTION 210

14.1 Net adjustments to intangible assets: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Net adjustments to intangible assets: breakdown	**-246**	**-249**
Banking group	*-246*	*-249*
Insurance companies	-	-
Other companies	-	-

14.1.1 Banking group

(in millions of euro)

	Amortisation	Impairment losses	Recoveries	Net result
A. Intangible assets				
A.1 Owned	-246	-	-	-246
- internally generated	*-174*	-	-	*-174*
- other	*-72*	-	-	*-72*
A.2 Acquired in finance lease	-	-	-	-
Total	**-246**	**-**	**-**	**-246**

As concerns the determination of impairment losses, please refer to the illustration provided in Part A – Accounting policies.

14.1.2 Insurance companies

Not applicable to Gruppo Intesa.

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	2006	2005
Burglaries and rubberies	9	-	-	9	12
Loan insurance premiums	-	-	-	-	13
Expenses related to finance lease contracts	13	-	-	13	13
Contributions to national guarantee funds	-	-	-	-	14
Amortisation of leasehold improvements	34	-	-	34	29
Other	94	-	1	95	148
Total	**150**	**-**	**1**	**151**	**229**

Details relative to operating leases are provided in Part B – Information on the consolidated balance sheet, section Other information.

15.2 Other operating income: breakdown

(in millions of euro)

	Banking group	Insurance companies	Other companies	2006	2005
Income on securitisations	-	-	-	-	-
Recovery of rents paid	4	-	-	4	6
Rentals and recovery of expenses on real estate	6	-	-	6	10
Recovery of insurance costs	16	-	-	16	14
Income related to finance lease contracts	24	-	-	24	23
Recovery of other expenses	19	-	-	19	47
Recovery of taxes and duties	296	-	-	296	294
Other	156	-	5	161	151
Total	**521**	**-**	**5**	**526**	**545**

Future minimum payments for operating lease contracts which will be collected within a year amounted to 7 million euro, while those to be collected within 2011 equalled 15 million euro.

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	2006	2005
1) Companies subject to joint control					
A. Profit	49	-	-	49	61
1. Revaluations	*49*	-	-	*49*	*36*
2. Profits on disposal	-	-	-	-	*23*
3. Write-backs	-	-	-	-	*2*
4. Other [(a)]	-	-	-	-	-
B. Losses	-1	-	-	-1	-10
1. Write-downs	-	-	-	-	*-7*
2. Impairment losses	-	-	-	-	*-2*
3. Losses on disposal	-	-	-	-	-
4. Other	*-1*	-	-	*-1*	*-1*
Net result	**48**	**-**	**-**	**48**	**51**
2) Investments in associates					
A. Profit	244	-	-	244	179
1. Revaluations	*153*	-	-	*153*	*122*
2. Profits on disposal	*91*	-	-	*91*	*54*
3. Write-backs	-	-	-	-	-
4. Other [(a)]	-	-	-	-	*3*
B. Losses	-57	-	-	-57	-4
1. Write-downs	*-30*	-	-	*-30*	-
2. Impairment losses	-	-	-	-	*-2*
3. Losses on disposal	*-27*	-	-	*-27*	-
4. Other	-	-	-	-	*-2*
Net result	**187**	**-**	**-**	**187**	**175**
Total	**235**	**-**	**-**	**235**	**226**

[(a)] Included any badwill.

For companies subject to joint control, Revaluations referred to the valuation at equity of the investments in Agos, CAAM Sgr and Po Vita.

SECTION 17 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE - CAPTION 250

17.1 Valuation differences on property, equipment and intangible assets measured at fair value: breakdown

Caption not applicable to Gruppo Intesa.

SECTION 18 – GOODWILL IMPAIRMENT - CAPTION 260

18.1 Goodwill impairment: breakdown

Please refer to Part A – Accounting policies for details on the means of determination of goodwill impairment.

Goodwill impairment of 2005 referred to modest adjustments recorded by certain Group companies.

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	2006	2005
A. Real estate assets	54	-	-	54	76
- profits on disposal	*55*	-	-	*55*	*80*
- losses on disposal	*-1*	-	-	*-1*	*-4*
B. Other assets [a]	-	-	-	-	679
- profits on disposal	8	-	-	*8*	691
- losses on disposal	*-8*	-	-	*-8*	*-12*
Net result	**54**	**-**	**-**	**54**	**755**

[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	2006	2005
1. Current taxes (-)	-1,295	-	-	-1,295	-700
2. Changes in current taxes of previous years (+/-)	42	-	-	42	-
3. Reduction in current taxes of the year (+)	61	-	-	61	-
4. Changes in deferred tax assets (+/-)	-1	-	-	-1	-565
5. Changes in deferred tax liabilities (+/-)	-33	-	-1	-34	220
6. Taxes on income for the year (-) (-1+/-2+3+/-4+/-5)	**-1,226**	**-**	**-1**	**-1,227**	**-1,045**

20.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(in millions of euro)

	2006
Income before tax from continuing operations	3,813
Income before tax from discontinued operations	121
Theoretical taxable income	**3,934**

(in millions of euro)

	2006
Income tax - Theoretical tax expense	1,281
- different tax rates of foreign companies	*-27*
- income exempt or subject to reduced income tax rates	*-271*
- income subject to definitive witholding tax	*-9*
- non deductible expenses (in total or partially)	*125*
- deductible foreign figurative witholding tax	*-10*
- benefits from consolidation	*-12*
- taxes relative to previous years	*-150*
Income tax - Effective tax expense	**927**
IRAP - Theoretical tax expense	*169*
- income/expense not included in taxable income	*174*
- taxes relative to previous years	*-10*
- other	*-18*
IRAP - Effective tax expense	**315**
Other taxes	**23**
Total income tax expense for the period	**1,265**
of which: taxes on income from continuing operations	1,227
taxes on income from discontinued operations	38

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	2006	2005
Discontinued operations					
1. Income	200	-	-	200	302
2. Charges	-81	-	-	-81	-168
3. Valuation differences on discontinued operations and related liabilities	-2	-	-	-2	-
4. Profits (Losses) on disposal	4	-	-	4	28
5 Taxes and duties	-38	-	-	-38	-12
Income (Losses)	**83**	**-**	**-**	**83**	**150**

21.2 Breakdown of taxes on discontinued operations

(in millions of euro)

	2006	2005
1. Current taxes (-)	-52	-5
2. Changes in deferred tax assets (+/-)	14	-7
3. Changes in deferred tax liabilities (-/+)	-	-
4. Income taxes (-1 +/-2 +/-3)	**-38**	**-12**

SECTION 22 – MINORITY INTERESTS - CAPTION 330

22.1 Breakdown of caption 330 Minority interests

Minority interests amounted to 110 million euro. Among the higher contributions noteworthy were those of the Intesa Casse del Centro group (35 million euro), the Privredna Banka Zagreb group (31 million euro), Cassa di Risparmio di Biella e Vercelli (15 million euro) and Banca Popolare FriulAdria (14 million euro).

SECTION 23 – OTHER INFORMATION

There is no further information in addition to that already provided in the previous sections.

SECTION 24 – EARNINGS PER SHARE

Earnings per share

	2006			2005		
	Attributable net income (*) (in millions of euro)	Weighted average number of ordinary shares	Euro	Attributable net income (*) (in millions of euro)	Weighted average number of ordinary shares	Euro
Basic EPS	2,417.5	6,002,261,619	0.403	2,799.6	5,955,380,517	0.470
Diluted EPS	2,417.5	6,002,261,619	0.403	2,799.6	5,963,635,153	0.469

(*) Net income calculated deducting dividend attributed to saving shares and net income attributed to Allowance for charitable contributions.

Net income attributable to ordinary shares

(in millions of euro)

	2006	2005
Net income	2,559.0	3,025.0
minus		
dividends attributed to saving shares	-131.5	-215.4
portion of net income attributed to Allowance for charitable contributions	-10.0	-10.0
Net income attributable to ordinary shares (a)	**2,417.5**	**2,799.6**

(a) For EPS purposes.

Weighted average number of ordinary shares (for diluted EPS)

	31.12.2006	31.12.2005
Weighted average number of ordinary shares outstanding (for basic EPS)	**6,002,261,619**	**5,955,380,517**
plus		
Weighted dilutive effect due to the potential exercise of stock options	0	8,254,636
Weighted average number of ordinary shares after dilutive effect (for diluted EPS)	**6,002,261,619**	**5,963,635,153**

For further information on this section, please refer to the Report on operations in the chapter The Banca Intesa share.

Part D – Segment reporting

A. PRIMARY SEGMENT

For information on the preparation criteria of segment reporting and breakdown by business area please refer respectively to Part A – Accounting policies of these Notes to the consolidated financial statements and to the specific chapter of the Report on operations.

A.1 Breakdown by business area: statement of income [(a)]

(in millions of euro)

	Retail Division	Italian Subsidiary Banks Division	International Subsidiary Banks Division	Corporate Division and B.I.I.S. (b)	Central Structures	Total
Net interest income	3,157	1,057	745	661	158	5,778
Dividends	1	11	1	6	-6	13
Profits (Losses) on investments carried at equity	115	-	-1	15	46	175
Net fee and commission income	2,273	553	321	684	-262	3,569
Profits (Losses) on trading	4	59	187	454	255	959
Other operating income (expenses)	30	-	2	32	-22	42
Operating income	**5,580**	**1,680**	**1,255**	**1,852**	**169**	**10,536**
Personnel expenses	-1,657	-529	-309	-283	-360	-3,138
Other administrative expenses	-1,060	-246	-283	-341	150	-1,780
Adjustments to property, equipment and intangible assets	-223	-31	-85	-72	-101	-512
Operating costs	**-2,940**	**-806**	**-677**	**-696**	**-311**	**-5,430**
Operating margin	**2,640**	**874**	**578**	**1,156**	**-142**	**5,106**
Goodwill impairment	-	-	-	-	-	-
Net provisions for risks and charges	-8	-24	-10	-32	-107	-181
Net adjustments to loans	-554	-116	-126	-90	23	-863
Net impairment losses on other assets	-	-2	12	-7	-4	-1
Profits (Losses) on investments held to maturity and on other investments	-	5	6	20	83	114
Income (Loss) before tax from continuing operations	**2,078**	**737**	**460**	**1,047**	**-147**	**4,175**

[(a)] Figures from the reclassified forms as described in the Report on operations.

[(b)] Banca Intesa Infrastrutture e Sviluppo

A.2 Breakdown by business area: balance sheet [a]

(in millions of euro)

	Retail Division	Italian Subsidiary Banks Division	International Subsidiary Banks Division	Corporate Division and B.I.I.S. (b)	Central Structures	Total
Loans to customers	88,376	28,371	14,797	56,688	2,598	190,830
Due to customers	55,032	18,503	16,007	27,990	5,201	122,733
Securities issued	21,736	9,531	1,206	12,330	35,226	80,029
Net interbank position	-19,357	1,518	155	-9,036	17,129	-9,591

[a] Figures from the reclassified forms as described in the Report on operations.

[b] Banca Intesa Infrastrutture e Sviluppo

B. SECONDARY SEGMENT

For information on the preparation criteria of segment reporting and breakdown by geographic area please refer respectively to Part A – Accounting policies of these Notes to the consolidated financial statements and to the specific chapter of the Report on operations.

B.1 Breakdown by geographic area: statement of income[a]

(in millions of euro)

	Italy	Central-Eastern Europe	Other countries	Total
Net interest income	4,754	749	275	5,778
Dividends	13	-	-	13
Profits (Losses) on investments carried at equity	175	-	-	175
Net fee and commission income	3,137	323	109	3,569
Profits (Losses) on trading	763	187	9	959
Other operating income (expenses)	24	2	16	42
Operating income	**8,866**	**1,261**	**409**	**10,536**
Personnel expenses	-2,752	-311	-75	-3,138
Other administrative expenses	-1,456	-285	-39	-1,780
Adjustments to property, equipment and intangible assets	-421	-85	-6	-512
Operating costs	**-4,629**	**-681**	**-120**	**-5,430**
Operating margin	**4,237**	**580**	**289**	**5,106**
Goodwill impairment	-	-	-	-
Net provisions for risks and charges	-186	-11	16	-181
Net adjustments to loans	-745	-130	12	-863
Net impairment losses on other assets	-13	12	-	-1
Profits (Losses) on investments held to maturity and on other investments	100	7	7	114
Income (Loss) before tax from continuing operations	**3,393**	**458**	**324**	**4,175**

Breakdown by geographic 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.

B.2 Breakdown by geographic area: balance sheet[a]

(in millions of euro)

	Italy	Central-Eastern Europe	Other countries	Total
Loans to customers	168,132	14,894	7,804	190,830
Due to customers	100,212	16,020	6,501	122,733
Securities issued	61,500	1,198	17,331	80,029
Net interbank position	-17,200	80	7,529	-9,591

Breakdown by geographic 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

Banca Intesa attributes great importance to risk management and the controls system as conditions to:
- ensure reliable and sustainable value creation in a context of controlled risk;
- protect the Group's financial strength and reputation;
- permit a transparent representation of the risk profile of its portfolios.

From this viewpoint, Banca Intesa made great efforts in the last few years to obtain the validation by Supervisory authorities of the internal models for market risks and for credit derivatives, to align operating methodologies and standard practices to the indications contained in the recent regulations which discipline the definition of capital requirements to cover credit and operational risks and, lastly, to further increase the effectiveness of instruments already inserted in the processes. The definition of operating limits related to risk indicators (such as VaR) and the reference to the measurement of the "expected loss" and "capital at risk" implicit in the various portfolios, are some of the passages which make the operating declination of the strategic and operating guidelines defined by the Board of Directors, consistent along the whole of the Bank's decision-making chain, to the single operating units and to the single desk.

Within the controls system, the Head Office departments in charge of managing risks and of internal auditing – Risk Management, Credit and Internal Auditing – periodically meet with the other Departments, in charge of line controls as well as responsible for operating units, within certain Committees which have the role of monitoring the various risk profiles and verifying the adequacy and the correct functioning of the monitoring mechanisms based on rigorous separation criteria. The most significant committees are the Internal Control Committee and the Risk Governance Committee. Other risk checks are placed directly in contact with the Bank's day to day operations: Credit Committee, New Product Committee.

Risk management activities are aimed at guaranteeing constant monitoring of the main risks, regulatory compliance and effective support to the decision-making process. This entails:
- the rigorous and timely measurement of market risks (trading and banking book), structural interest rate and liquidity risks, credit risks (trading and banking book), Country risk and operational risk. Adopted methodologies provide an integrated representation of the various risk profiles; analyses are conducted mainly on positions in the books with reference to historical and normal market conditions and are supplemented by portfolio analyses and stress test estimates, what-if and scenario simulations;
- the definition of valuation parameters and rules for contracts subject to marking-to-market and fair value, as well as structuring and direct valuation when this may not be obtained from standard tools available for the business units;
- the interaction with Supervisory authorities for the validation and maintenance of internal models as well as, in this phase, the adequacy verifications with respect to the New Capital Accord (Basel II);
- the information support to planning activities and top management so that operations may be conducted in a context of controlled risk and it is possible to assess value-generation via the measurement of "expected loss" and "capital at risk";
- the close collaboration with the operating units to extend risk management methodologies to services offered to customers;
- the support to communication to pursue the objectives of transparency with customers and the market.

Internal controls system and auditing

With reference to internal auditing, the Internal Auditing Department is attributed the responsibility of surveillance on the regular proceeding of the Group's operations, processes and risks, assessing the overall functionality of the internal controls system that guarantees i) the effectiveness and efficiency of Company processes, ii) the safeguard of asset value and protection from losses, iii) reliability and integrity of accounting and management information, as well as iv) transaction compliance with the policies defined by the Company's governance bodies and with internal and external regulations.

The Internal Auditing Department has a structure and a control model which is organised consistently with the divisional model of Banca Intesa and the Group. Furthermore, a compliance function is operational within the Internal Auditing Department and is responsible for guaranteeing over time the presence of rules, procedures and standard practices which effectively prevent violations or infringements of regulations in force as concerns financial intermediation, anti-money laundering, usury, transparency and embargos. This structure complies with provisions set out by the Basel Committee and also has the responsibility of "Internal Control Function" pursuant to the regulations regarding investment services.
Auditing activities were performed directly for the Parent Company Banca Intesa and for a limited number of subsidiaries which have an "in service" contract for risks control; second level control was conducted for other Group companies.
Direct surveillance was carried out via:

- the control on operational processes of network and central structures, with verifications, also through on-site interventions, on the functionality of line controls in place, on the respect of internal and external regulations, on the reliability of operational structures and delegation mechanisms, on correctness of available information in the various activities and on their adequate use;
- the surveillance, via distance monitoring integrated by on-site visits, over the credit granting and management process, verifying its adequacy with respect to the risks control system and the functioning of measurement mechanisms in place;
- 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 verification of compliance with the behavioural rules and of the correctness of procedures adopted on investment services as well as compliance with regulations in force as concerns the separation of the assets of customers;
- the verification of the operations performed by branches abroad, with interventions by internal auditors both local and from the Head Office.

Indirect surveillance was conducted via direction and control over the adequacy and functionality of the internal auditing structures of Group subsidiaries in Italy and abroad. Direct review and verification interventions were also conducted on the latter.
In the year, Internal Auditing also contributed to form the new "Internal validation" function for the credit risk rating system, defining its activities, instruments and procedures aimed at assessing the accuracy of the estimates and expressing an opinion as concerns the functioning, the predictive capacity and the overall performance of the Model under implementation.
In conducting its duties, Internal Auditing used methodologies for the preliminary analysis of risks in the various areas. Based on the valuations made and on the consequent priorities, as well as on the need to in any case guarantee an adequate degree of coverage and presence at Operating units, in particular at the network, Internal Auditing prepared and submitted to the prior analysis of the Board of Directors an Annual Intervention Plan, on the basis of which it operated during the year.
Any weak points have been systematically notified to the Departments involved for prompt improvement actions which are monitored by follow-up activities.
The valuations of the internal controls system deriving from the checks have been periodically transmitted to the Board of Directors, the Board of Statutory Auditors and the Internal Control Committee 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 Board of Statutory Auditors.
An analogous approach is used as concerns the responsibilities of administrative bodies *ex* Legislative Decree 231/01 for the Internal Control Committee, as Supervisory Authority.
The activity carried out in 2006 did not lead to highlight in the internal controls system any deficiencies, such to consider it inadequate to prevent or identify with sufficient timeliness errors or irregularities which may lead to losses of significant amount in a year.

1.1. CREDIT RISK

QUALITATIVE INFORMATION

Credit granting process

Credit strategies and policies address:

- 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;
- portfolio diversification, limiting the concentration of exposures on single counterparties/groups, single sectors or geographic areas;
- control of relationship characteristics, carried out with an information technology procedure, through a synthetic risk indicator, and systematic surveillance activity over the relationships which present irregularities, both aimed at rapidly identifying any signs of deterioration in risk exposures and inserting any deteriorated exposures in a specific credit management process.

The constant monitoring of loan portfolio quality is pursued by the adoption of specific operating checks for all the phases of loan management (analysis, granting, monitoring, management of non-performing loans).

The management of credit risk profiles of the loan portfolio is assured, starting from the analysis and granting phases, by:

- 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 party requesting the loan, the course of the relationship already in progress and the presence of any relationship between the client and other borrowers;
- the search of a structure of loans so to favour the flow of operations to be carried out on the specific fiduciary relationship and, possibly, via cross selling of banking products and services.

The credit granting process, which sets out various autonomy levels both at the Network's local structures and at the Head Office Departments, requires the attribution of an internal rating to each counterparty when assessing loan applications and monitoring existing loans and the periodic updating of such internal ratings at least yearly. The internal rating affects determination of the decision-making entity, with the exception of collective bodies, since positions which present a PD (Probability of Default) exceeding a predetermined threshold, must be approved by the immediately-higher competent body with respect to that determined with ordinary criteria.

Credit risk methodologies, instruments and analysis

Surveillance and monitoring activities are currently based on an internal controls system aimed at the optimal management of credit risk.

In particular, such activities are performed using measurement methods and performance controls that permit the construction of a synthetic risk indicator, available on a monthly basis. It interacts with processes and procedures for loan management (periodic reviews, loan applications, non-performing loans) and for credit risk control and permits to formulate timely assessments when any anomalies arise or persist.

The positions to which the synthetic risk index attributes a high risk valuation, which is confirmed over time, are intercepted by the Non-performing Loan Process. This process, supported by a dedicated information technology procedure, enables to constantly monitor, largely with automatic interventions, all the phases for the management of anomalous positions.

The positions which present an anomalous trend, are classified in different categories based on the risk level. Exposures with entities in default or in basically similar situations are classified in doubtful loans; exposures with entities in temporary difficulties, which it is deemed may be solved in a congruous period of time are classified in substandard loans; positions for which the bank (or a group of banks), due to the deterioration of the economic and financial conditions of the borrower, permits a modification in the original contractual terms are classified in restructured loans. Lastly, non-performing loans include exposures expired and/or past due by over 180 days.

Furthermore, all fiduciary positions are 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; moreover, an automatic *ad hoc* audit procedure is in place for fiduciary relationships of small amounts and with low risk indexes.
The Information Portal of the Credit Department offers both the Retail Division's operating units and the structures of the Corporate Division access via the Bank's Intranet to a wide range of standard reports dedicated to the loan portfolio of competence, updated monthly and to a series of "Alerts" which enable to identify the potentially-critical situations among those analysed.
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 enable to highlight and analyse credit risks for each single client or economic group both towards Gruppo Intesa as a whole and towards individual Group companies.

Within the credit monitoring and analysis process the indicators provided for by the New Basel Capital Accord (Basel II) have become increasingly important.
During 2006 Gruppo Intesa continued the implementation of the most advanced system, namely the Internal Rating Based – Advanced system. According to this methodology, in addition to PD, the bank must also determine internally these other elements for the estimation of "expected and unexpected loss" in case of default: exposure at default (EAD), loss given default (LGD) and maturity (M) of the operation.
As regards the methodologies adopted as part of the project for compliance to the new supervisory requirements, the rating models have been chosen based on their capacity to represent to the best the customer risk profile, diversifying the methodologies (scoring, qualitative and mixed statistical models) aimed at optimising the use of the available information set and identifying the specific characteristics of each customer segment. In particular, valuation models have been diversified based on type of counterparty, economic sector and turnover. Enterprises, distributed on a scale of 13 classes, are grouped on the basis of predetermined PD ranges, with the objective of guaranteeing maximum granularity to the scale and, at the same time, achieving a good correspondence with the default frequencies that emerge from the portfolios.
Customers are divided as follows:

- *households*, which includes counterparties recorded as "individuals" who do not own individual enterprises. The segment is characterised by a very high number of counterparties, which normally have been granted overdrafts for limited amounts and for which the model used to determine the rating sets out a calculation method differentiated based on the type of product requested;
- *SMEs with a turnover under or equal to 2.5 million euro*, which includes resident counterparties of any juridical nature which operate in the field of production and/or distribution of goods or services. Also this segment is characterised by a high number of granted overdrafts of limited amount. The rating model is differentiated on the basis of the juridical nature of the counterparty (individual enterprises, partnerships, companies);
- *SMEs with a turnover between 2.5 million euro and 6 million euro*. The rating model uses qualitative information, in addition to quantitative figures;
- *SMEs, corporates and large corporates with a turnover respectively between 6 and 50 million euro, 50 and 125 million euro and over 125 million euro,* characterised by companies which operate in the field of production and/or distribution of goods or services. Such segments are characterised by a more limited number of counterparties and the rating model applied to these counterparties considers qualitative information;
- *foreign*, which includes non-resident companies which operate in the field of production and/or distribution of goods or services independently from their turnover;
- *banks*, which includes all Italian and foreign credit institutions;
- *joint accounts between individuals and companies* and *joint accounts between enterprises*;
- *Sovereigns*.

The rating models relative to the segments *large corporate*, *corporate Italy* and *SMEs, SMEs with a turnover between 2.5 million euro and 6 million euro*, *SMEs with a turnover under or equal to 2.5 million euro*, *foreign banks and foreign corporates*, *households* were updated in 2006. Furthermore, the model relative to project finance was perfected, while the models relative to other specialised lending fields and those relative to public entities and non-profit institutions and insurance companies are currently being studied and perfected. Activities also continued as concerns the review of LGD estimates and the analysis and realisation of eligibility requirements for collateral and guarantees as set forth by the new criteria. Activities continued for the parallel calculation for 2006 of capital absorption according to the New Accord. The scope for the extension of the IRB approach was defined so to comply with Bank of Italy requirements and

to concentrate efforts on subsidiary companies which are most significant and may be directly integrated in the Parent Company's calculation systems.
From the organisational standpoint, activities aimed at applying internal ratings in company processes continued. As already indicated, the credit-granting process requires the attribution of an internal rating to every counterparty at the time of granting and monitoring of exposures and the periodic update at least yearly and whenever new qualitative elements may lead to a modification of the assigned rating class; even credit-granting autonomies are defined on the basis of rating classes. The instruments prepared for the internal rating of project finance operations have also been modified and perfected for the purpose of making the software and the IT platform capable of inserting ratings when assessing and granting loans in the segment.
Risk factors estimated in the application of the new capital requirements have become increasingly important also in the credit monitoring and assessment process. For large international customers the synthetic risk index, which aggregates various sources (EDF, spreads on credit default swaps, spreads on bonds, external ratings) is used to identify anomalous positions. An assessment of high or medium risk which recurs over time leads to the classification of the position in non-performing loans.
For the purpose of obtaining from Supervisory authorities the validation of the IRB Advanced model, in 2006 the Bank moved in two directions and reviewed both upon the methodology and the organisation. As concerns the former it completed the instruments necessary to adopt the most advanced model proposed by the new regulations and fine-tune those already in use and included in the various processes for the purpose of increasing their effectiveness, as concerns the latter it acted to strengthen the use of ratings in company processes.
From this viewpoint the review of credit processes continued, aimed:
- as concerns granting, at identifying granting autonomies based not only on the size of the loans but also on all the parameters of the new creditworthiness measurement metrics;
- as concerns management, at redefining the steps and the timing for the identification and classification of anomalous loans, differentiating not only on the basis of the risk index and the size of the loan, but also on the basis of the other parameters.

As already highlighted in accounting criteria, the approach set forth by the New Capital Accord for the purposes of bank supervision is used, for the aspects compatible with IAS/IFRS, also for the determination of provisioning on performing loans recorded in the financial statements. In such context, the estimates of the risk components PD and LGD are used as inputs in the collective measurement process as segmentation factors of loans and for the determination of percentage adjustments to be applied to the performing loan portfolio. The fact that figures come from the same source guarantees the methodological convergence between the two calculations and, at the same time, a greater consistency in the estimate of provisions for accounting purposes and the quantification of prudential capital requirements when the new supervisory regulations come into effect. For the accounting aspects compatible with the application of IAS principles the same components of PD and LGD are also used for the estimate of the fair value of loans for the purposes of the Notes to the consolidated financial statements.
Laslty, during 2006, in compliance with provisions in the second pillar of the new supervisory regulations, the development of a system for the measurement of capital at risk in terms of CreditVar – consistent with the solutions already adopted by the Group for market risks – continued. The new system, by including the correlation/concentration effects of the various portfolios, permits assessments which are better suited to the effective risk profiles favouring an active capital management. The implemented instruments are capable of seizing the correlation/diversification effects present in the various portfolios. Therefore, such instruments support a proactive management of credit risk, allocation and commercial policies, also in adverse market conditions, through opportune stress test analysis. In general, in addition to the analysis of risk within portfolios, an estimate of the impact of adverse conditions on risk profile is produced on a quarterly basis. Stress analyses simulating stock market crashes or increases in the probability of default of certain counterparties are used. On a quarterly basis a report is presented to the Risk Governance Committee containing the credit risk levels recorded in the banking book, with details relative to the commercial segments in terms of i) average PD and LGD, II) total EAD, iii) capital absorbed on the basis of the New Basel Accord provisions, iv) capital at risk measured using the portfolio model, and v) provisions approximated with internal expected loss estimates. Lastly, the credit risk on the international large customers portfolio is monitored weekly also through the production of a synthetic valuation index used to activate the non-performing loan process for higher risk customers.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1. Performing and non-performing exposures: amounts, adjustments, changes, economic and geographic 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 Gruppo Intesa for collective measurement of performing loans based on parameters that include "Country risk".
For this purpose it must be noted that non-guaranteed exposures to Countries at risk, net of the collective measurement portion, totalled 764 million euro equal to approximately 0.28% of total performing financial assets. Countries which presented the most significant exposures were Serbia and Montenegro for 568 million euro, Argentina for 68 million euro, British Virgin Islands for 53 million euro and Iran for 39 million euro.

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	4	5	-	-	-	46,319	-	-	46,328
2. Financial assets available for sale	-	-	-	-	-	5,269	-	249	5,518
3. Investments held to maturity	-	1	-	-	-	2,822	-	-	2,823
4. Due from banks	-	-	-	-	-	30,334	-	29	30,363
5. Loans to customers	1,661	2,756	101	439	-	185,365	3	505	190,830
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-	-	-
7. Financial assets under disposal	-	-	-	-	-	5	1	63	69
8. Hedging derivatives	-	-	-	-	-	873	-	-	873
Total 31.12.2006	**1,665**	**2,762**	**101**	**439**	**-**	**270,987**	**4**	**846**	**276,804**
Total 31.12.2005	**1,244**	**3,154**	**92**	**720**	**-**	**252,441**	**1**	**1,340**	**258,992**

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	12	-3	-	9	X	X	46,319	46,328
2. Financial assets available for sale	-	-	-	-	5,269	-	5,269	5,269
3. Investments held to maturity	2	-1	-	1	2,822	-	2,822	2,823
4. Due from banks	24	-24	-	-	30,357	-23	30,334	30,334
5. Loans to customers	9,403	-4,446	-	4,957	186,484	-1,119	185,365	190,322
6. Financial assets designated at fair value through profit and loss	-	-	-	-	X	X	-	-
7. Financial assets under disposal	1	-1	-	-	5	-	5	5
8. Hedging derivatives	-	-	-	-	X	X	873	873
Total A	**9,442**	**-4,475**	**-**	**4,967**	**224,937**	**-1,142**	**270,987**	**275,954**
B. Other consolidated companies								
1. Financial assets held for trading	-	-	-	-	X	X	-	-
2. Financial assets available for sale	-	-	-	-	249	-	249	249
3. Investments held to maturity	-	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	29	-	29	29
5. Loans to customers	5	-2	-	3	506	-1	505	508
6. Financial assets designated at fair value through profit and loss	-	-	-	-	X	X	-	-
7. Financial assets under disposal	1	-	-	1	63	-	63	64
8. Hedging derivatives	-	-	-	-	X	X	-	-
Total B	**6**	**-2**	**-**	**4**	**847**	**-1**	**846**	**850**
Total 31.12.2006	**9,448**	**-4,477**	**-**	**4,971**	**225,784**	**-1,143**	**271,833**	**276,804**
Total 31.12.2005	**9,701**	**-4,490**	**-**	**5,211**	**202,497**	**-1,047**	**253,781**	**258,992**

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	24	-24	-	-
b) Substandard loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Country risk	-	X	-	-
f) Other assets	42,010	X	-23	41,987
Total A.1	**42,034**	**-24**	**-23**	**41,987**
A.2 Other companies				
a) Non-performing	-	-	-	-
b) Other	30	-	-	30
Total A.2	**30**	**-**	**-**	**30**
TOTAL A	**42,064**	**-24**	**-23**	**42,017**
B. OFF-BALANCE SHEET EXPOSURES				
B.1 Banking group				
a) Non-performing	-	-	-	-
b) Other	22,477	X	-18	22,459
Total B.1	**22,477**	**-**	**-18**	**22,459**
B.2 Other companies				
a) Non-performing	-	-	-	-
b) Other	-	X	-	-
Total B.2	**-**	**-**	**-**	**-**
TOTAL B	**22,477**	**-**	**-18**	**22,459**

A.1.4. On-balance sheet exposures to banks: changes in gross non-performing exposures and gross exposures subject to "Country risk"

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial gross exposure	**25**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**-**
B.1 inflows from performing exposures	-	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	-	-	-	-	-
C. Decreases	**-1**	**-**	**-**	**-**	**-**
C.1 outflows to performing exposures	-	-	-	-	-
C.2 write-offs	-	-	-	-	-
C.3 repayments	-	-	-	-	-
C.4 credit disposals	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-	-
C.6 other decreases	-1	-	-	-	-
D. Final gross exposure	**24**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures includes all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.5. On-balance sheet exposures to banks: changes in total adjustments

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial total adjustments	**24**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**	**-**
B.1 impairment losses	-	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	-	-	-	-	-
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	-	-	-	-	-
D. Final total adjustments	**24**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures includes all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.6. On- and off-balance sheet exposures to customers: gross and net values

(in millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
A.1 Banking group				
a) Doubtful loans	5,048	-3,383	-	1,665
b) Substandard loans	3,772	-1,014	-	2,758
c) Restructured exposures	138	-37	-	101
d) Past due exposures	454	-15	-	439
e) Country risk	-	X	-	-
f) Other assets	216,269	X	-1,119	215,150
Total A.1	**225,681**	**-4,449**	**-1,119**	**220,113**
A.2 Other companies				
a) Non-performing	6	-2	-	4
b) Other	817	-	-1	816
Total A.2	**823**	**-2**	**-1**	**820**
TOTAL A	**226,504**	**-4,451**	**-1,120**	**220,933**
B. OFF-BALANCE SHEET EXPOSURES				
B.1 Banking group				
a) Non-performing	353	-124	-	229
b) Other	86,116	X	-200	85,916
Total B.1	**86,469**	**-124**	**-200**	**86,145**
B.2 Other companies				
a) Non-performing	-	-	-	-
b) Other	7	X	-	7
Total B.2	**7**	**-**	**-**	**7**
TOTAL B	**86,476**	**-124**	**-200**	**86,152**

A.1.7. On-balance sheet exposures to customers: changes in gross non-performing exposures and gross exposures subject to "Country risk"

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial gross exposure	**4,424**	**4,352**	**124**	**757**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**1,994**	**4,002**	**165**	**1,623**	**-**
B.1 inflows from performing loans	330	2,232	53	1,479	-
B.2 transfers from other non-performing exposure categories	1,501	1,240	55	-	-
B.3 other increases	163	530	57	144	-
C. Decreases	**-1,366**	**-4,580**	**-151**	**-1,926**	**-**
C.1 outflows to performing loans	-84	-1,553	-68	-631	-
C.2 write-offs	-360	-84	-	-1	-
C.3 repayments	-369	-1,262	-18	-123	-
C.4 credit disposals	-48	-55	-	-	-
C.5 transfers to other non-performing exposure categories	-56	-1,515	-61	-1,164	-
C.6 other decreases	-449	-111	-4	-7	-
D. Final gross exposure	**5,052**	**3,774**	**138**	**454**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures includes all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.8. On-balance sheet exposures to customers: changes in total adjustments

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial total adjustments	**3,181**	**1,209**	**32**	**39**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**1,357**	**681**	**37**	**14**	**-**
B.1 impairment losses	772	510	5	14	-
B.2 transfers from other non-performing exposure categories	344	39	28	-	-
B.3 other increases	241	132	4	-	-
C. Decreases	**-1,153**	**-876**	**-32**	**-38**	**-**
C.1 recoveries on impairment losses	-172	-168	-8	-8	-
C.2 recoveries on repayments	-120	-202	-1	-1	-
C.3. write-offs	-360	-84	-	-1	-
C.4 transfers to other non-performing exposure categories	-15	-347	-23	-26	-
C.5. other decreases	-486	-75	-	-2	-
D. Final total adjustments	**3,385**	**1,014**	**37**	**15**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures includes all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.2. Classification of exposures based on external and internal ratings

The following tables contain percentage breakdown of gross on- and off-balance sheet exposures by classes of external and internal ratings.

42.1% of exposures referred to customers with external ratings (the percentage increases to 80.8% with reference to ratings attributed internally by the Group). Approximately 71% of exposures, including securities and derivatives, had an investment grade internal rating, that is a rating between AAA and BBB in Standard & Poor's scale.

A.2.1. Breakdown of on- and off-balance sheet exposures by external rating classes

The table contains percentage breakdown of exposures which refers to customers with an external rating given by a Rating agency. The external ratings of Moody's, S&P's and Fitch are used, applying priority criteria in the assignment when more than one agency rating exists. Exposures referred to customers without a rating are classified in the "Unrated" column.

The exposure breakdown is provided using S&P's scale; ratings from other agencies are converted using a mapping table.

Exposures in default are included in the column "Under B-".

	External rating classes						Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Under B-		
A. On-balance sheet exposures	**12.9%**	**3.0%**	**1.5%**	**0.3%**	**0.1%**	**2.8%**	**46.4%**	**67.0%**
B. Derivatives	**5.3%**	**4.3%**	**4.9%**	**2.5%**	**0.8%**	**-**	**0.6%**	**18.4%**
B.1. Financial derivatives	2.2%	0.8%	-	-	-	-	0.1%	3.1%
B.2. Credit derivatives	3.1%	3.5%	4.9%	2.5%	0.8%	-	0.5%	15.3%
C. Guarantees given	**1.3%**	**0.4%**	**0.2%**	**0.2%**	**0.2%**	**0.2%**	**6.2%**	**8.7%**
D. Commitments to lend funds	**0.8%**	**0.2%**	**0.2%**	**-**	**-**	**-**	**4.7%**	**5.9%**
Total	**20.3%**	**7.9%**	**6.8%**	**3.0%**	**1.1%**	**3.0%**	**57.9%**	**100.0%**
Total on rated portion	**48.0%**	**18.8%**	**16.2%**	**7.3%**	**2.7%**	**7.0%**		

A.2.2. Breakdown of on- and off-balance sheet exposures by internal rating classes

The table contains percentage breakdown of exposures which refers to customers with an internal rating. Exposures referred to customers without a rating are classified in the "Unrated" column.

Exposures in default are included in class D.

Internal probabilities of default (PD), calculated according to the various internal rating models used, are combined in a single "Master Scale" which has 13 classes defined according to the following ranges of values, which are compared with the corresponding S&P ratings:

Classes	PD range				External rating S&P
1	0	< PD	≤	0.001	AAA / A-
2	0.001	< PD	≤	0.002	BBB+
3	0.002	< PD	≤	0.0035	BBB+/BBB
4	0.0035	< PD	≤	0.005	BBB/BBB-
5	0.005	< PD	≤	0.0075	BBB-/BB+
6	0.0075	< PD	≤	0.01	BB+
7	0.01	< PD	≤	0.015	BB+/BB
8	0.015	< PD	≤	0.02	BB
9	0.02	< PD	≤	0.03	BB-
10	0.03	< PD	≤	0.05	B+
11	0.05	< PD	≤	0.1	B+/B
12	0.1	< PD	≤	0.2	B-/CCC
13	0.2	< PD	≤	0.99	CCC
D	PD		=	1	D

	Internal rating classes														Unrated	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	D		
A. On-balance sheet exposures	**17.3%**	**3.5%**	**4.6%**	**5.5%**	**6.7%**	**2.5%**	**2.7%**	**1.6%**	**1.7%**	**1.7%**	**1.4%**	**0.7%**	**0.6%**	**2.7%**	**13.8%**	**67.0%**
B. Derivatives	**8.9%**	**0.2%**	**1.8%**	**2.5%**	**0.6%**	**-**	**1.3%**	**0.8%**	**0.5%**	**-**	**0.7%**	**-**	**-**	**-**	**1.1%**	**18.4%**
B.1. Financial derivatives	2.3%	0.2%	-	-	-	-	-	-	-	-	-	-	-	-	0.6%	3.1%
B.2. Credit derivatives	6.6%	-	1.8%	2.5%	0.6%	-	1.3%	0.8%	0.5%	-	0.7%	-	-	-	0.5%	15.3%
C. Guarantees given	**1.5%**	**1.1%**	**0.7%**	**0.2%**	**0.9%**	**0.2%**	**0.4%**	**0.2%**	**0.1%**	**0.2%**	**0.3%**	**0.2%**	**0.1%**	**0.2%**	**2.3%**	**8.6%**
D. Commitments to lend funds	**1.4%**	**0.5%**	**0.6%**	**0.2%**	**0.4%**	**0.2%**	**0.2%**	**0.1%**	**0.1%**	**0.1%**	**0.1%**	**0.1%**	**-**	**-**	**2.0%**	**6.0%**
Total	**29.1%**	**5.3%**	**7.7%**	**8.4%**	**8.6%**	**2.9%**	**4.6%**	**2.7%**	**2.4%**	**2.0%**	**2.5%**	**1.0%**	**0.7%**	**2.9%**	**19.2%**	**100.0%**
Total on rated portion	**36.1%**	**6.6%**	**9.5%**	**10.5%**	**10.8%**	**3.5%**	**5.5%**	**3.3%**	**3.1%**	**2.5%**	**3.1%**	**1.1%**	**0.8%**	**3.6%**		

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	**6,832**	**1,518**	**98,563**	**22,835**	**129,748**
COLLATERAL (1)					
Real estate assets	-	-	126,142	5,553	131,695
Securities	6,561	219	4,110	594	11,484
Other assets	-	-	5,597	1,752	7,349
GUARANTEES (1)					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	*499*	-	*499*
Other counterparties	-	-	-	-	-
Guarantees given					
Governments	-	-	*4,197*	*28*	*4,225*
Other public entities	*255*	-	*248*	*8*	*511*
Banks	*26*	*88*	*1,855*	*502*	*2,471*
Other counterparties	*1,376*	*31*	*82,950*	*2,490*	*86,847*
TOTAL GUARANTEES (1)	**8,218**	**338**	**225,598**	**10,927**	**245,081**

(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	**464**	**50**	**6,321**	**2,869**	**9,704**
COLLATERAL (1)					
Real estate assets	-	-	162	7	169
Securities	-	-	178	92	270
Other assets	-	-	845	108	953
GUARANTEES (1)					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	-	-	-
Other counterparties	-	-	-	-	-
Guarantees given					
Governments	-	-	*1*	-	*1*
Other public entities	-	-	*18*	-	*18*
Banks	*5*	-	*219*	*600*	*824*
Other counterparties	-	-	*6,789*	*886*	*7,675*
TOTAL GUARANTEES (1)	**5**	**-**	**8,212**	**1,693**	**9,910**

(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	-	-	-	-	**2,074**	**693**	**189**	**914**
AMOUNT GUARANTEED	-	-	-	-	**4,756**	**973**	**222**	**159**
COLLATERAL (1)								
Real estate assets	-	-	-	-	5,448	833	119	28
Securities	-	-	-	-	13	6	3	2
Other assets	-	-	-	-	705	83	37	17
GUARANTEES (1)								
Credit derivatives								
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	*15*	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	*9*	*3*	-	-
Insurance companies	-	-	-	-	*1*	-	-	-
Non-financial companies	-	-	-	-	*21*	-	*1*	-
Other counterparties	-	-	-	-	-	-	-	-
Guarantees given								
Governments and Central Banks	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	*1*	-	-
Banks	-	-	-	-	*10*	*4*	*2*	-
Financial institutions	-	-	-	-	*63*	*2*	*1*	-
Insurance companies	-	-	-	-	*2*	-	-	-
Non-financial companies	-	-	-	-	*1,471*	*74*	*23*	*10*
Other counterparties	-	-	-	-	*3,418*	*229*	*33*	*99*
TOTAL GUARANTEES (1)	-	-	-	-	**11,176**	**1,235**	**219**	**156**
EXCESS FAIR VALUE GUARANTEE	-	-	-	-	**6,552**	**250**	-	-

(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	**-**	**-**	**-**	**-**	**20**	**4**	**10**	**161**
AMOUNT GUARANTEED	**-**	**-**	**-**	**-**	**14**	**3**	**9**	**2**
COLLATERAL (1)								
Real estate assets	-	-	-	-	2	-	-	-
Securities	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	25	1	5	-
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	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	*116*	*2*	*4*	-
Other counterparties	-	-	-	-	*28*	*1*	-	*1*
TOTAL GUARANTEES (1)	**-**	**-**	**-**	**-**	**171**	**4**	**9**	**1**
EXCESS FAIR VALUE GUARANTEE	**-**	**-**	**-**	**-**	**160**	**-**	**-**	**-**

(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 31.12.2006	TOTAL 31.12.2005
	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	3	1	-	-	13,446	13,450	2	-	-	-	1,136	1,138	14,588	12,525
Specific impairment losses	-2	-	-	-	-	-2	-1	-	-	-	-	-1	-3	-10
Portfolio impairment losses	-	-	-	-	-1	-1	-	-	-	-	-	-	-1	-1
Net exposure	1	1	-	-	13,445	13,447	1	-	-	-	1,136	1,137	14,584	12,514
OTHER PUBLIC ENTITIES														
Gross exposure	-	8	-	126	6,036	6,170	-	-	-	-	2,757	2,757	8,927	8,976
Specific impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-6
Portfolio impairment losses	-	-	-	-	-7	-7	-	-	-	-	-1	-1	-8	-4
Net exposure	-	8	-	126	6,029	6,163	-	-	-	-	2,756	2,756	8,919	8,966
FINANCIAL INSTITUTIONS														
Gross exposure	284	98	-	2	28,766	29,150	1	4	-	-	16,084	16,089	45,239	57,016
Specific impairment losses	-264	-43	-	-	-	-307	-	-1	-	-	-	-1	-308	-359
Portfolio impairment losses	-	-	-	-	-25	-25	-	-	-	-	-2	-2	-27	-40
Net exposure	20	55	-	2	28,741	28,818	1	3	-	-	16,082	16,086	44,904	56,617
INSURANCE COMPANIES														
Gross exposure	-	-	-	-	4,245	4,245	-	-	-	-	335	335	4,580	3,241
Specific impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-3
Portfolio impairment losses	-	-	-	-	-1	-1	-	-	-	-	-	-	-1	-
Net exposure	-	-	-	-	4,244	4,244	-	-	-	-	335	335	4,579	3,238
NON-FINANCIAL COMPANIES														
Gross exposure	4,059	2,853	131	171	119,594	126,808	125	212	-	-	61,481	61,818	188,626	163,379
Specific impairment losses	-2,738	-803	-36	-8	-	-3,585	-60	-60	-	-	-	-120	-3,705	-3,417
Portfolio impairment losses	-	-	-	-	-910	-910	-	-	-	-	-192	-192	-1,102	-916
Net exposure	1,321	2,050	95	163	118,684	122,313	65	152	-	-	61,289	61,506	183,819	159,046
OTHER COUNTERPARTIES														
Gross exposure	706	814	7	155	44,999	46,681	3	6	-	-	4,330	4,339	51,020	55,398
Specific impairment losses	-381	-168	-1	-7	-	-557	-1	-1	-	-	-	-2	-559	-803
Portfolio impairment losses	-	-	-	-	-176	-176	-	-	-	-	-5	-5	-181	-222
Net exposure	325	646	6	148	44,823	45,948	2	5	-	-	4,325	4,332	50,280	54,373

B.2. Breakdown of loans to non-financial companies and family-run businesses

(in millions of euro)

Counterparties	31.12.2006
Non-financial companies and family-run businesses	100,732
- wholesale and retail trade, recovery and repairs	*15,936*
- construction and public works	*11,980*
- metal products, excluding cars and means of transport	*4,064*
- food products, beverages and tobacco-based products	*3,891*
- textiles, leather and footwear, clothing	*3,642*
- agricultural and forestry products and fishing	*3,585*
- agricultural and industrial machinery	*3,485*
- hotel and catering	*2,949*
- energy products	*2,858*
- other industrial products	*2,996*
- minerals and non-metal mineral based products	*2,199*
- paper, paper products, printed products and publishing	*2,079*
- chemical products	*1,909*
- electric materials and supplies	*2,190*
- rubber and plastic products	*1,861*
- other services for sale	*29,624*
- other non-financial companies	*5,484*
Consumer families and other	-
Total	**100,732**

B.3. Breakdown of on- and off-balance sheet exposures to customers by geographic area (book value)

(in millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	4,346	1,575	457	82	16	4	21	3	212	3
A.2. Substandard loans	3,034	2,232	675	501	35	10	11	1	19	16
A.3. Restructured exposures	138	101	-	-	-	-	-	-	-	-
A.4. Past due exposures	448	433	6	6	-	-	-	-	-	-
A.5. Other exposures	173,278	172,403	32,496	32,261	9,496	9,490	1,246	1,243	570	569
Total A	**181,244**	**176,744**	**33,634**	**32,850**	**9,547**	**9,504**	**1,278**	**1,247**	**801**	**588**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	111	61	20	9	-	-	-	-	-	-
B.2. Substandard loans	143	89	63	56	-	-	3	2	3	3
B.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
B.4. Past due exposures	10	9	-	-	-	-	-	-	-	-
B.5. Other exposures	36,444	36,303	28,719	28,666	19,121	19,119	503	501	1,336	1,334
Total B	**36,708**	**36,462**	**28,802**	**28,731**	**19,121**	**19,119**	**506**	**503**	**1,339**	**1,337**
TOTAL (A+B) 31.12.2006	**217,952**	**213,206**	**62,436**	**61,581**	**28,668**	**28,623**	**1,784**	**1,750**	**2,140**	**1,925**
TOTAL 31.12.2005	**203,306**	**199,177**	**56,897**	**55,776**	**35,302**	**34,807**	**2,958**	**2,930**	**2,072**	**2,064**

B.4. Breakdown of on- and off-balance sheet exposures to banks by geographic area (book value)

(in millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	2	-	7	-	13	-	-	-	2	-
A.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5. Other exposures	10,303	10,299	28,531	28,525	1,157	1,153	1,481	1,472	568	568
Total A	**10,305**	**10,299**	**28,538**	**28,525**	**1,170**	**1,153**	**1,481**	**1,472**	**570**	**568**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
B.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
B.5. Other exposures	4,038	4,038	16,374	16,363	913	912	890	885	262	261
Total B	**4,038**	**4,038**	**16,374**	**16,363**	**913**	**912**	**890**	**885**	**262**	**261**
TOTAL (A+B) 31.12.2006	**14,343**	**14,337**	**44,912**	**44,888**	**2,083**	**2,065**	**2,371**	**2,357**	**832**	**829**
TOTAL 31.12.2005	**22,802**	**22,813**	**33,857**	**33,818**	**2,974**	**2,916**	**1,931**	**1,928**	**242**	**241**

B.5. Large credit risks

Large credit risks	
a) Amount (in millions of euro)	6,797
b) Number	3

C. SECURITISATIONS AND ASSET SALES

C.1. Securitisations

Qualitative information

In the year the portion of securities (Covered bonds, ABS) deriving from securitisations held in the trading portfolio increased.

Portfolio management was carried out through purchase and sale of securities, on primary and secondary markets, characterised by an extremely high creditworthiness and liquidity profile, following the principle of diversification by geographic area and type of collateral.

Portfolio management is based not only on the analysis of market trends, but also on the qualitative and quantitative analysis of collaterals, on the valuation of credit enhancement and on the allocation rules regarding principal and interest payment flows.

Risk and performance monitoring on each security present in the portfolio is carried out at two levels. At the first level, at least weekly, market prices are analysed. At the second level, monthly, the analysis of statistics referred to collateral performance are conducted.

As concerns arrangement of "originated" securitisations, the transactions carried out in the year are described below.

"Da Vinci" Synthetic

Banca Intesa completed a synthetic securitisation aimed at covering and actively managing its risk exposure in the aircraft and aeronautic sector. Synthetic securitisations are third generation securitisation structures since, via the use of credit derivatives, they avoid the physical transfer of the underlying loan portfolios (the assets remain on the books), solely credit risk of the relevant loans is transferred.

The securitisation, named Da Vinci Synthetic ("Da Vinci"), launched for a nominal amount of approximately 650 million dollars, is the second project of the type which the Bank has finalised for its own loan portfolio in the sector after Leonardo Synthetic (May 2001), which was redeemed in September this year.
The guarantees supporting the Da Vinci portfolio comprise 128 aircraft which form part of the fleets of 22 airline companies, mostly flag carriers, from 14 countries worldwide. Of the 128 aircraft, 78% were constructed between 1997 and 2001, 16% between 1992 and 1996 and 5% between 2002 and 2003. The major loans included in the portfolio refer to KLM (approximately 99 million dollars, 17% of the portfolio total), British Airways (approximately 91 million, 16%), Alitalia (approximately 73 million dollars, 13%) and Alaska Airlines (approximately 46 million dollars, 8%); no other loan exceeds 6% of the portfolio total.
With this transaction, Banca Intesa acquired protection through a credit default swap (arranged by Merrill Lynch) utilising:
- for the unfunded portion (84%, equivalent to approximately 546 million dollars), a Senior Swap contract underwritten by a prime financer, which covers the Da Vinci risk portfolio for the superior rating or rating equivalent to AA;
- for the funded portion (12%), Da Vinci Synthetic Plc, a Special Purpose Vehicle ("SPV") domiciled in Republic of Ireland, which issued Notes for a cumulative value of 78.2 million dollars and distributed in three tranches (rated A, BBB and BB) to international institutional investors only.

The Notes issued by Da Vinci Synthetic Plc have been divided in the following tranches:.
- Class A Notes (rated A) of 32.5 million dollars (5%);
- Class B Notes (rated BBB) of 26.1 million dollars (4%);
- Class C Notes (rated BB+) of 19.6 million dollars (3%).

The structure of the operation give the possibility of selling at any time the remaining risk, 4% (approximately 26 million dollars).
Banca Intesa and Merrill Lynch International were the Arrangers and Note Placement Agents of the transaction.

Intesa Sec 3

Banca Intesa acted as Arranger in a securitisation of a portfolio made up of 72,570 performing residential mortgages, disbursed mainly in Northern Italy (approximately 75% in terms of value), granted to households, guaranteed by first degree mortgages for an original book value of 3,644 million euro. The sale price corresponds to the book value of the loans.
The transaction, essentially aimed at reducing the liquidity gap between medium-term loans and short-term deposits, was realised via the sale of the aforesaid portfolio to a vehicle company – established pursuant to Law 130/99 – named Intesa Sec. 3 S.r.l. and in which Banca Intesa holds a 60% stake.
This first phase of the operation, which occurred in December 2006, will be followed by a second phase in the first months of 2007, which entails the issue by Intesa Sec. 3 S.r.l. of mortgage-backed securities listed on the Luxembourg stock exchange and placed with institutional investors via Banca Caboto S.p.a., Calyon S.A. and Morgan Stanley & Co. Intl (lead managers and bookrunners).
The management of sold mortgages on behalf of the vehicle company will be carried out by Banca Intesa, servicer of the operation. To this end Banca Intesa signed a servicing contract with Intesa Sec. 3 S.r.l. The payments relative to the portfolio are credited on accounts in the name of the vehicle opened at Banca Intesa, which acts as Administrative and Collection Account Bank, and subsequently transferred to accounts opened at Calyon-London Branch which will invest the liquidity (English Account Bank and Cash Manager). Italfondiario S.p.a. is the entity in charge of loan recovery of any loans which default after the sale.
Considering that the transaction has not been completed with the issue of the securities, the following tables do not record such assets.

Quantitative information

C.1.1. Breakdown of exposures deriving from securitisations by quality of underlying asset

On-balance sheet

(in millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure
A. Originated underlying assets	**11**	**11**	**164**	**145**	**98**	**103**
a) Non-performing	*-*	*-*	*90*	*70*	*34*	*38*
b) Other	*11*	*11*	*74*	*75*	*64*	*65*
B. Third party underlying assets	**8,782**	**8,767**	**1,817**	**1,816**	**4**	**4**
a) Non-performing	*107*	*107*	*29*	*29*	*-*	*-*
b) Other	*8,675*	*8,660*	*1,788*	*1,787*	*4*	*4*
Total	**8,793**	**8,778**	**1,981**	**1,961**	**102**	**107**

Off-balance sheet

(in millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure
A. Originated underlying assets	**50**	**50**	**-**	**-**	**20**	**20**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	*37*	*37*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
b) Other	*13*	*13*	*-*	*-*	*20*	*20*	*-*	*-*	*-*	*-*	*-*	*-*
B. Third party underlying assets	**-**	**-**	**-**	**-**	**42**	**42**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
b) Other	*-*	*-*	*-*	*-*	*42*	*42*	*-*	*-*	*-*	*-*	*-*	*-*
Total	**50**	**50**	**-**	**-**	**62**	**62**	**-**	**-**	**-**	**-**	**-**	**-**

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	**3**	**-**	**74**	**-20**	**103**	**5**
A.1 Intesa Lease Sec *- performing leasing contracts*	*3*	*-*	*-*	*-*	*-*	*-*
A.2 Intesa Sec 2 *- performing residential mortgages*	*-*	*-*	*4*	*-*	*56*	*-*
A.3 Intesa Sec *- performing mortgages*	*-*	*-*	*-*	*-*	*9*	*1*
A.4 Intesa Sec Npl *- doubtful mortgages*	*-*	*-*	*70*	*-20*	*38*	*4*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**8**	**-**	**71**	**1**	**-**	**-**
C.1 Da Vinci *- loans to the aircraft and aeronautic sector*	*8*	*-*	*-*	*-*	*-*	*-*
C.2 Vespucci *- asset backed securities and collateralised debt obligations*	*-*	*-*	*71*	*1*	*-*	*-*
Total	**11**	**-**	**145**	**-19**	**103**	**5**

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 occurred prior to 1st 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	**50**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Intesa Sec *- performing mortgages*	*13*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
A.2 Intesa Sec Npl *- doubtful mortgages*	*37*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Da Vinci *- loans to the aircraft and aeronautic sector*	*-*	*-*	*-*	*-*	*20*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Total	**50**	**-**	**-**	**-**	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

C.1.3. Breakdown of exposures deriving from main "third parties" 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 Aca						
- securities	*135*	-	-	-	-	-
A.2 Atlantide						
- loans to suppliers	*642*	-	-	-	-	-
A.3 AYT Cedulas						
- public sector financing	*268*	*-2*	-	-	-	-
A.4 Bryn						
- loans	*96*	-	-	-	-	-
A.5 CallidusDebt Partners						
- securities	*52*	-	-	-	-	-
A.6 Cartesio						
- loans	*106*	-	-	-	-	-
A.7 D'Annunzio						
- receivables	*122*	-	-	-	-	-
A.8 Diocleziano						
- land, industrial and public entities mortgages	*91*	*-1*	-	-	-	-
A.9 Duchess						
- securities	*181*	-	-	-	-	-
A.10 Fort Sheridan						
- securities	*174*	-	-	-	-	-
A.11 Geldilux						
- loans	*207*	-	-	-	-	-
A.12 Jupiter						
- securities	*183*	-	-	-	-	-
A.13 Justine						
- health receivables	*102*	-	-	-	-	-
A.14 Kea Financial						
- loans to suppliers	*105*	-	-	-	-	-
A.15 Landmark						
- securities	*67*	-	-	-	-	-
A.16 Nixes						
- automotive loans	*204*	-	-	-	-	-
A.17 Rhodium						
- securities	*199*	-	-	-	-	-
A.18 Saturn Ventures						
- securities	*104*	-	-	-	-	-
A.19 Soc. Cart. Crediti INPS						
- social security benefits	*642*	-	-	-	-	-
A.20 SCIP						
- real estate assets	*71*	-	-	-	-	-
A.21 Smstr						
- securities	*182*	-	-	-	-	-
A.22 Società di Cartolarizzazione Italiana Crediti 1						
- personal loans	*222*	*-2*	-	-	-	-
A.23 Stone Tower						
- securities	*76*	-	-	-	-	-
A.24 Zoo						
- Cdo of Abs	*100*	-	-	-	-	-
A.25 Portfolio of investment grade ABS securities subject to unitary management	*217*	-	-	-	-	-
A.26 Residual portfolio divided in 716 securities	*4,219*	*-10*	*1,816*	*-1*	*4*	-
Total	**8,767**	**-15**	**1,816**	**-1**	**4**	**-**

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 Manzoni												
- Asset Backed Securities	-	-	-	-	*2*	-	-	-	-	-	-	-
A. 2 Pearls												
- credit derivatives	-	-	-	-	*40*	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**42**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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	6,991	1,651	4	-	-	-
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	386	221	47	-	-	-
Investments held to maturity	-	-	-	-	-	-
Loans (**)	1,393	18	56	50	-	42
Total 31.12.2006	**8,770**	**1,890**	**107**	**50**	**-**	**42**
Total 31.12.2005	**7,966**	**930**	**144**	**50**	**-**	**-**

(*) Excluding on- and off-balance sheet exposures deriving from originated securitisations in which assets sold have not been fully derecognised from assets for a total respectively of 79 million euro and of 20 million euro.

(**) This caption includes off-balance sheet exposures referred to "Guarantees given" and "Credit lines".

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	**491**	**496**
A.1 Fully derecognised	491	*X*
1. Doubtful loans	*159*	*X*
2. Substandard loans	-	*X*
3. Restructured exposures	-	*X*
4. Past due exposures	-	*X*
5. Other assets	*332*	*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	-	496
1. Doubtful loans	-	-
2. Substandard loans	-	-
3. Restructured exposures	-	-
4. Past due exposures	-	-
5. Other assets	-	*496*
B. Third party underlying assets	**27**	**529**
1. Doubtful loans	-	-
2. Substandard loans	-	-
3. Restructured exposures	-	-
4. Past due exposures	-	-
5. Other assets	27	529

C.1.6. Equity stakes in special purpose vehicles

Name	Direct ownership	Registered office	% Stake
Intesa Lease Sec	Banca Intesa	Milano	60.00%
Intesa Sec	Banca Intesa	Milano	60.00%
Intesa Sec 2	Banca Intesa	Milano	60.00%
Intesa Sec 3	Banca Intesa	Milano	60.00%
Intesa Sec Npl	Banca Intesa	Milano	60.00%
Intesa Sec Npl 2	Banca Intesa	Milano	100.00%
Augusto	Banca Intesa	Milano	5.00%
Colombo	Banca Intesa	Milano	5.00%
Diocleziano	Banca Intesa	Milano	5.00%

C.1.7. Servicer activities – repayments on securitised loans and reimbursements 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		Junionr	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa	Intesa Sec	-	65	-	46	-	100.0	-	69.4	-	-
Intesa	Intesa Sec 2	-	909	-	305	-	57.2	-	-	-	-
Italfondiario	Intesa Sec Npl	159	-	54	-	100.0	-	40.9	-	-	-
Intesa Leasing	Intesa Lease Sec	-	779	-	485	-	41.5	-	-	-	-
Total		**159**	**1,753**	**54**	**836**						

C.1.8. Group's special purpose vehicles

Intesa Sec

Securitisation of performing mortgages

(in millions of euro)

A. Securitised assets			**65**
A.1 loans		63	
- loans outstanding	*61*		
- past due loans	*2*		
A.2 securities		-	
A.3 other assets		2	
- accrued income on IRS	*1*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**21**
B.1 debt securities		-	
B.2 equities		-	
B.3 liquidity		21	
C. Securities issued			**80**
C.1 class A1		-	
C.2 class A2		62	
C.3 class B		10	
C.4 class C		8	
D. Financing received			**-**
E. Other liabilities			**5**
E.1 due to Parent Company		2	
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			**3**
G. Commissions and fees			**-**
G.1 servicing		-	
G.2 other services		-	
H. Other expenses			**4**
H.1 interest expense		3	
H.2 additional return		1	
I. Interest income on securitised assets			**4**
L. Other revenues			**4**
L.1 interest income		4	

Intesa Sec 2

Securitisation of performing residential mortgages

(in millions of euro)

A. Securitised assets			**909**
A.1 loans		871	
- loans outstanding	*849*		
- past due loans	*22*		
A.2 securities		-	
A.3 other assets		38	
- accrued income on IRS	*4*		
- suspended items for DPP	*30*		
- tax credits	*4*		
B. Investments of the funds collected from loan management			**109**
B.1 debt securities		-	
B.2 equities		-	
B.3 liquidity		109	
C. Securities issued			**926**
C.1 class A1		-	
C.2 class A2		824	
C.3 class B		41	
C.4 class C		61	
D. Financing received			**19**
E. Other liabilities			**47**
E.1 due to Parent Company		7	
E.2 other DPP liabilities		30	
E.3 accrued expenses – interest on securities issued		4	
E.4 accrued expenses on IRS		6	
F. Interest expense on securities issued			**35**
G. Commissions and fees			**2**
G.1 servicing		2	
G.2 other services		-	
H. Other expenses			**69**
H.1 interest expense		51	
H.2 cost of liquidation DPP of the period		18	
I. Interest income on securitised assets			**56**
L. Other revenues			**50**
L.1 interest income		48	
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			**159**
A.1 loans		151	
- loans outstanding	*23*		
- past due loans	*121*		
- loans for overdue interest	*7*		
A.2 securities		-	
A.3 other assets		8	
- cap premium paid	*7*		
- other loans	*1*		
B. Investments of the funds collected from loan management			**25**
B.1 debt securities		-	
B.2 equities		-	
B.3 liquidity		25	
C. Securities issued			**165**
C.1 class A		-	
C.2 class B		-	
C.3 class C		6	
C.4 class D		118	
C.5 class E		41	
D. Financing received			**3**
E. Other liabilities			**91**
E.1 amounts due for services rendered		4	
E.2 accrued expenses – interest on securities issued		84	
E.3 other accrued expenses		1	
E.4 floor option premium		2	
F. Interest expense on securities issued			**16**
G. Commissions and fees			**3**
G.1 servicing		3	
G.2 other services		-	
H. Other expenses			**15**
H.1 interest expense		4	
H.2 other expenses		3	
H.3 losses on overdue interest		2	
H.4 forecasted losses on loans		6	
I. Interest income on securitised assets			**11**
L. Other revenues			**13**
L.1 interest income		1	
L.2 recovery of legal expenses		1	
L.3 write-backs		11	

Intesa Lease Sec

Securitisation of performing loans arising from leasing contracts

(in millions of euro)

A. Securitised assets			**779**
A.1 loans		779	
- principal	*741*		
- credits for invoiced leasing instalments	*38*		
A.2 securities		-	
A.3 other assets		-	
B. Investments of the funds collected from loan management			**186**
B.1 debt securities		7	
B.2 equities		-	
B.3 liquidity		179	
C. Securities issued			**919**
C.1 class A1		1	
C.2 class A2		280	
C.3 class A3		532	
C.4 class B		84	
C.5 class C		22	
D. Financing received			**-**
E. Other liabilities			**51**
E.1 other accrued expenses and deferred income		18	
E.2 allowance for “additional return”		33	
F. Interest expense on securities issued			**36**
G. Commissions and fees			**1**
G.1 servicing		1	
G.2 other services		-	
H. Other expenses			**58**
H.1 interest expense		30	
H.2 other expenses		5	
H.3 losses on loans		1	
H.4 forecasted losses on loans		3	
H.5 additional return		19	
I. Interest income on securitised assets			**57**
L. Other revenues			**35**
L.1 interest income		32	
L.2 value recoveries		2	
L.3 other revenues		1	

C.2. Sales

C.2.1. Financial assets sold not derecognised

(in millions of euro)

	Cash assets					Derivatives	Total 31.12.2006	Total 31.12.2005
	Debt securities	Equities	UCITS	Loans	Non-performing assets			
FINANCIAL ASSETS HELD FOR TRADING	**6,672**	**-**	**-**	**-**	**-**	**-**	**6,672**	**5,314**
- Financial assets sold totally derecognised (book value)	6,672	-	-	-	-	-	6,672	5,314
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**X**	**-**	**-**
- Financial assets sold totally derecognised (book value)	-	-	-	-	-	X	-	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	X	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	X	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**15**	**-**	**-**	**-**	**-**	**X**	**15**	**-**
- Financial assets sold totally derecognised (book value)	15	-	-	-	-	X	15	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	X	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	X	-	-
INVESTMENTS HELD TO MATURITY	**27**	**X**	**X**	**-**	**-**	**X**	**27**	**-**
- Financial assets sold totally derecognised (book value)	27	X	X	-	-	X	27	-
- Financial assets sold partly derecognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly derecognised (full value)	-	X	X	-	-	X	-	-
DUE FROM BANKS	**-**	**X**	**X**	**-**	**-**	**X**	**-**	**-**
- Financial assets sold totally derecognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly derecognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly derecognised (full value)	-	X	X	-	-	X	-	-
LOANS TO CUSTOMERS	**1,056**	**X**	**X**	**-**	**-**	**X**	**1,056**	**-**
- Financial assets sold totally derecognised (book value)	1,056	X	X	-	-	X	1,056	-
- Financial assets sold partly derecognised (book value)	-	X	X	-	-	X	-	-
- Financial assets sold partly derecognised (full value)	-	X	X	-	-	X	-	-
Total 31.12.2006	**7,770**	**-**	**-**	**-**	**-**	**-**	**7,770**	**X**
Total 31.12.2005	**5,314**	**-**	**-**	**-**	**-**	**-**	**X**	**5,314**

Financial assets sold not derecognised are made up of securities relative to repurchase agreements.

C.2.2. Financial liabilities associated to financial assets sold not derecognised

(in millions of euro)

	Due to customers		Due to banks		Total	Total
	Fully derecognised	Partly derecognised	Fully derecognised	Partly derecognised	31.12.2006	31.12.2005
Financial assets held for trading	1,334	-	5,297	-	6,631	5,136
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	15	-	-	-	15	-
Investments held to maturity	27	-	-	-	27	-
Due from banks	-	-	-	-	-	-
Loans to customers	26	-	1,027	-	1,053	-
Total 31.12.2006	**1,402**	**-**	**6,324**	**-**	**7,726**	**5,136**

The sole financial liabilities associated to financial assets sold not derecognised referred to repurchase agreements, as shown in tables 1.1 Due to banks and 2.1 Due to customers.

D. MODELS FOR THE MEASUREMENT OF CREDIT RISK

Banca Intesa and the main Italian subsidiaries are analysed in terms of portfolio model for the banking book component.

Economic capital calculations are submitted to periodic stress tests defined in terms of:

- parallel shifts in the probability of default (PD) curve for specific industries or geographic areas;
- shocks on risk parameters of specific borrowers;
- shocks on market factors which are the basis for simulations.

Overall the results of the portfolio model's estimates are basically in line with the evidence deriving from the application of the IRB model of Basel II.

1.2. MARKET RISKS

With reference to market risks – interest rate risk and price risk – though in compliance with the approach set out by the Bank of Italy, the following description privileges the representation of risks based on their specific book: trading book for supervisory purposes and banking book.
Therefore, consistently with the use of internal risk measurement models, the sections relative to interest rate and price risk have been grouped within the aforesaid portfolios.

TRADING BOOK FOR SUPERVISORY PURPOSES

1.2.1. INTEREST RATE RISK – TRADING BOOK FOR SUPERVISORY PURPOSES

1.2.3. PRICE RISK – TRADING BOOK FOR SUPERVISORY PURPOSES

QUALITATIVE INFORMATION

The activities for the quantification of trading risks are based on daily and period estimates of sensitivity of the trading portfolios to adverse market movements relatively to the following risk factors:

- interest rates;
- equity and market indexes;
- investment funds;
- foreign exchange rates;
- implied volatilities;
- spreads in Credit Default Swaps;
- spreads in issued bonds.

Internal model validation

For certain of the abovementioned risk factors, the Supervisory authority validated the internal models for the regulatory measurement of capital absorption of both Banca Intesa (2001) and Banca Caboto (2003). In 2004 the model related to Banca Intesa's credit derivatives (credit default swaps) was also validated. For the purpose of backtesting the model Value at Risk (VaR) is periodically compared with the daily profit and loss results actually realised by the trading desks, net of the opportune adjustments relative to commissions, funding cost, intraday trading, collected coupons, changes in issuer spread, foreign exchange effects.

