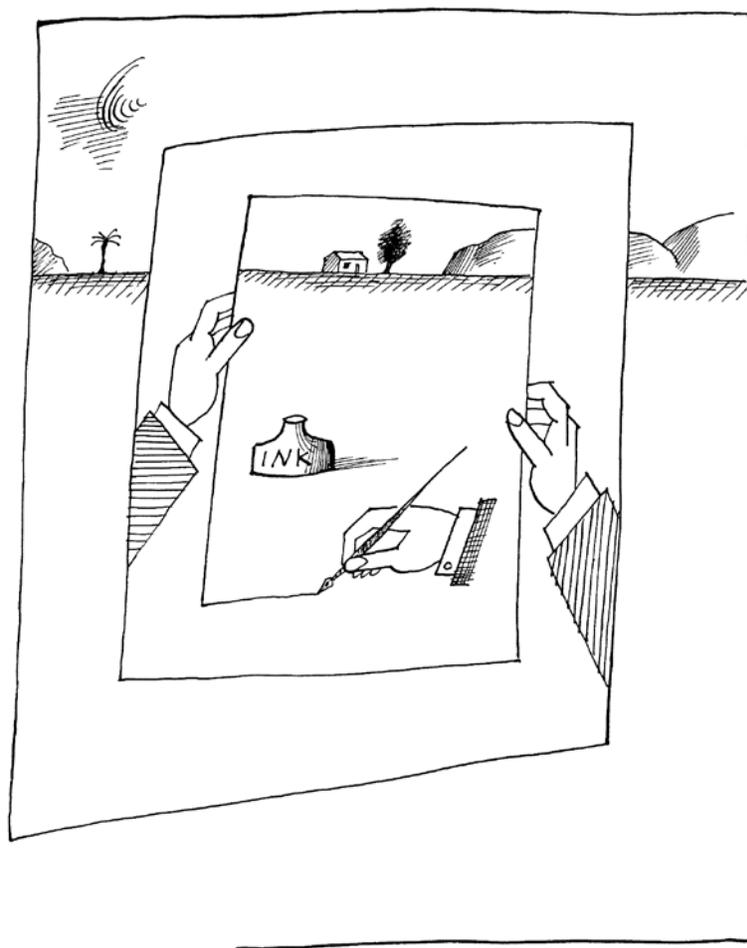


S A N P A O L O I M I



S O C I A L R E P O R T 2 0 0 6

INTESA  SANPAOLO

# 2006 Social Report

---

SANPAOLO IMI S.p.A.

---

COMPANY REGISTERED IN THE REGISTER OF BANKS  
PARENT BANK OF THE SANPAOLO IMI BANKING GROUP  
REGISTERED IN THE REGISTER OF BANKING GROUPS  
REGISTERED OFFICE: PIAZZA SAN CARLO 156, TURIN, ITALY

SECONDARY OFFICES:

- VIALE DELL'ARTE 25, ROME, ITALY
- VIA FARINI 22, BOLOGNA, ITALY

SHARE CAPITAL EURO 5,400,253,255.68 FULLY PAID  
FISCAL CODE, VAT NUMBER AND REGISTRATION NUMBER  
TURIN REGISTER OF COMPANIES: 06210280019

ABI CODE 1025-6

MEMBER OF THE INTERBANK DEPOSIT GUARANTEE FUND

---

# Board of Directors, General Management, Board of Statutory Auditors up to 31 December 2006

## Board of Directors

Luigi Arcuti	<i>Honorary Chairman</i>
Enrico Salza*	<i>Chairman</i>
Maurizio Barracco	<i>Director</i>
Pio Bussolotto*	<i>Director</i>
Giuseppe Fontana	<i>Director</i>
Ettore Gotti Tedeschi*	<i>Director</i>
Alfonso Iozzo*	<i>Managing Director**</i>
Virgilio Marrone	<i>Director</i>
Iti Mihalich	<i>Director</i>
Anthony Orsatelli	<i>Director</i>
Emilio Ottolenghi*	<i>Director</i>
Orazio Rossi*	<i>Deputy Chairman</i>
Gian Guido Sacchi Morsiani*	<i>Director</i>
Alfredo Saenz Abad	<i>Director</i>
Mario Sarcinelli	<i>Director</i>
Leone Sibani	<i>Director</i>
Alberto Tazzetti	<i>Director</i>
Josè Manuel Varela*	<i>Director</i>

\* *Members of the Executive Committee*

\*\* *Managing Director until 12 December 2006 and Member of the Board of Directors until 31 December 2006*

## Board of Statutory Auditors

Maurizio Dallochio	<i>Chairman</i>
Aureliano Benedetti	<i>Auditor</i>
Gianluca Ferrero	<i>Auditor</i>
Augusto Franchini	<i>Auditor</i>
Paolo Mazzi	<i>Auditor</i>
Carlo Pavesio	<i>Supplementary Auditor</i>
Paolo Piccatti	<i>Supplementary Auditor</i>

## General Manager

Pietro Modiano

As at 31 December 2006, the company bodies ceased to exist as a result of the suppression of SANPAOLO IMI S.p.A. as a legal entity which, as of 1 January 2007, was merged by incorporation into Banca Intesa S.p.A. that assumed the new name of Intesa Sanpaolo S.p.A..

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

## Supervisory Board

Chairman	Giovanni Bazoli
Deputy Chairmen	Antoine Bernheim Rodolfo Zich
Members	Carlo Barel di Sant'Albano Pio Bussolotto Rosalba Casiraghi Giovanni Costa Franco Dalla Sega Gianluca Ferrero Angelo Ferro Pietro Garibaldi Fabrizio Gianni Alfonso Iozzo* Giulio Lubatti Eugenio Pavarani Gianluca Ponzellini Gianguido Sacchi Morsiani Ferdinando Targetti Livio Torio

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

## 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

A photograph of a winter landscape. The foreground is dominated by a thick, undulating layer of snow, with some dark rocks or patches of ground visible. In the middle ground, several evergreen trees are covered in snow, their branches drooping. The background shows a clear, bright blue sky. A semi-transparent, light green rectangular box is centered in the image, containing the word "Contents" in a white, serif font.

# Contents

Letter to stakeholders	8
Introduction and methodology	10
<b>1. IDENTITY AND GOVERNANCE</b>	<b>14</b>
Mission and values	16
History	18
Strategy	20
Profile of the Intesa Sanpaolo Group	21
Organizational structure	22
Corporate Governance	28
Our social responsibility	33
Governance management instruments	34



<b>2. ECONOMIC REPORT</b>	<b>36</b>
<b>3. SOCIAL REPORT</b>	<b>42</b>
Customers	44
People	71
Shareholders	88
Community	92
Suppliers	100
<b>4. ENVIRONMENTAL REPORT</b>	<b>102</b>
<b>5. IMPROVEMENT TARGETS</b>	<b>116</b>
<b>6. COMPLIANCE STATEMENT BY PRICEWATERHOUSECOOPERS</b>	<b>124</b>
<b>7. ATTACHMENTS</b>	<b>126</b>
Table of indicators and contents	129
Code of Ethics	138
Glossary	148

## 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  
Chairman



Corrado Passera  
CEO



## Introduction and methodology

This Social Report is being published in the transition period following the merger by incorporation of Sanpaolo IMI into Banca Intesa that was approved on 1 December 2006 by the two Shareholders' Meetings and that gave birth to Intesa Sanpaolo starting on 1 January 2007. Consequently, this fifth edition of the Social Report of Sanpaolo IMI represents a time of discontinuity and refers to a legal entity that as of the date of publication no longer exists. In any event we decided, in continuation from previous years, to inform stakeholders of the activities carried out in the course of 2006 to demonstrate our ability to apply the values declared and the ideal of sustainable development within the three realms of economic, social and environmental sustainability. The structure of the document itself reflects this discontinuity, with the first part dealing with Identity and Governance that refers to the new banking Group, a central part of economic, social and environmental reporting referring to Sanpaolo IMI and the last part which defines the commitments to social responsibility that Intesa Sanpaolo undertakes for the next three years.

All the data presented in the accounting part refer to 2006 and, unless otherwise specified, it refers to the Sanpaolo IMI Group area of consolidation as it is represented in the consolidated financial statements. In the document the term "Commercial Banks" indicates the aggregate of Sanpaolo IMI, Sanpaolo Banco di Napoli, Cassa di Risparmio di Venezia, Cassa di Risparmio di Padova e Rovigo, Cassa di Risparmio in Bologna, Friulcassa and Sanpaolo Banca dell'Adriatico, each with its own network of branches (excluding Cassa dei Risparmi di Forlì e della Romagna). The data is compared with that of the two previous years (except in cases where the comparison is not considered appreciable).

The document is made up of the following sections:

- Identity and governance: presenting Intesa Sanpaolo's identity – mission and values – and the Group profile. Special attention is given to the various aspects of corporate governance and the management of corporate social responsibility. The various management tools for governance (internal policies and management systems certified by accredited external organizations) already introduced into the management of the new Group are presented together.

- The economic report: presenting Sanpaolo IMI's economic performance and the allocation of added value among the various stakeholders in accordance with the ABI guidelines.
- The social report: examining, for each stakeholder of Sanpaolo IMI Group, the policies, actions and results with respect to the objectives set in the 2005 Social Report. The report contains special information boxes dedicated to some Group companies.
- The environmental report: presenting the Group's environmental performance in terms of direct and indirect environmental aspects.
- Improvement targets: identifying the long-term future commitments of the Intesa Sanpaolo Group to the stakeholders, defined as part of the preparation of the Business Plan 2007-2009.
- Certification of compliance by PricewaterhouseCoopers.
- Attachments: The table of indicators and contents, summarized statement of the performance indicators and information about the management approach to the various reporting aspects (Sanpaolo IMI Group) and the profile of the Intesa Sanpaolo Group, detailing their location within the document; the Code of Ethics; the Glossary.

A similar structure was used in the draft of the Social and Environmental Report of Banca Intesa.

The Social Report was drafted according to the G3 reporting guidelines of the GRI (Global Reporting Initiative), which is the main international reference model of social and environmental reporting. In the annex to this document you can consult a table of contents of the document according to the G3 layout; this table lists and indicates the placement of the performance indicators, information about the Group's profile and the management approach (Disclosure Management Approach) for each of the aspects defined within each category of indicators. We have also listed the indicators whose value is nil or which refer to actions or behaviors required by the law or other regulations.

The document also includes, especially as regards the calculation and breakdown of added value, the guidelines for drawing up the Social Report for the credit sector ("Report to

stakeholders: a guide for banks”) written by the ABI in collaboration with EconomEtica (an inter-university center for economic ethics and corporate social responsibility).

The 2006 Social Report is submitted to examination by the auditing company PricewaterhouseCoopers according to the principles and indications contained in the International Standard on Assurance Engagement 3000 (ISAE3000). This analysis not only enables the verification of the correspondence to reality of the figures and information reported in the report, but also ascertains that the document was drafted in conformity with the reporting principles adopted as a reference and that it reflects the results of management permeated by socially responsible choices. Self - declaration of the application level (B+) contemplated by the GRI guidelines in the G3 version and the certification of conformity by PricewaterhouseCoopers are available in this document.

The information herein was collected and processed by a working group consisting of representatives from the Groups’ various divisions and companies, coordinated by the Corporate Social Responsibility Unit. The data was taken from the information systems used for the general management and accounting of company operations.

The approval of the Social Report followed a simpler procedure than that of previous years and it is free from the approval deadlines applied to the Financial Statements because of the needs associated with the integration of Sanpaolo IMI with Banca Intesa. The prevailing need was to link the process of the Social Report - as an instrument of social responsibility - to the draft of the Intesa Sanpaolo 2007-2009 Business Plan , approved on 14 April 2007. The commitments to social responsibility defined in the Business Plan lay the foundation for the commitments to the stakeholders declared in the Social Report.

The Social Report is distributed to the major stakeholders of the Group along with the 2006 Social and Environmental Report of Banca Intesa. It is also available at the institutional Internet site.

## Reporting principles in accordance with the Global Reporting Initiative (G3)

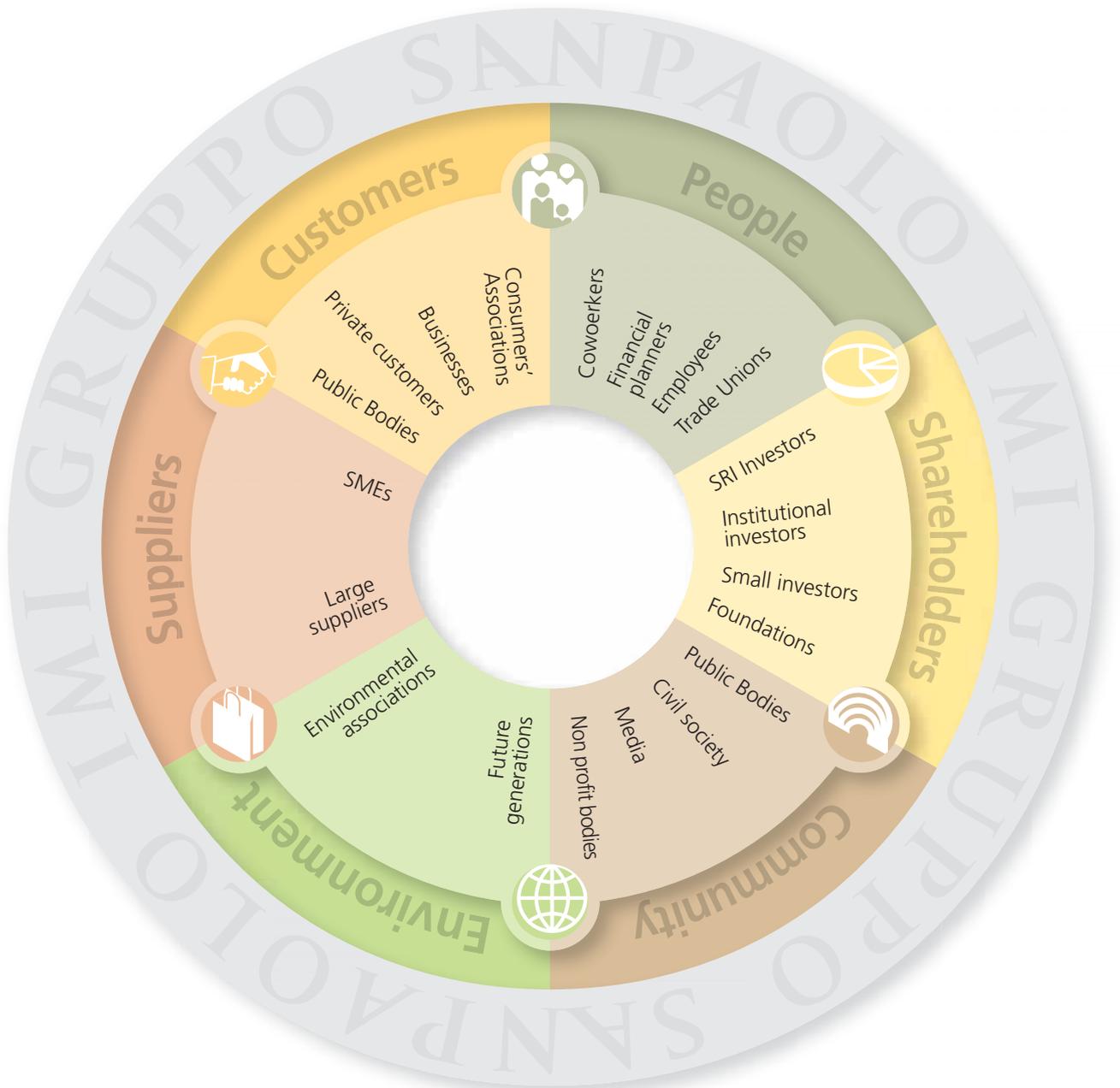
Several changes have been introduced in the contents, form and process for compiling the Social Report, in order to increase its conformity with the reporting principles taken as reference.

### Inclusiveness

In 2005 an investigation was carried out in order to better identify the presence of the various stakeholders within each macrocategory of stakeholders, represented by a map of stakeholders. That map was reexamined and consolidated in the course of 2006.

### Relevance

In order to identify the relevant issues for the Social Report, reference was made to the scope of social responsibility identified in the Group's mission and values and the contents and indicators envisaged by the GRI and ABI guidelines. A survey of the issues most relevant to the sector (including the most controversial ones), as well as of the national and international legislation, was also undertaken. This survey led to the introduction of new indicators into the document, considered to be



particularly significant or available for the first time and more detailed descriptions of management approach regarding some relevant areas, specifically that of personnel.

### **Sustainability context**

The document presents Sanpaolo IMI's concept of sustainable development and helps to place the Group's operations within a wider context (e.g. the development of the business system, migration, poverty and problems of access to credit, global warming).

### **Completeness**

The figures reported in the document refer to the aggregate of the Companies of the Group, unless otherwise indicated. When the data refers to the Commercial Banks, Cassa di Risparmio di Forlì e della Romagna is excluded. The information included relates to the time period of reference (financial year 1/1/2006 - 31/12/2006). Any significant developments occurring in the early months of 2007 have also been reported.

### **Balance**

This document has been drafted utilizing information taken from verifiable documentation and the information is presented in such a way as to highlight both favorable and unfavorable results.

### **Comparability**

This document allows the comparison of the Group's performance over the years (the figures reported are compared, where possible, with those of the two previous financial years) and a comparison against other operators in the sectors, thanks to the inclusion of sector data, when available from reliable sources.

### **Accuracy**

The majority of the data was gathered directly, except for certain estimates (reported in notes) made for some environmental data. The "Economic Report" section was drafted with the data of the Consolidated Financial Statements drawn up in accordance with the IFRS principles.

### **Timeliness**

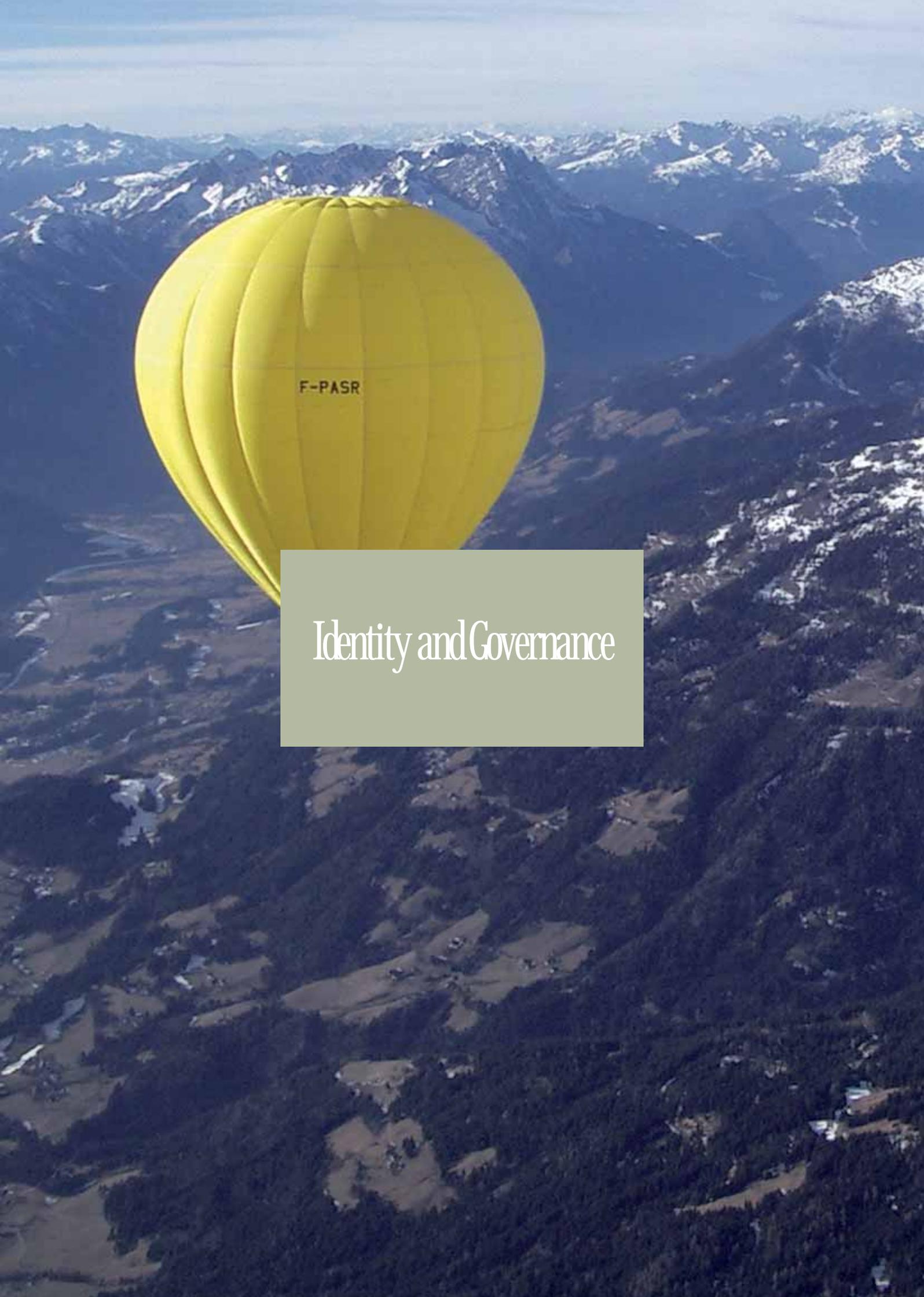
This year the approval of the Social Report followed a simpler procedure than that of previous years and it is free from the approval deadlines applied to the Financial Statements because of the needs associated with the integration of Sanpaolo IMI with Banca Intesa. The Social Report was therefore approved by the Management Board after approval of the Financial Statements and Business Plan 2007-2009 of Intesa Sanpaolo on 14 April 2007. The different timing of this year meets the need to adapt promptly to the different context and to link the process of the Social Report to the preparation of the new Business Plan.

### **Clarity**

The principle of clarity was taken as a reference both when setting out the structure of the document and when compiling the text. Indeed we are continuing in our efforts to simplify and streamline the document by introducing more figures and tables and we have attempted to use a language that is clearer and more accessible also to those not working in the sector.

### **Auditability**

This edition of the Social Report is submitted to an audit of conformity to the accounting principles and indications provided by the GRI and ABI guidelines by the auditing company PricewaterhouseCoopers in accordance with the provisions of the ISAE3000 standard.



F-PASR

# Identity and Governance



# Mission

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 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.

## Value 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.

Values

## 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.

### 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".

**INTESA**  **SANPAOLO**

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.

**Il 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.

**La 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.

**La 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.

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 <sup>1</sup>	2009
Adjusted ROE <sup>2</sup>	15%	21%
Cost/income	52%	42%
Net result (€ billion)	4.4	7.0

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.



Antonio Serbolisca

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 excellence 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.
- 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 of the instruments and products existing on the market and converting the profits of its business into available credit to 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](http://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<sup>1</sup>.

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

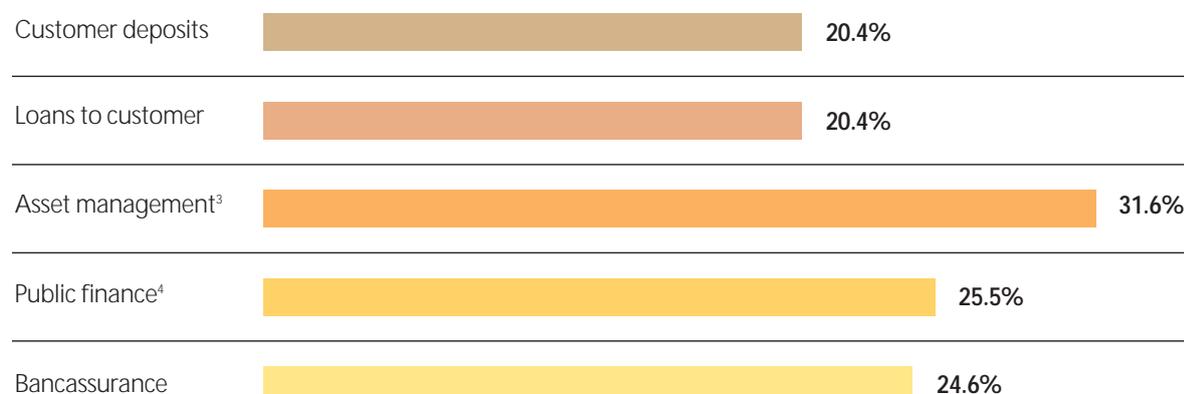
Intesa Sanpaolo is the unification of two large Italian banks, sharing the same values, that decided to pool their resources to become a bank for Italy and an important European player prepared to compete at an international level.

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.

### KEY INDICATORS

	December 2006
Employees	99,891
Italian branches	5,653
Foreign bank branches	1,214
Total assets	576,784 million euro
Loans to customers	327,410 million euro
Customer deposits	343,899 million euro
Net equity	55,971 million euro
Net results	4,056 million euro

### DOMESTIC MARKET SHARES<sup>2</sup>



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.

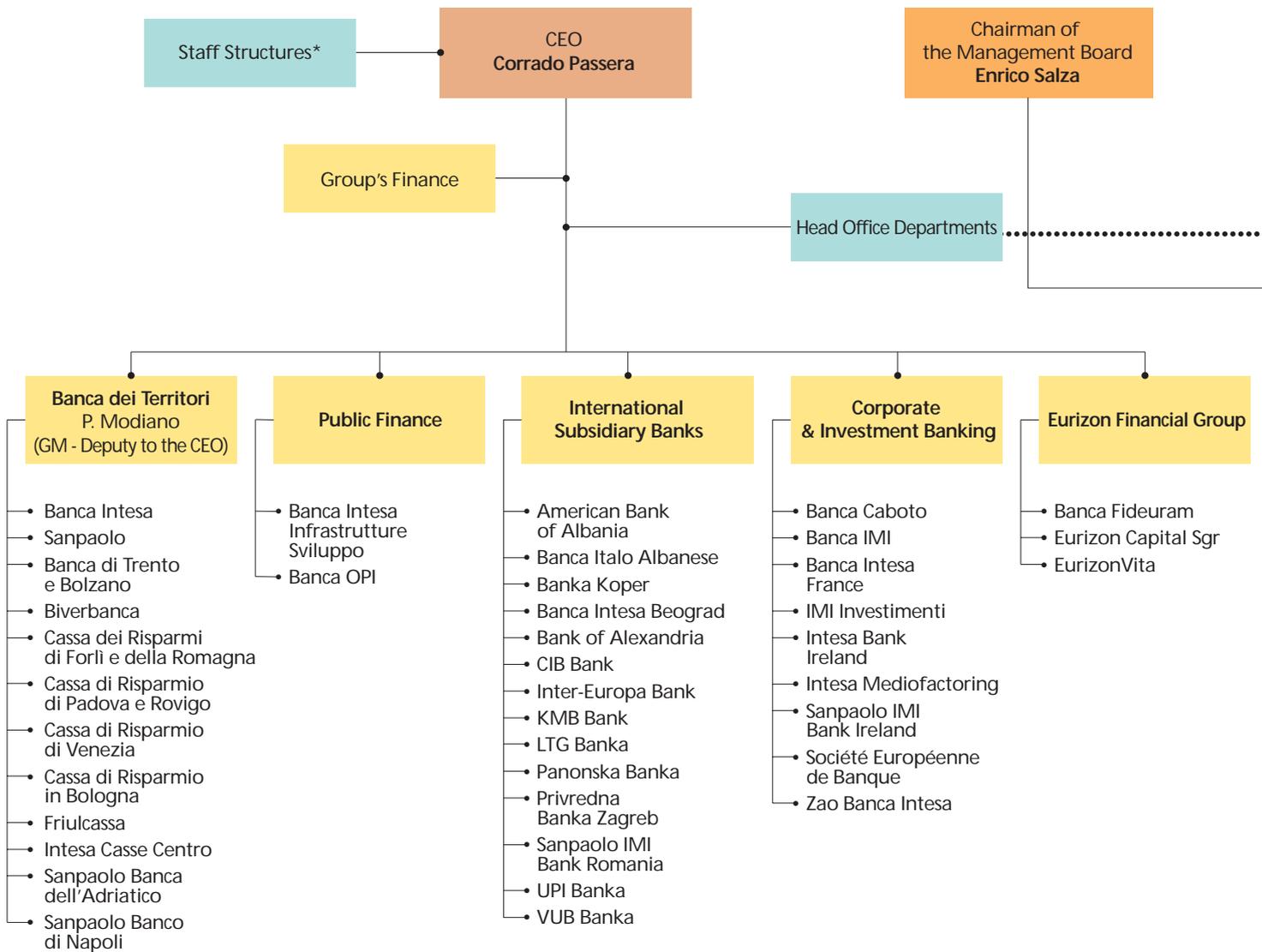
3) Mutual funds, the data includes the managed assets from former Nextra.

4) Only BIS and Banca OPI loans.

# Organizational structure

## 6 Business Units

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

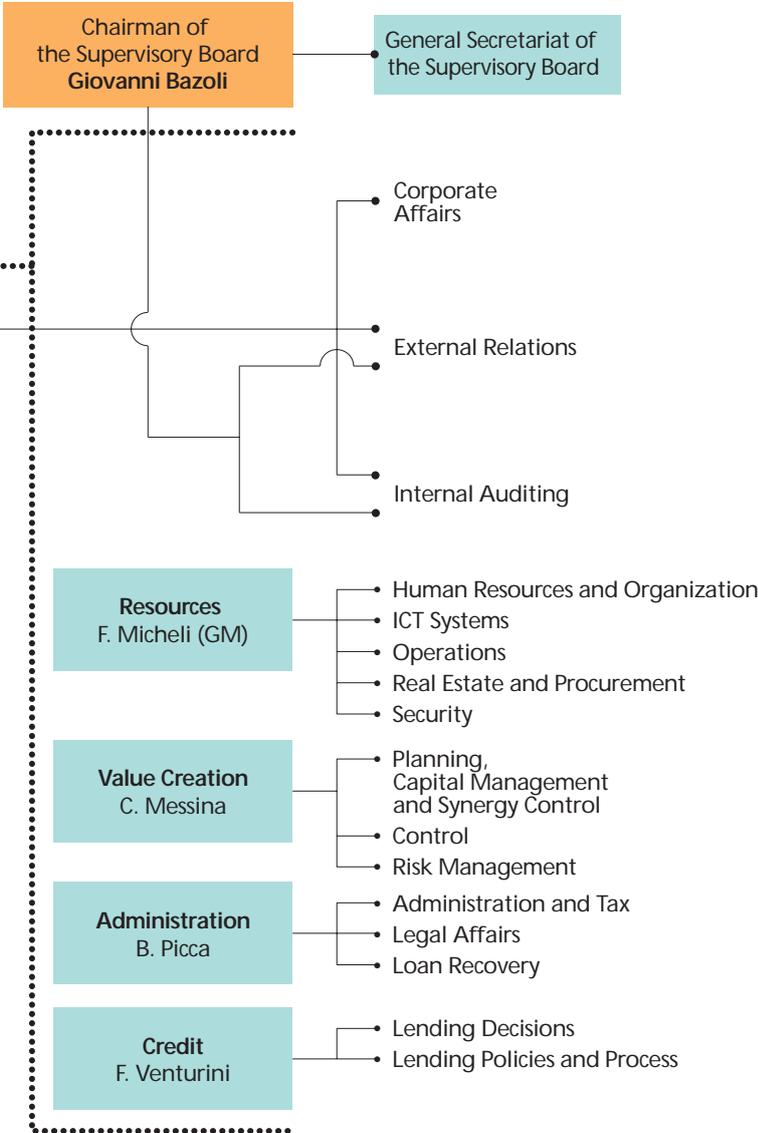


(\*) Strategic operations and special projects, Corporate Social Responsibility, Laboratorio Banca e Società and International Affairs (Brussels agency).

**4 Governance Areas**

**16 Head Office Departments**

with specific policy making and control responsibilities and missions, some of which are grouped into Governance Areas.



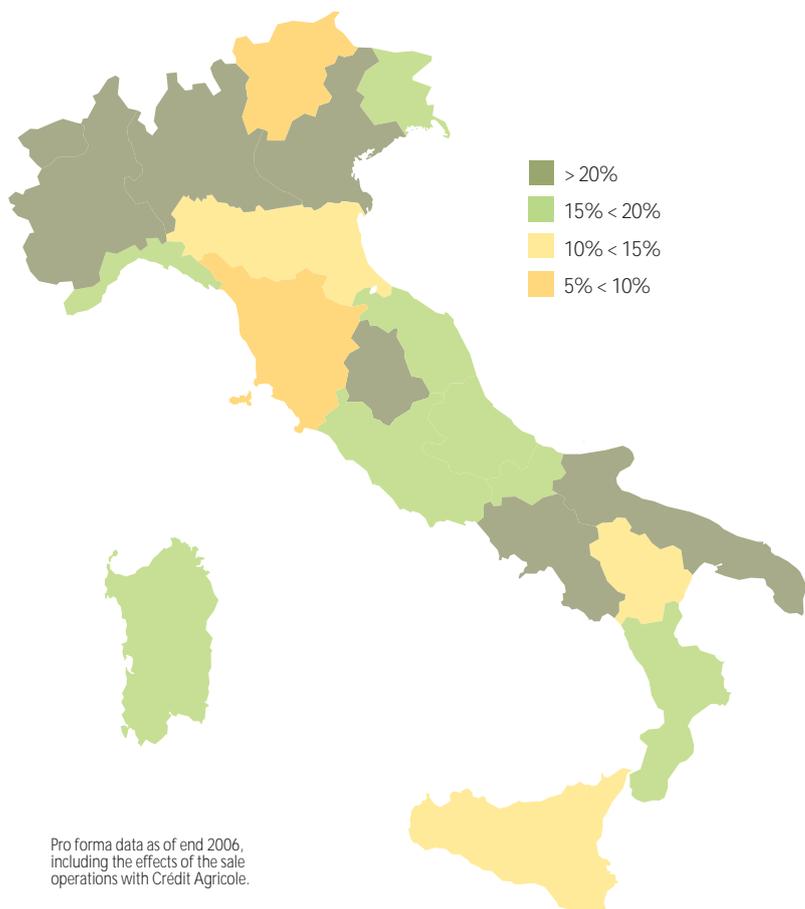
## Other controlled banks

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

### Branch market shares



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.

