

Corporate
Governance Report

This is an English translation of the Italian original "Relazione del Governo Societario" and has been prepared solely for the convenience of the reader.

Corporate Governance Report

23rd March 2007

INTESA SANPAOLO S.p.A.

Parent Company of Banking Group Intesa Sanpaolo included in the National Register of Banking Groups – Registered office Torino, piazza San Carlo 156 – Share capital 6,646,436,318.60 euro – Registration number on the Torino Company Register and Fiscal Code 00799960158, Vat number 10810700152– Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, included in the National Register of Banks no. 5361

Contents

	Pag.
Introduction	7
Part I – Intesa Sanpaolo’s Governance	8
The dual corporate governance system	8
Composition of share capital and major Shareholders	8
The role of the Parent Company and the Intesa Sanpaolo Group	9
Supervisory Board	12
– Appointment and composition	
– Remuneration	
– Independent Members	
– Chairman	
– Functions of the Supervisory Board	
– Management or control offices of Members of the Supervisory Board	
– Meetings	
Committees	15
– The Control Committee	
– The Nomination Committee	
– The Remuneration Committee	
– The Strategy Committee	
– The Financial Statements Committee	
Management Board	18
– Appointment and composition	
– Remuneration	
– Executive and non-executive Members	
– Chairman	
– Independent Members	
– Functions of the Management Board	
– Management or control offices of Members of the Management Board	
– Meetings	
– Work Groups established within the Management Board	
Organisational structure	21
Managing Director and CEO	23
General Managers	23
Manager in charge of preparing the Company’s financial reports	24
Group Committees	25
The internal controls system	25
Organisational, Management and Control Model as per Legislative Decree 231/2001 and relative Supervisory Body	26

Transactions with related parties	26
Confidential information	27
Internal Dealing and Insiders List	27
Relations with Shareholders and the Financial Community	27
Shareholders' Meetings	28
Special Meeting of Saving Shareholders	29
Independent auditors	29
Intesa Sanpaolo – Summary Tables	31
1. Structure of the Supervisory Board and Committees	
2. List of other management or control offices of Members of the Supervisory Board in other companies listed in regulated markets (even abroad), in financial, banking, insurance or large companies	
3. Structure of the Management Board	
4. List of other management or control offices of Members of the Management Board in other companies listed in regulated markets (even abroad), in financial, banking, insurance or large companies	
5. Other provisions of the Corporate Governance Code	
Part II – Banca Intesa's Governance	38
Corporate Governance Code	38
Composition and Role of the Board of Directors	38
Appointment and Remuneration of Directors	41
The internal controls system	41
Transactions with related parties	42
Confidential information	43
Relations with Shareholders and the Financial Community	43
Statutory Auditors	44
Organisational, Management and Control Model as per Legislative Decree 231/2001 and relative Supervisory Body	45
Banca Intesa – Summary Tables	47
Part III – SANPAOLO IMI's Governance	51
Corporate Governance Code	51
Composition and Role of the Board of Directors	51
Appointment and Remuneration of Directors	55
The internal controls system	55

Organisational, Management and Control Model as per Legislative Decree 231/2001 and relative Supervisory Body	55
Transactions with related parties	56
Confidential information	56
Relations with Shareholders and the Financial Community	57
Board of Statutory Auditors	58
SANPAOLO IMI – Summary Tables	61

Introduction

Intesa Sanpaolo S.p.A. (hereafter also the “Company” and/or the “Bank”) adheres to the aims and indications of the Corporate Governance Code for listed companies, and has adopted a governance system in line with the principles described therein, with Consob recommendations on the matter, and in general with domestic and international best practices, addressed to guarantee adequate sharing of responsibilities and powers and correctly balancing the functions of management and control.

Being a company registered with the U.S. Securities and Exchange Commission (SEC), the Intesa Sanpaolo governance system also reflects the provision of U.S. standards on the matter, contained in the 1933 Securities Act, the 1934 Securities Exchange Act and the 2002 Sarbanes–Oxley Act, as well as the provisions issued by the SEC.

Legislative Decree 303 of 29th December 2006 adopted certain provisions aimed at coordinating and adapting, among other provisions, Testo unico bancario (Legislative Decree 385/93 – the Consolidated Law on Banking) and Testo unico della finanza (Legislative Decree 58/98 – the Consolidated Law on Finance) to the discipline set forth by Law 262/2005 (Provisions for the protection of savings and the regulation of financial markets) with the objective of offering greater power to minorities and independent directors, as well as increasing transparency of company disclosures.

In this respect, the Company has the intention of complying with the new provisions within the terms set forth by law and, insofar as possible, already from the next Extraordinary Shareholders’ Meeting.

As concerns the merger between SANPAOLO IMI S.p.A. and Banca Intesa S.p.A., this Report – which is published on the Company’s website – is essentially made up of three sections, containing the illustration of the current corporate governance of Intesa Sanpaolo S.p.A. and of the pre-existing governance systems of Banca Intesa S.p.A. and SANPAOLO IMI S.p.A.

In order to provide investors and the market with an adequate level of information on the corporate governance model, the preparation of the single sections also took into account the Guidelines on this issue proposed by Borsa Italiana as well as the recommendations contained in the “Guide to writing the Corporate Governance Report” issued by Assonime and Securities Issuers.

As concerns in particular the description of the governance of Intesa Sanpaolo S.p.A., founded on the dual corporate governance system, information is also provided on provisions applied to this system by the new Corporate Governance Code published by Borsa Italiana in March 2006.

In general, Intesa Sanpaolo S.p.A. complied with the principle according to which the articles of the Code that refer to the board of directors and to the board of statutory auditors, or to their members apply, respectively, to the Management Board and to the Supervisory Board or to their Members. The Company, in consideration of the particular configuration of its Management and Control Bodies, of the specific competencies attributed to them, and considering also the option granted by the Corporate Governance Code on this point, applied to the Supervisory Board certain provisions of the Code referred to the board of directors, with particular reference to the independence requirements and the formation of committees.

The information provided in the present Report, unless otherwise specified, refers to 23rd March 2007, the date of its approval by the Management Board and the Supervisory Board.

Part I – Intesa Sanpaolo's Governance

The dual corporate governance system

Intesa Sanpaolo S.p.A. adopts the dual corporate governance system, in which control and strategic management functions, exercised by the Supervisory Board, are separated from the management of the company's business, which is exercised by the Management Board in accordance with article 2409–octies and subsequent of the Italian Civil Code and with art. 147–ter and subsequent of the Consolidated Law on Finance.

The choice of the dual model – widely used, albeit with specific characteristics which distinguish it in the various systems, in other Countries of the European Union in the larger companies and with a widespread shareholder base – was based on a number of reasons.

First of all, such model provides for a better separation between ownership and management, since the Supervisory Board is the filter between shareholders and the management body – the Management Board – and therefore seems to be more capable than the traditional model of effectively meeting the need for greater transparency and reducing potential conflicts of interest.

Furthermore, the role attributed by law to the Supervisory Board emphasises the separation between control and strategic guidelines, on the one hand, and the management function on the other, permitting a better definition of the roles and responsibilities of the corporate bodies and ensuring the sound and prudent management of the Bank. More specifically, the Supervisory Board which combines certain powers typical of the shareholders' meeting, functions of the board of statutory auditors and certain powers of "top management", performs direction and control functions, which also relate to the basis of decisions, with respect to the management of the company, functions which are more extensive than those typically performed by the board of statutory auditors.

In outlining the new governance, the recommendations for listed companies contained in the Corporate Governance Code were also taken into account.

Furthermore, in defining the allocation of powers, particular attention was paid to protecting the different roles of Corporate Bodies (Management Board, Managing Director, Chairman of the Management Board, Supervisory Board and Chairman of the Supervisory Board), also according to the respective responsibilities, as concerns both regulatory and supervisory provisions, at the same time ensuring the necessary coordination in their actions, through a well-organised mechanism of proposals and preventive opinions, for the most significant issues assigned to the responsibility of each Body.

Composition of share capital and major shareholders

Subscribed and paid-in share capital amounts to 6,646,436,318.60 euro, divided into 12,781,608,305 shares with a nominal value of 0.52 euro each, comprising 11,849,117,744 ordinary shares and 932,490,561 unconvertible saving shares.

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

As provided for by the Articles of Association, saving shares have pre-emptive rights with regard to the reimbursement of the entire nominal value of the shares, the right to receive an allocation of net income reported in financial statements of 5% of the nominal value of the share as well as to the cumulation of statutory dividends which have not been received with those for the following two financial years.

The table below shows, on the basis of the Shareholders' Book and other available information, the list of the major shareholders of Intesa Sanpaolo S.p.A. who directly and/or indirectly hold stakes of the ordinary share capital exceeding 2% as at 24th January 2007:

Shareholders	Ordinary shares	% stake of ordinary share capital
Compagnia di San Paolo	910,475,308	7.684%
Crédit Agricole S.A.	651,077,640	5.494%
Assicurazioni Generali	600,882,222	5.071%
Fondazione Cariplo	554,578,319	4.680%
Fondazione C.R. Padova e Rovigo	495,264,452	4.180%
Fondazione C.R. in Bologna	323,334,757	2.729%
Giovanni Agnelli e C. S.a.p.A.	289,916,165	2.447%
Carlo Tassara S.p.A.	266,708,241	2.251%
Fondazione Cariparma	260,515,202	2.199%

None of the shareholders could individually control Intesa Sanpaolo S.p.A.

The Company is not informed of any agreements between shareholders.

As regards Banca Intesa S.p.A.'s Voting Syndicate signed on 3rd May 2005, its Members (Crédit Agricole S.A., Fondazione Cariplo, Generali Group, "Gruppo Lombardo", Fondazione Cariparma) on 22nd December 2006, agreed to dissolve the aforesaid syndicate as of 1st January 2007, date in which the merger of SANPAOLO IMI S.p.A. with and into Banca Intesa S.p.A. came into effects.

With reference to the agreements between shareholders of SANPAOLO IMI S.p.A., in relation to the aforesaid merger and as a consequence of the elimination of the shares of the merged company, as of 1st January 2007 the convention, known as the "Unity of Intent Agreement", stipulated on 19th April 2004 between Compagnia di San Paolo, Fondazione Cassa di Risparmio di Padova e Rovigo and Fondazione Cassa di Risparmio in Bologna was dissolved. Again with effects as of 1st January 2007, the agreement, completed on 21st April 2004 between the aforementioned Fondazioni, Banco Santander Central Hispano S.A. and CDC Ixis Italia Holding S.A. (now Caisse Nationale des Caisses d'Epargne) was dissolved.

The role of the Parent Company and the Intesa Sanpaolo Group

The Company is the Parent Company of Banking Group Intesa Sanpaolo, composed of the same Parent Company and the banking, financial and instrumental companies – with registered offices in Italy and abroad – controlled directly or indirectly.

In its capacity of Parent Company, the Company holds the role of reference point for the Bank of Italy and, in exercising its direction, address and coordination activities, issues the necessary provisions to the Members of the Banking Group for implementing the instructions received from the Bank of Italy in the interest of Group stability. Subsidiaries must comply with the aforesaid provisions.

Intesa Sanpaolo S.p.A. also verifies compliance, by the single components of the Banking Group, with the provisions issued as instructed by the Bank of Italy to ensure the respect of the norms on information and regulatory supervision, without prejudice to the responsibility of company bodies of subsidiaries of ensuring correctness of information flows, adequacy of production and control procedures of the figures provided.

Intesa Sanpaolo also exercises, in accordance with article 2497 and subsequent articles of the Italian Civil Code, management and coordination activities for its direct and indirect subsidiaries, including companies which, on the basis of current laws, are not part of the Banking Group. As concerns the sub-holding Eurizon Financial Group, operating in the insurance, professional asset management and asset gathering field, the Parent Company – without prejudice to the obligations recalled above deriving from the need to fully comply with provisions on bank supervision and on financial conglomerates – performs management and coordination activities for Eurizon which, in turn, explicitly performs such activities for its subsidiaries as provided for by art. 2497 of the Italian Civil Code.

As concerns provisions set forth in Legislative Decree 142/2005, the Intesa Sanpaolo Group is a “financial conglomerate” – whose main field of activity is banking – and, as such, is subject to supplementary supervision, exercised by the competent Authorities and coordinated by the Bank of Italy, for the purpose of guaranteeing the safeguard of the stability of the financial conglomerate as a whole and of the companies which are part of it.

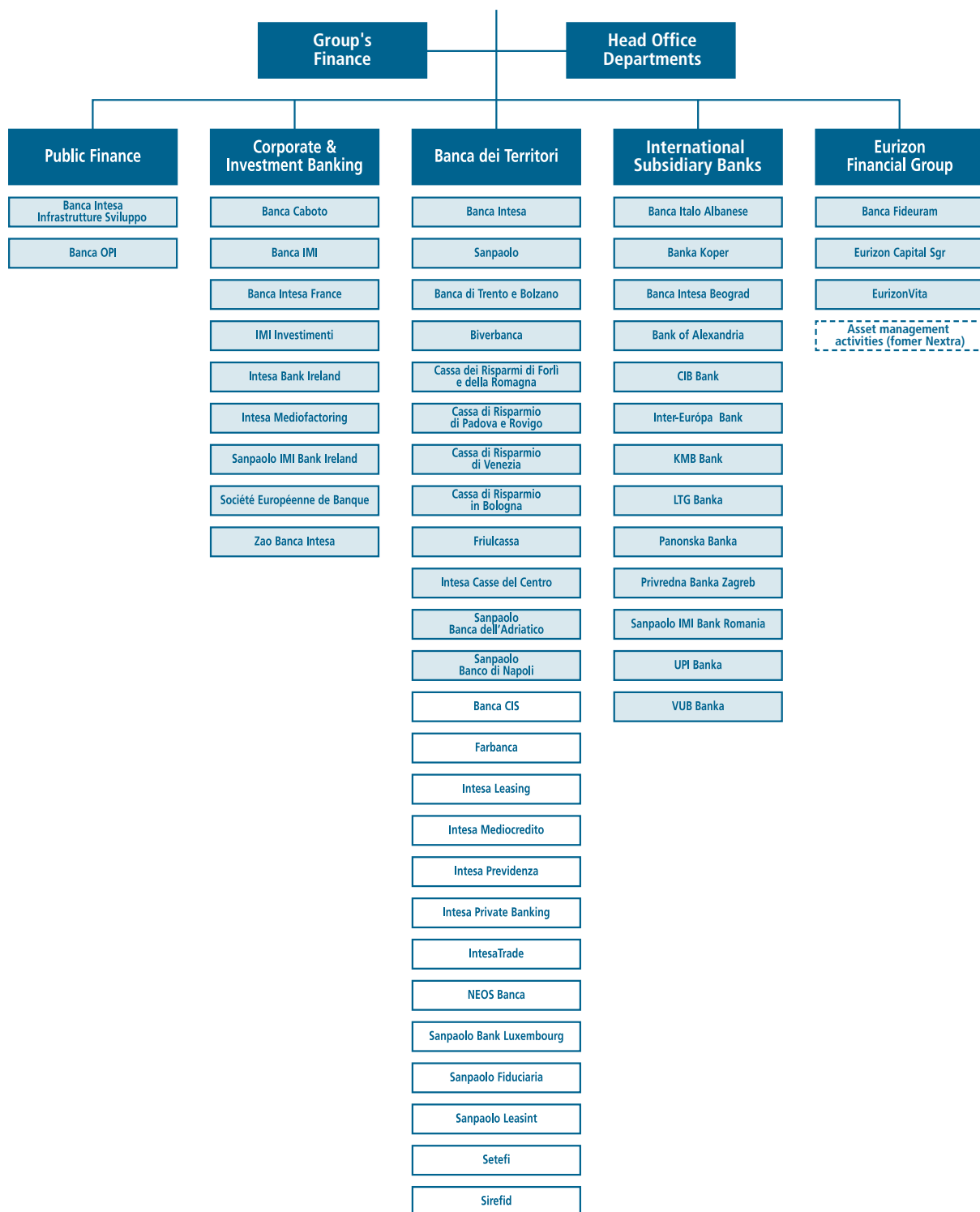
The structure of the Intesa Sanpaolo Group, organised according to a divisional approach, encompasses:

- Business Units, with business responsibilities, which are in charge of all of the Group’s customers, through a precise and explicit segmentation;
- Head Office Departments, with specific direction and control responsibilities, that correspond to precise missions and functional characteristics, certain of which are grouped in Governance Areas;
- Product Companies, with the double responsibility of being complementary with respect to the development of the business of Divisions and further expanding the market served by the Group.

The Bank’s and the Group’s unitary operating management is ensured by the Managing Director within the strategic guidelines of the Supervisory Board and the Management Board and under the surveillance of those Boards and their Chairmen.

Intesa Sanpaolo Group

Intesa Sanpaolo



Supervisory Board

Appointment and composition

The Supervisory Board is composed of a minimum of 15 up to a maximum of 21 Members, including non shareholders, appointed by the Shareholders' Meeting, who remain in office for three financial years.

