

Banca Intesa

2006 Social and Environmental Report

INTESA  SANPAOLO



Intesa Sanpaolo cares for the environment. This publication is printed on certified ecological paper.



2006 Social and Environmental Report

The 2006 Social and Environmental Report has been translated from that published in Italy from Italian into English solely for the convenience of international readers. The original document in Italian prevails over any translation and will be made available to interested readers upon request to Intesa Sanpaolo S.p.A.

Intesa Sanpaolo S.p.A.

Registered Office: Piazza S. Carlo 156 10121 Torino Italy Secondary Registered Office: Via Monte di Pietà 8 20121 Milano Italy Share Capital Euro 6.646.547.922,56 Torino Company Register and Fiscal Code No. 00799960158 Vat Code No. 10810700152 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund listed in the National Register of Banks No. 5361 and Parent Company of banking group "Intesa Sanpaolo", listed in the National Register of Banking Groups.

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

Board of Directors

Chairman

Giovanni Bazoli^(*)

Deputy Chairman

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

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.

^(*) Members of the Executive Committee.

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 Chairman

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.

(*) The Ordinary Shareholders' Meeting on 3rd May 2007 appointed Giuseppe Mazzarello to replace the resigning director Alfonso Iozzo.

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Letter to stakeholders

In 2006 Intesa and Sanpaolo IMI signed a strategic agreement for the creation of a new leading figure in the Italian and European banking industry.

This ambitious project – which led to the establishment of Intesa Sanpaolo as of 1 January 2007 – is the result of a shared view: sustainability as the capacity of creating economic, social and environmental value over the long term, contributing at the same time to the development of the economies and communities in which the Group operates.

Intesa Sanpaolo intends to distinguish itself on the market not only for the economic and financial results it is committed to achieving, but especially for the way in which it conducts its business.

We want to be recognized as the bank at the service of the public, which solves problems and contributes to growth projects, offering its specialised experience and operating all round with the various customer segments, at both national and international levels.

The Group's Business Plan sets out improvement and development objectives that can rely on the traditional and cultural heritage of two banks which based their excellence on their relationship with local markets and by encouraging the growth of certain sectors in society that contribute to the creation of overall wellbeing for the common good.

We can favour social dynamism through access to credit and the availability of a wider range of financial products and services. The relation between our tradition and the future clearly emerged when, for example, we launched microcredit projects (in collaboration with Compagnia di Sanpaolo) and when we laid the foundations for the establishment of a bank dedicated to the Third Sector.

Our commitment to promote sustainable development is shown by our support of important programmes promoted by the United Nations (in particular Global Compact UNEP–Finance Initiative) and our compliance with international principles for the protection of the environment and human rights (Equator Principles).

Furthermore, we extended environmental certification to the Group and promoted a new environmental policy, in the conviction that it is important to work towards the constant improvement of processes and to count on increasingly effective management and control systems.

Our attention focuses on all stakeholders who entertain relations with the Bank: not only shareholders, customers and employees but also suppliers and commercial partners, the communities and the local markets in which the bank operates and last, but not least, the environment.

We know that this system of relationships is founded on trust, the precious result of commitments which are met over time. Through the Social Report we therefore wish to provide complete and transparent reporting of what we

have done and state our commitments for the future, integrated by the issues which will emerge from the dialogue with our stakeholders.

The constant assessment of our capacity to satisfy stakeholder expectations will enable us to preserve consistency with our reference values over time and will foster the trust necessary to perform our corporate mission in the best possible way.



Enrico Salza



Corrado Passera

Introduction and methodology

The Social and Environmental Report 2006 reflects the profound changes deriving from the formation, as of 1 January 2007, of the Intesa SanPaolo Group and the experience of two large banks which share values and commitments inspired by socially responsible behaviour. For this reason, the second edition of the Intesa Group's Social and Environmental Report represents a point of discontinuity, since it refers to a legal entity which no longer exists at the date of publication. However, Banca Intesa and Sanpaolo IMI in any case decided to report to stakeholders on the activities carried out in 2006, with two separate editions of the social report which share the same approach: the desire to operate consistently with the corporate mission and values, monitoring progress made and critical areas and responding through their activity to the commitments made by the two banks in the previous year.

The structure of the document reflects the changed context: the first part, dedicated to Identity and Governance, refers to the new banking Group, a central part contains economic, social and environmental reporting referring to Banca Intesa alone and the last part defines the commitments made by the Intesa Sanpaolo Group for the next three years:

- Identity and Governance: presenting the identity of the Intesa Sanpaolo Group – the newly-defined mission and values – and the profile of the new entity. Particular attention is paid to the corporate governance structure adopted by the Group and to the management of corporate social responsibility. The various management tools for governance (policies and management systems certified by accredited external organizations) already introduced in the management of the new Group are presented in summary tables.*
- The economic report: presenting the Intesa Group's economic performance and the allocation of added value among the various stakeholders in accordance with the guidelines of the ABI model.*
- The social report: referring to the Intesa Group alone which, for each stakeholder category, examines policies, actions taken and results achieved with respect to the objectives set in the 2005 Social and Environmental Report.*
- Improvement targets: providing the long-term future commitments made to the stakeholders of the Intesa Sanpaolo Group, defined in the preparation of the 2007-2009 Business Plan.*
- Attachments:*
 - the Code of Ethics which sets out the corporate mission, the values of the new Group, principles of conduct with the various stakeholders defining implementation actions;*
 - the indicator table and the management approach disclosure for each indicator category, detailing their position within the document;*
 - the Global Compact Principles – GRI Indicators Cross Reference Table.*

The same structure was adopted in the preparation of Sanpaolo IMI's Social Report 2006.

In the preparation of this Report reference was made, in particular for the calculation and allocation of added value, to the guidelines for the drafting of Social Reports for the banking sector ("Accounting to Stakeholders. A Guide for Banks") by ABI in collaboration with EconomEtica (Inter-university Centre for economic ethics and corporate social responsibility).

Furthermore, reference was made to the GRI (Global Reporting Initiative) Sustainability Reporting Guidelines in the new G3 edition which represent the main international reference point with regard to social and environmental reporting, as well as to Social and Environmental Financial Sector Supplements of the GRI itself. A table summarising the contents of the document according to the G3 scheme is provided as one of the Attachments; such table lists the position of the various indicators required by the guidelines, of the additional indicators defined internally, as well as the position of the disclosure on management approach. This Report satisfies G3 requirements at B+ level (see table "G3 application level" on page 142).

The information in this document was gathered and processed by the working group consisting of "CSR Referees" delegated by the heads of the Intesa Group's various divisions and companies, coordinated by the Corporate Social Responsibility Unit.

We have structured the processes for data gathering by all the companies considered in the Intesa Group's Social and Environmental Report for the purpose of aligning, as far as possible, methodologies and information flows to those used in economic reporting. The data was taken from the information systems used for the general management and accounting of company operations. The extension of these processes to the whole new Intesa Sanpaolo Group is one of our objectives for improvement. The present Social and Environmental Report is distributed to the main stakeholders of the Intesa Sanpaolo Group together with Sanpaolo IMI's Social Report 2006 and is also available on the website www.IntesaSanpaolo.com.

Reporting principles in accordance with the Global Reporting Initiative

We complied with the new guidelines (version three) of the Global Reporting Initiative in defining the criteria for the selection of contents, information quality and the report boundaries.

Criteria followed for the definition of contents

Materiality

In order to identify the relevant issues for each stakeholder, reference was made to I) the scope identified in the corporate mission and values, II) the commitments made with the 2005-2007 Business Plan, III) the questions raised in the dialogue with stakeholders and IV) the GRI fundamental indicators which have been defined on the basis of an international multi-stakeholder dialogue. This survey led to the introduction of new indicators into this document, considered to be particularly significant. Furthermore, we have shown consideration for the commitments we have made by voluntarily complying with international standards and codes of conduct.

Inclusiveness

An analysis was carried out in order to identify better the reference stakeholders within each macro-category of stakeholders, aimed at defining areas of significance, the process and the degree of involvement and the balance of specific interests. Furthermore, we have activated an engagement process with employees, trade union organizations, customer and consumer associations and submitting the projects implemented and the management of areas sensitive to discussion in order to identify their expectations in terms of information and determination of the scope for improvement.

Sustainability context

In this document the Intesa Group sets out its concept of sustainable development as in the documentation presenting the Business Plan, defining its role in the development of the country and the areas in which it operates and reporting on its conduct.

Completeness

The figures reported in this document refer to financial year 2006 and, unless otherwise specified, to the operating companies which are relevant for the purposes of social and environmental reporting and which are included in the 2006 Annual Report⁽¹⁾. All the information included relates to the financial year 1/1/2006 – 31/12/2006 and is compared, where possible, to that of the previous year. Moreover, some qualitative information refers to significant events which occurred at the beginning of 2007. The Social and Environmental Report is published yearly. The previous edition was published in June 2006.

⁽¹⁾ Banca Intesa, Intesa Private Banking, Intesa Mediocredito, Banca CIS, Intesa Leasing, Banca Caboto, Banca Intesa Infrastrutture e Sviluppo, Mediofactoring, CR di Parma e Piacenza, Banca di Trento e Bolzano, Banca Popolare Friuladria, CR Biella e Vercelli, holding Intesa Casse del Centro and the eight subsidiary saving banks, Privredna Banka Zagreb, VUB Banka, CIB Bank, Banca Intesa Beograd, KMB Bank, UPI Banka.

Criteria used for quality reporting

Balance/neutrality

We have included in the reporting both the positive and negative impacts of our business operations to favour a balanced assessment of corporate performance by reference stakeholders. In particular, we have evidenced the requirements which emerged from the stakeholder engagement processes indicating the criteria used in balancing opposing interests. The emphasis on the various topics in the report is proportionate to their relevance.

Comparability

This document allows the comparison of the Intesa Group's performance with that of the previous financial year in order to permit an assessment of the performance.

Accuracy

The majority of the data were gathered directly, except for certain estimates as indicated in footnotes. The economic report was prepared on the basis of Banca Intesa's 2006 Annual Report.

Timeliness

The information provided in the document, published shortly after the 2006 Annual Report, clearly indicates the reference period.

Clarity

We have set ourselves the target of making the contents of the document more accessible also to those not working in the sector by using plain language and clearly structuring the chapters. To highlight the impacts of specific activities on the various stakeholders we have highlighted such interaction with a graphic symbol to facilitate the multidimensional reading of the social report.

Reliability

The auditing company RECONTA Ernst & Young has verified the compliance of this edition of the Social and Environmental Report with the instructions provided in the methodology.

IDENTITY AND GOVERNANCE

Mission and values

We work to provide quality banking and financial services for our customers and activate ways to promote development in all the areas in which we operate.

Conscious of the value of our activity in Italy and abroad, we encourage a style of growth that is attentive to sustainable results and the creation of a process based on the trust deriving from customer and shareholder satisfaction, a sense of belonging on the part of our employees and close monitoring of the needs of local communities.

We compete on the market with a sense of fair play and are ready to cooperate with other economic entities, both private and public, whenever it is necessary to reinforce the overall capacity for growth in the economies of the countries where we operate.

We take responsibility for prudent savings management, we undertake to extend access to credit and financial instruments to everyone, and to commit ourselves to the sustainable development of the entrepreneurial system, being aware that our decisions have important impacts, direct and indirect, on the natural environment and the community. We want to contribute to the well-being – not only material – of both by sustaining and carrying out cultural and other types of projects intended for the common good.

Our growth strategy aims at the creation of solid and sustainable value in all fields - economic and financial, social and environmental – built on the reciprocal trust of all our stakeholders and based on the following values:

Integrity

We pursue our goals with honesty, fairness and responsibility in the full and true respect of the rules, professional ethics and in the spirit of the agreements signed.

Equality

We are committed to eliminating all forms of discrimination from our conduct and to respecting differences in gender, age, race, religion, political beliefs and trade union membership, language or disability.

Excellence

We set ourselves the goal of continuous improvement and farsightedness, anticipating challenges, cultivating extensive creativity aiming at innovation; moreover we recognise merit.

Values of the individual

The value of each individual guides our modus operandi; we use listening and dialogue as tools for continuously improving relationships with all our stakeholders.

Transparency

We place transparency at the basis of our actions, advertising and contracts thus allowing all our stakeholders to make independent and informed choices.

Responsibility in the use of resources

We aim to employ all our resources with care, while promoting behaviors based on their best use and the avoidance of waste and ostentation, giving priority to choices that take sustainability into account.

Respect for specific qualities

It is our intention to combine our large-scale operations with profound local roots and to be a bank with a broad vision without losing sight of individuals.

History

Intesa Sanpaolo was founded on 1 January 2007 through the merger between Banca Intesa and Sanpaolo IMI. The first steps towards this integration process started on 26 August 2006 when the Board of Directors of the two banks approved the guidelines of the merger project, later ratified on 12 October and ratified by the respective Extraordinary Shareholders' Meetings on 1 December of the same year.

Sanpaolo dates back to 1563, when the confraternity of the Compagnia di San Paolo laid the foundations for the Turin pawn agency (Monte di Pietà) which undertook to grant low-interest loans to the poor to provide them with an alternative to usury.

The Monte di Pietà's banking nature evolved and in the 19th century it became a true bank, authorized to grant land credit.

Having successfully overcome the banking crisis of the late 19th century, the Bank, which in 1928 took on the name Istituto di San Paolo di Torino – Beneficenza e Credito, headed towards the new century as a leader in the credit sector for the industrial development of Turin and Italy's economic growth.

In 1932 the Bank became a public credit institution, a status that would be maintained until its transformation into a stock company on 1 January 1992.

In 1950 the Treasury Ministry approved the new company statutes together with its change of name to Istituto Bancario San Paolo di Torino. In the years that followed there was such an increase in the Bank's business that it rose in the worldwide American Banker of New York classification from 148th place in 1958 to 85th in 1962, when it had over 50,000 current accounts.

In the late 1950s authorization was obtained to set up a special section to finance public works and utilities and the data-processing center became operative. This then evolved technologically and became the present-day structure of Moncalieri, built in 1964.

At the beginning of the 1960s the bank was already active at an international level with four representative offices (Zürich, London, Frankfurt and Paris).

The bank pursued a growth process that saw the expansion of its network nationwide in the 1960's and 70's and the launch of progressive internationalization in the second half of the

70's. In the 1990's Sanpaolo, by acquiring other banks, continued boosting its size and coverage and further developed its foreign presence.

In 1997 the privatization process was completed and the following year the Bank was merged with IMI. The latter was founded in 1931 to sustain the reconstruction of the national industrial system. It was the integration of two prestigious private banks with strong complementary qualities: a commercial bank with an outstanding propensity to serve families and SME's, and an investment bank with major business lines in the sector of intermediation on capital markets, medium and long-term loans and savings management.

The new Bank took on the name **Sanpaolo IMI** and since 1998 it has been the only Italian bank to be listed on the New York Stock Exchange.

After a phase of integration with local banks, in 2000 Sanpaolo IMI acquired Banco di Napoli, one of the oldest credit institutions in Europe whose origins date back to 1539, which is the foundation year of the Sacro Monte di Pietà, a religious association founded on the spirit of charity towards the needy.

In the next two years it merged with the banks belonging to the Cardine Group, founded in 1999, by joining all the banks that had been set up to encourage small savers and sustain the economic development of the local communities of Northeastern Italy and the Adriatic ridge.

After completing the integration of all the Group's commercial banks, which adopted the same organizational and commercial model and the same IT platform, in 2005 the strategic three-year plan was presented. The central point of this plan is the development of the local national bank model.

In the same year, the new insurance project was launched which led to the birth of **Eurizon Financial Group** at the beginning of 2006.

Banca Intesa originated from the merger of three large banks that have been major players in the history of the Italian banking system since the 19th century.

Banco Ambrosiano Veneto was founded in 1989 as a consequence of the merger between Nuovo Banco Ambrosiano and Banca Cattolica del Veneto, two deeply rooted local banks that boast over 100 years of history in the business. In the years that followed the acquisition of locally oriented credit institutions soon allowed the Bank to use the experience it had accumulated in the northern regions from where it originated, especially Lombardy and Triveneto, as well as throughout the rest of Italy.

At the same time the Bank strengthened its position on international financial markets by purchasing Caboto, which was destined to become one of the major European investment banks.

Cassa di Risparmio delle Provincie Lombarde was set up in 1823 thanks to Count Giovanni Pietro Porro, in one of the most flourishing regions of the Austrian Empire: its function was to favour the formation of family savings in the Lombardy area.

In the second half of the 19th century the Kingdom of Italy was in its early years and the Bank expanded its business to the financing of rural, entrepreneurial and commercial activities.

At the beginning of the 1900s Cassa di Risparmio delle Provincie Lombarde had already achieved considerable solidity that soon made it an indispensable reference point for companies hit by the economic crises triggered by World War I.

After World War II the Cassa was one of the major players in the reconstruction of Milan. The 1950s were the years of an economic boom for Italy and there was a growing commitment in medium-term credit, especially in favour of smaller companies, through the foundation of Mediocredito Lombardo.

By the 1960s the institute was a fully fledged

commercial bank and in the 20 years that followed there was a large-scale territorial expansion of the Cassa both at national and international levels. As from 1991 the institute was privatized and took on the name Cariplo Spa.

Banca Commerciale Italiana was founded in 1894 in Milan with the contribution of German, Austrian and Swiss capital. For more than one century it played a leading role in the Italian banking system and had the largest foreign presence.

After having set up, jointly with two French banks, a bank for South America, in 1911 Comit opened the first branch of an Italian bank abroad in London, followed in 1918 by the New York branch; in the following year its presence and shareholdings became more and more numerous in several countries throughout the world. Until the beginning of the 1930's Comit also operated as an investment bank, acquiring stakes in industrial companies.

In 1933 IRI (Istituto per la Ricostruzione Industriale, the Italian state holding company) acquired control of the bank which, three years later, became an ordinary credit company, after the issue of the Banking Law.

In 1937, together with Banco di Roma and Credito Italiano, Comit was designated as a "Bank of national interest". With these two banks Comit founded Mediobanca after World War II.

Starting in 1960 and in the decades that followed, Comit accentuated the expansion of its network in Italy and abroad.

After celebrating its 100th anniversary, in 1994, Banca Commerciale Italiana was privatized.

Banca Intesa was founded in 1998 through the merger of Cariplo and Banco Ambrosiano Veneto. In 1999 Banca Commerciale Italiana became part of the Intesa Group and in May 2001 the Group took on the name IntesaBci; subsequently, in 2003, it became known as Banca Intesa.

Trademark



The logo of the new group founded on 1st January 2007 is based upon the "Trajan" character, so called because it was taken from the ancient inscriptions at the base of the Trajan column, a symbol of solidity and stability. It is characterized by the green color of the original Sanpaolo IMI trademark and the typical inclined letter "A".

The logo represents the union of the two original names, Banca Intesa and Sanpaolo IMI,

connected by the trademark, depicted by a square pictogram, (the perfect shape, signifying harmony and balance) inside which we see a stylized drawing of a Roman aqueduct, a symbol of solidity and development as well as life and prosperity, the union of cultures and people.

The mark is intended to be an element of distinction and to express key concepts such as transparency, simplicity, and clarity.

Strategy

With the new Business Plan 2007-2009, proposed by the Management Board and approved by the Supervisory Board as of April 2007, Intesa Sanpaolo sets out to grow significantly and in a sustainable manner together with all of its stakeholders. The new Group therefore intends to be a bank for Italy, contributing to the development of the economy and the communities in which it operates on the basis of a relationship of trust developed

with all the individuals and entities having an interest in it.

The growth process established by the Plan rests upon a solid basis represented by the results of 2006 achieved by Intesa and Sanpaolo IMI alike. It is based upon three principal goals: stable growth in all the business areas of the group; costs and investments oriented towards efficiency and growth; and the optimization of risk management, shareholdings and real estate.

	2006 management pro forma ⁽¹⁾	2009
Adjusted ROE ⁽²⁾	15%	21%
Cost/Income	52%	42%
Net result (€ billion)	4,4	7,0

The goals indicated above are certainly ambitious but at the same time reasonable because they are based on a conservative economic scenario.

The new Plan joins ambitious medium and long-term financial objectives with an important commitment to the creation of value extended to all of its stakeholders, specifically through:

- reinforcing the excellence of its customer relations. The Group intends to provide access to credit and support to investments by offering products and services having international quality standards and sustain the Italian economy in its plans to invest in innovation and internationalization. The search for ex-

cellence in relations with companies, families, private customers, rests upon the local bank model, on widespread geographical presence and the high level of skill of the people who work closely with customers.

- the best use of the human and professional growth of employees in order to increase the quality and motivation of human resources. The creation of a leading Group in Italy with prospects of worldwide growth offers new opportunities for professional development to its current employees as well as to the talented new resources that the new Group will be able to attract.

⁽¹⁾ Source: Business Plan 2007-2009, pro forma data excluding non-recurring integration charges reported in 2006.

⁽²⁾ Net annual results, excluding non-recurring integration charges and the amortization of the merger cost related to the end-of-year sum of the amount of capital, issue-premiums, reserves and revaluation reserves, excluding the difference relative to the merger.

- supporting the development of the public sector. Intesa Sanpaolo intends to contribute to the modernization of the State and Public Administration, also through the financing of major national works and the development of intangible infrastructures, such as research and training, in view of increasing collaboration with universities and schools.
- support to the community. In order to increase the focus on the third sector, the Group will create a bank specializing in financial assistance to social enterprises, capable of offering the best instruments and products existing on the market and converting the profits of its business into credit available for this sector.
- environmental protection and best use of local areas. The Group also pays considerable attention to the environment, energy saving, the protection and enhancement of the artistic and cultural heritage with a series of projects to sustain ecological investments, special funds, and support the setting up of specialized enterprises.

The presentation of the Business Plan 2007-2009 is available at the Group's web site www.intesasanpaolo.com.

Profile of the Intesa Sanpaolo Group

Intesa Sanpaolo has been an important bank since its inception and stands among the largest banking groups in the euro area with a market capitalization of 75 billion euros⁽¹⁾.

The Group occupies a dynamic position in Italy and, thanks to an extensive network of approximately 5,700 branches well distributed throughout the country, serves over 11 million customers. The Group has a significant presence in Europe, especially in the Central-Eastern countries and the Mediterranean basin, thanks to the approximately 1,250 branches and 7 million customers. It also has a specialized international network to support corporate customers, covering 35 coun-

tries, specifically the Mediterranean basin and the areas where Italian companies are most dynamic, such as the United States, Russia, China and India.

Intesa Sanpaolo is the unification of two large Italian banks, sharing the same values, that decided to pool their resources to become a bank for Italy and an important European player prepared to compete at an international level.

The new Group intends to grow and contribute to make the economy and society grow in a sustainable manner by acting as a benchmark in the creation of value in the European banking sector.

Domestic market shares⁽²⁾

Customer deposits 20,4%

Loans to customers 20,4%

Asset management⁽³⁾ 31,6%

Public finance⁽⁴⁾ 25,5%

Bancassurance 24,6%

Key indicators december 2006

Employees	99,891
Italian branches	5,653
Foreign bank branches	1,214
Total assets	576,784 million €
Loans to customers	327,410 million €
Customer deposits	343,899 million €
Net equity	55,971 million €
Net results	4,056 million €

⁽¹⁾ Data as of April 2007.

⁽²⁾ Pro forma data as of the end of 2006, including the effects of the sale transactions with Crédit Agricole.

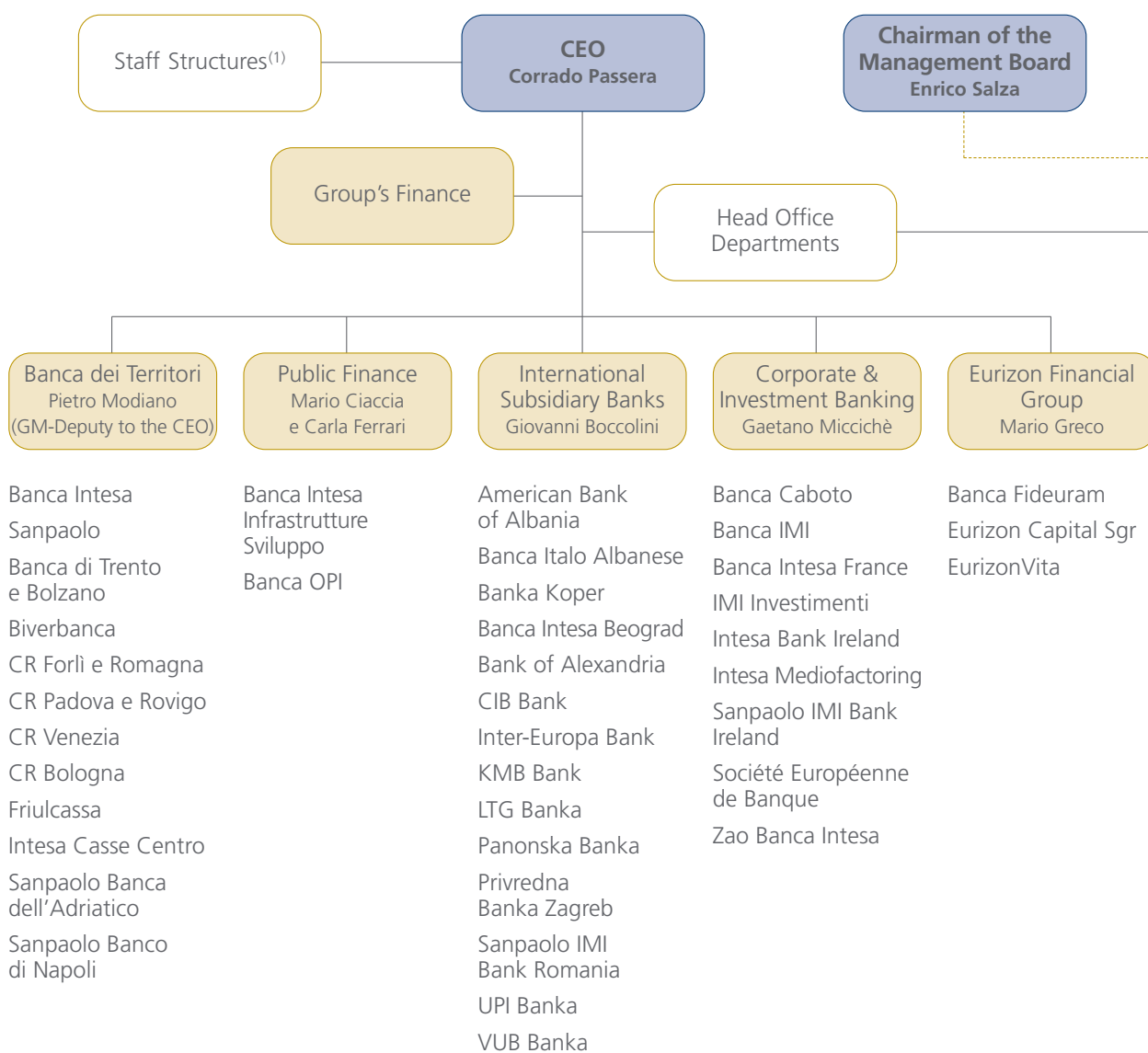
Market shares based on the following values: managed savings, mutual funds; by bancassurance, new life-insurance production.

⁽³⁾ Mutual funds, the data includes the managed assets from former Nextra.

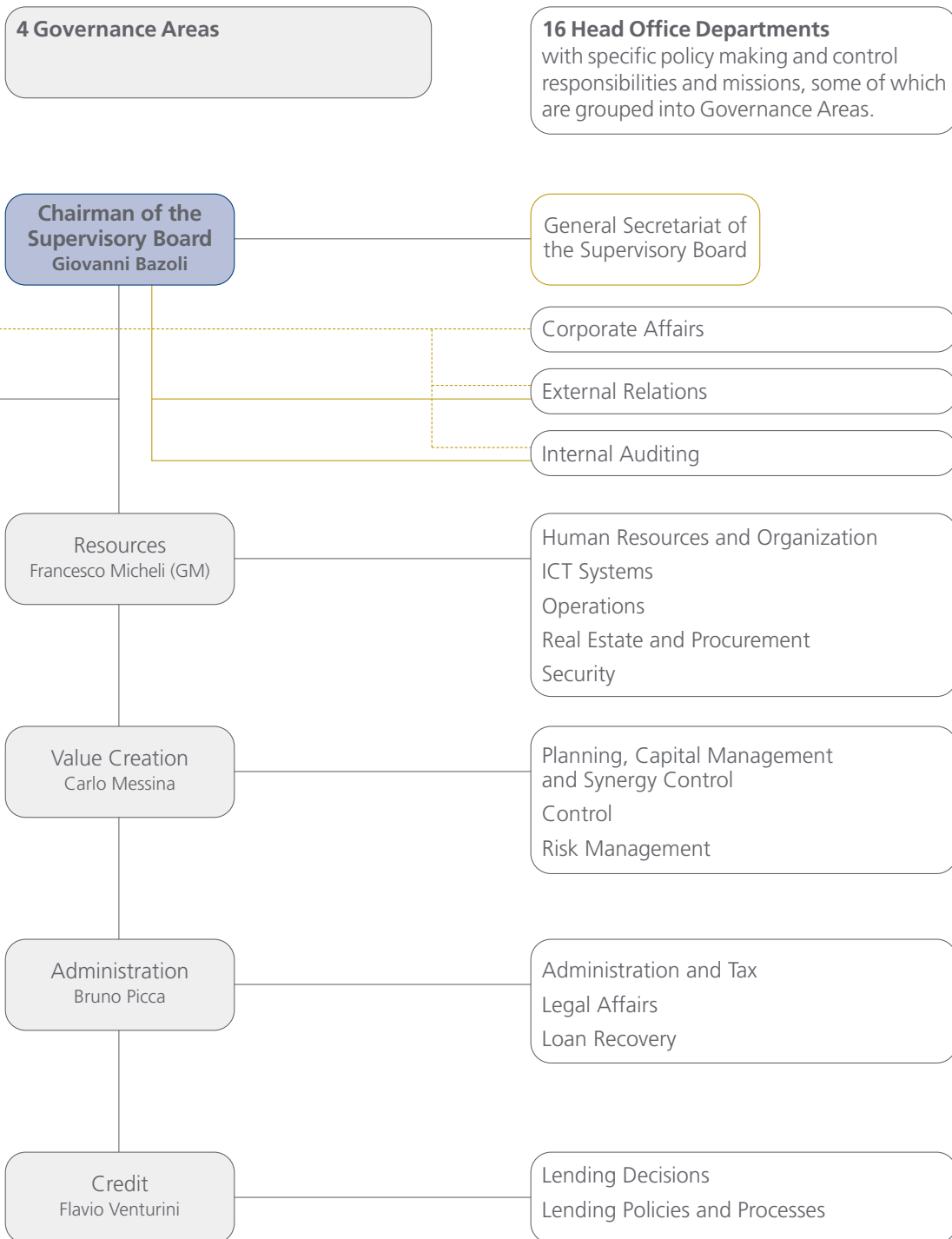
⁽⁴⁾ Only BIIS and Banca OPI loans.

Organizational structure

6 Business Units
with business responsibilities, to which all of the Group's customers have been assigned.



(1) Strategic operations and special projects, Corporate Social Responsibility, Laboratorio Banca e Società and International Affairs (Brussels agency).



Other controlled banks

In order to complete its range of financial services, specialized companies supply the follow-

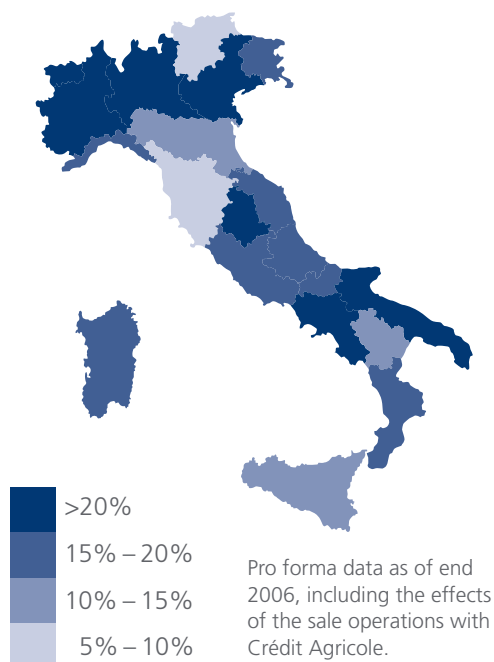
ing services in addition to our commercial banking activities:

Company	Sector
Intesa Private Banking	Private banking
Intesa Previdenza	Pension funds
Setefi	Payment systems
Neos Banca	Consumer credit
Intesa Mediocredito, Banca Cis	Industrial loans
Intesa Leasing, Sanpaolo Leasint	Leasing
Sirefid, Sanpaolo Fiduciaria, Sanpaolo Bank Luxemburg	Trust activities
Intesa Trade	Securities brokerage

Branch network in Italy

According to a provision which became effective on 20 December 2006, the Italian Antitrust Authority, had subordinated authorization of the merger to certain requisites particularly related to the distribution of branches and bancassurance businesses throughout the country. Until now, Intesa Sanpaolo has respected the agreed conditions to fulfil its commitments and all preparations have been made in order to put the remaining measures required by the Authority promptly into effect.

Branch market shares



former Banca Intesa network

Banca Intesa, deeply rooted throughout all of Italy, especially in the northern areas of the country, serves nearly 6 million customers including families and SME's, and 20,000 large companies, financial institutions and local authorities. It operates through 2,100 branches and approximately 30,000 employees.

former Sanpaolo network

Sanpaolo serves its customers through over 20,500 employees in approximately 1,400 branches spread all over the country, with the highest concentration in the area where the bank has its historical roots: Piedmont, Liguria, Valle d'Aosta. It also has a very strong presence in Lombardy, Sicily and Rome.

Banca di Trento e Bolzano

This Bank represents an important economic resource for Trentino Alto Adige, comprising 91 branches distributed mainly in the provinces of Trento and Bolzano.

Biverbanca

The business carried out by Cassa di Risparmio di Biella e Vercelli, which has over 700 employees, is concentrated in Piedmont, due to its historic origins in that area. Its presence is especially concentrated in the provinces of Biella and Vercelli, where it has over 100 branches.

Cassa dei Risparmi di Forlì e della Romagna

This Bank is mainly active in Romagna through a network of over 80 branches and approximately 800 employees.

Cassa di Risparmio di Padova e Rovigo

This Bank, which has over 3,300 employees, represents a significant economic player for the entire Veneto region including over 340 branches mainly concentrated in the provinces of Padua, Rovigo, Treviso, Vicenza and Belluno.

Cassa di Risparmio di Venezia

The commercial network of Cassa di Risparmio di Venezia comprises over 120 branches and approximately 1,400 employees, with a wide-spread presence especially in Venice.

Cassa di Risparmio in Bologna

Cassa di Risparmio in Bologna has over 2,000 employees, with a distribution structure of over 200 branches located mainly in Emilia Romagna, especially in Bologna and its province.

Friulcassa

Friulcassa – Cassa di Risparmio Regionale – was founded at the end of 2003 by the merger of Cassa di Risparmio di Udine e Pordenone and Cassa di Risparmio di Gorizia. It has over 140 branches and more than 1,100 employees all over Friuli Venezia Giulia.

Intesa Casse del Centro

Intesa Casse del Centro is the holding company that coordinates eight savings banks having over 300 branches in Umbria, Lazio and Marche: Cassa di Risparmio di Ascoli Piceno, Cassa di Risparmio di Città di Castello, Cassa di Risparmio di Fano, Cassa di Risparmio di Foligno, Cassa di Risparmio di Rieti, Cassa di Risparmio di Spoleto, Cassa di Risparmio di Terni e Narni and Cassa di Risparmio della Provincia di Viterbo.

Sanpaolo Banca dell'Adriatico

Nearly 200 branches of Sanpaolo Banca dell'Adriatico – which has about 1,700 employees – are distributed throughout the regions of the Adriatic areas: Marche, Abruzzo and Molise.

Sanpaolo Banco di Napoli

The approximately 5,800 employees of Sanpaolo Banco di Napoli – the largest bank in Southern Italy – serve customers in 680 branches, throughout Campania, Apulia, Calabria and Basilicata.

In addition to these branch networks, in the early months of 2007, after the merger between Banca Intesa and Sanpaolo IMI, Cassa di Risparmio di Parma e Piacenza and Banca Popolare Friuladria were sold off.

International presence

Europe					
Branches		Representative Offices		Controlled Companies	
		Country	Companies	Branches	
Amsterdam	Barcelona	Albania	American Bank of Albania (ABA) ⁽³⁾	19	
Athens	Brussels ⁽²⁾		Banca Italo Albanese (BIA)	6	
Dornbirn ⁽¹⁾	Moscow	Bosnia Herzegovina	LTG Banka	25	
Frankfurt	Paris		UPI Banka	18	
Innsbruck ⁽¹⁾	Prague	Croatia	Privredna Banka Zagreb (PBZ)	219	
London	Stockholm	Czech Republic	Vseobecna Uverova Banka (VUB)	1	
Madrid	Warsaw	France	Banca Fideuram	1	
Munich	Zagreb		Banca Intesa France ⁽⁴⁾	1	
Wien		Greece	American Bank of Albania (ABA)	2	
		Hungary	Central-European International Bank (CIB)	98	
			Inter-Europa Bank	36	
		Ireland	Intesa Bank Ireland	1	
		Luxemburg	Banca Fideuram	1	
			Société Européenne de Banque (SEB)	1	
		Romania	Sanpaolo IMI Bank Romania	39	
		Russian Federation	KMB Bank	51	
			ZAO Banca Intesa	1	
		Serbia	Banca Intesa Beograd	168	
			Panonska Banka	65	
		Slovakia	Vseobecna Uverova Banka (VUB)	237	
		Slovenia	Banca Koper	43	
		Switzerland	Banca Fideuram	2	
			Sanpaolo Bank Suisse	1	
		United Kingdom	Banca Caboto	1	
			Banca IMI	1	

Pro forma data as of 31 December 2006.

⁽¹⁾ Branches of the Italian controlled company Banca di Trento e Bolzano.

⁽²⁾ Office of "International and European Affairs".

⁽³⁾ American Bank of Albania (ABA) is under takeover.

⁽⁴⁾ There are plans to transform Banca Intesa France (Paris) into a branch as from 2008.

Africa

Representative
Offices

Cairo
Casablanca
Tunis

Controlled Companies

Country

Egypt

Companies

Bank of Alexandria

Branches

188

Asia

Branches

Hong Kong
Shanghai
Singapore
Tokyo

Representative
Offices

Ankara
Bangkok
Beijing
Beirut
Dubai
Istanbul
Mumbai
Seoul
Teheran

America

Branches

George Town
Nassau
New York

Representative
Offices

Buenos Aires
Los Angeles
Mexico City
São Paulo
Santiago de Chile



The Group is present with an Italian desk in Kuwait City.

Corporate Governance

On 1 January 2007 the merger by incorporation of Sanpaolo Imi S.p.A. into Banca Intesa S.p.A. became effective, taking on the new corporate name of Intesa Sanpaolo S.p.A. with its registered office in Turin.

In keeping with the governance model widely used in the larger companies in other countries of the European Union – though with the specific characteristics that distinguish it in each single regulation – and to ensure a corporate governance that is adequate to the needs deriving from a far-reaching and complex integration process, Intesa Sanpaolo adopted a dualistic system in which the strategic and control functions, carried out by the Supervisory Board, are separate from the company management func-

tions carried out by the Management Board. This makes it possible to define better the roles and responsibilities of the corporate entities, while ensuring a healthy and prudent management of the Bank.

The dualistic system also ensures a clearer division between ownership and management since the Supervisory Board stands between the shareholders and the Management Board, thus guaranteeing more transparency and a lower risk of potential conflicts of interest.

The coordination of the action of each body is provided by an articulated mechanism of proposals and preventive opinions on the more important matters pertaining to the competence of each body.

Supervisory Board

Appointed by the Shareholders' Meeting

Independent members: 14⁽¹⁾ out of 19

Supervises the activities of the Management Board

Responsible for approving the strategic initiatives proposed by the Management Board

Management Board

Appointed by the Supervisory Board

Independent members: 5 out of 11

Responsible for managing the Group in accordance with the strategic guidelines established by the Supervisory Board

The Bank's governance system is based on the principles contained in the self-disciplinary code of companies listed on Borsa Italiana S.p.A. (Italian Stock Exchange). The system takes into consideration the aforesaid code along with the recommendations made by Consob regarding such

matters and in general the best practices applied nationally and internationally. The system is explained thoroughly in the Report on Corporate Governance (which can be consulted in detail at www.intesasanpaolo.com).

⁽¹⁾ Following the appointment, during the Ordinary Shareholders' Meeting on 3rd May 2007, of Giuseppe Mazzarello to replace the resigning director, Alfonso Iozzo, the number of independent members rose to 15.

Supervisory Board

The Articles of Association establish that the Supervisory Board must be made up of a minimum of 15 and a maximum of 21 members, even non-shareholders. They are appointed by the Shareholders' Meeting by list vote and they stay in office for three years. Shareholders can submit a list representing at least 0.5% of the capital in the form of ordinary shares, or a different percentage established by the regulations in force.

The Supervisory Board currently in charge was appointed by the Shareholders' Meeting of Banca Intesa S.p.A. on 1 December 2006 – and came into office on 1 January 2007. It is composed of 19 directors, of which 14⁽¹⁾ are independent according to the Corporate Governance Code promoted by Borsa Italiana S.p.A. The members of the Supervisory Board must have the following requisites: professional standing, honourableness and independence, required by the legal and regulatory standards of banks for the Board of Directors, as well as those required by law for the members of the control body of listed companies. The chairman of the Supervisory Board must also fulfil the same professional requisites established for the chairman of the Board of Directors of banks.

The Articles of Association assign the Supervisory Board not only with supervisory tasks and functions – which in the traditional governance model are reserved to the Board of Auditors – but all the higher administration tasks. Specifically the Supervisory Board resolves upon the Company's and the Group's general strategic guidelines; it approves the business and/or financial plans and the budgets of the Company and the Group prepared by the Management Board; it authorizes the strategic transactions bearing the most economic and financial importance.

The Supervisory Board also carries out the tasks which in the traditional governance model were under the responsibility of the Shareholders' Meetings; more specifically:

- Appoints and dismisses Management Board Members and determines their remuneration;

- Supervises the activity of the Management Board;

- Approves Financial Statements.

This board moreover carries out the company audit, a task usually carried out by the Board of Auditors; more specifically it:

- Approves the strategic guidelines and risk management policies;
- Assesses the degree of efficiency and adequacy of the internal audit system, specifically regarding risk control, the functioning of the internal audit and the IT accounting system;
- Checks the proper operation of the strategic control and management activities carried out by the Parent Bank on the companies of the Group.

The Shareholders' Meeting of Banca Intesa S.p.A. established the annual remuneration for each Supervisory Board member for the years 2007/2008/2009. Subsequently the Supervisory Board, upon the proposal of the Remuneration Committee, established the remuneration for the Chairman, Vice-Chairman and for the Supervisory Board members who are entrusted with special tasks and functions. The aforesaid fees, both annual and supplementary, are a fixed sum.

Chairman of the Supervisory Board

Appointed by the Ordinary Shareholders' Meeting with a relative majority, the Chairman of the Supervisory Board, who does not hold operative powers of attorney and therefore is considered non-executive, coordinates the work of the Supervisory Board and plays a significant role in the supervision and activation of procedures and systems to control the activities of the Company and the Group and the relations between the Supervisory Board and the Management Board.

More specifically the Chairman:

- Submits to the Supervisory Board proposals relating to the Company's control activities and exercises the functions of supervision and

⁽¹⁾ After the appointment of Giuseppe Mazzarello to replace the resigning director Alfonso Iozzo, the number of independent directors rose to 15.

- activation of corporate bodies, control procedures and internal auditing systems;
- Verifies the consistency of management with the general policies laid down by the Supervisory Board;
- Activates the information instruments needed to monitor the correctness and adequacy of the organizational structure, the administrative and accounting system adopted by the Company and the Group;
- Plans and supervises the achievement of the cultural initiatives of the Company and the Group to be submitted to the Supervisory Board and the management of the "Fund for charitable, social and cultural contributions";
- For matters to be dealt with by the Supervisory Board, the Chairman supervises the management of external communication of information regarding the Bank in agreement with the Chairman of the Management Board and with the Managing Director;
- Supervises the management of relations with shareholders and presides over the Shareholders' Meeting;
- Takes charge of relations with the Supervisory Body during their inspection activities.

