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# Report of the Supervisory Board

## Ordinary Part – Item 2 on the agenda

### **Proposal for appointment of the independent auditor for financial years 2012-2020**

#### **1. Introduction**

Distinguished Shareholders,

**The appointment** of Reconta Ernst & Young S.p.A. (hereinafter REY) for the period 2006-2011 by the Shareholders' Meeting of 20 April 2006, previously appointed by the Shareholders' Meeting of 16 April 2003 for the period 2003-2005, **is due to terminate** as of the date of approval of the **Financial Statements as at 31 December 2011**.

Following the **merger of Sanpaolo IMI S.p.A. into Banca Intesa S.p.A.** (which later changed its name to **Intesa Sanpaolo S.p.A.**), with legal effect as of 1 January 2007, **REY's** workload significantly increased in terms of both quantity and quality. Therefore, according to applicable Consob regulations, the Independent Auditors drafted a **rider to their offer**, as the "extraordinary and/or unforeseeable events" mentioned in Consob Communication no. DAC/RM/96003558 of 18 April 1996, had actually occurred.

It was deemed appropriate to submit this rider to the examination of Intesa Sanpaolo S.p.A. Shareholders' Meeting of 3 May 2007, which - without prejudice to the validity and effectiveness of all clauses in the initial offer approved by the Meeting of 20 April 2006 - resolved to increase the Independent Auditors' fees as requested.

The **regulatory amendments introduced in 2008** (particularly the independent auditors' opinion on consistency between the report on operations and the financial statements and the changes to IAS 39) and the business combination completed within the Group (**Banca CR Firenze Group**) led to yet another considerable increase in the audit activities, in relation to both the Parent Company and the Group scope of companies. On that occasion also it was deemed appropriate to submit **REY's rider** to increase fees to the Shareholders' Meeting of 30 April 2009 for approval.

Legal provisions on **auditing** were later **reviewed by Italian Legislative Decree no. 39 of 27 January 2010** (hereinafter Leg. Decree 39/2010), which entered into force on 7 April 2010 implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts. This Directive amended Directives 78/660/EC and 83/349/EC and repealed Directive 84/253/EC.

The **auditing assignment to REY**, the Intesa Sanpaolo Group's current Main Auditor, **cannot be renewed** as in 2011 the nine-year maximum envisaged in art. 17, Leg. Decree 39/2010 will be completed. The appointments by a number of Group companies to PricewaterhouseCoopers (hereinafter PWC), currently the Secondary Auditor to the Intesa Sanpaolo Group, are also due to expire in 2011.

In this respect, note that, according to the provisions of articles 13 and 19, Leg. Decree 39/2010 and art. 7.3 of the Intesa Sanpaolo S.p.A. Articles of Association, based on a **motivated proposal** submitted by the **Supervisory Board** (after consulting the **Control Committee**), the **Shareholders' Meeting appoints the independent auditors**, resolves upon

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related fees for the entire duration of the assignment and resolves upon any criteria to adjust such fees during the course of the assignment.

Intesa Sanpaolo S.p.A.'s "Regulation on granting assignments to independent auditors and their networks regarding audit and other services" (hereinafter the Audit/Non Audit Regulation) establishes two converging criteria for audit assignments: the principle of a **Single Auditor** for the entire Intesa Sanpaolo Group, except in cases of incompatibility with Italian or international legal or regulatory provisions; and the **principle of standard** financial statements audit assignments granted by Group companies compared to the assignment granted by the Parent Company. However, as a result of misalignment in the timing of existing assignment expiries, in 2012 the company to be appointed cannot take on the role of Single Auditor for the Parent Company financial statements and those of all Italian and international subsidiaries.

On 19 October 2010, therefore, the Supervisory Board deemed it appropriate to begin the selection procedure in order to be able to propose a new appointment to the Ordinary Shareholders' Meeting of 2011.

Arranging the appointment a year early (a common practice among the major quoted companies) was considered preferable as, amongst other things, on the one hand it would allow Group companies to arrange their own appointments in an orderly fashion and, on the other hand, would give the new independent auditors time to organise their audit plans and complete any advisory activities in progress.