In accordance with the provisions set forth in the transitory rule contained in art. 34 of the Articles of Association, the Ordinary Shareholders' Meeting of Banca Intesa S.p.A., held on 1st December 2006, appointed the first Supervisory Board of Intesa Sanpaolo S.p.A. for financial years 2007/2008/2009, appointing Chairman Giovanni Bazoli and Deputy Chairmen Antoine Bernheim and Rodolfo Zich.

The election of the Supervisory Body occurred, in accordance with the provisions of the Articles of Association, on the basis of lists of candidates who meet the integrity, professional and independence requirements provided for by law and the Articles of Association, presented by Shareholders representing at least 1% of ordinary share capital.

In the aforementioned meeting 2 lists were presented, one by Fondazione Cariplo and another by Arca Sgr.

The Supervisory Board is currently composed of the following 19 Members:

Giovanni Bazoli – Chairman
Antoine Bernheim – Deputy Chairman
Rodolfo Zich – Deputy Chairman
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 Stefano Lubatti
Eugenio Pavarani
Gianluca Ponzellini
Gianguido Sacchi Morsiani
Ferdinando Targetti
Livio Torio

18 Members were elected from the list presented by Fondazione Cariplo, while Rosalba Casiraghi was elected from the minority list presented by Arca Sgr.

The appointment of the aforementioned 19 Supervisory Board Members became effective on 1st January 2007, date in which the merger Banca Intesa S.p.A. – SANPAOLO IMI S.p.A. came into effect.

A short biography with the professional traits of Supervisory Board Members in office is published on the Bank's website.

For the purpose of ensuring the widest possible participation to the election also by the post-merger shareholder base, in accordance with the transitory rule contained in art. 34 of the Articles of Association, the Ordinary Shareholders' Meeting shall be called to appoint two other Supervisory Board Members, who shall remain in office for three financial years and shall therefore terminate their office at the same time as the 19 Supervisory Board Members indicated above. The appointment of the additional 2 Supervisory Board Members shall also occur with the list voting procedure provided for by the Articles of Association, but the percentage of share capital for the presentation of the lists shall be at least 1% and not exceed 3% of share capital.

The lists, accompanied by information on the professional characteristics of candidates, will be published on the Bank's website.

Remuneration

The Shareholders' Meeting of Banca Intesa S.p.A., with resolution of 1st December 2006, set the annual remuneration for each member of the Supervisory Board with reference to the 2007/2008/2009 financial years. Subsequently the Supervisory Board, pursuant to art. 23.13 of the Articles of Association, on proposal of the Remuneration Committee determined the remuneration for the Chairman, for the Deputy Chairmen and for the Members of the Supervisory Board who have been assigned particular offices and functions. Such additional remuneration has been set as a fixed amount.

Independent Members

Members of the Supervisory Board, at the time of presentation of their candidature, were requested to declare, under their responsibility, that they had the independence requirements set out by the new Corporate Governance Code for listed companies; such declarations were disclosed to the market through a specific press release issued at the time of appointment.

The Supervisory Board subsequently verified the existence of such requirements for each member, on the basis of their declaration and of the definition contained in the Corporate Governance Code for listed companies published in March 2006, and considered independent the following 14 Members:

Rodolfo Zich
Rosalba Casiraghi
Giovanni Costa
Franco Dalla Sega
Gianluca Ferrero
Angelo Ferro
Pietro Garibaldi
Fabrizio Gianni
Giulio Stefano Lubatti
Eugenio Pavarani
Gianluca Ponzellini
Gianguido Sacchi Morsiani
Ferdinando Targetti
Livio Torio

Each of the above-mentioned Members has undertaken to inform promptly the Board should he/she cease to be independent.

Chairman

The Chairman of the Supervisory Board, in accordance with the Articles of Association, in addition to promoting and coordinating the activity of the Board, plays a significant role in the supervision and in the activation of control procedures and systems over the activities of the Company and the Group and in the relations between the Supervisory Board and the Management Board, ensuring, together with Chairman of the Management Board and the Managing Director, the efficient coordination of the actions of these corporate Bodies.

Of particular importance is the supervisory function over compliance of management with the general guidelines issued by the Supervisory Board. This function is performed through institutional relationships with the Management Board, its Chairman and the Managing Director and the assignment of a specific power of disclosure, aimed at making proposals to the Supervisory Board.

Lastly, the Chairman of the Management Board is responsible for activating the information tools necessary for monitoring the correctness and adequacy of the organisational structure and the administrative and accounting systems adopted by the Company and by the Group, thereby ensuring the existence of the conditions for the Supervisory Board and the Internal Control Committee for the proper exercise of the audit and supervisory functions.

Functions of the Supervisory Board

The Supervisory Board exercises, in addition to supervisory functions typical of the board of statutory auditors in the traditional governance model, duties that are traditionally reserved to the Shareholders' Meetings such as the appointment and revocation of the Members of the Management Board, the liability action against Members of the Management Board, the approval of financial statements.

The Supervisory Board is also in charge of “top management” duties and functions such as:

- upon proposal of the Management Board, the power to resolve upon the Company’s and the Group’s general strategic guidelines, approve the business and/or financial plans and the budgets of the Company and the Group prepared by the Management Board, without prejudice to the latter’s responsibility for the acts performed, and authorise strategic transactions (of which may indicate the criteria for the identification);
- the power to authorise particularly significant transactions, in terms of nature or amount, submitted to its exam by the Management Board, such as:
 - (i) the proposals to be submitted to the Shareholders’ Meeting in respect of transactions concerning the Company’s share capital, issue of convertible bonds and bonds cum warrant convertible into shares of the Company, mergers and demergers and other amendments to the Articles of Association, without prejudice to the shareholders’ powers to submit proposals pursuant to applicable law;
 - (ii) purchases or sales by the Company or subsidiaries of controlling equity stakes in companies with considerable strategic value or unit value exceeding 6% of consolidated regulatory shareholders’ equity, as well as the purchase or sale of businesses, portfolio of assets, and business lines of considerable strategic value;
 - (iii) investments or disinvestments of strategic value and/or which entail a commitment for the Company which exceeds for each transaction 6% of consolidated regulatory shareholders’ equity;
 - (iv) signature of commercial, collaboration or shareholders agreements of strategic value;
- the approval of the strategic guidelines and the risk management policies, as well as the assessment of the degree of efficiency and adequacy of the internal audit system, with particular reference to risk control, the functioning of internal auditing and the accounting system;
- the verification of the correct exercise of strategic and operational control activities performed by the Parent Company over Group companies.

Such functions allow to attribute to the Members of the Supervisory Board a collegial involvement also in the main management decisions – with a strategic surveillance role – in addition to the typical control functions.

Attribution to the Supervisory Board of “top management” duties also affects the qualification of its components, which must therefore possess, based on the explicit provisions of the Articles of Association and in addition to the legal requirement of integrity and professionalism for the Members of the control body of listed companies, the professional requirements set forth for bank directors by the Regulation adopted with Ministerial Decree 161/1998.

Considering the importance and the complexity of the matters which the Articles of Association of Intesa Sanpaolo S.p.A. assign to the competence of the Supervisory Board, an ad hoc structure has been formed the General Secretariat, with the duty – among others – to assist the Board itself, the Chairman, the Deputy Chairmen and the Committees established within the Body in conducting their respective functions, to support the Secretary of the Supervisory Board in performing his/her duties and ensuring the connection with the Corporate Bodies responsible for the Bank’s management in respect of all the matters pertaining to the Supervisory Board.

Management or control offices of Members of the Supervisory Board

Summary table n. 1, provided as attachment to the present part of the Report, contains the number of other management or control offices that the Members of the Supervisory Board hold in other companies listed in regulated markets (even abroad), in financial, banking, insurance or large companies; table n. 2 provides the list of the aforesaid offices.

For the purpose of guaranteeing that Supervisory Board Members may adequately perform their office – even in terms of time they may dedicate – and consequently, ensuring a diligent conduct of their duties, the Articles of Association set forth that individuals who have exceeded the limit of five offices in management or control bodies of other listed companies or parent companies or subsidiaries of listed companies (up to a maximum of five offices within one group shall be considered as one office; if such limit is exceeded, they shall be considered as two offices) may not be appointed Members of the Supervisory Board and if they are appointed they are disqualified from office.

Meetings

The Supervisory Board generally meets once a month. The Meeting is summoned upon the request of any one member or in the cases provided for by law or by the Articles of Association, and by the Chairman of the Supervisory Board whenever he deems necessary or opportune.

The Chairman, who pursuant to the Articles of Association coordinates the activities of the Supervisory Board, chairs Board meetings and sets the agenda ensuring that adequate information on the matters on the agenda of the meeting is provided to all Supervisory Board Members.

For the validity of ordinary decisions taken by the Supervisory Board a majority of its Members in office must be present at the meeting. Decisions are taken with the absolute majority of the votes of the Members attending the meeting (in case of dead-lock, the Chairman of the Meeting shall have the casting vote). Furthermore, the majority of Supervisory Board Members in office is required for resolutions regarding the appointment of the Chairman and one or two Deputy Chairmen of the Management Board.

Until the date of approval of the present Report, in 2007, the Supervisory Board met 4 times. It is possible to presume that 11 meetings will take place this year. Intesa Sanpaolo S.p.A., in compliance with Stock Exchange Regulations, last January disclosed to the market (and published on the Company's website) the Company's financial calendar for 2007, with the indication of Board meetings for the approval of the financial reports.

Committees

Without prejudice to compliance with its duties as a Board, the Supervisory Board – in relation to the competencies it has been attributed, to its composition and to the characteristics of its Members – resolved upon the formation, also adhering to the recommendations contained in the Corporate Governance Code, of specific Committees with proposing, consulting and control functions.

Such Committees may usefully perform an examination role – which leads to the formulations of proposals, recommendations and opinions – for the purpose of enabling the Supervisory Board to adopt more informed decisions, increasing the efficiency and effectiveness of its works, with particular reference to the treatment of matters which appear to be sensitive because they are also a source of potential conflicts of interest.

In the composition of the Committees the Supervisory Board took into consideration the professional characteristics of its Members, for the purpose of ensuring an adequate coverage of the aspects of respective competence.

In particular, the Supervisory Board, in the meeting held on 2nd January 2007, resolved upon the establishment of the three Committees set forth by the Articles of Association – the Control Committee, the Nomination Committee and the Remuneration Committee – and in addition, it also formed two further Technical Committees: the Strategy Committee and the Financial Statements Committee.

The Regulations for the functioning of each Committee are being prepared and will be submitted to the approval of the Supervisory Board.

The role of coordinating the activity of all Committees, attending the meetings without voting, has been attributed to the Supervisory Board Member who is also Board Secretary, Franco Dalla Sega.

The Control Committee

The Control Committee – whose activity is founded on principles of autonomy and independence – proposes, consults and enquires on matters regarding internal controls system, risk management and the ICT and accounting system. To this aim, the Committee using relevant Company structures, may at any time carry out inspections and controls as well as exchange information with the control bodies of Group companies with respect to management and control systems and the general performance of the business.

In particular, the Committee:

- assesses, together with the Manager in charge of preparing the Company's financial reports and the independent auditors, the correct use of accounting principles and their consistency in the preparation of consolidated financial statements;
- verifies compliance of the internal controls system with the reference models approved by the Supervisory

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- Board and expresses opinions on specific aspects related to hedging of company risks;
 - assesses the work plan prepared by internal control and examines the periodic reports it prepares;
 - assesses the proposals formulated by independent auditors and supervises over the effectiveness of the independent auditing process;
 - refers to the Supervisory Board, at least half-yearly, at the time of approval of the Annual the Half-Year report, on activities performed as well as on the adequacy of the internal controls system;
 - expresses an opinion on significant transactions with related parties.

Members of the Control Committee attend Management Board meetings.

In addition, the Control Committee supports the Supervisory Board in the consulting/inquiring function as Audit Committee pursuant to the US regulations (Sarbanes–Oxley Act) where applicable, as concerns the appointment of independent auditors, the engagements given to the independent auditors, information provided by the auditors and procedures as concerns internal controls on accounting matters and in general on disclosures to the market. Lastly, the Control Committee performs duties and functions as Surveillance Body pursuant to Legislative Decree 231/2001 as concerns administrative responsibility of companies, supervising on the functioning and compliance of the organisation, management and control models.

The decision to attribute these duties to a Committee set up within the Supervisory Board seemed necessary for the purpose of facilitating the exercise of its control and surveillance functions, which would have been objectively difficult to perform by the Board in its full composition.

As regards the composition of the Control Committee, even considering that the Articles of Association set forth that the Committee be composed by 3 Members, the Supervisory Board deemed opportune to increase the number of Members to 5, in consideration of the importance and the number of duties which characterise its operations and responsibilities and, therefore, to strengthen the Committee's role in the support of the Supervisory Board's control and supervision functions. The 2 Additional Members integrate the 3 Statutory Members, without voting, until the modification of the Articles of Association which will be proposed to the Bank's next Extraordinary Shareholders' Meeting.

The Committee is composed of the following Members, all of whom meet the requirements of independence provided for by the Corporate Governance Code and four of which are registered as Auditors who have practiced as auditor for at least a three-year period.

Giulio Stefano Lubatti – Chairman
Rosalba Casiraghi
Gianluca Ponzellini
Pietro Garibaldi (Additional Member)
Livio Torio (Additional Member)

In 2007, until the date of approval of the present Report, the Committee met 9 times.

The Nomination Committee

The Nomination Committee is composed of 5 Members, among which the Chairman of the Supervisory Board who chairs it; 3 Members are independent.

Giovanni Bazoli – Chairman
Rodolfo Zich
Angelo Ferro
Fabrizio Gianni
Alfonso Iozzo

The Nomination Committee is responsible for selecting and proposing appointments to the Management Board. In particular, the Committee:

- elaborates and submits to the Supervisory Board proposals as concerns the size and the composition of the Management Board as well as the professional profiles deemed to be opportune in the composition of the Board itself;
- on the basis of criteria indicated above, it performs selection and proposal duties as concerns appointments of the Members of the Management Board to be submitted to the Supervisory Board;

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- elaborates and submits to the Supervisory Board proposals as concerns the appointment of the Chairman and of one or two Deputy Chairmen of the Management Board;
 - expresses to the Supervisory Board a preventive opinion as concerns the appointment of Members of the Management Board, as Members of management, direction or control bodies or employees of competitor groups, or of other banks or of parent companies or of subsidiaries of banks, except for industries associations or companies belonging to the Group or in which the Company owns shares.

The Remuneration Committee

The Remuneration Committee is composed of 3 Members, all independent.

Gianluca Ponzellini – Chairman
Giulio Stefano Lubatti
Eugenio Pavarani

The Remuneration Committee is responsible for proposing and consulting on remuneration in accordance with applicable law and the Articles of Association. In particular it has the duty of:

- submitting to the Supervisory Board proposals as concerns the remuneration for the Chairman, for the Deputy Chairmen as well as for the Supervisory Board Members assigned with specific offices, powers or functions by the Articles of Association or the Supervisory Board itself;
- submitting to the Supervisory Board proposals for the remuneration of Management Board Members, of the Managing Director and of the Management Board Members vested with particular offices or are assigned to Committees or Commissions in compliance with the Articles of Association, monitoring the application of the decisions taken by the Supervisory Board;
- periodically assessing criteria adopted for the remuneration of managers with strategic responsibilities, supervising over their application on the basis of information supplied by the Management Board and formulating to the Supervisory Board general recommendations on this matter.

The Strategy Committee

The Strategy Committee is composed of 5 Members, among which the Chairman of the Supervisory Board who chairs it; 1 Member is independent.

Giovanni Bazoli – Chairman
Antoine Bernheim
Rodolfo Zich
Carlo Barel di Sant'Albano
Pio Bussolotto

The Strategy Committee is in charge of assisting the Supervisory Board and its Chairman in the examination of the proposals submitted by the Management Board as concerns strategic orientations and transactions, formulating proposals in respect of their approval or requesting of any integration or amendment to address to management bodies.

The Financial Statements Committee

The Financial Statements Committee is composed of 5 Members, all independent.

Eugenio Pavarani – Chairman
Giovanni Costa
Gianluca Ferrero
Gianguido Sacchi Morsiani
Ferdinando Targetti

The Financial Statements Committee, is in charge of assisting the Supervisory Board and its Chairman on the discussion of matters regarding the preparation of the Company's and the consolidated financial statements, also formulating recommendations in respect of the approval of financial reports and autonomously proceeding, in the name and on behalf of the Supervisory Board, to the request of details and clarifications addressed to management bodies.

Management Board

Appointment and composition

The Management Board – which is in charge of the management of the Company – is composed of a minimum of 7 and a maximum of 11 Members, including non shareholders, appointed by the Supervisory Board, which determines their number at the time of appointment.