<b>former Banca Intesa network</b>	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.
<b>former Sanpaolo network</b>	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.
<b>Banca di Trento e Bolzano</b>	This Bank represents an important economic resource for Trentino Alto Adige, comprising 91 branches distributed mainly in the provinces of Trento and Bolzano.
<b>Biverbanca</b>	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.
<b>Cassa dei Risparmi di Forlì e della Romagna</b>	This Bank is mainly active in Romagna through a network of over 80 branches and approximately 800 employees.
<b>Cassa di Risparmio di Padova e Rovigo</b>	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.
<b>Cassa di Risparmio di Venezia</b>	The commercial network of Cassa di Risparmio di Venezia comprises over 120 branches and approximately 1,400 employees, with a widespread presence especially in Venice.
<b>Cassa di Risparmio in Bologna</b>	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.
<b>Friulcassa</b>	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.
<b>Intesa Casse del Centro</b>	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.
<b>Sanpaolo Banca dell'Adriatico</b>	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.
<b>Sanpaolo Banco di Napoli</b>	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\*



**Branches**

*Representative Offices*

\*Pro forma data as of 31 December 2006



Country	Controlled Companies	Branches
Albania	American Bank of Albania (ABA)	19
	Banca Italo Albanese (BIA)	6
Bosnia Herzegovina	LTG Banka	25
	UPI banka	18
Croatia	Privredna Banka Zagreb (PBZ)	219
Egypt	Bank of Alexandria	188
Russian Federation	KMB Bank	51
	ZAO Banca Intesa	1
France	Banca Fideuram	1
	Banca Intesa France <sup>3</sup>	1
Greece	American Bank of Albania (ABA)	2
Ireland	Intesa Bank Ireland	1
Luxemburg	Banca Fideuram	1
	Société Européenne de Banque (SEB)	1
United Kingdom	Banca Caboto	1
	Banca Imi	1
Czech Republic	Vseobecna Uverova Banka (VUB)	1
Romania	Sanpaolo Imi Bank Romania	39
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
Hungary	Central-European Internat. Bank (CIB)	98
	Inter-Europa Bank	36

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

2) Office of "International and European Affairs"

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

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](http://www.intesasanpaolo.com)).

*The dualistic system ensures a clearer division between ownership and management guaranteeing more transparency and a lower risk of potential conflicts of interest*

### SUPERVISORY BOARD

- Appointed by the Shareholders' Meeting.
- Independent members: 14<sup>1</sup> 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.

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<sup>1</sup> 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 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.

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

### 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 Supervisory 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 <sup>1</sup>				●		●	
Antoine Bernheim <sup>2</sup>						●	
Rodolfo Zich <sup>2</sup>		●		●		●	
Carlo Barel di Sant'Albano						●	
Pio Bussolotto						●	
Rosalba Casiraghi	●	●	●				
Giovanni Costa		●					●
Franco Dalla Sega	●	●					
Gianluca Ferrero	●	●					●
Angelo Ferro	●	●		●			
Pietro Garibaldi		●	●				
Fabrizio Gianni	●	●		●			
Alfonso Iozzo <sup>3</sup>				●			
Giulio Lubatti <sup>4</sup>	●	●	●		●		
Eugenio Pavarani <sup>5</sup>	●	●			●		●
Gianluca Ponzellini <sup>6</sup>	●	●	●		●		
Gianguido Sacchi Morsiani		●					●
Ferdinando Targetti		●					●
Livio Torio	●	●	●				

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

\* These members have the independence requisites according to article 148, D.Lgs.24 February 1998, no. 58.

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.

*The Management Board carries out the functions that in the traditional governance model belong to the Board of Directors*

*The Management Board is in charge of managing the company in keeping with the general strategic guidelines*

## 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.

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

### SHAREHOLDERS' 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.

## 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	<b>7.96%</b>
Crédit Agricole S.A.	<b>5.67%</b>
Assicurazioni Generali	<b>5.07%</b>
Carlo Tassara S.p.A.	<b>4.95%</b>
Fondazione Cariplo	<b>4.68%</b>
Fondazione C.R. Padova e Rovigo	<b>4.18%</b>
Fondazione C.R. in Bologna	<b>2.73%</b>
Giovanni Agnelli e C. S.a.p.A.	<b>2.45%</b>
Fondazione Cariparma	<b>2.20%</b>

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.

### 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 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.

### 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 office 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 extremely 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.



Carlo Cannizzaro

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.

### Certification

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.

Certifications	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 <a href="http://www.pattichiari.it">www.pattichiari.it</a> 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 <sup>1)</sup>	2002	Certification of the IT Security System for analyzing, planning, developing, maintaining, supplying, Internet Banking Retail services provided on the Sanpaolo website.

<sup>1)</sup> As from 2005 the ISO27001 certification replaced the previous BS7799 version

## Sustainability partnerships and adherence to principles

The Intesa Sanpaolo Group, besides adhering to important international initiatives regarding sustainability, specifically UNEP and the UN Global



**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](http://www.unepfi.org)



**Equator Principles** - 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](http://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](http://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](http://www.businessfightsaids.org)

Compact, participates in and supports associations and work groups on topics concerning social responsibility.



**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](http://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](http://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](http://www.sodalitas.it)



**CSR Europe:** a non-profit organization that sets out to support its members in the implementation of actions regarding social responsibility.

[www.csreurope.org](http://www.csreurope.org)



## Economic Report



## Economic-financial performance in 2006

Results for the Sanpaolo IMI Group for 2006 show a significant improvement in the income items thanks to a strong impulse given to revenues. ROE (calculated by the ratio between the net result and equity at the end of the year, excluding profit) rose to 17.6% from 17.2% of the previous year, notwithstanding the Income Statement included the integration charges and the increase in the valuation reserves under the equity. The cost/income showed a clear improvement, dropping from 56.8% in 2005 to 53.8% in 2006. Credit risk ratios remained at values of absolute excellence.

The total operating income increased by 10.9% thanks to the expansion of the major revenue items. Net operating income, in spite of the slight increase in value adjustments, rose of 11.4% from 2005. Pre-tax operating profit rose by 21.5%, essentially benefiting from the favorable trend of revenues and notwithstanding the 5.2% increase in overhead costs since last year.

Net profit obtained in 2006 was 2,148 million euro, with an 8.3% increase from 2005, giving rise to a net earning per share of 1.15 euro.

### ECONOMIC AND FINANCIAL DATA AND INDICATORS<sup>1</sup>

PERSONNEL EFFICIENCY RATIOS	2006	2005
Due from customers / Average number of employees	3.42	3.21
Net operating income/ Average number of employees	0.19	0.18
Direct and indirect customer deposits / Average number of employees	9.66	9.25

EQUITY RATIOS	2006	2005
Net equity / Due from customers	9.1%	9.7%
Net equity / Direct and indirect customer deposits	3.2%	3.4%

SOLVENCY RATIO <sup>2</sup>	2006	2005
Tier 1 ratio (capital/ risk weighed assets)	7.0%	7.4%
Total capital ratio (Regulatory capital/risk-weighted assets)	9.2%	9.4%

INCOME RATIOS	2006	2005
ROE <sup>3</sup>	17.6%	17.2%
Cost/income ratio <sup>4</sup>	53.8%	56.8%

RISK RATIOS	2006	2005
Net non-performing loans to customers / Loans to customers	0.7%	0.8%
Net problem loans to customers / Loans to customers	0.7%	0.8%
Net adjustments to non-performing loans / Gross non-performing loans to customers	77.5%	74.9%

1) During 2006 the main changes in the scope of Group consolidation are due to the inclusion at the end of the year of Cassa dei Risparmi di Forlì, Panonska Banka and Bank of Alexandria as well as, beginning in the second quarter, of Banca Italo Albanese. Since these changes occurred at the end of the year, they did not have any substantial effect on the income statement.

2) Solvency ratios as at 31 December 2005 have been reworked compared to figures from the 2005 Financial Statements in order to take into account the introduction of definitive provisions and specific regulations for transition to IAS/IFRS published by the Bank of Italy in April 2006.

3) Net profit / Net shareholders' equity at period-end (excluding profit).

4) Personnel costs, other administrative costs and amortization/depreciation / Total operating income. This indicator is calculated on the basis of the values expressed in the reclassified income statement.

## Calculation and breakdown of added value

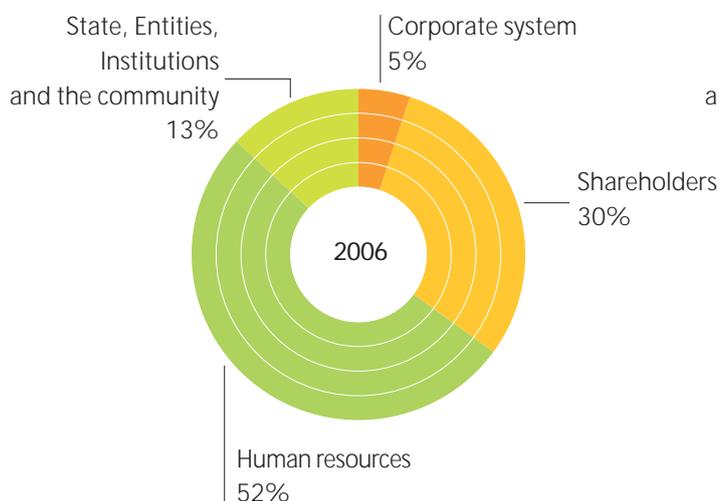
### Methodology

A company's added value expresses the wealth produced by that company during the year, as the difference between the net revenues and the consumption of goods and services and it represents the accounting relationship between the Consolidated Financial Statements and the Social Report. It is calculated by means of a different classification of the items on the Income Statement to show the process of the company's formation and distribution of added value, expressing in monetary value the relations between the Company and the socioeconomic system with which it interacts, specifically its principal stakeholders:

- Human resources in the form of wages/salaries, social burdens, severance pay, and similar benefits, remuneration of the network of financial planners;
- The aggregate of State, Entities, Institutions and the community, in the form of taxes (income tax and indirect duties and fees) and charity;
- The corporate system in the form of the allocation of the resources needed for productive investments. Specifically, for the banks we must also consider the obligation (established by the specific minimum equity requisites imposed by the Regulatory Body to maintain adequate capital coverage to protect depositors);
- Shareholders, in the form of dividends.

From the point of view of methodology, among the various configurations that added value can take on (depending on the level of aggregation of the income items), our reference was the Total Added Value adopted by the ABI [Italian Banking Association] model for reporting to stakeholders, which takes into account the specificities of the banking world.

### BREAKDOWN OF TOTAL ADDED VALUE



### Breakdown of added value

The Total Gross Added Value produced by the Group in 2006 dropped by approximately 668 million euro since last year (from 6,703 million euro to 7,371 million euro). This increase was caused by the increase in typical gross added value resulting from the rise in net revenues.

The breakdown of added value in 2006 felt the effects of the merger operation between Sanpaolo IMI and Banca Intesa, specifically a considerable increase in the funds distributed to stakeholders, private entities and foundations, through the dividend and human resources, and the incentive plans for early retirement. We have itemized these below:

- Human resources benefited from a greater contribution, expressed at 18.7%, observing an increase in the distributed added value of € 603 million since 2005. The reason for this increase is the already mentioned incentive plan for early retirement (€ 451 million) and the higher pay to employees amounting to € 106 million and to financial planners amounting to € 46 million;
- The dividend distributed to shareholders rose by 97.5% over 2005 reaching 2,220 million euro. This dividend consists partly of the ordinary dividend amounting to € 0.22 and partly of the extraordinary dividend amounting to 0.18 euro for each ordinary share of Intesa Sanpaolo S.p.A.
- The aggregate of State, Entities, Institutions and the community did not undergo any significant variations in absolute terms, consequently it decreased in percentage from 15% to 13%. The whole of resources attributed to this aggregate is just under 1 billion euro;
- The corporate system, after distributing the ordinary and extraordinary dividend, substantially underwent the zeroization of the capitalized part of the profit and benefited only from the depreciation allowance for the Group's fixed assets amounting to € 401 million.



**ANALYTICAL STATEMENT TO DETERMINE TOTAL GROSS ADDED VALUE**

Items	2006 (€/mil)	2005 (€/mil)
10. Interest income and similar revenues	9,837	8,235
40. Commission income	4,084	4,166
70. Dividends and similar revenues	259	475
80. Profits (losses) on financial trading activities	715	104
90. Fair value adjustments from hedge accounting	(6)	(4)
100. Profits (losses) from disposals or repurchase of:	540	394
a) loans	80	57
b) available-for-sale financial assets	456	347
c) financial assets held to maturity	-	-
d) financial liabilities	4	(10)
110. Net income from financial assets and liabilities designated as at fair value	(127)	219
220. Other operating income/expenses	53	74
240. Profits (losses) on equity shareholdings	128	70
<b>A TOTAL NET REVENUES</b>	<b>15,483</b>	<b>13,733</b>
20. Interest expenses and similar charges	(4,914)	(3,786)
50. Commission charges <sup>1</sup>	(451)	(377)
180 b. Sundry administrative costs (net of indirect taxes, gifts and donations) <sup>2</sup>	(1,563)	(1,456)
130. Net Impairment losses/write-backs to:	(449)	(442)
a) loans	(410)	(437)
b) available-for-sale financial assets	(5)	(1)
c) financial assets held to maturity	-	-
d) other financial transactions	(34)	(4)
190. Net provisions for risks and charges	(179)	(53)
200. Net adjustments/write-backs to tangible assets (excluded depreciation) <sup>2</sup>	-	-
210. Net adjustments/write-backs to intangible assets (excluded amortization) <sup>2</sup>	-	-
260. Impairment of goodwill	-	(1)
<b>B TOTAL CONSUMPTION</b>	<b>(7,556)</b>	<b>(6,115)</b>
150. Net premiums	2,865	3,599
160. Balance of other income/charges arising on insurance activities	(3,469)	(4,496)
<b>C NET RESULT OF INSURANCE MANAGEMENT</b>	<b>(604)</b>	<b>(897)</b>
<b>D TYPICAL GROSS ADDED VALUE</b>	<b>7,323</b>	<b>6,721</b>
250. Net fair value adjustment to tangible and intangible assets	-	-
270. Profits (losses) from disposals of investments	28	17
310. Profits (losses) on discontinued operations net of taxes	20	(35)
<b>E TOTAL GROSS ADDED VALUE<sup>3</sup></b>	<b>7,371</b>	<b>6,703</b>
Amortization/Depreciation <sup>4</sup>	(401)	(437)
<b>F TOTAL NET ADDED VALUE</b>	<b>6,970</b>	<b>6,266</b>
180. a Personnel costs	(3,823)	(3,220)
180. b Other administrative costs: indirect duties and taxes <sup>4</sup>	(49)	(56)
180. b Other administrative costs: gifts and donations <sup>4</sup>	(2)	(2)
<b>G PRE-TAX PROFIT</b>	<b>3,096</b>	<b>2,988</b>
290. Income taxes for the period	(894)	(948)
330. Profit (loss) attributable to minority interests	(54)	(57)
<b>H PARENT BANK YEAR-END PROFIT</b>	<b>2,148</b>	<b>1,983</b>

## STATEMENT OF BREAKDOWN OF TOTAL GROSS ADDED VALUE

Items	2006 (€/mil)	2005 (€/mil)
<b>A TOTAL NET REVENUES</b>	<b>15,483</b>	<b>13,733</b>
<b>B TOTAL CONSUMPTION</b>	<b>(7,556)</b>	<b>(6,115)</b>
<b>C NET RESULT OF INSURANCE MANAGEMENT</b>	<b>(604)</b>	<b>(897)</b>
<b>D TYPICAL GROSS ADDED VALUE</b>	<b>7,323</b>	<b>6,721</b>
<b>E TOTAL GROSS ADDED VALUE</b>	<b>7,371</b>	<b>6,703</b>
broken down into:		
<b>1. SHAREHOLDERS – Dividends distributed to shareholders</b>	<b>2,220</b>	<b>1,124</b>
Private	1,532	747
Foundations <sup>5</sup>	688	377
<b>2. Human resources</b>	<b>3,823</b>	<b>3,220</b>
a) Personnel Costs:	3,823	3,220
- costs of employees on the payroll having fixed-term and open-ended contracts	3,396	2,839
- costs of other collaborations <sup>6</sup>	427	381
<b>3. System, entities, institutions (Central and local administrations)</b>	<b>943</b>	<b>1,004</b>
Indirect taxes, duties and capital taxes	49	56
Income tax for the year	894	948
<b>4. Community and environment</b>	<b>2</b>	<b>2</b>
Gifts and donations	2	2
<b>5. Corporate system</b>	<b>383</b>	<b>1,353</b>
Undistributed reserve	-18	916
Amortization/depreciation	401	437
<b>TOTAL GROSS ADDED VALUE</b>	<b>7,371</b>	<b>6,703</b>

1) This figure is different from that of the Income Statement shown in the financial statements due to the reclassification of 381 million euro for 2005 and 427 million euro for 2006 relative to fees paid to the Fideuram financial advisors, reclassified under the entry 180.a Personnel Costs.

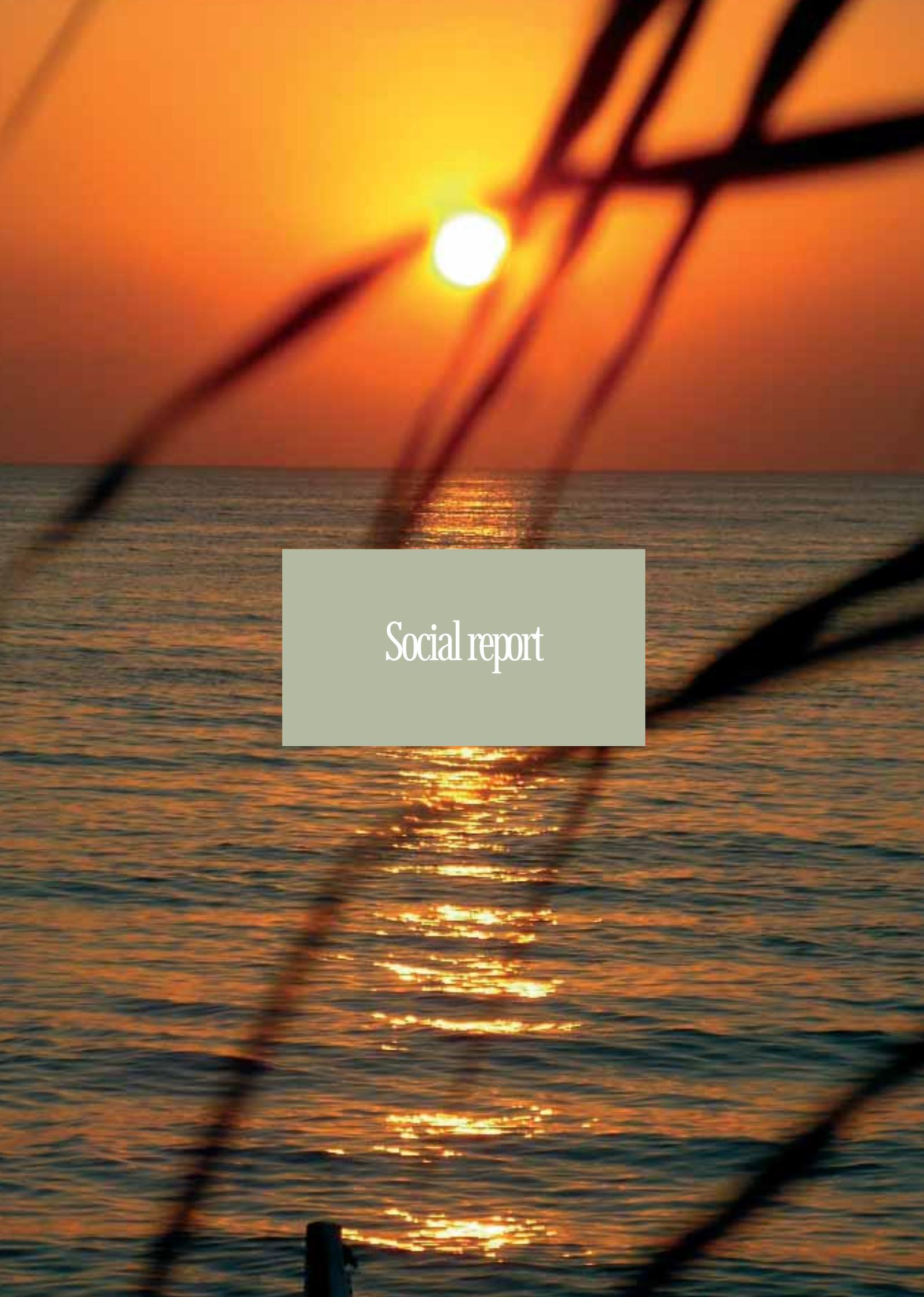
2) This figure is different from that of the Income Statement shown in the financial statements due to a specific entry corresponding to the amounts marked in the note (4).

3) We inform you that in 2005 the item Impairment of Goodwill amounted to 47 million euro (item 240 of the Income Statement); it was entered under Corporate System on the distribution statement of the Total Gross Added Value and in 2006 it was entered under Total Net Revenues based on the new ABI provisions.

4) This figure is shown under its own heading in the diagram for determining the added value.

5) This figure refers to the dividends paid by Sanpaolo IMI to the various foundations that participate in the Bank's capital, whose mission is to implement actions in the field of social, artistic and scientific endeavors at the service of the community.

6) This figure refers to remuneration for the financial planners' network.

A photograph of a sunset over the ocean. The sun is a bright yellow circle in the upper center, with its light reflecting on the water's surface. The sky is a gradient of orange and yellow. In the foreground, the dark, silhouetted rigging of a boat is visible, creating a frame around the scene. The water is a deep blue with white-capped waves.

# Social report



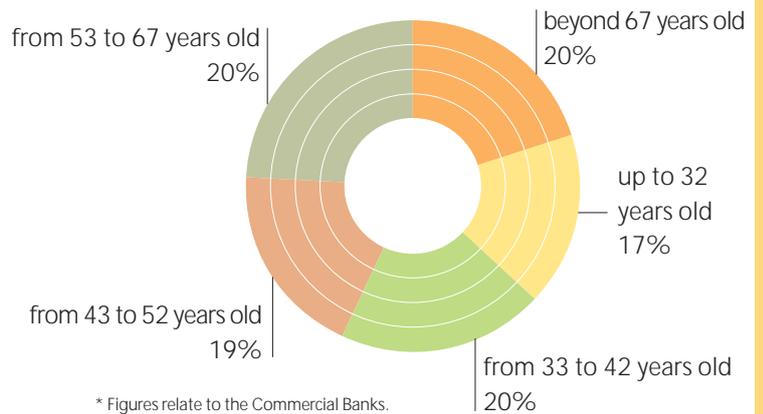


# Customers

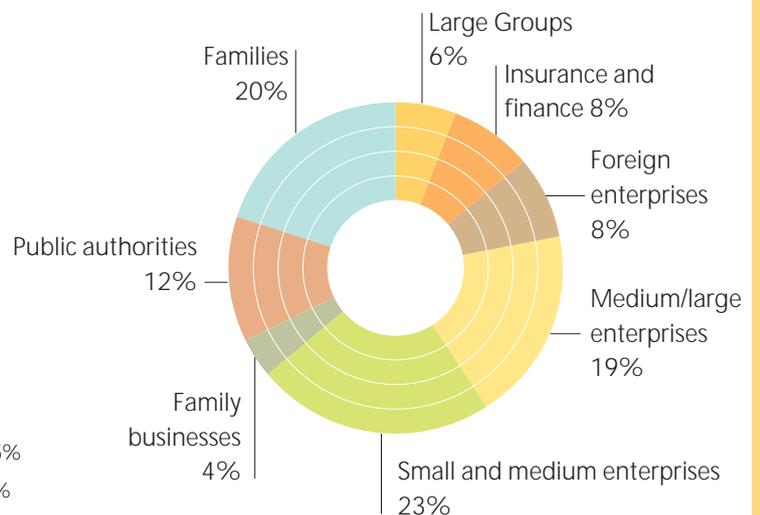
As of the end of December 2006 the Sanpaolo IMI Group had 7 million customers, of which 6.5 million retail customers and small businesses (professionals, shop-owners, small family-run businesses, etc.) and over 80,000 companies. The Group's foreign Bank customers amount to a total of over 2.2 million.

The Banks of the Group provided loans in the form of short and long-term financing, mortgages, personal loans, for a total of approximately 160 billion euro as of the end of 2006. Medium/large enterprises and large groups together make up about 25% of the loans portfolio while small and medium enterprises and family business, including professionals, craftsmen, dealers and other small-scale economic operators, received around 27% of total loans.

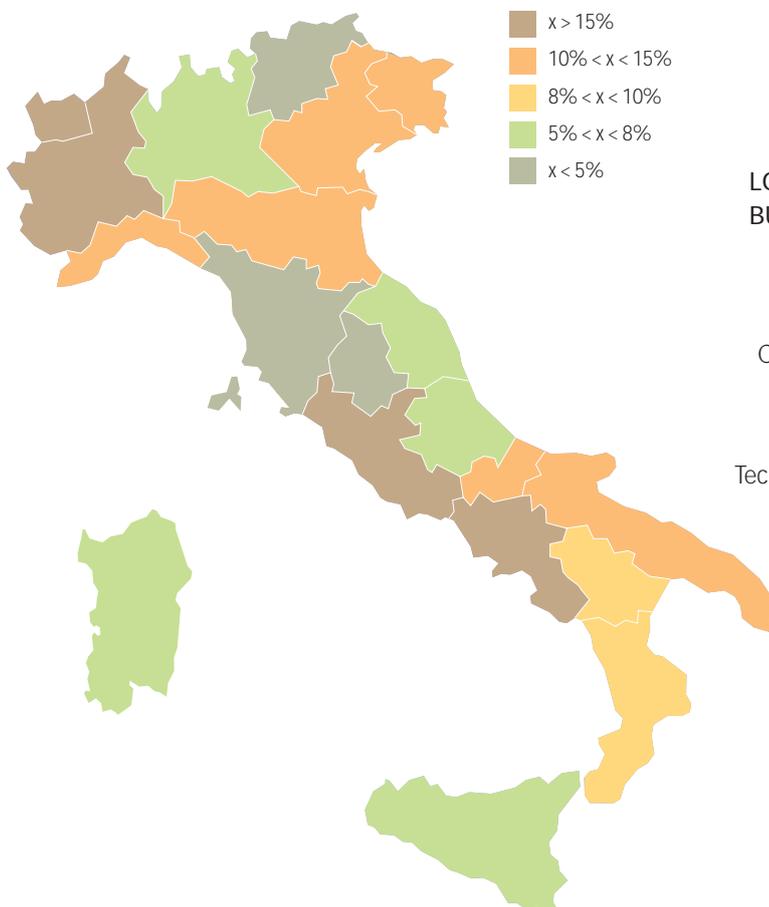
**CUSTOMERS BY AGE\***



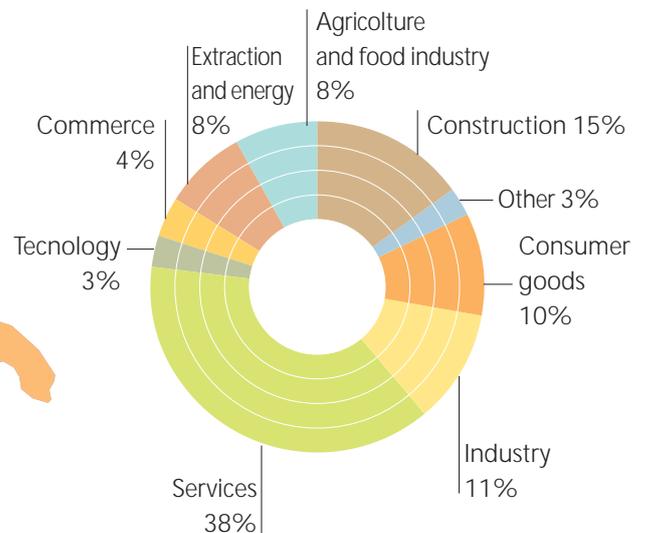
**LOANS BY TYPE OF USER**



**REGIONAL MARKET SHARE FOR CUSTOMER LOANS**



**LOANS TO ENTERPRISES AND FAMILY BUSINESSES BY SECTOR**



## TARGETS AND RESULTS ACHIEVED

### Improvement targets set in the 2005 Social Report

Strengthening the relationship of trust starting with a careful analysis of their needs and through a highly specialized targeted service aimed at the specific needs of the various customer segments.

### Actions and results achieved in 2006

Large investments have been made to improve coverage of the territory: specially trained professional figures have been established to support managers dedicated to families and personal/small businesses on the territory with a differentiated commercial approach to ensure a personalized service. Based on the analysis of our corporate customers needs, we have expanded the range of products and paid special attention to environmental issues. As a result several agreements were signed (Confindustria Mezzogiorno for Research, contracts with foreign banks, District Bonds, etc.). The MAC (Alternative Capital Market) was promoted to facilitate SME access to venture capital.

Maintaining a strong commitment to transparency, the simplification of products and services and the development of new channels and methods for communication to and from customers.

Simplification of contract forms (Lean Bank Program)  
Rationalization of the range of offers and procedures for granting credit (the new Prestito Sanpaolo, a new floating-rate mortgage).  
Initiative for renegotiating floating-rate mortgages.

Boosting the use of direct channels by customers expanding the available functions, making the protection of security an absolute priority in order to increase the convenience of using bank's products and services.

Expanding the range of services available through the Internet, e.g. new payment functions and new instruction/ordering services.  
Innovative security systems (OTP - one time password key)  
Providing new ATM webs.

### Improvement Targets set in the 2004 Social Report

Drawing up and disseminating a policy containing the principles that guide our conduct with corporate customers for derivative products to harmonize behaviors and create an opportunity to discuss our values regarding the aforementioned issues.

### Actions and results achieved in 2006

Dissemination of the derivatives policy to all employees as of 2006.

## The organization of the bank at the service of the customers

The National Territorial Bank is an innovative model that goes beyond the traditionally divergent concepts of the centralized model and federal model. It is based on a corporate center which performs a basic function of policymaking, coordinating and stimulating innovation and at the same time on the enhancement of local roots and opportunities arising from historical and well-established relationship with customers. Therefore, in this context we are referring to more than just a sales network: this is a bank of relationships in which the territory is the focus. It is a complex distribution system involving contacts with local communities.

As a reservoir of know-how, talent and unexpressed potential, the territories are given particular responsibility in defining their goals, approaches, and instruments.

Proximity to the customer, personalized service for each customer segment, professionalism, and competency for managing a long-term relationship with customers: these are the distinctive features of the National Territorial Bank model that require the actual involvement of all resources in targets, strategies, commercial logic and processes.



*Ivano Bernardi*

## COMMERCIAL PLAN 2007

In line with the National Territorial Bank model, the 2007 Commercial Plan is the result of dialoguing with the territorial markets. Commercial actions are correlated to specific needs and local opportunities. The process of building the plan was started in the spring of 2006 with a meeting among the area managers to discuss different approaches. Workgroups were then set up to formulate guidelines for commercial planning. In the autumn the plan was drawn up and feedback was gathered from various markets. The process was concluded in November 2006 in a two-day session dedicated to jointly revising and drawing up the definitive plan. The plan consists of 14 strategic actions to be carried out by all the branches of the Group and 37 supplementary territorial actions entered into a commercial menu. From this the markets can make quarterly decisions regarding which actions to carry out and which branches to involve.

Thus a commercial plan was created that can be customized according to the needs of the market and is more efficient because of its many solutions. The plan, while harmonizing methodological and quality standards for the territorial actions, can disseminate all over the entire Network the distinctive commercial style of the Group.

## Branches' specialization

### GEOGRAPHICAL DISTRIBUTION AS OF 31/12/2006

- 2,782 Retail and Small Business branches
- 169 Corporate branches
- 73 Corporate teams on secondment
- 94 Private banking
- 320 Other offices throughout Italy<sup>1</sup>



Moreover the Group has a network of over 4,000<sup>2</sup> ATM (Bancomats) which during 2006 were replaced with devices equipped with Web technology (the new devices were installed in 9% of the ATMs as of the end of 2005 and 17% as of the end of 2006). The Web ATMs are devices that make it possible to manage a broader range of services, amongst which ordering bank transfers, making rapid withdrawals and depositing cash and checks.

Thanks to Internet Protocol (IP) technology, it is also possible to install touch screens that allow customers to use monitor buttons (without having to forgo the traditional keypad). What is more, the more advanced devices make it possible to reuse the deposited money for withdrawal operations (according to the standards contemplated by the Central European Bank) thereby providing more availability of cash for customer withdrawals.

<sup>1</sup>) Secondment of branches, consultancy outlets, Domus Points, treasury branches etc.  
<sup>2</sup>) Data relate to the Commercial Banks.

## Convenience of access to bank services

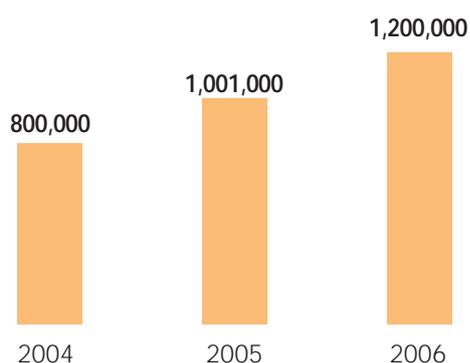
### Direct Channels

Along with the geographical closeness provided by its branches, the Group also offers its services through other channels: Internet, telephone and television. These channels allow customers direct and secure access to banking operations.

In the course of the year the range of services available through direct channels was further enriched, in particular with new RAV (collection of taxes/duties by notice) payment functions on the Internet and the expansion of the offer for negotiating securities thanks to the launch of a new online trading platform with state-of-the-art functions.

There has been a constant rise in the number of contracts recorded throughout the year, thus allowing us to end 2006 with over 1,200,000 multi-channel contracts underway. This increase was even more significant in the last few months of the year, thanks to the launch of the new range of current accounts that contemplate especially advantageous conditions for the users of direct channels.

### NUMBER OF MULTI-CHANNEL CONTRACTS



The automation level of operations was always high reaching 34% for credit and security transfers and 72% for total transactions.

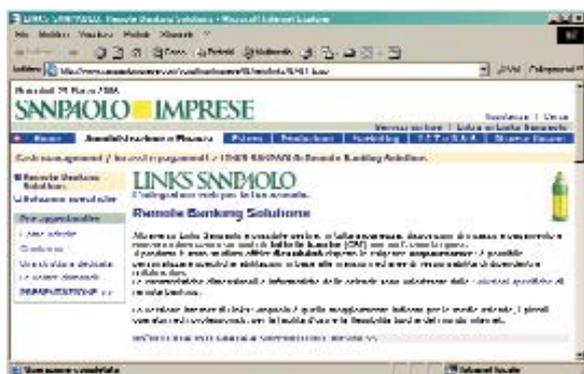
In the course of the year the overhaul of the Group's web design was completed, offering customers a pleasant yet simple navigation experience. The design also took into account some of the principal recommendations of the W3C regarding "Web Accessibility" which makes consultation of the sites easier, even for persons with disabilities. One of the new features makes it possible to activate major navigation

## LEAN BANK

The Lean Bank program was created to industrialize banking procedures in order to ensure an interactive mode with customers characterized by a better service (shorter transaction times, a reduction in errors, etc..) and at the same time obtain more resources in terms of people and time to allocate to the strengthening of commercial and relational activities.

This improvement of processes reduces the use of branch employees in administrative and time-costly and labor-intensive activities (teller operations, credit process, contract management, the application of special conditions, back-office activities, correspondence, information-keeping and archiving), thereby increasing the opportunity to use employees in higher value-added activities and offering an ever more efficient customer service. The staff involved in the project will be dedicated to a specific programming of training interventions to optimize their usage of the innovative IT procedures made available.

*Along with the geographical closeness provided by its branches, the Group also offers its services through other channels - Internet, telephone and television - which allow customers direct and secure access to banking operations*



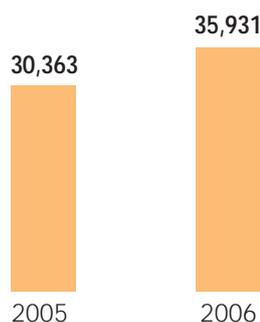
links through key combinations as an alternative to clicking on the mouse.