Three independent auditors (Deloitte S.p.A., KPMG S.p.A. and PricewaterhouseCoopers S.p.A.) were invited to submit bids for the nine-year auditing assignment: (i) for the Parent Company and related international branches for the period 2012-2020; (ii) for the 135 subsidiaries, consolidated according to the line-by-line or equity method (including certain international branches), for a nine-year period commencing on expiry of the current independent auditor assignments. The scope of auditing tasks on which their bids were formulated was that relating to data disclosed to Consob in June 2010 pursuant to art. 147 of the Issuers' Regulation.

With reference to Group Companies whose audit assignments are due to expire after 31 December 2011, the three companies were asked to submit separate bids. In this respect, Intesa Sanpaolo reserved its unquestionable right to resolve or arrange resolution by the appropriate corporate Bodies upon the deferred appointment option or not to resolve or arrange resolution upon any of the bids received.

The preparatory work for the appointment procedure was performed on the Supervisory Board's behalf by the Control Committee, assisted by the General Secretariat of the Supervisory Board and the Manager responsible for preparing the Company's financial reports, involving assessment of the auditors' professional expertise and experience, also with reference to the Bank of Italy instructions provided with "Supervisory Provisions concerning Banks' organisation and corporate governance" of 4 March 2008.

The Control Committee, which discussed this procedure during the course of **12 meetings**, expressed its opinion to the Supervisory Board at the meeting of 15 March 2011.

Summary illustrations are provided below on:

- (i) the steps followed in the company **selection procedure**;
- (ii) the key **distinctive features of the company, the economic bid** submitted in relation to Intesa Sanpaolo S.p.A. and the main characteristics of the bid regarding the Group as a whole.

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## 2. The selection procedure

A summary description is provided below of the activities completed from September 2010 onwards to identify the company to be appointed independent auditors of Intesa Sanpaolo S.p.A. and most of the subsidiaries for the nine-year period 2012-2020:

- procedure launch and management;
- definition of the valuation method;
- analysis of received bids;
- selection of the independent auditors.

### 2.1 Procedure launch and management

#### Company selection

The characteristics of independent auditors operating in Italy (excluding Reconta Ernst & Young, the outgoing auditors) and the auditors of the leading European banks were analysed, after which the three leading independent auditors were invited to submit a bid (Deloitte, KPMG and PWC), having met the requisites in terms of good standing, professional resources in Italy and international networks considered on first examination to be able to meet the auditing needs of the Intesa Sanpaolo Group.

#### Definition of procedure timing and traceability

The timing of the selection procedure was defined by **identifying strict, transparent and objective valuation criteria** and envisaging a procedure that guarantees transparency and traceability of the action taken and decisions made.

#### Invitation to tender

The Supervisory Board approved the selection procedure for the Company to be appointed as independent auditors for the financial years 2012-2020 at its meeting on 19 October 2010.

The three companies mentioned above were then invited by letter, dated 25 October 2010 and signed by the Supervisory Board Chairman, to submit a contractual bid.

The letter summarised: (i) the services required as part of the assignment, (ii) legal aspects of the bid, (iii) the list of documents/data regarding the independent auditors (and their network), (iv) administrative and technical aspects of the bid, (v) the scope of the audits, with a specific request to consider and submit separate full audit bids for the Intesa Sanpaolo and Banca IMI branches in New York, Paris and London, (vi) economic aspects, (vii) the terms and conditions of the bid, (viii) any incompatibility (including a request to list all assignments granted by the Group and their expiries) and (ix) the appointment procedure. The letter also included information provided by the current independent auditors in accordance with Consob provisions (Communication no. 96003556 of 18 April 1996).

### 2.2 Definition of the valuation method

After thorough consideration of the individual weightings and aggregation methods for the parameters, a valuation method was defined for received bids by adopting a model containing **4 macro criteria**, each divided into **10 criteria** comprising **26 quality indicators** and their weightings assigned as appropriate.

