

# Report on Corporate Governance and Ownership Structures Report on Remuneration

**Intesa Sanpaolo S.p.A.** Registered office: Piazza San Carlo, 156 10121 Torino Secondary registered office: Via Monte di Pietà, 8 20121 Milano Share capital 8,549,266,378.64 euro Torino Company Register and Fiscal Code 00799960158 VAT number 10810700152 included in the National Register of Banks No. 5361 ABI Code 3069.2 Member of the National Interbank Deposit Guarantee Fund and of the National Guarantee Fund, and Parent Company of "Intesa Sanpaolo" banking group, included in the National Register of Banking Groups.

In accordance with Article 9 ter, paragraph 3, of the Shareholder Rights Directive II and Article 84-quater, paragraph 1, of the Issuers' Regulation, this document replaces the document previously published on 8 April 2014.

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# Glossary

**Articles of Association:**

Intesa Sanpaolo's Articles of Association (available in the Governance section of the Bank's website)

**Banking Group or Intesa Sanpaolo Banking Group:**

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

**Bank of Italy:**

the Bank of Italy - central bank of the Republic of Italy and part of the European System of Central Banks and the Eurosystem - is a public institution whose main functions aim at granting, among other, the stability and efficiency of the financial system by pursuing sound and prudent management of financial intermediaries as well as compliance with relevant laws in force (also see the website [www.bancaditalia.it](http://www.bancaditalia.it))

**Bank's website or Company's website**

the website [group.intesasanpaolo.com](http://group.intesasanpaolo.com)

**Borsa Italiana Regulations:**

regulations governing markets organised and managed by Borsa Italiana

**c.c.:**

Italian Civil Code

**Consob:**

Commissione Nazionale per le Società e la Borsa, the independent authority whose purpose is to safeguard investors, efficiency, transparency and development of the Italian securities market (also see the website [www.consob.it](http://www.consob.it))

**Consob Regulation on related parties:**

regulation issued by Consob with resolution 17221 of 12 March 2010 (and subsequent amendments), governing transactions with related parties by companies using the venture capital market directly or through subsidiaries

**Consolidated Law on Banking:**

Italian Legislative Decree no. 385 of 1 September 1993 – Consolidated Law on Banking

**Consolidated Law on Finance (CLF):**

Italian Legislative Decree no. 58 of 24 February 1998 – Consolidated Law on Finance

**Corporate Governance Code or Code:**

Corporate Governance Code for listed companies, published in March 2006 and updated through December 2011 by the Corporate Governance Committee, on corporate governance principles applicable to companies quoted on the stock exchange

**Financial Stability Board or FSB:**

Financial Stability Board, independent body that collaborates with the national and international financial institutions to develop and implement effective regulatory, supervisory and other specific sector policies in the interest of global financial stability (also see the website [www.financialstabilityboard.org](http://www.financialstabilityboard.org))

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**Group or Intesa Sanpaolo Group:**

the Group, composed of the Parent Company Intesa Sanpaolo and companies controlled directly or indirectly by the same, including companies that are not part of the Banking Group – with registered offices in Italy and abroad

**Intesa Sanpaolo or Company or Bank:**

Intesa Sanpaolo S.p.A.

**Issuers' Regulation:**

regulation implementing the Consolidated Law on Finance and governing issuers, adopted by Consob Resolution 11971 dated 14 May 1999, and subsequent amendments thereto

**Italian Stock Exchange or Borsa Italiana:**

Borsa Italiana S.p.A. is the company responsible in Italy for the organisation, management and development of markets for the trading of financial instruments, on which Intesa Sanpaolo S.p.A. instruments are also quoted (also see the website [www.borsaitaliana.it](http://www.borsaitaliana.it))

**Joint Bank of Italy/Consob Regulation:**

regulation issued jointly, pursuant to the Consolidated Law on Finance, by the Bank of Italy and Consob on 29 October 2007, governing the organisation and procedures of intermediaries providing investment services

**Manager responsible for preparing the Company's financial reports:**

Manager responsible for preparing the Company's financial reports (pursuant to art. 154-bis of the Consolidated Law on Finance)

**Parent Company:**

Intesa Sanpaolo, the Parent Company of the Banking Group, pursuant to the Consolidated Law on Banking

**Report on Governance:**

the Report on Corporate Governance and Ownership Structures drawn up pursuant to Article 123-bis of the Consolidated Law on Finance

**Report on Remuneration:**

the Report on Remuneration drawn up pursuant to Article 123-ter of the Consolidated Law on Finance and subsequent implementation provisions

**Supervisory Provisions:**

regulations issued by the Bank of Italy as part of its supervisory functions, applicable to banks and banking groups

**Supervisory Provisions on corporate governance:**

"Supervisory provisions concerning banks' organisation and corporate governance", adopted by the Bank of Italy on 4 March 2008, and subsequent note issued by the Bank of Italy on 11 January 2012 on the application of such Provisions

**Supervisory Provisions on remuneration:**

"Provisions regarding remuneration and incentive policies and practices in banks and in banking groups", issued by the Bank of Italy on 30 March 2011

Report on Corporate Governance  
and Ownership Structures

27 March 2014



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# Introduction

This Report, available in the “Governance” section of the Company’s website, has been prepared in accordance with Article 123-bis of the Consolidated Law on Finance, which requires issuers to provide the market yearly with a set of information, precisely identified by the said Article, on their ownership structures, their compliance to some corporate governance codes, their corporate bodies structure and operation as well as their corporate governance practices.

Art. 123-  
bis (2),  
(a) CLF

In addition to being required by law, the Report also represents an opportunity for Intesa Sanpaolo to carry out a periodic overall self-analysis, as well as an important means of communication with its shareholders, investors and the market, illustrating the governance mechanisms that drive the Bank’s operations. Within this framework, the Report describes the levels of compliance with the Corporate Governance Code, and identifies the rare cases of discordance with the latter and the reasons supporting them, also considering the peculiarities of the dual management and control model.

Specifically, the Report is divided into four parts. Part I provides a brief description of the Bank and its corporate governance model, together with a description of the Intesa Sanpaolo Group. Part II discloses information on the ownership structure, except for certain information that has been included in Part III for the purposes of greater clarity. Part III contains more precise information on the Bank’s corporate bodies and structure, as well as on the internal control and risk management system. Lastly, Part IV contains a series of tables providing summary information on the structure of the Supervisory Board and Management Board.

Further information on the implementation of Article 6 of the Code is also included in the Report on Remuneration.

For more immediate interpretation, specific margin notes citing the relevant Principles and Criteria of the Code have been provided alongside the text, along with the requirements of paragraph 1 (ownership structures) and paragraph 2 (corporate governance) of Article 123-bis of the Consolidated Law on Finance.

The Appendix to this document contains two check lists that indicate, on one side, the Principles and Criteria of the Code and the provisions of Article 123-bis and, on the other side, the relative implementation (with any amendments) or non-application, with reference to the page of the document in which the matter is discussed.

However, these check lists should be read together with the clarifying notes and details provided in the Report as regards application of the individual provisions.

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Unless otherwise stated, the information contained in this Report is updated as at 27 March 2014, the date of its approval by the Management Board and of the relative acknowledgement by the Supervisory Board.

This Report was audited for consistency by the independent auditors KPMG, in accordance with the aforementioned Article 123-bis. Their findings are published in the Independent Auditors’ Reports, prepared in accordance with Article 14 of Italian Legislative Decree no. 39/2010, annexed to the Parent Company and consolidated 2013 financial statements.



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# Adoption of the Corporate Governance Code

Intesa Sanpaolo has adopted the Corporate Governance Code, as updated through December 2011, available on the Borsa Italiana website (under Borsa Italiana/Rules/Corporate Governance). Consequently, the Bank's governance is also shaped by the aims and instructions contained in the same, with a view to ensuring the effective and transparent separation of the roles and responsibilities of its Corporate bodies, and, in particular, also in accordance with supervisory provisions, checks and balances between strategic supervision, management and control functions.

Art. 123-bis (2),  
(a) CLF

Intesa Sanpaolo, however, has also adapted the principles and criteria of the Code to its own dual governance system, this option being offered by the Code for alternatives to the traditional governance model, in a manner consistent with the objectives of good corporate governance, transparent reporting and the protection of investors and the market, as well as of the interests of all stakeholders with which the Bank interacts in its business.

10.P.1.

Furthermore, the Bank is aware that efficient corporate governance is essential for the pursuit of its objectives, and it constantly updates its corporate governance structure in order to bring it in line not only with the changing regulations, but also with national and international best practices and with the corporate governance principles and recommendations promoted by the main Bodies and Authorities (i.e. the Financial Stability Board, the Basel Committee on Banking Supervision and the European Banking Authority).

All the above, with no prejudice to strict compliance with the overall regulatory framework and, in particular, the supervisory provisions issued by the Bank of Italy and regulations contained in the Consolidated Law on Banking, pursuant to which, Intesa Sanpaolo, as a bank, must however shape its organisational structure.





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# Part I – Profile of the Company and the Group

Intesa Sanpaolo is a Bank quoted on the MTA market (Mercato Telematico Azionario) organised and managed by Borsa Italiana. The purpose of the Company is the deposit-taking and the carrying out of all forms of lending activities, both directly and through its subsidiaries, together with any other transactions instrumental or related to the achievement of its corporate purpose.

## Corporate Governance model

Intesa Sanpaolo adopts the dual management and control model, consisting of a supervisory board, whose members are appointed by the shareholders' meeting, and a management board, whose members are appointed by the supervisory board, pursuant to Articles 2409-octies et seq. of the Italian Civil Code and Articles 147-ter et seq. of the Consolidated Law on Finance.

10.P.1.  
10.P.3.

The duties and rules of operation of Intesa Sanpaolo's corporate bodies are set forth in provisions of laws and regulations, relevant resolutions passed by competent Authorities, the Articles of Association and internal Rules.

In general terms, the Supervisory Board, in addition to performing control duties typical of the board of statutory auditors, is also charged, according to the regulatory provisions, with certain duties traditionally attributed to the meeting and, on the basis of a provision of the Articles of Association adopted in accordance with Article 2409-terdecies, f-bis) of the Italian Civil Code, with strategic supervisory functions. The Management Board, on the other hand, has full and exclusive power over company management and, to the extent of its separate duties, contributes to strategic supervisory functions. In compliance with the general guidelines and programs approved, the Management Board has exclusive power over ordinary and extraordinary company management.

Based on the Supervisory Provisions on corporate governance, the role of strategic supervision is focused on the Supervisory Board.

After more than seven years' experience, the dual model adopted by Intesa Sanpaolo confirms its concrete operation and consistency with respect to the Bank's overall structure, demonstrating its capacity to meet the efficiency and effectiveness needs of governance and of the control system of a structured and complex Group.

This model ensures that both bodies liaise in the implementation of strategic supervision in a framework of transparent, well-defined duties, in which proposals prepared by the Management Board are submitted for approval of the Supervisory Board.