Internet banking functions dedicated to corporate customers have been boosted to meet their diverse needs with a range of better and more innovative services.

The response to expressed needs was sought through the remodeling of the entire offer of services (New Remote Banking Contract), both in terms of service content as well as personalizing the costs for the actual operating needs of the customers. Contracts were also completely revised to improve the level of transparency in agreements and relations.

Corporate customers who use our Internet Banking services rose from 30,363 at the end of 2005 to 35,931 at the end of 2006 corresponding to an increase of about 20%.

#### NUMBER OF MULTI-CHANNEL CONTRACTS



The Internet site dedicated to providing information for enterprises continued the promotion of content aimed at updating and providing detailed information regarding company management: news and dossiers, concession records, due registers and databases.

In this regard current focus reports on the competitiveness of companies were systematically published: innovation, energy efficiency, internationalization, with particular attention to public incentives associated with these types of investments.

Besides the topic of consumption rationalization, process innovation had been promoted through

specific columns dedicated to applied research and technological innovation. Success stories were published to make innovative companies visible and spread knowledge about innovation through the best practices described in those stories. The update of the Orizzonti Europei [European Horizons] channel continued to present the trend of facilitated EU finance for the programming of EU resources scheduled for 2007-2013.

The column "Fare Impresa in Cina" [Enterprising in China] helped enterprises assess the opportunities and ways to expand their business in the Far East. In collaboration with Sole 24 Ore Radiocor, Sanpaolo Imprese offers a monthly newsletter dedicated to China: sectorial studies, research, successful case studies.



Anna Iandolo

#### Safeguarding IT security

The year 2006 witnessed a constant increase in online fraud attempts aimed at stealing the access codes of home banking customers. This takes place in two different ways: a) by sending an email, which appears to originate from the bank but which lead the user to the website of the fraudster or b) through computer viruses that memorize the keys typed by the user to access the site (key logging).

Security and protection not only of our customers' property but also of their privacy is an absolute priority for us and is a characteristic of the reciprocal trust and collaboration that exists between us and our customers.

Sanpaolo's Internet Banking service was the first in Italy to obtain (in 2002) the certificate of conformity to the BS 7799 standard concerning the IT security management system and today it is certified according to ISO/IEC 27001 which adopts the BS 7799 standard.

In order to protect our customers from potential fraud, last year we put certain measures in place, amongst which initiatives to inform and educate customers, continuous monitoring and control, and free notification by SMS of credit transfer

transactions ordered by customers from the Internet. In 2006 we put in place other measures, including an agreement with Symantec, the leading company on the market of IT security and availability services, which stipulates a 40% discount to users of the Direct Bank Service on the purchase of Norton Internet Security 2007 products. These activities have allowed the Group to significantly curb cases of fraud.

To complete and integrate this process, in 2006 we also started analyzing and planning in order to bring the authentication procedures on the direct channels more in line with the most stringent international standards for secure access while maintaining user-friendliness as much as possible. During the first few months of 2007 the authentication procedures of the Direct Banking service on all available channels (Internet, Phone, Mobile, Terrestrial Digital Television and Customer Service) will be modified with the adoption of a dual-factor authentication system like that of the One Time Password when customers access information systems and/or when giving the bank



instructions for transactions. In order to access the Direct Bank services, customers must enter their 5-digit numerical PIN which they have created, as well as

the dynamic One Time Password generated by a special device.

The One Time Password devices will be distributed through our branches to all direct channel users on free loan within the first six months of 2007 (there will be a transition period during which the old and the new authentication procedure will both be active). In 2006 large investments continued to be aimed at the utilization of Microchip European Mastercard & Visa (EMV) technology which considerably increases the security of transactions made with payment cards. It was estimated that as of the end of 2006 the Microchip EMV technology was installed on 50% of all the existing POS units, approximately 15% of debit cards (about 60% of credit cards already had microchips) and over 15% of ATMs. Continuing to pursue the goal of ensuring greater security in the use of debit cards and curbing cases of fraud, Sanpaolo IMI introduced new types of prepaid rechargeable cards for the Torino Olympic Games of 2006. These were characterized by the presence of a chip and a PIN to be entered to verify the authenticity of the cardholder.

The year 2006 saw the start of a new authorization procedure for all the Bank's debit cards (called OLI,

the acronym of "On line to Issuer"). This procedure verifies the available balance in the current account on which the card has been issued in real time upon every withdrawal or payment made with the card in Italy or abroad. By curbing the risks connected to using the card, this innovation increases customer opportunities to access debit instruments (debit cards) and indirectly curbs risks connected to credit (credit cards, revolving cards, loans, credit openings).

In order to provide customers with an additional instrument for reducing their use of cash, in line with the strategies adopted for these functions in Italy and Europe, the new Soldintasca Borsellino (Pocket Money Purse) cards were introduced: they are issued anonymously and several electronic money purses can be activated on each card (depleted purses can be replaced with new purses throughout time); they can be used to make withdrawals in Italy and abroad and purchases on the international Visa Electron circuit.

Among the planning initiatives carried out in the course of 2006, the functions of which will be released in the first part of 2007, we would like to mention the extension of SMS confirmations of transactions made on debit cards<sup>2</sup> for the purpose of monitoring operations and preventing fraud (implementation related to the aforementioned introduction of OLI).

*The Internet banking service was the first of the Bank's services to have its security certified*

<sup>2</sup>) Service already active for credit cards issued by Cartasi and CFS.

## Willingness to dialogue and to listening

Transformations on the financial market in the past few years have deeply affected the relationship between the bank and its customers. We can gain the trust of our customers only by acquiring in-depth knowledge of their expectations, needs and opinions. We believe that learning more about our customers, by asking their opinion about our services and analyzing the complaints and questions they send us, enables us to continue improving the quality and efficiency of our services.

### Communication and listening channels

In addition to the constant presence and attention of the staff working in all of our branches, the Bank keeps many other communication and listening channels open with customers.

More specifically, through the several Internet sites of the Group it is possible to contact Customer Service in order to obtain information about products, receive assistance for using the direct channels and operative clarifications

on the bank's services. Moreover communications addressed to customers have been sent on a larger number of contact channels, with the possibility, thanks to the "One to One" messaging functions, to offer customers personalized communications within the operative area of the Internet site.

In the course of the year the toll-free number for telephone contact service "La Tua Banca Risponde" offered all types of information and services to customers and non-customers of the Group's Banks. There was a continuous rise in customer use and satisfaction, and this service succeeded in managing approximately 70,000 calls during the year.

### Customer satisfaction surveys

Improvement in the perceived level of quality and satisfaction of our customers is a goal towards which our Group applies daily effort.

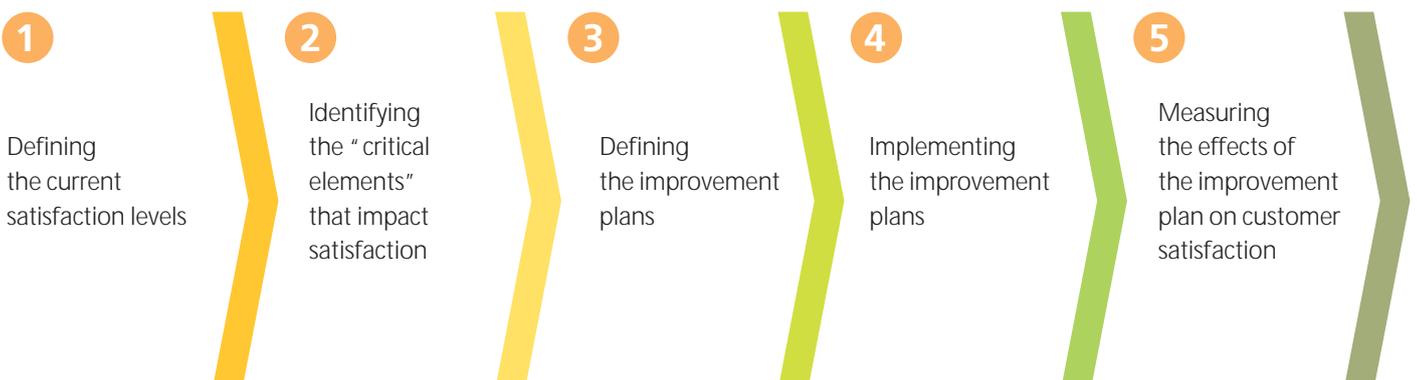
Attention to customers, their satisfaction and changing needs and preferences has led the Bank to set up a survey plan through which to monitor the expected level of quality and changes in the degree of customer satisfaction regarding the activities we have undertaken.

In all the analyses carried out great care was taken in the methods used to contact the customers, in particular in relation to the protection of privacy and level of invasiveness of the interviews.

In 2006 a specific project was designed to improve customer satisfaction according to the model shown below:

The goal of this project is to systematically match the information obtained from the customer satisfaction surveys with concrete initiatives that respond consistently to survey results.

*We believe that improving the dialogue with our customers will enable us to continue to enhance the quality and efficiency of the services we offer*



## SURVEYS CONDUCTED IN 2006

Subject	Goals	Target	Methodology/sampling
Retail customer satisfaction survey	<ul style="list-style-type: none"> <li>Monitor the degree of satisfaction and adopt customers' evaluations on the current offer of products and adequacy of services offered.</li> </ul>	Family and high-profile customers of Commercial Banks	<ul style="list-style-type: none"> <li>17,200 telephone interviews</li> </ul>
Private customer survey	<ul style="list-style-type: none"> <li>Measure the degree of customer satisfaction and evaluate their perception of the evolution of the service model.</li> </ul>	Private customers of Commercial Banks	<ul style="list-style-type: none"> <li>Questionnaire sent to approximately 40,000 private customers.</li> </ul>
Corporate customer satisfaction survey	<ul style="list-style-type: none"> <li>Monitor degree of satisfaction and adopt customers' evaluations regarding current offer of products and adequacy of services offered.</li> </ul>	Corporate customers of Commercial Banks	<ul style="list-style-type: none"> <li>Telephone interviews to a sample of 3,800 customers and 3,800 non-customers distributed evenly throughout the territory</li> </ul>
New customer survey for Sanpaolo IMI	<ul style="list-style-type: none"> <li>Analyze and understand customers' decision-making process and reasons that led new customers to open their checking account at one of the banks of the Sanpaolo IMI Group</li> </ul>	Customers of Commercial Banks	<ul style="list-style-type: none"> <li>1,200 telephone interviews to new customers (new taxpayer numbers)</li> </ul>
Surveys of customers defecting from Friulcassa	<ul style="list-style-type: none"> <li>Determine their reasons for leaving and compare these with the staff's point of view</li> </ul>	Friulcassa retail customers	<ul style="list-style-type: none"> <li>200 customers who left the bank</li> <li>Friulcassa Family and Personal Administrators</li> </ul>
Carive Survey	<ul style="list-style-type: none"> <li>Analyze relational and service model currently existing between the bank and its customers</li> <li>Identify critical areas</li> </ul>	Carive retail customers	<ul style="list-style-type: none"> <li>Focus group: Two discussion groups with family customers and two other discussion groups with high-profile customers</li> </ul>
Market survey on "Prestito Sanpaolo"	<ul style="list-style-type: none"> <li>Analyze efficacy of advertising campaigns activated for products</li> </ul>	Retail customers of Commercial Banks	<ul style="list-style-type: none"> <li>500 telephone interviews with product purchasers</li> <li>300 interviews with Commercial Bank staff involved in selling the product</li> </ul>
Market survey on the assurance campaign	<ul style="list-style-type: none"> <li>Analyze efficacy of advertising campaigns activated for products</li> </ul>	Retail customers of Commercial Banks	<ul style="list-style-type: none"> <li>500 telephone interviews with product purchasers</li> <li>300 interviews with Commercial Bank staff involved in selling the product</li> </ul>
Market survey on "new range of current accounts (Contutto - Zerotondo)"	<ul style="list-style-type: none"> <li>Analyze efficacy of advertising campaigns activated for products</li> </ul>	Retail customers of Commercial Banks	<ul style="list-style-type: none"> <li>600 telephone interviews with purchasers of new current accounts (Contutto - Zerotondo)</li> </ul>
Quality-quantity Survey	<ul style="list-style-type: none"> <li>Explore points of excellence and weakness of Commercial Banks</li> <li>Analyze process of formulating expectations for and evaluating yields of investments</li> <li>Define level of financial knowledge of customers and efficacy of product advertising campaigns activated</li> </ul>	Retail customers of Commercial Banks	<ul style="list-style-type: none"> <li>Qualitative phase: 50 in-depth interviews</li> <li>Quantitative phase: 525 personal interviews</li> </ul>

### Retail customer satisfaction surveys

The customer satisfaction research plan of 2006/2007 contemplates the realization of an ongoing survey of customers belonging to the family and high-profile segments of the Group's Commercial Banks from October 2006 to the end of 2007.

In 2006 the survey was conducted through 17,200 telephone interviews and it achieved the following goals:

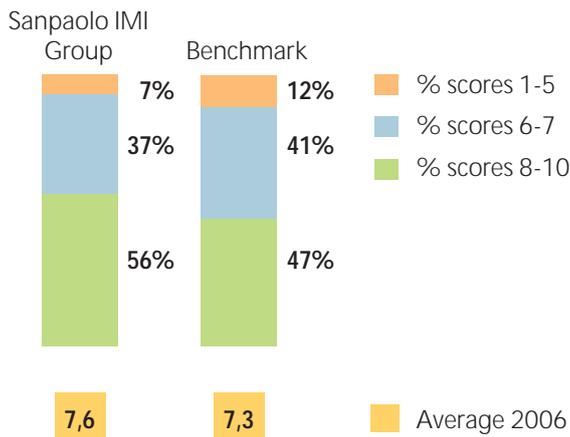
- Evaluation of the level of customer satisfaction with the branch employees, products and services, commercial relations, how they experience the branch, their relationship to the bank, word-of-mouth and future attitudes;
- Analysis of the customer's relationship to the banking world.

The design of the study also took into account a survey to compare the satisfaction of customers of the Group with that of customers of competitor banks within each reference area.

The results show that the average evaluation of overall satisfaction of Sanpaolo IMI customers is 7.6, statistically higher than the score regarding the banking world. As in the past, positive scores were given to the branch employees (8.4).

The survey also showed that 56% of customers of the Sanpaolo IMI Group expressed judgments of excellence by giving the highest scores on the scale.

### TREND OF SANPAOLO IMI GROUP CUSTOMERS' SATISFACTION LEVEL



The survey also included a focus on the perception and knowledge of the PattiChiari [Clear Pacts] initiative, an Italian Bankers Association project promoted by a consortium of Italian banks to improve relationships between the banking system and customers. It showed that over 56% of the interviewees was familiar with the initiative (in 2005 the percentage was 50%).

### Survey on new Sanpaolo IMI customers

In 2006 the number of customers increased by over 117,000 units (net flow of taxpayer numbers).

From the market research conducted throughout 2006 on recently acquired customers for the purpose of analyzing and understanding the decision-making processes and reasons that led new customers to choose precisely one of the Group's banks, it appeared that word-of-mouth, family tradition ("it is the family's bank") and Sanpaolo IMI's reputation were the reasons having the most influence on the choice of our bank.

Word-of-mouth and image were therefore the major reasons for which new customers chose Sanpaolo IMI, while costs and service/product quality were the most important criteria underlying the decision of new customers of the system as a whole (according to the findings of Multifinanziaria Eurisko 2006).

### Customer satisfaction from the staff's point of view

To build a relationship of trust with customers it is necessary for the people who work in direct contact with customers to work hard, be helpful, act with professionalism and courtesy. Precisely the direct and thorough knowledge of the branch staff about customers led us to conduct a survey involving nearly 7,000 people to obtain an overall picture of retail customer satisfaction through the perception of the people who know them best. Six issues were taken into consideration: relations

### LISTENING AS THE BASIS FOR PRODUCT INNOVATION

Since the value of a bank is also expressed in its capacity for understanding the diverse and changing needs of the market and providing timely and effective responses in order to increase customer satisfaction, the Sanpaolo IMI Group designed a specific research activity based on interviews and focus groups to expand and innovate the range of products it offers. Among the surveys conducted, the most interesting turned out to be the ones regarding the business model to adopt for foreign customers (realized through the organization of 12 focus groups and 11 individual interviews with the branches staff members), and the study on new loans for atypical workers, implemented through four focus groups. With respect to the overall proposal both surveys were aimed at determining possible areas for improvement, obtaining useful information for designing products and exploring how the different types of customers studied in the survey experience their relationship to the Bank in general.

with bank employees, work environment at the branch, products and services, investments, relations with the bank and image profile. The answers to the questionnaire showed a strong spirit of collaboration and sensitivity in the collaborators involved, who offered numerous suggestions for identifying areas in which customer satisfaction can be improved.

### Corporate customer survey

In 2006 the customer satisfaction survey was extended to financial services in order to increase customer satisfaction by providing a service more suitable to their expectations. Considering the constant effort of Sanpaolo IMI to support enterprises during their growth process, interest was concentrated on loans for investments in research and development.

Besides measuring customer satisfaction levels, we also wanted to evaluate whether those enterprises had actually succeeded in developing new projects thanks to this specific type of financing.

Approximately one year after the launch of this loan, personal interviews were held with the financial directors of a significant sample of companies that received the financing.

The research covered the entire process of the customers' subscription of financing and revealed:

- The reasons that led them to choose this specific financing
- Strengths and weaknesses of the financing
- Overall degree of satisfaction
- Areas for improvement.

The results showed a very high level of customer satisfaction: 96% of customers expressed a very positive overall judgment of their satisfaction.

All the enterprises interviewed brought their project to term and 37% of them declared they would not have been able to succeed without us or with another type of financing. Finally, the lean bureaucratic procedures, the promptness of the whole disbursement process and the professionalism of our advisors proved to be the main strong points of the products indicated by enterprises.

### Corporate customer satisfaction monitoring 2006 - 2007

With the first in-depth customer satisfaction survey carried out in 2005, the foundations were laid for the creation of an internal survey for monitoring the satisfaction levels throughout time.

Within this framework throughout 2006 the new customer satisfaction survey currently in progress was planned. For the purpose of continuously improving customer service, the research extensively analyzes the degree of satisfaction of the Sanpaolo IMI Group's corporate customers regarding the principal areas of relationship with the Bank. Special attention is given to the adequacy of the offer and any possible needs that are still unmet.

Moreover, with the aim of comparing our performance to the market average, a parallel survey is being conducted on the national financial system. The methodology contemplates the integrated use of qualitative and quantitative measurements, making use of direct interviews and telephone interviews held with over 8,000 enterprises. Besides providing indications about the current level of customer satisfaction of the Sanpaolo IMI Group, the results compared to the market average will show the trend of satisfaction in the past two years and will give us preliminary information about this trend.

*The value of a bank rests  
on the ability to understand  
the different and changing needs  
of the market and to give quick  
and effective answers*



Luigi Dalli Cani

## Management of the customer relationship

### NUMBER OF COMPLAINTS\*

	2004	2005	2006	Ch. 2006/2005
Current accounts and deposits	2,175	1,712	1,486	-13%
Investments	6,131	3,082	2,978	-3%
Loans	1,233	924	855	-7%
Payment systems	1,566	1,007	1,233	+22%
Other	617	515	550	+7%
<b>Total</b>	<b>11,722</b>	<b>7,240</b>	<b>7,102</b>	<b>-2%</b>
Anatocism	1,864	6,221	325	-95%

\*Figures relate to the Commercial Banks

Attention to customers' needs and their expectations led in the course of the year to setting up the Office of Customer Relations and Complaints at the Parent Bank under the direction of the Customer Relations Department. This office has been given the responsibility of managing complaints from customers of Sanpaolo IMI and the other banks of the Group. In the course of 2006 the IT procedure dedicated to managing customer complaints was also extended to the Group's Commercial Banks in continuation of the integration activity already started.

The Office's activity is aimed at creating a special channel for listening to customers, which will also serve to improve internal operative processes. Interaction and exchange with the commercial networks and central departments have assured to customers the adoption of transparent and standardized evaluation criteria as well as prompt responses to their complaints.

In the course of 2006 the Ombudsman Giurì Bancario received 178 petitions from customers who were not satisfied with the responses they had received from the Group's Complaint Office. There had been 185 petitions recorded in 2005, thus showing a progressive decrease already seen in previous years, in spite of the rise in the ceiling established for access to the arbitration proceedings to 50,000 euro and the extension of the same to corporate customers. Preparations continued for launching in the course of 2007 the activities of the Alternative Dispute Resolution of corporate-banking and financial disputes, promoted by the Italian Bankers Association.

### The management of complaints

#### Investments

Complaints regarding the area of customer investments showed no significant change with respect to 2005, thus confirming that we have overcome the critical points which arose in the course of 2004, particularly with reference to disputes regarding the negotiation of bonds issued by entities which later became insolvent. In this regard in 2006 the complaints regarding investments in corporate bonds issued by the groups Cirio and Parmalat essentially ceased, while we continued to receive complaints regarding investments in Argentinean bonds. In the last few months of the year the number of these complaints increased significantly, and this can be traced to the widespread fear of the possibility of debarment of the rights to sue the issuer. This led many customers to formalize an objection, though generic, against the banks, also due to hints of the aforesaid debarment in several newspapers.

#### Current accounts, financing and payment systems

In 2006 there was a significant increase in the number of complaints regarding payment systems – within an overall picture of a lower number of complaints – due to the withdrawal of money from customers' current accounts through new and more sophisticated techniques for the fraudulent acquisition and duplication of cards and passwords.

In collaboration with the banking system and commercial establishments who use the POS service the Group adopted and perfected new security measures by changing the ATM and POS units as well as the cards given to customers.

In this area we have reconfirmed the company's policy of full repayment to customers in cases of verified cloning of the payment instruments given to them.

On the other hand the so-called "phishing" phenomena proved to be entirely insignificant within the Group, but its existence was in any case pointed out to customers through the dedicated channels of Internet banking. Phishing is a method of online fraud whereby the fraudsters send an e-mail to customers asking them to access a link. This link appears to take them to the bank's official website where they are asked to enter their access codes, with the claim that these are needed for general security reasons. In reality, by following these instructions, the customers are connected to the fraudster's site and transmit their personal information to him.

### **Ethical-social issues**

In 2006 the Commercial Banks of the Sanpaolo IMI Group received 23 complaints about ethical-social issues, including in the item "Other" shown on the table illustrated in the introduction.

Fifteen of these requested clarifications about the Group's policy in the area of granting financing to entities that deal on the arms market; six complained of difficulties for people with disabilities to access the bank's facilities due to architectural barriers. These complaints were sent to the appropriate technical offices for verification and possibly the planning of interventions. The remaining two requested that the Group refrain from providing financial support to the rapid-transit project in Val Susa.

Eleven complaints, also entered under the column "Other", referred to services that customers received from the Group's banks in the initiatives promoted by the interbank consortium "Patti Chiari".

### **Anatocism**

The complaints which objected to anatocism, due to the claimed illegitimacy of the quarterly capitalization of payable interests on the use of checking accounts before the legislative reform of 2000, dropped to 325 in the year 2006, a drastic reduction with respect to the number of the previous two years.

These complaints continued to be managed, even throughout 2006, by the legal departments competent within each territory; in their answers to the customers they pointed out – on the basis of arguments not confronted by the Supreme Court but often affirmed by case law in these matters – the principle of legitimacy of the Bank's conduct, even prior to the reform of 2000.

## Meeting the customers' needs

### **Assistance in the management of savings**

The attention given by Sanpaolo IMI to customer assistance on investments has been demonstrated since 2002 by the introduction of the "Guidelines for sales/distribution to the public of savings and risk management products". The following year the Investment Policy was issued, a document that analytically describes the inspiring principles that guide customer assistance activities for the investment of financial assets and savings flows. Besides improving the level of service offered, the Investment Policy also contributed to improving the professionalism of the managers who were able to benefit over the years from an intensive training program on investments as well as behavioral finance<sup>3</sup>.

The Investment Policy principles are applied thanks to IT instruments and personalized financial planning services (Market WorkStations and Client Financial Planning).

All customers are profiled by means of a questionnaire to determine the real goal of their investment. Moreover, by continuously monitoring the portfolio, managers can verify the consistency of the investments made with respect to the goals highlighted during the profiling process.

The auditing and control of the proper attribution of the financial profile are the discriminating element and added value recognized for this service model.

### **Commitment to transparency and accessibility of banking services**

#### **PattiChiari**

In 2006 the interbank project called PattiChiari which sets out to improve some critical aspects of the relations between the banking system and the community, was reinforced by two new initiatives: "Investimenti finanziari a confronto" (Financial investments compared) and "Cambio conto" (Changing accounts). As of today 32 banks have adhered to the ten PattiChiari protocols; seven of these banks are part of the Sanpaolo IMI Group. The two initiatives launched in 2006 respond to deeply felt market needs.

With "Financial investments compared: understanding and choosing financial products" the member banks intend to raise the awareness of customers about their investment decisions. By using

3) Behavioral finance is the study of the impacts of individual perceptions and attitudes or collective interactions and behaviors on decisions and actions taken (or not taken) on financial markets or, in general, in economic relations (in this case the term used is 'behavioral economics'), with particular focus on how these decisions deviate from canons of perfect rationality and optimization.

the instruments provided by “Financial investments compared” savers can evaluate the conformity of their investments with their own appetite for risk and request, clearly and simply, all the information instruments they need to invest their savings in a responsible and mature manner. This initiative was carried out using the regulatory indications on financial investments currently in force and constitutes the natural progress of activities traditionally carried out by the Sanpaolo IMI Group in its investment assistance services. The Protocol of the initiative also describes the behavioral process of the manager involved in a sale of financial instruments that is certain, verified and traceable by computer. This process also recognizes the value of communicating with and educating customers.

“Changing accounts: How to change your current account” is the response of the PattiChiari Consortium to the demands of the public (media, institutions, supervisory authorities, consumers) for removal of the so-called “exit barriers”, i.e. the series of procedural and IT constraints that customers must overcome when they decide to change their account.

The initiative was launched in October 2006 and involved three consecutive phases: the realization of a guide for customers which illustrates the steps they should take to change their current accounts and transfer the services to an account opened in a new bank; the preparation of the list of services attached to that specific current account and, finally, the automatic transfer to the new bank of the domiciliations managed with the RID system<sup>4</sup>. Starting in July 2007 banks will divulge the average amount of time needed to close current accounts. The average time will be expressed in number of workdays, dividing closed accounts into four different categories, depending on the complexity and type of services attributed to the account.

*The assistance to customers in the management of their savings is one of the most important and, at the same time, most complex of the services offered by the Bank*

<sup>4</sup> The RID (direct interbank relations) service allows a service company (water, electricity, gas) to automatically debit customers' accounts with the amounts invoiced by them to said customers. All large companies (electricity, telephone, gas, credit card issuers and financial companies) adopt this procedure and every year approximately 500 million RID operations are recorded in Italy.

### Renegotiating floating-rate retail mortgages

A remarkably low interest rate has led many customers to stipulate floating-rate mortgages in the past few years: The stock of retail mortgages of the Sanpaolo IMI Group is 70% floating-rate mortgages with quite a high average residual life (over 19 years). Today's macroeconomic scenario in the recovering euro area has seen a succession of interest-raising maneuvers that have led to a progressive increase in monthly repayment charges. This situation of uncertainty is perceived with anxiety by many customers who fear they will be unable in the future to continue to punctually honor the commitments they have undertaken, considering the fact that in most cases their level of income has not been raised. Starting on July 2006 an initiative was launched to totally or partially transform floating-rate mortgages into fixed-rate mortgages for the residual lifetime of the financing. The service was offered to customers on time with the payment of their installments. This operation is simple, flexible and free of charges. It is also absolutely transparent since the fixed-rate renegotiating conditions are the standard ones found in our catalog and published on our Information Sheets. Customers are not required to buy complex financial instruments and they are given the opportunity to extend the residual lifetime of the mortgage up to 30 years in order to attenuate the possible economic impact deriving from the transfer to a fixed-rate. During these months of activity nearly 3,000 mortgages have been renegotiated for a total of over 260 million euro.



Chiara Toselli

## Financial Group

# Eurizon

Eurizon Financial Group is the first integrated operator in insurance and assurance services and asset management in Italy. The Group controls EurizonVita, one of the largest companies in the life insurance sector, Banca Fideuram, the first Italian network of financial planners (private bankers) and Eurizon Capital Sgr, a leading company in managed savings.

Distribution occurs through:

- over 4,200 private bankers of Banca Fideuram and Sanpaolo Invest;
- branches of the Sanpaolo IMI Group's network;
- third-party networks (Cassa dei Risparmi di Forlì e della Romagna, Farbanca, Cassa di Risparmio di Firenze);
- the network of EurizonVita assurance advisers which has been operative since January 2007.

### Transparency in communication

In 2006 the Eurizon Financial Group launched a project called "A Chiare Lettere" [which literally means 'Spelled out Clearly'], aimed at providing simplicity and transparency in communications with customers starting with the compulsory letters of EurizonVita to customers and continuing with a revision of the correspondence from all the subsidiaries. The goals of the project are to make communications to customers simple and direct to allow them to make the decisions that best suit their needs.

As regards internal communications, attention was given to the sharing and circulation of information. For instance a new intranet portal called OneGates was created to offer an ongoing flow of information between employees and the company and facilitate the integration process of the various companies and the sharing of company values.

### Attention to equal opportunity

It is of vital importance to the Eurizon Financial Group to favor the development of its employees by respecting the dignity of each individual, preventing all forms of discrimination and abuse, providing adequate training, defining roles and responsibilities and providing workplaces that are adequate with regards to safety and health, as well as the proper and confidential use of personal data.

As of the end of 2006 the Group's human resources distributed among the various companies amounted

to 2,850 up 8.5% from 2005.

Women make up approximately 42% of the total staff. Over 30% of the roles of greater responsibility (managers, functionaries and junior executives) are also fulfilled by women.

### Support to the community

#### Progetto Itaca [Ithaca Project]

Every year Eurizon Financial Group selects a non profit organization to financially support. For 2006 it chose to collaborate with the Associazione Progetto Itaca Onlus: By making a contribution of 140,000 euro, the Eurizon Financial Group supported an initiative for helping people with a history of psychological problems and sustain them in the development of their social and professional autonomy through in-company activities and pilot programs, with prospects of subsequently hiring them.

#### Special Olympics European Youth Games

The Special Olympics European Youth Games were held in Rome from 30 September - 5 October 2006. This is the largest event of its kind dedicated to persons with intellectual disabilities that our country has ever hosted (1,400 athletes from 12 to 21 years old from 57 European and Eurasian countries). During the event, the Eurizon Group "adopted" the Italian swimming team by granting 25,000 euro to cover the costs of participating in the games and offering its employees the opportunity to give their own contribution as volunteers. A Eurizon team of 21 volunteers were trained and provided a concrete contribution to the event.

#### San Patrignano

In 2006 the Eurizon Financial Group also made a contribution of 15,000 euro to support the San Patrignano community which is devoted to the rehabilitation of marginalized people and substance abusers.

### Subsidiaries

**EurizonVita** is one of the major companies in Italy in the sector of life insurance and it also deals with accident insurance through EurizonTutela. It controls Universo Servizi, a company specialized in administrative-accounting, IT and organizational services in the insurance realms, and EurizonLife, a life insurance company having its registered office in Ireland. In the second half of 2006 EurizonVita launched a campaign to engage and train specialized consultants in the issues of assurance/retirement for the purpose of building a direct and proprietary channel aimed at the mass market. A distinctive trait of the business model adopted by the network of EurizonVita assurance consultants is the management of customers and after-sales services through Servizio Amico [Friend Service] which answers a toll-free number.

**Banca Fideuram** is the leading network in Italy for its number of private bankers and the volumes it manages. The financial planners are highly specialized professionals who can respond to the needs of affluent customers for financial planning, assurance and insurance. Banca Fideuram's range of products includes investment and insurance solutions of Fideuram Investimenti Sgr and EurizonVita. The company also works according to open architecture logic through a multibrand offer of the major international investment houses. In the course of 2006 Banca Fideuram provided, on its e-Learning platform, a self-teaching course called "Corporate Social Responsibility" for its employees. It was prepared by ABI Formazione and was designed according to the info-training model. It deals with ethical issues, explores the content of social responsibility policies and relations with stakeholders inside and outside the company. Since 2004 the Banca Fideuram Group has been publishing its own Social Report which is available at the website [www.fideuram.it](http://www.fideuram.it).

**Eurizon Capital Sgr** (formerly Sanpaolo IMI Asset Management Sgr) is the company of the Eurizon Group specialized in asset management both for retail customers of the Sanpaolo IMI network (mutual funds and asset management) and for institutional customers, to which it offers a broad range of specific investment products and services. This company in turn controls Eurizon Capital SA, specialized in Luxembourg mutual funds and Eurizon Alternative Investments Sgr, specialized in funds of hedge-fund.

In 2006 Eurizon Capital SGR joined the Eurosif Transparency Guidelines. Eurosif is a pan-European non profit company whose purpose is to encourage and develop socially responsible investment practices and better corporate governance models.

Eurizon Capital SGR has accepted these guidelines and strives to provide accurate, adequate and timely information to allow the interested parties, in particular customers, to understand the policies and processes followed when making socially responsible investments. This way Eurizon Capital SGR joins its forces with other prestigious international asset management companies in the use of high standards of communication with the subscribers and confirms its intention to become a solid touchstone for socially responsible investments in Italy. In 2006 Sanpaolo IMI participated for the fifth consecutive year in the workgroup on the

division of the environmental program of the United Nations called UNEP FI Asset Management Working Group. The fruit of this collaboration was shared by the financial communities thanks to the publication of a document (Show Me the Money: Linking Environmental, Social and Governance Issues to Company Value) published under the sponsorship of the United Nations and available free of charge at [www.unepfi.org](http://www.unepfi.org). The contents of the work carried out were also presented at meetings during several different international events.

Moreover, Eurizon Capital SGR in 2006 also joined the initiative referred to as the Carbon Disclosure Project (CDP4). The CDP gathers a large number of institutional investors who are sensitive to the issues of climate change induced by greenhouse gases. These investors collectively signed a document which asks the largest companies in the world to provide transparent information on their treatment of emissions from Co2 and other types of gas.

## ETHICAL FUNDS

The Ethical System of Eurizon Capital SGR consists of three funds managed according to ethical, social and environmental criteria, consisting of the funds Azionario Internazionale Etico, Obbligazionario Etico and Etico Venezia Serenissima. As at the end of December 2006 their overall assets amounted to 641 million euro (1.5% of the total funds organized under Italian law managed by the asset management company).

### ASSETS AND YIELD

	Assets*	Yield 2006
Azionario Int. Etico	290	+3.5%
Obbligazionario Etico	336	-0.9%
Venezia Serenissima	15	+1.7%

\*as of 31/12/06 in millions of €

### Investment criteria

The procedure for the investments of the ethical funds envisages the selection of investments using both positive (inclusive principle) and negative (exclusive principle) criteria. The positive criteria serve to identify the presence of ethical features in the companies and organizations analyzed, whereas the negative selection criteria identify areas considered to be in conflict with the funds' stated ethical principles. At the same time the "best in

class” principle is used. This allows the combination of the positive and negative selection criteria in order to identify the companies that, within specific risk markets (e.g. the oil sector), stand out for their merits in the socio-environmental field.