Capital at risk

The analysis of market risk profiles relative to the trading book and the banking book avails itself of 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 of capital at risk for the quantification of risks from illiquid parameters, stress tests, sensitivity and risk level measurements for a more complete and detailed management of exposures.
The paragraphs below provide the estimates and evolution of capital at risk, defined as the sum of VaR and of simulation on illiquid parameters, for the trading book of Banca Intesa and Banca Caboto (also comprehensive of items available for sale which are not attributable to equity stakes); these two entities represent the prevailing portion of the Group's market risks. For the purposes of quantification of capital at risk, spread VaR estimates relative to bond issuer risk are included for Banca Caboto while, for Banca Intesa, they will be available from 1st January 2007. Estimated VaR relative to the collateralised debt obligations (cdo) portfolio currently undergoing integration is excluded.

Value at Risk

VaR represents the main element in the estimate of capital at risk for its characteristics of:

- consistency and transparency (functional relation between risk and volatility of profits/losses) of risk indicators among the various business lines;
- possibility of separating risk in its elementary components (risk un-bundling);
- consistency with external performance measurement systems;
- consistency with the entire structure of limits (portfolio, desk, strategy and product);
- completeness in the capacity of seizing options and non-linear risks.

VaR estimates are calculated daily based on simulations of historical time-series, a 99% confidence level and one-working day holding period; delta-gamma-vega VaR is also calculated for the structured equity positions of Banca Caboto's London branch.

Historical VaR simulation consists in a full-revaluation methodology of all the trading contracts based on the historical returns of the risk variables actually realised in the past. The full-revaluation methodology enables to include in VaR estimates both the linear and non-linear (option) components of evolution of profits/losses in financial contracts. The scenarios applied in the simulation are generated on annual time-series of daily returns; for the purpose of ensuring a greater fit between the dynamics of VaR and the most recent variability of risk factors, historical scenarios are weighted with an exponential formula adopting a decay factor.
Delta-gamma-vega (*DGV VaR*) consists in a parametric methodology, that is capable of approximating the full-revaluation of a financial instrument on the basis of certain synthetic parameters represented by sensitivity measures, including option greeks (delta, gamma, vega and rho), and volatilities and correlations estimated on half-yearly historical time-series weighted with an exponential decay factor.

Illiquid risk simulations
The nature of certain trading products, such as alternative investments and pay-off of certain derivative products and certain indexations which require the application of illiquid and difficult to obtain risk factors (dividends, equity correlations and interest rate), makes them unsuitable for the application of VaR methodologies as for certain captions in the trading book. For the purpose of completing capital at risk estimates, "non correlated simulation" is identified as an alternative measure and is applied to the exposures of Banca Intesa's alternative investment portfolio, to exposures to quanto derivatives and to Banca Caboto's structured equity book. This methodology is based on the statistical estimate of the volatility of risk factors without including diversification effects, for a more prudent vision of capital at risk. The results of risk simulations are used solely for management purposes as concerns alternative investments – which absorb shareholders' equity for supervisory purposes through the application of the standard method - while for Banca Caboto they are considered for regulatory purposes as concerns correlation risks.

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 on 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 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, among others, 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).

Trading activity
Trading and management activity of exposure to market risks is carried out at the trading desks of Banca Intesa and Banca Caboto and is organised mainly in two areas: i) the Finance and Treasury Department for treasury activities, *funding* through the issue of own securities, and *proprietary trading,* and ii) the Capital Markets Department which, through Banca Caboto, deals in the equity, bond and derivatives secondary market, and structures derivative strategies and products for customers.

Banca Intesa
Market risks deriving from the trading activity of the Finance and Treasury Department are managed by the trading desks of Milano, London, New York and Hong Kong.
Interest rate risk from treasury activities derive from market making activities on money market products and related derivatives, also ensuring the Group's integrated liquidity management in local and foreign currency and taking part in auctions of Government bonds (Italian and European). The activities are divided

by product (bonds, repo and money market) and market (Euro Zone, non-Euro, emerging markets), managing the open interest rate risk position via derivatives listed on regulated markets and interest rate swaps.
Interest rate risks from strategic finance activity are important for the definition of funding requirements in euro and foreign currency, as well as for the structuring of issues on the international and domestic markets managing the related hedges essentially with derivatives listed on regulated markets, cash securities and swaps. Purchases and sales of own securities on the secondary market are also managed within this activity.
Equity risks from proprietary trading are managed with both directional and relative value strategies mainly on shares, indexes and derivatives of Italian and European markets, as well as with volatility trading activities (options and variance swaps) and transactions on dividends.
Interest rate and credit risks from proprietary trading are managed with trading strategies in bonds (Government issuers and covered bonds), derivatives listed on regulated markets, interest rate swaps.
Foreign exchange risks essentially stemmed from positions in securities and swaps denominated in local currency.
Price risks on alternative investments are managed as part of the investment in hedge funds.
Credit risks are managed with bond trading strategies (corporate and financial issuers and securitisations), via index and single name credit default swaps (cds), basket, synthetic collateralised debt obligations (cdo).
Banca Intesa's market risk profile also includes other residual and/or strategic portfolios, whose nature depends on i) the need to allocate the captions from restructuring processes, to ensure greater separation and transparency in the allocation of certain income components, and ii) strategic business opportunities.

Banca Caboto
The dealing rooms of Milano and London manage market risks at Banca Caboto.
Equity risks stem from dealing with customers in equities and quoted derivatives, managing market opportunities deriving from relative values and market events. Greater complexity stems from structuring activities and structured products risk management, which uses dynamic hedging with cash and listed derivatives.
Credit risks are managed with primary and secondary market activities on bond markets (mature and emerging economies) negotiating in particular corporate and financial issues mainly in the Euro Zone and managing the risk profile essentially with derivatives listed on regulated markets and credit derivatives.
Interest rate risk is instead concentrated in the area of euro interest rates. It stems from i) the risks from financial markets trading activities driven by the products distributed by the Parent Company to customers, as well as ii) from both directional and option strategies on the interest rate and volatility markets. Risk management uses dynamic hedging on OTC derivatives markets to manage volatility risks and interest rate risks, as well as listed derivatives to optimise interest rate risk strategies.

QUANTITATIVE INFORMATION

Trading book for supervisory purposes: internal models and other methodologies for sensitivity analysis

Breakdown of capital at risk

Quantitative information indicated hereafter refers to the trading book subject to market risks.
In the following paragraphs the market CaR is estimated by summing up VaR and simulations on illiquid parameters for the trading books of Banca Intesa and Banca Caboto; the Group's market risk is concentrated mainly in the books of these two entities.

Evolution of capital at risk

In the fourth quarter of 2006 market risks originated by Banca Intesa and Banca Caboto decreased and led capital at risk for the period to equal 20.4 million euro (average for the fourth quarter of 2006). The average risk profile for 2006 (32.1 million euro) increased with respect to the average for 2005 (25.6 million euro). Risk exposure was measured summing up historical VaR (99% confidence level and one-working day holding period), DGV VaR of structured equity portfolios of Banca Caboto in London (99% confidence level and one-working day holding period), and risk simulations for the hedge fund portfolio and illiquid parameters (correlation and dividends).

Daily capital at risk (CaR) of the trading portfolio for Banca Intesa and Banca Caboto [(a)]

(millions of euro)

	average 4th quarter	minimum 4th quarter	maximum 4th quarter	average 3rd quarter	average 2nd quarter	average 1st quarter
Banca Intesa	16.0	14.7	17.3	26.1	34.4	36.1
Banca Caboto	4.4	3.8	5.2	4.3	3.9	2.9
Intesa and Caboto	**20.4**	**19.0**	**21.5**	**30.4**	**38.3**	**39.0**

[(a)] The table sets out on every line past estimates of daily capital at risk calculated on the quarterly historical time-series respectively of Banca Intesa and Banca Caboto; the estimate of minimum and maximum values for Intesa and Caboto is calculated using aggregate historical time-series and therefore does not correspond to the sum of the individual values in the columns.

Daily capital at risk (CaR) of the trading portfolio for Banca Intesa and Banca Caboto [(a)]

(in millions of euro)

	2006				2005		
	average	minimum	maximum	last day	average	minimum	maximum
Banca Intesa	28.3	14.3	43.0	14.7	23.2	9.9	35.8
Banca Caboto	3.8	2.3	5.5	4.2	2.4	1.6	4.1
Intesa and Caboto	**32.1**	**17.8**	**44.9**	**18.9**	**25.6**	**11.5**	**39.0**

[(a)] The table sets out on every line past estimates of daily capital at risk calculated on the quarterly historical time-series respectively of Banca Intesa and Banca Caboto; the estimate of minimum and maximum values for Intesa and Caboto is calculated using aggregate historical time-series and therefore does not correspond to the sum of the individual values in the columns.

For Banca Intesa breakdown of risk profile in the fourth quarter of 2006 with regard to the various factors shows the prevalence of equity risk which represented 41% of total risk; hedge fund risk increased its weight on total. Equity risk was also the most significant component for Banca Caboto (40% of the total).

Contribution of risk factors to overall CaR [(a)]

4th quarter 2005	Shares	Hedge fund	Rates	Credit spread (*)	Foreign Exchange	Other parameters
Banca Intesa	41%	25%	22%	4%	6%	2%
Banca Caboto	40%	-	27%	6%	-	27%
Intesa and Caboto	**42%**	**20%**	**23%**	**4%**	**4%**	**7%**

[(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 Banca Intesa and Banca Caboto and indicating the distribution of overall capital at risk.

[(*)] Inclusive for Banca Intesa of spread VaR of trading CDS, except spread VaR of bonds.
Inclusive for Banca Caboto of spread VaR of cash CDS strategies.

As concerns the hedge fund portfolio, the previous table shows breakdown of exposures to highlight the degree of diversification of adopted strategies.

Contribution of strategies to portfolio breakdown [(a)]

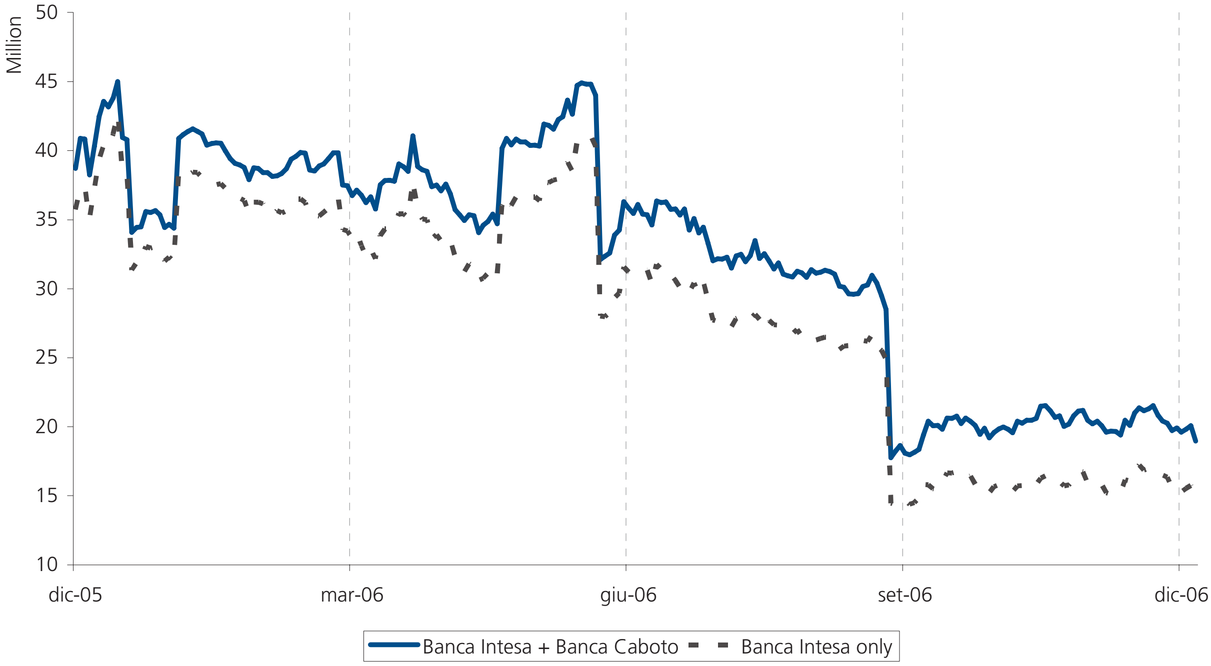
	End of 2006	End of 2005
- Relative Value / Arbitrage	19%	14%
- Event Driven	22%	17%
- Multistrategy, Funds of Funds	16%	14%
- Credit / Emerging	2%	7%
- Directional	12%	11%
- Equity Hedge / long-short	29%	37%
Total hedge funds	**100%**	**100%**

[(a)] The table sets out on every line the percentage of total cash exposures calculated on amounts at period-end.

Changes in capital at risk

Evolution of capital at risk for Banca Intesa and Banca Caboto during 2006 shows a downward trend. This is mostly attributable to Banca Intesa's risk exposures characterised by the progressive disposal of equity investments measured at fair value. Banca Caboto's risk profile instead increased, in particular following relative value and directional strategies on the equity market; interest rate risk also increased.

Evolution of market risks - daily capital at risk



Backtesting

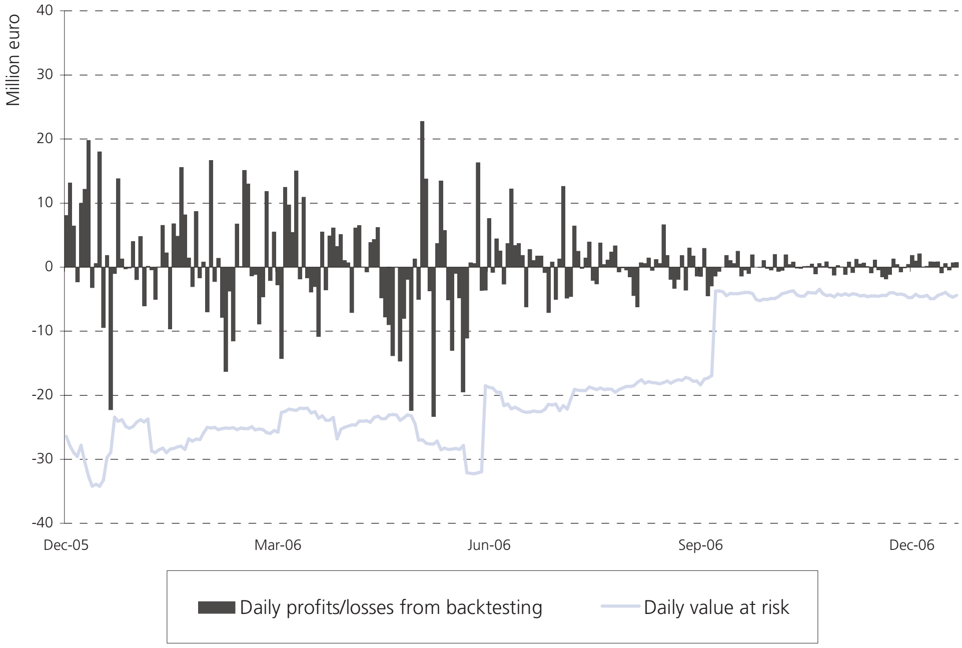
The effectiveness of the VaR calculation methods must be monitored daily via backtesting which, as concerns regulatory backtesting, compares:

- the daily estimates of value at risk (represented by the line in the following graph);
- 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 enables to verify 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 in the year of observation more than three occasions in which the daily loss is higher than the value at risk estimate.

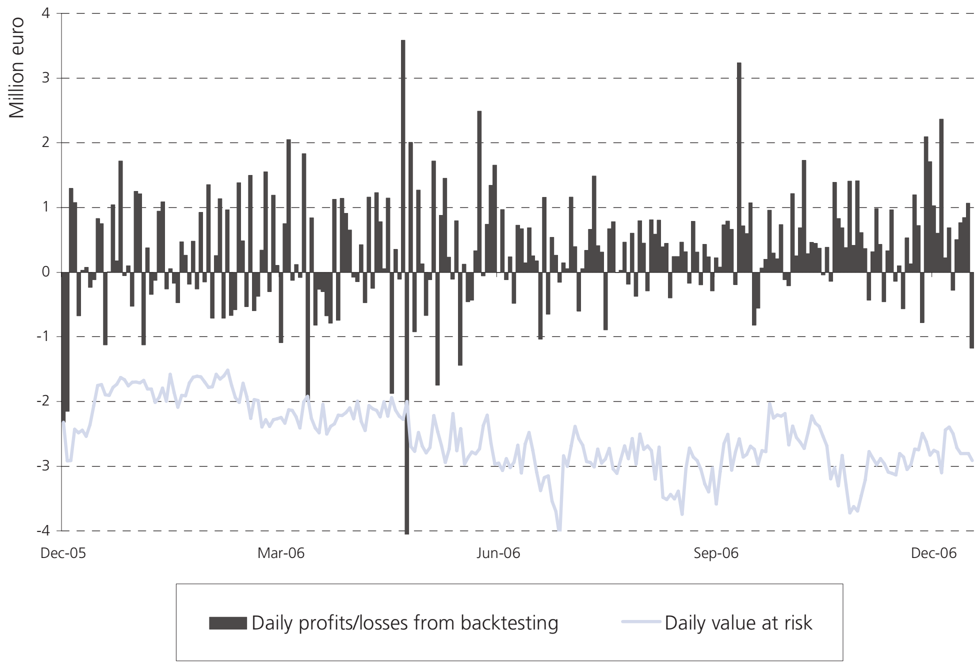
Backtesting in Banca Intesa

Banca Intesa's regulatory backtesting, set out in the following graph, does not present any critical situations. Critical situations occur if daily profits and losses from backtesting prove to be higher than the VaR estimate in more than three occasions in the observation period.



Backtesting in Banca Caboto

Banca Caboto's regulatory backtesting, set out in the following graph, presents 2 breaches on 239 observations (0.8%), which are not statistically material.



Issuer risk

Issuer risk in the trading portfolio is analysed in terms of marking to market, by aggregating exposures by rating classes and is monitored using a system of operating limits based on both rating classes and concentration indexes. Banca Caboto also uses the estimates of spread VaR on bonds which permits the analysis in terms of capital at risk of the basis risk between bond and credit default swap markets (cash-cds basis); such methodology has also been introduced for Banca Intesa's portfolios as of 1st January 2007.

Breakdown of exposures by type of issuer for Banca Intesa and Banca Caboto [(a)]

	Total	of which				
		Corporate	Financial	Emerging	Covered	Securitis.
Banca Intesa	88%	5%	8%	7%	18%	62%
Banca Caboto	12%	9%	74%	7%	-	10%
Intesa and Caboto	**100%**	**5%**	**17%**	**7%**	**16%**	**55%**

[(a)] The table sets out in the Total column the contribution of Banca Intesa and Banca Caboto to issuer risk exposures. The other columns indicate percentage breakdown of issuer risk exposures.

Period-end percentage on area total, excluding Government bonds, own bonds and including cds.

Breakdown by rating of the trading portfolio highlighted a net prevalence of issuers classified as investment grade.

Breakdown of exposures by rating class for Banca Intesa and Banca Caboto [(a)]

	Corporate		Financial		Emerging	
	Investment grade	Speculative grade	Investment grade	Speculative grade	Investment grade	Speculative grade
Banca Intesa	134%	-34%	106%	-6%	65%	35%
Banca Caboto	75%	25%	95%	5%	74%	26%
Intesa and Caboto	**121%**	**-21%**	**100%**	**-**	**66%**	**34%**

[(a)] The table sets out for every area (corporate, financial and emerging) breakdown in investment grade and speculative grade of issuer risk exposures Banca Intesa and Banca Caboto as well as for overall issuer risk.

Period-end percentage on area total, excluding Government bonds, own bonds, exposures in covered bonds and securitisations, including cds. Negative percentages refer to purchases of cds.

Operating limits

The structure of limits reflects the risk level deemed to be acceptable with reference to single business areas consistently 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 following basic concepts of hierarchy and interaction.

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 defined by the Risk Management Department together with the heads of operating Departments, for which the verification of congruity and the subsequent approval of Board of Directors are necessary, examples are capital at risk limits and total exposure limits for operations subject to issuer risk;
- second level limits: have the objective of controlling operations of the various desks on the basis of differentiated measures based on the specific characteristics of traded instruments and operating strategies, such as sensitivity, greeks and equivalent exposures.

The use of operating limits of capital at risk in Banca Intesa, in the component sub-allocated to organisational units, was on average equal to 53% in 2006, with a maximum use of 72%; Var operating limits in Banca Caboto equalled on average 46%, with a maximum use of 76%.

BANKING BOOK
1.2.2. INTEREST RATE RISK – BANKING BOOK
1.2.4 PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

Banking book: general aspects, interest rate and price risk management processes and measurement methods

The interest rate risk of the banking book is monitored through two complementary approaches: the sensitivity of present value to parallel shifts in the term structure of interest rates and the sensitivity of interest margin to parallel shifts in the term structure of interest rates. In both cases monthly measures are used which photograph all asset and liability captions with assumptions of no changes in volumes in the monitored instruments. In addition to parallel shifts in yield curves, alternative scenarios are also considered such as inversion, flattening and changes in the inclination of the yield curve.

As concerns internal processes for interest rate risk management and control, the Finance and Treasury Department is responsible for the management of structural interest rate risk generated by the business units which is allocated to it via an internal transfer rates mechanism; the Risk Management Department carries out monitoring of management activities, submitting quantitative evidences to the attention to the Group’s Financial Risks Committee.

The price risk of the banking book is measured through VaR (99% confidence level, 10-day holding period).

The banking book includes exposure to market risks deriving from the Parent Company’s equity investments in listed companies not fully consolidated or carried at equity and which mostly referred to holdings classified in the caption “Financial assets available for sale”.

Risk hedging activity

Activities which are hedged from interest rate risk refer mainly to the components of investments and funding with original medium- and long-term maturity. Hedging activities are recorded via various hedge accounting models.

A first way refers to the specific coverage of fair value of fixed rate or structured bond issues (fair value hedge). The Risk Management Department measures effectiveness of structural interest rate risk hedges for the purpose of hedge accounting in the respect of international accounting principles. Complementary to the verification of hedge effectiveness is the verification of the conditions which make hedge accounting applicable, with particular reference to the indication of hedged risks and the identification and documentation of hedging relationship (hedging card), specifying the means of verification of hedge effectiveness.

Effectiveness is assessed through prospective tests at the activation of the hedge, followed by quarterly prospective and retrospective tests over the entire period of the hedge. The prospective test occurs by comparing sensitivity to interest rate changes, expressed as changes in the fair value due to a parallel shift in the term structure of interest rates equal to 1 basis point. During the existence of the hedging relationship the prospective test represents a useful warning of potential future ineffectiveness therefore suggesting the opportune changes in the hedging relationship. Retrospective tests compare the changes in fair value between hedged item and hedging instrument cumulated from the beginning of the period and recalculated at every date set out for effectiveness tests.

In 2006, Banca Intesa activated fair value macrohedging aimed at hedging risk of fair value changes intrinsic in the coupons under accrual of floating rate operations. The Bank is exposed to this risk in the period from the date in which the coupon is set and the date of payment of the instalment.

Another means of registration in the financial statements refers to the coverage of the remaining captions in the medium- and long term banking book (investments and funding not represented by fixed rate or structured securities). For such captions hedging has the purpose of stabilising interest flow on variable rate funding to the extent that the latter finances fixed rate investments. According to the cash flow hedge methodology, the item being hedged is a flow of future net interest flows to be paid or collected grouped by time buckets.

In addition to the above, even the portfolios subject to cash flow hedging are monitored by the Risk Management Department which performs effectiveness tests. Hedge effectiveness requires the verification that the cash flows from hedging instruments do not exceed those of the hedged item. Such verifications are carried out at inception of the hedging relationship and subsequently quarterly over the entire period of the hedge.

QUANTITATIVE INFORMATION

Interest rate risk: internal models and other sensitivity analysis methodologies

Sensitivity of the interest margin on Banca Intesa's banking book, considering a 12-month holding period and parallel and instantaneous shifts in the yield curve, equalled 113 million euro for a 100 basis point increase in interest rates (-88 million euro in case of a 100 basis points reduction). This measure highlights the effect of variations of market interest rates on the portfolio, excluding any assumptions regarding future changes in the mix of assets and liabilities and, therefore, it cannot be considered a forecast on the future level of the interest margin.

Interest rate risk, measured through shift sensitivity analysis assuming a +1 basis point parallel shift of the yield curve (PVO1), amounted to approximately 4 million euro at year-end.

Interest rate risk on Banca Intesa's banking book represented approximately 70% of exposures of Gruppo Intesa.

Price risk: internal models and other sensitivity analysis methodologies

Price risk, expressed in terms of VaR, generated by the equity portfolio totalled 82 million euro at the end of December 2006.

1.2.5. FOREIGN EXCHANGE RISK

QUALITATIVE INFORMATION

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.
More specifically, "structural" foreign exchange risk refers to the exposures deriving from commercial operations and strategic investment decisions (banking book) defined at Gruppo Intesa level.

Foreign exchange risk hedging activities
Foreign exchange risk deriving from activities in foreign currency in the banking book is systematically transferred from business units to the Finance and Treasury Department, for the purpose of guaranteeing the elimination of such risk. An analogous immunisation is performed by the Group's various companies as concerns the banking book.
Essentially, foreign exchange risk is mitigated by the practice of raising funding in the same currency as assets, concentrating foreign exchange risk exposures in the trading book where it is subject to daily VaR limits.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and derivatives

(in millions of euro)

	Currencies				
	US dollar	GB pound	Swiss franc	Yen	Other currencies
A. FINANCIAL ASSETS	**17,654**	**4,216**	**3,785**	**1,505**	**15,100**
A.1 Debt securities	9,787	2,874	213	1,058	3,724
A.2 Equities	227	19	15	13	109
A.3 Loans to banks	2,630	576	432	222	3,139
A.4 Loans to customers	4,969	746	3,121	208	7,859
A.5 Other financial assets	41	1	4	4	269
B. OTHER ASSETS	**818**	**21**	**11**	**3**	**1,221**
C. FINANCIAL LIABILITIES	**26,623**	**8,667**	**852**	**931**	**13,637**
C.1 Due to banks	10,712	2,187	594	233	2,635
C.2 Due to customers	4,337	776	147	338	9,586
C.3 Debt securities	11,169	5,702	93	332	1,416
C.4 Other financial liabilities	405	2	18	28	-
D. OTHER LIABILITIES	**995**	**44**	**1**	**26**	**713**
E. FINANCIAL DERIVATIVES	**44,702**	**12,546**	**6,297**	**3,342**	**16,557**
- Options	3,009	100	260	437	239
long positions	*1,121*	*87*	*121*	*296*	*119*
short positions	*1,888*	*13*	*139*	*141*	*120*
- Other derivatives	41,693	12,446	6,037	2,905	16,318
long positions	*25,687*	*8,660*	*1,377*	*1,055*	*9,026*
short positions	*16,006*	*3,786*	*4,660*	*1,850*	*7,292*
TOTAL ASSETS	**45,280**	**12,984**	**5,294**	**2,859**	**25,466**
TOTAL LIABILITIES	**45,512**	**12,510**	**5,652**	**2,948**	**21,762**
IMBALANCE (+/-)	**-232**	**474**	**-358**	**-89**	**3,704**

The 3,704 million euro imbalance of other currencies is affected by net assets of subsidiaries abroad which are expressed in local currency, for which changes impact solely on the Group's shareholders' equity. Net of such component the imbalance decreases to 462 million euro.

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 above.

1.2.6. FINANCIAL DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1. Trading book for supervisory purposes: period-end and average notional values

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2006		Total 31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	**-**	**42,951**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42,951**	**-**	**80,429**
2. Interest rate swaps	**-**	**606,359**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**606,359**	**-**	**654,336**
3. Domestic currency swaps	**-**	**-**	**-**	**-**	**-**	**857**	**-**	**-**	**-**	**857**	**-**	**727**
4. Currency interest rate swaps	**-**	**-**	**-**	**-**	**-**	**11,514**	**-**	**-**	**-**	**11,514**	**-**	**6,294**
5. Basis swaps	**-**	**56,094**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**56,094**	**-**	**66,655**
6. Exchange of stock indexes	**-**	**-**	**-**	**224**	**-**	**-**	**-**	**-**	**-**	**224**	**-**	**-**
7. Exchange of real indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8. Futures	**75,004**	**-**	**822**	**-**	**24**	**-**	**33**	**-**	**75,883**	**-**	**114,097**	**-**
9. Caps	**-**	**173,636**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**173,636**	**-**	**137,866**
- Bought	-	65,677	-	-	-	-	-	-	-	65,677	-	63,342
- Issued	-	107,959	-	-	-	-	-	-	-	107,959	-	74,524
10. Floors	**-**	**107,417**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**107,417**	**-**	**77,042**
- Bought	-	54,628	-	-	-	-	-	-	-	54,628	-	31,169
- Issued	-	52,789	-	-	-	-	-	-	-	52,789	-	45,873
11. Other options	**29,754**	**6,644**	**5,365**	**23,404**	**-**	**3,436**	**-**	**-**	**35,119**	**33,484**	**19,012**	**92,545**
- Bought	18,350	2,503	2,653	10,466	-	1,880	-	-	21,003	14,849	15,059	37,324
Plain vanilla	*18,350*	*2,455*	*2,653*	*8,161*	-	*1,420*	-	-	*21,003*	*12,036*	*15,059*	*36,935*
Exotic	-	*48*	-	*2,305*	-	*460*	-	-	-	*2,813*	-	*389*
- Issued	11,404	4,141	2,712	12,938	-	1,556	-	-	14,116	18,635	3,953	55,221
Plain vanilla	*11,404*	*4,118*	*2,712*	*12,516*	-	*1,410*	-	-	*14,116*	*18,044*	*3,953*	*54,943*
Exotic	-	*23*	-	*422*	-	*146*	-	-	-	*591*	-	*278*
12. Forward contracts	**-**	**1,908**	**-**	**6**	**-**	**44,910**	**-**	**-**	**-**	**46,824**	**1,642**	**55,522**
- Purchases	-	710	-	4	-	16,100	-	-	-	16,814	798	19,808
- Sales	-	1,198	-	2	-	11,210	-	-	-	12,410	844	21,102
- Currency against currency	-	-	-	-	-	17,600	-	-	-	17,600	-	14,612
13. Other derivatives	**-**	**-**	**-**	**8,673**	**-**	**96**	**-**	**-**	**-**	**8,769**	**-**	**1,274**
TOTAL	**104,758**	**995,009**	**6,187**	**32,307**	**24**	**60,813**	**33**	**-**	**111,002**	**1,088,129**	**134,751**	**1,172,690**
AVERAGE VALUES	**117,979**	**1,051,030**	**5,326**	**21,982**	**333**	**61,486**	**33**	**-**	**123,671**	**1,134,498**	**157,940**	**1,205,361**

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 31.12.2006		Total 31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	**60,141**	-	-	-	-	-	-	-	**60,141**	-	**32,232**
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	**2,478**	-	-	-	**2,478**	-	**984**
5. Basis swaps	-	**2,421**	-	-	-	-	-	-	-	**2,421**	-	**2,179**
6. Exchange of stock indexes	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Caps	-	**13**	-	-	-	-	-	-	-	**13**	-	**60**
- Bought	-	13	-	-	-	-	-	-	-	13	-	60
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floors	-	-	-	-	-	-	-	-	-	-	-	**655**
- Bought	-	-	-	-	-	-	-	-	-	-	-	501
- Issued	-	-	-	-	-	-	-	-	-	-	-	154
11. Other options	-	**70**	-	**1,579**	-	-	-	-	-	**1,649**	-	**2,387**
- Bought	-	-	-	1,579	-	-	-	-	-	1,579	-	2,134
Plain vanilla	-	-	-	*1,388*	-	-	-	-	-	*1,388*	-	*2,134*
Exotic	-	-	-	*191*	-	-	-	-	-	*191*	-	-
- Issued	-	70	-	-	-	-	-	-	-	70	-	253
Plain vanilla	-	*70*	-	-	-	-	-	-	-	*70*	-	*253*
Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	**66**	-	-	-	**66**	-	**22**
- Purchases	-	-	-	-	-	8	-	-	-	8	-	22
- Sales	-	-	-	-	-	55	-	-	-	55	-	-
- Currency against currency	-	-	-	-	-	3	-	-	-	3	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	**62,645**	-	**1,579**	-	**2,544**	-	-	-	**66,768**	-	**38,519**
AVERAGE VALUES	-	**49,184**	-	**1,946**	-	**1,769**	-	-	-	**52,899**	-	**34,133**

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 31.12.2006		Total 31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	**17**	-	-	-	-	-	-	-	**17**	-	**43**
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate *swaps*	-	-	-	-	-	**15**	-	-	-	**15**	-	**16**
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	**3,386**
6. Exchange of stock indexes	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Caps	-	**376**	-	-	-	-	-	-	-	**376**	-	**163**
- Bought	-	7	-	-	-	-	-	-	-	7	-	149
- Issued	-	369	-	-	-	-	-	-	-	369	-	14
10. Floors	-	**7,279**	-	-	-	-	-	-	-	**7,279**	-	**8,703**
- Bought	-	-	-	-	-	-	-	-	-	-	-	92
- Issued	-	7,279	-	-	-	-	-	-	-	7,279	-	8,611
11. Other options	-	**1,932**	-	**6,569**	-	**123**	-	-	-	**8,624**	-	**8,980**
- Bought	-	33	-	3	-	-	-	-	-	36	-	511
Plain vanilla	-	*33*	-	*3*	-	-	-	-	-	*36*	-	*511*
Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	1,899	-	6,566	-	123	-	-	-	8,588	-	8,469
Plain vanilla	-	*1,830*	-	*4,094*	-	*62*	-	-	-	*5,986*	-	*8,469*
Exotic	-	*69*	-	*2,472*	-	*61*	-	-	-	*2,602*	-	-
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives	-	-	-	-	-	**108**	-	-	-	**108**	-	**151**
TOTAL	-	**9,604**	-	**6,569**	-	**246**	-	-	-	**16,419**	-	**21,442**
AVERAGE VALUES	-	**11,369**	-	**7,191**	-	**235**	-	-	-	**18,795**	-	**22,752**

The previous tables show nominal amounts of derivatives recorded separately from the combined financial instruments. Such derivatives in the financial statements are classified under assets/liabilities held for trading.

A.3. Financial derivatives: purchase and sale of underlying assets

(milioni di euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2006		Total 31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Trading book for supervisory purposes	**104,758**	**938,915**	**6,187**	**32,083**	**24**	**60,813**	**33**	**-**	**111,002**	**1,031,811**	**134,751**	**1,106,035**
1. Operations with exchange of underlying asset	2,847	2,841	1,787	1,025	15	55,845	6	-	4,655	59,711	6,718	64,623
- Purchases	*1,162*	*1,335*	*832*	*463*	*1*	*23,116*	-	-	*1,995*	*24,914*	*2,987*	*26,778*
- Sales	*1,685*	*1,506*	*955*	*562*	*14*	*14,304*	*6*	-	*2,660*	*16,372*	*3,731*	*22,094*
- Currency against currency	-	-	-	-	-	*18,425*	-	-	-	*18,425*	-	*15,751*
2. Operations without exchange of underlying asset	101,911	936,074	4,400	31,058	9	4,968	27	-	106,347	972,100	128,033	1,041,412
- Purchases	*61,569*	*425,659*	*2,313*	*10,506*	*9*	*2,907*	*1*	-	*63,892*	*439,072*	*56,457*	*514,935*
- Sales	*40,342*	*510,415*	*2,087*	*20,552*	-	*1,960*	*26*	-	*42,455*	*532,927*	*71,576*	*526,102*
- Currency against currency	-	-	-	-	-	*101*	-	-	-	*101*	-	*375*
B. Banking book	**-**	**69,828**	**-**	**8,148**	**-**	**2,790**	**-**	**-**	**-**	**80,766**	**-**	**54,396**
B.1 Hedging	-	60,224	-	1,579	-	2,544	-	-	-	64,347	-	36,340
1.Operations with exchange of underlying asset	-	-	-	-	-	2,544	-	-	-	2,544	-	445
- Purchases	-	-	-	-	-	*1,989*	-	-	-	*1,989*	-	*166*
- Sales	-	-	-	-	-	*55*	-	-	-	*55*	-	*50*
- Currency against currency	-	-	-	-	-	*500*	-	-	-	*500*	-	*229*
2. Operations without exchange of underlying asset	-	60,224	-	1,579	-	-	-	-	-	61,803	-	35,895
- Purchases	-	*21,086*	-	*1,579*	-	-	-	-	-	*22,665*	-	*20,842*
- Sales	-	*39,138*	-	-	-	-	-	-	-	*39,138*	-	*15,053*
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	9,604	-	6,569	-	246	-	-	-	16,419	-	18,056
1. Operations with exchange of underlying asset	-	-	-	-	-	15	-	-	-	15	-	16
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	*15*	-	-	-	*15*	-	*16*
2. Operations without exchange of underlying asset	-	9,604	-	6,569	-	231	-	-	-	16,404	-	18,040
- Purchases	-	*1,967*	-	*3*	-	*123*	-	-	-	*2,093*	-	*716*
- Sales	-	*7,637*	-	*6,566*	-	*108*	-	-	-	*14,311*	-	*17,324*
- 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. Trading book for supervisory purposes														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 public entities	37	-	13	-	-	-	-	-	-	-	-	-	-	-
A.3 banks	994	7,674	216	354	654	25	241	310	127	-	-	-	1,180	1,106
A.4 financial institutions	419	870	107	41	211	15	14	9	4	-	-	-	278	157
A.5 insurance companies	47	-	6	1	-	6	1	-	-	-	-	-	-	-
A.6 non-financial companies	316	-	90	-	-	-	51	9	29	-	-	-	1	-
A.7 other counterparties	7	-	-	-	-	-	5	-	1	-	-	-	-	-
Total 31.12.2006	**1,820**	**8,544**	**432**	**396**	**865**	**46**	**312**	**328**	**161**	**-**	**-**	**-**	**1,459**	**1,263**
Total 31.12.2005	**3,647**	**9,251**	**711**	**433**	**669**	**81**	**293**	**906**	**263**	**-**	**-**	**-**	**2,238**	**1,060**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	97	557	12	-	-	-	-	19	2	-	-	-	65	30
B.4 financial institutions	28	172	-	-	-	-	-	-	-	-	-	-	-	-
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 other counterparties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2006	**125**	**729**	**12**	**-**	**-**	**-**	**-**	**19**	**2**	**-**	**-**	**-**	**65**	**30**
Total 31.12.2005	**181**	**949**	**33**	**-**	**-**	**-**	**14**	**19**	**13**	**-**	**-**	**-**	**42**	**47**

A.5. "Over the counter" financial derivatives: negative fair value – financial risk

(in millions of euro)

	Debt securities and interest rates			Equities and stock indexes			Foreign exchange rates and gold			Other values			Diverse underlying assets	
	Gross	Net	Future exposure	Gross	Net	Future exposure	Gross	Net	Future exposure	Gross	Net	Future exposure	Net	Future exposure
A. Trading book for supervisory purposes														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 public entities	7	-	6	-	-	-	-	-	-	-	-	-	-	-
A.3 banks	1,269	7,027	262	118	456	10	481	168	123	-	-	-	427	811
A.4 financial institutions	190	710	67	14	12	31	20	6	12	-	-	-	299	261
A.5 insurance companies	11	1	23	267	33	82	5	-	1	-	-	-	35	-
A.6 non-financial companies	141	1	78	-	-	-	91	19	39	-	-	-	11	-
A.7 other counterparties	20	-	-	6	-	-	6	5	1	-	-	-	-	-
Total 31.12.2006	**1,638**	**7,739**	**436**	**405**	**501**	**123**	**603**	**198**	**176**	**-**	**-**	**-**	**772**	**1,072**
Total 31.12.2005	**3,428**	**9,133**	**352**	**222**	**779**	**99**	**314**	**1,001**	**176**	**-**	**-**	**-**	**2,034**	**645**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	15	1,553	2	-	-	-	8	4	10	-	-	-	2	-
B.4 financial institutions	1	221	-	-	-	-	4	2	-	-	-	-	5	8
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	7	-	1	-	-	-	-	-	-	-	-	-	-	-
B.7 other counterparties	832	-	76	618	-	123	2	-	1	-	-	-	-	-
Total 31.12.2006	**855**	**1,774**	**79**	**618**	**-**	**123**	**14**	**6**	**11**	**-**	**-**	**-**	**7**	**8**
Total 31.12.2005	**1,564**	**822**	**73**	**564**	**-**	**3**	**26**	**11**	**7**	**-**	**-**	**-**	**-**	**-**

A.6. Residual maturity of "over the counter" financial derivatives: notional amounts

(in millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Trading book for supervisory purposes	**461,411**	**384,431**	**242,287**	**1,088,129**
A.1 Financial derivatives on debt securities and interest rates	398,392	360,635	235,982	995,009
A.2 Financial derivatives on equities and stock indexes	13,243	13,899	5,165	32,307
A.3 Financial derivatives on foreign exchange rates and gold	49,776	9,897	1,140	60,813
A.4 Financial derivatives - other	-	-	-	-
B. Banking book	**39,719**	**28,611**	**14,857**	**83,187**
B.1 Financial derivatives on debt securities and interest rates	36,124	22,822	13,303	72,249
B.2 Financial derivatives on equities and stock indexes	3,326	3,573	1,249	8,148
B.3 Financial derivatives on foreign exchange rates and gold	269	2,216	305	2,790
B.4 Financial derivatives - other	-	-	-	-
Total 31.12.2006	**501,130**	**413,042**	**257,144**	**1,171,316**
Total 31.12.2005	**440,990**	**390,219**	**401,442**	**1,232,651**

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end and average notional amounts

(in millions of euro)

	Trading book for supervisory purposes		Other operations	
	single counterparty	more counterparties (*basket*)	single counterparty	more counterparties (*basket*)
1. Protection purchases				
1.1 Physical settlement	24,394	12,171	-	-
Credit default swap	*24,394*	*11,716*	-	-
Credit default option	-	*455*	-	-
Credit linked notes	-	-	-	-
1.2 Cash settlement	587	2,510	-	437
Credit default swap	*387*	*2,505*	-	*437*
Total rate of return swap	*193*	-	-	-
Credit linked notes	*7*	*5*	-	-
Total 31.12.2006	**24,981**	**14,681**	**-**	**437**
Total 31.12.2005	**23,074**	**15,025**	**315**	**1,766**
Average values	**24,028**	**14,853**	**158**	**1,102**
2. Protection sales				
2.1 Physical settlement	22,874	16,163	-	-
Credit default swap	*22,844*	*15,998*	-	-
Credit linked notes	*30*	*165*	-	-
2.2 Cash settlement	610	4,724	-	-
Credit default swap	*460*	*4,646*	-	-
Credit linked notes	*10*	*78*	-	-
Total rate of return swap	*140*	-	-	-
Total 31.12.2006	**23,484**	**20,887**	**-**	**-**
Total 31.12.2005	**25,983**	**20,796**	**-**	**-**
Average values	**24,734**	**20,842**	**-**	**-**

B.2. Credit derivatives: positive fair value - counterparty risk

(in millions of euro)

	Notional amount	Positive fair value	Future exposure
A. Trading book for supervisory purposes	**46,175**	**507**	**125**
A.1 Protection purchases with	5,312	40	125
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*2,159*	*26*	*66*
4. Financial institutions	*1,978*	*13*	*53*
5. Insurance companies	*1,175*	*1*	*6*
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
A.2 Protection sales with	40,863	467	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*29,046*	*306*	-
4. Financial institutions	*11,582*	*157*	-
5. Insurance companies	*235*	*4*	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
B. Banking book	**437**	**-**	**-**
B.1 Protection purchases with	437	-	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	-	-	-
4. Financial institutions	*437*	-	-
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 31.12.2006	**46,612**	**507**	**125**
Total 31.12.2005	**49,234**	**776**	**465**

B.3. Credit derivatives: negative fair value - financial risk

(in millions of euro)

	Notional amount	Negative fair value
Trading book for supervisory purposes		
1. Protection purchases with		
1.1 Governments and Central Banks	-	-
1.2 Other public entities	-	-
1.3 Banks	21,833	287
1.4 Financial institutions	11,760	182
1.5 Insurance companies	757	1
1.6 Non-financial companies	-	-
1.7 Other counterparties	-	-
Total 31.12.2006	**34,350**	**470**
Total 31.12.2005	**26,510**	**244**

B.4. Residual maturity of credit derivatives contracts: notional amounts

(in millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Trading book for supervisory purposes	**12,230**	**56,739**	**15,064**	**84,033**
A.1 Credit derivatives with "qualified reference obligation"	7,123	40,381	10,415	57,919
A.2 Credit derivatives with "unqualified reference obligation"	5,107	16,358	4,649	26,114
B. Banking book	**-**	**-**	**437**	**437**
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	-	-	437	437
Total 31.12.2006	**12,230**	**56,739**	**15,501**	**84,470**
Total 31.12.2005	**16,077**	**53,813**	**17,069**	**86,959**

1.3. LIQUIDITY RISK

QUALITATIVE INFORMATION

General aspects, liquidity risk management processes and measurement methods

Liquidity risk is defined as the possibility that the entity is not capable of meeting its payment obligations due to its incapacity of raising new funds (funding liquidity risk), its incapacity of selling assets on the market (asset liquidity risk) to cover the imbalance to be financed or the fact that the entity may be forced to sustain very high costs to meet its commitments. Banca Intesa's liquidity policy is disciplined by the documents approved by the Board of Directors in November 2003, and their subsequent integrations approved in 2006, which set out the liquidity risk management policy and the contingency liquidity plan.

The Departments which are in charge of ensuring the correct application of liquidity policy are the Finance and Treasury Department, for liquidity management, and the Risk Management Department, for monitoring of indicators and verifying the respect of limits. Banca Intesa directly manages its liquidity, coordinates liquidity management for the Group in all currencies, ensures the adoption of adequate control techniques and procedures and avails itself of the Liquidity Committee.

The monitoring of risk is based on two types of indicators: liquidity indexes subject to limits and crisis indexes subject to four alert thresholds, with emergency procedures in case of escalation and daily measurement. The first include short-term gaps, funding matrix, balance sheet ratios, interbank market exposure measures and funding concentration ratios; the second include certain specific short-term indicators regarding the Bank (such as spreads on interbank investments), certain short-term systemic indicators, certain specific long-term indicators (such as spreads on corporate issues) and certain systemic long-term indicators (such as spreads on the industrial sector).

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

Currency of denomination: Euro

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**39,396**	**2,932**	**4,441**	**5,206**	**23,919**	**11,184**	**12,076**	**53,344**	**65,024**
A.1 Government bonds	6	-	75	24	107	216	216	1,315	3,946
A.2 Listed debt securities	66	12	71	-	477	626	1,723	1,711	3,625
A.3 Other debt securities	17	19	4	81	1,338	549	380	2,822	5,810
A.4 Quotas of UCITS	776	-	-	-	-	-	-	-	-
A.5 Loans	38,531	2,901	4,291	5,101	21,997	9,793	9,757	47,496	51,643
- Banks	*5,829*	*837*	*1,200*	*2,201*	*10,293*	*1,299*	*450*	*613*	*127*
- Customers	*32,702*	*2,064*	*3,091*	*2,900*	*11,704*	*8,494*	*9,307*	*46,883*	*51,516*
Cash liabilities	**91,991**	**17,347**	**6,938**	**4,260**	**7,642**	**4,744**	**5,942**	**32,269**	**22,564**
B.1 Deposits	85,762	17,106	6,288	3,342	4,770	1,915	1,368	1,889	1,836
- Banks	*2,483*	*9,311*	*3,395*	*1,045*	*2,180*	*1,670*	*283*	*708*	*645*
- Customers	*83,279*	*7,795*	*2,893*	*2,297*	*2,590*	*245*	*1,085*	*1,181*	*1,191*
B.2 Debt securities	1,330	186	606	720	1,875	2,449	4,454	29,098	19,728
B.3 Other liabilities	4,899	55	44	198	997	380	120	1,282	1,000
Off-balance sheet transactions	**16,980**	**4,682**	**537**	**3,117**	**9,477**	**10,206**	**17,322**	**57,549**	**16,321**
C.1 Financial derivatives with exchange of capital	796	607	360	1,083	6,342	4,963	3,614	2,147	1,251
- Long positions	*395*	*388*	*228*	*732*	*3,433*	*4,106*	*878*	*535*	*772*
- Short positions	*401*	*219*	*132*	*351*	*2,909*	*857*	*2,736*	*1,612*	*479*
C.2 Deposits and loans to be settled	459	748	-	17	-	-	-	-	-
- Long positions	*459*	*153*	-	-	-	-	-	-	-
- Short positions	-	*595*	-	*17*	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	15,725	3,327	177	2,017	3,135	5,243	13,708	55,402	15,070
- Long positions	*791*	*3,291*	*35*	*1,983*	*2,394*	*3,711*	*7,473*	*31,084*	*6,180*
- Short positions	*14,934*	*36*	*142*	*34*	*741*	*1,532*	*6,235*	*24,318*	*8,890*

Currency of denomination: US dollar

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**1,251**	**907**	**307**	**1,001**	**1,633**	**904**	**598**	**3,947**	**6,186**
A.1 Government bonds	-	-	-	-	-	-	-	5	55
A.2 Listed debt securities	2	-	3	87	87	29	47	1,406	4,801
A.3 Other debt securities	-	77	-	-	821	535	-	536	571
A.4 Quotas of UCITS	417	-	-	-	-	-	-	-	-
A.5 Loans	832	830	304	914	725	340	551	2,000	759
- Banks	*557*	*255*	*117*	*434*	*349*	*181*	*279*	*294*	*29*
- Customers	*275*	*575*	*187*	*480*	*376*	*159*	*272*	*1,706*	*730*
Cash liabilities	**3,542**	**5,536**	**1,904**	**3,127**	**6,601**	**1,094**	**692**	**3,703**	**843**
B.1 Deposits	3,337	5,407	1,773	2,395	882	516	520	155	27
- Banks	*1,559*	*4,092*	*1,537*	*2,036*	*450*	*446*	*395*	*40*	*15*
- Customers	*1,778*	*1,315*	*236*	*359*	*432*	*70*	*125*	*115*	*12*
B.2 Debt securities	188	87	122	713	5,624	577	19	3,548	583
B.3 Other liabilities	17	42	9	19	95	1	153	-	233
Off-balance sheet transactions	**2,027**	**16,718**	**4,742**	**11,587**	**13,452**	**10,160**	**14,454**	**18,923**	**10,072**
C.1 Financial derivatives with exchange of capital	949	16,269	4,620	11,432	12,532	8,530	5,448	8,421	73
- Long positions	*475*	*8,188*	*2,400*	*5,971*	*6,518*	*4,374*	*2,854*	*4,210*	*39*
- Short positions	*474*	*8,081*	*2,220*	*5,461*	*6,014*	*4,156*	*2,594*	*4,211*	*34*
C.2 Deposits and loans to be settled	802	238	109	117	380	-	-	-	-
- Long positions	*802*	*22*	-	-	-	-	-	-	-
- Short positions	-	*216*	*109*	*117*	*380*	-	-	-	-
C.3 Irrevocable commitments to lend funds	276	211	13	38	540	1,630	9,006	10,502	9,999
- Long positions	*122*	*110*	*6*	*19*	*270*	*815*	*4,503*	*5,261*	*5,001*
- Short positions	*154*	*101*	*7*	*19*	*270*	*815*	*4,503*	*5,241*	*4,998*

Currency of denomination: GB pound

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**118**	**96**	**314**	**484**	**1,548**	**542**	**222**	**331**	**299**
A.1 Government bonds	-	-	-	-	-	-	-	1	-
A.2 Listed debt securities	-	-	-	-	-	-	-	3	8
A.3 Other debt securities	-	83	226	346	1,461	528	13	-	230
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	118	13	88	138	87	14	209	327	61
- Banks	*55*	*5*	*75*	*118*	*10*	-	*171*	*19*	-
- Customers	*63*	*8*	*13*	*20*	*77*	*14*	*38*	*308*	*61*
Cash liabilities	**264**	**1,809**	**528**	**855**	**337**	**29**	**47**	**3,255**	**1,585**
B.1 Deposits	262	1,680	242	573	184	29	3	2	-
- Banks	*36*	*1,399*	*231*	*419*	*115*	*27*	-	*1*	-
- Customers	*226*	*281*	*11*	*154*	*69*	*2*	*3*	*1*	-
B.2 Debt securities	-	129	286	282	148	-	44	3,253	1,585
B.3 Other liabilities	2	-	-	-	5	-	-	-	-
Off-balance sheet transactions	**130**	**3,915**	**416**	**1,241**	**3,203**	**928**	**823**	**8,697**	**236**
C.1 Financial derivatives with exchange of capital	128	3,885	416	1,241	3,203	928	411	8,627	236
- Long positions	*64*	*1,941*	*211*	*621*	*1,581*	*472*	*216*	*4,314*	*135*
- Short positions	*64*	*1,944*	*205*	*620*	*1,622*	*456*	*195*	*4,313*	*101*
C.2 Deposits and loans to be settled	2	8	-	-	-	-	-	-	-
- Long positions	*2*	*3*	-	-	-	-	-	-	-
- Short positions	-	*5*	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	-	22	-	-	-	-	412	70	-
- Long positions	-	*11*	-	-	-	-	*206*	*35*	-
- Short positions	-	*11*	-	-	-	-	*206*	*35*	-

Currency of denomination: Yen

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**158**	**8**	**36**	**27**	**587**	**240**	**30**	**175**	**80**
A.1 Government bonds	-	-	-	-	-	-	-	2	-
A.2 Listed debt securities	-	-	-	-	-	-	2	130	36
A.3 Other debt securities	-	-	-	-	523	204	-	7	28
A.4 Quotas of UCITS	1	-	-	-	-	-	-	-	-
A.5 Loans	157	8	36	27	64	36	28	36	16
- Banks	*109*	*5*	*32*	*5*	*12*	*16*	*20*	*19*	-
- Customers	*48*	*3*	*4*	*22*	*52*	*20*	*8*	*17*	*16*
Cash liabilities	**260**	**41**	**70**	**177**	**100**	**92**	**55**	**35**	**79**
B.1 Deposits	257	31	31	150	10	3	24	-	-
- Banks	*76*	*31*	*6*	*15*	*6*	-	*24*	-	-
- Customers	*181*	-	*25*	*135*	*4*	*3*	-	-	-
B.2 Debt securities	-	9	13	26	82	86	31	35	51
B.3 Other liabilities	3	1	26	1	8	3	-	-	28
Off-balance sheet transactions	**138**	**1,079**	**133**	**383**	**2,265**	**978**	**225**	**84**	**102**
C.1 Financial derivatives with exchange of capital	76	1,017	133	383	2,265	978	223	84	102
- Long positions	*41*	*518*	*67*	*148*	*1,111*	*488*	*97*	*42*	*51*
- Short positions	*35*	*499*	*66*	*235*	*1,154*	*490*	*126*	*42*	*51*
C.2 Deposits and loans to be settled	61	62	-	-	-	-	-	-	-
- Long positions	*61*	-	-	-	-	-	-	-	-
- Short positions	-	*62*	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	1	-	-	-	-	-	2	-	-
- Long positions	*1*	-	-	-	-	-	*1*	-	-
- Short positions	-	-	-	-	-	-	*1*	-	-

Currency of denomination: Swiss franc

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**67**	**72**	**37**	**161**	**620**	**91**	**165**	**1,177**	**1,598**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	414	-	-	26	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	67	72	37	161	206	91	165	1,151	1,598
- Banks	*50*	*60*	*26*	*130*	*101*	*35*	*17*	*16*	-
- Customers	*17*	*12*	*11*	*31*	*105*	*56*	*148*	*1,135*	*1,598*
Cash liabilities	**92**	**462**	**18**	**91**	**77**	**51**	**12**	**14**	**7**
B.1 Deposits	92	462	18	29	46	51	12	14	7
- Banks	*10*	*442*	*14*	*25*	*33*	*49*	*1*	*3*	*5*
- Customers	*82*	*20*	*4*	*4*	*13*	*2*	*11*	*11*	*2*
B.2 Debt securities	-	-	-	62	31	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**208**	**1,376**	**260**	**1,018**	**902**	**897**	**302**	**154**	**46**
C.1 Financial derivatives with exchange of capital	8	1,194	257	1,016	897	885	248	154	46
- Long positions	*4*	*601*	*87*	*325*	*247*	*427*	*118*	*77*	*23*
- Short positions	*4*	*593*	*170*	*691*	*650*	*458*	*130*	*77*	*23*
C.2 Deposits and loans to be settled	165	167	-	-	-	-	-	-	-
- Long positions	*165*	*1*	-	-	-	-	-	-	-
- Short positions	-	*166*	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	35	15	3	2	5	12	54	-	-
- Long positions	*17*	*6*	*3*	*1*	*3*	*6*	*27*	-	-
- Short positions	*18*	*9*	-	*1*	*2*	*6*	*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
Cash assets	**1,144**	**1,110**	**1,094**	**460**	**1,535**	**630**	**1,641**	**4,763**	**2,227**
A.1 Government bonds	-	1	30	63	216	75	214	1,681	710
A.2 Listed debt securities	-	-	-	1	30	34	93	514	65
A.3 Other debt securities	-	-	-	-	-	-	-	1	-
A.4 Quotas of UCITS	1	-	-	-	-	-	-	-	-
A.5 Loans	1,143	1,109	1,064	396	1,289	521	1,334	2,567	1,452
- Banks	*522*	*1,020*	*809*	*60*	*595*	*23*	*20*	*2*	*-*
- Customers	*621*	*89*	*255*	*336*	*694*	*498*	*1,314*	*2,565*	*1,452*
Cash liabilities	**4,328**	**2,176**	**1,145**	**1,159**	**1,550**	**401**	**974**	**1,472**	**593**
B.1 Deposits	4,325	2,136	1,113	1,133	1,494	333	713	585	158
- Banks	*296*	*669*	*284*	*508*	*357*	*82*	*39*	*88*	*131*
- Customers	*4,029*	*1,467*	*829*	*625*	*1,137*	*251*	*674*	*497*	*27*
B.2 Debt securities	-	40	32	26	56	68	261	887	433
B.3 Other liabilities	3	-	-	-	-	-	-	-	2
Off-balance sheet transactions	**2,876**	**3,868**	**168**	**1,499**	**3,129**	**2,188**	**2,595**	**2,849**	**1,209**
C.1 Financial derivatives with exchange of capital	104	2,869	162	1,456	3,004	1,957	1,895	2,750	1,175
- Long positions	*52*	*1,308*	*24*	*515*	*1,306*	*803*	*540*	*1,366*	*488*
- Short positions	*52*	*1,561*	*138*	*941*	*1,698*	*1,154*	*1,355*	*1,384*	*687*
C.2 Deposits and loans to be settled	303	764	4	-	-	-	-	-	-
- Long positions	*303*	*232*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*532*	*4*	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds	2,469	235	2	43	125	231	700	99	34
- Long positions	*1,218*	*118*	*-*	*22*	*64*	*118*	*332*	*40*	*17*
- Short positions	*1,251*	*117*	*2*	*21*	*61*	*113*	*368*	*59*	*17*

Total

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**42,134**	**5,125**	**6,229**	**7,339**	**29,842**	**13,591**	**14,732**	**63,737**	**75,414**
A.1 Government bonds	6	1	105	87	323	291	430	3,004	4,711
A.2 Listed debt securities	68	12	74	88	594	689	1,865	3,764	8,535
A.3 Other debt securities	17	179	230	427	4,557	1,816	393	3,392	6,639
A.4 Quotas of UCITS	1,195	-	-	-	-	-	-	-	-
A.5 Loans	40,848	4,933	5,820	6,737	24,368	10,795	12,044	53,577	55,529
- Banks	*7,122*	*2,182*	*2,259*	*2,948*	*11,360*	*1,554*	*957*	*963*	*156*
- Customers	*33,726*	*2,751*	*3,561*	*3,789*	*13,008*	*9,241*	*11,087*	*52,614*	*55,373*
Cash liabilities	**100,477**	**27,371**	**10,603**	**9,669**	**16,307**	**6,411**	**7,722**	**40,748**	**25,671**
B.1 Deposits	94,035	26,822	9,465	7,622	7,386	2,847	2,640	2,645	2,028
- Banks	*4,460*	*15,944*	*5,467*	*4,048*	*3,141*	*2,274*	*742*	*840*	*796*
- Customers	*89,575*	*10,878*	*3,998*	*3,574*	*4,245*	*573*	*1,898*	*1,805*	*1,232*
B.2 Debt securities	1,518	451	1,059	1,829	7,816	3,180	4,809	36,821	22,380
B.3 Other liabilities	4,924	98	79	218	1,105	384	273	1,282	1,263
Off-balance sheet transactions	**22,359**	**31,638**	**6,256**	**18,845**	**32,428**	**25,357**	**35,721**	**88,256**	**27,986**
C.1 Financial derivatives with exchange of capital	2,061	25,841	5,948	16,611	28,243	18,241	11,839	22,183	2,883
- Long positions	*1,031*	*12,944*	*3,017*	*8,312*	*14,196*	*10,670*	*4,703*	*10,544*	*1,508*
- Short positions	*1,030*	*12,897*	*2,931*	*8,299*	*14,047*	*7,571*	*7,136*	*11,639*	*1,375*
C.2 Deposits and loans to be settled	1,792	1,987	113	134	380	-	-	-	-
- Long positions	*1,792*	*411*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*1,576*	*113*	*134*	*380*	*-*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds	18,506	3,810	195	2,100	3,805	7,116	23,882	66,073	25,103
- Long positions	*2,149*	*3,536*	*44*	*2,025*	*2,731*	*4,650*	*12,542*	*36,420*	*11,198*
- Short positions	*16,357*	*274*	*151*	*75*	*1,074*	*2,466*	*11,340*	*29,653*	*13,905*

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	2,278	4,107	15,329	2,539	42,208	56,272
2. Securities issued	20	32	10,495	582	1,718	65,041
3. Financial liabilities held for trading	100	419	1,360	187	269	1,509
4. Financial liabilities at fair value	-	-	-	-	-	-
Total 31.12.2006	**2,398**	**4,558**	**27,184**	**3,308**	**44,195**	**122,822**
Total 31.12.2005	**1,388**	**3,358**	**21,041**	**2,039**	**32,615**	**129,162**

3. Geographic breakdown of financial liabilities

(in millions of euro)

	Italy	Other European Countries	America	Asia	Rest of the World
1. Due to customers	97,624	22,384	1,558	335	832
2. Due to banks	16,090	15,368	1,711	5,527	1,258
3. Securities issued	61,549	8,139	9,895	428	18
4. Financial liabilities held for trading	9,371	4,605	1,573	78	21
5. Financial liabilities at fair value	-	-	-	-	-
Total 31.12.2006	**184,634**	**50,496**	**14,737**	**6,368**	**2,129**
Total 31.12.2005	**129,314**	**22,892**	**7,349**	**6,501**	**585**

1.4. OPERATIONAL RISK

QUALITATIVE INFORMATION

Operational risk is defined as the risk of suffering losses due to failures of internal processes or systems, people or as a result of external events.
Operational risk excludes strategic and reputational risks whereas it includes legal risk, that is, the risk deriving from breach or non-compliance with laws, regulations or from a lack of transparency relating to the legal rights and duties of counterparties in a transaction. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

Organisational structure

The Group has a centralised function for the management of the Group's operational risk within the Risk Management Department. This function is responsible for the definition, implementation, monitoring and improvement 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.
Each Operating Unit has the responsibility of identification, assessment, management and mitigation of its operational Risk; specific professionals have been identified within each Operating Unit responsible for managing all the inputs to the framework.

Figures and Internal Model

Banca Intesa's Internal Model is designed to combine all the main quantitative (historical incurred loss figures) and qualitative information sources (scenario analysis and scorecard) homogeneously.
Exposure to operational risk is estimated assuming a one-year holding period and a 99.9% confidence level risk and using a Loss Distribution Approach model (an actuarial model used to calculate Value-at-Risk due to potential operational losses) for both quantitative figures and the qualitative approach.
The qualitative component focuses on the assessment of the risk exposure of each unit – in terms of potential future losses, quality of controls, as well as any forms of mitigation – and is based on Self Risk Assessment of specific scenarios (such as, risks of losses from internal illegal actions, burglaries, unintentional errors, etc..) identified on the basis of a proprietary model for risk classification which in turn is based on risk types set out in the New Capital Accord (Basel II).
The quantitative component is based on the statistical analysis of historical loss data, reported internally or externally (via the participation to consortium initiatives such as "Database Italiano Perdite Operative" – Italian Operating Loss Database – managed by the Italian Banking Association and Operational Riskdata eXchange Association) and uses measurement techniques such as EVT (Extreme Value Theory, a statistic model traditionally employed to describe the extreme values of the loss distribution function).
To capture any residual potential risks, the results obtained via the quantitative analysis are then weighted using a control quality index prepared by the Auditing Department on the quality of the Internal Control System and used, as part of the measurement framework, to capture any risks which have not yet emerged (so-called "hidden risk").
Again in 2006 all the Group's main subsidiaries (representing over 90% of the Group's operating income) have been involved in Self Risk Assessment and contributed to the collection of quantitative data.
To support the operational risk management process on a continuous basis, various training sessions were delivered in the year to people actively involved in the management and mitigation of operational risk.

Transfer of risk

For the purpose of optimising its insurance strategy, Gruppo Intesa activated a traditional operational risk transfer policy (insurance) with the objective of mitigating the impact of any unexpected losses, and thus contributing to the reduction of Capital at Risk.

Figures and Reporting

Monitoring of operational risks is performed by an integrated reporting system, which provides management with the information necessary for the Group's risk management and/or mitigation.
Quantitative figures, reported monthly by the Operating Units, are then analysed by the Operational Risk Management function: such reports highlight the main operational events recorded in the reference period, as well as provide an analysis of the trend of risk exposure and a comparison with forecasted losses from the Self Risk Assessment of the previous year.

In detail, quantitative information is managed internally and analysed using a proprietary classification system compliant with that provided for by the Supervisory authority:

- internal illegal activities: events attributable to voluntary actions which involve at least one person inside the bank and which lead to damages (monetary losses) for the bank itself;
- external illegal activities: events attributable to voluntary actions which exclusively involve persons which cannot be qualified as operating inside the bank, generally to obtain personal advantages;
- employment practices and workplace safety: events attributable to relations of the company with its personnel and to any non-compliance of the work environment to health and safety regulations; including liabilities due to accidents to employees occurred in the offices of the bank or using its equipment;
- business practices: events related to the provision of services and supply of products to customers executed in an improper or negligent manner (including the fiduciary requirements and of an adequate information regarding investments), or due to defects in the nature of characteristics of products/models/contracts. These include bankruptcy revocatory actions (highlighted separately in quantitative information under bankruptcy repeal) and liabilities for the violation of regulations on public security or norms which are not specific to banking industry;
- disasters or other events: events deriving from natural causes or human actions, which determine damages to company resources (tangible or intangible assets, people, etc.) and/or service interruptions or other events (including unfair behaviour/improper actions of third parties which damage the company). These include liabilities deriving from political, regulatory and fiscal changes with backdated effects (such as anatocism);
- technology and infrastructure failures: events deriving from malfunctioning, logic or structural defects of the technological or other support systems;
- execution, delivery and processes management: events due to unintentional errors in the management of operational and support activities, or caused by non-client and non-supplier counterparties.

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

Italy's Supreme Court, with sentence 21095 of 4.11.04 confirmed the principle as concerns the contractual nature of the clause regarding the quarterly capitalisation of interest generally included in current account contracts by confirming that such clause may not derogate the general prohibition of anatocism set forth by Art. 1283 of the Italian Civil Code.
The aforementioned orientation may be criticised from various juridical standpoints and contrasts with equitable treatment and Gruppo Intesa, consistently with the line generally followed by the banking system, intends to contrast it in the most opportune judicial offices. However, the significant press coverage of the aforementioned court ruling and the initiatives promoted by consumer associations expose banks to numerous customer claims aimed at obtaining the recalculation and reimbursement of so-called anatocistic interest.
When these claims are followed by legal action, Banca Intesa, like the other Gruppo Intesa companies, makes congruous provisions, as required on each occasion, for the coverage of the relevant risk.

Litigation regarding bonds in default

Due to the defaults of Republic of Argentina, the Cirio group and the Parmalat group which occurred respectively in 2001, 2002 and 2003, and, in subsequent periods, of the companies Giacomelli, Finmek and Finmatica, numerous litigations have been promoted by customers who acquired bonds in default, also filed before courts.

On this front, Gruppo Intesa developed with consumer associations a conciliation mechanism, based on equitable criteria and on the individual examination of the single requests, and completed the analysis of all requests related to Finmatica and Finmek bonds in the fist quarter of 2006, after having concluded the procedure for Cirio, Parmalat and Giacomelli bonds in 2005. With reference to Gruppo Intesa customers, 22,467 requests were examined for the two procedures (17,264 of which refer to Banca Intesa), with a percentage of conciliated requests equal to 99.95%. For both Banca Intesa and the Group approximately 48% of conciliated requests were totally or partly reimbursed.

As concerns the reimbursement requests of holders of Argentina bonds and of customers who decided not to accept the conciliation mechanism (or who were not satisfied by the latter), Banca Intesa and the other Gruppo Intesa companies manage such litigations according to ordinary procedures, like all other litigations, and make congruous provisions as required on each occasion, considering the specific characteristics of the single exposures.

Litigation with the Extraordinary Commissioner of the Parmalat group

In August 2005 the Extraordinary Commissioner of the Parmalat group filed a payment claim against Banca Caboto, Banca Intesa and another intermediary not belonging to Gruppo Intesa, the portion pertaining to the Group amounts to approximately 900 million euro. This payment claim seeks damages caused by their role respectively as arrangers and relevant dealers in 2001-2002 in a Debt Issuance Programme and as co-lead managers in other bond issues in the first half of 2002.

Furthermore, the Parmalat group filed a payment claim for damages against Cassa di Risparmio di Parma e Piacenza for alleged participation in the worsening of the Parmalat group's distressed finances, for an amount no lower than 700 million euro corresponding to the total advances on cash orders granted to Parmalat between 31st December 1999 and the opening of the "Procedura di amministrazione straordinaria" (Extraordinary administration procedure).

Moreover, Gruppo Intesa was sued by the Extraordinary Commissioner of the Parmalat group aiming at obtaining revocatory actions related to payments made by the Parmalat group in the twelve months before its state of insolvency to Banca Intesa, Cassa di Risparmio di Parma e Piacenza, Cassa di Risparmio di Biella e Vercelli and Banca CIS for a total amount of approximately 1 billion euro.

Gruppo Intesa refuses these claims as totally groundless and is convinced that Judging authorities will reject all Parmalat's requests both as concerns the merit of the case and also considering other issues, including: as concerns revocatory actions, the exception of unconstitutionality and incompatibility with EC regulations and, as concerns payment claims, the principle issued by the United Sections of the Italian High Court with Sentence 7031 del 2006 as concerns the lack of active legitimacy of bodies in court procedures. The risk is in any case covered by an allowance for risks and charges set up with provisions proportioned to the statistical data related to charges historically borne for payment claims and revocatory actions related to bankruptcies.

Lastly, there are pending penal procedures, still in the predebate phase, filed against certain employees of Gruppo Intesa – among numerous other eminent members of the financial community.