The roles assigned to the two Bodies emphasise, in fact, the separation of control, steering and strategic supervision functions on the one hand, and the management function on the other. This separation offers a better definition of the Bodies' roles and responsibilities by means of a check and balance system, and guarantees that fundamental decisions are subject to twofold examination, in order to ensure the sound and prudent management of the Bank.

Detailed information concerning the corporate bodies is contained in specific sections of the third part of the Report.

Certain provisions of the Code concerning the board of directors and individual directors under the traditional system are considered applicable to the Management Board and Supervisory Board each as a whole as well as to their individual members, given that the Articles of Association assign significant powers of strategic supervision to the latter. Moreover, provisions concerning control bodies have been applied to the Supervisory Board, as well as provisions concerning the management of operations have been applied to the Management Board.

10.C.1.

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Note that in 2013 the banking sector regulations were affected by a number of important EU measures, some of which still under development, requiring that banks assess the appropriate action to adapt their governance rules by the prescribed deadlines. For the banks, corporate governance rules are therefore expected to offer less room for self-governance decisions.

In fact, in June 2013 Directive 2013/36/EC on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) was adopted. Amongst other things, the Directive envisages provisions in terms of strengthening the responsibility of bodies and requirements for directors, limits on holding multiple offices and a further refinement of remuneration regulations.

In addition, consistent with guidance issued by the European Banking Authority (EBA), in July 2013 the Bank of Italy issued new Provisions on internal control, business continuity and information systems, contemplating a strong enhancement of corporate bodies' responsibilities in such matters.

Lastly, in December 2013 the Bank of Italy launched a consultation on certain amendments to its Supervisory Provisions on corporate governance and Supervisory Provisions on remuneration, in order to implement the new concepts of Directive 2013/36/EC. In particular, the consultation on corporate governance envisages major new elements in terms of roles, responsibilities and qualitative/quantitative membership of corporate bodies, also incorporating a number of other governance guidelines issued by the EBA in 2011.

It should be emphasised that the description of the Intesa Sanpaolo governance system provided in this Report should be considered to refer to the actual situation as at the date of its approval. The new regulatory framework gradually outlined during 2013 made it necessary to launch an analysis process which, in certain aspects, could result in action to align with the new rules.

## **The Intesa Sanpaolo Group**

### *The role of the Parent Company and management and coordination activities*

The Intesa Sanpaolo Group provides banking, financial, investment, collective asset management and insurance services.

Intesa Sanpaolo is the Parent Company of the Banking Group bearing its name and holds controlling interests in other companies belonging to the broader business group.

As Parent Company of the Banking Group, Intesa Sanpaolo is responsible, pursuant to the Consolidated Law on Banking, for the management and coordination of the companies belonging to the Banking Group and issues provisions as required for the implementation of Bank of Italy instructions in the interest of the Group's stability. The Group's subsidiaries must comply with such provisions.

Intesa Sanpaolo verifies individual Banking Group members' compliance with and adoption of the provisions issued as instructed by the Bank of Italy in order to ensure consistency. In particular, this refers to reporting regulations and regulatory supervision on, amongst other things, capital adequacy, investments that can be held, risk containment, corporate governance, the administrative and accounting organisation and internal controls, together with the remuneration and incentive systems, without prejudice to the responsibility of the subsidiaries' corporate bodies to ensure the accuracy of information flows and the adequacy of production and control procedures of the figures provided.

Within the Banking Group – without prejudice to the prerogatives of Intesa Sanpaolo as Parent Company and the aforementioned obligations regarding full implementation of supervisory regulations – sub-holdings can be identified as responsible for coordination activities on behalf of direct or indirect subsidiaries. Sub-holdings are required to observe, and ensure observation by their subsidiaries, of instructions issued by Intesa Sanpaolo in exercising its management and coordination activities, and to provide data and information on their own activities and those of its subsidiaries.

Currently the role of sub-holding is covered by Banca CR Firenze and Banca Fideuram, which exercise management and coordination over their own subsidiaries on behalf of Intesa Sanpaolo.

In accordance with Legislative Decree 142/2005, the Intesa Sanpaolo Group constitutes a "financial conglomerate" – whose main field of activity is banking – subject to supplementary supervision, exercised

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by the competent Authorities and coordinated by the Bank of Italy, for the purpose of guaranteeing safeguards for the stability of the financial conglomerate as a whole and of its member companies. Intesa Sanpaolo is at the helm of this financial conglomerate and, as such, is also required to ensure compliance with the regulations on prudential supervision.

Furthermore, pursuant to Articles 2497 et seq. of the Italian Civil Code, Intesa Sanpaolo exercises policy, management and coordination activities for all other companies belonging to the broader business group.

In this context, note that Intesa Sanpaolo also exercises these activities over the insurance company Intesa Sanpaolo Vita, which, pursuant to Legislative Decree 209/2005 (the “Private Insurance Code”) and related enactment provisions, is parent company of the Intesa Sanpaolo Vita Insurance Group. As such, Intesa Sanpaolo Vita exercises policy, management and coordination activities over Intesa Sanpaolo Assicura, pursuant to Articles 2497 et seq. of the Italian Civil Code.

In its capacity as Parent Company, Intesa Sanpaolo adopts specific risk management procedures and internal control mechanisms for the coordinated and unified management of the Group’s various companies, with a view to guaranteeing compliance with statutory requirements, ensuring sound and prudent management, safeguarding the profitability and value of the Parent Company’s investments and the investments of each Group company, and warding off any potential threat to the capital base of each Group entity.

### ***Group Regulations***

In consideration of the common business strategy and for the purpose of optimising synergies created by the Group, while at the same time maximising the key strengths of the various entities, the Company has adopted Group Regulations which govern the institutional operations of the Intesa Sanpaolo Group and intragroup transactions in accordance with supervisory regulations, which assign responsibility for the overall consistency of group governance to the parent company, through management and coordination activities.

The Regulations are the reference discipline for relations between Intesa Sanpaolo and Group companies and between the latter, whose conduct – in compliance with legal independence and the principles of correct governance and management of such companies – must reflect common organisational and management rules.

The document specifically defines the Group’s overall architecture and guarantees standardised management, through compliance with the basic operating principles and through the policy, management and support role of the competent departments within the Parent Company. In this way the Regulations identify precise responsibilities for the Parent Company and Group companies, in a unique and reciprocal commitment framework.

All Group companies adopt the Regulations by means of a specific resolution adopted by the competent corporate bodies.

For the purpose of actual application of rules contained in the Regulations, Intesa Sanpaolo has designed reporting procedures to be followed with subsidiaries, through which the latter refer to the Parent Company with regard, amongst other things, to prior authorisation of corporate transactions, equity investments and on governance issues as well as activating adequate information flows to the Parent Company.

The Parent Company also prepares and distributes Group governance documents, targeted at either individual Group members or the Group as a whole and addressing either general governance matters or specific issues. The management bodies of the companies that receive these documents are required to implement the instructions provided, as far as they are concerned, immediately, promptly informing their senior managers of the requirement in order to identify implementation methods.

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For the main Intesa Sanpaolo Group subsidiaries and the related business areas, reference should be made to the Bank’s website, section About us/Organisational structure.



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## Part II – Information on Ownership Structures

### Introduction

This part of the Report provides information on the ownership structure of Intesa Sanpaolo, in accordance with Article 123-bis, paragraph 1, of the Consolidated Law on Finance.

However, some of the information required under paragraph 1 has been exhaustively provided in Part III of this Report, to refer to for greater detail. In particular:

- the topic of shareholders' rights and voting rights at Meetings is examined in the chapter on Meetings;
- the rules applying to the appointment and replacement of members of the Supervisory Board and Management Board are discussed in the chapters on these Corporate bodies.

Furthermore, information on the absence of agreements between the Company and Members of the Supervisory or Management Board, providing for indemnities in the event of resignation, dismissal without just cause or termination of employment, is contained in the Report on Remuneration.

### Share capital

Share capital subscribed and paid-in totals 8,549,266,378.64 euro, divided into 16,440,896,882 shares of a nominal value of 0.52 euro each, of which 15,508,406,321 ordinary shares (equal to 94.33% of share capital) and 932,490,561 non-convertible savings shares (equal to 5.67% of share capital).

Art. 123-bis (1), (a) CLF

On this point, the share capital has been recently increased twice following rationalisation transactions of the Group: the first share capital increase from 8,545,681,412.32 euro to 8,545,738,608.16 euro was completed as of 9 December 2013, following the merger by incorporation of the subsidiary Sudameris S.A.; the second share capital increase from 8,545,738,608.16 euro to 8,549,266,378.64 euro was completed as of 1 January 2014 following the merger by incorporation of the subsidiary Centro Leasing S.p.A..

The Articles of Association do not delegate any powers to the Management Board for share capital increases pursuant to Article 2443 of the Italian Civil Code or powers to issue equity-related financial instruments.

Art. 123-bis (1), (m) CLF

No shares exist that confer special controlling interests to their holders.

Art. 123-bis (1), (d) CLF

### Ordinary shares and savings shares

Each ordinary share confers the right to cast one vote at ordinary and extraordinary Shareholders' Meetings.

Art. 123-bis (1), (a) CLF

Savings shares, which may be in bearer form, do not confer the right to vote in ordinary and extraordinary shareholders' meetings but entitle the holder only to attend and vote at the Special Meeting of savings shareholders.

Pursuant to the Articles of Association, savings shares are also recognised pre-emption rights in the event of reimbursement of share capital on the entire nominal value, and the right to a dividend higher than that of ordinary shares, according to the rules specified below.

Based on the Articles of Association, the responsibility for resolutions on the distribution of profits lies with the ordinary Shareholders' Meeting, on recommendation of the Management Board.

Net income as reported in the financial statements, net of allocations to the legal reserve and the unavailable portion as required by law, shall be distributed to shareholders as follows:

a) a dividend of up to 5% of the nominal value of the non-convertible savings shares shall be distributed to non-convertible savings shares. If in a financial year the dividend is less than 5% of the nominal value

of the non-convertible savings shares, the difference shall be added to the preferred dividend paid in the following two accounting periods;

b) the remaining net income, made available for distribution by the Shareholders' Meeting, shall be divided among all shares so that the dividend allocated to non-convertible savings shares is higher than that allocated to ordinary shares by 2% of the nominal share value.

### **Securities Traded on Non-European Markets**

Art. 123-bis (1), (a) CLF  
American Depositary Receipts (ADRs), certificates on Intesa Sanpaolo ordinary shares, are outstanding, currently deposited with and managed by the Bank of New York Mellon. Following the deregistration of the ADRs with the SEC, the securities were admitted to trading in the United States on the OTC market only.

### **Treasury shares**

Art. 123-bis (1), (m) CLF  
As at 31 December 2013 the Bank's share portfolio contained 10,114,426 treasury shares, of whom 3,642,455 were purchased in 2013 as functional to the Incentive System for employees. Limited packets of shares are held by other Group companies as part of their own ordinary banking and financial activities or as functional to the aforesaid Incentive System.

### **Share Transfers**

Art. 123-bis (1), (b) CLF  
There are no limits envisaged to the possession or transfer of shares.