During 2006, the adoption of these criteria led to change in the basket of permitted investments, with the inclusion or exclusion of companies/issuers from the portfolio of the funds. Among the agencies of the federal US government, exclusion of Fannie Mae was confirmed due to the accounting irregularities found on their financial statements. As regards corporations, the most important securities excluded were: BHP Billiton Ltd (due to their involvement in the production of nuclear energy); Canadian Imperial Bank of Commerce (implicated in insider trading activities, violation of consumers rights); SunTrust Banks Inc (illicit accounting practices were revealed); Takefuji Corp. (violation of workers rights and involvement in cases of corruption), PNC Financial (for its direct involvement with the State treasuries of dictatorships) and Newmont Mining (for having caused pollution that led to severe illnesses in the local populations of mining and mineral processing areas). There were many companies that operate in the sector of renewable energies that have been considered in conformity with the selection criteria. The consultancy and research involved environmental, social and corporate governance issues and was provided by Avanzi SRI Research, an Italian SRI research company of the SiRi network, and the American company KLD. The indexes used as a benchmark of the Ethical System were provided by E. Capital Partners, a consultancy firm in the field of socially responsible investment.

### Ethical Committee

To ensure the compliance of the management decisions to ethical principles declared by the Funds, the Board of Directors of Eurizon Capital SGR called upon the collaboration of an independent and autonomous Ethical Committee set up under Ethica – Associazione, an association for socially responsible financing presided over by Cardinal Ersilio Tonini.

This Committee ceased to collaborate with Eurizon on 31 December 2006. Since 1 January 2007 a new Ethical Committee was instated and is characterized by a well-assorted group of professionals capable of responding optimally to the growing number and complexity of the cases which socially responsible investments must confront.

### Devolutions

In accordance with the provisions of the rules for managing the funds, Eurizon Capital SGR is committed to funding projects and initiatives of a humanitarian nature through the devolution of 0.01% of the average daily net assets of the Ethical System.

The funds devolved in 2006 – amounting to 71,000 euro – were assigned to:

- **Vivere aiutando a vivere**, ONLUS which has been working in the Milan Province since 1995 supporting people with terminal illnesses such as cancer, AIDS and other serious diseases.
- **Fasolux**, an association which was set up in Luxembourg in 2005 and which works in Burkina Faso, one of Africa's poorest countries, for the purpose of launching and supporting projects for development, literacy and education, as well as informing and sensitizing public opinion about the living conditions of that country.
- **CESVI Cooperazione e Sviluppo ONLUS**, an independent humanitarian organization founded in Italy in 1985 which works on all the world's continents with projects that fight against poverty, carrying out initiatives for sustainable development aimed at mobilizing local resources and the beneficiary populations, and taking actions to reconstruct civilian society after wars or calamities.
- **Fondazione Monza e Brianza per il bambino e la sua mamma**, a foundation set up in 2005 for the purpose of promoting clinical, epidemiological and basic research, specifically on leukemia and children's blood disease.
- **Pro-Africa**, a foundation promoted and supported by Cardinal Ersilio Tonini which dedicates its efforts to the terrible problem of health care in developing countries for the purpose of bringing not merely assistance but development, and laying the foundations for real autonomy.

As regards that Ethical Fund Venezia Serenissima, 5,000 euro was devolved to Fondazione di Venezia which allocated the money to support the activities of the Fondazione Teatro la Fenice di Venezia [Fenice Theater Foundation of Venice] and the Fondazione per gli alti Studi sull'arte [Foundation for advanced art studies].

### Pension funds managed according to ethical criteria

Eurizon Capital SGR manages five institutional customer portfolios according to ethical, social and environmental criteria for a total amount of over 39 million euro invested in ethical securities as of the end of 2006. More specifically it included a bond mandate, an equity fund, the pension fund called Previambiente (workers in the environmental sector), Fondo Fon.te (commercial sector), Fondo Eurofer (Italian State Railway Group) and Fondo Famiglia (housewives). The members of the ethical pension fund amounted to 86,000 as of 31 December 2006.

## Attention to young people

Sanpaolo IMI pays specific attention to young people with banking products and services focused on their needs and supported by a series of non-banking benefits and facilities aimed in particular at their educational development.

The products and services offered to under-18 customers are aimed at meeting their savings needs, as well as enabling them to independently manage their “pocket money”. They are also aimed at parents who want to build up capital for their children’s future, for example for their university education. In particular, the savings books for under-18s have a preferential interest rate and no account operating costs (not even government duties). As for initiatives of a non-banking nature, it is worth noting the educational component and the social values awareness-raising function of gifts given to the young people when they open an account and on special occasions:

- books, atlases, English and Italian dictionaries;
- membership in WWF;
- for children aged between 11 and 17 years old, a copy of the Diary Notebook “Tremenda” produced by the Onlus Fondazione Exodus of Don Mazzi, which is committed to solving problems of hardship for young people.

For young people aged between 18 and 30 there is Esprit, a relationship program that was launched in June 2004 and that at the end of 2006 had 210,000 members with an average age of 24 years old. It consists of three areas of operations:

1. A specific banking offer, which consists of a credit card, first time buyer mortgages, personal loans and a checking accounts with preferential financial conditions such as an unlimited number of transactions and no annual fee.
2. Non-banking benefits in collaboration with several external partners that provide services in the areas of interest to young people (music, Internet, games, travel and cinema);
3. University Network, an information program developed in collaboration with the AlmaLaurea Interuniversity Consortium that provides selected information relating to post-graduate training and access to the world of work. An electronic newsletter has also been set up, which is sent to all the members of Esprit every two weeks.

As part of the initiatives aimed at young people, the initiative “Carta di Credito Formativo” (“Educational Training Credit Card”) continued in 2006, promoted by the Campania Region as a tool aimed at spreading IT knowledge and increasing the level of employment. The intention is to provide financing at preferential rates through this initiative for the purchase of hardware, software and distance training, using a support account with favorable rates.

## *Sanpaolo IMI pays specific attention to young people with banking products and services focused on their needs*

### Services to immigrants

Sanpaolo IMI’s immigrant customers amounted to about 270,000 at the end of 2006, up more than 130% in 18 months (the figure available in the middle of 2005 was 117,000 people). The constant increase in the number of immigrants in Italy led the bank a few years ago to start designing initiatives aimed at including immigrants in financing projects that would be suitable for their need for integration. Starting with the Multiethnic Points already existing in Italy, it was decided to increase their number (an operation whose first phase was completed at the beginning of 2007): Turin, Padua, Pescara and Poggiomarino (Naples) and Venice.

The Multiethnic Point is staffed by people who speak Arabic, Chinese, French and English and in some cases they are foreigners. With the help of dedicated brochures in ten languages, they offer personalized consultancy and banking products for the investment of their savings; the purchase of a home and other assets; the transfer of funds to their country of origin; and the starting up of businesses. The aim is to accompany foreign citizens along the path towards integration so that they can make use of banking services without any language, cultural and technical difficulties.

The location decision for the Multiethnic Point was taken on the basis of studies conducted to verify the actual need of the territories in question and identify



Ezio Dal Cin

the predominant ethnic groups present in each community for the purpose of being able to better serve that segment of customers throughout the entire network of Italian branches. To this end ad hoc training interventions are being planned for those who operate in the areas of most concentrated presence of immigrants and meetings have been held with some cultural mediators to help us interpret the actual needs of these people.

The service, known as GETMONEY TO FAMILY, currently available to 18 countries<sup>5</sup> (as opposed to 11 countries in 2005) pays attention to their needs on the basis of commercial agreements stipulated with major banks of the country of origin of the immigrants. The service gives them the opportunity to transfer money through simple procedures and provides guaranteed service standards as regards the methods for paying the beneficiary (accounts, cash, checks according to the local specificities) with competitive and predetermined commissions along the whole of the payment chain and rapid execution times. The service has become more and more appreciated by customers: in 2006 about 4,800 transactions were made corresponding to nearly 8 million euro, up more than 450% from the previous year (which was 1 million and 700,000 euro).

*In order to meet the needs of immigrants, initiatives have been developed aimed at their integration and responding to the most common banking needs*

## Support for the business system

The Bank performs an essential function in supporting the business system and promoting Italy's economy as a whole. In providing our customers with experience, skills and the best financial solutions - and taking into consideration the characteristics of the Italian business system - we have primarily focused our efforts in three directions, each of which represents a lever to increase the competitive capacity of the system: support for the processes of change and growth of enterprises; support for research and development; and, finally, support for internationalization.

### **Supporting the activities and growth of enterprises**

Through an attentive analysis of Italian enterprise needs, we have launched numerous initiatives to support the economic growth of Italy and develop new entrepreneurial scenarios.

### **New district bonds**

The CONFIDI (Loan Collective Guarantee Consortia ) are an important tool for connection with the territory: the collaboration between Confidi and the Bank is an essential way for defining the development process of a territorial economy.

In the course of 2006 Sanpaolo IMI stipulated commercial agreements with the major Confidi and with the principal Association of Artisan Confidi for the purpose of facilitating access to medium long-term credit to SMEs.

All of the agreements are based on the granting of financing, upon the issue of a guarantee by the Confidi, to support projects for the development of associated enterprises, new expense programs for investments or for extending the average life of financial debt by the Sanpaolo IMI Group. The credit risk connected with the guarantee is then transferred to the capital market by means of securitization that will allow the issue of new district bonds placed by Banca IMI with institutional investors.

To carry out this operation the Sanpaolo IMI Group attributes an internal rating to the Confidi and on this basis it accepts, in conformity to the rules established by Basel 2, the guarantee of the cooperative company to use its own assets to raise the creditworthiness of its member companies with a lower rating, consequently applying a more competitive pricing on the financing.

The Bank and the Confidi share an instrument for

5) The countries currently covered by the money transfer service, GETMONEY TO FAMILY, are: Albania, Bangladesh, Brazil, Bulgaria, Ecuador, Egypt, Philippines, India, Mali, Morocco, Moldavia, Peru, Romania, Serbia, Thailand, Tunisia, Ukraine and Vietnam.

evaluating creditworthiness of companies who request financing. The Confidi make their knowledge of the associated companies available to the Banca. This contribution of information, especially the qualitative information, is evaluated through the use of assessment methodologies that conform to the Bank's standards. This way the Bank and the Confidi undertake an innovative partnership that benefits SMEs.

## BANCA IMI IN THE ALTERNATIVE CAPITAL MARKET

Banca IMI, an intermediation bank of the Sanpaolo IMI Group, is one of the major Italian financial intermediaries, active in share and bond placement, extraordinary finance operations and the negotiation of securities.

One of the most significant projects developed by Banca IMI in the course of 2006 was the one involving the MAC (Alternative Capital Market).

The MAC is a System of Organized Exchanges reserved to professional investors and it will facilitate the accessibility of SMEs to venture capital. Its launch is planned within 2007 and will include a promotion company to which 15 banks and 7 institutions already belong. The goal is to create a new channel to reinforce the assets of SMEs by accelerating the growth of the Italian industrial fabric and promoting innovation.

The Alternative Capital Market is based on the simplicity of the admission requisites and a strong connection with the reference banks on the territory where the enterprises work. Access is obtained through a simple and inexpensive procedure that the enterprises can carry out promptly by contacting one of the authorized banks (Sponsors) located on their territory. The Sponsor will also support them after their admission to the MAC. The procedure requires at most six weeks after the contact taken with the Sponsor. In order to be admitted the enterprise must be set up as a stock company, guarantee the free transferability of securities and make available their most recent certified financial statements issued by an auditing firm registered in the register of the CONSOB (Italian Commission for Companies and the Stock Exchange). The MAC will also favor the search for new partners by offering an open showcase to professional investors (both Italian and foreign) and a transparent reference for determining the value of the enterprise. The market will make it possible to increase the enterprise's share capital without weighing on its governance and organizational structure and will also valorize the enterprise's medium and long-term investment projects since it is open only to professional investors.

## Support for research and development

Two years after launching a campaign for financing applied research in favor of SMEs, a campaign in which the Bank acted as more than a mere financier and actually shared the company's projects, many of the financed projects were completed and some started to produce interesting industrial and economic results.

The Sanpaolo IMI Group in the past two years has financed over 650 applied research projects for a total investment of nearly 700 million euro.

In 2006 with regard to the "Applied Research" credit limit, i.e. financing aimed at the direct and internal development of new products and processes, 130 projects were assessed and over 130 million euro were allocated. A different approach was taken with "Innovation buy", which finances the purchase on the market of technological or organizational innovations for the enterprises. It gave 63 projects a positive evaluation and nearly 80 million euro was allocated for them. Leverage for this important success was provided by the offer of an exclusive consultancy service – supplied by the specialized internal department of the Bank – aimed at discovering unexpressed needs for innovation, to structure the R&D activities carried out daily by enterprises (though often without organized planning) into project form and evaluate the risk and profitability of the projects to be undertaken.

## Sanpaolo IMI and Italian Manufacturers Association of Southern Italy: together for research

In a competitive scenario that is increasingly harsher, research and innovation constitute a strategic priority for the entire national productive sector, above all those the southern regions of Italy.

With the goal of joining efforts to promote research and innovation in Southern Italy, the Bank signed an agreement with the Italian Manufacturers Association for Southern Italy in 2006. This agreement identifies the Sanpaolo IMI Group as a partner for spreading the culture of innovation and as a tutor for the enterprises of Southern Italy. It provides assistance on the territory to the enterprises, encourages and awards cases of excellence and provides reciprocal promotional action. The goal is to identify objective needs for innovation and help enterprises translate daily innovation into a project based on interventions that are ongoing, though perhaps not conspicuous, typical of an industrial fabric characterized by young entrepreneurship that aspires to reposition itself in market niches and unfold its business capacity by competing on performance and not costs. The agreement contemplates the setting up of a stable network in southern Italy of connections between the offices of the Italian Manufacturers Association and the network of Bank branches that would be able to promptly refer the interested enterprises to an internal expert for a timely technological-industrial consultancy and assistance in formulating requests for financing. A simple contact

reservation form on which the enterprises can directly request a consultancy is available ([www.innovazionemezzogiorno.it](http://www.innovazionemezzogiorno.it)). Other new instruments and operative approaches have also been created that enable the R&D experts to assist the branch managers through the use of TC channels, telephone numbers dedicated to assistance and instruments for commercial orientation to better personalize the offer for corporate customers. The agreement with the Italian Manufacturers Association of Southern Italy also pointed out the aspect of promotion and awards for excellence. In fact a technical committee will be set up and every six months it will select, among the projects in progress, the ones with the most innovative content. The selected enterprises will be able to meet with the specialized press and benefit from a broadcast of their excellence. Every year the five best projects will be awarded at an event organized for that purpose.

## SUPPORT FOR NEW BUSINESSES

With a view to facilitating access to credit and focusing on specific categories of customers, the Group has entered into a series of agreements with regional bodies aimed at the development of new businesses, in particular involving young people and women. In the course of 2006 Sanpaolo IMI funded 245 projects for the start up of new business and cooperative enterprises in the regions of Lombardy, Piedmont and Molise, for a total amount of around 5.5 million euro.

## SANPAOLO IMI AND LEGACOOP, TOGETHER FOR DEVELOPMENT

In November 2006 the Sanpaolo IMI Group and LegaCoop, [National League of Cooperatives and Mutual Aid Associations] signed an agreement that will allow the member cooperatives to benefit from medium to long-term financing aimed at supporting investment plans to foster development. As part of the agreement Sanpaolo IMI prepared an innovative method for evaluating creditworthiness that grades the specificities of the cooperatives. According to this methodology the cooperative is given a rating that determines a ratio between the financing disbursed by Sanpaolo IMI and the investment being planned by the company.

This innovative evaluation methodology for determining creditworthiness makes it possible to maintain or improve the rating of cooperatives and consequently establish their credit access conditions, also when carrying out new investment plans.

The agreement also includes possibility, once the financing portfolio has reached an efficient size, to transfer the credit risks to the capital market by placing the Cooperative Bond.

## *Through a careful analysis of the companies' and the territory's needs, several initiatives have been started to support the country's economic growth*

### DERIVATIVES POLICY

As of December 2006 the Derivatives Policy was released and given out to all the employees of the Group. This policy regulates and dictates the principles that guide the offer of unregulated derivative products (OTC).

The Sanpaolo IMI Group has been operating for several years now in defining and divulging rules of transparency and correctness on which to base the Bank's conduct in its daily activities with customers and other company connections.

The Derivatives Policy therefore completes the general outline of the sector's governance system, pointing out the ontological principles of good governance that the Group adopts in its distribution of OTC derivative products, mainly with its corporate customers. It also summarizes the organizational principles that reconcile commercial management with the management of the counterparties' risks. Regulation of the offer of such products is assigned to a specific Derivatives Committee that oversees the commercial evolution of the division, defines the selling and operative strategies, authorizes the new products put on the market and promotes the initiatives for reorganizing the processes of the sector in order to provide all of the branches with a better organized management framework.

The Bank's offer of products must be consistent with the sustainability of the overall credit and financial risks in order to guarantee a selling process that is compatible with the pondered and conscious undertaking of risks. From this perspective the proposal must arise from the analytical examination of the banking and financial needs of the customer and must be carried out after providing the customer with the necessary information. Along with the specialized departments, the manager also monitors the evolution of the various positions to identify the risks associated with each and agrees upon possible corrective actions to take.

## FOSTERING DEVELOPMENT: STRATEGIC FINANCE FOR AGRIBUSINESS ENTERPRISES

The Italian food industry, with a turnover above 100 billion euro, is the second-largest manufacturing division after engineering; if added to agriculture and food distribution, it makes up the first largest economic supply-chain in Italy. Sanpaolo IMI analyzed the critical points of this sector, in particular the underdimensioning of enterprises and in 2006, in collaboration with eminent experts, it organized a series of workshops to be held by excellent entrepreneurs on the territory. This will be continued in 2007.

The common thread of the meetings was the role of strategic finance within enterprises not only as regards broad-ranging decisions for large investments and development but also for everyday decisions.

In addition to the indispensable support for the increase in size, other priorities were also identified, such as the internationalization process, integration projects for the industry, the valorization of quality-certified products, and the production of renewable energy.



Paolo Paracchini

## TOURISM: PROMOTING SYNERGIES AMONG THE VARIOUS BUSINESSES ON THE TERRITORY

The relaunch of a sector that already today makes up 11% of the GDP, and that can become a fundamental vehicle for developing the territory, is an instrument for triggering a virtuous circuit of vital resources and a reason for “becoming a system”. In the course of 2006 we signed different forms of collaboration with hotel management organizations on the territory and one agreement in particular was signed with the AICA – Associazione Italiana Catene Alberghiere [Italian Hotel Chain Association]. The purpose of these agreements is to support hotel managers and their growth process in order to endorse the best resources operating on the territory.

## IMI INVESTIMENTI

At the end of September 2006 the merger by incorporation of Sanpaolo IMI Private Equity into IMI Investimenti took place. It gave birth to a centre of equity investments in industrial and service companies for the entire Sanpaolo IMI Group controlled by a qualified team of specialists dedicated to determining, managing and monitoring each single investment. The mission of IMI Investimenti is to oversee venture capital investment activities in industrial and commercial shareholdings for the Group through the use of its own capital and through the management of third-party capital invested in closed-ended private equity funds aimed at SMEs.

### Fund for supporting venture risk capital in Southern Italy

This fund was launched at the end of 2003 with a capital of 100 million euro subscribed by Italian and foreign investors and managed by the subsidiary Sanpaolo IMI Investimenti per lo Sviluppo SGR. It has already invested nearly 45 million euro, broken down into eight operations in companies that are mainly small and medium-sized and located in the regions of Campania, Abruzzo and Apulia. In 2006 the new investments went to a company that provides a railway network diagnostics service; a company operating in the planning and production of structural components and materials for the aeronautics sector; and a company that manages diagnostics laboratories. Projects carried out through this fund favor newly established companies, or companies that are in the development phase. These are given not only the financial means through their own capital but also by providing operative and managerial skills that can validly contribute to the achievement of their development goals. This way a contribution was made to the growth of the local production system with opportunities to use specialized labor and encourage the initiatives expressed by entrepreneurs in the more traditional sectors as well as the innovative ones.

### Other multi-regional funds

During 2005 the subscriptions were finalized for two new multi-regional closed-ended funds, Centro Impresa and Nord Ovest Impresa, managed by the subsidiary Sanpaolo IMI Fondi Chiusi SGR. In the course of 2006 the first investments were made in six medium-sized enterprises for a total value of over 28 million euro. These operations were aimed at the development and consolidation of major local companies active in diversified divisions, such as the production of special fertilizers, seeds, infrastructure works, fine arts articles and temp agencies, and they demonstrate the enormous effort being made by the Group throughout the territory. In the course of 2006 the foundations were also laid for the launch – to take place in 2007 – of a new regional fund to cover the additional regions located in Northeastern Italy, to complete the territorial protection of the country.

### The processes of internationalization

Sanpaolo IMI fosters and sustains the internationalization of Italian companies and supports the investments and businesses of foreign multinationals in Italy through a financial offer dedicated to an extensive international network. The reason for this is that the capacity to attract foreign investments and open the national business system to the world constitute a fundamental process for the future of the Italian enterprise system.

The Group is directly present in 36 countries through the international network of the Parent Bank, consisting of 13 wholesale branches, the Irish subsidiary Sanpaolo IMI Bank Ireland, 19 representative offices and 2 operating desks; in addition to this are the 377 controlled foreign bank branches operating in Europe and the Mediterranean basin. The customers of the Sanpaolo IMI Group can also take advantage of agreements stipulated with the banks set up in China, Tunisia, the United Arab Emirates, Morocco, India, Thailand and in several countries of Latin America.

The support given to Italian customers who are oriented towards intensifying their commercial exchanges and investments in Eastern Europe, today already guaranteed by the presence of the Group in Hungary through Inter Europa Bank, in Romania through Sanpaolo IMI Bank Romania and in Slovenia through Banka Koper, was further strengthened in 2006 by the acquisition of local banks in strategic countries for Italian enterprises. In particular we acquired a 76.1% stake of Banca Italo Albanese in Albania and signed an agreement for the 80% acquisition of American Bank of Albania; in Serbia we acquired 87.4% of Panonska Banka which has a commercial network of 65 branches that focus especially on corporate customers.

It should also be pointed out that the Group is making considerable effort in supporting Italian enterprises that intend to enter the market of the North Africa. In November 2006 of the Sanpaolo IMI Group acquired 80% of the Bank of Alexandria, the third-largest bank in Egypt, with a network of 188 branches throughout the entire country, a market share of 10% among the Commercial Banks, and over 1,500,000 customers.

The year 2006 saw completion of the inquest into the procedures connected with the reorganization of the Italian companies operating in countries stricken by the tsunami of December 2004, using the line of credit called SACE Tsunami which offers financing for five years for the partial or total reconstruction of the damaged economic initiatives.

Moreover, for the purpose of supporting Italian exports of instrumental goods, but also to actively participate in Brazilian SMEs, Sanpaolo IMI along with SACE and PROMOS is working towards perfecting an innovative financial instrument: Joint Credit Facility (JCF). This

makes it possible to participate in the financing of Brazilian SMEs that import instrumental goods from Italy with the direct undertaking of the Brazilian commercial risk.

For the purpose of favoring the internationalization of companies in Southern Italy, on 21 December 2006 a partnership agreement was signed between the Istituto Nazionale per il Commercio con l'Estero (ICE) and the Sanpaolo Banco di Napoli to serve enterprises. The Services Charter is reserved exclusively to corporate customers of the Sanpaolo Banco di Napoli network and allows them to access certain services and products within the range of the two sponsors at favorable conditions.



Paolo Arcagni

*Sanpaolo IMI fosters and sustains the internationalization of Italian companies and supports the investments and businesses of foreign multinationals in Italy*



Banca OPI is known on the Italian financial scenario as a bank that is highly specialized and in close range of the needs expressed by the local communities. It is capable of joining its large size and specializations with deep-rootedness in the territory.

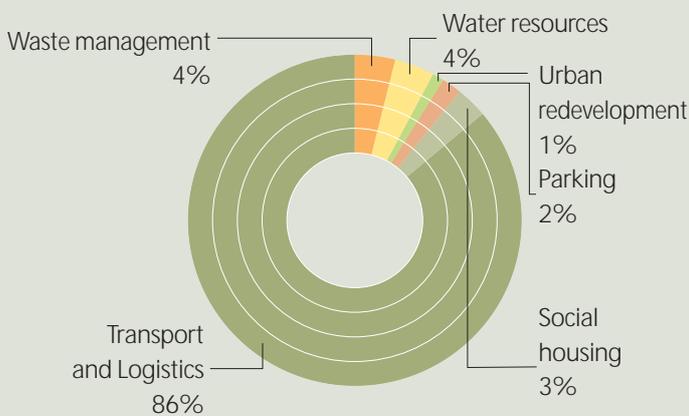
In the course of 2006 Banca OPI continued its remarkable effort in the sector of public entities as well as the bodies controlled by them, and the promoters of infrastructure investments, by providing a wide range of financial services including all types of medium and long-term credit (financing, subscribing securities, leasing agreements, guarantees, project financing), derivative products designed for the optimal management of risks, and consultancies. By maintaining a close bond and fruitful interaction with the territory and local economies, Banca OPI sets itself the goal of contributing to the economic growth of the Italy through the valorization of the territory and the financing of the civil and industrial infrastructure system. In 2006 too the quota of interventions aimed at social-environmental development on the territory stayed at significant levels (36% of the

total), for an overall amount of 2.4 billion euro of financing<sup>6</sup>.

The sectors that benefited the most from the financial support of Banca OPI were those of intermodal transport and urban improvement, social construction and urban transportation, thus confirming the commitment of the Bank toward the environment and the territory. Particular attention was also given to the energy sectors (renewable sources), education, health, water and environmental services. More specifically, as regards education, we would like to point out the project financing loan disbursed for building the Biotechnology School of Turin (13.1 million euro) and the new school complex in Northampton (10.4 million euro). In the water sector there was the financing to the Registro Italiano Dighe [Italian Dam Registry] for improving the safety of 12 major dams located in various Italian regions (three in Tuscany, two in Piedmont, Liguria and Sicily, one in Lazio, Marche and Basilicata) for a total investment of 25.6 million euro. In the sector of reclamation consortia, projects were financed in various areas of Italy amounting to a total investment of

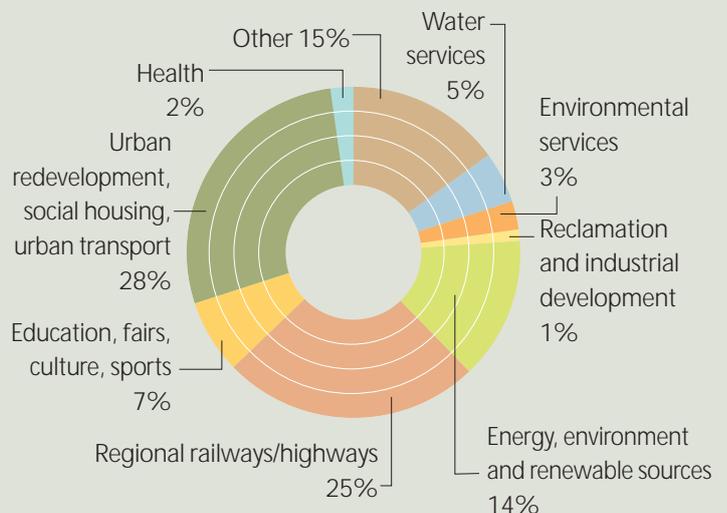
**SECTORS INVOLVED IN ADVISORY ACTIVITIES**

(Total loans: 11 billion euro)



**SOCIO-ENVIRONMENTAL FINANCING**

(Total loans: 2.4 billion euro)



6) As regards financing for the investments of 2006 of the Regions, Provinces and Cities, the allocations of which are not clearly defined, we estimated a lump-sum percentage of investments having a social-environmental valence at 50% of the total. The estimation is based on the analysis of the historical data relative to the breakdown of investments of the Italian Regional and Local Authorities in the past few years (2003-2004 – source: MEF, General Report for 2005 on the economic situation of Italy). This report shows that the investments in the social-environmental sector always exceeded the aforementioned percentage.

over 30 million euro.

In the sector of social housing the largest amount of financing was granted for the building of new residential buildings in the areas of Milan and Brescia (for a total of 54.7 million euro), and low-cost housing in the city of Goteborg (38.7 million euro). Financing was granted in the field of health for projects to renovate and reinforce recreational-thermal facilities (3 million euro) and for building a rest home for seniors in Rovigo (2 million euro). In the field of energy (renewable sources ) we would like to point out the financing granted for building a hydroelectric power station in the mountain community of Valle Maira (Cuneo) for a total investment of 5 million euro, whereas in the sector of environmental services a significant amount of financing went to building water treatment plants in the Province of Lecco (a total of 7.9 million euro), and projects for expanding the water treatment plant and building a new main sewer in the city of Cologno al Serio – Bergamo (2.6 million euro).

Banca OPI has constantly paid attention to Southern Italy, as shown by its participation in

the Fondazione Mezzogiorno Tirrenico [Tyrrhenian Southern Italy Foundation], made up of the Employers' Organizations of five Campania provinces, as well as the Banca OPI itself and MPS, to promote economic and social development in the Tyrrhenian area of Southern Italy through the disbursement of contributions for the planning of infrastructure, territorial redevelopment works, industrial and tourism complexes. Among the activities of 2006 were the conclusion of the feasibility study for the " Polo logistico integrato di Mercato San Severino " [San Severino Integrated Market Logistics Hub] in the Province of Salerno and the launch of the feasibility study of the project " Technological District – Technodistrict " in the City of Caserta.

Among the sectors in which the Bank has carried out its own consultancy activities, about 86% of total investments were made in the sectors of transportation and logistics (9.5 billion euro). Among the other sectors were water resources (4%), waste management (4%), urban redevelopment and parking (3%) and, finally, social housing (3%).



People

## TARGETS AND RESULTS ACHIEVED

### Improvement targets set in the 2005 Social Report

### Actions and results achieved in 2006

Invest in the skills and professional qualities of the people to favor the full achievement of individual potential and attract, maintain and valorize the most qualified people, also by aiming at growth processes that take into consideration the diverse needs and characteristics of individuals

- Introduction of a new skills management model which makes people responsible and directly involves them through the self-evaluation of the level of competency they have manifested.
- Broadening of the career management system.
- Completed planning of valuation and classification system which provides the logic for interpreting the corporate professional system and helps define guidelines and corporate policies, especially those relative to pay levels, for the different segments of people and activities.
- More extensive and detailed use of the Human Capital Valuation system which is aimed at understanding the contribution of human capital to generating corporate value.
- A specific system for controlling and managing the operative risks associated with human resources was developed as part of the model for analyzing and diagnosing events of loss (Basel 2).
- Redesign of the Communities framework to make it more consistent with corporate and individual needs.
- Innovation of models to support the decisions taken by human resource managers and help them in their development process to respond to changes in setting and foster actions oriented toward establishing a climate of wellbeing among people.

Reinforce the corporate identity of the Group, with particular attention to ethical sensibility, and at the same time acknowledge the various corporate cultures that were integrated in the recent rationalization processes of the Group

- The program Indaco (INcludere le Diversità per Aumentare la COmpetitività), was launched with the aim to valorize plurality and the differences within a shared value system.
- Two new factors - compliance and business ethics - were introduced as part of the 2006 valuation of work behaviors at the Commercial Banks (involving 100% of personnel) as a concrete application of the principles confirmed by the corporate documents (ethical code, corporate policies, etc.). These behaviors are valued for all the company's positions and they involve two levels, "conforming/non-conforming", with impacts on the overall valuation score and consequently also the potential rewards accrued as part of the incentives system.

Integrate short-term and medium-term perspectives into the incentive system through the development of new remuneration instruments in support of the three-year plan focused on reaching quantitative and qualitative targets

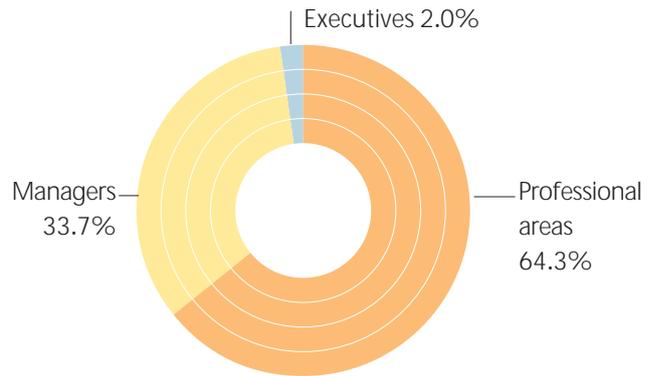
- Diversified payment instruments were defined to support the plan, aimed at the various categories of employees from the perspective of short/medium/long term, even through the participation of employees in the capital (extended employee stock option plan).

## Breakdown of staff

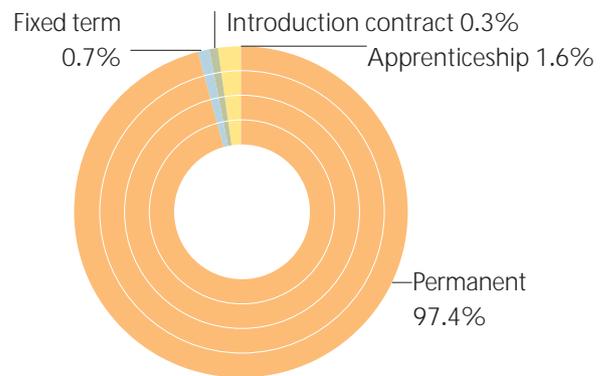
As of December 31, 2006 the Sanpaolo IMI Group was made up of 42,727 employees, together with 178 people on non-standard employment contracts. The staff of the Sanpaolo IMI Group is characterized by a high female component (nearly 49%), a high level of education (over 30% are college graduates), an average age lower than the average for the banking sector.

In the course of 2006 the following banks entered the Group's consolidation area: Banca Italo Albanese, Panonska Banka (Serbia), Bank of Alexandria (Egypt) and Cassa dei Risparmi di Forlì e della Romagna for a total of 7,166 resources. Taking into account the employees of these banks, the Group's total number of resources becomes 50,071, including 209 people on non-standard employment contracts.