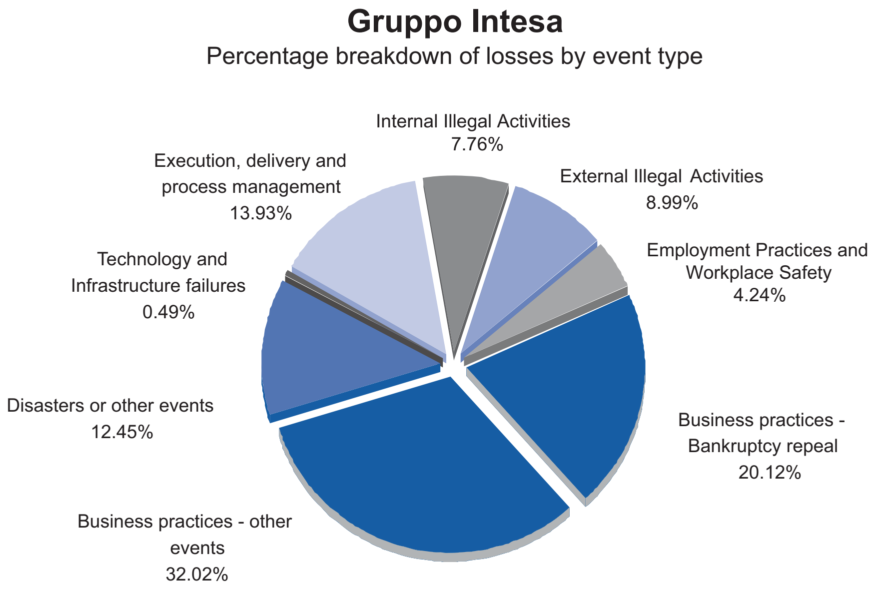
Litigation with the Extraordinary Commissioner of Mekfin and Finmek

According to an analogous format as in the payment claims concerning the Parmalat group, the Extraordinary Commissioner of the A.S. of Mekfin S.p.A. and Finmek S.p.A. notified Banca Intesa, in November 2006, that a payment claim had been filed for a total of approximately 430 million euro in relation to a financing in December 2001 in favour of the Mekfin-Finmek group correlated to the issue of a bond amounting to150 million euro.

Banca Intesa deems also this claim to be totally groundless and in any case that it will not be accepted for filing for the reasons mentioned above for the Parmalat group.

QUANTITATIVE INFORMATION

Relatively to the sources of operational risk, percentage breakdown of losses by type of event (classified as illustrated above) is set out below.



Source: GRP (Gestione Rilevazione Perdite Operative – Operational risk database)
Analysis conducted with reference to operational events which led to incurred losses or specific provisions with gross value higher than or equal to 1,500 euro, with accounting date referred to 2006.

In 2006 "Market practices" were the main source of operational risk: in addition to bankruptcy revocatory actions, events related to litigations on defaulted bonds were significant. A considerable percentage of the total is due to "Execution, delivery and management processes" and to "Disasters and other events" (anatocism litigations). The higher risk of the socio-economic context also generated a high number of "Illicit actions of people outside the bank" (ATM robberies, burglaries and card cloning in particular).

To cover the aforesaid phenomena, Gruppo Intesa takes part to the transparency initiatives commenced at industry level and continued interventions aimed at improving processes and controls aimed at risk mitigation and loss containment.

SECTION 2 – RISKS OF INSURANCE COMPANIES

Not applicable to Gruppo Intesa.

SECTION 3 – RISKS OF OTHER COMPANIES

QUALITATIVE INFORMATION

Risks of other companies are essentially concentrated in the companies Romulus Funding Corporation and Duomo Funding; these are asset-backed commercial paper conduit vehicles, established for the purpose of implementing Banca Intesa's strategy of providing an alternative financing channel to customers via access to the international commercial paper market.
The Parent Company's Risk Management Division performs overall risk management and monitoring; in particular, interest rate and foreign exchange rate risk which may stem from the operations of the two companies must be hedged in accordance with the risk management policy for such risks defined by Gruppo Intesa.
As already indicated for the risks of the Banking group, risk management uses dynamic hedging on the OTC derivatives market to manage both volatility risk and interest rate risk, as well as listed derivatives to optimise interest rate risk strategies.
In general companies may not take foreign exchange rate risk positions.
The Parent Company has also defined an Investment Policy which sets out the objectives and the limits of the investment portfolio.

QUANTITATIVE INFORMATION

At the end of 2006, the investment portfolio – made up of securities with AAA/Aaa ratings (S&P/Moody's) – included 249 million euro of financial assets available for sale and 358 million euro of loans to customers.

Part F – Information on capital

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

Qualitative information

Capital management concerns the set of policies and decisions required to define the dimension of shareholders' equity, as well as the optimal combination of the various alternative capitalisation instruments, in order to ensure that shareholders' equity and capital ratios of Banca Intesa and its subsidiaries are consistent with their risk profile and comply with supervisory requirements.
Gruppo Intesa is subject to capital adequacy requirements set out by the Basel Committee according to the provisions issued by the Bank of Italy. On the basis of such provisions, at consolidated level, the ratio between regulatory shareholders' equity and risk-weighted assets must be at least equal to 8%; compliance with requirements is verified half-yearly by the Bank of Italy.
The verification of compliance with supervisory requirements and consequent capital adequacy is dynamic over time and depends upon the objectives set out in the Business Plan.
The first verification occurs in the process of assignment of budget objectives: based on the growth trends expected for loans, other assets and statement of income aggregates, credit, market and operational risks are quantified and their compatibility with compulsory capital ratios for the individual bank and for the Group as a whole is verified.
Compliance with capital adequacy is obtained via various levers, such as pay-out policy, definition of strategic finance operations (capital increases, issue of convertible bonds, subordinated bonds, etc.) and the management of loan policy on the basis of counterparty risk.
In the year, compliance with capital ratios for each bank and for the whole Group is monitored on a quarterly basis and if necessary appropriate actions are taken to direct and control balance sheet aggregates.
A further step in preventive analysis and control of the Group's capital adequacy occurs whenever extraordinary operations (such as acquisitions, disposals, etc.) are resolved upon. In this case, on the basis of the information on the operation to be conducted, its impact on capital ratios is estimated and any necessary actions to ensure compliance with the requirement set forth by Supervisory Authorities are planned.

Quantitative information

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	**3,613**
Share premium reserve	**5,559**
Reserves	**5,226**
Legal reserve	*773*
Statutory reserve	*961*
Concentration reserve (as per Art. 7, par. 3 of Law 218 of 30/7/1990)	*232*
Concentration reserve (as per Art. 7 of Law 218 of 30/7/1990)	*302*
Consolidation reserve	*2,926*
Other reserves	*32*
Valuation reserves	**1,209**
Legally-required revaluations	*344*
Valuation reserve from translation of financial statements in foreign currency	*154*
Valuation reserve of financial assets available for sale	*628*
Valuation reserve of cash flow hedges	*83*
Net income	**2,559**
Total	**18,166**

Trading on own shares

During the year, Banca Intesa and Group companies – on the basis of specific Shareholders' Meeting authorisations – carried out the following transactions on own shares:

Ordinary shares:

Initial number	0	
Purchased	19,455,690	
Sold	19,455,690	
End-of-year number	0;	
Profit	297,819	euro.

Unconvertible saving shares:

Initial number	0	
Purchased	150,000	
Sold	150,000	
End-of-year number	0;	
Profit	8,175	euro.

The purchases and sales of ordinary shares include transactions connected to the assignment for free of 14,438,980 ordinary shares to employees of Banca Intesa and Group companies, described in detail in the present Notes to the consolidated financial statements in Part I – Share-based payments.
The relevant charge of the above mentioned assignment had been recorded in the Annual report 2005.

SECTION 2 – SHAREHOLDERS' EQUITY FOR SUPERVISORY PURPOSES AND CAPITAL RATIOS

2.1. Scope of application of regulations

Shareholders' equity for supervisory purposes and capital ratios have been calculated on the basis of instructions issued in April 2006 with which the Bank of Italy updated Circular 155/91 "Instructions on the preparation of regulatory reporting on consolidated shareholders' equity for supervisory purposes and capital ratios" to adapt it to new financial statement discipline based on IAS/IFRS. More specifically, new instructions endorsed so-called "prudential filters", indicated by the Basel Committee which have the purpose of safeguarding the quality of consolidated shareholders' equity and reducing the potential volatility introduced by the application of IAS/IFRS.

2.2. Bank shareholders' equity for supervisory purposes

Qualitative information

Shareholders' equity for supervisory purposes is calculated as the sum of positive components, included 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.
Shareholders' equity for supervisory purposes is made up of Tier 1 capital and Tier 2 capital, adjusted by the aforementioned "prudential filters" and net of certain deductions; in particular:

- Tier 1 capital includes, among positive components, paid-in share capital, share premium reserve, reserves, innovative capital instruments, retained net income for the period and positive prudential filters and, among negative components, treasury shares or quotas, intangible assets, as well as any losses recorded in previous years and in the current year and negative prudential filters;
- Tier 2 capital includes, among positive components, valuation reserves (excluding those referred to equity investments deducted from shareholders' equity for supervisory purposes), hybrid capital instruments, subordinated liabilities and positive prudential filters and, among negative components, expected net adjustments to loans subject to Country risk and negative prudential filters.

Each caption of Tier 1 and Tier 2 capital includes minority interests both pertaining to the Banking group and to third parties.
The most significant prudential filters for Gruppo Intesa 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.

Investments in banks, financial companies and insurance companies are deducted from Tier 1 and Tier 2 capital determined as indicated above, provided they are not eliminated on consolidation, as well as any other captions such as innovative capital instruments, hybrid capital instruments and subordinated liabilities issued by such companies. Furthermore, as of 2005, the stake in the capital of the Bank of Italy is deducted from shareholders' equity for supervisory purposes on a straight-line basis over a period of five years.

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)
BCI US Funding LLC I	8.01% fixed rate; as of 15th Jul 2008: 3-month Libor + 3.25%	yes	15th Jul 1998	perpetual	15th Jul 2008	USD	200,000,000	152
BCI US Funding LLC II	3-month Libor + 1.60%; as of 15th Jul 2008: 3-month Libor + 2.93%	yes	15th Jul 1998	perpetual	15th Jul 2008	EUR	550,000,000	550
BCI US Funding LLC III	8.25% fixed rate; as of 15th Jul 2008: 3-month Libor +3.20%	yes	15th Jul 1998	perpetual	15th Jul 2008	GBP	120,000,000	179
Intesa Preferred LLC I	3-month Euribor + 1.75%; as of 30th Jun 2008: 3-month Euribor + 3.25%	yes	30th Jun 1998	perpetual	30th Jun 2008	EUR	200,000,000	200
Intesa Preferred LLC III	6.988%; as of 12th Jul 2011: 3-month Euribor + 2.60%	yes	12th Jul 2001	perpetual	12th Jul 2011	EUR	500,000,000	500
Total preference shares and innovative equity instruments (Tier I)								**1,581**

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)
Banca Intesa	5% fixed rate	no	29th Dec 1998	30th Dec 2008	NO	ITL	495,000,000,000	255
Banca Intesa	6-month Euribor + 0.70%	no	29th Dec 1998	30th Dec 2008	NO	ITL	5,000,000,000	2
Intesa Bank Overseas	3-month Libor + 0.85%	no	2nd Jan 1998	2nd Jan 2008	NO	ITL	200,000,000,000	103
Intesa Bank Overseas	3-month Libor + 0.85%	no	2nd Jan 1998	2nd Jan 2008	NO	USD	500,000,000	379
Intesa Bank Overseas	3-month Libor + 0.625%	no	10th Apr 1998	10th Apr 2008	NO	ITL	250,000,000,000	129
Intesa Bank Overseas	3-month Libor + 0.625%	no	10th Jun 1998	10th Jun 2008	NO	ITL	800,000,000,000	412
Total hybrid instruments (Upper Tier II)								**1,280**
Banca di Trento e di Bolzano	70% of the 10-year euro swap rate	no	1st Feb 2000	1st Feb 2007	NO	EUR	15,000,000	3
Banca di Trento e di Bolzano	1st year: 4.00%; 2nd year: 4.10%; for the following coupon 71% of the 10-year euro swap rate and never under 3%	no	4th Apr 2003	4th Apr 2010	NO	EUR	9,000,000	7
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	4th Apr 2003	4th Apr 2010	NO	EUR	16,000,000	13
Banca Intesa	8.25% fixed rate	no	15th Jul 1992	15th Jul 2007	NO	USD	200,000,000	30
Banca Intesa	3-month Libor + 0.20%	no	1st Dec 1997	1st Dec 2007	1st Dec2002	ITL	800,000,000,000	83
Banca Intesa	3-month Libor	no	1st Feb 1998	1st Feb 2008	1st Feb 2003	ITL	700,000,000,000	144
Banca Intesa	3-month Libor	no	1st Jun 1998	1st Jun 2008	1 st Jun 2003	ITL	362,430,000,000	68
Banca Intesa	5.15% fixed rate	no	9th Jun 1998	10th Jun 2008	NO	ITL	100,000,000,000	21
Banca Intesa	1st coupon: 8%, 2nd and 3rd: 6.375%, for the following coupons: 13.8% minus 2 times 12-month Libor (max 5.3%-min 4.5%)	no	16th Jun 1998	17th Jun 2013	NO	ITL	500,000,000,000	181
Banca Intesa	1st coupon: 8%, 2nd and 3rd: 6.375%, for the following coupons: 13.8% minus 2 times 12-month Libor (max 5.3%-min 4.5%)	no	30th Jun 1998	1st Jul 2013	NO	ITL	200,000,000,000	74
Banca Intesa	4.40% fixed rate	no	16th Nov 1998	17th Nov 2008	NO	ITL	300,000,000,000	62
Banca Intesa	4.40% fixed rate	no	9th Dec 1998	10th Dec 2008	NO	ITL	200,000,000,000	41
Banca Intesa	1st coupon: 8%, 2nd: 5% and 3rd: 4%, for the following coupons: 70% of 10-year euro swap rate	no	9th Mar 1999	9th Mar 2014	NO	ITL	480,000,000,000	217
Banca Intesa	1st coupon: 8%, 2nd: 5.5% and 3rd: 4%, for the following coupons: 65% of 10-year euro swap rate with a minimum of 4%	no	15th Jul 1999	15th Jul 2014	NO	EUR	250,000,000	221
Banca Intesa	5.30% fixed rate	no	22nd Oct 1999	1st Jan 2010	NO	EUR	150,000,000	120
Banca Intesa	5.10% fixed rate	no	17th Nov 1999	17th Nov 2009	17th Nov 2005	EUR	350,000,000	208
Banca Intesa	4.90% fixed rate	no	23rd Nov 1999	1st Jan 2007	NO	EUR	95,000,000	19
Banca Intesa	5.20% fixed rate	no	7th Dec 1999	1st Jan 2010	NO	EUR	90,000,000	72
Banca Intesa	5.30% fixed rate	no	21st Jan 2000	1st Jan 2010	NO	EUR	100,000,000	80
Banca Intesa	5.00% fixed rate	no	25th Jan 2000	1st Jan 2007	NO	EUR	90,000,000	18
Banca Intesa	4.70% fixed rate	no	11th Feb 2000	11th Feb 2007	NO	EUR	104,000,000	21

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)
Banca Intesa	5.50% fixed rate	no	16th Feb 2000	1st Jan 2010	NO	EUR	41,000,000	32
Banca Intesa	5.20% fixed rate	no	18th Feb 2000	1st Jan 2007	NO	EUR	59,000,000	12
Banca Intesa	6.11% fixed rate; as of 23rd Feb 2005 97% of 30-year euro swap mid rate	no	23rd Feb 2000	23rd Feb 2015	NO	EUR	65,000,000	65
Banca Intesa	12-month Euribor + 0.01%	no	23rd Mar 2000	23rd Mar 2007	NO	EUR	41,000,000	8
Banca Intesa	92% of 30-year euro swap mid rate; never lower than the preceding	no	12th Mar 2001	23rd Feb 2015	NO	EUR	50,000,000	50
Banca Intesa	5% fixed rate	no	9th Apr 2001	9th Apr 2007	NO	EUR	991,225,000	198
Banca Intesa	5.35% fixed rate	no	9th Apr 2001	9th Apr 2011	NO	EUR	125,478,000	125
Banca Intesa	5.20% fixed rate	no	15th Jan 2002	15th Jan 2012	NO	EUR	265,771,000	265
Banca Intesa	5.50% fixed rate	no	12th Apr 2002	12th Apr 2012	NO	EUR	126,413,000	126
Banca Intesa	5.85% fixed rate; as of 8th May 2009 3-month Euribor + 1.25%	yes	8th May 2002	8th May 2014	8th May 2009	EUR	500,000,000	492
Banca Intesa	3-month Euribor + 0.25%	yes	8th Feb 2006	8th Feb 2016	8th Feb 2011	EUR	1,500,000,000	1,487
Banca Intesa	5.50% fixed rate; as of 19th December 2011 3-month GBP Libor + 0.99%	yes	19th Jul 2006	19th Dec 2016	19th Dec 2011	GBP	1,000,000,000	1,484
Banca Popolare FriulAdria	5.30% fixed rate	no	18th Oct 1999	18th Oct 2009	NO	EUR	13,000,000	8
Banca Popolare FriulAdria	4.70% fixed rate	no	3rd Jan 2000	3rd Jan 2007	NO	EUR	10,000,000	2
Banca Popolare FriulAdria	5.15% fixed rate	no	3rd Jan 2000	3rd Jan 2010	NO	EUR	5,000,000	4
Cassa di Risparmio di Parma & Piacenza	1st year: 4.40%; 2nd: 4.55%; 3rd: 4.70%; 4th: 4.90%; 5th: 5.10%; 6th: 5.35%; 7th: 5.60%	no	3rd Jan 2000	3rd Jan 2007	NO	EUR	26,000,000	5
Cassa di Risparmio di Parma & Piacenza	1st year: 4.90%; 2nd: 5.00%; 3rd: 5.10%; 4th: 5.20%; 5th: 5.35%; 6th: 5.60%; 7th: 6.00%	no	4th Feb 2000	4th Feb 2007	NO	EUR	26,000,000	5
Total eligible subordinated liabilities (Lower Tier II)								**6,071**
Total								**7,351**

Tier 3 capital
As at 31st December 2006 Gruppo Intesa's shareholders' equity did not include any Tier 3 instruments.

Quantitative information

(in millions of euro)

	31.12.2006	31.12.2005
A.Tier 1 capital before the application of prudential filters	**12,731**	**15,096**
Tier 1 capital prudential filters	-23	-
- Positive IAS/IFRS prudential filters	*-*	*-*
- Negative IAS/IFRS prudential filters	*-23*	*-*
B. Tier 1 capital after the application of prudential filters	**12,708**	**15,096**
C. Tier 2 capital before the application of prudential filters	**8,339**	**5,998**
Tier 2 capital prudential filters	-300	-198
- Positive IAS/IFRS prudential filters	*-*	*-*
- Negative IAS/IFRS prudential filters	*-300*	*-198*
D. Tier 2 capital after the application of prudential filters	**8,039**	**5,800**
E. Total Tier 1 and Tier 2 capital after the application of prudential filters	**20,747**	**20,896**
Items to be deducted from total Tier 1 and Tier 2 capital	-1,556	-1,240
F. Total capital	**19,191**	**19,656**

2.3. Capital adequacy

Qualitative information

On the basis of Supervisory instructions, the Group's shareholders' equity for supervisory purposes must be at least 8% of total risk-weighted assets (total capital ratio) in relation to credit risk profile, valued on the basis of category of borrowing counterparties, maturity, Country risk and guarantees received.
Furthermore, banks must comply with capital requirements on market risks calculated on the whole trading portfolio separately for the various types of risk: position risk on debt securities and equities, settlement risk, counterparty risk and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk and position risk on commodities must be calculated. The use of internal models to determine the capital requirement for market risks is permitted; in particular, Banca Intesa and Banca Caboto apply the internal model to calculate generic position risk (price oscillation risk) and specific risk (issuer risk) for equities, generic position risk for debt securities; for Banca Intesa the calculation of specific risk of certain type of credit derivatives in the trading portfolio is also included in the internal model, while for other risks standard methodologies are used.
The consolidated requirement is calculated as the sum of the individual requirements of the companies which make up the Banking group. For counterparty risk, exposures deriving from intergroup relations are eliminated. For the assessment of financial soundness, more rigorous ratios are also used: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preference shares) and risk-weighted assets.

As indicated in the table on composition of shareholders' equity for supervisory purposes and capital ratios, the Group, as at 31st December 2006, had a Tier 1 ratio (Tier 1 capital/risk-weighted assets) equal to 6.29% and a Total capital ratio (shareholders' equity for supervisory purposes/risk-weighted assets) equal to 9.50%, higher than the 8% minimum requirement.
Core Tier 1 ratio equalled 5.51%.

Quantitative information

(in millions of euro)

	Unweighted amounts		Weighted amounts / requirements	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
A. RISK ASSETS				
A.1 Credit risk	**251,737**	**229,725**	**189,104**	**172,004**
STANDARD METHODOLOGY				
CASH ASSETS	**221,446**	**202,144**	**163,272**	**149,189**
1. Exposure (other than equities and other subordinated assets) towards (or guaranteed by):	167,476	153,513	132,096	120,486
1.1 Governments and Central Banks	*19,231*	*15,366*	*1,470*	*1,603*
1.2 Public entities	*7,063*	*5,681*	*1,413*	*1,163*
1.3 Banks	*15,094*	*18,623*	*3,125*	*3,877*
1.4 Other counterparties (other than mortgage loans on residential and non-residential real estate)	*126,088*	*113,843*	*126,088*	*113,843*
2. Mortgage loans on residential real estate	36,854	32,858	18,427	16,429
3. Mortgage loans on non-residential real estate	5,256	5,254	4,850	4,908
4. Shares, equity investments and subordinated assets	2,536	2,799	2,703	2,837
5. Other cash assets	9,324	7,720	5,196	4,529
OFF-BALANCE SHEET ASSETS	**30,291**	**27,581**	**25,832**	**22,815**
1. Guarantees and commitments towards (or guaranteed by):	29,851	27,170	25,781	22,719
1.1 Governments and Central Banks	*739*	*790*	*81*	*195*
1.2 Public entities	*1,024*	*1,396*	*205*	*279*
1.3 Banks	*4,854*	*3,903*	*2,261*	*1,164*
1.4 Other counterparties	*23,234*	*21,081*	*23,234*	*21,081*
2. Derivatives towards (or guaranteed by):	440	411	51	96
2.1 Governments and Central Banks	-	-	-	-
2.2 Public entities	-	-	-	-
2.3 Banks	*414*	*362*	*38*	*72*
2.4 Other counterparties	*26*	*49*	*13*	*24*
B. CAPITAL REQUIREMENTS				
B.1 Credit risk		**-**	**15,128**	**13,760**
B.2 Market risk		**-**	**922**	**1,303**
1. Standard methodology	X	X	830	973
of which:				
- position risk on debt securities	*X*	*X*	*591*	*650*
- position risk on equities	*X*	*X*	*6*	*13*
- foreign exchange risk	*X*	*X*	*20*	*45*
- other risks	*X*	*X*	*213*	*265*
2. Internal models	X	X	92	330
of which:				
- position risk on debt securities	X	*X*	-	-
- position risk on equities	*X*	*X*	-	-
- foreign exchange risk	*X*	*X*	-	-
B.3 Other capital requirements	**X**	**X**	**117**	**140**
B.4 Total capital requirements (B1+B2+B3)	**X**	**X**	**16,167**	**15,203**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS	**X**	**X**	**-**	**-**
C.1 Risk-weighted assets	**X**	**X**	**202,088**	**190,038**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	**X**	**X**	**6.29**	**7.94**
C.3 Total capital / Risk-weighted assets (Total capital ratio)	**X**	**X**	**9.50**	**10.34**

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. UPI Banka	20-feb-06	38	81.18	13	-	-
2. LT Gospodarska Banka d.d. Sarajevo	12-ott-06	11	66.99	6	-	-

[(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 statement of income) referred to full year 2006.

[(e)] Net income / loss recorded by the subsidiary for full year 2006.

[(f)] Net income / loss recorded after acquisition date and included in Gruppo Intesa's consolidated result.

It must be noted that the equity stake in LT Gospodarska Banka d.d. Sarajevo equalled 66.948% of share capital.
In addition to the transactions illustrated above, business combinations included, as concerns companies already controlled – either directly or indirectly – by Banca Intesa, the acquisition of a further 28.33% stake in Banca Cis and the sale of a 7% stake in Banca Intesa Beograd. Such operations led controlling stakes to equal respectively 83.7% and 83%.

1.2 Other information on business combinations

1.2.1 Annual changes in goodwill

(in millions of euro)

	31.12.2006
Initial goodwill	**869**
Increases	**82**
- Goodwill recorded in the year	64
UPI Banka	*23*
LT Gospodarska Banka d.d. Sarajevo	*5*
Banca Cis	*5*
Banca Intesa Beograd	*31*
- Positive foreign exchange differences:	18
Banca intesa Beograd	*16*
Other companies	*2*
Decreases	**-25**
- Impairment recorded in the year	-
- Disinvestments	-18
Banca Intesa Beograd	*-18*
- Negative foreign exchange differences	-
- Other	-7
Intesa Mediofactoring	*-7*
Final Goodwill	**926**

As indicated in the table above, business combinations carried out in the year led to the registration of goodwill for a total of 64 million euro, the most important portions referred to the acquisition of control of UPI Banka and LT Gospodarska Banka d.d. Sarajevo, and the 10% increase in the holding in Banca Intesa Beograd.
Decreases were mostly due to the sale of a 7% stake in Banca Intesa Beograd.
Goodwill which arose in the year and goodwill already recognised in the consolidated financial statements are allocated to the cash-generating units as illustrated in the following table.

(in millions of euro)

Goodwill	31.12.2006	31.12.2005
1. Retail Division	**63**	**58**
Intesa Holding Asset Management	27	27
Banca Intesa Private Banking	31	31
Banca Cis	5	-
2. Italian Subsidiary Banks Division	**238**	**238**
C.R. di Ascoli Piceno	7	7
C.R. di Città di Castello	2	2
C.R. di Foligno	11	11
C.R. di Rieti	4	4
C.R. di Spoleto	9	9
C.R. di Terni e Narni	44	44
C.R. di Fano	146	146
Banca di Trento e Bolzano	13	13
Cassa di Risparmio di Parma e Piacenza	2	2
3. International Subsidiary Banks Division	**625**	**566**
C.I.B. Factoring	3	3
Medimurska Banka	2	2
Privredna Banka	101	101
Vseobecna Uverova Banka	157	157
Consumer Finance Holding	16	15
Banca Intesa Beograd	264	235
KMB	54	53
UPI Banka	23	-
LT Gospodarska Banka d.d. Sarajevo	5	-
4. Corporate Division	**-**	**7**
Intesa Mediofactoring	-	7
Total	**926**	**869**

1.2.2 Other information

Book value and fair value of assets and liabilities of acquired companies

(in millions of euro)

Assets/Liabilities	Book value		Fair value	
	UPI Banka	LT Gospodarska Banka	UPI Banka	LT Gospodarska Banka
Assets				
Financial assets	1	-	1	-
Due from banks	115	29	115	29
Loans to customers	113	49	113	49
Investments in associates and companies subject to joint control	-	-	-	-
Property and equipment	7	2	7	3
Intangible assets	-	-	-	-
Goodwill	-	-	23	5
Other assets	9	6	9	6
Total Assets	**245**	**86 -**	**268**	**92**
Liabilities				
Due to banks	15	8	15	8
Due to customers	205	68	205	68
Securities issued	-	-	-	-
Financial liabilities	-	-	-	-
Other liabilities and allowances for risks	5	1	5	1
Shareholders' equity	20	9	43	15
Minority interests	-	-	-	-
Total Liabilities and Shareholders' Equity	**245**	**86 -**	**268**	**92**

Description of transactions

Business combinations

UPI Banka

On 4th January 2006 Intesa Holding International, which already held a 35.025% stake in the voting share capital of UPI Banka, launched the agreed takeover bid for the remaining 64.975% of UPI Banka's voting share capital. The offer was completed on 20th February 2006 with the acquisition of 105,701 voting shares, corresponding to 46.158% of UPI Banka's voting share capital, with a total investment of 37.6 million euro inclusive of accessory costs recorded as an increase of purchase cost. At the end of the transaction, Gruppo Intesa therefore held 81.183% of shares with voting rights.
The company is consolidated using the first financial statements available, that is financial statements as at 31st March 2006, after verifying that any balance sheet or statement of income differences compared to the date of acquisition of control (20th February 2006) are immaterial for the purposes of the consolidated financial statements.

LT Gospodarska Banka d.d. Sarajevo

In the fourth quarter of 2006, Privredna Banka Zagreb acquired from a group of controlling shareholders of LT Gospodarska banka d.d. Sarajevo (LTG banka) 140,724 ordinary shares of LTG banka, representing 66.992% of voting ordinary share capital, for a total cost of 11 million euro, inclusive of accessory costs.
The acquisition occurred in two steps: first, on 12th October, Privredna Banka Zagreb acquired control of LTG banka by purchasing 140,704 ordinary shares, representing 66.983% of voting share capital, at a price of 76.73 euro per share. Second, on 11th December 2006, Privredna Banka Zagreb acquired at the same price per share a further 20 ordinary shares representing 0.009% of voting share capital. This last purchase was realised at the end of the public tender offer on the remaining 33.017% portion of share capital launched on 2nd November.

The company is consolidated using the first financial statements available, that is financial statements as at 31st December 2006, and with reference to the sole balance sheet figures, after verifying that any balance sheet and statement of income differences with respect to the dates in which the transactions were carried out are immaterial for the purposes of the consolidated financial statements

Transactions relative to minority stakes

Banca CIS

In February 2006, Banca Intesa acquired 28.33% of the share capital of Banca CIS, bank already controlled by Gruppo Intesa, in which its subsidiary Intesa Mediocredito held a 55.37% stake, leading the Group's total holding to 83.7% of share capital.
The total cost of the operation amounted to 80 million euro.
The purchased stake was recorded applying the "Parent Company theory" which sets out, as already detailed in Part A of the present document, that any difference between acquisition cost and book value of the minority stakes is considered goodwill if it cannot be posted in other asset or liability captions.

Banca Intesa Beograd

On 8th June 2006 Intesa Holding International, which had a 90% stake in the voting share capital of Banca Intesa Beograd, sold to International Finance Corporation 3,626 shares – representing 7% of voting share capital – of the holding in Banca Intesa Beograd for a total consideration of 29 million euro. The transaction, which was recorded according to the aforementioned "Parent Company theory", generated a capital gain of 2.5 million euro, after the deduction of the relevant portion of goodwill amounting to 18 million euro.
In the fourth quarter of 2006 Intesa Holding International and the seller (HTL) modified, among others, the terms of the option written by Intesa Holding International in favour of Hemslade Trading Limited, provided for by the Shareholders Agreement of 9th August 2005. Following the changes in contractual terms, the equity investment was increased by the portion referred to the aforementioned option (46 million euro), highlighting a goodwill of 31 million euro.
The option was exercised on 19th January 2007, in line with book values.

Transactions involving companies under common control

Purchase of 49% of Intesa Leasing d.o.o. Beograd by CIB Leasing

Within Gruppo Intesa, on 24th February 2006, 49% of Intesa Leasing doo Beograd – which was wholly-owned by Banca Intesa doo Beograd – was sold to CIB Leasing, company controlled by Central–European International Bank.
The transaction was recorded maintaining consistency in book values, since it was realised for reorganisational purposes and did not lead to changes in the control of the company.

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

2.1 Business combinations

(in millions of euro)

Companies	Date of the transaction [(a)]	Cost of the transaction [(b)]	% Equity stake [(c)]	Net interest and other banking income [(d)]	Net income / loss for the year [(e)]
1. Sanpaolo IMI	1st Jan 07	34,168	100.00	9,510	2,148

[(a)] Date of acquisition of control.

[(b)] Cost including accessory costs already recorded as at 31st December 2006 and recorded in Other assets.

[(c)] Percentage of voting rights at the Ordinary Shareholders' Meeting.

[(d)] Net interest and other banking income (Caption 120 of the statement of income) referred to full year 2006.

[(e)] Net income / loss recorded by the subsidiary for full year 2006.

Description of transactions

The deed for the merger by incorporation of Sanpaolo IMI with and into Banca Intesa was signed on 28th December 2006, as already described in detail in the Report on operations, and came into legal, accounting and tax effects as of 1st January 2007.

Banca Intesa – which as of the date on which the merger became effective adopted Intesa Sanpaolo as its new corporate name – increased its share capital by 3,033,435,122.64 euro through the issuance of 5,833,529,082 ordinary shares with a nominal value of 0.52 euro each attributed to Sanpaolo IMI shareholders according to an exchange ratio of 3.115 Intesa Sanpaolo ordinary shares for every ordinary or preference share of Sanpaolo IMI with a nominal value of 2.88 euro each. Sanpaolo IMI’s ordinary shares were cancelled from listing as of 2nd January 2007 (first Stock exchange business day after the merger came into effects).

The merger between Intesa and Sanpaolo IMI has been conceived of as a “merger of equals”. However, international accounting principles require that an acquirer be identified in any business combination: Banca Intesa – based on quantitative factors relative to the number of newly-issued shares and the size of the two Groups, and since it was the entity which issued the shares – was identified as the acquirer as provided for by IFRS 3.

The date in which the merger came into legal effects – 1st January 2007 – is the date identified as the date of acquisition of control as provided for by IFRS 3 and therefore from that date the figures of the merged company are recorded into the surviving company.

Pursuant to IAS 27, control over a company is presumed when the controlling entity holds the majority of voting rights or the majority of directors, or has the power to determine the financial and operating policies, or appoint the majority of directors. In the case of the merger between Intesa and Sanpaolo IMI such conditions occurred starting from the date in which the merger came into legal effect.

In fact, this last date coincides with the issue of the new shares and the simultaneous cancellation of the shares of the merged company, with the cancellation of the merged company from the Company Register and the dissolution of the corporate bodies. From that moment the surviving company succeeds to the rights and obligations of the merged company. Before that date and until that date shareholders of Sanpaolo IMI maintained unaltered rights and the directors of the Sanpaolo IMI remained in office. Shareholders and directors of Intesa until that date had no instruments with which to intervene in the operating decisions of Sanpaolo IMI since there were no agreements between the parties which could lead to acquire control before the acquisition came into legal effects.

The exchange of shares is the significant event for the purpose of the transfer of control.

IFRS 3 requires that the cost of a business combination be determined as the sum of the fair value, at transaction date: (i) of assets sold, (ii) of liabilities undertaken and (iii) capital instruments issued by the acquirer in exchange of acquisition of control. Moreover, (iv) costs directly attributable to the business combination must be added to this value.

Therefore, in the business combination between Intesa and Sanpaolo IMI the cost of the acquisition is represented by the fair value at transaction date (that is the date of the issue of new securities, which coincides with the date in which the merger comes into legal effects), of shares which Banca Intesa issued in exchange of the shares of the merged company Sanpaolo IMI. Since such shares are listed, the fair value of the Intesa share is represented by the stock price on the market (reference price) on the day before the

date in which the merger comes into legal effect, that is, 29th December 2006.
The cost was therefore determined in 34,126 million euro to which the accessory costs of the transaction must be added (professional fees, costs for reports and expert opinions, etc.) which for the amounts already accounted for as at 31st December 2006 and provisionally recorded under Other assets, totalled 42 million euro.
This amount is compared with the consolidated shareholders' equity of the Sanpaolo IMI Group, which equalled 14,338 million euro, determining a "difference arising from the merger" of 19,830 million euro.
The cost of the business combination must be allocated to assets, liabilities and to any intangible assets not recorded in the balance sheet of the Sanpaolo IMI Group up to their fair value. After this allocation any further residual value must be recorded as goodwill.
IFRS 3 requires that the precise allocation of the cost be recorded within twelve months from the date of acquisition.

At the time of preparation of the Annual report 2006 the determination of the fair value of assets and liabilities and the purchase cost allocation process have not yet been completed. Only for information purposes, the provisional estimates led to a revaluation of loans of approximately 0.9 billion euro and of real estate assets of approximately one billion euro as well as the recognition of new intangible assets (intangible assets with finite or indefinite useful life) of approximately 8 billion euro. After an estimated fiscal effect of approximately 3 billion euro, the net residual value of the above mentioned "difference arising from the merger", amounting to approximately 13 billion euro, will be recorded as goodwill. Such revaluations, as well as intangible assets with finite useful life, will produce negative effects on the 2007 statement of income, in terms of interest adjustments and amortisation, estimated at approximately 400 million euro net of tax. This amount is expected to decline progressively over the years.

Ukrsotsbank
In February 2006 Banca Intesa signed an agreement for the acquisition of control of the Ukraine bank Ukrsotbank. In September the Board of Directors approved certain amendments to the aforesaid contract which set out, among other issues, that the closing of the contract be conditional upon the positive outcome of a court case pending in the USA, which involved, among others, both the controlling shareholder of the bank and the bank itself.
As is known, the agreement entails the acquisition by Intesa Sanpaolo of 88.55% of the share capital of Ukrsotsbank, with a put option for the sellers in respect of any additional minority interests up to 100% of the share capital.
The valuation of Ukrsotsbank, after the amendments to the original contract authorised by the Board of Directors in September 2006, was increased by approximately 6.9% to 1,400 million dollars, in consideration of both the net income of the Ukraine bank in the first half of 2006, which was significantly higher than forecast, and the material time delay with respect to the original closing date. The closing is also conditional upon the required regulatory authorisations from the competent authorities in Italy and Ukraine.
The parties have agreed that should the closing of the transaction not occur by 31st March 2007, any one party may terminate the agreement and, therefore, be free to consider other options, including the renegotiation of the transaction.
To date, the court case in the USA has been completed positively, the Bank of Italy has authorised the acquisition while the authorisation process which leads to the release of the necessary clearance by the Ukrainian central bank is still pending.
Therefore, also considering that the term is 31st March 2007, it is to date impossible to forecast the timely execution of the agreement.

Part H – Information on compensation and transactions with related parties

INFORMATION ON COMPENSATION AND TRANSACTIONS WITH RELATED PARTIES

1. Information regarding compensation of Directors, Statutory Auditors and Managers with strategic responsibilities

The following table shows the amounts of the compensation paid in 2006 to Directors, Statutory Auditors, General Managers, Joint General Managers and Deputy 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 which fall within the notion of "related party", as defined in the following chapter.

Compensation paid to Directors and Statutory Auditors are defined by apposite Shareholders' Meeting resolutions.

(in millions of euro)

	Directors and Statutory Auditors	Managers with strategic responsibilities
Compensation and social security charges	19	29
Bonuses and other incentives	1	12
Non-monetary benefits (1)	-	3
Indemnities for termination of the employment contract (2)	2	2
Share-based payments (Stock options)	-	-

(1) Including charges borne by the Company for supplementary pension schemes, insurance policies etc.

(2) Including the portion of employee termination indemnity for the year and any further termination indemnity.

A complete illustration of the stock option plan resolved upon by the Extraordinary Shareholders' Meeting of Banca Intesa held on 17th December 2002 in favour of managers of Banca Intesa and of Group companies is provided hereafter in Part I of the Notes to the consolidated financial statements.

2. Information regarding transactions with related parties

The individuals and juridical entities with the characteristics that make them eligible to be considered related parties on a consolidated basis for 2006 were defined based on the indications given by IAS 24, applied with reference to the specific organisational and governance structure of Banca Intesa and Group companies.

In particular, the following are considered related parties:

- *Entities which exercise significant influence over the Parent Company or its subsidiaries*: the companies which take part in the Parent Company Banca Intesa's voting syndicate, as well as certain entities, which based on shareholder agreements, exercise significant influence over certain companies consolidated in the Group;
- *Subsidiaries*: companies over which the Parent Company exercises, directly or indirectly, control as defined by IAS 27;
- *Companies subject to joint control*: companies over which the Parent Company exercises, directly or indirectly, joint control as defined by IAS 31;
- *Associates*: companies over which the Parent Company exercises, directly or indirectly, control as defined by IAS 28;
- *Management with strategic responsibilities and control bodies*: Directors, Statutory Auditors, General Managers, Joint General Managers and Deputy General Managers of the Parent Company and

companies directly or indirectly controlled, as well as other managers who have responsibilities in the management of the Parent Company;
- *Other related parties*: (a) the family members of Directors, Statutory Auditors, General Managers, Joint General Managers and Deputy General Managers of the Parent Company and companies directly or indirectly controlled, as well as subsidiaries or associates of the same Directors, Statutory Auditors, General Managers, Joint General Managers and Deputy General Managers and their family members, (b) the family members of other managers with strategic responsibilities in the Parent Company as well as in subsidiaries or associates of such managers or their close relations, (c) pension funds established by Group companies.

The table below sets out relations with the aforementioned related parties as at 31st December 2006. With reference to subsidiaries the table illustrates relations with entities which are not fully consolidated for the reasons illustrated in Part A of the Notes to the consolidated financial statements.

(in millions of euro)

	Financial assets available for sale	Investments held to maturity	Loans to customers	Due from banks	Due to customers	Due to banks	Guarantees given
Companies exercising significant influence over the Parent Company or its subsidiaries	-	-	1,864	4	353	37	12
Subsidiaries	-	-	-	-	4	-	-
Companies subject to joint control	-	-	1,334	-	899	-	10
Associates	-	-	922	24	634	22	72
Managers with strategic responsibilities and control bodies	-	-	3	-	34	-	-
Other related parties	-	-	64	-	882	-	57
Total	**-**	**-**	**4,187**	**28**	**2,806**	**59**	**151**

It must be noted that, within Gruppo Intesa, the relationships among its various economic entities are inspired to centralisation criteria as regards basic management and control activities, integrated with direction and assistance activities performed through consultancies in the fields of law, economic analysis, organisation and resource management. Instead, specific companies have the task of managing financial products and services, among which bancassurance products and fiduciary services, and near-bank services, such as leasing, factoring and long-term credit, assigned to the sales networks of Group companies.

The relationships with subsidiaries are seen within the normal operations of a multifunctional Group and mostly refer to relations for services rendered, deposits and financings which, in the case of non-banking subsidiaries, are destined to finance activities performed in various sectors. Agreements were stipulated between the Parent Company Banca Intesa and certain Group companies regarding, as mentioned, the distribution of financial products and/or services or assistance, consultancy, and more generally the provision of services complementary to banking activities. The economic effects connected with the above-mentioned relationships are normally regulated on the basis of market conditions applied to primary customers.

In the case of services given by the Parent Company as part of normal group synergies, economic relations are usually regulated at the minimum level, equal at least to the recovery of specific and general costs.

The relationships with other related parties – other than subsidiaries, associates and companies subject to joint control – are, normally, regulated at market rates or are aligned with the most favourable conditions applied to personnel.

With reference to balance sheet balances with related parties as at 31st December 2006, detailed in the table above, it must be noted that the increase in loans to "Companies exercising significant influence over the Parent Company or its subsidiaries" mostly reflected the use of loans granted at market conditions, to a non-bank entity which jointed Intesa's voting syndicate.

Almost all loans to "Other related parties" referred to relations with pension funds established by Banca Intesa and Group companies.

In general, however, the total of credit and debit balances with related parties, compared to the pertinent consolidated figures, are of immaterial amount and on average represented approximately 2%.

Statement of income effects referred to all categories of related parties, when compared with the corresponding captions of the statement of income, are not material in terms of size and, as concerns the component referred to net interest income, represented under 1%.

More significant was, instead, net fee and commission income with related parties, which includes commissions received on placement of insurance products and asset management.

In fact, in 2006 activities continued normally as part of the collaboration agreements with the Generali group in the placement of insurance policies and with the Crédit Agricole group in consumer credit and asset management. Due to and from associates or companies subject to joint control, indicated in the table above, are, in fact, attributable to a good extent to the companies Intesa Vita, Agos and CAAM SgR.
Substantial commissions were received from some of these companies. In particular, commissions from bancassurance companies (for 270 million euro) and asset management (for 549 million euro) were posted. Such amounts represent, overall, 20% of fee and commission income and 8% of net interest and other banking income.
With reference to this last sector, as recently disclosed to the market, following the commitments made with the Italian Competition Authority, Intesa Sanpaolo S.p.A. and Crédit Agricole S.A. decided not to pursue the joint venture in the asset management field and unwound the partnership in the sector.
Instead, relationships with companies or groups managed by directors continue, also regulated at standard market conditions.
As concerns Lazard & Co., in which Banca Intesa had a 40% stake, please note that last May Banca Intesa and Lazard Group LLC closed the operation which had already been illustrated in the Consolidated report as at 31st March 2006, based on which Lazard repurchased Banca Intesa's investment in Lazard & Co. S.r.L. (Lazard Italia) for a combination of senior and subordinated promissory notes, issued by Lazard Group LLC, for a total of approximately 146 million dollars and expiring in February 2008. Instead, Banca Intesa maintained the investment in Lazard Group LLC through the 150 million dollar subordinated convertible promissory note, which was amended to be convertible into Class A ordinary shares of the listed company Lazard Ltd. at a conversion price of 57 dollars per share. Conversion will be possible in three equal tranches, beginning from 1st July 2008, and until 30th June 2011. The interest rate on the note is 3.25% and maturity 30th September 2016. Terms of the agreement have no significant effects on Gruppo Intesa's statement of income.
In addition to the transactions indicated in the previous table, it must be noted that Banca Intesa's Board of Directors authorised the sale to a Director of a real estate property. To determine the value of the transaction various expert opinions drawn up by eminent companies in this sector have been requested. The Board of Directors applied the highest valuation as consideration for the sale.

In compliance with Consob requirements as concerns disclosures of listed companies (Communication 6064293 of 28.7.2006) it must be noted that no transactions occurred in 2006 which may be considered unusual and/or uncharacteristic, without prejudice to those relative to business combinations already indicated in the Report on operations and in part G of the Notes to the consolidated financial statements.

Holdings of Directors, Statutory Auditors and General Managers

The table below indicates the equity investments in Banca Intesa and in other Group companies, directly or indirectly held by Directors, Statutory Auditors and members of the Bank's top management, as set forth by Art. 79 of Issuer Regulations 11971.

Surname and name	Equity investment	Number of shares held at the end of 2005	Number of shares purchased	Number of shares sold	Number of shares held at the end of 2006
Benedini Benito [a]	Banca Intesa ord. shares	5,649	-	5,649	-
Benedini Benito	Banca Intesa ord. shares	109,058	-	-	109,058
Bernheim Antoine	Banca Intesa ord. shares	398,533	-	-	398,533
Desiata Alfonso	Banca Intesa ord. shares	353,601	-	-	353,601
Forestieri Giancarlo [b]	Banca Intesa ord. shares	3,761	-	-	3,761
Passera Corrado	Banca Intesa ord. shares	4,247,020	11,426,375 [c]	9,247,020 [c]	6,426,375
Pavarani Eugenio	Banca Intesa ord. shares	329	-	329	-
Trombi Gino	Banca Intesa ord. shares	22,569	-	-	22,569
Trombi Gino	Banca Intesa sav. shares	315	-	-	315
Colombo Paolo Andrea [a]	Banca Intesa sav. shares	10,000	-	-	10,000
Colombo Paolo Andrea [b]	Banca Intesa ord. shares	487	-	-	487
Other managers with	Banca Intesa ord. shares	5,860,069	19,593,328 [d]	18,369,069 [e]	7,084,328
strategic responsibilities	Banca Intesa sav. shares [a]	5,000	-	-	5,000

[a] Jointly held with family members
[b] In the name of the spouse
[c] of which 5,000,000 shares from the exercise of stock options.
[d] of which 13,278,188 shares from the exercise of stock options.
[e] of which 11,309,008 shares from the exercise of stock options.

SHAREHOLDER BASE AND VOTING SYNDICATE

Shareholder base

Banca Intesa's shareholder base as at 31st December 2006 – detailed in the following table – included reference shareholders which were part of a Voting syndicate and held 43.81% of the Bank's ordinary shares (43.51% vested in the Syndicate) and more then 200,000 shareholders holding the remaining 56.19%.

Name	Shares included in the Voting syndicate	Shares not included in the Voting syndicate	Total shares	% of shares included in the Voting syndicate on total	% of shares held on total
Crédit Agricole S.A.	1.070.574.249	2.596.258	1.073.170.507	17,80	17,84
Fondazione CARIPLO	554.578.319	-	554.578.319	9,22	9,22
Generali group	453.834.553	-	453.834.553	7,54	7,54
of which					
- Assicurazioni Generali	*3.942.065*	-	*3.942.065*		
- Alleanza Assicurazioni	*248.236.838*	-	*248.236.838*		
- Other subsidiary companies	*201.655.650* [(a)]	-	*201.655.650*		
Fondazione CARIPARMA	258.670.312	1.844.890	260.515.202	4,30	4,33
"Gruppo Lombardo"	279.926.547	13.658.858	293.585.405	4,65	4,88
of which					
- Banca Lombarda e Piemontese	*139.963.274*	*5.059.638* [(b)]	*145.022.912*		
- I.O.R	*29.578.536* [(c)]	*1.640.157*	*31.218.693*		
- Mittel Partecipazioni Stabili	*15.000.000*	*6.959.063* [(d)]	*21.959.063*		
- Carlo Tassara	*95.384.737*	-	*95.384.737*		
Total Shareholders in the Syndicate	2.617.583.980	18.100.006	2.635.683.986	43,51	43,81
Total other Shareholders	-	3.379.904.676	3.379.904.676		56,19
Total	**2.617.583.980**	**3.398.004.682**	**6.015.588.662**		**100,00**

[(a)] Aachener und Münchener Lebensversicherung AG, Assitalia S.p.A., Central Krankenversicherung AG, Cosmos Lebensversicherungs AG, FATA - Fondo Assicurativo Tra Agricoltori S.p.A., Generali Assurances Iard S.A., Generali Versicherung AG (A), Generali Versicherung AG (D), Generali Vita S.p.A., GPA-VIE S.A., Ina Vita S.p.A., La Venezia Assicurazioni S.p.A., UMS - Generali Marine S.p.A., Volksfürsorge Deutsche Lebensversicherung AG, Volksfürsorge Deutsche Sachversicherung AG .

[(b)] Including 4,855,302 shares via the subsidiary Banco di Brescia.

[(c)] Shares with beneficial interest in favour of Mittel.

[(d)] Via the subsidiary Mittel Generale Investimenti.

Voting syndicate

On 22nd December 2006, the members of the voting syndicate agreed to dissolve the aforesaid syndicate as of 1st January 2007, date in which the merger of Sanpaolo IMI S.p.A. with and into Banca Intesa S.p.A. came into effects.

The Agreement in force until 31st December 2006 had been signed on 3rd May 2005 among the main shareholders of Banca Intesa and introduced some amendments and integrations to the text previously in force and was designed to ensure continuity and stability of management policies to the activities of Banca Intesa and its subsidiaries and to guarantee the Banking group's independence and managerial autonomy.

None of the parties to the Agreement could individually control the Company. The Syndicate operated through: a) the *General Meeting*, comprising representatives of the parties to the Syndicate and which met to consider any matter of common interest relating to the management of Banca Intesa and its subsidiaries; b) the *Management Committee*, composed by a number of members equal to the number of parties forming the Syndicate, plus a Chairman, if not elected among the Committee members. The Management Committee established Group budget, policies and strategies, financial reporting and dividend policies, capital increases, mergers, changes to the Company's Articles of Association, acquisitions and divestments of controlling interests and of financially or strategically significant businesses and, generally speaking, it expressed its view – in advance – on all relevant decisions for Banca Intesa and its subsidiaries. Furthermore, it designated the Chairman, the Managing Director and/or the General Manager of Banca Intesa and the Chairmen, the General Managers and the Managing Directors of the principal subsidiaries; c) the *Chairman*, which was elected by the Management Committee, by an absolute majority of syndicated holdings.

The transfer of the syndicated shares was subject to pre-emption, with the exception of the transfer in favour of parent, subsidiary or sister companies as well as for the transfer of shares syndicated within "Gruppo Lombardo".

The Agreement originally was due to expire on 15th April 2008 and it could have been tacitly renovated every three years, save for cancellation six months before the expiry date.

The corporate governance report is contained in a separate volume which provides information relative to the governance of Banca Intesa S.p.A., its exercise in 2006 and corporate bodies in service until 31st December 2006, and illustrates the new governance system (dual corporate governance system) adopted by Intesa Sanpaolo S.p.A. as of 1st January 2007, the composition of corporate bodies as of the same date and the new shareholder base.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

1. Description of share-based payments

1.1. The stock option plan

The Extraordinary Shareholders' Meeting of Banca Intesa held on 17th December 2002 had resolved upon a stock option plan, which set forth the assignment, for free, of up to a maximum of 100,000,000 options to acquire 100,000,000 newly-issued Banca Intesa ordinary shares, to Banca Intesa or Group companies' managers; each share starting to accrue rights as of 1st January of the year of subscription and with nominal value of 0.52 euro. Following operations on the Company's capital, the Regolamento of the stock option plan set forth that the Board of Directors could adjust subscription price and/or the number of underlying shares, for options to be exercised.
The stock option plan could involve in total up to a maximum of 250 beneficiaries among executives of Banca Intesa or Group companies and employees who were not executives but had roles deemed to be strategic. The beneficiaries of the plan and the number of options assigned to each beneficiary had been identified by the Board of Directors following the proposal made by the Managing Director and CEO; the number of options to be assigned to the Managing Director and CEO had been defined by the Board of Directors following the proposal made by the Remuneration committee.
The plan had set out two assignment cycles: the first within 31st January 2003 and the second within 31st July 2003. The options referred for one third to each of the fiscal years 2003, 2004 and 2005 and were divided in two different categories: "class A options" to be assigned to all the beneficiaries of the plan and "class B options", distributed in addition to the previous, to be assigned to the Managing Director and CEO and the other managers identified by the Board of Directors, following the proposal made by Banca Intesa's Managing Director and CEO.
The exercise of the options – by tranches starting from 2005 – was conditional upon the achievement of the following performance objectives for each of the years to which the options referred (2003-2004-2005):

- the return on the Banca Intesa ordinary share for the reference fiscal year be at least equal to the average return (to twice the average return for class B options) on BTP (fixed-income Government bonds) with a three-year maturity registered in the offering of such bonds to the market in the reference financial year;
- the financial indicator EVA® - Economic Value Added in 2004 be positive and that EVA® for 2005 be higher than in the previous year.

The exercise of all types of rights was conditional upon the following requirements: the beneficiary of the options had to have an employment relationship with the Bank or any other Group company at the date of exercise of the rights and had to be in the same position identified at the time of the assignment of the options.
It was in any case possible to exercise the options for which, in the reference period, the objectives had not been met, provided that the objectives were recovered in the subsequent reference years.
The options' strike price was equal to the normal value of the share, that is the arithmetical average of the stock prices struck on the regulated market managed by Borsa Italiana (MTA) in the period from the date of assignment of the options (corresponding to the date in which the Board of Directors fixes the number of options and the beneficiaries of the plan) to the same day of the previous calendar month.

Exercise of the options

With reference to the exercise period of stock options in 2005, the Board of Directors on 26th April 2005 verified that the performance objectives for the exercise of the options related to the years 2003 and 2004 had been achieved as set by the stock option plan connected to the implementation of the 2003-2005 Business Plan. In particular:

- the financial indicator EVA® - Economic Value Added for the Group was positive in 2004 for an amount of 312 million euro while it was negative in 2002 for 1,187 million euro;

- the total return on the Banca Intesa ordinary share in the years 2003 and 2004 in terms of capital gain and dividends was approximately 82%;
- market capitalisation increased by 10.5 billion euro between the end of 2002 and the end of 2004.

Consequently, in May 2005 64,548,330 options were exercised referred to 2003 and 2004 which – following the adjustment of the number of shares underlying each option, as provided for in the Regolamento of the plan in relation to the distribution of reserves and the attribution for free of own shares resolved upon by the Shareholders' Meeting of April 2003 and 2004 – led to the subscription of 67,667,061 shares. Of these 41,173,761 shares were later sold in the "block market". Following such subscriptions share capital was increased by 35 million euro. The Managing Director and CEO invested the entire capital gain obtained from the exercise of his options in Banca Intesa shares, while the Company's top management in total reinvested in Bank shares over 50% of their capital gain.

As concerns the second tranche of options, the Board of Directors of 26th April 2006 verified the achievement of the performance objectives for the exercise of the options related to 2005. In particular:

- the financial indicator EVA® -Economic Value Added for the Group increased to 1,752 million euro in 2005 (1,090 million euro, net of the capital gain related to the sale of 65% of Nextra);
- the total return on the Banca Intesa ordinary share in 2005 was approximately 27%;
- market capitalisation increased by approximately 7 billion euro between the end of 2004 and the end of 2005, from 23.8 to 30.7 billion euro, after the over 10 billion euro rise recorded between the end of 2002 and the end of 2004.

The Board of Directors, in execution of the mandate received from the Extraordinary Shareholders' Meeting of 17th December 2002, therefore resolved upon a capital increase for a maximum amount of 16,751,479.68 euro of share capital and 49,291,076.18 euro of share premium reserve to service the stock option plan through the issue of a maximum 32,214,384 new ordinary shares with a nominal value of 0.52 euro.

In total, in the period 2nd-31st May 2006, 32,214,375 ordinary shares were subscribed following the exercise of the aforementioned options. Following such subscriptions share capital increased to 3,613,001,195.96 euro. Consistently with the intention of investing the entire capital gain deriving from the exercise of the stock options also for the options relative to 2005 in Banca Intesa shares (as in the previous year following the exercise of the options relative to 2003 and 2004), the Managing Director and CEO traded in the "block market" the 5,000,000 shares resulting from the exercise of the options, reinvesting the entire capital gain to purchase 2,514,043 Banca Intesa ordinary shares.

As at 31st December 2006, as highlighted in the table regarding the quantitative information, all options assigned on the basis of the Shareholders' Meeting resolution of 17th December 2002 had been exercised or annulled. Therefore, the stock option plan resolved upon by the Shareholders' Meeting held on 17th December 2002 has been fully subscribed.

1.2. Stock granting plan, for free, to employees

Purchase of own shares for free assignment to employees approved by the Shareholders' Meeting of 20th April 2006

The plan for the purchase and free assignment of ordinary shares resolved upon by the Board of Directors of 20th December 2005 and approved by the Shareholders' Meeting held on 20th April 2006 was concluded at the end of the first half of 2006. Assignees have been the employees of Banca Intesa with an indefinite term contract in service as at 1st June 2006, who have been assigned free Banca Intesa ordinary shares for a total countervalue of 2,000 euro per capita. The aforementioned amount may be reduced in consideration of the lower service rendered due to part-time contracts or the shorter period of service. For the purpose of considering any variation in the number of beneficiaries between the date of the resolution and the assignment date, as well as oscillations in the value of the share in the same period, the Shareholders' Meeting of 20th April 2006 had authorised the purchase of Banca Intesa shares up to a maximum number of 18,000,000 and a maximum consideration of 63 million euro. The free stock granting plan involved in addition to the Parent Company, the employees of Italian subsidiaries which approved in their respective Shareholders' Meetings the purchase and assignment plans of Parent Company ordinary shares up to a total number of 2,511,240, shares for a maximum consideration of 8,776,580 euro. These purchase plans are similar to the Parent Company's. In June, Banca Intesa and the subsidiaries involved purchased through Caboto – in compliance with provisions set forth by the Italian Civil Code, as determined in the resolutions of the Shareholders' Meetings and according to the operating methods set out in the regulations providing for the organisation and management of the markets – a total of 14,438,980 Banca Intesa ordinary shares for a total countervalue of 65,311,403 euro. The Parent

Company purchased 12,634,100 shares for a countervalue of 57,081,692 euro. The shares were made available to the employees involved within 30th June 2006.
The charge relative to the aforesaid free assignment plan was recorded in the Annual report 2005.

Purchase of own shares for free assignment to employees approved by the Shareholders' Meeting of 1st December 2006
It must be noted that the Board of Directors of 12th October resolved upon and the Shareholders' Meeting held on 1st December 2006 approved the plan for the purchase of Banca Intesa ordinary shares and their assignment, for free, to the employees of Banca Intesa with an indefinite term contract in service as at 31st May 2007 for a maximum countervalue of 700 euro to each (reduced for cases of shorter period of service).
Since the assignment plan also involves the employees of Italian subsidiaries, similar resolutions have been taken also by the Boards of Directors of such companies.
This resolution ratifies the agreement signed on 5th October 2006 by Banca Intesa and Trade Unions which set out an extraordinary bonus to employees, to complete amounts already disbursed for the same purpose last June, in recognition of the results achieved in the implementation of the programmes aimed at improving productivity and competitiveness and of the results achieved in the first two-years of implementation of the 2005 -2007 Business Plan.
The assignment will occur in June 2007 via the purchase by Banca Intesa and Group companies of Intesa Sanpaolo shares on the market, and the subsequent attribution, for free, to employees.
Since it is an attribution for the service employees had already provided as at 31st December 2006 and since the Shareholders' Meeting approved the aforementioned assignment of shares, the related charge, estimated on the basis of the fair value of the shares to be assigned, is posted in the 2006 statement of income under Personnel expenses.

Determination of the fair value
For the purpose of defining the charge, the fair value of services received by employees with reference to the fair value of assigned financial instruments was measured. In particular, the fair value of assigned shares is determined on the basis of the value of the share at date of assignment, restated to consider that shares are not fully disposable by the employee for a three-year period (unless the employee sustains the related tax charges in case of advance sale). The forward price of the share was measured as the capitalised value, at measurement date, of the share on the basis of the yield curve (interest rates, expected future dividends) at the same date.
As concerns the determination of the adjustment for the fact that the share is not fully disposable, the measurement of the negative premium occurred considering it similar to the premium of an American put option with i) underlying asset the Banca Intesa share, ii) starting date 1st June 2007, iii) strike price the forward price of the share simulated from the starting date, and iv) expiry date the end of the three-year period.

1.3. Stock option plans already resolved upon by Sanpaolo IMI
The Sanpaolo IMI Shareholders' Meeting of 30th April 2002, delegated to the Board of Directors the power to implement plans for stock option programmes for Group executives, by raising increases in paid capital of up to a maximum amount of 51,440,648 euro, corresponding to 18,371,660 shares.
Based on this delegated power, the Board of Directors:
- on 17th December 2002 launched a new stock option plan, assigning to 291 Group executives, of which 77 were employed by subsidiaries, according to the role they occupy, 8,280,000 rights, exercisable after the dividend issue for the financial year 2004 and not after 31st March 2007 (extended to 15th May 2007 by resolution of the Board of Directors on 25th January 2005), at a price of 7.1264 euro;
- on 14th November 2005 launched a new stock option plan assigning the relative rights to 48 executives who occupied key positions within the Group and have a strong influence on strategic decisions aimed at achieving the objectives in the Industrial Plan and at increasing the value of the Group. The 2006-2008 plan includes the assignment of 9,650,000 rights exercisable after the dividend issue for the financial year 2008 and not after 30th April 2012, at an exercise price of 12.3074 euro.
The Extraordinary Shareholders' Meeting held on 1st December 2006, at the time of approval of the plan for the merger of Sanpaolo IMI with and into Banca Intesa, approved a share capital increase for a maximum amount of 15,835,003.08 euro via the issue of maximum 30,451,929 ordinary shares of nominal value 0.52 euro each to service the stock option plans already resolved upon by the Board of Directors of Sanpaolo IMI on 17th December 2002 and 14th November 2005, confirming the regulations

of the aforementioned plans with the subsequent mandate to the Management Board of Intesa Sanpaolo to make the necessary changes.

B. QUANTITATIVE INFORMATION

1. Annual changes

The table shows information regarding the assignment of stock options, according to the form set out by Attachment 3C to Consob Issuer Regulations. The form also includes the information required by the Bank of Italy with Circular 262/2005.

	Options held at the beginning of the period			Options assigned during the period			Options exercised during the period			Options expired in the period	Options held at the end of the period		
	Number of options (1)	Average strike price	Average expiration	Number of options (2)	Average strike price	Average expiration	Number of options (3)	Average strike price	Average market price	(4)	Number of options (5)= 1+2-3-4	Average strike price	Average expiration
Managing Director and CEO	5,000,000	2.022	2006-2007				5,000,000	2.022			0		
Other Beneficiaries (*)	26,455,003	2.054	2006-2007				26,405,003	2.054		50,000	0		
Total 2006	**31,455,003**	**2.049**	**2006-2007**				**31,405,003**	**2.049**	**4.643**	**50,000**	**0**		
Total 2005	**96,630,000**	**2.048**	**2005-2007**				**64,548,330**	**2.048**	**3.704**	**626,667**	**31,455,003**	**2.049**	**2005-2007**

(*) Directors of Banca Intesa and other Group companies.

With regard to the assignment for free of shares to employees, the Parent Company’s Ordinary Shareholders’ Meeting held on 1st December 2006 approved the purchase of up to a maximum of 5,250,000 shares, while the Boards of Directors Meetings of Group companies resolved to submit to the approval of the Shareholders’ Meetings summoned to approve the 2006 financial statements the purchase of up to a maximum of 1,900,000 shares.

2. Other information

With regard to the assignment for free of shares to employees approved by the Shareholders’ Meeting held on 1st December 2006, the overall charge registered in the 2006 statement of income equalled 26 million euro.

Declaration of the Manager in charge of preparing the Company's financial reports

I hereby declare, pursuant to art. 154 bis, par. 2 of Legislative Decree 58/98, that the consolidated financial statements correspond to the records, books and accounts of the Company.

The Manager in charge of preparing
the Company's financial reports

B. Picca

Banca Intesa
Report on operations and Parent Company's financial statements

Banca Intesa - Financial highlights and alternative performance measures(°)

	2006	2005 restated (*)	Changes amount	Changes %	2005	Changes amount	Changes %
Statement of income (in millions of euro)							
Net interest income	3,324	3,149	175	5.6	3,194	130	4.1
Net fee and commission income	2,270	2,238	32	1.4	2,271	-1	-
Profits (Losses) on trading	445	294	151	51.4	311	134	43.1
Operating income	7,160	6,164	996	16.2	6,195	965	15.6
Operating costs	-3,598	-3,579	19	0.5	-3,552	46	1.3
Operating margin	3,562	2,585	977	37.8	2,643	919	34.8
Net adjustments to loans	-458	-337	121	35.9	-347	111	32.0
Net income	2,241	1,547	694	44.9	1,564	677	43.3
Balance sheet (in millions of euro)							
Loans to customers	112,314	104,022	8,292	8.0	110,567	1,747	1.6
Financial assets / liabilities held for trading	22,825	24,715	-1,890	-7.6	24,756	-1,931	-7.8
Financial assets available for sale	3,041	2,575	466	18.1	2,771	270	9.7
Investments	13,821	13,667	154	1.1	13,441	380	2.8
Total assets	216,208	206,589	9,619	4.7	207,805	8,403	4.0
Direct customer deposits	143,355	136,883	6,472	4.7	137,862	5,493	4.0
Indirect customer deposits	206,388	203,738	2,650	1.3	203,738	2,650	1.3
of which assets under management	*28,302*	*29,593*	*-1,291*	*-4.4*	29,593	*-1,291*	-4.4
Net interbank position	9,725	7,905	1,820	23.0	2,543	7,182	
Shareholders' equity	15,323	14,234	1,089	7.7	14,251	1,072	7.5
Operating structure							
Number of employees	30,434	30,688	-254		30,663	-229	
- Italy	*30,060*	*30,303*	*-243*		*30,278*	*-218*	
- Abroad	*374*	*385*	*-11*		*385*	*-11*	
Number of branches	2,107	2,084	23		2,084	23	
- Italy	*2,101*	*2,078*	*23*		*2,078*	*23*	
- Abroad	*6*	*6*	*-*		*6*	*-*	

(*) Figures restated on a consistent basis.

(°) Figures from the reclassified statement of income and reclassified balance sheet as described in the report on operations.

	2006	2005 restated (*)	2005
Balance sheet ratios (%)			
Loans to customers / Total assets	51.9	50.4	53.2
Investments [a] / Total assets	6.4	6.6	6.5
Direct customer deposits / Total assets	66.3	66.3	66.3
Assets under management / Indirect customer deposits	13.7	14.5	14.5
Statement of income ratios (%)			
Net interest income / Operating income	46.4	51.1	51.6
Net fee and commission income / Operating income	31.7	36.3	36.7
Operating costs / Operating income	50.3	58.1	57.3
Net income / Average total assets (ROA)	1.1	0.8	0.8
Net income / Average shareholders' equity (ROE) [b]	16.9	12.3	12.3
Adjusted net income / Adjusted average shareholders' equity (adjusted ROE) [c]	18.8	13.8	13.8
Risk ratios (%)			
Net doubtful loans / Loans to customers	0.7	0.6	0.5
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	68.7	68.1	67.6
Capital at Risk (C.a.R.) [d] - average for the year	28.3	23.2	23.2
Capital at Risk (C.a.R.) [d] - year-end	14.7	33.7	33.7
Capital ratios (%) [e]			
Tier 1 capital [f] net of preference shares / Risk-weighted assets (Core Tier 1)	5.64		7.59
Tier 1 capital [f] / Risk-weighted assets	6.55		8.56
Total capital [g] / Risk-weighted assets	10.65		12.10
Risk-weighted assets (in millions of euro)	150,695		144,769
Basic earnings per share (basic EPS) [h] - euro	**0.350**		**0.225**
Diluted earnings per share (diluted EPS) [i] - euro	**0.350**		**0.224**

(*) Figures restated on a consistent basis.

(a) Investments include investments held to maturity, investments in associates and companies subject to joint control, property, equipment and intangible assets.

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

(c) Ratio between net income inclusive of the change in the period in valuation reserves on assets available for sale and weighted average of share capital, share premium reserve, reserves and valuation reserves (excluding the aforementioned change in valuation reserves on assets available for sale).

(d) The indicator probabilistically measures, in terms of average or period-end figures, market risks of the trading portfolio defined as the sum of Value at Risk (VaR) in time-series simulation, delta-gamma-vega VaR (DGV) and correlated and non-correlated simulations on illiquid parameters, using a 99% confidence level and 1 working-day holding period.

(e) Figures for 2005 have not been restated to consider the change in the consolidation area.

(f) Paid-in share capital, share premium reserve and reserves and retained earnings minus treasury shares, goodwill, intangible assets and after the application of so-called "prudential filters" set out by supervisory regulations.

(g) Tier 1 capital plus eligible subordinated liabilities, valuation reserves, with the application of so-called "prudential filters", net of equity investments as set out by supervisory regulations.

(h) Net income attributable to holders of ordinary shares compared to the weighted average number of ordinary shares outstanding. Figures for 2005 have not been restated.

(i) The dilutive effect on the figure as at 31.12.2005 considers the issue of ordinary shares following the potential exercise of all the stock options set out in the relevant assignment plan. Figures for 2005 have not been restated.

Report on operations

The Parent Company Banca Intesa

The Report which accompanies the consolidated financial statements illustrates Gruppo Intesa's operations in 2006. The financial statements of the Parent Company, Banca Intesa S.p.A., are illustrated hereafter referring also to the information contained in that report especially as concerns the illustration of the merger with Sanpaolo IMI and operations development in the various business areas.

General aspects

The Parent Company's economic results and balance sheet aggregates for 2006 indicated in the tables hereafter have also been prepared using IAS/IFRS.
Such results are compared with the figures for 2005 restated on a consistent basis to consider the changes occurred. In particular the following must be noted: as already indicated in the Annual report 2005, the transfers to Banca Intesa of the investment banking and capital market activities of the subsidiary Banca Caboto as well as of the middle and back office and IT support of Nextra Investment Management SGR occurred with effects as of 1st July 2005. Moreover, as already mentioned in the interim financial statements, the contribution of a business branch for a net amount of 340 million euro to Banca Intesa Infrastrutture e Sviluppo came into effect as of 1st January 2006. The spin-off referred to assets and juridical relations relative to the pre-existing State and Infrastructures Department of the Parent Company as well as to personnel dedicated to managing relations with the Public Administration and companies operating in the realisation of infrastructures. Following such contribution, which mostly referred to loans to customers and due to customers (respectively 6,600 million euro and approximately 960 million euro), Banca Intesa, sole shareholder, was attributed 340,000,000 shares of the new bank BIIS. Furthermore, Intesa Gestione Crediti and Magazzini Generali Fiduciari Cariplo were merged into Banca Intesa as of 1st June 2006, but with accounting effects from the beginning of the year. The mergers were aimed at rationalising the Group's legal entities following the completion of the strategic projects which involved the two companies. Lastly, again with accounting effects from the beginning of the year, the merger into Banca Intesa of Intesa e.Lab was completed and was also part of the Group's rationalisation.
To permit a consistent comparison of statement of income and balance sheet figures as at 31st December 2006, in the comments below reference is made to comparative figures restated to consider the effects of the aforementioned operations, and reclassified as described hereafter. For the sake of completeness, comments also mention – where this is significant – the comparison with figures originally published in the Annual report 2005.
The effects of the changes in legal structures described above are not considered in Banca Intesa's financial statements drawn up according to the forms defined by the Bank of Italy and published hereafter in this volume.
Information relative to research and development activities, own shares held, relations with related parties, the environment and personnel and the main factors and conditions which affect profitability is contained in the Report on operations which accompanies the consolidated financial statements.