The Management Board in office at the time of publication of the present Report was appointed by the Supervisory Board Meeting of 2nd January 2007 which determined in 11 the number of its Members and nominated them unanimously. The Supervisory Board appointed Enrico Salza Chairman, Orazio Rossi Deputy Chairman and indicated Corrado Passera as Managing Director and CEO of the Management Board (which proceeded to his appointment in the meeting held on the same date).

The Management Board is currently composed as follows:

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

The Management Board remains in office for three financial years and the term of office expires on the date of the meeting of the Supervisory Board called to approve the financial statements 2009.

A short biography with the professional traits of Management Board Members in office is published on the Bank's website.

Remuneration

The Supervisory Board, pursuant to the Articles of Association, sets, on proposal of the Remuneration Committee, the remuneration of the Management Board and its Members who are vested with particular offices, tasks or powers of attorney. Such remuneration also includes a variable, though predetermined part, which depends on the achievement of target budget figures and target results relative to the 2007 – 2009 Business Plan.

Executive and non-executive Members

All Management Board Members – with the exception of the Managing Director and CEO, in relation to the role in the operating management of the Company and the Group – must be considered “non-executive”, since singularly, also in consideration of the absence in Intesa Sanpaolo S.p.A. of an Executive Committee, are not vested with individual management powers or with a specific role in the preparation of company strategies and do not have executive roles in the Parent Company or in subsidiaries of strategic importance.

Chairman

The Chairman of the Management Board is a Non-executive Member: he does not have any operating powers and the current organisational structure of the Company separates his functions from those of the Managing Director.

The Chairman – who is, pursuant to the Articles of Association, the Company's legal representative – is in charge of promoting and coordinating the activity of the Management Board and is furthermore called to manage the relations with the Supervisory Board and its Chairman, ensuring the efficient coordination of the activities of the two corporate Bodies.

Lastly, the Chairman of the Management Board – in agreement with the Managing Director – may take resolutions on any matters within the powers of the Management Board, with the exception of the matters

which may not be delegated and are solely within the powers of the Board itself, other than resolutions regarding transactions with unit value between 3% and 6% of consolidated regulatory capital, according to the provisions of the Articles of Association. The Management Board must be informed of the decisions taken during its next meeting.

Independent Members

Pursuant to the Articles of Association, at least one of the Members of the Management Board must meet the independence requirements provided for by article 148, paragraph 3, of Legislative Decree No. 58 dated 24th February 1998 (referred in particular to the existence of self-employment or employee relationships or any other relationships of an economic or professional nature with the company – or with controlled or controlling companies or those subject to joint control – which might compromise their independence).

On this point, the Management Board, at the time of verification of the existence of the professional and integrity requirements for the single Members, on the basis of their declarations, ascertained the existence of the independence requirement ex art. 148 in for the following Members:

Enrico Salza
Elio Catania
Gianluigi Garrino
Virgilio Marrone
Giovanni Perissinotto

Each of the above-mentioned Members has made the commitment of informing the Management Board should a non-independence situation arise.

The Company's Articles of Association do not require that Members of the Management Board have the independence requirements set forth by the Corporate Governance Code of listed companies, also in consideration of the Bank's decision to establish the Committees set forth by the Code – for which such requirements are provided for – within the Supervisory Board.

Functions of the Management Board

The Management Board is in charge, in general, of the management of the company in compliance with the general strategic guidelines approved by the Supervisory Board; for this purpose, it takes all required actions, which it deems useful or appropriate to achieve the corporate purpose, relating to both the ordinary and extraordinary administration.

In addition to the collegial responsibilities that cannot be delegated according to the law, the Articles of Association have reserved to the Management Board certain exclusive responsibilities, among which:

- the determination of proposals concerning the general strategic guidelines of the Company and the Group to be submitted to the Supervisory Board;
- the preparation of business and/or financial plans as well as the budgets of the Company and the Group to be submitted to the approval of the Supervisory Board;
- the policy for the management of risks and internal audit;
- purchase and sale of equity investments which lead to changes in the banking Group;
- the assessment of the adequacy of the Company's organisational, administrative and accounting structure, with the possible establishment of Committees or Commissions with advisory functions;
- determination of criteria for the coordination and direction of the companies belonging to the Group and for the implementation of the instructions issued by the Bank of Italy;
- the appointment and revocation of the Managing Director, and the delegation, modification or revocation of the relevant powers;
- the appointment to particular offices or the grant of particular powers of attorney to one or more Members of the Management Board and the determination of the relevant powers;
- the appointment and revocation of one or more General Managers and determination of the relevant powers;
- further to the mandatory opinion of the Supervisory Board, appointment and revocation of the Manager in charge of preparing the Company's financial reports and the determination of the relevant powers and means;
- the appointment of the Head of the Office of Internal Control, as well as the heads of the divisions whose appointment is under the exclusive competence of the Management Board pursuant to applicable law or regulations;

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- the preparation of the draft of the Parent Company's financial statements and consolidated financial statements as well as of merger and demerger projects;
 - the arrangement of transactions to be submitted to the authorisation of the Supervisory Board pursuant to the Articles of Association as well as the approval of the transactions having a unit value exceeding 3% of the consolidated regulatory shareholders' equity;
 - determination of criteria to identify the related parties transactions reserved to the Management Board's competence.

For the purpose of the opportune coordination with the Supervisory Board, which is delegated in particular to the initiative of the Chairmen of the two Boards, the Management Board promptly and in any case at least quarterly provides information as concerns the general development of operations and most significant transactions to the Supervisory Board. The Management Board provides the Supervisory Board on a monthly basis with information on the main figures regarding operations development in the relevant period together with a benchmark comparison vis-à-vis the system.

Management or control offices of Members of the Management Board

Summary table n. 3, provided as attachment to the present part of the Report, contains the number of other administration or control offices that the Members of the Management Board hold in other companies listed in regulated markets (even abroad), in financial, banking, insurance or large companies; table n. 4 provides the list of the aforesaid offices.

For this purpose – without prejudice to all provided for above as concerns the possibility of maintaining and accepting employment or appointments in management, direction or control bodies of competitor groups (or other banks or parent companies or subsidiaries of banks), for which a specific approval ad personam by the Supervisory Board is provided for, with the favourable and unanimous opinion of the Nomination Committee – pursuant to the Articles of Association individuals who have exceeded the limit of four offices in the management, direction or control of other listed companies or parent companies or subsidiaries of listed companies (up to a maximum of four offices within one group shall be considered as one office; if such limit is exceeded, they shall be considered as two offices) may not be appointed as Members of the Management Board and, if they are appointed, they shall be disqualified from office.

Meetings

The Management Board, which generally meets once a month, is summoned by the Chairman whenever he/she deems it necessary or when a written request is made by the Managing Director or by at least two Members of the Management Board; after notification to the Chairman of the Management Board, the Board may also be summoned by the Supervisory Board or by its individual Members, pursuant to the law.

The Chairman, pursuant to the Articles of Association, summons the Management Board, set the agenda for the meeting considering also the proposed resolutions formulated by the Managing Director and CEO and coordinates the meeting, ensuring that adequate information on matters in the agenda of the meeting are provided to all Members.

The resolutions of the Management Board are validly adopted when the majority of its Members in office attends the meeting and with the favourable vote of the absolute majority of the attending Members (in case of dead-lock, the Chairman of the meeting shall have the casting vote); certain resolutions including the appointment and revocation of the Managing Director, of General Managers and the attribution of the relevant powers, as well as the appointment and revocation of the Manager in charge of preparing the Company's financial reports are validly adopted with the favourable vote of the majority of Management Board Members in office

To date, in 2007, the Management Board met 5 times. It is possible to presume that 15 meetings will take place each year. Intesa Sanpaolo S.p.A., in compliance with Stock Exchange Regulations, last January disclosed to the market (and published on the Company's website) the Company's financial calendar for 2007, with the indication of the Board meetings for the approval of the financial reports.

Work Groups established within the Management Board

For the purpose of facilitating the in depth analysis of specific issues which are part of the specific responsibility of the Board and as part of a proficuous interaction between all its components, the Management Board

resolved upon the formation of specific Work Groups, with purely consultative functions and called to refer to the Board so to enrich its proceedings and decision-making dialectics.

Currently there two Work Groups are operating:

- Business Plan/Budget: with the assignment of performing activities supporting the preparation of the Business Plan and the annual Budget and analysing them with company structures in charge of their preparation as well as the subsequent monitoring any differences between targets and Company results. The Members of the Work Group are: Elio Catania – who has been assigned the role of Coordinator – Giuseppe Fontana, Emilio Ottolenghi and Orazio Rossi;
- Consolidated and Parent Company’s financial statements/Half-year and quarterly consolidated financial statements: with the assignment of performing activities supporting the preparation of the Draft financial statements, analysing adopted accounting principles with competent company structures, examining the main problem issues and adopted solutions. The Members of the Work Group are: Gianluigi Garrino – who has been assigned the role of Coordinator – Giovanni Battista Limonta, Giovanni Perissinotto and Marcello Sala.

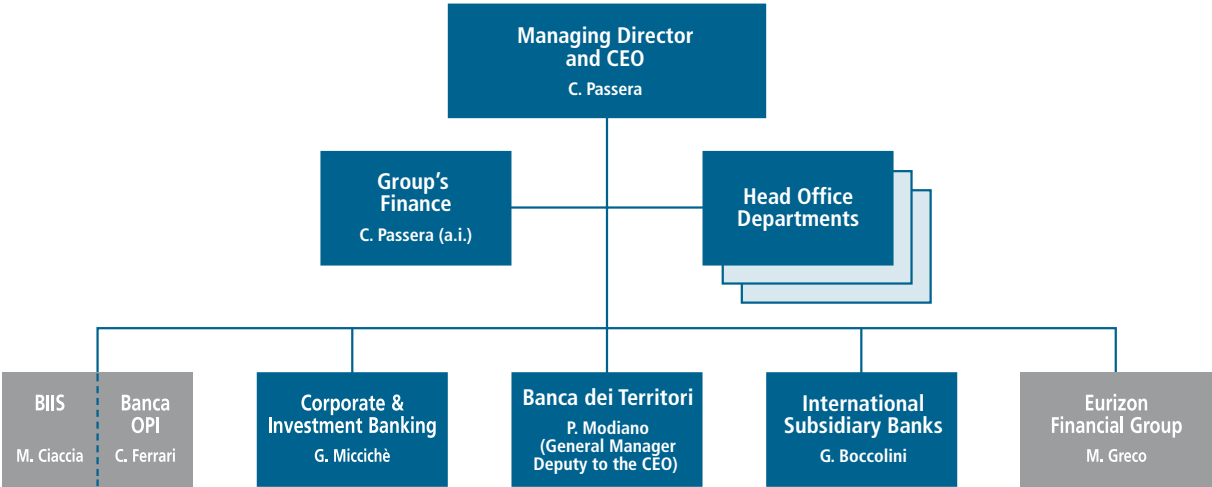
Organisational structure

For the purpose of favouring the organisation’s utmost attention to single business areas, the specialisation of production and commercial processes and to ensure to the Group’s direction the necessary unitary management, the structure of the Parent Company is divided into: Business Units, with business responsibilities, and Head Office Departments, with responsibilities of direction, coordination and control, to which correspond specific missions and functional characteristics.

The organisational structures of the Business Units and of the Head Office Departments are responsible, in the framework of the policies and general guidelines, of the achievement, also via the optimal deployment of human resources and techniques assigned, of the area objectives attributed to each of them.

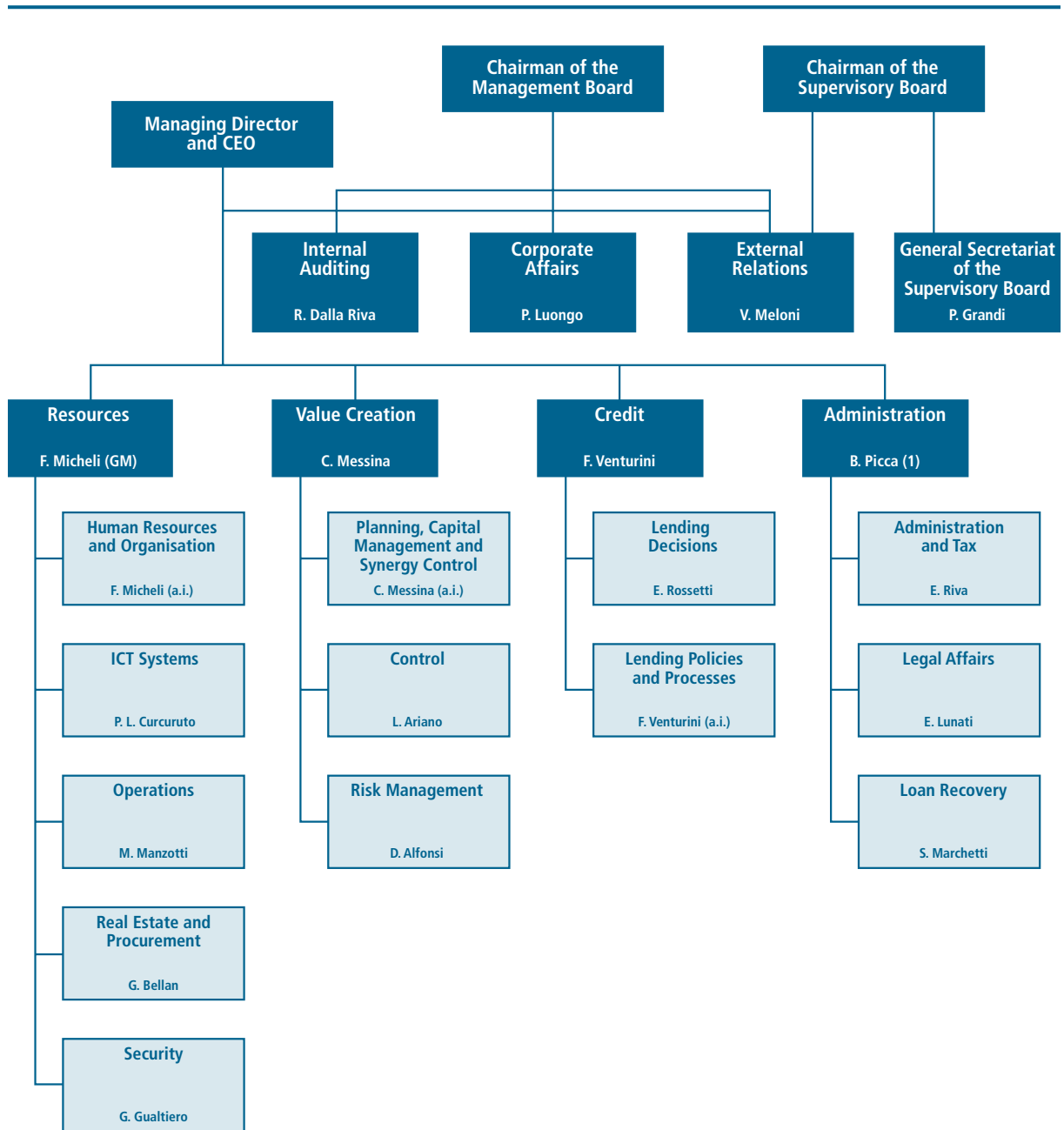
In particular, Intesa Sanpaolo is made up of 6 Business Units which report directly to the Managing Director (Banca dei Territori Division, Corporate and Investment Banking Division, International Subsidiary Banks Division, Banca Intesa Infrastrutture e Sviluppo and Banca Opere Pubbliche e Infrastrutture, Eurizon Financial Group and Group’s Finance) and 16 Head Office Departments.

With the exception of the staff structures of the Chairman of the Supervisory Board, of the Chairman of the Management Board and of the Managing Director, all the other organisational structures of the Bank and of the other companies which in any case are part of the Group report to a Business Unit or to a Head Office Department.



Organisational Units of the Parent Company

Subsidiaries



(1) Manager in charge of preparing the Company's financial reports (Law 262/2005)

Managing Director and CEO

The Management Board, upon the indication of the Supervisory Board, resolved upon the appointment of Corrado Passera as Managing Director and Chief Executive Officer of Intesa Sanpaolo. The Managing Director, who is also General Manager, is the Chief Executive Officer and supervises the company's management within the powers he has been delegated in compliance with the general strategic guidelines set out by Company Bodies. He ensures the implementation of the resolutions of the Management Board, is responsible for personnel management, determines operational directives, exercises the power to submit proposals to the Management Board and ensures that the organisational, administrative and accounting structure is adequate considering the nature and dimensions of the Company.

The Managing Director and CEO is in charge of the management of the Company and the Group, relating to both the ordinary and extraordinary administration, in compliance with the general strategic guidelines set out by Company bodies and with the sole exception of the powers that cannot be delegated according to the law and those reserved to the Management Board.