The Committees

The Supervisory Board has set up specific internal committees with proposal-making, advisory and control functions to increase the efficiency of its tasks. In particular, the following are now operative:

- The **Control Committee** is responsible for making proposals, advising and conducting enquiries on matters attributed to the Super-

visory Board regarding internal audits, risk management and the ICT and accounting systems. The Committee also supports the Supervisory Board in its functions as Audit Committee according to the US legislation (Sarbanes-Oxley Act), where applicable; lastly the Committee carries out the tasks and functions as a Supervisory Body according to D.Lgs. (Legislative Decree) 231 of 2001 regarding the administrative responsibility of companies, supervising the functioning and compliance with organizational, management and control models;

- The **Nomination Committee** is responsible for selecting and proposing appointments to the Management Board;
- The **Remuneration Committee** is responsible for proposing and advising on remuneration in accordance with the law and the Articles of Association;
- The **Strategy Committee**, is in charge of assisting the Supervisory Board and its Chairman in examining the proposals submitted by the Management Board on matters of guidance and strategic operations; it makes proposals regarding the approval or request for any integration or amendment to be submitted to the management bodies;
- The **Financial Statements Committee** is in charge of assisting the Supervisory Board and its Chairman in investigating problems related to the drawing up of financial statements and consolidated financial statements; it can give recommendations regarding the approval of financial statement documents and request more information or clarifications to submit to the management bodies.

Composition of the Supervisory Board

	Enrolment with the Register of Auditors and practice in the legal audit of accounts	Independence requirements as set forth by the Corporate Governance Code	Control Committee	Nomination Committee	Remunerations Committee	Strategy Committee	Financial Statements Committee
Giovanni Bazoli ⁽¹⁾				X		X	
Antoine Bernheim ⁽²⁾						X	
Rodolfo Zich ⁽²⁾		X		X		X	
Carlo Barel di Sant'Albano						X	
Pio Bussolotto						X	
Rosalba Casiraghi	X	X	X				
Giovanni Costa		X					X
Franco Dalla Sega	X	X					
Gianluca Ferrero	X	X					X
Angelo Ferro	X	X		X			
Pietro Garibaldi		X	X				
Fabrizio Gianni	X	X		X			
Alfonso Iozzo ⁽³⁾				X			
Giulio Lubatti ⁽⁴⁾	X	X	X		X		
Eugenio Pavarani ⁽⁵⁾	X	X			X		X
Gianluca Ponzellini ⁽⁶⁾	X	X	X		X		
Gianguido Sacchi Morsiani		X					X
Ferdinando Targetti		X					X
Livio Torio	X	X	X				

⁽¹⁾ Chairman of the Supervisory Board, Nomination Committee and Strategy Committee.

⁽²⁾ Vice-Chairman of the Supervisory Board.

⁽³⁾ The Ordinary Shareholders' Meeting, which met on 3 May 2007, appointed Giuseppe Mazzarello as supervisory director to replace the resigning director, Alfonso Iozzo. Giuseppe Mazzarello declared that he had the requisites of independence established by the Corporate Governance Code and that he is listed on the Register of Auditors.

⁽⁴⁾ Chairman of the Control Committee.

⁽⁵⁾ Chairman of the Financial Statements Committee.

⁽⁶⁾ Chairman of the Remuneration Committee.

Management Board

The Management Board carries out the functions that in the traditional governance model belong to the Board of Directors. It is made up of a minimum of 7 and a maximum of 11 members, even non-stakeholders, appointed by the Supervisory Board which determines its number at the time of appointment. According to the decisions of the Supervisory Board, the directors stay in office for a period of no more than three years and leave office on the date of the meeting of the Supervisory Board called to approve the financial statements for the last year of their office. All the members of the Management Board, except for the Managing Director, are to be considered non-executive because individually they do not hold powers of attorney, nor do they cover a specific role in the elaboration of corporate strategies.

The Management Board is in charge of managing the company in keeping with the general strategic guidelines approved by the Supervisory Board and it has the faculty to perform all the operations of ordinary and extraordinary administration needed to achieve the Company's business aims; however, certain strategic operations must be authorised by the Supervisory Board.

The Supervisory Board at the meeting of 2 January 2007 decided that the number of members of the Management Board would be 11 and it unanimously appointed the following members:

Enrico Salza (Chairman)⁽¹⁾
Orazio Rossi (Vice Chairman)
Corrado Passera
(Managing Director and CEO)
Elio Catania⁽¹⁾
Gianluigi Garrino⁽¹⁾
Giuseppe Fontana
Giovanni Battista Limonta
Virgilio Marrone⁽¹⁾
Emilio Ottolenghi
Giovanni Perissinotto⁽¹⁾
Marcello Sala

The Supervisory Board established the fees of the Management Board and its members invested with specific duties. These fees include a variable part that depends on the attainment of the budget targets established in the 2007/2009 Business Plan.

Chairman of the Management Board

The Chairman of the Management Board, appointed by the Supervisory Board upon the proposal of the Appointment Committee – and considered non-executive since lacking operative powers of attorney – carries out the functions of coordinating the works of the Management Board, calling the meetings and establishing the agenda. It is the faculty of the Chairman of the Management Board to file lawsuits with any legal or administrative authorities and to preside relations with the Supervisory Body (Bank of Italy), in agreement with the Chairman of the Supervisory Board. He also supervises the external communication of information regarding the Bank.

Managing Director

The Managing Director, appointed by the Management Board upon the advice of the Supervisory Board, also holds the office of General Manager and is the head of the executive committee. He supervises the company management as part of the powers attributed to him in conformance with the general plan and strategic policies decided by the corporate bodies.

More specifically the Managing Director:

- Is in charge of managing personnel;
- Determines and imparts operative instructions;
- Exercises the power to make proposals to the Management Board;
- Supervises execution of the decisions of the Management Board;
- Supervises the organizational, administrative and accounting organization of the company and makes sure said organization is adequate for the nature and size of the company.

⁽¹⁾ These members have the independence requisites according to article 148, D .Lgs. 24 February 1998, no. 58.

The Managing Director guarantees the consistent operative management of the Bank and Group and has every faculty for ordinary and extraordinary administration within the strategic policies of the Supervisory Board and Management Board and under the surveillance of the boards themselves and their respective chairmen.

The members and Chairman of the Management Board, and the Managing Director, in addition to the requisite of honourableness required for members of the Boards of Auditors of listed companies, must have the requisites of enduring honourableness and professional standing required for the company delegates. Lastly, the Articles of Association envisage the appointment by the Management Board – upon the proposal of the Managing Director and in agreement with the Supervisory Board – of one or more general managers, one having deputy functions, who work under the Managing Director and assist him in running the company according to their respective functions and tasks.

Shareholders' Meeting

The Shareholders' Meeting is the body that expresses the Company's will. Its decisions are adopted in conformity with the law and the Articles of Association and are binding to all the shareholders, including those who are absent or dissenting.

The Shareholders' Meeting can convene for ordinary or extraordinary meetings.

The Ordinary Shareholders' Meeting determines the number, appoints and revokes the members of the Supervisory Board. The Meeting also elects the Chairman and two Vice-Chairmen of the Supervisory Board and determines their remuneration. The Meeting has the faculty to decide on the responsibilities of the members of the Supervisory Board and, while the powers attributed by the Articles of Association to the Supervisory Board continue to apply, the Meeting decides on the responsibility of the members of the Management Board.

The Ordinary Shareholders' Meeting decides on the distribution of profits and approves the Financial Statements if these are not approved by the Supervisory Board. It also has the faculty to confer and annul auditor appointments upon the proposal of the Supervisory Board if the latter has a justified reason.

Shareholder's Rights

- Every share has the right to one vote (savings shares vote only at a special Meeting of Savings Shareholders);
- Shareholders representing at least 1/20 of the capital can call a Meeting;
- Shareholders representing at least 1/40 of the capital can request to add items to the agenda to be discussed at the Meeting;
- Presence of a Code of Ethics which establishes the relations between the Group and its shareholders.

The Extraordinary Shareholders' Meeting resolves on changes to the Articles of Association, and the appointment, annulment, replacement and powers to attribute to liquidators.

Shareholding structure

The subscribed and paid up share capital amounts to 6,646,547,922.56, euros divided into 12,781,822,928 shares having a nominal value of 0.52 each, of which:

- 11,849,332,367 ordinary shares
- 932,490,561 nonconvertible savings shares.

As of 4 May 2007 the shareholding structure of Intesa Sanpaolo is composed as follows (holders of quotas greater than 2%):

Shareholder	% ownership of ordinary capital
Compagnia di San Paolo	7.96%
Crédit Agricole S.A.	5.67%
Assicurazioni Generali	5.07%
Carlo Tassara S.p.A.	4.95%
Fondazione Cariplo	4.68%
Fondazione C.R. Padova e Rovigo	4.18%
Fondazione C.R. in Bologna	2.73%
Giovanni Agnelli e C. S.p.A.	2.45%
Fondazione Cariparma	2.20%

As of today's date the company is not aware of agreements between shareholders.

Our social responsibility

Our concept of social responsibility is the result of a maturation process that has gained from the experience of two large banks that share the same vision: the concept of sustainability meant as the capacity to join the citizenship of a company with long-term financial goals. In other words, to grow also by stimulating the growth of the entire economic system, paying maximum attention to the creation of value that is not only economic but also social and environmental, while supporting the community and the environment in a long-term perspective.

The result is a well-rounded strategic vision that does not limit social responsibility to charity and humanitarian actions – which are also the expression of the principle of solidarity in which we believe – but considers it the demonstration of the duty to always fulfil our role as a banking institution in the best way possible. This clearly entails being an intermediary not only of economic resources but of projects, and therefore of the future, while protecting savings and, at the same time, the trust of the people who ask us to handle their savings.

At the center of the bank's development strategies is our commitment towards all our stakeholders (customers, employees, shareholders, the environment and the community in general); this commitment is the direct expression of the company's mission and the foundation for creating a strong identity shared by all the employees of the Group.

and strategies of social and environmental responsibility, helps to implement the actions undertaken by the Bank on these matters, and checks on their effectiveness;

- dispenses advice to the Bank's departments with the aim of integrating environmental and social considerations into our business goals and provides support in the implementation of programs and actions to be undertaken on matters of social responsibility. The Corporate Social Responsibility Unit has also provided assistance and advice, specifically in determining the direct and indirect impact created by the Bank's operations, products and services, already included in the Business Plan 2007-2009;
- provides an on-going flow of information to top management and coordinates and ensures the reporting process, including the Social Report, on all topics concerning social and environmental responsibility;
- analyzes national and international scenarios to guarantee the proper positioning of the Bank within the strategies of social and environmental responsibility, and proposes participation in major initiatives regarding sustainability;
- defines and maintains an up-dated mapping of the expectations of the stakeholders most important to the Bank and facilitates the activation and maintenance of an on-going dialogue through which it can identify the associated risks and opportunities.

Corporate Social Responsibility Unit

The organizational structure dedicated to the design, planning and management of policies and instruments that make it possible to integrate the criteria of sustainability and social and environmental responsibility in the Bank's activities is the Corporate Social Responsibility Unit, which answers directly to the Managing Director.

This Unit:

- supports the management in defining policies

Social and environmental responsibility management model

The model we have adopted gives full responsibility to the internal departments working on guaranteeing the application of the values and principles of social responsibility in their ordinary business activities. This means that the CSR themes not only pertain to one specialized of-

face but must also at the same time be shared with and acted upon by all the departments, thereby becoming an integral part of all the Bank's activities. The CSR Unit in this context provides support, consultancy and, when necessary, coordination. However each single department is both actor and owner of its own commitments, actions and relations.

To make this principle of self-responsibility operative and effective, each department has assigned "CSR referees" within, staff members that collaborate specifically with the CSR Unit. These people are trained to be sensitive to and competent about CSR themes but they work daily within their respective departments. Through this network (of approximately 50 people) we aim to achieve a rapid osmosis that is effective and permanent between business activities and CSR principles. Underlying this model is the specific decision to favour the circulation of ideas and information, through a network that is not centralized but flexible and interrelated on many points. This is more suitable to the inherent complexity of managing topics like those of CSR. In order for them to be "alive" they must follow the extremely rapid trends of society and its needs. It must participate in an on-going dialogue with its representatives at several levels. Obviously it is extreme-

ly important that these relations be maintained by those whose job it is to provide the most operative responses directly.

Governance management instruments

Strategic management of an organization depends on various instruments that, while appearing heterogeneous, represent a single management system that is however complex but consistent.

Policies

Since its first months of activity the commitment of the Group has been aimed at the development of internal policies that guarantee transparency and professional competence in relations with the various stakeholders, as well as security and quality in the managing of key areas of the Bank's business activities.

As regards operative activities, we have acquired the shared CSR Guidelines that serve as a framework to the standards developed over the past few years by the two Banks, on which basis we are working for progressive integration. The environmental policy was the first to be defined.

Policy	Starting year	Application area
Code of Ethics	2007	Approved by the Management Board and the Supervisory Board, the new Code of Ethics outlines the company values and the principles of conduct in stakeholders' relations. It also establishes the mechanisms for their implementation and control. Through these mechanisms the top governance bodies receive an on-going communication about the ordinary operations as well as the management of unforeseen situations.
Environmental Policy	2007	Approved by the Management Board, this policy defines the approach for preventing, handling and, where possible, reducing environmental impact generated, directly or indirectly, by the activities of the Group, thereby confirming the importance of integrating economic factors with social and environmental factors to protect future generations.

Certifications

With the aim of assessing the adequacy of its processes in respect to the best domestic and

international standards, the Group has requested certification in various fields by recognised external organisations.

Certification	Starting year	Application area
PattiChiari	2003	This initiative provides customers with simple and concrete instruments that facilitate their understanding of the banking products and allow them to easily compare the offers of several banks so they can choose the product most suited to their needs. This way customers are made more aware and can take on a more active role in their relations with the Bank. On the website www.pattichiari.it the list of initiatives, the Group takes part in is available.
ISO 14001	2005	Certification of the Environmental Management System for managing internal processes and the related environmental performances concerning some real estate. The environmental aspects managed by this system are energy consumption and the relative emissions, the maintenance of technological plants, the consumption of paper, the production of waste, the limitation of hazardous substances and the supply system.
ISO/IEC 27001: 2005⁽¹⁾	2002	Certification of the IT Security System for analyzing, planning, developing, maintaining, supplying, Internet Banking Retail services provided on the Sanpaolo website.

⁽¹⁾ As from 2005 the ISO27001 certification replaced the previous BS7799 version.

Sustainability partnerships

The Intesa Sanpaolo Group, besides adhering to important international initiatives regarding sustainability, specifically UNEP and the UN Global Compact, participates in and supports associations and work groups on topics concerning social responsibility.



UNEP – Finance Initiative (initiative of the financial sector for the United Nations Environmental Program): this partnership between the UN Environment Programme and the financial sector was set up to promote dialogue on the connection between economic development and financial performance, environment protection and sustainable development.

www.unepfi.org



These international guidelines, drawn up according to International Finance Corporation (a World Bank subsidiary) criteria, are aimed at managing the social and environmental risk profiles in international project finance activities; compliance is voluntary.

www.equator-principles.com



The ABI work group on the social responsibility of banks. The ABI work group on consumer associations. The Abienergia Consortium, a benchmark for activities that aim at energy efficiency in the banking system. www.abi.it



The Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria (GBC) is the pre-eminent organization mobilizing the resources of the business community in the fight against HIV/AIDS, TB and malaria. The rapidly-expanding alliance of 220 international companies is dedicated to combating these epidemics through the business sector's unique skills and expertise. www.businessfightsaids.org



UN Global Compact: an initiative promoted by the United Nations that aims to promote corporate social responsibility through compliance with 10 principles regarding human rights, labour rights, protection for the environment and the fight against corruption.

www.unglobalcompact.org



Forum per la Finanza Sostenibile (Forum for Sustainable Finance): this is an Italian multi-stakeholder association whose goal is to disseminate knowledge about sustainable development throughout the financial community. It is also the Italian representative in EuroSIF (European Forum for Sustainable and Responsible Investments).

www.finanzasostenibile.it



Sodalitas, an association for the development of the third sector and the dissemination of the corporate social responsibility culture.

www.sodalitas.it



A non-profit organization that sets out to support its members in the implementation of actions regarding social responsibility.

www.csreurope.org

ECONOMIC REPORT

Economic performance in 2006⁽¹⁾

The 2006 statement of income closed with a consolidated net income of 2,559 million euros, approximately 15% lower than the 3,025 million euros in 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, mainly connected to the sale of the controlling stake in Nextra Asset Management to Crédit Agricole.

Secondly it must be noted that the 2006 statement of income was influenced by integration charges specifically referring to the merger with Sanpaolo IMI.

As is generally known, on 1st December 2006 Banca Intesa and Sanpaolo IMI signed an agreement with the Trade Unions for the efficient integration of human resources; this agreement envisages the activation of a Solidarity Fund as per Ministerial Decree 158/00 and Ministerial Decree 226/06 for employees who qualify for pensions by 1st January 2013, as well as specific incentive-driven plans for those who are eligible for retirement. In both cases non-recurring costs in the form of special payments are expected for the Bank and, in the case of the activation of the Allowance for incentive-driven exit plans, in the form of payment of special indemnities and the continuation of certain benefits.

On the basis of the applications received from the eligible parties and of a reasonable estimate of the number of people who intend to accept the company's proposal according to the terms set out in the agreement, a provision of 238 million euros, net of taxes, was set aside.

Excluding these considerable non-recurring items, as well as net provisions for risks and charges and other non-recurring items in the last year, which impacted in the opposite direction, increasing 2005 net income and reducing 2006 net income, the comparison would show a growth rate of approximately 12% in 2006 with respect to the previous year.

The satisfactory result for 2006 was mainly due to the good progress of net 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 in the domestic 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 before tax from continuing operations amounted to 4,175 million euros, 3.8% higher than the figure for 2005 which, as already mentioned, benefited from considerable non-recurring income. The increase in profitability led the tax onus to rise to 1,347 million euros, corresponding to a tax rate of approximately 32%.

⁽¹⁾ Figures and comments refer to the consolidated reclassified Profit and Loss Account published in Banca Intesa's Annual report 2006. Amounts are expressed in euros.

Financial highlights⁽¹⁾

RATIOS	2005	2006
Personnel efficiency ratios (in millions of euro)		
Loans to customers / Average number of employees	2.96	3.37
Net interest and other banking income / Average number of employees	0.17	0.18
Direct and indirect customer deposits/ Average number of employees	8.30	8.90
Balance sheet ratios		
Shareholders' equity / Loans to customers	9.9%	9.5%
Shareholders' equity / Direct and indirect customer deposits	3.5%	3.6%
Capital ratios		
Tier 1 capital ratio (Tier 1 capital / risk-weighted assets)	7.94%	6.29%
Total capital ratio (Total capital / risk-weighted assets)	10.34%	9.50%
Profitability ratios⁽²⁾		
(Parent Company's) Net income / Average shareholders' equity	22.3%	16.3%
Operating costs / Operating income	54.7%	51.5%
Risk ratios		
Net doubtful loans to customers / Loans to customers	0.7%	0.9%
Substandard loans to customers / Loans to customers	1.9%	1.4%
Adjustments on doubtful loans to customers / Gross doubtful loans to customers	69.2%	67.0%

⁽¹⁾ Indices calculated, if not otherwise specified, with reference to the compulsory consolidated financial statements forms and the relative notes to the financial statements, prepared as indicated by the Bank of Italy in its memo 262/2005 and published in the 2005 and 2006 Annual reports.

⁽²⁾ Indices calculated with reference to the consolidated reclassified Profit and Loss Account published in Banca Intesa's 2006 Annual report.

The calculation of value added and its distribution

Methodology

Value added – defined as the difference between total revenues and total costs for goods and services (so-called Consumption) – measures the wealth generated by the Group, which is then distributed among the stakeholders with which the Group relates for various reasons in its daily operations.

Among such stakeholders there are, first of all, Human resources – through which the Group interacts with other stakeholders – who receive part of the corporate value added as direct or indirect remuneration, including that linked to the cost of professional training.

There are also Shareholders, who expect an economic return, in the form of dividends, on the financial resources they have invested in the company.

Not less important, as concerns distributed resources, is also the *Government System* – intended as the combination of central and local public administration – to which a significant part of wealth produced is transferred as direct and indirect taxes.

Particular attention is also paid to the needs of the Community/Environment, not only through charities but also through commitment in social and cultural works.

Lastly, there is the *Corporate System*, which requires adequate resources for productive investments and daily operations, to permit the company's economic and balance sheet growth which, alone, may guarantee the creation of new wealth to the advantage of all stakeholders.

From a methodological viewpoint, the determination of value added stems from a revised listing of the items in the consolidated statement of income, used in the Annual report. Such revised listing has the specific purpose of highlighting the process of formation of value added, in its various formulations, as well as its distribution.

The tables which illustrate the determination and distribution of Value Added presented herein have therefore been prepared on the basis of the figures contained in the 2006 Annual report – which was audited by the Inde-

pendent Auditors and approved by the Supervisory Board on 14th April 2007 – and considering the guidelines issued by ABI as a reference basis.

The distribution of value added

In 2006 the Intesa Group generated a gross total value added exceeding 8 billion euros as a result of a considerable net production (16,937 million euros) and an attentive check on consumption (9,015 million euros).

Though to a different extent, all five stakeholder categories benefited from the distribution of value added created, in particular:

Shareholders benefited overall from 62% of Value Added. The dimension of such flow reflected the extended shareholder base, which, as of 1 January 2007, also includes – after the formation of the new Intesa Sanpaolo – Sanpaolo IMI's former shareholders. Moreover, as after the merger Sanpaolo IMI's net income for 2006 was allocated to shareholders' equity reserves and also in consideration of the levels reached by capital ratios, a partial distribution of the share premium reserve for a total of 3,195 million euros was proposed to the Shareholders Meeting. Total dividends therefore reached 4,867 million euros (of which, 979 million euros pertaining to Foundations and thus, indirectly, destined to benefit the community through social, cultural and charitable initiatives). A further 110 million euros represented the net income attributed to the Group's minority interests;

human resources received 44% of Gross Total Value Added for a total of 3,582 million euros, most of which as direct personnel costs. Furthermore, 356 million euros (gross of the relevant taxes) were recorded in 2006 as the best possible estimate of the future costs associated with the Trade Unions agreement signed on 1 December 2006 to support the effective integration of the human resources in the new Intesa Sanpaolo Group; the Government System received global resources of 1,291 million euros (16% of value added) of which 1,227 million euros as income tax. The Government system also received tax-

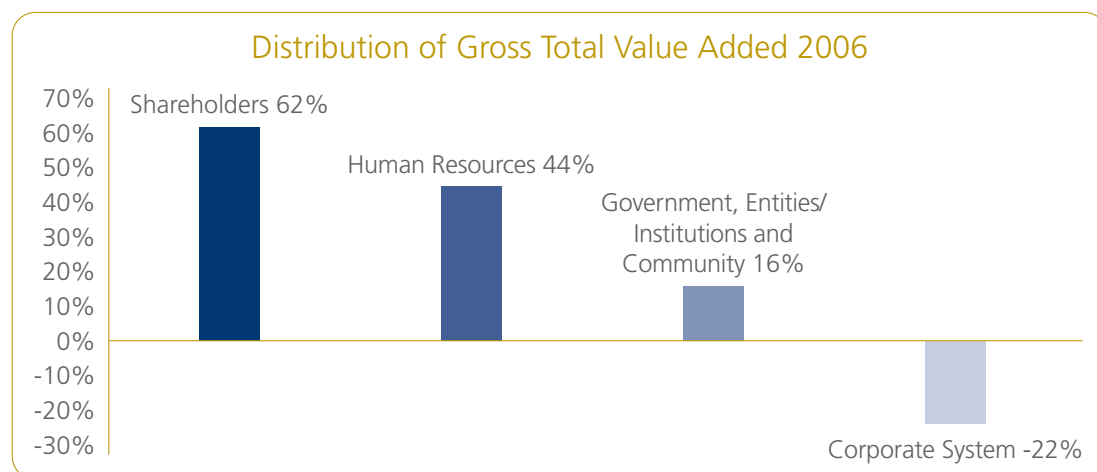
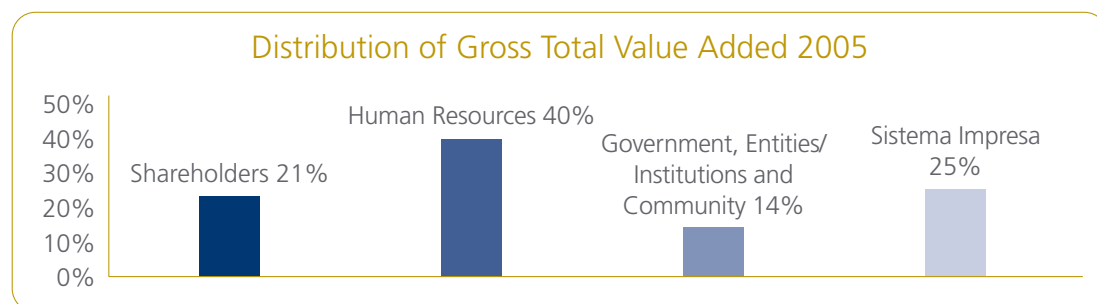
es on the compensation paid to personnel, which are paid by Group companies acting as tax collection substitutes;

21 million euros were set aside for the Community/Environment, almost entirely deriving from the assignment, at the time of allocation of net income, to the "Allowance for charitable, social and cultural contributions", set up by Intesa Sanpaolo and various Group companies. Moreover, it must be noted that the economic commitment in favour of the community is actually far higher, considering all the items normally recorded under other expense items (manage-

ment of the artistic heritage, management of the architectural heritage, sponsorships etc.). Considering such amounts, the overall sum would exceed 44 million euros;

the Corporate system recorded a net outflow of resources for 1,812 million euros, since the dividends assigned to shareholders by the two banks which formed Intesa Sanpaolo absorbed far more than the total net income generated in 2006 by Banca Intesa alone, leading to the aforementioned distribution of reserves. Such a decrease was only partially offset by adjustments flows.

Distribution of Gross Total Value Added				
Distribution	2005		2006	
	Shareholders	1,639	21%	4,977
Human resources	3,186	40%	3,582	44%
Government, Entities/Institutions and Community	1,146	14%	1,312	16%
Corporate system	1,977	25%	-1,812	-22%
Total	7,948	100%	8,059	100%



Determination of Total Value Added

IN MILLIONS OF EURO)	2005	2006
10. Interest and similar income	9,786	11,512
40. Fee and commission income	4,191	4,018
70. Dividend and similar income	701	527
80. Profits (Losses) on trading	13	503
90. Fair value adjustments in hedge accounting	32	11
100. Profits (Losses) on disposal or repurchase of	–	61
a) loans	-23	-48
b) financial assets available for sale	23	83
c) investments held to maturity	1	–
d) financial liabilities	-1	26
110. Profits (Losses) on financial assets and liabilities designated at fair value	–	–
220. Other operating expenses (income) ⁽¹⁾	22	70
240. Profits (Losses) on investments in associates and companies subject to joint control	226	235
A TOTAL NET PRODUCTION	14,971	16,937
20. Interest and similar expense	-4,673	-5,992
50. Fee and commission expense	-563	-449
180 b. Other administrative expenses (net of indirect taxes and duties, donations and gifts and personnel training expenses) ⁽¹⁾	-1,693	-1,713
130. Net losses / recoveries on impairment	-549	-677
a) loans	-568	-706
b) financial assets available for sale	-22	-14
c) investments held to maturity	4	4
d) other financial activities	37	39
190. Net provisions for risks and charges	-436	-196
200. Net adjustments to / recoveries on property and equipment (excluding depreciation) ⁽¹⁾	-7	12
210. Net adjustments to / recoveries on intangible assets (excluding amortisation) ⁽¹⁾	-1	–
260. Goodwill impairment	-6	–
B TOTAL CONSUMPTION	-7,928	-9,015
150. Net insurance premiums	–	–
160. Other net insurance income (expense)	–	–
C NET INCOME FROM INSURANCE ACTIVITIES	–	–
D GROSS VALUE ADDED FROM CORE BUSINESS	7,043	7,922
250. Valuation differences on property, equipment and intangible assets measured at fair value	–	–
270. Profits (Losses) on disposal of investments	755	54
310. Income (Loss) after tax from discontinued operations	150	83
E GROSS TOTAL VALUE ADDED	7,948	8,059
Depreciation and amortisation ^(*)	-500	-515
F NET TOTAL VALUE ADDED	7,448	7,544
180. a Personnel expenses (including training expenses) ^(*)	-3,186	-3,582
180. b Other administrative expenses: indirect taxes and duties ^(*)	-84	-64
180. b Other administrative expenses: donations and gifts ^(*)	-1	-2
G INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	4,177	3,896
290. Taxes on income from continuing operations	-1,045	-1,227
330. Minority interests	-107	-110
H PARENT COMPANY'S NET INCOME (LOSS)	3,025	2,559

⁽¹⁾ The figure differs from that in the Profit and Loss Account in the Annual report as a result of the separate listing >>

Allocation and distribution of Gross Total Value Added

(IN MILLIONS OF EURO)	2005	2006
A TOTAL NET PRODUCTION	14,971	16,937
B TOTAL CONSUMPTION	-7,928	-9,015
C NET INCOME FROM INSURANCE ACTIVITIES	-	-
D GROSS VALUE ADDED FROM CORE BUSINESS	7,043	7,922
E GROSS TOTAL VALUE ADDED	7,948	8,059
Allocated to:		
1. Shareholders	1,639	4,977
– Private Shareholders ⁽²⁾	1,353	3,888
– Foundations ⁽²⁾	179	979
Minority interests	107	110
2. Human resources	3,186	3,582
Personnel expenses:	3,186	3,582
– cost of indefinite and short-term contracts	3,159	3,217
– merger and restructuring related costs	-	356
– other collaboration costs	27	9
3. Government, Entities, Institutions (Central and Local Public Administration)	1,129	1,291
Indirect taxes and duties and taxes on real estate	84	64
Tax on income from continuing operations	1,045	1,227
4. Community and Environment	17	21
Donations and gifts	1	2
Assignment of net income to the Allowance for charitable, social and cultural contributions	16	19
5. Corporate system	1,977	-1,812
Changes in reserves	1,477	-2,327
Depreciation and amortisation	500	515
GROSS TOTAL VALUE ADDED	7,948	8,059

>> of the amounts marked by (*) as follows:

- Recovery of indirect taxes and duties, directly deducted from administrative expenses.
- Indirect taxes and duties, listed as a specific item.
- Donations and gifts, listed as a specific item.
- Personnel training expenses, recorded under personnel expenses.
- Depreciation and amortisation, recorded in a specific caption.

⁽²⁾ 4,867 million euros in total, of which 1,672 million euros distributed as net income and 3,195 million euros distributed as reserves.

SOCIAL REPORT

Dialogue with stakeholders

We have activated a stakeholder engagement project with the objective not only of improving the clarity and relevance of the contents of the Social and Environmental Report, but also of consolidating and adopting a more systematic dialogue aimed at involving the most relevant stakeholders. We are convinced that attentive listening to their voice is at the basis of a continuous service improvement programme and of the trust which nurtures their relationship with the Bank.

The project derived from a strategic decision already outlined in the 2005-2007 Business Plan and confirmed in the 2007-2009 Business Plan of the new Intesa Sanpaolo Group: to achieve long-term economic growth at the same time guaranteeing significant benefits for all stakeholders.

We want to make a concrete commitment concerning:

- enhancement of listening and dialogue in relations;
- recognizing the needs expressed by stakeholders;
- responsibly managing the social and environmental impacts, direct and indirect, of our activity;
- identifying improvement objectives.

An increasingly open attitude with stakeholders is especially important and significant in the Bank's current phase of profound change. Planning of the engagement activity took place in the last months of 2006 whereas actual implementation occurred in the first months of 2007, precisely at the time of the merger between Banca Intesa and Sanpaolo IMI. The stakeholders with a more influential relation with Banca Intesa were involved in this activity.

The stakeholder engagement process was supervised by the Corporate Social Responsibility Unit, which took part in the various steps of the process (from the planning to the implementation of the action plan) with the collaboration of CSR Referees in the Divisions and Departments which are more directly interested in the relationship with the various stakeholders.

The methodology we have followed

The stakeholder engagement process took place on the basis of the principles set out in the AA1000 standard, issued by the ISEA (Institute of Social and Ethical Accountability). This standard guided us in the implementation of a methodology which entails respect for certain basic principles that, considered all together, define our commitment for inclusiveness. This means that in every phase of the process, we reflect upon the viewpoints and the expectations of our various stakeholders:

- **relevance**: understanding what is important for the company and the stakeholders;
- **completeness**: with respect for the principle of relevance, understanding and managing all concrete impacts and stakeholder expectations;
- **consistency**: providing an adequate solution to stakeholder requests, in keeping with the issues which are relevant both for stakeholders and for the company.

Consistently with suggestions of the AA1000 standard, the engagement process was divided into progressive steps which enabled us to:

- focus on engagement targets and identify the key stakeholder groups who are affected by or could affect the Bank's strategic targets;
- identify the key issues and concerns in the bank/stakeholder relationship with the aim of planning the engagement activity on the basis of intervention priority and the company's implementation capacity;
- improve the Bank's capacity of activating dialogue and response mechanisms;
- design the process and carry out the engagement assessing the most appropriate techniques (focus groups, interviews etc.);
- develop an action plan based on observations emerged to formulate improvement objectives and provide a feedback.

The identification of the map of stakeholders and the assessment of the actual opportunity of enacting the engagement for each stakeholder category started from an analysis of the state of the art of the relationships built by the Bank and their

significance and frequency. The level of intensity of the relationship was defined on the basis of various factors among which: influence (stakeholders who can or could, in the future, affect the company's capacity of reaching the targets), representativeness (stakeholders who have been given the task of representing other individuals), and dependency (stakeholders who more significantly depend from the Bank). A fundamental aspect is the relevance of such relationships in consideration of the strategic targets which Banca Intesa has set itself with the Business Plan in terms of strong customer-orientation, excellence in human resource management and support for the growth of the country.

An analysis was conducted within the macro-categories of stakeholders summarised below:

Customers

Individuals, Consumer Associations, Small and Medium-sized Enterprises, Companies, Public Entities and Public Administration

Employees

Employees and Trade Unions

Shareholders

Institutional Investors, Small Investors, Foundations and the Media

Suppliers

Small and Medium-sized Suppliers and Large Suppliers

Environment

Environmental Associations and Future Generations

Community

Civil Society, Non Profit Entities, National and International Public Institutions

Lastly, especially in consideration of the decisions and the projects begun by the Bank in the last period, the decision was taken to commence the engagement activity with employees and customers. They are currently the key stakeholders for the company, those more

heavily involved in the Bank's transformation processes in the last few years and who will require clear commitments for improvement in the short - medium period. It was considered necessary to include consumer associations and trade unions in specific meetings since they are the indirect expression of the voice of employees and customers. As regards other stakeholders we have the intention of extending the area of involvement in future years, aware of the opportunities which may arise through a wider engagement with the Bank's stakeholders.

The discussion focused on the activities reported in the previous edition of the Social and Environmental Report, on the improvement objectives which we had set ourselves and on the effectiveness of our activities to solve the critical issues which had emerged.

We chose appropriate techniques for dialogue, such as focus groups for employees, trade unions and customers and interviews for consumer associations.

The selection criteria led to the identification of a statistically non-representative sample made up as follows:

- for employees, selected resources were equally distributed between Third Professional Area Clerks (3rd – 4th level) (50%) and Officers (50%), from the Retail Division (60%), Corporate Division (20%) and Head Office Departments (20%);
 - for trade unions, 18 trade union representatives from the 9 category associations present in the company took part in the stakeholder engagement process;
 - for customers, the groups were made up of customers from a representative sample of individual and premium customers holding a current account and at least another product. Approximately 30% were customers acquired in the last 5 years;
 - for consumer associations, the representatives of all associations present at national level were interviewed.
- 9 single stakeholder focus groups were conducted:
- three with employees of the Milan, Rome and Naples offices;

- one with trade unions;
- five with customers, 2 of which in Rome, 1 in Milan and 2 in Naples.

In total 83 people were involved.

The indications collected via the stakeholder engagement process were submitted to the Referees of the diverse company functions for a first assessment of the company's organizational capability to respond to the needs that emerged. The criteria of relevance, consistency with corporate strategies and balancing interests of the various stakeholders were used in issue assessment. The development of the action plan and the relevant improvement objectives stem from this process which enabled priorities and areas of interventions by the diverse company functions to be defined.

Key issues emerged from dialogue with stakeholders

In general, all stakeholders expressed a great appreciation for the Social and Environmental Report as a tool for transparency, useful for acquiring information on transformation processes under way within the Bank and on activated initiatives. For this reason a more extensive circulation among employees and customers was suggested so that the Report may become an effective tool to assess the consistency between the Bank's prospected behaviour and its actual actions. Although the clarity, the completeness and the significance of the information contained in the document were appreciated, the need for the use of plainer language emerged, so that the Report may really respond to clarity and transparency criteria for a wider public.

Generally speaking, the expectation is that the Social and Environmental Report will continue to report, in a truthful, complete and significant way, on the projects and initiatives achieved by the Bank consistently with its values and that the opportunity for listening and dialogue between the company and its stakeholders is not limited to a few, though appreciated, moments in the year, but occur in a more or less continuous manner via traditional channels (relationship with trade unions, consumer associations, climate surveys, etc.). In particular, trade unions would like to play an active role in the process for the preparation of the document.

We have accepted their request for greater engagement and we intend to ensure that the stakeholder assessment process, reported in this chapter, becomes a systematic work tool thus enabling us to verify the effectiveness of our actions and their consistency with corpo-

rate values. Thanks to the suggestions made by the first focus groups, we have tried to improve the clarity of reporting by using plainer and more accessible language and introducing a higher number of figures and tables which measure our commitment, furthermore we have balanced contents on the basis of the relevance of reported initiatives considering the stakeholder issues.

Customers and consumer associations

Great relevance was given to the Bank's capability of ensuring more tailored and attentive forms of listening for customers, suited to their specific needs, both in daily relations with branch personnel and in the management of controversies and complaints. For this purpose, relations commenced with local branches of consumer associations starting from the Lombardy, Lazio, Puglia and Piedmont Regions to enable the Bank to develop an attentive listening programme suited to local markets. Furthermore, we adopted a systematic approach for customer satisfaction surveys, for Banca Intesa and the other banks of the Italian Group, involving a great number of customers for the purpose of assessing their satisfaction level and their perception of service quality. We conducted an in-depth reorganization of complaint management procedures reducing response time and simplifying the support offered to the Branch manager by internal departments to ensure clear reference points for every problem or general interpretation issue. Lastly, consumer associations have been our partner in a project, unique at European level: a permanent settlement programme that, for any problem concerning the most widespread product types, offers customers – through predetermined steps defined with consumer associations – the possibility of a simple and fast non-judiciary settlement with the Bank, if the outcome of the complaint is deemed to be unsatisfactory.

As concerns the quality of the relation, great importance is given to mutual trust between the customer and branch personnel; trust based on the capacity of proposing a commercial offering suited to customer needs and favouring informed purchases by adopting simple and transparent communication (product cost, investment risks and complaints). In this edition of the Social and Environmental Report, we have therefore dedicated greater space to the description of the projects aimed at favouring simplicity and transparency. We have prepared internal support tools that enable our colleagues engaged in customer relations, on the one hand, to have a more in-depth view of the risk of offered products, and on the other hand,

to perceive customer investment needs correlated to his/her general objectives.

An initiative suggested by focus groups for greater simplification and transparency refers to the development of programmes aimed at facilitating customer understanding of banking issues. The 2007-2009 Business Plan grasps these requests defining on the one hand the commitment for higher investment in employee training aimed at offering a constantly-improved service and, on the other hand, the development of projects aimed at favouring customer financial education and purchase awareness.

The new branch lay-out seems to have favoured a more impersonal bank/customer relationship. For this purpose, focus groups highlighted the need to introduce a person within the branch to facilitate understanding of the products offered.

With regard to commercial offerings, initiatives aimed at favouring access to credit for disadvantaged categories (immigrants, young people, atypical workers etc.) are particularly appreciated by customers and considered as the footprint of a socially responsible bank. On a general level, focus groups suggested a decrease in costs and a greater effort by the Bank to offer products tailored to meet the specific needs of local markets. These issues are addressed in a central point of the new 2007-2009 Business Plan: the adoption of the Banca dei Territori (Local Community Bank) organizational model. This model is based on a markedly local vocation, on the promotion of specialized services but also on the professional competence and experience of a large national and international bank. The product and service innovation which we have set ourselves as a target will enable us to offer world-class products at the best conditions. As concerns on-line services, already in March 2007, we extended to the Intesa network the zero cost current account, with no management fees or commissions on bank transfers and payment transactions carried out via Internet, telephone and debit cards/ATMs.

Employees and trade unions

Training emerged as one of the key aspects, perceived as an extremely important element for the professional growth of employees, and as a necessary ingredient for maintaining quality relations with customers. Employees requested even greater access to a high-quality technical-specialist training, possibly identifying – as underlined in particular by the trade unions – a means of enhancing the effectiveness of e-learning, by integrating it with classroom tools and courses. The new 2007-2009 Business Plan

accepts the need to provide support to the development of competencies and professional experience, setting out a complete training plan specialised for each professional figure and business needs. As regards the enhancement of the effectiveness of e-learning the Bank started to identify means to support the continuity and effectiveness of learning, thus showing the first signs that it will tackle this issue.

Moreover, employees expressed the need for more in-depth work on the sense of identity and on the creation of a truly shared training culture to help everyone to identify in the Bank's values. Each employee, in fact, approves and deems valid the values manifested by the Bank in the Code of Ethics and would like a more widespread application of such values in their daily corporate life. Therefore, the Bank is asked to promote initiatives in this direction, especially in this transformation phase to dissipate any uncertainty and disorientation. The new Business Plan, which attributes great importance to Corporate Identity, set the consolidation of the corporate identity and the sense of belonging as one of the key targets, and defines both training actions, and management intervention to spread and strengthen corporate values and the "culture of quality".

Qualitative aspects are proposed very decisively by employees: the latter request, in fact, that the commercial targets assigned be characterised by qualitative issues in addition to the quantitative aspects and ask to be assessed not only based on "how much" but also on "how" they sell, on the basis of parameters which encompass aspects such as, for example, customer satisfaction. Furthermore, to maximise long-term effects and create the basis for a truly responsible bank, employees request that quality and sustainability targets be included also in the incentive system. Their issues confirm the validity of the decisions on sustainable development of commercial activity already taken by the company with the Agreement of 5 April 2006 signed with all the trade unions. Such Agreement sets out the institution of a specific Observatory for sustainable development and security. Security is a particularly heartfelt issue, on which employees and trade unions request increasing attention and the expansion of post robbery support initiatives.

Employees and trade unions suggested improvements to the assessment system: on the one hand, underlining the need to provide specific tools and training to assessors, to enable them to perform their duties with the utmost competence and adequacy; on the other hand, proposing intermediate assessment steps during the year, to ensure an effective and constant

manager / employee dialogue, which is necessarily connected to the assessment.

They also highlighted the importance of transparency in the design of the incentive system and in the relative policies, so that the incentive system really motivates personnel. Among the targets of the new Business Plan, on this point, there is the design of an incentive system, differentiated by business area, in which equitable treatment and alignment to standard market criteria may coexist with the principles of merit and commitment to excellence.

As regards internal communication, employees request a greater circulation of the results of the surveys conducted for whatever reasons: this could enrich communication, permitting a real exchange of opinions and avoiding the risk of mere self-promotion.

Communication through innovative instruments is appreciated, though employees pointed out that attention should also be paid to the fact that most colleagues are not used to such tools or do not have the time to access them: for key projects or issues the Bank should therefore use communication which may actually be re-

ceived by all its people. Again on this point, trade unions would like to have a virtual pin board within the company's communication channels.

As regards the quality of life in the company, colleagues underline the importance of the quality of internal relationships, especially the chief / employee relationship. Moreover, they strongly advise an initiative promoted by Intesa Sanpaolo dedicated to the quality of life and wellbeing of employees. A completely new and original initiative, not "inherited" from one of the former banks, addressed to all employees is considered a potent element of identity. Furthermore, they request the "diffusion" to other entities of the projects and the initiatives carried out in certain test areas (e.g. nursery school, mobility management), possibly avoiding their automatic duplication, and instead considering the specific needs of the various local areas where the Bank and colleagues operate and live. This request for attention to the specific needs of local areas is in line with the philosophy of the Banca dei Territori and with the values expressed by the Bank's new Code of Ethics.