Reclassification criteria

As already described in the Report which accompanies the consolidated financial statements – for the purpose of a more effective representation of results – condensed statement of income and balance sheet forms have also been prepared for the Parent Company and are presented in the following tables.
The statement of income is drawn up according to presentation criteria deemed to be better suited to represent the content of captions according to the principle of operating consistency and through the opportune restatements. A table included in the attachments details the amounts of the restatements which, in short, refer to:

- dividends on equity investments connected to financings are reclassified in net interest income;
- dividends on shares classified as assets available for sale and as assets held for trading are reallocated in profits (losses) on trading; likewise the implicit cost for the financing of the purchase of shares held for trading is transferred from interest to profits (losses) on trading;

- interest rate differentials matured and collected on currency interest rate swaps which set out the exchange of two floating rates, classified as held for trading, stipulated to hedge floating rate funding in foreign currency, are recorded in net interest income considering their close correlation;
- fair value adjustments in hedge accounting are registered in net interest income due to their close correlation;
- profits and losses on disposal or repurchase of financial assets available for sale and of financial liabilities, are included in profits (losses) on trading;
- recovery of expenses and of taxes and duties are directly deducted from administrative expenses instead of recorded in other operating income;
- profits and losses on disposal or repurchase of loans are posted in net adjustments to loans;
- net impairment losses on other financial activities, mainly 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 in net adjustments to loans, since the phenomenon derives directly from the application of the amortised cost criterion in absence of changes in forecasted expected future flows. A consistent approach is used for the time value of employee termination indemnities and allowances for risks and charges;
- impairment of property, equipment and intangible assets (of negligible amount) are excluded from net adjustments to property, equipment and intangible assets – that thus solely express depreciation and amortisation – and are included in a residual caption which records net impairment losses on financial assets available for sale, investments held to maturity and other financial activities;
- profits (losses) on disposal of investments are recorded in profits (losses) on investments held to maturity and on other investments:
- integration charges related to the merger between Banca Intesa and Sanpaolo IMI, are reclassified net of the fiscal effect in a specific caption from the captions Personnel expenses and Administrative expenses.

Reclassified statement of income

(in millions of euro)

	2006	2005 restated (*)	Changes amount	Changes %	2005	Changes amount	Changes %
Net interest income	3,324	3,149	175	5.6	3,194	130	4.1
Dividends	945	311	634		311	634	
Net fee and commission income	2,270	2,238	32	1.4	2,271	-1	-
Profits (Losses) on trading	445	294	151	51.4	311	134	43.1
Other operating income (expenses)	176	172	4	2.3	108	68	63.0
Operating income	**7,160**	**6,164**	**996**	**16.2**	**6,195**	**965**	**15.6**
Personnel expenses	-2,058	-2,049	9	0.4	-2,044	14	0.7
Other administrative expenses	-1,176	-1,180	-4	-0.3	-1,165	11	0.9
Adjustments to property, equipment and intangibles assets	-364	-350	14	4.0	-343	21	6.1
Operating costs	**-3,598**	**-3,579**	**19**	**0.5**	**-3,552**	**46**	**1.3**
Operating margin	**3,562**	**2,585**	**977**	**37.8**	**2,643**	**919**	**34.8**
Net provisions for risks and charges	-132	-291	-159	-54.6	-291	-159	-54.6
Net adjustments to loans	-458	-337	121	35.9	-347	111	32.0
Net impairment losses on other assets	-10	-19	-9	-47.4	-19	-9	-47.4
Profits (Losses) on investments held to maturity and on other investments	260	162	98	60.5	210	50	23.8
Income (Loss) before tax from continuing operations	**3,222**	**2,100**	**1,122**	**53.4**	**2,196**	**1,026**	**46.7**
Taxes on income from continuing operations	-767	-594	173	29.1	-610	157	25.7
Integration charges (net of taxes)	-214	-	214	-	-	214	-
Income (Loss) after tax from discontinued operations	-	41	-41		-22	-22	
Net income	**2,241**	**1,547**	**694**	**44.9**	**1,564**	**677**	**43.3**

(*) Figures restated on a consistent basis.

Banca Intesa's statement of income for 2006 – the most significant component of the Group's consolidated financial statements – closed with a net income of 2,241 million euro, with an approximately 45% increase with respect to the consistent figure for 2005 (1,547 million euro). The significant increase is mostly attributable to the dividend paid by Intesa Holding Asset Management, in relation to the sale which occurred at the end of 2005, of 65% of Nextra Investment Management SGR (now CAAM SGR S.p.A.) to the Crédit Agricole group, transaction described in detail in the Report which accompanies the 2005 consolidated financial statements. Conversely, the 2006 statement of income was affected by the first part of charges specifically referred to the integration with Sanpaolo IMI that, as already indicated, have been posted in a specific caption of the reclassified statement of income and allocated to a specific allowance.

With respect to the figure originally published in the Annual report 2005, net income increased by approximately 43%.

The reclassified statement of income for 2006 in the table above shows **operating income** – made up of revenues, costs and valuation effects on ordinary operations – of 7,160 million euro, up by approximately 16% with respect to both the consistent figure for 2005 and the figure originally published in the Annual report 2005, due to the aforementioned more significant contribution of dividends. Excluding this non-recurring component operating income increased by approximately 5%. Quarterly breakdown shows that the aggregate was affected by the seasonality of dividends which are collected mostly in the second quarter and the lower contribution of net fee and commission income, also partly influenced by seasonal trends.

Breakdown by component shows the rise of *net interest income* (+5.6% to 3,324 million euro), as the combined result of the diverse contributions of the single components. More specifically, net interest income with customers recorded an increase (+12.4%), which benefited from the significant contribution of retail operations, both in terms of spreads and volumes, and the positive contribution of corporate customers, more limited also in relation to the strategy for the containment of the transfer to this customer segment of the rise in interest rates. Also the contribution of investments in financial activities rose (+13.3%), while interest on interbank relations decreased to even lower absolute values. Instead, the cost of funding via securities increased, also considering differentials on hedging derivatives, mainly as a result of the rise in interest rates.

Lastly, net interest income included net fair value adjustments in hedge accounting (7 million euro, ex 18 million euro), that reflects the imbalance of positive and negative variations in the fair value of hedging derivatives and the relevant assets and liabilities hedged.

Quarterly development shows that net interest income for the fourth quarter was the highest in the last eight quarters.
Dividends (945 million euro), as already mentioned, made a particularly high and non-recurring contribution in relation to the dividend distributed by Intesa Holding Asset Management (704 million euro) on the gain realised from the sale of Nextra. Other significant distributed dividends referred to Intesa Mediofactoring (40 million euro), FriulAdria (33 million euro), Intesa Private Banking (30 million euro), Setefi (23 million euro) and Intesa Leasing (20 million euro).
Net fee and commission income also recorded an increase (+1.4% to 2,270 million euro): the rise in commissions on management, dealing and consultancy and other commissions more than offset the reduction in commissions on commercial banking activities.
Profits (losses) on trading – which includes profits and losses on disposal of financial assets held for trading or available for sale, valuation effects on financial assets held for trading as well as dividends related to securities classified as held for trading or available for sale – highlighted, with 445 million euro, a considerable increase with respect to the 294 million euro of 2005, mostly ascribable to the positive trend of interest rate activities which completely absorbed the far more contained decreases in equities and foreign exchange activities. More specifically, interest rate activities generated a positive contribution of 22 million euro (ex –131 million euro), while the contribution of equities – which includes the effects of disposal as well as valuation of certain equity stakes classified as held for trading – decreased from 297 million to 270 million euro. Continuing the trend already evidenced in the previous quarters, a decrease was recorded by profits on foreign exchange activities, though with far lower absolute values, (36 million euro, ex 53 million euro) while credit derivatives increased (47 million euro, ex 11 million euro). Profits on trading also include the recognition to the statement of income of profits and losses realised on financial assets available for sale and financial liabilities, which amounted to 70 million euro (ex 64 million euro), mostly relative to the sale of private equity investments.
Other net operating income – which, in the reclassified statement of income, does not include the recoveries of expenses and taxes and duties, directly deducted from administrative expenses – equalled 176 million euro compared to 172 million euro of the comparative period (+2.3%). The most significant amounts which make up the caption referred, among income, to consideration for services rendered to Group companies (165 million euro) and, among expenses, to amortisation of leasehold improvements (26 million euro).
The moderate rise in **operating costs** (+0.5% to 3,598 million euro), mostly referred to *impairment on property, equipment and intangible assets* (+4% to 364 million euro) while personnel expenses recorded a marginal increase and other administrative expenses decreased. More specifically, *personnel expenses* remained practically stable (+0.4% to 2,058 million euro), as a result of lower costs due to the reduction in average headcount and the effects related to the provisions for the renewal of the national labour contract. Also *administrative expenses* highlighted a virtual stability (-0.3% to 1,176 million euro) since the higher growth related expenses (advertising and promotional expenses and training expenses) were offset by the decreases in other expense captions, more marked for professional expenses.
On a quarterly basis, operating costs were lower than the average for the last eight quarters.
The trends of operating income and costs described above led to an **operating margin** of 3,562 million euro, approximately 38% higher than the consistent figure for 2005 and approximately 35% higher than the figure originally published in the Annual report 2005. Excluding non-recurring income, operating margin would record an approximately 11% increase and the relative cost/income ratio would be approximately 56%.
Income before tax from continuing operations, at 3,222 million euro, highlighted an approximately 53% progress (approximately +47% on the figure originally published in the Annual report 2005 and approximately +20% net of the non-recurring dividend). The figure was net of *net provisions for risks and charges* of 132 million euro, far lower with respect to the figure for the previous year (approximately -55%), due to the lower provisions required to adequately cover risks connected to legal disputes under way. Instead, *net adjustments to loans* rose to 458 million euro (approximately +36%). More specifically, considering the various non-performing loan categories, net adjustments referred to: doubtful loans for 342 million euro, substandard loans for 114 million euro and loans past due by over 180 days for 3 million euro. Collective measurement of performing loans determined adjustments for 25 million euro, for the purpose of maintaining a congruous coverage of performing loans. Lastly, valuation effects on *guarantees and commitments* was positive for 27 million euro. In 2005 net adjustments to loans totalled 337 million euro.
Income before tax from continuing operations also reflected *net impairment losses on other assets* (10 million euro) as well as *profits on investments held to maturity and on other investments* (260 million euro). The latter was almost entirely made up of net effects of disposal and valuation of equity

investments, which totalled 214 million euro and the most significant component was the write-back of Intesa Holding International (183 million euro), in relation to the positive results of the subsidiaries in Central-Eastern Europe.
Lastly, the caption included 46 million euro from the sale of real estate assets.
After the registration of taxes (767 million euro), a specific caption has been introduced – *integration charges, net of taxes* – which records the best possible estimate of the future charges connected to the merger between Banca Intesa and Sanpaolo IMI, allocated to a specific allowance for risks and charges. Personnel expenses (210 million euro, net) have been allocated to this caption connected to the agreement signed with Trade Unions in December, as well as certain expenses for organisational, IT and legal advice which refer to the first integration interventions (4 million euro, net).
Net income, 2,241 million euro, highlighted – as already illustrated above – an approximately 45% growth rate on the consistent figure for 2005 and an approximately 43% rise with respect to the figure originally published in the Annual report 2005. Excluding non-recurring income and charges, an approximately 15% rise would have been recorded with respect to the consistent figure for 2005.

Reclassified balance sheet

(in millions of euro)

Assets	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Financial assets held for trading	32,210	38,776	-6,566	-16.9	38,892	-6,682	-17.2
Financial assets available for sale	3,041	2,575	466	18.1	2,771	270	9.7
Investments held to maturity	-	-	-	-	-	-	-
Due from banks	48,746	41,046	7,700	18.8	35,725	13,021	36.4
Loans to customers	112,314	104,022	8,292	8.0	110,567	1,747	1.6
Investments in associates and companies subject to joint control	11,988	11,792	196	1.7	11,568	420	3.6
Property, equipment and intangible assets	1,833	1,875	-42	-2.2	1,873	-40	-2.1
Tax assets	1,686	2,337	-651	-27.9	2,258	-572	-25.3
Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-
Other assets	4,390	4,166	224	5.4	4,151	239	5.8
Total Assets	**216,208**	**206,589**	**9,619**	**4.7**	**207,805**	**8,403**	**4.0**

Liabilities and Shareholders' Equity	31.12.2006	31.12.2005 restated (*)	Changes amount	Changes %	31.12.2005	Changes amount	Changes %
Due to banks	39,021	33,141	5,880	17.7	33,182	5,839	17.6
Direct customer deposits	143,355	136,883	6,472	4.7	137,862	5,493	4.0
Financial liabilities held for trading	9,385	14,061	-4,676	-33.3	14,136	-4,751	-33.6
Tax liabilities	836	457	379	82.9	437	399	91.3
Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-
Other liabilities	5,923	5,606	317	5.7	5,728	195	3.4
Allowances for specific purpose	2,365	2,207	158	7.2	2,209	156	7.1
Share capital	3,613	3,596	17	0.5	3,596	17	0.5
Reserves	7,859	7,794	65	0.8	7,794	65	0.8
Valuation reserves	1,610	1,297	313	24.1	1,297	313	24.1
Net income	2,241	1,547	694	44.9	1,564	677	43.3
Total Liabilities and Shareholders' Equity	**216,208**	**206,589**	**9,619**	**4.7**	**207,805**	**8,403**	**4.0**

(*) Figures restated on a consistent basis.

The condensed tables above indicate balance sheet aggregates as at 31st December 2006, compared with balances at the end of 2005 restated on a consistent basis, as well as with the figures originally published in the Annual report 2005.
The condensed table of assets and liabilities reflects the following groupings aimed at more clearly and effectively portraying the balance sheet and financial situation. A table included in the attachments details the amounts of the restatements, which refer to:
- the inclusion of Cash and cash equivalents in the residual caption Other assets;
- the inclusion of net hedging derivatives and fair value changes of financial assets/liabilities in hedged portfolios in Other assets/liabilities;
- the aggregation in just one caption of property and equipment and intangible assets;
- the aggregation of Due to customers and Securities issued in just one caption;
- the aggregation in just one caption of allowances for specific purpose (Employee termination indemnities and Allowances for risks and charges);
- the presentation of Reserves as just one aggregate.

Again for the purpose of a more effective representation of composition of the aggregates, in the comments Financial assets/liabilities held for trading represented by derivatives and due to and from banks are indicated net and also fair value hedge derivatives and the relevant assets and liabilities hedged are shown net.
As already mentioned, in the comments below, main balance sheet aggregates as at 31st December 2006 are compared with the corresponding figures as at 31st December 2005, restated to consider the aforementioned changes in legal structures. Furthermore, it must be noted that restatement with respect to figures originally published mostly referred to the aforementioned spin-off of the business branch in favour of Banca Intesa Infrastrutture e Sviluppo.
As at 31st December 2006, **loans to customers** totalled 112,314 million euro, up by 8% with respect to the consistent figure deriving from diverse trends recorded by the various contract types which make up

the aggregate. More specifically, mortgages continued to grow, confirming the trend shown over the year (49,618 million euro, approximately +11%), and as at 31st December 2006 represented approximately 44% of total loans to customers. Also advances and other loans increased (46,053 million euro, approximately +19%). Such trends more than offset the decline in current accounts (approximately -16%, to 12,129 million euro) and of repurchase agreements (-59%, to 893 million euro). Securities underwritten at the time of issue for the purpose of financing the issuer increased, though from far lower absolute values (972 million euro, ex 795 million euro).

Including value of related fair value hedge derivatives connected to loans to customers, which as at 31st December amounted to 24 million euro (ex 23 million euro), as well as the fair value change of assets in hedged portfolios (-1 million euro as at 31st December 2006), the overall growth of total loans to customers would be confirmed at 8%, whereas it would increase to approximately 9.4% excluding the lower contribution of repurchase agreements, which typically have a financial nature.

As regards loan quality, non-performing loans amounted to 2,650 million euro, and highlighted, considered together, a 535 million euro decrease with respect to as at 31st December 2005 (approximately -17%). More specifically, breakdown of this caption showed an increase in doubtful loans (from 612 million euro to 822 million euro), mostly ascribable to the inclusion of certain retail positions as well as of certain corporate positions previously classified as substandard. The latter recorded a decrease (from 2,113 million euro to 1,705 million euro), deriving from the transfer of positions previously recorded in loans past due, which posted a considerable drop with respect to the figure at the end of 2005 (from 460 million euro to 83 million euro). As at 31st December restructured loans amounted to 40 million euro.

As to performing loans (109,664 million euro, approximately +9%), collective provisions of 491 million euro, determined based on the risk configuration of customers, guaranteed a 0.45% coverage (0.50% net of repurchase agreements and loans to subsidiaries). A further 109 million euro covered off-balance sheet risks.

Direct customer deposits, 143,355 million euro, highlighted a slight progress with respect to the figure at the end of 2005 (approximately +5%). Breakdown by contract type was as follows: current accounts and deposits recorded a significant progress (+5.7% to 77,328 million euro), ascribable to both the rise in the on demand and the with notice period component, increases were also recorded by securities issued (+4.5% to 59,560 million euro) and other deposits (+4.1% to 1,865 million euro), while repurchase agreements decreased (approximately -7% to 4,602 million euro).

Including in the aggregate the net value of related fair value hedge derivatives, which as at 31st December 2006 amounted to 1,041 million euro (224 million euro at the end of 2005), total customer deposits would highlight a 5.3% rise.

The increase in **indirect customer deposits**, up by 1.3% to 206,388 million euro, was entirely ascribable to assets under administration (+2% to 178,087 million euro), mostly attributable to the valuation of the equity component. Assets under management, which represented approximately 14% of total indirect customer deposits, instead posted a decrease with respect to the figure at the end of 2005 (-4.4% to 28,302 million euro), since the persistent growth of bancassurance products (approximately +6%) was not sufficient to offset the reduction in individual portfolio management schemes, which was also affected, as mentioned in the interim reports, by the transfer of positions to Intesa Private Banking that commenced from January.

Financial assets held for trading, which comprise debt securities and equities held for trading, net of liabilities, totalled 22,825 million euro, with a 7.6% decrease with respect to the end of 2005, mostly attributable to the disposal of the holdings in ABN AMRO Real – following the exercise by ABN AMRO of the call on the residual stake held by Banca Intesa – and in Parmalat. The figure includes debt securities (23,136 million euro) and equities (725 million euro), that overall highlighted a decline (approximately -14%). The fair value of derivatives was -416 million euro, (approximately -61%) and other financial liabilities held for trading presented a negative value of 621 million euro (approximately -69%).

Financial assets available for sale amounted to 3,041 million euro, approximately 18% higher than the corresponding figure at the end of 2005, and comprised equity stakes of 1,553 million euro (+2%), private equity investments of 350 million euro (approximately +21%) and debt securities and equities amounting to 358 million euro (approximately -21%). Lastly, the caption also included loans relative to portions of syndicated loans destined to be placed with third parties of 780 million euro (ex 314 million euro).

Equity investments, that amounted to 11,988 million euro, comprised controlling equity stakes for 10,132 million euro and associates or jointly controlled equity stakes for 1,508 million euro. The caption includes, in consideration of its peculiarity, the equity investment in the Bank of Italy, amounting to 348 million euro. The net increase with respect to the figure as at 31st December 2005 (+420 million euro) was mainly ascribable to the contribution of the business branch to Banca Intesa Infrastrutture e Sviluppo (340 million euro), the increase in the stake in Banca CIS (80 million euro), the investment in the capital of NH Italia (50 million euro) and to various private equity investments. Among decreases, in addition to the mergers of Intesa Gestione Crediti and Magazzini Generali the most significant amounts referred to the disposals of Lazard (-78 million euro), International Sailing Boats (-38 million euro) and a stake in Banca Generali (137 million euro).

Forecast for 2007

Consistently with the indications in the same chapter of the report which accompanies the consolidated financial statements, as concerns prospects for 2007 please refer to the indications which will be provided in the new 2007 – 2009 Business Plan, the first of the new bank Intesa Sanpaolo, which will be approved by the Management Board in its next meeting and will be illustrated in detail to Shareholders and the market with specific communications.

The Management Board

Torino, 23rd March 2007

Proposals to the Shareholders' Meeting

Distinguished Shareholders.

Pursuant to art. 2364 bis of the Italian Civil Code and articles 7.3 and 28.3 of the Company's Articles of Association, we submit to Your approval the proposal for the allocation of net income for financial year from 1st January 2006 to 31st December 2006 and, therefore, the distribution of dividends to the shares currently outstanding, including shares issued on 1st January 2007, with regular rights, to serve the merger with Sanpaolo IMI S.p.A.

We therefore submit to Your approval:
- the integration of the Legal reserve to a fifth of share capital, at the time of resolution of dividend distribution;
- attribution of a dividend per share of 0.141 euro to non-convertible saving shares and of 0.130 euro to ordinary shares;

and consequently to distribute the net income of 2,240,867,053.72 euro, entirely available pursuant to Articles 5 and 6 of Legislative Decree 38 of 28th February 2005, as follows:

	(euro)
Net income for the period	2,240,867,053.72
Assignment to the Legal reserve	556,414,889.41
Assignment of a dividend of 0.141 for each of the 932,490,561 saving shares (determined pursuant to art. 28.3 of the Articles of Association), for a total disbursement of	131,481,169.10
Assignment of a dividend of 0.130 for each of the 11,849,117,744 ordinary shares for a total disbursement of	1,540,385,306.72
for total dividends of	1,671,866,475.82
Assignment to the Allowance for charitable, social and cultural contributions	10,000,000.00
Assignment to the Extraordinary reserve of the residual net income	2,585,688.49

We also propose the partial distribution of the Share premium reserve (which currently amounts to 5,559,073,484.62) for 0.250 euro to each of the 12,781,608,305 shares outstanding which make up ordinary and saving share capital, for an overall total of 3,195,402,076.25 euro.

We point out that art. 47, par. 1, of TUIR - Testo Unico delle Imposte sui redditi – the Combined Tax Regulations, Presidential Decree 917 of 22.12.1986 sets forth that, irrespective of Shareholders' Meeting resolutions, dividend distribution occurs by first allocating net income for the period and reserves other than capital reserves. In application of this principle, the distribution of the Share premium reserve is subject to the same tax regime as distribution of net income.

We propose the payment of the aforementioned dividend, in compliance with legal provisions, as of 24th May 2007.

On 1st January 2007, date in which the merger by incorporation of Sanpaolo IMI S.p.A. with and into Banca Intesa S.p.A. came into effects (Banca Intesa from the same date took on the name of Intesa Sanpaolo S.p.A.), Intesa Sanpaolo S.p.A. increased its share capital by 3,033,435,122.64 euro through the issue of 5,833,529,082 ordinary shares of nominal value 0.52 euro attributed to Sanpaolo IMI shareholders

at the exchange ratio of 3.115 shares for each Sanpaolo IMI ordinary or preference share, of nominal value 2.88 euro each.
The merger was recorded using IFRS 3 on business combinations and, therefore, the cost of the acquisition was determined on the basis of the stock price of the Banca Intesa share on 29th December 2006, equal to 5.85 euro. The difference, amounting to 31,092,710,007.06 euro, between the cost of the acquisition determined in 34,126,145.129.70 euro and the aforementioned increase in share capital was used to increase the reserves of Intesa Sanpaolo S.p.A.

If the proposal for the allocation of net income and the distribution of the share premium reserve obtain Your approval, Intesa Sanpaolo S.p.A.'s shareholders' equity – inclusive of the increase in share capital and reserves deriving from the merger – will be as indicated in the table below.

(in millions of euro)

Shareholders' equity	Annual report 2006	Change due to the merger by incorporation of Sanpaolo IMI S.p.A	Change due to the allocation of net income 2006 and the distribution of reserves	Share capital and reserves after the allocation of net income 2006 and the distribution of reserves
Share capital				
- ordinary	*3,128*	*3,033*	-	*6,161*
- saving	*485*	-	-	*485*
Total share capital	**3,613**	**3,033**	**-**	**6,646**
Share premium reserve	5,559	-	-3,195	2,364
Merger reserves	-	31,093	-	31,093
Reserves	2,300	-	559	2,859
Valuation reserves	1,610	-	-	1,610
Totale reserves	**9,469**	**31,093**	**-2,636**	**37,926**
TOTAL	**13,082**	**34,126**	**-2,636**	**44,572**

The Management Board

Milano, 14th April 2007

Independent Auditors' Report on the Parent Company's financial statements

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel. (+39) 02 722121
Fax (+39) 02 72212037
www.ey.com

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

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

1. We have audited the financial statements of Banca Intesa S.p.A. (now Intesa Sanpaolo S.p.A.), as of and for the year ended December 31, 2006, comprising the balance sheet, the statement of operations, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statement, 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 management. We believe that our audit provides a reasonable basis for our opinion.

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 3, 2006.

3. In our opinion, the financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Banca Intesa S.p.A. as of December 31, 2006 and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree No. 38/2005.

4. The Extraordinary Shareholders' Meeting held on December 1, 2006 approved the merger of Sanpaolo IMI S.p.A. into Banca Intesa S.p.A. with legal effects as of January 1, 2007. As described in the management report, the date from which the balance sheet figures of the merged company are recognised in the accounts of the acquiring company, pursuant to IFRS 3, has been identified as January 1, 2007.

Milan, March 29, 2007

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

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.259.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

Parent Company's financial statements

Balance sheet

(in euro)

Assets		31.12.2006	31.12.2005	Changes amount	%
10.	Cash and cash equivalents	1,078,351,825	1,098,262,752	-19,910,927	-1.8
20.	Financial assets held for trading	32,210,438,248	38,892,358,404	-6,681,920,156	-17.2
30.	Financial assets designated at fair value through profit and loss	-	-	-	-
40.	Financial assets available for sale	3,041,091,060	2,770,940,699	270,150,361	9.7
50.	Investments held to maturity	-	-	-	-
60.	Due from banks	48,746,066,562	35,724,550,062	13,021,516,500	36.4
70.	Loans to customers	112,313,509,176	110,566,860,588	1,746,648,588	1.6
80.	Hedging derivatives	644,467,229	1,046,746,902	-402,279,673	-38.4
90.	Fair value change of financial assets in hedged portfolic	-750,869	-	750,869	-
100.	Equity investments	11,987,675,369	11,567,952,625	419,722,744	3.6
110.	Property and equipment	1,500,711,550	1,509,584,147	-8,872,597	-0.6
120.	Intangible assets	331,625,137	363,910,818	-32,285,681	-8.9
	of which				
	- goodwill	-	-	-	-
130.	Tax assets	1,685,758,902	2,257,948,893	-572,189,991	-25.3
	a) current	*775,306,265*	*1,330,280,596*	*-554,974,331*	*-41.7*
	b) deferred	*910,452,637*	*927,668,297*	*-17,215,660*	*-1.9*
140.	Non-current assets held for sale and discontinued operations	-	-	-	-
150.	Other assets	2,668,729,254	2,006,071,035	662,658,219	33.0
Total Assets		**216,207,673,443**	**207,805,186,925**	**8,402,486,518**	**4.0**

Balance sheet

(in euro)

Liabilities and Shareholders' Equity		31.12.2006	31.12.2005	Changes amount	%
10.	Due to banks	39,020,956,730	33,181,857,651	5,839,099,079	17.6
20.	Due to customers	83,794,847,048	80,888,292,273	2,906,554,775	3.6
30.	Securities issued	59,559,589,086	56,974,132,382	2,585,456,704	4.5
40.	Financial liabilities held for trading	9,385,096,052	14,136,495,966	-4,751,399,914	-33.6
50.	Financial liabilities designated at fair value through profit and loss	-	-	-	-
60.	Hedging derivatives	1,670,170,947	1,319,875,491	350,295,456	26.5
70.	Fair value change of financial liabilities in hedged portofolios (+/-)	-	-	-	-
80.	Tax liabilities	836,374,809	437,434,273	398,940,536	91.2
	a) current	*590,113,764*	*294,502,693*	295,611,071	
	b) deferred	*246,261,045*	*142,931,580*	103,329,465	72.3
90.	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
100.	Other liabilities	4,252,152,977	4,408,132,671	-155,979,694	-3.5
110.	Employee termination indemnities	888,269,549	860,556,793	27,712,756	3.2
120.	Allowances for risks and charges	1,477,064,334	1,347,388,863	129,675,471	9.6
	a) post employment benefits	*116,866,502*	*130,658,397*	-13,791,895	-10.6
	b) other allowances	*1,360,197,832*	*1,216,730,466*	143,467,366	11.8
130.	Valuation reserves	1,610,465,348	1,296,670,131	313,795,217	24.2
140.	Reimbursable shares	-	-	-	-
150.	Equity instruments	-	-	-	-
160.	Reserves	2,299,744,828	2,284,156,299	15,588,529	0.7
170.	Share premium reserve	5,559,073,485	5,509,782,422	49,291,063	0.9
180.	Share capital	3,613,001,196	3,596,249,721	16,751,475	0.5
190.	Treasury shares (-)	-	-	-	-
200.	Net income (loss)	2,240,867,054	1,564,161,989	676,705,065	43.3
Total Liabilities and Shareholders' Equity		**216,207,673,443**	**207,805,186,925**	**8,402,486,518**	**4.0**

Statement of income

(in euro)

		2006	2005	Changes amount	Changes %
10.	Interest and similar income	7,775,504,025	6,596,703,125	1,178,800,900	17.9
20.	Interest and similar expense	-4,705,969,853	-3,601,795,280	1,104,174,573	30.7
30.	**Interest margin**	**3,069,534,172**	**2,994,907,845**	**74,626,327**	**2.5**
40.	Fee and commission income	2,537,218,290	2,545,660,444	-8,442,154	-0.3
50.	Fee and commission expense	-267,651,382	-275,097,733	-7,446,351	-2.7
60.	**Net fee and commission income**	**2,269,566,908**	**2,270,562,711**	**-995,803**	**-**
70.	Dividend and similar income	1,203,206,803	716,004,486	487,202,317	68.0
80.	Profits (Losses) on trading	315,073,507	-18,808,529	333,882,036	
90.	Fair value adjustments in hedge accounting	7,223,578	*18,008,929*	-10,785,351	-59.9
100.	Profits (Losses) on disposal or repurchase of	35,047,285	44,511,355	-9,464,070	-21.3
	a) loans	*-35,266,471*	*-19,001,539*	*16,264,932*	*85.6*
	b) financial assets available for sale	*50,047,616*	*64,969,193*	*-14,921,577*	*-23.0*
	c) investments held to maturity	-	-	-	-
	d) financial liabilities	*20,266,140*	*-1,456,299*	*21,722,439*	
110.	Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-	-
120.	**Net interest and other banking income**	**6,899,652,253**	**6,025,186,797**	**874,465,456**	**14.5**
130.	Net losses / recoveries on impairment	-333,236,145	-257,111,669	76,124,476	29.6
	a) loans	*-349,527,743*	*-275,966,454*	*73,561,289*	*26.7*
	b) financial assets available for sale	*-10,289,057*	*-16,598,307*	*-6,309,250*	*-38.0*
	c) investments held to maturity	-	-	-	-
	d) other financial activities	*26,580,655*	*35,453,092*	*-8,872,437*	*-25.0*
140.	**Net income from banking activities**	**6,566,416,108**	**5,768,075,128**	**798,340,980**	**13.8**
150.	Administrative expenses	-3,812,703,070	-3,470,468,065	342,235,005	9.9
	a) personnel expenses	*-2,409,505,742*	*-2,074,382,550*	*335,123,192*	*16.2*
	b) other administrative expenses	*-1,403,197,328*	*-1,396,085,515*	*7,111,813*	*0.5*
160.	Net provisions for risks and charges	-143,825,756	-305,783,365	-161,957,609	-53.0
170.	Net adjustments to / recoveries on property and equipment	-163,303,328	-152,182,800	11,120,528	7.3
180.	Net adjustments to / recoveries on intangible assets	-200,814,986	-192,462,112	8,352,874	4.3
190.	Other operating expenses (income)	397,294,985	338,787,282	58,507,703	17.3
200.	**Operating expenses**	**-3,923,352,155**	**-3,782,109,060**	**141,243,095**	**3.7**
210.	Profits (Losses) on equity investments	214,116,319	200,829,117	13,287,202	6.6
220.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-	-
230.	Goodwill impairment	-	-	-	-
240.	Profits (Losses) on disposal of investments	45,686,782	8,862,932	36,823,850	
250.	**Income (Loss) before tax from continuing operations**	**2,902,867,054**	**2,195,658,117**	**707,208,937**	**32.2**
260.	Taxes on income from continuing operations	-662,000,000	-609,948,903	52,051,097	8.5
270.	**Income (Loss) after tax from continuing operations**	**2,240,867,054**	**1,585,709,214**	**655,157,840**	**41.3**
280.	Income (Loss) after tax from discontinued operations	-	-21,547,225	-21,547,225	
290.	**Net income (loss)**	**2,240,867,054**	**1,564,161,989**	**676,705,065**	**43.3**

Changes in shareholders’ equity as at 31st December 2006

(in euro)

	31.12.2006												
	Share capital		Share premium reserve	Reserves		Valuation reserves				Equity instruments	Treasury shares	Net income (loss)	Shareholders' equity
	ordinary shares	saving shares		retained earnings	other	available for sale	cash flow hedges	legally-required revaluations	other				
AMOUNTS AS AT 1.1.2006	**3,111,354,630**	**484,895,091**	**5,509,782,422**	**2,199,167,494**	**84,988,805**	**336,130,049**	**-26,365,072**	**986,905,154**	**-**	**-**	**-**	**1,564,161,989**	**14,251,020,562**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR													**-**
Reserves				**22,414,326**								**-22,414,326**	**-**
Dividends and other allocations												**-1,541,747,663**	**-1,541,747,663**
CHANGES IN THE PERIOD													
Changes in reserves				**-6,825,797**		**218,258,046**	**95,537,171**						**306,969,420**
Operations on shareholders' equity													**-**
Issue of new shares	16,751,475		49,291,063										66,042,538
Purchase of treasury shares													-
Extraordinary dividends													-
Changes in equity instruments													-
Derivatives on treasury shares													-
Stock options													-
2006 net income (loss)												**2,240,867,054**	**2,240,867,054**
SHAREHOLDERS’ EQUITY AS AT 31.12.2006	**3,128,106,105**	**484,895,091**	**5,559,073,485**	**2,214,756,023**	**84,988,805**	**554,388,095**	**69,172,099**	**986,905,154**	**-**	**-**	**-**	**2,240,867,054**	**15,323,151,911**

Changes in shareholders’ equity as at 31st December 2005

(in euro)

	31.12.2005												
	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 1.1.2005	**3,076,167,758**	**484,895,091**	**5,406,237,108**	**1,618,148,766**	**84,988,805**	**168,939,452**	**-6,181,673**	**986,905,154**	**-**	**-**	**-**	**1,308,824,638**	**13,128,925,099**
ALLOCATION OF NET INCOME OF THE PREVIOUS YEAR													
Reserves				**572,006,475**								**-572,006,475**	**-**
Dividends and other allocations												**-736,818,163**	**-736,818,163**
CHANGES IN THE PERIOD													
Changes in reserves				**303,886**		**167,190,597**	**-20,183,399**						**147,311,084**
Operations on shareholders' equity													**-**
Issue of new shares	35,186,872		103,545,314										138,732,186
Purchase of treasury shares													-
Extraordinary dividends													-
Changes in equity instruments													-
Derivatives on treasury shares													-
Stock options				8,708,367									8,708,367
2004 net income (loss)												**1,564,161,989**	**1,564,161,989**
SHAREHOLDERS’ EQUITY AS AT 31.12.2005	**3,111,354,630**	**484,895,091**	**5,509,782,422**	**2,199,167,494**	**84,988,805**	**336,130,049**	**-26,365,072**	**986,905,154**	**-**	**-**	**-**	**1,564,161,989**	**14,251,020,562**

Statement of cash flows

(in euro)

	31.12.2006	31.12.2005
A. OPERATING ACTIVITIES		
1. Cash flow from operations	**3,319,317,104**	**3,009,838,461**
- net income (-/+)	2,240,867,054	1,564,161,989
- gains/losses on financial assets held for trading and on assets/liabilities designated at fair value through profit and loss (-/+)	327,470,417	249,927,180
- gains/losses on hedging activities (-/+)	-7,223,578	-18,008,929
- net losses/recoveries on impairment (+/-)	533,405,354	399,052,700
- adjustments to/net recoveries on property, equipment and intangible assets (+/-)	364,118,314	344,644,913
- net provisions for risks and charges and other costs/revenues (+/-)	252,588,076	417,733,356
- taxes and duties to be settled (+)	694,441,305	646,017,834
- net adjustments to/recoveries on disposal groups net of tax effect (-/+)	-	-
- other adjustments (+/-)	-1,086,349,838	-593,690,582
2. Cash flow from / used in financial assets	**-10,032,734,904**	**-5,177,162,713**
- financial assets held for trading	6,237,781,083	1,280,686,225
- financial assets designated at fair value through profit and loss	-	-
- financial assets available for sale	-257,705,910	-22,055,870
- due from banks: repayable on demand	-3,289,553,868	-3,764,231,152
- due from banks: other	-4,410,218,807	5,028,060,019
- loans to customers	-8,841,155,750	-8,312,640,424
- other assets	528,118,348	613,018,489
3. Cash flow from / used in financial liabilities	**7,537,619,398**	**3,010,573,459**
- due to banks: repayable on demand	-583,422,324	2,826,098,090
- due to banks: other	6,469,061,038	1,394,084,907
- due to customers	3,885,919,889	4,370,194,153
- securities issued	2,585,456,704	-835,835,770
- financial liabilities held for trading	-4,676,060,792	-4,131,600,693
- financial liabilities designated at fair value through profit and loss	-	-
- other liabilities	-143,335,117	-612,367,228
Net cash flow from (used in) operating activities	**824,201,598**	**843,249,207**
B. INVESTING ACTIVITIES		
1. Cash flow from	**1,352,269,029**	**1,554,640,525**
- sales of equity investments	275,731,144	541,841,758
- dividends collected on equity investments	1,025,572,108	391,704,945
- sales of investments held to maturity	-	-
- sales of property and equipment	50,965,777	9,021,357
- sales of intangible assets	-	-
- sales of subsidiaries and business branches	-	612,072,465
2. Cash flow used in	**-719,236,336**	**-1,672,018,496**
- purchases of equity investments	-360,660,088	-1,271,045,590
- purchases of investments held to maturity	-	-
- purchases of property and equipment	-189,246,947	-233,405,282
- purchases of intangibles assets	-169,329,301	-167,567,624
- purchases of subsidiaries and business branches	-	-
Net cash flow from (used in) investing activities	**633,032,693**	**-117,377,971**
C. FINANCING ACTIVITIES		
- issues / purchases of treasury shares	-	-
- share capital increases	66,042,538	138,732,186
- dividend distribution and other	-1,543,187,756	-736,514,277
Net cash flow from (used in) financing activities	**-1,477,145,218**	**-597,782,091**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-19,910,927**	**128,089,145**
RECONCILIATION		
Cash and cash equivalents at beginning of period	1,098,262,752	970,173,607
Net increase (decrease) in cash and cash equivalents	-19,910,927	128,089,145
Cash and cash equivalents: foreign exchange effect	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,078,351,825**	**1,098,262,752**

LEGENDA: (+) 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 28th February 2005, Banca Intesa's financial statements have been prepared in compliance with the accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission provided for by Community Regulation 1606 of 19th July 2002.

The Parent Company's financial statements as at 31st December 2006 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 22nd December 2005 which issued Circular 262/05. These Instructions set out compulsory financial statement forms and their means of preparation, as well as the contents of the notes to the financial statements.

In the preparation of the financial statements, the principles in force as at 31st December 2006 have been used (including the interpretation documents called SIC and IFRIC), as endorsed by the European Commission and listed in detail in a specific table included in the attachments to this Annual report.

With respect to principles endorsed as at 31st December 2005 particularly noteworthy, since applicable to banking activities, is the subsequent endorsement of principle IFRS 7 (Financial instruments: disclosures).

SECTION 2 – GENERAL PREPARATION PRINCIPLES

The Parent Company's financial statements are made up of the Balance sheet, the Statement of income, 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 Banca Intesa's balance sheet and financial position has also been included. In compliance with provisions of Art. 5 of Legislative Decree 38/2005, the Parent Company's 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 financial statements are prepared with the application of the general principles set out by IAS 1 and the specific accounting principles endorsed by the European Commission and illustrated in Part A.2 of the present Notes to the Parent Company's financial statements, as well as in compliance with the general assumptions set forth by the Framework for the Preparation and Presentation of Financial Statements issued by IASB.

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

The Parent Company's financial statements and the Notes to the Parent Company's financial statements present, in addition to figures for the reference period, the comparative figures as at 31st December 2005.

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 Banca Intesa's situation.

Contents of financial statement forms

Balance sheet and statement of income

The compulsory forms of the balance sheet and statement of income 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 2006 and for 2005 are in any case included. In the statement of income 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 in 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 Circular 262/2005 of the Bank of Italy and the further disclosures required by international accounting standards.

SECTION 3 – SIGNIFICANT EVENTS SUBSEQUENT TO FINANCIAL STATEMENT DATE
In addition to the events connected to the merger between Banca Intesa and Sanpaolo IMI, already described in the same section of the Notes to the consolidated financial statements, to which reference must be made, no events occurred capable of appreciably modifying the Bank's operations and economic results in the period after the close of 2006 and the date of approval of the present report.
For the sake of completeness, the merger by incorporation into Intesa Sanpaolo of Intesa Holding Asset Management S.p.A., in which Banca Intesa directly held a 100% stake, must be mentioned. The merger occurred following the completion of the strategic project which had involved the company.

SECTION 4 - OTHER ASPECTS
The integral copies of the last annual report with the reports on operations of companies which as at 31st December 2006 were subsidiary and associated companies and that the respective Boards of Directors will submit to the Shareholders' Meetings within 11th April 2007 will be deposited at Intesa Sanpaolo's registered office. The pertinent reports of the Boards of Statutory Auditors and, if the company is subject to independent audit, the Independent Auditors' reports will also be deposited. The annual reports of the previous year of these companies will also be deposited.
Information on operations and results for 2006 of the most important subsidiaries are contained in the Report which accompanies the Consolidated financial statements.
Reconta Ernst & Young audited Banca Intesa's financial statements as at 31st December 2006, in execution of the resolution of the Shareholders' Meeting of 20th April 2006, which appointed it independent auditor for the fiscal years from 2006 to 2011 included.

Representation of assets to be sold to Crédit Agricole
As already described, on 11th October 2006 Banca Intesa signed with Crédit Agricole an agreement in which Banca Intesa made a commitment to sell, and Crédit Agricole to purchase, the equity investments in Cassa di Risparmio di Parma e Piacenza and in Banca Popolare FriulAdria as well as approximately 200 branches of Banca Intesa and/or companies controlled by the latter. The finalisation of the agreement was conditional upon the stipulation of the merger between Banca Intesa and Sanpaolo IMI and the authorisations by the competent national and EU authorities.

Since at the end of 2006 the agreement had already been signed but the sale had not yet been executed, Banca Intesa considered applying IFRS 5, regarding non-current assets held for sale and discontinued operations.
For this purpose both the conditional terms and the correlation of the aforementioned sales with the merger with Sanpaolo IMI have been considered.
With reference to the first aspect, the finalisation of the sales was conditional upon the receipt of the authorisations of the competent national and EU authorities. Such authorisations were received at the end of February 2007.
With reference to the second aspect, the sales of assets to Crédit Agricole are directly connected to the finalisation of the merger with Sanpaolo IMI. The aforementioned agreement provides for the fact that the finalisation of the sale is subject to the finalisation of the merger.
The purpose of IFRS 5 is mainly informative and is aimed at identifying and isolating assets or groups of assets which in the future will no longer generate cash flows for the company. In substance the separate registration of such assets or groups of assets is aimed at enabling the reader of the financial statements to assess the future and recognise what could be the future income flows and balance sheet situation of the company once the sale has been executed. The relation between the sales of assets and the merger implies that the correct valuation of the Bank's income prospects and financial flows must consider not only the aforementioned sales but also the assets and liabilities which will be acquired following the merger and the correlated statement of income components.
The allocation to a specific caption of the assets under sale to Crédit Agricole would not be capable of representing the future configuration of the Bank's financial and statement of income flows which, starting from 2007, will also include the balance sheet and statement of income components of Sanpaolo IMI.
Since the effects of the merger cannot be recognised in the Annual Report 2006, the allocation to a specific caption of the assets under sale to Crédit Agricole would not provide a correct view of the Bank's prospects and, furthermore, it would represent a discontinuity with the past.
Based on these considerations and on the aforementioned conditional terms, assets under sale to Crédit Agricole, in the Annual Report 2006 have not been recorded in non-current assets held for sale and discontinued operations.

Option for the national fiscal consolidation provisions

Starting from 2004 Banca Intesa and the Group's Italian companies (with the exclusion of Banca CIS, Banca di Trento e Bolzano, FinBTB and FriulAdria) have adopted the so-called "national fiscal consolidation", set forth by Articles 117-129 of the new Combined Tax Regulations, introduced by Legislative Decree 344/2003. It provides for an option, based on which the total net income or fiscal loss of every controlled subsidiary taking part in the fiscal consolidation procedure – together with withholding tax, tax deductions and tax credits – is transferred to the parent company, which determines a single taxable income or loss carried forward (that is the result of the sum of its own income/loss and of the income/loss of the participating subsidiaries) and, consequently, a sole tax debit/credit.
Based on this option, Group companies which opted for the "national fiscal consolidation" determine the tax charge pertaining to them and the corresponding taxable income is transferred to the Parent Company. If one or more companies have a negative taxable income, in presence of a consolidated income in the year or of highly probable future taxable incomes, the fiscal losses are transferred to the Parent Company.

A. 2 – MAIN FINANCIAL STATEMENT CAPTIONS

This chapter presents the **Accounting principles** adopted in the preparation of the 2006 Parent Company's financial statements. The illustration of accounting principles adopted by Banca Intesa refers to the following phases: classification, recognition, measurement and derecognition of asset and liability captions. For each of these phases the description of related economic effects, if significant, is also indicated.

1. Financial assets held for trading

Classification criteria

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

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

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

2. Financial assets available for sale

Classification criteria

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

Recognition criteria

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

Measurement criteria

After initial recognition, Financial assets available for sale are measured at fair value, through the registration in the statement of income 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 statement of income.
Fair value is determined on the basis of criteria already illustrated for financial assets held for trading.
Equities included in this category and any derivative instruments which have equities as underlying assets, for which it is not possible to determine a reliable fair value, are maintained at cost.
Financial assets available for sale are assessed to identify if they show objective evidence of a decline in fair value.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate, or through specific valuation methodologies as concerns equities.
If the reasons for impairment cease to exist, following an event which occurred after the registration of the impairment, value recoveries are posted through the statement of income 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 carrying amount of the financial asset to exceed amortised cost had no impairment losses been recognised in previous periods.

Derecognition criteria

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

3. Investments held to maturity

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

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

Measurement criteria
After the initial recognition, Investments held to maturity are valued at amortised cost, using the effective interest method.
Profits or losses referred to investments held to maturity are recorded in the statement of income when assets are derecognised or impaired, and through the amortisation process of the difference between book value and the value reimbursable at maturity.
Investments held to maturity are assessed to identify if they show objective evidence of possible impairment.
If such evidence exists, the loss is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the statement of income.
If the reasons for impairment cease to exist following an event which occurred after the registration of impairment losses, value recoveries are posted through the statement of income. The size of the recovery must not lead carrying amount of the financial asset to exceed amortised cost had no impairment losses been recognised in previous periods.

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

4. Loans

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

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

Measurement criteria
After initial recognition, loans are measured at amortised cost, equal to initial value increased/decreased by principal repayments, adjustments/recoveries and amortisation – calculated applying the effective interest method – of the difference between amount disbursed and amount to be reimbursed at maturity, typically attributable to the costs/revenues directly connected to the single loan. The effective interest rate is the rate that exactly discounts estimated future cash payments of the loan, for principal and interest, to the amount disbursed inclusive of the costs/revenues attributable to the loan. This measurement method uses a financial approach and enables to distribute the economic effect of the costs/revenues through the expected residual life of the loan.
The amortised cost method is not used for loans whose short maturity implies that the application of the discounting approach leads to immaterial effects. Such loans are recorded at historical cost. An analogous measurement criterion is applied to loans with unspecified maturity or with notice period.
Loans are reassessed for the purpose of identifying those which, due to events occurred after initial recognition, show objective evidence of possible impairment. These include doubtful loans, substandard, restructured or past due loans according to the current rules issued by the Bank of Italy, consistent with IAS/IFRS regulations.
Such non-performing loans are subject to an individual assessment process and the adjustment of each loan is equal to the difference between carrying value at the time of valuation (amortised cost) and present value of expected future cash flows, calculated applying the original effective interest rate.
Forecasted future cash flows consider expected recovery times, presumed recoverable amount of any guarantees as well as costs which it is deemed will be sustained for the recovery of the exposure.
The original effective rate of each loan remains unchanged over time even though the relationship has been restructured with a variation of the contractual interest rate and even though the relationship, in practice, no longer bears contractual interest.
The adjustment is recorded in the statement of income.
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 statement of income and must not lead carrying amount of the loan to exceed amortised cost had no impairment losses been recognised in previous periods.
Recoveries on impairment include time value effects.
Loans for which no individual evidence of impairment exists are subject to collective measurement. This measurement occurs for groups of loans with the same credit risk characteristics and the relevant percentage losses are estimated considering historical loss data, based on objective elements observable at measurement date, which enable to estimate the intrinsic loss for each loan category. The valuation also considers the risk of the borrower’s Country of residence.
Collective adjustments are recorded in the statement of income.

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

5. Financial assets designated at fair value through profit and loss

Banca Intesa decided not to adopt the so-called "fair value option", that is it did not avail itself of the possibility of measuring at fair value through profit and loss financial assets other than those for which IAS 39 requires the application of fair value measurement considering their specific functional destination. Therefore, exclusively financial assets held for trading, those which are subject to fair value hedges and hedging derivatives are measured at fair value through profit and loss.

6. Hedging transactions

Types of hedges

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

The following three types of hedging transactions are used:

- fair value hedge, which has the objective of covering exposure to changes in the fair value of one or more captions in the balance sheet attributable to a specific risk. This hedging is mainly used for specific market risk on fixed rate or structured bond issues; furthermore, fair value macrohedging has also been activated and aimed at hedging risk of fair value changes intrinsic in the coupons under accrual of the floating rate mortgages disbursed. The Bank is exposed to this risk in the period from the date in which the coupon is set and the date of payment of the instalment;
- cash flow hedge, which has the objective of covering exposure to variability in future cash flows attributable to particular risks associated with balance sheet captions. This type of hedge is used to stabilise the interest flow on variable rate funding to the extent that the latter finances fixed rate investments;
- hedges of net investments in foreign currency, which refer to the coverage of the risks of net investments in foreign operations expressed in foreign currency.

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

Measurement criteria

Hedging derivatives are measured at fair value; in particular:

- in the case of fair value hedges, the change in the fair value of the hedged item is offset by the change in fair value of the hedging instrument. Offsetting is recognised via the registration in the statement of income 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 statement of income only when, with reference to the hedged item, there is a variation in the flows to be offset or if the hedge is ineffective;
- hedges of net investments in foreign currency are treated in the same way as cash flow hedges.

Derivatives are designated as hedging instruments if there is formal designation and documentation of the hedging relationship between the hedged item and the hedging instrument and if this is effective at inception and prospectively over the entire period of the hedge.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged item or the relating expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appraised by comparing the aforementioned changes, considering the intent pursued by the entity at the time in which it entered the hedging transaction.

A hedge is effective when the variations in fair value (or cash flows) of the hedging financial instrument almost completely neutralise, that is in the limits set out by the 80-125% range, the changes in the fair value of the hedged item, for the type of risk being hedged.

Effectiveness is assessed at every close of annual or interim financial statements using:

- prospective tests*,* which justify the application of hedge accounting, since these prove the expected effectiveness of the hedge;
- retrospective tests*,* which highlight the degree of hedge effectiveness reached in the period to which they refer. In other words, they measure to what extent results achieved differ from perfect hedging.

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

7. 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 in effective voting rights at any time.
Companies are considered to be subject to joint control if their voting rights and the control of their economic activities are equally shared by Banca Intesa, directly or indirectly, and another entity. Furthermore, a company is qualified as subject to joint control if, even though voting rights are not equally shared, control on its economic activities and its strategies is shared on the basis of contractual agreements.
Companies are considered associates, that is subject to significant influence, when Banca Intesa holds at least 20% of voting rights (including "potential" voting rights as described above) or when – despite a lower percentage of voting rights - due to specific legal agreements such as the participation of voting syndicates it has the power of participating in the determination of the financial and operating policies of the company.
Certain companies in which Banca Intesa 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, 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, recoverable amount of the investment is estimated, considering the present value of the future cash flows which may be generated by the investment, included the final disposal value.
If recoverable amount is lower than carrying value, the difference is recorded in the statement of income.
If the reasons for impairment are removed following an event subsequent to the registration of impairment, recoveries are recorded in the statement of income.

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 finance 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, increase the value of assets, while other ordinary maintenance costs are recorded in the statement of income.

Measurement criteria

Property and equipment, including investment buildings, are measured at cost, net of depreciation and impairment losses.

Property and equipment are systematically depreciated, adopting the straight-line method over their useful life, indicated below with reference to the main equipment categories: furniture, ordinary office equipment, fittings, plants and any type of equipment: 8 years; bullet-proof bank counters: 6 years; alarm systems, video filming appliances: 4 years; motor vehicles, information technology appliances and electronic equipment: 3 years. Depreciable amount is represented by the cost of the good since the residual value at the end of the depreciation period is not deemed to be significant. Buildings are depreciated for a portion equal to 3% per year, deemed to be fit to represent their deterioration over time following their use, considering extraordinary maintenance expenses, which are recognised in carrying value of the assets.

The following are not depreciated:

- land, irrespectively of whether acquired individually or embedded in the value of buildings, since it has an indefinite useful life. If its value is incorporated in the value of the building, by applying a component approach, land is considered separable from the building; the division between the value of the land and that of the building is calculated on the basis of a specific independent expert opinion solely for entire buildings owned by the Bank for which the Company has the full use of the land;
- works of art, since the useful life of a work of art cannot be estimated and its value is normally destined to increase over time.

If there is some evidence that an asset may have been impaired, carrying value of the asset and its recoverable amount are compared. Any impairment losses are recorded in the statement of income.

If the reasons for impairment cease to exist, a value recovery is recorded which may not exceed the value that the asset would have had, net of depreciation determined in absence of previous impairments.

Derecognition criteria

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

9. Intangible assets

Classification criteria

Intangible assets are recognised as such if they may be identified and stem from legal or contractual rights. Intangible assets include software.

Recognition and measurement criteria

Intangible assets are recognised at cost, adjusted for any accessory charges only if it is probable that the future economic benefits attributable to the assets are realised and if the cost of the asset may be reliably determined. If this is not the case the cost of the intangible asset is recorded in the statement of income in the year in which it was sustained.

The cost of intangible assets is amortised in a straight line based on the intangible's useful life which, for application software, does not exceed five years.

If there is any indication that shows that an asset may have suffered impairment losses, the asset's recoverable amount is estimated. The impairment loss, which is recorded in the statement of income, is equal to the difference between the book value of the assets and the recoverable amount.

Derecognition criteria

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

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

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

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

11. Current and deferred tax

Banca Intesa records the impact of current and deferred tax applying the tax rates in force.

Income taxes are recorded in the statement of income with the exception of those relative to items directly debited or credited in equity.

The provision for income taxes is determined with reference to a prudent estimate of current and deferred taxation. In particular, deferred tax assets and liabilities are determined irrespective of temporal limits and according to all temporary differences between book value attributed to assets or liabilities and the corresponding values for fiscal purposes.

Deferred tax assets, relative to deductible temporary differences or to future tax benefits deriving from the possibility of carried forward tax losses, are recognised to the extent that they have a high probability of recovery, based on the continuing capacity to generate taxable income in future years of Banca Intesa and companies participating to the so-called "national fiscal consolidation".

Deferred tax liabilities have been fully accounted for, with reference to all temporary taxable differences, with the sole exception of shareholders' equity reserves subject to a suspended tax regime, since the size of the available reserves which have already been taxed, leads to believe that the Bank will not undertake any transactions which may lead to tax the untaxed reserves.

Deferred tax assets and liabilities are accounted for in the balance sheet with open balances and without offsetting effects, the former in the Tax assets caption and the latter in the Tax liabilities caption.

Deferred tax assets and liabilities are systematically reviewed considering any changes in fiscal regulations or tax rates and the situation of the company.

12. Allowances for risks and charges

Post employment benefits

Inside-Company post employment benefits are set up based on internal 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 forecasted 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 statement of income, 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 statement of income on the basis of the expected average remaining working life of the participants to the plan or in the year in the case of retired personnel.

Other allowances

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

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

13. Payables and securities issued

Classification criteria
Due to banks, Due to customers and Securities issued include various forms of funding on the interbank market and with customers, repurchase agreements with commitment to repurchase and funding via certificates of deposit, bonds issued and other funding instruments in circulation, net of any amounts repurchased.
It also includes the payables recorded by the Bank in the capacity of lessee in finance 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 statement of income.
Placement of own securities, subsequently to their repurchase, is considered a new issue with recognition at the new placement price.

14. Financial liabilities held for trading
The caption includes the negative value of fair value measurement of derivatives held for trading as well as the negative value of embedded derivatives in combined contracts but which are 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
Banca Intesa decided not to adopt the so-called “fair value option”, that is, it did not avail itself of the possibility of measuring at fair value through profit and loss, financial liabilities other than those which IAS 39 requires the application of fair value measurement considering their specific functional destination. Therefore, only financial liabilities held for trading and those which are subject to fair value hedges and hedging derivatives are measured at fair value through profit and loss.

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.

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
Employee termination indemnities are recorded based on their actuarial value.
For the purposes of defining actuarial value, the Projected Unit Credit Method is used. This method sets out that future obligations are forecasted 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, 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 costs as the net of provisions made, provisions accrued in previous years and not yet accounted for, accrued interest 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 statement of income on the basis of the expected average remaining working life of the participants to the plan.

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 statement of income, 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

Revenues are recognised when they are collected or, in case of sale of goods or products, when it is probable that the economic benefits will be received and these benefits may be measured reliably, in case of services, when these have been rendered. In particular:

- interest is recognised on accrual on the basis of the contractual interest rate or the effective interest rate in the case of application of amortised cost;
- overdue interest, which may be provided for by the relevant contracts is recorded in the statement of income solely at the time of collection;
- dividends are posted in the statement of income 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 price and the fair value of the instrument, are recognised in the statement of income 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 statement of income 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;
- revenues deriving from the sale of non-financial assets are recorded at the date of sale, unless Banca Intesa has maintained most of the risks and rewards related to the asset.

Fair value measurement

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

Financial instruments

For financial instruments the fair value is determined through the use of prices obtained from financial markets in the case of instruments quoted on active markets or via internal valuation techniques for other financial instruments.
A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency. The following instruments are considered quoted on an active market which respects the characteristics indicated above: mutual funds, spot exchange rates, futures, options, equities listed on a regulated market and bonds for which it is possible to continuously derive at least a bid and ask price on a quotation service with a bid-ask spread under an interval deemed to be congruous. Lastly, also hedge funds are considered quoted on an active market if these provide for a monthly liquidation of the quotas or, if they do not, if they present liquidability conditions no higher than four months. Conversely, all other securities, derivatives and hedge funds which do not fall in the categories described above are not considered quoted on an active market.
For financial instruments quoted on active markets the current bid price is used for financial assets and the current asking price for financial liabilities, struck on the most advantageous active market to which Banca Intesa had access at the close of the reference period.
For financial instruments for which the bid-ask spread is scarcely significant or for financial assets and liabilities with offsetting market risks, mid-market prices are used (again referred to the last day of the reference period) instead of the bid or ask price.
In case of absence of an active and liquid market the fair value of financial instruments is mostly determined via the use of valuation techniques which have the objective of establishing the price of a hypothetical arm’s length transaction, motivated by normal business considerations, at measurement date.

Valuation techniques incorporate all factors that market participants consider in setting a price: time value using the risk free rate, insolvency risk, prepayment and surrender risk, volatility of the financial instrument, as well as, if relevant, foreign exchange rates, raw material prices and stock prices.
In presence of high risk or parameters which are not directly observable on the market for more innovative financial products, the fair value desumed 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 desumable from the market. The identification and application of the latter is carried out on the basis of the liquidity, depth and observability of reference markets. When using a calculation model, the need to make an adjustment to incorporate counterparty credit risk is considered.
In particular, bonds are measured by discounting future cash flows provided for in the contract, adjusted to consider issuer risk.
For derivatives, in consideration of their number and complexity, a systematic reference framework has been developed which represents the common elements (calculation algorithms, processing models, market data used, basic assumptions of the model) that are used to measure all categories of derivatives.
For equities a hierarchy and an order of valuation techniques have been developed which considers: direct transactions, that is significant transactions on the stock registered in a time frame considered to be sufficiently short with respect to measurement date and in constant market conditions, comparable transactions of companies operating in the same sectors and offering products/services similar to those of the equity investment to be measured, the application of average significant market multiples of comparable companies with respect to balance sheet and statement of income aggregates of the equity investment and, lastly, financial, equity and balance sheet individual valuation methods.
As concerns loans available for sale and assets and liabilities measured at cost or amortised cost, fair value for balance sheet purposes or included in the Notes is calculated as set out below:

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

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

Amortised cost measurement

Amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the net carrying amount of the financial asset or financial liability. For the calculation of the present value the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability – or for a shorter period when certain conditions recur (for example review of market interest rates).

After initial recognition, amortised cost enables to allocate revenues and costs directly by decreasing or increasing the value of the instrument over the entire expected life of the instrument via the amortisation process. The determination of amortised cost is different depending on the fact that financial assets/liabilities have fixed or variable rates and – in this last case – if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the financing. For financial assets/liabilities with variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, that is, until maturity, are recalculated. Any changes are recorded in the statement of income as income or loss.

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

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

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

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

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

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

Amortised cost is also applied for the measurement of loss incurred by the financial instruments listed above as well as for the measurement of instruments issued or purchased at a value other than fair value. The latter are measured at fair value, instead of the amount collected or paid, by discounting expected

future cash flows at a rate equal to the effective interest rate of similar instruments (in terms of credit rating, contractual expiry, currency, etc.), with the simultaneous registration in the statement of income of a financial charge or income; after initial recognition, these are measured at amortised cost with the registration of higher or lower effective interest with respect to nominal interest. Lastly, also structured assets and liabilities which are not recognised at fair value through profit and loss for which the embedded derivative has been separated from the financial instrument are measured at amortised cost.
The amortised cost measurement criteria is not applied to financial assets/liabilities hedged for which fair value changes related to the risk hedged are recorded through profit and loss. The financial instrument is again measured at amortised cost in case of hedge termination; from that moment the fair value changes recorded before are amortised, calculating a new effective interest rate which considers the value of the loan adjusted by the fair value of the hedged part, until the natural expiry of the hedge. Furthermore, as already mentioned in the paragraph relative to measurement criteria of due to and from banks and customers and securities issued, measurement at amortised cost is not applied to short-term assets/liabilities for which the time value is deemed to be immaterial and to loans without a definite maturity or revocable.

Impairment of assets

Financial assets

At every balance sheet date financial assets not classified in Financial assets held for trading are subject to impairment test for the purpose of assessing if there is objective evidence which leads to deem 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 do not lead to adjustments. Collective measurement is based on the identification of portfolios of financial assets with the same risk characteristics as concerns the borrower/issuer, the economic sector, the geographic area, the presence of any guarantees and other relevant factors.
With reference to loans to customers and due from banks, positions attributed the status of doubtful, substandard, restructured or past due according to the definitions of Bank of Italy, consistent with IAS/IFRS, are subject to individual measurement.
Such non-performing loans undergo an individual measurement process and the amount of the adjustment of each loan is the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows, discounted using the original effective interest rate.
Expected cash flows consider expected recovery periods, presumed realisable value of guarantees as well as the costs sustained for the recovery of credit exposure. Cash flows relative to loans which are deemed to be recovered in the short term are not discounted, since the time value is immaterial.
Loans for which no objective evidence of loss has emerged from individual measurement are subject to collective measurement. Collective measurement occurs for homogeneous loan categories in terms of credit risk and the relative loss percentages are estimated considering past time-series, founded on observable elements at measurement date, that enable to estimate the value of the latent loss in each loan category. Measurement also considers the risk connected to the borrower’s resident Country.
The determination of provisions on performing loans is carried out identifying the highest possible synergies (as permitted by the various legislations) with the supervisory approach contained in the “New capital accord” generally known as Basel II. In particular, the parameters of the calculation model set out in the new supervisory provisions, namely, Probability of Default (PD) and Loss Given Default (LGD), are used – where already available – also for the purposes of financial statement valuation. The relationship between the two aforementioned parameters represents the starting point for loan segmentation, since they summarise the relevant factors considered by IAS/IFRS for the determination of the homogenous categories and for the calculation of provisions. The time period of a year used for the determination of the probability of default is deemed to approximate the notion of incurred loss, that is, the loss based on current events but not yet included by the entity in the review of the risk of the specific customer, set forth by international accounting principles.
For financial assets available for sale, a negative change in fair value is considered impairment only if the loss is deemed to be permanent; in this case cumulated loss recorded in the year and any valuation reserve

are registered in the statement of income. The impairment test is applied if one of the following conditions occurs: decrease in the fair value exceeding 20% of the original book value or decrease in the fair value persisting for a period of 24 months. Furthermore, for equities, the presence of one of these two elements is considered objective evidence of impairment: decrease in the rating by over 2 notches, market capitalisation significantly under book value, the launch of a debt restructuring programme, a significant contraction in book value of shareholders' equity.
As concerns valuation techniques used to calculate fair value, please refer to the relevant illustrative chapter.

Equity investments

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

Other non-financial assets

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

Business combinations

The transfer of control over a company (or over a group of assets managed together as a single business is considered a business combination.
For this purpose the transfer of control occurs when more than one-half of the voting rights is acquired, or when, even if the combining entity does not acquire more than one-half of the other entity's voting rights, control is obtained since as a consequence of the combination the acquirer has the power: (i) over one-half of voting rights of another company, by virtue of an agreement with other investors, (ii) to govern the financial and operating policies of the other entity on the basis of Articles of Association or an agreement, (iii) to appoint or remove the majority of the members of the company's governing body, (iv) to cast the majority of the votes at meetings of the company's governing body.
IFRS 3 requires that an acquirer be identified in any business combination. The acquirer is identified as the combining entity that obtains control of the other combining entities or businesses. If a controlling entity cannot be identified, following the definition of control described above, as for example in the case of exchange of equity stakes, the identification of the acquirer must occur considering other factors such as: the entity which has a significantly higher fair value, the entity which pays a cash consideration, the entity which issues new shares.

The acquisition and therefore, the initial consolidation of the acquired entity, must be recognised in the books on the date in which the acquirer effectively obtains control over the acquired company or businesses. When the combination occurs via an exchange of voting ordinary equity instruments, the date of the exchange normally coincides with the date of the acquisition. However, it is always necessary to verify that there are no agreements which may lead to transfer of control prior to the date of the exchange.

The cost of a business combination must be determined as the sum of (i) fair value, at transaction date, of assets sold, liabilities undertaken and capital instruments issued by the acquirer in exchange of acquisition of control; (ii) any accessory costs directly attributable to the business combination.

In transactions which entail cash consideration (or when payment occurs via cash-equivalent financial instruments) purchase price is the agreed-upon consideration. In case settlement does not occur in the short-term, fair value of any deferred component is calculated by discounting the amounts payable to their present value; in case payment occurs via an instrument other than cash, therefore via the issue of financial instruments, the price is equal to the fair value of such instruments net of the costs directly attributable to their issue. For the determination of fair value of financial instruments, please refer to the relevant paragraph and note that, in case of shares listed on active markets, fair value is represented by stock exchange quotations at acquisition date or, should that not be available, the last quotation available.

Purchase cost at acquisition date includes any adjustments to the cost contingent on future events, if provided for by the combination agreement and only if the adjustment is probable, can be measured reliably and realised within the twelve months subsequent to the date of acquisition of control. Instead, any restoration related to any loss in the value of the assets used as consideration are not included in purchase cost since already considered either in the fair value of equity instruments or as reduction in the premium or an increase in the discount on the initial issue of debt instruments.

For the purpose of determining the cost of the business combination, the price identified as illustrated above is increased by the external costs sustained to execute the transaction 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 obtainment 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 included 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. 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 statement of income.

The identification of the fair value of assets, liabilities and contingent liabilities of the acquired entity may be provisionally determined within the end of the year in which the combination is realised and must be definitively determined within twelve months from acquisition date.

If control is achieved in stages, each transaction is registered separately and assets, liabilities and contingent liabilities acquired are recorded at fair value on the date of each exchange transaction. In particular, for every purchase of an interest, deemed to be qualified, the fair value of assets and liabilities is identified, within the limits of materiality. On the date of realisation of the business combination, that is on the date of acquisition of control, the portion of assets and liabilities acquired before the acquisition is revalued and the revaluation is recorded in shareholders' equity.

Registration of further minority stakes in already-controlled companies occurs based on the so-called "Parent Company theory" according to which the differences between acquisition cost and book value of acquired minority stakes are considered goodwill (where these cannot be registered in other asset or liability captions); in case of sale of minority stakes without the loss of control, the difference between consideration received and the interest in the net fair value of assets and liabilities sold, comprehensive of the portion of goodwill, is registered in the statement of income.