Purely as non-exhaustive examples the following powers are attributed to the Managing Director and CEO, among others:

- determination of proposals concerning the general strategic guidelines, multiyear plans as well as the annual budgets of Intesa Sanpaolo S.p.A. and the Group to be submitted to the approval of the Management Board;
- preparation of the general organisational structure of the Bank and the Group;
- definition of strategic guidelines, multiyear plans, budgets and detailed organisation of all Group business units;
- purchase, increase (also via subscription of share capital increases) and sale of equity investments which do not lead to changes in the Banking group, within the limit of 25 million euro;
- authorise the renunciation or sale of pre-emptive rights relative to share capital increases of subsidiaries and renunciation of pre-emptive rights, which do not lead to changes in the Banking group;
- authorise, without limits of amount, compulsory expenses as well as, within the limit of 25 million euro, other expenses;
- authorise the purchase or sale of real estate assets with a commercial value under 25 million euro and the concession of gratuitous bail of such assets;
- ensure the application of the Group's corporate governance rules;
- define the guidelines and coordinate, also via dedicated structures, the initiatives and the activities related to the Group's ethical and social responsibility.

The Managing Director reports to the Management Board, at least every three months, on the general development of operations, their forecasted development as well as the most significant transactions carried out by the Company and by its subsidiaries. On a monthly basis the Management Board is provided with information on the main figures regarding operations development in the period together with a benchmarking vis-à-vis the system.

General Managers

The Management Board – upon proposal by the Managing Director and after consultation with the Supervisory Board – appoints, revokes and determines the powers of one or more General Managers. One General Manager may substitute the Managing Director, except for functions which are the exclusive office of the latter, who aid the latter in the management of the company, as part of the power they have been respectively attributed at the time of appointment.

The Management Board, on 2nd January 2007, appointed General Managers Pietro Modiano (Deputy to the CEO) and Francesco Micheli, and respectively attributed responsibility over the Banca dei Territori Division and the Resource Governance Division.

The Banca dei Territori Division is in charge of serving retail customers (individuals, affluent, small businesses, private and SMEs) of the Group in Italy, with the objective of creating value via a grass-root territorial presence and thanks to attention to the specific characteristics of local markets as well as the enhancement of regional brands of the banks through which the Group currently operates.

Resource Governance is in charge of defining guidelines and policies as concerns human, organisational, IT, logistics and operational resources of the Group, coordinating the implementation of such guidelines and policies by the Group's Units, also in the various legal entities, verifying compliance and ensuring,

consistency with the Business Plan in the achievement of results in terms of cost synergies and excellence of service standards offered.

Manager in charge of preparing the Company's financial reports

Pursuant to the Articles of Association, the Management Board, further to the mandatory opinion of the Supervisory Board, appointed on 2nd January 2007 Bruno Picca Manager in charge of preparing the Company's financial reports, provided for by article 154-bis of Legislative Decree No. 58 dated 24th February 1998, establishing his powers and the means of exercise of his functions. Bruno Picca is Head of Administration Governance which, among other functions, is in charge of ensuring the correct and timely representation of statement of income and balance sheet results of the Bank and of the whole Group as well as complying with the relevant accounting and supervisory requirements and determining, consistently with corporate strategies and objectives, guidelines and policies as concerns financial statements and tax compliance, coordinating their implementation by the competent Group units and verifying their respect via opportune control mechanisms.

The introduction of specific professional requirements for the Manager in charge of preparing the Company's financial reports – connected to adequate competencies, for a period of at least five years, matured as concerns financial and accounting disclosures – will be proposed to the next Shareholders' Meeting, in compliance with provisions set forth by the law.

The Manager in charge of preparing the Company's financial reports has specific functional responsibilities aimed at guaranteeing a true and fair view of the Group's balance sheet, statement of income and financial situation; in detail, the Manager in charge of preparing the Company's financial reports is charged with the following duties:

- declaring that the documents and disclosures disseminated by the Company on the market and relative to accounting information, even interim, are consistent with the accounting records, the books and the registrations;
- arranging adequate administrative and accounting procedures for the preparation of the Annual report and any other financial disclosures;
- attesting – with the Managing Director, in a report attached to the annual report, the consolidated annual report and the half-year report – the appropriateness and effective application of the aforementioned procedures during the financial year to which the accounts refer and their conformity with the accounting records, the books and the registrations and their capacity of providing a true and fair view of the issuer's and the Group's balance sheet, statement of income and financial situation.

For the purpose of a concrete implementation of legislative provisions, the Manager in charge of preparing the Company's financial reports must actively, for the production of the administrative and financial reporting at Group level, undertake: (i) the formalisation of adequate organisational processes and relevant controls; (ii) the verification of the adequacy of processes and controls, as well as the effective and continuous exercise of controls enacted by operating structures; (iii) the definition and monitoring of any corrective actions to be implemented; (iv) the final assessment of the controls system and its effectiveness permitting to release the declarations provided for by the law.

Furthermore, Intesa Sanpaolo S.p.A. has provided for the definition – via a specific Regolamento – of a structured system of information flows for the Manager in charge of preparing the Company's financial reports from other company functions and from subsidiaries as well as exchange of information with the independent auditors, together with an opportune coordination with the Internal Auditing Department for the purpose of performing interventions aimed at verifying the correct functioning of administrative and accounting processes.

The Manager in charge of preparing the Company's financial reports must provide specific information to the Managing Director and CEO, the Management Board, the Supervisory Board and the Control Committee; to this end, he must prepare reports which enable the Corporate Bodies assessments regarding the adequacy and the effective compliance of the Group's administrative and accounting procedures, also verifying the congruity of powers and means assigned to the Manager in charge of preparing the Company's financial reports.

Group Committees

For the purpose of ensuring the coordinated management of particularly significant operating issues within the Group, the effective monitoring of risk profile with the Group as well as ensuring an adequate level of internal communication and discussion, there are specific Intergroup Committees within the Bank made up of Managers of the Bank and Top Executives of Group companies:

- Coordination Committee, consultative body with the function of favouring intergroup operations and communication between the structures of the Bank at their highest level, in view of sharing and coordinating the main corporate decisions;
- Direction Committee, consultative body formed for the purpose of managing the Group's coordination mechanisms, facilitating and accelerating the adoption of strategic orientations and implementation guidelines as well as ensuring the exchange of information between the Members of various Group entities. The Committee suggests strategic options and shares the operating guidelines of banking activities, consistently with the budget and the three-year plan, ensuring for this purpose management commitment also as concerns the translation into realisation plans and the consequent control;
- Group's Risks Governance Committee, formed, with decision-making, consultative and informative powers, for the purpose of ensuring the monitoring and management of risks and the safeguard of shareholder value at Group level. Furthermore, the Committee coordinates the activity of specific Technical committees to manage financial and operational risks;
- Group's Financial Risks Committee, body with a decision-making and informative role focused on financial risks of the proprietary banking and trading book, which operates on the basis of operational and functional delegated powers assigned by the Parent Company's Statutory Bodies and of the coordination activities performed by the Group's Risks Governance Committee;
- Group's Operational Risks Committee, which has a decision-making and informative role focused on operational risk and operates on the basis of operational and functional delegated powers assigned by the Parent Company's Statutory Bodies and of the coordination activities performed by the Group's Risks Governance Committee;
- Group's Credit Committee, body with a decision-making and consultative role, formed for the purpose of ensuring the coordinated management of problems issues related to credit risks as part of the powers delegated to it.

The internal controls system

The Bank, in line with provisions of the Italian Civil Code and supervisory provisions and consistently with the indications of the Code of Corporate Governance, has adopted an internal controls system capable of continuously monitoring the typical risks of corporate operations.

The internal controls system is the organic set of organisational checks, procedures and rules of conduct aimed at permitting, via an adequate process for the identification, measurement, management and monitoring of the main risks, a sound and fair management of business, consistent with defined objectives.

This system is an integral part of operations and permeates all company areas and structures, all called for issues within their competence, to ensure a constant and continuous level of risk monitoring.

As set forth by the instructions issued by the Bank of Italy, the internal controls system of Intesa Sanpaolo S.p.A. is made up of: Line Controls, within production and back office structures or incorporated in IT procedures; Controls on management of Risks, aimed at identification, measurement, control and management of all risks present in company processes; Compliance controls, aimed to the assessment, control and management of the risks consequent to non-compliance with laws; Internal Auditing.

Internal auditing activities are assigned to the Internal Auditing Department, which is responsible for ensuring a constant and independent surveillance action on the regular progress of operations and processes, as well as preventing or identifying anomalous or risky behaviour or situations, assessing the overall functionality of the internal controls system and its capability of guaranteeing i) effectiveness and efficiency of Company processes, ii) safeguard of asset value and protection from losses, iii) reliability and integrity of accounting and management information, as well as iv) transaction compliance with the policies defined by the Company's governance bodies and with internal and external regulations.

Furthermore, the Internal Auditing Department, advises the departments of the company and the Group for the purpose of improving effectiveness of control processes, risk management and governance over the organisation.

Lastly, the Internal Auditing Department is responsible for ensuring surveillance over the internal controls systems of subsidiaries, even via the direction and guidance of their respective internal auditing structures. In performing its duties the Internal Auditing Department has access to company figures, data bases and assets.

The Department reports hierarchically to the Managing Director and CEO and to the Chairman of the Management Board and reports functionally to the Control Committee and, therefore to the Supervisory Board.

Organisational, Management and Control Model as per Legislative Decree 231/2001 and relative Supervisory Body

Intesa Sanpaolo S.p.A. has adopted “organisational, management and control models” as per Legislative Decree 231/2001 (concerning the administrative responsibility of companies for the crimes committed by their employees and collaborators).

As mentioned above, the functions of Supervisory Body have been attributed to the Control Committee by the Supervisory Board, with simultaneous assignment to the latter of powers and prerogatives necessary to perform surveillance over functioning and compliance of the organisational, management and control models. In particular, the Committee supervises over:

- effective capability of the Models to prevent crimes set forth by the Decree,
- compliance with the prescriptions of the Models, verifying consistency between concrete behaviour and defined Models,
- updating of the Models, where required in relation to the expansion of the scope of application of the Decree or to organisational changes for which the Body proposes updates.

In its capacity as Supervisory Body, the Control Committee must present an annual report on activities performed to Supervisory Board.

Transactions with related parties

Intesa Sanpaolo S.p.A. has adopted “Internal regulations on transactions with related parties”, which define the guidelines for closing transactions with related parties and, in particular, so called “significant” transactions, i.e. the most significant transactions in terms of financial, economic or balance sheet impact, which must be submitted to the approval of the Management Board, which is the new management body. “Significant” transactions are identified using qualitative and/or quantitative criteria and are, for example, the purchase and sale of real estate assets, the purchase or sale of equity investments, companies, business lines partnership or joint venture agreements, any transaction, both financial and commercial, whose economic value exceeds 50 million euro, provided that this is not a typical or standard transaction, framework agreements regulating the provision of multiyear intergroup services and the grant to companies within the Banking Group and to related parties of loans or guarantees exceeding predetermined quantitative thresholds. The Regulations also define the general criteria for information to be provided to the Board with regard to transactions with related parties, which – since they do not have the characteristics of relevance and significance indicated above – fall within the autonomy of the Managing Director or of other competent structures, for the purpose of ensuring the fairness in the procedures and the substance of such transactions.

Where the nature, value or other aspects of a transaction with related parties make this necessary, the Management Board, may be assisted by independent experts for the provision of financial, and/or legal and/or technical advice (fairness opinion and legal opinion).

Lastly, it must be noted that the extension, also for the merger, of the specific information technology system has been prepared and permits the census and update of the register of related parties and the monitoring of the transactions made with such parties, in compliance with the international accounting principle related to disclosure of transactions with related parties (IAS 24).

Considering the competencies of the Control Committee formed within the Supervisory Board, provided for by the Articles of Association, the Company commenced in the first months of 2007 a review of the procedure for the management of the transactions with the Group’s related parties, for the purpose of

further adapting its functioning to the decision-making competencies of the Management Board and the control role assigned to the Committee in adherence to the recommendations of the new Corporate Governance Code on this issue.

Confidential information

At the moment of the publication of the present Report, the treatment of confidential information and the disclosure of documents and information occur on the basis of the specific "Internal regulations for the treatment of confidential information and for the disclosure of documents and information" which had been approved at the time by Banca Intesa S.p.A.; with reference to this issue please refer to details provided in the second part of the Report.

Internal Dealing and Insiders List

In compliance with provisions contained in the Consolidated Law on Finance (Legislative Decree 58/1998) following the changes introduced by Law 262/2005, as well as in the regulatory measures issued by Consob, Intesa Sanpaolo S.p.A. has adopted specific Internal Dealing Regulations, aimed at adapting internal regulations and procedures to the discipline of information requirements related to transactions involving shares issued by the issuer or other related financial instruments, carried out by relevant people or by people closely linked to these, to provide the necessary transparency and homogenous information to the market.

Such Regulations, in addition to identifying the "relevant parties", defining their behaviour and disclosure requirements, and the "competent party" for receiving, managing and disclosing such information, forbids transactions by "Relevant parties" in the 30 days preceding the Management Board meeting summoned to approve the draft annual report and the half-year report and in the 15 days preceding the Management Board meeting summoned to approve the quarterly reports.

Again, on the basis of provisions contained in the Consolidated Law on Finance and the implementation regulations issued by Consob, the Bank formed and regularly updates a register of parties who have access to insider information (so called "Insiders List").

Relations with Shareholders and the Financial Community

Intesa Sanpaolo S.p.A. reserves particular attention to the continuous management of relations with shareholders, institutional investors and players of the Italian and international financial community, as well as ensuring the systematic dissemination of qualified, exhaustive and timely information on Group activities, results and strategies, also in view of the indications provided by Consob, of the principles expressed in the "Corporate Governance Code of listed companies" and national and international best practices.

With reference to the relations with shareholders, relations with institutional investors and shareholders have been attributed to specific and distinct specialised structures, with adequate professional capabilities and supports.

The former, Investor Relations, is part of "Value Governance" functions and manages relations with institutional investors, while the second structure, the Company Secretariat, is part of the Corporate Affairs Department, in staff to the Chairman of the Management Board and to the Managing Director and CEO, and manages relations with shareholders.

The Rating Agencies structure, dedicated to managing communication and relations with the analysts of rating agencies is also part of the "Value Governance" function.

Lastly, relations with the press are vested with the External Relations Department – Media Relations – in staff to the Chairman of the Supervisory Board, to the Chairman of the Management Board and to the Managing Director and CEO – structure that is the exclusive reference point in the relations with Italian and foreign media for both Intesa Sanpaolo S.p.A. and Group companies.

In its relation with the market Intesa Sanpaolo S.p.A. adopts a transparent conduct, in particular as concerns annual and interim financial results as well as Group strategies, also via meetings with the national and international financial community, in the framework of a constant dialogue with the market based on a practice of correct, accurate and transparent communication.

Investor Relations ensures the management of communication with the market, with particular focus on investors and financial analysts, for the purpose of disseminating uniformly information and news relative to the Group's activities, results and strategies.

To this end Investor Relations manages price sensitive communications as well as the preparation and dissemination on the market of presentations with an economic and financial content referred to the Group and its growth prospects, in coordination with the Rating Agencies, which manages in particular the issues connected with the valuations made by rating agencies.

In this line of transparent communication falls the preparation and timely and precise update of the website www.intesasanpaolo.com. The development of this information channel, in fact, reflects both the Company's attention to international best practice as concerns investor relations, the need to comply with requirements set forth by regulations in force on corporate disclosures.

On the bilingual website stakeholders find, in particular, updated information relative to the Group's structure and governance, the Shareholders' Meeting, the shareholder base and dividends, as well as the stock price trend, financial statements and presentations of results, ratings and information prospectuses relative to securities issued by Intesa Sanpaolo S.p.A.. In this way the website becomes the place in which the financial community and stakeholders in general find numerous opportunities of information and dialogue with the Company in the framework of a constant, consistent and complete communication.

Shareholders' Meetings

The Shareholders' Meeting is the body deemed to represent all Shareholders, whose resolutions passed in accordance with the law and the Articles of Association, are binding on all Shareholders, irrespective of their attendance or agreement.

In Intesa Sanpaolo S.p.A., as Company which adopted the dual corporate governance system, the Shareholders' Meeting is competent to resolve upon, in addition to other matters, as concerns:

- the appointment and revocation of the Supervisory Board;
- the responsibilities of the Members of the Supervisory Board and of the Members of the Management Board without prejudice to the concurrent competence of the Supervisory Board;
- the distribution of net income;
- the appointment and revocation of the independent auditors;
- the approval of financial statements in case they are not approved by the Supervisory Board;
- the transactions delegated by law to the Extraordinary Shareholders' Meeting.

The Shareholders' Meetings, for Intesa Sanpaolo S.p.A., represent a privileged opportunity for establishing a proficuous dialogue with shareholders and also represent an occasion to communicate to shareholders information on the Company, in compliance with the respect of non-selective information and provisions on price sensitive information. In view of all mentioned above, the Company intends favouring the widest possible participation of Shareholders in the Shareholders' Meeting and guarantee at the same time the best quality standards to information provided: to shareholders who took part to the last meetings are promptly transmitted the convocation notice as well as the informative documentation prepared for the works of the meeting, also for the purpose of enabling an informed vote.