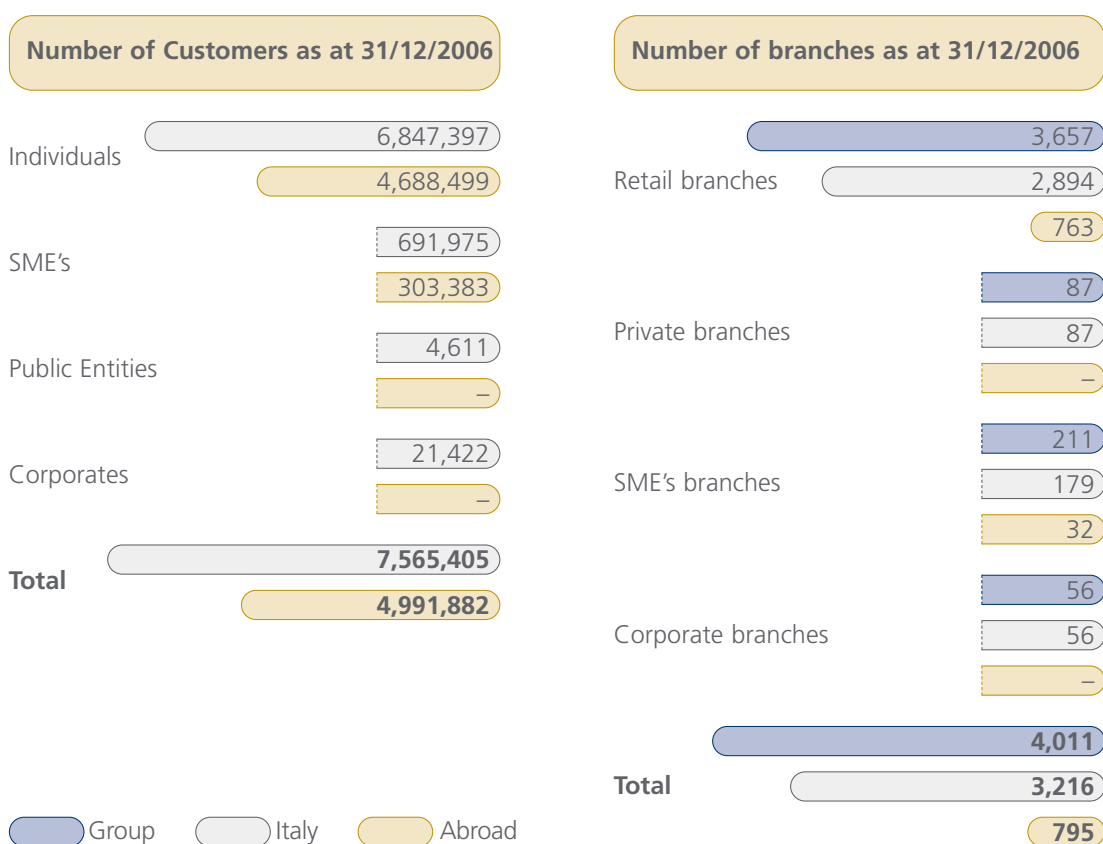
Map of stakeholders

	<p>Individuals Consumer Associations Small and Medium-sized Enterprises Corporates Public Entities and Public Administration</p>
	<p>Employees Trade Unions</p>
	<p>Institutional Investors Small Investors Foundations Media</p>
	<p>Small and Medium-sized Suppliers Large Suppliers</p>
	<p>Environmental Organizations Future Generations</p>
	<p>Civil Society Non-profit Entities National and international Public Institutions</p>

Customers

At the end of December 2006 Gruppo Intesa customers were over 12.5 million, of which 11.5 million individual customers⁽¹⁾, almost 1

million SME's⁽²⁾, over 21,000 large companies⁽³⁾ and approximately 4,600 Public Entities.



In addition to traditional lending and deposit collecting activities we also offer i) private banking services, ii) bancassurance and pension products,

iii) mutual funds, iv) industrial and consumer credit, v) investment banking products and services, vi) financial leasing, as well as vii) manage-

⁽¹⁾ Individuals also include micro enterprises with a turnover up to 2.5 million euros.

⁽²⁾ SME's include enterprises with a turnover up to 50 million euros.

⁽³⁾ Large companies include enterprises with a turnover exceeding 50 million euros and financial institutions.

ment of electronic payment instruments. Large companies and financial institutions with a turnover exceeding 50 million euros are served with a global and integrated offer of products and services through both traditional local structures – which include a specialised foreign network – and IT channels. The activities of the Corporate Division are performed in close synergy with Banca Intesa Infrastrutture e Sviluppo, which provides a dedicated, integrated service offering to all the public and private entities involved in public expenditure.

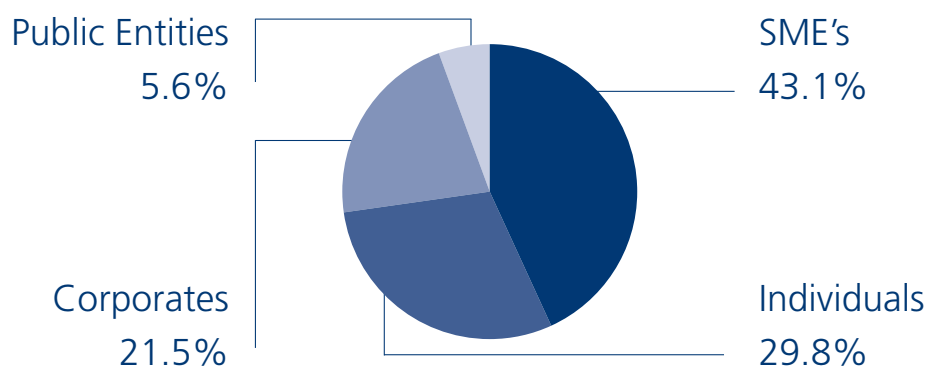
Medium-sized or small commercial banks, with a markedly local vocation, operate in close coordination with the Parent Company, pursuing

the optimisation of commercial synergies by sharing the most important initiatives.

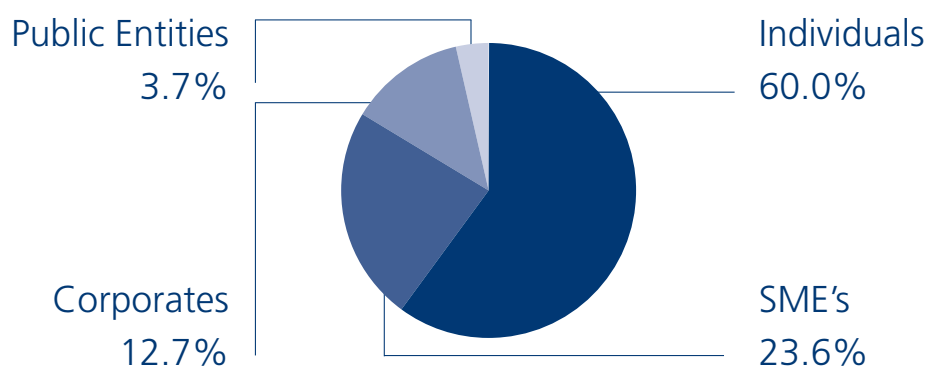
The international banks, which serve approximately 5 million customers, mainly perform retail and commercial banking activities in Central-Eastern Europe (Croatia, Slovakia, Serbia, Hungary, Bosnia and Herzegovina) and the Russian Federation.

Gruppo Intesa's activities are mostly concentrated in Italy: 88% and 82% of the total respectively for loans to customers and customer deposits. The activity in Central-Eastern Europe and in the Russian Federation together represent approximately 8% and 13% of the aforementioned balance sheet aggregates.

Loans to customers (December 2006)



Customers deposits (December 2006)



STATED COMMITMENTS	WHAT WAS DONE IN 2006
<p>Listening and dialogue</p> <p>a) <i>Customer satisfaction initiatives</i> Extend measurement of customer satisfaction and consolidate its use in the company.</p> <p>b) <i>Relationship with consumer associations</i> – Intensify relationships with regional and provincial representatives of the associations. – Extend the use of the conciliation roundtables, no longer limiting them to the sole management of critical cases.</p> <p>c) <i>Complaint Management</i> Activation of the project 'Assistenza Filiali' to supply local branches with clear reference points for the management of potential problems or general interpretation issues.</p>	<p>a) We adopted a model for monitoring customer satisfaction for both Banca Intesa and the Group's commercial banks in Italy.</p> <p>b) Relationships have been established with local branches of consumer associations, starting with the Lombardy, Lazio, Puglia and Piedmont Regions and a permanent conciliation agreement has been set up with the associations at a national level.</p> <p>c) The initiative that allows operational control over all sales and post-sale activities has been activated at a national level.</p>
<p>Closeness to customers</p> <p>– We shall continue with the activities we commenced for the revision of branch lay-out.</p>	<p>– We continued work to redesign areas inside branches. 399 branches opened with the new model, 683 were completely renovated and 77 were restructured to offer customers major service improvement.</p>
<p>Simplicity and transparency</p> <p>a) Revision of the asset management statement, simplification of questionnaires for the clear profiling of customers and the correct determination of their risk profile.</p> <p>b) Roll-out for SME's of a new platform for the sale of derivatives with greater control over the assessment of customer risk orientation.</p>	<p>a) We started new customer profiling initiatives through a careful focus on monitoring portfolios. We introduced a new Single Questionnaire to assess risk profiles.</p> <p>b) We started the Intesa ad Hoc pilot project for the sale of derivatives based on a concise risk index and a decision-making process chart.</p>
<p>Understanding customer needs Development of new functions in our Customer Relationship Management.</p>	<p>– New functions were introduced thanks to the contribution of a panel of colleagues made up of 50 managers representing all customer segments.</p>
<p>Extending product range to support social development We committed ourselves to extending our product range to make it meet better the needs of vulnerable social groups and the third sector.</p>	<p>– <i>Immigrants</i>: the "People" offer continues and initiatives were started to develop an even more complete range of products.</p> <p>– <i>University Students</i>: agreements with the universities taking part in "IntesaBridge" and "Universithouse" have been renewed and partnerships with Italian public entities and other Eastern-European universities have been established to develop and internationalise the initiatives.</p>

STATED COMMITMENTS	WHAT WAS DONE IN 2006
<p>Extending product range to support social development</p>	<ul style="list-style-type: none"> – <i>Workers in Cassa Integrazione (Redundancy Fund)</i>: the Province of Brindisi and the Basilicata and Lazio Regions joined the “Anticipazione sociale” project and the offer was also activated by Biverbanca and Cariparma. – <i>Atypical workers</i>: as of January 2007 the “Mutuo Atipico” (Atypical mortgage) project was also being introduced in the City of Pavia. – <i>The Elderly</i>: “Tuttinsieme” financing, aimed at supporting families with disabled elderly members at home, was extended to the City of Bergamo. – <i>Commercial offerings for religious entities and the non-profit sector</i>: we extended the “Mosaico” offer for the needs of religious entities and 1,550 accounts had been opened as of 31/12/2006 (122 as of 31/12/2005).
<p>Offerings for small and medium-sized enterprises</p> <p>a) <i>Innovation</i></p> <ul style="list-style-type: none"> – IntesaNova: extending the assessment of technological innovation to new industrial sectors and developing the operational ability of the Group’s foreign banks. – Medium-term credit to support innovation: agreement signed by Banca Intesa, Eurofidi and Intesa Leasing to support SME’s which intend to make investments, in particular in technology and process innovation via the IntesaNova programme. – IntesaBrand: start of the initiative dedicated to brand development and marketing policies at SME’s. <p>b) <i>Development of solutions for local markets</i></p> <ul style="list-style-type: none"> – Re-launching local economic and social development by creating “local holding companies”. – Improving Italian agriculture chains. 	<p>a) We extended collaboration with new scientific partners to ensure technological assessments in all industrial sectors. The offer was activated by the Group’s Italian banks and the operational platform for the management of the product is also available at international banks.</p> <ul style="list-style-type: none"> – The medium-term credit initiative ended on 31 December 2006. 678 SME’s were involved and approximately 216 million euro in funding were granted. – In 2006 we continued to verify and develop IntesaBrand’s offerings by doing tests throughout the nation. <p>b) Following the merger with Sanpaolo IMI, the new organizational model “Banca dei Territori” (Local Community Bank) was adopted. It sees the bank as the reference point of economic systems at local level in its interaction with the various players in the development of local areas. New projects will be started to this end.</p> <ul style="list-style-type: none"> – In 2006 we launched a specific package of products and solutions to support agricultural companies and farmers. Since the merger with Sanpaolo IMI, we have been reviewing offerings to rationalise support for the various production chains.

STATED COMMITMENTS	WHAT WAS DONE IN 2006
<p>Consultancy and financial solutions for mid-sized and large companies</p> <p>a) Definition of the guidelines for international expansion to assess the socio-environmental risk of companies and delocalisation projects.</p> <p>b) Consolidation of the activities of IntesaEurodesk.</p>	<p>a) Since the merger with Sanpaolo IMI we have been revising internal policies. We now have CSR Guidelines which provide a framework for our work with customers. The first policy defined in early 2007 concerned the environment.</p> <p>b) The desk has provided approximately 350 consultancies on access to EU funds, particularly in the EU Strategic Consulting sector for Research and Development (R&D).</p>

In 2006 our work continued on the basis of Business Plan indications: strengthening of relationship quality, transparency in the terms of offerings, simplification of processes and communication channels and greater openness in dialogue. Moreover, we extended our product range with the goal of always being on hand for customers with high-quality products and services tailored to the needs of the various customer segments.

In order to meet the objectives we had set ourselves in 2005, the following areas were strengthened:

- **Attentive listening and dialogue**
- **Closeness to the customer**
- **Simplification and transparency**
- **Extension of the product range to support social inclusion**
- **Support for the development of the country and the public administration**

Attentive listening and dialogue

“The customer at the centre of growth policies” is not simply rhetoric. It is a strategy we strongly believe in and it takes shape in the implementation of attentive listening and dialogue policies and in the spreading of the customer satisfaction and relationship culture to all our employees.

We believe that the quality and definition of improvement objectives must arise from the perception that customers have of our service. We need to ask for their opinions, evaluate the requests and suggestions we receive and set up joint roundtables with the appropriate associations.

Customer satisfaction surveys

In 2006 we perfected a systematic customer satisfaction monitoring model, defining a perceived quality and satisfaction index system. It relates to specific traits of the various customer segments and various channels for using the services dedicated to them.

The overall architecture of the customer satisfaction system involved the use of indices and measurement methodologies considered reliable and valid by the international scientific community. These ensure comparability of results over time. We decided to develop internal

competencies in the various stages of the process of measuring and using the data and we distributed information on findings to all levels of our corporate structure through established reporting systems. Moreover, to encourage the spread of the customer satisfaction culture, we developed specific internal communication programmes via the company's Intranet, WebIntesa TV and the corporate publications of the Parent Company and subsidiaries. Distributing this information allowed us to identify far-reaching service improvement actions led by the heads of all front-office structures.

As regards the Parent Company, a customer satisfaction monitoring system was set up for the service offered by the branches, SME branches and Banca Intesa phone service; in particular, the survey on the quality of service offered by branches was continuous and it generated a specific satisfaction index, also at branch level. In the preparatory stages of the surveys, service quality elements and future expectations proved to be the ones highlighted during individual or group interviews with customers and professionals who work directly with customers, both within branches and in SME branches.



To guarantee an orientation towards the satisfaction of the final customer for all players throughout the value chain, and not just for those directly in touch with customers, we also produced a satisfaction index for branch managers in relation to the quality of service received in area structures (Branch Satisfaction Index).

Lastly, an external research institute carried out studies with a uniform methodology and sampling system regarding the distribution of branches throughout the nation. It carried out benchmark surveys on customer satisfaction regarding Banca Intesa and a representative sample of competitors.

In 2006 Group banks in Italy also started a permanent "listening activity" for individual customers, aimed at identifying improvement areas in quality of service, directing commercial

activities and raising the consciousness of all employees regarding care for customer relations. The initiative, named "Ascolto 100%" (100% listening), entails two survey stages. The first generated customer satisfaction indices for each bank and, within each bank, by area and organizational segment, thus making it possible to identify significant factors in starting to improve perceived quality. The second stage pushed the survey process to the highest level of local detail, measuring the degree of satisfaction with the main service features offered by each branch.

Survey indices and questionnaires were drawn up on the basis of the specific characteristics of individual customers and their main channel of using services – the branch. In particular, the questionnaires were drawn up by conducting direct interviews with customers and branch managers. In this way the whole life cycle of the bank-customer relationship was observed in order to identify the key factors in satisfaction.

Lastly, as regards the Group's foreign banks, some preliminary positioning studies were carried out regarding customer satisfaction. In particular, in Hungary from October to December 2006 the Central-European International Bank (CIB) carried out a survey of 1,305 retail customers through telephone interviews to assess the quality of its products and services compared to national competitors.

In Croatia, Privredna Banka Zagreb (PBZ) used surveys conducted by independent institutes on a significant sample of individual customers and enterprises to assess their satisfaction level, trust in banks, and the image of and loyalty to the brand and its reputation. Last year it focused especially on SME customers.

Also, in Slovakia in January 2006, Vseobecna Uverova Banka (VUB) used a survey of 400 retail customers from the 3 largest Slovakian banks, 200 of which were VUB customers. In June 2006 research was conducted on the customer satisfaction and loyalty of corporate customers. In total 1,015 interviews with VUB customers and those of four other banks were carried out.

Customer satisfaction surveys carried out in 2006: Banca Intesa

Type of research	Sample interviewed	Research method	Objectives	Contact frequency
Customer satisfaction survey on Branch Service (ISSF index) ⁽¹⁾	Individual customers (Households and Premium), Small Businesses and SME's 122,579 in total: 104,094 individual 18,485 SME's	Telephone surveys (CATI) with computerised questionnaires	Monitoring levels of satisfaction and quality of service in the branches	Daily from 9/1/2006 to 9/1/2007
SME's customer satisfaction survey (ISCI index)	5,129 SME's	Telephone surveys (CATI) with computerised questionnaire	Monitoring levels of satisfaction and quality of service delivered by the SME's branches	Half-yearly 18/4-15/6-2006 9/1-12/2-2007
Direct channel customer satisfaction survey (BIOL Telephone)	Individual customers, Small Businesses and SME's that use the telephone channel (1,257)	Telephone surveys (CATI) with computerised questionnaire	Verify levels of satisfaction and quality of the telephone banking service	Yearly 2-23/11/2006
Branch satisfaction survey with the service delivered by the central and area structures (Branch Satisfaction Index)	Branch Managers (1,800)	Self-administered questionnaire via intranet (CAWI)	Verify the satisfaction of branch colleagues with the service offered by the central and area structures	Three times per year
Customer satisfaction survey with Banca Intesa and other banks ⁽²⁾	Customers of banks belonging to the retail and SME's segments. 7,217 in total: 5,372 individual 1,845 SME's	Telephone surveys (CATI) with computerised questionnaire	Measure customer satisfaction levels for Banca Intesa and competitor banks	Yearly 21/11-15/12/2006
Banca Intesa customer satisfaction survey ⁽²⁾	Banca Intesa customers belonging to the retail segment (2,164)	Telephone surveys (CATI) with computerised questionnaire	Measure Banca Intesa customer satisfaction	Yearly 21/11-15/12/2006
SME branch customer qualitative survey	375 SME's	Individual interviews	Achieve more in-depth understanding of customer expectations and identify steps for improving service offered by SME branches	Yearly
Survey on the service model adopted for Small Businesses and SME's which have a "dedicated manager"	112 Small Businesses and SME's	20 individual interviews and 92 telephone surveys (CATI)	Verify the level of satisfaction with the new organisational model which makes provision for the presence of a dedicated manager in branches	Ad hoc

⁽¹⁾ The ISSF, ISCI and BIOL studies were carried out by Banca Intesa Telephone Banking.

⁽²⁾ Author of the Survey: TNS Infratest S.p.A. The complete information document regarding the survey is available on the webpage: <http://www.agcom.it/sondaggi/sondaggi.htm>

Banks in Italy

Type of research	Sample interviewed	Research method	Objectives	Contact frequency
Ascolto 100% (100% listening): first stage Bank customer satisfaction survey. (CSI index)	13,115 individual retail customers	Telephone surveys (CATI) carried out by an external call centre	Measure the overall customer satisfaction level and identify the areas for satisfaction improvement at the organisational segment, local area and bank levels.	Yearly July – September 2006
Ascolto 100% (100% listening): second stage Survey on satisfaction with branch service (ISS index)	46,700 individual retail customers (including 13,115 customers interviewed in the first stage)	Telephone surveys (CATI) carried out by an external call centre	Measure the overall customer satisfaction level and identify the satisfaction improvement areas for branch service	Yearly July – October 2006

Results



As regards Banca Intesa, the studies carried out internally revealed a basically stable trend in satisfaction with the service offered in branches, a slight im-

provement in satisfaction with the service delivered by branches serving SME's and a remarkably high score for the service offered by telephone banking.

Type of survey ⁽¹⁾	Score as of 31/3/2006	Score from 1/4 to 30/6/2006	Score as of 30/6/2006	Score from 1/7 to 30/9/2006	Score from 1/10 to 31/12/2006	Score as of 31/12/2006
ISSF Daily survey	72	72	72	72	73	72
ISCI Half-yearly survey	–	–	65	–	–	66
BIOL telephone Yearly survey	–	–	–	–	–	85

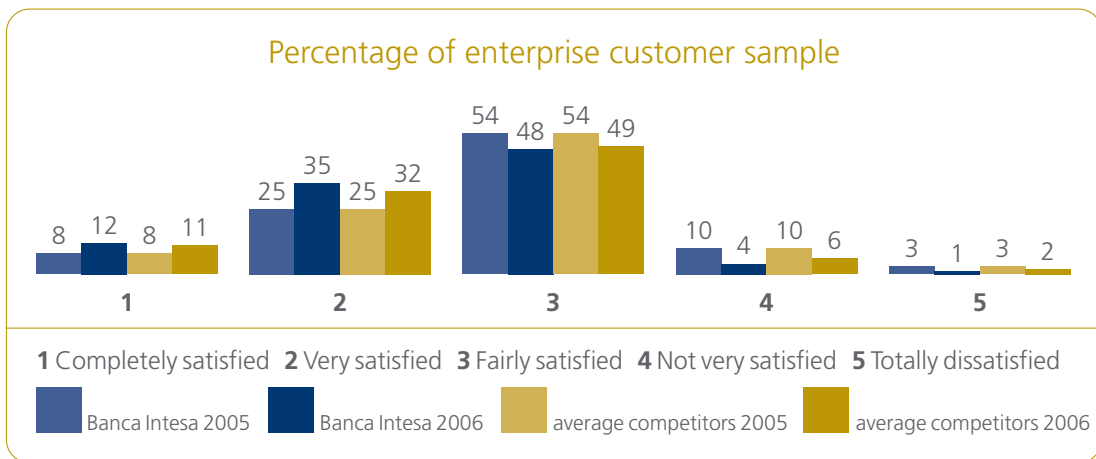
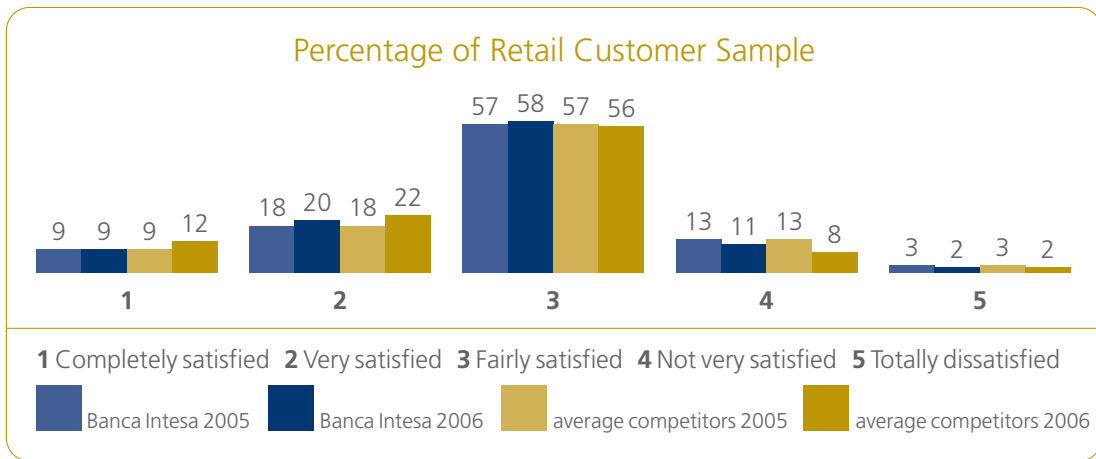
(score calculated on a scale of 0-100)

⁽¹⁾ The calculation of the ISSF, ISCI and BIOL Telephone indices is based on statistical methodologies carried out internally and based on the ACSI (American Customer Satisfaction Index) methodology used by the University of Michigan to create the national index of customer assessment of the quality of goods and services in the United States and recommended in 1998 by the European Customer Satisfaction Index Steering Committee (a project started by the European Commission).

In particular, the analysis of the values which concur in the assessment index for branch service (environment, efficiency, counter service, consultancy and complaints) showed a stable trend regarding branch environment assessment and consultancy, and growing improvement in the efficiency of counter service and the handling of complaints. The surveys carried out by an independent re-

search institute⁽¹⁾ on customer satisfaction with Banca Intesa and a representative sample of the customers of other banks, highlighted, in 2006, an improvement for Banca Intesa in the index showing the level of satisfaction in the service offered by both regular branches and those serving SME's. Levels were also fundamentally in line with the average of comparable competitors in the national market.

Customer satisfaction index for Banca Intesa and other banks

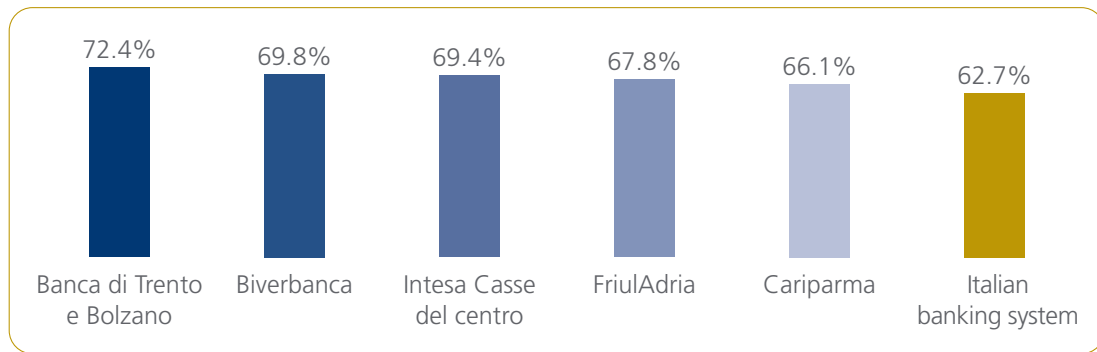


⁽¹⁾ Surveys performed using the TRI*M index for the measurement of "Customer Retention".

As regards Gruppo Intesa banks in Italy, the 2006 survey showed an individual customer satisfaction level that was often significantly

higher than the average for the Italian banking sector.

Customer satisfaction index for Group banks in Italy⁽¹⁾



The positive rating of Group banks by customers was also confirmed by other findings which showed that the percentage of customers who would recommend their own bank was far higher compared to the percentage who would not.

Lastly, it should be noted that a high satisfaction level translates into higher customer "loyalty": approximately 95% of the representative sample of Group bank customers explicitly stated that they planned to continue their relationship with their bank.



meet their expectations. We also continued working with our employees to spread the customer satisfaction and relationship culture by providing dedicated information through the internal communication channels (Intranet, web TV, etc.).

Our work with the associations featured the start-up of an initiative that will use the conciliation tool as a stable method of opinion exchange and relationship with customers – not only for handling exceptional moments of crisis. This is the first agreement on a European level drawn up by a bank with all the consumer associations represented at national level.

Dialogue with Consumer Associations

In 2006 our relationships with consumer associations continued. We believe this is an extremely important channel for satisfying our customers' need for transparent and timely information. It also allows us to verify that the characteristics of the services we offer actually

The permanent conciliation agreement

The agreement between consumer associations and the Bank establishes free and open access to the conciliation tool for all customers who have acquired bank products from 2003 to date. The conciliation procedure starts after a complaint is lodged that cannot be satisfactorily resolved for the customer regarding disputes over certain types of products (Conto Intesa,

⁽¹⁾ The Customer Satisfaction Index, according to ACS/MCSI methodology, ranges from 0 (totally dissatisfied) to 100 (completely satisfied). The ICSI (Italian Customer Satisfaction Index) observatory introduced by Busacca & Associati based on the ACSI (American Customer Satisfaction Index) methodology revealed an overall index of 62.7 for the Italian banking sector in 2006.

Conto Intesa Personal, Conto Intesa 18-26, Conto Cappuccino, Carta Intesa, Intesa Oro, Intesa Platino, Carta Intesa Business, Carta Flash, Mutuo 95, Mutuo Atipico, Mutuo Flex, Mutuo Punto Fermo, PrestIntesa and PrestIntesa Maxi). The new products for families that the Bank will launch on the market in future will automatically be included in the conciliation protocol.

In the first six months since beginning the trial phase of the initiative, the conciliation agreement regarded customers in the Lombardy, Lazio and Puglia Regions. In the light of the positive outcome, the consumer associations and the Bank jointly agreed to progressively extend the conciliation tool throughout the whole country.

The consumer associations which adhered to the agreement

Acu	Codici
Adiconsum	Confconsumatori
Adoc	Centro Tutela Consumatori Utenti
Adusbef	Federconsumatori
Altroconsumo	Lega Consumatori
Assoutenti	Movimento Consumatori
Casa del Consumatore	Movimento Difesa del Cittadino
Cittadinanzattiva	Unione Nazionale Consumatori
Codacons	

As far as our specific collaboration on projects presented by certain associations is concerned, most worthy of note are those dedicated to assisting the most vulnerable social groups with a "financial literacy" project. In particular, two initiatives were started:

- the first concerns the establishment of a "centre for the responsible use of money" and its goals are to educate on using money in a conscious and responsible way, inform people of the channels and methods for accessing legal credit, and orient those at risk of being or already victims of usury towards structures that can adequately help them;
- the second, named "Sportelli arcobaleno" (Rainbow branches) aims to provide information and orientation for legal immigrants.

These initiatives are an integral part of a round-table with associations on the broader issue of access to credit. This has allowed us to start taking an in-depth look at both the products already offered by the Bank and at potential synergies for new offerings of mortgages, loans and special-purpose financing (universities, nursery schools, atypical workers, etc.). In

2006 we continued our discussion of the issues of transparency and the adequacy of investments.

The handling of complaints

Last year our work on handling complaints and assisting customers bore the fruits of the radical reorganisation we started in January 2005. First of all, response times were dramatically reduced, so that the customer now experiences the point of contact as a direct and immediate dialogue with his or her bank. A written complaint is now processed in an average of three weeks, without it negatively affecting the quality of the outcome. Indeed, repeat complaints also decreased further; this trend had already been noted the year before. Moreover, customers are using the suggestions form much more frequently to point out new directions to take together.

These achievements arise from the closely shared work of the Complaints Office, the customer satisfaction desks located throughout the country and head office departments. This allows the rapid gathering of information and

viewpoints to reach precise and personalised responses.

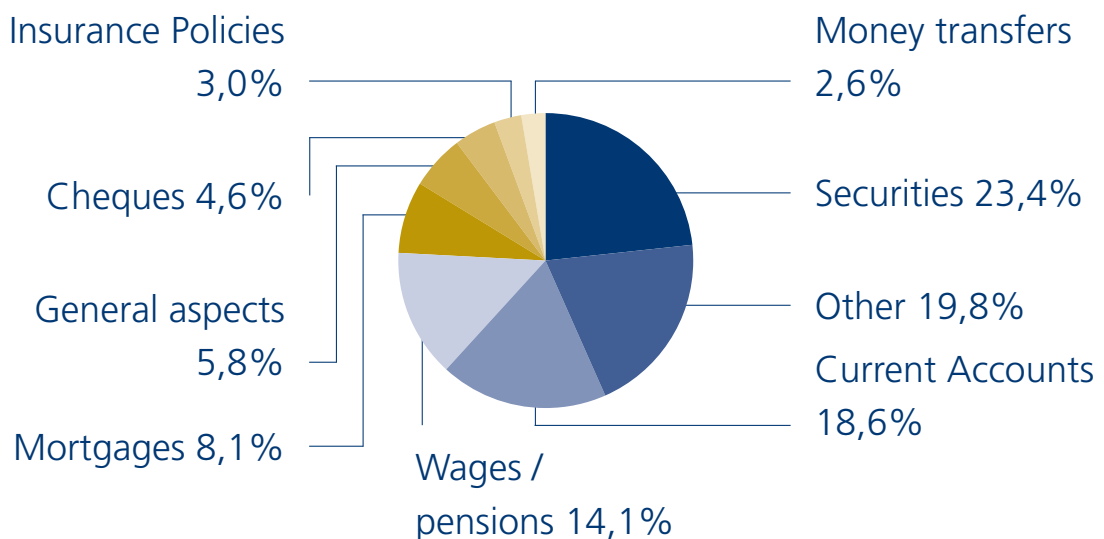
Lastly, the "Assistenza Filiali" (Branch Assistance) initiative was implemented at national level. Thanks to this, a new work group took shape to provide consulting for branch managers, guaranteeing operational control over all sale and post-sale stages for the Bank's prod-

ucts and services. Banca Intesa's Customer Assistance Office received and handled approximately 51,000 cases of telephone and written complaints in 2006. Of these, only 29,410 are to be considered formal complaints, while the rest are requests for clarification, "double-checking" and information from customers or branches.

Banca Intesa – complaints	2005	2006
No. of telephone and formal written complaints	24,965	29,410
Complaints handled within 48 hours (telephone + informal written complaints, e-mails etc.)	69.0%	76.0%
Written complaints handled within 90 days (formal written complaints)	96.1%	96.7%

The complaints received, both in writing and by telephone, can be broken down into the following types:

Types of complaints – Banca Intesa 2006



Closeness to customers

Closeness to customers means ease of access in terms of the physical proximity of branches, plus a lay-out that makes them comfortable and simple to use but also 24-hour services available through IT channels at attractive conditions.

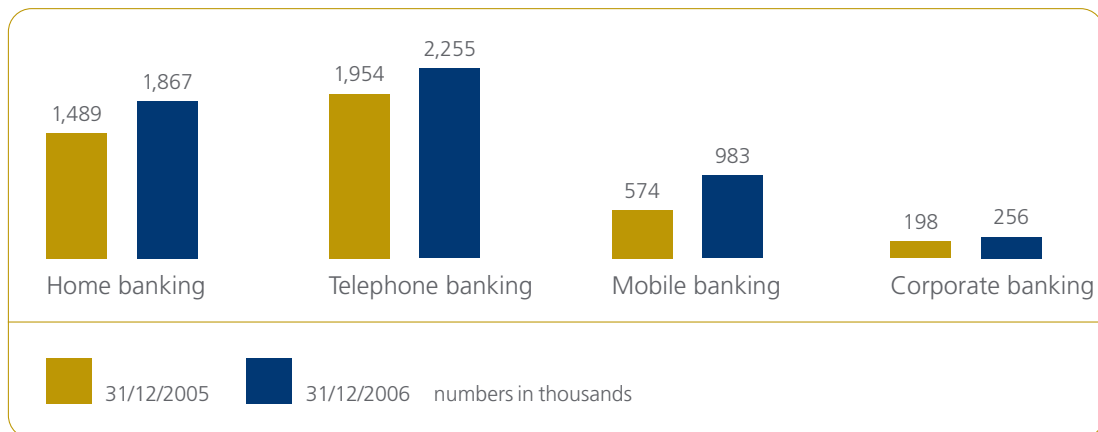
Direct channels

We offer direct access to all ordinary banking operations both via Internet and via telephone. Customers are given a single code to enable secure access to both Internet banking and telephone banking services, thus allowing simplified access to services also for customers who

do not have an Internet connection. Moreover, customers can manage mobile phone text message services that allow them to keep constantly up-to-date regarding their own financial situation. The service via mobile allows them to be notified and request information on investments and listed securities, surf the web using WAP and hand-held PCs in order to trade on the main international markets, and receive information via MMS, in order to see, for instance, their overall balance (accounts, credit cards, securities) in a single message.

The number of multi-channel contracts operative in 2006 reached a total of approximately 5,360,000 compared to 4,200,000 in 2005.

Number of contracts



In March 2007 an account was introduced with zero fees and zero management fees and commissions on all bank transfers and payment transactions carried out via Internet, telephone

and cash dispensers/debit cards. Such accounts may be opened and managed directly online. For customers who cannot open a current account a prepaid card has been introduced to

make a series of banking services available, such as POS payments and cash withdrawals, exactly as for account holders. Another example of how direct channels can facilitate access to banking services is that of temporary workers who can have their pay credited directly to their prepaid cards. They can then manage their liquidity through Internet banking or telephone banking.

Enterprises can make use of a corporate banking service, which allows them, via Internet, to access information functions (such as balances and Italian and foreign account statements, status of advance accounts and portfolio results), standing orders (bank transfers, salaries, discounting of receivables, payments and retirement of bills) and the opportunity to do statistical and visual analysis of the information received. The service also has the "Digital Signature" function, which is legally valid, providing the guaranteed security and efficiency that are essential for the companies who use it.

Initiatives to safeguard security



In 2006 we continued our efforts, in line with the principle international standards, to ensure, and whenever possible improve, the protection of personal data and information handled within the Bank. This is to guarantee continuity in customer service, including critical situations, and to improve the security of company premises, of the resources they contain and of the people present. Special attention has been paid to the protection of the direct channels used by customers and to the Bank's possible contribution to the security of the community.

Protecting personal data and information and guaranteeing service availability

We implemented a new organisational model and issued new provisions to improve the overall operational continuity of the Bank and reduce risks deriving from critical or disastrous events that could result in the unavailability of information systems or of personnel essential to guaranteeing service or in the impossibility to enter company premises.

Well aware of the delicate nature of the data used in the banking system, we continued to prevent and fight illegal activities in close collaboration with the relevant associations and the public organisms dedicated to this. We further developed the security components in the

company projects that have impacts on the protection levels of the information system.

We set up training activities – including e-learning – for personnel who handle personal data and information in general and introduced a new training module for branch managers on legal aspects connected to personal data protection and the need to guarantee the utmost confidentiality in every stage of data handling for every party dealing with the Bank.

Security of branches

We have paid special attention to the real and perceived security of facilities open to the public, to ensure peace of mind for customers and the areas in which we operate and guarantee the serenity of our branch employees. We continued investing in innovating security technologies to reduce, on the one hand, the risk of robberies through the gradual decrease of funds at hand in branches (secure ways to handle cash have been enhanced in approximately 1,000 branches), and to activate, on the other hand, deterrence mechanisms such as centralising alarm systems, testing innovative solutions in remote surveillance and strengthening our collaboration with the police.

Security in IT channels

We implemented advanced protection systems to fight the spread of the kind of online fraud called phishing, which aims to obtain the customers' Internet banking access codes through various traps (data verification, lotteries, prizes, etc.). The victims receive emails inviting them to go to a website which resembles that of the bank and to enter their data. In addition to the technical steps taken to enable the identification and blocking of the servers and Internet Service Providers who host such fraudulent sites, the Bank's Internet website provides a wealth of information on relevant prevention measures. Moreover, the Carta Sicura Service allows customers to be notified, via a simple mobile phone text message, every time their credit cards are used for transactions higher than the amount specified by the customer. The same service is offered for online bank transfers. A centralised structure was implemented for the handling of online and payment card frauds and the continuous monitoring of the activities carried out by payment cards. This allows us to intercept frauds before they develop, shortening reimbursement times and seriously limiting the amount of the fraud. If unusual transactions are noted with a credit card, the customer is contacted and, if transactions are not recognised, the card is immediately blocked and a new one issued.

In order to offer customers the highest degree of technological security⁽¹⁾ in the prevention of frauds and cloning, we started to replace cred-

it and debit cards free of charge in 2006 and will continue the process throughout 2007.

Simplicity and transparency

Employees

In 2006 Banca Intesa took various steps to improve the simplicity and transparency of bank-customer relations.

We invested a great deal in making it easier to communicate information on a customer's financial situation. With the "rendiconto finanziario", or financial report, drawn up for premium customers (and later all employees/customers), full data is provided on their financial positions, with monthly updates. The report has a lay-out that makes transactions visible at a glance, a summary of the type of transactions carried out on accounts and a portfolio breakdown. A section of the document, dedicated to market analysis, is designed to educate and keep customers better informed.

As part of activities aimed at favouring informed purchases by customers, we continued our participation in the "Patti Chiari" initiative, a consortium of 167 Italian banks promoted by the Italian Banking Association. The aim is to enhance trust levels in relations with citizens, families and companies, providing clear, easy-to-understand and transparent communication on the banking services offered and ensuring this information can be compared to that of other banking institutions.

The website www.pattichiari.it lists the constantly updated terms of products and services offered. In 2006 Banca Intesa⁽²⁾ adhered to two further initiatives.

– "Financial investments compared: understanding and choosing financial products": this provides a series of information and communication tools that seek to increase informed customer purchases regarding investment choices. The target customers are investors, whether experts or not, and it regards in-bank purchase transactions with all finan-

cial instruments, whether in person or via Internet or telephone. It allows investors to assess the compatibility of a certain investment with their own financial and personal profiles, choose more knowledgeably and track their investments over time

– "Cambio conto – how to change your current account": on the one hand this aims to remove the information barriers that a customer can face when looking for information on how to close a current account, and, on the other hand, to simplify and make the process more efficient, by supplying the list of regulated services in one's own current account and, subsequently, handling the transfer of standing orders managed with the RID system.

To emphasise the seriousness of our commitment we asked an external, independent certification body (CisqCert) to verify and guarantee the quality and respect of the parameters set out by Patti Chiari in activating each instrument.

Certified initiatives

F.A.R.O.

Low-risk, low-return bonds

Structured and subordinated bank bonds

Criteria for assessing the creditworthiness of SME's

Current accounts compared

Average response time on loan applications from small enterprises

Definite timeframes on the availability of sums deposited via cheques

⁽¹⁾ The new EMV chip, a standard produced through the collaboration of the main payment circuits world-wide: Europay, Mastercard and Visa.

⁽²⁾ Information regarding the list of the initiatives individual banks have adhered to is available on the website www.pattichiari.it.

We are also awaiting certification of the two initiatives described below and which we joined recently.

With a view to simplifying access procedures for new Bank customers, we started a service to facilitate the transfer of services relating to current accounts. The service is completely free and Banca Intesa also bears the cost of all requests for transfer to the various counterparts, periodically monitoring the transfer status and informing the customer upon completion. Testing of the service began in 2006 in a limited number of branches and has been successful. It will therefore be extended to the whole branch network within the first few months of 2007.



As further regards transparency, the Bank has its own structure in Brussels that deals with European and International regulators. In this way it has contributed to the definition of a European and International regulatory framework that respects fundamental values such as fairness in bank-customer relations (especially retail customers, who need greater protection), transparency in contractual relations, and simplification of forms and contract terms. Furthermore, we have been promoting the value of market integrity and rules that ensure an equitable regulatory context for everyone in the sector, in order to encourage healthy competition. In such a context, in 2006 the Bank developed constructive dialogue with regulators and with European trade associations, increasing European awareness of how Italian market regulations work and thereby contributing to the promotion of the Italian financial marketplace.

Investment assistance and the protection of savings

In this respect, even more than in others, simplicity and transparency are fundamental characteristics. On the one hand, they engender a calmer and more conscious approach to the world of investments on the part of the customer. On the other hand, they increase the Bank's ability to offer a range of products that fit customer needs, based on a correct assessment of their attitude towards risk and their life goals (buying a home, investing in retirement funds, caring for loved ones, car purchase, etc.). We have shifted our focus to dedicate a much greater amount of time to profiling our clientele properly in order to identify their true investment objectives. Consequently, we have recently prepared a procedure for collecting in-

formation that far surpasses the old, merely "normative" approach. We can now offer customers more precise service and simultaneously fulfil legal requirements (CONSOB and ISVAP). The procedure allows us to gather new and more detailed information on the customer's financial situation and behavioural traits for commercial and marketing purposes. A great deal of emphasis is now placed on behavioural analysis using psychological questions. This helps us ascertain whether a customer has truly understood the content and nature of the profile.