Art. 123-bis (1), (e) CLF  
Within Intesa Sanpaolo, there are no employee stock ownership schemes that envisage that voting rights are not to be exercised directly by the employees themselves. For information regarding the existing incentive system, refer to the Report on Remuneration.

## **Shareholder Base**

### **Main Shareholders**

Art. 123-bis (1), (c) CLF  
According to records in the Shareholders' Register and other available information, there are approximately 312,800 Intesa Sanpaolo shareholders. The table below provides the list of shareholders which, pursuant to Article 120 of the Consolidated Law on Finance and other information received by the Bank, directly and/or indirectly hold more than 2% of ordinary share capital.

<b>Declaring Company</b>	<b>Direct shareholder (if other than the declaring company)</b>	<b>% of ordinary share capital</b>
Compagnia di San Paolo	----	<b>9.713%</b>
Blackrock Inc.		<b>5,004%</b>
Fondazione Cariplo	----	<b>4.946%</b>
Fondazione C.R. Padova e Rovigo	----	<b>4.514%</b>
Ente C.R. Firenze	----	<b>3.319%</b>
Assicurazioni Generali S.p.A.		<b>2,629%</b>
	Alleanza Assicurazioni S.p.A	1,291%
	Generali Italia S.p.A.	1.127%
	other group companies	0,211%
Fondazione C.R. in Bologna	----	<b>2.022%</b>

### **Shareholders' agreements**

Art. 123-bis (1), (g) CLF  
The renewal of Intesa Sanpaolo's Supervisory Board members for 2013/2014/2015 by the Shareholders' Meeting of 22 April 2013 led to the signing of shareholders' agreements, pursuant to Article 122 of the Consolidated Law on Finance, for the presentation and voting on single lists by the signatories.

Two agreements in particular were signed and disclosed, as prescribed by law: one in which the signatories were Compagnia di San Paolo and Fondazione Cariplo, and the other signed by Fondazione Cassa di Risparmio di Padova e Rovigo, Ente Cassa di Risparmio di Firenze and Fondazione Cassa di Risparmio in Bologna.

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Both agreements, signed on 15 March and 21 March 2013, respectively, expired on appointment of the Supervisory Board. The related provisions, in fact, lapsed when the lists of candidates were defined and the agreed voting rights exercised in favour of those candidates.

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There are no other shareholders' agreements pursuant to Article 122 of the Consolidated Law on Finance.

**“Change of control” clauses**

As part of their normal business activities, the Bank and other Group companies are usually party to framework agreements and contracts (especially for funding) which, according to standard financial market practice for certain types of relations, envisage specific effects in the event of a “change of control” (agreements “which take effect, alter or terminate upon a change of control of the Company and/or as a result of related events”).

No such framework agreement or contract may be considered significant, per se, in terms of amount or effect on a consolidated basis.

Art. 123-bis (1), (h) CLF

**Allocated Assets**

As at the reporting date, Intesa Sanpaolo has not allocated assets for specific dealings in accordance with the Italian Civil Code.





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# Part III – Information on the adoption of the Corporate Governance Code and other information on governance

## The Supervisory Board

The Supervisory Board is governed by the legal and regulatory provisions and by the Articles of Association. It is the highest body in the dual management and control system adopted by Intesa Sanpaolo and performs steering, strategic supervision and control duties.

For effective implementation of these duties, the Supervisory Board receives support from Committees, appointed by the Board within its members and described in a specific section of this Report.

The Supervisory Board has adopted its own Regulations which, among other things, aim to outline – in accordance with the applicable laws in force – its responsibilities, as well as govern its organisation and operating methods, also taking into account the principles and criteria of the Corporate Governance Code. The Regulations apply to the Supervisory Board jointly as a whole and severally to the Chairman and Members of the Board, who as such contribute to forming the decisions of the Board.

1.P.1.  
8.P.2.

## Duties of the Supervisory Board

The Supervisory Board is assigned functions that are traditionally performed by the Shareholders' Meeting, such as the appointment, revocation and determination of remuneration of Members of the Management Board.

The Supervisory Board is also responsible for approving the Parent Company's and consolidated financial statements. This significant duty is completed after a thorough examination of the draft financial statements submitted by the Management Board. When examining the Parent Company's financial statements, the Supervisory Board also analyses the proposed allocation of profit as formulated by the Management Board and expresses its opinion to the Shareholders' Meeting in its report on supervisory activities, as per Article 153 of the Consolidated Law on Finance.

As to strategic supervision, pursuant to Article 2409-terdecies, paragraph 1, letter f-bis) of the Italian Civil Code, the Supervisory Board has been entrusted with duties which strengthen its steering powers and permit the collegial involvement of its members in the main governance decisions of the Bank and the Group.

Accordingly, the Supervisory Board, pursuant to the Articles of Association and upon proposal of the Management Board:

- decides upon general planning and the strategic steering of the Company and the Group;
  - approves the business and/or financial plans and budgets of the Company and the Group and their amendment, if any;
  - authorises strategic transactions, as identified in the Articles of Association;
  - approves strategic guidelines and policies regarding risk management;
  - approves the remuneration policies for employees and other staff;
- without prejudice to the Management Board's responsibility for action taken.

1.C.1.  
a) and f)

In particular, the Supervisory Board authorises:

- (i) Management Board proposals to be submitted to the Shareholders' Meeting on share capital transactions, issues of convertible and cum warrant bonds in securities of the Company, mergers and spin-offs and other amendments to the Articles of Association, without prejudice to the Shareholders' powers to submit proposals as envisaged by law;
- (ii) purchases or sales by the Company and its subsidiaries of controlling stakes in companies whose unit value exceeds 6% of consolidated regulatory capital;
- (iii) investments or disinvestments entailing commitments for the Company totalling, for each transaction, more than 6% of consolidated regulatory capital;

1.C.1. f)

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(iv) other transactions as expressly identified by the Articles of Association.

Furthermore, the Supervisory Board may represent to the Management Board its opinion, in order for relevant proposals to be drafted, with reference to significant strategic transactions. The Supervisory Board has not yet exercised this right with reference to specific transactions. However, in 2013 the steering function was performed in relation to the reorganisation and assignment of responsibilities to the Banca dei Territori Division.

The Supervisory Board receives, at least every three months, reports regarding, amongst other things, the general development of operations, transactions with a major economic, financial and capital impact, and transactions with related parties and, on a quarterly basis, reports on the key performance data for the period compared with system data.

With regard to the Internal Capital Adequacy Assessment Process or ICAAP, the Supervisory Board, on the recommendation of the Management Board, approves the general guidelines of the internal process, ensures timely adaptation to significant changes in the strategic guidelines, organisational structure and operational environment and promotes use of the ICAAP's results for strategic purposes and business decisions. In this context, on the recommendation of the Management Board, it approves the definition of the maximum acceptable risk level for the Group (its "risk appetite") and the correlated system of limits at the level of overall risk and specific risks (the "risk appetite framework"). It also approves, on the recommendation of the Management Board, the ICAAP Report (prepared annually and when exceptional circumstances require a review of the process) to be submitted to the Bank of Italy, the total internal capital and the final opinion on adequacy of the current and prospective regulatory capital, along with supporting documentation, to be submitted to the Supervisory Authority using the required procedures.

1.C.1. b)

In 2013, a complete ICAAP Report was prepared using current data as at the end of 2012 and prospective data for the end of 2013, and was submitted to the Supervisory Authority by the scheduled deadline of 30 April 2013. The Supervisory Board's resolution to approve the report was based on an in-depth look at the process itself, the assessment outcomes of the process and the process report, with the support of the Control Committee.

As stated, the Supervisory Board is responsible for the control of the Bank and therefore performs the duties envisaged in Article 149, paragraph 1, of the Consolidated Law on Finance, as indicated in the Articles of Association. These duties mainly involve the supervision of, amongst other things, compliance with legal and regulatory provisions and the Articles of Association, correct governance, and the adequacy of the organisational structures and administration and accounting system.

7.P.3.

The Supervisory Board is also responsible for control duties as envisaged in regulatory provisions. Among these is the task of assessing the efficiency and adequacy of the internal control system, with particular reference to risk control, internal audit operations and the IT accounting system.

As part of control activities, the Supervisory Board monitors the independence of the audit firm, in liaison with the Control Committee, pursuant to Article 19 of Italian Legislative Decree 39/2010.

As a control Body, the Supervisory Board must also inform the Bank of Italy and, where envisaged, Consob without delay of all other acts or facts of which it becomes aware in the exercise of its duties, and which could represent management irregularities or a violation of regulations governing banking activities or financial intermediation.

According to the provisions of Article 154-bis of the Consolidated Law on Finance, another task of the Supervisory Board is to express an opinion on the appointment of the Manager responsible for preparing the Company's financial reports and, pursuant to the Articles of Association, of the heads of the internal control functions. In this respect, note the opinion in favour of the appointment of the head of the Compliance Department with effect from 1 July 2013.

Lastly, according to a specific provision of the Articles of Association and a consolidated tradition in support of culture and charities, the Supervisory Board is also required to resolve upon the cultural initiatives of the Bank and Group and manage the "Allowance for charitable, social and cultural contributions", set up by the Shareholders' Meeting from the allocation of a part of net income. In this respect, the Supervisory Board adopted a specific regulation that identifies the principles and application criteria for the management of the aforementioned Allowance, delegating relevant tasks which for this purpose are attributed by the Articles of Association to the Supervisory Board and its Chairman.

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Given the significance and complexity of the matters and duties which, together with related regulations and the Articles of Association, are the responsibility of the Supervisory Board, and taking into account the provisions of Article 151-bis, paragraph 3, of the Consolidated Law on Finance, the Board receives support from a specific support Structure.

8.P.2.

The role of the General Secretariat of the Supervisory Board is to provide support to the Board, the Chairman, Deputy Chairmen and Committees formed within the Board in the performance of their respective duties, also with regard to the preventive analysis and study of relevant matters.

In addition, this office provides support to the Supervisory Board Secretary in the performance of his/her duties, with particular reference to those linked to the carrying of resolutions for which Supervisory Board and Management Board intervention is required, and guarantees contact with the corporate Bodies with Bank management responsibilities on all matters of interest to the Board. In performing its duties, the General Secretariat of the Supervisory Board acts in liaison with other Bank and Group departments.

## Composition of the Supervisory Board

### *Composition and appointment*

The Supervisory Board is composed of a minimum of 15 up to a maximum of 21 members, shareholders or otherwise, appointed by the Shareholders' Meeting. The Articles of Association require that at least ten members should be independent in accordance with the Code, and that four are enrolled in the register of auditors and have practised the legal auditing of accounts for a period of at least three years. The minority gender must be reserved at least the number of members established by current laws in force on the matter of equal access to the administrative and control bodies of listed companies.