The documentation relative to the items on the agenda of the meeting, together with the convocation notice, are in any case made available on the Bank's website.

The Shareholders' Meetings are called at the registered office of the Company or in another location in the municipality where the Company has its registered office by notice stating the date, the time, the place and the agenda of the meeting. Such notice shall be published within the terms provided for by laws and regulations applicable from time to time in the daily newspaper "Il Sole 24 Ore" and the Official Gazette.

The Articles of Association of the Bank set forth that Shareholders with the right to vote may attend the Shareholders' Meeting provided a notice by the authorised intermediary certifying their voting right is given to the Company within the time envisaged for the commencement of the Shareholders' Meeting on first call.

Intesa Sanpaolo S.p.A. has not deemed necessary to adopt a specific regulation on the Shareholders' Meeting: the powers of direction and coordination attributed to the Chairman on this matter by law and Articles of Association – through the identification, at the beginning of each Meeting of the main rules which must be complied with – to ensure an orderly and correct meeting and the participation of each

Shareholder to the relative discussion.

The Company has not provided for changes in the percentage capital thresholds provided for by regulations in force as concerns the actions and prerogatives to safeguard minorities.

Special Meeting of Saving Shareholders

The Special Meeting of Saving Shareholders held on 19th April 2006 appointed Paolo Sfameni Common Representative of Saving Shareholders for financial years 2006/2007/2008 and, therefore, until the approval of the financial statements as at 31st December 2008.

Independent auditors

For Intesa Sanpaolo S.p.A., as listed company, control of accounts must be exclusively conducted by an independent auditing firm, who is responsible for the verification in the course of the financial year, of the regular keeping of the company's accounts and the correct registration of operations in the books, as well as ascertaining that the Parent Company's and Consolidated financial statements correspond to the registrations in the company's books and to the verifications conducted and that such reports comply with the relevant regulations. The independent auditors express their opinion on the Parent Company's and Consolidated financial statements as well as on the half-year report with a specific report.

The independent auditors currently appointed by Intesa Sanpaolo S.p.A. is Reconta Ernst & Young S.p.A., whose appointment will expire with the Shareholders' Meeting for the approval of the financial statements as at 31st December 2011.

The appointment of the independent auditors is conferred by the Ordinary Shareholders' Meeting after the motivated proposal of the Supervisory Board.

Considering the provisions introduced by the "Provisions for the protection of savings and the regulation of financial markets" (Law 262/2005), which significantly reformed regulations on the independent auditors of listed companies, strengthening their independence and also for the purpose of pursuing efficiency and effectiveness of the controls assigned to the independent auditors, Intesa Sanpaolo S.p.A. activated a Group policy for auditing engagements, addressed to the corporate bodies of all the subsidiaries, on the basis of the indications expressed by the Supervisory Board and by the Management Board.

Without prejudice to the relative engagements for the independent audit of financial statements which remain subject to the approval of the Shareholders' Meeting of each company, after the motivated proposal of the control body, the policy sets out that Group companies pursue a principle of consistency with respect to the engagement given by the Parent Company also as regards the term of the engagement and that, in compliance with regulations in force, an independent auditor must in any case be assigned by subsidiaries which perform banking, near-banking, financial and insurance, lending, financial and securities dealing, asset management and pension fund management activities.

Also in view of the provisions which will be issued by Consob on this matter, the Company will prepare more detailed regulations referring also to the monitoring of non-audit engagements.

Intesa Sanpaolo – Summary Tables

Table n. 1: Structure of the Supervisory Board and Committees

Member	Office	Independent	Number of other appointments	Control Committee	Nomination Committee	Remuneration Committee	Strategy Committee	Financial Statements Committee
Bazoli Giovanni	Chairman		4		•		•	
Bernheim Antoine	Deputy Chairman		15				•	
Zich Rodolfo	Deputy Chairman	•	0		•		•	
Barel Di Sant'Albano Carlo	Member		5				•	
Bussolotto Pio	Member		3				•	
Casiraghi Rosalba	Member	•	0	•				
Costa Giovanni	Member	•	0					•
Dalla Sega Franco	Member	•	8					
Ferrero Gianluca	Member	•	14					•
Ferro Angelo	Member	•	2		•			
Garibaldi Pietro	Member	•	0	•				
Gianni Fabrizio	Member	•	0		•			
Iozzo Alfonso	Member		2		•			
Lubatti Giulio Stefano	Member	•	0	•		•		
Pavarani Eugenio	Member	•	0			•		•
Ponzellini Gianluca	Member	•	10	•		•		
Sacchi Morsiani Gianguido	Member	•	3					•
Targetti Ferdinando	Member	•	0					•
Torio Livio	Member	•	5	•				

Table n. 2: List of other management or control offices of Members of the Supervisory Board in other companies listed in regulated markets (even abroad), in financial, banking, insurance or large companies

Member	Office	Company
Bazoli Giovanni	Chairman of the Board of Directors	Mittel S.p.A.
	Deputy Chairman	Banca Lombarda e Piemontese S.p.A.
	Director	Alleanza Assicurazioni S.p.A.
	Director	Banco di Brescia S.p.A.
Bernheim Antoine	Chairman	Assicurazioni Generali S.p.A.
	Deputy Chairman	Alleanza Assicurazioni S.p.A.
	Deputy Chairman and Director	Bolloré Investissement
	Deputy Chairman and Director	LVMH Moët Hennessy Louis Vuitton
	Member of the Supervisory Board	Eurazeo
	Director	Mediobanca S.p.A.
	Director	Banco Santander Central Hispano S.A.
	Director	AMB Generali Holding AG
	Director	BSI – Banca della Svizzera Italiana
	Director	Ciments Francais
	Director	Christian Dior S.A.
	Director	Generali Espana Holding S.A.
	Director	Generali France
Director	Graafschap Holland	
Director	Generali Holding Vienna AG	
Barel di Sant'Albano Carlo	Managing Director, General Manager and Member of the Executive Committee	IFIL Investiments SpA
	Director	FIAT SpA
	Director	Juventus F.C. S.p.A.
	Director	Alpitour S.p.A.
Bussolotto Pio	Director	Sequana Capital
	Director and Member of the Executive Committee	Fondo Interbancario di Tutela dei Depositi
Dalla Sega Franco	Director and Member of the Executive Committee	Banca Cassa di Risparmio di Firenze S.p.A.
	Chairman of the Board of Statutory Auditors	Banca delle Marche S.p.A.
	Chairman of the Board of Statutory Auditors	Immobiliare Lombarda S.p.A.
	Chairman of the Board of Statutory Auditors	Intesa Previdenza SIM S.p.A.
	Statutory Auditor	Mittel Generale Investimenti S.p.A.
	Statutory Auditor	Intesa Casse del Centro S.p.A.
	Statutory Auditor	Mittel S.p.A.
Ferrero Gianluca	Statutory Auditor	Rasbank S.p.A.
	Statutory Auditor	Rasfin SIM S.p.A.
	Statutory Auditor	Sirefid Fiduciaria S.p.A.
	Director	Banca del Piemonte S.p.A.
	Chairman of the Board of Statutory Auditors	Cafiero Mattioli Finanziaria S.p.A.
	Chairman of the Board of Statutory Auditors	I.F.I. S.p.A.
	Chairman of the Board of Statutory Auditors	Luigi Lavazza S.p.A.
	Chairman of the Board of Statutory Auditors	R.C.S. Produzioni S.p.A.
	Statutory Auditor	Alberto Lavazza S.A.P.A.
	Statutory Auditor	Alpitour S.p.A.
Statutory Auditor	Emilio Lavazza S.A.P.A.	

Member	Office	Company
	Statutory Auditor	Gruppo Banca Leonardo S.p.A.
	Statutory Auditor	Juventus F.C. S.p.A.
	Statutory Auditor	L'Oreal Saipo Industriale S.p.A.
	Statutory Auditor	L'Oreal Saipo S.p.A.
	Statutory Auditor	Maserati SpA
	Statutory Auditor	Pictet Fiduciaria Srl
Ferro Angelo	Director	R.C.S. Quotidiani S.p.A.
	Director	Società Cattolica di Assicurazione S.p.A.
Iozzo Alfonso	Chairman	Cassa Depositi e Prestiti S.p.A.
	Member of the Supervisory Board (as Censeur)	Natixis S.A.
Ponzellini Gianluca	Director	Schema28 S.p.A.
	Chairman of the Board of Statutory Auditors	Banca Intesa Private Banking S.p.A.
	Chairman of the Board of Statutory Auditors	Dé Longhi Capital Services S.p.A.
	Chairman of the Board of Statutory Auditors	Dé Longhi S.p.A.
	Chairman of the Board of Statutory Auditors	Finmar S.p.A.
	Chairman of the Board of Statutory Auditors	Luisa Spagnoli S.p.A.
	Statutory Auditor	Autogrill S.p.A.
	Statutory Auditor	Banca Caboto S.p.A.
	Statutory Auditor	Euromobiliare Asset Management SGR S.p.A.
	Statutory Auditor	G.S. S.p.A.
Sacchi Morsiani Gianguido	Chairman	Finemiro Banca S.p.A.
	Chairman	Gest Line S.p.A.
	Member of the Committee	ACRI Società Bancarie dell'Associazione fra le Casse di Risparmio Italiane
Torio Livio	Chairman of the Board of Statutory Auditors	Finlombarda S.p.A.
	Chairman of the Board of Statutory Auditors	Intesa Mediocredito S.p.A.
	Chairman of the Board of Statutory Auditors	Setefi S.p.A.
	Statutory Auditor	Banca CIS S.p.A.
	Statutory Auditor	CRIF Decision Solutions S.p.A.

Table n. 3: Structure of the Management Board

Member	Office	Independent ex art. 148 of the Consolidated Law on Finance	Number of other appointments
Enrico Salza	Chairman	•	1
Orazio Rossi	Deputy Chairman		2
Corrado Passera	Managing Director and CEO		1
Elio Catania	Member	•	/
Giuseppe Fontana	Member		2
Gianluigi Garrino	Member	•	2
Giovanni Battista Limonta	Member		2
Virgilio Marrone	Member	•	3
Emilio Ottolenghi	Member		5
Giovanni Perissinotto	Member	•	6
Marcello Sala	Member		2

Table n. 4: List of other management or control offices of Members of the Management Board in other companies listed in regulated markets (even abroad), in financial, banking, insurance or large companies

Member	Office	Company
Enrico Salza	Managing Director	Tecnoholding S.p.A.
Orazio Rossi	Chairman Chairman	Cassa di Risparmio di Padova e Rovigo S.p.A. Sanpaolo IMI Internazionale S.p.A.
Corrado Passera	Director	RCS MediaGroup S.p.A.
Giuseppe Fontana	Director Director	Banca Fideuram S.p.A. Banca Popolare di Sondrio S.c.r.l.
Gianluigi Garrino	Chairman Deputy Chairman	Fondaco SGR S.p.A. Risk Management S.p.A.
Giovanni Battista Limonta	Chairman Chairman	Limonta S.p.A. Arredamento Lombardo S.p.A.
Virgilio Marrone	Managing Director and General Manager Director Director	IFI S.p.A. Exor Group S.A. – Luxembourg Fiat S.p.A.
Emilio Ottolenghi	Chairman Chairman Chairman Deputy Chairman Director	Vis S.p.A. La Petrolifera Italo Rumena S.p.A. Pir Finanziaria S.p.A. Banca d'Intermediazione Mobiliare IMI S.p.A. Sapir S.p.A.
Giovanni Perissinotto	Chairman Managing Director Director Director Director	Banca Generali S.p.A. Assicurazioni Generali S.p.A. Pirelli & C. S.p.A. Alleanza Assicurazioni S.p.A. INA Vita S.p.A. Assitalia S.p.A.
Marcello Sala	Director Director	Banca Caboto S.p.A. Istituto per il Credito Sportivo

Table n. 5: Other provisions of the Corporate Governance Code

	YES	NO	Explanation of non-compliance with Code recommendations
System of delegated powers and transactions with related parties			
Does the Management Board delegate powers, defining their limits, means of exercise and frequency of communication?	•		
Has the Management Board reserved to itself the examination and approval of operations which are particularly significant in terms of statement of income, balance sheet and financial impact (including transactions with related parties)?	•		
Has the Management Board defined the guidelines and the criteria for the identification of "significant" transactions?	•		
Are the guidelines and criteria above described in the report?	•		
Has the Management Board defined specific procedures for the examination and approval of transactions with related parties?	•		
Are procedures for the approval of transactions with related parties described in the report?	•		
Procedures applied in the most recent appointments of Members of the Supervisory Board			
Did the deposit of the proposal for the appointments to the position of Member of the Supervisory Board occur at least ten days in advance?	•		
Were the proposals for the appointments to the position of Member of the Supervisory Board accompanied by detailed information?	•		
Were the proposals for the appointments to the position of Member of the Supervisory Board accompanied by the indication of their eligibility as independent?	•		
Shareholders' Meetings			
Has the company approved a regulation for the Shareholders' Meeting?		•	It is deemed that the powers of direction and coordination attributed to the Chairman on this matter by the law and the Articles of Association enable – through the identification, at the beginning of each Meeting of the main rules which must be complied with – to ensure an orderly and correct conduct of the meeting and the participation of each Shareholder to the relative discussion.
Is the regulation attached to the report (or does the report indicate where it may be obtained or downloaded)?		•	
Internal control			
Has the company appointed people operating in the internal controls system?	•		
Are they hierarchically independent from the heads of operating areas?	•		
Organisational unit in charge of internal control			Head of Internal Auditing: Renato Dalla Riva
Investor relations			
Has the company appointed a head of investor relations?	•		
Organisational unit and references (address/telephone/fax/e-mail) of the head of investor relations			Head of Investor Relations: Andrea Tamagnini Piazza Della Scala, 6 – 20121 Milano (MI) tel. 0287943180 – fax 0287943123 – e-mail andrea.tamagnini@intesanpaolo.com

Part II - Banca Intesa's Governance

Corporate Governance Code

From 2001 Banca Intesa S.p.A. resolved to adhere to the "Corporate governance code of listed companies" and, recognising the validity of the suggested Governance model, it progressively adapted its Corporate Governance system to both the principles expressed by the code, and Consob's recommendations on this issue and national and international best practices.

Banca Intesa S.p.A.'s governance system is illustrated hereafter with reference to 31st December 2006, date immediately prior to the date in which the merger by incorporation of SANPAOLO IMI S.p.A. came into legal effects.

The present section – also in relation to the aforesaid merger, perfected on 1st January 2007 – is developed considering indications contained in the Corporate Governance Code of 2002.

As at 31st December 2006, before the merger by incorporation of SANPAOLO IMI S.p.A., Banca Intesa S.p.A.'s Corporate Governance was organised as follows.

Composition and Role of the Board of Directors

The Board of Directors played a central role in the organisation and was responsible for strategic and organisational guidelines.

The Articles of Association reserved to the exclusive responsibility of the Board of Directors the following matters: determination of general operating policy; purchase and sale of equity investments leading to changes in the Banking group; appointment of the Managing Directors and of the Executive Committee and the delegation of the related powers; determination of general organisational structure; formation of Committees with specific consulting or coordination functions; definition of criteria for the direction and coordination of Group companies.

Again, the Articles of Association set forth that the Board of Directors determined the means and the timing according to which the most significant decisions taken by delegates had to be notified to the Board.

Normally, the most significant operations in terms of financial, economic or balance sheet impact were submitted to the approval of the Board of Directors. The Internal regulations approved in the meeting held on 11th February 2003 reserved to the Board the examination and the approval of the most significant transactions (identified on the basis of qualitative and/or quantitative criteria) with related parties (including intergroup transactions) as described in greater detail hereafter.

Furthermore, it must be noted that, as provided for by art. 136 of the Testo Unico Bancario (the Combined banking regulations) and by the related Instructions issued by the Bank of Italy, direct or indirect business relations between the Company and the latter's representatives are submitted to the Board of Directors (which must make a unanimous resolution) and must be positively valued by all the members of the Board of Statutory Auditors, without prejudice to the obligations concerning Directors' interests pursuant to Art. 2391 of the Italian Civil Code.

As is generally known, Law 262/2005 significantly expanded the scope of application of art. 136 of the Consolidated Law on Banking (with effects as of 17th May 2006) extending said procedure to the obligations with companies controlled by a representative or at which the representative performs management, direction or control functions or with the companies controlled by the latter, or which control the latter or are associated to the latter.

Banca Intesa S.p.A. immediately commenced the review of internal procedures for the purpose of adapting them to the new legislative provisions.