The Bank also has a tool that allows it to evaluate better the risk level of each single product and of each overall portfolio. "Intesa Risk Monitor" is a tool that uses statistical methods but is able to translate these figures into qualitative and descriptive information through the use of a colour-coded scale. In this way the meaning of the financial risk becomes simple and intuitive. Data is calculated on a daily basis to reflect market movements and, consequently, the true fluctuation of risk over time, also making it easier to compare the risk level of financial instruments that are of very different kind and that have differing characteristics (for example, bonds, stocks, mutual funds, etc.).

As part of the policy adopted by the Bank to protect customers from the risk of default by bonds issuers, we have not only made the choice of refusing to sell unrated securities and discouraging the purchase of securities considered "speculative", but also introduced a procedure which allows us to inform promptly customers holding investment grade bonds (and therefore considered safe) if their rating is going down, whenever this risks taking the bonds closer to a "speculative" status. In this case we send notice in writing informing customers of the potentially dangerous situation.

In 2006 Banca Intesa redesigned the process and the functions that assess the potential impacts linked to the introduction of a new product or service, or to the changing of its essential features, if this means it has characteristics involving new market or foreign exchange risk⁽¹⁾. The New Products Coordination, established by representatives of the various corporate departments, expresses approval or disapproval of initiating their operational use, based on the assessment of possible impacts that could be had in various respects, whether towards the Bank or its customers. These include respect for reg-

⁽¹⁾ Banca Intesa and third-party bond issues, both national and international, Private Placements on international markets, customer derivatives, trading instruments and embedded derivatives.

ulations (compliance), market risk, technological infrastructure, financial and legal accounting, etc. There is also an authorisation procedure to work with products that, even if they do

not involve taking on market risk, do involve impacts in terms of compliance, as is the case with asset management and bank insurance products (e.g. mutual funds and insurance policies).

Derivatives Policy

The Bank has paid a great deal of attention to issues relating to derivatives sale policies because it is aware that some types of instruments can involve such complex profiles and risks that they cannot be proposed for sale without great caution. The range of derivative products offered by our Bank is highly flexible and consistent with reasonably predictable macro-economic scenarios, despite the inevitably unknown elements in any forecast regarding future interest or foreign exchange rates.

As early as 2004, all employees were informed of a rule regarding the Sale Policies on OTC interest rate derivatives. In 2006 the policy was also extended to foreign exchange derivatives. The regulations outline a balanced sales policy that can ensure greater consistency between customer profiles and the features of the products they are offered. It also ensures total understanding of the product structure and functioning on the customer's part before signing the contract.

Besides sales, the policy also sets out post-sale management, which involves the monitoring of products sold and their comparison to the scenarios that gradually emerge through changes in market conditions. Whenever certain types of products become inconsistent with market prospects, we propose ways to reformulate the products to the customer.

Critical situation management

Bank-customer relations in recent years have suffered from the effects and repercussions of national and international financial crises and scandals. In order to rebuild a relationship of trust with our customers, the Bank has set up a round-table work group with all the consumer associations recognised at national level to define a joint conciliation procedure for customers holding corporate bonds which defaulted. The conciliation procedure was created to deal specifically with extraordinary critical situations. It started in April 2004 and was completed in April 2006. In July 2006, based on the positive experience achieved, a new agreement was reached on a form of permanent conciliation. The overall conciliation process initially involved the defaulted bonds issued by Parmalat, Cirio and Giacomelli, and later other bonds issued by Finmek and Finmatica. The initiative arose from the conviction that it was possible to negotiate satisfactory outcomes to certain disputes with customers. The objective of the conciliation process, which is free and non-binding for the customer, was that of drawing up joint Bank-Associations compensation proposals. The pro-

posals were the product of the precise application of shared evaluation criteria. In the second stage, which involved Finmek and Finmatica bonds and was completed at the end of April 2006, out of 4,145 reimbursement requests received, 4,108 requests were accepted and conciliated. The joint analysis (Bank-Associations) of the accepted requests produced proposed reimbursements to customers for 2,178 requests, equal to 53% (of which 2,059 were partial reimbursements and 119 total reimbursements).

Employees

In a manner parallel to this process, a service was initiated within the Bank's organizational structure to deal with highly critical situations to prevent and resolve disputes and recover prior levels of reciprocal satisfaction with customers. In 2006 approximately 1,300 meetings were held with customers and continuous support was provided regarding the ICSID arbitration (Argentine defaulted bonds), the management of the residual activities relating to the conciliation processes promoted in previous years (Cirio, Parmalat, Giacomelli, Finmek and Finmatica bonds) and the necessary arrangements in the various stages of default development.

Expansion of the product offering to favour social inclusion

A bank wishing to be the leading figure of the economic and civil development of the areas in which it operates must include in its action plans those entities – people and organizations – which, due to rigid criteria and the incapacity of tackling a rapidly-changing world, may be condemned to marginality or exclusion. The Bank searched for alliances with its stakeholders and designed products which help citizens undergoing difficulties to carry out their projects. In 2006 attention was especially paid to students, immigrants, workers in Cassa Integrazione (Redundancy Fund), atypical workers and young couples.

Students

We pay great attention to new ideas and young people, for this reason we developed an offer dedicated to students. "Intesa Bridge" is the first loan which bridges the gap between university and work by providing financial support to students offering them a greater economic autonomy and the possibility of completing university studies or taking further academic courses without worry. The project, in collaboration with Fondazione Politecnico di Milano and the Polytechnics of Milan, Turin and Bari, and subsequently extended to 23 Universities entails the grant of a loan to students who have completed all the exams for their year at particularly attractive conditions, without guarantees from the student or his/her family. The product

is now available – in a first pilot project in Bergamo – for the high school students of Istituto Tecnico Industriale "Pietro Paleocapa".

University housing is another important aspect we have decided to address. The housing market, characterised by uncertainty and speculation, produces grave repercussions on the life conditions of students. Universithouse, in collaboration with the Polytechnics which are partners of IntesaBridge and the Azienda Regionale per il diritto allo studio Universitario (ARDSU) of Ferrara, has the purpose of offering housing with adequate quality standards. Students are granted an overdraft, whose main characteristic consists in the fact that the Bank directly pays the rent to the landlord, once the University has verified the student's merit requirements and the regularity of the rental contract.

The Universithouse offer was extended last year to the students of the Università degli Studi di Bergamo and to students resident in the University colleges of the Conferenza Permanente dei Collegi Universitari.

In 2006 student loans were also launched in Croatia by Privredna Banka Zagreb. Fifty students of the Faculty of Engineering of Zagreb University accessed PBZ Bridge loans. Furthermore, thanks to an agreement with the Polytechnic of Milan and to the Bridge loan, five Croatian students of the same faculty will attend the two years of specialisation in Milan and will receive a double degree.

Intesa Bridge	as at December 2005	as at December 2006
Number of requests	2,070	2,777
Number of loans	1,698	2,334
Granted (€/000)	11,703	17,007
Disbursed (€/000)	6,994	10,180

We were among the first to participate in the government programme “un c@ppuccino per un PC”, a project promoted by the Presidency of the Council of the Ministers – Department for innovation and technologies, which offers particularly attractive terms for the purchase of a personal computer (the monthly instalment is more or less equivalent to that of a cappuccino). For reimbursement of the instalments it is not necessary to open a current account at our Bank but, supposing that the student wants to open an account we have defined special terms for young people from 18 to 26 years old with the offer of the Conto Intesa at a free monthly fee for the whole period the loan. Loans are assisted by a guarantee fund to cover in part the risks taken with customers. As at December 2006 approximately 35,000

loans had been disbursed for a total amount granted of 36.5 million euros.

Immigrants

In 2006 the attention for this customer segment continued. Non-EU workers represent an increasing percentage of the resident population and the Bank is committed to the development of services aimed at favouring their financial inclusion. The People offering includes a current account with no fixed fee, a low cost per transaction, a free international debit card (Carta People), a second free card for withdrawal by family members abroad (Carta People Family), as well as cost-effective money transfers to the country of origin.

People Offering ⁽¹⁾	as at December 2005	as at December 2006
Number of current accounts	45,538	51,280
Number of “People” cards + “People Family” cards	20,358	28,544

Moreover, the Multilanguage service had been activated already in 2005, both on the website and via a free toll number from any fixed line phone, 800.02.02.02. The service supplies information on the features of our products in English, French, Spanish and Arabic.

Workers in Cassa Integrazione (Redundancy Fund)

In Italy, the number of hours covered by the treatment provided for by Cassa Integrazione Guadagni Straordinaria increased in 2006 by approximately 31% for an overall amount exceeding 133 million hours (Source INPS). When a company goes bankrupt, the payment of the unemployment indemnity of Cassa Integrazione Guadagni Straordinaria (CIGS) may occur up to 5/6 months from the request made to the Welfare Ministry. In such period the labourer may fall into the net of usury. For this reason, together with Agenzia Regionale per l’Istruzione, la formazione e il Lavoro of Regione Lombardia and Fondazione Lombarda An-

tisura Onlus, we launched the “Anticipazione Sociale” project, literally Social advance project, which provides an overdraft that becomes available, especially for mono-income families, in monthly instalments which reflect the indemnity due from CIGS. The reimbursement occurs at the time of receipt of overdue sums from INPS (the National Social Security Institute), and in any case no later than the fifth month from the disbursement of the first instalment. In 2006, the initiative involved 252 workers of companies in the Lombardy Region with an overall disbursement exceeding 700,000 euros. In 2006 agreements were closed for the launch of the project with the Province of Brindisi, the Basilicata Region and the Lazio Region together with Agenzia Lazio Lavoro.

Atypical workers

Atypical labour contracts are increasing. Most temporary workers find it difficult to access credit. We have studied an innovative formula – launched in January 2006 – that enables these workers to access a mortgage to buy their first

⁽¹⁾ Figures include the “welcome” offer for immigrants realized by the Group banks in Italy.

home. In case of temporary unemployment, Intesa Mutuo Atipico offers customers the possibility of skipping the payment of instalments for three times in the first seven years of the mortgage. In the first period of non-employment, the payment of instalments, up to a maximum of 6 consecutive instalments, is postponed without any increase in interest and expenses, automatically increasing the life of the mortgage.

In the second and third period of non-employment, non-payment of the instalments is possible – for a maximum of six instalments per period – thanks to the intervention of an insurance company.

So far 161 mortgages have been disbursed for a total amount of approximately 15.9 million euros.

The Cities of Milan and Pavia supported the project by paying the insurance premium, thus enabling young couples of temporary workers to

access the product at the same conditions as workers with an indefinite term contract.

Families and young couples

Italian families often have low incomes that make access to a home mortgage particularly difficult. For this reason at the beginning of 2005 we launched “Mutuo 95” which enables people who have just started employment to purchase a home with just a 5% advance payment. The mortgage offers the possibility of choosing from various types of interest rates which may be fixed, floating or in the formula “Sonni tranquilli” (sweet dreams) a floating rate, with constant instalments and variable maturity. Moreover, it is possible to stipulate a multi-risk insurance coverage “Intesa Proteggi Mutuo” to protect mortgage reimbursement from life’s unexpected events. Mutuo 95 has been greatly appreciated by our customers.

Mutuo 95	in 2005	in 2006
Mutuo 95: number of mortgages	5,587	6,304
Mutuo 95: amount disbursed (€/000)	746,150	858,032

In 2006 the Croatian bank Privredna Banka Zagreb granted loans at particularly low rates for students, young families and pensioners in collaboration with the Croatian Bank for Reconstruction and Development (HBOR) and the government, with the objective of supporting the development of its local markets, favouring employment and quality of life. In particular, a financing programme commenced for projects to support tourism, SME’s, start-ups, female entrepreneurship, the environment (energy-saving and use of renewable energy), and social services, etc.

Ethical funds



Our offer dedicated to “socially responsible” investments continued in 2006. Environmental, social or ethical considerations are included in the process for the selection and continued holding of an investment, as well as in the exercise of the rights connected to ownership of the securities.

A new fund “Nextra Equilibrio SR” was added

to the range of ethical funds “Nextra Socially Responsible System” in February 2006. The new fund is a mixed bond-equity fund with an ethical qualification and derives from the transformation of the former “Nextra Equilibrio” fund. The new product entails the investment in bonds (mainly) and equities, selected within a basket of securities indicated by providers specialising in the selection of companies qualified as socially responsible.

The aforementioned financial instruments, for each economic sector, are selected by the asset manager on the basis of both negative criteria, which exclude companies in sectors such as for example the arms sector, gambling, tobacco, pornography, and positive criteria which aim at selecting companies which comply with precise requisites such as respect for the environment, the pursuit of sustainable development or the support of initiatives characterised by generally accepted ethical criteria.

In 2006 the Nextra Socially Responsible System funds and the new fund “Nextra Equilibrio SR” collected approximately 27 million euros.

Support to the development of the country and Public Administration

Innovation, internationalisation, relation with local markets

We feel strongly committed to supporting productive development in our local markets, because we believe that a large bank has specific responsibilities in its investment decisions as concerns both SME's and large enterprises. This is why we believe that value creation for our company cannot be separated from the social context in which we operate. We offer our experience and our specialists to sustain companies in all phases of their life cycle, including any critical moments which might arise from globalisation or from the internationalisation process so that these may be turned into development opportunities and new employment.

In 2006 we addressed our efforts on issues which we consider to be fundamental to sustain the competitiveness of the country: Research and Development, internationalisation and support to the development of local markets and SME's.

Global Finance, the international finance monthly magazine, voted Banca Intesa as the best Italian bank, in the categories "The World Best Trade Finance Banks 2006", "The Best Developed Market Banks 2006" and "The World's Best Sub-custodians 2006". The criteria to receive the award - which was bestowed in Singapore on 18/9/2006 during the annual meeting of the IMF/World Bank Group - are flexibility and capacity of interaction with the corporate world, market shares held in local markets, number of new mandates assigned, investments made in the technological field, innovation and online banking.

Quality of the relationship

We want to play the role of the Bank that provides innovation and service excellence, enhancing the quality of our relationship with customers. From this viewpoint, in 2006 we organised numerous meetings with 1,700 entrepreneurs of the main medium-sized and large companies all over Italy. These events have been the occasion to hear the stories, to learn about the experiences and the peculiarities of each area, to present the macroeconomic scenarios and the specific characteristics of local economies.

Employees

In 2006 we also adopted a new information tool dedicated to corporate customers which has the purpose of

supporting the entrepreneurs in their investment decisions. The employees dedicated to the relationship with customers, through "Magellano", may propose a wide range of studies and researches produced by the Bank, analyses on market trends, information on the trends of interest rates, foreign exchange and emerging countries.

The customer has the opportunity of assessing the product range offered, choosing and changing his choice any time and of receiving a free newsletter directly at his/her e-mail address.

The support to technology innovation and growth of enterprises

To support enterprises which intend to develop technological product or process innovation projects, both as concerns the production and development of qualifying technologies, we launched, starting from 2004, the "IntesaNova" project which entails a particular creditworthiness assessment methodology for enterprises and their technological innovation projects. Prestigious universities and Italian research centres define the innovative potential of the project, which is taken by the Bank as the criterion capable of predicting the competitiveness of enterprises and an additional element for assessing creditworthiness. The credit line is granted without real guarantees and at favourable interest rates and maturity terms.

The effectiveness of the IntesaNova assess-

ment process was recognized by the City of Milan and the Province of Bergamo, which assigned to the Bank the assessment service of the projects presented for public tenders to support innovation processes of SME's operating in the reference territories.

Moreover, the City of Milan assigned to the Bank the project for the re-qualification and enhancement of local, environmental, social

and economic resources in the Bovisa, Bovisasca, Certosa, Garegnano, Musocco, Quarto Oggiaro, Roserio, Villapizzone, Vialba areas, in accordance with the guidelines of the Urban II Milano programme. Within the framework of this initiative, the Bank will support, with a total of 10 million euros, the innovation projects presented by SME's, after the assessment of IntesaNova partners.

Intesa Nova	as at December 2005	as at December 2006
Number of loans	519	949
Disbursed (€/000)	123,219	254,122

Banca Intesa received the special prize as "Innovating Bank of the year" in the second edition of "Premio Cerchio d'Oro dell'innovazione finanziaria", a prize awarded by the Italian Financial Innovation Association (AIFIn) and Azienda Banca for banks, insurance companies and financial companies which believe in innovation as one of the potent levers for growth, development and the wellbeing of the companies in which they operate.

Access to EU financing

We have made a commitment to re-launch the competitiveness of Italian companies, not only by financing investments but also by intensifying the relationships between the best universities, research centres, industry and the Bank, and by providing technical and institutional consulting to facilitate access to EU grants and financing, in particular for technological research and development, so that these complement our financing.

For this reason we formed IntesaEurodesk, a European desk for companies (accessible through the website www.intesaeurodesk.it), which offers assistance in relations with EU Institutions, in structuring the international partnerships necessary for participation in Community Programmes and in assisting companies in the presentation of the projects to the European Com-

mission. Furthermore, the desk offers a monitoring and information service on the business opportunities within the 7th Technological Research and Development Framework and the other Community Programmes and provides assistance in the formal preparation of projects and the organisation of training programmes on European financing for enterprises and for colleagues.



We have provided advisory services in particular for research projects developed in key sectors such as Health, Biotechnologies, Environment and Renewable Energy, which may lead to a tangible improvement in peoples' quality of life and enable Europe to face the current social, environmental and public and industrial health challenges. Among the activities of the international banks, noteworthy were the participation of Central-European International Bank and Vseobecna Uverova Banka to different European Union programmes aimed at favouring the development of SME's through bridge financing or co-financing with the role of guarantor, of the subsidies provided for in the period 2007-2013 for Eastern European member countries.

Internationalisation

Well aware that corporate internationalisation processes are crucial for business development, the Bank continued in its activities in accompanying customers in all the phases of the opening process of a commercial and/or industrial business in a "non mature" market, with particular

emphasis on countries in which the Bank has local structures. We supply consulting, promote conferences at industrial and category associations and meetings with entrepreneurs who have specific requests.

For the purpose of analysing of the challenges and the numerous opportunities which the ascent of China and its multi-faceted situation is posing to Italy's "Country System", in 2006 we took part in the newly-established Centre of High Studies on Contemporary China, which has the objective of developing in Italy a qualified structure which, acting in synergy with universities and Italian and foreign research centres, conducts a systematic study on China, in economic, political, cultural, social, scientific and legal fields.

As regards the commercial offering, the initiative "Intesa Export" continued in the first part of 2006; it was developed in partnership with SACE to sustain the internationalisation of the champions of Made in Italy, by offering medium-term chirographic financing at very competitive terms without asking the company for any real guarantees (a 70% guarantee is given by SACE). For this product, approximately 410 million euros of loans have been disbursed to 480 companies. We also developed a new package dedicated to Italian companies which invest in India, both through the creation of new companies and with joint ventures or acquisitions of local enterprises. "Go India" also includes a financing with a partial chirographic guarantee given by SACE for five years, and the contribution from SIMEST⁽¹⁾ for interest and the participation in the capital of the foreign company.

Relations with local markets

We are particularly attentive to the problems of local communities as a result of the grass-root distribution of our branches and the activities of the Banks which belong to the Group whose very mission deeply links them to the development of their local economy.

Our Research Department elaborates analyses on the local areas and on industrial districts. It prepares monographic reports on the structural and projected situation of the 103 Italian provinces, updated every year. The main Italian districts are monitored with monographic studies on their cyclical development.

The analysis of industrial districts supports our activities in these particular socio-economic areas via the involvement of operators, the diffusion of research reports and the supply of consulting services.

Since 2003 we produce and distribute the quarterly publication "District Monitor", that provides insight on and interpretation of the economic situation and the development of lending and deposit-collecting activities in the main Italian industrial districts (approximately 100). The publication contains summarised opinions on the prospects of internal and external demand for the industries in the districts, as well as a structural analysis aimed at identifying the key strengths and weaknesses and the trends of the various Italian districts. Our analysis on districts has enabled us to become one of the reference points on this issue, both in the scientific community and in local representative organisations.

Also as concerns the problems related to the introduction of the new Basel II regulations, in 2006 the diagnosis and consultancy service to support companies continued. The service, called IntesaBasilea, is free and is available for our customers to:

- increase awareness of the impacts of the new Basel II regulations on bank – firm lending dynamics;
- identify the most suitable financial instruments to manage in the best possible way the change induced by regulations and simulating their impact on the company's future financial statements.



In order to supply highly-qualified consulting which may offer the customer an all round service, we have devised a specific training plan for the managers and directors of our SME branches.

The Group's Italian Banks with a strong local presence play an active role in the life of the local communities and in the initiatives to favour their economic development.

The eight Saving Banks in Central Italy, subsidiaries of and coordinated by Intesa Casse del Centro, budgeted for 2005 and 2006 resources exceeding 7 million euros to a specific "allowance for the economic development of territories". Its objective is to promote and support the projects of significant impact and strategic importance for the local economic systems; among these, in particular, those aimed at reducing the gap in infrastructures of Italy's central regions with respect to the national average, those oriented to foster research and innovation in enterprises and supporting the internationalisation efforts of the local economic systems. The preliminary and final project of the Spoleto-Acquasparta 4-lane motorway is one of the completed works. It is of strategic

⁽¹⁾ SIMEST – Società Italiana per le Imprese all'Estero (Italian company for businesses abroad) it is the financial company for the development and promotion of the Italian enterprises abroad, controlled by the Italian Government.

importance for the Umbria Region and for the Ascoli Piceno area in the Marche Region and the project for inter-modal hubs in Città di Castello, Foligno and Terni to favour inter-modality and improve the regional transport system. Furthermore, Intesa Casse del Centro is active within the Pact for Development, Employment and the Social Cohesion of Umbria and in this area the 4 Saving Banks in Umbria co-financed for 3 million euros regional industrial policy measures for equity investment, participating loans and for the guarantee of loans to small and medium-sized enterprises and to innovative enterprises.

Cassa di Risparmio di Biella e Vercelli, in collaboration with Eurofidi, offers on the website www.europmi.it the possibility to access the "Biverimpresa Mutuonline" financing intended for the enterprises in the industrial, commerce and services, artisan, tourism and other sectors. It finances purchases of equipment connected to production, research, quality certification, expenses for internationalisation, projects etc. The true novelty is the introduction of the 25% reimbursement of capital in one single instalment at the expiry of the financing, in addition the possibility of accessing a 12-month pre-amortisation: a mechanism which obtains return from the investment without an excessive initial capital disbursement.

Investments in equity

We favour new initiatives and the growth of the industrial sector also with equity investments both directly and through funds. As at December 2006 the overall portfolio amounted to approximately 1.8 billion euros, mostly made up of investments in 52 companies and investments in private equity funds. The following equity investments testify our Bank's commitment to projects which pursue general objectives as well as economic returns.

Bio Energia Villa



This is a small company operating in the production of electricity from the recovery of methane from organic materials (animal dejections, waste from vegetable production and organic refuse from the restaurant sector). In future the residual heat from the process may be used also for further agricultural uses (e.g. exsiccation). It is located in Valtellina (Tirano), and was formed by a local company active in the production of heating services and the production of biomass electric energy, together with the consortium of the breeders of Tirano, interested in solving the problem of elimination of animal dejections. We provided equity and a more general financial support. We

have made a commitment to underwrite an 8% stake in share capital for a total of 40,000 euros and to date we have invested 10,000 euros.

Genova High Tech

This is the company which is obtaining licences for building the Scientific and Technological Park of Erzelli in Genoa, on the original idea of a group of entrepreneurs of the high-tech world in Genoa.

In 2006 a group of investors, among which our Bank and entities with consolidated experience in urban development, contributed the financial resources necessary for the start of the project. It is a large project on a vast area (over 440,000 square meters) in a central area of the city (located just above the airport), and the architectural development plan was prepared by Studio Bellini of Milan. The urban development of the Village leverages on the transfer of the Faculty of Engineering of the University of Genoa and on the arrival of research and development centres of high-tech companies; over 50 national and international enterprises, even small, have already manifested their interest.

The overall logic of this project is to promote a continuous exchange between research entities and training centres, favouring a cultural exchange which also involves life-styles. The overall urban project revolves around the construction of a large park (approximately 100,000 square metres) and the building of residences around it. The project has a wide institutional backing; the first stone will be laid in the first half of the current year. To date our commitment for the project is equal to approximately 5.5 million euros.

Newcortec

This is a venture capital operation, specifically a start-up financing investment to support the project for the development of an "artificial heart". Newcortec Srl was formed in January 2005 from a spin-off of a research company specialising in the development of biomedical equipment active since 1980.

The company operates in the design and production of a cardiac assistance appliance (VAD) to be implanted in the abdominal cavity for the purpose of operating in parallel with the natural heart. The use of VAD to permit the survival of patients waiting for a suitable donor heart is now a consolidated technique; in addition to this "bridge for the transplant" function, great interest is arising for the use of the appliance in achieving the recovery of functions of the natural heart thanks to the "rest" permitted by the use of a specific VAD, with a "bridge for recovery" function.

The VAD produced by Newcortec, thanks to its specific features – covered by patent – may also be used for this last innovative function. Our commitment in the project is equal to 300,000 euros.

In 2006, the third edition of the Claudio Dematté private equity of the Year prize chose Banca Intesa for the Expansion capital category. The initiative was promoted by the Italian private equity and venture capital association (AIFI), with the collaboration of Il Mondo, Il Sole 24 Ore, Sda Bocconi and the patronage of Borsa Italiana.

Public Administration



Starting from the first 2003-2005 Business Plan we pursue the objective of becoming the reference financial institution for public administration. The State, with the specific assistance requirements of all its main articulations, represents a fundamental stakeholder for our Group which for this reason already in 2003 started to operate through a specialised dedicated structure in the area of public finance. 2006 marked a quantum leap: the establishment of Banca Intesa Infrastrutture e Sviluppo that underlined

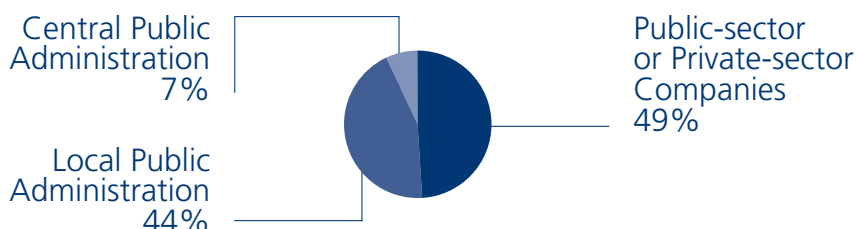
our commitment to serving the development of the country.

We had an intense dialogue with the various public players, both at central and local levels, which permitted the start of in-depth analyses to focus our activity on more significant issues. Banca Intesa was very active in encouraging the dialogue between the public and the private sector and organised events which involved institutions, academics and enterprises on the most important issues in the institutional and political debate. The conference “country growth, local development, competitiveness” held in Rome on 19 October 2006, had the objective of identifying political and regulatory solutions capable of balancing growth, the need to modernise the institutional situation, the need to balance the various institutional levels and the protection of the current model of social cohesion. Moreover, we organised free seminars and training dedicated to directors and managers of local entities, in particular on the issue of infrastructure building. Particularly important were the events organised within the Public Administration Forum, such as the Master in Public Administration, true moments of “classroom training” dedicated to the use of project finance techniques in the building of infrastructures; the three modules delivered in the last three editions of the event saw the participation of approximately 600 people, of which 250 in the 2006 edition.

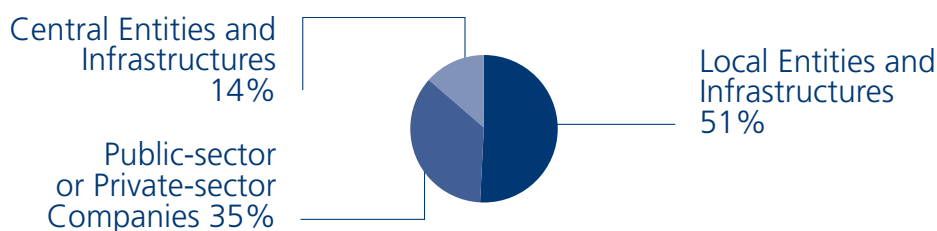
Banca Intesa Infrastrutture e Sviluppo

Banca Intesa Infrastrutture e Sviluppo operates directly through eleven local offices and indirectly, through the branches of Banca Intesa and the other Banks of the Group.

Customers as at 31/12/2006 (100%=1,500)



Loans to customers as at 31/12/2006 (100%=7.8 billion euro)
(average progressive volumes)



In its first year of activity the Bank consolidated its commitment to assisting Central and Local Public Administration and to Industrial/Operational Companies connected to the public sector carrying out numerous operations of primary importance for the country. Development activities in favour of the cooperation between public and private sectors were further expanded, with the definition of important operations. Some of the most significant areas of intervention are listed below:

Development of Italy's large infrastructures

Financing for building Rome Interport at Fiumicino; the continuation of the financing to ANAS for building the third lane of the Rome orbital motorway, the Mestre motorway link and the completion of the Salerno-Reggio Calabria motorway; assistance to the concessionaire for the Milano-Brescia (Brebemi) motorway, to the promoter of the project for the Milan orbital motorway and to the concession-

aires for the construction of the Pedemontana Lombarda.

Support for health services, universities and public research

Transactions on health receivables towards Regions (securitisations for the Lazio and Abruzzo Regions, acquisition of receivables without recourse for the Piedmont Region), thus making an important contribution to the containment of the liquidity crises of the regional health care systems; financing, assisted by EIB funds, for the building of new premises of the "Mario Negri" Institute of Pharmaceutical Research, on an area of 42,000 square meters in the Bovisa area in Milan; activation of treasury services in favour of the Rita Levi Montalcini Foundation which pursues social aims through economic aid to African women to favour their primary, secondary, university and post university education, as well as financing for the building, restructuring and completion of a series of university structures, including the Biology Institute of Pavia and the Faculty of Engineering of Bergamo.

Improvement of public utility services



For the solution of the environmental emergency in Sicily, through project finance, with consultancy and structuring of the financing of waste disposal and thermal utilisation of urban refuse, as well as the financing of Silea Spa Società Intercomunale Lecce per l'Ecologia e per l'Ambiente.

Support for financial equilibrium in the public sector

Restructuring of the debt of the Province of

Pavia, of the Veneto Region and of the Province of Lecce. Furthermore, with the continuation of the so-called multi-issue of BOC (short-term municipal bonds) in numerous areas, among which the Treviso, Brescia, Lecce, Potenza provinces: these are framework agreements open to all local entities in their respective areas for the issue of Municipal Bonds at predetermined rates and conditions, which may occur under the coordination of a reference entity for the area.

Support for urban projects and development in other areas

Supplying consultancy and assistance for the realization of the 'Marinara' international tourist port of Marina di Ravenna, created to enhance and rationalise the offer of services for the shipping sector, through the adoption of project finance.

Promotion of an efficient management of current banking operations

Through an agreement between INPS (Social Security National Institute), Banca Intesa Infrastrutture e Sviluppo and Banca Intesa to test the direct credit service for the social security service provided by the Institute through the use of pre-paid cards, therefore enabling beneficiaries to receive pensions and payments (maternity and unemployment indemnities, etc.) without charges and commissions and to be able to withdraw the money at any cash dispenser and/or ATM in real time.

Controversial markets: the arms sector

As of March 2004, Banca Intesa adopted a policy with which it decided to suspend participation in financial operations concerning the export, import and transit of arms and arms systems, though they are permitted by Law 185/90.

The policy in any case provides for the possibility of assessing each operation to verify if – even though it included in the provisions of Law 185/90 – it is not consistent with our “unarmed bank” spirit. Such a position is aimed at completely complying with the spirit of the principles set forth by the Republican Constitution which rejects war as a means of resolving international controversies, and to significantly respond to a need expressed by wide and diversi-

fied sectors of public opinion, which refer to ethical issues. Transactions set up previous to the issue of the policy are not included in the suspension.

Starting from the second quarter of 2004 this policy was applied consistently, as shown by the figures of the Annual Reports sent from the Presidency of the Council of the Ministers to the Italian Parliament and by the constantly lower percentage on the authorised total.

In 2006 the amount of 46.9 million euros refers for 41.2 million euros to an operation with end-user the United Arab Emirates resolved upon by the Bank at the beginning of 2004 and authorised by the Ministry of Foreign Affairs only in 2006.

	Authorised amounts Export of arms (in millions of euro)	% on the authorised amounts for banks
2003	97.4	13.49
2004	23.2	1.76
2005	0.2	0.02
2006	46.9	3.14

We should also like to point out that the Croatian bank Privredna Banka Zagreb adopted a policy regarding investment banking activities in its relations with the Public Administration. The regulation issued, “Procedure on prevention of financing of excluded activities”, excludes direct or in-

direct financing of projects that do not respond to environmental protection criteria or which breach moral values, such as products or activities which imply forms of exploitation of child labour, production or commerce of arms.

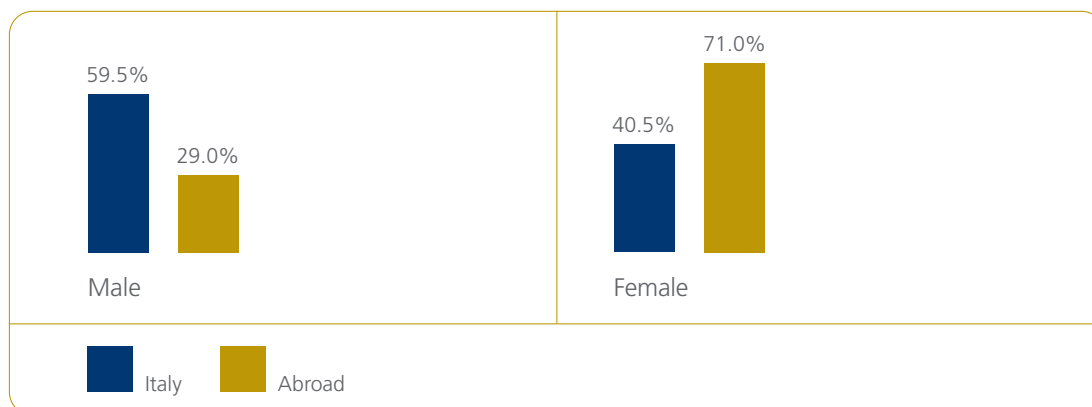
Employees

Breakdown of personnel

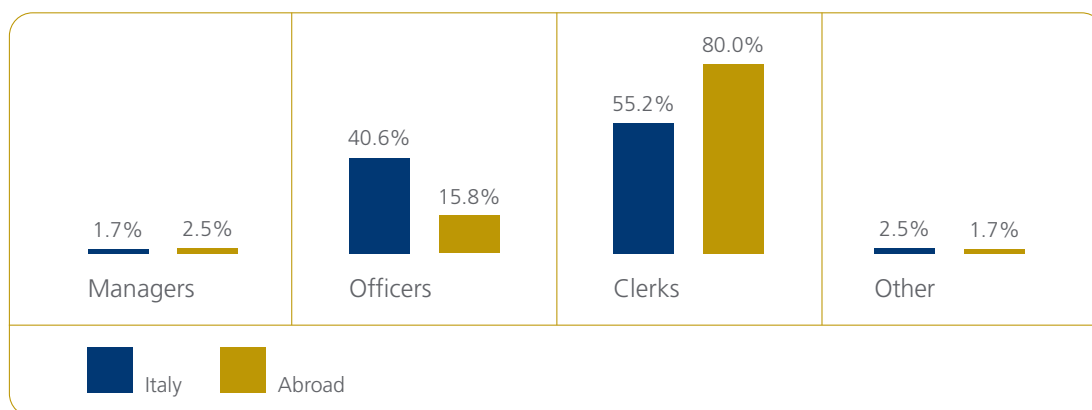
As at 31/12/2006 the employees of the companies included in the Social and Environmental Report exceeded 55,200, of which more than

40,300 in Italy and almost 14,900 abroad. Breakdown of employees in Italy and abroad is provided below.

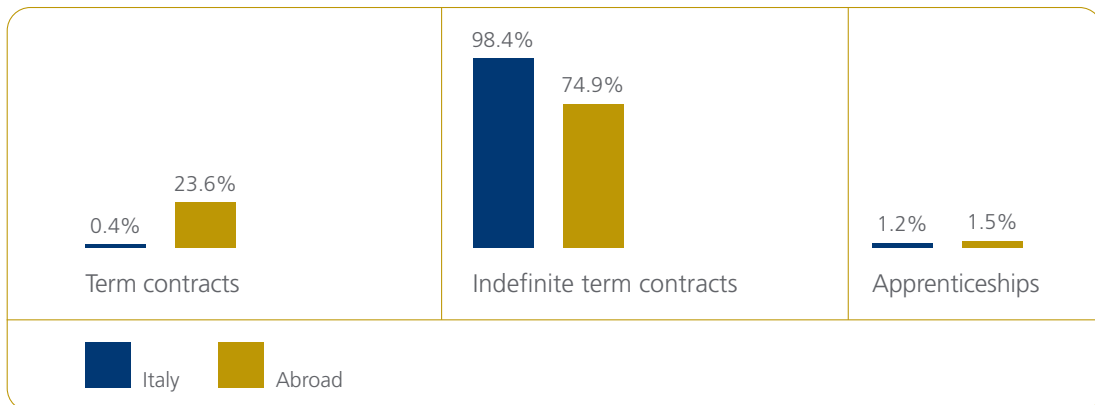
Gender



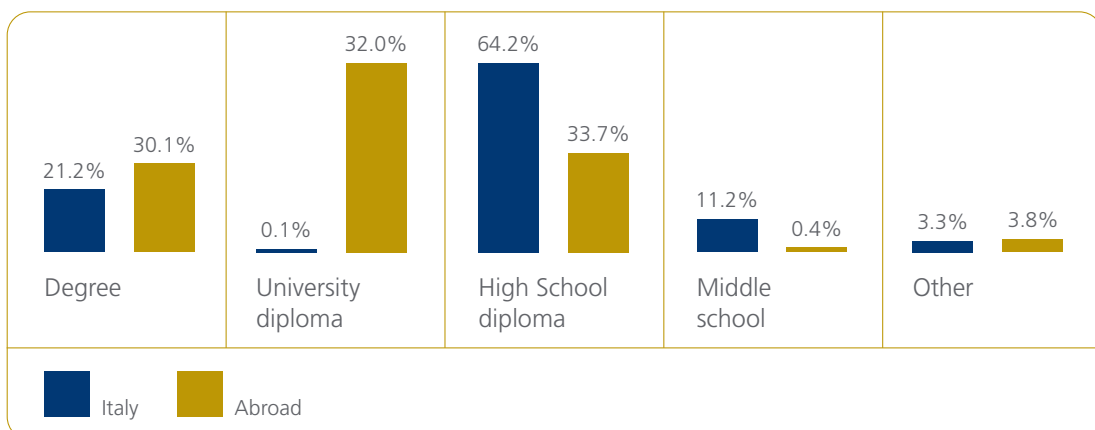
Position



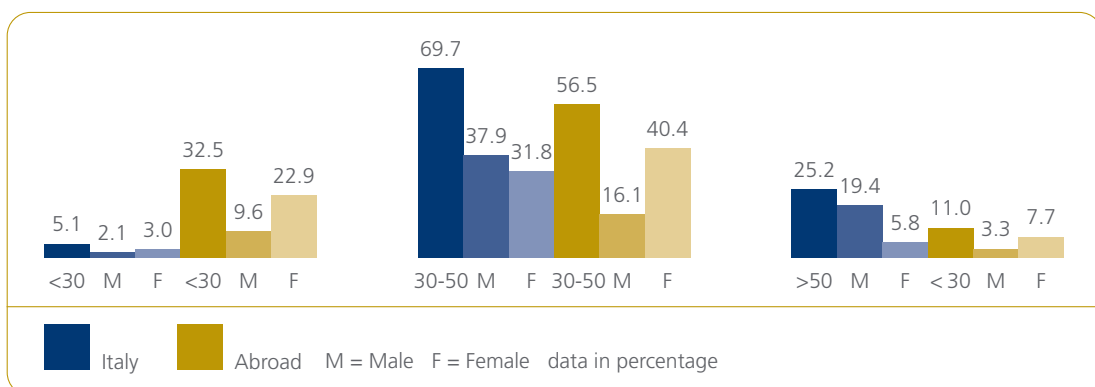
Contract type



Education



Age groups



STATED COMMITMENTS	WHAT WAS DONE IN 2006
<p>Quality of human resources <i>Training on the Code of Ethics</i></p> <ul style="list-style-type: none"> – Training employees on the values and principles of the Code of Ethics and spreading the CSR culture in the company. <p><i>Web TV on demand</i></p> <ul style="list-style-type: none"> – Developing a new communication and remote e-learning tool which, while encouraging requests on the basis of needs, helps to increase the effectiveness in the use of information, increasing skills and simplifying operations. <p><i>Archimedes project</i></p> <ul style="list-style-type: none"> – Achieving a Knowledge management platform set up within the Corporate Division to share innovative ideas proposed by colleagues and implement them. <p><i>Project to foster the diffusion of company regulations (ARCO)</i></p> <ul style="list-style-type: none"> – Programming and implementing new processes and instruments for the preparation and diffusion of company regulations. 	<ul style="list-style-type: none"> – An e-learning course was prepared on these issues and made available to all Bank staff; the principles and values of the Code were integrated in the various training courses. – The instrument was developed and is available for employees. – The implementation of the project led to the assessment of 15 innovation projects by the Archimedes Committee of which 5 were considered worthy of being implemented. – Tools which simplify the search and consultation of materials on the company's Intranet have been designed and are available for colleagues.
<p>Development of human resources <i>2005 – 2007 Training programme</i></p> <ul style="list-style-type: none"> – Delivering the training programme to support the 2005 – 2007 Business Plan with the aim of reconciling in the best possible way company needs with individual expectations, to increasingly make training the lever for the development not only of the company but also of personnel. <p><i>Role training programmes</i></p> <ul style="list-style-type: none"> – Preparing specific training programmes for certain professional roles involved in the management of the commercial relationship with customers. <p><i>Coverage of positions of responsibility</i></p> <ul style="list-style-type: none"> – Identifying the experience required to qualify for the role of Branch manager, within the Retail Network in order to set up appropriate training programmes. 	<ul style="list-style-type: none"> – The plan was divided into 4 training areas: institutional training, professional enhancement training, individual training and training by request. – Specific programmes were identified for relationship managers for companies, SME's and small businesses, families and premiums –, for branch managers, for managers and staff operating in trade finance. – 5 pilot sessions for newly-appointed Branch managers were delivered and involved a total of 76 participants. At least one edition a month is planned for the whole of 2007

STATED COMMITMENTS	WHAT WAS DONE IN 2006
<p><i>Enhancement of potential and attraction of talented young persons</i></p> <ul style="list-style-type: none"> – Extending the projects to enhance high potential resources in the various Gruppo Intesa structures and identification of talented young persons. <p><i>Enhancement of seniority – E.V.E.R.</i></p> <ul style="list-style-type: none"> – Supporting senior resources, by offering them tools to remain active in company life. <p><i>Performance assessment: Value and Direction by Objectives (DPO)</i></p> <ul style="list-style-type: none"> – Progressively extending the performance assessment system “Valore” and the DPO project to Group companies . 	<ul style="list-style-type: none"> – A specific training programme called “I colori di Intesa” (The colours of Intesa) was launched and involved 665 high potential employees from Banca Intesa and Intesa Private Banking and 215 talented persons from Gruppo Intesa banks. – The company’s situation was mapped for the first time. Subsequent phases will be reconsidered in the light of the merger with Sanpaolo IMI. – “Valore” and DPO were extended to Italian banks and product companies of Gruppo Intesa: Intesa Leasing, IntesaTrade, Setefi (Valore); Banca Caboto, Intesa Leasing, Intesa Mediofactoring, Intesatrade, Banca Popolare Friuladria, Intesa Casse del Centro, Banca di Trento e Bolzano (DPO).
<p>Trade union relations</p> <p><i>Observatory on commercial actions and anti-robbery security</i></p> <ul style="list-style-type: none"> – Activating the Observatory company/trade union, which is assigned the role of analysing the possible critical issues as concerns commercial actions and anti-robbery security and formulating the relevant proposed solutions. 	<ul style="list-style-type: none"> – The Observatory was formed and its first meeting was held on 27 February 2007 to comment 2006 results.
<p>Internal communication</p> <p><i>Structured listening initiatives</i></p> <ul style="list-style-type: none"> – Activating internal climate surveys, focus groups and a general Group survey every 6 months. <p><i>Listening groups</i></p> <ul style="list-style-type: none"> – Activating a network of correspondents to transfer the suggestions of colleagues and to have local spokesmen for management strategies. <p><i>Quality of life within the company</i></p> <p><i>Equal opportunities</i></p> <ul style="list-style-type: none"> – Activating the Equal Opportunity Commission with the task of conducting studies and analyses on the work conditions of men and women inside the Company. 	<ul style="list-style-type: none"> – There were numerous occasions for listening and dialogue with employees: 83 focus groups on different issues were organised and 825 employees took part. The climate survey was extended from a sample to all employees (Banca Intesa and Italian banks). – The project was suspended to reconsider it in the light of the merger with Sanpaolo IMI. – The members of the Commission were appointed and its operations were confirmed as part of the new protocol on Labour Relations in the Intesa Sanpaolo Group.