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 Gruppo Intesa, 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 transaction, unless they lead to a significant variation in cash flows, 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 and in the absence of significant changes in cash flows, this 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)

	31.12.2006	31.12.2005
a) Cash	1,073	1,080
b) On demand deposits with Central Banks	5	18
Total	**1,078**	**1,098**

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING - CAPTION 20

2.1 Financial assets held for trading: breakdown

(in millions of euro)

	31.12.2006		31.12.2005	
	Quoted	Unquoted	Quoted	Unquoted
A. Cash assets				
1. Debt securities	8,971	10,962	9,300	12,954
1.1 structured securities	*58*	*91*	*130*	*212*
1.2 other debt securities	*8,913*	*10,871*	*9,170*	*12,742*
2. Equities	136	-	675	383
3. Quotas of UCITS	-	582	-	573
4. Loans	-	-	-	-
4.1 repurchase agreements	-	-	-	-
4.2 other	-	-	-	-
5. Non-performing assets	-	-	-	-
6. Assets sold not derecognised	2,559	652	3,662	297
Total A	**11,666**	**12,196**	**13,637**	**14,207**
B. Derivatives				
1. Financial derivatives	1	7,859	-	10,280
1.1 trading	*1*	*7,859*	-	*10,273*
1.2 fair value option	-	-	-	-
1.3 other	-	-	-	*7*
2. Credit derivatives	-	488	-	768
2.1 trading	-	*487*	-	*766*
2.2 fair value option	-	-	-	-
2.3 other	-	*1*	-	*2*
Total B	**1**	**8,347**	**-**	**11,048**
TOTAL (A+B)	**11,667**	**20,543**	**13,637**	**25,255**

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

2.2. Financial assets held for trading: borrower/issuer breakdown

(in millions of euro)

	31.12.2006	31.12.2005
A. CASH ASSETS		
1. Debt securities	**19,933**	**22,254**
a) Governments and Central Banks	1,169	2,019
b) Other public entities	3	591
c) Banks	8,126	7,868
d) Other issuers	10,635	11,776
2. Equities	**136**	**1,058**
a) Banks	43	415
b) Other issuers	93	643
- insurance companies	*-*	*24*
- financial institutions	*10*	*3*
- non-financial companies	*83*	*616*
- other	*-*	*-*
3. Quotas of UCITS	**582**	**573**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
5. Non-performing assets	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
6. Assets sold not derecognised	**3,211**	**3,959**
a) Governments and Central Banks	1,007	2,775
b) Other public entities	-	90
c) Banks	853	95
d) Other issuers	1,351	999
Total A	**23,862**	**27,844**
B) DERIVATIVES		
a) Banks	7,044	8,488
b) Customers	1,304	2,560
Total B	**8,348**	**11,048**
TOTAL (A+B)	**32,210**	**38,892**

2.3. Financial assets held for trading: trading derivatives

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Foreign exchange and gold	Equities	Loans	Other	31.12.2006	31.12.2005
A) QUOTED DERIVATIVES							
1) Financial derivatives	**-**	**-**	**1**	**-**	**-**	**1**	**-**
with exchange of underlying asset	-	-	1	-	-	1	-
- *options bought*	-	-	*1*	-	-	*1*	-
- *other derivatives*	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
- *options bought*	-	-	-	-	-	-	-
- *other derivatives*	-	-	-	-	-	-	-
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	**-**	**-**	**1**	**-**	**-**	**1**	**-**
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	**6,156**	**674**	**1,029**	**-**	**-**	**7,859**	**10,280**
with exchange of underlying asset	2	669	18	-	-	689	849
- *options bought*	*2*	*33*	*18*	-	-	*53*	*50*
- *other derivatives*	-	*636*	-	-	-	*636*	*799*
without exchange of underlying asset	6,154	5	1,011	-	-	7,170	9,431
- *options bought*	*923*	*4*	*905*	-	-	*1,832*	*1,748*
- *other derivatives*	*5,231*	*1*	*106*	-	-	*5,338*	*7,683*
2) Credit derivatives	**-**	**-**	**-**	**488**	**-**	**488**	**768**
with exchange of underlying asset	-	-	-	473	-	473	734
without exchange of underlying asset	-	-	-	15	-	15	34
Total B	**6,156**	**674**	**1,029**	**488**	**-**	**8,347**	**11,048**
TOTAL (A + B)	**6,156**	**674**	**1,030**	**488**	**-**	**8,348**	**11,048**

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	**22,254**	**1,058**	**573**	**-**	**23,885**
B. Increases	**93,513**	**9,782**	**861**	**-**	**104,156**
B.1 purchases	90,775	9,169	806	-	100,750
B.2 positive fair value differences	32	10	52	-	94
B.3 other changes	2,706	603	3	-	3,312
C. Decreases	**-95,834**	**-10,704**	**-852**	**-**	**-107,390**
C.1 sales	-82,497	-10,559	-790	-	-93,846
C.2 reimbursements	-9,364	-	-	-	-9,364
C.3 negative fair value differences	-84	-2	-6	-	-92
C.4 other changes	-3,889	-143	-56	-	-4,088
D. Final amount	**19,933**	**136**	**582**	**-**	**20,651**

Subcations B.3 other changes and C.4 other changes conventionally record short selling respectively at the end and at the beginning of the period as well as annual changes relative to assets sold not derecognised.

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

Caption not applicable to Banca Intesa.

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE – CAPTION 40

4.1 Financial assets available for sale: breakdown

(in millions of euro)

	31.12.2006		31.12.2005	
	Quoted	**Unquoted**	**Quoted**	**Unquoted**
1. Debt securities	128	203	106	511
1.1 Structured securities	-	*7*	-	*8*
1.2 Other debt securities	*128*	*196*	*106*	*503*
2. Equities	1,100	816	721	1,102
2.1 Measured at fair value	*1,100*	*816*	*721*	*1,097*
2.2 Measured at cost	-	-	-	*5*
3. Quotas of UCITS	-	14	-	13
4. Loans	-	780	-	314
5. Non-performing assets	-	-	-	4
6. Assets sold not derecognised	-	-	-	-
Total	**1,228**	**1,813**	**827**	**1,944**

Loans, as illustrated in Part A – Accounting policies, refer to portions of syndicated loans underwritten and destined to be subsequently sold.
As concerns the subcaption Non-performing assets, please refer to Part E – Information on risks and relative hedging policies, Section – Credit risk.

4.2 Financial assets available for sale: borrower/issuer breakdown

(in millions of euro)

	31.12.2006	31.12.2005
1. Debt securities	**331**	**617**
a) Governments and Central Banks	13	10
b) Other public entities	-	215
c) Banks	12	13
d) Other issuers	306	379
2. Equities	**1,916**	**1,823**
a) Banks	218	59
b) Other issuers	1,698	1,764
- insurance companies	*634*	*563*
- financial institutions	*95*	*145*
- non-financial companies	*873*	*1,005*
- other	*96*	*51*
3. Quotas of UCITS	**14**	**13**
4. Loans	**780**	**314**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	7	-
d) Other counterparties	773	314
5. Non-performing assets	**-**	**4**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	4
6. Assets sold not derecognised	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other counterparties	-	-
TOTAL	**3,041**	**2,771**

4.3 Financial assets available for sale: hedged assets

(in millions of euro)

Assets/Type of hedge	Hedged assets			
	31.12.2006		31.12.2005	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	-	-	188	-
2. Equities	-	-	-	-
3. Quotas of UCITS	-	-	-	-
4. Loans	-	-	-	-
5. Portfolio	-	-	-	-
Total	**-**	**-**	**188**	**-**

4.4 Financial assets available for sale: assets with specific hedges

(in millions of euro)

	31.12.2006	31.12.2005
1. Financial assets with specific fair value hedges	**-**	**188**
a) Interest rate risk	-	188
b) Price risk	-	-
c) Foreign exchange risk	-	-
d) Credit risk	-	-
e) Various risks	-	-
2. Financial assets with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**-**	**188**

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	**617**	**1,823**	**13**	**314**	**2,767**
B. Increases	**53**	**939**	**57**	**846**	**1,895**
B.1 purchases	40	466	45	841	1,392
B.2 positive fair value differences	-	293	7	5	305
B.3 write-backs recognised in	-	-	-	-	-
- statement of income	-	*X*	-	-	-
- shareholders' equity	-	-	-	-	-
B.4 transfers from other portfolios	-	83	-	-	83
B.5 other changes	13	97	5	-	115
C. Decreases	**-339**	**-846**	**-56**	**-380**	**-1,621**
C.1 sales	-232	-695	-55	-370	-1,352
C.2 reimbursements	-39	-	-	-	-39
C.3 negative fair value differences	-11	-19	-	-5	-35
C.4 impairment losses recognised in	-3	-7	-	-	-10
- statement of income	*-3*	*-7*	-	-	*-10*
- shareholders' equity	-	-	-	-	-
C.5 transfers to other portfolios	-	-	-	-	-
C.6 other changes	-54	-125	-1	-5	-185
D. Final amount	**331**	**1,916**	**14**	**780**	**3,041**

In addition to changes in Loans – represented by syndicated loans carried out by the Bank and subsequently sold on the market – the most significant contributions are attributable to Equities made up, for the most significant portion by equity investments. In particular, purchases in subcaption B.1 mostly include Prada (100 million euro), Sigma Tau Finanziaria (68 million euro), Speed (64 million euro) and Edison (136 million euro) while in decreases (subcaption C.1) please note the sale of Olimpia for 585 million euro.
Subcaption B.4 transfers from other portfolios includes the residual portions of equity investments which, following their partial disposal, have been classified under Assets available for sale.

SECTION 5 - INVESTMENTS HELD TO MATURITY – CAPTION 50

5.1 Investments held to maturity: breakdown

5.2 Investments held to maturity: borrowers/issuers

5.3 Investments held to maturity: hedged assets

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

For information set out in points 5.1, 5.2, 5.3 and 5.4 above, it must be noted that Banca Intesa did not classify any financial instrument under Investments held to maturity.

SECTION 6 – DUE FROM BANKS – CAPTION 60

6.1 Due from banks: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
A. Due from Central Banks	**866**	**511**
1. Time deposits	-	1
2. Compulsory reserve	863	510
3. Repurchase agreements	-	-
4. Other	3	-
B. Due from banks	**47,880**	**35,214**
1. Current accounts and deposits	9,309	6,274
2. Time deposits	27,066	19,508
3. Other loans	10,649	8,945
3.1 Repurchase agreements	*8,155*	*6,951*
3.2 Finance leases	-	-
3.3 Other	*2,494*	*1,994*
4. Debt securities	665	376
4.1 Structured	-	-
4.2 Other	*665*	*376*
5. Non-performing assets	-	-
6. Assets sold not derecognised	-	-
7. Trade receivables	191	111
Total (book value)	**48,746**	**35,725**
Total (fair value)	**48,719**	**35,719**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
The subcaption B.7 Trade receivables includes due from banks for services rendered.

6.2 Due from banks: assets with specific hedges

(in millions of euro)

	31.12.2006	31.12.2005
1. Due from banks with specific fair value hedges	**35**	**1,007**
a) Interest rate risk	35	1,007
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	-
2. Due from banks with specific cash flow hedges	**106**	**285**
a) Interest rate risk	55	61
b) Foreign exchange risk	51	224
c) Other	-	-
TOTAL	**141**	**1,292**

6.3 Finance leases

Banca Intesa had no lease receivables from banks.

SECTION 7 – LOANS TO CUSTOMERS – CAPTION 70

7.1 Loans to customers: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
1. Current accounts	12,129	14,764
2. Repurchase agreements	893	2,190
3. Mortgages	46,041	48,812
4. Credit card loans, personal loans and transfer of one fifth of salaries	2,962	2,827
5. Finance leases	-	-
6. Factoring	-	-
7. Other operations	42,744	36,827
8. Debt securities	972	1,657
8.1 Structured securities	-	*101*
8.2 Other debt securities	*972*	*1,556*
9. Non-performing assets	2,650	3,130
10. Assets sold not derecognised	3,577	-
11. Trade receivables	346	360
Total (book value)	**112,314**	**110,567**
Total (fair value)	**112,645**	**110,989**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
As concerns the loan portfolio quality, please refer to Part E – Information on risks and relative hedging policies, Section – Credit risk.
Subcaption 10 Assets sold not derecognised includes mortgages sold as part of the Sec 3 securitisation, net of collective adjustments.
For greater detail on the aforementioned transaction please refer to Part E – Section C of the Notes to the Parent Company's financial statements and of the Notes to the consolidated financial statements.

The subcaption 11. Trade receivables includes loans to customers for services rendered.

7.2 Loans to customers: borrower/issuer breakdown

(in millions of euro)

	31.12.2006	31.12.2005
1. Debt securities	**972**	**1,657**
a) Governments	-	-
b) Other public entities	-	1,306
c) Other issuers	972	351
- non-financial companies	*1*	-
- financial institutions	*94*	*247*
- insurance companies	*877*	*104*
- other	-	-
2. Loans	**105,115**	**105,780**
a) Governments	255	1,072
b) Other public entities	432	2,878
c) Other counterparties	104,428	101,830
- non-financial companies	*57,709*	*53,433*
- financial institutions	*20,557*	*20,507*
- insurance companies	*550*	*867*
- other	*25,612*	*27,023*
3. Non-performing assets	**2,650**	**3,130**
a) Governments	-	-
b) Other public entities	2	4
c) Other counterparties	2,648	3,126
- non-financial companies	*1,859*	*2,180*
- financial institutions	*63*	*75*
- insurance companies	-	-
- other	*726*	*871*
4. Assets sold not derecognised	**3,577**	**-**
a) Governments	-	-
b) Other public entities	-	-
c) Other counterparties	3,577	-
- non-financial companies	*2*	-
- financial institutions	-	-
- insurance companies	-	-
- other	*3,575*	-
TOTAL	**112,314**	**110,567**

7.3 Loans to customers: assets with specific hedges

(in millions of euro)

	31.12.2006	31.12.2005
1. Loans to customers with specific fair value hedges	**350**	**955**
a) Interest rate risk	350	697
b) Foreign exchange risk	-	-
c) Credit risk	-	-
d) Various risks	-	258
2. Loans to customers with specific cash flow hedges	**150**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	150	-
c) Other	-	-
TOTAL	**500**	**955**

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

7.4 Finance leases

Banca Intesa had finance lease contracts of immaterial amount.

SECTION 8 - HEDGING DERIVATIVES – CAPTION 80 OF ASSETS AND CAPTION 60 OF LIABILITIES

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

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

(in millions of euro)

Type of derivatives/Underlying assets	Interest rate	Foreign exchange 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	**626**	**18**	**-**	**-**	**-**	**644**
with exchange of underlying asset	-	13	-	-	-	13
- *options bought*	-	-	-	-	-	-
- *other derivatives*	-	*13*	-	-	-	*13*
without exchange of underlying asset	626	5	-	-	-	631
- *options bought*	-	-	-	-	-	-
- *other derivatives*	*626*	*5*	-	-	-	*631*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-
Total B	**626**	**18**	**-**	**-**	**-**	**644**
TOTAL (A+B)	**626**	**18**	**-**	**-**	**-**	**644**
TOTAL (A+B) 31.12.2005	**1,013**	**34**	**-**	**-**	**-**	**1,047**

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

8.2 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	27	-	-	X	-	X	6	X
3. Investments held to maturity	X	-	-	X	-	X	-	X
4. Portfolio	X	X	X	X	X	1	X	-
Total assets	**27**	**-**	**-**	**-**	**-**	**1**	**6**	**-**
1. Financial liabilities	478	-	-	X	13	X	-	X
2. Portfolio	X	X	X	X	X	-	X	119
Total liabilities	**478**	**-**	**-**	**-**	**13**	**-**	**-**	**119**

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

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

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

(in millions of euro)

	31.12.2006	31.12.2005
1. Positive fair value change	**-**	**-**
1.1. of specific portfolios	-	-
a) loans	-	-
b) assets available for sale	-	-
1.2. overall	-	-
2. Negative fair value change	**-1**	**-**
2.1. of specific portfolios	-1	-
a) loans	*-1*	-
b) assets available for sale	-	-
2.2. overall	-	-
TOTAL	**-1**	

9.2 Assets hedged by macrohedging on interest rate risk: breakdown

(in millions of euro)

Hedged assets	31.12.2006	31.12.2005
1. Loans	21,000	-
2. Assets available for sale	-	-
3. Portfolio	-	-
TOTAL	**21,000**	**-**

The figure refers to the nominal value of coupons on fixed 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: information on equity stakes

	Registered office	% held	Votes available %
A. Wholly-owned subsidiaries			
1. Agricola Investimenti S.p.A.	Milano	100.00	100.00
2. Banca Caboto S.p.A	Milano	100.00	100.00
3. Banca C.I.S. S.p.A.	Cagliari	28.33	28.33
4. Banca Intesa (France) S.A.	Parigi	99.99	99.99
5. Banca di Trento e Bolzano S.p.A.	Trento	8.28	8.28
6. Banca Intesa Infrastrutture e Sviluppo S.p.A.	Roma	100.00	100.00
7. Banca Intesa Mediocredito S.p.A.	Milano	100.00	100.00
8. Banca Intesa Private Banking S.p.A.	Milano	100.00	100.00
9. Banca Popolare Friuladria S.p.A.	Pordenone	76.05	76.05
10. BCI U.S. Funding LLC I	Wilmington	100.00	100.00
11. BCI U.S. Funding LLC II	Wilmington	100.00	100.00
12. BCI U.S. Funding LLC III	Wilmington	100.00	100.00
13. Cassa di Risparmio di Biella e Vercelli S.p.A.	Biella	55.00	55.00
14. Cassa di Risparmio di Parma e Piacenza S.p.A.	Parma	100.00	100.00
15. Comit Investments (Ireland) Ltd	Dublino	99.21	99.21
16. Cormano S.r.l	Varese	70.82	70.82
17. Finanziaria B.T.B. S.p.A.	Trento	99.29	99.29
18. Ifas Gruppo S.p.A. in liquidation	Torino	45.00	45.00
19. Immobiliare Bella Riva S.r.l.	Como	100.00	100.00
20. IntesaBci Preferred Capital Company LLC III	Wilmington	100.00	100.00
21. Intesa Bank Ireland Plc.	Dublino	99.99	99.99
22. Intesa Bank Overseas Ltd	Cayman Islands	100.00	100.00
23. Intesa Brasil Empeendimentos S.A.	Saõ Paulo	100.00	100.00
24. Intesa Casse del Centro S.p.A.	Spoleto	96.07	96.07
25. Intesa Distribution Services s.r.l	Milano	32.05	32.05
26. Intesa Formazione S.c.p.a.	Napoli	80.00	80.00
27. Intesa Funding LLC	Wilmington	100.00	100.00
28. Intesa Holding Asset Management. S.p.A.	Milano	100.00	100.00
29. Intesa Holding International S.A.	Luxembourg	99.99	99.99
30. Intesa Investimenti S.p.A.	Milano	100.00	100.00
31. Intesa Lease Sec S.r.l.	Milano	60.00	60.00
32. Intesa Leasing S.p.A.	Milano	99.67	99.67
33. Intesa Mediofactoring S.p.A.	Milano	100.00	100.00
34. Intesa Preferred Capital Company LLC	Wilmington	100.00	100.00
35. Intesa Previdenza - Società Mobiliare S.p.A	Milano	78.53	78.53
36. Intesa Real Estate S.r.l.	Milano	100.00	100.00
37. Intesa Sec. S.p.A.	Milano	60.00	60.00
38. Intesa Sec.2 S.r.l.	Milano	60.00	60.00
39. Intesa Sec 3 S.r.l.	Milano	60.00	60.00
40. Intesa Sec. NPL S.p.A.	Milano	60.00	60.00
41. Intesa Sec. Npl2 S.r.l.	Milano	100.00	100.00
42. IntesaTrade Sim S.p.A.	Milano	100.00	100.00
43. Inversiones Mobiliarias S.A. "IMSA"	Lima	99.82	99.82
44. Lima Sudameris Holding S.A.	Lima	52.84	52.84
45. OOO Intesa Realty Russia	Moscow	100.00	100.00

	Registered office	% held	Votes available %
46. Petrochemical Investments Ltd (P.I.L.)	Cayman Islands	100.00	100.00
47. Phonix Beteiligungs GmbH in liquidation	Berlino	100.00	100.00
48. Private Equity International S.A.	Luxembourg	99.99	99.99
49. Resco Uno S.r.l.	Milano	100.00	100.00
50. Scala Advisory S.A.	Milano	99.97	99.97
51. Setefi S.p.A.	Milano	100.00	100.00
52. SIREFID S.p.A.	Milano	100.00	100.00
53. ZAO Banca Intesa	Moscow	100.00	100.00
54. Zao International Business Consulting in liquidation	Moscow	55.00	55.00
B. Companies subject to joint control			
1. Agos S.p.a.	Milano	49.00	49.00
2. Augusto S.r.l.	Milano	5.00	5.00
7. CAAM Società di Gestione del Risparmio S.p.A.	Milano	32.05	32.05
4. Colombo S.r.l.	Milano	5.00	5.00
5. Diocleziano S.r.l.	Milano	5.00	5.00
6. I2 Capital S.p.A.	Ivrea	8.01	8.01
7. Leonardo Technology S.p.A	Milano	33.33	33.33
8. Shangai Sino Italy Business Advisory Company Ltd	Shangai	40.00	40.00
9. Sviluppo Garibaldi - Repubblica S.p.A. in liquidation	Milano	33.00	33.00
C. Companies subject to significant influence			
1. Autostrade Lombarde S.p.A.	Bergamo	3.80	3.80
2. Banca Impresa Lazio	Roma	12.00	12.00
3. CAAM Altenative Investment S.G.R. S.p.A.	Milano	10.00	10.00
4. Cassa di Risparmio di Fermo S.p.A.	Fermo	33.33	33.33
5. Cassa di Risparmio della provincia di Teramo S.p.A.	Teramo	20.00	20.00
6. Collegamenti Integrati Veloci - CIV S.p.A.	Tortona	5.00	5.00
7. Euromilano S.p.A.	Milano	37.50	37.50
8. Europrogetti & Finanza S.p.A.	Roma	15.97	15.97
9. F.I.L.A. Fabbrica Italiana Lapis ed Affini S.p.A.	Milano	24.75	24.75
10. Grande Jolly S.r.l.	Milano	7.00	7.00
11. Imaging S.p.A.	Milano	37.95	37.95
12. Intesa Vita S.p.A.	Milano	50.00	44.44
13. Italfondiario S.p.A.	Roma	11.25	11.25
14. Mater-Bi S.p.A.	Milano	34.48	34.48
15. NH Italia S.r.L.	Milano	45.00	45.00
16. Obiettivo Nord-Est Sicav S.p.A.	Venezia	9.21	9.21
17. P.B. S.r.l.	Milano	42.24	42.24
18. Pirelli & C S.p.A.	Milano	1.52	1.56
19. R.C.N. Finanziaria S.p.A.	Mantova	23.96	23.96
20. Rizzoli Corriere della Sera MediaGroup S.p.A.	Milano	4.58	4.77
21. Rodriquez Pietra Ligure S.r.l.	Milano	22.22	22.22
22. Società per i Servizi Bancari - SSB S.p.A.	Milano	17.83	17.83
23. Synesis Finanziaria S.p.A.	Torino	25.00	25.00
24. Tangenziali Esterne di Milano S.p.A.	Milano	5.00	5.00
25. Termomeccanica S.p.A.	La Spezia	33.29	33.29
26. Turismo Immobiliare S.p.A.	Milano	25.00	25.00
27. Uno A Erre Italia S.p.A.- Arezzo	Arezzo	13.51	13.51

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 must 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					**10,132**	
1. Agricola Investimenti S.p.A.	10	-	-	-	-	-
2. Banca Caboto S.p.A	28,981	948	90	928	576	-
3. Banca C.I.S. S.p.A.	1,492	79	12	286	80	-
4. Banca Intesa (France) S.A.	1,159	88	22	211	211	-
5. Banca di Trento e Bolzano S.p.A.	2,477	142	12	163	11	-
6. Banca Intesa Infrastrutture e Sviluppo S.p.A.	14,857	368	238	584	346	-
7. Banca Intesa Mediocredito S.p.A.	13,766	579	27	875	895	-
8. Banca Intesa Private Banking S.p.A.	2,251	224	54	117	82	-
9. Banca Popolare Friuladria S.p.A.	5,258	336	60	498	280	-
10. BCI U.S. Funding LLC I	165	13	-	159	8	-
11. BCI U.S. Funding LLC II	583	27	-	577	28	-
12. BCI U.S. Funding LLC III	195	15	-	187	9	-
13. Cassa di Risparmio di Biella e Vercelli S.p.A.	3,744	242	33	220	190	-
14. Cassa di Risparmio di Parma e Piacenza S.p.A.	16,531	1,043	203	1,153	714	-
15. Comit Investments (Ireland) Ltd	-	-	-	-	-	-
16. Cormano S.r.l	-	-	-	-	-	-
17. Finanziaria B.T.B. S.p.A.	88	5	4	63	134	-
18. Ifas Gruppo S.p.A. in liquidation	-	-	-	-	-	-
19. Immobiliare Bella Riva S.r.l.	-	-	-	-	4	-
20. IntesaBci Preferred Capital Company LLC III	529	35	-3	15	9	-
21. Intesa Bank Ireland Plc.	8,814	314	15	399	361	-
22. Intesa Bank Overseas Ltd	1,043	48	-	9	9	-
23. Intesa Brasil Empeendimentos S.A.	2	2	-1	2	1	-
24. Intesa Casse del Centro S.p.A.	1,028	41	30	836	771	-
25. Intesa Distribution Services s.r.l	37	30	30	36	2	-
26. Intesa Formazione S.c.p.a.	6	-	-1	-	-	-
27. Intesa Funding LLC	4,279	135	-	-	-	-
28. Intesa Holding Asset Management. S.p.A.	134	9	12	133	111	-
29. Intesa Holding International S.A.	5,050	32	183	3,241	3,241	-
30. Intesa Investimenti S.p.A.	1,053	102	89	1,040	1,000	-
31. Intesa Lease Sec S.r.l.	-	-	-	-	-	-
32. Intesa Leasing S.p.A.	9,058	334	28	270	153	-
33. Intesa Mediofactoring S.p.A.	5,439	246	28	286	225	-
34. Intesa Preferred Capital Company LLC	243	10	-3	43	44	-
35. Intesa Previdenza - Società Mobiliare S.p.A	22	12	1	17	12	-
36. Intesa Real Estate S.r.l.	40	-	-	32	37	-
37. Intesa Sec. S.p.A.	-	-	-	-	-	-
38. Intesa Sec.2 S.r.l.	-	-	-	-	-	-
39. Intesa Sec 3 S.r.l.	-	-	-	-	-	-
40. Intesa Sec. NPL S.p.A.	-	-	-	-	-	-
41. Intesa Sec. Npl2 S.r.l.	-	-	-	-	-	-
42. IntesaTrade Sim S.p.A.	145	25	5	30	25	-
43. Inversiones Mobiliarias S.A. "IMSA"	24	1	-2	8	3	-
44. Lima Sudameris Holding S.A.	27	-	-11	27	-	-
45. OOO Intesa Realty Russia	-	-	-	-	-	-
46. Petrochemical Investments Ltd (P.I.L.)	-	-	-	-	1	-
47. Phonix Beteiligungs GmbH in liquidation	-	-	-	-	-	-
48. Private Equity International S.A.	1,090	19	20	545	500	-
49. Resco Uno S.r.l.	-	-	-	-	-	-
50. Scala Advisory S.A.	-	-	-	-	-	-
51. Setefi S.p.A.	142	154	31	72	25	-

(in millions of euro)

	Total assets	Revenues	Net income (loss)	Shareholders' equity	Book value	Fair value
52. SIREFID S.p.A.	10	7	1	7	2	-
53. ZAO Banca Intesa	167	9	1	34	32	-
54. Zao International Business Consulting in liquidation	-	-	-	-	-	-
B. Companies subject to joint control					**275**	
1. Agos S.p.a.	7,447	593	70	337	121	-
2. Augusto S.r.l.	-	-	-	-	-	-
7. CAAM Società di Gestione del Risparmio S.p.A.	403	743	46	203	137	-
4. Colombo S.r.l.	-	-	-1	-	-	-
5. Diocleziano S.r.l.	-	-	-	-	-	-
6. I2 Capital S.p.A.	164	3	-22	120	12	-
7. Leonardo Technology S.p.A	-	-	-	-	5	-
8. Shangai Sino Italy Business Advisory Company Ltd	-	-	-	-	-	-
9. Sviluppo Garibaldi - Repubblica S.p.A. in liquidation	-	-	-	-	-	-
C. Companies subject to significant influence					**1,233**	-
1. Autostrade Lombarde S.p.A.	147	2	1	97	4	-
2. Banca Impresa Lazio	7	-	-	7	1	-
3. CAAM Altenative Investment S.G.R. S.p.A.	25	29	8	15	1	-
4. Cassa di Risparmio della Provincia di Teramo S.p.A.	3,065	173	26	299	48	-
5. Cassa di Risparmio di Fermo S.p.A.	1,303	80	9	146	50	-
6. Collegamenti Integrati Veloci - CIV S.p.A.	20	-	-	10	-	-
7. Euromilano S.p.A.	185	30	1	36	9	-
8. Europrogetti & Finanza S.p.A.	18	7	-1	7	1	-
9. F.I.L.A. Fabbrica Italiana Lapis ed Affini S.p.A.	99	63	2	43	15	-
10. Grande Jolly S.r.l.(*)	-	-	-	-	1	-
11. Imaging S.p.A.(*)	-	-	-	-	39	-
12. Intesa Vita S.p.A.	28,823	7,746	79	1,421	591	-
13. Italfondiario S.p.A.	114	78	23	51	11	-
14. Mater-Bi S.p.A.	44	35	-1	27	11	-
15. NH Italia S.r.L.	288	3	-5	283	137	-
16. Obiettivo Nord-Est Sicav S.p.A.	25	4	3	27	2	-
17. P.B. S.r.l.	121	-	-	-	-	-
18. Pirelli & C S.p.A.	6,906	572	140	4,661	69	62
19. R.C.N. Finanziaria S.p.A.	68	-	-1	47	7	-
20. Rizzoli Corriere della Sera MediaGroup S.p.A.	1,418	151	124	1,199	131	133
21. Rodriquez Pietra Ligure S.r.l.(*)	-	-	-	-	1	-
22. Società per i Servizi Bancari - SSB S.p.A.	124	178	11	68	2	-
23. Synesis Finanziaria S.p.A.	502	122	118	499	94	-
24. Tangenziali Esterne di Milano S.p.A.	5	-	-1	5	-	-
25. Termomeccanica S.p.A.	74	9	2	35	3	-
26. Turismo Immobiliare S.p.A.	78	-	-1	16	5	-
27. Uno A Erre Italia S.p.A. - Arezzo	107	169	-15	13	-	-
D. Other equity investments					**348**	
Banca d'Italia					348	-
Total					**11,988**	

(*) Newly-established companies.

In the table above, values under 0.5 million euro are indicated with a dash.
For subsidiaries the figures refer to the draft 2006 financial statements. For companies subject to joint control and for those subject to significant influence, figures refer to the last approved financial statements.
In compliance with Bank of Italy instructions, total revenues refer to the sum of the income components which present a positive sign, gross of tax. The fair value column sets out the values of the listed companies classified as Companies subject to significant influence.
Shareholders’ equity includes the company’s net income for the period.

As concerns companies set up for the purpose of issuing hybrid capital instruments (BCI U.S. Funding LLC I, BCI U.S. Funding LLC II, BCI U.S. Funding LLC III, Intesa Preferred Capital Company LLC and IntesaBci Preferred Capital Company LLC III) Banca Intesa holds 100% of voting rights. Considering preferred shares issued, the percentage stake held decreases to 4.76% in BCI U.S. Funding LLC I, LLC II and LLC III, to 18.70% in Intesa Preferred Capital Company LLC, and to 2.15% in IntesaBci Preferred Capital Company LLC III.
Considering its peculiarity, as already described in accounting principles, the stake in the Bank of Italy is also included.

10.3 Equity investments: annual changes

(in millions of euro)

	31.12.2006	31.12.2005
A. Initial amount	**11,568**	**11,135**
B. Increases	**945**	**2,380**
B.1 purchases	224	389
B.2 write-backs	204	177
B.3 revaluations	-	-
B.4 other changes	517	1,814
C. Decreases	**-525**	**-1,947**
C.1 sales	-264	-1,074
C.2 impairment losses	-13	-63
C.3 other changes	-248	-810
D. Final amount	**11,988**	**11,568**
E. Total revaluations	**437**	**460**
F. Total impairment losses	**-1,238**	**-1,999**

Other changes mostly includes business combinations occurred in 2006. In particular, increases (subcaption B.4) registers the contribution to Banca Intesa of the business of Infrastrutture e Sviluppo (340 million euro), while decreases (subcaption C.3) records the mergers of Intesa Gestione Crediti, Magazzini Generali Fiduciari Cariplo and Intesa e-Lab. Subcaption C.3 also includes the transfer to Financial assets available for sale of the residual stake in Banca Generali.

10.4 Commitments referred to investments in subsidiaries

As at 31st December 2006 Banca Intesa had no commitments referred to subsidiary companies.

10.5 Commitments referred to investments in companies subject to joint control

As at 31st December 2006 Banca Intesa had no commitments referred to companies subject to joint control.

10.6 Commitments referred to investments in companies subject to significant influence

As at 31st December 2006 Banca Intesa had no commitments referred to companies subject to significant influence.

SECTION 11 - PROPERTY AND EQUIPMENT – CAPTION 110

11.1 Property and equipment: breakdown of assets measured at cost

(in millions of euro)

	31.12.2006	31.12.2005
A. Property and equipment used in operations		
1.1 owned	1,500	1,508
a) land	*473*	*473*
b) buildings	*695*	*719*
c) furniture	*112*	*107*
d) electronic equipment	*215*	*204*
e) other	*5*	*5*
1.2 acquired in leasing	1	1
a) land	-	-
b) buildings	*1*	*1*
c) furniture	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	**1,501**	**1,509**
B. Investment property		
2.1 owned	-	-
a) land	-	-
b) buildings	-	-
2.2 acquired in leasing	-	-
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
TOTAL (A + B)	**1,501**	**1,509**

Following the completion of the rationalisation of the real estate properties of the Bank conducted in 2003 and 2004, all of Banca Intesa's real estate properties are used for operations.

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

Caption not applicable to Banca Intesa.

11.3 Property and equipment used in operations: annual changes

(in millions of euro)

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**473**	**1,331**	**388**	**1,233**	**28**	**3,453**
A.1 Total net adjustments	-	-611	-281	-1,029	-23	-1,944
A.2 Net initial carrying amount	**473**	**720**	**107**	**204**	**5**	**1,509**
B. Increases	**10**	**87**	**24**	**115**	**1**	**237**
B.1 Purchases	-	11	24	115	1	151
B.2 Capitalised improvement costs	-	39	-	-	-	39
B.3 Write-backs recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) statement of income	-	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) statement of income	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfer from investment property	-	-	-	-	-	-
B.7 Other changes	10	37	-	-	-	47
C. Decreases	**-10**	**-111**	**-19**	**-104**	**-1**	**-245**
C.1 Sales	-2	-48	-	-	-	-50
C.2 Depreciation	-	-39	-19	-104	-1	-163
C.3 Impairment losses recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) statement of income	-	-	-	-	-	-
C.4 Negative fair value differences recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) statement of income	-	-	-	-	-	-
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	-8	-24	-	-	-	-32
D. Net final carrying amount	**473**	**696**	**112**	**215**	**5**	**1,501**
D.1 Total net adjustments	-	607	302	1,134	22	2,065
D.2 Gross final carrying amount	**473**	**1,303**	**414**	**1,349**	**27**	**3,566**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Subcaptions A.1 and D.1 - Total net adjustments included the amounts relative to depreciation and, solely for buildings, to an adjustment recorded for the purpose of aligning the book value of a building to its recovery value.
Subcaptions B.7 and C.7 – Other changes, positive and negative, mostly include the effects of business combinations illustrated in Part G.
Subcaption E - Measurement at cost does not present any value since, as provided for by the instructions issued by the Bank of Italy, it must be filled in only for property and equipment measured at fair value.

11.4 Investment property: annual changes

Caption not applicable to Banca Intesa.

11.5 Commitments to purchase property and equipment

Commitments to purchase property and equipment as at 31st December 2006 totalled approximately 7 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)

	31.12.2006		31.12.2005	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	**X**	**-**	**X**	**-**
A.2 Other intangible assets	**332**	**-**	**364**	**-**
A.2.1 Assets measured at cost	332	-	364	-
a) Internally generated			-	-
intangible assets	*294*	-	*319*	-
b) Other assets	*38*	-	*45*	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Internally generated			-	-
intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**332**	**-**	**364**	**-**

The figures indicated above refer to internally generated software for 294 million euro and the purchase via licences to use for the remaining 38 million euro.

12.2 Intangible assets: annual changes

(in millions of euro)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life	
A. Gross initial carrying amount	**-**	**1,060**	**-**	**430**	**-**	**1,490**
A.1 Total net adjustments	-	-741	-	-385	-	-1,126
A.2 Net initial carrying amount	**-**	**319**	**-**	**45**	**-**	**364**
B. Increases	**-**	**150**	**-**	**19**	**-**	**169**
B.1 Purchases	-	150	-	19	-	169
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value differences recognised in	-	-	-	-	-	-
- *shareholders' equity*	*X*	-	-	-	-	-
- *statement of income*	*X*	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-175**	**-**	**-26**	**-**	**-201**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-175	-	-26	-	-201
- Amortisation	X	-175	-	-26	-	-201
- Write-downs recognised in	-	-	-	-	-	-
shareholders' equity	*X*	-	-	-	-	-
statement of income	-	-	-	-	-	-
C.3 Negative fair value differences recognised in	-	-	-	-	-	-
- *shareholders' equity*	X	-	-	-	-	-
- *statement of income*	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final carrying amount	**-**	**294**	**-**	**38**	**-**	**332**
D.1 Total net adjustments	-	916	-	411	-	1,327
E. Gross final carrying amount	**-**	**1,210**	**-**	**449**	**-**	**1,659**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Subcaptions A.1 and D.1 – Total net adjustments present the balance of the cumulated amortisation of intangible assets with finite useful life, respectively at the beginning and at the close of the year.

Subcaption B.1 Purchases relative to Other intangible assets: internally generated referred to the purchase of goods and external services for the development of new software or for enhancing existing software.

Subcaption F - Measurement at cost does not present any values since, as provided for by the instructions issued by the Bank of Italy, it must be filled in only for intangible assets measured at fair value.

12.3 Intangible assets: other information

Commitments for the purchase of intangible assets as at 31st December 2006 amounted to approximately 6 million euro and referred to software.

SECTION 13 – TAX ASSETS AND LIABILITIES – CAPTION 130 AND CAPTION 80

13.1 Deferred tax assets: breakdown

Deferred tax assets are recorded with reference to temporary deductible differences and mostly refer to adjustments to loans (324 million euro) and to allowances for risks and charges and liabilities for guarantees and commitments for a total of 497 million euro.

13.2 Deferred tax liabilities: breakdown

Deferred tax liabilities referred to the difference between book value of real estate and value recognised for tax purposes following the reversal of the portion of the allowance for depreciation relative to land carried out on first-time adoption of IAS/IFRS for a total of 81 million euro, as well as write-backs on equity investments for 70 million euro and valuation of equities for 53 million euro and cash flow hedge derivatives for 42 million euro.

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

(in millions of euro)

	31.12.2006	31.12.2005
1. Initial amount	**904**	**944**
2. Increases	**361**	**1,000**
2.1 Deferred tax assets recognised in the period	273	333
a) related to previous years	*60*	-
b) due to changes in accounting criteria	-	-
c) value recoveries	-	-
d) other	*213*	*333*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	88	667
3. Decreases	**-360**	**-1,040**
3.1 Deferred tax assets eliminated in the period	-355	-905
a) reversals	*-355*	*-905*
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-5	-135
4. Final amount	**905**	**904**

Subcaptions 2.3 – Other increases and 3.3 – Other decreases in 2005 included deferred tax assets deriving from first-time adoption of IAS/IFRS 32 and 39 which were partly annulled in the same year.

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

(in millions of euro)

	31.12.2006	31.12.2005
1. Initial amount	**129**	**134**
2. Increases	**40**	**233**
2.1 Deferred tax liabilities recognised in the period	9	46
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*9*	*46*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	31	187
3. Decreases	**-11**	**-238**
3.1 Deferred tax liabilities eliminated in the period	-3	-214
a) reversals	*-3*	*-214*
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-8	-24
4. Final amount	**158**	**129**

Subcaptions 2.3 – Other increases and 3.3 – Other decreases in 2005 included deferred tax liabilities, deriving from first-time adoption of IAS/IFRS 32 and 39 which were partly annulled in the same year.

13.5 Changes in deferred tax assets (recorded in equity)

(in millions of euro)

	31.12.2006	31.12.2005
1. Initial amount	**24**	**-**
2. Increases	**2**	**24**
2.1 Deferred tax assets recognised in the period	2	13
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*2*	*13*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	11
3. Decreases	**-21**	**-**
3.1 Deferred tax assets eliminated in the period	-21	-
a) reversals	*-21*	-
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Final amount	**5**	**24**

13.6 Changes in deferred tax liabilities (recorded in equity)

(in millions of euro)

	31.12.2006	31.12.2005
1. Initial amount	**14**	**-**
2. Increases	**74**	**21**
2.1 Deferred tax liabilities recognised in the period	74	9
a) related to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	*74*	*9*
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	12
3. Decreases	**-**	**-7**
3.1 Deferred tax liabilities eliminated in the period	-	-7
a) reversals	-	-7
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Final amount	**88**	**14**

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

14.2 Other information

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

With reference to paragraphs 14.1, 14.2 and 14.3 above, it must be noted that Banca Intesa, as at 31st December 2006 and as at 31st December 2005, did not present any Non-current assets held for sale and discontinued operations.

SECTION 15 - OTHER ASSETS – CAPTION 150

15.1 Other assets: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Amounts to be debited - under processing	764	452
Amounts to be debited - deriving from securities transactions	48	33
Bank cheques drawn on third parties to be settled	583	507
Transit items	122	123
Cheques drawn on the bank settled	57	69
Cautionary deposits on behalf of third parties	18	6
Leasehold improvements	69	55
Due from Group companies on fiscal consolidation	344	276
Other	664	485
Total	**2,669**	**2,006**

LIABILITIES

SECTION 1 – DUE TO BANKS - CAPTION 10

1.1 Due to banks: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
1. Due to Central Banks	**6,319**	**5,887**
2. Due to banks	**32,702**	**27,295**
2.1 Current accounts and deposits	7,785	8,518
2.2 Time deposits	18,572	12,198
2.3 Loans	2,932	3,418
2.3.1 Finance leases	-	-
2.3.2 Other	*2,932*	*3,418*
2.4 Debts for commitments to repurchase own equity instruments	-	-
2.5 Liabilities related to assets sold not derecognised	3,402	3,154
2.5.1 Repurchase agreements	*3,402*	*3,108*
2.5.2 Other	-	*46*
2.6 Other debts	4	-
2.7 Trade payables	7	7
Total	**39,021**	**33,182**
Fair value	**39,021**	**33,182**

The illustration of the criteria to determine fair value is contained in Part A – Accounting policies.
Repurchase agreements related to assets sold not derecognised are included for 1,849 million euro (2,012 million euro in 2005) in subcaption 1. Due to Central Banks and for 334 million euro (730 million euro in 2005) in subcaption 2.5.1 Repurchase agreements.
Subcaption 2.7 Trade payables includes due to banks for services rendered.

1.2 Breakdown of caption 10 Due to banks: subordinated debts

The complete list of subordinated debts is presented in Part F – Information on capital. The amount included in caption Due to banks totalled 1,161 million euro.

1.3 Breakdown of caption 10 Due to banks: structured debts

Banca Intesa has not issued any structured debts.

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

(in millions of euro)

	31.12.2006	31.12.2005
1. Due to banks with specific fair value hedges	**1,987**	**897**
a) Interest rate risk	1,746	884
b) Foreign exchange risk	-	-
c) Various risks	241	13
2. Due to banks with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**1,987**	**897**

1.5 Finance lease payables

Banca Intesa has no finance lease payables to banks.

SECTION 2 – DUE TO CUSTOMERS – CAPTION 20

2.1 Due to customers: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
1. Current accounts and deposits	65,000	64,099
2. Time deposits	12,328	10,040
3. Public funds under administration	53	51
4. Loans	549	572
4.1 Financial leases	-	-
4.2 Other	*549*	*572*
5. Debts for commitments to repurchase own equity instruments	-	-
6. Liabilities related to assets sold not derecognised	4,602	4,957
6.1 Repurchase agreements	*4,602*	*4,957*
6.2 Other	-	-
7. Other debts	1,149	1,074
8. Trade payables	114	95
Total	**83,795**	**80,888**
Fair value	**83,795**	**80,888**

The illustration of the criteria to determine fair value is contained in Part A – Accounting Policies.
Subcaption 6.1 Repurchase agreements also includes repurchase agreements on securities received from repurchase agreements of 3,580 million euro (3,760 million euro in 2005).
No liabilities related to the loans sold with the Intesa Sec 3 securitisation are recorded. For further details please refer to Part E – Section C of the Notes to the Parent Company's and consolidated financial statements.
Subcaption 8. Trade payables includes due to customers for services rendered.

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 caption Due to customers included subordinated debts amounting to 541 million euro.

2.3 Breakdown of caption 20 Due to customers: structured debts

Banca Intesa has not issued any structured debts.

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

(in millions of euro)

	31.12.2006	31.12.2005
1. Due to customers with specific fair value hedges	**19**	**20**
a) Interest rate risk	19	20
b) Foreign exchange risk	-	-
c) Various risks	-	-
2. Due to customers with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**19**	**20**

2.5 Finance lease payables

Finance lease payables at Banca Intesa are immaterial.

SECTION 3 – SECURITIES ISSUED - CAPTION 30

3.1 Securities issued: breakdown

(in millions of euro)

	31.12.2006		31.12.2005	
	Book value	Fair value	Book value	Fair value
A. Quoted securities	**12,779**	**12,766**	**12,470**	**12,481**
1. bonds	12,779	12,766	12,470	12,481
1.1 structured	*11,492*	*11,491*	*10,871*	*10,871*
1.2 other	*1,287*	*1,275*	*1,599*	*1,610*
2. other	-	-	-	-
2.1 structured	-	-	-	-
2.2 other	-	-	-	-
B. Unquoted securities	**46,781**	**46,725**	**44,504**	**44,512**
1. bonds	42,698	42,642	39,734	39,742
1.1 structured	*3,734*	*3,734*	*6,814*	*6,814*
1.2 other	*38,964*	*38,908*	*32,920*	*32,928*
2. other	4,083	4,083	4,770	4,770
2.1 structured	*2*	*2*	*1*	*1*
2.2 other	*4,081*	*4,081*	*4,769*	*4,769*
Total	**59,560**	**59,491**	**56,974**	**56,993**

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

3.2 Breakdown of caption 30 Securities issued: subordinated securities

The complete list of subordinated securities is presented in Part F – Information on capital. The caption Securities issued included subordinated securities amounting to 8,998 million euro.

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

(in millions of euro)

	31.12.2006	31.12.2005
1. Securities with specific fair value hedges	**26,741**	**27,709**
a) Interest rate risk	22,281	26,733
b) Foreign exchange risk	-	-
c) Various risks	4,460	976
2. Securities with specific cash flow hedges	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
TOTAL	**26,741**	**27,709**

SECTION 4 – FINANCIAL LIABILITIES HELD FOR TRADING – CAPTION 40

4.1 Financial liabilities held for trading: breakdown

(in millions of euro)

	31.12.2006				31.12.2005			
	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	613	621	-	621	1,959	2,009	-	2,009
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	613	621	-	621	1,959	2,009	-	2,009
B. DERIVATIVES								
1. Financial derivatives	X	7	8,267	X	X	1	11,362	x
1.1 Trading	X	7	6,824	X	X	1	9,715	x
1.2 Fair value option	X	-	-	X	X	-	-	x
1.3 Other	X	-	1,443	X	X	-	1,647	x
2. Credit derivatives	X	-	490	X	X	-	764	x
2.1 Trading	X	-	490	X	X	-	762	x
2.2 Fair value option	X	-	-	X	X	-	-	x
2.3 Other	X	-	-	X	X	-	2	x
Total B	-	7	8,757	-	-	1	12,126	-
TOTAL (A+B)	613	628	8,757	621	1,959	2,010	12,126	2,009

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

Caption A.2 Due to customers includes short selling related to repurchase agreements.

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

Banca Intesa does not have any subordinated liabilities classified in caption Financial liabilities held for trading.

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

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

4.4 Financial liabilities held for trading: derivatives

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Foreign exchange and gold	Equities	Loans	Other	31.12.2006	31.12.2005
A) QUOTED DERIVATIVES							
1) Financial derivatives	**-**	**-**	***7***	**-**	**-**	***7***	***1***
with exchange of underlying asset	-	-	6	-	-	6	-
- *options issued*	-	-	*5*	-	-	*5*	-
- *other derivatives*	-	-	*1*	-	-	*1*	-
without exchange of underlying asset	-	-	1	-	-	1	1
- *options issued*	-	-	-	-	-	-	-
- *other derivatives*	-	-	*1*	-	-	*1*	*1*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying asset	-	-	-	-	-	-	-
without exchange of underlying asset	-	-	-	-	-	-	-
Total A	-	-	7	-	-	7	1
B) UNQUOTED DERIVATIVES							
1) Financial derivatives	***6,428***	***864***	***975***	**-**	**-**	***8,267***	***11,362***
with exchange of underlying asset	-	774	2	-	-	776	869
- *options issued*	-	*18*	*2*	-	-	*20*	*36*
- *other derivatives*	-	*756*	-	-	-	*756*	*833*
without exchange of underlying asset	6,428	90	973	-	-	7,491	10,493
- *options issued*	*1,013*	*9*	*871*	-	-	*1,893*	*1,806*
- *other derivatives*	*5,415*	*81*	*102*	-	-	*5,598*	*8,687*
2) Credit derivatives	**-**	**-**	**-**	***490***	**-**	***490***	***764***
with exchange of underlying asset	-	-	-	471	-	*471*	744
without exchange of underlying asset	-	-	-	19	-	*19*	20
Total B	**6,428**	**864**	**975**	**490**	**-**	**8,757**	**12,126**
TOTAL (A + B)	**6,428**	**864**	**982**	**490**	**-**	**8,764**	**12,127**

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 Due to customers.

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

Caption Financial cash liabilities held for trading is exclusively made up by short selling.

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

Caption not applicable to Banca Intesa.

SECTION 6 - HEDGING DERIVATIVES – CAPTION 60

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

(in millions of euro)

Type of derivatives/ Underlying assets	Interest rate	Foreign exchange 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	**1,614**	**56**	**-**	**-**	**-**	**1,670**
with exchange of underlying						
asset	-	56	-	-	-	56
- *options issued*	-	-	-	-	-	-
- *other derivatives*	-	*56*	-	-	-	*56*
without exchange of underlying						
asset	1,614	-	-	-	-	1,614
- *options issued*	*1*	-	-	-	-	*1*
- *other derivatives*	*1,613*	-	-	-	-	*1,613*
2) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
with exchange of underlying						
asset	-	-	-	-	-	-
without exchange of underlying						
asset	-	-	-	-	-	-
Total B	**1,614**	**56**	**-**	**-**	**-**	**1,670**
TOTAL (A+B)	**1,614**	**56**	**-**	**-**	**-**	**1,670**
TOTAL (A+B) 31.12.2005	**1,292**	**28**	**-**	**-**	**-**	**1,320**

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.

6.2. 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	3	-	-	-	-	-	-	-
3. Investments held to maturity	X	-	-	-	-	-	-	X
4. Portfolio	X	X	X	X	X	X	X	-
Total assets	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	1,598	56	-	-	-	-	-	X
2. Portfolio	X	X	-	X	X	-	X	13
Total liabilities	**1,598**	**56**	**-**	**-**	**-**	**-**	**-**	**13**

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. 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

Caption not applicable to Banca Intesa.

SECTION 8 – TAX LIABILITIES – CAPTION 80

As regards information on this section, please refer to Section 13 of Assets.

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

Banca Intesa did not have any Liabilities associated with non-current assets held for sale and discontinued operations as at 31st December 2006.

SECTION 10 – OTHER LIABILITIES – CAPTION 100

10.1 Other liabilities: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
Due to suppliers	443	451
Amounts due to third parties	127	308
Transit items	82	55
Amounts to be paid - deriving from securities transactions	76	48
Outstanding items with the clearing house	901	772
Adjustments for portfolio items to be settled	-	15
Amounts to be credited and items under processing	1,523	1,298
Personnel charges	300	247
Due to social security entities	140	260
Other amounts due for foreign exchange transactions	58	51
Due to Group companies on fiscal consolidation	17	226
Guarantees given and commitments	228	260
Other	358	417
Total	**4,253**	**4,408**

SECTION 11 – EMPLOYEE TERMINATION INDEMNITIES – CAPTION 110

11.1 Employee termination indemnities: annual changes

(in millions of euro)

	31.12.2006	31.12.2005
A. Initial amount	**861**	**819**
B. Increases	**109**	**126**
B.1 Provisions in the year	104	101
B.2 Other	5	25
C. Decreases	**-82**	**-84**
C.1 Benefits paid	-76	-81
C.2 Other	-6	-3
D. Final amount	**888**	**861**

Subcaption B.1 Provisions in the year includes current service cost for 42 million euro and interest cost for 35 million euro, as well as provisions destined to outside pension funds of 27 million euro.
The value of the allowance for employee termination indemnities determined on the basis of art. 2120 of the Italian Civil Code amounted to 914 million euro.
As of 1st January 2007 Legge Finanziaria and the relevant implementation decrees introduced significant modifications in the regulations of employee termination indemnities, including the option given to workers as concerns the destination of his/her employee termination indemnities under accrual. In particular, the new flows of employee termination indemnities may be destined by the worker to specific pension plans or maintained at the employer (in this last case, the employer will pay annual employee termination provisions to a treasury account at INPS).
To date, the uncertainty as concerns the interpretation of the recently-issued aforementioned regulations, the possible alternative interpretations of the recognition according to IAS 19 of

employee termination indemnities to be accrued and the consequent modifications of the actuarial calculations of employee termination indemnities accrued, as well as the impossibility of forecasting the decisions attributed to employees as concerns the destination of the employee termination indemnities under accrual (workers may take their decision within 30th June 2007) suggest to avoid attempting forecasts as concerns possible modifications in the actuarial calculation of employee termination indemnities accrued as at 31st December 2006.

11.2 Other information

The present value of employee termination indemnities which qualify as unfunded defined benefit plans totalled 915 million euro at the end of 2006, while at the end of 2005 it amounted to 945 million euro.
Actuarial losses not recognised in the statement of income, in application of the "corridor approach", totalled 27 million euro.

SECTION 12 – ALLOWANCES FOR RISKS AND CHARGES – CAPTION 120

12.1 Allowances for risks and charges: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
1. Post employment benefits	**117**	**131**
2. Other allowances for risks and charges	**1,360**	**1,217**
2.1 legal disputes	687	677
2.2 personnel charges	407	142
2.3 other	266	398
Total	**1,477**	**1,348**

Contents of caption 2. - Other allowances for risks and charges are illustrated in point 12.4 below.

12.2 Allowances for risks and charges: annual changes

(in millions of euro)

	Post employment benefits	Other allowances	Total
A. Initial amount	**131**	**1,217**	**1,348**
B. Increases	**17**	**506**	**523**
B.1 Provisions in the year	10	485	495
B.2 Time value changes	-	17	17
B.3 Changes due to discount rate variations	-	-	-
B.4 Other	7	4	11
C. Decreases	**-31**	**-363**	**-394**
C.1 Uses in the year	-31	-355	-386
C.2 Changes due to discount rate variations	-	-5	-5
C.3 Other	-	-3	-3
D. Final amount	**117**	**1,360**	**1,477**

Provisions to Other allowances included charges of 313 million euro recorded for incentive-driven exit plans.

12.3 Post employment defined benefit plans

1. Illustration of the funds

Banca Intesa offers its employees certain defined benefit plans managed through internal funds, as concerns Italy, and via Trusts with regard to certain branches abroad. The characteristics of the most important pension funds are described below:

- 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 Esa.Tri. Esazione Tributi S.p.A. and operates solely via defined benefits in favour of employees already retired as at 31st 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 1st January 1967 or employed until 28th April 1993. Starting from 24th April 1993, with the entry into force of the Law introducing pension funds (Legislative Decree 124 of 21st April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund. The supplementary pension is determined as the difference between 80% of the last theoretical wage for pension purposes, adjusted to consider if the employee matured or not 35 years of service at the company and the size of the pension matured according to the law; in any case the supplementary pension may not exceed an amount determined annually. An agreement was signed with Trade Unions in 2006 that set out the transformation of the regime for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits) a lump-sum has been identified which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the employees in service section should be extinguished. The agreement with Trade Unions also provides for a process – still to be activated – destined to propose to pensioners, as an extraordinary measure, one-off payments to liquidate their pension position. As at 31st December 2006 solely the section of the Fund relative to pensioners was recorded;
- Supplementary pension fund in favour of top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana": the fund refers to integrative provisions allocated until a certain date on the basis of an institutive resolution made by the Board of Directors on 30th 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 made with beneficiaries who requested it. The higher value of the mathematical reserve calculated as at 31st December 2006 was amply offset by the sale to the company by the same parties of their integral credit with the BCI Fund;
- Three defined benefit plans in force at the London branch, relative to the former Cariplo, Banca Commerciale Italiana and Banco Ambrosiano Veneto branches: the private pension funds have been set up by the UK employers to integrate the levels of the local state pension, which has always been very low. The London branches of Banca Commerciale Italiana, Cariplo and Banco Ambrosiano Veneto set up defined benefit plans for their employees at the time of their opening, under the form of Trusts incorporated under English law and managed by Boards of Trustees, appointed partly by the employers and partly by beneficiaries. Such funds are operational for

employees hired until the end of 1999 for Banco Ambrosiano Veneto and Cariplo and until the end of 2000 for Banca Commerciale Italiana. In general, all funds guarantee a pension payable when the beneficiary turns 65 and the benefit is determined, with different rules by the various funds, on the basis of the annual gross wage received in the last year of service;

- A defined benefit plan at the New York branch: the fund was established in 1977 by the branch of Banca Commerciale Italiana and guarantees a pension treatment to all the employees resident in the United States which 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.

2. Changes in the exercise of the funds

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

(in millions of euro)

Annual changes in the present value of the defined benefit obligations	31.12.2006	31.12.2005
A. Initial amount [a]	**208**	**174**
B. Increases	**12**	**43**
B.1 Current service cost	6	13
B.2 Interest cost	9	7
B.3 Contributions by plan participants	-	-
B.4 Actuarial gains and losses	-10	15
B.5 Positive foreign exchange differences	-	4
B.6 Past service cost	-	-
B.7 Other	7	4
C. Decreases	**-29**	**-9**
C.1 Benefits paid	-10	-9
C.2 Curtailments	-	-
C.3 Settlements	-19	-
C 4 Negative foreign exchange differences	-	-
C.5 Other	-	-
D. Final amount	**191**	**208**
Portion funded	**101**	**96**
Portion unfunded	**90**	**112**

[a] Of which 19 million euro of actuarial gains/losses of previous year (4 milion in 2005).

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)

Annual changes of fair value of plan assets	31.12.2006	31.12.2005
A. Initial amount [(a)]	**64**	**50**
B. Increases	**10**	**16**
B.1 Expected return on plan assets	5	5
B.2 Contributions by the employer	3	3
B.3 Contributions by plan participants	-	-
B.4 Actuarial gains and losses	2	5
B.5 Positive foreign exchange differences	-	3
B.6 Other	-	-
C. Decreases	**-1**	**-2**
C.1 Benefits paid	-1	-2
C 2 Negative foreign exchange differences	-	-
C.3 Settlements	-	-
C.4 Other	-	-
D. Final amount	**73**	**64**

[(a)] Of which 6 million euro of actuarial gains/losses of previous year (1 milion in 2005).

Plan assets (%)	31.12.2006	31.12.2005
Equities	60.50	59.60
Debt securities	19.20	19.50
Real estate assets	2.80	1.40
Other assets	17.50	19.50
Total	**100.00**	**100.00**

The effective return of plan assets was approximately 9 million euro.

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)

Reconciliation of present value of the defined benefit obligation and fair value of plan assets and liability recognised in the balance sheet	31.12.2006	31.12.2005
Present value of the defined benefit obligation	191	208
Fair value of plan assets	73	64
Difference between present value of the defined benefit obligation and fair value of plan assets	118	144
Actuarial gains/losses not recognised	-1	-13
Liability (Asset) recognised in the balance sheet	117	131
Corridor limit	21	17

5. Description of the main actuarial assumptions

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

Main actuarial assumptions %	31.12.2006		31.12.2005	
	minimum	maximum	minimum	maximum
a. Discount rates	4.00	5.50	3.63	5.50
b. Expected return of plan assets	4.25	7.50	3.50	7.50
c. Expected rates of wage rises	3.00	4.25	2.00	4.30
d. Medical cost trend rates	n.a.	n.a.	n.a.	n.a.
e. Expected rate of pension rises	2.00	3.24	2.00	3.09
f. Inflation rate	2.00	2.95	2.00	2.50

12.4 Allowances for risks and charges – Other allowances

Other allowances refers to:

- legal disputes: the fund was set up to cover losses on legal disputes (224 million euro), litigations with personnel (54 million euro), and revocatory actions (409 million euro);
- personnel charges: the allowance includes charges for seniority bonuses to employees, determined on the basis of actuarial calculations for 71 million euro, charges connected to the assignment, for free, of shares to employees for 23 million euro, as well as incentive-driven exit plans for 313 million euro;
- other: mostly referred to provisions for the disposal of equity investments (100 million euro), provisions for tax litigations (138 million euro) and other allowances (28 million euro).

SECTION 13 – REIMBURSABLE SHARES – CAPTION 140

Caption not applicable to Banca Intesa.

SECTION 14 – BANCA INTESA'S SHAREHOLDERS' EQUITY – CAPTIONS 130, 150, 160, 170, 180, 190 AND 200

14.1 Banca Intesa's shareholders' equity: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
1. Share capital	3,613	3,596
2. Share premium reserve	5,559	5,510
3. Reserves	2,300	2,284
4. (Treasury shares)	-	-
5. Valuation reserves	1,610	1,297
6. Equity instruments	-	-
7. Net income (loss)	2,241	1,564
Total	**15,323**	**14,251**

14.2 Share capital and Treasury shares: breakdown

As regards information of this section, please refer to point 14.4 below.

14.3 Share capital – Parent Company's number of shares: annual changes

	Ordinary	Other
A. Initial number of shares	**5,983,374,287**	**932,490,561**
- fully paid-in	5,983,374,287	932,490,561
- not paid-in	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: initial number	**5,983,374,287**	**932,490,561**
B. Increases	**44,848,475**	**-**
B.1 New issues	32,214,375	-
- for consideration	32,214,375	-
business combinations	-	-
conversion of bonds	-	-
exercise of warrants	-	-
other	*32,214,375*	-
- for free	-	-
in favour of employees	-	-
in favour of directors	-	-
other	-	-
B.2 Sale of treasury shares	12,634,100	-
B.3 Other	-	-
C. Decreases	-12,634,100	-
C.1 Annulment	-	-
C.2 Purchase of treasury shares	-12,634,100	-
C.3 Disposal of companies	-	-
C.4 Other	-	-
D. Shares outstanding: final number	**6,015,588,662**	**932,490,561**
D.1 Treasury shares (+)	-	-
D.2 Final number of shares	**6,015,588,662**	**932,490,561**
- fully paid-in	6,015,588,662	932,490,561
- not paid-in	-	-

14.4 Share capital: other information

The share capital of the Bank as at 31st December 2006 amounted to 3,613 million euro, divided into 6,015,588,662 ordinary shares and 932,490,561 unconvertible saving shares, with a nominal value of 0.52 euro each.

Based on the Bank's Articles of Association, updated as at 1st June 2006, each ordinary share gives the right to one vote in the Shareholders' Meeting.

Saving shares, which may be in bearer form, give the power to intervene and vote in the Special Meeting of saving shares holders.

Saving shares must be attributed a preferred dividend up to 5% of the nominal value of the share. If in one year the dividend is less than 5% of the nominal value of the unconvertible saving shares, the difference will be added to the preferred dividend paid in the following two accounting periods. Furthermore, retained earnings made available for distribution by the Shareholders' Meeting, net of the above dividend, will be allocated to all shares so that the dividend per saving share will be 2% of nominal value higher than for ordinary shares.

In case of distribution of reserves the saving shares have the same rights as other shares. In the case of liquidation of the Company, saving shares shall have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares.
As at 31st December 2006, there were no treasury shares held by the Bank.
At the date of the present document share capital was fully paid-in and liberated.

14.5 Reserves from retained earnings: other information

Reserves amounted to 2,300 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, art. 7) and other reserves.
The legal reserve, set up as provided for by the law, must be at least one fifth of share capital; it was set up in the past by allocating each year at least one twentieth of net income for the year. Should the reserve decrease, it must be reintegrated by allocating one twentieth of net income for the year.
The statutory or extraordinary reserve was set up as provided for by the Articles of Association by the allocation of residual net income after dividend distribution to ordinary and saving shares. Such reserve also includes unclaimed and forfeited dividends, as provided for by the Articles of Association as well as the impact of first-time adoption of IAS/IFRS.
Concentration reserves ex Law 218 of 30th July 1990 were set up at the time of reorganisations or concentrations carried out pursuant to the aforementioned law.
Other reserves included reserves pertaining to branches abroad and other reserves set up in the past following specific legal provisions.
Valuation reserves amounted to 1,610 million euro and includes valuation reserves of financial assets available for sale and of cash flow hedge derivatives, as well as legally-required revaluations.
Please refer to Part F – Information on capital for a detailed description of the origin, the possibility of use and distribution, as well as the use in previous years of individual reserves.

14.6 Equity instruments: breakdown and annual changes

Caption not applicable to Banca Intesa.

14.7 Valuation reserves: breakdown

(in millions of euro)

	31.12.2006	31.12.2005
1. Financial assets available for sale	554	336
2. Property and equipment	-	-
3. Intangible assets	-	-
4. Foreign investment hedges	-	-
5. Cash flow hedges	69	-26
6. Foreign exchange differences	-	-
7. Non-current assets held for sale and discontinued operations	-	-
8. Legally-required revaluations	987	987
Total	**1,610**	**1,297**

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	**336**	**-**	**-**	**-**	**-26**	**-**	**-**	**987**
B. Increases	**311**	**-**	**-**	**-**	**173**	**-**	**-**	**-**
B.1 fair value increases	305	-	-	-	173	-	-	-
B.2 other changes	6	-	-	-	-	-	-	-
C. Decreases	**-93**	**-**	**-**	**-**	**-78**	**-**	**-**	**-**
C.1 fair value decreases	-35	-	-	-	-18	-	-	-
C.2 other changes	-58	-	-	-	-60	-	-	-
D. Final amount	**554**	**-**	**-**	**-**	**69**	**-**	**-**	**987**

14.9 Valuation reserve of financial assets available for sale: breakdown

(in millions of euro)

	31.12.2006		31.12.2005	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-10	-	-4
2. Equities	558	-	340	-
3. Quotas of UCITS	6	-	1	-
4. Loans	-	-	-	-1
Total	**564**	**-10**	**341**	**-5**

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	**-4**	**340**	**1**	**-1**
2. Positive fair value differences	**4**	**293**	**7**	**7**
2.1 fair value increases	-	293	7	5
2.2 reversal to the statement of income of negative reserves	2	-	-	2
- *impairment*	-	-	-	-
- *disposal*	2	-	-	2
2.3 other changes	2	-	-	-
3. Negative fair value differences	**-10**	**-75**	**-2**	**-6**
3.1 fair value decreases	-11	-19	-	-5
3.2 reversal to the statement of income of positive reserves: disposal	-	-20	-	-
3.3 other changes	1	-36	-2	-1
4. Final amount	**-10**	**558**	**6**	**-**

OTHER INFORMATION

1. Guarantees and commitments

(in millions of euro)

	31.12.2006	31.12.2005
1) Financial guarantees given	**12,971**	**8,460**
a) Banks	6,948	3,800
b) Customers	6,023	4,660
2) Commercial guarantees given	**15,988**	**15,458**
a) Banks	1,507	1,596
b) Customers	14,481	13,862
3) Irrevocable commitments to lend funds	**20,328**	**20,501**
a) Banks	2,361	2,507
- of certain use	*1,110*	*770*
- of uncertain use	*1,251*	*1,737*
b) Customers	17,967	17,994
- of certain use	*149*	*56*
- of uncertain use	*17,818*	*17,938*
4) Underlying commitments on credit derivatives: protection sales	**43,440**	**46,471**
5) Assets pledged as collateral of third party commitments	**1**	**1**
6) Other commitments	**880**	**1,206**
Total	**93,608**	**92,097**

2. Assets pledged as collateral of liabilities and commitments

(in millions of euro)

	31.12.2006	31.12.2005
1. Financial assets held for trading	3,212	3,959
2. Financial assets designated at fair value through profit and loss	-	-
3. Financial assets available for sale	-	-
4. Investments held to maturity	-	-
5. Due from banks	-	-
6. Loans to customers	223	757
7. Property and equipment	-	-
8. Intangible assets	-	-
Total	**3,435**	**4,716**

3. Information on operating leases

It must be noted that the costs recorded in the year referred to motor vehicles, office equipment and central and peripheral software allocated in the appropriate captions on the basis of the nature of the asset do not include the portion of potential lease payments.

Minimum lease payments which expire within 31st December 2007 totalled 5 million euro while those that expire from 1st January 2008 to 31st December 2011 totalled 23 million euro.

Clauses for the purchase of machinery, applicable only in the case of exercise of the right of redemption, are present only in the contract stipulated for office equipment.

4. Management and dealing on behalf of third parties

(in millions of euro)

	31.12.2006
1. Dealing in financial instruments on behalf of third parties	
a) Purchases	-
1. settled	-
2. to be settled	-
b) Sales	-
1. settled	-
2. to be settled	-
2. Portfolio management	
a) individual	8,082
b) collective	-
3. Custody and administration of securities	
a) third parties securities held in deposit: related to depositary bank activities (excluding individual portfolio management schemes)	44,384
1. securities issued by the reporting bank	*57*
2. other securities	*44,327*
b) other third parties securities held in deposit (excluding individual portfolio management schemes): other	372,651
1. securities issued by the reporting bank	*27,643*
2. other securities	*345,008*
c) third parties securities deposited with third parties	346,765
d) portfolio securities deposited with third parties	33,919
4. Other	**77,789**

Part C – Information on the Parent Company's statement of income

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	2006	2005
	Debt securities	Loans				
1. Financial assets held for trading	965	-	-	-	965	821
2. Financial assets available for sale	31	20	-	-	51	63
3. Investments held to maturity	-	-	-	-	-	-
4. Due from banks	27	1,390	-	3	1,420	850
5. Loans to customers	9	4,971	97	34	5,111	4,482
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-
7. Hedging derivatives	X	X	X	214	214	370
8. Assets sold not derecognised	-	7	-	-	7	-
9. Other assets	X	X	X	8	8	11
Total	**1,032**	**6,388**	**97**	**259**	**7,776**	**6,597**

The subcaption 1. Financial assets held for trading also includes interest income on securities relative to repurchase agreements.
Interest income on non-performing assets refers to interest, other than that recorded in the caption Write-backs, accrued in the year as well as collected interest on overdue loans.

1.2 Interest and similar income: differentials on hedging transactions

(in millions of euro)

	2006	2005
A. Positive differentials on		
A.1 specific fair value hedges of assets	121	85
A.2 specific fair value hedges of liabilities	1,150	1,288
A.3 generic hedges of interest rate risk	-	-
A.4 specific cash flow hedges of assets	3	7
A.5 specific cash flow hedges of liabilities	-	-
A.6 generic cash flow hedges	17	1
Total A	**1,291**	**1,381**
B. Negative differentials on		
A.1 specific fair value hedges of assets	-59	-80
A.2 specific fair value hedges of liabilities	-977	-893
A.3 generic hedges of interest rate risk	-1	-
A.4 specific cash flow hedges of assets	-	-
A.5 specific cash flow hedges of liabilities	-	-
A.6 generic cash flow hedges	-40	-38
Total B	**-1,077**	**-1,011**
TOTAL (A - B)	**214**	**370**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency financial assets

The balance as at 31st December 2006 included 1,088 million euro relative to financial assets in foreign currency.

1.3.2 Interest income on finance lease receivables

Caption not applicable to Banca Intesa.

1.3.3 Interest income on loans using public funds under administration

As at 31st December 2006, interest income on loans using public funds under administration included in the caption was immaterial.

1.4 Interest and similar expense: breakdown

(in millions of euro)

	Debts	Securities	Other liabilities	2006	2005
1. Due to banks	1,361	X	26	1,387	848
2. Due to customers	1,089	X	2	1,091	768
3. Securities issued	X	2,172	1	2,173	1,934
4. Financial liabilities held for trading	53	-	-	53	51
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	3	3	1
8. Hedging derivatives	X	X	-	-	-
Total	**2,503**	**2,172**	**32**	**4,707**	**3,602**

The subcaptions 1. Due to banks and 2. Due to customers also include interest expense on repurchase agreements.

1.5 Interest and similar expense: differentials on hedging transactions

Information relative to differentials on hedging transactions is illustrated in table 1.2, since the balance is included, both for 2005 and for 2006, in interest income.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency financial liabilities

Interest and similar expense as at 31st December 2006 recorded 1,471 million euro relative to financial liabilities in foreign currency.