3.C.3.  
1.C.1. i)

The Supervisory Board in office at the date of publication of this Report is composed of 19 members:

Giovanni Bazoli – Chairman  
Gianfranco Carbonato – Deputy Chairperson  
Mario Bertolissi - Deputy Chairperson  
Gianluigi Baccolini  
Francesco Bianchi  
Rosalba Casiraghi  
Carlo Corradini  
Franco Dalla Sega – Secretary  
Piergiuseppe Dolcini  
Jean-Paul Fitoussi  
Edoardo Gaffeo  
Pietro Garibaldi  
Rossella Locatelli  
Giulio Stefano Lubatti  
Marco Mangiagalli  
Iacopo Mazzei  
Beatrice Ramasco  
Marcella Sarale  
Monica Schiraldi

Art. 123-  
bis (2),  
d) CLF

The Members were elected by the Bank's Ordinary Shareholders' Meeting held on 22 April 2013, upon determination of their number, pursuant to Article 23 of the Articles of Association.

In compliance with the current Supervisory Provisions on corporate governance, for the purpose of submission of candidatures the outgoing Supervisory Board prepared and made available to shareholders a document illustrating the optimum theoretical profile of its composition, also with regard to candidates' professionalism and independence.

The Supervisory Board was elected in compliance with legal, regulatory and statutory provisions. In particular, the Supervisory Board is elected on the basis of lists of candidates submitted by a number of shareholders representing at least 0.5% of the total ordinary share capital, or other percentage as

Art. 123-  
bis (1), l)  
CLF

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established by current regulations. The above percentage corresponds to that established by the Issuers Regulation (art. 144-quater).

As envisaged in the Articles of Association, lists containing the names of two or more candidates must be filed at the registered office at least 25 days prior to the date of the Shareholders' Meeting, together with the identification data of the shareholders nominating the lists, the percentage of share capital they hold jointly, comprehensive information on the personal and professional background of the candidates, and a declaration by the candidates stating that they meet all the statutory, regulatory and law criteria required for appointment to the Board and, where applicable, the independence criteria required by the Corporate Governance Code, and their acceptance of the nomination. Certificates attesting ownership of the shares must be produced at least 21 days prior to the Shareholders' Meeting.

Shareholders nominating candidates, with the exception of those that jointly represent a controlling or relative majority interest, file, pursuant to Article 144-sexies, paragraph 4, letter b) of the Issuers' Regulation, declarations stating that they are not affiliated in any way (as per Article 144-quinquies of the Issuers' Regulation and Consob Communication 9017893 of 26 February 2009) with the above-mentioned controlling/majority shareholders.

The control Body, with the support of the Control Committee, is required to examine the lists of candidates filed and the absence of affiliations.

The Supervisory Board appointments procedure envisages a Member election system with a proportional list voting mechanism that also ensures that minority shareholders are represented as prescribed by law for listed companies, i.e. at least one Member must be elected by minority shareholders that have no direct or indirect link with shareholders presenting or voting on the list receiving most votes. Seven of the current Supervisory Board members are from minority lists.

For election purposes, members were chosen proportionately from each list that has obtained votes, which were divided by one, two, three, four and so on depending on the number of members to be elected. The resulting quotients were progressively assigned to the candidates on each list in the agreed order. The quotients assigned to the candidates on the various lists were then arranged in a single list in decreasing order. The Supervisory Board Members elected were those achieving the highest quotients.

The appointment procedure guarantees that the minority gender be reserved the number of Directors established by the current laws in force on the matter of equal access to the administrative and control bodies of companies listed on regulated markets. In this respect, note that one fifth of the members is reserved to the minority gender.

The Articles of Association also cover special situations. If more than one candidate obtains the same quotient, the candidate appointed is that on the list from which no Board Member has yet been appointed or from which the least number of Members has been appointed. If all lists have failed to appoint a Board Member or if all lists have appointed the same number of Members, the candidate on the list achieving the highest number of votes is appointed. If lists receive an equal number of votes and the quotients are equal, a second ballot is arranged on which the entire Shareholders' Meeting votes. The candidate appointed is that achieving the simple majority of votes.

The Articles of Association also contemplate a supplementary mechanism in the event that an insufficient number of Board Members have been elected meeting the independence criteria provided for by the Code and/or the registration and professional practice requirements for auditors and/or the gender equilibrium requirement established by current applicable legislation, as well as specific provisions in the event that only one list or no lists are filed.

Where the number of members of the Supervisory Board is set at a lower number than the maximum provided, the Shareholders' Meeting may increase their number during the term of office of the Supervisory Board elected. New members may be elected at ordinary Shareholders' Meetings in accordance with Article 23 of the Articles of Association, using list voting procedures.

At the time of renewal of the Board in 2013, Members from the following lists were elected:

- from List 1, the majority list submitted by Compagnia di San Paolo and Fondazione Cariplo with interests in the Bank's share capital of 9.713% and 4.946%, respectively, the following 12 Board

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Members were elected: Giovanni Bazoli, Jean-Paul Fitoussi, Gianfranco Carbonato, Rossella Locatelli, Beatrice Ramasco, Giulio Stefano Lubatti, Carlo Corradini, Monica Schiraldi, Giuseppe Berta, Franco Dalla Sega, Pietro Garibaldi, and Piergiuseppe Dolcini;

- from List 2, the minority list submitted by Fondazione Cassa di Risparmio di Padova e Rovigo, Ente Cassa di Risparmio di Firenze and Fondazione Cassa di Risparmio in Bologna, with respective interests in the Bank's share capital of 4.514%, 3.319% and 2.022%, the following five Board Members were elected: Mario Bertolissi, Jacopo Mazzei, Gianluigi Baccolini, Edoardo Gaffeo, and Francesco Bianchi;
- from List 3, the minority list submitted by Aletti Gestielle SGR S.p.A., Allianz Global Investors Italia SGR S.p.A., Anima SGR S.p.A., Arca SGR S.p.A., BancoPosta Fondi SGR S.p.A., BNP Paribas Investment Partners SGR S.p.A., Eurizon Capital SGR S.p.A., Eurizon Capital SA, Fideuram Investimenti SGR S.p.A., Fideuram Gestions SA, Interfund Sicav, Mediolanum Gestioni Fondi SGR S.p.A., Mediolanum International Funds Limited, Pioneer Asset Management SA and Pioneer Investment Management SGRp.A., with a combined interest in the Bank's share capital of more than 0.5%, the following 2 Board Members were elected: Rosalba Casiraghi and Marco Mangiagalli.

The Bank website ("Governance" section) provides brief biographical and professional notes on the Members in office. More comprehensive information on the personal and professional background of each Member is available in the documentation published in the Bank's website upon appointment, and is attached to the list filed by shareholders from which each elected Board Member was taken.

For additional information on the appointment of Supervisory Board Members, see the relative provisions of the Articles of Association.

#### ***Term of office, replacement and removal***

Members of the Supervisory Board remain in office for three financial years, with their term of office expiring at the date of the subsequent Shareholders' Meeting provided for by Article 2364-bis, of the Italian Civil Code, and they may be re-elected.

The term of office for the current Supervisory Board Members covers the years 2013/2014/2015.

Where during the year a member of the Supervisory Board leaves service for whatever reason, he/she is to be substituted by the first non-appointed candidate belonging to the list on which the outgoing Supervisory Board Member was nominated, while continuing to ensure observance of the gender equilibrium required by current applicable legislation (to this end, the Articles of Association envisage specific mechanisms, to which reference should be made for further details) and observance of legal, regulatory and statutory requirements for the Member to be replaced. If for whatever reason this is not possible, the Board Member who left service will be substituted without delay by the Ordinary Shareholders' Meeting with resolution passed by a simple majority of votes cast upon the proposal of the parties with voting right attending the Meeting, without the presentation of lists. The above is in any event subject to the principles of gender equilibrium and the protection of minorities.

The procedures envisaged in the Articles of Association for the replacement of Board Members were applied in 2013 on appointment of Marcella Sarale, following her acceptance of the office on 21 May 2013. This Board Member, in possession of the legal and regulatory requirements, was in fact the first candidate not elected from the same list as Giuseppe Berta, who resigned with effect from 16 May 2013.

The terms of all Supervisory Board Members, including those who were appointed during the course of the term, will expire simultaneously on the date of the Shareholders' Meeting convened pursuant to the aforementioned Article 2364-bis of the Italian Civil Code, in relation to the proposal for the allocation of net income for 2015.

Where during the year, for whatever reason, the majority of the Members of the Supervisory Board resigns, the entire Supervisory Board will forfeit office as of the date on which the new appointed Members take office. A Shareholders' Meeting for the appointment of a new Supervisory Board is to be called without delay, in accordance with the provisions of the Articles of Association.

The members of the Supervisory Board may be revoked by the Shareholders' Meeting at any time, by a resolution passed with the favourable vote of at least one-fifth of the share capital, without prejudice to the right of the Member to be indemnified if the revocation occurs without just cause. The Shareholders' Meeting may revoke members of the Control Committee with just cause, in accordance with the Articles of Association.

Art.  
123-bis  
c. 1,  
l), CLF

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### *Chairman and Deputy Chairpersons*

1.C.1. i) The Shareholders' Meeting of 22 April 2013 appointed Giovanni Bazoli as Chairman of the Supervisory Board, confirming the office already held.

In accordance with Article 2409-duodecies, paragraph 9 of the Italian Civil Code, the Articles of Association determine the powers of the Chairman of the Supervisory Board.

In light of the governance model adopted by Intesa Sanpaolo and the duties attributed by the Articles of Association, as specified in the Supervisory Board Regulations, the Chairman plays a significant role in the Bank, enhanced by distinguished authority and experience as well as time dedicated to duties.

The Chairman has the power to drive Supervisory Board activities and has the duty to promote productive and continuous cooperation with the Management Board, its Chairman and Managing Director, also for the purpose of identifying and sharing strategies and general guidelines of the Bank and the Group with regard to the duties of each corporate Body.

Pursuant to the Articles of Association, in a manner functional to the exercise of Supervisory Board duties, the Chairman performs tasks relating to:

- a) the corporate Bodies and their operations;
- b) the Bank's strategies and general guidelines;
- c) supervision and control duties;
- d) external relations.

With regard to corporate Bodies and their operations, the Chairman supervises and implements such operations, thereby contributing to the productive interaction with management functions and the balance of powers pursuant to the corporate governance system adopted by Intesa Sanpaolo; liaisons with the Management Board through its Chairman and the Managing Director; supervises relations with shareholders, verifying that such relations are managed correctly, in agreement with the Chairman of the Management Board and with the Managing Director.

With regard to duties relating to strategies and general guidelines, amongst other things, the Chairman requests and receives information on specific Bank and Group management aspects and on management performance and outlook in general from the Chairman of the Management Board and the Managing Director.

The Chairman of the Supervisory Board does not participate in Management Board meetings in order to avoid influencing its work. This decision, implemented since the introduction of the current dual management and control model, is consistent with the prerogatives of the role of Chairman and upholds the operational independence of the Management Board.

With regard to supervisory and control duties, amongst other things, the Chairman of the Supervisory Board supervises and implements control procedures and systems for Bank and Group activities.

7.C.3. The Chairman is not a member of the Control Committee, in line with the Supervisory Provisions on corporate governance, adopted by the Articles of Association, to ensure objective and impartial relations between the many duties assigned to the Supervisory Board.

In relation to Supervisory Board control activities, the Chairman is responsible for relations with the Supervisory Authorities and reports to the Board on the activities conducted by Authorities, including any inspections on the Bank or Group companies.