As set forth by the Articles of Association, delegated bodies reported in a timely fashion and in any case at least quarterly, to the Board of Directors and to the Board of Statutory Auditors on the general progress of operations, on forecasted future developments, on their activities and on the most significant transactions in terms of financial, statement of income and balance sheet impact carried out by the Company and its subsidiaries.

The Articles of Association set forth that the Board of Directors must meet at least once every two months. Normally, the Board met 11 times per year; 13 meetings were held in 2006. Furthermore, 7 Executive Committee meetings were held in 2006.

Also in consideration of the regularity of its meetings, the Board of Directors was capable of taking authoritative and effective actions and its composition ensured that the Company's interest and the maximisation of Shareholder value were the primary objectives of its decisions.

Internal regulations which set rules on the running of Board of Directors meetings had been approved for the purpose of ensuring that every Director could participate in the meetings in a meditated and prepared way and take documented decisions. In particular, these rules provided for the documentation regarding the agenda which had to be at the disposal of Directors. Directors and Statutory Auditors were summoned to the Board meetings in advance and in time and the convocation was accompanied by the agenda of the meeting of all matters to be discussed. The reports and the proposals on the matters to be discussed were normally transmitted together with the agenda of the meeting or in the immediately subsequent days, with the exception of urgent cases or when there was the need to ensure particular confidentiality in the proposals. In this latter case, extensive discussion of every matter and particular attention to documentation not transmitted in advance was ensured during the meeting.

Heads of specific structures or their substitutes could be invited to participate to Board meetings. They had to, if required, report on the matters of their respective competence but did not vote.

The Board of Directors appointed for a three-year period by the Shareholders' Meeting held on 13th January 2004, in 2006 was made up of the following members:

Giovanni Bazoli
Giampio Bracchi
René Carron
Corrado Passera
Giovanni Ancarani
Francesco Arcucci
Benito Benedini
Antoine Bernheim
Jean-Frédéric de Leusse
Gilles de Margerie
Alfonso Desiata (deceased on 21st May 2006)
Ariberto Fassati
Giancarlo Forestieri
Paolo Fumagalli
Jean Laurent (resigned as of 11th January 2006)
Giangiacomo Nardozzi
Georges Pauget (as of 24th January 2006)
Eugenio Pavarani
Giovanni Perissinotto
Mariano Riestra (resigned as of 20th April 2006)
Ugo Ruffolo
Eric Strutz (resigned as of 20th April 2006)
Gino Trombi

The Board of Directors was mostly made up of Non-executive directors (who were not attributed any operating powers and/or management functions within the Company), sufficient to guarantee, both in terms of number and competence, that their judgement carried a significant weight in the decisions taken by the Board. Of the Directors currently in service, only one, the Managing Director & CEO, Corrado Passera, was charged with operating powers, and was therefore an Executive director.

The Board of Directors of Banca Intesa S.p.A. periodically verified the existence of the independence of the Non-executive Directors also with reference to the instructions supplied by the individuals involved (each of the aforesaid Directors had in any case made the commitment of informing the Board with timeliness if a non-independence situation were to arise). The market was informed of the result of the aforementioned valuation of independence in a special press release.

As verified by the Board of Directors in the Meeting held on 14th February 2006, considering also the information provided by Directors themselves, in the Board there were 8 Non-executive directors who were independent, in that:

- a) they did not have, directly, indirectly or on behalf of third parties, nor had recently had any business relations with the Company, its subsidiaries, the Executive director, the shareholder or the group of shareholders which controlled the Company so to influence their autonomous judgement;
- b) they did not have, directly, indirectly or on behalf of third parties, shareholdings which enabled them to control or to influence the Company, nor took part in shareholder agreements for the control of the Company;
- c) were not close relations to the Company's Executive director or of subjects which may had been in the situations indicated in letters a) and b) above.

The Company's Independent directors were:

Giovanni Ancarani
Francesco Arcucci
Benito Benedini
Giampio Bracchi
Alfonso Desiata
Paolo Fumagalli
Giangiacomo Nardozi
Eugenio Pavarani

For this purpose it must be noted that, anticipating certain recommendation of the new Corporate Governance Code of March 2006, the valuation of the independence of Directors was prudentially carried out based on criteria of substance, excluding, in particular, Directors who had other executive offices or offices which entail legal representation of the companies taking part in Banca Intesa S.p.A.'s Voting syndicate.

Therefore, the Board in the Meeting held on 14th February 2006, ascertained if Directors met requirements provided for by art. 147-ter, par. 4, of the Consolidated Law on Finance and, in particular, the inexistence of blood relations and economic or professional relationships as set forth by art. 148, par. 3, lett. b) and c), of the Consolidated Law on Finance.

14 Directors in service presented such requirements.

All Directors had the professional requisites provided for by current legislation and Supervisory regulations and, in consideration of their considerable professional qualifications, were fully aware of the responsibilities associated with their office and therefore acted and decided in full autonomy and conscious of their responsibilities.

The Executive Committee, appointed by the Board of Directors held on 13th January 2004, in 2006 was made up of the following members:

Giovanni Bazoli
Giampio Bracchi
Corrado Passera
Ariberto Fassati
Giancarlo Forestieri

The Chairman of the Board of Directors, Giovanni Bazoli – who had not been delegated any operating powers – had been charged by the Articles of Association with an important role in promoting and coordinating the activities of the Company, the Board of Directors, the Managing Director and the Executive Committee. He was in charge of calling the Board meetings, defining the relative agendas and ensuring that Directors were provided with all the information necessary to evaluate the matters to be submitted to their approval; lastly, he was in charge of relations with Shareholders.

The Managing Director and Chief Executive Officer, Corrado Passera, had been delegated wide ordinary and extraordinary administration powers with the sole exception of powers which may not be delegated according to the law and those which were reserved to the Board of Directors by the Articles of Association and with quantitative limits for certain types of transactions (for example, the acquisition and disposal of equity investments within the limit of 25 million euro which did not lead to changes in the Banking group,

the purchase and sale of real estate assets of commercial value up to 25 million euro and transactions which lead to a charge which does not exceed 25 million euro). Therefore, in addition to wide operating powers, the CEO had been delegated powers over: the definition of human resources development and management policies; the formulation of proposals on the Company's and the Group's organisational structure and strategic guidelines; the operating plans and budgets to be submitted to the approval of the Board of Directors.

Appointment and Remuneration of Directors

The proposals for the appointment of the Directors were formulated by Shareholders directly at the Shareholders' Meeting.

In consideration of the Shareholder base and the existence of a Voting syndicate between Banca Intesa S.p.A.'s main Shareholders, which proceeded to the identification of the nominees for the Board of Directors, the Company did not deem it necessary to form a Nomination committee.

The components of the Board of Directors of Banca Intesa S.p.A. had been proposed by the members of the Voting syndicate.

A specific Remuneration Committee had been set up within the Board of Directors and was made up of three Non-executive directors: the Chairman, Giovanni Bazoli, the Deputy Chairman, Giampio Bracchi (independent), and the Director, Gino Trombi – and the Chairman of the Board of Statutory Auditors, Gianluca Ponzellini. Such commission was responsible for determining the remuneration of the Chairman and Deputy Chairmen of the Board of Directors as well as that of the Managing Director and proposing such remuneration to the Board of Directors, which was responsible for the relevant resolution pursuant to art. 2389 of the Italian Civil Code. The Chairman or the Deputy Chairman were not present when the Commission examined and expressed its opinion on their respective remuneration. The Commission examined and expressed its opinion on stock option plans and proposed the options to be assigned to the Managing Director in such plans.

The compensation of the Managing Director, determined by the Board, was made up of a fixed amount and variable sum which depended on results.

For the purpose of ensuring a deeper commitment in the Company's strategy through the direct participation in the Company's performance, the Extraordinary Shareholders' Meeting held on 17th December 2002 had approved a three-year stock option plan in favour of the management of the Group, after the revocation of the previous plan which had been approved by the Shareholders' Meeting of 1st March 2001. From 1st to 31st May 2006 was the last exercise period for the rights assigned based on the stock option plan.

The internal controls system

Being a bank, Banca Intesa S.p.A. had the internal control system and the structure in charge of control that were compliant with Bank of Italy regulations, which were even more detailed and binding than those provided for by the Corporate governance code. The internal control system was capable of adequately monitoring the Company's typical business risks and the economic and financial situation of the Company and the Group. Internal control functions were entrusted to Internal Auditing which was responsible for ensuring a constant and independent surveillance action on the regular progress of Banca Intesa S.p.A.'s operations and processes, as well as preventing or identifying anomalous or risky behaviour or situations, assessing the functionality of the overall internal control system.

Furthermore, Internal Auditing was responsible for ensuring surveillance over the internal control systems of subsidiaries, even via the direction and guidance of their respective internal auditing structures.

The Manager in charge of Internal auditing did not report hierarchically to any head of business areas and referred periodically to the Board, the Managing Director and Statutory Auditors.

The Board of Directors in the meeting held on 8th February 2005 had resolved to form an Internal control committee for the purpose of further increasing effectiveness and incisiveness of control processes. The Committee was made up of three Non-executive directors, of which two at least had to be independent and supported (via analysis, proposal and advisory duties) the Board of Directors and reported to the latter, at least half-yearly at the time of approval of the Annual report and the Half-year report with regard to its activities and the adequacy of the internal control system. The Chairman of the Statutory Auditors or another Auditor appointed by the former and the Head of Internal Auditing had to take part in the

Committee meetings. Moreover, the Managing Director and other Managers could be asked to join the Committee meetings depending on the issues on the agenda.

The Internal control committee had the following functions:

- assisting the Board of Directors in setting the guidelines and periodically checking the adequacy and functioning of the internal controls system, also ensuring that the main company risks (credit, financial and operational) were identified and properly managed, in coordination with the company functions involved;
- assessing the work programme drawn up by the persons in charge of internal control and receive their periodical reports;
- assessing, together with the Head of Administration and the Independent Auditors, the adequacy of the accounting principles adopted and their uniformity with a view to the preparation of the consolidated financial statements;
- assessing the proposals formulated by the Independent Auditors to obtain their appointment as well as the work plan drawn up to perform the audit and the results presented in the report and in the letter of suggestion;
- any further duties which had to be attributed to it by the Board of Directors, particularly in relation to the relationship with the Independent Auditors.

Furthermore, the Committee could have been consulted not only on evaluation of transactions with related parties but also on operations involving, directly or indirectly, conflicts of interest.

The Committee had also been attributed tasks and functions of the Supervisory Bodies pursuant to Legislative Decree 231/2001 concerning the administrative responsibility of companies.

The Internal control committee was made up of the Independent Directors Eugenio Pavarani (Chairman), Giovanni Ancarani and Paolo Fumagalli who had substituted Alfonso Desiata as of 25th July 2006.

17 Internal control committee meetings were held in 2006.

In particular, the Committee had numerous meetings with the Heads of the Bank's various business units with the specific objective of obtaining a more in-depth understanding of the areas and activities under their direct responsibility, as well as to verify and assess the adequacy and effective functioning of the internal control system.

The Committee had also often met the representatives of the Independent Auditors, as well as the Heads of the Administration, Risk Management, Organisation and Credit Departments of the Parent Company (in consideration of the relevance of such structures for the purposes of the Bank's internal control system) and paid a special and constant attention to the examination of the structure, of activities, of the reports and the work plans of the Internal Auditing Department.

Transactions with related parties

The Board of Directors approved "Internal regulations on transactions with related parties", which defined the guidelines for closing transactions with related parties and, in particular, so called "significant" transactions, i.e. the most significant transactions in terms of financial, economic or balance sheet impact, which must be submitted to the approval of the Board of Directors. The "significant" transactions were identified using qualitative and/or quantitative criteria and were, for example, the purchase and sale of real estate assets, the purchase or sale of equity investments, companies, business divisions, partnership or joint venture agreements, any transaction, both financial and commercial, whose economic value exceeds 50 million euro, provided that this was not a typical or standard transaction, framework agreements regulating the provision of multiannual intergroup services and the grant to companies within the banking group and to related parties of loans or guarantees exceeding predetermined quantitative thresholds. The Regulations also defined the general criteria for information to be provided to the Board with regard to transactions with related parties, which – since they do not have the characteristics of relevance and significance indicated above – fell within the autonomy of the Managing Director or of other competent structures, for the purpose of ensuring the fairness in the procedures and the substance of such transactions.

Such Regulations set out that if the proposed business relation was with a Director or, if in any case, a Director had an interest – even only potential or indirect – in a transaction, the Director concerned promptly informed the Board in detail and abandoned the Board Meeting when the issue was discussed.

Where the nature, value or other aspects of a transaction with related parties made this necessary, the Board, in order to avoid different conditions being agreed from those that would presumably have been

agreed between unrelated parties, shall ensure that the transaction was concluded with the assistance of independent experts for the provision of financial, and/or legal and/or technical advice (fairness opinion and legal opinion).

Lastly, it must be noted that a specific information technology system had been prepared which permitted the census and update of the register of related parties and the monitoring of the transactions made with such parties. This system had been updated following the entry into force of Consob Resolution 14990 of 14th April 2005 which, modifying Issuer Regulations, identified as the sole relevant definition – for the purposes of reporting requirements regarding transactions with related parties – that contained in the new international accounting principle related to disclosure of transactions with related parties (IAS 24).

Confidential information

Pursuant to provisions contained in art. 6 of the Corporate governance code of listed companies, the Board resolved upon the adoption of specific “Internal regulations for the treatment of confidential information and for the disclosure of documents and information”.

Such regulations set forth that the Chairman and the Managing Director were responsible for the handling of confidential information regarding the Bank and its Group and defined how Directors, Statutory Auditors and Employees must handle such confidential information, prescribing the adoption of every necessary caution in the treatment of confidential information so that its confidentiality was not prejudiced.

The regulations also defined the procedures which had to be applied in the communication of corporate documents and information, in particular as concerns price-sensitive information, i.e. information which is not available to the general public which, if disclosed, may significantly affect the price of the Bank’s and/or of the subsidiaries’ shares.

The adoption of the procedure above was aimed at preventing that information regarding the Company were communicated selectively or in an untimely or incomplete manner. Normally, price-sensitive press releases were approved by the Board of Directors – or in urgent cases – by the Chairman or the Managing Director.

Following the introduction in Italy (with Law 262 of 18th April 2005) of the Market Abuse Directive, the Company rapidly issued internal regulations for the management of confidential information referring to both Banca Intesa S.p.A. and customer listed companies.

Again, on the basis of the emendments introduced by the Market Abuse Directive and in relation to provisions of art. 115-bis of the Consolidated Law on Finance and the implementation provisions contained in Issuer Regulations issued by Consob, Banca Intesa S.p.A. had, as of 1st April 2006, formed and regularly updated a register of parties who have access to insider information (so-called “Insiders List”).

Again, as of 1st April 2006, Banca Intesa S.p.A. approved a new Regolamento Internal Dealing, aimed at adapting internal regulations and procedures to the new discipline of disclosure requirements related to transactions involving financial instruments of listed issuers by relevant parties and/or parties closely related to these, to ensure the necessary transparency and homogenous information to the market concerning such transactions.

Such Regolamento, in addition to identifying the “relevant parties”, defining their behaviour and disclosure requirements, and the “competent party” for receiving, managing and disclosing such information, forbids transactions by “Relevant parties” in the 30 days preceding the Board of Directors meeting summoned to approve the draft annual report and the half-year report and in the 15 days preceding the Management Board of Directors meeting summoned to approve the quarterly reports. Such limitation did not apply to rights attributed as part of stock option plans and pre-emptive rights and to the simultaneous sale of shares deriving from the exercise of such options.

Relations with Shareholders and the Financial Community

As regards relations with Shareholders, it must be noted that external relations with shareholders and institutional investors had long been attributed to specific and distinct specialised structures, with adequate professional capabilities and supports: the External Relations Department – Investor Relations, as concerns institutional investors, and the Legal Affairs Department – Shareholder Relations, as regards relations with other Shareholders. Within the Banca Intesa S.p.A. website there was a specific “Investor Relations” section, which enabled all interested parties to have access to a wide spectrum of economic and financial information on Gruppo Intesa.

As concerned relations with the press – without prejudice to the powers attributed to the Chairman and the Managing Director of Banca Intesa S.p.A. – in the External Relations Department, Media Relations was the exclusive reference point in the relations with Italian and foreign media for both Banca Intesa S.p.A. and Group companies.

In 2006 the Company continued to ensure the systematic dissemination of qualified, non-selective, exhaustive and timely information on the Group's activities, results and strategies, also continuing to leverage on the role of the website www.bancaintesa.it, which represented a reference point for stakeholders. Communication with the financial community focused on the realisation of the strategic objectives of the 2005-2007 Business Plan, also through the precise reporting of operations development, favouring the identification of results by financial analysts, rating agencies and investors.