The macro criteria are as follows:

- A. The Independent Auditors (independence, organisation and business model);
- B. The Work Group (the team's general bank audit and technical expertise);
- C. The Audit Strategy for the Intesa Sanpaolo Group (knowledge of the Intesa Sanpaolo Group and the Audit Plan);
- D. The "Value" of the bid for Intesa Sanpaolo Group Audit (hours and mix of professional expertise and service costs).

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The use of a **valuation range** of quality indicators was also provided.

The final valuation reached from use of this model is then a result of the following process:

- **assignment of a score** to each quality indicator;
- **valuation of the quality indicator: multiplication** of the assigned score by the weighting of each quality indicator;
- **valuation of the criterion:** simple average of the indicators attributable to each of the 10 criteria;
- **overall valuation:** sum of the valuations for the 10 criteria.

The Committee agreed that its opinion to be forwarded to the Supervisory Board, taking into account the results of the above-described valuation procedure, would be based on an overall judgement of the most suitable bid for the Intesa Sanpaolo Group. In this respect it was stated that the fee would be an important element, but not a priority in the independent auditors selection given the absolute priority that Intesa Sanpaolo places on the professional nature of independent auditor services.

### 2.3 Analysis of received bids

The Committee conducted a detailed analysis of the bids from the three independent auditors, received on 15 November 2010 as required in the letter of 25 October 2010, for each quality indicator identifying the bid characteristics and, where possible, the distinctive and characteristic aspects of each company.

The analysis also took into consideration the information provided by the three companies during a number of specific meetings held with:

- the Control Committee, the Head of the General Secretariat of the Supervisory Board and the Manager responsible for preparing the Company's financial reports (1-2 December 2010);
- the Chief Officers or their representatives, the Head of the Internal Auditing Department, the Head of the General Secretariat of the Supervisory Board and the Manager responsible for preparing the Company's financial reports (20-21 December 2010).

After (i) examination of the received bids, (ii) analysis of certain additional information requested by Intesa Sanpaolo and (iii) the above meetings, by letter dated 23 December 2010 signed by the Chairman of the Supervisory Board, Intesa Sanpaolo issued a "request for integration and amendment of the received bid" to the three companies. A number of indications were provided for this purpose, amongst other things in relation to the economic aspect to be taken into consideration in the revised bid. The three bids revised as requested by Intesa Sanpaolo were received on 14 January 2011.

### 2.4 Selection of the independent auditors

On completion of the valuation procedure, the Control Committee reported its unanimous decision in favour of KPMG, considering the bid from this company to be the best of those received in view of the distinctive features described below.

This opinion was the result of both the analytical valuation described above and an overall opinion on the company's capacity to perform audits for a group as complex as Intesa Sanpaolo.

On 15 March 2011 the Control Committee submitted its opinion to the Supervisory Board on the results of the valuation procedure.

Having considered this opinion, at the same meeting the Supervisory Board expressed its overall agreement in favour of KPMG.

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### 3. Distinctive features of the company identified and the related bid

#### 3.1 Distinctive features

After thorough technical and economic valuation, therefore, that received from KPMG S.p.A. was considered the best bid. Considering this bid to be the most suitable in relation to the size, complexity and risk profile of the Intesa Sanpaolo Group, the Supervisory Board specifically points out the following:

- **Independence:** most of the advisory services currently provided to the Intesa Sanpaolo Group by KPMG will terminate in 2011. For other existing assignments, the termination of which is expected in 2012 and thereafter, the staff of the Manager responsible for preparing the Company's financial reports are investigating the nature of those assignments to decide whether or not they should be closed in advance. KPMG has in any event indicated its willingness to withdraw from the assignments in question. Taking also these factors into account, KPMG satisfies the independence requirements envisaged under regulations in force and, also based on its own declaration, the company is independent and has adopted Directives and procedures on such matters.
- **Knowledge of the Group:** KPMG has developed an in-depth knowledge of the Intesa Sanpaolo Group through numerous, qualified assignments, particularly as part of approximately 380 projects completed from 2007 to date.
- **Audit experience of large banking groups:** KPMG audit expertise gained from banking groups, especially in Italy, with an organisation, size and geographic characteristics of a complexity comparable to the Intesa Sanpaolo Group proved an important distinctive feature.
- **Operations in Italy and abroad:** KPMG operates in Italy with around 3,000 resources employed in 28 offices. 430 of its resources are involved in financial services audit. The number of resources dedicated to financial services audit in Italy and in most of the countries where Intesa Sanpaolo operates proved to be a qualifying feature in the bid from KPMG.
- **Single Auditor:** KPMG has no auditing assignments with Intesa Sanpaolo and could therefore potentially take on the role of Single Auditor, except in relation to assignments already granted to other auditors that are due to expire after 2011. Though not specifically envisaged under external regulations, the role of Single Auditor is that preferred in art. 14, Leg. Decree 39/2010 which, compared to the previous Consolidated Law on Finance "TUF" provisions, has further strengthened the responsibility of the company appointed to audit the consolidated financial statements in the audit of individual Group companies (as also pointed out by Assonime). Note that Intesa Sanpaolo is planning to use a Single Auditor also in the light of: (i) the Supervisory Board resolution of 20 February 2007 which fully supported the guidelines expressed in this respect by the Control Committee and adopted by the Management Board; (ii) the "Audit/Non Audit Regulation" which envisages the Single Auditor criterion. In view of the above, it is considered that the task of coordinating audit of the individual Group companies could be completed more efficiently if the auditor for the consolidated financial statements is able to liaise with independent auditors from its own network.
- **Business team:** KPMG will make resources available to Intesa Sanpaolo that have a vast experience and recognised professional expertise, from teams currently operating in other banking groups and whose assignments are due to expire on approval of the 2010 and 2011 financial statements.

Given the mandatory rotation envisaged by regulations after seven years spent with the same customer, KPMG will also make key figures available – already in the first year of the assignment – that have gained international experience as members of the Unicredit Group audit team.
- **Comparison with current auditors:** the received bid proves to be in line with that of the outgoing independent auditors in terms of working hours, with approximately 25% less

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fees payable. The lower hourly rates compared to those of the current auditors are attributable to KPMG's willingness (i) to become Intesa Sanpaolo's single auditor at national and international level and (ii) to retain its professional leadership in the audit of financial institutions in Italy.

Also note that this percentage decrease is essentially in line with that defined in recent years by a number of quoted companies in relation to their nine-year independent auditor assignments.

- **Working hours:** as confirmed by the Manager responsible for preparing the Company's financial reports, KPMG's estimation of hours required to complete financial statements' audit and other services included in the bid is considered suitable in relation to: (i) the extent, composition and degree of risk of Intesa Sanpaolo's key income statement, balance sheet and financial data, together with the risk profiles – particularly those relating to the consolidation process for subsidiary data; (ii) the technical preparation and expertise required of an audit and (iii) the need to ensure adequate supervision and guidance, in addition to material controls, on compliance with the principles and criteria established by Consob. The mix of working hours provided by the various professional figures forms a "pyramid", normally used by independent auditors and also suggested by Consob in Communication no. 96003556 of 18 April 1996. This structure would offer an adequate spread of the various figures also with a view to favour a balanced professional development of the resources dedicated to the Intesa Sanpaolo Group for the next nine years.
- **Audit plan:** the audit plan illustrated in the bid proves appropriate and complete in relation to the extent and complexity of the assignment.
- **Lead audit partner:** the lead audit partner has been identified as Domenico Fumagalli, Chairman of KPMG S.p.A. and Senior Partner of KPMG's Italian network. Fumagalli will be assisted by a co-lead audit partner, Mario Corti, manager of the KPMG financial services sector in Italy and currently lead audit partner for the separate and consolidated financial statement audits for Unicredit S.p.A., an assignment he is due to leave on approval of the 2010 Financial Statements (Shareholders' Meeting of 29 April 2011) as envisaged under the "business team rotation" regulation (art. 17, Leg. Decree 39/2010).
- **Fees:** as also confirmed by the Manager responsible for preparing the Company's financial reports, the audit fees for each year of the period 2012-2020 – as proposed globally and in detail for each task – are calculated in such a way as to guarantee the quality and reliability of the work completed and the independence of the auditors.