Lastly, with regard to the Supervisory Board's duties on cultural initiatives of the Bank and Group, the Chairman of the Supervisory Board has the duty of planning these initiatives, after consulting the Chairman of the Management Board and the Managing Director and subsequently managing the initiatives with particular reference to updating of the historic, archaeological and artistic heritage and management of the Allowance for charitable, social and cultural contributions. In this respect, the Chairman of the Supervisory Board exercises duties attributed by the Articles of Association, as specified in the Supervisory Board Regulations, with operating support from the General Secretariat of the Supervisory Board.

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The Articles of Association require the Shareholders' Meeting to appoint two Deputy Chairpersons for the Supervisory Board. The exercise of their duties is also regulated by the Articles of Association and Supervisory Board Regulations, in the case of the absence or unavailability of the Chairman. The Shareholders' Meeting of 22 April 2013 appointed Gianfranco Carbonato and Mario Bertolissi as Deputy Chairpersons.

#### ***Requirements of integrity and professionalism***

The integrity requirements aim to ensure that the Bank can rely on corporate bodies composed of individuals of proven honesty and moral integrity.

Accordingly, as expressly provided for by the Articles of Association and as representatives of a quoted bank, Supervisory Board Members are required to meet the integrity requirements set forth for bank managers (Regulation adopted with Ministerial Decree 161 of 18 March 1998), as well as those of integrity and professionalism set forth for statutory auditors of quoted companies (Regulation adopted with Ministerial Decree 162 of 30 March 2000).

The steering and strategic supervision role attributed to the Supervisory Board also affects the qualifications of its members, who must therefore also possess the requirements of professionalism for members of bank boards of directors (Regulation adopted with Ministerial Decree 161 of 18 March 1998) which include, amongst other things, having successfully practised the profession for at least three years through proper and qualified activities or functions relevant to the office covered. Consequently, the Chairman of the Supervisory Board is required to have at least five years' experience in exercising the aforementioned functions or professional activities.

Moreover, again based on the Articles of Association, at least four members of the Board must be included on the register of auditors and must have at least three years' professional experience in the legal auditing of accounts. Four members of the Board currently possess the requirement of professionalism.

Within 30 days of appointment, the Supervisory Board verifies that each Member meets such requirements, in compliance with supervisory provisions issued by the Bank of Italy, together with the requirement of independence pursuant to Article 148, paragraph 3 of the Consolidated Law on Finance. The Board also verifies the grounds for independence according to criteria indicated in the Corporate Governance Code with regard to individuals declaring possession of such grounds at the time of appointment. For each Member, following the verification procedure launched on 29 April 2013, by resolution of 21 May 2013 the Supervisory Board verified compliance with said requirements of independence, based on documentation provided by the parties involved, as requested by or already held by the Bank. This verification was repeated when Marcella Sarale was appointed Supervisory Board Member to replace Giuseppe Berta.

3.C.4.  
8.C.1.

#### ***Management or control positions of Supervisory Board Members***

Each Board Member is responsible for examining and assessing the conditions which enable him/her to perform his/her duties diligently and dedicating the time necessary, also with regard to membership of Supervisory Board Committees.

1.C.2.  
8.C.2.

With regard to rules on the accumulation of offices by Supervisory Board Members, the Board has not set a maximum number of offices that can be held since Board Members are subject to the accumulation of office limits envisaged in current pro tempore legal and regulatory provisions or in the Articles of Association.

1.C.3.

As members of the control body of a quoted company, Supervisory Board Members are required to comply with the Consob reporting requirements in regard to the number of offices held in joint-stock companies upon appointment, along with all subsequent variations (new offices, terminations, approval of financial statement data) within the deadlines and according to the instructions envisaged by the Issuers' Regulation. In accordance with the provisions of Article 144-quinquiesdecies of the Issuers' Regulation, Consob discloses on its website information regarding management or control offices held by members of control bodies of quoted companies and with widely-distributed shares. The information disclosed by Consob reflects the content of declarations provided by the Supervisory Board Members, who have sole responsibility for the accuracy of publicly disclosed information. According to the Issuers' Regulation, those holding the office of member of the control body of only one issuer (quoted company

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or company with widely-distributed shares) are exonerated from compliance with the aforementioned reporting requirements relating to offices held in joint-stock companies.

In accordance with Supervisory Board Regulations and in line with the Supervisory Provisions on corporate governance, Supervisory Board Members cannot accept office in any corporate body other than control bodies with other Group Companies or within the financial conglomerate, or with companies with which the Bank holds direct or indirect strategic investments, equal to 10% of the share capital or the voting rights at the shareholders' meetings of the company or 5% of the banking group's consolidated regulatory capital. Each Member respects this provision.

Furthermore, given the growing focus on the availability of time and resources for the exercise of duties associated with the office, when reporting to the Shareholders' Meeting on the qualitative/quantitative composition deemed optimal, the Supervisory Board recommended that its members should not hold other offices on the control bodies of companies in the Intesa Sanpaolo Group or of investee companies over which Intesa Sanpaolo exercises significant influence (without prejudice to the legally-established prohibition of membership in the management bodies of Group companies).

On that occasion, the Supervisory Board extended its recommendation to Management Board members in reference to offices in management bodies.

Following the coming into effect of Article 36 of Law Decree 201/2011 (the "interlocking prohibition"), converted with amendments into Law 214/2011, Supervisory Board Members cannot accept or exercise office in the management, supervisory or control bodies of competing companies or groups of companies operating in the credit, insurance or financial markets.

In this respect, note that the Supervisory Board Members holding offices that are covered by the prohibition must inform the board of the option exercised within 90 days of their appointment. If the option is not exercised by said deadline, the Supervisory Board Member in question is required to confirm to the Board that the offices held do not give rise to situations of incompatibility pursuant to the abovementioned Article 36, stating the reasons in detail.

By resolution of 21 May 2013, i.e. before expiry of the 90-day deadline mentioned above – the Supervisory Board, after reviewing the positions and arguments submitted by each member, acknowledged that there were no grounds for 17 of its members to be considered ineligible for office at Intesa Sanpaolo due to incompatibility. On 25 June 2013 the outcome of the verification was positive in reference to another two Board Members. At the same meeting, the absence of incompatibility of the incoming member – replacing the resigning member – was also successfully ascertained.

Members of the Supervisory Board are required to renew each year their certification that they do not hold offices in the management, supervisory or control bodies of competing enterprises or groups of enterprises, to allow the plenary meeting of the Board to perform its annual assessment.

1.C.2. Board Members are required to inform the Bank of any office accepted in other companies and entities. As an attachment to this Report, in compliance with the Corporate Governance Code, summary table 1 indicates the number of other management and control offices that Members of the Supervisory Board have reported as held in other companies quoted on regulated markets (also abroad), in financial, banking, insurance or large companies, while table 2 contains a list of such offices.

### **Independent members**

All Members of the Supervisory Board are required to satisfy the independence criteria of Article 148, paragraph 3, of the Consolidated Law on Finance. Accordingly, the law requires, inter alia, the absence of any self-employment or established employment, or any other relations of an economic or professional nature between the Member and the Bank or its subsidiaries, parent companies or companies subject to joint control, which could otherwise compromise independence.

In this respect, in 2008 Consob provided elements useful to understanding what relations can be classed as "other relations of a professional nature" and indications of elements to be taken into consideration in assessing whether such relations might compromise the independence of members of control bodies.

Given the importance attributed by law to the aforementioned independence requirements – which in operating terms imply that, should they occur, certain circumstances render incompatible the office of



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member of the Supervisory Board – the Bank requires that each Member provides an annual declaration confirming the continued possession of independence requirements.

Before approving this Report, the Supervisory Board assessed the independence of all Members, each of whom confirmed, as requested by the Bank, he/she continues to satisfy all the independence criteria mentioned above.

The Articles of Association also require that at least ten members of the Supervisory Board must meet the independence requirements envisaged in the Corporate Governance Code.

At the time their candidatures are submitted, Members of the Supervisory Board are asked to certify their independence, under their own responsibility, in accordance with the application criteria indicated in the Code. Each Board Member claiming independence must evaluate his/her own situation based on the parameters listed in the aforementioned criteria. The relevant declarations, following appointment, were disclosed to the market.

The Supervisory Board assesses the independent status of Members based on information available to the Bank or on statements provided by the Members themselves, acquired upon request.

The Supervisory Board incorporated the abovementioned operational method into its own Regulations, considering it adequate also for its role as a control Body and confirming that assessment of the independence of its own members will not diverge from the principles of the Code.

After appointment, the Supervisory Board carries out an annual verification that each Member satisfies the criteria of independence.

Prior to approval of this Report, and in order to allow the Supervisory Board to assess whether or not its members are independent, each Board Member was asked to carry out a personal assessment of his/her own independence status, taking into consideration the application criteria given in Article 3 of the Code and providing a specific declaration in this respect.

The last verification was carried out prior to approval of this Report on 25 February 2014. All Supervisory Board Members, based on declarations made by each of them and on information already available to the Bank, were found to be in possession of the independence criteria pursuant to Article 148, paragraph 3 of the Consolidated Law on Finance. With respect to the requirements of the Code, the following 16 Members were determined to be independent: Mario Bertolissi, Gianluigi Baccolini, Francesco Bianchi, Rosalba Casiraghi, Carlo Corradini, Franco Dalla Sega, Piergiuseppe Dolcini, Jean-Paul Fitoussi, Edoardo Gaffeo, Pietro Garibaldi, Giulio Stefano Lubatti, Marco Mangiagalli, Iacopo Mazzei, Beatrice Ramasco, Marcella Sarale, and Monica Schiraldi.

Their number allows them to participate in all the Committees established by the Board, in order to make full use of their respective professional competences in relation to the specific duties attributed to each Committee. In this regard, the composition of the Committees, particularly the Control Committee and Remuneration Committee, also proves compliant with the provisions of Articles of Association, as amended to comply with the Supervisory Provisions on corporate governance, and the Related Party Transactions Committee with the Consob Regulation on related parties and the regulation issued by the Bank of Italy on 12 December 2011 governing activities at risk and conflicts of interest of banks and banking groups in relation to “associated entities.”

The Bank’s website has an updated list of Members which points out for each one whether or not the status of independence according to the Code applies.

The Supervisory Board Regulations envisage the option that at least once a year the independent Members of the Board should meet in the absence of other Members, pursuant to the Code, following call by the more senior independent Board Member in age terms, that minutes of the meeting are drafted and reported to the next full meeting of the Supervisory Board. As at the date of approval of this Report, the independent Members have not yet felt the need to hold such a meeting, also given the composition of the Board. Likewise, and again given that it was composed almost entirely of independent Board Members, the Supervisory Board decided not to appoint a *lead independent director*.

3.P.1.

3.C.1.  
3.C.2.  
8.C.1.

3.C.5.

3.P.2.  
3.C.4.  
8.C.1.

3.C.3.

3.C.6.  
2.C.3.  
2.C.4.

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## Supervisory Board's Internal Committees: composition and duties

4.P.1.  
4.C.1.  
a) b) and c)  
4.C.2.