From the end of August the communication effort concentrated on the plan for the merger with Sanpaolo IMI S.p.A., disclosed to the market in its guidelines on 26th August 2006, approved by the Boards of the two Banks on 12th October 2006 and presented to the market on the subsequent day and, finally approved by the respective Shareholders' Meetings on 1st December 2006. The communication had the priority objective of conveying to all stakeholders – through the various channels available - the benefits of this transaction illustrating with clear and timely disclosures the motivations and the reason why the merger between Sanpaolo IMI S.p.A. and Banca Intesa S.p.A. represented a unique opportunity for value creation for shareholders, for access to new products and competitive services for customers, for professional growth for employees and an engine for growth for the community.

The communication commitment referred to the merger plan was increased by the need to comply with the timing of disclosures required not only by Italian regulations but also by US regulations, in particular by the provisions of the Securities Exchange Commission (SEC), since the Sanpaolo IMI S.p.A. shares are registered pursuant to the Securities Exchange Act of 1934 and listed on the New York Stock Exchange.

The Company had always actively favoured the widest possible participation of Shareholders in the Shareholders' Meeting, which certainly represents a moment of effective and fundamental dialogue and coordination between the Company and its investors, which were provided with relevant documentation with timeliness.

With regard to the approval of a specific regulation on the Shareholders' Meeting, it must be noted that past experience on the Shareholders' Meetings and on the participation of each Shareholder to the discussion proves that it is possible to ensure a fair and effective meeting even without a specific regulation, which could, on the contrary, turn out to be scarcely flexible. The Chairman, on the basis of powers delegated by the Articles of Association, identified, at the beginning of each Meeting, the main rules to be complied with, especially during the discussion.

Statutory Auditors

The Board of Statutory Auditors in service in financial year 2006 was elected by the Shareholders' Meeting held on 14th April 2005 for three financial years and was made up of the following Auditors:

Gianluca Ponzellini,
Rosalba Casiraghi (Auditor elected by minority shareholders),
Paolo Andrea Colombo,
Franco Dalla Sega and
Livio Torio,

and the following Alternate Auditors:

Paolo Giolla and
Francesca Monti.

The appointment of the Board of Statutory Auditors occurred, as set forth by art. 23 of the Articles of Association, with the "list voting" mechanism, that required presentation of the lists of nominees ten days before the date of the Shareholders' Meeting and set out, with the aim of more effectively safeguarding representation of minority shareholders on the Board of Statutory Auditors, that the quorum necessary for the presentation of such lists was equal to 1% of share capital.

The list which received the majority of votes was presented by the members of Banca Intesa's Voting syndicate.

The Statutory auditor elected by minority shareholders was indicated in the list presented by ARCA SGR S.p.A. (on its own behalf and with proxies from other Italian asset management companies).

Members of the Board of Statutory Auditors participated to Board of Directors and Executive Committee meetings.

The Articles of Association set forth that the appointment as Statutory Auditor for Banca Intesa S.p.A. was incompatible with similar appointments in more than five other listed companies, with the exclusion of companies which are part of the Gruppo Intesa.

39 Board of Statutory Auditors Meetings were held in 2006.

Organisational, Management and Control Model as per Legislative Decree 231/2001 and relative Supervisory Body

Lastly, it must be noted that Banca Intesa S.p.A. adopted an organisational, management and control model as per Legislative Decree 231/2001 (concerning the administrative responsibility of companies for the crimes committed by their employees and collaborators) which was constantly updated considering law amendments issued over time.

As mentioned above, the functions of Supervisory Body had been attributed to the Internal control committee with resolution of the Board of Directors of 8th February 2005.

Banca Intesa - Summary Tables

Board of Directors (data refers to 2006)					Internal Control Committee	Remuneration Committee	Nomination Committee (if present) \diamond	Executive Committee (if present)
Office	Members	Executive	Non-executive	Independent	*	**	*	**
Chairman	Bazoli Giovanni		•		100%		•	100%
Managing Director and CEO	Passera Corrado	•			100%			•
Deputy Chairman	Bracchi Giampio		•	•	92%		•	100%
Deputy Chairman	Carron René		•		85%			•
Director	Ancarani Giovanni		•	•	100%	•	94%	
Director	Arcucci Francesco		•	•	100%			
Director	Benedini Benito		•	•	77%			
Director	Bernheim Antoine		•		61%			
Director	de Leusse Jean-Frédéric		•		69%			
Director	de Margerie Gilles		•		92%			
Director (1)	Desiata Alfonso		•	•	0%	•	0%	
Director	Fassati Ariberto		•		100%			•
Director	Forestieri Giancarlo		•		85%			•
Director (5)	Fumagalli Paolo		•	•	92%	100%		
Director (2)	Laurent Jean		•		0%			
Director	Nardozi Giangiacomo		•	•	85%			
Director (2)	Georges Pauget		•		85%			
Director	Pavarani Eugenio		•	•	100%	•	100%	
Director	Perissinotto Giovanni		•		92%			
Director (3)	Riestra Mariano		•		25%			•
Director	Ruffolo Ugo		•		61%			
Director (4)	Strutz Eric		•		0%			
Director	Trombi Gino		•		77%		•	100%

(1) Director Desiata deceased on 21st May 2006.

(2) Director Laurent resigned from his office on 11th January 2006 and in substitution the Board of Directors of 24th January 2006 appointed Director M. Georges Pauget.

(3) Director Riestra resigned from his office on 20th April 2006.

(4) Director Strutz resigned from his office on 20th April 2006.

(5) Director Fumagalli was appointed in the Internal Control Committee on 25th July 2006.

\diamond In consideration of the Shareholder base and the existence of the Voting Syndicate, which proceeds to the identification of the nominees for the Board of Directors it was not deemed necessary to form a Nomination Committee.

Number of meetings held in the Board: 13 Internal Control Committee: 17 Remuneration Committee: 2 Nomination Committee (if present): - (not present) Executive Committee (if present): 7

NOTES

* In this column "X" indicates that the Director is part of the relevant Committee.

** This column indicates the percentage participation of Directors respectively in Board of Directors and Committee meetings.

Board of Statutory Auditors (appointed by the Shareholders' Meeting of 14th April 2005)

Office	Components	Percentage participation to the meetings of the		
		Board of Statutory Auditors	Board of Directors	Executive Committee
Chairman	Ponzellini Gianluca	97%	85%	86%
Statutory Auditor	Casiraghi Rosalba*	100%	100%	86%
Statutory Auditor	Colombo Paolo Andrea	67%	100%	86%
Statutory Auditor	Dalla Sega Franco	100%	92%	72%
Statutory Auditor	Torio Livio	90%	92%	100%
Alternate Auditor	Giolla Paolo			
Alternate Auditor	Monti Francesca			

Number of meetings held in the reference year: 39 (Board of Statutory Auditors); 13 (Board of Directors); 7 (Executive Committee)

Quorum required for the presentation by minority shareholders of the lists for the election of one more Statutory Auditors (as per art. 148 of Consolidated Law on Finance: 1% of ordinary share capital (following the change in the Articles of Association with resolution of the Extraordinary Shareholders' Meeting of 24th June 2004).

NOTES

* The star indicates that the Statutory Auditor has been appointed from lists presented by minority shareholders.

Part III – SANPAOLO IMI's Governance

SANPAOLO IMI's Corporate Governance Code

SANPAOLO IMI S.p.A. adhered to the aims and indications of the Corporate Governance Code of listed companies from its issue, recognising the validity of the corporate governance model described therein.

The Company had implemented operating guidelines in line with the principles described in the Code and Consob recommendations on the matter, as well as with domestic and international best practices in general, adopting a governance system that aimed to guarantee adequate sharing of responsibilities and powers, correctly balancing the functions of management and control.

Furthermore, being a company registered with the U.S. Securities and Exchange Commission (SEC) and an issuer of listed financial instruments on the New York Stock Exchange, the SANPAOLO IMI S.p.A. governance system also reflected the provision of U.S. standards on the matter, contained in the 1933 Securities Act, the 1934 Securities Exchange Act and the 2002 Sarbanes-Oxley Act, as well as the provisions issued by the SEC.

SANPAOLO IMI S.p.A.'s governance system is illustrated hereafter with reference to 31st December 2006, date immediately prior to the date in which the merger by incorporation in Banca Intesa came into legal effects, paying special attention to the attributions and responsibilities of the company bodies, their nomination methods as well as relationships with shareholders and institutional investors.

The present section – also in relation to the aforesaid merger, perfected on 1st January 2007 – is developed considering indications contained in the Corporate Governance Code of 2002.

Composition and Role of the Board of Directors

The Board of Directors di SANPAOLO IMI S.p.A. was, in general, vested with the duties of strategic direction as well as of all Company management powers.

In particular, in accordance with the Articles of Association, the following were reserved to the exclusive competence of the Board of Directors:

- the definition of the aims, strategies and development lines of the Group business areas;
- resolutions regarding general management, the approval and modification of a general provision concerning work relationships, the acquisition and sale of equity investments changing the composition of the Banking Group, the appointment of one or more Deputy Chairmen and one or more Managing Directors, of the members of the Executive Committee and the Technical Committees as well as a General Manager, one or more Deputy General Managers and Central Managers;
- the approval of internal regulations as well as the evaluation of the Company's organisational, administration and accounting structure, with particular reference to the risk control and internal control system;
- the determination of the criteria for the coordination and management of Group companies and for the execution of the instructions issued by the Bank of Italy.

The Board of Directors was also competent to approve the resolutions concerning:

- mergers and spin offs, in the cases and according to the methods provided for by current regulations;
- the opening and closure of secondary offices;
- the reduction of capital when a shareholder resigns;
- adaptations of the Articles of Association to regulatory instructions.

Lastly, on the basis of the Articles of Association and the delegated powers, the Board was also responsible for:

- the nomination and the attribution of mandates and powers to the Executive Committee, the Managing Director and the General Manager as well as the related definition of the limits, means of exercise and periods of time within which the delegated Bodies must report to the Board on the activities carried out during the exercise of the mandates conferred to them;
- the determination of the remuneration of the Managing Director and Directors who hold particular offices, as well as the subdivision of the variable part of the amount due to the individual members of

-
- the Board, as proposed by the Remuneration and Personnel Policies Technical Committee and having heard the Board of Statutory Auditors;
- the determination of the amount due to the General Manager and the duration of such office;
 - the approval of general risk management policies;
 - the supervision on general performance, paying special attention to situations of conflicts of interest, taking into particular consideration the information received from the Executive Committee, the Technical Audit Committee, the Managing Director and the General Manager and periodically comparing the results achieved with those planned;
 - the examination and approval of major economic, balance sheet and financial transactions, defined on the basis of quantitative and qualitative criteria (such as loans of more than one fifth of the equity of the Company, loans of more than 10 million euro, acquisition or loss of control of insurance companies and acquisition of equity investments of more than 100 million euro); the verification of the adequacy of the Company's and Group's general organisational and administrative structure;
 - the presentation to Shareholders of the reports concerning the agenda of the Shareholders' Meetings;
 - the approval of relevant transactions carried out by the Parent Company with related parties.

The Board of Directors in office at 31st December 2006 was composed of 17 Directors, listed below with their specific roles:

Enrico Salza	Chairman
Maurizio Barracco	Director
Pio Bussolotto	Director
Giuseppe Fontana	Director
Ettore Gotti Tedeschi	Director
Alfonso Iozzo	Managing Director (*)
Virgilio Marrone	Director
Iti Mihalich	Director
Anthony Orsatelli	Director
Emilio Ottolenghi	Director
Orazio Rossi	Deputy Chairman
Gian Guido Sacchi Morsiani	Director
Alfredo Saenz Abad	Director
Mario Sarcinelli	Director
Leone Sibani	Director
Alberto Tazzetti	Director
José Manuel Varela	Director

(*) resigned from the office of Managing Director on 12th December 2006

With the exception of the Managing Director - in relation to the role of executive management and promotion of activities of the Company, assigned to him by the Articles of Association and decisions of the Board - all the Directors of SANPAOLO IMI S.p.A., including the Chairman and Deputy Chairman, were considered as non-executive, individually having no operational delegated powers and/or no directional functions in the Company; and the pursuance of their respective duties in meetings of the Deliberative Bodies and Technical Committees was reserved to them.

The Board of Directors of SANPAOLO IMI S.p.A. periodically verified the existence of the independence of the Non-executive Directors also with reference to the instructions supplied by the individuals involved (each of the aforesaid Directors had in any case made the commitment of informing the Board with timeliness if a non-independence situation were to arise). The market was informed of the result of the aforementioned valuation of independence in a special press release.

On the basis of the definition of independence contained in the Corporate Governance Code of 2002, having evaluated the nature of the agreements existing among certain shareholders of the Bank and considering the offices held by them and the working relations and offices of Executive Director held within the SANPAOLO IMI Group in the last three years, as well as the economic relations held directly or indirectly with the Company, the following were considered as Independent Directors:

Enrico Salza
Maurizio Barracco

Giuseppe Fontana
Emilio Ottolenghi
Orazio Rossi
Gian Guido Sacchi Morsiani
Mario Sarcinelli
Alberto Tazzetti

The calling of the Board of Directors, ordinarily every two months, fell to the Chairman, whenever he/she deems it necessary or opportune. The Chairman, who, in accordance with the Articles of Association, was responsible for the coordination of the work of the Board of Directors, chaired over the meetings and set the agenda - taking account of the motions proposed by the Managing Director and the General Manager, on the basis of the powers of attorney conferred - and ensured that adequate information on the matters under discussion was supplied to all Directors.

The calling of the Directors and Statutory Auditors for the meetings of the Board of Directors was made at least five days before the date set for the meeting, in reasonable time to allow sufficient information on the subjects under discussion and was followed by the dispatch of the documentation necessary to ensure the best informed performance by the Directors in the fulfilment of their tasks. In cases of particular urgency the call might have been made with just 24 hours notice, though still ensuring a full treatment of each subject and paying particular attention to the content of the documents which cannot be sent ordinarily.

The meetings of the Board of Directors were attended by the General Manager for consultation purposes and to make proposals. The Board meetings could also be attended by the Managers of Head Office Directions or Functions, as well as the executives of subsidiaries, to supply information and data concerning the practices submitted for examination by the Board, representatives of the independent auditors and external consultants, in relation to matters on the agenda, which might have required specific technical expertise.

The Board of Directors met 19 times during 2006; as in the past, the Directors' attendance of board meetings was significantly high and constant (approximately 85%), ensuring a systemic contribution by its members to the management of corporate and Group affairs, fully exploiting the important professional skills available to group advantage.

The Board of Directors had appointed among its members the Executive Committee (of which the Chairman, chairing, the Deputy Chairman and the Managing Director were members ex officio), setting the number of members, delegated powers, term of office, operating rules and powers.

The Executive Committee was composed of 8 Directors, of which 7 non-executive, 4 of which independent:

Enrico Salza
Pio Bussolotto
Ettore Gotti Tedeschi
Alfonso Iozzo
Emilio Ottolenghi
Orazio Rossi
Gian Guido Sacchi Morsiani
José Manuel Varela

The Executive Committee exercised its powers in the context of strategies, address and plans laid out by the Board, with the faculty of sub-power of attorney and the obligation to report quarterly to the same Board on the activity performed, the decisions made and the powers of attorney conferred.

The Executive Committee, the Statutory Auditors having their powers set by law, was called to meet, by company practice, around twice a month. The Committee met 21 times during 2006, with an average attendance by Directors of approximately 95%.

The Board of Directors of SANPAOLO IMI S.p.A. was supported in its institutional functions by the following Technical Committees made up from its members with consultative, management and control functions:

The Technical Audit Committee was composed of 3 non-executive Directors, all independent:

Giuseppe Fontana (Chairman)

Maurizio Barracco

Mario Sarcinelli

The Technical Audit Committee – which in 2006 met on 12 occasions with the participation of the Managing Director, the General Manager and the Chairman of the Board of Statutory Auditors – had the responsibility of analysing the problems and relevant practices with the possibility to make specific analyses of subjects to be investigated further, with reference to the evaluation of the internal control system. The Committee also evaluated the adoption of the best corrective measures proposed to deal with omissions and anomalies found in the audit processes, both internally and with the independent auditors.

The Technical Audit Committee also performed the tasks and functions of Supervisory Body, pursuant to Legislative Decree 231/2001, as regards the administrative responsibility of the companies and presented a specific annual report on the activity performed in this context to the Board of Directors.

The Remuneration and Personnel Policies Technical Committee was made up of 3 non-executive Directors, 1 of whom independent:

Iti Mihalich (Chairman)

Alfredo Saenz Abad

Alberto Tazzetti

The Committee - which met 4 times in 2006 - had the role of evaluating, in agreement with the Chairman of the Board of Statutory Auditors and referring to the Board of Directors, the remuneration of the Directors with particular offices and examining the total remuneration structure of the Directors, also taking account of any presence in the Corporate Bodies of subsidiary companies.