1.6.2 Interest expense on finance lease payables

The amount of interest expense on financial lease payables accounted for as at 31st December 2006 was immaterial.

1.6.3 Interest expense on public funds under administration

As at 31st December 2006, 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)

	2006	2005
A) Guarantees given	**126**	**119**
B) Credit derivatives	**1**	**-**
C) Management, dealing and consultancy services	**1,209**	**1,203**
1. dealing in financial instruments	-	-
2. dealing in foreign exchange	36	35
3. portfolio management	44	52
3.1. individual	*44*	*52*
3.2. collective	*-*	*-*
4. custody and administration of securities	62	62
5. depositary bank	66	72
6. placement of securities	586	532
7. acceptance of trading instructions	57	62
8. consultancy services	1	2
9. distribution of third party services	357	386
9.1. portfolio management	*2*	*6*
9.1.1. individual	*2*	*6*
9.1.2. collective	*-*	*-*
9.2. insurance products	*324*	*353*
9.3. other products	*31*	*27*
D) Collection and payment services	**241**	**249**
E) Servicing related to securitisations	**2**	**2**
F) Services related to factoring	**-**	**-**
G) Tax collection services	**-**	**-**
H) Other services	**959**	**973**
Total	**2,538**	**2,546**

Subcaption H - Other services mostly recorded commissions on current accounts and overdrafts of 423 million euro, fees on credit and debit cards of 184 million euro as well as commissions on medium/long-term lending and structured finance of 179 million euro.

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

(in millions of euro)

	2006	2005
A) Group branches	**987**	**970**
1. portfolio management	44	52
2. placement of securities	586	532
3. third party services and products	357	386
B) "Door-to-door" sales	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-
C) Other distribution channels	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	-	-

2.3 Fee and commission expense: breakdown

(in millions of euro)

	2006	2005
A) Guarantees received	**7**	**6**
B) Credit derivatives	**8**	**29**
C) Management, dealing and consultancy services	**45**	**49**
1. dealing in financial instruments	12	16
2. dealing in foreign exchange	2	2
3. portfolio management	6	8
3.1 own customers	*4*	*5*
3.2 delegated	*2*	*3*
4. custody and administration of securities	25	22
5. placement of financial instruments	-	1
6. "door-to-door" sale of financial instruments, products and services	-	-
D) Collection and payment services	**77**	**75**
E) Other services	**131**	**116**
Total	**268**	**275**

Subcaption E – Other services included 66 million euro of fees on credit and debit cards.

SECTION 3 – DIVIDEND AND SIMILAR INCOME - CAPTION 70

3.1 Dividend and similar income: breakdown

(in millions of euro)

	2006		2005	
	Dividends	Income from quotas of UCITS	Dividends	Income from quotas of UCITS
A. Financial assets held for trading	144	3	275	5
B. Financial assets available for sale	20	-	34	-
C. Financial assets designated at fair value through profit and loss	-	-	-	-
D. Investments in associates and companies subject to joint control	1,037	-	402	-
Total	**1,201**	**3**	**711**	**5**

Subcaption D – Equity investments includes the dividends distributed by Intesa Holding Asset Management for 704 million euro and by Intesa Investimenti, Intesa Mediofactoring, FriulAdria, Intesa Private Banking, Setefi and Intesa Leasing for a total amount of 238 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	Write-downs	Losses on trading	Net result
1. Financial assets held for trading	**94**	**800**	**-92**	**-598**	**204**
1.1 Debt securities	32	189	-84	-450	-313
1.2 Equities	10	609	-2	-129	488
1.3 Quotas of UCITS	52	-	-6	-6	40
1.4 Loans	-	-	-	-	-
1.5 Other	-	2	-	-13	-11
2. Financial liabilities held for trading	**1**	**-**	**-**	**-**	**1**
2.1 Debt securities	1	-	-	-	1
2.2 Other	-	-	-	-	-
3. Foreign exchange	**X**	**X**	**X**	**X**	**31**
4. Derivatives	**7,191**	**21,778**	**-7,521**	**-21,361**	**79**
4.1 Financial derivatives	6,402	21,186	-6,732	-20,821	27
- On debt securities and interest rates	*5,554*	*20,171*	*-5,898*	*-19,508*	*319*
- On equities and stock indexes	*848*	*1,015*	*-834*	*-1,312*	*-283*
- On foreign exchange and gold	*x*	*x*	*x*	*x*	*-8*
- Other	*-*	*-*	*-*	*-1*	*-1*
4.2 Credit derivatives	789	592	-789	-540	52
Total	**7,286**	**22,578**	**-7,613**	**-21,959**	**315**

The table above presents breakdown by contract type and differs from breakdown indicated in the Report on operations to comment the same caption of the reclassified statement of income, in which amounts are set out considering the main nature of the activities carried out by operating units.

Net result includes profits, losses, capital gains and losses on foreign exchange and on foreign exchange 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)

	2006	2005
A. Income from		
A.1 fair value hedge derivatives	55	163
A.2 financial assets hedged (fair value)	2	7
A.3 financial liabilities hedged (fair value)	947	420
A.4 cash flow hedge: derivatives	-	-
A.5 foreign exchange assets and liabilities	-	-
Total A	**1,004**	**590**
B. Expenses for		
B.1 fair value hedge derivatives	-943	-411
B.2 financial assets hedged (fair value)	-4	-6
B.3 financial liabilities hedged (fair value)	-50	-155
B.4 cash flow hedge: derivatives	-	-
B.5 foreign exchange assets and liabilities	-	-
Total B	**-997**	**-572**
TOTAL (A - B)	**7**	**18**

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

6.1 Profits (Losses) on disposal or repurchase: breakdown

(in millions of euro)

	2006			2005		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	2	-	2	-	-	-
2. Loans to customers	5	-42	-37	10	-29	-19
3. Financial assets available for sale	52	-2	50	65	-	65
3.1 Debt securities	*2*	*-2*	*-*	*9*	*-*	*9*
3.2 Equities	*49*	*-*	*49*	*56*	*-*	*56*
3.3 Quotas of UCITS	*-*	*-*	*-*	*-*	*-*	*-*
3.4 Loans	*1*	*-*	*1*	*-*	*-*	*-*
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**59**	**-44**	**15**	**75**	**-29**	**46**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	74	-54	20	-	-1	-1
Total liabilities	**74**	**-54**	**20**	**-**	**-1**	**-1**

SECTION 7 – PROFITS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE – CAPTION 110

Caption not applicable to Banca Intesa.

SECTION 8 – NET LOSSES / RECOVERIES ON IMPAIRMENT - CAPTION 130

8.1 Net impairment losses on loans: breakdown

(in millions of euro)

	Impairment losses			Recoveries				2006	2005
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Due from banks	-	-	-	-	-	-	3	3	-7
B. Loans to customers	-18	-654	-31	100	250	-	-	-353	-269
C. Total	**-18**	**-654**	**-31**	**100**	**250**	**-**	**3**	**-350**	**-276**

8.2 Net impairment losses on financial assets available for sale: breakdown

(in millions of euro)

	Impairment losses		Recoveries		2006	2005
	Individual		Individual			
	write-offs	other	of interest	other		
A. Debt securities	-	-3	-	-	-3	-5
B. Equities	-	-7	-	-	-7	-12
C. Quotas of UCITS	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**-10**	**-**	**-**	**-10**	**-17**

8.3 Net impairment losses on investments held to maturity: breakdown

It must be noted that, as at 31st December 2006, Banca Intesa did not present any Investments held to maturity.

8.4 Net impairment losses on other financial activities: breakdown

(in millions of euro)

	Impairment losses			Recoveries				2006	2005
	Individual		Collective	Individual		Collective			
	write-offs	other		of interest	other	of interest	other		
A. Guarantees given	-	-10	-2	-	29	-	-	17	60
B. Credit derivatives	-	-	-	-	1	-	-	1	-2
C. Commitments to lend funds	-	-	-	-	-	-	9	9	-23
D. Other operations	-	-	-	-	-	-	-	-	-
E. Total	**-**	**-10**	**-2**	**-**	**30**	**-**	**9**	**27**	**35**

SECTION 9 - ADMINISTRATIVE EXPENSES - CAPTION 150

9.1 Personnel expenses: breakdown

(in millions of euro)

	2006	2005
1) Personnel employed	**2,451**	**2,120**
a) wages and salaries	1,482	1,419
b) social security charges	396	399
c) termination indemnities	-	-
d) supplementary benefits	-	-
e) provisions for termination indemnities	104	101
f) provisions for post employment benefits	10	15
- defined contribution plans	-	-
- defined benefit plans	*10*	*15*
g) payments to external pension funds	68	66
- defined contribution plans	*68*	*66*
- defined benefit plans	-	-
h) costs from share based payments	18	64
i) other benefits in favour of employees	373	56
2) Other personnel	**-47**	**-48**
3) Directors	**6**	**2**
Total	**2,410**	**2,074**

Provisions to employee termination indemnities determined on the basis of Art. 2120 of the Italian Civil Code amounted to 109 million euro.
As provided for by Bank of Italy instructions, personnel expenses includes cost of Bank employees seconded to Group companies. Related net recoveries are highlighted in the subcaption Other personnel and amounted to 40 million euro.
Personnel expenses in point h) includes the charge of 20 million euro, related to the assignment for free of shares to employees authorised by the Ordinary Shareholders' Meeting of 1st December 2006, as illustrated in Part I of the present notes, as well as the reversal to the statement of income of the positive balance relative to the assignment for free of shares to employees recorded in 2005 for 2 million euro.
The amount referred to Directors included, for 2006, leaving indemnities of approximately 2 million euro.

9.2 Average number of employees by categories

	2006	2005
Personnel employed		
a) managers	439	458
b) total officers	12,342	11,141
of which 3rd and 4th level	*4,929*	*4,687*
c) other employees	17,344	19,345
Other personnel	97	121
Total	**30,222**	**31,065**

9.3 Post employment defined benefit plans: total expense

(in millions of euro)

Total expense recognised in the statement of income	2006	2005
a. Current service cost	6	13
b. Interest cost	9	7
c. Expected return on plan assets	-5	-5
d. Actuarial gains and losses recognised	-	-
e. Past service cost	-	-
f. Loss (Income) due to curtailments and settlements	-	-

9.4 Other benefits in favour of employees

The balance of the caption as at 31st December 2006 amounted to 373 million euro, of which 313 million euro referred to incentive-driven exit plans. The remaining 60 million euro essentially referred to contributions to Cassa Assistenza Mutua (22 million euro), lunch contributions (24 million euro) and other minor benefits (6 million euro).

9.5 Other administrative expenses: breakdown

(in millions of euro)

	2006	2005
Indirect taxes and duties	239	246
Information technology, processing and data processing services	359	338
Rentals and service charges - real estate	136	144
Expenses for consultancy fees	92	118
Postal, telegraphic and delivery services	54	44
Telephonic, teletransmission and transmission expenses	49	59
Legal expenses	25	24
Expenses for maintenance of real estate assets	7	7
Expenses for maintenance of furniture and equipments	21	21
Advertising and promotional expenses	81	67
Transport services	36	36
Lighting, central heating and air conditioning	44	41
Printing, stationery and consumables	21	19
Training expenses and reimbursements to personnel	53	42
Security services	19	19
Information expenses	21	22
Insurance premiums	20	18
Cleaning services	21	22
Rentals of property and equipment	11	13
Data storage and document processing	12	13
Costs reimbursed to Group companies	5	18
Integration charges	6	-
Other costs	72	65
Total	**1,404**	**1,396**

SECTION 10 - NET PROVISIONS FOR RISKS AND CHARGES - CAPTION 160

10.1 Net provisions for risks and charges: breakdown

The caption Net provisions for risks and charges, which amounted to 144 million euro, recorded the provisions attributable to the year relative to legal disputes for 125 million euro and future charges on equity investments for 19 million euro. The amounts listed above included a 12 million euro increase due to time value.

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	-163	-	-	-163
- used in operations	*-163*	-	-	*-163*
- investment	-	-	-	-
A.2 Acquired in finance lease	-	-	-	-
- used in operations	-	-	-	-
- investment	-	-	-	-
Total	**-163**	**-**	**-**	**-163**

As concerns the determination of impairment losses, please refer to 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	-201	-	-	-201
- internally generated	*-175*	-	-	*-175*
- other	*-26*	-	-	*-26*
A.2 Acquired in finance lease	-	-	-	-
Total	**-201**	**-**	**-**	**-201**

SECTION 13 – OTHER OPERATING EXPENSES (INCOME) - CAPTION 190

13.1 Other operating expenses: breakdown

(in millions of euro)

	2006	2005
Items to be reconciliated	3	5
Charges for litigations and provisions for customer restorations	7	8
Burglaries and rubberies	6	9
Amortisation of leasehold improvements	26	22
Other	25	38
Total	**67**	**82**

13.2 Other operating income: breakdown

(in millions of euro)

	2006	2005
Income on securitisations	-	-
Recovery of insurance costs	2	3
Recovery of other expenses	2	3
Recovery of taxes and interest of previous years	9	4
Cheques prescribed	6	9
Recovery of rents paid	10	10
Recovery of services rendered to Group companies	165	133
Recovery of taxes and duties	208	215
Other	63	44
Total	**465**	**421**

SECTION 14 – PROFITS (LOSSES) ON EQUITY INVESTMENTS - CAPTION 210

14.1 Profits (Losses) on equity investments: breakdown

(in millions of euro)

	2006	2005
A. Profit	**254**	**264**
1. Revaluations	-	-
2. Profits on disposal	50	87
3. Write-backs	204	177
4. Other	-	-
B. Losses	**-40**	**-63**
1. Write-downs	-	-
2. Impairment losses	-13	-63
3. Losses on disposal	-2	-
4. Other	-25	-
Net result	**214**	**201**

Profits on equity investments essentially reflected the write-back on the equity investment in Intesa Holding International for 183 million euro.

SECTION 15 - VALUATION DIFFERENCES ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE - CAPTION 220

Caption not applicable to Banca Intesa.

SECTION 16 – GOODWILL IMPAIRMENT - CAPTION 230

16.1 Goodwill impairment: breakdown

Banca Intesa did not record any goodwill under assets.

SECTION 17 – PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - CAPTION 240

17.1 Profits (Losses) on disposal of investments: breakdown

(in millions of euro)

	2006	2005
A. Real estate assets	46	9
- profits on disposal	*46*	*13*
- losses on disposal	-	*-4*
B. Other assets	-	-
- profits on disposal	-	-
- losses on disposal	-	-
Net result	**46**	**9**

SECTION 18 - TAXES ON INCOME FROM CONTINUING OPERATIONS - CAPTION 260

18.1 Taxes on income from continuing operations: breakdown

(in millions of euro)

	2006	2005
1. Current taxes (-)	-670	-206
2. Changes in current taxes of previous years (+/-)	36	-
3. Reduction in current taxes of the year (+)	60	-
4. Changes in deferred tax assets (+/-)	-82	-572
5. Changes in deferred tax liabilities (+/-)	-6	168
6. Taxes on income for the year (-) (-1+/-2+3+/-4+/-5)	**-662**	**-610**

18.2 Reconciliation of theoretical tax charge to total income tax expense for the period

(in millions of euro)

	2006
Income before tax from continuing operations	2,903
Income before tax from discontinued operations	-
Theoretical taxable income	**2,903**

(in millions of euro)

	2006
Income tax - Theoretical tax expense	958
- income exempt or subject to reduced income tax rates	*-486*
- income subject to definitive witholding tax	*-7*
- non deductible expenses (in total or partially)	*76*
- deductible foreign figurative witholding tax	*-16*
- benefits from consolidation	*-7*
- taxes relative to previous years	*-92*
Income tax - Effective tax expense	**426**
IRAP - Theoretical tax expense	*150*
- income/expense not included in taxable income	*78*
- other	*-12*
- taxes relative to previous years	*-4*
IRAP - Effective tax expense	*212*
Other taxes	*24*
Total income tax expense for the period	**662**
of which: taxes on income from continuing operations	662
taxes on income from discontinued operations	-

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)

	2006	2005
Discontinued operations		
1. Income	-	-
2. Charges	-	-23
3. Valuation differences on discontinued operations and related liabilities	-	-
4. Profits (Losses) on disposal	-	-10
5 Taxes and duties	-	11
Income (Losses)	**-**	**-22**

19.2 Breakdown of taxes on discontinued operations

(in millions of euro)

	2006	2005
1. Current taxes (-)	-	11
2. Changes in deferred tax assets (+/-)	-	-
3. Changes in deferred tax liabilities (-/+)	-	-
4. Income taxes (-1 +/-2 +/-3)	**-**	**11**

SECTION 20 – OTHER INFORMATION

There is no further information in addition to that already provided in the previous sections.

SECTION 21 – EARNINGS PER SHARE

Earnings per share

	2006			2005		
	Attributable net income [*] (in millions of euro)	Weighted average number of ordinary shares	Euro	Attributable net income [*] (in millions of euro)	Weighted average number of ordinary shares	Euro
Basic EPS	2,099.4	6,002,261,619	0.350	1,338.8	5,955,380,517	0.225
Diluted EPS	2,099.4	6,002,261,619	0.350	1,338.8	5,963,635,153	0.224

[*] Net income calculated deducting dividend attributed to saving shares and net income attributed to Allowance for charitable contributions.

Net income attributable to ordinary shares

(in millions of euro)

	2006	2005
Net income	2,240.9	1,564.2
minus		
dividends attributed to saving shares	-131.5	-215.4
portion of net income attributed to Allowance for charitable contributions	-10.0	-10.0
Net income attributable to ordinary shares [a]	**2,099.4**	**1,338.8**

[a] For EPS purposes.

Weighted average number of ordinary shares (for diluted EPS)

	31.12.2006	31.12.2005
Weighted average number of ordinary shares outstanding (for basic EPS)	**6,002,261,619**	**5,955,380,517**
plus		
Weighted dilutive effect due to the potential exercise of stock options	0	8,254,636
Weighted average number of ordinary shares after dilutive effect (for diluted EPS)	**6,002,261,619**	**5,963,635,153**

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 Banca Intesa. For qualitative information on management and monitoring of risks, please refer to 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 geographic 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 Banca Intesa for collective measurement of performing loans based on parameters that include "Country risk".
For this purpose it must be noted that non-guaranteed exposures to Countries at risk, net of the collective measurement portion, totalled 382 million euro equal to approximately 0.2% of total performing financial assets. Countries which presented the most significant exposures were Serbia and Montenegro for 205 million euro, Argentina for 61 million euro, British Virgin Islands for 53 million euro and Iran for 38 million euro.

A.1.1. Breakdown of financial assets by portfolio classification and credit quality (book value)

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk	Other Assets	Total
1. Financial assets held for trading	-	5	-	-	-	32,205	32,210
2. Financial assets available for sale	-	-	-	-	-	3,041	3,041
3. Investments held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	-	48,746	48,746
5. Loans to customers	822	1,705	40	83	-	109,664	112,314
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-	-
7. Financial assets under disposal	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	644	644
Total 31.12.2006	**822**	**1,710**	**40**	**83**	**-**	**194,300**	**196,955**
Total 31.12.2005	**573**	**2,107**	**-**	**466**	**-**	**185,856**	**189,002**

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	8	-3	-	5	X	X	32,205	32,210
2. Financial assets available for sale	-	-	-	-	3,041	-	3,041	3,041
3. Investments held to maturity	-	-	-	-	-	-	-	-
4. Due from banks	20	-20	-	-	48,765	-19	48,746	48,746
5. Loans to customers	5,145	-2,495	-	2,650	110,155	-491	109,664	112,314
6. Financial assets designated at fair value through profit and loss	-	-	-	-	X	X	-	-
7. Financial assets under disposal	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	X	X	644	644
Total 31.12.2006	**5,173**	**-2,518**	**-**	**2,655**	**161,961**	**-510**	**194,300**	**196,955**
Total 31.12.2005	**5,183**	**-2,037**	**-**	**3,146 -**	**146,428**	**-499**	**185,856**	**189,002**

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	20	-20	-	-
b) Substandard loans	-	-	-	-
c) Restructured exposures	-	-	-	-
d) Past due exposures	-	-	-	-
e) Country risk	-	X	-	-
f) Other assets	58,024	X	-19	58,005
Total A	**58,044**	**-20**	**-19**	**58,005**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	-	-	-	-
b) Other	21,869	X	-15	21,854
Total B	**21,869**	**-**	**-15**	**21,854**

On-balance sheet exposures includes all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.4. On-balance sheet exposures to banks: changes in gross non-performing exposures and gross exposures subject to "Country risk"

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial gross exposure	**6**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**14**	**-**	**-**	**-**	**-**
B.1 inflows from performing exposures	-	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	14	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**
C.1 outflows to performing exposures	-	-	-	-	-
C.2 write-offs	-	-	-	-	-
C.3 repayments	-	-	-	-	-
C.4 credit disposals	-	-	-	-	-
C.5 transfers to other non-performing exposure categories	-	-	-	-	-
C.6 other decreases	-	-	-	-	-
D. Final gross exposure	**20**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures includes all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.5. On-balance sheet exposures to banks: changes in total adjustments

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial total adjustments	**6**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**14**	**-**	**-**	**-**	**-**
B.1 impairment losses	-	-	-	-	-
B.2 transfers from other non-performing exposure categories	-	-	-	-	-
B.3 other increases	14	-	-	-	-
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	-	-	-	-	-
D. Final total adjustments	**20**	**-**	**-**	**-**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures includes all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.6. On- and off-balance sheet exposures to customers: gross and net values

(in millions of euro)

	Gross exposure	Individual adjustments	Collective adjustments	Net exposure
A. ON-BALANCE SHEET EXPOSURES				
a) Doubtful loans	2,629	-1,807	-	822
b) Substandard loans	2,360	-655	-	1,705
c) Restructured exposures	68	-28	-	40
d) Past due exposures	88	-5	-	83
e) Country risk	-	X	-	-
f) Other assets	127,799	X	-491	127,308
Total A	**132,944**	**-2,495**	**-491**	**129,958**
B. OFF-BALANCE SHEET EXPOSURES				
a) Non-performing	253	-107	-	146
b) Other	74,111	X	-109	74,002
Total B	**74,364**	**-107**	**-109**	**74,148**

On-balance sheet exposures includes all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.7. On-balance sheet exposures to customers: changes in gross non-performing exposures and gross exposures subject to "Country risk"

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial gross exposure	**1,770**	**2,897**	**-**	**493**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**1,182**	**2,212**	**82**	**653**	**-**
B.1 inflows from performing loans	78	1,034	37	598	-
B.2 transfers from other non-performing exposure categories	947	918	45	15	-
B.3 other increases	157	260	-	40	-
C. Decreases	**-323**	**-2,749**	**-14**	**-1,058**	**-**
C.1 outflows to performing loans	-6	-825	-	-105	-
C.2 write-offs	-133	-59	-	-1	-
C.3 repayments	-153	-867	-2	-35	-
C.4 credit disposals	-15	-6	-	-	-
C.5 transfers to other non-performing exposure categories	-15	-981	-12	-917	-
C.6 other decreases	-1	-11	-	-	-
D. Final gross exposure	**2,629**	**2,360**	**68**	**88**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures includes all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.1.8. On-balance sheet exposures to customers: changes in total adjustments

(in millions of euro)

	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Country risk
A. Initial total adjustments	**1,197**	**801**	**-**	**28**	**-**
- of which exposures sold not derecognised	-	-	-	-	-
B. Increases	**859**	**410**	**28**	**7**	**-**
B.1 impairment losses	408	297	1	7	-
B.2 transfers from other non-performing exposure categories	232	-	27	-	-
B.3 other increases	219	113	-	-	-
C. Decreases	**-249**	**-556**	**-**	**-30**	**-**
C.1 recoveries on impairment losses	-60	-93	-	-3	-
C.2 recoveries on repayments	-37	-159	-	-	-
C.3. write-offs	-133	-59	-	-1	-
C.4 transfers to other non-performing exposure categories	-	-237	-	-22	-
C.5. other decreases	-19	-8	-	-4	-
D. Final total adjustments	**1,807**	**655**	**28**	**5**	**-**
- of which exposures sold not derecognised	-	-	-	-	-

On-balance sheet exposures includes all on-balance sheet financial assets, irrespective of their portfolio of allocation in the financial statements: trading, available for sale, held to maturity, loans, assets designated at fair value through profit and loss, discontinued operations.

A.2. Classification of exposures based on external and internal ratings

The following tables contain the percentage breakdown of gross on- and off-balance sheet exposures by classes of external and internal ratings.
The tables include exposures to Group companies.
55.7% of exposures referred to customers with external ratings (the percentage increases to 86.6% with reference to ratings attributed internally by the Group). Approximately 78% of exposures, including securities and derivatives, had an investment grade internal rating, that is a rating between AAA and BBB in Standard & Poor's scale.

A.2.1. Breakdown of on- and off-balance sheet exposures by external rating classes

The table contains percentage breakdown of exposures referred to customers with an external rating given by a Rating agency. The external ratings of Moody's, S&P's and Fitch are used, applying priority criteria in the assignment when more than one agency rating exists. Exposures referred to customers without a rating are classified in the "Unrated" column.
The exposure breakdown is provided using S&P's scale; ratings from other agencies are converted using a mapping table.
Exposures in default are included in the column "Under B-".

	External rating classes						Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Under B-		
A. On-balance sheet exposures	**25.1%**	**2.5%**	**1.4%**	**0.3%**	**0.1%**	**2.1%**	**36.4%**	**67.9%**
B. Derivatives	**3.9%**	**4.1%**	**5.3%**	**2.7%**	**1.0%**	**-**	**0.6%**	**17.6%**
B.1. Financial derivatives	0.6%	0.3%	-	-	-	-	-	0.9%
B.2. Credit derivatives	3.3%	3.8%	5.3%	2.7%	1.0%	-	0.6%	16.7%
C. Guarantees given	**4.4%**	**0.3%**	**0.2%**	**0.2%**	**0.3%**	**0.1%**	**5.8%**	**11.3%**
D. Commitments to lend funds	**1.6%**	**-**	**0.2%**	**-**	**-**	**-**	**1.4%**	**3.2%**
Total	**35.0%**	**6.9%**	**7.1%**	**3.2%**	**1.4%**	**2.2%**	**44.2%**	**100.0%**
Total on rated portion	**62.8%**	**12.4%**	**12.7%**	**5.9%**	**2.2%**	**4.0%**		

A.2.2. Breakdown of on- and off-balance sheet exposures by internal rating classes

The table contains percentage breakdown of exposures referred to customers with an internal rating. Exposures referred to customers without a rating are classified in the "Unrated" column.
Exposures in default are included in class D.
Internal probabilities of default (PD), calculated according to the various internal rating models used, are combined in a single "Master Scale" which has 13 classes defined according to the following ranges of values, which are compared with the corresponding S&P ratings:

Classes	PD range				External rating S&P
1	0	< PD	≤	0.001	AAA / A-
2	0.001	< PD	≤	0.002	BBB+
3	0.002	< PD	≤	0.0035	BBB+/BBB
4	0.0035	< PD	≤	0.005	BBB/BBB-
5	0.005	< PD	≤	0.0075	BBB-/BB+
6	0.0075	< PD	≤	0.01	BB+
7	0.01	< PD	≤	0.015	BB+/BB
8	0.015	< PD	≤	0.02	BB
9	0.02	< PD	≤	0.03	BB-
10	0.03	< PD	≤	0.05	B+
11	0.05	< PD	≤	0.1	B+/B
12	0.1	< PD	≤	0.2	B-/CCC
13	0.2	< PD	≤	0.99	CCC
D	PD		=	1	D

	Internal rating classes														Unrated	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	D		
A. On-balance sheet exposures	**28.5%**	**2.8%**	**3.7%**	**5.3%**	**6.4%**	**2.1%**	**2.1%**	**1.2%**	**1.3%**	**1.3%**	**0.9%**	**0.5%**	**0.4%**	**2.0%**	**9.4%**	**67.9%**
B. Derivatives	**7.9%**	**-**	**2.0%**	**2.7%**	**0.6%**	**-**	**1.4%**	**0.8%**	**0.6%**	**-**	**0.8%**	**-**	**-**	**-**	**0.8%**	**17.6%**
B.1. Financial derivatives	0.7%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2%	0.9%
B.2. Credit derivatives	7.2%	-	2.0%	2.7%	0.6%	-	1.4%	0.8%	0.6%	-	0.8%	-	-	-	0.6%	16.7%
C. Guarantees given	**4.6%**	**0.9%**	**0.7%**	**0.2%**	**1.0%**	**0.2%**	**0.4%**	**0.2%**	**0.1%**	**0.2%**	**0.4%**	**0.1%**	**-**	**0.1%**	**2.2%**	**11.3%**
D. Commitments to lend funds	**1.3%**	**0.1%**	**0.1%**	**-**	**0.2%**	**0.1%**	**0.1%**	**0.1%**	**-**	**0.1%**	**-**	**-**	**-**	**-**	**1.1%**	**3.2%**
Total	**42.3%**	**3.8%**	**6.5%**	**8.2%**	**8.2%**	**2.4%**	**4.0%**	**2.3%**	**2.0%**	**1.6%**	**2.1%**	**0.6%**	**0.4%**	**2.1%**	**13.5%**	**100.0%**
Total on rated portion	**48.8%**	**4.4%**	**7.6%**	**9.5%**	**9.5%**	**2.7%**	**4.5%**	**2.7%**	**2.3%**	**1.7%**	**2.5%**	**0.7%**	**0.5%**	**2.6%**		

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	**176**	**1,127**	**57,791**	**8,747**	**67,841**
COLLATERAL [(1)]					
Real estate assets	-	-	94,993	251	95,244
Securities	-	-	1,804	521	2,325
Other assets	-	-	2,856	1,425	4,281
GUARANTEES [(1)]					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	*348*	-	*348*
Other counterparties	-	-	-	-	-
Guarantees given					
Governments	-	-	*29*	*15*	*44*
Other public entities	*255*	-	*39*	*3*	*297*
Banks	*26*	*72*	*496*	*344*	*938*
Other counterparties	*1,376*	*20*	*66,372*	*1,601*	*69,369*
TOTAL GUARANTEES [(1)]	**1,657**	**92**	**166,937**	**4,160**	**172,846**

(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**	**6**	**4,400**	**2,086**	**6,493**
COLLATERAL [(1)]					
Real estate assets	-	-	22	-	22
Securities	-	-	141	85	226
Other assets	-	-	618	69	687
GUARANTEES [(1)]					
Credit derivatives					
Governments	-	-	-	-	-
Other public entities	-	-	-	-	-
Banks	-	-	*152*	-	*152*
Other counterparties	-	-	-	-	-
Guarantees given					
Governments	-	-	-	-	-
Other public entities	-	-	*12*	-	*12*
Banks	*2*	-	*111*	*372*	*485*
Other counterparties	-	-	*5,115*	*788*	*5,903*
TOTAL GUARANTEES [(1)]	**2**	**-**	**6,171**	**1,314**	**7,487**

(1) Fair value of the guarantee, or if difficult to determine, contractual value.

A.3.3. Non-performing guaranteed on-balance sheet exposures to banks and customers

(in millions of euro)

	GUARANTEED EXPOSURES TO BANKS				GUARANTEED EXPOSURES TO CUSTOMERS			
	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%	Over 150%	Between 100% and 150%	Between 50% and 100%	Up to 50%
EXPOSURE	-	-	-	-	1,165	438	-	586
AMOUNT GUARANTEED	-	-	-	-	1,683	644	-	38
COLLATERAL (1)								
Real estate assets	-	-	-	-	3,371	693	-	21
Securities	-	-	-	-	5	3	-	1
Other assets	-	-	-	-	11	2	-	1
GUARANTEES (1)								
Credit derivatives								
Governments and Central Ba	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other counterparties	-	-	-	-	-	-	-	-
Guarantees given								
Governments and Central Ba	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	-	-
Banks	-	-	-	-	*2*	*4*	-	-
Financial institutions	-	-	-	-	*54*	*2*	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	*1,174*	*49*	-	*6*
Other counterparties	-	-	-	-	*2,454*	*83*	-	*10*
TOTAL GUARANTEES (1)	-	-	-	-	7,071	836	-	39
EXCESS FAIR VALUE GUARANTEE	-	-	-	-	5,388	192	-	1

(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	-	-	-	-	5	2	-	137
AMOUNT GUARANTEED	-	-	-	-	6	2	-	1
COLLATERAL (1)								
Real estate assets	-	-	-	-	-	-	-	-
Securities	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	1	-	-
GUARANTEES (1)								
Credit derivatives								
Governments and Central Ba	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-
Other counterparties	-	-	-	-	-	-	-	-
Guarantees given								
Governments and Central Ba	-	-	-	-	-	-	-	-
Other public entities	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-
Insurance companies	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	*111*	*2*	-	-
Other counterparties	-	-	-	-	*16*	-	-	-
TOTAL GUARANTEES (1)	-	-	-	-	127	3	-	-
EXCESS FAIR VALUE GUARANTEE	-	-	-	-	121	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 31.12.2006	TOTAL 31.12.2005
	Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures		Doubtful loans	Substandard loans	Restructured exposures	Past due exposures	Other exposures			
GOVERNMENTS AND CENTRAL BANKS														
Gross exposure	-	-	-	-	2,444	2,444	-	-	-	-	781	781	3,225	6,645
Specific impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net exposure	-	-	-	-	2,444	2,444	-	-	-	-	781	781	3,225	6,645
OTHER PUBLIC ENTITIES														
Gross exposure	-	3	-	-	436	439	-	-	-	-	2,018	2,018	2,457	8,010
Specific impairment losses	-	-1	-	-	-	-1	-	-	-	-	-	-	-1	-
Portfolio impairment losses	-	-	-	-	-1	-1	-	-	-	-	-	-	-1	-3
Net exposure	-	2	-	-	435	437	-	-	-	-	2,018	2,018	2,455	8,007
FINANCIAL INSTITUTIONS														
Gross exposure	257	96	-	2	31,987	32,342	-	4	-	-	18,008	18,012	50,354	51,329
Specific impairment losses	-250	-42	-	-	-	-292	-	-1	-	-	-	-1	-293	-273
Portfolio impairment losses	-	-	-	-	-16	-16	-	-	-	-	-2	-2	-18	-30
Net exposure	7	54	-	2	31,971	32,034	-	3	-	-	18,006	18,009	50,043	51,026
INSURANCE COMPANIES														
Gross exposure	-	-	-	-	2,826	2,826	-	-	-	-	326	326	3,152	2,482
Specific impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio impairment losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net exposure	-	-	-	-	2,826	2,826	-	-	-	-	326	326	3,152	2,482
NON-FINANCIAL COMPANIES														
Gross exposure	1,946	1,672	68	56	60,223	63,965	100	136	8	-	50,491	50,735	114,700	112,130
Specific impairment losses	-1,346	-506	-28	-3	-	-1,883	-51	-55	-	-	-	-106	-1,989	-1,563
Portfolio impairment losses	-	-	-	-	-415	-415	-	-	-	-	-106	-106	-521	-495
Net exposure	600	1,166	40	53	59,808	61,667	49	81	8	-	50,385	50,523	112,190	110,072
OTHER COUNTERPARTIES														
Gross exposure	426	589	-	30	29,883	30,928	1	4	-	-	2,487	2,492	33,420	32,241
Specific impairment losses	-211	-106	-	-2	-	-319	-	-	-	-	-	-	-319	-306
Portfolio impairment losses	-	-	-	-	-59	-59	-	-	-	-	-1	-1	-60	-60
Net exposure	215	483	-	28	29,824	30,550	1	4	-	-	2,486	2,491	33,041	31,875

B.2. Breakdown of loans to non-financial companies

(in millions of euro)

Counterparties	**31.12.2006**
Non-financial companies and family-run businesses	54,800
- wholesale and retail trade, recovery and repairs	*8,197*
- construction and public works	*7,093*
- metal products, excluding cars and means of transport	*1,774*
- food products, beverages and tobacco-based products	*1,765*
- textiles, leather and footwear, clothing	*2,022*
- agricultural and forestry products and fishing	*1,970*
- agricultural and industrial machinery	*1,717*
- hotel and catering	*1,254*
- energy products	*1,824*
- other industrial products	*1,379*
- minerals and non-metal mineral based products	*1,041*
- paper, paper products, printed products and publishing	*832*
- chemical products	*1,079*
- electric materials and supplies	*1,270*
- rubber and plastic products	*937*
- other services for sale	*16,130*
- other non-financial companies	*4,516*
Total	**54,800**

B.3. Breakdown of on- and off-balance sheet exposures to customers by geographic area (book value)

(in millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	2,379	816	217	2	12	1	21	3	-	-
A.2. Substandard loans	2,200	1,621	97	58	35	10	11	1	17	15
A.3. Restructured exposures	68	40	-	-	-	-	-	-	-	-
A.4. Past due exposures	88	83	-	-	-	-	-	-	-	-
A.5. Other exposures	107,963	107,493	9,773	9,760	8,611	8,606	1,160	1,158	292	291
Total A	**112,698**	**110,053**	**10,087**	**9,820**	**8,658**	**8,617**	**1,192**	**1,162**	**309**	**306**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	101	50	1	-	-	-	-	-	-	-
B.2. Substandard loans	132	80	5	4	-	-	3	2	3	3
B.3. Restructured exposures	8	7	-	-	-	-	-	-	-	-
B.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
B.5. Other exposures	28,665	28,581	23,688	23,667	20,013	20,011	473	472	1,272	1,271
Total B	**28,906**	**28,718**	**23,694**	**23,671**	**20,013**	**20,011**	**476**	**474**	**1,275**	**1,274**
TOTAL (A+B) 31.12.2006	**141,604**	**138,771**	**33,781**	**33,491**	**28,671**	**28,628**	**1,668**	**1,636**	**1,584**	**1,580**
TOTAL 31.12.2005	**142,296**	**139,921**	**32,137**	**31,875**	**33,970**	**33,911**	**2,796**	**2,768**	**1,638**	**1,632**

B.4. Breakdown of on- and off-balance sheet exposures to banks by geographic area (book value)

(in millions of euro)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. ON-BALANCE SHEET EXPOSURES										
A.1. Doubtful loans	-	-	5	-	13	-	-	-	2	-
A.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5. Other exposures	37,611	37,609	17,938	17,932	681	678	1,437	1,429	357	357
Total A	**37,611**	**37,609**	**17,943**	**17,932**	**694**	**678**	**1,437**	**1,429**	**359**	**357**
B. OFF-BALANCE SHEET EXPOSURES										
B.1. Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2. Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3. Restructured exposures	-	-	-	-	-	-	-	-	-	-
B.4. Past due exposures	-	-	-	-	-	-	-	-	-	-
B.5. Other exposures	3,127	3,126	16,149	16,143	1,490	1,489	884	878	219	218
Total B	**3,127**	**3,126**	**16,149**	**16,143**	**1,490**	**1,489**	**884**	**878**	**219**	**218**
TOTAL (A+B) 31.12.2006	**40,738**	**40,735**	**34,092**	**34,075**	**2,184**	**2,167**	**2,321**	**2,307**	**578**	**575**
TOTAL 31.12.2005	**28,110**	**28,106**	**29,189**	**29,138**	**2,785**	**2,781**	**2,200**	**2,195**	**282**	**281**

B.5. Large credit risks

Large credit risks	31.12.2006	31.12.2005
a) Amount (in millions of euro)	2,098	4,650
b) Number	1	2

C. SECURITISATIONS AND ASSET SALES

C.1. Securitisations

Quantitative information

C.1.1. Breakdown of exposures deriving from securitisations by quality of underlying asset

On-balance sheet

(in millions of euro)

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure
A. Originated underlying assets	**8**	**8**	**160**	**141**	**98**	**103**
a) Non-performing	-	-	*90*	*70*	*34*	*38*
b) Other	*8*	*8*	*70*	*71*	*64*	*65*
B. Third party underlying assets	**7,003**	**6,988**	**1,660**	**1,659**	**-**	**-**
a) Non-performing	*1*	*1*	*5*	*5*	-	-
b) Other	*7,002*	*6,987*	*1,655*	*1,654*	-	-
Total	**7,011**	**6,996**	**1,820**	**1,800**	**98**	**103**

Off-balance sheet

(in millions of euro)

	Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure	gross exposure	net exposure
A. Originated underlying assets	**50**	**50**	**-**	**-**	**20**	**20**	**-**	**-**	**-**	**-**	**-**	**-**
a) Non-performing	*37*	*37*	-	-	-	-	-	-	-	-	-	-
b) Other	*13*	*13*	-	-	*20*	*20*	-	-	-	-	-	-
B. Third party underlying assets	**-**	**-**	**61**	**61**	**42**	**42**	**-**	**-**	**1,093**	**1,093**	**-**	**-**
a) Non-performing	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	-	-	*61*	*61*	*42*	*42*	-	-	*1,093*	*1,093*	-	-
Total	**50**	**50**	**61**	**61**	**62**	**62**	**-**	**-**	**1,093**	**1,093**	**-**	**-**

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	**-**	**-**	**70**	**-20**	**103**	**5**
A.1 Intesa Sec 2						
- performing residential mortgages	*-*	*-*	*-*	*-*	*56*	*-*
A.2 Intesa Sec						
- performing mortgages	*-*	*-*	*-*	*-*	*9*	*1*
A.3 Intesa Sec Npl						
- doubtful mortgages	*-*	*-*	*70*	*-20*	*38*	*4*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**8**	**-**	**71**	**1**	**-**	**-**
C.1 Da Vinci						
- loans to the aircraft and aeronautic sector	*8*	*-*	*-*	*-*	*-*	*-*
C.2 Vespucci						
- asset backed securities and collateralised debt obligations	*-*	*-*	*71*	*1*	*-*	*-*
Total	**8**	**-**	**141**	**-19**	**103**	**5**

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 occurred prior to 1st 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	**50**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Intesa Sec												
- performing mortgages	*13*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
A.2 Intesa Sec Npl												
- doubtful mortgages	*37*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
B. Partly derecognised	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	**-**	**-**	**-**	**-**	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Da Vinci												
- loans to the aircraft and aeronautic sector	*-*	*-*	*-*	*-*	*20*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Total	**50**	**-**	**-**	**-**	**20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 Aca						
- securities	*135*	*-*	*-*	*-*	*-*	*-*
A.2 AYT Cedulas						
- public sector financing	*268*	*-2*	*-*	*-*	*-*	*-*
A.3 Bryn						
- loans	*96*	*-*	*-*	*-*	*-*	*-*
A.4 CallidusDebt Partners						
- securities	*52*	*-*	*-*	*-*	*-*	*-*
A.5 Diocleziano						
- land, industrial and public entities mortgages	*91*	*-1*	*-*	*-*	*-*	*-*
A.6 Duchess						
- securities	*181*	*-*	*-*	*-*	*-*	*-*
A.7 Fort Sheridan						
- securities	*174*	*-*	*-*	*-*	*-*	*-*
A.8 Geldilux						
- loans	*207*	*-*	*-*	*-*	*-*	*-*
A.9 Jupiter						
- securities	*183*	*-*	*-*	*-*	*-*	*-*
A.10 Justine						
- health receivables	*102*	*-*	*-*	*-*	*-*	*-*
A.11 Landmark						
- securities	*67*	*-*	*-*	*-*	*-*	*-*
A.12 Rhodium						
- securities	*199*	*-*	*-*	*-*	*-*	*-*
A.13 Saturn Ventures						
- securities	*104*	*-*	*-*	*-*	*-*	*-*
A.14 Soc. Cart. Crediti INPS						
- social security benefits	*642*	*-*	*-*	*-*	*-*	*-*
A.15 SCIP						
- real estate assets	*71*	*-*	*-*	*-*	*-*	*-*
A.16 Smstr						
- securities	*182*	*-*	*-*	*-*	*-*	*-*
A.17 Società di Cartolarizzazione Italiana Crediti 1						
- personal loans	*222*	*-2*	*-*	*-*	*-*	*-*
A.18 Stone Tower						
- securities	*76*	*-*	*-*	*-*	*-*	*-*
A.19 Zoo						
- Cdo of Abs	*100*	*-*	*-*	*-*	*-*	*-*
A.20 Portfolio of investment grade ABS securities subject to unitary management	*217*	*-*	*-*	*-*	*-*	*-*
A.21 Residual portfolio divided in 618 securities	*3,619*	*-10*	*1,659*	*-1*	*-*	*-*
Total	**6,988**	**-15**	**1,659**	**-1**	**-**	**-**

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	-	-	-	-	-	-	-	-	*717*	-	-	-
A. 2 Manzoni												
- asset Backed Securities	-	-	-	-	*2*	-	-	-	-	-	-	-
A. 3 Pearls												
- credit derivatives	-	-	-	-	*40*	-	-	-	-	-	-	-
A. 4 Romulus												
- asset backed securities and collateralised debt obligations	-	-	*61*	-	-	-	-	-	*376*	-	-	-
Total	**-**	**-**	**61**	**-**	**42**	**-**	**-**	**-**	**1,093**	**-**	**-**	**-**

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	6,866	1,621	-	-	-	-
Financial assets - fair value option	-	-	-	-	-	-
Financial assets available for sale	122	108	47	-	-	-
Investments held to maturity	-	-	-	-	-	-
Loans (**)	-	-	56	50	1,154	42
Total 31.12.2006	**6,988**	**1,729**	**103**	**50**	**1,154**	**42**
Total 31.12.2005	**6,638**	**580**	**126**	**50**	**1,289**	**-**

(*) 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 79 million euro and of 20 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 credit

(in millions of euro)

	Traditional securitisations	Synthetic securitisations
A. Originated underlying assets	**491**	**496**
A.1 Fully derecognised	491	*X*
1. Doubtful loans	*159*	*X*
2. Substandard loans	-	*X*
3. Restructured exposures	-	*X*
4. Past due exposures	-	*X*
5. Other assets	*332*	*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	-	496
1. Doubtful loans	-	-
2. Substandard loans	-	-
3. Restructured exposures	-	-
4. Past due exposures	-	-
5. Other assets	-	*496*
B. Third party underlying assets	**-**	**529**
1. Doubtful loans	-	-
2. Substandard loans	-	-
3. Restructured exposures	-	-
4. Past due exposures	-	-
5. Other assets	-	529

C.1.6. Equity stakes in special purpose vehicles

Name	Registered office	% Stake
Intesa Lease Sec	Milano	60.00%
Intesa Sec	Milano	60.00%
Intesa Sec 2	Milano	60.00%
Intesa Sec 3	Milano	60.00%
Intesa Sec Npl	Milano	60.00%
Intesa Sec Npl 2	Milano	100.00%
Augusto	Milano	5.00%
Colombo	Milano	5.00%
Diocleziano	Milano	5.00%

C.1.7. Servicer activities – repayments on securitised loans and reimbursements of securities issued by special purpose vehicles

Special purpose vehicles	Securitised assets (in millions of euro)		Collections of loans in the year (in millions of euro)		Percentage of reimbursed securities (period-end figure)					
					Senior		Mezzanine		Junionr	
	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
Intesa Sec	-	65	-	46	-	100.0	-	69.4	-	-
Intesa Sec 2	-	909	-	305	-	57.2	-	-	-	-
Totale	**-**	**974**	**-**	**351**						

C.2. Sales

C.2.1. Financial assets sold not derecognised

(in millions of euro)

	Cash assets					Derivatives	Total 31.12.2006	Total 31.12.2005
	Debt securities	Equities	UCITS	Loans	Non-performing assets			
FINANCIAL ASSETS HELD FOR TRADING	**3,211**	**-**	**-**	**-**	**-**	**-**	**3,211**	**3,959**
- Financial assets sold totally derecognised (book value)	3,211	-	-	-	-	-	3,211	3,959
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Financial assets sold totally derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
FINANCIAL ASSETS AVAILABLE FOR SALE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Financial assets sold totally derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
INVESTMENTS HELD TO MATURITY	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Financial assets sold totally derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
DUE FROM BANKS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Financial assets sold totally derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
LOANS TO CUSTOMERS	**-**	**-**	**-**	**3,577**	**-**	**-**	**3,577**	**-**
- Financial assets sold totally derecognised (book value)	-	-	-	3,577	-	-	3,577	-
- Financial assets sold partly derecognised (book value)	-	-	-	-	-	-	-	-
- Financial assets sold partly derecognised (full value)	-	-	-	-	-	-	-	-
Total 31.12.2006	**3,211**	**-**	**-**	**3,577**	**-**	**-**	**6,788**	
Total 31.12.2005	**3,959**	**-**	**-**	**-**	**-**	**-**		**3,959**

C.2.2. Financial liabilities associated to financial assets sold not derecognised

(in millions of euro)

	Due to customers		Due to banks		Total 31.12.2006	Total 31.12.2005
	Fully derecognised	Partly derecognised	Fully derecognised	Partly derecognised		
Financial assets held for trading	1,022	-	2,183	-	3,205	3,939
Financial assets measured at fair value	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-	-
Investments held to maturity	-	-	-	-	-	-
Due from banks	-	-	-	-	-	-
Loans to customers	-	-	-	-	-	-
Total 31.12.2006	**1,022**	**-**	**2,183**	**-**	**3,205**	
Total 31.12.2005	**1,197**	**-**	**2,742**	**-**		**3,939**

The sole financial liabilities associated to financial assets sold not derecognised referred to repurchase agreements, as shown in tables 1.1 Due to banks and 2.1 Due to customers.
No financial liabilities derived from the sale of loans which occurred with the Intesa Sec 3 securitisation were recorded. This sale, which will be completed with the issue of mortgage-backed securities by the vehicle company Sec 3, was temporarily financed by the vehicle with a loan disbursed by Banca Intesa, originator of the securitisation.
This loan is eliminated for the purposes of the Parent Company's financial statements.

D. MODELS FOR THE MEASUREMENT OF CREDIT RISK

The models for the measurement of credit risks are illustrated in Part E of the Notes to the consolidated financial statements.

SECTION 2 - MARKET RISKS

TRADING BOOK FOR SUPERVISORY PURPOSES

2.1. INTEREST RATE RISK – TRADING BOOK FOR SUPERVISORY PURPOSES

2.3. PRICE RISK – TRADING BOOK FOR SUPERVISORY PURPOSES

QUANTITATIVE INFORMATION

Banca Intesa's capital at risk is illustrated in Part E of the Notes to the consolidated financial statements.

BANKING BOOK

2.2. INTEREST RATE RISK – BANKING BOOK

2.4. PRICE RISK – BANKING BOOK

QUANTITATIVE INFORMATION

Banca Intesa's sensitivity analysis is illustrated in Part E of the Notes to the consolidated financial statements.

2.5. FOREIGN EXCHANGE RISK

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and derivatives

(in millions of euro)

	Currencies				
	US dollar	GB pound	Swiss franc	Yen	Other currencies
A. FINANCIAL ASSETS	**16,278**	**3,938**	**1,541**	**1,424**	**1,794**
A.1 Debt securities	9,338	2,868	213	1,024	385
A.2 Equities	14	-	1	-	-
A.3 Loans to banks	2,683	486	1,028	232	859
A.4 Loans to customers	4,243	584	299	168	550
A.5 Other financial assets	-	-	-	-	-
B. OTHER ASSETS	**636**	**15**	**6**	**2**	**65**
C. FINANCIAL LIABILITIES	**24,169**	**8,707**	**665**	**573**	**2,729**
C.1 Due to banks	14,121	2,548	633	175	1,791
C.2 Due to customers	7,498	713	32	305	256
C.3 Debt securities	2,165	5,446	-	65	682
C.4 Other financial liabilities	385	-	-	28	-
D. OTHER LIABILITIES	**600**	**72**	**1**	**19**	**72**
E. FINANCIAL DERIVATIVES	**41,012**	**11,970**	**1,942**	**2,935**	**7,978**
- Options	2,686	96	206	192	205
long positions	*959*	*83*	*103*	*57*	*103*
short positions	*1,727*	*13*	*103*	*135*	*102*
- Other derivatives	38,326	11,874	1,736	2,743	7,773
long positions	*23,444*	*8,370*	*419*	*970*	*4,311*
short positions	*14,882*	*3,504*	*1,317*	*1,773*	*3,462*
TOTAL ASSETS	**41,317**	**12,406**	**2,069**	**2,453**	**6,273**
TOTAL LIABILITIES	**41,378**	**12,296**	**2,086**	**2,500**	**6,365**
IMBALANCE (+/-)	**-61**	**110**	**-17**	**-47**	**-92**

2. Internal models and other analysis methodologies

Sensitivity analysis is illustrated in Part E of the Notes to the consolidated financial statements.

2.6. FINANCIAL DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1. Trading book for supervisory purposes: period-end and average notional values

(in millions of euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2006		Total 31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	**-**	**38,538**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**38,538**	**-**	**77,948**
2. Interest rate swaps	**-**	**380,483**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**380,483**	**-**	**464,944**
3. Domestic currency swaps	**-**	**-**	**-**	**-**	**-**	**591**	**-**	**-**	**-**	**591**	**-**	**448**
4. Currency interest rate swaps	**-**	**-**	**-**	**-**	**-**	**9,826**	**-**	**-**	**-**	**9,826**	**-**	**6,335**
5. Basis swaps	**-**	**32,135**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,135**	**-**	**44,960**
6. Exchange of stock indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
7. Exchange of real indexes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8. Futures	**33,265**	**-**	**121**	**-**	**7**	**-**	**6**	**-**	**33,399**	**-**	**74,879**	**-**
9. Caps	**-**	**20,119**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,119**	**-**	**21,491**
- Bought	-	10,510	-	-	-	-	-	-	-	10,510	-	21,491
- Issued	-	9,609	-	-	-	-	-	-	-	9,609	-	-
10. Floors	**-**	**14,622**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,622**	**-**	**24,440**
- Bought	-	10,807	-	-	-	-	-	-	-	10,807	-	15,880
- Issued	-	3,815	-	-	-	-	-	-	-	3,815	-	8,560
11. Other options	**19,456**	**10,234**	**339**	**9,641**	**-**	**3,205**	**-**	**-**	**19,795**	**23,080**	**3,122**	**36,477**
- Bought	10,356	5,665	144	7,320	-	1,700	-	-	10,500	14,685	2,413	10,390
Plain vanilla	*10,356*	*5,621*	*144*	*4,654*	*-*	*1,284*	*-*	*-*	*10,500*	*11,559*	*2,413*	*10,071*
Exotic	*-*	*44*	*-*	*2,666*	*-*	*416*	*-*	*-*	*-*	*3,126*	*-*	*319*
- Issued	9,100	4,569	195	2,321	-	1,505	-	-	9,295	8,395	709	26,087
Plain vanilla	*9,100*	*4,534*	*195*	*1,953*	*-*	*1,398*	*-*	*-*	*9,295*	*7,885*	*709*	*25,894*
Exotic	*-*	*35*	*-*	*368*	*-*	*107*	*-*	*-*	*-*	*510*	*-*	*193*
12. Forward contracts	**-**	**1,496**	**-**	**5**	**-**	**37,442**	**-**	**-**	**-**	**38,943**	**-**	**48,575**
- Purchases	-	503	-	4	-	13,481	-	-	-	13,988	-	17,747
- Sales	-	993	-	1	-	9,663	-	-	-	10,657	-	18,843
- Currency against currency	-	-	-	-	-	14,298	-	-	-	14,298	-	11,985
13. Other derivatives	**-**	**-**	**-**	**8,710**	**-**	**163**	**-**	**-**	**-**	**8,873**	**-**	**2,335**
TOTAL	**52,721**	**497,627**	**460**	**18,356**	**7**	**51,227**	**6**	**-**	**53,194**	**567,210**	**78,001**	**727,953**
AVERAGE VALUES	**65,238**	**581,546**	**347**	**14,006**	**7**	**52,031**	**5**	**-**	**65,597**	**647,583**	**67,871**	**803,714**

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 31.12.2006		Total 31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	**62,030**	-	-	-	-	-	-	-	**62,030**	-	**34,397**
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	**2,733**	-	-	-	**2,733**	-	**1,044**
5. Basis swaps	-	**3,313**	-	-	-	-	-	-	-	**3,313**	-	**2,137**
6. Exchange of stock indexes	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Caps	-	-	-	-	-	-	-	-	-	-	-	**60**
- Bought	-	-	-	-	-	-	-	-	-	-	-	60
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floors	-	-	-	-	-	-	-	-	-	-	-	**735**
- Bought	-	-	-	-	-	-	-	-	-	-	-	581
- Issued	-	-	-	-	-	-	-	-	-	-	-	154
11. Other options	-	**70**	-	**1,676**	-	-	-	-	-	**1,746**	-	**2,770**
- Bought	-	-	-	1,676	-	-	-	-	-	1,676	-	2,517
Plain vanilla	-	-	-	*1,381*	-	-	-	-	-	*1,381*	-	*2,517*
Exotic	-	-	-	*295*	-	-	-	-	-	*295*	-	-
- Issued	-	70	-	-	-	-	-	-	-	70	-	253
Plain vanilla	-	*70*	-	-	-	-	-	-	-	*70*	-	*253*
Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	**65,413**	-	**1,676**	-	**2,733**	-	-	-	**69,822**	-	**41,143**
AVERAGE VALUES	-	**51,396**	-	**2,194**	-	**1,892**	-	-	-	**55,482**	-	**42,073**

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 31.12.2006		Total 31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	**40**	-	-	-	-	-	-	-	**40**	-	**16**
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate *swaps*	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	**3,386**
6. Exchange of stock indexes	-	-	-	-	-	-	-	-	-	-	-	-
7. Exchange of real indexes	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Caps	-	**363**	-	-	-	-	-	-	-	**363**	-	**70**
- Bought	-	-	-	-	-	-	-	-	-	-	-	70
- Issued	-	363	-	-	-	-	-	-	-	363	-	-
10. Floors	-	**7,279**	-	-	-	-	-	-	-	**7,279**	-	**8,702**
- Bought	-	-	-	-	-	-	-	-	-	-	-	90
- Issued	-	7,279	-	-	-	-	-	-	-	7,279	-	8,612
11. Other options	-	**1,616**	-	**6,645**	-	**123**	-	-	-	**8,384**	-	**8,189**
- Bought	-	-	-	-	-	-	-	-	-	-	-	135
Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	*135*
Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	1,616	-	6,645	-	123	-	-	-	8,384	-	8,054
Plain vanilla	-	*1,547*	-	*4,059*	-	*62*	-	-	-	*5,668*	-	*8,054*
Exotic	-	*69*	-	*2,586*	-	*61*	-	-		*2,716*	-	-
12. Forward contracts	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	-	**9,298**	-	**6,645**	-	**123**	-	-	-	**16,066**	-	**20,363**
AVERAGE VALUES	-	**10,954**	-	**7,149**	-	**111**	-	-	-	**18,214**	-	**20,712**

The previous tables show nominal amounts of derivatives recorded separately from the combined financial instruments. Such derivatives in the financial statements are classified under assets/liabilities held for trading.

A.3. Financial derivatives: purchase and sale of underlying assets

(milioni di euro)

	Debt securities and interest rates		Equities and stock indexes		Foreign exchange rates and gold		Other values		Total 31.12.2006		Total 31.12.2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Trading book for supervisory purposes	**52,721**	**465,492**	**460**	**18,356**	**7**	**51,227**	**6**	**-**	**53,194**	**535,075**	**78,001**	**682,993**
1. Operations with exchange of underlying asset	521	2,421	303	193	7	50,182	6	-	837	52,796	724	57,568
- Purchases	*240*	*1,125*	*169*	*154*	-	*21,769*	-	-	*409*	*23,048*	*102*	*24,828*
- Sales	*281*	*1,296*	*134*	*39*	*7*	*13,527*	*6*	-	*428*	*14,862*	*622*	*19,480*
- Currency against currency	-	-	-	-	-	*14,886*	-	-	-	*14,886*	-	*13,260*
2. Operations without exchange of underlying asset	52,200	463,071	157	18,163	-	1,045	-	-	52,357	482,279	77,277	625,425
- Purchases	*25,914*	*234,454*	*24*	*7,310*	-	*554*	-	-	*25,938*	*242,318*	*22,538*	*323,397*
- Sales	*26,286*	*228,617*	*133*	*10,853*	-	*328*	-	-	*26,419*	*239,798*	*54,739*	*302,028*
- Currency against currency	-	-	-	-	-	*163*	-	-	-	*163*	-	-
B. Banking book	**-**	**71,398**	**-**	**8,321**	**-**	**2,856**	**-**	**-**	**-**	**82,575**	**-**	**55,983**
B.1 Hedging	-	62,100	-	1,676	-	2,733	-	-	-	66,509	-	39,006
1.Operations with exchange of underlying asset	-	-	-	-	-	2,733	-	-	-	2,733	-	484
- Purchases	-	-	-	-	-	*2,236*	-	-	-	*2,236*	-	*254*
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	*497*	-	-	-	*497*	-	*230*
2. Operations without exchange of underlying asset	-	62,100	-	1,676	-	-	-	-	-	63,776	-	38,522
- Purchases	-	*23,090*	-	*1,676*	-	-	-	-	-	*24,766*	-	*23,132*
- Sales	-	*39,010*	-	-	-	-	-	-	-	*39,010*	-	*15,390*
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	9,298	-	6,645	-	123	-	-	-	16,066	-	16,977
1. Operations with exchange of underlying asset	-	-	-	-	-	-	-	-	-	-	-	-
- Purchases	-	-	-	-	-	-	-	-	-	-	-	-
- Sales	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Operations without exchange of underlying asset	-	9,298	-	6,645	-	123	-	-	-	16,066	-	16,977
- Purchases	-	*1,960*	-	-	-	*62*	-	-	-	*2,022*	-	*372*
- Sales	-	*7,338*	-	*6,645*	-	*61*	-	-	-	*14,044*	-	*16,605*
- 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. Trading book for supervisory purposes														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 public entities	4	-	1	-	-	-	-	-	-	-	-	-	-	-
A.3 banks	444	4,779	66	233	650	8	312	305	141	-	-	-	848	797
A.4 financial institutions	74	615	35	15	131	10	8	9	3	-	-	-	46	35
A.5 insurance companies	28	-	2	-	-	6	-	-	-	-	-	-	-	-
A.6 non-financial companies	212	-	76	-	-	-	39	1	27	-	-	-	-	-
A.7 other counterparties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2006	**762**	**5,394**	**180**	**248**	**781**	**24**	**359**	**315**	**171**	**-**	**-**	**-**	**894**	**832**
Total 31.12.2005	**2,372**	**6,250**	**461**	**330**	**540**	**1**	**193**	**645**	**133**	**-**	**-**	**-**	**1,265**	**1,113**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	18	436	4	-	-	-	-	18	2	-	-	-	65	30
B.4 financial institutions	-	172	-	-	-	-	-	-	-	-	-	-	-	-
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 other counterparties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2006	**18**	**608**	**4**	**-**	**-**	**-**	**-**	**18**	**2**	**-**	**-**	**-**	**65**	**30**
Total 31.12.2005	**65**	**949**	**32**	**-**	**-**	**-**	**14**	**19**	**13**	**-**	**-**	**-**	**42**	**47**

A.5. “Over the counter” financial derivatives: negative fair value – financial risk

(in millions of euro)

	Debt securities and interest rates			Equities and stock indexes			Foreign exchange rates and gold			Other values			Diverse underlying assets	
	Gross	Net	Future exposure	Gross	Net	Future exposure	Gross	Net	Future exposure	Gross	Net	Future exposure	Net	Future exposure
A. Trading book for supervisory purposes														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 banks	318	4,384	67	4	33	-	415	379	123	-	-	-	677	590
A.4 financial institutions	67	710	31	8	12	22	16	6	12	-	-	-	60	77
A.5 insurance companies	11	1	23	267	33	82	-	-	1	-	-	-	35	-
A.6 non-financial companies	111	1	67	-	-	-	45	1	38	-	-	-	1	-
A.7 other counterparties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31.12.2006	**507**	**5,096**	**188**	**279**	**78**	**104**	**476**	**386**	**174**	**-**	**-**	**-**	**773**	**667**
Total 31.12.2005	**1,905**	**6,532**	**119**	**69**	**208**	**-**	**228**	**781**	**115**	**-**	**-**	**-**	**1,258**	**-**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 public entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 banks	10	1,383	2	-	-	-	8	46	10	-	-	-	2	-
B.4 financial institutions	1	219	-	-	-	-	-	2	-	-	-	-	5	8
B.5 insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 non-financial companies	2	-	1	-	-	-	-	-	-	-	-	-	-	-
B.7 other counterparties	824	-	76	618	-	123	2	-	1	-	-	-	-	-
Total 31.12.2006	**837**	**1,602**	**79**	**618**	**-**	**123**	**10**	**48**	**11**	**-**	**-**	**-**	**7**	**8**
Total 31.12.2005	**1,538**	**822**	**69**	**564**	**-**	**-**	**25**	**11**	**5**	**-**	**-**	**-**	**-**	**-**

A.6. Residual maturity of “over the counter” financial derivatives: notional amounts

(in millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Trading book for supervisory purposes	**299,305**	**180,383**	**87,522**	**567,210**
A.1 Financial derivatives on debt securities and interest rates	247,539	164,883	85,205	497,627
A.2 Financial derivatives on equities and stock indexes	10,041	6,430	1,885	18,356
A.3 Financial derivatives on foreign exchange rates and gold	41,725	9,070	432	51,227
A.4 Financial derivatives - other	-	-	-	-
B. Banking book	**39,323**	**30,039**	**16,526**	**85,888**
B.1 Financial derivatives on debt securities and interest rates	35,768	24,080	14,863	74,711
B.2 Financial derivatives on equities and stock indexes	3,410	3,654	1,257	8,321
B.3 Financial derivatives on foreign exchange rates and gold	145	2,305	406	2,856
B.4 Financial derivatives - other	-	-	-	-
Total 31.12.2006	**338,628**	**210,422**	**104,048**	**653,098**
Total 31.12.2005	**477,716**	**249,209**	**94,460**	**821,385**

B. CREDIT DERIVATIVES

B.1. Credit derivatives: period-end and average notional amounts

(in millions of euro)

	Trading book for supervisory purposes		Other operations	
	single counterparty	more counterparties (basket)	single counterparty	more counterparties (basket)
1. Protection purchases				
1.1 Physical settlement	23,684	11,621	-	-
Credit default swap	*23,684*	*11,165*	-	-
Credit default option	-	*456*	-	-
Credit linked notes	-	-	-	-
1.2 Cash settlement	1,000	2,505	-	437
Credit default swap	*807*	*2,505*	-	*437*
Total rate of return swap	*193*	-	-	-
Total 31.12.2006	**24,684**	**14,126**	**-**	**437**
Total 31.12.2005	**23,026**	**14,792**	**315**	**1,766**
Average values	**23,855**	**14,458**	**157**	**1,101**
2. Protection sales				
2.1 Physical settlement	22,348	15,707	-	-
Credit default swap	*22,318*	*15,542*	-	-
Credit linked notes	*30*	*165*	-	-
2.2 Cash settlement	600	4,634	-	151
Credit default swap	*460*	*4,634*	-	*151*
Credit linked notes	-	-	-	-
Total rate of return swap	*140*	-	-	-
Total 31.12.2006	**22,948**	**20,341**	**-**	**151**
Total 31.12.2005	**25,811**	**20,453**	**-**	**209**
Average values	**24,379**	**20,397**	**-**	**180**

B.2. Credit derivatives: positive fair value - counterparty risk

(in millions of euro)

	Notional amount	Positive fair value	Future exposure
A. Trading book for supervisory purposes	**45,104**	**488**	**125**
A.1 Protection purchases with	5,305	40	125
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*2,152*	*26*	*66*
4. Financial institutions	*1,978*	*13*	*53*
5. Insurance companies	*1,175*	*1*	*6*
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
A.2 Protection sales with	39,799	448	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	*28,390*	*295*	-
4. Financial institutions	*11,324*	*152*	-
5. Insurance companies	*85*	*1*	-
6. Non-financial companies	-	-	-
7. Other counterparties	-	-	-
B. Banking book	**437**	**-**	**-**
B.1 Protection purchases with	437	-	-
1. Governments and Central Banks	-	-	-
2. Other public entities	-	-	-
3. Banks	-	-	-
4. Financial institutions	*437*	-	-
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 31.12.2006	**45,541**	**488**	**125**
Total 31.12.2005	**48,785**	**770**	**461**

B.3. Credit derivatives: negative fair value - financial risk

(in millions of euro)

	Notional amount	Negative fair value
Trading book for supervisory purposes		
1. Protection purchases with		
1.1 Governments and Central Banks	-	-
1.2 Other public entities	-	-
1.3 Banks	20,840	273
1.4 Financial institutions	11,908	177
1.5 Insurance companies	757	1
1.6 Non-financial companies	-	-
1.7 Other counterparties	-	-
Total 31.12.2006	**33,505**	**451**
Total 31.12.2005	**26,322**	**240**

B.4. Residual maturity of credit derivatives contracts: notional amounts

(in millions of euro)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Trading book for supervisory purposes	**12,158**	**55,455**	**14,486**	**82,099**
A.1 Credit derivatives with "qualified reference obligation"	7,031	39,273	9,911	56,215
A.2 Credit derivatives with "unqualified reference obligation"	5,127	16,182	4,575	25,884
B. Banking book	**-**	**73**	**515**	**588**
B.1 Credit derivatives with "qualified reference obligation"	-	-	-	-
B.2 Credit derivatives with "unqualified reference obligation"	-	73	515	588
Total 31.12.2006	**12,158**	**55,528**	**15,001**	**82,687**
Total 31.12.2005	**15,973**	**54,216**	**16,182**	**86,371**

SECTION 3 - LIQUIDITY RISK

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities

Currency of denomination: Euro

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**31,614**	**4,412**	**4,153**	**4,863**	**12,429**	**12,614**	**5,804**	**38,782**	**46,120**
A.1 Government bonds	5	-	-	-	1	-	97	461	219
A.2 Listed debt securities	-	-	-	-	-	27	26	933	3,275
A.3 Other debt securities	7	-	-	81	1,297	153	28	1,622	3,646
A.4 Quotas of UCITS	179	-	-	-	-	-	-	-	-
A.5 Loans	31,423	4,412	4,153	4,782	11,131	12,434	5,653	35,766	38,980
- Banks	*13,836*	*2,589*	*1,169*	*2,395*	*3,014*	*1,635*	*1,796*	*9,620*	*6,943*
- Customers	*17,587*	*1,823*	*2,984*	*2,387*	*8,117*	*10,799*	*3,857*	*26,146*	*32,037*
Cash liabilities	**69,325**	**12,231**	**4,499**	**3,579**	**3,567**	**3,920**	**3,899**	**25,131**	**20,297**
B.1 Deposits	66,862	12,207	4,453	3,433	2,028	835	124	1,429	2,015
- Banks	*2,671*	*7,887*	*1,773*	*2,051*	*736*	*781*	*104*	*907*	*1,473*
- Customers	*64,191*	*4,320*	*2,680*	*1,382*	*1,292*	*54*	*20*	*522*	*542*
B.2 Debt securities	2,262	24	46	146	1,496	3,016	3,671	22,773	17,655
B.3 Other liabilities	201	-	-	-	43	69	104	929	627
Off-balance sheet transactions	**10,881**	**8,796**	**2,118**	**7,855**	**8,038**	**7,167**	**15,991**	**61,000**	**10,590**
C.1 Financial derivatives with exchange of capital	628	8,288	1,917	5,854	6,622	3,802	2,121	9,887	1,477
- Long positions	*17*	*5,174*	*717*	*1,787*	*2,635*	*2,310*	*1,073*	*776*	*476*
- Short positions	*611*	*3,114*	*1,200*	*4,067*	*3,987*	*1,492*	*1,048*	*9,111*	*1,001*
C.2 Deposits and loans to be settled	660	440	200	18	-	-	-	-	-
- Long positions	*660*	-	-	-	-	-	-	-	-
- Short positions	-	*440*	*200*	*18*	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	9,593	68	1	1,983	1,416	3,365	13,870	51,113	9,113
- Long positions	*41*	*34*	*1*	*1,963*	*727*	*1,922*	*7,266*	*28,110*	*5,197*
- Short positions	*9,552*	*34*	-	*20*	*689*	*1,443*	*6,604*	*23,003*	*3,916*