STATED COMMITMENTS	WHAT WAS DONE IN 2006
<p><i>Intranet portal for services to employees</i></p> <ul style="list-style-type: none"> – Activating a space dedicated to services for employees on the company's Intranet. <p><i>In Intesa – Workshop on belonging and integration</i></p> <ul style="list-style-type: none"> – Periodically activating a structured training course, to foster the sharing of corporate culture and values, to strengthen the sense of belonging and identity. <p><i>Value of intangibles – Workshop</i></p> <ul style="list-style-type: none"> – Organising workshops aimed at strengthening the effectiveness of management action with particular reference to intangibles: leadership, authoritative communication, assessment of motivation and corporate climate, merit management. <p><i>Institution of a solidarity allowance</i></p> <ul style="list-style-type: none"> – Forming a Solidarity allowance in favour of employees, ex-employees and pensioners of companies of Gruppo Intesa and their family members, who find themselves in conditions of need or physical, psychic, social or family distress, due to extraordinary and exceptional events. 	<ul style="list-style-type: none"> – The portal was developed and inserted in the new Intranet architecture. – 29 editions of the course were delivered, for a total of 339 participants selected from employees in Banca Intesa, Banca Intesa Private Banking and Banca Caboto starting from 2003. – 349 managers and 2,000 officers were involved in this initiative. – The project has been confirmed and is being implemented, also in the light of the merger with Sanpaolo IMI.
<p>Health and Security</p> <p><i>Intesa sicura con te – post robbery support</i></p> <ul style="list-style-type: none"> – Realizing – consistently with the commitments made with trade unions within the Agreement on anti-robbery security – initiatives to manage/support the health of personnel who have undergone this traumatic event. <p><i>Intesa formazione sicura</i></p> <ul style="list-style-type: none"> – Continuing training activities on this issue, to improve a security culture and checks on risks within branches by Branch managers. <p><i>Intesa salute</i></p> <ul style="list-style-type: none"> – Managing through IT systems the paper archive on health surveillance, to promote interventions suited to the needs of employees. <p><i>Intesa no smoking</i></p> <ul style="list-style-type: none"> – Sustaining, through various initiatives, the abstinence from smoking to foster the health of employees and their families. 	<ul style="list-style-type: none"> – Lines of intervention were defined and the first test phase commenced in certain branches in Turin. – Remote and permanent training initiatives have been provided via WEB TV. – The integral automated management of the archive was completed. – The combined approach (medical and psychological) has been identified as the most effective and the Labour Clinic of the University of Milan, which operates according to this approach, has been delegated to conduct the project.

People play a fundamental role in the development and implementation of the corporate mission. The achievement of challenging economic objectives and nurturing long-lasting relationships with customers is directly related to the contribution of excellence that the Bank may stimulate and obtain from each employee. Personnel management activities followed a precise strategic guideline: integrating, motivating and involving employees within the Group's system of values and objectives. The model pursued to enact this strategy was based on certain fundamental key principles directly related to the company's objectives: sustainable long-term profitability, quality of relations with customers and enhancement of human capital. In other words, increasing importance has been attributed to these so-called "intangibles", considered to be factors generating value for the company capable of driving performance in the medium-long term.

- the number of women in the Group in Italy increased from 39.9% in 2005 to 40.5%, and was slightly higher than the industry average (39.3%)⁽¹⁾, while abroad it reached 71%, which increases the Group's average to 48.7%;
- in Italy the percentage of employees with university education remained practically stable at 21.3%, slightly lower than the figure referring to Italian large banks (22.8%); abroad the percentage is high, 62.1%, and on the increase with respect to 2005 (59.3 %);
- for the first time in Italy 478 young colleagues were hired with an apprenticeship contract;
- the percentage of part-time contracts in the Group in Italy slightly increased (12.6%) and was well above the industry average (8.3% in 2005);
- at Group level: the incidence of personnel under 30 years of age increased from 11.3% of 2005 to 12.5% of 2006. This figure was particularly influenced by subsidiaries abroad, where employees under 30 years of age represented 32.5% of the total.

Personnel development

The following trends emerged in 2006:

The balance in the Group's turnover was the result of:

	Group 2005	Italy 2005	Abroad 2005	Group 2006	Italy 2006	Abroad 2006
Turnover	364	- 537	901	1,007	579	428
Recruitments	3,712	839	2,873	4,094	1,242	2,852
Terminations	- 3,910	- 1,548	- 2,362	- 3,886	- 1,032	- 2,854
Balance inter-group transfers and other	562	172	390	799	369	430
Turnover %	5.3%	2.0%	15.2%	6.0%	2.3%	15.9%

Recruitments

In 2006 approximately 500 young people, with the characteristics required by the Bank's organization, joined the Parent Company with an apprenticeship contract lasting for a total of 4 years. The programme for the recruiting of ap-

prentices in the company had commenced in September 2005, following an agreement signed by the Italian Banking Association ABI and trade unions on 23 June 2005, and was activated at first in the Lombardy, Piedmont, Venetia and Sardinia Regions.

⁽¹⁾ Industry figures refer to the "2006 Report on the labour market in the financial industry", prepared by the Italian Banking Association.

The recruitment programme for these young employees referred to five professional roles (Operative, Commercial activities, Telephone banking, Private operating assistant and Officer to support company administration) and entailed over 12,000 man-days of classroom training delivered in 2006.

For the training of each of these professional positions the Bank – delivering the number of man-days of training provided for by regulations in force – will invest from 75 to 90 days of training per capita over the four years of the apprenticeship.

As concerns recruitment channels and processes, the customization and strengthening of the Cv Web IT platform was completed in 2006. Cv Web is dedicated to the management of applications and selection of potential recruits directly from the company site.

This tool enables the Parent Company to manage the database of applicants in a complete manner for all recruitment campaigns, including those activated on behalf of other Group companies. The process sets out the launch of the campaign via dedicated and personalised announcements, the design of the selection process, the monitoring of application trends, the definition of parameters to identify those who qualify for the selection process, the attribution of assessment by single test and the mapping of the selection process until its completion. Corporate values, as well as recruitment and selection procedures are published on the Parent Company’s website. The opportunities within the Company are also highlighted in the website to spread and distinguish our trademark increasingly in the labour market.

	2005	2006
Recruitments in the Group		
Total	3,712	4,094
Number of CVs received spontaneously in the year (progressive figures)	236,576	169,434
Recruitment interviews carried out (including stages)	6,079	10,019
Recruitments in the year – breakdown contract type⁽¹⁾		
Term contracts	405	380
Indefinite term contracts	434	384
Apprenticeships	0	478

The “Job Posting” system for the management of inside applications within the Parent Company was developed and spread, also through specific communication initiatives.

It enables each employee who deems to meet the required characteristics, to apply for a vacant position, by filling in a simple form on the Intranet.

The process enables internal skills to emerge in a transparent, fast and effective way.

Through “Job Posting” we have received applications from almost 1,000 people.

To pursue the objectives we had set ourselves in 2005, our activity focused on the following areas:

- Resource quality
- Advancement and motivation
- Labour relations
- Internal communication
- Quality of life in the company

Resource quality

Training



Training is the fundamental strategic lever for the professional and personal advancement of employees and it is fundamental for achieving company targets.

⁽¹⁾ Figures referred to Italy alone.

Training for the role



The Bank pursued as one of its priority objectives the provision of the necessary technical, commercial and behavioural training to those who will be directly in contact with customers and particularly influence the service standard offered, as well as the enhancement of the skills of those who are already experienced. For such professional figures (relationship managers, branch managers, foreign desk and trade finance officers and clerks) training programmes have been designed, which identify the expected levels of coverage of the role and defining the training initiatives necessary to bridge the gaps between the “ideal” level of knowledge and that actually possessed.

8,350 participants in the training courses (for a total of 17,200 class-days) were registered by the Parent Company in 2006.

The focus on training to enable everyone to cover their role to their best ability has led to specific courses inside the Group. Intesa Private Banking, for example, includes a training programme called “Master Private” which comprises initiatives aimed at consolidating corporate culture and specialist modules according to role. Training modules are designed and delivered by academics and practitioners with specialised knowledge. Technical-financial competencies of participants are certified by an independent company (AIPB - Italian Private Banking Association).

For the coverage of management roles, Privredna Banka Zagreb founded PBZ Business School, which offers 3 certified management training programmes: General Management, Operative/Sales Management and Strategic Management.

Each programme contains 12 modules over 3 years. 220 students took part in the first round of courses including “high potential” young people and high level managers.

Social responsibility in training



The Code of Ethics, approved in July 2006, set out, as its first way of implementation, a strong commitment to spread the social responsibility culture and the knowledge of the values and principles of the Code within the company.

An e-learning initiative was therefore set up for all personnel in order to disseminate the Group’s principles and values. Training was differentiated on the basis of roles and focused on spreading awareness of how Banca Intesa’s reference values may be translated into consistent behaviour in the everyday operations of the segment of employees involved.

Furthermore, a specific two-day training course

was set up for “CSR Referees” present inside the various Group structures with specific objectives related to the implementation of CSR strategies. The course combined traditional classroom techniques with theatre methodologies, which consolidated their specific preparation and created the conditions to cooperate effectively within the work group.

Listening as a component of training

Listening to training needs is an integral part of the continuous improvement strategy, as concerns both contents and effective transmission. A questionnaire was handed out to a sample of 4,000 colleagues which, in addition to analysing “appreciation” – as had already been done for a number of years – also explored the issue of the effectiveness of training programmes delivered. The responses received – which represent approximately 50% of the sample – showed that the respondents consider training mostly as an investment in their personal and professional development. This indication, together with all the other results of this survey, published on the company’s Intranet, will enable to further define contents, delivery channels and the services to support training on the basis of the needs expressed by employees. Starting from 2007, the measurement of the effectiveness of training will become systematic and will refer to a selection of the principle courses delivered via the various channels available. Listening to the opinions and needs of employees was also the criteria used to analyse the effectiveness of e-learning, which in 2006 represented over a third of all training.

The e-learning listening Groups were activated and involved 140 colleagues from Banca Intesa, Banca di Trento e Bolzano and Banca Popolare FriulAdria, who analysed the organizational aspects of learning processes and support services for the purpose of identifying possible improvement areas. Results – also published on the company’s Intranet – highlighted that Intesa C@mpus (the central technological component which delivers e-learning courses) is considered adequate. Instead, other aspects do not favour the learning process, such as the lack of dedicated spaces for e-learning course fruition at operating units, especially where ‘open space’ solutions have been preferred to other alternatives. Suggestions collected were translated into concrete actions already in 2006, while other possible activities will be analysed in 2007. Lastly, an e-learning network was activated and was initially made up of the 140 colleagues who took part in the project, on a voluntary basis. It is a virtual community space, prepared to encourage a continuous discussion on

these aspects, for the purpose of sharing experiences and improvement proposals.

Innovative tools for personalised training

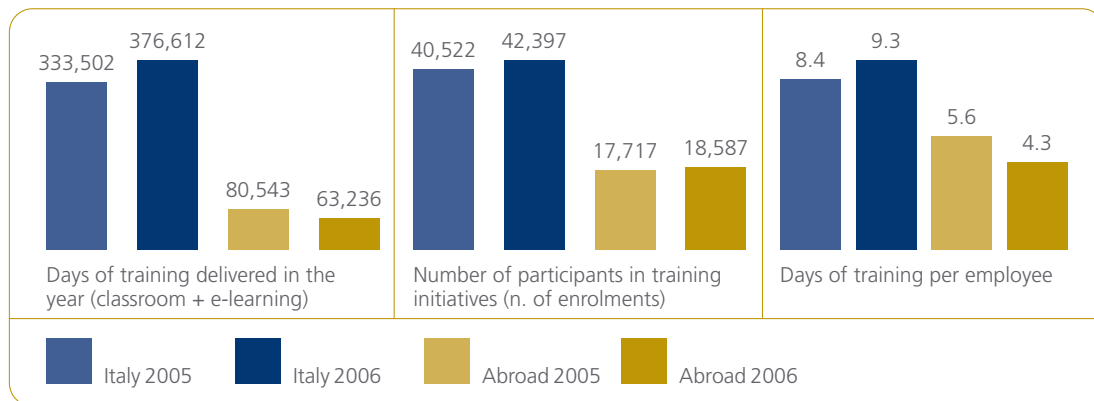
The possibility of taking part in e-learning courses without rigid hours and therefore of personalising training without the inevitable rigidity of set programmes was one of the needs which have long been felt and expressed by employees who took part in training initiatives.

“On Demand” WEB TV, i.e. the possibility of viewing the most interesting contents, at the time chosen by the employee, is the right answer to the need to take part in flexible programmes.

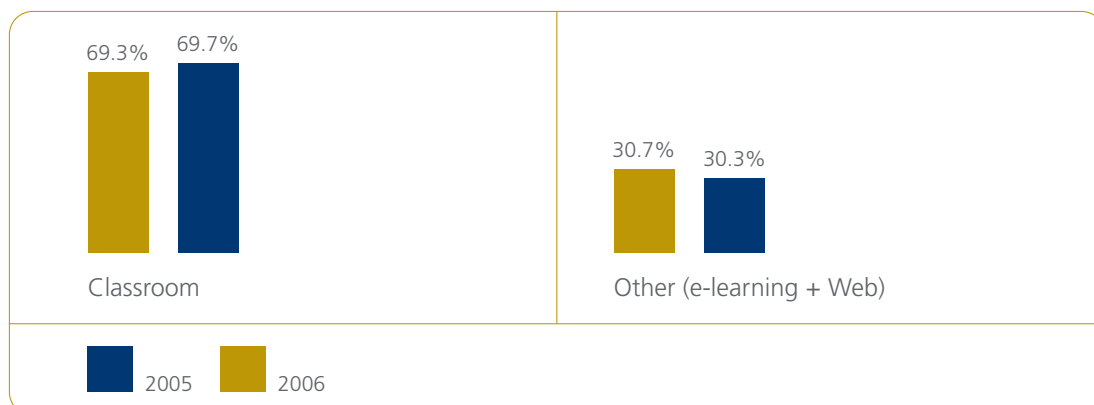
Another request regarding the possibility of having access to “customized” contents has been satisfied through the production of mini e-learning courses called “Training pills”, which last only a few minutes; they are freely accessible for personnel through Intesa C@mpus. This offering is a sort of ‘virtual library’ of training which may be prepared, delivered and updated rapidly and has the objective of being an accessible reference point for information or for further analysis, as needed.

Furthermore, a ‘Tutorship online’ service has been activated with individual tutors and the objective of ensuring continuity and effectiveness in the e-learning process.

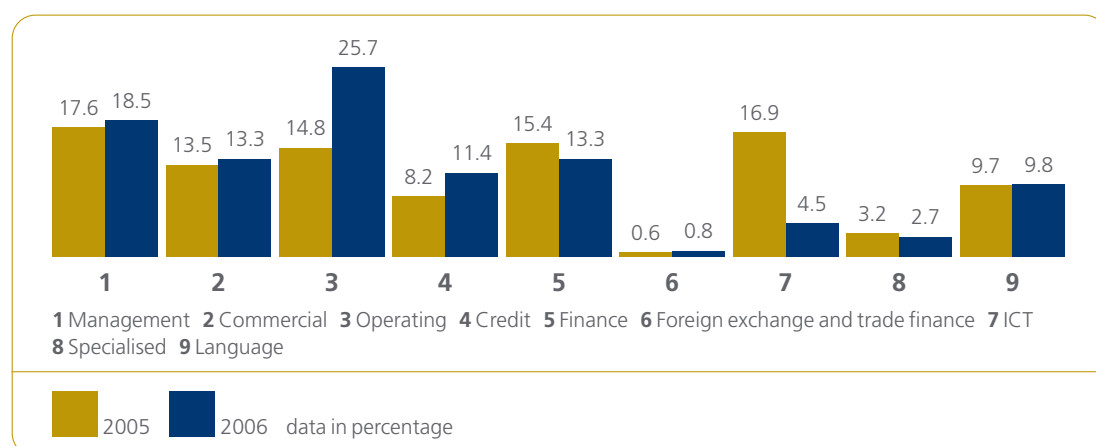
Breakdown of training by delivery channel



Breakdown of training by delivery channel



Breakdown of training by content (classroom days + e-learning hours)



Breakdown of training by professional category (average number of hours)	Italy 2005	Abroad 2005	Italy 2006	Abroad 2006
Male managers	47,807	6,792	28,898	8,070
Female managers	3,833	5,085	2,821	6,440
Male officers	460,136	62,111	458,629	45,411
Female officers	185,359	81,498	211,329	55,830
Male clerks	342,133	115,227	478,123	91,970
Female clerks	290,245	373,631	424,462	298,167
Total male	850,076	184,130	965,651	145,451
Total female	479,438	460,214	638,612	360,437
Total	1,329,514	644,344	1,604,263	505,888

Advancement and motivation

Professionalism, motivation and sense of belonging are fundamental elements for employees and are at the basis of personnel performance assessment and advancement processes. The latter also have the purpose of promoting behaviour consistent with the values declared in the Business Plan.

Performance assessment

In 2002 Banca Intesa started implementation of the "Valore" performance assessment system, which is capable of measuring individual per-

formance via homogeneous and consistent criteria aimed at a merit-driven management of personnel, at the same time favouring the improvement of skills and professional experience. The "Valore" has the purpose of orienting individual and team contributions to set objectives, aligning corporate culture to principles which recognize merit and also providing other useful elements for the correct management of personnel levels (incentive system, training, mobility, development). In 2006 the extension of the "Valore" system to Italian banks and to the Group's main product companies continued, involving practically all the employees of the Parent Company and progressively all the employees of the companies to which it was extended.

To support the correct diffusion of the system and to strengthen the performance assessment culture, a specific Group training initiative was again delivered for newly-appointed assessment officers.

For managers and department heads Banca Intesa has adopted since 2003 Direzione per Obiettivi (DPO), based on which every head of the department illustrates to employees with a DPO form, the objectives of the department, so that they, in turn, identify the objectives to be submitted to the approval of the head, who will perform the assessment at the end of the period. This process is aimed at favouring self-accountability and managerial development via the transparent assignment of quantitative and qualitative objectives.

The extension of the DPO system to Italian banks and the Group's main product companies continued in 2006.

Intangibles and management of complexity

In order to strengthen the effectiveness of management action and to spread a more resource-oriented management culture, four objectives were introduced in 2006 in the DPO form of all the roles which entail the coordination of people. They refer to the responsibilities of: leadership, performance assessment, merit management and individual enhancement.

Such objectives refer to the so-called "intangible" components typical of value creation and sustainable growth processes and are considered an important distinctive element in the current competitive context.

The attention to the growth of human capital was confirmed by the design and subsequent delivery of a specific training initiative called "The value of Intangibles" which involved approximately 350 managers and 2,000 officers of the Retail and Governance areas in 2006. The intervention, aimed at developing the capacity of governing complexity, introduced innovation in terms of means and forms which may be used to face the problems typically associated with the management and development of employees. In particular, the accent was placed on the effective identification of merit and on the sustainability of incentive systems, also for ensuring the fidelity of key resources.

Assessment and enhancement of high potential employees

In 2006 activities geared to assessing and enhancing employee potential continued and in particular the potential assessment system was also extended to Group companies, with emphasis on the roles which have a greater impact

on company results. The approach entailed the assessment of a set of general skills through fast assessment initiatives, aimed at increasing participant awareness of key strengths and improvement areas also through a specific individual feedback.

A specific and articulated programme, called "I colori d'Intesa" was prepared to enhance high potential and talent in the various Group structures, and involved, in its various phases, approximately 500 people and over 70 personnel management specialists. The proposed training programme was made up of various modules, centred respectively on issues such as 'Complexity and innovation', 'Communication', 'Teamwork'.

A further fast assessment cycle was started in autumn 2006 involving 300 people.

Sense of belonging and shared company vision

"In Intesa" is a training programme lasting three days designed for employees who joined the company after 2003, common to all organizational areas and aimed at fostering the acquisition of an organic vision of the company, its culture and its values.

The intervention, which has an institutional approach, has the purpose of increasing individual awareness on fundamental issues, such as the economic and competitive environment in which the Company operates, the organizational complexity, the development opportunities in the light of company strategies. Particular attention was paid to the behavioural model to develop and strengthen the sense of belonging and identity, assigning particular space to the treatment of communication issues, team work and service quality.

As from 2003, 29 editions have been delivered, for a total of 339 participants from Banca Intesa, Intesa Private Banking and Banca Caboto.

Managerial development

We continued to invest in the growth of people who have guiding roles in the company, aiming to strengthen their leadership skills. The Leadership development programme targeted to the Group's management was developed for this purpose. The project, which lasts over a number of years, is divided into various steps: analysis and diagnosis, assessment, behavioural trends and feedback, in order to be able to count on an accurate profile of the management skills of participants.

The intervention permitted the strengthening of three key tasks: authoritative communication, change leadership and teamwork.

In 2006, the initiative was extended to approx-

imately 180 Managers of the Parent Company, of the Group's Italian banks and of product companies.

The individual action plan, refined during the management development initiative described above, was included in another project called Circular Coaching. The initiative, structured as strongly interactive and personalised experience, is aimed at the development of management skills more correlated to the "intangible" dimension. 300 Managers of the Parent Company, Banca Caboto, Banca Intesa Infrastrutture e Sviluppo and Intesa Private Banking participated in this initiative, which lasts 6/7 months.

Incentive systems

Incentive systems are based on results achieved, individual performance and specific professional characteristics.

Assessments concerning internal practices and alignment with market benchmarks have been conducted for the purpose of setting equitable and motivating incentives.

The incentive systems adopted set forth diversified incentives for the various structures for the purpose of fostering the achievement of results and value creation and making interventions consistent with the professional families present in the company, recognizing individual merit and rewarding team work.

The logic of the incentive systems devised and introduced in the company are summarised below:

- Retail Division, Intesa Private Banking: team work incentives reward, though mitigated by recognition of most significant individual performances;
- Corporate Division, Banca Caboto, Banca Intesa Infrastrutture e Sviluppo and Finance and Treasury Department: incentives primarily reward individual merit through incisive selection rules, mitigated by team solidarity, which recognize excellent contributions with bonuses comparable to the target levels in the respective reference markets;
- Head Office Departments and staff of the Italian Banks and International Subsidiary Banks Division: the attribution of bonuses is subordinated to the overall results achieved by Banca Intesa and the Group. Consistently with merit management guidelines and sustainability objectives, the system sets out predetermined selection parameters and the attribution of rewards exclusively for high-quality performances.

Plan bonus and company bonus

For the achievement of objectives of the 2003-2005 Business Plan, all employees were attrib-

uted an extraordinary, one-off bonus of 150 euros, in addition to the company bonus for 2005.

Furthermore, considering that in October 2006 the Plan objectives had already been almost entirely achieved, the Bank and trade unions reached an agreement regarding the amount and the means of payment of the company bonus for 2006, together with the agreement for the granting of free stock to employees for a total of 700 euros per capita which will be assigned in June of the current year; this plan, which follows the assignment in 2006 of stock to employees of the Parent Company and Italian subsidiaries, aims at greater employee involvement in the company.

Compensation and career advancement policies

In order to harmonise treatment of management roles and ensure competitiveness in the market, in relation to the specific characteristics of professional families, we continued job description activity identifying the correct economic, organizational and management dimensions (job analysis) and identifying their respective weight, that is the degree of relevance which the role has within the organization (job evaluation).

The determination of the "weight" of the position enables the adoption of management and compensation policies which are equitable on the inside and competitive in the reference market, as well as the identification of the management access threshold.

In 2006 the job evaluation process was implemented in the departments which have undergone organizational change and the extension to the rest of the Group was almost completed, including the main international banks.

In detail, we have implemented differentiated development policies and plans according to the diverse population segments:

Management:

- strengthening of leadership skills;
- participation in dedicated training and coaching initiatives.

Key resources:

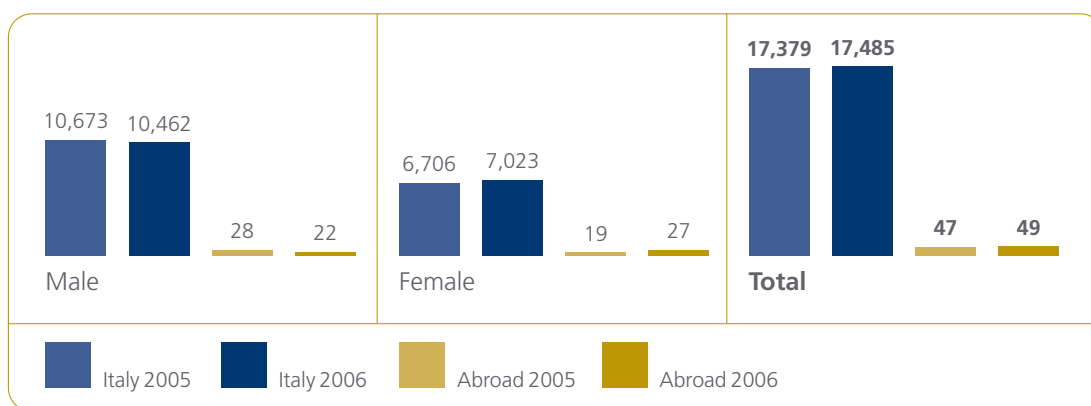
- career acceleration;
- personalised development programmes.

High potentials:

- participation in long-term training programmes;
 - Career development to more complex roles.
- Minimum compensation applied to new recruits is always that indicated by the National Labour Contract for the industry for the various personnel categories. Compensation abroad reflects the lower cost of life, but is in any case on the increase.

Annual gross average wage by sex / category (€/000)	Italy 2005	Abroad 2005	Italy 2006	Abroad 2006
Male managers	124	61	125	64
Female managers	115	51	117	55
Male officers	51	23	51	25
Female officers	45	17	45	21
Male clerks	33	10	33	12
Female clerks	30	9	30	9
Other male	26	7	26	7
Other female	20	5	22	5

Number of employees in professional programmes according to integrative agreements



Labour Relations

In 2006 the Bank continued its policy of detailed information and open discussion with trade unions, inspired by principles of mutual respect and loyalty, both at central and local levels, on the most important features of economic and regulatory treatment of workers. Collective negotiation of labour contracts by trade unions covers, in Italy, all employees and at Group level, there were no reported cases of violation of workers' rights of free association and collective negotiation.

At Group level 678 meetings with trade unions took place in 2006; 673 similar meetings were held in 2005.

During the year, important agreements were signed with trade unions which integrate the al-

ready extensive regulations defined in the collective negotiation of the national labour contract.

Within this framework of fierce competition between banks as concerns commercial activities, Banca Intesa and trade unions signed a Protocol on Sustainable Development on 5 April 2006. This agreement formalised the shared principles aiming at the definition, fine-tuning and implementation of commercial programmes, of "sustainable development" objectives, that is objectives which may be achievable, formulated on the basis of the specific characteristics of the various markets, customers and local markets and characterised also by qualitative elements.

Furthermore, local focus groups were organised to involve workers, stimulating dialogue also on

issues related to commercial actions: 390 employees were involved in 37 editions of meetings which were held quarterly in local markets and solicited discussion on issues such as commercial growth, employee and customer relations.

It was an enriching experience, in which elements for improvement action also emerged, and was analysed by the Company/Trade union Observatory set out by the Agreement. The outcome of the meetings highlighted the need to increase among employees the level of knowledge of the Agreement together with the need to strengthen and spread communication of commercial strategies more extensively. A diverse perception emerged between relationship managers and branch managers as concerns marketing campaigns and especially with respect to the incentive system, considered very complicated by relationship managers. Ethics are perceived as a formal principle, not yet as an operating strategy; very concrete guidelines are required on the application of the principles of transparency and fairness in the relationship with customers, on adequate training before taking on new roles, on the weight of activities of a more administrative content dealt with by household relationship managers. The last series of meetings was inevitably affected by the merger with Sanpaolo IMI which showed the need for greater communication and the uncertainty relating to the new identity yet to be built.

In relation to the increase in criminal events, an important agreement on anti-robbery security was signed on 3 May 2006, which strengthened issues such as the enhancement and rationalisation of the measures adopted at Branches and also led to a bilateral observatory to record trade union indications on this issue, to classify solutions adopted by the company in relation to different risk conditions, to assess their compliance with the agreements reached and formulating proposals and solutions on this subject.

Two important agreements must be noted as concerns the updating of the regulatory framework and treatment reserved to personnel: the agreement reached on 1 August 2006, which extended to the end of the year company regulations on flexi-time, part-time and mobility and that of 5 October 2006, mentioned above, which, among other things, increased the value of luncheon vouchers from 4.65 to 5.16 euros.

At local level, the continuous discussion with trade unions was guaranteed by the presence of the competent staff who directly report to the Head of Personnel Relations helping to pre-

vent, contain and overcome certain critical issues, such as for example anti-robbery security. The reorganisation of Group companies continued according to the guidelines set out by the 2003-2005 and 2005-2007 Business Plans through certain significant transactions which were discussed in detail with trade unions and led to specific agreements.

As concerns employees already seconded to Banca Intesa Private Banking, an agreement was reached, on 29 March 2006, which also provides for employment guarantees in their favour. Furthermore, to complete the integration already started with the merger in Banca Intesa of Intesa Sistemi e Servizi, the procedure provided for by the law and the national labour contract was activated with a view to the merger in Banca Intesa of Intesa E-Lab with effect as of 1 December 2006. On 12 January 2006 the agreement was signed for the re-recruitment within Group companies of 205 employees of Castello Gestione Crediti.

The last quarter of the year was mostly dedicated to preparing, with the discussion and agreement of trade unions, the merger with Sanpaolo IMI. For this purpose trade unions were informed of the decision-making steps of the process, starting from the first resolution of Banca Intesa's Board of Directors of 26 August 2006.

The agreement, signed with trade unions on 1 December 2006, to prevent employment tensions deriving from the synergies connected to the merger, grants employee access, on a voluntary basis, to the Solidarity allowance of the banking industry and the payment of a specific economic incentive to those who are eligible for retirement and intend to terminate their employment contract.

Discussions with trade unions continued towards the end of the year, also at Group companies involved in the above procedure.

Again on 1 December 2006 Banca Intesa and Sanpaolo IMI started together the trade union information procedures required by law and the national labour contract for the merger between the two companies. Subsequently a far-reaching negotiation occurred with an extensive and qualified delegation of trade unions of each bank and led to an important agreement with trade unions on 21 December 2006.

According to this agreement, before the necessary harmonisation of company contractual provisions occurs, Sanpaolo IMI personnel may benefit from the regulations in force before the merger and provides for the start of negotiations on such harmonisation, from the beginning of 2007.

Internal communication

We focused on the spreading of information and knowledge on strategic guidelines, in the clearest and most prompt manner, via both traditional and innovative instruments. To ensure that values and objectives are shared and thus foster involvement in processes, we tried to diffuse awareness of the company, which is increasingly articulated, of the various jobs which are performed within it, providing information on business areas, products and services offered.

WEB TV on demand

From 3 July 2006, the colleagues of Banca Intesa, Intesa Private Banking and Intesa Infrastrutture e Sviluppo, can use a new internal communication and training instrument which gives them the possibility of viewing informative and training clips on their PC, when desired or when free from work, favouring a motivated and conscious choice of programmes on air and solving any limitations related to the working hours of part-time or absent colleagues.

The new instrument increases the quality and quantity of information available, permits the enhancement of skills and widens knowledge of the Company on issues which interest the employee.

Furthermore, programmes provide tips, links or attachments which may help colleagues both in operations and in their need to enhance their knowledge.

In 2006 colleagues could choose from 204 informative clips referring to projects and initiatives of the company, programmes on art, on cultural sponsorships and on the non profit world; access occurred over 104,000 times.

NiUS



A particularly innovative means of communication, and namely the expression of training contents through a cartoon, was used for a far-reaching initiative called “Nius le regole del gioco – quaderni periodici in materia di Compliance”, literally Nius the rules of the game – periodic papers on Compliance. The purpose is to provide, in a simple and direct way, front-office personnel with indications on behaviour to adopt in customer relations, explaining the professional deontology. The cartoon strikes the sensibility and the imagination of employees, involving them in the topic. Promoted by the Compliance Office in the In-

ternal Auditing Department, in collaboration with the Retail Division and Training, Nius is targeted to all the employees of Gruppo Intesa Italian banks and the contents are identified on the basis of the professional roles and activities. The first number was dedicated to the rules and the cautions to apply in offering investment services and destined to colleagues of the Retail Division identified among commercial tellers. To identify the level of appreciation of the initiative, employees who are targets of each pamphlet have been invited to express their judgement through a questionnaire present in Intesa C@mpus on the company’s Intranet.

In general, training on corruption prevention involved over 5,500 employees in Italy, whereas in 2005 over 20,700 employees had benefited from this type of training initiative. In 2006 also 1,400 employees of the Group’s international banks have been trained on this issue.

Structured listening initiatives

There were numerous occasions for listening to employees: 83 focus groups were organized with the participation of 825 employees.

Furthermore, traditional meetings continued: “La vostra intervista”, “Filo diretto con”, “Marketing risponde” (Your interview, Directly in contact with, Marketing responds), achieved through the integration of Intranet and WEB TV tools, which permit the dialogue – though not in real time – between personnel and management. Every initiative is divided into two phases: listening, collection of opinions, requests for further information and questions by all colleagues through specific forms available on the Intranet; a response on TV by the CEO or by the top management of commercial functions, human resources and the Group’s various Italian banks. Such initiatives register the constant appreciation of colleagues, testified by the high number of e-mails and question forms filled in, and represent a possibility of contact which could not be more direct.

A survey was conducted to understand the various points of view and collect the suggestions of colleagues on the new layout and the reorganisation of our Intranet. Further intervention on graphics, functions and contents will stem from colleague responses.

La mia Intesa: Intranet portal for services to employees

From October 2006 a new version of the company’s Intranet is available for employees and its features are characterised by a more rational architecture, simple and intuitive graphics, the possibility of personalising the home page. The completion of the project permitted the evolu-

tion of the Intranet from a tool serving the organization to a tool serving people.

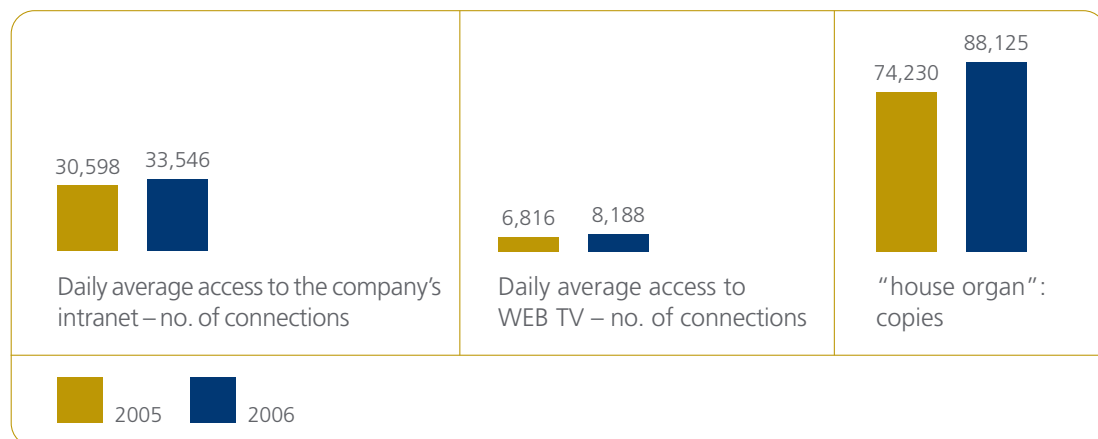
The areas, which now contain sections and links, graphically distinguish the different parts of the Intesa world making them more easily and rapidly accessible. Among the objectives of this revision is knowledge sharing on the company and on the Group, which contributes to create and consolidate corporate identity. In the achievement of the new interface, the guidelines of "Web content accessibility" – aimed at making the contents of the site available for anyone and therefore also for blind or low-sight colleagues – were also considered. Through access to a specific area, each employee may reach, in the shared environment, a dedicated section containing his/her personal data (relative to vacations, leave, business travel, income tax declaration etc.), together with professional issues, training, performance assessment sys-

tem and the links to the sites of post-work associations and health assistance.

By listening to the suggestions emerging from the survey aimed at recording user opinions, a continuous improvement process also commenced with interventions and changes which satisfy the needs expressed by colleagues in the best possible way.

The company's house organ, the Intranet portal and WEB TV, in addition to supporting all of the company's main projects achieved during the year, also spread information on initiatives of general interest, such as, for example, the joint initiative with Fondo per l'Ambiente Italiano "I luoghi del cuore", the Mediafriends Onlus initiative in favour of Onlus associations who look after children "La Fabbrica del Sorriso" and the food bank initiative "La Colletta Alimentare", turning them into a value-sharing occasion inside the company.

Internal communication



Quality of life in the company

Numerous activated initiatives are aimed at offering a more comfortable work environment, greater peace of mind and greater attention for the health and safety of employees and the possibility of balancing the needs of personal and professional life.

Assistance, pensions and incentives

At various Group companies there are addi-

tional safeguards and improvements with respect to the provisions of the law and of the National Labour Contract:

- company pension funds in favour of personnel: additional health coverage in favour of personnel in service and retired; a supplementary pension system which has been introduced alongside those originally set up by the banks which formed the Group; insurance policies for professional and non-professional accidents which cover both death and permanent disabilities; disbursements for studies of the children of employees who successful-

ly pursue their studies at high school or university level; contributions to employees with disabled children or equivalent;

- credit and financial subsidies, referring to both the interest rate applied and the type of product requested.

Starting from 2006 employees benefit from particularly advantageous terms also for the “Intesa protoggi Mutuo” product which is an insurance coverage for events (including

“death”) which do not permit the regular repayment of the residual debt.

- Banca Intesa also adopted a policy in favour of families of employees who died during service, which sets out – where the family situation requires it – an intervention by the Bank, either in money or, alternatively, the recruitment of the spouse or of a son, when the necessary conditions exist.

Such benefits are for all employees with indefinite term contracts, including part-time employees.

Contributions in favour of employees (including managers) ⁽¹⁾	2005	2006
Insurance policies (€/000)	952	1,442
Health policies (€/000)	5,487	5,482
Loyalty awards (€/000)	2,257	7,466
Disbursements to support studies of children of employees (€/000)	1,448	1,412
Cultural and recreation activities (€/000)	1,809	593
Disabled children of employees (€/000)	649	685
Total	12,602	17,080
Health policies (€/000)	27,760	26,873
Health assistance: number of assisted employees	39,325	68,160
Pension funds (€/000)	74,610	77,481
Pension funds: number of assisted employees	34,490	36,044
Credit incentives in favour of employees: number of MORTGAGES	2,629	2,537
Credit incentives in favour of employees: MORTGAGES (total disbursed €/000)	321,046	279,771
Credit incentives in favour of employees: number of LOANS	6,278	5,658
Credit incentives in favour of employees: LOANS (total disbursed €/000)	75,042	71,360

⁽¹⁾ Data relative to the Group in Italy.

Equal opportunities and the balancing of family needs

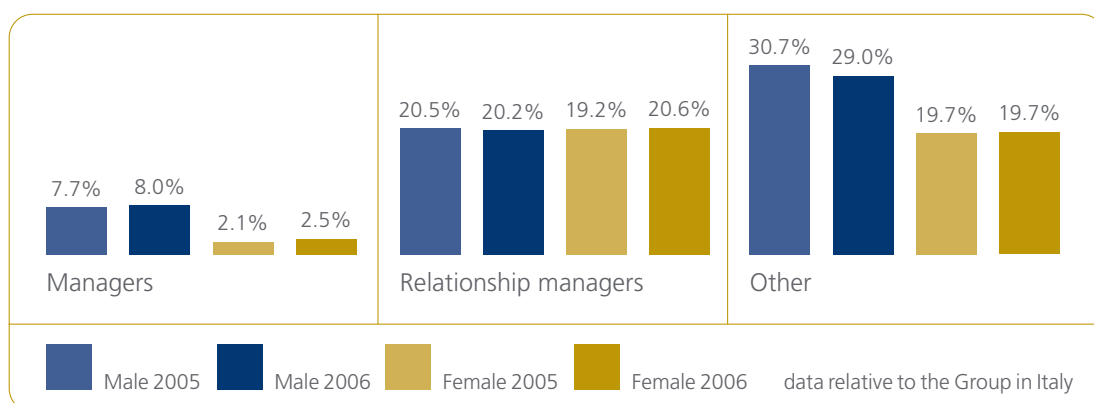
The percentage of women in management roles was 0.1% in Italy in 2006, the same as 2005. Abroad women managers were 0.9% of the total (0.7% in 2005). The percentage of women

who are attributed management roles (managers + officers with function responsibilities) increased from 2.33% of total employees in 2005 to 2.59% in 2006. Abroad women with management roles were 6.87% of the total, stable with respect to the previous year.

Equal opportunities	Italy 2005	Abroad 2005	Italy 2006	Abroad 2006
Number of female managers (Managers and Officers with Function Responsibilities)	926	948	1,046	977
Number of male and female managers (Managers and Officers with Function Responsibilities)	4,728	1,716	5,051	1,668
Female managers out of total employees	2.33%	6.87%	2.59%	6.87%
Female out of total managers	19.59%	55.24%	20.70%	58.54%

Position %	Italy 2005	Abroad 2005	Italy 2006	Abroad 2006
Managers	1.7	2.1	1.7	2.5
of which male	1.6	1.4	1.6	1.6
of which female	0.1	0.7	0.1	0.9
Officers	39.7	15.1	40.6	15.8
of which male	27.8	7.2	28.0	6.3
of which female	11.9	7.9	12.6	9.5
Clerks	57.0	80.2	55.2	80.0
of which male	29.2	18.8	28.3	20.0
of which female	27.8	61.4	26.9	60.0
Other	1.6	2.6	2.6	1.7
of which male	1.4	1.7	1.7	1.1
of which female	0.2	0.8	0.9	0.6

Breakdown of Branch staff

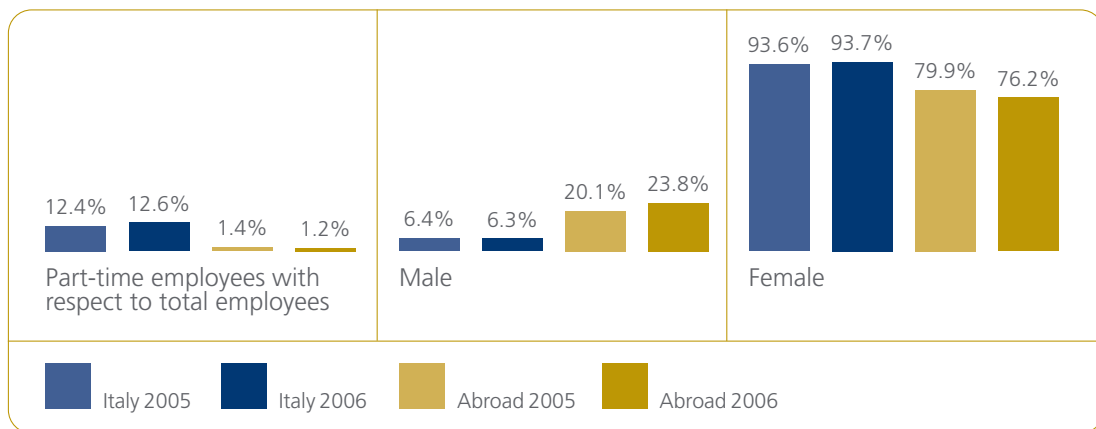


In the company there is a wide range of part-time options, for both term contracts and indefinite term contracts: horizontal (from 20 to 32.30 hours per week), vertical on a weekly basis (from 15 to 32 hours per week), mixed on a weekly basis (from 27.30 to 32.30 hours per week), or cyclic on an annual basis, which entails presence on all or certain working days of the week in certain periods of the year. For part-time workers with at least 25 weekly hours we recognize the rewards set out in the

respective career advancement plans according to the same timing as the colleagues with full-time contracts.