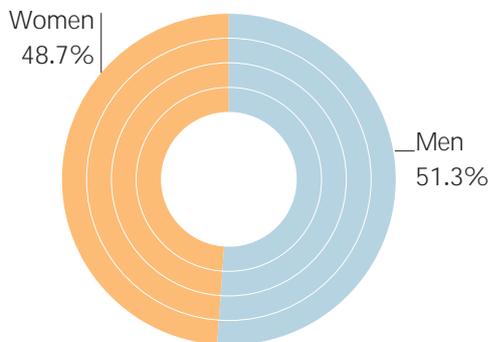
BREAKDOWN BY CATEGORY



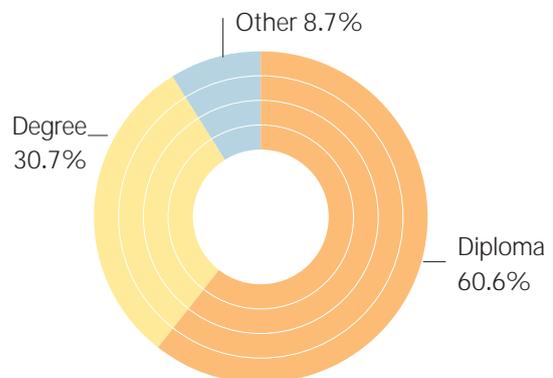
BREAKDOWN BY TYPE OF CONTRACT



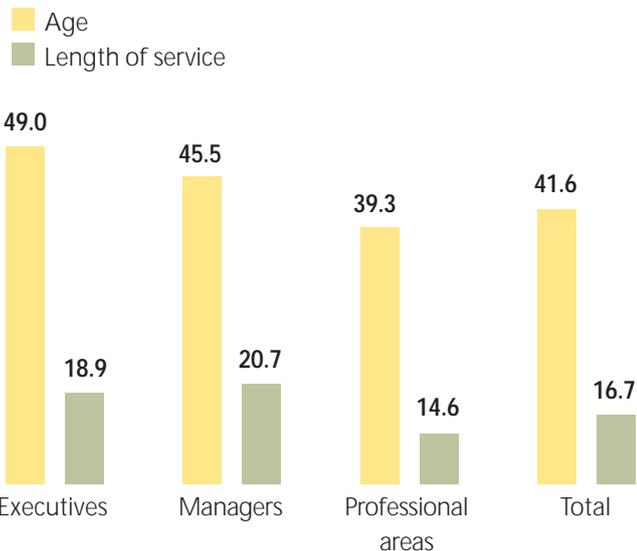
BREAKDOWN BY GENDER



BREAKDOWN BY EDUCATION



AVERAGE AGE AND LENGHT OF SERVICE



Average system data\*

- Women: 39.3% Men: 60.7%
- Executives: 2.2% Managers: 35% Professional areas: 62.7%
- Permanent: 97.6% Fixed term: 1.5% Introduction contract: 0.8% Apprenticeship: 0.1%
- Medium age: 42.3 years old (Executives: 49.7 Managers: 45.8 Professional areas: 40.1)
- Degree: 25.9% Diploma: 65.1% Other: 9.1%

\*Source: Report ABI 2006 on the labor market in the industry financial institution.

## Staff trends

During 2006 the Group's staff, net of acquisition made in 2006, registered grew by 579 resources (+1.4%) with respect to the end of 2005, reconstructed pro forma<sup>1</sup>.

The increase refers essentially to employees on the payroll, of which about 60% in the sector of banking activities, in particular with regard to the reinforcement of our presence in Eastern Europe and investments in the consumer banking sector.

Quite conspicuous was the growth in the Savings and Assurance division (+241 people, +9.2%), associated with the consolidation of the governance structure and entries to support the development of the business.

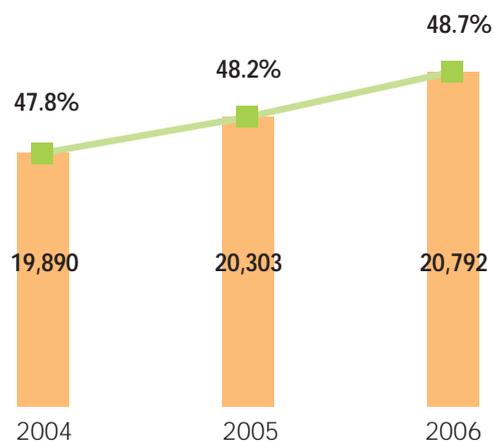
The staff trend in 2006<sup>2</sup> is in line with that of the previous financial years and featured the following:

- an increase in the female component (+2.4%), now at 48.7%, connected to the high level of winning amongst the newly hired;
- an increase in the number of women executives

(+6.9%) with growth rates higher than those of men (+1.9%) which highlights the equal opportunities policy pursued by the Group in career matters and professional development;

- an increase (+7.9%) in the number of graduates, 30.7% of the total as a result of the predominant introduction of staff holding a university degree;
- the percentage of apprenticeship and introduction contracts with respect to 2005 is more than double. On the contrary, the fixed term contracts dropped by more than 75% from last year as a result of their becoming permanent contracts. The percentage of the latter on the total staff in 2006 is the highest of the past three years;
- a substantial stability on the average age (41.6 years old) and average length of service (16.7 years) thanks to the introduction of young people; the average age of women is 5 years lower than men.
- an increase in part-time staff (+2.4%), now at 8.6% of the total.

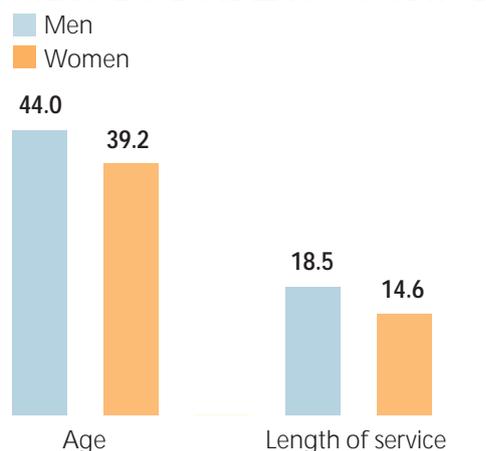
### FEMALE PRESENCE IN COMPANY



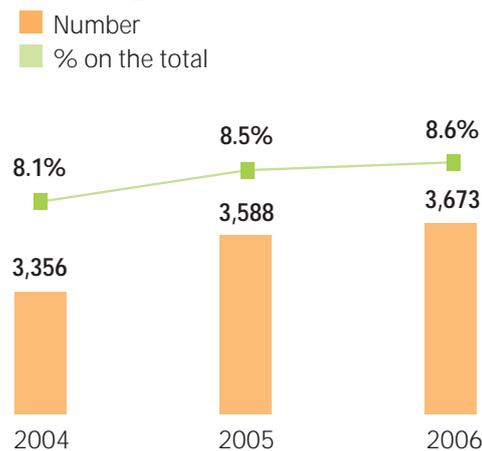
### FEMALE EXECUTIVE STAFF



### AVERAGE AGE AND LENGTH OF SERVICE



### PART-TIME STAFF



1) Figures as of 31/12/2005 have been reclassified with respect to the 2005 Annual Report to take into account the spin-off of branches following the area reorganization of the North East banking networks and the creation of Sanpaolo Banca dell'Adriatico in the quarter May-July 2006 and the exit of GEST Line from the scope of consolidation of the Group.  
2) Figures have been reclassified for homogeneity of comparison with 31/12/2005, excluding Banca Italo Albanese, Panonska Banka, Bank of Alexandria and Cassa dei Risparmi di Forlì, that entered the scope of line-by-line consolidation during 2006.

## Personnel turnover

During 2006 hiring at Group level amounted to around 1,720 people, including more than 700 in the Commercial Banks. There were 1,183 terminations, including around 700 in the Commercial Banks.

The recruitments showed a clear predominance of women and university graduates (over 50% of the total hirings) and an intensive use of the type of contracts contemplated by the so-called Biagi Law.

### 2006 HIRINGS AND TERMINATION\*

Breakdown by category	Hirings			Terminations		
	Men	Women	Total	Men	Women	Total
<b>TOTAL</b>	<b>308</b>	<b>426</b>	<b>734</b>	<b>472</b>	<b>234</b>	<b>706</b>
%	42.0%	58.0%	100.0%	66.9%	33.1%	100.0%
Executives	5	2	7	42	2	44
Managerial staff	45	14	59	220	52	272
Professional areas	258	410	668	210	180	390
Breakdown by type of contract						
Permanent contract	107	75	182	439	196	635
Fixed term contract	53	70	123	19	22	41
Professional training/Introduction	23	21	44	3	0	3
Apprenticeships	125	260	385	11	16	27

\*Figures relate to Commercial Banks

## Career development and remuneration policy

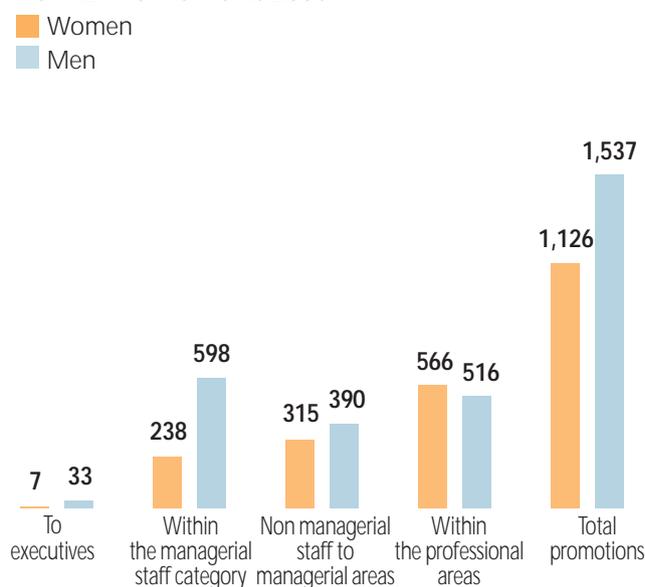
For the year 2006 the career development policy was continued, based on the recognition of individual merit, with the aim to enhance skills and assign new and more complex responsibilities to employees. The pay policy is one of the major instruments for the recognition of merit and allows several different means to be used within the Group: promotions, bonuses and the assignment of fixed and individual pay raises.

In 2006 the changes in fixed remuneration (promotions and fixed remuneration raises for individuals) of the Group involved over 4,050 people, equivalent to 9.5% of the workforce.

There were over 2,650 promotions corresponding to 6.2% of the total staff (7.0% of total men and 5.4% of total women). The breakdown of promotions (42.3% women and 57.7% men) though influenced by the different gender composition of the workforce, confirms the trend of previous years according to a policy of equal pay and opportunities for men and women. Particularly in the area of executives, 7.2% of the women executives were

appointed in the year 2006 (as opposed to 4.4% men), while 6.9% women (against 4.0% men) were promoted to managerial positions.

### TOTAL PROMOTIONS 2006\*



\*Figures relate to the Commercial Banks

The average gross annual pay at Group level amounted to approximately 30,000 euro for the professional areas, about 49,000 euro for managerial staff and about 120,000 euro for executives. These values are substantially in line with the average figures of the Commercial Banks regarding managerial staff, while the average level of pay in the professional areas and for executives of the Group is different, the former because it is influenced by the lower percentage of pay in Eastern European countries, due to the lower cost-of-living, and the latter because it is correlated to the pay raises in the sectors of Investment Banking and Savings and Assurance.

In the Commercial Banks the annual gross pay remained

substantially steady with respect to 2005 and in any event in line with the average of Italian banks, as seen by the pay survey conducted by the ABI in the credit sector for the year 2006. The only exception refers to executives whose pay raise in 2006 as a result of the policy of gradual realignment to market levels. The different composition of leaving employees with respect to the number of entries and the lack of contractual raise resulting from the National Collective Labor Agreement which expired in 2005 contributed to keeping the gross annual pay levels stable for the managerial staff and the professional areas (the minimum pay levels applied were always those contemplated by the sectorial CCNL for the different categories of employees).

### FIXED GROSS REMUNERATION

(averages by category)\*

	Men			Women			Average			Group average
	Euro	Excluding part-time	change 06/05	Euro	Excluding part-time	change 06/05	Euro	Excluding part-time	change 06/05	
Executives	115,038	115,038	3.2%	103,190	103,190	1.7%	113,889	113,889	3.0%	119,983
Managerial staff	50,839	50,898	-0.2%	44,929	45,893	-0.2%	48,992	49,422	-0.3%	48,932
Professional areas	32,950	33,072	0.0%	29,903	30,918	-0.6%	31,198	31,959	-0.3%	29,979

\*Figures relate to the Commercial Banks

In terms of variable remuneration, it is worth noting that the Group applies the policy of continuous investment in rewards, bonuses and incentives to its employees, bringing the percentage of variable remuneration over fixed remuneration to 10.5% for the professional areas, 19% for the managerial staff and 56% for executives.

More specifically, at the level of Commercial Banks the positive 2005 company results and the extended employee stock option plan compensated for the stagnation of pay levels; in fact there was an increase in variable remuneration in the year 2006 amounting to 16% for the professional areas, 24% for the managerial staff and 45% for executives.

### PERCENTAGES OF VARIABLE REMUNERATION

(averages by category)\*

	% AGR			Group average	% TAR			Group average
	Men	Women	Average		Men	Women	Average	
Executives	51.2%	53.6%	51.4%	55.9%	33.9%	34.9%	34.0%	35.8%
Managerial staff	18.1%	17.1%	17.8%	18.9%	15.3%	14.6%	15.1%	15.9%
Professional areas	10.6%	11.0%	10.8%	10.5%	9.6%	9.9%	9.7%	9.5%

\*Figures refer to Commercial Banks, excluding part-time workers.

AGR: Annual gross remuneration (fixed remuneration component) TAR: Total Annual Remuneration (sum of fixed and variable remuneration components)

The extended employee stock option plan launched in June/July 2006 for all of the employees of the Commercial Banks on a permanent work contract was promoted in the renewal of the supplementary contracts of the Commercial Banks as an incentive to support the Industrial Plan in order to match the operative performances of employees with the creation of value for shareholders and to advance the spirit of belonging to the Group. The Plan offered the possibility to request the free allotment of ordinary shares in Sanpaolo IMI for a countervalue determined individually on the basis of the position filled by the employee as of 31 December 2005. Allotted shares were bound by a clause of non-disposability for three years after the

date of allotment (until 27 July 2009 inclusive). Upon voluntary participation in the Plan, the attribution of a countervalue in shares differentiated per contractual category was defined at double the quota used to revise the corporate productivity reward 2005 for individuals. The operation was completed at the end of July and it rewarded 24,246 employees of the Commercial Banks who had joined the Plan (70% of those having the right to join) with approximately 2.3 million shares. The operation will be repeated again in 2007 according to the same procedures of voluntary participation and will be aimed at all of the employees on permanent contracts, introductions and apprenticeships.

## Equal opportunities, work-life balance and flexibility

The Group pursues an equal opportunities policy for professional and personal growth, a balance between home and work activities which is showed in its commitment towards worker women, in the accordance of part-time hours and in the inclusion of disabled workers.

In the past two years the percentage of women on the total staff of the Group (today at 48.7%) has grown by almost one percentage point with respect to 2004 and is far superior to the average figure of major banks (39.4% total in 2005 according to the ABI 2006 Report on the labor market of the finance industry). This larger percentage is the result of a hiring trend that in the past few years witnessed a prevalence of female employees.

At the Commercial Banks the average age and

length of service of women were much lower than those of men (average age 39.7 years against 45; average seniority: 16 years against 20.2) and women represented two thirds of the entire staff of people under 32.

As regards education, women make up more than half the total of university graduates; as of the end of 2006 about one woman in three had a university degree, which becomes about one out of two if we consider women under the age of 32 working at Commercial Banks.

Women holding executive positions amount to 31% of the entire category (2.3 percentage points more than in 2004), resulting in an increase of 18% with respect to 2004 (+24% of the executive staff), double the increase of the total executive staff.

In the Commercial Banks women in executive positions increased by 10% with respect to 2004 against a substantial stability in the number of men; today one out of five managers is a woman. If we consider managers under 40, the ratio becomes one to three.

Women who work part-time hours make up 95% of the total part-time employees and 17% of the female workforce and registered a 10% increase with respect to 2004 (+2.6% in the past year). In particular at the Commercial Banks the increase in women working part-time involved the professional areas (+9% from 2004), but especially the managerial staff (+30% from 2004). In general part-time contracts increased by 9.4% during the two-year period of 2004-2006 and now make up 8.6% of the total (+0.5 p.p. from 2004).

Moreover, another 3,886 people (of which 2,492 women and 1,394 men) belonging to the professional areas make use of flexible work hours.

### BREAKDOWN OF BRANCH STAFF\*



\*Figures relate to the Commercial Banks

### PART-TIME

	Men		Women		Total	
	Number	Part time against total men	Number	Part time against total women	Number	Part time on total
Total	187	1.0%	3,486	16.8%	3,673	8.6%

### System data\*

• Men: 1.0% Women: 19.7% Total: 8.3%

\*Source: ABI Report 2006 on the labor market in the finance industry.

## PART-TIME AND FLEXIBLE HOURS\*

	Men	Women	Total	
	Number	Number	Number	% of category total
Executives	0	0	0	0.0%
Managerial staff	26	311	337	2.8%
Professional areas:	1,541	5,401	6,942	29.8%
- part-time	147	2,909	3,056	13.1%
- flexible schedule other than part-time	1,394	2,492	3,886	16.7%
<b>TOTAL</b>	<b>1,567</b>	<b>5,712</b>	<b>7,279</b>	<b>20.2%**</b>

\*Figures relate to the Commercial Banks

\*\*% of total employees

The year 2006 saw the launch of a program called Indaco (Include Diversities to Increase Competitiveness) aimed at valorizing plurality and differences; various initiatives were developed as part of the program:

- the launch of a training program designed for women with a high potential for growth aimed at the development of managerial models for women;
- the design of a web portal dedicated to reducing the distances between the Company and employees taking long-term leave (particularly during maternity leave), by providing information and services;
- the realization of a project called "Factory of Experiences" aimed at valorizing the knowledge/experience of people with many years of service and making this information available to the younger members of the workforce.

This last-mentioned initiative saw the involvement of 144 people - half seniors and half juniors - who pooled their memories, skills and experiences for the purpose of boosting the Bank's strategic activities and sharing values. The goal was to valorize differences, reduce generational and proficiency gaps and strengthen motivation in the tutor/learner relationship.

## Innovation in systems for managing and developing personnel

Professional development within the company is closely related to the analysis and improvement of the human resource management models and scrutinizes the valuation of individual competencies.

In the course of 2006 numerous activities were designed and implemented for the valuation and development of the managerial staff.

More specifically the new skill management model was

applied to the entire managerial staff and professional areas of the central office and the Commercial Banks.

The new system increases people's sense of responsibility and directly involves them in the process of continuously improving the skills needed to carry out the various corporate activities. It is broken down into two phases: the first consists of identifying, by means of a self-evaluation process, the level of skills manifested, to which 95% of the people involved responded; the second phase involves validation by immediate supervisors (100% responded) followed by a meeting to share and explain possible differences in the valuations given.

The career management system was also expanded so that now, alongside the processes which have been applied to the branch network for many years now, it also includes a broader system of professional development mapping to show the connection between various jobs. The goal is to guide and govern professional growth in line with the Company's needs and determine professional processes that are transversal for the purpose of creating professional figures and jobs with a high strategic and innovative content.

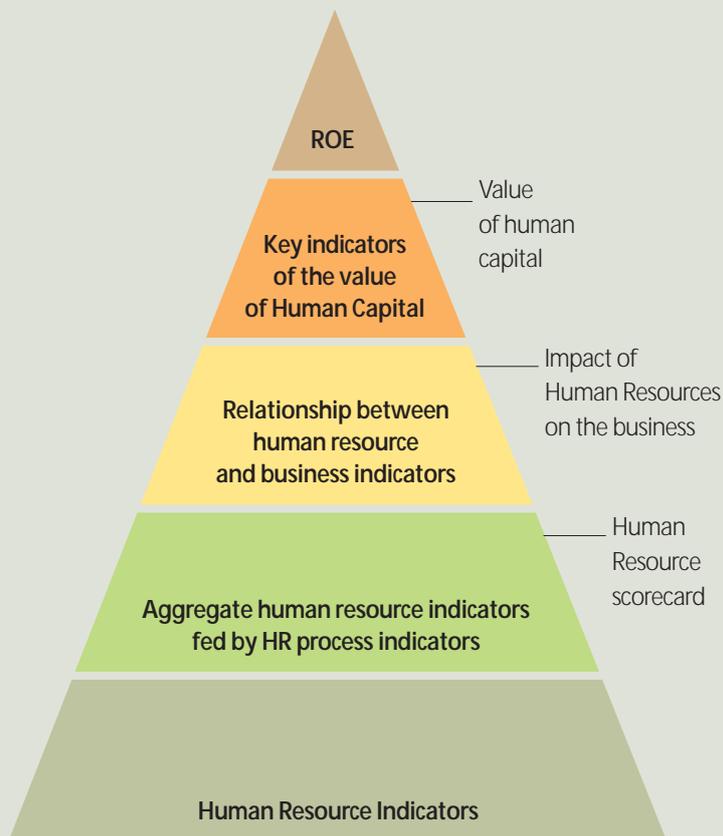
The models for supporting management decisions have also been overhauled. Now specific criteria are provided to guide the various actions taken with regards to people, in particular: how to identify certain individuals with a high potential for development or the beneficiaries of possible promotions or pay adjustments; how to develop job skills and managerial capabilities; finally, suggestions about which style of coaching to use depending on the various types of personality.

A development process was designed for human resource supervisors to strengthen their orientation towards developing individual potential through an attentive valuation of the role of each individual in terms of resources to invest and actions to take in response to changes of setting. In this way, actions can be developed to establish a climate of well-being among people that motivates them to reach corporate goals.

## HUMAN CAPITAL VALUATION SYSTEM

The system for the valuation of human capital developed by Sanpaolo IMI is one of the models for the measuring and valuing intangible assets and it meets the objective of understanding the role of human capital within the dynamics of creating corporate value.

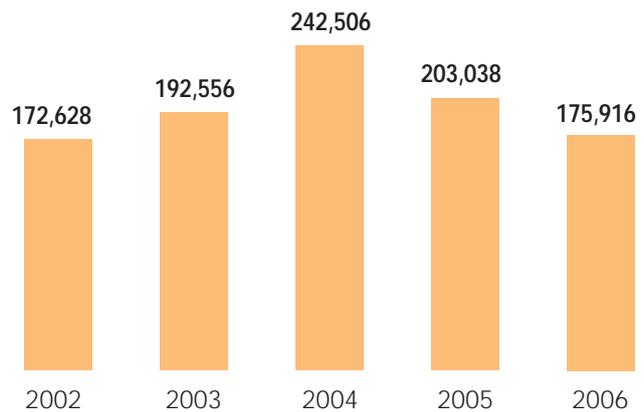
Through the Human Capital Valuation System numerous analyses were carried out in 2006 based on the indicators relative to the human resources management processes (selections and hirings, management and administration, training, performance management, professional development) and on how those indicators relate to the business indicators (assets & liability, products/services, customers) of the network facilities. The purpose of this is to define, in collaboration with the pertinent department, the most appropriate actions to carry out. An operative control instrument (HR scoreboard) was also made available to the various decentralized HR supervisors to monitor the efficiency and efficacy of the actions aimed at HR management.



## Investment in training

Training is one of the Group's strengths. Its purpose is to support the individual growth and improve the professional skills of its people, helping each individual to become better oriented during times of change. It provides them with the skills they need to effectively contribute to the achievement of corporate goals.

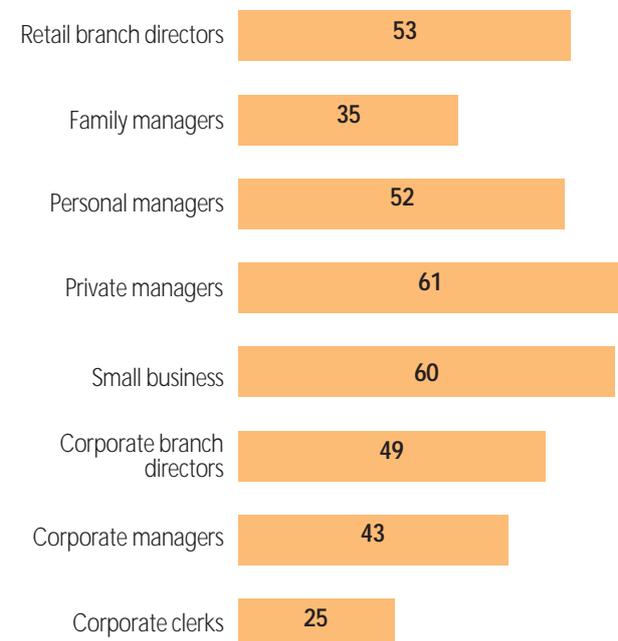
### TOTAL TRAINING DAYS IN WORKING HOURS\*



\*Figures relate to the Commercial Banks

Employees who benefited from training in 2006 make up over 96% of the staff, thereby reaching a per capita average of approximately 37 hours.

### AVERAGE HOURS PER CAPITA FOR CERTAIN CATEGORIES OF STAFF\*



\*Figures relate to the Commercial Banks

**MAIN INITIATIVE BY NUMBER OF DAYS\***



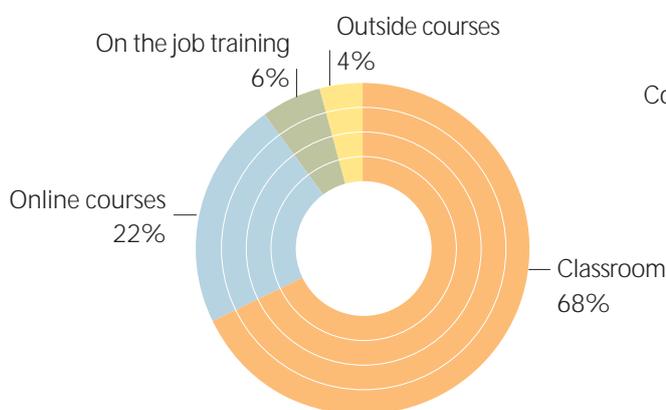
\*Figures relate to the Commercial Banks

Statistics show that the year 2006 was characterized by fewer of the large-scale projects that were prevalent in previous years (the trend reached its peak in 2004), specifically with reference to training for job conversion and supplementing the IT systems of the Commercial Banks.

Depending on the targets to be reached, different channels were used:

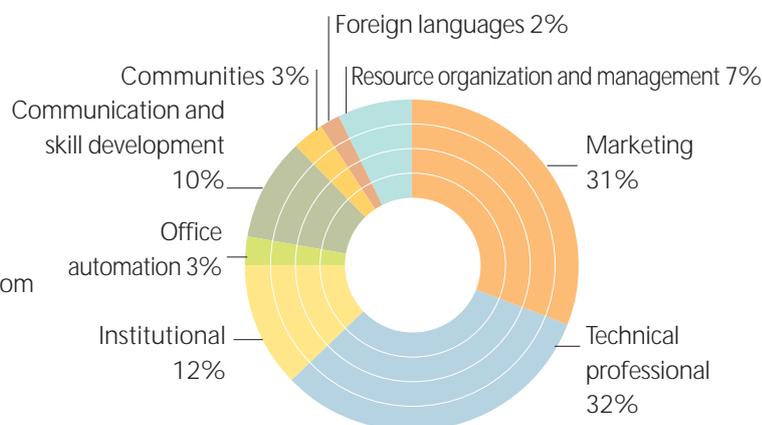
- the traditional classroom, managed mainly by internal instructors, (about 1,000) for technical/professional issues and external instructors mainly for behavioral/business issues;
- e-learning through a distance training platform called Campus Sanpaolo as an instrument to supplement classroom initiatives and activities having an especially quantitative impact, such as those regarding institutional and procedural issues;
- on-the-job training as an effective instrument for transmitting knowledge, used mainly in cases of changes or introductions into different work activities.

**BREAKDOWN BY CHANNEL\***



\*Figures relate to the Commercial Banks

**BREAKDOWN BY SUBJECT\***



\*Figures relate to the Commercial Banks

As regards content, in 2006 much attention was given to the development of professional skills with a specific focus on the relational and behavioral spheres; this gave rise to an increase in the percentage of classroom activity among the other training channels.

Among the principal training activities that characterized 2006 were projects aimed at supporting various professional figures in the development of their role, with a focus on improving the skills needed for business management and giving financial advice to customers, and communication skills for improving customer relations. The new apprenticeship contract which characterized hi-

lings at the end of 2005 involved the planning of specific training processes with a duration of 120 hours per year for each apprentice position.

In the course of 2006 training activities associated with institutional initiatives were carried out; the ones having the most quantitative impact involved the Administrative Responsibility of Companies, the Ethical Code as well as Privacy and Security.

On the basis of anonymous questionnaires collected in the classroom at the end of the course (approximately 50,000) the quality index of student satisfaction was 4 on a scale from 1 to 5.

## The Corporate communities

The need to identify segments of the workforce who are important to the company, alongside and across the company professions, has led to the definition of communities of people to whom different management systems and instruments are addressed. Management by communities, indeed, enables the implementation of initiatives aimed at professional development and becomes a factor for integration and aggregation at Group level. During 2006 the communities layout was updated to make it more consistent with the demographic trend of the Company's workforce and make it possible to take the opportunities arising from the new types of contracts with which the hirings were made.

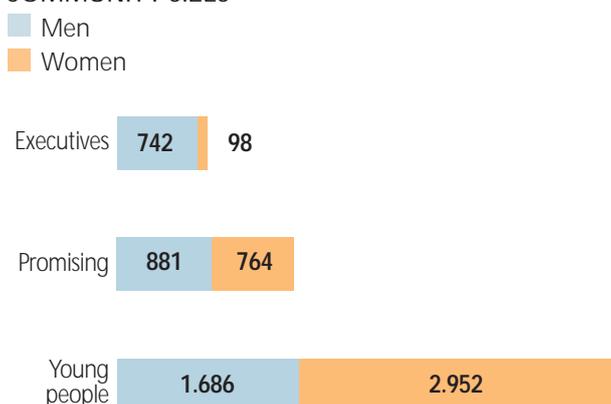
There are presently three corporate communities:

- the Young Community (consisting of employees during their first four years with the company), with the purpose of managing and monitoring the process of introducing and developing these young people, creating a sense of belonging, developing a sense of motivation and drawing out the potential they have while orienting their subsequent growth programs;

- the Promising Community (consisting of employees with medium/high skills, potential for development and motivation for growth), with the goal of accelerating their growth and assigning them more complex roles with greater managerial content;
- the Executive Community, with the goal of orienting behaviors towards strategic and organizational logic, building a common ground through a single model of managerial competencies. To develop the management skills of executives new instruments have been provided (an intranet portal dedicated to the executive community) which aims to accompany and promote the development of managerial skills; individual plans have been drawn up for the self-development of competencies by means of an autonomous choice of learning styles by each individual executive.

## Management by communities is a factor for integration and aggregation at Group level

### COMMUNITY SIZES



### AMOUNTS AND INITIATIVES OF THE COMMUNITIES

	Amounts			Initiatives	
	Belonging to the community	Men	Women	People involved	Days/ Classroom
Young people*	4,638	1,686	2,952	2,232	2,265
Promising*	1,645	881	764	391	1,305
Executives	840	742	98	259	1,044
<b>Totale</b>	<b>7,123</b>	<b>3,309</b>	<b>3,814</b>		

\* Figures relate to Commercial Banks



Emanuela Fava

A fourth community is forming alongside the other three, referred to as the Community of Experiences, dedicated to valorizing the experience of men and women who have provided a significantly long period of service.

During the year the HR managers were provided with an IT system (which will also be disseminated to the immediate supervisors), for managing the people introduced into the Community to help coordinate the initiatives for developing individual potentialities.

## Industrial Relations

The rights guaranteed to workers by the legal systems of Western countries are fully and unconditionally enforced in all the companies of the Sanpaolo IMI Group.

### Relations with Trade Union Organizations

The most significant event occurring in 2006 was the signing in May by Sanpaolo IMI of the agreement for renewing the Corporate Supplementary Contract, followed by extension of the major conditions (both regulatory and regarding corporate welfare) to the Commercial Banks to standardize the regulations regarding labor relations launched in 2005. Among the most substantial innovations we would like to point out the commitments undertaken by the parties to favor dissemination of the information, principles and values related to corporate social responsibility and, beyond legislative and contractual stipulations, to determine procedures concretely aimed at reconciling respect for the interests of the various parties involved with the shared goal of pursuing sustainable economic growth. One of the ways of achieving this goal is by creating a special technical commission made up of both company people and trade union organizations. The parties, in reaffirming the centrality of human resources as a strategic element for development, intended to expressly claim within the signed agreement that development must not preclude the respect of fundamental ethical values such as the principles of occupational deontology, the respect of professionalism and the dignity of people.

With the aim of providing better guarantees and protection for all the categories, we have laid out regulatory provisions that are more advantageous than those contemplated in the provisions of the sectorial standards for new entries with a professionalizing apprenticeship contract.

On the occasion of renewing the supplementary contracts, the parties also stipulated to implement a widespread shareholding plan for the years 2006 and 2007 to benefit the employees of the Commercial Banks.

Lastly, in the past few months of the year our efforts were focused on creating the conditions for starting an exchange with trade union organizations in view of the merger process with Banca Intesa. Specifically, in December the parties signed agreements at Group level, which were then replicated at all of the branches, regarding access to the services of the Solidarity Fund in the credit sector in order to prevent, at least at the beginning, potential

occupational tensions. Meanwhile trade union agreements were also signed to determine applicable regulations, to employees involved in the operation, waiting for the harmonizing interventions that will be carried out in 2007.

The rate of union membership is about 79% in the Commercial Banks, which is in line with the national average of the sector.

	Days	
	2005	2006
Strike	6	3
Absence for strikes	5,109	1,159
Union leave	49,419	54,017

Figures relate to Commercial Banks

Other reasons for absence from work are:

	Days	
	2005	2006
Maternity leave	376,421	276,442
Family reasons	32,102	31,247
Marriage leave	9,542	9,829
Blood donation	3,963	3,998
Sickness	345,269	293,896
Medical examinations	11,674	13,348

Figures relate to Commercial Banks

### Protected categories

In the Commercial Banks 2,557 people (equivalent to 7.1% of the total) belonged to the categories protected according to Law No. 68/99 (invalids, disabled, etc.).



Chiara Toselli

## Cases and controversies in progress

The number of labor cases involving employees on the payroll is very small, making up 0.56% of the total number of employees of the Group's banks, which is in line with the number of 2005 (0.53 %).

TYPE OF LITIGATION	Number of cases	
	2005	2006
Termination of employment	9	7
Defining and executing the work relationship	43	43
Job duties and qualifications	83	78
Pensions and assistance	13	16
Severance pay	31	46
Anti-trade union conduct pursuant to art. 28	0	1
Active (filed by the Group's bank against employees)	6	4
Other	5	5
<b>Total</b>	<b>190</b>	<b>200</b>

## DISCIPLINARY MEASURES

Type of measure	2005	2006				Total
	Total	Embezzlement/ misappropriation of administrative funds	Credit issue and management irregularities	Irregularities in investment management	Operational irregularities and other oversights	
Written censure and verbal or written reprimand	46		20		39	59
Docked pay (up to four hours)	8		8		11	19
Suspension from service with no pay (from 1 - 10 days)	61		17	1	35	53
Termination with due cause or justifiable reason	14	7	3		3	13
<b>Total</b>	<b>129</b>	<b>7</b>	<b>48</b>	<b>1</b>	<b>88</b>	<b>144</b>



Umberto Vicenzi

## PENSION FUNDS

In November 2005 a new sub fund for ethical investments was established, enhancing the range of pension funds on offer to the Group's staff. The sub fund, which has been active since January 2006, has received 260 subscriptions, with assets under management of over 11.4 million euro. Forty percent of the sub fund's investments are in the Fondo Azionario Internazionale Etico of Sanpaolo IMI and the remaining portion is in government bonds in the Eurozone.

## Social security, pensions and employee benefits

Within the companies of the Group, the supplementary bargaining agreements guarantee significant improvements in protection and remuneration compared to those provided under the law and the national collective agreement for the sector.