### 3.2 The economic bid for Intesa Sanpaolo S.p.A.

The Supervisory Board of Intesa Sanpaolo S.p.A. proposes that the Intesa Sanpaolo S.p.A. Shareholders' Meeting appoints the independent auditors KPMG S.p.A. for the nine-year period 2012-2020 to provide the following "audit services":

- audit of the Parent Company's Financial Statements pursuant to art. 13, Leg. Decree 39/2010 (formerly art. 159, Consolidated Law on Finance);
- audit of the Consolidated Financial Statements pursuant to art. 13, Leg. Decree 39/2010 (formerly art. 159, Consolidated Law on Finance);
- review of the regular keeping of corporate accounts pursuant to art. 14, Leg. Decree 39/2010 (formerly art. 155, Consolidated Law on Finance);
- limited review of the Half-yearly Consolidated Report (condensed consolidated half-yearly financial statements) pursuant to Consob regulations (no. 97001574/1997 and no. 10867/1997);
- limited review of the Parent Company's half-yearly financial statements to determine the net income for the period valid for regulatory capital purposes, pursuant to Bank of Italy Circular no. 263/2006 (title I, chapter 2);

- expression of a consistency opinion between the Corporate Governance Report/Report on Operations and the financial statements pursuant to art. 14, Leg. Decree 39/2010 (formerly art. 156, Consolidated Law on Finance) and art. 123-bis of the Consolidated Law on Finance;
- review relating to calculation of the contribution due to the National Guarantee Fund pursuant to art. 15 of the Fund's Articles of Association;
- audit of the Parent Company's Financial Statements (pursuant to local regulations), half-yearly reports and the reporting package for the consolidated report produced by the Parent Company's international branches.

#### “Audit service” fees for Intesa Sanpaolo S.p.A.

Parent Company – Recurring tasks	hrs	fees
Parent Company's financial statement audit	14,085	€ 1,215,000.00
Consolidated financial statement audit	7,065	€ 643,000.00
Review of the regular keeping of corporate accounts	2,500	€ 210,000.00
Limited review of the condensed consolidated half-yearly financial statements	4,700	€ 410,000.00
Limited review (half-yearly net income for Reg. Cap. purposes.)	190	€ 17,000.00
Certification required by the National Guarantee Fund	175	€ 15,000.00
International branch audit	8,382	€ 635,000.00
<b>TOTAL</b>	<b>37,097</b>	<b>€ 3,145,000.00</b>

In addition, again in reference to the Parent Company Intesa Sanpaolo S.p.A., KPMG submitted a bid regarding provision of the following additional services, strictly linked to the audit assignment:

- review relating to the signing of tax returns pursuant to art. 1, Italian Presidential Decree no. 322 of 22 July 1998;
- expression of a Pillar 3 opinion pursuant to the provisions of Intesa Sanpaolo S.p.A. internal regulations (Guidelines on Pillar III Disclosure);
- expression of an opinion on the Social Report as recommended by national and international best practices.

#### Other audit-related service fees for Intesa Sanpaolo S.p.A.

Parent Company – Recurring tasks	hrs	fees
Signing of tax returns	610	€ 55,000.00
Certification of Pillar III document compliance	1,440	€ 124,000.00
Certification of Social Report compliance	580	€ 49,000.00
<b>TOTAL</b>	<b>2,630</b>	<b>€ 228,000.00</b>

Detailed below are the main tasks for completion in 2012, with reference to the working hours, hourly rate and fees for each professional figure.

#### Intesa Sanpaolo S.p.A.: Parent Company's financial statement audit

Grade	hours		fees	
	total	%	€/h	total
Partner	1,550	11.0	€ 159.00	€ 246,450.00
Manager	3,944	28.0	€ 116.00	€ 457,504.00
Senior	4,225	30.0	€ 72.00	€ 304,200.00
Assistant	4,366	31.0	€ 51.00	€ 222,666.00
<b>TOTAL</b>	<b>14,085</b>			<b>€ 1,230,820.00</b>
<b>Bid</b>	<b>14,085</b>			<b>€ 1,215,000.00</b>