Currency of denomination: US dollar

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**1,246**	**1,187**	**384**	**956**	**1,492**	**895**	**535**	**3,188**	**5,755**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	2	-	2	87	74	14	24	1,223	4,650
A.3 Other debt securities	-	77	-	-	821	535	-	536	571
A.4 Quotas of UCITS	416	-	-	-	-	-	-	-	-
A.5 Loans	828	1,110	382	869	597	346	511	1,429	534
- Banks	*435*	*504*	*208*	*428*	*286*	*213*	*313*	*147*	*24*
- Customers	*393*	*606*	*174*	*441*	*311*	*133*	*198*	*1,282*	*510*
Cash liabilities	**3,958**	**7,576**	**2,451**	**2,941**	**2,148**	**977**	**512**	**3,157**	**470**
B.1 Deposits	3,611	7,500	2,366	2,705	973	438	341	3,155	216
- Banks	*1,979*	*3,943*	*1,491*	*2,091*	*340*	*403*	*340*	*3,155*	*216*
- Customers	*1,632*	*3,557*	*875*	*614*	*633*	*35*	*1*	*-*	*-*
B.2 Debt securities	345	34	76	217	1,085	539	18	2	22
B.3 Other liabilities	2	42	9	19	90	-	153	-	232
Off-balance sheet transactions	**1,634**	**11,124**	**2,775**	**7,089**	**9,911**	**7,692**	**13,738**	**16,998**	**10,342**
C.1 Financial derivatives with exchange of capital	474	10,794	2,654	6,835	8,999	6,062	4,014	6,426	430
- Long positions	*473*	*5,375*	*1,556*	*4,752*	*5,568*	*2,584*	*1,980*	*5,386*	*335*
- Short positions	*1*	*5,419*	*1,098*	*2,083*	*3,431*	*3,478*	*2,034*	*1,040*	*95*
C.2 Deposits and loans to be settled	928	224	109	216	380	-	-	-	-
- Long positions	*928*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*224*	*109*	*216*	*380*	*-*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds	232	106	12	38	532	1,630	9,724	10,572	9,912
- Long positions	*116*	*53*	*6*	*19*	*266*	*815*	*4,862*	*5,286*	*4,956*
- Short positions	*116*	*53*	*6*	*19*	*266*	*815*	*4,862*	*5,286*	*4,956*

Currency of denomination: GB pound

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**108**	**136**	**319**	**459**	**1,522**	**563**	**221**	**282**	**291**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	8
A.3 Other debt securities	-	83	226	346	1,461	528	13	-	229
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	108	53	93	113	61	35	208	282	54
- Banks	*45*	*45*	*83*	*105*	*-*	*22*	*171*	*19*	*-*
- Customers	*63*	*8*	*10*	*8*	*61*	*13*	*37*	*263*	*54*
Cash liabilities	**406**	**1,819**	**507**	**807**	**327**	**5**	**-**	**3,252**	**1,587**
B.1 Deposits	225	1,685	221	733	179	5	-	189	-
- Banks	*25*	*1,414*	*215*	*588*	*117*	*5*	*-*	*189*	*-*
- Customers	*200*	*271*	*6*	*145*	*62*	*-*	*-*	*-*	*-*
B.2 Debt securities	181	134	286	74	148	-	-	3,063	1,587
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**67**	**2,860**	**324**	**709**	**2,328**	**1,028**	**641**	**4,742**	**101**
C.1 Financial derivatives with exchange of capital	64	2,857	324	709	2,328	1,028	229	4,712	101
- Long positions	*64*	*979*	*190*	*365*	*1,299*	*621*	*105*	*4,712*	*101*
- Short positions	*-*	*1,878*	*134*	*344*	*1,029*	*407*	*124*	*-*	*-*
C.2 Deposits and loans to be settled	3	3	-	-	-	-	-	-	-
- Long positions	*3*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*3*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds	-	-	-	-	-	-	412	30	-
- Long positions	*-*	*-*	*-*	*-*	*-*	*-*	*206*	*15*	*-*
- Short positions	*-*	*-*	*-*	*-*	*-*	*-*	*206*	*15*	*-*

Currency of denomination: Yen

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**146**	**10**	**36**	**20**	**570**	**225**	**27**	**175**	**74**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	130	34
A.3 Other debt securities	-	-	-	-	523	204	-	7	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	146	10	36	20	47	21	27	38	40
- Banks	*102*	*6*	*32*	*3*	*8*	*4*	*21*	*27*	*25*
- Customers	*44*	*4*	*4*	*17*	*39*	*17*	*6*	*11*	*15*
Cash liabilities	**259**	**57**	**-**	**135**	**7**	**-**	**-**	**34**	**79**
B.1 Deposits	259	57	-	135	7	-	-	13	6
- Banks	*91*	*57*	-	*2*	*6*	-	-	*13*	*6*
- Customers	*168*	-	-	*133*	*1*	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	21	45
B.3 Other liabilities	-	-	-	-	-	-	-	-	28
Off-balance sheet transactions	**77**	**817**	**59**	**372**	**1,199**	**536**	**203**	**50**	**51**
C.1 Financial derivatives with exchange of capital	2	742	59	372	1,199	536	201	50	51
- Long positions	*2*	*412*	*23*	*264*	*121*	*157*	*83*	*42*	*51*
- Short positions	-	*330*	*36*	*108*	*1,078*	*379*	*118*	*8*	-
C.2 Deposits and loans to be settled	75	75	-	-	-	-	-	-	-
- Long positions	*75*	-	-	-	-	-	-	-	-
- Short positions	-	*75*	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	-	-	-	-	-	-	2	-	-
- Long positions	-	-	-	-	-	-	*1*	-	-
- Short positions	-	-	-	-	-	-	*1*	-	-

Currency of denomination: Swiss franc

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**84**	**95**	**30**	**257**	**698**	**44**	**22**	**526**	**11**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	414	-	-	26	-
A.4 Quotas of UCITS	-	-	-	-	-	-	-	-	-
A.5 Loans	84	95	30	257	284	44	22	500	11
- Banks	*78*	*74*	*24*	*243*	*151*	*37*	*18*	*406*	-
- Customers	*6*	*21*	*6*	*14*	*133*	*7*	*4*	*94*	*11*
Cash liabilities	**81**	**455**	**1**	**83**	**-**	**44**	**1**	**-**	**-**
B.1 Deposits	81	455	1	83	-	43	-	-	-
- Banks	*56*	*450*	*1*	*81*	-	*43*	-	-	-
- Customers	*25*	*5*	-	*2*	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	1	1	-	-
Off-balance sheet transactions	**183**	**750**	**78**	**242**	**176**	**406**	**123**	**511**	**46**
C.1 Financial derivatives with exchange of capital	4	571	78	242	176	406	89	511	46
- Long positions	*4*	*132*	*77*	*69*	*95*	*91*	*45*	*49*	*23*
- Short positions	-	*439*	*1*	*173*	*81*	*315*	*44*	*462*	*23*
C.2 Deposits and loans to be settled	179	179	-	-	-	-	-	-	-
- Long positions	*179*	-	-	-	-	-	-	-	-
- Short positions	-	*179*	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds	-	-	-	-	-	-	34	-	-
- Long positions	-	-	-	-	-	-	*17*	-	-
- Short positions	-	-	-	-	-	-	*17*	-	-

Currency of denomination: Other currencies

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**262**	**460**	**244**	**83**	**83**	**52**	**94**	**290**	**133**
A.1 Government bonds	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	26	15	81	203	62
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 Quotas of UCITS	1	-	-	-	-	-	-	-	-
A.5 Loans	261	460	244	83	57	37	13	87	71
- Banks	*137*	*447*	*57*	*68*	*42*	*20*	*-*	*1*	*2*
- Customers	*124*	*13*	*187*	*15*	*15*	*17*	*13*	*86*	*69*
Cash liabilities	**259**	**591**	**229**	**525**	**81**	**107**	**96**	**393**	**231**
B.1 Deposits	259	591	229	525	59	59	12	70	-
- Banks	*163*	*490*	*228*	*515*	*55*	*59*	*8*	*70*	*-*
- Customers	*96*	*101*	*1*	*10*	*4*	*-*	*4*	*-*	*-*
B.2 Debt securities	-	-	-	-	22	48	84	323	231
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**410**	**1,985**	**349**	**678**	**1,219**	**1,051**	**1,215**	**1,536**	**329**
C.1 Financial derivatives with exchange of capital	52	1,672	345	678	1,219	1,051	1,125	1,536	329
- Long positions	*52*	*368*	*125*	*105*	*550*	*683*	*611*	*491*	*231*
- Short positions	*-*	*1,304*	*220*	*573*	*669*	*368*	*514*	*1,045*	*98*
C.2 Deposits and loans to be settled	316	313	4	-	-	-	-	-	-
- Long positions	*316*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*313*	*4*	*-*	*-*	*-*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds	42	-	-	-	-	-	90	-	-
- Long positions	*21*	*-*	*-*	*-*	*-*	*-*	*45*	*-*	*-*
- Short positions	*21*	*-*	*-*	*-*	*-*	*-*	*45*	*-*	*-*

Total

(in millions of euro)

	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Cash assets	**33,460**	**6,300**	**5,166**	**6,638**	**16,794**	**14,393**	**6,703**	**43,243**	**52,384**
A.1 Government bonds	5	-	-	-	1	-	97	461	219
A.2 Listed debt securities	2	-	2	87	100	56	131	2,489	8,029
A.3 Other debt securities	7	160	226	427	4,516	1,420	41	2,191	4,446
A.4 Quotas of UCITS	596	-	-	-	-	-	-	-	-
A.5 Loans	32,850	6,140	4,938	6,124	12,177	12,917	6,434	38,102	39,690
- Banks	*14,633*	*3,665*	*1,573*	*3,242*	*3,501*	*1,931*	*2,319*	*10,220*	*6,994*
- Customers	*18,217*	*2,475*	*3,365*	*2,882*	*8,676*	*10,986*	*4,115*	*27,882*	*32,696*
Cash liabilities	**74,288**	**22,729**	**7,687**	**8,070**	**6,130**	**5,053**	**4,508**	**31,967**	**22,664**
B.1 Deposits	71,297	22,495	7,270	7,614	3,246	1,380	477	4,856	2,237
- Banks	*4,985*	*14,241*	*3,708*	*5,328*	*1,254*	*1,291*	*452*	*4,334*	*1,695*
- Customers	*66,312*	*8,254*	*3,562*	*2,286*	*1,992*	*89*	*25*	*522*	*542*
B.2 Debt securities	2,788	192	408	437	2,751	3,603	3,773	26,182	19,540
B.3 Other liabilities	203	42	9	19	133	70	258	929	887
Off-balance sheet transactions	**13,252**	**26,332**	**5,703**	**16,945**	**22,871**	**17,880**	**31,911**	**84,837**	**21,459**
C.1 Financial derivatives with exchange of capital	1,224	24,924	5,377	14,690	20,543	12,885	7,779	23,122	2,434
- Long positions	*612*	*12,440*	*2,688*	*7,342*	*10,268*	*6,446*	*3,897*	*11,456*	*1,217*
- Short positions	*612*	*12,484*	*2,689*	*7,348*	*10,275*	*6,439*	*3,882*	*11,666*	*1,217*
C.2 Deposits and loans to be settled	2,161	1,234	313	234	380	-	-	-	-
- Long positions	*2,161*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- Short positions	*-*	*1,234*	*313*	*234*	*380*	*-*	*-*	*-*	*-*
C.3 Irrevocable commitments to lend funds	9,867	174	13	2,021	1,948	4,995	24,132	61,715	19,025
- Long positions	*178*	*87*	*7*	*1,982*	*993*	*2,737*	*12,397*	*33,411*	*10,153*
- Short positions	*9,689*	*87*	*6*	*39*	*955*	*2,258*	*11,735*	*28,304*	*8,872*

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	1,157	2,842	15,615	997	23,276	39,908
2. Securities issued	-	-	2,014	-	79	57,466
3. Financial liabilities held for trading	-	412	1,263	182	158	1,456
4. Fair value financial liabilities	-	-	-	-	-	-
Total 31.12.2006	**1,157**	**3,254**	**18,892**	**1,179**	**23,513**	**98,830**
Total 31.12.2005	**244**	**2,639**	**21,612**	**1,363**	**22,123**	**93,295**

3. Geographic breakdown of financial liabilities

(in millions of euro)

	Italy	Other European Countries	America	Asia	Rest of the World
1. Due to customers	71,959	5,462	5,946	245	182
2. Due to banks	10,568	19,125	2,645	5,522	1,161
3. Securities issued	55,140	2,405	1,588	427	-
4. Financial liabilities held for trading	4,068	4,143	1,089	78	8
5. Fair value financial liabilities	-	-	-	-	-
Total 31.12.2006	**141,735**	**31,135**	**11,268**	**6,272**	**1,351**
Total 31.12.2005	**137,736**	**27,055**	**13,303**	**6,501**	**585**

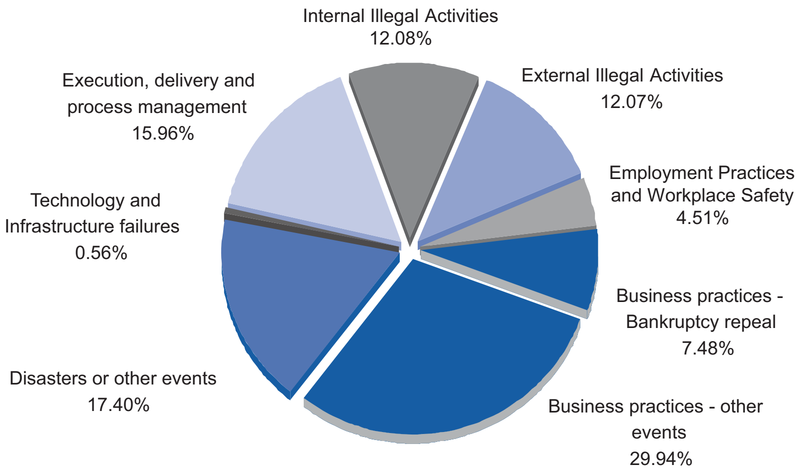
SEZIONE 4 - RISCHI OPERATIVI

QUANTITATIVE INFORMATION

Relatively to the sources of operational risk, percentage breakdown of losses by type of event is set out below using the proprietary classification system compliant with that provided for by the Supervisory Authority:

- Inetrnal illegal activities: events attributable to voluntary actions which involve at least one person inside the bank and which lead to damages (monetary losses) for the bank itself;
- External illegal activities: events attributable to voluntary actions which exclusively involve persons which cannot be qualified as operating inside the bank, generally to obtain personal advantages;
- Employment practices and workplace safety: events attributable to relations of the company with its personnel and to any non-compliance of the work environment to health and safety regulations; including liabilities due to accidents to employees occurred in the offices of the bank or using its equipment;
- business practices: events related to the provision of services and supply of products to customers executed in an improper or negligent manner (including the fiduciary requirements and of an adequate information regarding investments), or due to defects in the nature of characteristics of products/models/contracts. These include bankruptcy revocatory actions (highlighted separately in quantitative information under bankruptcy repeal) and liabilities for the violation of regulations on public security or norms which are not specific to banking industry;
- disasters or other events: events deriving from natural causes or human actions, which determine damages to company resources (tangible or intangible assets, people, etc.) and/or service interruptions or other events (including unfair behaviour/improper actions of third parties which damage the company). These include liabilities deriving from political, regulatory and fiscal changes with backdated effects (such as anatocism);
- technology and infrastructure failures: events deriving from malfunctioning, logic or structural defects of the technological or other support systems;
- execution, delivery and processes management: events due to unintentional errors in the management of operational and support activities, or caused by non-client and non-supplier counterparties.

Banca Intesa
Percentage breakdown of losses by event



Source: GRP (Gestione Rilevazione Perdite Operative – Operational risk database)
Analysis conducted with reference to operational events which led to incurred losses or specific provisions with gross value higher than or equal to 1,500 euro, with accounting date referred to 2006.

In 2006 "Market practices" were the main source of operational risk and, in particular, events related to litigations on defaulted bonds. A considerable percentage of the total is due to "Disasters and other events" (anatocism litigations) and to "Execution, delivery and management processes". Losses related to

"Illicit actions of employees" which occurred in previous years were recorded this year. The higher risk of the socio-economic context also generated a high number of "Illicit actions of people outside the bank" (ATM robberies, burglaries and card cloning in particular).

To cover the aforesaid phenomena, Banca Intesa takes part to the transparency initiatives commenced at industry level and continued interventions aimed at improving processes and controls aimed at risk mitigation and loss containment.

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 shareholders’ equity and risk-weighted assets must be at least equal to 7%.

Quantitative information

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.
The following table, as set forth by art. 2427 of the Italian Civil Code, par. 7-bis, details shareholders’ equity captions indicating their origin, means of use and possibility of distribution, as well as their use in previous years.

(In millions of euro)

	Amount		Possibility of use (*)	Portion available	Uses in the past three years	
					for loss coverage	for other reasons
Share capital		**3,613**				
Share premium reserve		**5,559**	**A, B, C**	**5,559**	**-**	**-**
Reserves		**2,300**				
Legal reserve	*773*		A[1], B	*773*	-	-
Statutory reserve	*961*		A, B, C	*961*	-	*-96*
Concentration reserve (as per Art. 7, par. 3 of Law 218 of 30/7/1990)	*232*		*A, B [2], C [3]*	*232*	-	-
Concentration reserve (as per Art. 7 of Law 218 of 30/7/1990)	*302*		*A, B [2], C [3]*	*302*	-	-
Other reserves	*32*		*A, B, C*	*32*	-	*-16*
Valuation reserves		**1,610**				
Valuation reserve (Law 576 of 2/12/1975)	*3*		*A, B [2], C [3]*	*3*	-	-
Valuation reserve (Law 72 of 19/3/1983)	*143*		*A, B [2], C [3]*	*143*	-	-
Valuation reserve (Law 408 of 29/12/1990)	*7*		*A, B [2], C [3]*	*7*	-	-
Valuation reserve (Law 413 of 30/12/1991)	*379*		*A, B [2], C [3]*	*379*	-	-
Valuation reserve (Law 342 of 22/11/2000)	*455*		*A, B [2], C [3]*	*455*	-	-
Valuation reserve of financial assets available for sale	*554*		*[4]*	-	-	-
Valuation reserve of cash flow hedges	*69*		*[4]*	-	-	-
Net income		**2,241**		**-**	**-**	**-**
Total		**15,323**		**8,846**	**-**	**-112**

(*) A = capital increase; B = loss coverage; C = distribution to shareholders.

(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. The reduction must be resolved upon by the Extraordinary Shareholders' Meeting without compliance to provisions set out in par. 2 and 3 of art. 2445 of the Italian Civil Code.

(3) The reserve, if it is not recorded under shareholders' equity, may be reduced only in compliance with provisions of par. 2 and 3 of art. 2445 of the Italian Civil Code. If it is distributed to shareholders it concurs to form the Company's taxable income.

(4) The reserve is unavailable pursuant to art. 6 of Legislative Decree 38/2005.

In addition to the uses occurred in the last three years set out in the table the Reserve for own shares (1,013 million euro) was used in 2003 and 2004 following the free assignment of ordinary shares to shareholders.

In addition to the uses occurred in the last three years set out in the table the Statutory reserve was used in 2006 for IAS/IFRS first-time adoption (1,581 million euro) and for the difference between cost of purchase of shares assigned to employees in June and their fair value on assignment (5 million euro).

Following the elimination of accelerated depreciation recorded for purely fiscal purposes occurred in 2004, pursuant to art. 109, par. 4, letter b) of the new Combined Tax Regulations, at the end of 2005 reserves, excluding legal reserve, must be considered subject to a suspended tax regime for 18 million euro.

SECTION 2 – SHAREHOLDERS' EQUITY FOR SUPERVISORY PURPOSES AND CAPITAL RATIOS

2.1. Shareholders' equity for supervisory purposes

Qualitative information

Qualitative information on shareholders' equity for supervisory purposes and capital ratios is contained in Part F of the Notes to the consolidated financial statements.

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

Characteristics of subordinated instruments	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement	Currency	Original amount in currency	Contribution to capital for supervisory purposes (in millions of euro)
Subordinated bonds	8.01% fixed rate; as of 15/07/08 3-month Libor + 3.25%	YES	15th Jul 1998	N.A.	As of 15th Jul 2008	USD	200,000,000.00	**152**
Subordinated bonds	3-month Libor + 1.6%; as of 15/7/08 3-month Libor + 2.93%	YES	15th Jul 1998	N.A.	As of 15th Jul 2008	EUR	550,000,000.00	**549**
Subordinated bonds	8.25% fixed rate; as of 15/07/08 3-month Libor + 3.20%	YES	15th Jul 1998	N.A.	As of 15th Jul 2008	GBP	120,000,000.00	**179**
Subordinated deposit	6.988% fixed rate; as of 12/07/2011 3-month Euribor + 2.60%	YES	12th Jul 2001	N.A.	As of 12th Jul 2011	EUR	500,000,000.00	**500**
Total innovative equity instruments (Tier I)								**1,380**

Tier 2 capital

Characteristics of subordinated instruments	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement	Currency	Original amount in currency	Contribution to capital for supervisory purposes (in millions of euro)
Subordinated deposit	3-month Libor + 0.87%	NO	2nd Jan 1998	2nd Jan 2008	NO	USD	500,000,000.00	**380**
Subordinated deposit	3-month Libor + 0.87%	NO	2nd Jan 1998	2nd Jan 2008	NO	ITL	200,000,000,000	**103**
Subordinated deposit	3-month Libor + 0.645%	NO	10th Apr 1998	10th Apr 2008	NO	ITL	250,000,000,000	**129**
Subordinated deposit	3-month Libor + 0.645%	NO	10th Jun 1998	10th Jun 2008	NO	ITL	800,000,000,000	**413**
Subordinated bonds	3-month Euribor + 0.65%	NO	30th Jun 1998	30th Jun 2008	NO	EUR	200,000,000.00	**200**
Subordinated bonds	5% fixed rate	NO	29th Dec 1998	30th Dec 2008	NO	ITL	495,000,000,000	**255**
Subordinated bonds	6-month Euribor + 0.70%	NO	29th Dec 1998	30th Dec 2008	NO	ITL	5,000,000,000	**3**
Total hybrid instruments (Upper Tier II)								**1,483**
Subordinated certificates of deposit	8.25% fixed rate	NO	15th Jul 1992	15th Jul 2007	NO	USD	200,000,000.00	**30**
Subordinated bonds	3-month Libor + 0.20%	NO	1st Dec 1997	1st Dec 2007	As of 1st Dec 2002	ITL	800,000,000,000	**83**
Subordinated bonds	3-month Libor	NO	1st Feb 1998	1st Feb 2008	As of 1st Feb 2003	ITL	700,000,000,000	**145**
Subordinated bonds	3-month Libor	NO	1st Jun 1998	1st Jun 2008	As of 1st Jun 2003	ITL	362,430,000,000	**75**
Subordinated bonds	5.15% fixed rate	NO	9th Jun 1998	10th Jun 2008	NO	ITL	100,000,000,000	**21**
Subordinated bonds	1st coupon: 8%, 2nd and 3rd: 6.375%, for the following coupons: 13.8% minus 2 times 12-month Libor (max 5.3%-min 4.5%)	NO	16th Jun 1998	17th Jun 2013	NO	ITL	500,000,000,000	**181**
Subordinated bonds	1st coupon: 8%, 2nd and 3rd: 6.375%, for the following coupons: 13.8% minus 2 times 12-month Libor (max 5.3%-min 4.5%)	NO	30th Jun 1998	1st Jul 2013	NO	ITL	200,000,000,000	**74**
Subordinated bonds	4.4% fixed rate	NO	16th Nov 1998	17th Nov 2008	NO	ITL	300,000,000,000	**62**
Subordinated bonds	4.4% fixed rate	NO	9th Dec 1998	10th Dec 2008	NO	ITL	200,000,000,000	**41**
Subordinated bonds	1st coupon: 8%, 2nd: 5%, 3rd: 4%, for the following coupons: 70% of 10-year euro swap rate	NO	9th Mar 1999	9th Mar 2014	NO	ITL	480,000,000,000	**217**
Subordinated bonds	1st coupon: 8%, 2nd: 5.5%, 3rd: 4%, for the following coupons: 65% of 10-year euro swap rate with a minimum of 4%	NO	15th Jul 1999	15th Jul 2014	NO	EUR	250,000,000.00	**221**
Subordinated bonds	5.3% fixed rate	NO	22nd Oct 1999	1st Jan 2010	NO	EUR	150,000,000.00	**120**
Subordinated bonds	5.1% fixed rate	NO	17th Nov 1999	17th Nov 2009	NO	EUR	350,000,000.00	**208**
Subordinated bonds	4.9% fixed rate	NO	23rd Nov 1999	1st Jan 2007	NO	EUR	95,000,000.00	**19**
Subordinated bonds	5.2% fixed rate	NO	7th Dec 1999	1st Jan 2010	NO	EUR	90,000,000.00	**72**

Characteristics of subordinated instruments	Interest rate	Step-up	Issue date	Expiry date	Early reimbursement	Currency	Original amount in currency	Contribution to capital for supervisory purposes (in millions of euro)
Subordinated bonds	5.3% fixed rate	NO	21st Jan 2000	1st Jan 2010	NO	EUR	100,000,000.00	**80**
Subordinated bonds	5.0% fixed rate	NO	25th Jan 2000	1st Jan 2007	NO	EUR	90,000,000.00	**18**
Subordinated bonds	4.70% fixed rate	NO	11th Feb 2000	11th Feb 2007	NO	EUR	104,000,000.00	**21**
Subordinated bonds	5.5% fixed rate	NO	16th Feb 2000	1st Jan 2010	NO	EUR	41,000,000.00	**33**
Subordinated bonds	5.2% fixed rate	NO	18th Feb 2000	1st Jan 2007	NO	EUR	59,000,000.00	**12**
Subordinated bonds	6.11% fixed rate; as of 23/2/05 97% of 30-year euro swap mid rate	NO	23rd Feb 2000	23rd Feb 2015	NO	EUR	65,000,000.00	**65**
Subordinated time deposit	12-month Euribor + 0.01%	NO	23rd Mar 2000	23rd Mar 2007	NO	EUR	41,000,000.00	**8**
Subordinated time deposit	12-month Euribor + 0.01%	NO	23rd Mar 2000	23rd Mar 2007	NO	EUR	15,000,000.00	**3**
Subordinated time deposit	12-month Euribor + 0.01%	NO	23rd Mar 2000	23rd Mar 2007	NO	EUR	52,000,000.00	**10**
Subordinated time deposit	12-month Euribor + 0.01%	NO	23rd Mar 2000	23rd Mar 2007	NO	EUR	15,000,000.00	**3**
Subordinated bonds	92% of 30-year euro swap mid rate; never lower than the preceding	NO	12th Mar 2001	23rd Feb 2015	NO	EUR	50,000,000.00	**50**
Subordinated bonds	5% fixed rate	NO	9th Apr 2001	9th Apr 2007	NO	EUR	991,225,000.00	**198**
Subordinated bonds	5.35% fixed rate	NO	9th Apr 2001	9th Apr 2011	NO	EUR	125,478,000.00	**125**
Subordinated bonds	5.20% fixed rate	NO	15th Jan 2002	15th Jan 2012	NO	EUR	265,771,000.00	**265**
Subordinated bonds	5.50 % fixed rate	NO	12th Apr 2002	12th Apr 2012	NO	EUR	126,413,000.00	**126**
Subordinated bonds	5.85% fixed rate; as of 8/5/2009 3-month Euribor + 1.25%	YES	8th May 2002	8th May 2014	As of 8th May 2009	EUR	500,000,000.00	**500**
Subordinated bonds	3-month Euribor + 0.25%	YES	8th Feb 2006	8th Feb 2016	As of 8th Feb 2011	EUR	1,500,000,000.00	**1,497**
Subordinated bonds	5.50% fixed rate; as of 19/12/2011 GBP 3-month Libor + 0.99	YES	19th Jul 2006	19th Dec 2016	As of 19th Dec 2011	GBP	1,000,000,000.00	**1,484**
Total eligible subordinated liabilities (Lower Tier II)								**6,067**
Total								**8,930**

Tier 3 capital
As at 31st December 2006 Banca Intesa's shareholders' equity did not include any Tier 3 instruments.

Quantitative information

(in millions of euro)

	Amount 31.12.2006	Amount 31.12.2005
A.Tier 1 capital before the application of prudential filters	**9,884**	**12,389**
Tier 1 capital prudential filters		
- Positive IAS/IFRS prudential filters	*-*	*-*
- Negative IAS/IFRS prudential filters	*-11*	*-4*
B. Tier 1 capital after the application of prudential filters	**9,873**	**12,385**
C. Tier 2 capital before the application of prudential filters	**7,871**	**6,739**
Tier 2 capital prudential filters		
- Positive IAS/IFRS prudential filters	*-*	*-*
- Negative IAS/IFRS prudential filters	*-271*	*-171*
D. Tier 2 capital after the application of prudential filters	**7,600**	**6,568**
E. Total Tier 1 and Tier 2 capital after the application of prudential filters	**17,472**	**18,953**
Items to be deducted from total Tier 1 and Tier 2 capital	-1,421	-1,433
F. Total capital	**16,051**	**17,520**

2.2. Capital adequacy

Qualitative information
On the basis of Supervisory instructions, the Parent Company's shareholders' equity for supervisory purposes must be at least 7% of total risk-weighted assets (total capital ratio) in relation to credit risk profile, valued on the basis of category of borrowing counterparties, maturity, Country risk and guarantees received.
Furthermore, banks must comply with capital requirements on market risks calculated on the whole trading portfolio separately for the various types of risk: position risk on debt securities and equities, settlement risk, counterparty risk and concentration risk. Moreover, with reference to the entire financial statements, foreign exchange risk and position risk on commodities must be calculated. The use of internal models to determine the capital requirement for market risks is permitted; in particular, Banca Intesa 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 certain types of credit derivatives in the trading portfolio, while for other risks standard methodologies are used.
For the assessment of financial soundness, more rigorous ratios are also used: the Tier 1 capital ratio, represented by the ratio between Tier 1 capital and risk-weighted assets, and the Core Tier 1 capital ratio, represented by the ratio between Tier 1 capital (net of preference shares) and risk-weighted assets.

As indicated in the table on composition of shareholders' equity for supervisory purposes and capital ratios, Banca Intesa, as at 31st December 2006, had a Tier 1 ratio (Tier 1 capital/risk-weighted assets) equal to 6.55% and a Total capital ratio (shareholders' equity for supervisory purposes/risk-weighted assets) equal to 10.65%, higher than the 7% minimum requirement.

Quantitative information

(in millions of euro)

	Unweighted amounts		Weighted amounts / requirements	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
A. RISK ASSETS				
A.1 Credit risk	**202,894**	**186,293**	**141,800**	**130,230**
STANDARD METHODOLOGY				
CASH ASSETS	**171,949**	**158,905**	**118,110**	**109,382**
1. Exposure (other than equities and other subordinated assets) towards (or guaranteed by):				
1.1 Governments and Central Banks	*4,082*	*6,559*	*23*	*28*
1.2 Public entities	*473*	*4,579*	*95*	*933*
1.3 Banks	*40,906*	*31,201*	*8,439*	*6,452*
1.4 Other counterparties (other than mortgage loans on residential and non-residential real estate)	*77,201*	*71,905*	*77,201*	*71,905*
2. Mortgage loans on residential real estate	28,147	25,083	14,073	12,541
3. Mortgage loans on non-residential real estate	3,385	3,545	3,385	3,545
4. Shares, equity investments and subordinated assets	12,709	12,280	12,888	12,304
5. Other cash assets	5,046	3,753	2,006	1,674
OFF-BALANCE SHEET ASSETS	**30,945**	**27,388**	**23,690**	**20,848**
1. Guarantees and commitments towards (or guaranteed by):	30,612	27,100	23,668	20,784
1.1 Governments and Central Banks	*72*	*561*	*4*	*19*
1.2 Public entities	*347*	*1,360*	*69*	*272*
1.3 Banks	*9,792*	*7,206*	*3,194*	*2,520*
1.4 Other counterparties	*20,401*	*17,973*	*20,401*	*17,973*
2. Derivatives towards (or guaranteed by):	333	288	22	64
2.1 Governments and Central Banks	-	-	-	-
2.2 Public entities	-	-	-	-
2.3 Banks	*332*	*285*	*22*	*64*
2.4 Other counterparties	*1*	*3*	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit risk			**9,926**	**9,116**
B.2 Market risk			**520**	**908**
1. Standard methodology	X	X		
of which:				
- position risk on debt securities	*X*	*X*	*329*	*396*
- position risk on equities	*X*	*X*	-	-
- foreign exchange risk	*X*	*X*	-	*22*
- other risks	*X*	*X*	*136*	*191*
2. Internal models	X	X	55	299
of which:				
- position risk on debt securities	*X*	*X*	-	-
- position risk on equities	*X*	*X*	-	-
- foreign exchange risk	*X*	*X*	-	-
B.3 Other capital requirements	**X**	**X**	**103**	**109**
B.4 Total capital requirements (B1+B2+B3)	**X**	**X**	**10,549**	**10,133**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS	**X**	**X**		
C.1 Risk-weighted assets	**X**	**X**	**150,695**	**144,769**
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	**X**	**X**	**6.55%**	**8.56%**
C.3 Total capital / Risk-weighted assets (Total capital ratio)	**X**	**X**	**10.65%**	**12.10%**

Part G – Business combinations

SECTION 1 - TRANSACTIONS CARRIED OUT IN THE YEAR

Banca Intesa did not carry out any business combinations in 2006. With effects as of 1st January 2006, Magazzini Generali Fiduciari Cariplo, Intesa Gestione Crediti and Intesa e-Lab, companies which were already wholly-owned, were merged into Banca Intesa.
Furthermore, again with effects as of 1st January 2006, activities referred to the public infrastructure sector were contributed to Banca Intesa Infrastrutture e Sviluppo, already controlled by the Group, whose fields of intervention range from financing of public works, to securitisation of receivables of public entities and project finance.
As concerns subsidiaries abroad, noteworthy were the dissolution of the partnership Phoenix Beteiligungs und Verwaltungs and the start of the liquidation of Phoenix Beteiligungs in compliance with provisions regarding the German practice named accretion. At the end of such procedure, which occurred last August, Phoenix Beteiligungs und Verwaltungs was dissolved, Banca Intesa become owner of the sole real estate asset of Phoenix Beteiligungs und Verwaltungs located in Berlin, and Phoenix Beteiligungs was put in liquidation.
As part of Transactions relative to minority stakes, in February Banca Intesa acquired 28.33% of the share capital of Banca CIS, bank already controlled by Gruppo Intesa, in which its subsidiary Intesa Mediocredito held a 55.37% stake, thus leading the Group's total holding to 83.7% of share capital.
The total cost of the operation amounted to 80 million euro, entirely paid at the time of the transaction. The purchased stake was recorded at cost, as described in detail in Part A of the present document.

SECTION 2 - TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE YEAR

2.1 Business combinations

Sanpaolo IMI

The description of the merger between Banca Intesa and Sanpaolo IMI is provided in Part G of the Notes to the consolidated financial statements, to which reference must be made. With reference to Banca Intesa's financial statements, the cost of the acquisition of Sanpaolo IMI, equal to 34,126 million euro, to which the accessory costs of the transaction must be added (which for the amounts already accounted for as at 31st December 2006 and provisionally recorded under Other assets, totalled 42 million euro), is compared with the shareholders' equity of Sanpaolo IMI as at 31st December 2006 which equalled 11,853 million euro, determining a "difference arising from the merger" of 22,315 million euro.

The cost of the business combination must be allocated to assets, liabilities and to intangible assets not recorded in the balance sheet of Sanpaolo IMI, within the limits of their fair value. After this allocation any further residual value must be recognised as goodwill.

IFRS 3 requires that the precise allocation of the cost be recorded within twelve months from the date of acquisition.

At the time of preparation of the Annual report 2006 the determination of the fair value of assets and liabilities and the purchase cost allocation process have not yet been completed. Only for information purposes, the provisional estimates led to a revaluation of assets of approximately 15 billion euro. The net residual value of the above mentioned "difference arising from the merger", amounting to approximately 7 billion euro, will be recorded as new intangible assets (intangible assets with finite or indefinite useful life) and goodwill.

Part H – Information on compensation and transactions with related parties

1. Information regarding compensation of Directors, Statutory Auditors and Managers with strategic responsibilities

The following table shows the amounts of the compensation paid in 2006 to Directors, Statutory Auditors and General Managers, as well as the compensation paid to other managers with strategic responsibilities which fall within the notion of "related party", as defined in the following chapter. Compensation paid to Directors and Statutory Auditors are defined by apposite Shareholders' Meeting resolutions. In particular, it must be noted that Banca Intesa Shareholders' Meeting held last 20th April approved the increase of compensation to members of the Board of Directors from 30,000 euro to 65,000 euro plus, solely for the members of the Executive Committee, a compensation of 35,000 euro (ex 15,000 euro) and, for the members of the Internal Control Committee, a compensation of 25,000 euro.

(in euro)

PERSON	POST DESCRIPTION				COMPENSATION			
Name and Surname	Post		Period in the post	Expiry date (*)	Compensation for the post in the reporting company	Non-monetary benefits	Bonuses and other incentives	Other compensat.
Giovanni BAZOLI	BANCA INTESA S.p.a.							
	Director and member Executive Committee		from 1/1/06 to 31/12/06	31st December 2006	102,700			
	Chairman		from 1/1/06 to 31/12/06	31st December 2006	1,500,000			
Giampio BRACCHI	BANCA INTESA S.p.a.							
	Director and member Executive Committee		from 1/1/06 to 31/12/06	31st December 2006	102,250			
	Deputy Chairman		from 1/1/06 to 31/12/06	31st December 2006	160,000			
	BANCA INTESA PRIVATE BANKING S.p.a.							
	Chairman		from 1/1/06 to 31/12/06	Approval of the Annual report 2006				80,000 (1)
	INTESA CASSE DEL CENTRO S.p.a.							
	Director		from 1/1/06 to 31/12/06	Approval of the Annual report 2007				15,000 (1)
Renè CARRON	BANCA INTESA S.p.a.							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,650			
	Deputy Chairman		from 1/1/06 to 31/12/06	31st December 2006	160,000			
Corrado PASSERA	BANCA INTESA S.p.a.							
	Managing Director and Chief Executive Officer		from 1/1/06 to 31/12/06	31st December 2006	500,000			
	Director and member Executive Committee	(2)	from 1/1/06 to 31/12/06	31st December 2006	102,700			
	General Manager		from 1/1/06 to 31/12/06	------------	1,726,247	167,462	753,173	723,439 (3)
Giovanni ANCARANI	BANCA INTESA S.p.a.							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,950			
	Member Internal Control Committee		from 1/1/06 to 31/12/06	31st December 2006	25,000			
Francesco ARCUCCI	BANCA INTESA S.p.a.							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,950			
	ZAO BANCA INTESA							
	Director		from 1/1/06 to 31/12/06	Approval of the Annual report 2007				12,995 (1)
Benito BENEDINI	BANCA INTESA S.p.a.							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,500			
Antoine BERNHEIM	BANCA INTESA S.p.a.							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,200			
Jean Frédéric DE LEUSSE	BANCA INTESA S.p.a.							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,350			
Gilles DE MARGERIE	BANCA INTESA S.p.a.							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,800			
Alfonso DESIATA	BANCA INTESA S.p.a.							
	Director		from 1/1/06 to 21/5/06	21st May 2006	25,458			
	Member Internal Control Committee		from 1/1/06 to 21/5/06	21st May 2006	9,792			
	BANCA POPOLARE FRIULADRIA S.p.a.							
	Director and member Executive Committee		from 1/1/06 to 21/5/06	21st May 2006				17,554 (1)
	Deputy Chairman		from 1/1/06 to 21/5/06	21st May 2006				11,703 (1)
Ariberto FASSATI	BANCA INTESA S.p.a.							
	Director and member Executive Committee		from 1/1/06 to 31/12/06	31st December 2006	102,400			
	BANCA INTESA PRIVATE BANKING S.p.a.							
	Director		from 1/1/06 to 31/12/06	Approval of the Annual report 2006				10,000 (1)
Giancarlo FORESTIERI	BANCA INTESA S.p.a.							
	Director and member Executive Committee		from 1/1/06 to 31/12/06	31st December 2006	102,250			
	CASSA DI RISPARMIO DI PARMA E PIACENZA S.p.a.							
	Chairman and member Executive Committee		from 1/1/06 to 31/12/06	Approval of the Annual report 2008				133,679 (1)
Paolo FUMAGALLI	BANCA INTESA S.p.a.							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,800			
	Member Internal Control Committee		from 25/7/06 to 31/12/06	31st December 2006	10,870			
	BANCA INTESA INFRASTRUTTURE E SVILUPPO S.p.a.							
	Director and member Supervisory body		from 1/1/06 to 31/12/06	Approval of the Annual report 2007				28,704 (1)
	INTESA CASSE DEL CENTRO S.p.a.							
	Director		from 1/1/06 to 31/12/06	Approval of the Annual report 2007				15,000 (1)
	INTESA PREVIDENZA S.p.a.							
	Director and Chairman		from 1/1/06 to 31/12/06	Approval of the Annual report 2008				27,066 (1)
Jean LAURENT	BANCA INTESA S.p.a.							
	Director		from 1/1/06 to 11/1/06	11th January 2006	1,986			
Giangiacomo NARDOZZI	BANCA INTESA S.p.a.							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,650			
	BANCA CABOTO							
	Chairman		from 1/1/06 to 31/12/06	Approval of the Annual report 2008				84,389 (1)
Georges PAUGET	BANCA INTESA S.p.a.							
	Director		from 24/1/06 to 31/12/06	31st December 2006	62,596			

(in euro)

PERSON	POST DESCRIPTION				COMPENSATION			
Name and Surname	Post		Period in the post	Expiry date (*)	Compensation for the post in the reporting company	Non-monetary benefits	Bonuses and other incentives	Other compensat.
Eugenio PAVARANI	**BANCA INTESA S.p.a.**							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,950			
	Chairman Internal Control Committee		from 1/1/06 to 31/12/06	31st December 2006	25,000			
Giovanni PERISSINOTTO	**BANCA INTESA S.p.a.**							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,800			
Mariano RIESTRA	**BANCA INTESA S.p.a.**							
	Director		from 1/1/06 to 20/4/06	20th April 2006	20,011			
Ugo RUFFOLO	**BANCA INTESA S.p.a.**							
	Director	(2)	from 1/1/06 to 31/12/06	31st December 2006	66,200			
Eric STRUTZ	**BANCA INTESA S.p.a.**							
	Director		from 1/1/06 to 20/4/06	20th April 2006	19,861			
Gino TROMBI	**BANCA INTESA S.p.a.**							
	Director		from 1/1/06 to 31/12/06	31st December 2006	66,500			
Gianluca PONZELLINI	**BANCA INTESA S.p.a.**							
	Chairman Board of Statutory Auditors		from 1/1/06 to 31/12/06	31st December 2006	107,400			
	BANCA CABOTO							
	Statutory Auditor		from 1/1/06 to 31/12/06	Approval of the Annual report 2008				41,317 (1)
	BANCA INTESA PRIVATE BANKING S.p.a.							
	Chairman Board of Statutory Auditors		from 1/1/06 to 31/12/06	Approval of the Annual report 2008				16,475 (1)
	INTESA e-LAB S.p.a. (4)							
	Chairman Board of Statutory Auditors		from 1/1/06 to 30/11/06	30th November 2006	13,726			
Rosalba CASIRAGHI	**BANCA INTESA S.p.a.**							
	Statutory Auditor		from 1/1/06 to 31/12/06	31st December 2006	72,550			
Paolo Andrea COLOMBO	**BANCA INTESA S.p.a.**							
	Statutory Auditor		from 1/1/06 to 31/12/06	31st December 2006	72,550			
	FINANZIARIA BTB S.p.a.							
	Statutory Auditor		from 1/1/06 to 31/12/06	Approval of the Annual report 2006				9,346 (1)
	INTESA e-LAB S.p.a. (4)							
	Statutory Auditor		from 1/1/06 to 30/3/06	30th March 2006	2,438			
	INTESATRADE SIM S.p.a.							
	Statutory Auditor		from 1/1/06 to 31/12/06	Approval of the Annual report 2006				8,272 (1)
Franco DALLA SEGA	**BANCA INTESA S.p.a.**							
	Statutory Auditor		from 1/1/06 to 31/12/06	31st December 2006	72,250			
	INTESA CASSE DEL CENTRO S.p.a.							
	Statutory Auditor		from 1/1/06 to 31/12/06	Approval of the Annual report 2007				41,317 (1)
	INTESA PREVIDENZA S.p.a.							
	Chairman Board of Statutory Auditors		from 1/1/06 to 31/12/06	Approval of the Annual report 2006				4,958 (1)
	SOCIETA' ITALIANA DI REVISIONE E FIDUCIARIA - S.I.RE.F. S.p.A.							
	Statutory Auditor		from 1/1/06 to 31/12/06	Approval of the Annual report 2006				3,305 (1)
Livio TORIO	**BANCA INTESA S.p.a.**							
	Statutory Auditor		from 1/1/06 to 31/12/06	31st December 2006	72,550			
	BANCA C.I.S. S.p.a.							
	Statutory Auditor		from 1/1/06 to 31/12/06	Approval of the Annual report 2006				35,721 (1)
	BANCA INTESA MEDIOCREDITO S.p.a.							
	Chairman Board of Statutory Auditors		from 1/1/06 to 31/12/06	Approval of the Annual report 2006				75,857 (1)
	CASSA DI RISPARMIO DI PARMA E PIACENZA S.p.a.							
	Statutory Auditor		from 7/4/06 to 31/12/06	Approval of the Annual report 2008				20,100 (1)
	INTESA HOLDING ASSET MANAGEMENT S.p.a.							
	Statutory Auditor		from 1/1/06 to 31/12/06	31st December 2006				16,492 (1)
	SETEFI S.p.a.							
	Chairman Board of Statutory Auditors		from 1/1/06 to 31/12/06	Approval of the Annual report 2007				21,210 (1)
OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES					8,947,578	524,256	7,276,585	4,665,147 (5)
TOTAL					**14,986,463**	**691,718**	**8,029,758**	**6,119,046**

Notes
(*) The expiry date of the post in Banca Intesa S.p.a. as at 31st December 2006 was due to the new dual corporate governance system adopted by Intesa Sanpaolo S.p.a. as of 1st January 2007.
(1) Includes compensation for post in subsidiaries.
(2) Compensation reversed to the company.
(3) Includes social security charges to be be paid by the employer of 620,858 euro and provisions to employee termination indemnities of 102,580 euro.
(4) Merged in Banca Intesa S.p.a. on 1st December 2006.

(5) Includes social security charghes to be paid by the employer of 3,829,642 euro, provisions to employee termination indemnities of 612,148 euro and compensation for post in subsidiaries, reversed to the company, of 223,357 euro.

2. Information regarding transactions with related parties

The individuals and juridical entities with the characteristics that make them eligible to be considered related parties in the Parent Company's financial statements were defined based on the indications given by IAS 24, applied with reference to the specific organisational and governance structure of Banca Intesa.

In particular, the following are considered related parties:

- *Entities which exercise significant influence over the Company*: the companies which take part in Banca Intesa's voting syndicate;
- *Subsidiaries*: companies over which Banca Intesa exercises, directly or in directly, control as defined by IAS 27;
- *Companies subject to joint control*: companies over which Banca Intesa exercises, directly or indirectly, joint control as defined by IAS 31;
- *Associates*: companies over which, directly or indirectly, Banca Intesa exercises control as defined by IAS 28;
- *Management with strategic responsibilities and control bodies*: Directors, Statutory Auditors, General Managers of Banca Intesa, as well as other managers who have responsibilities in its management;
- *Other related parties*: (a) the family members of Directors, Statutory Auditors, General Managers of Banca Intesa, as well as subsidiaries or associates of the same Directors, Statutory Auditors, General Managers and their family members, (b) the family members of other managers with strategic responsibilities in Banca Intesa as well as in subsidiaries or associates of such managers or their close relations, (c) pension funds established by Banca Intesa and Group companies.

The table below sets out relations with the related parties as at 31st December 2006.

(in millions of euro)

	Financial assets available for sale	Investments held to maturity	Loans to customers	Due from banks	Due to customers	Due to banks	Guarantees given
Companies exercising significant influence over the Company	-	-	1,862	4	297	37	12
Subsidiaries	117	-	11,937	34,562	6,139	13,042	8,154
Companies subject to joint control	-	-	879	24	583	22	72
Associates	-	-	980	-	727	-	10
Managers with strategic responsibilities and control bodies	-	-	1	-	24	-	-
Other related parties	-	-	63	-	881	-	57
Total	**117**	**-**	**15,722**	**34,590**	**8,651**	**13,101**	**8,305**

With reference to balance sheet balances with related parties as at 31st December 2006, detailed in the table above, it must be noted that the increase in loans to "Companies exercising significant influence over the Company" mostly reflected the use of loans granted at market conditions, to a non-bank entity which jointed Intesa's voting syndicate.

Almost all loans to "Other related parties" referred to relations with outside pension funds established by Banca Intesa and Group companies.

In general, the size of credit and debit balances with related parties, which on average represent approximately 30% of credit balances and almost 12% of debit balances, is mostly made up of relations with subsidiary banks, as part of standard intergroup relations.

In parallel, statement of income effects referred to all categories of related parties, in terms of net interest income, represented approximately 27% of the corresponding financial statements figure and referred for 90% to relations with subsidiaries.

More significant was net fee and commission income, which includes the contributions received on placement of insurance products and asset management (respectively equal to 198 million euro and 415 million euro). Such amounts totally represent 24% of fee and commission income and 9% net interest and other banking income.

Banca Intesa's policy as concerns the economic terms which regulate relations with the various types of related parties, as well as the illustration of particularly significant transactions with certain parties, are contained in Part H of the Notes to the consolidated financial statements.

In compliance with Consob requirements as concerns disclosures of listed companies (Communication 6064293 of 28.7.2006) it must be noted that no transaction occurred in 2006 which may be considered unusual and/or uncharacteristic, without prejudice to those relative to business combinations already indicated in the Report on operations and in part G of the Notes to the Parent Company's financial statements.

Part I – Share-based payments

A. QUALITATIVE INFORMATION

1. Description of share-based payments

Description of share-based payments is contained in Part I of the Notes to the consolidated financial statements.

B. QUANTITATIVE INFORMATION

1. Annual changes

The table shows information regarding the assignment of stock options, according to the form set out by Attachment 3C to Consob Issuer Regulations. The form also includes the information required by the Bank of Italy with Circular 262/2005.

	Options held at the beginning of the period			Options assigned during the period			Options exercised during the period			Options expired in the period	Options held at the end of the period		
	Number of options (1)	Average strike price	Average expiration	Number of options (2)	Average strike price	Average expiration	Number of options (3)	Average strike price	Average market price	(4)	Number of options (5)= 1+2-3-4	Average strike price	Average expiration
Managing Director and CEO	5,000,000	2.022	2006-2007				5,000,000	2.022			0		
Other Beneficiaries	26,455,003	2.054	2006-2007				26,405,003	2.054		50,000	0		
Total 2006	**31,455,003**	**2.049**	**2006-2007**				**31,405,003**	**2.049**	**4.643**	**50,000**	**0**		
Total 2005	**96,630,000**	**2.048**	**2005-2007**				**64,548,330**	**2.048**	**3.704**	**626,667**	**31,455,003**	**2.049**	**2005-2007**

(*) Directors of Banca Intesa and other Group companies.

With regard to the assignment for free of shares to employees the Ordinary Shareholders' Meeting of 1st December 2006 approved the purchase of up to a maximum of 5,250,000 shares.

2. Other information

With reference to the assignment for free of shares to employees approved by the Board of Directors of 12th October 2006 and authorised by the Ordinary Shareholders' Meeting of 1st December 2006 overall charges recorded in Banca Intesa's 2006 statement of income amounted to 20 million euro.

Declaration of the Manager in charge of preparing the Company's financial reports

I hereby declare, pursuant to art. 154 bis, par. 2 of Legislative Decree 58/98, that the Parent Company's financial statements correspond to the records, books and accounts of the Company.

The Manager in charge of preparing the
Company's financial reports

B. Picca

Attachments

Reconciliation between reclassified financial statements and official financial statements

The following tables set out the reconciliation between the reclassified financial statements in the Report on operations and the official financial statements as provided for the Bank of Italy with Regulation 262 of 22nd December 2006. The amounts in the tables refer to the reclassifications described in detail in the Report on operations both in the Consolidated and in the Parent Company's financial statements.

Reconciliation between Banca Intesa's reclassified balance sheet and official balance sheet

(in millions of euro)

Captions of the reclassified balance sheet Assets	Captions of the balance sheet - Assets	2006	2005 restated (*)
Financial assets held for trading		32,210	38,776
	Caption 20 - Financial assets held for trading	*32,210*	*38,776*
Financial assets available for sale		3,041	2,575
	Caption 40 - Financial assets available for sale	*3,041*	*2,575*
Investments held to maturity		-	-
	Caption 50 - Investments held to maturity	-	-
Due from banks		48,746	41,046
	Caption 60 - Due from banks	*48,746*	*41,046*
Loans to customers		112,314	104,022
	Caption 70 - Loans to customers	*112,314*	*104,022*
Equity investments		11,988	11,792
	Caption 100 - Equity investments	*11,988*	*11,792*
Property, equipment and intangible assets		1,833	1,875
	Caption 110 - Property and equipment	*1,501*	*1,511*
	+ Caption 120 - Intangible assets	*332*	*364*
Tax assets		1,686	2,337
	Caption 130 - Tax assets	*1,686*	*2,337*
Non-current assets held for sale		-	-
and discontinued operations	*Caption 140 - Non-current assets held for sale and discontinued operations*	-	-
Other assets		4,390	4,166
	Caption 10 - Cash and cash equivalents	*1,078*	*1,098*
	+ Caption 150 - Other assets	*2,669*	*2,021*
	+ Caption 80 - Hedging derivatives	*644*	*1,047*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*-1*	-
Total Assets	**Total Assets**	**216,208**	**206,589**

Captions of the reclassified balance sheet Liabilities and Shareholders' Equity	Captions of the balance sheet - Liabilities and Shareholders' Equity	2006	2005 restated (*)
Due to banks		39,021	33,141
	Caption 10 - Due to banks	*39,021*	*33,141*
Direct customer deposits		143,355	136,883
	Caption 20 - Due to customers	*83,795*	*79,909*
	+ Caption 30 - Securities issued	*59,560*	*56,974*
Financial liabilities held for trading		9,385	14,061
	Caption 40 - Financial liabilities held for trading	*9,385*	*14,061*
Tax liabilities		836	457
	Caption 80 - Tax liabilities	*836*	*457*
Liabilities associated with non-current		-	-
assets held for sale and discontinued operations	*Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations*	-	-
Other liabilities		5,923	5,608
	Caption 100 - Other liabilities	*4,253*	*4,288*
	+ Caption 60 - Hedging derivatives	*1,670*	*1,320*
Allowances for specific purpose		2,365	2,207
	Caption 110 - Employee termination indemnities	*888*	*858*
	Caption 120 - Allowances for risks and charges	*1,477*	*1,349*
Share capital		3,613	3,596
	Caption 180 - Share capital	*3,613*	*3,596*
Reserves (net of treasury shares)		7,859	7,794
	Caption 160 - Reserves	*2,300*	*2,284*
	Caption 170 - Share premium reserve	*5,559*	*5,510*
	– Caption 190 - Treasury shares	-	-
Valuation reserves		1,610	1,297
	Caption 130 - Valuation reserves	*1,610*	*1,297*
Net income (loss)		2,241	1,545
	Caption 200 - Net income (loss)	*2,241*	*1,545*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**216,208**	**206,589**

Reconciliation between Banca Intesa's reclassified statement of income and official statement of income

(in millions of euro)

Captions of the reclassified statement of income	Captions of the statement of income	2006	2005 restated (*)
Net interest income		3,324	3,149
	Caption 30 - Interest margin	*3,069*	*2,936*
	+ *Caption 70 (partial) - Dividend and similar income related to financing transactions*	*92*	*91*
	- *Caption 30 (partial) - Figurative cost for the funding of shares held for trading*	*19*	*14*
	+ *Caption 80 (partial) - Interest rate differentials on currency interest rate swap*	*88*	*47*
	+ *Caption 90 - Fair value adjustments in hedge accounting*	*7*	*18*
	+ *Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)*	*100*	*88*
	+ *Caption 150 a) (partial) - Personnel expenses (Time value employee termination indemnities)*	*-39*	*-30*
	+ *Caption 160 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)*	*-12*	*-15*
Dividends		945	311
	Caption 70 - Dividend and similar income	*1,204*	*716*
	_ *Caption 70 (partial) - Dividend and similar income related to financing transactions*	*-92*	*-91*
	– *Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading*	*-167*	*-314*
Net fee and commission income		2,270	2,238
	Caption 60 - Net fee and commission income	*2,270*	*2,238*
Profits (Losses) on trading		445	294
	Caption 80 - Profits (Losses) on trading	*315*	*-22*
	+ *Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale*	*50*	*65*
	+ *Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities*	*20*	*-2*
	+ *Caption 110 - Profits (Losses) on financial assets and liabilities designed at fair value*	*-*	*-*
	+ *Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading*	*167*	*314*
	- *Caption 80 (partial) - Interest rate differentials on currency interest rate swap*	*-88*	*-47*
	+ *Caption 30 (partial) - Figurative cost for the funding of shares held for trading*	*-19*	*-14*
Other operating income (expenses)		176	172
	Caption 190 - Other operating income (expenses)	*398*	*403*
	– *Caption 190 (partial) - Other operating income (expenses) (Recovery of expenses and taxes and duties)*	*-222*	*-231*
Operating income		**7,160**	**6,164**
Personnel expenses		-2,058	-2,049
	Caption 150a) - Personnel expenses	*-2,410*	*-2,079*
	- *Caption 150 a) (partial) - Personnel expenses (merger and restructuring related charges)*	*313*	*-*
	– *Caption 150 a) (partial) - Personnel expenses (Time value employee termination indemnities)*	*39*	*30*
Other administrative expenses		-1,176	-1,180
	Caption 150b) - Other administrative expenses	*-1,404*	*-1,411*
	- *Caption 150 b) (partial) - Other administrative expenses (merger and restructuring related charges)*	*6*	*-*
	+ *Caption 190 (partial) Other operating income (expenses) (Recovery of expenses and taxes and duties)*	*222*	*231*
Adjustments to property,		-364	-350
equipment and intangible assets	*Caption 170 - Net adjustments to/recoveries on property and equipment*	*-163*	*-154*
	+ *Caption 180 - Net adjustments to/recoveries on intangible assets*	*-201*	*-198*
	– *Caption 170 (partial) - Net adjustments to/recoveries on property and equipment (impairment)*	*-*	*2*
	– *Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (impairment)*	*-*	*-*
Operating costs		**-3,598**	**-3,579**
Operating margin		**3,562**	**2,585**
Goodwill impairment		-	-
	Caption 230 - Goodwill impairment	*-*	*-*
Net provisions for		-132	-291
risks and charges	*Caption 160 - Net provisions for risks and charges*	*-144*	*-306*
	– *Caption 160 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)*	*12*	*15*
Net adjustments to loans		-458	-337
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*-35*	*-19*
	+ *Caption 130 a) - Net losses/recoveries on impairment of loans*	*-350*	*-265*
	– *Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)*	*-100*	*-88*
	+ *Caption 130 d) - Net losses/recoveries on impairment of other financial activities*	*27*	*35*
Net impairment losses on other assets		-10	-19
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-10*	*-17*
	+ *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)*	*-*	*-2*
	+ *Caption 180 (partial) - Net adjustments to/recoveries on intangible assets (impairment)*	*-*	*-*
Profits (Losses) on investments		260	162
held to maturity and	*Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity*	*-*	*-*
on other investments	+ *Caption 240 - Profits (Losses) on disposal of investments*	*46*	*9*
	+ *Caption 210 - Profits (Losses) on equity investments*	*214*	*153*
	+ *Caption 220 - Valuation differences on property, equipment and intangible assets measured at fair value*	*-*	*-*
Income (Loss) before tax from continuing operations		**3,222**	**2,100**
Taxes on income		-767	-594
from continuing operations	*Caption 260 - Taxes on income from continuing operations*	*-662*	*-594*
	- *Caption 260 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)*	*-105*	*-*
Merger and restructuring related charges		-214	-
(net of taxes)	+ *Caption 150 a) (partial) - Personnel expenses (merger and restructuring related charges)*	*-313*	*-*
	+ *Caption 150 b) (partial) - Other administrative expenses (merger and restructuring related charges)*	*-6*	*-*
	+ *Caption 260 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)*	*105*	*-*
Income (Loss) after tax from discontinued operations		-	41
	Caption 280 - Income (Loss) after tax from discontinued operations	*-*	*41*
Net income	**Caption 290 - Net income (loss)**	**2,241**	**1,547**

(*) Figures restated on a consistent basis.

Reconciliation between Gruppo Intesa’s reclassified consolidated balance sheet and official consolidated balance sheet

(in millions of euro)

Captions of the reclassified consolidated balance sheet Assets	Captions of the consolidated balance sheet - Assets	2006	2005 restated (*)
Financial assets held for trading		46,328	51,067
	Caption 20 - Financial assets held for trading	*46,328*	*51,067*
Financial assets available for sale		5,518	4,380
	Caption 40 - Financial assets available for sale	*5,518*	*4,380*
Investments held		2,823	2,810
to maturity	*Caption 50 - Investments held to maturity*	*2,823*	*2,810*
Due from banks		30,363	27,184
	Caption 60 - Due from banks	*30,363*	*27,184*
Loans to customers		190,830	168,767
	Caption 70 - Loans to customers	*190,830*	*168,767*
Investments in associates and companies subject to joint control		2,183	2,099
	Caption 100 - Investments in associates and companies subject to joint control	*2,183*	*2,099*
Property, equipment and intangible assets		4,309	4,279
	Caption 120 - Property and equipment	*2,928*	*2,926*
	+ Caption 130 - Intangible assets	*1,381*	*1,353*
Tax assets		2,502	3,055
	Caption 140 - Tax assets	*2,502*	*3,055*
Non-current assets held for sale		69	3,739
and discontinued operations	*Caption 150 - Non-current assets held for sale and discontinued operations*	*69*	*3,739*
Other assets		6,856	6,380
	Caption 10 - Cash and cash equivalents	*1,895*	*1,781*
	+ Caption 160 - Other assets	*4,089*	*3,321*
	+ Caption 80 - Hedging derivatives	*873*	*1,278*
	+ Caption 90 - Fair value change of financial assets in hedged portfolios	*-1*	*-*
Total Assets	**Total Assets**	**291,781**	**273,760**

Captions of the reclassified consolidated balance sheet Liabilities and Shareholders' Equity	Captions of the consolidated balance sheet - Liabilities and Shareholders' Equity	2006	2005 restated (*)
Due to banks		39,954	31,760
	Caption 10 - Due to banks	*39,954*	*31,760*
Direct customer deposits		202,762	187,207
	Caption 20 - Due to customers	*122,733*	*114,887*
	+ Caption 30 - Securities issued	*80,029*	*72,320*
Financial liabilities held for trading		15,648	21,249
	Caption 40 - Financial liabilities held for trading	*15,648*	*21,249*
Tax liabilities		1,474	1,057
	Caption 80 - Tax liabilities	*1,474*	*1,057*
Liabilities associated with non-current assets held for sale and discontinued		63	3,716
operations	*Caption 90 - Liabilities associated with non-current assets held for sale and discontinued operations*	*63*	*3,716*
Other liabilities		9,589	8,427
	Caption 100 - Other liabilities	*7,711*	*7,017*
	+ Caption 60 - Hedging derivatives	*1,878*	*1,410*
Allowances for specific purpose		3,273	2,819
	Caption 110 - Employee termination indemnities	*1,158*	*1,102*
	Caption 120 - Allowances for risks and charges	*2,115*	*1,717*
Share capital		3,613	3,596
	Caption 190 - Share capital	*3,613*	*3,596*
Reserves (net of treasury shares)		10,785	9,255
	Caption 170 - Reserves	*5,226*	*3,745*
	Caption 180 - Share premium reserve	*5,559*	*5,510*
	– Caption 200 - Treasury shares	*-*	*-*
Valuation reserves		1,209	829
	Caption 140 - Valuation reserves	*1,209*	*829*
Minority interests		852	820
	Caption 210 - Minority interests	*852*	*820*
Net income (loss)		2,559	3,025
	Caption 220 - Net income (loss)	*2,559*	*3,025*
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	**291,781**	**273,760**

Reconciliation between Gruppo Intesa’s reclassified consolidated statement of income and official consolidated statement of income

(in millions of euro)

Captions of the reclassified consolidated statement of income	Captions of the consolidated statement of income	2006	2005 restated (*)
Net interest income		5,778	5,310
	Caption 30 - Interest margin	*5,520*	*5,113*
	- Caption 30 (partial) - Figurative cost for the funding of shares held for trading	*79*	*56*
	+ Caption 80 (partial) - Interest rate differentials on currency interest rate swap	*88*	*47*
	+ Caption 90 - Fair value adjustments in hedge accounting	*11*	*32*
	+ Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*147*	*151*
	+ Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities)	*-52*	*-47*
	+ Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*-15*	*-10*
	Changes in the consolidation area	*-*	*-32*
Dividends		13	12
	Caption 70 - Dividend and similar income	*527*	*701*
	– Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*-514*	*-689*
Profits (Losses) on investments carried at equity		175	200
	+ Caption 240 (partial) - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*175*	*200*
Net fee and commission income		3,569	3,430
	+ Caption 60 - Net fee and commission income	*3,569*	*3,628*
	Changes in the consolidation area	*-*	*-198*
Profits (Losses) on trading		959	620
	Caption 80 - Profits (Losses) on trading	*503*	*13*
	+ Caption 100 b) - Profits (Losses) on disposal or repurchase of financial assets available for sale	*83*	*23*
	+ Caption 100 d) - Profits (Losses) on disposal or repurchase of financial liabilities	*26*	*-1*
	+ Caption 70 (partial) - Dividend and similar income on shares available for sale and held for trading	*514*	*689*
	- Caption 80 (partial) - Interest rate differentials on currency interest rate swap	*-88*	*-47*
	+ Caption 30 (partial) - Figurative cost for the funding of shares held for trading	*-79*	*-56*
	Changes in the consolidation area and other changes	*-*	*-1*
Other operating income (expenses)		42	33
	Caption 220 - Other operating income (expenses)	*375*	*316*
	– Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses and taxes and duties)	*-334*	*-309*
	Changes in the consolidation area	*1*	*26*
Operating income		**10,536**	**9,605**
Personnel expenses		-3,138	-3,063
	Caption 180a) - Personnel expenses	*-3,546*	*-3,160*
	– Caption180 a) (partial) - Personnel expenses (merger and restructuring related charges)	*356*	*-*
	– Caption 180 a) (partial) - Personnel expenses (Time value employee termination indemnities and other captions)	*52*	*47*
	Changes in the consolidation area and other changes	*-*	*50*
Other administrative expenses		-1,780	-1,705
	Caption 180b) - Other administrative expenses	*-2,120*	*-2,098*
	– Caption180 b) (partial) - Other administrative expenses (merger and restructuring related charges)	*6*	*-*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses and taxes and duties)	*334*	*342*
	Changes in the consolidation area	*-*	*51*
Adjustments to property, equipment and intangible assets		-512	-488
	Caption 200 - Net adjustments to/recoveries on property and equipment	*-257*	*-259*
	+ Caption 210 - Net adjustments to/recoveries on intangible assets	*-246*	*-249*
	– Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	*-9*	*-*
	– Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	*-*	*9*
	Changes in the consolidation area	*-*	*11*
Operating costs		**-5,430**	**-5,256**
Operating margin		**5,106**	**4,349**
Goodwill impairment		-	-6
	Caption 260 - Goodwill impairment	*-*	*-6*
Net provisions for risks and charges		-181	-393
	Caption 190 - Net provisions for risks and charges	*-196*	*-436*
	– Caption 190 (partial) - Net provisions for risks and charges (Time value allowances for risks and charges)	*15*	*10*
	Changes in the consolidation area	*-*	*33*
Net adjustments to loans		-863	-740
	Caption 100 a) - Profits (Losses) on disposal or repurchase of loans	*-48*	*-23*
	+ Caption 130 a) - Net losses/recoveries on impairment of loans	*-706*	*-568*
	– Caption 130 a) (partial) - Net losses/recoveries on impairment of loans (Time value loans)	*-147*	*-151*
	+ Caption 130 d) - Net losses/recoveries on impairment of other financial activities	*39*	*37*
	+ Caption 220 (partial) - Other operating income (expenses) (Recovery of expenses)	*-*	*-33*
	Changes in the consolidation area and other changes	*-1*	*-2*
Net impairment losses on other assets		-1	-21
	Caption 130 b) - Net losses/recoveries on impairment of financial assets available for sale	*-14*	*-22*
	+ Caption 130 c) - Net losses/recoveries on impairment of investments held to maturity	*4*	*4*
	+ Caption 200 (partial) - Net adjustments to/recoveries on property and equipment (impairment)	*9*	*-*
	+ Caption 210 (partial) - Net adjustments to/recoveries on intangible assets (impairment)	*-*	*-9*
	Changes in the consolidation area and other changes	*-*	*6*
Profits (Losses) on investments held to maturity and on other investments		114	833
	Caption 100 c) - Profits (Losses) on disposal or repurchase of investments held to maturity	*-*	*1*
	+ Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control	*235*	*226*
	- Caption 240 - Profits (Losses) on investments in associates and companies subject to joint control (carried at equity)	*-175*	*-200*
	+ Caption 270 - Profits (Losses) on disposal of investments	*54*	*755*
	Changes in the consolidation area and other changes	*-*	*51*
Income (Loss) before tax from continuing operations		**4,175**	**4,022**
Taxes on income from continuing operations		-1,347	-1,017
	Caption 290 - Taxes on income from continuing operations	*-1,227*	*-1,045*
	- Caption 290 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	*-120*	*-*
	Changes in the consolidation area	*-*	*28*
Merger and restructuring related charges (net of taxes)		-242	-
	+ Caption180 a) (partial) - Personnel expenses (merger and restructuring related charges)	*-356*	*-*
	+ Caption180 b) (partial) - Other administrative expenses (merger and restructuring related charges)	*-6*	*-*
	+ Caption 290 (partial) - Taxes on income from continuing operations (merger and restructuring related charges)	*120*	*-*
Income (Loss) after tax from discontinued operations		83	154
	Caption 310 - Income (Loss) after tax from discontinued operations	*83*	*150*
	Changes in the consolidation area and other changes	*-*	*4*
Minority interests		-110	-134
	+ Caption 330 - Minority interests	*-110*	*-107*
	Changes in the consolidation area and other changes	*-*	*-27*
Net income	**Caption 340 - Parent Company's net income (loss)**	**2,559**	**3,025**

(*) Figures restated on a consistent basis to consider changes in the consolidation area.