In particular:

- numerous forms of company contributions on behalf of the staff are envisaged, consisting of: pension funds, provided by minimum contributions corresponding to 3% of the remuneration base; supplementary health cover for retired and current staff (with the possibility of extension to direct family and the determination in 2006 of specific economic guarantees in cases of loss of self-sufficiency due to illness or accident); insurance policies for work-related and non work-related accidents; allowances and graduation prizes for employees and the children of employees attending junior or senior high school or university study courses; benefits to family members in the event of serious physical or psychological disablement;



Ezio Dal Cin

*Within the companies of the Group, the supplementary bargaining agreements guarantee significant improvements in protection and remuneration compared to those provided under the law and the national collective agreement for the sector*

- a vast range of banking benefits in favor of staff have been set up (including preferential financing for disabled workers) which in the course of 2006 were enhanced in terms of the maximum amounts grantable;
- there are various Corporate Social Clubs in existence, operating throughout Italy. In addition to a vast range of concessions, initiatives are offered at both national level and local level.

Credit facilities for employees	Contracts	
	existing as of 31/12/2005	existing as of 31/12/2006
Mortgages	22,891	23,124
Loan with repayment plan	15,294	17,217
Cash availability in current account	17,032	17,880

In addition, for Sanpaolo IMI, the Commercial Banks and major companies of the Group:

- there are numerous and well developed provisions relating to leave for the care of children and family members, for serious illnesses and for justified personal reasons, which, because they are an overall improvement, replace the corresponding provisions of Law No. 53/2000 and Legislative Decree 151/2001. For example, the return is guaranteed for the mother and father worker who has made use of the leaves established by Legislative Decree 151/2001 to the same service point they were previously assigned or to another in the same municipality;
- in order to protect maternity more effectively, a leave of absence is awarded, on request, in addition to the provision of the relevant legislation, for a maximum of three months and until the child's third birthday. The granting of paid leave to take part in pre-natal classes is also provided for;
- in order to meet staff needs in terms of flexibility of working hours, it is possible, in compatibility with work demands, to have an elasticity for starting times of up to 45 minutes, and the option to take a 30 minute lunch break on a non-occasional basis;
- in the event of the death of an employee, the company regulations intercede in favor of the spouse and the children, with the possibility of hiring them.

## Internal communication

The year 2006 was especially significant for internal communication, the strategic role of which is to improve the work experience of employees in the company. This was emphasized by the events that characterized the evolution of the Group, especially in the second half of the year.

There was an ongoing effort of communication regarding the activities and results of the Industrial Plan 2006-2008. In the first part of the year a pamphlet entitled "The National Territorial Bank - The Progress of Industrial Plan" was created and distributed to all employees. This document gathers testimonies from the meetings about the Plan held by

the Managing Director with all of the bank's areas. The Sanpaolo magazine also accompanied the launch of the Plan with articles and essays. Its layout and content were reorganized to make it more consistent with the National Territorial Bank model by emphasizing the vital role played by the people who strive every day to serve private customers, enterprises and the community in which the Group operates.

The first few months of 2006 were characterized by the extraordinary events of the Winter Olympics and Paralympics of Turin, for which Sanpaolo IMI was the major sponsor.

*In 2006 the strategic role of internal communication in the improvement of the health of the organization was reinforced, by allowing people to participate more fully and more consciously in corporate activities*



The internal communication instruments, specifically the intranet portal Green Village and the Sanpaolo magazine, offered broad coverage of the event and underlined the role and commitment of all the Company's people to the success of the event. The first issue of the house organ for 2006, published a few days before the beginning of the Games, dedicated a large section to the event and the Bank's role in the event. An extraordinary edition was produced for exceptional distribution also to external readers associated with the Olympics and Paralympics, especially the Bank's guests who were invited to attend the games.

A supplementary internal communication characterized three important initiatives implemented by the company in 2006:

- the launch and implementation of an Extended employee stock option plan aimed at our employees;
- the widespread distribution of updated models for implementation of the provisions regarding the responsibilities contemplated by D.Lgs 231 and similar provisions of law;
- the presentation and preliminary implementation of the system for self-evaluation regarding professional skills.

The planning of these three initiatives always included communication actions carried out with a multimedia approach: meetings for presentation, online information dissemination, the preparation of ad hoc sections of the intranet portal Green Village.

The constant enrichment of the information content and service of the intranet portal Green Village and the timely information about the more significant corporate events of the year were translated into a further increase in hits, with levels being around 35-38,000 and the maximum at over 50,000, during times of initiatives that are especially important to company life, among which the announcement of the merger with Banca Intesa towards the end of the year.

Starting on 26 August - the day of the first decision of the Board of Directors - the portal covered the progress of the operation with articles and news. At the end of the year a section was created dedicated to the updates regarding the merger, including the measures and actions taken to execute it.

The corporate intranet, characterized by the presence of many theme-based sites dedicated to the different professional realms, was the subject of an integration project for improving the efficiency and efficacy of communication processes in support of business and professional activities. Following the merger with Banca Intesa it converged into a more generalized plan to integrate the various intranets of the two banks, the implementation of which will also involve converging the IT systems of both companies.

During 2007 it is also planned to extend the WebTV service already available at Banca Intesa to the employees of Sanpaolo IMI and concurrently adapt the production of content.

The year 2006 saw the completion of the training project that started in 2004 and involved the branch managers and middle managers of the main offices; it dealt with the "role of the supervisor as the interpreter of corporate and individual values" through the development of communication skills. In the two-year period 2005-2006 a total of 9,445 training days were held for a total of 3,481 people. Most of them carried out a specific planning activity on the field aimed at improving internal communication processes within their own work setting.

## BUSINESS COMMUNICATION ON THE RETAIL NETWORK

During 2006 internal business communication destined for the retail and private branches underwent a rationalization of its information flows and saw a closer involvement with all of the territories with the aim of facilitating the sharing of best practices and bottom-up communication. Information channeled through a dedicated Internet portal makes it easier for employees to understand the business logic, targets and policies of the retail network, while the spaces reserved for the individual territories make it possible to appreciate the local specificities and accelerate the process of sharing best practices that constitute a distinguishing element of the National Territorial Bank model.

This last mentioned aim is also pursued through the two-way online communication spaces which have been open for several years now: forums for discussions (there are currently 26) and the e-mail channels "Write to the Editors" and "Write to the Experts". The forums are more than just a space where everyone can bring their own ideas for discussion, express their opinions and suggestions, tell about their experiences - they have also become an instrument for daily dialogues among the people of a branch as well as between branches and central supervisors. During 2006 some forums were used by specific planning groups to gather, directly from the experience of their branch coworkers, targeted indications on concrete themes (simplification of contract forms and the improvement of business instruments).

## Safety

During 2006 there was a survey conducted to detect, on the network facilities, workers who can be referred to as video terminal operators. They will be introduced into a health supervision program run by appointed doctors (the Group has 14 throughout Italy). An online training course was also made available for all the video terminal operators featuring information about the risks of prolonged exposure to the video, tips on the proper posture and behavior to adopt to limit negative consequences. Moreover, it presented several exercises to do at the workstation to prevent aches/pains and pathological conditions.

The health support was also activated to monitor the onset of post-traumatic disorders as a possible consequence of violent bank robberies. During 2006 there were 72 initiatives held at an equal number of branches which had been robbed and the workers affected by the robberies were spoken to individually.

As regards the evaluation of workplace hazards, the previous evaluations were updated and new ones were introduced, such as the "noise hazard" for employees who work at a printing press and "vibrations hazard" for those who work as drivers.

Moreover, the campaign for measuring the concentration of radon gas at the operative points was completed and more in-depth investigations were made in cases where it was required by law.



Luciano Pavesio

### ACCIDENTS\*

	2004	2005	2006	change 06/05
Number of accidents	376	383	420	+9.7%
Frequency of accidents (no. accidents/workdays per year)	1.61	1.64	1.91	+16.5%
Severe accidents (no. accidents/days of absence)	0.05	0.04	0.04	-

\* Figures relate to Commercial Banks

## Security

The action for safeguarding the security of employees, customers and the property of the Group's Commercial Banks, showed positive results throughout 2006 due to the boosting of protection of the territory and reinforcing the peripheral operative facilities.

More specifically, obsolete facilities were replaced and the use of highly effective deterrents, such as cash in/cash out devices (timing systems for guarding money) and devices for detecting fingerprints became more extensive. In this regard, to safeguard the respect of the privacy of customers, stringent internal regulations were issued and the job of data security agent was established aimed at managing and safeguarding sensitive information.

In 2006 over 2000 inspections were made and special attention was given to direct contact with the branches as a way to verify and monitor the territorial conditions of risk, thereby allowing new tests to be conducted and more reliable cash management devices to be used as well as state-of-the-art solutions for screening customers as they enter the bank branch premises.

The ongoing collaboration of the Bank with the police has also been strengthened by signing

Protocols for Crime Prevention in Banks, of which Sanpaolo IMI was the promoter. These agreements envisage a permanent exchange of information between banks and the police regarding potential situations of risk as well as the adoption of minimum security measures. Intensive training on physical security continued in the branches to sensitize employees on the value of adopting the right kind of behavior to prevent crimes and how to act in cases of robberies. In 2006 a classroom training plan was offered to 700 employees in the areas of Campania, Puglia and Calabro Lucana.

### ROBBERIES

	Number of robberies				Number of robberies per 100 branches		
	2004	2005	2006	change 06/05	2004	2005	2006
Sanpaolo IMI*	263	225	208	-7.6%	8.7	7.4	6.8
System**	2,684	2,735	2,774	+1.4%	8.7	8.8	8.8

\*Figures relate to Commercial Banks

### ATM THEFTS

	Number of robberies				Number of thefts per 100 ATMs		
	2004	2005	2006	change 06/05	2004	2005	2006
Sanpaolo IMI*	24	32	17	-46.9%	0.6	0.8	0.4
System**	236	211	195	-7.6%	0.6	0.6	0.5

\* Figures relate to Commercial Banks

\*\* Source: ABI



# Shareholders

On 12 October 2006 the Board of Directors of Banca Intesa S.p.A. and Sanpaolo IMI S.p.A. approved the merger project after making it known to the market in its guidelines on 26 August.

Then the merger project was approved by the respective Shareholders' Meetings on 1 December, stipulated on 28 December and made effective on 1 January 2007. Consequent to the merger the share capital of Sanpaolo IMI was divided into 1,590,903,918 ordinary shares and 284,184,018 preference shares, no longer listed. They were swapped in the ratio of 3,115 new Intesa Sanpaolo shares for each Sanpaolo IMI share.

The merger offered a unique opportunity to set up a leading world-class corporation.



Valentina Ferrari

## TARGETS AND RESULTS ACHIEVED

### Improvement targets stated in the 2005 Social Report

### Actions and results achieved in 2006

Reinforce leadership in Italy and position ourselves in the top league of European financial institutions according to the policies laid out in the three-year plan.

The merger with Banca Intesa led to the creation of a bank corporation that holds a position of leadership in Italy and is placed among the top groups of Europe.

On a stand-alone basis the following economic results were achieved:

Net profit: 2,148 million euro (+8.3%)

ROE: 17.6% (+0.4 percentage points)

Cost/income: 53.8% (-3 percentage points)

Conserve a corporate governance model that is in line with the most stringent international standards, with a focus on ensuring maximum transparency.

The dual model – Supervisory Board and Management Board – chosen for Intesa Sanpaolo guarantees full transparency on the decisions it takes and extensive representation of minorities.

Maintaining our intensive efforts in terms of guaranteeing maximum transparency, timeliness, easy access to and completeness of communications to the financial community.

- The institutional investors we met with amounted to 197 in the course of 160 meetings: at 72% of the meetings the management and top management also participated. The activity of investor targeting also made it possible to increase the efficacy of these meetings.
- Improvement of the content and user-friendliness of the institutional website demonstrated by an eight-step rise (from 90th to 82nd place) in the Webranking™ of the 150 major European companies\*.

\* List managed by Hallvarsson & Halvarsson.

During 2006 the stock of Sanpaolo IMI rose by 33.2% against the 23.4% registered by MIBBank. Profit per share in 2006 was 1.15 euros, up 8.5% from 2005.

The overperformance of the security was 8% compared to the Italian sector index.

#### PERFORMANCE

- 2006 SPIMI performance
- 2006 performance SPIMI vs MIBBank



## Ordinary Shareholders' Meeting

<b>Functions</b>	Body that expresses the will of the shareholders and represents the primary platform for dialogue between shareholders and directors.
<b>Meetings held in 2006 and items on the agenda</b>	<p>28 April, 2006 (ordinary):</p> <ol style="list-style-type: none"> <li>1. Financial statements as at 31 December 2005 and Board of Directors and Board of Auditors reports; allocation of the profit for the financial year; Group consolidated financial statements as at 31 December, 2005;</li> <li>2. Approval of purchases and sales of own shares;</li> <li>3. Resolutions concerning remuneration for the Directors;</li> <li>4. Revision of meeting regulations.</li> </ol> <p>28 April 2006 (extraordinary):</p> <ol style="list-style-type: none"> <li>1. Free increase of capital</li> </ol> <p>1 December 2006 (extraordinary):</p> <ol style="list-style-type: none"> <li>1. Merger proposal by incorporation of Sanpaolo Imi S.p.A into Banca Intesa S.p.A.</li> </ol>
<b>Attendance</b>	<p>Meeting of 28 April (ordinary): 48.5% of ordinary capital</p> <p>Meeting of 28 April (extraordinary): 56.3% of total capital</p> <p>Meeting of 1 December (extraordinary): 58.6% of total capital</p> <p>To encourage greater attendance, the shareholders are not required to deposit their shares before the meetings are held. In addition, the shareholders may appoint a proxy to exercise their right to vote (proxy voting).</p>
<b>Voting system</b>	Each share confers the right to one vote. Preference shares do not confer any rights to vote at ordinary meetings.

As at 31 December 2006 Sanpaolo IMI was included in some of the major European ethical indexes (FTSE4Good, Ethibel Sustainable Index, ASPI Eurozone, Ethical Index Euro, Avanzi SRI Index). Ethical indices are characterized by the criteria used to select the securities included in them. The choice of securities is made by placing importance, alongside financial performance, on conduct that reflects corporate social responsibility.

The table below shows the ratings given by the principal rating firms to Intesa Sanpaolo as at 1 January 2007, the effective date of the merger of Banca Intesa and Sanpaolo IMI. The score given by the rating agencies remained in line with the one given to Sanpaolo IMI at the end of 2006.

#### RATING

##### Fitch

Medium long-term debt	AA-
Short-term debt	F1+

##### Moody's

Medium long-term debt	Aa3
Short-term debt	P-1

##### Standard & Poor's

Medium long-term debt	AA-
Short-term debt	A-1+

## Relations with the investors and the market

The Investor Relations Function ensures the continuity, fairness and transparency of financial communications with the shareholders. The financial community - analysts, institutional investors and rating agencies - is kept informed of Group activities, strategies and results through the Group's continuously updated website and constant direct contact in full compliance with the rules relating to the disclosure of price sensitive information.

During 2006 external communication operations consisted of:

- 160 meetings with institutional investors, with 56% attendance by management and top management;
- 16 days of road shows in Europe and the US;
- 6 banking conferences, organized by the principal international brokers;
- 5 meetings with rating agencies;
- 5 meetings with financial analysts, with management attending in 60% of cases.

As part of the communication operations aimed at the major SRI European investors, a specific conference call was organized on CSR issues in addition to questionnaires from investors, research companies and SRI analysts.

Sanpaolo IMI continues to open itself to comparison with the market and stakeholders by appointing independent rating agencies to conduct analyses and assessments on the social responsibility processes in the Group. In this regard in March 2006 the rating agency Avanzi SRI Research expressed an overall assessment of 7.29 on a scale from 1 to 10.



Rossano Zanin



# Community

## Contribution to the stakeholder community

The contribution of the Group to the communities and to the society in which it operates is vast and varied. For simplicity purposes, the various community contributions have been classified into four categories: activities belonging to the company's core business, which in the case of a financial institution comprises loans and advisory services aimed at promoting local economies and supporting the territory; commercial initiatives within the community (sponsorships); collaboration with non profit entities and organizations and long-term participation in social initiatives; occasional activities to support social and cultural initiatives and projects, in the form of donations.



Antonella Bernasconi

## Activities belonging to the company's core business

The promotion of local economies, support of the community and the public sector and, more generally, of the country's economic growth over the long-term are priority commitments of the Sanpaolo IMI Group. Support provided for the entrepreneurial system - including initiatives in favor of innovation, internationalization and growth of companies - was covered in detail in the section on customers. Support for the public sector, on the other hand, is provided by Banca OPI, Group company specialized in financing and advisory services for public entities.

*The promotion of local economies, support of the community and the public sector and of the country's economic growth over the long-term are priority commitments of the Sanpaolo IMI Group*

## Sponsorships

During 2006 the Commercial Banks of the Group maintained the intensive activity of sponsoring events and initiatives regarding sports, culture, and science, both at the local and national level, for the amount of 13 million euro.

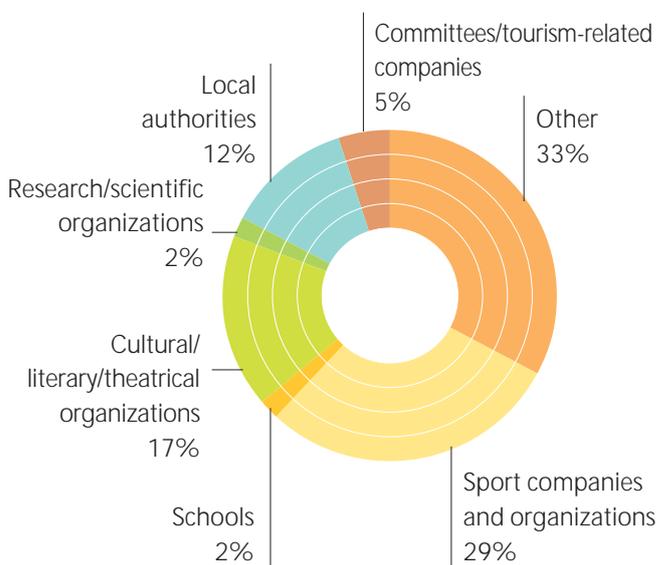
Firstly, the sponsorships undertaken by Sanpaolo IMI in 2006 involved completion of the planning of the XX Winter Olympics and the IX Winter Paralympics of Turin 2006. At the same time initiatives were carried out to valorize our role as Top Partner of the XXIII Winter Universiade of Turin 2007, specifically through the participation in a road show organized at the major university towns of Italy. Sanpaolo IMI also helped in the Chess Olympics and the LXXX World Fencing Championship, two major events hosted by the City of Turin, and the 20th Turin Marathon. It was also agreed to make a contribution to the fifth Paralympic Day, a day dedicated to sports for disabled people, where disabled athletes measure swords in competitions and demonstrations whose goal for once is not getting a medal but giving the city and its people a closer look at sports for the disabled. Sanpaolo IMI is the sponsor of Paralympic Day for the fifth consecutive year.

As regards the cultural initiatives, in 2006 Sanpaolo IMI sponsored - in collaboration with the Cassa di Risparmio di Venezia - the traditional Historical Regatta of the Laguna. Moreover, we would like to mention the actions taken in favor of the Opera House of Trieste for the International Festival of Operetta in collaboration with Friulcassa, and the Rossini Opera Festival of Pesaro in parallel with Sanpaolo Banca dell'Adriatico. Lastly, there was the sponsorship - agreed upon with the Institute of Culture of the Italian Embassy in Beijing - of a tour by the Teatro alla Scala Ballet in China.

In 2006 Sanpaolo IMI also supported several initiatives at social level. Among these, there was the contribution to the realization of a conference organized by the Pangea Foundation on the occasion of the International Day for the Elimination of Violence against Women (sanctioned by the UN in 1999). The conference was entitled “International Day against Violence on Women”. Why is violence still relevant today? From macro to micro, the case of Afghanistan”. Its purpose was to deal with the issue of violence against women and it was presented by skilful speakers, Italian and foreign associations and institutions. As regards scientific research, in 2006 Sanpaolo Banca dell’Adriatico supported the Cardiology Struttura Complessa of the San Salvatore Hospital of Pesaro by giving economic support to the clinical epidemiology program for the two-year period 2006-2007. More specifically a study was conducted aiming at analysing the human, technological and pharmaceutical resources used to assist people stricken by heart attack, the time factor and the results achieved.

*During 2006 the Commercial Banks of the Group maintained the intensive activity of sponsoring events and initiatives regarding sports, culture, and science*

DISTRIBUTION OF 2006 SPONSORSHIP BY SECTOR



## Collaboration with non profit organizations and investments in the community

Among the Group’s activities in favor of the community, it is worth noting our direct involvement and long-term collaboration with non profit organizations, the local authorities and other sectors of civil society aimed at developing activities in favor of particular weak segments of the population and to tackle specific social, health and humanitarian problems.

### Microcredit projects

The most significant initiatives that provide a direct link between the specific characteristics of the Bank and its positive role in society include microcredit projects. Microcredit is more than another tool to add to traditional financial services; it represents a new way of understanding credit, the creditor and the evaluation of creditworthiness. It provides opportunities for the creation of employment and the establishment of businesses, facilitating access to credit even to those who cannot provide collateral and who would be excluded from traditional banking channels.

For some time now Sanpaolo IMI has focused its attention on customer segments not always included within the realms of traditional banking activities.

The first microcredit initiative in which Sanpaolo IMI participated is the Social MicroCredit Project of Compagnia di San Paolo launched in 2003. The Foundation provided almost 2.1 million euro, distributed between funds for guaranteeing loans, for 1.6 million euro, and funds destined for use in operational management, monitoring and communications initiatives. Sanpaolo and Sanpaolo Banco di Napoli have taken on the role of operating partners, with the objective of assessing and disbursing the credit requested at particularly favorable rates. Moreover, the two banks bear a part of the credit risk and they are willing to authorize loans for up to double the amount of guarantee funds provided by Compagnia di San Paolo.

It is one of the most far-reaching initiatives in Italy and involves four geographical areas: the provinces of Genoa, Rome, Naples and Turin, and also extends to several Municipalities in the Cuneo and Asti provinces.

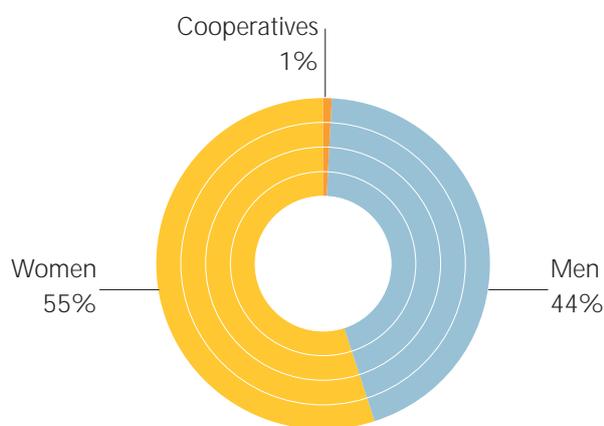
The initiative also benefits from the active involvement of four non profit organizations acting as points of reference in their respective communities: Fondazione Antiusura Santa Maria del Soccorso of Genoa, Fondazione Risorsa Donna of Rome, Fondazione San Giuseppe Moscati of Naples and Fondazione Don Mario Operti.

These reference organizations have received equal amounts of guarantee funds and have thus taken on the role of guarantors; in addition, they collect the

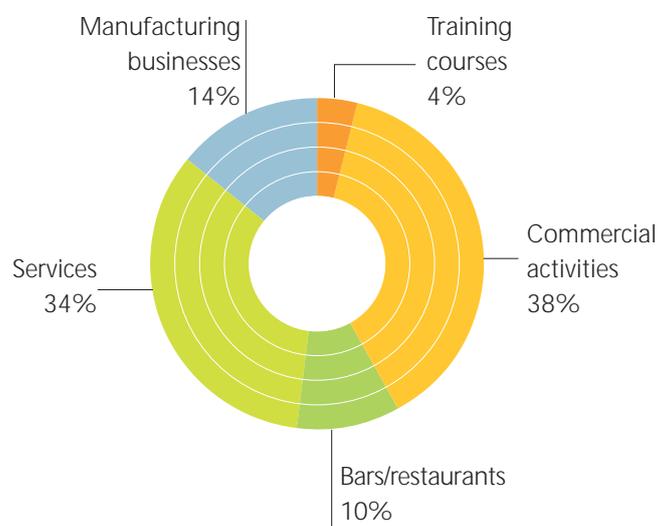
applications, evaluate the projects, carry out an assessment and assist the beneficiaries in the project development process, with verification and follow-up activities carried out by volunteers having relevant experience in the banking or entrepreneurial sectors. According to data at the end of December 2006, over 1000 applications have been submitted, of which 191 (49 in 2006) have been approved and financed for a total of over 2 million euro and an average loan amount of approximately 12,000 euro.

The latest available data indicate that the majority of applicants are women (55%), while 51% are foreigners. Most applicants are young: over 60% are under 40 years of age and only 12% are over 50. The projects financed regard business in the commercial and services sectors, but also include restaurants and manufacturing businesses; moreover, 4% of the funds disbursed have been used for training purposes (nursing courses, driving school, etc.). Other examples of businesses include a wine exporting business, a nursery school, the inauguration of an art

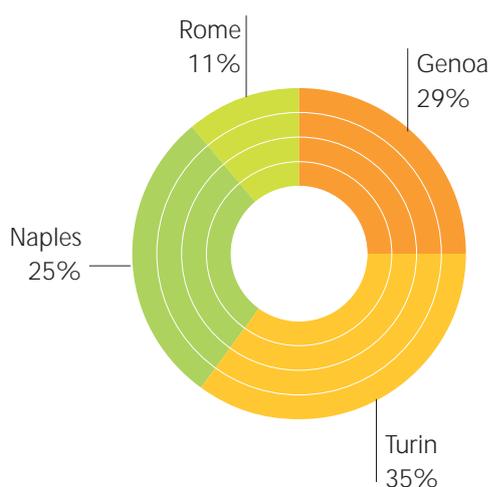
DISTRIBUTION OF PROJECTS BY BENEFICIARY\*



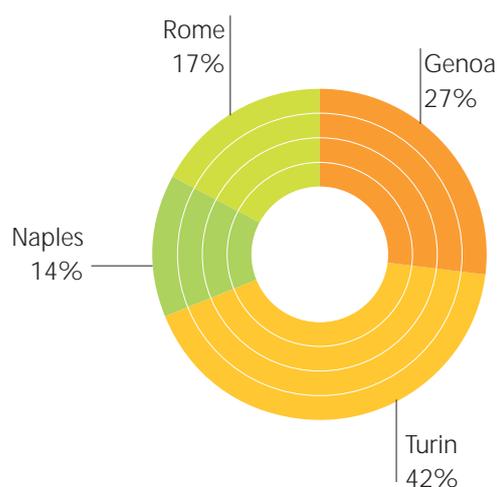
DISTRIBUTION OF PROJECTS BY TYPE\*



GEOGRAPHICAL DISTRIBUTION BY AMOUNT\*



GEOGRAPHICAL DISTRIBUTION BY NUMBER OF PROJECTS\*



\* Figures refer to all projects financed from 2004 to 2006 as part of the Microcredit Project of Compagnia di San Paolo.

gallery and the opening of a literary coffee shop where cultural activities are held. A total of 12 loans have already been entirely repaid, the funds of which have replenished the amount available for new projects. New microcredit initiatives were also activated by other

banks of the group for the purpose of providing a suitable way to intervene in a developed economy, such as that of Italy, where, nonetheless, some people have difficulty accessing credit due to their social or economic conditions. The first was launched in 2005 and involves the Province of Venice. It was aimed at immigrant women to facilitate their

access to credit and the development of employment opportunities. Fondazione di Venezia - promoter of the project - provided 200,000 euro as guarantee funds and obtained participation of the non profit cooperative organization Terre in Valigia Servizi ONLUS, with Cassa di Risparmio di Venezia acting as operating partner. As of the end of February 2007 fifteen applications were made for a total sum of approximately 99,800 euro and the average amount was 6,700 euro. Among the financed operations there were the launch of a business to restore ancient Persian rugs, the purchase of a car to allow an applicant who is a cultural mediator to reach schools scattered throughout the community; and the opening of a copy shop.

The second project was launched in April 2006, promoted by Fondazione Cassa di Risparmio di Padova e Rovigo in its own area, and Cassa di Risparmio di Padova e Rovigo has taken on the role of operating partner. The initiative was aimed at sustaining, through a special guarantee fund, the granting of loans in favor of people in hardship conditions residing in the Dioceses of Padua and Rovigo who might have difficulty accessing credit. The Foundation disbursed a total contribution of 200,000 euro in favor of the Caritas of Padua and the Caritas of Rovigo to set up a guarantee fund at Cassa di Risparmio di Padova e Rovigo to fully guarantee the amount of each loan granted. Since the beginning of this initiative 23 projects have been financed for total amount of 84,500 euro: the loans were mainly granted to meet to personal and family needs and they are broken down equally among the different categories of users (men-women; Italian-foreigners).

The third project was launched in September 2006, promoted by Cassa di Risparmio di Venezia in collaboration with the Caritas-Diocesi of Venice, and it regarded the Diocese of Venice. The Caritas set up a guarantee fund of 50,000 euro to introduce a new microcredit model destined to natural persons for consumer credit. During the recent first month of activity Cassa di Risparmio di Venezia has disbursed 19 loans for a total amount of 49,000 euro. Two specific projects were launched to extend the original target of the "Social Microcredit" to individuals considered to be at high risk for usury.

The first was launched in 2005 in the region of Abruzzo, and it involved the Adriatic Area of Sanpaolo and the Fondazione Antiusura Jubilaeum. The Foundation assists potential loan beneficiaries in obtaining financing and provides the guarantee for concession of the loan from the "Fondo Statale antiusura" (State Usury Prevention Fund), while Sanpaolo is the operating partner with its 38 branches in the Abruzzo Region. The goal is to prevent and fight against usury by providing individuals and families with opportunities to obtain loans.

The second project was launched in 2006 and it involved Sanpaolo Banco di Napoli as the operative partner and FINETICA Onlus as the reference entity that provides the

guarantee for concession of the loan from the "State Anti-Usury Fund". FINETICA Onlus carries out the preliminary assessments and provides the applicants (natural persons and small enterprises) with information, advice and assistance regarding the financing.

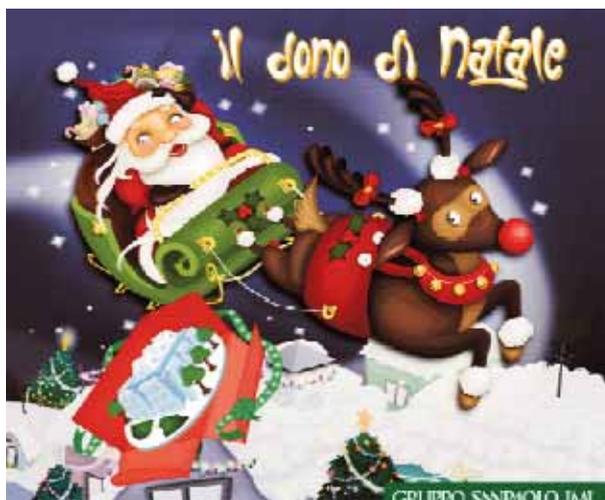
Lastly there was an initiative that became operative in 2006 and it involved Cassa di Risparmio di Padova e Rovigo, Fondazione Cassa di Risparmio di Padova e Rovigo and Fondazione La Casa Onlus.

The programme has been conceived to give individuals in hardship conditions, who might have difficulty accessing credit, the opportunity to arrange home loans for purchase or rebuilding (with disbursements of up to 100% the value of the real estate): in this way, the initiative can foster their full integration into society and the local economy.

Thus a revolving fund was set up by the Fondazione Cassa di Risparmio di Padova e Rovigo in the amount of 1 million euro, and it has been entrusted to the Bank to grant loan at facilitated tax of interest. 12 million euro in total of mortgages for 100 home purchases can be granted thanks to this programme.

## Collaboration with non profit organizations

Initiatives involving collaboration with non profit organizations and associations in the social, environmental, cultural, artistic, scientific and sports realms are an important part of Sanpaolo IMI's relationship with society and local communities. Several initiatives have arisen from our closeness to the problems and needs of local communities, while others have a national or international connotation. In many cases, Sanpaolo IMI has made its branches available for the collection of funds, via no-fee bank accounts and with the support of specific information provided at the branch and through the Internet site.



As in past years, Sanpaolo IMI renewed its invitation for customers to support UNICEF projects in favor of children by purchasing greeting cards and small gift items during the Christmas period. This initiative resulted in the collection of around 161,250 euro (+5% from last year).

In 2006 the collaboration continued with Piera Cutino Onlus, an association which aims to promote, improve and sustain healthcare for patients afflicted by thalassemia and blood disease and to make public opinion aware about these diseases. During the Christmas period we purchased 30,000 music CDs entitled "Il dono di Natale" (The Christmas Present) promoted by the Piera Cutino Onlus and destined to local initiatives of contact with young customers. The amount paid for these goods (nearly 100,000 euro) will be used to finance the activities of the Piera Cutino Onlus, especially for the building of a pavilion in Palermo where a vanguard - research on thalassemia is being developed and the children affected by this illness are being treated (moreover beds will be provided to the parents of these children).

## Product-linked devolutions to non profit organizations

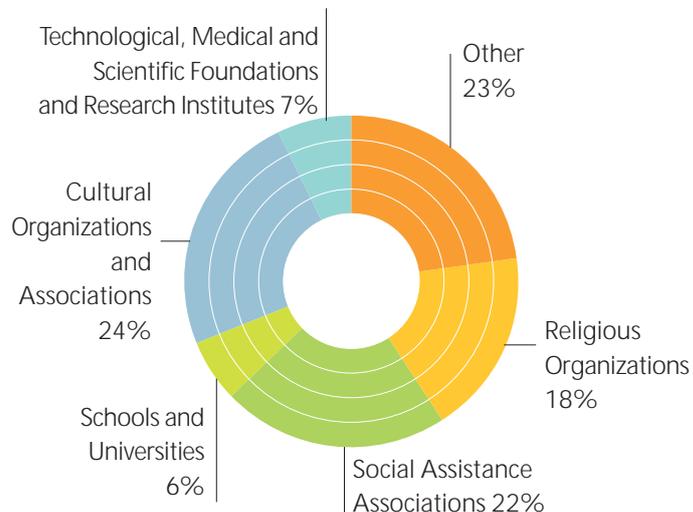
The program of devolutions linked to current accounts for young persons has been continued. The collaboration with Magis on the humanitarian projects "Acqua a Dissin" ended and a new partnership was set up with Telefono Azzurro (Blue Hotline). For about 20 years this organization has been provided free help to children and adolescents who are in hardship conditions or undergoing abuses. Whenever anyone opens a young person current account, the Bank devolves one euro in favor of an initiative of the Telefono Azzurro aimed at supporting the activities carried out at the existing and the forthcoming opening Multipurpose Centers. The Multipurpose Centers of Telefono Azzurro were created to provide a widespread geographical presence in the community so that responses to requests for help could be more effective; more precisely the help provided mainly consists in telephone advices, accommodations for children and teenagers who have been ill-treated; creation of recreation areas and daycare centers inside prisons and, finally, realization of courses within public schools to inform and make pupils aware about certain issues. The program made it possible to pay nearly 31,000 euro to Telefono Azzurro in 2006. This humanitarian initiative is presented on the Group's website and it allows anyone who is interested to be kept up-to-date about multipurpose centers under construction other activities carried out in the existing facilities.