The Ethical Committee was composed of 3 non-executive Directors:

Anthony Orsatelli (Chairman)

Virgilio Marrone

Leone Sibani

The Committee which met 2 times during 2006, had the responsibility of investigating and evaluating the principles to be presented to the Board of Directors for the identification of a corporate ethical-environmental policy, monitoring internally to which extent the chosen principles have been adopted and supervising the publication of the Social Report and the guidelines for the external communication of corporate policy in this area. The Ethical Committee had given its positive judgment on the Ethical Code of SANPAOLO IMI S.p.A., approved by the Bank's Board of Directors in 2003, which was, together with the Social Report, the general reference of the ethical principles and values of the Group and the corpus for the criteria of conduct for its Directors, employees and co-workers.

Appointment and Remuneration of Directors

SANPAOLO IMI S.p.A.'s Articles of Association did not contain a specific procedure for appointment of Directors, hence this took place on the basis of the proposals presented during the Shareholders' meeting, with the presentation of the curricula and professional experiences of the candidates.

The Bank created awareness among its majority shareholders of the opportunity, where possible, to anticipate information on the proposals for nomination and on the profiles of candidates for the office of Member of the Board of Directors, depositing the relative curricula in the Registered Office.

There was no special committee within SANPAOLO IMI S.p.A. for the presentation of nominations to the office of director, given the nature of the task, which fell within the context of the competencies of shareholders, and the alert and attentive character of the latter as regards attendance of the shareholders' meetings and presenting suitable candidates for the corporate office. Their choice was focused on profiles of high standing with a wide range of different professional and managerial experiences in domestic and international contexts.

The current system for remuneration of the Directors, according to the provisions of the Articles of Association and within the terms established by the Shareholders' meetings on 29th April 2004 and 29th April 2005, was largely based on the following:

- 1) a fixed annual part;
- 2) a variable part, linked to results achieved, and determined with reference to the bases and parameters approved by the Shareholders' Meeting;
- 3) a fixed sum including allowances for each attendance at meetings of Corporate bodies, while, pursuant to the Articles of Association, the Directors had the right to reimbursement of expenses occasioned by their office.

The Board of Directors supervised the distribution to the Directors of the variable part and, having heard the opinion of the Board of Statutory Auditors and taken the advice from the Remuneration and Personnel Policies Technical Committee, set the remuneration of the Directors with particular duties as set out in the Articles of Association.

The internal controls system

At SANPAOLO IMI S.p.A. – submitted to a specific and detailed discipline of the Bank of Italy - the internal control system and the appointed structure were particularly widespread and organised to effectively control the typical risks inherent in the corporate activity and monitor the economic and financial situation of the Company and the Group. This system, viewed as an organic set of organisational controls, procedures and behavioral rules, constituted an integral part of operations and involved all sectors and corporate structures, each of which was called upon to ensure constant and continuous monitoring for its own relevant area.

Responsibilities in terms of internal auditing were assigned to a special structure known as Audit Management which, reporting hierarchically to the Managing Director and functionally to the Technical Audit Committee, was necessarily independent of the operating structures and in carrying out its activities, it was not denied access to data, archives and company assets.

Audit Management had the responsibility for evaluating the functioning of the complete system of internal controls of the Group, controlling operations and risk management performance, the respect of procedures and the regulations drawn up by the Bank and the subsidiaries, as well as bringing to the attention of the Board of Directors and Top Management possible improvements in controlling risks.

A quarterly report on the results of the activity was presented to the Technical Audit Committee, to the Board of Statutory Auditors and the Board of Directors, whose meetings were attended, on such occasions, by the head of Audit Management, who showed the report and provided the necessary clarification. There were regular, continuous reports between Audit Management and the Board of Statutory Auditors, to which constant information and cooperation were ensured through the periodical report by the Head of Audit Management, in the context of the sessions of the same Board, on the results of the activities performed.

Organisational, Management and Control Model as per Legislative Decree 231/2001 and relative Supervisory Body

SANPAOLO IMI S.p.A., also taking into account the internal control system, had approved the Principles of reference for adoption of the organisational, management and control models as per Legislative Decree 231/2001 (referring to the administrative responsibility of companies for the crimes committed by their employees and collaborators), and had conferred, as referred to above, the qualification of Supervisory Body to the Technical Audit Committee, with contextual attribution to the same of the powers and prerogatives necessary to perform the supervisory activities with regard to the operation and observance of the models and their updating in compliance with the provisions of the Decree. As such, the Technical Audit Committee had to present to the Board of Directors an annual report on the activities carried out.

Transactions with related parties

The Board of Directors - based on the definition contained in IAS 24 - had identified the parties related to the Bank and defined a Group procedure for the deliberation of transactions with such related parties, aimed at setting competencies and responsibilities, as well as indicating the informative flow between the structures of the Bank and the companies directly and indirectly controlled.

Significant transactions with related parties performed by the Parent Company were reserved to the deliberative competence of the Board of Directors, upon prior examination by the Audit Committee.

Significant transactions entered into by subsidiaries with the related parties of the Parent Company had been reserved to the deliberative competence of the Board of Directors of the company concerned and submitted to the approval of the Parent Company.

As part of the procedure, in the preliminary stage of atypical or unusual transactions, the competent structures had to be assisted by independent experts called to express an opinion on the economic conditions and/or legitimacy and/or the technical aspects of the transaction. For significant transactions, the Head of the Parent Company Structure competent to propose or approve the transaction, had to assess whether or not to make use of the assistance of independent experts on the basis of the non-repetitive nature and relevance of the transaction.

If the related party was one of the subjects who exercised management, administration and control functions within the Bank or with banks or companies belonging to the Banking Group, the special and more rigorous discipline provided for by art. 136 of the Consolidated Law on Banking was applied. Such discipline, in any case, provided for the prior unanimous approval of the Board of Directors and the favourable vote of all the members of the Board of Statutory Auditors.

Following the approval of the transactions with related parties, the Functions of the Parent Company and the subsidiaries had to present a quarterly report to the Technical Audit Committee and the Board of Directors of the Parent Company in accordance with Art. 150 of the Consolidated Law on Finance, and had to, if necessary, implement immediate or periodical informative duties to the market. A description of transactions with related parties was included in the Explanatory Notes to the Consolidated and Separate Financial Statements.

Confidential information

Institutional communication activities in SANPAOLO IMI S.p.A. – including the treatment of price sensitive information – were the exclusive responsibility of the Chairman, based on the technical evaluations adopted, within the scope of the respective competence, by the Board of Directors and the Managing Director.

They engaged the External Relations and Investor Relations functions for this purpose. In particular, the former was responsible for management of the process aimed at providing continuous information to the press and to the relevant Supervisory Authorities as well as, more specifically, preparation and submission for approval to the Board of Directors and to the Managing Director of press releases to be issued in the market; the latter, on the other hand, was responsible for ensuring the correct exchange of information with institution investors, rating agencies and market operators, especially as regards disclosure and publication of statistical or forecasted data and information.

The External Relations function was also responsible for managing external and institutional relations as well as relations with the press and media in general and monitoring information flows what might be of interest for Top management.

Confidential information was treated following an internal procedure approved by the Board of Directors in conformity to best practice, the regulatory principles and recommendations contained in the communications issued by the Supervisory Authorities. This procedure, affirming the obligation of confidentiality, in the corporate interest and the interest of Directors and Statutory Auditors, highlighted the value which the Company recognised in terms of principles of market efficiency and transparency as well as the criteria of duty, clarity and continuity of information, on which communication toward the public was based. The procedure also exemplified the main circumstances when the obligation to communicate arose and the means of communication.

In implementing the legal and regulatory provisions, in addition to the above mentioned procedure, specific instructions had been transmitted to subsidiaries to ensure an efficient informative flow and timely respect for the requirements of transparency by the Group to the market.

The accounting information that the Bank had to communicate to the NYSE and the SEC on the basis of U.S. standards had to be price sensitive and made available to the public also in Italy. Likewise, in applying an equivalence principle, all relevant information that had to be made public by the Bank in accordance with domestic standards was immediately supplied to the above mentioned foreign Authorities.

In accordance with the discipline set forth by the Consolidated Law on Finance, following the regulatory changes introduced by Law 62/2005, as well as in the implementation measures issued by Consob, SANPAOLO IMI S.p.A. had adopted a specific internal organisational procedure aimed at identifying the “financial instruments” subject to disclosure of internal dealing and determining the “relevant people” of the Parent Company and of the subsidiaries required to carry out the disclosure set forth by the regulations, as well as “designated subject involved in the receipt, management and dissemination of information”.

The Company had also established a registry of people who, due to their employment or professional position or to the functions carried out, had permanent or occasional access to privileged information regarding the Company. The Board of Directors had approved a specific procedure that defined the criteria for management of said registry and established competencies, responsibilities and flows of information between Bank structures, with particular reference to the saving and regular updating of the registry and to notification to people registered of their registration, as well as the obligations involved in having access to privileged information and possible sanctions resulting from its unauthorised use.

Relations with Shareholders and the Financial Community

SANPAOLO IMI S.p.A. had paid particular attention – by setting up internal company structures dedicated to this specific purpose – to seamlessly managing relations with shareholders, institutional investors and the main operators in the domestic and international financial community, and to guaranteeing the systematic dissemination of thorough and prompt information on Group activities, strategies and results, also in the light of the indications formulated on the matter by the Consob and the principles contained in the “Market Information Guide” on corporate information published in 2002 by Forum Ref. These tasks were attributed to Investor Relations and to the Company Secretariat.

During 2006 the Company pursued its opening towards the market, especially in conjunction with publication of the financial statements and periodical results, organising meetings with investors and financial analysts in the main geographic areas. In addition, SANPAOLO IMI S.p.A. has decided to further encourage communication with investors and with the public, by pursuing a practice of correct, accurate and transparent communication, via adequate preparation and prompt, timely updating of the website www.grupposanpaoloimi.com. Development of this information channel reflected the Company's attention to international best practices as regards investor relations, as well as the requirements linked to fulfillment of the corporate reporting obligations set forth in the current regulations.

Despite the presence of extensive diversification in the methods of disclosing information to the market, SANPAOLO IMI S.p.A. always encouraged and facilitated the widest possible participation of Shareholders at Shareholders' Meetings, as occasions for a proficuous dialogue between shareholders and Directors; it was standard practice that shareholders who had attended the last meetings were promptly issued calls to subsequent meetings and receive the informative materials prepared in view of the work to be performed, also with the objective of providing them with the information necessary to exercise their voting rights. The documentation relative to the items on the agenda of the meeting, together with the convocation notice, are in any case made available on the Bank's website.

During 2006, the Shareholders' Meeting met on 28th April for the approval of the financial statements for 2005 as well as on 1st December 2006 for the approval of the plan for the merger by incorporation into Banca Intesa S.p.A.

The attendance of the Meeting by shareholders was constantly significant: in particular, respectively 56.34% and 58.59% of share capital attended such meetings.

Board of Statutory Auditors

The Board of Statutory Auditors in office in 2006 was composed of 5 Statutory Auditors and 2 Alternate Auditors, elected for financial years 2005/2006/2007 by the Shareholders' Meeting held on 29th April 2005. The election had occurred via list voting in the respect of a procedure which required the prior publication of candidates and ensured the representation of minority shareholders.

The Board of Statutory Auditors was composed of:

Maurizio Dallochio	Chairman
Aureliano Benedetti	Auditor
Gianluca Ferrero	Auditor
Augusto Franchini	Auditor
Paolo Mazzi	Auditor
Carlo Pavesio	Alternate Auditor
Paolo Piccatti	Alternate Auditor

The Shareholders' Meeting of 29th April 2005 established the payment due to the members of the Board of Statutory Auditors for the three-year period of office, also approving the payment to each Auditor of a fixed amounts (including allowances) for attendance of every meeting and without affecting the Auditors' right to reimbursement of expenses produced by the office.

Details of the payments to the Auditors are shown in the Explanatory Notes to the Financial Statements.

The Board of Statutory Auditors - which met 16 times during 2006 with a 93% average attendance by Auditors - was called upon to supervise observance of the law and of the Articles of Association, respect of the principles of correct management and adequacy of the organisational structure, for the areas of competence, of the internal control system and the Company's administrative-accounting system, the methods of concrete implementation of the corporate governance rules set forth by codes of conduct drafted by management companies in regulated markets or by trade associations, to which the Company declared to comply, as well as the adequacy of the provisions given by the Company to its subsidiaries to fulfill the disclosure and reporting obligations provided for by the law.

The Board of Auditors attended all the meetings of the Board of Directors and the Executive Committee and therefore was constantly informed of the activities carried out by the Company. Moreover, in compliance with Art. 150 of the Consolidated Law on Finance and the Articles of Association and in order to guarantee that all the information needed to exercise effectively its functions are made available to the Board of Statutory Auditors, the Board of Directors referred promptly, at least quarterly, to the Board on the activities performed and the major economic, financial and balance sheet transactions performed by the company or the subsidiaries; in particular, the Directors reported transactions in which they were interested on their own behalf or that of third parties.

In line with the requirements set forth by the Sarbanes Oxley Act, SANPAOLO IMI S.p.A. was obliged to set up an audit committee which meets specific standards of autonomy and independence provided, also for the foreign issuers, by the US law. To this end, the Company resolved to assign to the Board of Statutory Auditors the functions of audit committee in line with US regulations, that mainly consist in the control of the processes of the financial statement reporting and auditing of the Company. The Board of Statutory Auditors was in fact qualified to perform those functions, in view of the ordinary competencies and responsibilities assigned to itself by Italian law as well as of the professionalism and independence of its members. To this end, the Board of Directors and the Board of Statutory Auditors had approved an internal protocol to regulate the activities of the Board of Statutory Auditors related to the role of audit committee, so that the same could fully perform the duties assigned, particularly in dealings with auditors and in the management of complaints regarding financial reporting, in line with US and national regulations. In addition, the Board had been granted a relative credit line by the Shareholders' Meeting, to be used for remuneration of independent external consultants, if any, for execution of the aforementioned audit

committee duties required by the relevant US regulations.

The Board of Statutory Auditors held the powers given to itself in accordance with the Sarbanes Oxley Act and the provisions issued by the SEC, with the subsequent adoption of responsibilities with respect to the USA Authority, without affecting the ordinary competencies and responsibilities assigned to the latter by Italian law.

SANPAOLO IMI S.p.A. - Summary Tables

Table n. 1: Structure of the Board of Directors and of the Technical Committees of SANPAOLO IMI S.p.A.

Director	Office	Executive	Non-executive	Independent	Executive Committee *	Technical Audit Committee *	Remuneration and Personnel Policies Technical Committee *	Ethical Committee *
Enrico Salza	Chairman		•	• 100%	• 100%			
Maurizio Barracco	Director		•	• 100%		• 100%		
Pio Bussolotto	Director		•	100%	• 100%			
Giuseppe Fontana	Director		•	• 95%		• 100%		
Ettore Gotti Tedeschi	Director		•	95%	• 90%			
Alfonso Iozzo	Managing Director and CEO	•		100%	• 95%			
Virgilio Marrone	Director		•	95%				• 100%
Iti Mihalich	Director		•	95%			• 100%	
Anthony Orsatelli	Director		•	0%				• 100%
Emilio Ottolenghi	Director		•	• 85%	• 86%			
Orazio Rossi	Deputy Chairman		•	• 95%	• 95%			
Gian Guido Sacchi Morsiani	Director		•	• 100%	• 100%			
Alfredo Saenz Abad	Director		•	26%			• 25%	
Mario Sarcinelli	Director		•	• 95%		• 95%		
Leone Sibani	Director		•	100%				• 100%
Alberto Tazzetti	Director		•	• 90%			• 75%	
José Manuel Varela	Director		•	85%	• 96%			

Number of meetings held in the reference year

- Board of Directors: 19
- Executive Committee: 21
- Technical Audit Committee: 12
- Remuneration and Personnel Policies Technical Committee: 4
- Ethical Committee: 2

* This column indicates the percentage participation of Directors respectively in Board of Directors, Executive Committee and Technical Committees meetings.

Table n. 2: Board of Statutory Auditors of SANPAOLO IMI S.p.A.

Statutory Auditor	Office	Percentage participation to the meetings of the		
		Board of Statutory Auditors	Board of Directors	Executive Committee
Maurizio Dallochio	Chairman	88%	85%	75%
Aureliano Benedetti	Statutory Auditor	88%	100%	85%
Gianluca Ferrero	Statutory Auditor	88%	85%	86%
Augusto Franchini	Statutory Auditor	100%	94%	95%
Paolo Mazzi	Statutory Auditor	100%	90%	95%

Number of meetings held in the reference year: 16

Quorum required for the presentation by minority s-hareholders of the lists for the election of one or more Statutory Auditors (as per Art. 148 of Consolidated Law on Finance): 1%

INTESA SANPAOLO S.p.A.

Piazza San Carlo, 156
10121 Torino (Italy)

Company Secretariat
Tel: +39 011 555.2762 – 8213 - 6093
Fax: +39 011 555.2322
E-mail: segreteria.societaria@intesasnpaolo.com
Internet: www.intesasnpaolo.com