In accordance with its previous term, the Supervisory Board has established six Committees, three of which specifically envisaged by the Articles of Association (Remuneration Committee, Nomination Committee and Control Committee):

7.P.4.

- Control Committee, currently composed of five members, all independent pursuant to the Code, of which three are enrolled with the Register of Auditors and have practised the legal auditing of accounts for a period of at least three years;

5.P.1.

- Nomination Committee, currently composed of five members, among whom the Chairman of the Supervisory Board, who chairs it; currently three members are independent pursuant to the Code;

6.P.3.

- Remuneration Committee, currently composed of three members, all independent according to the Code; one member is also enrolled with the Register of Auditors and has practised the legal auditing of accounts for a period of at least three years;

- Strategy Committee, currently composed of five members, including the Chairman of the Supervisory Board, who chairs it; three of its members are independent pursuant to the Code;

- Financial Statements Committee, currently composed of five members, of which four are independent pursuant to the Code;

- Related Party Transactions Committee, currently composed of three effective members and one alternate member, all independent according to the Code; one effective member is enrolled with the Register of Auditors and has practised the legal auditing of accounts for a period of at least three years. This Committee is dedicated exclusively to transactions with related parties of Intesa Sanpaolo and associated entities of the Group, with the exception of those pertaining to remuneration, which fall within the purview of the Remuneration Committee.

In establishing the Committees, the Supervisory Board took into consideration the independence requirements and the professional characteristics and experience of its Members, so that each Committee is composed of members whose competence and professional skills are appropriate in terms of the duties attributed and is able to ensure the performance of tasks in a timely manner.

The activities of each Committee are coordinated and directed by a Chairman designated by the Supervisory Board. The Chairman calls the meetings and describes the activities, proposals and guidelines of the Committee during meetings of the Supervisory Board. In the event of absence or impediment of the Chairman, the longest-serving member or, in the case of equal terms of service, the eldest member takes on the functions.

4.C.1. b)

The duties of each Committee are specified in special Regulations, approved by the Supervisory Board, which govern the operation and organisation of the Committees.

With regard to their specific specialist duties, the Committees play an important role in the research, analysis and in-depth study of matters put forth before the Supervisory Board. Such activities – also expressed in the formulation of proposals, recommendations, assessments and opinions – facilitate the task of the Supervisory Board in making reasoned decisions, without limiting the powers and responsibilities of the Board, and rather increasing the effectiveness and efficiency of its work, particularly with regard to the discussion of sensitive matters which could be a source of conflict of interest.

Meetings are generally held at the Torino registered office and Milano secondary office. Meetings may also be validly held through telecommunication methods; such meetings are considered to have been held at the location of the Chairman.

4.C.1. d)

The Regulations of each Committee require that minutes specific to each meeting are prepared by an appointed secretary, who may also be a non-Board Member, in which case the secretary should be selected from the General Secretariat of the Supervisory Board.

4.C.1. e)

Each Committee may ask the Bank Structures and, where permitted in their Regulations, those of Subsidiaries, for access to any information considered necessary to perform their assigned duties. Such access may (except for the Nomination Committee) be direct or via the General Secretariat of the Supervisory Board and also, where envisaged, via Structures established for this purpose (the Control Committee also makes use of the Internal Auditing and Compliance Departments).

Every Committee meeting receives the support of preliminary work performed by the General Secretariat of the Supervisory Board. Committees can also make use of external consultants, the right to do so being explicitly indicated in each set of regulations, except those pertaining to the Nomination Committee.

Individuals who are not part of a committee may attend Committee meetings provided they are invited by the Committee concerned, and only in relation to specific items on the agenda.

Also in consideration of the time dedicated to each task in hand, Committee work is always performed in a constructive climate of exchange and dialogue among the respective members, encouraging personal contributions, open discussion and criticism not only among Board Members but also with heads of the control functions, Business Units, Governance Areas and of the various organisational Structures involved in meetings to the extent of their duties.

The Chairman of the Supervisory Board - with the exception of the Related Party Transactions Committee - has the right to participate in the work of any Committee that he is not a member of, without voting rights. This right, however, was not exercised in 2013 either, with a view to preserving the Chairman's role of maintaining a fair balance among all the many duties and responsibilities of the Supervisory Board. The same right envisaged for the Chairman of the Supervisory Board in relation to each Committee is also reserved to the Secretary of the Board and to the Head of the General Secretariat of the Supervisory Board, who normally participate in the work of the Committees. For the Related Party Transactions Committee, this right is contemplated for the Head of the General Secretariat of the Supervisory Board.

4.C.1. f)

Detailed information regarding each Committee in office, its composition, its duties and the tasks attributed to each are listed below, in addition to details on its meetings and the attendance of its members.

4.C.1. g)

Art. 123-bis (2), d) CLF

### Control Committee

Control Committee in office until 22 April 2013

Members	Inclusion in the Register of Auditors and professional practise of legal auditing of accounts	Independent pursuant to the Code	Attendance percentage at meetings	In office since
Giulio Stefano Lubatti - Chairman	X	X	100%	01.01.2007
Gianluca Ponzellini	X	X	100%	01.01.2007
Rosalba Casiraghi	X	X	100%	01.01.2007
Pietro Garibaldi		X	100%	01.01.2007
Livio Torio	X	X	100%	01.01.2007

The average duration of the Committee's meetings was approximately four hours.

1.C.1.i)

Control Committee appointed by resolution of the Supervisory Board of 29 April 2013

Members	Inclusion in the Register of Auditors and professional practise of legal auditing of accounts	Independent pursuant to the Code	Attendance percentage at meetings	In office since
Giulio Stefano Lubatti - Chairman	X	X	98%	01.01.2007
Rosalba Casiraghi	X	X	98%	01.01.2007
Carlo Corradini		X	100%	22.04.2013
Edoardo Gaffeo		X	100%	22.04.2013
Beatrice Ramasco	X	X	100%	22.04.2013

The average duration of the Committee's meetings was approximately five hours.

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The Control Committee - whose role has been strengthened in the Articles of Association also for the purposes of its stability (the Members of the Control Committee may be removed by the Shareholders' Meeting or replaced by the Supervisory Board solely with just cause) - is the permanent reference point for the Company's organisational Structures in charge of control functions; in fact, it is from these Structures that the Committee receives periodic reports or briefings on specific situations or company trends.

7.P.3. d)  
8.C.5. Within the scope of the Supervisory Board, the Control Committee proposes, advises and investigates on matters regarding the internal control system, risk management and the IT accounting system, submitting opinions where required by laws in force or when expressly required by the Bank of Italy. In performing its duties, it takes into account the supervisory tasks envisaged by Article 19 of Italian Legislative Decree 39/2010.

- 7.C.1. a) With reference to risk management, the Committee, among other things, supports the Supervisory Board:
- for the purposes of approving Management Board proposals (such as the periodic review of risk management policies, the adoption of internal systems for calculating regulatory capital requirements, and the ICAAP);
  - with the contribution of the relevant internal control departments, in monitoring the actual use of internal management systems ("use test") and their compliance with regulatory requirements;
- 7.C.1. b)
- in guaranteeing the periodic auditing of the operations, efficiency and effectiveness of the risk management and control system and related procedures, promptly reporting audit results to the Supervisory Board; where shortcomings or anomalies are found, the Committee proposes appropriate corrective measures to the Supervisory Board;
  - in auditing the internal capital adequacy assessment process, in both current and prospective terms, for the Bank's total consolidated capital with respect to the significant risks to which the Bank and the Group are exposed;
  - in assessing the operation and adequacy of the internal risk measurement systems in order to determine capital requirements.

With reference to the IT accounting system, the Committee supports the Supervisory Board by, among other tasks:

- 7.C.2. a)
- in liaison with the Manager responsible for preparing the Company's financial reports and the independent auditors, assessing the correct application of accounting standards and their consistency in drafting the Parent Company's and consolidated financial statements;
  - evaluating proposals submitted by the independent auditors with regard to their assignment and relative fees, as well as the audit plan and the results described in the report and letter of recommendations;
- 7.C.1. e)
- monitoring the effectiveness of the auditing process, exchanging data and information with the independent auditors, also pursuant to Article 150, paragraph 3, of the Consolidated Law on Finance, for the performance of their respective tasks.

With reference to the internal control system, the Committee supports the Supervisory Board by, among other tasks:

- verifying that structures for performing risk management duties are defined by the relevant departments consistently with the strategic guidelines approved by the Supervisory Board and that said departments (in particular the Risk Management, Internal Auditing and Compliance Departments and the Anti-Money Laundering and Validation Functions) are guaranteed an appropriate level of independence, along with adequate funding and resources, both qualitative and quantitative, for the exercise of their duties;
- 7.C.2. c)
- examining periodic reports from the Risk Management, Internal Auditing and Compliance Departments and the Anti-Money Laundering Function, together with briefings on specific situations or company trends, and making related observations and proposing resolutions for approval by the Supervisory Board, when required;
- 7.C.2. d)
- assessing the degree of efficiency and adequacy of the internal control system, with particular reference to risk control, the functioning of internal auditing and the IT accounting system.

The Committee also:

- promptly informs the Supervisory Board of any action or fact that may be regarded as significant under Article 52 of the Consolidated Law on Banking, and makes any necessary reports and/or reprimands to the competent bodies and/or authorities;

- supports the Supervisory Board in performing the supervisory activities required by law;
- evaluates the general rules and criteria aimed at ensuring transparency and substantial and procedural fairness in transactions with related parties; to this end, it submits, also in the interest of the Management Board, an opinion on adoption of procedures governing transactions with related parties and associated entities pursuant to the Consob Regulation on Related Parties and to the Bank of Italy's Supervisory Provisions;
- in liaison with the Corporate Social Responsibility Unit and the Internal Auditing Department, supervises compliance with the principles and values of the Bank's Code of Ethics;
- cooperates with the Supervisory Board, in liaison with the Financial Statements Committee, in preparing the report on supervisory activities performed, for submission to the Meeting, pursuant to Article 153 of the Consolidated Law on Finance.

The Committee may at any time, through the Company's appropriate functions (Internal Auditing and Compliance Departments and Anti-Money Laundering Function), carry out inspections and controls, and exchange information with the control bodies of Group companies with respect to their management and control systems and the general performance of their business.

7.C.2. e)  
8.C.4.

While reference should also be made to the contents of the Report of the Supervisory Board to the Meeting on the supervisory activities performed in 2013, pursuant to art. 153 of the Consolidated Law on Finance and art. 25.1.3 of the Articles of Association, it may be remarked that in 2013 the Committee continued to meet with the heads of the Bank's main organisational structures and with the independent auditors, also for the purposes of Article 150 of the Consolidated Law on Finance, improving and consolidating, on a regular basis, the existing information flows, in particular from the Internal Auditing, Compliance and Risk Management Departments.