## Donations

The donations made by the Commercial Banks of the Group in 2006 within their respective regions totaled almost 2.4 million euro, distributed in small individual amounts. To better respond to local needs, each territorial area, along with the various Commercial Banks, can act independently in their respective regions.

Regarding Sanpaolo and Sanpaolo Banco di Napoli, ceilings are assigned annually to each area and the supervisory and control mechanisms are managed centrally, using a common IT system. Selection of the projects and of the beneficiaries takes place in accordance with guidelines that include, among other aspects, respect by the non profit organizations of the principles of legality, fairness, honesty and good faith outlined in the Ethical Code and following a rotation principle.

### DISTRIBUTION OF 2006 DONATIONS BY TYPE OF BENEFICIARY





Piero Fogar

## Research and relations with the community

The process of relating to and sharing with the community makes it possible to adapt Group initiatives to the varying requirements of local communities.

This is carried out by employees of the Group as part of the relationships they establish while performing their daily duties. In addition, a specific research center has been set up as evidence of the Group's attention to Southern Italy.

The media also play an important role in the process of exchange and communication with the community.

### The Association for Study and Research for Southern Italy

The Association for Study and Research for Southern Italy ([www.srmezzogiorno.it](http://www.srmezzogiorno.it)), founded by some companies of the Sanpaolo IMI Group and Foundations linked to the Group, is an important center for economic research and cultural promotion within fields related to Southern Italy. More precisely the Association is dedicated to produce studies about economic structure, development policies, the role of local government, investments in infrastructure and the third sector. The Association carries out information activities through the editing and the publication of some periodicals (*Rassegna Economica*, *Focus sull'economia del Mezzogiorno* and *Dossier Unione Europea* which printed the results of the survey on Project Financing) and organizes conferences and seminars. In 2006, in addition to publishing four books (*L'industria idrica italiana*; *Il mondo del volontariato*; *L'internazionalizzazione delle imprese*; *Le filiere produttive meridionali*) (Italian water industry, The world of

## BLOOD DONORS

The Sanpaolo IMI Group Blood Donors celebrate 40 years in 2006. It has become a consolidated tradition for the Bank to host collective blood donor facilities every three months at its premises of Turin, Moncalieri, Rome, Naples and Milan, and to directly support this important community service, which involves thousands of colleagues, both current and retired, and their families every year. In fact, for the year 2006, over 4,000 individuals of the Group took advantage of paid leave in order to give blood.



Fabio Rocca

volunteerism, The companies internationalization, The production chains in Southern Italy) the Association supervised, along with other major research institutes, the realization of the annual report entitled "La Finanza Locale in Italia" (Local Finance in Italy). Besides SRM offers internship and collaboration opportunities to young graduates to further strengthen the economic culture of the human capital of Southern Italy; the internships are aimed at involving young people in the more crucial issues regarding the development of infrastructure and enterprise in the South. In 2006 according to a decision of Ministry of Infrastructure and Transportation the Association took part in the special Commission that must draw up the Plan for the Development of Italian Ports. In 2006 the Association obtained the certification of quality UNI EN ISO 9001:2000 for the planning and realization of studies, research, conventions and seminars, the development of publishing activities and managing the production of periodicals.

## Media relations

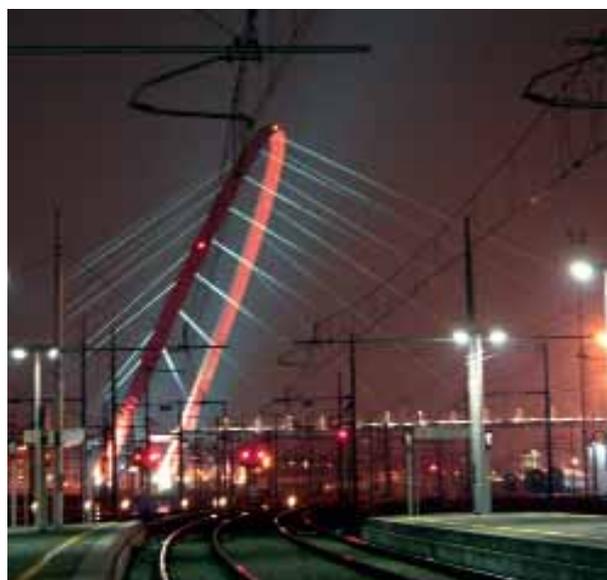
In 2006 relations with the media were the responsibility of the External Relations Office; its activity respects the criteria of transparency, precision, clarity and timeliness, in full respect of the regulations in force for the disclosure of price-sensitive information to markets. This office works closely with the General and Legal Affairs Office and the Investor Relations Department in order to provide the best information possible to the media, the financial community and investors.

During 2006, after the legislation on Market Abuse became effective, the process was perfected for providing ongoing information to the Vigilance Authorities, the press and the market. The information flows were coordinated and the press releases concerning the Company and the Group's subsidiaries were written and presented to the Board of Directors. The Group's website ([www.grupposanpaoloimi.com](http://www.grupposanpaoloimi.com)) continued to serve as an effective tool to communicate externally. Throughout the whole of the year 2006 the restyling of the "Press Office" section continued, with the introduction of in-depth articles and links for the purpose of making it easier to search and consult the major topics regarding the Group. The website was constantly updated in all of its sections:

- Press-kit, containing all the relevant information about the Group (financial statements and reports, shareholders, organizational chart, corporate governance);
- Press conference, where journalists can find the material distributed during the press conferences;

- Press clippings, including major interviews with Top Management;
- Publicity Campaign;
- Photographs of Top Management;
- Curriculum vitae of Top Management.

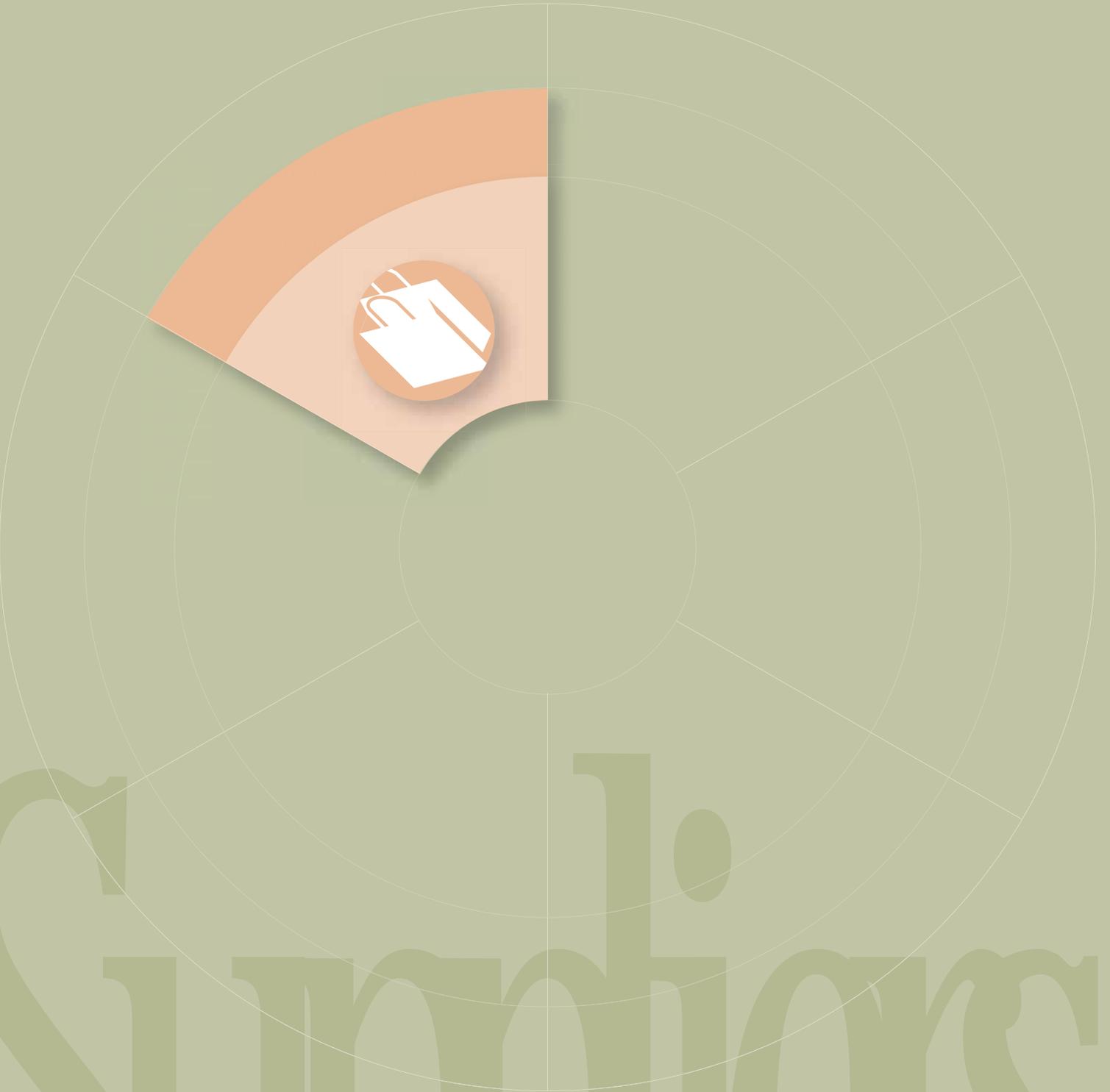
On the website you can also search for all the press releases issued since 2000, classified either by year or by topic. You can register with a mailing list to receive press releases in real time and directly download the photographs of the Top Management of the Group and of the headquarters.



Anna Iandolino

During 2006 the official communication activities of External Relations consisted in:

<b>Press releases</b>	<b>276</b>
- Press releases regarded the periodic results of the Group	4
- Press releases regarded the merger with Banca Intesa	12
<b>Conferences and meetings with the press</b> (besides those regarding the Olympics)	<b>88</b>
Daily meetings from 10 - 26 February during the Winter Olympics in Turin with a conclusive meeting at Palazzo Madama of Turin between the Group's Top Management and press representatives	
<b>Interviews</b>	<b>93</b>
<b>Official declarations</b>	<b>104</b>

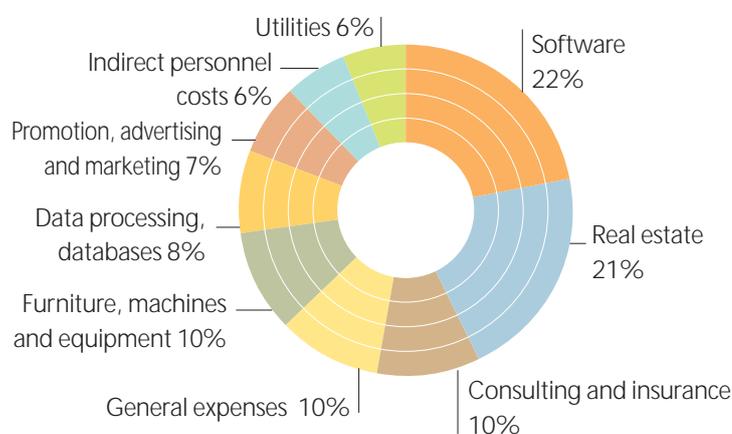


# Suppliers

During 2006 Sanpaolo IMI dealt with about 15,000 suppliers for a turnover of around 1 billion euro.

Purchases are handled centrally for the Commercial Banks of the Group, with preference given to the best conditions available in the various reference markets, except for specific freedom of expenditure for small purchases of the departments above the Commercial Banks. The processes of supplier selection, market comparison and assignment of supplies take place according to specific and defined criteria that ensure objectivity, transparency, efficiency and effectiveness of the choices. The agreements with suppliers imply the extension of the contractual conditions to all the Group companies, in particular regarding the purchase of goods and services where it is possible to have economies of scale.

#### DISTRIBUTION OF 2006 TURNOVER BY SECTOR\*



\*Figures relate to Commercial Banks

## Group Suppliers Register

During 2006 the Group Suppliers Register was further enlarged and reinforced. It brought together the names of suppliers from the various banks being integrated, as well as new names of potential customers to rationalize and provide uniformity to its relations with companies, its evaluation and selection criteria and existing contractual relationships. More use was made of the standard questionnaire to be sent to all potential suppliers with the objective of collecting significant, uniform and structured information. It was also extended to the companies already on the Register to update their position. With a view to simplifying and facilitating communications from its suppliers, allowing them to inform the bank more rapidly when there are any variations, turns of events, corporate changes, new business, etc. this information regards, among other things, certifications of quality and environmental standards, research and development activities, the performance of inspections on the products and services provided, the verification of transparency on operative and administrative processes, the existence of training and refresher courses for employees, and subcontracting activities. As regards subcontracting, in the course of 2006 the supplier is required to demonstrate that the subcontractor has fulfilled all its safety, Social Security and tax obligations. The general

conditions of the supply also contemplate prohibition to subcontract unless expressly authorized in writing by the Group's company indicated in the contract. The establishment in 2005 and reinforcement in 2006 of one single centralized structure to which all suppliers send their invoices made it possible to improve the handling of invoices issued by suppliers. In 2006 the average liquidation times, for over 65% of cases, was within 60 days after issue of the invoice and for 85% of cases it was within 90 days. This is substantially in compliance with the agreements between the parties and the aforementioned time includes verifications conducted by the Bank on the regularity and consistency of the supplies received, as well as cases of suspended payment for reasons not depending on the bank but resulting from noncompliances (irregularity, incompleteness or other) of the supplier. The aforesaid structure is in charge of keeping and constantly monitoring the invoices that arrive, delays, suspensions, mistakes, etc. and serves as a reference to suppliers, involving and activating the internal departments responsible in each case of appropriately responding to the suppliers. Internal regulations state the need - in cases of complaints about supplies - to formally notify the supplier of the noncompliances detected and appropriately documented in detail, inform them of the measures taken, up to and including suspension of payment for the more serious cases.

## Sharing the Ethical Code

Sending information to suppliers on the requirement to adhere to the contents of the Group's ethical code, on the obligation to respect - in the execution of contractual activities - the principles contained therein and on the consequences in cases of violation was started in 2004 and reinforced in 2005 and 2006. All new suppliers as well as suppliers having contracts under renewal received information from the purchasing department. The contract conditions also state the supplier must make sure its subcontractors are informed about and embrace the principles of the Ethical Code. Another obligation of the supplier is to adjust its method of carrying out the contractual services to the organizational and management models adopted by the Group in line with its principles of transparency and social responsibility expressed in the Code.

## Disputes

Legal disputes with suppliers, as in previous years, are extremely rare. In 2006 only one new court litigation was started and previous pending suits had positive outcomes.

This result was pursued by giving special attention to the suppositions that allow a constructive formulation of business relations: the selection of suppliers based on quality, the stipulation of agreements with clear and effective clauses that internally contemplate contractual instruments for the friendly handling of any potential conflicts, the execution of contracts according to principles of fairness and good faith and with the objective of preventing disputes from arising.

A close-up photograph of a tulip field. The background is filled with numerous yellow tulips in various stages of bloom, set against a backdrop of green leaves. In the lower right foreground, a single, vibrant red tulip is in full bloom, its petals clearly defined. A semi-transparent grey rectangular box is centered over the image, containing the text "Environmental Report" in a white, serif font.

Environmental Report





# Environment

## OBJECTIVES AND RESULTS ACHIEVED

Improvement objectives outlined in the 2005 Social Report	Actions and results achieved in 2006
<p>Striving for a reduction of the direct impact of our business activities on the environment, particularly emissions into the atmosphere, by:</p> <ul style="list-style-type: none"> <li>• progressively improving energy efficiency while providing an adequate level of human comfort and drawing inspiration from the existing certified best practice standards;</li> <li>• increasing, when possible, the use of renewable sources of energy.</li> </ul>	<p>Emissions decreased by 28% in 2006 as the result of actions aimed at improving energy efficiency and a greater use of renewable energy sources (approximately 70% of total electricity used)</p> <p>Actions taken to improve energy efficiency:</p> <ul style="list-style-type: none"> <li>• We adopted the most energy-efficient solutions during various reorganization and renovation processes. The most significant projects involved a total surface area of approximately 43,000m<sup>2</sup>. More specifically, we replaced some heating systems with six condensation boilers for a test program. These boilers use a technological solution that maximizes energy yields.</li> <li>• We carried out projects to improve the efficiency of the lighting systems in other 59 operating locations; these will be introduced into the GreenLight program. Moreover, in one of our Piedmontese locations (the Moncalieri accounting center) we launched an experimental lighting system for the outdoor parking lot which reduces electricity consumption by 22%, corresponding to an annual reduction of about 12 tons of CO<sub>2</sub> emissions.</li> <li>• In the course of the year LCD monitors were installed in the new branches and in those being renovated. New equipment was provided in some buildings of the head office and in several branches. This project included over 10,000 workstations throughout the year and reduced the electricity consumption of the equipment, thereby reducing CO<sub>2</sub> emissions by 500 tons (not to mention the emissions avoided thanks to the reduced need for air conditioning). At the end of 2006 about 17,700 workstations had LCD monitors.</li> </ul>

*In 2002 Sanpaolo IMI signed the UNEP Declaration drawn up by financial institutions for the purpose of environmental protection and sustainable development. By doing so it affirmed its commitment to adopt sustainable and environmentally sound practices in all its different types of operations*

## Sanpaolo IMI's commitment to the environment

Environmental issues involve our Group in two ways: directly and indirectly. Among the direct environmental impacts, the ones over which the Group exerts a direct influence and control, the consumption of energy resulting in emissions and the use of paper are significant, while the production of waste from the use of expendable goods and water have a lesser impact.

The indirect environmental impacts are those caused by the activities of third-party organizations with which the Group has relations (customers and suppliers). In the performance of our activities and through the services and products we offer, we can influence the behavior of our customers/suppliers with regards to the environment.

In 2002 Sanpaolo IMI signed the UNEP Declaration drawn up by financial institutions for the purpose of environmental protection and sustainable development. By doing so it affirmed its commitment to adopt sustainable and environmentally sound practices in all its different types of operations.

These commitments were carried out in the form of several projects and initiatives.

## UNEP STATEMENT

### 1. Commitment to sustainable development

"We consider sustainable development an essential component for the successful management of companies."

### 2. Environmental management and financial institutions

"We aim at pursuing best practices in environmental management."

"We aim to take into account environmental needs in all our operations, in asset management and other business decisions on all markets."

"We encourage the financial service industry to develop products and services that promote environmental protection."

### 3. Public awareness and communication

"We recommend that financial institutions will develop and publish a declaration on their environmental policy and regularly provide information on the measures they have adopted to promote the integration of environmental needs within their business."

"We undertake to adopt openness and dialogue regarding environmental issues."

## SANPAOLO IMI'S COMMITMENT

Our commitment to sustainable development is part of Sanpaolo IMI's value system and is demonstrated in its environmental policy.

- The ISO 14001 certified Environmental Management System is in place in some of the Group's branches.
- As regards direct environmental impacts, the Group's policy aims at monitoring and, where possible, reducing energy consumption, while progressively increasing energy supplies from renewable sources, reducing emissions, properly managing waste produced by our operative divisions located throughout the territory and reducing the use of paper.
- The Ethical Funds contemplate environmental criteria in the selection of investments.
- We apply the Equator Principles, which are social and environmental guidelines for project finance.
- We finance operations of environmental protection and local development and give financial advice in the sector of environmental services (Banca OPI). We also analyze and develop environmental projects (FIN.OPI).
- The Social Report lays down the policies, procedures and measures adopted by the Group to promote the integration of environmental needs within its sphere of activities.
- The Group's expertise is made available through its daily relations and exchanges with customers, as well as on the Group's Internet site and intranet portal.
- The Group participates in multistakeholder initiatives regarding environmental issues (the UNEP and Carbon Disclosure Program) and is proactive in the area of ABIENERGIA, which affects the entire national banking sector. Through the Carbon Disclosure Project the Group communicates financial implications, risks and opportunities regarding the problem of climate change and the Group's strategy for dealing with it ([www.cdproject.net](http://www.cdproject.net)).
- All new employees have been given a guidebook with instructions for a wiser use of energy resources at the workplace, already distributed to all of the personnel in 2005.

## Direct environmental impacts

### Environmental certification

In 2005 Sanpaolo IMI implemented an Environmental Policy and Environmental Management System (EMS), certified according to the international standard ISO 14001. The EMS is a system that enables to manage direct environmental impacts which the Group considers substantial: energy consumption and the relative emissions, waste production, paper consumption, restricting the presence of hazardous substances, maintenance of technological plants. The System also includes goals for improving environmental performance and lays out specific processes for obtaining those goals. Compliance with these procedures (for the most part applied to the entire Group) and programs is assured by routine internal audits. Moreover the employees involved have been trained, both in classroom sessions and in hands-on situations at their branch location. The EMS includes the supply system and consequently suppliers and subcontractors are required to comply with EMS procedures in conducting their business activities which have significant environmental impact. The EMS obtained confirmation of the certification at 72 pilot locations in May 2006.

*In 2005 Sanpaolo IMI implemented an Environmental Policy and Environmental Management System (EMS), certified according to the international standard ISO 14001*



### Sustenergy

Since January 2007 the Group has been a partner of "Sustenergy - Sustainable Energy Europe", a public awareness-raising campaign for sustainable energy in Europe planned for the period 2005 - 2008 and promoted by the European Commission. The partnership consists of a cooperative network of public and private players active in the field of sustainable energy to achieve the goals of the European energy policy. This policy aims at increasing the amount of renewable energies used to reach a percentage of 21.1% by the year 2010 in the 27 member countries of the EU.



Membership in Sustenergy is open to all private and public organizations with projects or programs that, according to an evaluation of the European Commission, will have important consequences on Europe's energy scenario. The Sanpaolo IMI Group is the only bank in Europe which has obtained this recognition, thanks to two projects. One involves the offer of finance products in the energy sector to support clean energy, energy efficiency, ecobuilding, and assistance in the technical and economic assessments of the more complex or innovative energy-related projects developed by the public sector or private-public partnerships. The other involves energy-saving activities implemented within the Group itself through specific interventions, i.e. using renewable electrical energy, adapting plants, using equipment run with high-energy efficiency and launching a campaign to sensitize employees to curb energy consumption.



Roberto Ferrero

**PRINCIPAL ENVIRONMENTAL INDICATORS**

(These figures refer to the Group nationwide, excluding Eurizon Financial Group for the data on energy and emissions and excluding Banca Fideuram for the data on waste and paper)

<b>Consumption</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Change 06/05</b>
Electricity <sup>1</sup> (millions of kWh)	261.2	262.5	260.2	-0.9%
Thermal energy <sup>2</sup> (millions of kWh)	160.5	140.6	116.3	-17.3%
from gas (millions of m <sup>3</sup> )	13.9	11.8	9.9	-16.1%
from oil and other liquid fuels (millions of liters)	2.72	2.67	2.10	-21.3%
Total energy <sup>2</sup> (millions of kWh)	421.7	403.2	376.5	-6.6%
Paper (kg)	5,088,000	5,325,000	5,081,000	-4.6%
rolls for large printers <sup>3</sup>	1,207,000	1,397,000	1,225,000	-12.3%
paper for photocopies, letters	3,400,000	3,369,000	3,362,000	-0.2%
other paper	481,000	559,000	494,000	-11.6%
<b>Waste and emissions</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Change 06/05</b>
Waste <sup>4</sup> (kg)	5,139,000	5,120,000	4,106,000	-19.8%
paper and cardboard	3,512,000	3,630,000	2,613,000	-28.0%
packaging	874,000	1,026,000	1,111,000	+8.2%
cartridges, tapes and film	104,000	99,000	1,119,000	+20.2%
hazardous waste	104,000	76,000	39,000	-48.7%
office machinery	246,000	195,000	235,000	+20.5%
other waste	299,000	94,000	70,000	-25.5%
Waste recycling <sup>4</sup> (%)				
recycling of paper and cardboard	99	99	99	
recycling of packaging	60	60	60	
recycling of cartridges, tapes and film	40	50	50	
recycling of hazardous waste	0	90	90	
recycling of office machinery	15	60	60	
recycling of other waste	0	0	0	
Emissions <sup>5</sup> (millions of kg of CO <sub>2</sub> )	104.3	90.9	65.4	-28.1%
from electricity	66.8	57.7	40.5	-29.8%
from gas and oil	37.5	33.2	24.9	-25.0%

1) According to an estimate by ABIENERGIA, as of 2006 this amount corresponded to 12% of electricity consumption of the entire national banking system.

2) For some Companies of the Group, this value is estimated based on the expense sustained.

3) The sharp decrease in the use of rolls is due to outsourcing some of the printing for customers.

4) Municipal waste collection services are not included.

5) Data obtained by using the new transformation coefficients for calculating emissions proposed for 2006 by ABIENERGIA. Emissions from the production of electricity (indirect emissions) were calculated considering the progressive modernization of power plants and using a transformation coefficient of 0.501 instead of 0.6.

ENVIRONMENTAL PERFORMANCE INDICATORS<sup>1</sup>

Consumption, waste and emissions	2004	2005	2006	Change 06/05
Electricity by workstation (kWh/workstation)	6,589	6,547	6,567	+0.3%
Electricity by surface area (kWh/m <sup>2</sup> )	140.0	134.2	139.3	+3.8%
Thermal energy by surface area (kWh/m <sup>2</sup> )	86.0	71.9	62.3	- 13.4%
Total energy by surface area (kWh/m <sup>2</sup> )	225.5	206.1	201.6	- 2.2%
Water (m <sup>3</sup> /year per employee) <sup>2</sup>	23.1	24.5	30.2	+ 23.3%
Paper per employee (kg/actual work force)	127	141	132	- 6.4%
Number of sheets consumed per day per employee	79	85	81	- 4.7%
Waste produced per employee (kg/actual work force)	139	136	109	- 19.9%
Emissions by surface area ( kg of CO <sub>2</sub> per m <sup>2</sup> )	56.0	46.5	35.1	- 24.5%
from electricity	36.0	29.5	21.8	- 26.1%
from gas and oil	20.0	17.0	13.3	- 21.8%
Emissions per employee (kg/actual work force)	2,632	2,267	1,651	- 27.2%

1) The following parameters were used for the calculation:  
 - net surface area: 1,872,198 m<sup>2</sup> (-4.4 % compared to 2005)  
 - workstations (considering the presence of other external operators/companies working in the area under examination): 39,965  
 - actual number of staff (net of staff absent over the long term): 39,622

2) Consumption levels estimated on the basis of expenses for water consumption (in 2006 by a more accurate estimation was made by each company of the Group).

### Energy consumption

Energy consumption refers mainly to the following items, in order of importance:

- Electricity used to power the office machinery and data processing centers, air-conditioning and chilling systems and, where the winter climate is mild, heat pump-based heating systems as an alternative to traditional fuel-based systems.
- Fuel used for heating and air recirculation during winter (in some locations district heating is provided).

This environmental aspect is handled by the Energy Manager. The policies and procedures of the Group as regards energy management comprise the following:

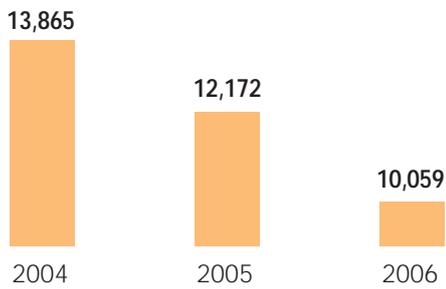
- the progressive application of standardized equipment nationwide and the installation of high-efficiency office machinery;
- the absence of hazardous products and, where possible, the replacement of products harmful to the environment with products having a lower environmental impact;
- maintenance of all equipment in order to ensure maximum energy efficiency;
- the progressive increase in supplies of energy from renewable sources (which in 2006 reached approximately 70% of total energy consumption);
- increasingly effective monitoring of energy consumption, also as a result of progressive improvement in the dedicated IT procedures.



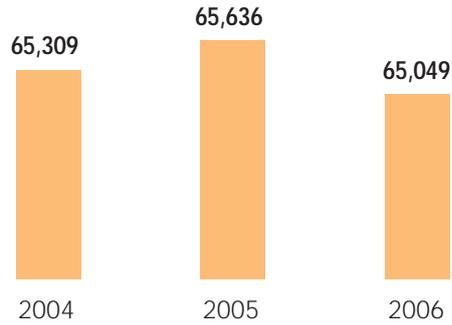
Alberto Capettini

As regards monitoring, we recently acquired a Day-Degrees database (an empirical parameter used for calculating the heat needs of a building) of the various Italian municipalities to allow us to parameterize consumption levels by surface area and according to the climatic conditions of each location. Moreover, for the larger buildings we conducted a daily and hourly analysis of electrical input which allowed us to determine in some cases the periods of day with peaks of input or usage of plants during non-working periods. This information will be used in 2007 for possible upgrading projects.

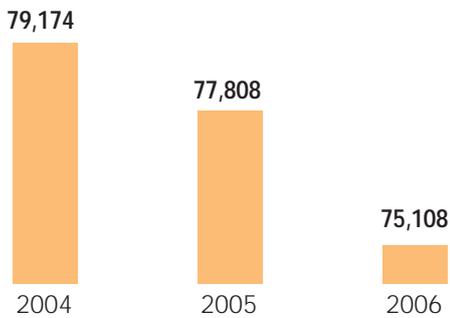
**CONSUMPTION OF THERMAL ENERGY**  
(toe)



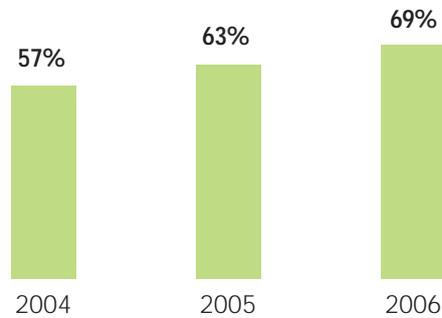
**ELECTRICITY CONSUMPTION**  
(toe)



**TOTAL ENERGY CONSUMPTION**  
(toe)

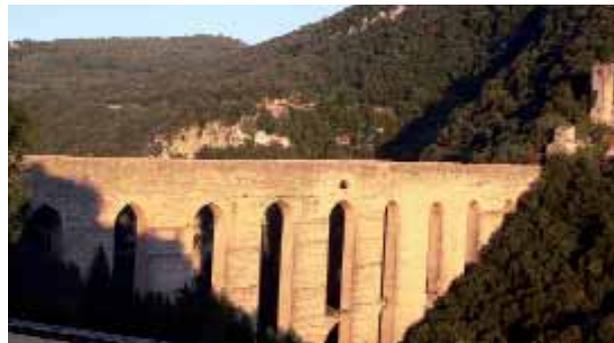


**HYDROELECTRIC ENERGY**  
(% of total electricity consumption)



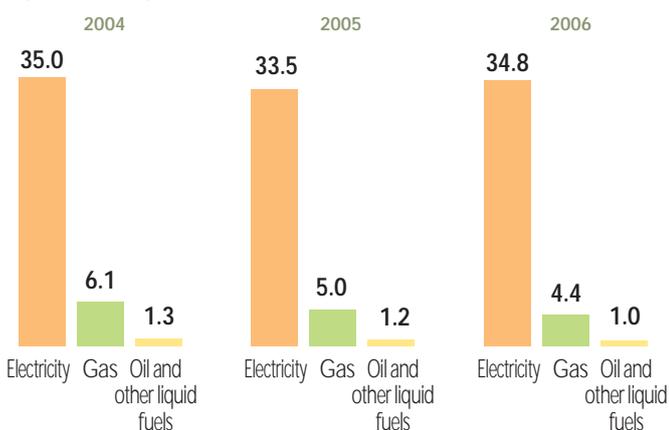
The following trends were recorded in 2006:

- consumption of electricity remained essentially stable (-0.9% compared to 2005) despite the sharp increase in consumption by the data processing centers (linked to further expansion of the processing activities to support the growth of the Group);
- total thermal energy consumption showed a considerable decrease (-17.3%) mainly due to more favorable climatic conditions and replacement of heating systems (from boiler to heat pump and the use of more efficient boilers).



Stefania Lusona

**ENERGY CONSUMPTION BY SURFACE AREA**  
(toe\*10<sup>-3</sup>/m<sup>2</sup>)



**Comparative data on total energy consumption**

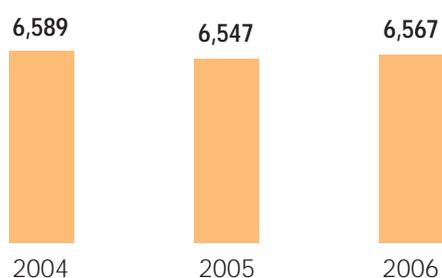
A study of the Turin Polytechnic indicates the following parameters for average energy consumption in offices for the climatic area of northern Italy:

- Gas = 8 - 9 toe\*10<sup>-3</sup>/m<sup>2</sup>
- Electricity = 42,5 - 45 toe\*10<sup>-3</sup>/m<sup>2</sup>

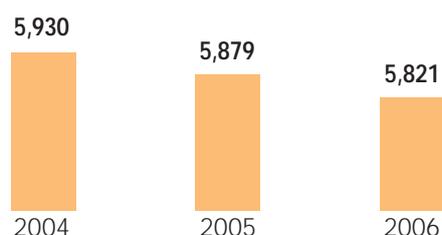
### ENERGY CONSUMPTION BY ACTUAL WORKFORCE, EXCLUDING DATA PROCESSING CENTERS (toe/actual workforce)



### ELECTRICITY BY WORKSTATION, WITH DATA PROCESSING CENTERS (kWh/workstation)



### ELECTRICITY BY WORKSTATION, WITHOUT DATA PROCESSING CENTERS (kWh/workstation)



Each person who works for the Group collaborates in actions to reduce consumption. To this end all new employees received a practical guide (already handed out to all employees in 2005) containing a series of tips on how to use work equipment and systems in a more environmentally responsible manner. The brochure, called "Salva l'ambiente con un click", was prepared by ABIENERGIA with the sponsorship of the Ministry for the Environment and the Italian Federation for Rational Use of Energy, and in collaboration with the Energy Managers of several associated banks, including

### Comparative data on heating consumption

An analysis conducted by ABIENERGIA in 2006 on a sample of 17 banks estimates the following parameters of consumption per employee (excluding the data processing centers):

0.34 toe/actual workforce (gas)

0.30 toe/actual workforce (oil)

For the Sanpaolo IMI Group the corresponding parameter is approximately 0.25 toe/actual workforce.

### Comparative data on electricity consumption

Referring to the most updated figures provided by GRTN – Gestore della Rete di Trasmissione Nazionale (National Transmission Network Provider) for the year 2003, average annual consumption per number of employees in the credit sector is estimated to be 6800 kWh.

An analysis conducted by ABIENERGIA in 2006 on a sample of 17 banks estimates approximately 6300 kWh as the annual consumption of electricity per employee (without considering the consumption levels of the data processing centers). For the Sanpaolo IMI Group, the corresponding parameter is approximately 5820 kWh per employee. This value indicates the Group's high level of energy efficiency if we consider that for banking groups as large as Sanpaolo IMI the average values are greater due to the higher incidence of office machinery (PCs, printers, photocopiers, etc.) and the larger size of the plants at the branches. Furthermore, the locations in central-southern Italy require a greater cooling capacity, mainly provided by electrically-powered units.