Part-time employees within the Group were 9.5% of the total (the same as 2005), with a net prevalence of women (93.2%) over men (6.8%). In Italy the percentage of part-time employees was 12.6% (12.4% in 2005) and the sole Parent Company recorded a 13.1% growth rate (12.7% in 2005)

Part-time



Policies which favour a better management of working hours, through a greater flexibility, such as in the lunch break have been adopted for personnel who do not work directly in contact with the public. 16,544 Group employees in Italy benefited from work hour flexibility in 2006 (16,806 in 2005).

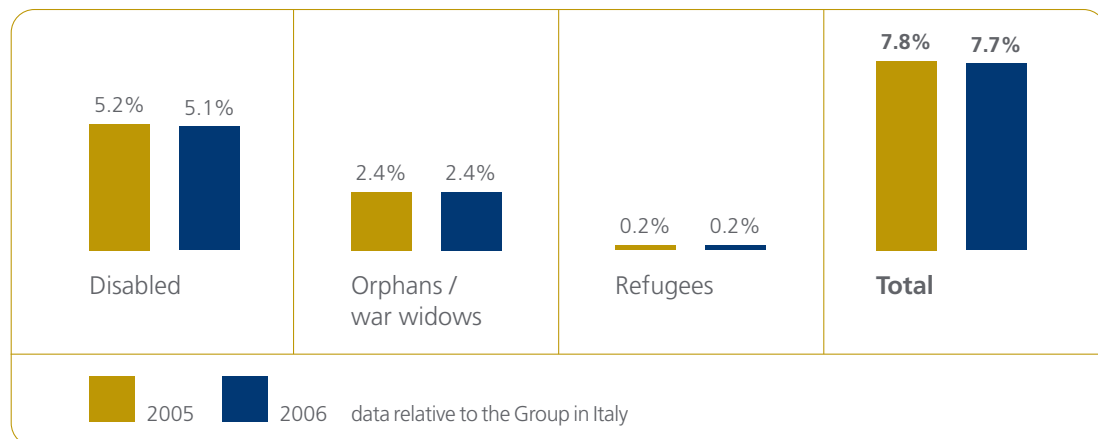
Whenever possible, diversely able people were also considered in the design and carrying out of training programmes, also via various delivery means (e-learning, CD, classroom).

Furthermore, a paper copy of the "Manual for Security in Group companies" translated into

Braille was distributed to all blind employees (approximately 130 people) and a specific IT support may be used through the dedicated workstation – with improved ergonomics – to grant these employees enhanced access to work tools.

For the same reason copies in Braille of the Code of Ethics and of the Code of Conduct are also available. Specific workstations dedicated to visually impaired staff working at switchboards, with the new IP technology installed (offering the possibility of using Internet for telephone conversations) are in their test phase.

Protected categories on Total employees



Health and safety

Also for 2006 security was at the centre of a permanent training plan which involved all people to promote the "culture of security" and the adoption of prudent behaviour towards risks which may be run daily.

3.224 training days on safety in the work environment were delivered in 2006, with a significant increase compared to the previous year (1,895).

Interactive e-learning courses⁽¹⁾ were delivered to improve the knowledge of issues related to security and supporting monitoring of risks within the Branch by the branch manager.

Furthermore, training initiatives on behaviour in case of robbery were delivered to newly-hired personnel⁽²⁾ and to Branch managers (for the latter also through classroom training).

As part of the pilot project for the *training of newly-appointed or potential Branch managers*, the "safety" module of the "Security within the branch" course was planned and delivered. The course lasted 5 days and involved 61 employees.

As concerns health and prevention:

- The agreement reached with trade unions on 3 May 2006 also provides for medical and psychological support for employees involved in a robbery, if requested by the employee. For the first implementation of the commitments made at the time, the intervention pro-

cedures and the tools to identify the presence of post-traumatic syndromes deriving from the robbery event were perfected in 2006, with the counselling of doctors, psychologists and specialists. Consequently a first test was conducted in certain branches in Turin.

Furthermore, the database relative to the health/security profiles correlated to robberies was introduced within a dedicated system (Bansic).

Robberies in Italy in 2006 were 214, down with respect to 2005 (246).

- In collaboration with the relevant doctors and with the University of Milan, a database was structured, containing anonymous and aggregate data, relating to Bank personnel under health surveillance (over 5,000 employees), aimed at epidemiologic studies relative to office workers and to health promotion initiatives.

IT health surveillance was fully activated, with the preparation of the epidemiologic report on the IT database and specific medical reports for the most significant aspects identified in the visits.

- Intervention took place to mitigate exposure to radon in 34 branches which exceeded the thresholds.

Such intervention, in addition to activating regulatory administrative processes (EQ appointments, notifications, planning and man-

⁽¹⁾ In the design of such courses the needs of the diversely able were considered and the "Manual for Security in Group companies" was translated into Braille, to distribute among all blind employees in service (130).

⁽²⁾ Specific initiatives to inform/train personnel on these issues were extended to employees hired with labour contracts provided for by Law 276/2003 who were delivered the course "Security and Health in the work environment" as part of the project on professional apprenticeship (478 people trained).

agement of intervention to reduce exposure below thresholds), included information and occasions for listening to personnel of all the branches involved with the advice of qualified experts and competent doctors.

- Air monitoring in "typical" branches was conducted, to improve environmental performance in 20 sample branches and an IT system was introduced to manage environmental monitoring conducted in the offices of the company, with figures referring to over 1,000 buildings, for the purpose of defining micro-climatic and air quality parameters.
- To improve the work conditions of disabled personnel, call centre workers and switchboard operators, systems aimed at risk assessment and relative support initiatives were identified, again in collaboration with the competent doctors and with the University of Milan. This was carried out considering the types of disability and in relation to the types of duties, work environments and jobs and preparing both organizational and ergonomic measures.
- An initiative to favour the abstention from smoking of colleagues, to protect their health

and that of their families which entails: training in collaboration with the anti-smoking centres of the ASL (local health authorities); preparation of questionnaires (using Intranet and WEB TV) to identify smokers willing to join an abstention programme; participation in counselling programmes organized by ASL or non profit associations; initial and final monitoring to measure effectiveness.

The project commenced in 2006 and a mandate was given to the Labour Clinic of the University of Milan which houses the "Centre for Prevention, Diagnosis and Therapy of Tobacco Addiction" through which the Bank may count on a team of lung specialists, labour specialists and clinical psychologists who adopt, at all times during the diagnostic and therapeutic programme, integrated treatment which considers both the biologic aspects of addiction and the psychological-behavioural aspects.

The Quality Management System implemented by the Prevention and Protection Service was verified in 2006 and complied with the requirements of the European Regulation ISO 9001 / UNI EN ISO 9001 – 2000 Edition.

Absences %	Italy 2005	Abroad 2005	Italy 2006	Abroad 2006
Breakdown of absences by motivation (% on total theoretic working days)	8.0	4.5	9.1	5.7
Disease	3.4	0.7	3.6	0.6
Injuries	0.1	0.0	0.1	0.0
Maternity	1.6	1.4	1.9	2.3
Personal and family reasons	0.6	0.0	0.8	0.0
Leave for public appointments	0.1	0.0	0.2	0.0
Leave for blood donations	0.0	0.0	0.0	0.0
Handicap (L.104/92)	0.3	0.0	0.3	0.0
Other	1.4	2.4	1.4	2.7

Total Injuries in the year	Italy 2005	Abroad 2005	Italy 2006	Abroad 2006
Inside the company	227	25	313	21
Outside the company	248	29	281	29
Total	475	54	594	50
% injuries on total employees	1.2	0.4	1.5	0.3

Shareholders

On 12 October 2006 the Boards of Directors of Banca Intesa and Sanpaolo IMI approved the merger project, after its disclosure to the market through its guidelines issued on 26 August 2006.

The merger project was then approved by the respective Shareholders' Meetings on 1 December and the merger came into effect on 1 January 2007.

This merger led to the creation of one of the leading banks in Italy and one of the top banking groups in Europe.

The Shareholders' Meeting of the incorporating company Banca Intesa held on 1 December 2006 established that Intesa Sanpaolo adopt the so-called dual corporate governance system, starting from the date in which the merger came into effect, that is, as of 1 January 2007: the adoption of this model is expected to result in a corporate governance better suited to the needs of the new corporate entity, in that it requires administration and control to be 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 appears – albeit with specific characteristics which distinguish it in the various systems – to be widely used by larger companies with a widespread shareholder base in other countries of the European Union; the Bank resulting from the merger ranks at the top of the European banking system and a choice of this kind seems only natural. In outlining the new governance, the recommendations for listed companies contained in the Code of Conduct promoted by Borsa Italiana (the Italian Stock Exchange) were also taken into account. This 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 seemed to be more capable than the traditional model of effectively meeting the need for greater transparency and reducing potential conflicts of interest.

Relations with shareholders and the financial community.

Investor Relations

In 2006 communication with the financial community focused on the strategic objectives of the 2005-2007 Business Plan (presented in July 2005) which built upon the previous 2003-2005 Business Plan, on the extent to which such objectives have been achieved, as well as on the timely reporting of company trends, encouraging the acknowledgement of the results by financial analysts, rating agencies and investors. From the end of August 2006, this communication concentrated on the merger project with Sanpaolo IMI and pursued the previous objective of enabling all stakeholders to recognise the benefits of the operation, through the various channels available.

Clear and timely information illustrated the rationale and the reasons for which the merger between Sanpaolo IMI and Banca Intesa represents a unique opportunity for value creation for shareholders, access to products and services on more competitive terms for customers, professional enhancement for employees and for boosting the growth of society and the environment. Concrete attention to the country is shown by the initiatives which encourage the development of infrastructures, of business projects of Italian companies and initiatives aimed at further developing the already-high attention to the specific needs of all sectors of the population and society and the promotion of financial integration (immigrants, young people, third sector, etc.) reiterating the commitment to the protection of the environment and to the strengthening of sustainable development in the local communities.

Also in 2006, to guarantee equal access to all shareholders and stakeholders, information was made available in a timely, easy and inexpensive manner through a wide variety of channels: for example, Internet, conference calls

with a toll-free number, brochures, letters to shareholders, free mailing of annual reports upon request through the Bank website. In compliance with international best practices, we had periodical meetings and conferences (both conference calls and webcasts) with the Italian and international financial community for the

purpose of strengthening long-lasting and continuous relations which contribute to the creation of sustainable value over time. To this aim, "perception" analyses were also conducted with financial analysts and institutional investors, enabling us to recognise their opinions-needs-expectations.

Communications	2006
Institutional presentations	80
Financial communiqués released	184
Road shows	20
– Europe	16
– United States	4
Meetings with investors and analysts	200
Requests dealt with	12,000

The recommendations of the approximately 30 financial analysts that cover Banca Intesa recorded a significant improvement starting

from the presentation of the 2003-2005 Business Plan to the end of 2006

Recommendation	December 2002	December 2006
Buy	38%	67%
Hold	28%	27%
Sell	34%	6%

The ratings of Banca Intesa's debt at the end of 2006 highlighted upgradings from the end of

2005 by the three rating agencies Moody's, Fitch and Standard & Poor's.

Moody's

upgraded both the long-term debt rating (from **A1** to **Aa3**) and financial strength (from **B-** to **B**)

Fitch

raised Banca Intesa's long-term debt rating (from **A+** to **AA-**) and the short-term debt rating (from **F1** to **F1+**)

Standard & Poor's

upgraded the long-term debt rating (from **A+** to **AA-**) and short-term debt rating (from **A-1** to **A1+**).

After the merger with Sanpaolo IMI came into effect on 1 January 2007, Intesa Sanpaolo registered the upgrade of the Support Rating by Fitch from 2 to 1 and all of Banca Intesa's other ratings were confirmed.

As regards investors, the quotation of Banca Intesa's ordinary shares almost quadrupled from

12 November 2002 – date of the presentation of the first quarterly results subsequent to the launch of the 2003-2005 Business Plan – to 31 December 2006 and the capitalisation of Banca Intesa, including saving shares, increased by approximately 30 billion euro (from approximately 11 to approximately 40 billion euro).

Banca Intesa ordinary shares quotation and banking index



Media relations

The definition and management of the Group's communications with the media and Italian and foreign opinion makers is conducted by the Media Relations Office. Its main objective is to inform all stakeholders with regard to initiatives of strategic and operating importance for the Group and to develop an extremely transparent relationship with the financial community and with public opinion, both at home and abroad. Communiqués are aimed at providing information in a timely, detailed and transparent fashion on:

- the new values of corporate identity and our role in providing support to the development of the country;
- the Business Plans;
- the presentation of the quarterly/half-yearly/annual results;
- the launch of new products/services of particular relevance for all stakeholders;
- the development of particularly important cultural or social initiatives.

To ensure utmost transparency with all stakeholders, all of the Group's strategic information is promptly made available via the daily-updated dedicated section of the Group's website.

Communications	as at 31/12/2005	as at 31/12/2006
Press releases	462	633
Press conferences	109	119
Presentation of products and initiatives	82	69

Research and relations with the world of finance

The independence and reputation of research are fundamental values for the correct functioning of financial markets and for the preservation of investor trust. For this reason we are committed to ensuring that our economists and financial analysts express independent judgments and, with regard to our external research, we have prepared templates to protect investors, on governance and conflicts of interest. The solution adopted in the organisation sets out the formation of a single research structure, the Research Department, independent and autonomous from the business units.

Moreover, the activity of financial analysts is submitted to the control of the Compliance Office, which constantly verifies the respect for correctness and transparency criteria in investment recommendations and the reporting of any specific interest and/or conflicts of interest. Internal regulations were also introduced in 2006 which discipline the principles and rules of behaviour to which the activity of financial analysts should conform, in the light of regula-

tions drawn up at European level. In-depth knowledge of economic and financial phenomena, of the corporate, industrial and local situations in which we operate is fundamental for understanding the main trends of the reference markets, identifying their growth potential and contributing to orient Group activities. Our research is also aimed at promoting public initiatives with the objective of stimulating the debate on economic and financial issues and, where possible, to offer suggestions to the relevant authorities. To this end we rely on the extensive knowledge that derives from our activity and on the experience of our employees; we participate in the economic and financial debate, both national and international, via in-house studies and research which we distribute to the public and the financial community.

Our studies and research are made available through a distribution segmented on the basis of the contents of each publication and of the needs of potential readers: corporate and institutional customers, the Bank and Group units, the general public. Publications are circulated through a plurality of channels: electronic and traditional mail, targeted mailing lists, the most extensive of which contains 2,450 addresses;

the Group's website, in which a selection of our vast production of studies is available; Group companies' websites through access reserved to institutional customers. Single publications are made available upon specific request.

In the last few years we promoted initiatives aimed at increasing the awareness of public opinion and economic operators on the role of factors such as research, innovation, marketing, ICT, human capital in the development of competitiveness not only of large companies, but also of SMEs.

Relations with category associations, other associations and research centres represent an opportunity to exchange views that are fundamental for Group development. For this reason we back and promote external analysis and research initiatives by providing direct collaboration and supplying economic support.

Conferences organised by Banca Intesa in 2006

66° Rapporto Analisi dei Settori Industriali (66th Report on Italian Industrial Sectors)

– Italian industry in 2010
Milan, 11 May 2006

Crescita del Paese, Sviluppo Locale, Competitività (Country Growth, Local Development, Competitiveness)

Rome, 19 October 2006

68° Rapporto Analisi dei Settori Industriali

– Una fase di ripresa per affrontare i problemi di sempre

(68th Report on Italian Industrial Sectors)

– Exploiting the recovery to tackle long-lasting problems)

Milan, 16 November 2006

Nuovi Percorsi Strategici per competere nel Mercato Globale

(New Strategies to compete in the Global Market)

Conference organised in collaboration with Pambianco

– Strategie di Impresa

Milan, 7 November 2006

Il Settore Alberghiero Italiano: rilancio verso nuovi modelli di business

(The Italian Hotel Sector: re-launch towards new business models)

Conference organised in collaboration with Touring Club Italiano

Milan, 24 November 2006

Stock market indices

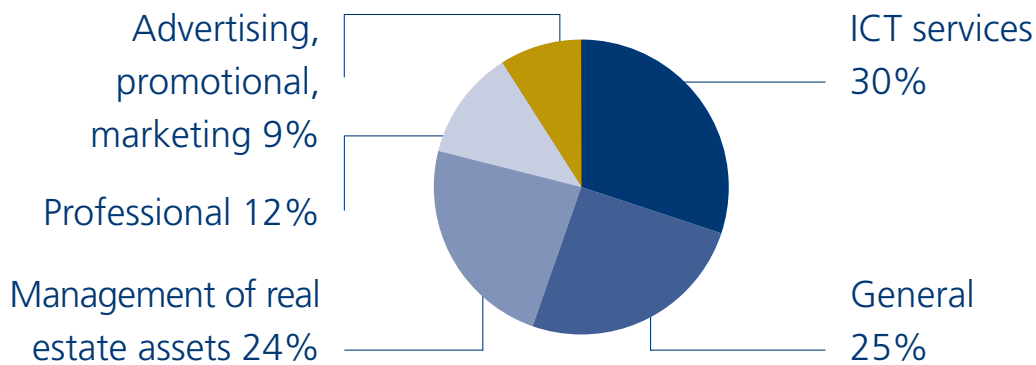
Every day we publish a series of stock market indices which have a long tradition –the most well-known index, called Comit Global, was launched in 1972 – and represent a reference point for investors and the financial community. Currently 28 Italian equity mutual funds use them as benchmarks. In June 2006 a new series of indices was launched, intended to be used especially as benchmarks by Mutual Funds, devised to respect the concentration limits (so-called 10/40) of the UCITS III Directive. Currently 31 stock market indices are calculated and published.

Suppliers

In 2006 supply costs totalled approximately 1.79 billion euros. The parent company

alone did business with more than 6,300 suppliers.

Breakdown of administrative expenses 2006



The procurement policies that we implement towards suppliers give preference to quality, reliable service and innovation, criteria which are consistent with choices based on the best market conditions and economies of scale. Our supplier selection process features transparency

and equal opportunity access. In order to stimulate competitiveness and quality, we not only develop relationships with secondary businesses but also, when possible, favour local business development.

STATED COMMITMENTS	WHAT WAS DONE IN 2006
<ul style="list-style-type: none"> – Improved supplier qualification process on our Internet portal. – Progressive introduction of a rating for the selection of suppliers based on the possession of quality and environmental certifications. – Strengthened relationships with our suppliers based on dialogue to encourage mutual quality relations for example through supplier satisfaction surveys 	<ul style="list-style-type: none"> – In addition to acceptance of Banca Intesa's general supply conditions, the request to share the principles set out in our Code of Ethics was introduced. – A special section was activated on the Internet portal so that suppliers could describe their own Social and Environment Responsibility activities on the registration form. – In 2006 the purchasing and stakeholder relations decision-making centres were reviewed within the organisational structure. A supplier satisfaction survey process was started in 2007.

The e-procurement of stationery materials

In order to make every individual more responsible for his/her own consumption, as early as 2003 an e-procurement process was started. This model is a more sustainable form of consumption because it eliminates warehouses and excessive stocks of materials. In 2006 this initiative was extended throughout the Group, thus contributing to a more widespread adoption of sustainable purchasing practices.

Four major categories of materials are managed thanks to e-procurement: printed matter, stationery, IT media, cheque books and savings deposit books. The progress made so far was also thanks to the collaboration of suppliers. Moreover, it involved a cultural investment fostering greater awareness amongst our people regarding the management of resources and waste reduction.

Transparency in procurement processes and supplier selection

Our attention in introducing innovation in procurement processes enabled us to make the as-

essment criteria we use for offers even clearer. Starting from 2003 we experimented with good results an e-Sourcing portal which offers traceability and full functional coverage of the negotiation process in all its phases: from supplier selection to the organisation of the negotiation process; from publication of the procurement list to the invitation to participants; from collection and analysis of offers to the automatic preparation of reports and end-of-tender reports.

Companies wishing to become potential Banca Intesa suppliers and participate in the negotiation process must first register with the system through our website home page. Accepted candidate companies receive system access keys that allow them to submit their own offers. In 2006, 112 on-line tenders were carried out, with approximately 1,300 suppliers invited to participate.

The Internet portal supplier qualification process was further developed during the year. Sign-up functions were extended and improved and the registration procedure not only requires acceptance of the Bank's general supply conditions but also requires compliance with the principles laid out in the Code of Ethics and in Legislative Decree 231/2001. Behaviour contrary to these principles may lead to the cancellation of the contract. In addition, a dedicated questionnaire, entitled "Supplier Social Responsibility Policies", was added, allowing the suppliers to

list their own socially responsible practices.

To ensure that our suppliers were thoroughly and consistently informed of the publication of the Code of Ethics and other Social Responsibility documents on the Bank's website, a letter was sent to them in October 2006 inviting them to respect these principles and to fill in the Social Responsibility Questionnaire when registering through the e-Sourcing Portal.

We are now assessing a "supplier qualification rating" that will both direct our purchasing of goods and services towards firms with ever-increasing profiles and raise awareness of sustainable behaviour.

Supplier relations

With the aim of establishing a relationship based on ever-increasing quality and trust, in 2006 we started an initial analysis of supplier satisfaction levels, especially in terms of respecting conditions and terms of payment. Various critical points were identified and analysed and the corrections and steps to be taken are now being studied. There were 18 formal complaints submitted by suppliers to the parent company in 2006 and 13 of these had been dealt with by the end of the year.

Relations with the Environment

STATED COMMITMENTS	WHAT WAS DONE IN 2006
<p>Guidelines</p> <ul style="list-style-type: none"> – Development of internal Guidelines dedicated to environmental management. 	<ul style="list-style-type: none"> – In July 2006, the Social Responsibility Guidelines were published, including steps to be taken to care for the environment. This translates into the conscious management of impacts deriving from the Bank's activities (direct impacts) and from those of customers and suppliers (indirect impacts).
<p>DIRECT IMPACTS</p> <p>Energy Use</p> <p><i>Energy consumption</i></p> <ul style="list-style-type: none"> – Progressive extension of the transformation of gas oil thermal power plants. – Creation of a system of remote-controlled heating/cooling plants. <p><i>Energy: learning to save</i></p> <ul style="list-style-type: none"> – Raising awareness of the sustainable use of electric energy in the work environment by distributing ABI Energia's "Save the environment with a click" guide. <p>Use of eco-compatible products</p> <ul style="list-style-type: none"> – Extension of the use of Ecolabel paper to a wider range of products. <p>Mobility management</p> <ul style="list-style-type: none"> – Project to optimise employee commuting times. 	<ul style="list-style-type: none"> – We continued to substitute gas oil thermal power plants with methane gas power plants in accordance with the 2005 plan. – The testing of a sample group of branches was completed. – We are implementing the project promoted by ABI Energia, the consortium for the optimisation of bank energy spending. – Ecolabel paper was used for our stationery and feasibility studies were carried out for new products. – The project started in 2006, involving the Milan area and its province. A Mobility Manager was appointed and two campaigns promoted by the Province of Milan were directed at colleagues living in the area.

STATED COMMITMENTS	WHAT WAS DONE IN 2006
<p>INDIRECT IMPACTS Adoption of the instruments provided for by international protocols</p> <ul style="list-style-type: none"> – Adoption of international protocols that define conduct criteria in the relationship between financial institutions and the environment. <p>Adoption of the instruments provided for by the Kyoto Protocol</p> <ul style="list-style-type: none"> – Participation in the Italian Carbon Fund, a fiduciary fund managed by the World Bank within Carbon Finance. <p>Product Development</p> <ul style="list-style-type: none"> – Expansion of our product range in the field of environmental sustainability. 	<ul style="list-style-type: none"> – We adopted the following protocols and international initiatives: <ul style="list-style-type: none"> – Equator Principles, which set out a common reference framework for international project finance. – UNEP FI, the UN environmental programme which sets out the development and promotion of relations between the environment, sustainability and financial performance. – Global Compact of the United Nations which, among other principles, sets out the promotion of environmental sustainability. – Following the bank merger, we started reformulating the internal policies that will constitute the reference framework for the various steps to be taken. The environmental policy issued at the beginning of 2007 includes the opportunity to participate in one of the funds promoted by the World Bank to contribute to the battle against climate change. – New products were launched for families and SME's.

Banca Intesa's commitment to the environment

To a financial institution, having responsible business practices means not only producing profits but also paying constant attention to the social and environmental consequences of the investments made and of the financing granted to private individuals, institutions and enterprises. The role we want to play is that of a leader in the implementation of responsible growth by managing our choices in a conscientious manner and integrating environmental sustainability criteria into our policies. One of the first actions taken by the new Bank was that of adopting an Environmental Policy to make this commitment a reality.

The environment is a "stakeholder" without a voice but it embodies a significant number of interests connected to a wide range of banking activities. Caring for it takes the form of prudent management of environmental impacts, whether associated with the daily business activities inherent in a broad corporate branch structure or with those arising from the behaviour of other players it interacts with – namely clients and suppliers. In 2006 we adopted the UNEP Finance Initiative – the Environmental Programme of the United Nations for financial institutions – in addition to the principles of the UN's Global Compact and the Equator Principles, which aim to assess and reduce the social and environmental impact of large projects funded through international project finance.

UNEP FI PRINCIPLES	OUR COMMITMENT
<p><i>1. Commitment to sustainable development</i></p> <ul style="list-style-type: none"> – 1.1 “We regard sustainable development as a fundamental aspect of sound business management.” – 1.3 “We regard the financial services sector as an important contributor towards sustainable development, in association with other economic sectors.” <p><i>2. Environmental Management and financial institutions</i></p> <ul style="list-style-type: none"> – 2.1 “We support the precautionary approach to environmental management, which strives to anticipate and prevent potential environmental degradation.” – 2.7 “We encourage the financial services sector to develop products and services which will promote environmental protection.” <p><i>3. Public awareness and communication</i></p> <ul style="list-style-type: none"> – 3.1 “We recommend that financial institutions develop and publish a statement of their environmental policy and periodically report on the steps they have taken to integrate consideration for the environment into their operations.” – 3.3 “We will foster openness and dialogue relating to environmental matters with relevant audiences, including shareholders, employees, customers, governments, and the public.” 	<ul style="list-style-type: none"> – Sustainable development is at the heart of the Group’s growth strategy. Sustainability is one of the corporate values outlined in the Code of Ethics and expressed in detail in the Business Plan. – We are inspired by a business strategy that also implies supporting the development of the nation, not only in economic but also in social and environmental terms. – The Social and Environmental Responsibility Guidelines define the two principle ways the bank interacts with the environment: direct and indirect impacts. In terms of the former, the bank is committed to addressing the environmental issues related to the consumption of resources. In terms of the latter, it will contribute to making positive processes and behaviours more widespread, both through the financing it grants to customers and through the purchase of goods and services from its suppliers. – The Group has adopted the Equator Principles – guidelines drawn up at an international level to assess, manage and monitor potential environmental and social risks related to project finance. – Participation in UNEP FI Regional Activities and issue-based Task forces is one of the tools for promoting and encouraging the adoption of best practices at other financial institutions. – Participation in ABI Energia allows us to contribute towards having a positive, encouraging influence on members of the national banking sector when it comes to developing sustainable environmental behaviours. – The Social and Environmental Report gives an account of the Bank’s environmental performance in doing its business; access to the environmental policy is available externally through the Group’s Internet site and internally through the Intranet portal. The Carbon Disclosure Project is the means to communicate the financial implications, risks, opportunities and strategies related to climate change (www.cdproject.net). – We plan to spread the culture of environmental respect to all the main categories of stakeholders.

Direct environmental impacts

Direct environmental impacts are those the Bank produces through its daily operations and they involve the consumption of resources, the transportation of people and goods, the production of waste in its various forms and the emission of toxic substances.

In this field we pursue a consumption rationalisation policy for the progressive improvement of our "environmental footprint." Early in 2007 the Environmental Management System that had already been implemented at Sanpaolo IMI was extended to the new Group. This was a significant step towards making the commitments in our Environmental Policy a reality.

Energy use

Energy Manager

The role of the Energy Manager is to guarantee the handling of the Group's energy policy and therefore also to draw up the corporate energy report.

This involves identifying and promoting proposals that aim to rationalise energy consumption and reduce polluting emissions. These proposals range from the optimisation of systems to the minimising of final uses of energy (lighting, computers, etc.), from monitoring consumption to training and raising awareness among staff, from introducing products with lesser environmental impact (e.g. eco-friendly paper) to studying new technological solutions and the progressive procurement of energy from renewable sources.

Rational energy use

In 2006 we continued the experimental stage of monitoring the energy consumption of each operational unit. This was useful in highlighting any consumption or operational anomalies in systems and providing exact data to estimate energy requirements and any energy optimisation that may be implemented.

As part of our strategy to safeguard the environ-

ment, we continued the process of substituting gas oil thermal power plants with methane gas power plants or heat pumps, enabling us to reduce the emission of polluting substances into the atmosphere – in addition to obtaining the economic advantages deriving from the reduction of operating costs.

We completed the testing of a system for the remote control of heating/cooling systems on a sample group of branches in Lombardy. This service is a valid means to monitor and control contractual performance and an effective tool for the technical and cost-effective optimisation of building systems management. We will assess the possibility of extending it to similar systems.

Cogeneration

One initiative aimed at the efficient use of energy was the building in Parma of a new cogeneration plant run on methane, capable of producing electric energy (1,800 kW) and recovering thermal energy (2,070 kW). The plant has an energy-saving system which enables it to use the heat produced in the electrical energy generation cycle for both heating the premises in winter and for producing a cooling effect in summer. This ensures a reduction in negative emissions and eases the impact on national energy use.

Energy from renewable sources

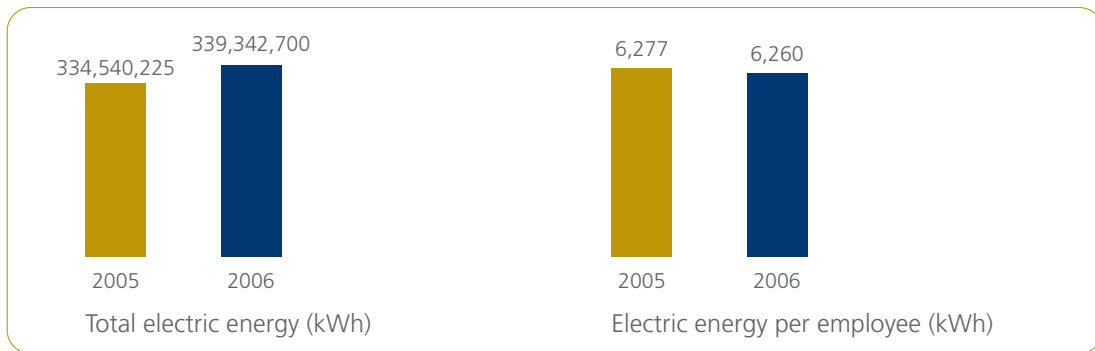
With a view to the progressive procurement of energy from renewable sources, on 1 April 2007 we chose Consorzio Idroelettrica for the supply of hydroelectric energy within Italy.

Some foreign banks have taken steps to reduce the use of energy from fossil fuels.

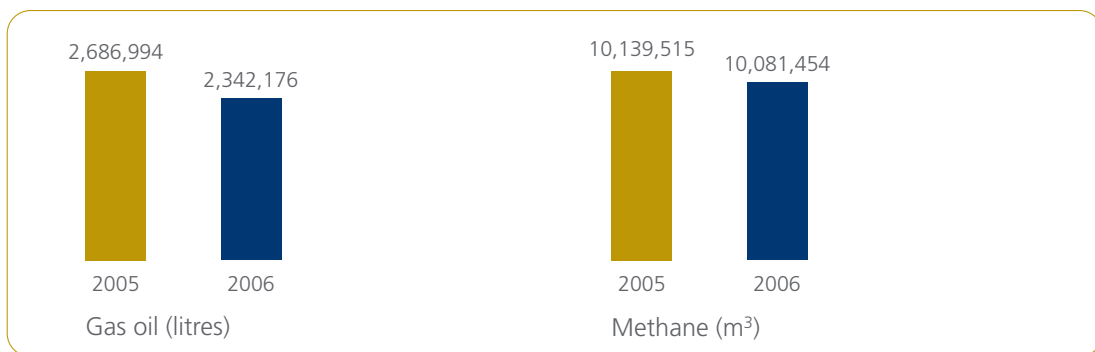
The Banca di Trento e Bolzano uses hydroelectric energy for more than 90% of its consumption; moreover, in order to reduce the use of air-conditioning systems, it has installed solar film on its external windows, thereby reducing the greenhouse effect and achieve greater energy savings.

A pilot project to install solar-powered systems has been started at the main offices of the Central European International Bank in Hungary.

Data on Energy Consumption



Energy consumption per source (thermal energy)



ABI Energia

In 2004 our Group was already a member of the ABI Energia consortium, which is a reference point for the banking system in terms of initiatives aimed at optimising energy efficiency. It was set up in order to offer the banking system its own specific know-how in the energy field and to increase familiarity with it by analysing both the competitive advantages and the operational risks involved. The Consortium's goals are to reduce procurement costs, operational risks in energy use, consumption and consequent environmental impact.

In addition to the agreements signed with energy suppliers in the private sector, ABI Energia dialogues with Institutions, Universities and Re-

search Centres to share knowledge and identify best practices in the field of energy management.

ABI Energia Assessment

As part of the activities deriving from its mission, the Consortium started assessment processes to rationalise energy/environment issues within the banking sector.

In July 2006 we participated in the first detailed examination of these issues, called "Correct environmental management in the bank." The ten participating banks provided a series of answers on a questionnaire, which was then analysed by ABI. At the end of the study each bank received a portrait of its own status for each of the vari-

ables considered and for each of these it was given an estimate of its ranking on an ideal scale of reference and in relation to the other participating banks.

Careful study and later control of the various aspects that did not receive high ranking led us to set objectives for improvement in our energy management and use.

Climate change

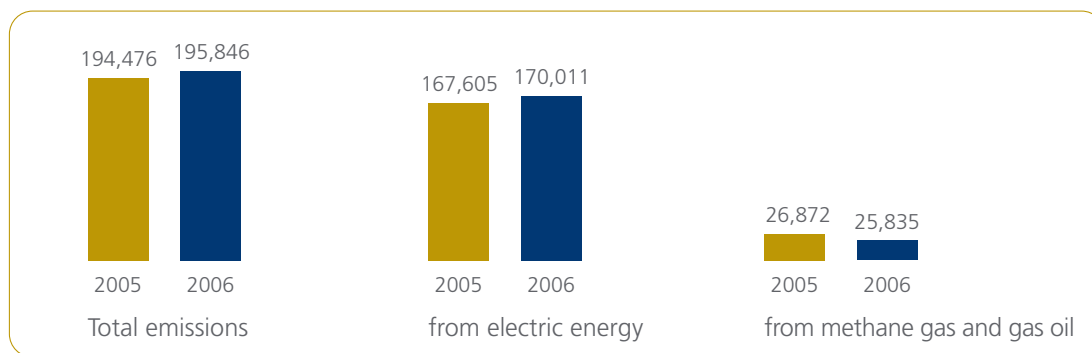
European Union energy policies regarding climate seek to address the challenges created by climate change linked to the use of energy sources of fossil origin. In particular, they set goals for the stabilisation of greenhouse gas concentrations in order to reduce the damage that is manifesting itself in increasingly evident forms throughout the world. They promote in-

tervention on both national and international levels to reach these objectives.

Carbon dioxide emissions are primarily produced by the use of energy for running business operations and for the transportation of people for service reasons. The Group plans to reduce the amount of emissions generated through the following steps:

- introducing heat pumps at operational sites wherever possible;
- the use, at accounting centres, of systems to recover the heat produced by electronic processors and of cogeneration systems (e.g. the Parma plant);
- commitment to the use of hydroelectric energy in 2007;
- starting-up of the Mobility Management project and by setting itself the goal of reducing emissions through constant monitoring, which will be further implemented during the year 2007.

CO₂ Emissions (t)⁽¹⁾



⁽¹⁾ The values, expressed in tons, were calculated using the new transformation coefficients for calculating emissions as proposed by ABI Energia for 2006. The calculation of emissions correlated with the production of network electric energy (indirect emissions) was carried out using a transformation coefficient of 0.501 instead of 0.6, in consideration of the progressive modernisation of power plants.

Mobility management



The increase in private traffic in urban areas has negative consequences, including a serious impact on people's health and the state of the environment, as well as of course making it increasingly difficult to travel, especially in and around cities. Last but not least, the economy is also negatively affected by traffic congestion. Both companies and individual citizens can meet the challenge of managing mobility in a sustainable manner, reducing air pollution and improving the quality of life.

In conjunction with the Province of Milan we started the Mobility Management project and so participated in the "Coordinamento intercomunale d'area sulla mobilità sostenibile" (Inter-municipal Area Coordination for Sustainable Mobility), a project which, at this primary stage, involved the City of Milan and its province; a Mobility Manager has been specifically appointed.

In order to draw up the "Piano Spostamenti Casa e Lavoro" (PSCL, or Home & Work Commuting Plan), which is one of the duties of the Mobility Manager and will be prepared on an annual basis, a questionnaire on mobility was answered by 4,414 employees, out of a total of 11,063 (or more than 40%). The findings are now being analysed.

In order to raise adequate awareness of the is-

sue, a special campaign was introduced, through a dedicated section of the corporate Intranet and our House Organ.

Thanks to the collaboration of the Province of Milan, we promoted two incentive campaigns in favour of employees. "Gàsati" involved the conversion of petroleum-run vehicles to LP gas or methane. The "www.per la spesa non ti sposti più" (or www.no travelling to shop) campaign provided the opportunity to do one's shopping online through two main service suppliers with a significant discount on delivery charges. Over 500 colleagues took part.

Finally, in 2006 we participated in the Public Announcements of the Province of Milan regarding the financing of improved shuttle services between corporate offices that are not easy to reach by public transport and of the implementation of the Intranet section to raise staff consciousness on mobility issues.

Integrated logistics

As early as 2003 we started an integrated logistics project with the goal of rationalising the delivery of stationery items, internal correspondence and files to be archived and of optimising travel planning and the movements of motor vehicles. The project not only aims to reduce waste and optimise costs but also to decrease environmental impact.

Water

Water usage is mainly limited to personal use and, where necessary, to the functioning of cooling devices in technological systems. In this

respect, we are attempting to rationalise the use of water resources by gradually replacing older machines that use water with ones that use air for their cooling systems.

Measuring consumption	2005	2006
Water (m ³)	2,177,446	2,292,805
Water (m ³ per employee)	44	46

Waste treatment

In 2002 we commenced the differentiated collection of paper, plastic and special wastes, introducing differentiated containers for each

type of waste in work environments. IT material (PCs, obsolete electric and electronic appliances, printers and toner cartridges) is disposed of by accredited companies for their reuse/recovery.

Disposal for the recovery of refuse (kg) ⁽¹⁾	2005	2006
Out of use (obsolete) devices	263,366	514,658
Out of use electronic material	89,994	167,585
Non-dangerous removed components	0	6,006
Gases in pressurized containers (including Halon) containing dangerous substances	0	1,619
Accumulators	2,070	1,252
Dangerous toner	1,463	860
Solvents	300	0
PCB accumulators	2,410	0
Infirmity waste	84	66
Plastic packaging	14,059	22,424

The Croatian bank Privredna Banka Zagreb also effects the sorting and separating of various types of waste produced in daily activities in order to send them to be recycled. These products include printer cartridges, paper, plastic bottles and so on. Proceeds from the sale of paper and cardboard waste are donated to the humanitarian cause of de-mining in Croatia, while those from plastic waste are donated to the project for restoring Zagreb Cathedral.

Use of eco-compatible products

In a company such as ours, the main item of

consumption is paper. We are committed to a progressive reduction in paper consumption by trying to promote an integrated approach. For instance, we are optimising the development of IT supports in internal communications and increasing the use of ecological paper, meaning both recycled paper and the kind made with a low environmental impact.

At the end of 2004 we commenced the “eco-compatible consumption products” project which sets out the progressive substitution of the convertible forms now in use with products certified by “Ecolabel” – the EU logo which characterises the products that respect the environmental quality criteria defined by the European Commission. The initial stage involved the production of Econote, the note-pad made of 100% recycled paper with the Ecolabel brand.

Paper consumption in Kg	2005	2006
Bank total	6,147,049	5,753,877
Per employee	114	105

⁽¹⁾ Figures refer to the Parent Company only.

Banca Intesa: recycled paper consumption	2005	2006
Recycled paper (Kg)	119,272	124,473
Recycled paper/Total (%)	2.96	3.38

Indirect environmental impacts

Indirect impacts are correlated with the Bank's own activities but generated by the behaviours of the customers it finances and by its suppliers through the process of purchasing goods and services or through specific investments. The Bank can contribute to reducing the "ecological footprint" of its counterparts by starting policies that reward initiatives, processes and positive behaviours regarding environmental sustainability.

and they ensure that the works financed, especially those having the greatest environmental impacts, meet the requirements of sustainability as regards, for instance, the safeguarding of human health and safety, working conditions, the protection of cultural heritage and biodiversity, socio-economic impacts on local communities, and the prevention and reduction of pollution.

Adoption of the equator principles



In July 2006 the Group adopted the Equator Principles, voluntary guidelines for directing international project finance activities with a view to minimising environmental and social risk.

The principles are based on the environmental and social standards of the International Finance Corporation (IFC), which is the part of the World Bank that handles private investment in developing countries. The principles stem from an awareness of the burden of responsibility that underlies the choice of which projects to finance and the opportunity to promote greater respect for the environment and social responsibility.

The Equator Principles are applied to transactions with a value of 10 million dollars and up

Adoption of the instruments provided for by the Kyoto Protocol



The environmental obligations of the Kyoto Protocol will become legally binding as from 2008. Various industrial sectors are therefore obliged to respect carbon dioxide emission levels, either by reducing them or by purchasing them if a reduction is not possible.

In order to make it easier for client firms to meet the required commitments, including the use of market instruments, we have developed operational relations with institutional bodies that have been set up to structure and defend markets for the environment, especially markets created to promote the reduction of carbon dioxide emissions. These measures include incentives based on price mechanisms.

Environmental innovation: an opportunity for individuals and enterprises



Protecting the environment and preserving resources require a commitment from both private citizens and commercial enterprises. Consequently, we have created new products and are encouraging new projects in sectors producing energy from renewable sources.

We have developed "Intesa Energia Pulita" (Intesa Clean Energy) for families. This is a new line of products offering loans at advantageous conditions to encourage the use of alternative energy sources such as photovoltaic systems and the purchase of "sustainable" vehicles such as hybrid cars.

For enterprises, which account for a third of national energy consumption, we have created a new product in the "IntesaNova" line, which is dedicated to energy. It grants unsecured financing up to 100% of the investment cost and the opportunity to postpone repayment up to a maximum of 10 years. A main feature of this programme is the presence, alongside the Bank, of scientific partners that will define and verify the proposed system's qualitative design standards and estimate its energy yield. This proposal offers an integrated package of services: the

assistance of certified partners during the design and installation of the systems; systems and materials provided by the best suppliers on the market; consultancy to achieve the best incentive rates; access to a competitive insurance policy to cover direct (system damage) and indirect risks (non-receipt of the incentive rate).

Enterprises have also been the recipients of Intesa Leasing contracts providing the financing for two hydroelectric plants having a total value of 10.5 million euro and for a wind farm with low environmental impact worth 47 million euro. Intesa Leasing has also encouraged energy savings by financing cogeneration plants. In 2006, 5 leasing contracts worth 4 million euro were drawn up and another contract, worth 3.1 million euros and signed in 2005, was completed.

In 2007 we shall formalise and start promoting Leasenergy, a product for the financing of plants producing energy from hydroelectric, geothermal, wind, biomass, photovoltaic and solar cell sources. In addition to the usual advantage of a leasing arrangement, Leasenergy will make it possible to gain access to the incentives foreseen by "Conto Energia".



The Croatian bank Privredna Banka Zagreb has issued a policy introducing criteria for the assessment of environmental risks when granting credit. This is carried out using a questionnaire that classifies the environmental risk associated with the project based on the business sector and potential impacts.

Relations with the Community

One of the features of our work is the attention we pay to the projects and expectations of the people, companies and entities that work for the development of the community in which we operate. We not only want to contribute to their financial growth but also promote the social and cultural aspects that make a nation great.

Our projects have been in partnership with third sector organisations to foster social cohesion and we have given support to initiatives of broad humanitarian importance and to the development of cultural policies that produce value and utility in the community. These have been the main directions we have taken to continue the achievements of past years.