7.C.2. b)

In terms of risk management, the Committee continued its examination of the risk management policies at the Group level and constantly monitored correspondence with the Supervisory Authorities, also as regards verification activities conducted by these Authorities at the Bank and Group companies. Specifically, the Committee oversaw inspections and audits, issuing opinions where required, carrying out the necessary analyses and assessments and requesting regular updates on matters and, with specific reference to the Parent Company, lent its support to the Supervisory Board for connected decisions.

Moreover, special Committee attention was paid to the internal capital adequacy assessment process of the Group (ICAAP).

With support from the General Secretariat of the Supervisory Board, the Committee makes use of a constantly updated planning tool to organise its tasks.

In 2013 the Control Committee held 48 meetings, including some joint meetings held with the Financial Statements Committee, providing detailed information at every Supervisory Board meeting, also by means of specific reports, on the activities and main findings of the Committee, and, on a half-yearly basis, reporting summarily on the effectiveness of the internal control system.

In this respect, note that the Committee assisted the Supervisory Board in examining the new Supervisory Provisions on internal controls, business continuity and information systems issued by the Bank of Italy, and in the self-assessment of the company's position in relation to these regulatory provisions. This task concluded with the preparation of a gap analysis report, required by the Supervisory Authority and submitted to it (for further details, please see the section "The internal control and risk management system").

A copy of the Control Committee's half-yearly report to the Supervisory Board is issued by the Chairman of the Supervisory Board to the Chairman of the Management Board and the Managing Director in order to enhance information exchange between the bodies with strategic, management and control duties. During the year, the Committee held a series of regular meetings with the Managing Director, to ensure constant reporting of activities.

7.C.2. f)

In accordance with the Articles of Association, members of the Control Committee participate in meetings of the Management Board.

The Committee also performs the duties and tasks of a Surveillance Body pursuant to Italian Legislative Decree 231/2001 on the administrative liability of companies, supervising operations and compliance with the Organisational, Management and Control model adopted by the Bank.

7.C.1. c) In this role it examines the audit plans prepared each year by the heads of the internal control functions.

### *Nomination Committee*

1.C.1. i) Nomination Committee until 22 April 2013

Members	Inclusion in the Register of Auditors and professional practise of legal auditing of accounts	Independent pursuant to the Code	Attendance percentage at meetings	In office since
Giovanni Bazoli – Chairman			100%	01.01.2007
Mario Bertolissi		X	100%	01.05.2010
Gianguido Sacchi Morsiani		X	100%	01.01.2007
Pietro Garibaldi		X	100%	01.01.2007
Riccardo Varaldo		X	100%	30.04.2008

The average duration of the Committee's meetings was approximately one hour.

Nomination Committee appointed by resolution of the Supervisory Board of 29 April 2013

Members	Inclusion in the Register of Auditors and professional practise of legal auditing of accounts	Independent pursuant to the Code	Attendance percentage at meetings	In office since
Giovanni Bazoli – Chairman			100%	01.01.2007
Mario Bertolissi		X	100%	01.05.2010
Gianfranco Carbonato			100%	22.04.2013
Gianluigi Baccolini		X	100%	22.04.2013
Iacopo Mazzei		X	100%	22.04.2013

The average duration of the Committee's meetings was approximately one hour.

5.P.1. In accordance with the provisions of the Articles of Association, the current Nomination Committee consists of a majority of Board Members satisfying the independence criteria envisaged by the Code.

The Nomination Committee is expected to support the Supervisory Board in the consulting, selection and propositional tasks regarding the nomination of members of the Management Board and of one or more General Managers, in accordance with the law, the Articles of Association and the supervisory regulations.

1.C.1. h) As stated above, in relation to renewal of the Supervisory Board by the Shareholders' Meeting of 22 April 2013, the Nomination Committee provided support to the Board in identifying the optimal theoretical profile of its candidates. The Committee also assisted the Board in determining the number of members of the Management Board, their appointment and the identification of the Executive Board Members and the Managing Director.

From this same perspective, once the new Boards have been appointed, the Committee collaborated in verifying that their actual qualitative and quantitative composition corresponded to that deemed optimal.

5.C.1. a) and b) As regards its functions, the Nomination Committee:

(i) supports the Supervisory Board in appointing the Management Board, so as to ensure that the Members of the latter are qualified and sufficient in number to perform the Board's duties. To this end, the Committee:

- submits proposals to the Supervisory Board concerning, inter alia, the composition of the Management Board and the professional skills considered appropriate to the Management Board;
  - based on the aforementioned criteria and in compliance with the requirements of the Articles of Association and pro tempore rules in force for individuals performing bank administration duties, submits proposals to the Supervisory Board regarding the appointment of Management Board Members and the replacement of Members who for any reason whatsoever leave office;
  - submits proposals to the Supervisory Board regarding appointment of the Chairman and one or two Deputy Chairmen of the Management Board;
  - submits proposals to the Supervisory Board regarding indication to the Management Board of the candidate for appointment as Managing Director;
  - submits proposals to the Supervisory Board regarding the appointment of executive Management Board Members;
- (ii) supports the Supervisory Board in expressing an opinion on the appointment and removal of one or more General Managers, pursuant to the Articles of Association.

In 2013 the Nomination Committee held five meetings, in addition to providing support to the Corporate Bodies for their renewal, also to assist the Supervisory Board in relation to its opinion in favour of the appointment of a General Manager, Deputy to the CEO and the appointment of the new Managing Director, Carlo Messina, to replace Enrico Tommaso Cucchiani.

### Remuneration Committee

Remuneration Committee until 22 April 2013

1.C.1. i)

Members	Inclusion in the Register of Auditors and professional practise of legal auditing of accounts	Independent pursuant to the Code	Attendance percentage at meetings	In office since
Gianluca Ponzellini – Chairman	X	X	100%	01.01.2007
Marco Mangiagalli		X	100%	01.05.2010
Fabio Pasquini	X	X	100%	01.05.2010

The average duration of the Committee's meetings was approximately two hours.

Remuneration Committee appointed by resolution of the Supervisory Board of 29 April 2013

Members	Inclusion in the Register of Auditors and professional practise of legal auditing of accounts	Independent pursuant to the Code	Attendance percentage at meetings	In office since
Marco Mangiagalli – Chairman		X	100%	01.01.2007
Rosalba Casiraghi	X	X	100%	01.01.2007
Piergiuseppe Dolcini		X	100%	22.04.2013

The average duration of the Committee's meetings was approximately two hours.

The Articles of Association require the majority of members of the Remuneration Committee to satisfy the independence criteria set forth in the Code.

6.P.3.

All Members of the Remuneration Committee satisfy said independence criteria and have adequate knowledge of and experience in finance and remuneration policies.

The Remuneration Committee is responsible for proposing and advising the Supervisory Board on matters of remuneration, in accordance with law, the Articles of Association, and supervisory regulations. These duties have been strengthened following introduction of the Supervisory Provisions on remuneration. Its duties include:

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- submitting proposals to the Supervisory Board on the identification of criteria for the remuneration of Management Board Members, to be submitted to the shareholders' meeting for approval, taking into consideration risk management policies, corporate strategies, and the possibility of recognising a variable remuneration component, which will be linked to mechanisms aimed at ensuring a connection with effective, long-term performance;
  - 6.C.5. - submitting proposals to the Supervisory Board regarding fees payable to the Members, Chairman and Deputy Chairpersons of the Management Board, as well as to the Managing Director, executive Management Board Members and Management Board Members vested with special capacities, duties or powers, on the basis of remuneration criteria and any financial instrument-based plans approved by the Meeting;
  - assisting the Supervisory Board in the examination, for the purpose of their approval, of policies on the remuneration of employees and other staff not bound by an employment agreement, on the recommendation of the Management Board;
  - supporting the Supervisory Board in the examination of Management Board proposals that are to be submitted to the Shareholders' Meeting on remuneration-related matters;
  - supporting the Supervisory Board in advising the Management Board on the remuneration of General Managers;
  - 6.C.3. - supporting the Supervisory Board in advising the Management Board on the remuneration of the Manager responsible for preparing the Company's financial reports and of the heads of control functions;
  - 6.C.3. - periodically assessing the criteria adopted for the remuneration of key senior managers in the Bank's organisational and operational structure and heads of control functions, supervising their application on the basis of information provided by the Management Board and submitting general recommendations to the Supervisory Board on such matters;
  - submitting opinions and proposals on the adoption of any stock option or stock granting plans;
  - checking the application of decisions taken by the Supervisory Board based on proposals submitted.

From 1 January 2011, this Committee is also required to express its motivated opinion on remuneration matters concerning transactions with related parties, where envisaged by the Intesa Sanpaolo Group Regulations on the management of transactions with related parties, adopted by the Bank in accordance with the Consob Regulation on related parties.

6.C.5. In 2013 the Remuneration Committee held 15 meetings. With reference to the Supervisory Provisions in question, the Committee provided support to the Supervisory Board for adoption of the new remuneration policies for Management Board Members appointed for the period 2013-2015. Based on these policies, after their approval by the Shareholders' Meeting and subject to the Committee's opinion, the Supervisory Board decided the remuneration due to Management Board Members.

With regard to matters strictly associated with its own duties, the Committee also assisted the Supervisory Board in approving amendments to the incentive system for Top Management and Risk Takers and their related terms of implementation, and formulated proposals to the Board concerning the variable remuneration of the Managing Director for 2012, identification of objectives and target setting for the allocation of any variable remuneration for 2013, and implementation of the remuneration policy for Management Board Members in reference to the variable component for 2012.

6.C.6. The Committee – which is not qualified in terms of compensation of the Board to which it belongs, as this is determined by the Shareholders' Meeting – supported the Supervisory Board in expressing an opinion regarding the variable remuneration of General Managers, heads of control functions and the Manager responsible for preparing the Company's financial reports, in relation to achievement of the 2012 budget objectives as well as to determination of the parameters for recognition of the variable remuneration for the 2013 budget.

6.C.7. In 2013, the Committee consulted, as an independent expert, a leading specialist company in order to determine the remuneration for the new Managing Director appointed on 29 September 2013. For additional information on remuneration, see Title II of the Report on Remuneration.



## Strategy Committee

Strategy Committee until 22 April 2013

1.C.1. i)

Members	Inclusion in the Register of Auditors and professional practise of legal auditing of accounts	Independent pursuant to the Code	Attendance percentage at meetings	In office since
Giovanni Bazoli – Chairman			100%	01.01.2007
Mario Bertolissi - Deputy Chairman		X	100%	01.05.2010
Jean Paul Fitoussi (from 06.09.11)		X	100%	01.05.2010
Gianluca Ferrero (up to 26.04.12)	X	X	100%	01.01.2007
Gianguido Sacchi Morsiani (since 19.06.12)			100%	01.01.2007
Guido Ghisolfi		X	100%	16.11.2011

The average duration of the Committee's meetings was approximately two hours.

Strategy Committee appointed by resolution of the Supervisory Board of 29 April 2013

Members	Inclusion in the Register of Auditors and professional practise of legal auditing of accounts	Independent pursuant to the Code	Attendance percentage at meetings	In office since
Giovanni Bazoli – Chairman			100%	01.01.2007
Mario Bertolissi - Deputy Chairman		X	88%	01.05.2010
Jean-Paul Fitoussi		X	100%	01.05.2010
Gianfranco Carbonato			67%	22.04.2013
Francesco Bianchi		X	100%	22.04.2013

The average duration of the Committee's meetings was approximately two hours.