Sanpaolo IMI. The guide is also available on the company's intranet site.

The Group has participated in ABIENERGIA to carry out initiatives, such as the stipulation of agreements for the purchase of electricity on the free market (mainly hydroelectric energy), attending conferences and training courses for Energy Managers in the banking sector, and studying various issues, amongst which business continuity.

**Atmospheric emissions**

The use of energy for the management of operations in Group premises leads to emissions of carbon dioxide, the gas considered to be the main culprit of global warming.

Atmospheric emissions have been reduced as a result of the following actions:

- use of hydroelectric energy, which does not generate greenhouse gases;
- prevalent use of natural gas, which generates less atmospheric emissions than other fuels;
- use of systems to recover the heat produced by electronic processors in the data processing centers;
- use of heat pumps in the branches where allowed by the climactic conditions;
- use of company cars recently manufactured and therefore having lower emissions.

CO<sub>2</sub> emissions generated by plants in buildings

of the Group (combustion for the operation of heating systems) and emissions from the use of electricity produced by thermoelectric plants are quantified.

Atmospheric emissions showed a reduction, mainly attributable to the increased use of hydroelectric energy and the decrease in energy consumption recorded.

Emissions per employee amount to 1,651 kg of CO<sub>2</sub> in one year, against an average value of the banking sector at 3,633 kg of CO<sub>2</sub> per employee in one year (this estimate was made by ABIENERGIA on a sample of 17 banks).

Starting in 2006 CO<sub>2</sub> emissions were also calculated for employee travel during work time in company cars. Considering the type of cars used by the Group, emissions produced by work travel in company cars are estimated at 2,354 tons/year, of which 895 tons by gasoline and 1,459 tons by diesel fuel.

*Atmospheric emissions showed a reduction, mainly attributable to the increased use of hydroelectric energy (69% of the total energy used) and to the reduction in energy consumption recorded*

**The GreenLight Program**

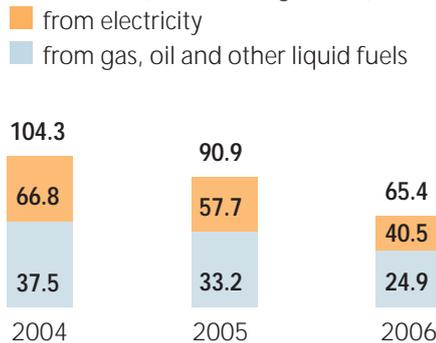
Lighting is playing an increasingly significant role in energy efficiency strategies.

Improvement in lighting systems can contribute significantly to energy savings and to the consequent reduction in greenhouse gases, in addition to optimizing the quality of artificial lighting to the benefit of employees.

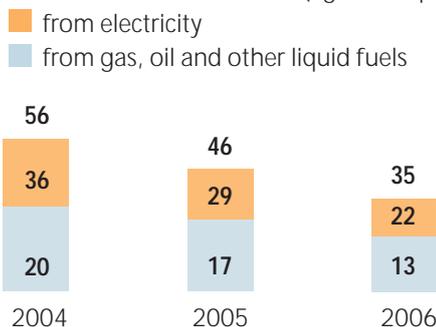
In 2003 Sanpaolo IMI joined the GreenLight Program, which is based on voluntary agreements stipulated by large-scale users of lighting in the services, public administration and industrial sectors with the European Commission, to improve the lighting technologies and management methods in their buildings. In 2006 the new lighting systems will be fitted with electronic reactors which save at least 15% compared to high-quality systems with traditional reactors.

At the end of 2006 another 59 branches were included in the GreenLight Program (bringing the total number to 255).

EMISSIONS (millions of kg of CO<sub>2</sub>)



EMISSIONS PER SURFACE (kg of CO<sub>2</sub> per m<sup>2</sup>)



### Expenditures and investments in the environment

Determining total expenditures and investments made to protect the environment and mitigate the impact of the Group should make it possible to evaluate the efficacy throughout time with which the Group uses its resources to improve environmental performance.

In 2006 approximately 17.5 million euro were spent for the environment. This figure includes the costs for special waste treatment, plant maintenance (only running costs), the EMS, certification and sensitizing employees to energy-saving practices.

In 2006 Sanpaolo IMI was inflicted with three administrative sanctions for noncompliance to environmental standards for a total of approximately 46,000 euro.

### Mobility Management

Better mobility management can contribute to reducing the congestion levels of urban traffic and air pollution, with subsequent advantages at the environmental, social and economic levels. In this context, both companies as well as individual workers play an important role. For this reason, the Mobility Manager of Sanpaolo IMI – with an approach based on information, participation, coordination and organization of workflow – aims to encourage individuals and organizations to adopt an efficient and integrated use of all tools at their disposal (means of transport, technologies, organizational models), giving priority to environmentally and socially sustainable methods. In Italian cities where the Group employs at least 800 people, a Mobility Manager was appointed for each of the companies having a large-scale presence: Sanpaolo IMI, Banca IMI, Eurizon Capital SGR and Leasint in Milan; Cassa di Risparmio di Padova e Rovigo in Padua; Cassa di Risparmio di Venezia in Venezia Mestre; Cassa di Risparmio in Bologna and Neos Banca in Bologna; Sanpaolo IMI in Rome; Sanpaolo Banco di Napoli in Naples. In addition to these figures is the Mobility Managers of the Parent Bank who supervise the general organizational systems and coordinate the actions of each company as well as directly handling the activities for the city of Turin.

In Turin in 2006 the Home-Work Travel Plan was launched for the office building of Via Lugaro: it is a document for the programmatic planning and implementation of initiatives for sustainable mobility aimed at reducing the use of private

individual motor vehicles. Starting with an information-gathering and analysis phase, which included questionnaires given to approximately 630 employees who work in the aforesaid office building, five programmatic proposals were defined: promotion of the use of bicycles, incentives for car pooling, adaptations to utility vehicles, collaboration with the City of Turin and the Gruppo Torinese Trasporti (the Turin public transportation group) and, finally, increasing means of circulating information. Similar processes were launched in coordination with the competent local authorities at all the other aforementioned companies of the Group: surveys were conducted in Milan (at three of the four companies studied) and Mestre by means of questionnaires given to the respective company populations for a total of over 1,300 employees. Noteworthy is the project that garnered special mention for Eurizon Capital SGR by Premio Città Amiche della Bicicletta (Bicycle-Friendly Cities Award) organized by Euromobility. The award-giving ceremony was held in November in Rimini during the tenth Ecomondo trade fair. Projects consisted of building a parking area for over 70 bicycles or motorcycles at the Milan location. The goal is to spread and reward the habit of using bicycles by removing some of the major deterrents to choosing bicycles as a means of transport, i.e. providing a private parking space that protects them from the risk of theft and atmospheric agents.

*The Mobility Manager of Sanpaolo IMI, with an approach based on information, participation, coordination and organization of workflow, aims to encourage individuals and organizations to adopt an efficient and integrated use of all tools at their disposal, focusing on the choice of environmentally and socially sustainable methods*

## Indirect environmental aspects

### Supporting renewable energy

The Group aims to support development in the renewable energy sector, with initiatives in the various fields of activity.

This orientation is implemented both through the creation of special finance instruments for enterprises and private individuals and through the assistance provided by FIN.OPI (company of the group specialized in financing for the public works and infrastructure sector) in the technical and economic assessment of complex and innovative projects.

In 2006 several different lines of products were launched to support investments for the rationalization of consumption, the diversification of sources and the production of renewable and alternative energies. In particular a new product was launched dedicated to supporting investments by enterprises that intend to carry out projects whose purpose is to save energy or exploit renewable sources of energy. In addition to this other financing services were designed for small enterprises that intend to build plants for the production and possible sale of energy obtained from renewable sources (thermal solar collectors, photovoltaic systems, biomass energy production



Daniela Gagliardi

*In 2006 several different lines of products were launched to support investments for the rationalization of consumption, the diversification of sources and the production of renewable and alternative energies*

plants, cogeneration plants, distribution networks) and a product aimed in particular at farming and agri-tourism enterprises. As regards private customers, Sanpaolo IMI offers personal loans for designing and installing photovoltaic solar panels in private homes.

Another initiative to promote energy savings consists of financing construction companies that use sustainable building criteria. More specifically, facilitated rates and conditions are provided for buildings that, already in the planning phase, meet the sustainability criteria contemplated by the Protocollo Itaca for the evaluation of the energy and environmental quality of a building (a certification developed by an interregional ecobuilding workgroup). These special conditions are reserved to enterprises, on retail disbursements during the construction phase, and private purchasers in the mortgage contract phase.

Through FIN.OPI, the company of the Group that acts as equity investor in the public sector and public-private partnerships, investment opportunities are constantly monitored in the area of renewable energies, including the more traditional sector of wind and mini-hydroelectric power as well as photovoltaic, biomass and biogas energy production. The Utilities and Environment Unit is the specialized unit dedicated to this purpose. In particular, FIN.OPI proposes to take on the role of financial partner to industrial operators in projects for the production of energy from renewable sources. In 2006 several initiatives were launched to structure vehicle companies dedicated to these activities for the purpose of acquiring minority shareholdings. Such initiatives were conducted in collaboration with primary national operators in their respective sectors.

FIN.OPI also sets out to participate in the emission trading market created after the Kyoto protocol and the European Union Directive Emission Trading Scheme (ETS) came into effect, which anticipated its effects within the Member States in terms of commitment to the reduction of emissions of gas that create the greenhouse effect. To this end a monitoring action was launched in partnership with a primary national energy operator for the reduction of emissions in Morocco, Tunisia and Brazil (which are part of the Clean Development Mechanism), for the purpose of structuring a vehicle for obtaining Certified Emissions Reduction (CER). Moreover an advisory activity was set up in the course of 2006 for the economic-financial assessment of projects in the renewable energy

sector to support the deliberations taken for the financing of certain business units of the Group. To complete the specialized service offered, a training program was also conducted for the benefit of the Group departments involved. Lastly FIN.OPI, the only company belonging to a banking network, in December 2006 became affiliated with the Associazione Produttori Energia da Fonti Rinnovabili (APER) [Association of Producers of Renewable Energy Sources] that, with over 300 associated operators, represents a national touchstone for regulatory and market orientation for the operators of renewable sources, as well as an excellent center for discussing energy issues.

### Equator Principles

At the beginning of 2006, the Group adopted the Equator Principles, a set of voluntary international guidelines for project financing activities, developed by a group of international banks on the basis of criteria by the IFC (International Finance Corporation), a subsidiary of the World Bank. The objective of the Equator Principles is to identify and manage social and environmental risk profiles in order to ensure that the projects financed – particularly for large-scale works with a high environmental impact, such as gas pipelines, dams or energy stations – are carried out in compliance with the values of social responsibility and best practices. Some of these are the protection of human health and safety, the respect of human rights, aspects relative to construction work, the conservation of cultural heritage and biodiversity and the socio-economic impacts on local communities. The Equator Principles are applied to all international operations of project financing for an amount equal to or more than 10 million dollars.

Sanpaolo IMI participates in projects of significant social-environmental impact only when the operation involves several international institutions that adhere to the Equator Principles and international entities such as the aforementioned IFC. This guarantees that all the financiers comply with the principles.

An independent third party adviser is commissioned to verify the conformity of the project to the standards required by the Equator Principles. These studies are preliminary to the stipulation of financing and constitute a condition without which the project cannot proceed. Moreover, the monitoring activities continue throughout all the phases of the project: if nonconformities to the Equator Principles arise, the financiers request that the adviser indicate possible solutions and then require the borrower to adopt those solutions immediately.

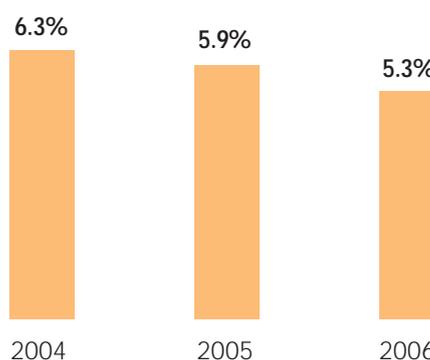
### Environmental risk

Every year an environmental risk indicator is defined to determine the percentage of loans used by enterprises classified as belonging to certain production sectors creating a high level of environmental risk. This classification follows the indications provided by the European Bank for Reconstruction and Development (EBRD) in its environmental risk management manual which identifies 24 categories of industry (environmental screening categories) that produce a high environmental impact.

To identify the loans that pose a risk to the environment, the categories of industries identified by the EBRD were mapped according to business areas and subareas utilized in the internal classifications to associate a given production sector with its various counterparties. The entire loan portfolio of the Group's commercial banks was taken into consideration, excluding only exposures that do not exceed a threshold of materiality, identifies in an extremely conservative manner, in an amount of 1,000 euro.

The sector identified in this manner are 29 (e.g. construction and public works, paper articles, petroleum-based products, electricity, tanneries, artificial and synthetic fibers, etc.) The environmental indicator thus represents the percentage of loans used in business sectors with a high environmental risk against the total loans from commercial banks.

LOANS TO SECTORS WITH HIGH ENVIRONMENTAL RISK  
(% of total loan portfolio of the Commercial Banks)





# 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.



**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.
- 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 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 level 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 specialized by professional profile and business needs (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 feed-back 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 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 and monitoring categories.

### 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).



## 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 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).

### **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 by PricewaterhouseCoopers



PricewaterhouseCoopers SpA

## ASSURANCE STATEMENT

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

- 1 We have carried out some testing and analysis of compliance of the 2006 Social Report (hereinafter "Report") of Sanpaolo Imi Group as of 31 December 2006 following the procedures summarized in paragraph 3 of the present document.
- 2 Our work has been conducted in accordance with the principles and guidelines established by the "International Standard on Assurance Engagements 3000" (ISAE3000) as presented by the International Auditing and Assurance Standards Board (IAASB), applicable to this engagement. Our work has been performed with the aim of verifying, in accordance with *limited assurance engagement principles*, the statement included in the paragraph "Introduction and methodology". This paragraph states that this Report has been drawn up referring to the Sustainability Reporting Guidelines by GRI (Global Reporting Initiative, version 3.0, Application Level B+) and considering the ABI (Italian Banking Association) guidelines. The Directors of Intesa Sanpaolo S.p.A are responsible for the approval of the Report completed in accordance with the above mentioned guidelines; our responsibility is attesting compliance to these principles.
- 3 In order to evaluate the statement mentioned in paragraph 2, we performed the following verification procedures:
  - adherence and correspondence of economic and financial information to those reported in the Sanpaolo IMI Group consolidated Financial Statements as of 31 December 2006;
  - analysis of the methodology of obtaining data and management of quantitative and qualitative data, through:
    - meetings with management representatives from Intesa Sanpaolo S.p.A, and interviews with management representatives from Banca OPI S.p.A and Eurizon Capital SGR S.p.A in order to achieve a general understanding of procedures supporting the collection and the subsequent management of data transmitted to the department responsible of drawing up the Report;

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Rog. Imp. Milano 12079880155 iscritta al n. 43 dell'Albo Consob - Altri Uffici: Bari 70125 Viale della Repubblica 110 Tel. 0805429853 - Bologna 40122 Via delle Lame 111 Tel. 051526511 - Brescia 25124 Via Cefalonia 70 Tel. 0302219811 - Firenze 50129 Viale Milton 65 Tel. 0554627100 - Genova 16121 Piazza Dante 7 Tel. 01029041 - Napoli 80121 Piazza del Martiri 30 Tel. 0817644441 - Padova 35137 Largo Europa 16 Tel. 0498762677 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43100 Viale Tanara 20/A Tel. 0521242848 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10129 Corso Montevecchio 37 Tel. 011556771 - Trento 38100 Via Grazioli 73 Tel. 0461237004 - Treviso 31100 Viale Felissant 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0409480781 - Udine 33100 Via Postolle 45 Tel. 043225789 - Verona 37122 Corso Porta Nuova 125 Tel. 0458002551



- analysis, on a sample basis, of the documentation supporting the Report in order to confirm the reliability of data and information collected through meetings and interviews and to confirm they were properly managed;
  - analysis on the completeness and internal consistency of the qualitative information included in the Report. This activity has been performed following the guidelines stated above;
  - obtaining of a representation letter signed by the legal representative of Intesa Sanpaolo S.p.A. relating to the completeness and reliability of the Report and of the information and data included in it.
- 4 Regarding the comparative data relating to the 2005 Social Report reference should be made to our assurance statement report dated 11 April 2006.
  - 5 Based on the procedures we carried out, nothing has come to our attention that causes us to believe that the 2006 Social Report of Sanpaolo IMI Group as of 31 December 2006 is not in compliance with the principles stated in the paragraph "Introduction and methodology". The economic and financial data included in the Report correspond to those reported in the Sanpaolo IMI Group consolidated financial statements, the other data and information are consistent with the internal documentation provided and the report fulfills the Application Level "B+"

Turin, 2 July 2007

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli  
(Partner)

This report has been translated from the original, which was issued in Italian. We have not performed any control on the 2006 Social Report translation.

A photograph of a volcanic eruption. A large, dark, conical volcano is visible in the background. A massive plume of white ash and smoke rises from the crater, reaching high into the sky. The foreground is dark and appears to be covered in volcanic ash or lava. The overall scene is dramatic and powerful.

# Attachments



Application level	G3 Application level					
	C	C+	B	B+	A	A+
<b>STANDARD DISCLOSURES</b>						
G3 Profile Disclosures	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 on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17		Same as requirement for Level B	
G3 Management Approach Disclosures	Not Required	REPORT EXTERNALLY ASSURED	Management Approach Disclosures for each Indicator Category.	REPORT EXTERNALLY ASSURED	Management Approach Disclosed for each Indicator Category.	REPORT EXTERNALLY ASSURED
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human Rights, Labor, Society, Product Responsibility.		Respond on each core G3 and Sector Supplement* indicators with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

\* Sector Supplement in final version



# Table of indicators and contents

Total coverage of indicator	
Partial coverage of indicator	
Non GRI indicator	
GRI sector supplements	SS

## PROFILE DISCLOSURE

Description	GRI	Coverage	Page	Comments
<b>STRATEGY AND ANALYSIS</b>				
Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	1.1		8-9	
Description of key impacts, risks, and opportunities	1.2		20; 33; 88-91; 116-123	
<b>ORGANIZATIONAL PROFILE</b>				
Name of the organization	2.1		Cover	
Primary brands, products, and/or services	2.2		18-19; 21-27	
Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	2.3		18-35	
Location of organization's headquarters	2.4		Title page	
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		21-27	
Nature of ownership and legal form	2.6		28; 32	
Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	2.7		21-27	
Market share in Italy: Branches (breakdown by region) Customer Deposits (domestic market share) Loans to Customer (breakdown by region)	2.7		21	
Scale of the reporting organization	2.8			
Significant changes during the reporting period regarding size, structure, or ownership	2.9		21	
Awards received in the reporting period	2.10		18-19; 21-33; 72-73	The 2005 Social Report has been published in April 2006
<b>REPORT PARAMETERS</b>				
Reporting period (e.g., fiscal/calendar year) for information provided	3.1		107	
Date of most recent previous report	3.2		10-11	
Reporting cycle (annual, biennial, etc.)	3.3		10-11	
Contact point for questions regarding the report or its contents	3.4		Cover	
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		10-11	

## PROFILE DISCLOSURE

Description	GRI	Coverage	Page	Comments
Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	3.6	●	10-11	
State any specific limitations on the scope or boundary of the report	3.7	●	10-11	
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	●	10-11; 22-27	
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	●	53; 108-109	
Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	3.10	●	10-11; 72-73	
Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	3.11	●	10-11	
Table identifying the location of the Standard Disclosures in the report, with page numbers or web links	3.12	●	129-137	
Policy and current practice with regard to seeking external assurance for the report	3.13	●	10-13	
<b>GOVERNANCE, COMMITMENTS &amp; ENGAGEMENT</b>				
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	●	28-32	
Indicate whether the Chair of the highest governance body is also an executive officer	4.2	●	29; 31	
Number of members of the highest governance body that are independent and/or non-executive members	4.3	●	28; 30; 31	
Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	4.4	●	32	There are no mechanisms of employees representation in the highest governance body
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	●	29; 31	
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	●	28-32	

## PROFILE DISCLOSURE

Description	GRI	Coverage	Page	Comments
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; Code of Ethics	
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	●	34	
Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	4.10	●		The industrial Plan 2007-2009, presenting the goals of economic, environmental and social performance, has been approved by the Management Board and by the Supervisory Board, which therefore will be evaluated based on the achievement of such goals
Explanation of whether and how the precautionary approach or principle is addressed by the organization	4.11	●	65; Code of Ethics	
Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	4.12	●	34-35	
Memberships in associations (such as industry associations) and/or national/international advocacy organizations	4.13	●	35	
List of stakeholder groups engaged by the organization	4.14	●	12	
Basis for identification and selection of stakeholders with whom to engage.	4.15	●	12-13	
Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	4.16	●	52-55; 85	
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	◐	52-55; 85	
CSR Policy	CSR1	SS	33; 47; 76-80; 93-101; 105-106	
CSR Organisation (Describe the structure and relevant CSR responsibilities, including explanation of the installed procedures)	CSR2	SS	33	
CSR Audits Report on the number of audits and auditor hours. Includes both internal and external (independent third party) audits	CSR3	SS	34	A process of ethical auditing has been established with the Groups' new Code of Ethics
Management of Sensitive Issues. Describe procedures for handling issues sensitive to stakeholders and responsiveness	CSR4	SS	Code of Ethics	

## DISCLOSURE ON MANAGEMENT APPROACH

Description	Page
<b>ECONOMIC</b>	
Economic Performance	16-17; 20; 36-41; 78; 89-91; 116-123
Market Presence	16-17; 20; 116-123
Indirect Economic Impacts	16-17; 63-65; 68-69; 94-96; 98
<b>ENVIRONMENTAL</b>	
Materials	122
Energy	109; 122
Biodiversity	115
Emissions, effluents and waste	112; 122
Products and services	114-115; 122
Compliance	107; 113
Transport	113; 122
Overall	34; 105-115; 122
<b>SOCIAL: LABOUR PRACTICES AND DECENT WORK</b>	
Employment	74; 119
Labour/management relations	81
Occupational health and safety	86-87
Training and education	78-79; 119
Diversity and equal opportunity	76-77; 120
<b>SOCIAL: HUMAN RIGHTS</b>	
Investments and procurement practices	115; 121
Non discrimination	17- 76; 81
Freedom of association and collective bargaining	81
Complaints and Grievance practices	56-57; 82; 100
Security practices	87
Indigenous Rights	115
<b>SOCIAL: SOCIETY</b>	
Community	92; 123
Corruption	30
Public policy	65-66; 94-96; 114
Anti-competitive behaviour	16-17
<b>SOCIAL: PRODUCT RESPONSIBILITY</b>	
Customer health and safety	49-51; 57-58; 65
Products and services labelling	34; 118
Marketing communications	123
Customer privacy	49-51
Compliance	34

## PERFORMANCE INDICATORS

Description	GRI	Coverage	Page	Comments
<b>ECONOMIC PERFORMANCE INDICATORS</b>				
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	●	39	
Financial implications and other risks and opportunities for the organization's activities due to climate change	EC2	●		Through the Carbon Disclosure Project the Group has communicated the financial implications, the risks and opportunities and the strategies regarding climate change ( <a href="http://www.cdproject.net">www.cdproject.net</a> )
Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	EC5	●	74	
Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	EC8	●	68-69	
Understanding and describing significant indirect economic impacts, including the extent of impacts	EC9	●	64; 68-69; 94-96	
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>				
Materials used by weight or volume	EN1	●	108	
Direct energy consumption by primary source	EN3	●	108	
Indirect energy consumption by primary source	EN4	●	108	
Energy saved due to conservation and efficiency improvements	EN5	●	105; 109-110	
Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	EN6	●	105; 112	
Initiatives to reduce indirect energy consumption and reductions achieved	EN7	●	109	
Total water withdrawal by source	EN8	◐	109	
Total direct and indirect greenhouse gas emissions by weight	EN16	●	108	
Other indirect greenhouse gas emissions	EN17	◐	113	
Initiatives to reduce greenhouse gas emissions and reductions achieved	EN18	●	112	
Total weight of waste by type	EN22	●	108	
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	●	108	
Monetary value of significant fines and total number of non - monetary sanctions for non - compliance with environmental laws and regulations	EN28	●	113	
Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	EN29	●	112	

## PERFORMANCE INDICATORS

Description	GRI	Coverage	Page	Comments
Total environmental protection expenditures and investments by type	EN30	●	113	
<b>SOCIAL PERFORMANCE</b>				
<b>LABOUR PRACTICES AND DECENT WORK</b>				
Total workforce by employment type, employment contract, and region	LA1	●	72	
Total number and rate of employee turnover by age group, gender, and region	LA2	●	72; 74	
Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	LA3	◑	83	
Percentage of employees covered by collective bargaining agreements	LA4	●	81	
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	◑		The Technical Mixed Commission on safety and security was composed respectively: - for the Trade Unions, 2 components chosen by each organization signatory of the Industrial Relation Protocol - for the company, various representatives of company departments
Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	LA7	●	86	
Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	LA8	●	86	
Health and safety topics covered in formal agreements with trade unions	LA9	●		There have been no formal agreement
Average hours of training per year per employee by employee category	LA10	●	78-79	
Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	LA11	●	80	
Percentage of employees receiving regular performance and career development reviews	LA12	●	71	
Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	LA13	●	30; 31; 72	
Ratio of basic salary of men to women by employee category	LA14	●	74	
<b>SOCIAL PERFORMANCE: HUMAN RIGHTS</b>				
Percentage and total number of significant investment agreements that include human rights clauses	HR1	◑	115	

## PERFORMANCE INDICATORS

Description	GRI	Coverage	Page	Comments
Total number of incidents of discrimination and actions taken	HR4	●		No incidents to report
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	●		No operations were identified, in full compliance with the agreements signed for the national collective agreement for the sector and for the supplementary bargaining agreement
Total number of incidents of violations involving rights of indigenous people and actions taken	HR9	●		No incidents to report
<b>SOCIAL PERFORMANCE: SOCIETY</b>				
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	◡	115	
Percentage and total number of business units analyzed for risks related to corruption	SO2	●	30	
Percentage of employees trained in organization's anti-corruption policies and procedures	SO3	●	79	
Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	SO6	●		The policy on donations does not allow financial contributions to political parties and related institutions
Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	SO7	●		See Consolidated Report Part E, information on risks and related coverage policies, Legal actions
Monetary value of significant sanctions and total number of non monetary sanctions for non compliance with laws and regulations	SO8	●		See Consolidated Report Part E, information on risks and related coverage policies, Legal actions
<b>SOCIAL PERFORMANCE: PRODUCT RESPONSIBILITY</b>				
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	●	50-51; 87	
Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	PR3	●	34; 57	
Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	PR5	●	52-55	
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	PR8	●		49 complaints regarding customer privacy in 2006
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	PR9	●		See Consolidated Report Part E, information on risks and related coverage policies, Legal actions
Internal CSR policy (describe social responsibility issues covered in the company's human resources policies)	INT 1	SS	76;77-79; 81; 86	

## PERFORMANCE INDICATORS

Description	GRI	Coverage	Page	Comments
Bonuses Fostering Sustainable Success	INT 5	SS	75	
Charitable Contributions	SOC1	SS	93; 97-98	
Retail Banking Policy (socially relevant elements)	RB1	SS	62; 94-96; 114	
Lending Profile	RB2	SS	45	
Lending with High Social Benefit	RB3	SS	64	
Investment Policy (socially relevant elements)	IB1	SS	115	
Assets under Management with High Social Benefit	AM2	SS	59-61	
Description of environmental policies applied to core business lines	F1	SS		The environmental policy is available in the Group's internet site
Description of process(es) for assessing and screening environmental risks in core business lines	F2	SS	115	
State the threshold(s) at which environmental risk assessment procedures are applied to each core business line	F3	SS	115	
Description of processes for monitoring clients' implementation of and compliance with environmental aspects raised in risk assessment process(es)	F4	SS	115	
Percentage of assets subjects with positive, negative or best in class environmental screening	F9	SS	59-61	
Analysis and features of customers		▲	45	
Quality systems (certifications, codes of conduct adopted)		▲	34	
Virtual banking		▲	49-51	
Complaints of customers by type		▲	56-57	
Social capital		▲	32	
Return on invested capital		▲	89-90	
Description of investor relations activities		▲	91	
Descriptions of communications activity and the media utilized		▲	99	
Transparency, clarity and accessibility of communications		▲	99	
Environmental management systems and risk management		▲	107; 115	
Classification and analysis of suppliers		▲	101	
Suppliers: communications and information policy		▲	101	
Relations with associations and foundations		▲	92-97	

## GLOBAL COMPACT AND GRI

Global Compact areas	Global Compact principles	Relevant GRI indicators
<b>HUMAN RIGHTS</b>	1. Businesses should support and respect the protection of internationally proclaimed human rights	HR1; HR4; HR5; HR9 LA4; LA13; LA14; SO1
	2. Make sure that they are not complicit in human rights abuses	HR1
<b>LABOUR STANDARDS</b>	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	HR5; LA4
	4. The elimination of all forms of forced and compulsory labour	HR1
	5. The effective abolition of child labour	HR1
	6. The elimination of discrimination in respect of employment and occupation	HR4; LA2; LA13; LA14; HR1; EC5; LA3
<b>ENVIRONMENT</b>	7. Businesses should support a precautionary approach to environmental challenges	Disclosure on management approach on environment
	8. Undertake initiatives to promote greater environmental responsibility	EN5-7; EN18; EN22; EN1; EN3-4; EN8; EN28-29; PR3
	9. Encourage the development and diffusion of environmentally friendly technologies	EN5-7; EN18
<b>ANTI-CORRUPTION</b>	10. Businesses should work against corruption in all its forms, including extortion and bribery	SO2; SO3; SO6

# 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 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 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.

#### **Value 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 the country, linking economic 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 information 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](http://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 implementation 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 sustainability, 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 organizations 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](http://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 23/2001, 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 noncompliances.

### **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](mailto: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.

# Glossary

**ABI:** Associazione Bancaria Italiana (Italian Bankers' Association).

**Anatocism:** capitalization of interest on capital, so that interest yields interest in its turn (it's about interest upon interest). In case of non-payment anatocism entails liability to pay interest both on capital and on unpaid accrued interest.

**ATM:** automatic teller machine.

**Banking Ombudsman:** board founded in 1993 and promoted by the Italian Bankers' Association to settle disputes between banks and customers for values not exceeding 50,000 euro and for which no solution could be found through the bank's complaint department.

**Benchmark:** objective reference parameter for financial investments expressed by well known indices (MIB30, Dow Jones, etc.) or by other indices considered representative of the investment's risk/performance profile.

**CONFIDI** (Consorti di Garanzia Collettiva Fidi): Loan Collective Guarantee Consortia.

**CONSOB** (Commissione nazionale per le Società e la Borsa): Italian commission for Companies and the Stock Exchange.

**Corporate governance:** the set of criteria and processes used to govern a company. Corporate Social Responsibility The European Commission Green Paper *"Promoting a European framework for Corporate Social Responsibility"* defines corporate social responsibility as follows *"the companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. [...] Being socially responsible - the Green Paper goes on to say - means not only fulfilling legal expectations, but also going beyond compliance, and investing in human capital, the environment and in the relations with stakeholders"*.

**Creditworthiness:** the ability of a company to repay debt assessed on the basis of the company's economic and financial position.

**Disclosure:** the revelation of a fact or a circumstance in financial statements or other financial reports. The same term is used to indicate banking confidentiality under the circumstances established by law.

**Ethical fund:** an investment fund that invests in accordance with SRI criteria.

**Internet banking:** banking service for customers accessed by means of an internet connection

**Investment banking:** intermediation in the purchase and sale of financial instruments and, either jointly or separately, portfolio management.

**Investor targeting:** analysis of the characteristics of the investors in the market.

**Intangible assets:** the set of intangible features of a company capable of generating economic value, in particular intellectual capital and the company's reputation.

**ISO** (International Organization for Standardization): world federation of organizations setting national technical standards. The main reference standards issued include ISO 14001 (in relation to environmental management systems) and ISO 9000 (in relation to quality systems).

**Leasing:** a contract where one party grants to another party, on payment of a rental fee, the use of a good, with the option to purchase it at the end of the contract.

**MIB banking index:** stock exchange index grouping the banks listed on the Milan Stock Exchange.

**Microcredit:** loans for small amounts with preferential terms to persons that are usually excluded from the banking circuits, aimed at job creation and entrepreneurship.

**Multi-channeling:** offer of retail banking products and services through both traditional channels (branches) and virtual channels (POS terminals, ATMs, telephones, personal computers and microcircuit cards).

**Pay out ratio:** percentage of income distributed to the shareholders by means of dividends.

**SME:** small and medium enterprises.

**Price sensitive** (information): information capable of influencing the price of a security.

**Private equity:** investments in the venture capital of unlisted company.

**Project financing:** financing method in which the lender mainly examines the profitability of one single project both as a source of repayment and as a guarantee against the exposure. This type of loan is generally for large, complex and expensive infrastructure projects, for example in the energy, chemical, mining, transport, environmental and telecommunication sectors.

**Rating:** assessment of the creditworthiness of a counterparty or possible counterparty performed by quantifying their probability of default.

**RAV** (Riscossione Tributi mediante avviso): Tax collection by notice.

**Remote banking:** banking service for business customers accessed by means of an internet connection.

**Retail banking:** retail market mainly including private customers, small companies and households.

**Roadshow:** series of meetings with institutional investors held in international financial markets.

**ROE** (Return on Equity): a profitability indicator. It is the result of net income divided by shareholders' equity.

**ROI** (Return on Investment): a profitability indicator. It is obtained from the ratio of operating income and invested capital. ROI measures the return on the capital invested.

**SEC**: Securities Exchange Commission.

**SRI** (Socially Responsible Investment): asset management performed in accordance with environmental and social criteria. Usually three different approaches can be seen: portfolio selection (securities are included or excluded depending on the environmental or social responsibility profile of the issuing companies); active shareholding (the exercise of rights such as the right to vote at meetings, resulting from the ownership of shares to influence the company's social responsibility policies); community investment (capital investments in marginal economies aimed at local development).

**Stakeholder**: This is a party, public or private, individual or organization, that has, direct or indirect, formal or informal, relations with the enterprise.

**Stock picking**: a method of investment management that involves the selection of individual securities.

**Sustainable development**: development meeting the needs of today's generations without jeopardizing the possibility for future generations to meet their needs (Brundtland Report - WCED World Commission for Economic Development - 1987).

**TOE** (ton oil equivalent): international measurement used when dealing with significant quantities of energy. Each TOE is equivalent to the quantity of energy obtained by burning 1,000 Kg of oil (41.8 GJ or 11.6 MWh).

This Social Report  
is available (in Italian and in English)  
on the website:  
*[www.intesasanpaolo.com](http://www.intesasanpaolo.com)*

For any comment, suggestion  
or any query please contact:  
*[csr@intesasanpaolo.com](mailto:csr@intesasanpaolo.com)*

Graphic project: Partners - Turin