#### Intesa Sanpaolo S.p.A.: Consolidated financial statement audit

Grade	hours		fees	
	total	%	€/h	total
Partner	1,050	14.9	€ 159.00	€ 166,950.00
Manager	2,050	29.0	€ 116.00	€ 237,800.00
Senior	2,120	30.0	€ 72.00	€ 152,640.00
Assistant	1,845	26.1	€ 51.00	€ 94,095.00
<b>TOTAL</b>	<b>7,065</b>			<b>€ 651,485.00</b>
<b>Bid</b>	<b>7,065</b>			<b>€ 643,000.00</b>

#### Intesa Sanpaolo S.p.A.: Review of regular keeping of corporate accounts

Grade	hours		fees	
	total	%	€/h	total
Partner	250	10.0	€ 159.00	€ 39,750.00
Manager	650	26.0	€ 116.00	€ 75,400.00
Senior	752	30.1	€ 72.00	€ 54,144.00
Assistant	848	33.9	€ 51.00	€ 43,248.00
<b>TOTAL</b>	<b>2,500</b>			<b>€ 212,542.00</b>
<b>Bid</b>	<b>2,500</b>			<b>€ 210,000.00</b>

#### Intesa Sanpaolo S.p.A.: Review of the half-yearly consolidated financial statements

Grade	hours		fees	
	total	%	€/h	total
Partner	560	11.9	€ 159.00	€ 89,040.00
Manager	1,316	28.0	€ 116.00	€ 152,656.00
Senior	1,410	30.0	€ 72.00	€ 101,520.00
Assistant	1,414	30.1	€ 51.00	€ 72,114.00
<b>TOTAL</b>	<b>4,700</b>			<b>€ 415,330.00</b>
<b>Bid</b>	<b>4,700</b>			<b>€ 410,000.00</b>

## Intesa Sanpaolo S.p.A.: International branch audit

Grade	hours		fees	
	total	%	€/h	total
Partner	587	7.0	€ 167.50	€98,325.30
Manager	1,425	17.0	€ 122.26	€ 174,217.80
Senior	2,766	33.0	€ 75.84	€209,782.60
Assistant	3,604	43.0	€ 53.85	€ 194,060.30
<b>TOTAL</b>	<b>8,382</b>			<b>€ 676,386.00</b>
<b>Bid</b>	<b>8,382</b>			<b>€635,000.00</b>

The above fees, relating only to the provision of services, were calculated in accordance with the criteria indicated in Consob Communication no. 96003556 of 18 April 1996.

### 3.3 The economic bid for the Intesa Sanpaolo Group

The Supervisory Board also analysed the global bid received from KPMG S.p.A. which, in addition to Intesa Sanpaolo S.p.A. and related international branches (as indicated in paragraph 3.2), concerns 135 subsidiaries, consolidated according to the line-by-line or equity method, including certain international branches.

For such tasks, KPMG submitted a series of fees for the first year totalling 17,000,000 euro, net of the lump-sum discount, broken down as follows:

#### Audit fees for the Intesa Sanpaolo Group – by professional figure

Grade	hours		fees	
	total	%	€/h	total
Partner	17,281	7.4	€ 152.84	€2,641,171.20
Manager	43,387	18.5	€ 111.63	€4,843,294.50
Senior	75,765	32.3	€ 68.95	€5,223,817.70
Assistant	97,817	41.8	€ 48.86	€4,779,155.60
<b>TOTAL</b>	<b>234,250</b>		<b>€ 74.65</b>	<b>€ 17,487,439.00</b>
<b>Bid</b>	<b>234,250</b>			<b>€17,000,000.00</b>

#### Audit fees for the Intesa Sanpaolo Group – by geographic area

Geographic area	hours		fees	
	total	%	€/h	total
Italy	151,057	64.5	€ 77.19	€11,660,000.00
Abroad	83,193	35.5	€ 64.19	€5,340,000.00
<b>TOTAL</b>	<b>234,250</b>		<b>€ 72.57</b>	<b>€17,000,000.00</b>

Note that the total fees of 17,000,000 euro refer to companies for which the audit assignment will expire on approval of the 2011 financial statements for the sum of 12,982,000 euro and to companies whose assignments will expire at a later date for the remaining 4,018,000 euro.