STATED COMMITMENTS	WHAT WAS DONE IN 2006
<p>Synergies with the third sector</p> <ul style="list-style-type: none"> – <i>PAN Project</i>: consolidating existing initiatives, building 500 PAN nursery schools by 2007. – <i>Project Malawi</i>: activating fundraising mechanisms to guarantee its sustainability in the future. – Developing projects to foster access to credit for social enterprises and support their activities in the field of welfare and international cooperation services. 	<ul style="list-style-type: none"> – New PAN structures for children were opened; repayment plans are being respected by the enterprises concerned. – Fund-raising campaigns have been started, in addition to new initiatives to support activities now underway. – New projects have been started to set up social enterprise networks to assist underprivileged categories and others (“Dopo di Noi” for the disabled, Confidi for social enterprises, sports activities, fair trade, social tourism) and to develop forms of complementary welfare. – Contacts have been made with foreign banks in the Intesa Sanpaolo Group to assist in the transfer of some social projects.
<p>Liberal donations</p> <ul style="list-style-type: none"> – Developing international solidarity interventions. – Supporting Italian research, especially in the social and health fields, for projects aimed at improving the quality of life and competitiveness of our country. 	<ul style="list-style-type: none"> – In addition to Project Malawi we made a significant contribution to promoting welfare assistance activities and to the building of pilot hospital structures in Mali and in other African states. – We began a plan to provide significant support over the 2006-2010 period to “Nuove Unità di Ricerca per Giovani” (New Research Units for Youth), created by the Italian Association for Cancer Research. In total, donations to charity, health research and scholarships nearly doubled from 2005 to 2006.

STATED COMMITMENTS	WHAT WAS DONE IN 2006
<p>Liberal donations</p> <ul style="list-style-type: none"> – Participating in the fight against social exclusion. – Supporting families for the protection and growth of infancy and younger generations and supporting the elderly in difficulty. 	<ul style="list-style-type: none"> – We strengthened our support for charity initiatives throughout the country. The increase in such amounts was approximately 15% in 2006. In particular, contributions to the “Fondazione Banco Alimentare” (National Food Bank) increased to have a more effective transportation and storage plan for the foodstuffs collected for the needy. – We considerably increased the amount of liberal donations to projects by helping families and public administration initiatives (municipalities, schools, etc.).
<p>Sponsorships</p> <ul style="list-style-type: none"> – Developing and supporting initiatives in cultural, research and social areas. 	<ul style="list-style-type: none"> – We confirmed our support for initiatives in the identified areas.
<p>Cultural heritage</p> <ul style="list-style-type: none"> – Transferring Caravaggio’s last painting, the Martyrdom of Saint Ursula, to Palazzo Zevallos Stigliano in Naples by the end of 2006. – Publishing of the catalogue of Banca Intesa’s Attic and Apulian ceramics collection (5th-3rd century B.C.). 	<ul style="list-style-type: none"> – The installation of Caravaggio’s painting will take place in late Spring, 2007, as soon as restoration work, which took longer than expected, is completed. – The catalogue was published at the end of 2006 and contains a rich iconographic analysis and scientific contributions by scholars at the State University of Milan, coordinated by Prof. Gemma Sena Chiesa.
<p>Editorial and cultural initiatives</p> <ul style="list-style-type: none"> – Continuation of activities for two significant projects: <i>Vox Imago</i> and Museums and Galleries of Milan. – Consolidation of the presence of published volumes in the public distribution circuit, perfecting communication of editorial initiatives, and spreading awareness of the books we promote both in Italy and abroad. 	<ul style="list-style-type: none"> – As part of the <i>Vox Imago</i> project, the <i>Idomeneo di Mozart</i> was created (book, DVD and CD). – As part of the Museums and Galleries of Milan series, the second volume of <i>Pinacoteca Ambrosiana. Dipinti dalla metà del Cinquecento alla metà del Seicento</i> was published. – We are completing the conclusive catalogue of Arabic manuscripts in the Biblioteca Ambrosiana.

Synergies with the third sector

We believe that contributing to the development of the nation means acting in synergy with the world of religious and secular social enterprises. This sector is deeply rooted throughout the country and possesses deep understanding of local issues and the ability to gener-

ate employment and services for citizens. In order to provide a systematic response to the needs of these organisations, a new project of great importance was started last year to create a specialised bank dedicated to this sector, unique in size but also in values and in the role it plays in the social cohesion of the nation.

Banca Prossima Project

The statutory purpose of the Bank will be that of maximising social value while maintaining full enterprise sustainability. It will therefore be a bank in every sense and it will use credit tools rather than charitable ones. Banca Prossima will have specific products developed in collaboration with third sector organisations. It will also have a social enterprise rating system suitable for evaluating their unique features. It will:

- finance non-profit religious and secular entities that carry out socially useful projects to help people, health services, art, culture, tourism, education and training;
- promote social inclusion and cohesion by fostering employment, access to credit and responsible savings.

Banca Prossima will pursue a non-profit philosophy in creating and investing value. It will operate in market conditions but will defend value generated in a completely innovative manner such as:

- allocating to assets a portion of net profits equivalent to the cost of capital;
- sharing out surplus between shareholder dividends (less than or equal to half) and a special "Reserve for development and social enterprise" (more than or equal to half).

S Shareholders

The Reserve would not even be accessible to shareholders if the Bank were to be dissolved.

In order to speed up the development of the Reserve, shareholders will forego dividends for ten years. These will therefore be allocated entirely to the Reserve itself. The Bank will grow by investing in the development of non-profit organisations. It will call on the non-profit sector to share its strategic choices and its staffing will benefit from the vocation and experience in the third sector of many Intesa Sanpaolo colleagues.

Services for children

In order to encourage women to return to the workplace after pregnancy and fulfil the need for qualified services for children, we have started the PAN Project - Progetto Asili Nido (Nursery Schools Project) with the main national social enterprise networks: CGM ("Consorzio Nazionale della Cooperazione Sociale Gino Mattarelli" or National Consortium for Social Cooperation), FIS ("Federazione dell'Impresa Sociale," or Social Enterprise Federation, of "Compagnia delle Opere") and "DROM Legacoop."

PAN is a non-profit consortium seeking to create new nursery schools and structures that guarantee high quality standards – approved by a technical-scientific committee – for children and families in all the services offered, guaranteed by the national PAN brand.

The Consortium assists both the non-profit enterprises that offer services for children and the families that use them.

Social enterprises are assisted in their planning, start-up and business management, and they are backed by financing to renovate and update facilities and to acquire and re-qualify furnishings. Families who use PAN services can access easy-terms financing to pay nursery school tuition.

The PAN quality brand guarantees a financially sustainable and qualified project (preparation of the educational plan and involvement of the family in its implementation, space organisation, training and updating of staff, preparation and serving of meals, and the setting of fees using criteria that are fair and accessible for the families). The quality of the nursery schools is periodically checked by the Consortium.

As of 31 December 2006, 224 nursery schools had been started up, with 6,136 children and more than 1,440 employees. The latter are nearly all young people with higher education. During the year over 2 million euros in financing was granted for the start-up stage along with nearly 900,000 euros for the purchase of furnishings.

Project Malawi

"Project Malawi" is an international cooperation project developed with Fondazione Cariplo to benefit one of the 15 poorest countries in the world – the African state of Malawi. Local government structures and certain important Italian and international non-governmental organisations are involved and the project focuses on four macro-areas of intervention, each being assigned to a single operational partner: the

“Comunità di Sant’Egidio” is in charge of health and AIDS treatment; Save the Children Italia deals with helping orphans; two Scout groups in Malawi (MAGGA - SAM Scout) handle education and prevention; and CISP (“Comitato Internazionale per lo Sviluppo dei Popoli” or International Committee for the Development of Peoples) manages local development and micro-finance.

Banca Intesa and Fondazione Cariplo had the role of co-financing the project. It was coordinated by Banca Intesa and Fondazione Cariplo handled reporting and monitoring.

The main undertaking of Project Malawi is the development of forms of intervention to fight the vertical transmission, from mother to child, of AIDS. It is coordinated by the Comunità di Sant’Egidio through the DREAM (Drug Resources Enhancement Against AIDS and Malnutrition) protocol, which is a diagnostic-therapeutic approach of the same quality as that used in the West.

Along with health services to fight AIDS, the project runs educational activities to strengthen social cohesion and economic development. Project Malawi activities started in May 2005 with a pilot project in the Blantyre area. Since June 2006 the following have been set up in the Blantyre area:

- a molecular biology laboratory;
- a clinical centre for the supervised distribution of medicine;
- six orphan assistance centres;
- a consulting centre for micro-finance to support families hit by AIDS

and a campaign for the prevention of HIV virus transmission is fully under way.

Subsequently, the project has achieved other significant results and by June 2008 it proposes to achieve a health services network throughout the country with 3 molecular biology laboratories and 10 clinical centres.

The activities carried out in the first 24 months since the start of Project Malawi can be summarised as follows, in reference to the four intervention areas and the pertinent operational partners:

Health and AIDS Treatment Area: two molecular biology laboratories (Blantyre and Lilongwe) supporting hospital HIV/AIDS infection screening activities. Three operational DREAM centres (Lilongwe, Blantyre and Balaka) and nearly 3,000 patients being treated. 200 local social and health workers trained with various qualifications.

Orphan Assistance and Care Area: more than 50 local committees set up for the battle against AIDS (*Community AIDS Committee, and Village AIDS Committee*), with awareness-

raising courses for the social communities held for more than 200 members; 6 daytime welcome centres established for 268 orphaned and vulnerable children; numerous courses held for social workers, teachers and young people on the subjects of information-sharing and prevention in schools, communications and behavioural techniques, assisting children in communities, treatments and parental roles.

Education and Prevention Area: a local operational base opened (Resource Centre) and an exploratory study carried out; awareness-raising meetings held with the chiefs of the communities involved (200 people, 57 schools) and 30 scout units created for a widespread distribution throughout the nation of information on HIV/AIDS virus transmission risks; courses held for young educators involving 40 individuals who, in turn, have reached over 1,000 young people; a behavioural techniques and psychosocial support programme implemented, reaching 400 orphans and vulnerable youth.

Local Development and Micro-finance Area: a representative office and an Information and Enterprise Services Centre set up, with an average of 35 users contacting it every month; courses on income-generating activities delivered to 400 people from families affected by the HIV virus; on business management for 120 entrepreneurs; on business management update for 35 other entrepreneurs; 20 new income-generating activities started with 400 people involved and a total of 650 beneficiaries amongst families affected by the virus; two letters of intent signed with the Malawi Rural Finance Company and the Malawi Saving Bank to create a revolving credit fund to support loan requests from small and medium-sized enterprises; 40 entrepreneurs assisted in preparing and presenting Business Plans to local micro-finance institutions; 20 Business Plans presented to date.

Banca Intesa has granted 4 million euros to Project Malawi and this financing will reach 6 million euros in the next 18 months. Further resources will be added to this amount through international co-finance and fundraising activities in Italy. The project is monitored in all its components by an external auditor, the Cooperation and Development School of Pavia University.

Project Malawi has been recognised by “Fabbrica del sorriso”, the initiative promoted by Mediafriends, as one of the four best humanitarian projects in 2005, receiving a donation of 670,000 euros, used to build a multi-functional centre to carry out activities for children in the Kapeni area, operational since April 2007.

The project has also been assigned the "Premio Assoluto Aretè – Comunicazione responsabile 2006" an award that acknowledged the effectiveness of its communication and capacity to involve customers and colleagues.

Connected to Project Malawi is another initiative which emphasises a new concept of savings, intended not only as accumulation but also as the responsible use of resources (energy, food, consumption materials, water) for a more balanced development of society and for solidarity with an extremely needy country:

A scuola di risparmio (Learning to save)

Banca Intesa started this project, together with the banks in the Group and Fondazione Cariplo, to teach children in the II, III, IV and V grades of elementary school about the world of money and the numerous meanings of the concept of savings. Games and simulations centred on the bank and its role, including its social role, make the children think about the way savings are created and how they enter the economic circuit and they are translated into economic growth or into the solution of social problems.

The 2005-2006 edition was linked to a large competition involving the participation of 37,000 teachers and 5,464 classes in the educational game programme. The daily activities of the pupils – guided by teachers and recorded in a class diary – led to a score. The score achieved was then converted into a supplementary allocation of 250,000 euros. Testimonials from famous individuals boosted the project's visibility.

In the 2006-2007 school year the Bank's objective is even more ambitious: involving 53,000 teachers and nearly a million children.

The website www.ascuoladirisparmio.it is the window, open in real time, on project objectives, activities and results. The website also includes the findings of a study by the Eikon Research Institute and the University of Rome "La Sapienza" on Italian children and money – the first of its kind in Italy.

Support programmes for children and adolescents experiencing difficulties were also created in conjunction with national and international entities by the Group banks that work in Eastern Europe.

Some of the most significant:

- in Hungary the partnership between the Central-European International Bank and the Camp of Courage Foundation, offering therapeutic and recreational programmes for chil-

dren suffering from chronic diseases. Numerous staff members provided volunteer work;

- in the Russian Federation the collaboration between KMB and UNICEF involving funding to support welcome facilities for children and adults in a district of Moscow, summer camps for adolescents from the welcome facilities and professional training activities;

- in the Czech Republic the initiative taken by Privredna Banka Zagreb to support social solidarity and school inclusion projects for students with financial problems in addition to other sponsorships to support sports and cultural associations;

- in Serbia the commitment of Banca Intesa Beograd in supporting many activities related to education (in collaboration with the main schools and universities in the country) and to sport.

Establishment of Non-profit Entities

For many years the Bank has promoted the establishment of some non-profit entities to achieve specific social goals.

The "Fondazione Lombarda Antiusura Onlus" was established in May 1997 by Cariplo S.p.A. to pursue charitable, social and other objectives useful to the public in the field of usury prevention. The Foundation operates in Milan through a dedicated branch, providing guarantees for private individuals or small and medium-sized enterprises and in favour of banks that have signed agreements (Intesa Sanpaolo and Banca Popolare di Milano) in the granting of financing. As of today, approximately 1,800 private individuals and enterprises have applied to the Foundation and 253 financings have been granted, for a total of 3,970,000 euros. Moreover, the Foundation is a partner of the Bank's in the implementation of the "Anticipazione sociale" (Social Loans) project, which has helped 252 people.

Last year "Fondazione Talenti" became operational. Established at the end of 2005 with Fondazione Cariplo, CGM Consorzio Nazionale della Cooperazione Sociale Gino Mattarelli and two religious organisations – CISM and UISMI – its purpose is to enhance the real estate assets of male and female Religious Orders and develop welfare services in conjunction with social enterprises.

The Foundation's typical focus of intervention sees a qualified, secular, private social body positioned within under-used religious structures, providing various welfare services in conjunction with the entities that own them.

So far 90 projects have been assessed and 13 initiatives are being carried out (nursery schools, university dormitories, services for the disabled, and sports, social and rehabilitative services).

Liberal donations



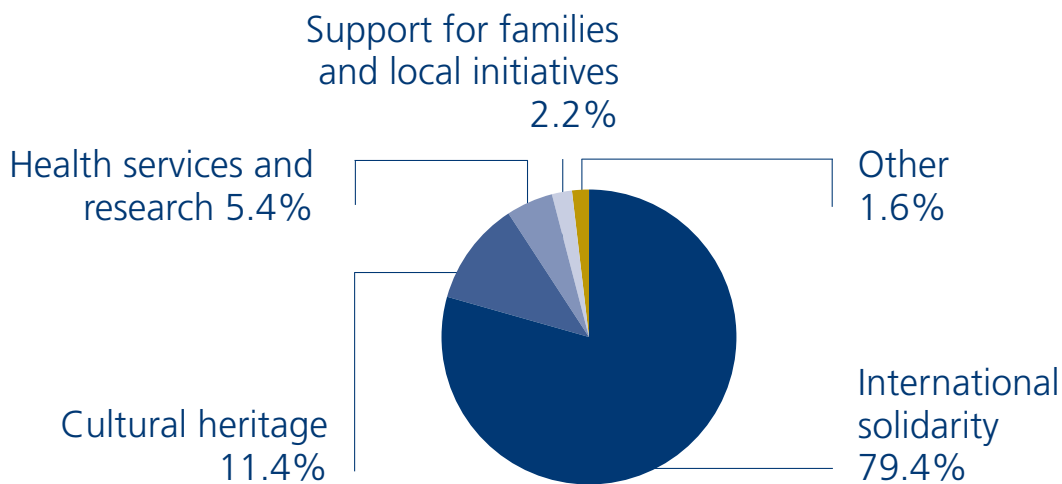
Thanks to its Articles of Association, Banca Intesa has a specific allowance for charitable, social and cultural contributions. Every year the Shareholders' Meeting allocates a portion of net income for this purpose. The amount of resources available is therefore variable and connected to our economic results.

Management of the allowance for charitable contributions is organised through an articulated operating model which attributes the decision-making role to specific bodies in the company's top management with specific levels of autonomy. In 2006 the Group earmarked approximately 21 million euros for the allowance⁽¹⁾.

In the traditional activities in the religious, social and cultural fields, the Bank follows a true and tested system of support and collaboration with

entities and associations that are close to us. Furthermore, donations have been especially directed towards important initiatives to safeguard the national artistic and cultural heritage, with large contributions for the restoration of Milan Cathedral and Vigevano's Piazza Ducale. In the social field, we have supported care programmes for the disabled and the elderly. In terms of supporting international cooperation and solidarity programmes, as well as the project promoted to fight AIDS in Malawi, we have added a significant contribution to "Cuore Amico Fraternità Onlus" for the promotion of welfare activities and the building of pilot hospital facilities in Mali and other African states. Banca Intesa alone earmarked more than 10 million euros for the donation allowance, with over 70% in 2006 going to international coordination programmes, projects in the poorest countries and to civilian and humanitarian emergencies.

Banca Intesa Liberal donations – 2006



⁽¹⁾ Although no definite policy has been issued in this regard, political parties are not financed in any form whatsoever.

Sponsorships

In 2006 Banca Intesa confirmed its commitment to starting cooperation with public and private structures and directly promoting initiatives to contribute not only to the economic but also cultural and social growth of the nation.

Sponsorships disbursed in 2006 amounted to approximately 13.2 million euros.

The main areas of intervention are those linked to culture, research and education, and social causes.

Banca Intesa considers the promotion of culture an integral part of its social responsibility and this perspective is illustrated in the various initiatives we pursued in this respect.

We work with many associations and in particular we would like to note:

- the *Teatro Alla Scala*, with which we have been working for over ten years; this year included the *La Scala Giovani* Project, seeking to bring young audiences closer to musical culture;
- the *Fondazione Giorgio Cini* to support the

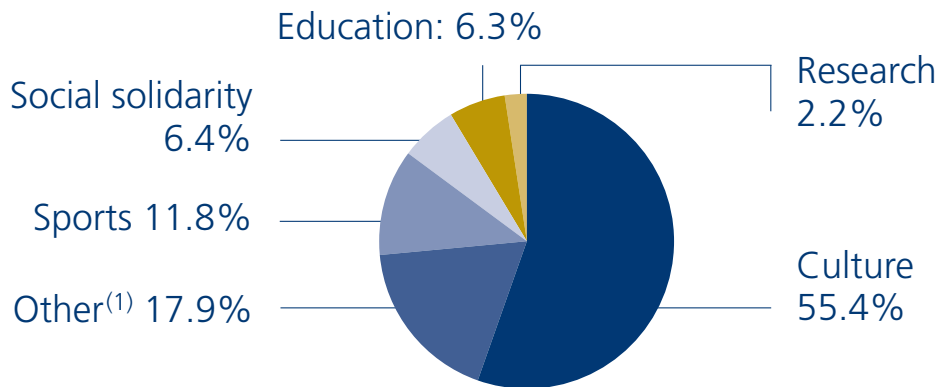
Civilisation and Culture Centre in initiatives dedicated to thinkers, scientists, humanists and artists;

- *Baldini Castoldi Dalai Editori* to create the Internet site, which aims to bring the general public closer to the world of art.

We believe that supporting research, both public and private, is a significant form of participation in the creation of new opportunities for economic and social development. In this sense we participated with major Italian universities (Scuola Superiore Sant'Anna of Pisa, Università Bocconi and IULM of Milan, and Università Tor Vergata and LUISS in Rome) in setting up research and education programmes in economics, finance, innovation management and market regulation.

Strengthened by its ability to interact with the local areas in which it is present, Banca Intesa has also developed collaboration with private structures to start projects providing concrete help for those who are seriously underprivileged, both in Italy and abroad.

Banca Intesa Sponsorships – 2006



⁽¹⁾ The item refers to activities to enhance the initiatives.

The main initiatives sustained

Associazione Italiana per la Ricerca sul cancro (Italian Association for Cancer Research)
 We support AIRC and in particular the

traditional "Azalea Day", an initiative on Mother's Day, since 1997, to raise funds for cancer research and, as from this year, also for a project to aid young Italian researchers. Our commitment is not limited to financial support. We work hard to promote the initiative actively through all branches and involve all our colleagues.

Fabbrica del Sorriso (Smile Factory)

We are the partner of Mediafriends Onlus in the "Fabbrica del Sorriso" (Smile Factory) a solidarity initiative to support concrete projects for underprivileged children in Italy and abroad.

We are the reference bank for the project and all our channels – branches, cash dispensers, telephone, Internet – may be used for the collection of donations.

Fondazione Banco Alimentare (National Food Bank)

We support the Foundation in the organisation of the "Giornata Nazionale della Colletta Alimentare" (National Food Bank Day), during which foodstuffs are collected in collaboration with the main supermarket chains to help the needy.

The purpose of the Fondazione Banco Alimentare Onlus is the collection of excess food and its redistribution to entities and initiatives that provide assistance and aid to the poor and emarginated in Italy.

Trento Economy Festival

We helped organise the first edition of the Festival of the Economy at Trento, an annual series of events, meetings and projects aiming to raise the general public's awareness and understanding of economic phenomena.

FAI – "I Luoghi del Cuore" (Places of the Heart)



We are partners in FAI for the achievement of the project "I Luoghi del Cuore" (Places of the Heart) to enhance Italy's artistic, cultural and environmental heritage. The project asks people to identify places that are so rich in meaning for them that they have "adopted" them and would like to see them preserved against neglect and abandonment. This year was focused on "places of nature" and was a great success with the public. Nearly 120,000 submissions were made (a 30% increase compared to the previous year). This was also thanks to our Bank promoting the initiative at a local level through its branch network.

Various banks in the Group gave significant support to typical local events and to musical events of special worth. These activities focused on various social, cultural and sports areas and involved the cooperation of local associations and public administration.

Some of the most interesting include:

- the establishment of an Eurobs economic observatory on the part of the Banca di Trento e Bolzano in collaboration with the Universities of Trento, Bolzano and Innsbruck, in order to

monitor relations and flows of an economic, financial and cultural nature within the local area of reference

- the participation of Intesa Casse del Centro in initiatives to recover and enhance cities and towns. Amongst these, the Cassa di Risparmio di Foligno assisted the contemporary art museum of Foligno and the Cassa di Risparmio di Fano helped in the discovery and improvement of the ancient Roman domus (at Sant'Angelo in Vado), the most important archaeological discovery of the last twenty years in the Marche Region;
- the sponsorships of Biverbanca in the sports and cultural fields for associations and initiatives that aim to enhance the local area, and the contributions to the Toy Bank – a very special "bank" where "deposits" can be made in the form of toys in good condition for less fortunate children who live in difficult circumstances or in war zones.

Cultural Heritage

In the continuing relations and dialogue between the Bank and the communities it operates in, cultural activities constitute a concrete way to ensure our active participation in the life of the nation and to contribute to its social and cultural development.

A number of initiatives have been set up to support the protection and enhancement of Italy's historical-artistic heritage. Besides working together with entities of great educational and scientific importance, we have long been involved throughout the country in guaranteeing and directly promoting cultural projects with very specific aims, and this has been thanks to the competencies of our internal structures.

These interventions take two directions:

- the safeguarding and enhancement of Italy's cultural heritage;
- the restoration and historical, critical and in-depth analysis of our art collections with the aim of making them accessible to the public.

The protection and enhancement of Italy's cultural heritage

In this area, Banca Intesa's commitment is appropriately expressed in the project called "Restitutions", a restoration programme for artwork destined to be accessible to the public. It is promoted and managed with the relevant protection bodies – the Superintendents of the Veneto and Lombardy regions and also, since 2004, the Vatican Museums directorate. As of today, more than five hundred artworks, often

of extraordinary quality, have been saved. It is a sort of ideal museum with works which range from proto-historic times to the threshold of the contemporary era, from archaeology to jewellery, to plastic arts and painting.

The same project also includes the restoration of monuments, selected accurately amongst the most important places from a historical and artistic viewpoint. Significant examples are the paleo-Christian floor mosaics of the Aquileia Basilica, the frescos of Altichiero and Avanzo in the Chapel of Saint James in the Basilica of the Saint in Padua, the court of honour of Villa Bozzolo in Casalzuigno belonging to FAI, the little studio of Gian Giacomo Poldi Pezzoli in the museum of the same name in Milan, the Frederican atrium of the Svevo Castle in Bari and the City Tower of Bassano del Grappa.

Banca Intesa's art collection and public access

A few years ago Banca Intesa drew up a specific plan to make our art collections better known to the public. This artistic heritage is the singular result of a diversified series of collections, each connected to the history and tradition of the institutions which merged to form Banca Intesa.

Amongst the most important: the collection of Attic and Apulian ceramics (5th-3rd century B.C.), which includes more than five hundred pieces, including vases and other items, collected following the discovery of important 6th to 3rd century B.C. necropolises in Ruvo di Puglia (1830-1860); the collection of antique Russian icons (13th-19th century); the collection of paintings and sculptures from the 16th to 18th centuries and the collections of works from the Venetian Settecento, Ottocento and Novecento (18th to 20th centuries).

Each collection has been put under the scientific care of a specific committee including the most important national and international experts and researchers in each sector, with the objective of achieving a systematic cataloguing of the works deemed to be of significant cultural interest.

Various initiatives have been taken to spread knowledge of our artistic holdings:

- online publication of information on the collections already scientifically catalogued, with an interactive system capable of offering knowledge and in-depth analysis to museums, researchers and scholars
- the publication of printed catalogues with the findings of the studies and with each collection presented in a systematic manner. At the end of 2006 we published that dedicated to the collection of Attic and Magna Grecian ceramics
- the devising and creation of temporary exhi-

bitions. We would like to recall the travelling exhibit programme *The Last Caravaggio: The Martyrdom of Saint Ursula – Banca Intesa Collection*. The painting, restored to its original beauty thanks to the challenging restoration performed by the Italian Central Restoration Institute, will find its definitive location in Palazzo Zevallos Stigliano, Banca Intesa's historic offices in Naples, in late Spring 2007. It will be in a special space on the *piano nobile*, set to become a specific section with museum characteristics that, while normal banking activities continue around it, will allow a broader public to see the masterpiece

- the establishment of our own museum, Palazzo Leoni Montanari in Vicenza, which was transformed starting in Spring 1999 into the galleries of the same name, to finally give the public continuous access to the art treasures it contains. The rooms of the baroque palace host, on the *piano nobile*, a precious collection of the 18th century Venetian School, including a significant corpus of paintings by Pietro Longhi, Canaletto, Luca Carlevarij, and Francesco Guardi.

Instead, the top floor of the palazzo hosts approximately one hundred and thirty Russian icons from the 13th to 19th centuries – a significant selection of the collection regarded by scholars as one of the most important in the West – presented according to the most modern museum and teaching standards.

The works which are not exhibited – approximately three hundred and fifty – are located in a warehouse designed to meet the best preservation criteria, in special racks that are easily consulted by scholars and art-lovers. There is also a restoration lab – which just completed the restoration of the entire collection – a cataloguing centre and the specialised library. From the latter's computers, users can search the *Index of Christian Art*, the important archive of documents and images dedicated to medieval art developed by Princeton University.

Particularly rich is the teaching programme – for pupils of local elementary and secondary schools, as well as interested adults – and the programme of specialised conferences.

The exhibition *Scultura lignea dalle terre russe* (Wooden sculpture from Russian lands) was held in 2006, with extraordinary pieces from the most important Russian museums; a series of "East-West" mini-exhibits was also held: *The Christmas tradition in the Christian Orient; The temple, the palace, the city in the Russian icon; Duecento (1200s). Two Russian icons*. For further details, please consult the website www.palazzomontanari.com.

Editorial and cultural initiatives

In 2006 we focused our attention on two important and particularly complex projects, in terms of both organisation and distribution: *Vox Imago* and *Museums and Galleries of Milan*.

Vox Imago

The collection – started in 2004 as part of our support for Teatro alla Scala – is a multimedia project with the goal of bringing people closer to the world of music and the opera world, and stimulating their understanding of it.

It offers a selection of the season's performances at La Scala and is composed of a DVD – a visual itinerary that analyses the theatrical representation and historical and cultural context – a CD containing a recording of the complete version and a book that takes a deeper look at the contents highlighted in the visual and audio materials. After Rossini's *Moïse et Pharaon* and Poulenc's *Dialogues des Carmélites*, Mozart's *Idomeneo*, directed by Daniel Harding, presents an important new element: the first edition in the Italian language of the letters the young Mozart and his father wrote during their travels in Italy.

Museums and Galleries of Milan

The publication of the volume *Pinacoteca Ambrosiana. Dipinti dalla metà del Cinquecento alla metà del Seicento* (Ambrosiana Gallery: paintings from the mid-1500s to the mid-1600s) marks the continuation of the broad and systematic exploration of the city's artistic heritage that is documented in the series "Musei e Gallerie di Milano." The cataloguing project, which started in 1973 with scientific and protective aims towards the museums and galleries of Milan, includes over 60 published volumes.

Our involvement is also expressed in the promotion and support of initiatives seeking to spread musical understanding. We do so with some of the most important and ancient musical organisations, such as the A. Scarlatti Association of Naples, the Quartet Society of Milan and Milano Musica – an Association for Contemporary Music. In particular, we are active supporters of the Quartet Society's initiative to promote a series of meetings for music appreciation.

The Historical Archive

The Historical Archive, established in January 2003, holds a wealth of documents from Cassa di Risparmio delle Provincie Lombarde, Banco Ambrosiano Veneto and Banca Commerciale Italiana. It is an essential component in the history of the Italian banking system in the 19th and 20th centuries.

One goal is that of providing new perspectives on the interpretation of these work records, showing the mutual influence between bank activities and the historic and cultural context.

In 2006 the project of producing a guide to Cariplo's pre-Unification documents (from 1823, the year of its foundation, to 1860) was completed with the publication of the volume *Beneficenza e Risparmio* (Charity and Savings) by Maria Canella and Elena Puccinelli.

The guide explores the most ancient roots of Banca Intesa and looks back over the characteristics of a singular entity, the Cassa di Risparmio delle Provincie Lombarde, which, in the period before Italian Unification, was not yet a "bank" and yet was not simply a "pious endeavour". It managed to have an impact in both areas, multiplying its methods of supporting social and assistance needs.

Cariplo's historic archive is now the subject of restoration and definitive inventory for the years following the Unification of Italy. It reveals a portrait of Milan and Lombardy that should be better known and reassessed in its deepest vocations. Last year, with the cooperation of the Archival Superintendent of Tuscany, a digital copy of the personal archive of Marquis Massimiliano Majnoni (kept in Marti, in the province of Pisa) was donated. It has contributed to enriching documentation on the history of Banca Commerciale Italiana. The precious diaries, correspondence, notes from interviews and the biographic files on people met during the 1920s and 30s give an account of the life of the Rome offices of Banca Commerciale Italiana between Fascism and Resistance and the role of Raffaele Mattioli in seeking a convergence between the various political movements (the new parties of the Italian republic).

For further information, the web pages of the Historical Archive can be consulted in the section "Cultural Heritage" of Banca Intesa.

IMPROVEMENT TARGETS

Improvement Targets

The improvement targets we present here, which vary according to each stakeholder, will be implemented as part of the Business Plan 2007-2009.

The level of implementation will be regulated in accordance with various local situations, both in Italy and abroad, in accordance with what is declared by the Intesa Sanpaolo Group Code of Ethics: the value of local conditions and the principle that all the structures take their own individual responsibility. In order to ensure that the values expressed in the Code of Ethics are given increasingly greater consideration in company projects and behaviour, we shall use all possible training and information channels to achieve maximum levels of awareness and agreement, both with employees and all other stakeholders.

We shall report the level of implementation of the projects on a yearly basis within this organizational framework and consolidate engagement practices to include our shareholders in the definition of action priority, undertaking to give the widest possible circulation to our social report.

Finally, when drawing up the next social report, our objective will be to extend and improve the data gathering processes within the Intesa Sanpaolo Group and to give broader coverage of the information on the activities that show room for improvement.

Customers

Intensify the ways in which listening and dialogue are carried out in order to promote a lasting relationship with customers based on mutual trust

- Arrange for assessment and observation sessions throughout the area in order to understand customer expectations in terms of the offer and quality of the service we provide and to explore the more sensitive and significant issues to orient the Bank's sustainability strategy: improve customer satisfaction surveys

(extending them also to foreign banks), arrange focus groups on the attainment of company targets, involving consumer associations in the design phase of new products/services, extending relations with those associations to local level, strengthening the bank/company relationship through targeted meetings in the area with local and entrepreneurial associations.

- Improve the management of disputes and complaints: extend to national level the agreement on reconciliation and permanent communication channels with consumers associations, distribute periodical reports to the various company departments on the major complaint issues.
- Guarantee simplicity and transparency in communications, which should be revised and simplified; improve the content and usability of the Group's Internet site, develop a communication plan regarding the Bank's values and the policies it has adopted and carried out.

E
Employees

Promote the role of the Bank in the innovation and excellence of service it provides by focusing the quality of customer relations in the long term as the central company target

- Provide our customers with high quality financial advice to assist them in their investment choices and increase their purchasing awareness: for retail customers this means increasing the activities to determine appropriate risk profiles and promote acculturation initiatives in partnership with consumer associations; for companies, increase opportunities to meet in local areas and develop information channels.

E
Employees

- Extend to the entire Group the specific internal operating policies and guidelines to orient Company behaviour towards maintaining long-term relations and to respond in keeping with our values: Guidelines in the placement of financial products with retail customers, Commercial Policy for Companies, Guidelines for the internationalization of corporations and delocalization

C
Community

projects according to sustainability criteria, derivatives policy, policy on the limitation of business in the arms industry.

- Favour accessibility to services: technological and real estate investment to make procedures more efficient and the direct/physical channels more effective and efficient by facilitating disabled users (extension of the new branch layout), a plan to open branches in the provinces that are currently underserved.

Diversify the commercial offer by aiming at quality products/services and paying special attention to curbing costs

- Pursue continuous improvement in the quality of the service offered both in terms of the products available and customer relations, with special focus on curbing costs: renewing the offer of the best products and services available on the market at the most favourable conditions; significantly increase the number of persons dedicated to customer relations; adopt a “PattiChiari” management system to determine stable and monitorable processes through objective indicators.



- Modulate the commercial offer regarding specific local situations, certain segments of customers and the financial inclusion of weak segments: adopt the “Banca dei Territori” (local community bank) model for the entire Group, the targets of which include strong roots in the local area and the enhancement of specialist services; definition of business proposals at advantageous and transparent economic conditions both for savings management (e.g. guaranteed funds, investment management for seniors) and for offering the best finance solutions for families and the new social brackets (e.g. pensioners, university students, irregular workers, the unemployed, disabled senior citizens, immigrants).

Promote the general interest of the country in collaboration with the leading players in the areas in which we operate

- Promote the role of the Bank as a reference point for the entrepreneurial system, to support innovation, internationalization and the competitiveness of companies: projects aimed at the technological innovation of companies in partnership with applied research centers for the assessment of initiatives, both in Italy and in the Group’s banks abroad; support companies in finding capital for development by placing on the MAC (capital market dedicated to small and medium enterprises); development of private equity

funds in sectors having a significant social and environmental impact.

- Contribute to modernizing the State and Public Administration: projects to support the development of the country’s infrastructure; promotion and innovation of the Public Administration.



Employees

Promote company unity and guarantee transparency in our relations with our employees using all available internal communication instruments and creating opportunities for listening and dialogue

- Set up cultural integration projects through specific manager training programmes to strengthen the sense of identity, values, culture, and behaviour of the company.
- Improve manager leadership qualities to help them understand how to encourage staff to accept change and encourage their assimilation of Group values.
- Increase communication initiatives to involve staff and improve communication levels on Bank strategies and encourage the use of internal communication instruments (new company house organ, intranet, WEB-TV).
- Improve ways used to listen to and assess employees and trade union groups (focus groups, targeted surveys, multimedia contact centers, new theme-based forums) and also plan feed-back mechanisms.

Encourage the professional competence of all employees and promote their personal and professional development in consideration of their individual characteristics and their reference areas

- Make training the strategic lever by which change is implemented in order to encourage innovation and growth also at an international level.
- Support the development and growth of professional and managerial competence through a structured training plan (specific training paths, new professional directions, targeted training plans).
- Support professional change and exploit experience through specific actions aimed at promoting a company culture based on continued learning and the constant realignment of skills.
- Expand and promote the “job posting” instrument to facilitate the promotion of internal mobility policies.
- Set up encouragement initiatives for specific



target groups (young, key resources, talented) and follow the personal and professional growth of the people concerned.

- Focus on the significance of various problems in developing female career paths, promote creative solutions to foster a culture of encouraging women by the implementation of “equal opportunities” committees among other things, together with the help of external consultants.
- Plan and create a system for assessing the effectiveness of investments made in training in order to keep the training opportunities constantly aligned with company needs, develop the methods, channels, and training processes in line with up to date technology to sustain the material learned and the effectiveness of the programs.
- Set up joint training committees with trade union organizations in order to involve the workers’ representatives in the study, analysis, and research on professional training and re-qualification.

Adopt fair and transparent assessment systems on positions, performance, and potential, introduce incentive-based systems that enhance the value of individual and team strengths

- Implement a platform for the integrated management of the systems that support the various professional personnel management and development initiatives based on merit and the strengthening of motivation.
- Develop training programs to increase the importance of the assessment process and encourage managers to embrace the feedback culture as regards employees to make the most of opportunities provided by listening and engaging in dialogue.
- Define a new model of managerial competence inspired by Group values, and make provision, in managerial assessment systems, for rating highly the intellectual capital component.
- Establish remuneration levels in keeping with internal fairness, market competitiveness, and rationalization of staff costs.
- Adopt distinct incentive systems according to the business areas which reward each person’s contribution, establishing feasible and accessible objectives, including qualitative objectives (such as customer satisfaction for example) with the aim of the pursuit of excellence.
- Gather and analyze the qualitative needs of the organizational units to evaluate the implementation of internal job rotation processes



es and supervise the proper allocation of resources.

Adopt policies and offer conditions aimed at creating a first-rate working environment for all employees

- Develop and implement applications where access to information by the staff is made easier and more efficient.
- Bring the main rules in line with the objective of creating common reference rules and encourage rapid integration among departments with the aim of simplifying personnel management processes.
- Set up a sustainable development and safety surveillance in association with the trade union organizations to prevent and overcome any problems in the development of commercial activities and physical safety issues.
- Adopt policies and practices that favour the balancing of work life with private life through training initiatives aimed at sensitizing management to the conscious use of the available instruments (part time, family leave, flexible working hours).
- Maintain our awareness on health and safety protection issues, and establish procedures and develop computer tools and procedures to ensure the best management of the integrated environment, health, and safety systems.
- Set up projects to improve employee health.
- Improve the integration of disabled people and identify the best solutions for the work environment, the management of work space, and types of communication tools.

Shareholders

Attention to the growth of the ROI of our shareholders

- The shareholders (both institutional and private) can rely on a solid Bank, with levels of efficiency that place it in the top European financial league, ambitious programs for growth in all sectors and a farsighted vision that does not overlook any opportunity, either internal or external, for development and the creation of value.
- The Business Plan 2007-2009 forecasts ambitious return targets for shareholders (18 billion euros of total dividends and a total yield of 52% for Intesa Sanpaolo shares).

Provide maximum transparency and promptness in communications to the market, while

making an effort to continuously improve the content and usability of the Bank's Internet site.

Suppliers

Ensure transparency and fairness in the process of selecting suppliers and establishing a cooperative relationship based on dialogue and mutual trust

- Implement and extend the Purchases Portal and the use of online tendering to the Group; develop and integrate the list of suppliers; take action to improve the payment terms stipulated in contracts.
- Establish supplier satisfaction procedures so that the bank/supplier relationship can be mutually satisfactory. The following issues could be looked at: compliance with payment terms per contract, degree of transparency in the relationship, effective communication.

Promote environmental sustainability of suppliers to reduce impact along the supply chain

- Qualify suppliers on the basis of environmental and social requisites, defined also according to international standards and certifications.
- Improve the approach to the supply process in order to reduce environmental impact (delivery vehicles/systems that reduce energy consumption, preference for local suppliers, etc.).



Environment

Promote responsible use of environmental resources: efficient energy and paper use, proper waste management

- Extend the ISO 14001 certified environmental management system to new locations.
- Adopt more efficient energy solutions when renovating and building new facilities and constantly carry out maintenance on all the installations, and even make provision for contractual specifications aimed at requiring that bidding companies reach the targets of energy efficiency: improve technology and methods for managing the lighting of buildings and progressively extend this action to joining the European GreenLight program; spread the habit of turning off IT workstations (PCs) at night and make sure dataflow is concentrated during certain limited night-time hours; complete the replacement of cathode tube monitors with flat screen monitors.

- Progressively reduce carbon dioxide emissions: extend the number of operative points supplied with electricity from renewable sources (hydroelectric energy); use mainly natural gas for heating; use systems to recover the heat produced by the electronic processors at the accounting centers and cogeneration/trigeneration systems (simultaneous production of electricity, heat and cold using one fuel only); use heat pumps at the operative points to replace traditional boilers and condensation boilers; extend the mobility management project to other provinces and purchase environmentally friendly vehicles.
- Reduce paper consumption and extend the use of recycled paper (intended to include both recycled paper and paper made from environmentally friendly processes) also for the publication of compulsory routine reports.



- Buy green: apply eco-compatible purchasing policies also in order to produce less waste.
- Waste: introduce procedures to identify areas for improvement; optimize disposal procedures.
- Water: adopt technological solutions to reduce the use of water.

Take environmental risk into consideration when assessing creditworthiness

- Integrate social-environmental risk assessment procedures within the overall assessment of creditworthiness.
- Implement the Equator Principles in international project finance operations: develop instruments and procedures to classify projects into risk categories and to their monitoring.



Promote environmental sustainability through the offer of specific products and services and participate in environment sustainability initiatives

- Extend the offer of finance products to the energy industry to sustain clean energy, energy efficiency and bio-construction; continue support activities in the technical and economic assessment of the more complex or innovative projects in the energy industry developed by the public sector or in public-private partnerships; launch new products for the financing of power stations from renewable sources (hydroelectric power stations, wind parks, biomass energy production, photovoltaic panels).
- Participate in initiatives related to environmental protection (e.g. Carbon Finance funds, partnerships promoted by the Ministry of the Environment, for example the Kyoto Club).

Extend training, information and awareness raising of personnel regarding environmental issues

- Make employees aware of specific themes: the responsible use of resources (e.g. distribute the guidebook “Save the environment with a click” by ABI Energia); Equator Principles and consideration of the environmental risk in granting credit; climate change (specialist training courses).

E
Employees

Support initiatives of national and international solidarity

- Support projects in partnership with the third sector for international solidarity projects.
- Make donations to support needy social communities on the basis of an ad hoc policy at Group level; develop systems for involving the stakeholders in the major projects being supported (corporate voluntary workers).

E
Employees

Community

Support the third sector and financial inclusion of weaker segments of population

- Set up specialized banking activities for social enterprises that operate by uniting the focus and service level of a specialized structure, the strength and the roots of our bank group, and the characteristics of a non profit association in order to support the third sector in socially beneficial projects.

Support initiatives in the fields of culture, music, sports and the protection of artistic heritage

- Implement a Group policy that establishes the guidelines for sponsoring activities; promote the protection and public enjoyment of the Group’s artistic assets; participate in activities that encourage the promotion of the cultural assets of the Country in partnership with leading institutions.

COMPLIANCE STATEMENT

AUDITORS' REPORT
(Translation from the original Italian text)

To the Management Board
of Intesa Sanpaolo S.p.A.

1. We have carried out the compliance procedures and analyses on the Social and Environmental Report of Banca Intesa S.p.A. (now Intesa Sanpaolo S.p.A.) and its subsidiaries (the "Intesa Group", now the Intesa Sanpaolo Group) as of December 31, 2006, described in paragraph 2. of this report.