Reconciliation between the 2005 statement of income and the figures restated according to IFRS 5

(in millions of euro)

		2005 published (*)	Impact of IFRS 5 adoption	2005
10.	Interest and similar income	9,787	-1	9,786
20.	Interest and similar expense	-4,675	2	-4,673
30.	**Interest margin**	**5,112**	**1**	**5,113**
40.	Fee and commission income	4,473	-282	4,191
50.	Fee and commission expense	-569	6	-563
60.	**Net fee and commission income**	**3,904**	**-276**	**3,628**
70.	Dividend and similar income	701	-	701
80.	Profits (Losses) on trading	13	-	13
90.	Fair value adjustments in hedge accounting	32	-	32
100.	Profits (Losses) on disposal or repurchase of	-	-	-
	a) loans	*-23*	-	*-23*
	b) financial assets available for sale	*23*	-	*23*
	c) investments held to maturity	*1*	-	*1*
	d) financial liabilities	*-1*	-	*-1*
110.	Profits (Losses) on financial assets and liabilities designated at fair value	-	-	-
120.	**Net interest and other banking income**	**9,762**	**-275**	**9,487**
130.	Net losses / recoveries on impairment	-526	-23	-549
	a) loans	*-545*	*-23*	*-568*
	b) financial assets available for sale	*-22*	-	*-22*
	c) investments held to maturity	*4*	-	*4*
	d) other financial activities	*37*	-	*37*
140.	**Net income from banking activities**	**9,236**	**-298**	**8,938**
150.	Net insurance premiums	-	-	-
160.	Other net insurance income (expense)	-	-	-
170.	**Net income from banking and insurance activities**	**9,236**	**-298**	**8,938**
180.	Administrative expenses	-5,409	151	-5,258
	a) personnel expenses	*-3,255*	*95*	*-3,160*
	b) other administrative expenses	*-2,154*	*56*	*-2,098*
190.	Net provisions for risks and charges	-426	-10	-436
200.	Net adjustments to / recoveries on property and equipment	-272	13	-259
210.	Net adjustments to / recoveries on intangible assets	-251	2	-249
220.	Other operating expenses (income)	327	-11	316
230.	**Operating expenses**	**-6,031**	**145**	**-5,886**
240.	Profits (Losses) on investments in associates and companies subject to joint control	226	-	226
250.	Valuation differences on property, equipment and intangible assets measured at fair value	-	-	-
260.	Goodwill impairment	-6	-	-6
270.	Profits (Losses) on disposal of investments	757	-2	755
280.	**Income (Loss) before tax from continuing operations**	**4,182**	**-155**	**4,027**
290.	Taxes on income from continuing operations	-1,082	37	-1,045
300.	**Income (Loss) after tax from continuing operations**	**3,100**	**-118**	**2,982**
310.	Income (Loss) after tax from discontinued operations	32	118	150
320.	**Net income (loss)**	**3,132**	**-**	**3,132**
330.	Minority interests	-107	-	-107
340.	**Parent Company's net income (loss)**	**3,025**	**-**	**3,025**

(*) Figures originally published in the Annual report 2005.

List of IAS/IFRS endorsed by the European Commission as at 31st December 2006

IFRS 1	First-time adoption of International Financial Reporting Standards	707/2004 mod. 2236/2004 - 2237/2004 - 2238/2004 - 211/2005 - 1751/2005 - 1864/2005 - 1910/2005 - 108/2006
IFRS 2	Share-based payments	211/2005
IFRS 3	Business combinations	2236/2004
IFRS 4	Insurance contracts	2236/2004 - mod. 108/2006
IFRS 5	Non-current assets held for sale and discontinued operations	2236/2004
IFRS 6	Exploration for and evaluation of mineral resources	1910/2005 - mod. 108/2006
IFRS 7	Financial instruments: disclosures	108/2006
IAS 1	Presentation of financial statements	2238/2004 mod. 1910/2005 - 108/2006
IAS 2	Inventories	2238/2004
IAS 7	Cash flow statements	1725/2003 mod. 2238/2004
IAS 8	Accounting policies, changes in accounting estimates, and errors	2238/2004
IAS 10	Events after the balance sheet date	2238/2004
IAS 11	Construction contracts	1725/2003
IAS 12	Income taxes	1725/2003 mod. 2236/2004 - 2238/2004 - 211/2005
IAS 14	Segment reporting	1725/2003 mod. 2236/2004 - 2238/2004 - 108/2006
IAS 16	Property, plant and equipment	2238/2004 mod. 211/2005 - 1910/2005
IAS 17	Leases	2238/2004 mod. 108/2006
IAS 18	Revenue	1725/2003 mod. 2236/2004
IAS 19	Employee benefits	1725/2003 mod. 2236/2004 - 2238/2004 - 211/2005 - 1910/2005
IAS 20	Accounting for Government grants and disclosure of Government assistance	1725/2003 mod. 2238/2004
IAS 21	The effects of changes in foreign exchange rates	2238/2004 mod. 708/2006
IAS 23	Borrowing costs	1725/2003 mod. 2238/2004
IAS 24	Related party disclosures	2238/2004 mod. 1910/2005
IAS 26	Accounting and reporting by retirement benefit plans	1725/2003
IAS 27	Consolidated and separate financial statements	2238/2004
IAS 28	Investments in associates	2238/2004
IAS 29	Financial reporting in hyperinflationary economies	1725/2003 mod. 2238/2004
IAS 31	Interests in joint ventures	2238/2004
IAS 32	Financial instruments: disclosure and presentation	2237/2004 mod. 2238/2004 - 211/2005 - 1864/2005 - 108/2006
IAS 33	Earnings per share	2238/2004 mod. 211/2005
IAS 34	Interim financial reporting	1725/2003 mod. 2236/2004 - 2238/2004
IAS 36	Impairment of assets	2236/2004 mod. 2238/2004
IAS 37	Provisions, contingent liabilities and contingent assets	1725/2003 mod. 2236/2004 - 2238/2004
IAS 38	Intangible assets	2236/2004 mod. 2238/2004 - 211/2005 - 1910/2005
IAS 39	Financial instruments: recognition and measurement	2086/2004 mod. 2236/2004 - 211/2005 - 1751/2005 - 1864/2005 - 1910/2005 - 2106/2005 - 108/2006
IAS 40	Investment property	2238/2004
IAS 41	Agriculture	1725/2003 mod. 2236/2004 - 2238/2004

INTERPRETATIONS		**Regulation endorsement**
IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	2237/2004
IFRIC 2	Members' shares in co-operative entities and similar instruments	1073/2005
IFRIC 4	Determining whether an arrangement contains a lease	1910/2005
IFRIC 5	Rights to interests arising from decommissioning, restoration and enviromental reabilitation funds	1910/2005
IFRIC 6	Liabilities arising from participating in a specific market - Waste electrical and electronic equipment	108/2006
IFRIC 7	Applying the restatement approach under IAS 29 - Financial reporting in hyperinflationary economies	708/2006
IFRIC 8	Scope of IFRS 2	1329/2006
IFRIC 9	Reassessment of embedded derivatives	1329/2006
SIC 7	Introduction of the euro	1725/2003 mod. 2238/2004
SIC 10	Government assistance - no specific relation to operating activities	1725/2003
SIC 12	Consolidation - special purpose entities	1725/2003 mod. 2238/2004 - 1751/2005
SIC 13	Jointly controlled entities - non-monetary contributions by venturers	1725/2003 mod. 2238/2004
SIC 15	Operating leases - incentives	1725/2003
SIC 21	Income taxes - recovery of revalued non-depreciable assets	1725/2003 mod. 2238/2004
SIC 25	Income taxes - changes in the tax status of an enterprise or its shareholders	1725/2003 mod. 2238/2004
SIC 27	Evaluating the substance of transactions involving the legal form of a lease	1725/2003 mod. 2238/2004
SIC 29	Disclosure - service concession arrangements	1725/2003
SIC 31	Revenue - barter transactions involving advertising services	1725/2003 mod. 2238/2004
SIC 32	Intangible assets - web site costs	1725/2003 mod. 2236/2004 - 2238/2004

Table of Banca Intesa's property and equipment and financial assets subject to revaluation

(in millions of euro)

	Revaluations						Total
	Royal Law Decree 1729 of 19.10.1937	Law 823 of 19.12.1973	Law 576 of 02.12.1975	Law 72 of 19.03.1983	Law 413 of 30.12.1991	Law 218 of 30.07.1990	
Real estate assets	**-**	**26**	**18**	**74**	**257**	**264**	**639**
Equity investments	**-**	**-**	**-**	**-**	**-**	**437**	**437**
a) Subsidiaries	-	-	-	-	-	89	89
b) Other	-	-	-	-	-	348	348
Total	**-**	**26**	**18**	**74**	**257**	**701**	**1,076**

Statement of Banca Intesa's internal pension funds

Statement of "Supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo"

For the supplementary pension fund in favour of tax-collection personnel formerly employed by Cariplo – established in implementation of collective agreements to guarantee the payment of integrations for personnel formerly in service at Cariplo passed to Esa.Tri. Esazione Tributi S.p.A. – Banca Intesa keeps separate accounting of relative transactions and this for the purpose of complying with both internal agreements which set out the allocation to the fund of the return generated on its investments, and norms of Legislative Decree 124 of 21st April 1993, emended with Law 335 of 8th August 1995.
It must be noted that, based on internal agreements and the specific authorisation given by the Bank of Italy, the process for the transformation of the treatment from defined benefit to defined contribution was concluded. Following the request made by all personnel in service, the relative individual positions were then transferred to other outside pension funds. Following such operations, the fund recommenced to operate solely as a defined benefit plan in favour of employees already retired as at 31st December 2000.
As at 31st December 2005 the fund amounted to 37 million euro. Following uses, payments, provisions, the fund as at 31st December 2006 amounted to 35 million euro with a 2 million euro decrease.
Actuarial valuation is performed on annual basis.
The fund balance sheet situation was the following:

Bonds	19
Accrued income on bonds	-
Cash equivalents	16
Total	**35**

Fund cash inflows were made up of:

Return on investments	1
Provisions in the year	-
Total cash inflows	**1**

Fund cash outflows referred to:

Past benefits paid	-3
Administrative expenses and other	-
Total cash outflows	**-3**

The net return on investments was 4.25%.

Supplementary pension fund in favour of employees of Mediocredito Lombardo "Trattamento integrativo delle pensioni di Legge a favore dei dipendenti del Mediocredito Lombardo" with last regulations approved on 8/3/1996

The resources of the Fund referred to personnel formerly employed by Mediocredito Lombardo are mostly invested in the Bank's securities activities. The following movements occurred in 2006:

Balance as at 31st December 2005	37
Benefits paid in the year	-1
Provisions allocated in 2006	1
Termination section assets	-19
Balance as at 31st December 2006	**18**

Actuarial valuations to assess the congruity of the Fund with respect to obligations – carried out on an annual basis – testified its technical-financial equilibrium.
Starting from 24th April 1993, with the entry into force of the Law introducing pension funds (Legislative Decree 124 of 21st April 1993), personnel hired by Mediocredito Lombardo no longer joined this fund.
An agreement was signed with Trade Unions in 2006 that set out the transformation of the regime for beneficiaries in service from "defined benefit" to "defined contribution". For employees in service and so-called "deferred beneficiaries" (who ceased service but have a right to future supplementary benefits) a lump-sum has been identified which, based on the options exercised by the beneficiaries, was transferred to supplementary pension funds or collected by beneficiaries. After this transaction, the employees in service section should be extinguished. The agreement with Trade Unions also provides for a process – still to be activated – destined to propose to pensioners, as an extraordinary measure, one-off payments to liquidate their pension position. As at 31st December 2006 solely the section of the Fund relative to pensioners was recorded.

Supplementary pension fund in favour of top management of Banca Commerciale Italiana "Trattamento pensionistico complementare per i membri della Direzione Centrale della Banca Commerciale Italiana"

The fund shows integrative provisions allocated until a certain date on the basis of specific bilateral agreements in favour of top management of Banca Commerciale Italiana.
The relative provisions – which do not fall within funds subject to separate management – are indistinctly invested (in a non-specified way) in assets.
The fund integrally covers the technical requirement at the reference date and is updated on an annual basis.
In 2006, following the start of the liquidation of Fondo pensione per il personale della Banca Commerciale Italiana, the Bank took over the charge corresponding to the difference between the value of the benefit borne by AGO and the higher value of the contractual commitment made with beneficiaries who requested it. The higher value of the mathematical reserve calculated as at 31st December 2006 was amply offset by the sale to the company by the same parties of their integral credit with the BCI Fund.
The following movements occurred in 2006:

Balance as at 31st December 2005	37
Benefits paid in the year	-4
Provisions allocated in 2006	5
Transfer from "Fondo pensioni per il personale della Banca Commerciale Italiana"	6
Balance as at 31st December 2006	**44**

Table of significant equity investments in unlisted companies pursuant to art. 126 of Consob Regulation 11971 of 14th May 1999

(List of equity investments in excess of 10% of the voting share capital in unlisted companies held directly and indirectly or for whatever reason)

Company	Percentage or quotas held direct	Percentage or quotas held indirect	Direct ownership	Type of right
21 Investimenti SpA	11.76		Banca Intesa	Holding
Abac - Aria Compressa SpA	12.85		Banca Intesa	Holding
Accessible Luxury Holdings 1 SA	15.65		Banca Intesa	Holding
Adar Holding SpA (former Sci USA SpA)	16.91		Banca Intesa	Pledge
Agos SpA (former Agos Itafinco SpA)	49.00		Banca Intesa	Holding
Agricola Investimenti SpA	100.00		Banca Intesa	Holding
Agricola Remuscita di D. Franzoni & C. Sas in liquidation		100.00	Agricola Investimenti	Holding
Agromedimurje d.d.		10.21	Medimurska Banka	Holding
Alfa-ex Ingatlanhasznosito es Forgalmazo		21.20	Central European International Bank	Pledge
Alfieri Associated Investors Servicos de Consultor	20.00		Banca Intesa	Holding
AL.GIO.FIN. SpA	20.00		Banca Intesa	Pledge
Allsystem SpA		100.00	C.R. Biella e Vercelli	Pledge
Almaviva Finance SpA (former Banksiel SpA)	14.00		Banca Intesa	Holding
Alpifin Srl in liquidation (former Alpifin SpA)		16.43	Banca Popolare Friuladria	Holding
Alstom Hrvatska doo (former Alstom Power)		20.07	Investholding doo Karlovac	Holding
Anita Srl	100.00		Banca Intesa	Pledge
Antares SpA		97.19	Cariparma e Piacenza	Pledge
Atlantis SA		81.25	Sudameris	Holding
		18.75	Intesa Holding International	Holding
Bajor Center Kft.		100.00	Cil Bajor	Holding
Bamcard d.d.		20.03	UPI Banka	Holding
Banca Caboto SpA (former Banca Primavera, IntesaBci Italia Sim)	100.00		Banca Intesa	Holding
Banca Cis SpA		55.37	Banca Intesa Mediocredito	Holding
	28.33		Banca Intesa	Holding
Banca di Trento e Bolzano SpA		61.80	Finanziaria BTB	Holding
	8.28		Banca Intesa	Holding
Banca d'Italia	22.01		Banca Intesa	Holding
		2.03	Cariparma e Piacenza	Holding
		0.03	Carifano	Holding
		0.22	C.R. Ascoli Piceno	Holding
		0.08	C.R. Viterbo	Holding
		0.08	C.R. Città di Castello	Holding
		0.01	C.R. Rieti	Holding
		0.03	C.R. Spoleto	Holding
		0.11	C.R. Foligno	Holding
		2.10	C.R. Biella e Vercelli	Holding
		0.15	C.R. Terni e Narni	Holding
Banca Impresa Lazio SpA	12.00		Banca Intesa	Holding
Banca Intesa a.d. - Beograd (former Delta Banka a.d.)		83.00	Intesa Holding International	Holding
Banca Intesa (France) S.A. (former B.ca Comm.le Ital. France)	99.99		Banca Intesa	Holding
Banca Intesa Infrastrutture e Sviluppo SpA (ex B.I. Infrastrutture SpA)	100.00		Banca Intesa	Holding
Banca Intesa Mediocredito SpA	100.00		Banca Intesa	Holding
Banca Intesa Private Banking SpA	100.00		Banca Intesa	Holding
Banca Popolare Friuladria SpA	76.05		Banca Intesa	Holding
Banco Patagonia S.A.		0.65	Atlantis	Holding
(former Banco Patagonia Sudameris / Banco Sudameris Argentina)		8.20	Sudameris	Holding
	11.10		Banca Intesa	Holding
BCI US Funding LLC I	100.00		Banca Intesa	Holding
BCI US Funding LLC II	100.00		Banca Intesa	Holding
BCI US Funding LLC III	100.00		Banca Intesa	Holding
Belisce dd		14.24	Privredna Banka Zagreb	Holding
BI Private Equity Ltd		100.00	Private Equity International	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Binda SpA in liquidation	0.15		Banca Intesa	Pledge
	11.25		Banca Intesa	Holding
		0.00	Cormano	Holding
		0.01	Banca Caboto	Holding
		0.01	C.R. Biella e Vercelli	Pledge
BL Yachtclub Ltd		3.33	Cib Insurance Broker	Holding
		96.67	Cib Real Estate	Holding
Borsalino Giuseppe e Fratello SpA		54.32	Banca Popolare Friuladria	Pledge
Bosna Reosiguranje d.d.		14.63	UPI Banka	Holding
BSL Bertola Servizi Logistici SpA	14.00		Banca Intesa	Holding
Business Incubator Beocin d.o.o.		11.11	Banca Intesa - Beograd	Holding
C Blade SpA Forging & Manufacturing		92.57	Banca Popolare Friuladria	Pledge
CAAM SGR SpA (ex Nextra Investment Managem. SGR SpA,	32.05		Banca Intesa	Holding
ex Comit Asset Management SGR)		2.95	Intesa Holding Asset Management	Holding
CAL-Centro Agro Alimentare e Logistica Srl		11.40	Cariparma e Piacenza	Holding
(ex Centro Agro Alim. Parma Srl)				
Cala Capitana Srl under bankruptcy procedures	100.00		Banca Intesa	Pledge
Camigliati Scuola Management Territoriale Scrl		20.00	Intesa Formazione	Holding
Cantiere Darsena Italia SpA in liquidation	20.00		Banca Intesa	Holding
Capitale e Sviluppo SpA		9.76	C.R. Spoleto	Holding
		9.76	C.R. Foligno	Holding
		9.76	C.R. Terni e Narni	Holding
Caprera Srl	100.00		Banca Intesa	Pledge
Cards d.o.o. (former PBZ American Express d.o.o. - Skopje)		95.00	PBZ Card	Holding
Carifano-Cassa di Risparmio di Fano SpA	56.63		Banca Intesa (46.63% in Ord. Shareholders' Meeting)	Pledge
		30.00	Intesa Casse del Centro	Holding
		0.37	C.R. Foligno	Pledge
Cariparma e Piacenza SpA	100.00		Banca Intesa	Holding
Cartiere Paolo Pigna SpA	96.16		Banca Intesa	Pledge
Cartitalia Srl under bankruptcy procedures		51.00	Cormano	Holding
Case di Cura Riunite Srl under extraordinary administration	71.00		Banca Intesa	Pledge
Cassa di Risparmio di Ascoli Piceno SpA		66.00	Intesa Casse del Centro	Holding
Cassa di Risparmio di Biella e Vercelli SpA	55.00		Banca Intesa	Holding
Cassa di Risparmio di Città di Castello SpA		82.19	Intesa Casse del Centro	Holding
Cassa di Risparmio della Prov. di Chieti SpA	20.00		Banca Intesa	Holding
Cassa di Risparmio di Fermo SpA	33.33		Banca Intesa	Holding
Cassa di Risparmio di Foligno SpA		70.47	Intesa Casse del Centro	Holding
Cassa di Risparmio di Rieti SpA		85.00	Intesa Casse del Centro	Holding
Cassa di Risparmio di Spoleto SpA		59.44	Intesa Casse del Centro (65.309% on ord. shares)	Holding
Cassa di Risparmio della Prov. di Teramo SpA	20.00		Banca Intesa	Holding
Cassa di Risparmio di Terni e Narni SpA		75.00	Intesa Casse del Centro	Holding
Cassa di Risparmio della Prov. di Viterbo SpA		82.02	Intesa Casse del Centro	Holding
		0.01	C.R. Città di Castello	Holding
Catelli Holding SpA		100.00	Cariparma e Piacenza	Pledge
Central European International Bank Ltd		100.00	Intesa Holding International	Holding
Centrale dei Bilanci Srl		0.83	Cariparma e Piacenza	Holding
	11.67		Banca Intesa	Holding
		0.15	Banca Cis	Holding
Centurion Financne Storitve d.o.o. (former Amex d.o.o.)		75.00	Banca Popolare Friuladria	Holding
		25.00	PBZ Card	Holding
Centurion Financijske usluge d.o.o.		100.00	PBZ Card	Holding
Chess Ventures Ltd	49.75		Banca Intesa	Holding
China International Packaging Leasing Ltd		17.50	Intesa Holding International	Holding
Cib Car Trading LLC		100.00	Cib Credit	Holding
Cib Credit Zrt. (former Cib Car Finance Rt.)		98.00	Cib Leasing	Holding
		2.00	Cib Real Estate	Holding
Cib Expert Kft.		100.00	Cib Real Estate	Holding
Cib Faktor Zrt.		50.00	Cib Real Property Utilisation and Services	Holding
		50.00	Cib Service	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Cib Insurance Broker Kft.		100.00	Cib Leasing	Holding
Cib Inventory Management LLC (former Project Company I Kft.)		50.00	Cib Insurance Broker	Holding
		50.00	Cib Real Estate	Holding
Cib Investment Fund Management Zrt.		6.66	Cib Real Property Utilisation and Services	Holding
		93.34	Central European International Bank	Holding
Cib Leasing Zrt.		100.00	Cib Rent	Holding
Cib Real Estate Zrt.		100.00	Cib Leasing	Holding
Cib Real Property Utilisation and Services Zrt. (ex Cib Securities)		26.00	Central European International Bank	Holding
		74.00	Cib Service	Holding
Cib Rent Zrt. (former Cib Rent and Leasing Co. Ltd)		100.00	Central European International Bank	Holding
Cib Residential Property Leasing Zrt.		100.00	Cib Credit	Holding
(ex Cib Invest Financial Services, Wallizing Financial Service)				
Cib Service Zrt.		100.00	Central European International Bank	Holding
Cil Bajor Co. Zrt.		50.00	Cib Real Estate	Holding
		50.00	Cib Insurance Broker	Holding
Cil Danubius Co. Zrt.		50.00	Cib Real Estate	Holding
		50.00	Cib Insurance Broker	Holding
Cil-Food 2006 Kft.		50.00	Cib Real Estate	Holding
		50.00	Cib Rent	Holding
Cil-Log Kft.		50.00	Cib Real Estate	Holding
		50.00	Cib Rent	Holding
Cil MNM Kft.		96.67	Cib Real Estate	Holding
Cil Nagyteteny Kft.		50.00	Cib Real Estate	Holding
		50.00	Cib Rent	Holding
Cil Vaci ut Property Utilisation LLC		50.00	Cib Insurance Broker	Holding
		50.00	Cib Real Estate	Holding
Cimo Srl	100.00		Banca Intesa	Pledge
Cofragef S.A. in liquidation		99.76	Banca Intesa (France)	Holding
Collegamento Ferroviario Genova-Milano SpA - Co.Fer.Ge.Mi.		20.00	Banca Intesa Infrastrutture e Sviluppo	Holding
Comit Investments ltd - Ireland	99.21		Banca Intesa	Holding
Consorzio Aeroporto Foligno-Spoleto		12.50	C.R. Foligno	Holding
Consorzio per gli studi universitari a distanza F. Corongiu		33.33	Banca Cis	Holding
Consul Service Srl in liquidation		98.40	Banca Cis	Holding
Consumer Finance Holding a.s.		100.00	Vseobecna Uverova Banka	Holding
Cormano Srl	70.82		Banca Intesa	Holding
Dante Prini SpA in liquidation	32.50		Banca Intesa	Holding
Domina Group SpA in liquid./ in fall.	98.61		Banca Intesa	Pledge
(ex Multimoda Network SpA)				
Dulevo SpA under bankruptcy procedures	81.91		Banca Intesa	Pledge
Edilmarket Srl under bankruptcy procedures	100.00		Banca Intesa	Pledge
EDM Srl		25.00	C.R. Spoleto	Pledge
Elba Srl in liquidation		100.00	Private Equity International	Holding
Elettrostudio Trading Srl		30.00	Banca Popolare Friuladria	Holding
Emerald UK Limited Partnership	11.14		Banca Intesa	Holding
Endeavour Holdings Srl		10.75	Private Equity International	Holding
Ente Nazionale Sementi Elette	49.41		Banca Intesa	Holding
Equinox Investment Company Scpa		28.98	Private Equity International	Holding
Equitypar Companhia de Participacoes S.A.		12.50	Intesa Brasil Empreendimentos	Holding
Euromilano SpA (former Srl)	37.50		Banca Intesa	Holding
Europay Hrvatska d.o.o. in liquidation		12.50	Privredna Banka Zagreb	Holding
Europrogetti & Finanza SpA	15.97		Banca Intesa	Holding
Evoluzione 94 SpA	18.11		Banca Intesa	Holding
F.I.L.A. Fabbrica Italiana Lapis e Affini SpA	24.75		Banca Intesa	Holding
Fidia SGR SpA	25.00		Banca Intesa	Holding
Fiere di Parma SpA		17.33	Cariparma e Piacenza	Holding
Finance Lab Srl		40.00	Banca Popolare Friuladria	Holding
Finanziaria Agricola Bresciana SpA in liquidation		100.00	Agricola Investimenti	Holding
Finanziaria BTB SpA	99.29		Banca Intesa	Holding
Fineurop SpA	15.00		Banca Intesa	Holding

Company	Percentage or quotas held direct	indirect	Direct ownership	Type of right
Fintbrescia Holding SpA in liquidation	17.30		Banca Intesa	Pledge
Formula Sport Group Srl	52.00		Banca Intesa	Pledge
GE.I.PO. Srl	90.00		Banca Intesa	Pledge
Geni SpA under bankruptcy procedures	35.91		Banca Intesa	Holding
Gercom SpA	100.00		Banca Intesa	Pledge
Gestiones y Recuperaciones de Activos SA		99.94	Inversiones Mobiliarias	Holding
(ex Wiese Sudam. Leasing)				
GPE Srl		90.55	Banca Popolare Friuladria	Pledge
Granarolo SpA	19.78		Banca Intesa	Holding
Grin Srl in liquidation	100.00		Banca Intesa	Pledge
Gruppo Pasini SpA	100.00		Banca Intesa	Pledge
HROK d.o.o. - Hrvatski Registar Obveza po Kreditima		14.00	Privredna Banka Zagreb	Holding
Idra Partecipazioni SpA in liquidation	18.62		Banca Intesa	Holding
Ifas Gruppo SpA	45.00		Banca Intesa	Holding
Il Mondo dei Fiori Srl	100.00		Banca Intesa	Pledge
Imaging SpA	39.44		Banca Intesa	Holding
Imeco SpA	78.81		Banca Intesa	Pledge
Immobiliare Bella Riva Srl	100.00		Banca Intesa	Holding
Immobiliare Ferrero SpA	91.70		Banca Intesa	Pledge
Immobiliare Olimpia ' 93 SpA	100.00		Banca Intesa	Pledge
Immobiliare Parco delle Rose SpA		50.00	Cariparma e Piacenza	Pledge
(ex Metallurgica G. Berera SpA)				
Impianti Srl in liquidation		1.69	Banca di Trento e Bolzano	Holding
		5.14	Cariparma e Piacenza	Holding
	12.11		Banca Intesa	Holding
Impresa Castelli SpA	36.60		Banca Intesa	Pledge
Informatica Umbra Srl		8.33	C.R. Spoleto	Holding
		8.33	C.R.Foligno	Holding
Iniziative Urbane SpA		11.11	Banca di Trento e Bolzano	Holding
Insediamenti Produttivi Piemonte Settentrionale SpA - Nordind		12.76	C.R. Biella e Vercelli	Holding
Intervalv SpA	20.00		Banca Intesa	Holding
Intesa Bank Ireland Plc	99.99		Banca Intesa	Holding
(ex IntesaBci B.I/B.ca Comm. Ital. Plc Ireland)				
Intesa Bank Overseas Ltd.	100.00		Banca Intesa	Holding
Intesa Brasil Empreendimentos S.A. (former Traianus S.A.)	100.00		Banca Intesa	Holding
Intesa Casse del Centro SpA	96.07		Banca Intesa	Holding
(ex Intesa Holding Centro/Holding IntesaBci Centro)				
Intesa Distribution International Services SA		0.03	Société Européenne de Banque	Holding
(ex Nextra Distribution Services SA, Prontofund Advisory SA)		99.97	Intesa Distribution Services	Holding
Intesa Distribution Services Srl	32.05		Banca Intesa	Holding
(ex Intesa Immobiliare/IntesaBci Immob.)		67.95	Intesa Holding Asset Management	Holding
Intesa Formazione Scpa (ex Intesa Formazione Sud, CEII S.)	80.00		Banca Intesa	Holding
		20.00	Intesa Casse del Centro	Holding
Intesa Funding Llc (former BCI Funding Corporation)	100.00		Banca Intesa	Holding
Intesa Global Finance Company Ltd		100.00	Intesa Holding International	Holding
Intesa Holding Asset Management SpA	100.00		Banca Intesa	Holding
(ex Intesa Ass.Manag.SGR)				
Intesa Holding International SA (former Comit Holding Intern.Sa)	99.99		Banca Intesa	Holding
Intesa Investimenti SpA	100.00		Banca Intesa	Holding
(ex IntesaBci Inv./Comp.Ital. di Inv.Diversif.)				
Intesa Lease Sec. Srl	60.00		Banca Intesa	Holding
Intesa Leasing d.o.o. - Beograd (former Delta Leasing d.o.o.)		51.00	Banca Intesa - Beograd	Holding
		49.00	Cib Leasing	Holding
Intesa Leasing SpA	99.67		Banca Intesa	Holding
Intesa Mediofactoring SpA (former Mediofactoring SpA)	100.00		Banca Intesa	Holding
Intesa Preferred Capital Co. Llc.	100.00		Banca Intesa	Holding
Intesa Previdenza SIM SpA (former Sim Co.Ge.F. SpA)	78.53		Banca Intesa	Holding
Intesa Real Estate Srl (former Immobiliare Maram Srl)	100.00		Banca Intesa	Holding
Intesa Renting SpA		65.00	Intesa Leasing	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Intesa Sec. SpA (former IntesaBci Sec.)	60.00		Banca Intesa	Holding
Intesa Sec. 2 Srl (former IntesaBci Sec. 2)	60.00		Banca Intesa	Holding
Intesa Sec. 3 Srl	60.00		Banca Intesa	Holding
Intesa Sec. NPL SpA (ex IntesaBci Sec Npl/Giotto Fin./Lario Fin.)	60.00		Banca Intesa	Holding
Intesa Sec. NPL 2 Srl (former La Centrale Consulenza Srl)	100.00		Banca Intesa	Holding
Intesa Soditic Trade Finance Ltd (ex BCI Soditic Trade Fin.)		50.00	Intesa Holding International	Holding
Intesa Vita SpA (former Timavo Vita SpA)	50.00		Banca Intesa (44.44% in Ord. Shareholders' Meeting)	Holding
IntesaBci Preferred Capital Company Llc III Delaware	100.00		Banca Intesa	Holding
IntesaBci Preferred Securities Investor Trust		100.00	IntesaBci Preferred Capital Company Llc III Delaw.	Holding
IntesaTrade Sim SpA	100.00		Banca Intesa	Holding
Inversiones Mobiliarias S.A - IMSA	99.82		Banca Intesa	Holding
Inversiones Sudameris C.A.(Venezuela) in liquidation		100.00	Sudameris	Holding
Investholding d.o.o. Karlovac		56.38	Privredna Banka Zagreb	Holding
Investitori Associati S.A in liquidation	16.67		Banca Intesa	Holding
Ipef Partners Ltd.	40.50		Banca Intesa	Holding
Italfondiario SpA	11.25		Banca Intesa	Holding
Italia Generali Costruzioni Srl	100.00		Banca Intesa	Pledge
Italian Equity Advisors SpA in liquidation	17.16		Banca Intesa	Pledge
KMB-Bank Small Business Credit Bank (closed Joint Stock C.)		75.00	Intesa Holding International	Holding
KMB-Leasing (closed Joint Stock Company)		100.00	KMB-Bank	Holding
Lelle SPC - Real Estate Investment and Trading Rt.		99.96	Cib Real Estate	Holding
		0.04	Cib Insurance Broker	Holding
Leonardo Technology SpA	33.33		Banca Intesa	Holding
Lima Sudameris Holding S.A in liquidation	52.84		Banca Intesa	Holding
		47.12	Inversiones Mobiliarias	Holding
LT Gospodarska Banka d.d.		66.99	Privredna Banka Zagreb	Holding
Luxicav Conseil S.A.		99.97	Société Européenne de Banque	Holding
Luxi Privilege Conseil S.A.		50.00	Société Européenne de Banque	Holding
Mandricardo SpA	99.75		Banca Intesa	Pledge
Mantero Finanziaria SpA	10.59		Banca Intesa	Holding
Margit Ltd		100.00	Cib Real Property Utilisation and Services	Holding
Mater-Bi SpA	34.48		Banca Intesa	Holding
Medimurska Banka dd		96.39	Privredna Banka Zagreb	Holding
Medinvest Srl under bankruptcy procedures	100.00		Banca Intesa	Pledge
Mezzanove Capital Management Sarl		47.00	Private Equity International	Holding
(ex Meridian Mezzanine Manag.)				
Mezzanove Capital Sca-Sicar (ex Meridian Mezzanine Sca)		38.69	Private Equity International	Holding
Modulblok SpA		13.06	Banca Popolare Friuladria	Pledge
Montagna 2000 SpA		11.00	Cariparma e Piacenza	Holding
Monte Mario 2000 Srl		47.50	Intesa Real Estate	Holding
N.H. Italia Srl	49.00		Banca Intesa	Holding
N.T.M. SpA		61.11	Banca Intesa Mediocredito	Pledge
Napredak Osiguranje d.d. in liquidation		19.05	LT Gospodarska Banka	Holding
Netsystem.com SpA	35.74		Banca Intesa	Pledge
Neubor Glass SpA		24.70	Banca Popolare Friuladria	Holding
Nuova Cartiera di Arbatax SpA under extraordinary administration		16.00	Banca Cis	Holding
Nuova G SpA under extraordinary administration	100.00		Banca Intesa	Pledge
Nuovo Hotel S. Pietro Srl	28.00		Banca Intesa	Pledge
O.M.S.O. Officina Macchine per Stampa su Oggetti SpA	20.50		Banca Intesa	Pledge
Obiettivo Nordest Sicav SpA	29.62		Banca Intesa (% on nominative shares)	Holding
OOO Intesa Realty Russia	100.00		Banca Intesa	Holding
P.B. Srl	42.24		Banca Intesa	Holding
Parmafactor SpA in liquidation	10.00		Banca Intesa	Holding
		10.00	Cariparma e Piacenza	Holding
Pasco SpA		90.00	C.R. Biella e Vercelli	Pledge
PBZ Card d.o.o. (ex PBZ American Express d.o.o. Zagreb)		100.00	Privredna Banka Zagreb	Holding
PBZ Croatia Osiguranje Joint Stock Co. for Comp.Pens.Fund M.		50.00	Privredna Banka Zagreb	Holding
(ex PBZ Croatia Osig. Plc for Compuls. Pension Fund Man.)				
PBZ Invest d.o.o.		100.00	Privredna Banka Zagreb	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
PBZ Leasing d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Nekretnine d.o.o.		100.00	Privredna Banka Zagreb	Holding
PBZ Stambena Stedionica d.d.		100.00	Privredna Banka Zagreb	Holding
Petrochemical Investments Ltd in liquidation	100.00		Banca Intesa	Holding
Pettinatura Biellese SpA		28.84	C.R. Biella e Vercelli	Pledge
Phoenix Beteiligungs GmbH in liquidation	100.00		Banca Intesa	Holding
Po Vita SpA		50.00	Cariparma e Piacenza	Holding
Porto San Rocco SpA		19.13	Banca Popolare Friuladria	Pledge
Private Equity International S.A.(former Neuf)	100.00		Banca Intesa	Holding
Privredna Banka Zagreb d.d.		76.59	Intesa Holding International	Holding
Progetti SpA (former Srl)	24.00		Banca Intesa	Pledge
Progetto Milano Bastioni SpA	12.50		Banca Intesa	Holding
Projekt d.d.		67.01	LT Gospodarska Banka	Holding
Quadrante SpA	50.00		Banca Intesa	Pledge
R.C.N. Finanziaria SpA (former T.F. Partners Srl)	23.96		Banca Intesa	Holding
Recovery a.s. (former Leasreal a.s.)		100.00	Vseobecna Uverova Banka	Holding
Remari Finanziaria Srl in liquidation	28.00		Banca Intesa	Pledge
Renee Srl under bankruptcy procedures	100.00		Banca Intesa	Pledge
Resco Uno Srl (former Trattamenti Termici Solbiate Srl)	100.00		Banca Intesa	Holding
Rodriquez Pietra Ligure Srl	22.22		Banca Intesa	Holding
S.E.P. Società Economia Parmense Srl		19.00	Cariparma e Piacenza	Holding
Sabaudia 29 Srl in liquidation	95.00		Banca Intesa	Pledge
Saga SpA	45.00		Banca Intesa	Pledge
Sailview Company		99.99	Private Equity International	Holding
San Francesco Srl	100.00		Banca Intesa	Pledge
Saper Participacoes Ltda (ex Saper Empreendim.Imobiliarios)		37.90	Soc. de Assessoria Tecnica e Administrativa	Holding
Scala Advisory S.A.		0.03	Société Européenne de Banque	Holding
	99.97		Banca Intesa	Holding
Scotiabank Perù S.A.A. (former Banco Wiese Sudameris S.A.)		8.73	Lima Sudameris Holding	Holding
	n.s.		Inversiones Mobiliarias	Holding
	11.18		Banca Intesa	Holding
Seaser SpA		100.00	Banca Intesa Infrastrutture e Sviluppo	Pledge
Seb Trust Ltd		99.99	Société Européenne de Banque	Holding
Servitia S.A.		99.99	Société Européenne de Banque	Holding
Setefi SpA	100.00		Banca Intesa	Holding
Shanghai Sino-Italy Business Advisory Company Ltd	40.00		Banca Intesa	Holding
Sicil Power SpA	97.00		Banca Intesa	Pledge
Sig Comaco SpA		100.00	Cariparma e Piacenza	Pledge
Sig Manzini SpA		100.00	Cariparma e Piacenza	Pledge
Slovak Banking Credit Bureau Spol. s.r.o.		33.33	Vseobecna Uverova Banka	Holding
Soc. de Assessoria Tecnica e Administrativa Sa - SATA		99.99	Intesa Brasil Empreendimentos	Holding
Soc. Aree Ind. ed Artigianali - S.A.I.A. SpA	10.08		Banca Intesa	Holding
Società Europea di Sviluppo Srl	90.00		Banca Intesa	Pledge
Società Gestione per il Realizzo SpA	10.02		Banca Intesa	Holding
		0.95	Carifano	Holding
Società Interbancaria per l'Automazione-Cedborsa SpA	14.05		Banca Intesa	Holding
		n.s.	Banca Cis	Holding
		0.01	C.R. Ascoli Piceno	Holding
		0.01	C.R. Rieti	Holding
		0.02	Banca di Trento e Bolzano	Holding
		0.01	C.R. Viterbo	Holding
		0.19	Cariparma e Piacenza	Holding
		0.01	C.R. Foligno	
		0.01	C.R. Spoleto	Holding
		0.01	C.R. Città di Castello	Holding
		0.03	Banca Popolare Friuladria	
		0.03	C.R. Biella e Vercelli	Holding
		0.01	C.R. Terni e Narni	Holding
Società Italiana di Revisione e Fiduciaria SpA - SIREF	100.00		Banca Intesa	Holding

Company	Percentage or quotas held		Direct ownership	Type of right
	direct	indirect		
Società per i Servizi Bancari - SSB SpA		0.24	Banca di Trento e Bolzano	Holding
		0.21	Cariparma e Piacenza	Holding
	17.83		Banca Intesa	Holding
		0.04	C.R. Viterbo	Holding
		0.04	C.R. Città di Castello	Holding
		0.04	C.R. Rieti	Holding
		0.01	C.R. Spoleto	Holding
		0.04	C.R. Foligno	Holding
		0.11	C.R. Biella e Vercelli	Holding
		n.s.	Banca Cis	Holding
		0.06	Banca Popolare Friuladria	Holding
		0.02	C.R. Ascoli	Holding
		0.04	C.R. Terni e Narni	Holding
Societe d'Investiss.et de Financ. Immobiliers S.A - Finameris		99.99	Banca Intesa (France)	Holding
Sociéte Européenne de Banque S.A.		99.99	Intesa Holding International	Holding
Speed SpA	19.19		Banca Intesa	Holding
Speroni Beni Stabili Srl		100.00	Banca Intesa Mediocredito	Pledge
Spinoffer Real Estate Srl	100.00		Banca Intesa	Pledge
Strutture Centrali Srl	25.00		Banca Intesa	Pledge
Sudameris SA (former Banque Sudameris SA)		99.87	Intesa Holding International	Holding
Sudameris Bank S.A.E.C.A.		19.86	Sudameris	Holding
(ex Banco Sudameris Paraguay S.A.E.C.A.)				
Sudameris Inmobiliaria SA (Panama)		100.00	Sudameris	Holding
Sviluppo Como SpA	15.00		Banca Intesa	Holding
Sviluppo Garibaldi Repubblica SpA in liquidation	33.00		Banca Intesa	Holding
Synesis Finanziaria SpA	25.00		Banca Intesa	Holding
Tabby SpA under bankruptcy procedures	73.81		Banca Intesa	Pledge
Tamma - Industrie Alimentari di Capitanata Srl	54.60		Banca Intesa	Pledge
Tasa Finance Lux S. à r.l.	100.00		Banca Intesa	Holding
Tecnoarredamenti Srl		100.00	Banca Popolare Friuladria	Pledge
Tecnoforge SpA	14.77		Banca Intesa	Pledge
Tehnolosko-Inovacijski Centar doo		11.20	Privredna Banka Zagreb	Holding
Termomeccanica SpA	33.29		Banca Intesa	Holding
Tornabuoni Srl	100.00		Banca Intesa	Pledge
Tre Re SpA in liquidation	39.99		Banca Intesa	Pledge
Trigoria 2000 Srl in liquidation	95.00		Banca Intesa	Pledge
Turismo e Immobiliare SpA	25.00		Banca Intesa	Holding
Twice Sim SpA (former Gemofin Sim)	19.95		Banca Intesa	Holding
Uno a Erre Italia SpA (former ECC Holding Srl)	13.51		Banca Intesa	Holding
		11.14	Banca Intesa Mediocredito	Holding
UPI Banka d.d. - Sarajevo		81.18	Intesa Holding International	Holding
V141 Kft.		100.00	Cil Danubius	Holding
Villaggio Turistico Internazionale Srl (former Sviluppo Marino Srl)	100.00		Banca Intesa	Pledge
Vimar Holding SpA	100.00		Banca Intesa	Pledge
Viterie Bal.Bi Srl		50.00	Banca Popolare Friuladria	Pledge
Vseobecna Uverova Banka a.s.		96.49	Intesa Holding International	Holding
Vub Asset Management Sprav. Spol. a.s.		100.00	Vseobecna Uverova Banka	Holding
Vub Factoring a.s.		100.00	Vseobecna Uverova Banka	Holding
Vub Generali dochodkova spravcovska spolocnost a.s.		50.00	Vseobecna Uverova Banka	Holding
Vub Leasingova a.s.		100.00	Vseobecna Uverova Banka	Holding
Zao Banca Intesa	100.00		Banca Intesa	Holding
Zao International Business Consulting in liquidation	55.00		Banca Intesa	Holding

N.S. = not significant since the percentage is under 0.001.

Information regarding Banca Intesa’s reserves and allowances as at 31st December 2006

(in millions of euro)

	Reserves and Allowances which do not concur to form income for shareholders	Other Reserves and Allowances	Reserves and Allowances which in case of distribution concur to form the Company's taxable income
Share premium reserve	5,559	-	-
Legal reserve	85	688	-
Extraordinary reserve	-	961	-
Allowance for Consortium companies			
as per Law 787 of 5/12/1978	-	4	-
Allowance reinvested capital gains			
as per Law 169 of 4/5/1983	-	*8*	-
Special Reserve - Resolution 16/3/1999	-	5	-
Capital increase via transfer of			
Capital increase via transfer of			
Reserves subject to a suspended tax regime			
- Reserve as per Law 576 of 2/12/1975	-	-	*50*
- Reserve as per Law 72 19/3/1983	-	-	*226*
Reserve as per Law 576 of 2/12/1975	-	-	3
Allowance pursuant to Art. 55 of Presidential Decree 917/1986	-	-	1
Reserve as per Law 72 of 19/3/1983	-	-	143
Reserve pursuant to Art. 7 par 3 of Law 218 of 30/7/1990	-	-	232
Reserve pursuant to Art. 7 of Law 218 of 30/7/1990	-	-	302
Reserve as per Law 413 of 30/12/1991	-	-	379
Reserve as per Law 408 of 29/12/1990	-	-	7
Revaluation Reserve as per Law 342 of 21/11/2000	-	-	456
Reserve pursuant to Art. 13 of Legislative Decree 124 of 21/4/1993	-	-	1
Legal Reserve Branches Abroad	13	-	-
Valuation reserve of financial assets available for sale	-	554	-
Valuation reserve of cash flow hedges	-	69	-
Total	**5,657**	**2,289**	**1,800**

Glossary

GLOSSARY OF CERTAIN TERMS OF THE ANNUAL REPORT

(as used in the "Report" and with the exclusion of the terms that have become commonplace in the Italian language or which are used in a context that already clarifies their meaning)

ABS – Asset-backed Securities ABS
Financial instruments, whose yield and redemption are guaranteed by assets of the issuer, exclusively earmarked for the satisfaction of the rights incorporated in the financial instruments themselves.

Acquisition finance
Leveraged buy-out financing.

Additional return
Form of remuneration of junior securities deriving from securitisation transactions. In addition to a fixed dividend, such securities accrue periodic earnings (quarterly, semi-annually, etc.), the amount of which is a result of the margin produced by the transaction (in turn reflecting the performance of the securitised assets).

Advisor
Financial broker assisting government authorities or companies involved in privatisation or other corporate finance transactions, whose tasks range from arranging appraisals to drawing up documents and providing general professional advice about specific transactions.

ALM – Asset & Liability Management
Integrated management of assets and liabilities designed to allocate the resources with a view to optimising the risk/yield ratio.

Alternative investment
Alternative investments cover a broad spectrum, including those in private equity and hedge funds (see definitions below).

Arranger
In the sector of structured finance, the arranger is the figure who – albeit in different forms and with different titles (mandated lead arranger, joint lead arranger, sole arranger, etc.) – acts as a co-ordinator of the organisational aspects of the transaction.

Arrangement (commission therefore)
Commission having the nature of compensation for professional advice and assistance at the stage when a loan is co-ordinated and set up.

Asset allocation
Choice of markets, geographical areas, sectors and products to invest in.

Asset management
Activities in connection with the management and administration of the assets of the clientele in different ways.

Audit
In quoted companies, it is overall checking on the business and bookkeeping of a company, performed by both in-house staff (internal audit) and independent audit firms (external audit).

Back office
The unit of a bank or holding company that takes care of handling all transactions performed by the operational units (front office).

Backtesting
Retrospective analysis performed to verify the reliability of the measurement of risk sources associated with different asset portfolios.

Banking book
Usually concerns securities or financial instruments in general, identifying the portion of a portfolio dedicated to "proprietary" trading.

Basis swap
Contract providing for the exchange between opposite parties of variable-rate payments linked to a different index.

Best practice
It generally identifies behaviour commensurate with state-of-the-art skills and techniques in a given technical/professional area.

Bid-ask spread
The difference between the bidding price and asking price of a given financial instrument or set of financial instruments.

Bookrunner
See Lead manager

Budget
Forecast of cost and income trends of a firm in some future period.

Capital Asset Pricing Model
Model making it possible to determine the "opportunity cost" or the amount of income for the business period necessary to remunerate the cost of capital.

Captive
Term generically referring to "networks" or companies that operate in the exclusive interest of their parent company or group.

Cash flow hedge
Coverage against exposure to variability in cash flows traceable to a particular risk.

Cash management
A banking service that, in addition to making available to businesses a whole set of information on the status of relations entertained with the bank, provides an operative tool allowing businesses to execute transfers of funds, thus leading to more efficient treasury management.

Categories of financial instruments provided for by IAS 39
Activity of negotiation which includes the following: assets purchased for short-term sale or part of portfolios of instruments managed jointly for the purpose of realising profits in the short-term, and assets that the entity decides in any case to reckon at fair value with variation in value entered under the Profit and Loss Account; assets held full term, non-derivative assets with a fixed term and payments that are fixed or determinable, concerning which there is a real intention and capacity to hold them full term; credits and loans, non-derivative assets with fixed or determinable payments not quoted on the active market; assets available for sale, specifically designated as such, or others not falling under the previous typologies.

CDO – Collateralised Debt Obligation
Securities issued within the framework of securitisation transactions, guaranteed by underlying assets in the form of credits, securities or other financial assets.

Collective assessment of in bonis credits
With reference to a homogeneous group of financial assets with a steady performance, the collective assessment defines the degree of credit risk potentially associated with the same, even though it is not yet possible to identify it with a specific position.

Commercial paper
Short-term notes issued in order to collect funds from third-party underwriters as an alternative to other forms of indebtedness.

Core Business
Primary area of business constituting the focal point of a company's strategies and policies.

Core tier 1 ratio
Indicates the ratio of basic (Tier 1) assets, not including preference shares, to total weighted-risk assets. Preference shares are innovative capital instruments normally issued by foreign subsidiaries and included in the basic assets if they have characteristics guaranteeing the capital stability of the banks. The Tier 1 ratio is the same ratio that, in the numerator, includes the preference shares.

Corporate
Segment of customers corresponding to medium- and large-sized firms (mid-corporate, large corporate).

Cost income ratio
Economic indicator represented by the ratio of operating costs to net operating income.

Amortised/depreciated cost
Differs from "cost" in that it provides for the progressive amortisation/depreciation of the differential between the book value and nominal value of an asset or liability on the basis of the effective rate of return.

Covered bond
Special bank bond that, in addition to the guarantee of the issuing bank, can also benefit from the guarantee of a portfolio of mortgage loans or other high-quality loans granted for the purpose to a special vehicle company.

Credit default swap/option
Contract under which one party transfers to another the credit risk of a loan or security, against payment of a premium, at such a time when some event has caused a downgrading of the debtor's credit rating (in the case of an option, the right must be exercised by the purchaser).

Credit derivatives
Derivative contracts that cause the transfer of credit risks. These products allow investors to perform arbitrage and/or hedging on the credit market mainly by means of instruments other than cash, to acquire credit exposures diversified in their maturity and intensity, to modify the risk profile of a portfolio and to separate credit risks from other market risks.

Credit enhancement
Techniques and instruments used by issuers to improve the rating of their issues (constitution of sureties, granter of cash credit lines, etc.).

Credit/emerging markets (Funds)
Funds that invest in securities with credit risk exposure, inasmuch as issued by financial or corporate issuers located in emerging countries.

Credit-linked notes
Similar to bonds issued by the protection buyer or a vehicle company whose holders (protection sellers) – in exchange for a yield equal to the yield of a bond with the same maturity plus the premium received for credit risk hedging – take the risk of losing (in whole or in part) the maturing capital and the related flow of interest, upon occurrence of a specific event.

Credit spread option
Contract under which the protection buyer reserves the right, against payment of a premium, to collect from the protection seller a sum depending on the positive difference between the market spread and that fixed in the contract, applied to the notional value of the security.

CreditVaR
Value that indicates an unexpected loss in connection with a credits portfolio at a time of confidence in a given period. The CreditVaR is assessed through distribution of the values of the losses and represents the difference between the average distribution value and the value corresponding to a certain percentile (usually 99.9%), which reflects the Bank's degree of willingness to take risks.

Cross selling
Activity designed to increase customer loyalty through the sale of integrated products and services to them.

CR01
Referred to a credit portfolio, it indicates the value variation it would undergo as a consequence of an increase of 1 basis point of the credit spreads.

Default
Designates the condition of declared inability to honour one's debts and/or make the relevant interest payments.

Delta-Gamma-Vega (DGV VaR)
Parametric model for calculation of the VaR, able to assess risk factors having both a linear and non-linear trend.

Desk
It generally refers to an operating unit where a particular activity is mainly carried on.

Dynamics of provision
Sum of deposits in a current account (free current accounts and bank drafts), returnable deposits upon prior notice (free savings deposits), time deposits (time savings deposits, certificates of deposit), repo agreements and bonds (including subordinate loans). Each technical form, with the exception of bonds, is shown for clientele residing in Italy, except for the central Administration, in euros and other currencies of reference. Bonds refer to the overall value of the documents of debt, independently of the place of residence and sector of the holder.

Directional (Funds)
Funds that invest in financial instruments that profit from market movements of a directional type, sometimes tied to analyses of a macroeconomic type.

Domestic Currency Swap
Contract settled in euros, whose economic effect is equal to that of a time purchase or sale of a foreign currency in exchange for domestic currency. As it falls due, the differential between the time exchange as per the contract and the current cash exchange is settled in euros.

Duration
Constitutes an indicator of interest rate risk a security or securities portfolio is subject to. In its most frequent form, it is

calculated as a weighted average of the due dates of interest and principal payments associated with a security.

EAD – Exposure at Default
Relating to positions on or off the books, it is defined as the estimated future value of an exposure at the time of default of a debtor. Only banks meeting the requirements for the adoption of the Advanced IRB are legitimised to estimate EAD. The others are required to make reference to statutory estimates.

EDF – Expected Default Frequency
Frequency of default, normally based on a sample inside or outside the bank, which represents the average risk level associable with an opposite party.

Equity hedge/long-short (Funds)
Funds that predominantly invest in stocks with the possibility of creating hedging strategies by means of short sales of the same stocks or strategies in derivatives contracts involving securities or market indexes.

Equity origination
Increase of a company's risk capital achieved by floating a new issue of stock.

Exotics (derivatives)
Non-standard instruments unquoted on the regular markets, whose price is based on mathematical models.

Event driven (Funds)
Funds that invest in opportunities arising out of significant events regarding the company sphere, such as mergers, acquisitions, defaults and reorganisations.

EVT – Extreme Value Theory
Statistical methodologies that deal with extreme hypothetical deviations compared to the average probable distribution of specific events.

Facility (commission)
Commission calculated with reference to the amount of profit on a loan.

Factoring
Contract of cession of commercial credits, activated by specialised firms for purposes of management and collection, normally associated with the granting of a loan to the transferor.

Fair value
It is the consideration for which an asset could be exchanged or a liability extinguished, in a free transaction between acquainted with and independent parties.

Fair value hedge
Hedging against exposure to a variation in the fair value of a budgeted item, attributable to a particular risk.

Fairness/Legal opinion
An opinion given on request by experts of recognised professionalism and competence, as regards the congruity of the economic terms and/or lawfulness and/or technical aspects of a given transaction.

Financial instruments quoted in an active market
A financial instrument is considered as quoted on an active market if the quotations, reflecting normal market transactions, are promptly and regularly available through organised markets (exchanges), middlemen, brokers, intermediaries, companies operating in the sector, quotation services or authorised bodies, and such prices represent effective and regular market transactions taking place over a normal period of reference.

Forward Rate Agreement
See "Forwards."

Forwards
Forward contracts on interest rates, exchange rates or stock indexes, generally negotiated in over-the-counter markets and whose conditions are established at the time when the contract is entered into, but which will be fulfilled at a predetermined future date, by means of the receipt or payment of differentials calculated with reference to parameters that vary according to the purpose of the contract.

Front office
The complex of operating units designed to deal directly with the clientele.

Funding
The procurement of capital, in various forms, to finance the company business or particular financial transactions.

Futures
Standardised future contracts under which the parties agree to exchange securities or physical commodities at a fixed forward price and at a future date. Such contracts are normally traded on organised markets, where their execution is guaranteed. In practice, futures on securities often do not involve the physical exchange of the underlying value.

Global custody
An integrated package of services including, in addition to the custody of securities, the performance of administrative activities relating to the settlement of securities, collections and payments, the deposit bank and management of uninvested liquidity, as well as various forms of reporting on the performance of the portfolio.

Goodwill
The value attached to intangible assets as part of the purchase price of a shareholding in a going concern.

Governance
Identifies the instruments and rules/standards taken as a whole regulating the life of the company, particularly as regards the transparency of documents and company records, and the completeness of information made available to the market.

Greca
Identifies a situation of greater or lesser sensitivity with which a derivative contract, typically an option, reacts to variations in the value of the underlying asset, or other parameters of reference (typically intrinsic volatility, interest rates, stock prices, dividends and correlations).

Hedge accounting
Rules pertaining to the accounting of hedges.

Hedge fund
Investment fund that employs hedging instruments in order to achieve a better result in terms of risk/return ratio.

IAS/IFRS
The IAS (International Accounting Standards) are issued by the International Accounting Standards Board (IASB). The standards issued after July 2002 are called IFRS (International Financial Reporting Standards).

Impairment
When referred to a financial asset, a situation of impairment is identified when the book value of the asset exceeds the estimated recoverable amount of the same.

Index linked
Policies whose performance at maturity depends on the performance of a parameter of reference, which may be a stock index, a basket of securities or some other indicator.

Indirect bank collection
Securities and the like owned by third parties on deposit, not issued by the bank at nominal value, excluding certificates of deposit and bank bonds.

Internal dealing
Transactions between different operating units of the same firm. The relevant documentary material is part of the bookkeeping and contributes to determining the position (trading or hedging) of the individual units involved.

Intraday
Used to refer to an investment/divestment transaction performed in the course of a single day involving the negotiation of a security. It is also used with reference to prices quoted during any one day.

Investments in fixed assets
Fixed assets owned for the purpose of obtaining income and/or benefiting from an increase in their value.

Investment grade
Term used with reference to quality bonds that have received a medium/high rating (e.g., no less than BBB on Standard & Poor's index).

Advanced IRB (Internal Rating Based)
Approach to internal ratings within the framework of the new Basel accords, which is distinguished by its basic and advanced methods. The advanced method may be used only by institutions satisfying more stringent requirements compared to the basic approach. In this case, all the estimated input (PD, LGD, EAD and Maturity) used for credit risk assessment is done in-house. Instead, in the basic method the Bank assesses only the PD.

IRS – Interest Rate Swap IRS
A binding agreement in which two parties agree to exchange flows on some predetermined notional amount with a fixed/variable or variable/variable rate.

Joint venture
Agreement involving two or more firms for the performance of a given economic activity, generally through the incorporation of a joint-stock company.

Junior
In a securitisation transaction it is the lowest-ranking portion of the securities issued, being the first to bear losses that may occur in the course of the recovery of the underlying assets.

Lead manager/Bookrunner
Leading figure of the issuing syndicate of a bond; he deals with the debtor, is responsible for choosing the co-lead managers and the other members of the underwriting syndicate in agreement with the same debtor; he determines the terms and conditions of issue, manages the execution thereof (almost always undertaking to place the most relevant portion on the market) and keeps the books (bookrunner); in addition to the reimbursement of expenses and usual fees, he receives a special commission for this service.

Lending risk-based
A methodology applied to a credit portfolio that makes it possible to identify the most suitable pricing conditions, taking into account the risk factor of every single credit.

Leveraged & acquisition finance
See "Acquisition finance".

LDA - Loss Distribution Approach
Model used for assessing exposure to operational risk that makes it possible to estimate the amount of expected and unexpected loss for any combination of event/loss and business line.

Loss Given Default (LGD)
It indicates the estimated loss rate in the event of the default of a debtor.

Lower Tier 2
It designates subordinate liabilities that have the features to be included in supplementary capital and reserves or Tier 2.

M–Maturity
Residual life of an exposure, calculated according to the prudence principle. For banks authorised to use internal ratings, it is explicitly considered if the advanced method is adopted, while it is fixed at 2.5 years if the basic approach is used.

Margin of contribution of collection on demand
Difference between 1-month euribor and the rate applied to current accounts of families and businesses.

Mark to market
Process of evaluating a portfolio of securities or other financial instruments on the basis of the prices expressed by the market.

Market making
Financial activity carried out by specialised intermediaries, whose task consists of guaranteeing market liquidity and depth, both through their continuous presence and by means of their role of competitive guide in determining prices.

Market neutral
Operating strategies involving securities designed to immunise the relevant portfolios from risk in connection with market variations.

Mark-up
Difference between the rate applied to the whole of families and businesses on loans with a duration of less than one year and the 1-month euribor.

Merchant banking
Involves a range of activities including the underwriting of securities – both equities or bonds – issued by corporate clients for subsequent offering on the market, the acquisition of shareholdings for longer periods but with the same aim of transferring them later, and the providing of business consulting services in the matter of mergers and acquisitions or reorganisation.

Mezzanine
In a securitisation transaction it is the tranche ranking between the junior tranche and senior tranche.

Multistrategy/funds of funds (Funds)
Funds that do not invest in a single strategy but in a portfolio reflecting different strategies or in a portfolio of investment funds managed by third parties.

Non performing
Term generally referring to loans characterised by unsteady performance.

Option
Upon payment of a premium, the buyer acquires a right, but not an obligation, to purchase (call option) or to sell (put option) a financial instrument at a set price (strike price) within (American option) or on (European option) a given future date.

Other related parties – close relatives
"Close relatives" of an individual is understood to mean family members predictably able to influence or be influenced by the individual interested in their relations with an entity. They include a cohabitant/common-law spouse (as well as a spouse not legally separated) and the individual's children, the cohabitant/common-law spouse's children, and the individual's or cohabitant/common-law spouse's dependents.

Outsourcing
Resort to operative support activities performed by outside companies.

Over-the-counter (OTC)
It designates transactions carried out directly between the parties and not in an organised market.

Past due loans
"Past due loans" correspond to past-due and/or borderline receivables on a continuing basis for over 180 days, in accordance with the definition provided under the rules in force regarding the reporting of such situations.

Performing
Term generally referring to loans characterised by steady performance.

Plain vanilla (derivatives)
Products whose price depends on that of the underlying instrument, which is quoted on the regular markets.

Pool (transactions)
See "Syndicated lending".

Preference shares
See "Core Tier 1".

Pricing
Broadly speaking, it generally refers to the methods used to determine yields and/or costs of products and services offered by a bank.

Private banking
Business designed to provide preferred customers with asset management, professional advice and other personalised services.

Private equity
Involves activity aiming at the acquisition of shareholdings and their subsequent sale to specific counterparts, without public offerings.

Probability of Default (PD)
Represents the probability that, within the space of 1 year, a debtor will default.

Project finance
Technique for the financing of industrial projects based upon a forecast of the cash flow generated by the projects themselves. The analysis is based upon a series of evaluations differing from those generally made when assessing ordinary credit risks. In addition to the analysis of cash flow, such evaluations include a technical examination of the project, the suitability of the sponsors engaged in carrying out the project and the markets where the product will be placed.

PV01
Measures the variation in the value of a financial activity following a change of the base point in the curves describing interest rates.

Rating
An evaluation of the quality of a company or of its bond issues, based on the company's financial strength and outlook. Such evaluation is performed by specialised agencies.

Real estate (finance)
Structured finance transactions in the real estate sector.

Relative value/arbitrage (Funds)
Funds that invest in strategies of a market neutral type and profit from the unaligned price of particular securities or financial contracts, neutralising the underlying market risk.

Retail
Segment of clientele mainly including housholds, professionals, retailers and artisans.

Risk Management
Activity pertaining to the acquisition, measurement, valuation and overall management of various types of risk and their hedging.

Scoring
System of analysis of company clientele, taking the concrete form of an indicator obtained by an examination of information contained in the financial statements, in addition to an evaluation of the forecasts of the performance of the sector, analysed using statistical methods.

Senior/super senior
In a securitisation transaction, this is the preferred tranche in terms of priority in the matter of remuneration and redemption.

Sensitivity
It refers to the degree of sensitivity with which certain assets/liabilities react to changes in rates or other pertinent indicators.

Servicer
In securitisation transactions, this figure – on the basis of a special servicing contract – continues to manage the securitised credits or assets after they have been transferred to the vehicle company responsible for the issue of the securities.

Syndacated lending
Loans set up and guaranteed by a pool of banks and other financial institutions.

SPE/SPV
Special Purpose Entities or Special Purpose Vehicles are companies specially created by one or more entities in order to perform a specific transaction. Generally, SPE/SPVs have no operating and managerial structures of their own, instead availing themselves of those of the different players involved in the transaction.

Speculative grade
Term used to identify issuers with a low rating (e.g., below BBB on Standard & Poor's index).

Spread
This term usually indicates the difference between two interest rates, the difference between the bidding and asking price in

trading securities or the price an issuer of stocks and bonds pays above a benchmark rate.

SpreadVar
Value that indicates the maximum possible loss on a trading portfolio due to the market performance of the credit spreads of the credit default swaps or bond spreads, with a certain degree of probability and assuming that the positions require a certain amount of time for their disinvestment.

Stakeholders
Subjects who, acting in different capacities, interact with the firm's activity, sharing the profits, influencing its performance/services, and evaluating its economic, social and environmental impact.

Stock option
Term used to indicate the right granted to company managers that allows them to purchase the company's shares at a fixed price at a specified time (strike price).

Stress test
A simulating procedure designed to assess the impact of extreme market scenarios on the Bank's overall exposure to risk.

Structured export finance
Transactions involving structured finance in the export of goods and services sector.

Swaps
Transactions normally consisting of an exchange of financial flows between operators under various contractual arrangements. In the case of a swap of interest rates, the opposite parties exchange flows of payment wich may be indexed or unindexed to interest rates, calculated on a notional capital of reference (e.g., one party may pay a flow on a fixed-rate basis, while the opposite party may pay on a variable-rate basis). In the case of a swap of currencies, the opposite parties exchange specific amounts of two different currencies, repaying the same over time according to predefined arrangements that may regard both the notional capital and the indexed flows pertaining to the interest rates.

Tier 1
The primary capital (Tier 1) includes the paid-in capital, the share premium reserve, reserves from retained earnings (including the IAS/IFRS reserve of primary application different from those included under the valuation reserves), net of own shares and intangible assets. Consolidated Tier 1 further includes minority interests.

Tier 2
The secondary capital (Tier 2) includes valuation reserves, hybrid capital instruments, subordinate liabilities, net of adjustments to loans subject to country risk covered with capital and of other negative elements.

Time value
Variation in the financial value of an instrument in relation to a different timeframe when certain monetary flows will become available or due.

Total capital ratio
Index of assets referred to the whole of the elements constituting statutory capital (Tier 1 and Tier 2).

Total return swap
A contract under which one party, usually the owner of the security or credit of reference, agrees to make periodic payments to an investor (protection seller) based on the capital and interest generated by the business. On the other side, the investor agrees to make payments based on a variable rate, as well as any depreciation of the business from the date of the contract.

Trading book
Usually referring to securities or in any case to financial instruments in general, it designates the portion of a portfolio earmarked for trading activity.

Underwriting (commission)
Commission received in advance by the bank on the basis of the assumption of the underwriting risk associated with the granting of a loan.

Upper Tier 2
It designates the hybrid capitalisation instruments (for instance, perpetual loans) that represent the top-ranked portion of Tier 2.

VaR - Value at Risk
The maximum value likely to be lost on a portfolio as a result of market performance, estimating probability and calculating that a certain amount of time is required to liquidate positions.

Vega01
Referred to a portfolio, it indicates the variation in value that it would undergo as a consequence of a one percent increase in the volatility of the underlying financial instruments.

Warrant
Negotiable instrument that gives the holder the right to purchase from or sell to the issuer fixed-income securities or shares according to specific procedures.

Wealth management
See "Asset management."

What-if
Form of analysis used in an attempt to describe what might be the dimensions of the reaction to variations in the basic parameters.

Wholesale banking
A business activity mainly involving transactions of considerable importance concluded with primary opposite parties.

Gruppo Intesa Network

Gruppo Intesa – Branches in Italy

(Updated as at December 2006)

Region	Banca Intesa				Subsidiaries [1]	Group
	Retail branches	SME branches	Corporate branches	Total		
Piemonte	161	10	4	**175**	117	**292**
Valle d'Aosta	1	-	-	**1**	5	**6**
Lombardia	706	35	11	**752**	131	**883**
Liguria	75	5	2	**82**	4	**86**
Trentino-Alto Adige	5	2	1	**8**	72	**80**
Veneto	241	13	5	**259**	57	**316**
Friuli-Venezia Giulia	22	3	1	**26**	115	**141**
Emilia Romagna	53	9	3	**65**	191	**256**
Toscana	66	9	2	**77**	20	**97**
Umbria	8	2	-	**10**	117	**127**
Marche	10	4	1	**15**	94	**109**
Lazio	176	5	1	**182**	101	**283**
Abruzzo	16	1	1	**18**	11	**29**
Molise	3	-	-	**3**	-	**3**
Campania	101	5	2	**108**	5	**113**
Puglia	88	5	1	**94**	4	**98**
Basilicata	4	2	-	**6**	1	**7**
Calabria	34	3	1	**38**	2	**40**
Sicilia	107	7	2	**116**	5	**121**
Sardegna	60	4	2	**66**	15	**81**
Total	**1,937**	**124**	**40**	**2,101**	**1,067**	**3,168**

[1] Banca Caboto, Banca Cis, Banca di Trento e Bolzano, Banca Intesa Infrastrutture e Sviluppo, Banca Popolare FriulAdria, Biverbanca, C.R. Ascoli Piceno, C.R. Città di Castello, C.R. Fano, C.R. Foligno, C.R. Parma e Piacenza, C.R. Rieti, C.R. Spoleto, C.R. Terni e Narni, C.R. Viterbo, Intesa Mediocredito e Intesa Private Banking.

Gruppo Intesa – Branches abroad
(Updated as at December 2006)

Country	Banca Intesa	Subsidiaries	Group
Austria - Banca di Trento e Bolzano *Innsbruck branch*	-	1	**1**
Bosnia - Erzegovina - *UPI Banka*	-	18	**18**
Croatia - *Privredna Banka Zagreb*	-	219	**219**
Russian Federation - *KMB Bank*	-	51	**51**
Russian Federation - *ZAO Banca Intesa*	-	1	**1**
France - *Banca Intesa France*	-	1	**1**
Japan - *Tokyo Branch*	1	-	**1**
Ireland - *Intesa Bank Ireland*	-	1	**1**
Cayman Islands - *George Town branch*	1	-	**1**
Luxembourg - *Société Européenne de Banque*	-	1	**1**
United Kingdom - *London branch*	1	-	**1**
United Kingdom - Banca Caboto *London branch*	-	1	**1**
Czech Republic - *Vseobecna Uverova Banka*	-	1	**1**
People's Republic of China - *Hong Kong branch and Shanghai branch*	2	-	**2**
Serbia and Montenegro - *Banca Intesa Beograd*	-	168	**168**
Slovakia - *Vseobecna Uverova Banka*	-	237	**237**
USA - *New York branch*	1	-	**1**
Hungary - *Central-European International Bank*	-	98	**98**
Total	**6**	**798**	**804**

Representative offices abroad
(Updated as at December 2006)

Europe

Austria
Dornbirn
(representative office of Banca di Trento e Bolzano)

Belgium
Bruxelles

Russian Federation
Moscow

France
Paris

Poland
Warsaw

Turkey
Ankara

Africa

Egypt
Cairo

Tunisia

Asia

South Korea
Seoul

India
Mumbai

Iran
Teheran

Lebanon
Beirut

China
Beijing

Contacts

Intesa Sanpaolo S.p.A.

Registered Office:
Piazza San Carlo, 156
10121 Torino
Tel. +39 011 5551

Secondary Registered Office:
Via Monte di Pietà, 8
20121 Milano
Tel. +39 02 87911

Investor Relations
Tel. +39 02 8794 3180
Fax +39 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations
Tel. +39 02 8796 3531
Fax +39 02 8796 2098
E-mail stampa@intesasanpaolo.com

Internet : www.intesasanpaolo.com

STAMPA : GRUPPO AGEMA - ITALIA