If it is decided to also appoint KPMG in relation to companies whose audit assignments terminate after 31 December 2011, the fees will be as indicated in the bid received by Intesa Sanpaolo, net of the lump-sum discount and without prejudice to annual ISTAT CPI adjustments as described below.

KPMG will therefore become the Group's Main Auditor and, in the future, the Single Auditor.

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### 3.4 Additional characteristics of the economic bid

The following points refer to both Intesa Sanpaolo S.p.A. and to Group companies covered by the bid.

- **ISTAT CPI:** the above fees will be adjusted annually according to the percentage change in the ISTAT consumer price index with effect from 1 July 2012 (based on the figure recorded for June 2011).
- **Accessory costs:** costs incurred to complete the tasks, such as board and lodge and business travel expenses, will be charged as the cost incurred with a 5% cap on the overall fees at Group level. For international business travel (including travel between two other countries), the costs will be reimbursed also in addition to the aforementioned limit only if agreed in advance with the Manager responsible for preparing the Company's financial reports. Technology-related accessory costs (databases, software, etc.) and secretariat and communications services: charged as a lump sum amounting to 2% of the fees.

No further reimbursements are envisaged, except for Consob or other fees as may be established by law.

- **External advisory services:** recourse to any external advisory services as proposed by the independent auditors will be of an exceptional nature and must always be agreed in advance with the Manager responsible for preparing the Intesa Sanpaolo financial reports in order to obtain cost reimbursement.
- **Amendments to fees:** the audit assignment fees can also be reviewed following circumstances that lead to more time being required than originally estimated, for example a change in the Group's structure or in the assignment content. In such cases the time and fees will be negotiated with Intesa Sanpaolo in order to formulate a rider. Likewise, if less time than estimated should be needed, the fees will be proportionately decreased. In particular, if there should be a change in the Group's structure, for example following an equity investment (in Italy or abroad) leading to a significant increase in Group balance sheet figures that have already been audited, the extra time required will be calculated by taking into account information such as the size of the acquisition, related accounting, the expected level of business complexity of the acquired company and the resulting auditing risk, the time required by the outgoing auditors and the reference environment. The business sector of the acquired entity (commercial bank, corporate bank, investment bank, asset management, financial advisors network, life and non-life insurance sector, consumer credit, etc.) will also be taken into account, as will certain specific criteria for each business sector, for example: (i) the number of branches and the volumes of loans and deposits for the network banks; (ii) type and volumes of financial instruments, volumes of loans and deposits for corporate investment banks; (iii) total assets under management for companies in the asset management sector; (iv) volumes of net premiums and technical reserves for insurance companies. This estimate of the extra time needed will also take into consideration any synergies and economies of scale that can be exploited in completing regulatory audit tasks.

The composition of the team and the mix of different professional figures indicated in the bid will be used to calculate the fees. In addition the hourly rates per professional role mentioned in the bid will be used in accordance with the numbers of hours estimated for each specific professional role.

With regard to any Group business commenced in a new country, KPMG will apply the tariffs already agreed for audits in a comparable country in which Intesa Sanpaolo already operates.

- **Audit-related services:** the hours required for additional audit-related services that may arise due to legal or regulatory changes, or which may become necessary as a result of specific extraordinary transactions or requests from Intesa Sanpaolo on a voluntary basis,

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will be estimated on the basis of information provided to KPMG S.p.A. by Intesa Sanpaolo, and with suitable valuation of the degree of difficulty and related professional risks in order to identify a quality mix of professional resources for this specific purpose. KPMG will apply the hourly rates per professional role already indicated in the bid to calculate the related fees, suitably adjusted up to the maximum increase indicated by the ISTAT consumer price index.

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Distinguished Shareholders,

You are therefore invited to approve the proposal to appoint KPMG S.p.A. for provision of the above-defined "audit services" to Intesa Sanpaolo S.p.A. for the years 2012-2020 in accordance with the content, terms and conditions proposed by the Supervisory Board.

Milan, 15 March 2011

For the Supervisory Board  
the Chairman – Giovanni Bazoli