The procedures were carried out to evaluate the Management Board's statements, included in paragraph "Introduction and Methodology" of the Social and Environmental Report of the Intesa Group as of December 31, 2006, on the basis of which it has been prepared in accordance with the guidelines issued in 2006 by GRI – Global Reporting Initiative – and the social report model for the banking sector prepared by the Italian Banking Association (ABI). The Social and Environmental Report is the responsibility of Intesa Sanpaolo S.p.A.'s management.

2. In order to evaluate the Management Board' statements mentioned in paragraph 1., we have performed certain procedures as stated by the Research Document n. 1 - Guidelines for the Audit of the Social Report - of the work group for the Social Report (BGS), which are summarized as follows:
 - verified that the financial data and information are consistent with those included in the financial statements of Banca Intesa S.p.A. and in the consolidated financial statements of the Intesa Group as of and for the year ended December 31, 2006 with respect to which we issued our audit reports dated March 29, 2007;
 - analyzed the operation of the processes underlying the generation, recording and management of quantitative data. In particular, we have performed the following procedures:
 - interviews and discussions with management and personnel, to obtain an overview of the activity of the Intesa Group, to gather information on the information technology, accounting and reporting systems used in preparing the Social and Environmental Report, and to document the processes and procedures used to gather, combine, process and transmit data and information of the Group's operating units and departments to the function responsible for preparing the Social and Environmental Report;

- sample-based analysis of supporting documentation used in preparing the Social and Environmental Report to confirm the reliability of the interview-derived information, the effectiveness of processes and their adequacy in relation to business objectives, and the operation of the internal control system in managing the data and information;
- analyzed the completeness and consistency of the qualitative information included in the Social and Environmental Report. This activity was carried out in line with the above-mentioned guidelines;
- verified the process of the stakeholders' involvement, in terms of the methods used, completeness of the stakeholders and analysis of data of significant findings in this respect, compared to the information reported in the Social and Environmental Report.

The Social and Environmental Report presents the prior year's data and information for comparative purposes, on which we carried out compliance procedures and analysis only for the purpose of issuing this report.

3. Based on the procedures performed, we believe that the Social and Environmental Report of the Intesa Group as of December 31, 2006 complies with the guidelines and principles which form the basis of preparation and which are described in the paragraph "Introduction and Methodology" of the Social and Environmental Report. Moreover, the financial data included in the Social and Environmental Report are consistent with the data and information included in the Group's consolidated financial statements and the other data and information are coherent with the documentation and meet the content requirements established by the guidelines and principles governing the preparation of the Social and Environmental Report.
4. We draw your attention to the section "Improvement Targets" which highlights the activities that the Intesa Group has planned to carry out.

Milan, July 5, 2007

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

G3 Application level



Application level	C	C+	B	B+	A	A+
G3 Profile Disclosure	Report on: 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.1 – 4.4, 4.14 – 4.15	Report Externally Assured	Report on all criteria listed for level C plus: 1.2 3.9, 3.13 4.5 – 4.13, 4.16 – 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
G3 Management Approach Disclosure	Not Required		Management Approach Disclosure for each Indicator Category.		Management Approach Disclosure for each Indicator Category.	
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, in-cluding at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one of Economic, Environmental, Human Rights, Labour, Society, Product Responsibility.		Report on each core G3 and Sector Supplement ⁽¹⁾ Indicators with due regard to the materiality Principle by either: a) Reporting on indicator or b) explaining the reason for its omission.	

⁽¹⁾ Sector supplement in final version.

ATTACHMENTS

Code of Ethics

Our values

Our social and environmental responsibility

Nowadays companies are required to take on a broader responsibility, which is not limited to the economic effects of their activity. In fact their functions are more and more extended and articulated.

In supplying efficient responses to an ever-increasing range of needs, companies must prove their complete awareness of the fact that interests concerning not only the “consumer” – who must certainly find an appropriate economic response – but also the “citizen” are included in their production cycles and the ensuing products. These interests are related to the preservation of our natural environment, health, work, the future, the well-being of the entire community and the protection of the social relations system.

The number of stakeholders with which it must have relations will increase together and in parallel with the range of interests affected by company activity.

All the people, both in-house and external, who have a stake in the carrying out of the company business, either because they contribute – even if in a different and specific manner – to the achievement of the company mission, or because their well-being is significantly affected, either positively or negatively, by such business, thus sharing – in one way or another, part of the company risk, should be recognised as stakeholders.

These people are clients, shareholders, employees as well as suppliers, not to mention the environment itself – or rather the rights that future generations have in this respect – and, ultimately, society as a whole.

Furthermore, companies find themselves operating more and more frequently in different kinds of areas and dealing with different regulations.

This is why self-discipline is important since, while respecting regulations in force, it establishes higher standards which the company intends to respect in the areas in which it operates.

Intesa Sanpaolo has therefore decided to draw up its own Code of Ethics, structured as a real “Relations Charter” between the Bank and all its stakeholders.

It explains the values in which Intesa Sanpaolo believes and to which it commits itself, it outlines the principles of conduct which derive from the context of the relationship with each stakeholder and as a consequence raises the standards which each person, within the Company, must maintain in order to merit the trust of all the stakeholders.

The values declared in this Code are the expression of the company cultures and backgrounds from which Intesa Sanpaolo comes and represent, on the one hand, the “lenses” through which to observe and interpret the various situations, and on the other, a goal to reach, the end of a path which will characterise our activity over the next few years.

This Code, which is a governance tool, is part of the wider vision of our social and environmental responsibility and attributes primary importance to our relations with our stakeholders. From constructive dialogue with them springs a process that activates a circle of continuous improvement, through listening to requests and balancing them with respect to company strategy.

By publishing the Social and Environmental Report every year, together with transparent reporting of what we shall have achieved, we shall list the requests emerging from the continuous dialogue with our stakeholders and declare the goals we are aiming at. Constant checking of our capacity to provide answers for stakeholders will help us to keep the values that this Code sets out alive and working properly in our company life.

Our mission

We work to provide quality banking and financial services to our customers and activate ways to promote development in all the areas where we operate.

Conscious of the value of our activity in Italy and abroad, we promote a style of growth that is at

tentive to sustainable results and the creation of a process based on the trust deriving from customer and shareholder satisfaction, a sense of belonging on the part of our employees and close monitoring of the needs of the community and the local area.

We compete on the market with a sense of fair play and are ready to cooperate with other economic entities, both private and public, whenever necessary to reinforce the overall capacity for growth of the economies of the countries in which we operate.

We take responsibility for prudent savings management, we undertake to widen the access to credit and financial instruments to everyone, and the sustainable development of the entrepreneurial system, being aware that our decisions have important impacts, direct and indirect, on the natural environment and the community. We want to contribute to the well-being (not only material) of both by sustaining and carrying out cultural projects and others that are for the common good.

Reference values and principles

Our growth strategy aims at creating solid and sustainable values from economic and financial, social and environmental points of view, built on the trust of all our stakeholders and based on the following values:

Integrity

We pursue our goals with honesty, fairness and responsibility in the full and true respect of the

rules and professional ethics and in the spirit of signed agreements.

Excellence

We set ourselves the goal of continuous improvement, farsightedness, anticipating challenges, cultivating extensive creativity aimed at innovation; moreover we recognise and reward merits.

Transparency

We are committed to making transparency the basis of our actions, advertising and contracts in order to allow all our stakeholders to make independent and informed decisions.

Respect for specific qualities

It is our intention to combine large-scale operations with profound local roots and to be a bank with a broad vision, without losing sight of individuals.

Equity

We are committed to eliminating all forms of discrimination from our conduct and to respect differences in sex, age, race, religion, political and union persuasions, language or disability.

Values of the individual

The value of each single person is a guide for our modus operandi: we use listening and dialogue as tools for continuously improving our relationships with all our stakeholders.

Responsibility in the use of resources

We aim to use all our resources attentively, promote behaviour based on the best use of resources and the avoidance of waste and ostentation, and we give priority to choices that take sustainability into account.

Principles of conduct in stakeholder relations

Principles of conduct in all stakeholder relations

Through this Code, Intesa Sanpaolo explains its values and intends to direct individual behaviours accordingly, being aware at the same time that consideration for social and environmental factors contributes to minimizing exposure to credit and compliance risks and strengthens the company's reputation.

In line with the Global Compact principles promoted by the United Nations, with which we comply, we therefore undertake to:

- sustain the protection of human rights according to the principles listed in the Universal Declaration of 1948
- recognize the principles established by the fundamental conventions of the ILO (International Labour Organization) and in particular the right of association and collective bargaining, the prohibition of forced and child labour and non-discrimination in hiring practices
- contribute to the fight against corruption, sustaining the guidelines of the OECD (the Organization for Economic Co-operation and Development) and the anti-corruption principles established by the United Nations in 2003

Intesa Sanpaolo undertakes to promote, in all of the Group's companies and in all the countries in which it operates, behaviours that abide by these principles in all its stakeholder relations held with all its. We are also committed to spreading the values and principles of this code in companies where we hold minority stakes.

Principles of conduct in customer relations

Listening and dialogue

We believe that customers should always be at the centre of our attention and that only

through on-going dialogue can we truly understand their actual expectations and maintain excellent relations:

- in the development of new products and services we use systematic dialogue aids in order to understand the suggestions made by customers, and by consumer associations representing specific categories of customers
- through dialogue with our customers we can accurately identify their risk profiles, a fundamental starting point to offering advice and financial products that are consistent with their needs. We realize that in so doing we play an important role in assisting investors and providing prudent savings management services
- we promptly respond to questions and complaints, aiming for a real and not formal resolution to controversies

Transparency

We believe enduring relationships based on trust require communication that allows customers to understand always the features and value of all the products and services offered to them and/or purchased by them:

- we simplify the products, make contracts easily understood and reduce possible misunderstandings and ambiguities by providing clear and exhaustive information. We promptly communicate any changes in contracts and the conditions therein
- we prepare a clear notification through all available channels, thereby saving time for customers

Equity

We believe our services must be accessible to everyone and we:

- do not discriminate against our customers on the basis of their nationality, religion or sex
- formulate our offers so that all social strata can find a response to their needs
- apply a price policy in line with the quality of service offered
- undertake to make our branches accessible to disabled persons by eliminating architectural barriers

Access to credit

We believe that expanding credit accessibility to the weaker social strata is a fundamental way for social inclusion, enabling people to improve their condition and fully exercise their rights of citizenship.

While considering the principles of prudence in the assessment of creditworthiness, which safeguard not only our interest but also that of the customers themselves we:

- identify the possible areas of intervention and as a consequence we widen our range of products and services that support continuously evolving social dynamics better
- sustain the development of new enterprises to favour activities having the potential to create previously unexpressed economic and social value
- pay special attention to socially-oriented and non-profit ventures and the third sector, recognizing that their activities represent an important factor in social cohesion and the promotion of civil rights

Supporting the development of the country

We believe that a great bank has a specific responsibility to promote economic and social growth in the country where it operates and to:

- assist companies in expanding and improving of their competitiveness, and in developing their business abroad
- support worthy companies with valid projects, even at difficult times, in the achievement of innovative solutions for reorganizing and relaunching
- support the public sector and local authorities as far as our role allows, by cooperating without interfering and promoting financial solutions that ensure a long-term equilibrium in view of a growth and modernization that concur to improve the quality of life for society in general
- apply the best standards and internationally recognized guidelines so as to assess the environmental and social impacts in the area of project finance, and specifically infrastructure projects
- develop new medium-term financing mechanisms to favour innovation and entrepreneurship of those who, though lacking capital, have promising ideas and projects
- go beyond providing credit and participate in the risk capital of enterprises to support projects having a high growth potential in new sectors

Promotion of local economies and strong roots in Italy and abroad

We believe that effective support for all the countries in which we operate, linking eco-

nomic results with respect for the fundamental values of local communities, can release all the potential of local business, consisting of small and medium enterprises:

- we highly value our relations with local communities and consider a close approach to the needs of the areas where we operate to be essential. For this reason we establish internal organizational processes and instruments aimed at simplifying and developing an appropriate supply with the intent of being a bank that “connects” and not just a sales network
- we study the evolution of local economic systems to support enterprises in their strategic decisions and direct the Group’s policies to support the specific financial needs of economic entities operating in a given area or district
- we offer our services not only as suppliers of credit or capital but also as partners for promotion and development
- we work closely with individuals and the community with the aim of promoting the best possible development and supporting social and economic progress, especially in areas that need economic re-launching
- we promote initiatives with a high social value, also in partnership with specialised local operators
- we develop multi-channels to favour accessibility to our services

Socially responsible investments

It is our belief that investments must always give more weight to social and environmental criteria and the good governance of companies in order to promote balanced and sustainable development. We offer our customers the opportunity to choose products managed according to ethical, social and environmental principles for two reasons: a) to improve their risk/yield profile and b) to activate a process involving the progressive sensitization of customers and the commitment of companies to sustainable behaviour:

- we extend our offer with ethical investment instruments
- we undertake, as part of our ethical asset management activities, to express our position regarding the decisions of companies in which we invest our assets (active shareholding)

Security and Safety

We believe that protecting the security of our customers, as well as their assets and confidential information, is not only a primary duty but also the basis of a trusting relationship that we wish to maintain with them and we:

- undertake to protect persons, their assets and valuables, as well as their wealth of informa-

tion and internal organizational processes in such a way as to provide a service that completely meets the requisites of reliability, continuity and confidentiality

- guarantee constant compliance with the law
- observe criteria of absolute transparency in informing our customers about their rights to privacy and the way in which we handle their personal information

Assessment of social-environmental risk

We believe that our investment decisions and credit policies must also take into account social-environmental risks inasmuch as a business that produces economic value can be sustainable only if it does not simultaneously destroy social or environmental value, therefore we:

- comply with national and international protocols for compliance with social and environmental standards
- exclude financial relationships which support economic activities that contribute, even indirectly, to the violation of basic civil rights or hinder human development, or severely damage the health of persons or the environment
- promote peaceful coexistence, and avoid providing financial support to economic activities that might jeopardize it
- give priority to projects having high environmental and social value

Principles of conduct in shareholder relations

Intesa Sanpaolo has adopted the “dualistic system” in which the functions of control and strategic policy, exercised by the Supervisory Board, are separate from those of company management exercised by the Management Board. When outlining the new governance, we took into account the indications contained in the Code of Conduct of listed companies promoted by Borsa Italiana S.p.A (the Italian Stock Exchange), with which Intesa Sanpaolo complies voluntarily.

This model draws a more defined boundary between ownership and management because the Supervisory Board acts as a filter between shareholders and the management body (the Management Board), and can therefore respond more effectively than the traditional model to the need for greater transparency and reduce potential risks arising from conflicts of interest.

The multifaceted role attributed by the law and the company statute to the Supervisory Board

emphasizes the detachment of the management and strategic policies from the control function, thereby making it possible to define more clearly the roles and responsibilities of the corporate entities. This also ensures a healthy and prudent management of the Bank.

To strengthen representation on the Supervisory Board, the latter is elected by the mechanism of list-voting. The lists can be presented by shareholders according to the formalities contemplated by art. 23 of the company statute and committee members are elected according to a “purely” proportional system.

The Management Board has the responsibility of running the company in compliance with the policies formulated by the Supervisory Board; the latter appoints the members of the former. The corporate governance system is illustrated in the Annual Reports, available at our web site www.intesasanpaolo.com. It gives indications regarding the requisites of the members of the Management Board and the Supervisory Board and in particular, with reference to the latter, its independence requirements.

Equity

We act in such a way that the value of all shareholders’ capital invested in Intesa Sanpaolo is protected and increased in a sustainable manner

- we guarantee equal information and the best attention to shareholders, without any discrimination or preferences
- we believe that the Shareholders’ Meetings represent a good opportunity to establish a successful dialogue, in compliance with the principle of fair information and regulations regarding price-sensitive information. In this regard, the Bank encourages the widest possible participation in Shareholders’ Meetings and ensures that voting rights are exercised correctly
- the Chairman of the Supervisory Board presides over and guides the Shareholders’ Meetings and guarantees the rights of all shareholders

Transparency on the market

All the financial communications of Intesa Sanpaolo, as well as those submitted to the Supervisory and Control Authorities, both domestic and international, are based on the transparency, exhaustiveness and timeliness of the information, as well as on full respect for the law and the codes of self-discipline adopted:

- we guarantee to shareholders and the financial community in general timely and transparent communication with the intent of providing clear, complete and prompt information on the status of the Bank’s implementa-

tion of strategies and the results it achieves
In order to guarantee equal information to all its shareholders and the various other organisations affected by the Group's trends, information is made available through various channels, including our web site which publishes, among other things:

- our financial statements and compulsory interim reports
 - our annual corporate governance report
 - information to shareholders on the terms and formalities required for exercising their rights, such as participation in the Shareholders' Meetings, the collection of dividends, capital transactions, etc.
 - press releases and presentations to the market of corporate results and strategies
 - principal corporate documents
 - figures indicating the trend of securities on the stock market and the shareholders' structure
 - ratings awarded to the Bank by specialized agencies
- in conformance with international best practices, we periodically hold meetings and conferences, either by telephone or via Internet, with the financial community, both Italian and international, in order to reinforce long-term and on-going relations that contribute to the creation of sustainable value

Principles of conduct in employee relations

Respect for the individual

We believe that respect for the personality and dignity of each employee is fundamental for developing a work environment based on reciprocal trust and loyalty and which is enriched by the contribution of each individual, thus we:

- adopt procedures for the hiring and management of employees that are based on fairness and consistent conduct, preventing favouritism, abuse and discrimination based on sex, ethnic origin, religion, political beliefs or union participation, language, age or disabilities
- guarantee equal opportunities for professional development and growth, access to training programs, refresher courses and the assignment of job positions
- acknowledge the possibility for all employees to express individuality and creativity in their job and we bring out the best in each of them. This gives us a thrust towards innovation and provides an essential contribution to the growth of the Group

- pursue excellence in our results in terms of quantity and quality through our commercial deals and budget policies that are targeted, planned and monitored in compliance with the ethical principles of this Code. We respect the professional standing and dignity of all our employees, as well as the singularity of the context in which they operate
- pay maximum attention to defining our goals, making them easy to understand and share in order to promote proper and transparent behaviours in our relations with customers
- set up objective and transparent incentive systems that contemplate realistic attainable goals
- make people's work easier by simplifying the products, procedures and forms of communication and we safeguard their health and safety by adopting increasingly effective measures
- promote policies that make the personal and professional lives of all our employees easier by favouring forms of flexibility and carrying out initiatives for the reconciliation of work commitments with private needs being well aware that the private life of each employees is essential to his/her well-being

Appreciation and motivation

In our intention to apply fairness, equality and merit in the assessment, rewards, motivation and career development of our staff we:

- recognize that the ensemble of relational, organizational and technical skills of each employee is our main strategic resource; we undertake to protect and bring out the best in them because this is a key factor in maintaining sustainable competitive advantages
- adopt systems for assessing the behaviours, skills, know-how and potentialities of our employees according to criteria of transparency and appreciation of their merits in order to reinforce motivation and give fair rewards to incentivate the achievement of excellent results
- develop training programs that focus on individual needs in the conviction that listening to the needs expressed by our employees is vital in designing training processes
- put each individual in a condition to best interpret their role to favour the on-going improvement of their skills, developing their capacity for teamwork and contributing to the achievement of the company's goals
- promote the responsible participation of people and ask that they always apply themselves earnestly so that they feel involved in the group's growth process, through which they too can achieve their own professional growth
- ask our people to cooperate in the responsible use of all the resources they need to do their job

Listening and dialogue

We believe that listening and dialogue are the foundation of relationships that generate trust, hence we:

- promote the strategic role of internal communication to help people to participate with more awareness in the life of the company
- base communication on criteria of correctness, completeness, simplicity and transparency
- develop instruments for sharing information and promote the discussion of experiences that also favour comparisons and integration among the various territorial entities of the Group
- undertake to develop, in those who have positions of responsibility, a specific sensitivity and perceptiveness toward the needs of employees; we teach them to appreciate suggestions and differences of opinion as opportunities for company growth and improvement

Cohesion

Cohesion is the distinctive trait of a community of people who work well together and are proud to belong to a large company.

In order to foster and strengthen the spirit of cohesion in all employees within a strong and shared company identity we:

- explain and spread our values, and continuously check their relevance so that all employees can identify with those values
- make information available to everyone about the Group's strategies and goals for the purpose of sharing the elements that characterize our identity
- foster, in those holding positions of responsibility, the capacity to act as guides and referees; their actions always comply with the company's ethical principles
- adopt management and reward policies that acknowledge and appreciate individual and group contributions to the achievement of our goals
- envisage forms of co-participation, even on an economic level, in the company's achievements
- promote initiatives for building solidarity to support colleagues who are going through difficulties and to pursue socially significant goals

Principles of conduct in supplier relations

Listening and dialogue

We believe that behaviour based on listening and sharing ideas with our suppliers fosters the on-going improvement of those relationships,

reinforcing them and generating reciprocal value through:

- attitudes based on trust that involve the suppliers in an active role
- measuring the level of satisfaction of our suppliers and determining the areas that need improvement, particularly regarding transparency, communication and compliance with terms of payment

Transparency

We believe that a clear and transparent attitude contributes to maintaining enduring relationships with our suppliers. We are convinced that integrity is a fundamental premise of these relationships and therefore:

- our choice of suppliers is based on clear and proven criteria through an objective and transparent procedure
- we are faithful to company policies that base relationships on maximum honesty, especially in the management and conclusion of contracts, thereby avoiding situations of conflict of interest, even potential ones
- in the specific case of professional consultancy, we base our decisions on professional and competence criteria and avoid conflicts of interest, even potential ones
- we are committed to publishing our policies regarding relations with suppliers

Equity

Since it is our belief that a large bank must be able to manage responsibly the position of contractual strength it wields we:

- guarantee equal opportunity in the selection of suppliers and commercial partners, taking into account their compatibility with and capacity for the size and needs of our company
- undertake to make sure that the contracts stipulated with our suppliers are based on fairness, especially regarding terms of payment and administrative compliance

Principles of conduct regarding the environment

Environmental protection is one of the key dimensions of our commitment to fulfil our responsibilities.

One of the areas of our social responsibility policy is the refusal to waste resources and pay attention to the environmental consequences of our decisions. We believe that a large banking Group such as Intesa Sanpaolo has significant influence in terms of environmental sustain-

ability, particularly in the social and environmental context in which it carries out its operations, both in the short-term and long-term. This influence is attributable to the consumption of resources and the generation of emissions and waste directly connected to its business activities (direct impact) as well as activities and behaviours which it does not control directly because these have been put in place by third parties, i.e. customers and suppliers, with whom we deal (indirect impact).

From this vantage point we:

- guarantee complete and substantial compliance with legislative provisions regarding the environment
- continuously seek new and effective solutions for the environment, even through the offer of specific products and services to customers and solutions for our suppliers
- undertake to spread best practices regarding environmental responsibility, through the implementation of international principles such as the UNEP Declaration, the Global Compact of the United Nations and the Equator Principles, which we comply with
- are open to dialogue and exchange with all those who represent the “voice” of the environment
- are responsible for making our environmental statistics always accessible to the public through several channels of communication

Responsible and efficient use of resources

- we pursue the conscientious consumption of the resources we need to carry out our business by implementing an environmental management system and actively improving the energy efficiency of our activities
- we endeavour to improve the environment continuously, also by monitoring environmental data and stimulating the awareness of the people who work in the Group

Environmental and social responsibility along the supply chain

- we recognize that our responsibility to the environment and society extends along the entire supply chain and for this reason we try to orient the policies of our suppliers and subcontractors towards environmental protection and the respect of human and workers’ rights
- we value suppliers who base their business on environmental and social sustainability and who adopt the measures and instruments needed to minimize the negative impacts caused by their activities
- we undertake to make our suppliers sensitive

to adopting a responsible attitude that favours awareness of the environmental, social and ethical risks and opportunities deriving from their activities

Principles of conduct regarding the community

Dialogue with associations representing our stakeholders

We feel that dialogue with associations is of strategic importance for the sustainable development of our business and moreover we:

- listen to and take into account observations about our activities expressed by various organisations throughout society
- keep a channel of communication open with associations that represent the interest of our stakeholders, with the aim of cooperating in relation to mutual interests and preventing possible situations of conflict
- inform the associations we consider to be the most representative of our stakeholders and actively involve them in the issues that specifically affect those stakeholders

Support to non-profit organizations

By acknowledging the role of non-profit organizations in promoting the fair and cohesive development of society we:

- support non-profit and socially-involved companies and develop partnerships to carry out projects that benefit the community
- promote the setting up of a network of social companies to carry out initiatives in favour of underprivileged social strata
- set up and/or participate in non-profit entities, such as foundations and consortia, whose purpose is social utility and community service
- favour supplementary welfare programmes

Responsibilities to the global community

Being aware of the fact that worldwide economic, environmental and social balance depends on the integration of local factors, we seek to influence the global scenario by:

- giving utmost consideration to the issue of sustainable development every time we have the opportunity to participate in processes that define macroeconomic scenarios
- orienting the policy of our corporate clients and supporting them in their internationalization processes when they find themselves operating in countries with lower standards of social-environmental protection
- supporting initiatives for international solidarity

Support to communities through contributions and sponsorships

We determine the needs, material and otherwise, of the community and support them, also through liberal grants and sponsorships:

- in choosing possible areas of intervention, we pay special attention to the observance of our reference values, the merit of the initiatives proposed to us and the importance of the social needs they will respond to – among which the appreciation and protection of historical, artistic and cultural heritage
- by operating according to transparent and accountable procedures and through formalities that prevent any possible personal or corporate conflicts of interest
- making sure that our grants are unrelated to the pursuit of commercial interests

Relations with institutions

Our institutional relations with the State in its various agencies and with international organi-

zations are aimed exclusively at forms of communication for assessing the implications of legislative or administrative activities regarding Intesa Sanpaolo. We respond to informal requests and trade union inspections (questions and enquiries, etc.), and in any event make known our position on significant issues:

- we establish dedicated and authorized channels of communication with all institutional contacts whether they be international, domestic or local
- we represent our interests in a transparent manner
- we adopt specific organizational models to prevent crimes against Public Administration and thereby protect the interests of society and all its stakeholders
- we actively contribute to the initiatives taken by trade associations and business organizations aimed at the growth, stability and fairness of the banking and financial system

Implementation and control

Mechanisms for implementing the principles, governance and internal auditing

The mechanisms for implementation, governance and control explained here are aimed at achieving the following goals:

- integration of corporate strategies, policies and procedures with shared ethical principles and values
- audit and control over compliance with actions and behaviours with respect to shared ethical standards

Implementation of the Code of Ethics

The Code of Ethics and any future amendments shall be approved by the Management Board and by the Supervisory Board of Intesa Sanpaolo. The Corporate Social Responsibility Unit is responsible for updating the Code.

Code of Ethics Governance

Procedures for disclosure, participation and involvement

The Code of Ethics is published on the web site (www.intesasanpaolo.com) where it can be accessed by customers and interested parties; it is also available in a section of the company's intranet.

A hardcopy of the Code is delivered to each director, employee or external collaborator upon their appointment, hiring or the start of a job relationship.

The values and principles that Intesa Sanpaolo intends to affirm through the Code of Ethics shall be conveyed through training activities

aimed at achieving consensus on the contents of the Code of Ethics and providing instruments for raising awareness and knowledge about the mechanisms and procedures for translating the ethical principles into behaviours to be implemented materially in daily activities.

In particular training courses will be set up with contents suitable to the job role of each participant and developed according to a process that will complete their professional training and foster their personal growth.

The culture and values of the Code of Ethics will also be developed and circulated by means of all internal communication channels.

The assessment of the performance of those in positions of responsibility will also take into account compliance with the ethical principles concerning relationships with employees.

Procedures for the internal management and control of the Code of Ethics

In Intesa Sanpaolo there is an internal Group Code of Conduct that, in compliance with the ethical principles and values of the present Code, defines the essential standards of conduct for directors, employees and consultants in implementing and protecting the values of the Code of Ethics.

The model from which Intesa Sanpaolo draws inspiration is based on the self-responsibility of departments that pursue and defend the reputational value of socially responsible behaviour. Intesa Sanpaolo undertakes to formulate and implement operative policies for each area of activity having significant ethical and reputational impact.

Every company department preserves and guarantees the compliance of their actions and activities with the principles and values of the Code of Ethics. Every department is therefore directly responsible, within its own sphere of influence, for determining and formalizing the goals as well as the consequent plan of actions and projects to give a tangible meaning to the Principles of Conduct that dictate the Bank's behaviour in all of its relationships, even in a multi-stakeholder logic.

Moreover each department is responsible for

carrying out the line controls in its own area of competence, detecting cases of non-compliance that might occur within its department and reporting them to the appropriate departments according to the procedures set up by the company.

Heads of Divisions/Offices, in order to make the principle of self-responsibility effective, shall appoint the Corporate Social Responsibility (CSR) referees. They shall operate within the department in question and in a network between departments. They shall also cooperate with the Corporate Social Responsibility Unit by identifying the social responsibility objectives within their own department, managing, monitoring, and periodically reporting on the projects in progress and maintaining relations with the reference stakeholders.

The Corporate Social Responsibility Unit supports and advises departments within the company and sees to the preparation of effective monitoring procedures to ensure that policies, products and processes comply with the Code of Ethics. To this end, in concert with the assigned departments, amongst which in particular the Planning, Capital Management and Control Synergies Department and the Personnel and Organization Department, it identifies specific indicators that allow them to assess the achievement of social and environmental goals. These assessments shall be included in a report to guarantee that commitments have been honored. Furthermore it cooperates with the Personnel and Organization Department in the development and spreading of the culture and values contained in the Code of Ethics.

It performs secondary controls for the purpose of determining potential critical issues, it monitors the development of the same, and, in cooperation with the departments concerned, deals with the corrective measures for overcoming said critical issues.

It proposes the appropriate changes to be made to the Code to make it consistent with and current to the company's situation.

It assures an on-going flow of communication to the Managing Director and Management Committee, also through the Strategy Committee and Auditing Committee, with regard to both day-to-day management and the handling of unexpected situations.

The Department of Internal Auditing supervises to make sure the Bank's operations and processes are carried out properly, as well as to ensure compliance with the rules governed by the Internal Code of Conduct to protect the value of activities, including those relative to the Bank's ethical commitments and social responsibilities (ethical auditing).

It supports the Auditing Committee in overseeing compliance with the principles and values contained in the present Code of Ethics. To this end it receives and analyzes reports relevant to breaches of the Code of Ethics.

The Auditing Committee, in its supervisory role and in accordance with Dlgs 231/2001, oversees compliance with the principles and values contained in the present Code of Ethics. It receives a joint periodical report from the Corporate Social Responsibility Unit and the Department of Internal Auditing in order to refer to the Supervisory Committee, regarding the outcome of auditing, internal adjustment processes aimed at each company department and the management of corrective measures. It also receives reports about serious anomalies and non-compliances.

Actions in cases of non-compliance

In cases of non-compliance of this Code, Intesa Sanpaolo shall adopt the consequent measures according to a constructive approach – in cases other than fraudulent conduct or acts committed by the infringement of specific laws, contracts or regulations – sometimes even establishing training programs to reinforce the sensitivity and attention of individuals regarding compliance with the values and principles declared in the present Code of Ethics.

Reporting cases of non-compliance

Reports of cases of non-compliance with the present Code should be sent by email to codice.etico@Intesasanpaolo.com or by regular post to the following address: Intesa Sanpaolo - Reclami Etici, Via Lugaro 15 Turin.

Intesa Sanpaolo guarantees that whoever reports a case of non-compliance in good faith will be protected from any form of retaliation, discrimination or penalization, and ensures maximum confidentiality, except in cases otherwise indicated by law.

Indicator Table

Legend

- Total coverage of indicator.
- Partial coverage of indicator. Indicates activities with room for improvement, on which we are working

PROFILE DISCLOSURE				
Description	GRI	Coverage	Page	Comments
Strategy and Analysis				
Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	1.1	●	9	
Description of key impacts, risks, and opportunities	1.2	●	21, 36 107, 136	
Organizational Profile				
Name of the organization	2.1	●	Cover 3, 11	
Primary brands, products, and/or services	2.2	●	20, 23, 26, 56	
Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	2.3	●	24-26	
Location of organization's headquarters	2.4	●	3	
Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	2.5	●	28-29	
Nature of ownership and legal form	2.6	●	3, 35	
Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	2.7	●	26-29 56-57	
Scale of the reporting organization	2.8	●	23	
Significant changes during the reporting period regarding size, structure, or ownership	2.9	●	11, 18	
Awards received in the reporting period	2.10	●	76, 77, 80 126, 127	
Report Profile				
Reporting period (e.g., fiscal/calendar year) for information provided	3.1	●	13	
Date of most recent previous report	3.2	●	13	
Reporting cycle (annual, biennial, ecc.)	3.3	●	13	
Contact point for questions regarding the report or its contents	3.4	●	166	
Process for defining report content, including: – Determining materiality; – Prioritizing topics within the report; and – Identifying stakeholders the organization expects to use the report	3.5	●	13 50-51, 55	

Description	PROFILE DISCLOSURE			
	GRI	Coverage	Page	Comments
Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	3.6	●	13	
State any specific limitations on the scope or boundary of the report	3.7	●	11, 13	
Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	3.8	●	11 13, 26 28-29	
Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	3.9	●	14 63-65 118	
Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	3.10	●	11	
Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	3.11	●	11	
Table of indicators and contents	3.12	●	155	
Policy and current practice with regard to seeking external assurance for the report	3.13	●	11	
Governance, Commitments & Engagement				
Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	4.1	●	30-35	
Indicate whether the Chair of the highest governance body is also an executive officer	4.2	●	31, 34	
Number of members of the highest governance body that are independent and/or non-executive members	4.3	●	33, 34	
Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	4.4	●	35	Employees are not represented in internal governance.
Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance (including social and environmental performance)	4.5	●	31-34	
Processes in place for the highest governance body to ensure conflicts of interest are avoided	4.6	●	30	
Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	4.7	●	31 32, 35	
Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	4.8	●	16-17 21 144-145	
Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	4.9	●	31, 36 153-154	

PROFILE DISCLOSURE				
Description	GRI	Coverage	Page	Comments
Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	4.10	●	34	The 2007-2009 Industrial Plan, containing the environmental and social economic performance aims, was approved by the Management Board and Supervisory Board, and will be assessed on the basis of the objectives achieved.
Explanation of whether and how the precautionary approach or principle is addressed by the organization	4.11	●	16, 71-72 144	
Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	4.12	●	30, 39 70 114-115	
Memberships in associations (such as industry associations) and/or national/international advocacy organizations	4.13	●	39	
List of stakeholder groups engaged by the organization	4.14	●	51, 55	
Basis for identification and selection of stakeholders with whom to engage. This includes the organization's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage	4.15	●	50	
Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	4.16	●	50-52 60-67, 76 91, 96-98 106, 112	
Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	4.17	●	52-54	
Financial Sector Supplements				
CSR Policy	CSR1	●	36-39 133-138 144-154	
CSR Organisation (Describe the structure and relevant CSR responsibilities, including explanation of the installed procedures)	CSR2	●	36-37	
CSR Audit: Report on the number of audits and auditor hours. Includes both internal and external (independent third party) audits	CSR3	●	154	The new Group Code of Ethics introduces the ethic audit process (see Implementation and Control). During the year 2006 this process was gradually coming into effect and hence it is not possible to indicate information regarding quantities Management of Sensitive Issues.
Describe procedures for handling issues sensitive to stakeholders and responsiveness	CSR4	●	153-154	

DISCLOSURE ON MANAGEMENT APPROACH		
Description	Page	References
Economic Economic Performance Market Presence Indirect Economic Impacts	21, 23, 42-47 134-138 144-154	Annual Report 2006 2007-2009 Business Plan www.intesasanpaolo.com
Environmental Materials Energy Water Biodiversity Emissions, Effluents and Waste Products and Services Transport	75 114-118 121-122 134-138 144-154	Environmental Policy www.intesasanpaolo.com
Social: Labour Practices and Decent Work Employment Labour/Management Relations Occupational Health and Safety Training and Education Diversity and Equal Opportunity	89-90 90-92 96-97 101-104 134-138 144-154	
Social: Human Rights Investment and Procurement Practices Non-discrimination Freedom of Association and Collective Bargaining Abolition of Child Labour Prevention of Forced and Compulsory Labour Complaints and Grievance Practices Security Practices Indigenous Rights	69, 75-83 96, 101 111-112, 121 134-138 144-154	
Social: Society Community Corruption Public Policy Anti-Competitive Behavior Compliance	32, 76 123-132, 71, 98 134-138 144-154	Governance www.intesasanpaolo.com
Social: Product Responsibility Customer Health and Safety Product and Service Labelling Customer Privacy Compliance	69 70-72 134-138 144-154	

PERFORMANCE INDICATORS					
Description	GRI	Core	Coverage	Page	Comments
Economic					
Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	EC1	X	●	46-47 128-129	
Financial implications and other risks and opportunities for the organization's activities due to climate change	EC2	X	●	115	Through the Carbon Disclosure Project the Group reports on the financial implications, risks, opportunities and strategies with regard to climate change (www.cdproject.net).
Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	EC5		●	95	
Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	EC6	X	●	110	
Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	EC8	X	●	81-82	
Understanding and describing significant indirect economic impacts, including the extent of impacts	EC9	X	●	73-82	
Environmental					
Materials used by weight or volume	EN1	X	●	120	
Percentage of materials used that are recycled input materials	EN2	X	●	121	
Indirect energy consumption by primary source	EN4	X	●	116-117	
Energy saved due to conservation and efficiency improvements	EN5		●	116	
Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	EN6		●	116-117	
Initiatives to reduce indirect energy consumption and reductions achieved	EN7		●	116-117	
Total water withdrawal by source	EN8	X	●	119	
Total direct and indirect greenhouse gas emissions by weight	EN16	X	●	118	
Initiatives to reduce greenhouse gas emissions and reductions achieved	EN18		●	118-119	
Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	EN24		●	120	
Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	EN26	X	●	120	

PERFORMANCE INDICATORS					
Description	GRI	Core	Coverage	Page	Comments
Social Performance: Labour Practices & Decent Work					
Total workforce by employment type, employment contract, and region	LA1	X	●	84, 85 102	
Total number and rate of employee turnover by age group, gender, and region	LA2	X	●	89	
Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	LA3		●	100	
Percentage of employees covered by collective bargaining agreements	LA4	X	●	96	
Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	LA5	X	●	96	Italian Collective Bargaining (art. 14 -17 - 18 CCNL 12 February 2005) indicates precisely the minimum period of notice for starting restructuring and/or reorganisation and relative information and advisory procedures for worker representatives.
Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	LA6		●	97, 103	The Agreement of 3 rd May 2006 (confirmed by Industrial Relations Protocol March 2007) established a specific Observatory dealing also with security and safety, in which two members of each Trade Union representing Banca Intesa's entire workforce in Italy take part, as well as those members representing the Bank.
Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	LA7	X	●	104	
Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	LA8	X	●	103	
Health and safety topics covered in formal agreements with trade unions	LA9		●	97	
Average hours of training per year per employee by employee category	LA10	X	●	93	
Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	LA11		●	87, 93	

PERFORMANCE INDICATORS					
Description	GRI	Core	Coverage	Page	Comments
Percentage of employees receiving regular performance and career development reviews	LA12	X	●	93	
Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	LA13	X	●	33-34 84, 103	
Ratio of basic salary of men to women by employee category	LA14	X	●	96	
Social Performance: Human Rights					
Total number of incidents of discrimination and actions taken	HR4	X	●	149	No incidents to report, see page relating to principles of conduct in employee relations
Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	HR5	X	●	96	
Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	HR6	X	●	112, 146	
Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	HR7	X	●	112, 146	
Total number of incidents of violations involving rights of indigenous people and actions taken	HR9	X	●	154	No incidents to report, see page relating to actions in case of non-compliance.
Social Performance: Society					
Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	SO1	X	●	121	
Percentage and total number of business units analyzed for risks related to corruption	SO2	X	●	32	The company organisation, management and supervisory model (D.lg.231/2000) covers the entire company. Checks carried out through the “Irregularity index generator for suspicious transactions” cover all the bank’s branches. Checks on the correct management of Treasury services for public entities concern representative on the basis of a previous risk analysis referring to branches only.

Description	PERFORMANCE INDICATORS				Page	Comments
	GRI	Core	Coverage			
Percentage of employees trained in organization's anti-corruption policies and procedures	SO3	X	●		98	
Actions taken in response to incidents of corruption	SO4	X	●		98	In the course of 2006 there were no cases of corruption on the part of employees. In cases of potential corruption on the part of clients towards Public Administration there was close cooperation with the relevant Authorities.
Public policy positions and participation in public policy development and lobbying	SO5	X	●		71	
Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	SO6		●		128	
Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	SO7		●		32	In the course of 2006 there were no legal cases pending nor taken up against the Intesa Group referring to unfair competition, anti-trust or monopolistic practices. The implementation of the Anti-trust resolutions concerning the merger of the two banking groups was set in motion.
Social Performance: Product Responsibility						
Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	PR1	X	●		69	
Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	PR3	X	●		70	
Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	PR5		●		63-65	
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	PR8		●		69	There were 100 complaints concerning privacy for Banca Intesa in 2006.
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	PR9	X	●		72	Footnote ⁽¹⁾

⁽¹⁾ PR9 = In the course of 2006, there were no sanctions nor significations disputes against the Intesa Group, in regard to the observance of the norms regulating its field of activity (TUB, TUF, and Anti Money Laundering Legislation). In February 2005, at the suggestion of Consob – and following a judicial enquiry as to transactions in Cirio and Argentina bonds – the Economics and Finance Ministry imposed fines on members of the bank (in accordance with art. 195 TUF, for breaking Consob regulations n. 11522/1998) with particular reference to: procedures adopted for the negotiation of financial instruments, information supplied to clients, also concerning conflict of interest, and the safekeeping of the relevant documentation. Banca Intesa and its staff had opposed these measures, overruled by the Milan Appeal Court as of December 2006. However, the Bank intends to appeal to the higher Court of Cassation.

PERFORMANCE INDICATORS					
Description	GRI	Core	Coverage	Page	Comments
Financial sector supplements					
Internal CSR policy (describe social responsibility issues covered in the company's human resources policies)	INT1		●	91 149-150	
Employee Satisfaction	INT3		●	53-54 91, 96-97	
Senior Management Remuneration	INT4		●	32	See Banca Intesa's Annual Report for 2006 on Internet site www.intesasanpaolo.com "Information on compensation and transactions with related parties", pag. 278.
Bonuses Fostering Sustainable Success	INT5		●	95	
Charitable Contributions	SOC1		●	128-130	
Retail Banking Policy (socially relevant elements)	RB1		●	73-75	
Lending Profile	RB2		●	57	
Lending with High Social Benefit	RB3		●	73-82	
Investment Policy (socially relevant elements)	IB1		●	81-83 121	
Assets under Management with High Social Benefit	AM2		●	75	
Description of environmental policies applied to core business lines	F1		●	114	Available on Group website in the section "Sustainability" www.intesasanpaolo.com
Description of process(es) for assessing and screening environmental risks in core business lines	F2		●	121-122	
State the threshold(s) at which environmental risk assessment procedures are applied to each core business line	F3		●	121	
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Global Compact Principles – GRI Indicators Cross Reference Table

AREAS	Global Compact Principles	Directly Relevant GRI Indicators
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights	HR4, HR5, HR6, HR7, HR9
	2. make sure that they are not complicit in human rights abuses	We intend: <ul style="list-style-type: none"> – to implement the Equator Principles in international Project Finance transactions; – to qualify our suppliers on the basis of environmental and social requisites, also defined on the basis of international standards and certifications.
Labour Standards	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	HR5, LA4, LA5
	4. the elimination of all forms of forced and compulsory labour	HR7
	5. the effective abolition of child labour	HR6
	6. the elimination of discrimination in respect of employment and occupation	HR4, LA2, LA13, LA14
Environment	7. Businesses should support a precautionary approach to environmental challenges	4.11
	8. undertake initiatives to promote greater environmental responsibility	EN2, EN5, EN6, EN18, EN22, EN26
	9. encourage the development and diffusion of environmentally friendly technologies	EN2, EN5, EN6, EN7, EN18, EN26
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery	SO2, SO3, SO4

Contacts

For further information

Corporate Social Responsibility Unit
Tel. 02 8796 3435
Fax 02 8796 2028
E-mail csr@intesasanpaolo.com

Investor Relations
Tel. 02 8794 3180
Fax 02 8794 3123
E-mail investor.relations@intesasanpaolo.com

Media Relations
Tel. 02 8796 3531
Fax 02 8796 2098
E-mail stampa@intesasanpaolo.com

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Susanne Gerhardt, Milano