The Strategy Committee assists and advises the Supervisory Board in the performance of its duties as the designated Body, pursuant to Article 25.1.2 of the Articles of Association, and on the recommendation of the Management Board, in charge of: (i) decisions concerning general programmes and strategic guidelines, and (ii) the approval of business and/or financial plans and/or the budgets of the Bank and the Group; (iii) the authorisation of strategic transactions.

Among its various duties, the Strategy Committee:

- may submit suggestions to the Supervisory Board for guidelines to be presented to the Management Board, where it is responsible for making the related proposal upon strategic transactions, as identified under the Articles of Association;
- supports the Supervisory Board in examining the Bank and Group's risk appetite, and in measuring current and prospective total internal capital and total capital, in accordance with multi-year plans and annual budgets, so as to determine capital adequacy at the Group level.

In 2013 the Committee held five meetings. The work done included an examination of the 2013 budget, the definition of the maximum level of risk acceptable to the Group and the related system of limits at the level of total risk and specific risks (the "risk appetite framework") for the purposes of the ICAAP process and the strategies forming the basis of the Banca dei Territori Division reorganisation and related impact on the business areas.

## Financial Statements Committee

### 1.C.1. i) Financial Statements Committee until 22 April 2013

Members	Inclusion in the Register of Auditors and professional practise of legal auditing of accounts	Independent pursuant to the Code	Attendance percentage at meetings	In office since
Marco Spadacini – Chairman	X	X	94%	01.05.2010
Luigi Arturo Bianchi		X	100%	01.05.2010
Gianni Marchesini		X	100%	01.05.2010
Eugenio Pavarani	X	X	100%	20.07.2011
Gianguido Sacchi Morsiani (up to 19.06.12)		X	100%	01.01.2007
Gianfranco Carbonato (from 19.06.12)			50%	28.05.2012

The average duration of the Committee's meetings was approximately two and a half hours.

### Financial Statements Committee appointed by resolution of the Supervisory Board of 29 April 2013

Members	Inclusion in the Register of Auditors and professional practise of legal auditing of accounts	Independent pursuant to the Code	Attendance percentage at meetings	In office since
Rossella Locatelli - Chairwoman			100%	22.04.2013
Gianluigi Baccolini		X	100%	22.04.2013
Pietro Garibaldi		X	100%	01.01.2007
Giuseppe Berta (up to 16.05.13)		X	0%	22.04.2013
Marcella Sarale (from 21.05.13)		X	100%	21.05.2013
Monica Schiraldi		X	100%	22.04.2013

The average duration of the Committee's meetings was approximately two and a half hours.

The Committee supports the Supervisory Board in a consulting role (i) in performing its duty regarding approval of the Parent Company's and consolidated financial statements; (ii) in measuring regulatory capital; and (iii) in examining information on the development of Bank and Group operations, received periodically from the Management Board, in compliance with the Articles of Association; as part of these duties with reference to financial statements, the Committee:

- studies issues relating to preparation of the Parent Company's and consolidated financial statements, and to this end may obtain information from the Manager responsible for preparing the Company's financial reports;
- analyses the logic and processes involved in the preparation of the financial reports of the Bank and the Group (including quarterly and half-yearly reports);
- examines, together with the Control Committee, the documentation and reports supporting the statutory attestation of the Manager responsible for preparing the Company's financial reports, and proposes related resolutions for approval by the Supervisory Board;
- examines the drafts of the Parent Company's and the consolidated financial statements approved by the Management Board and submits recommendations to the Supervisory Board;
- examines the quarterly and half-yearly reports prepared by the Management Board and reports to the Supervisory Board.

In addition to this, the Committee cooperates, together with the Control Committee, with the Supervisory Board in preparing the report on supervisory work completed, to be submitted to the Shareholders' Meeting pursuant to Article 153 of the Consolidated Law on Finance.

As envisaged in the related Regulations, members of the Control Committee and the Manager responsible for preparing the Company's financial reports have the right to participate in Financial Statements Committee meetings, without voting rights.

The Committee's Chairwoman duly reported to the Supervisory Board on the Committee's activities in 2013, which saw the participation of officers from the Administration and Tax Department, Corporate Affairs Department and Risk Management Department, as well as – for examination of issues under their specific expertise – the International Subsidiary Banks Division, Consorzio Studi e Ricerche Fiscali (Tax Studies and Research Consortium) and the Chief Lending Officer. Meetings were also held with the independent auditors, also for the purposes of Article 150 of the Consolidated Law on Finance.

In particular, the Committee:

- analysed the preparation procedures for the Parent Company's and the consolidated financial statements, involving an examination of the relative Guidelines and connected analyses;
- examined and reported on the draft Parent Company's financial statements and the consolidated financial statements for the Group for 2012, supporting the Supervisory Board in the approval process;
- received updates on changes in the accounting regulations;
- received reports on capital ratios;
- examined the audit reports relating to the Parent Company's and consolidated financial statements as at 31 December 2012, with no findings of note, and the report pursuant to Article 19 of Italian Legislative Decree 39/2010, which introduces the requirement for independent auditors of public interest entities to prepare a report on the fundamental issues arising from the audit, as well as any significant shortcomings identified;
- received updates on loans to customers in relation to the management and valuation of non-performing loans and the valuation method for performing loans.

Finally, through its specific report, the Committee supported the Supervisory Board in examining the Half-yearly Report and the Quarterly Reports as at 31 March and 30 September 2013.

In 2013 the Financial Statements Committee met 15 times, including joint meetings with the Control Committee.

### *Related Party Transactions Committee*

Related Party Transactions Committee until 22 April 2013

<b>Members</b>	<b>Inclusion in the Register of Auditors and professional practise of legal auditing of accounts</b>	<b>Independent pursuant to the Code</b>	<b>Attendance percentage at meetings</b>	<b>In office since</b>
Franco Dalla Sega – Chairman	X	X	100 %	01.01.2007
Rosalba Casiraghi	X	X	100 %	01.01.2007
Marco Mangiagalli		X	100 %	01.05.2010
Fabio Pasquini (alternate)	X	X	100 %	01.05.2010

The average duration of the Committee's meetings was approximately two hours.

Related Party Transactions Committee appointed by resolution of the Supervisory Board of 29 April 2013

Members	Inclusion in the Register of Auditors and professional practise of legal auditing of accounts	Independent pursuant to the Code	Attendance percentage at meetings	In office since
Franco Dalla Sega – Chairman	X	X	100%	01.01.2007
Marco Mangiagalli		X	100%	01.05.2010
Pietro Garibaldi		X	100%	01.01.2007
Carlo Corradini (alternate)		X	100%	22.04.2013

The average duration of the Committee's meetings was approximately three and a half hours.

The Committee performs the duties assigned to it by the Consob Regulation, Bank of Italy provisions and Group Regulations with regard to transactions with related parties of Intesa Sanpaolo and associated entities of the Group carried out by the Bank or by its subsidiaries.

The Committee does not oversee the Bank's transactions with related parties concerning remuneration issues.

In exercising its duties, the Committee:

- expresses a motivated opinion on the Bank's interest in carrying out the Transaction, as well as on the suitability and fairness of the related conditions;
- expresses an opinion if the transaction involves subsidiaries and, where it is influenced by the Bank management and coordination activities, indicates - through the opinion under the previous point - the reasons and interests influencing it;
- where envisaged by the Regulations, participates in the negotiation and analysis phases, receiving a complete and timely flow of information and with the faculty of requesting information and submitting comments to the delegated bodies and to the parties conducting the negotiations or analysis.

In 2013 the Committee met 23 times and examined 55 transactions. A favourable, non-binding opinion was issued for each of these transactions, almost all of which were classified as less significant transactions. The Committee also received 4 notices from the competent units of the Bank regarding transactions with related parties that followed the decision-making procedure pursuant to Article 136 of the Consolidated Law on Banking and decisions to classify positions with related parties and/or Group associated entities as substandard or doubtful.

### Supervisory Board operations

1.P.2. The role of strategic supervision entrusted to the Supervisory Board involves Supervisory Board Members in key decisions, including, as mentioned, approval of the Business Plan and the strategic guidelines identified to achieve results set out in the plan, liaising with the Management Board, also through the constant supervision of general operations development, to pursue Group consolidation objectives, growth and the creation of value for shareholders over the medium-long term, without prejudice to observance of the sound and prudent management and capital adequacy of the Bank.

Board Members are bound to secrecy on any documents, data or information of a confidential or privileged nature that they may learn through the performance of duties, and to uphold the confidentiality of the information beyond their term of office. They are also required to comply with the procedure adopted for internal management and external communication of said documents or information.

### Calling of Meetings

1.P.1. Board meetings are called by the Chairman or, in the event of absence or impediment, by the Deputy Chairman, normally on a monthly basis, in accordance with terms established in the Articles of Association, or at the initiative of the Chairman, as he deems necessary, or upon request of just one Board Member, unless particular reasons hinder the holding of meetings and, in any event, in cases envisaged by law and the Articles of Association.

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The meeting is called by the issue of a convocation notice containing the agenda of matters for discussion, addressed to each member of the Board at least four days prior to the date of the meeting. In particularly urgent situations, the meeting may be called by giving 24 hours' notice.

The Supervisory Board generally meets alternatively at the Torino registered office and Milano secondary office or, exceptionally, at another venue in Italy.

### ***Reports to Board Members***

When Board meetings are called, the Members of the Supervisory Board are provided, to all extents possible, with information and documents relevant to the agenda items to be discussed for informed decisions to be made.

Also in 2013, the General Secretariat of the Supervisory Board ensured compliance with the methods and timing envisaged in the Supervisory Board Regulations and procedures to ensure compliance with any instructions received from Authorities.

For every Supervisory Board meeting, the agenda is required to include reports on the activities of the Committees.

The documentation provided at meetings of the Board is filed in company records and remains available for consultation at the Secretariat.

From the second half of 2013, each Board Member has access to a dedicated portal on which documents relating to all Supervisory Board Meetings and those of the Committees he/she participates in can be consulted.

### ***Conduct of meetings and the decision-making process***

Board meetings are always conducted in an atmosphere of open and constructive discussion between members, with the added value of contributions from the Committees. A sense of responsibility adopted in office along with the skills acquired by each member have contributed to consolidating the structure and operation of the corporate Body, in which specific individual competences help contribute to discussions in a cohesive, cooperative context in order to make reasoned, informed and, usually, unanimous decisions.

The adopted governance model offers the option of enlisting specific professional qualities and competences of all Members, also by means of participation in at least one of the Committees established by the Board.

The participation in such Committees, together with the technical competence acquired outside the Bank, during studies, in the exercise of professions or other corporate offices, fosters the Members' contribution of their specific skills to the Board's work.

Members of the Supervisory Board, on the basis of information that must be received from the Management Board, and the support of the Committees and the General Secretariat of the Supervisory Board, act and pass resolutions independently and with full knowledge of the facts.

In 2013, as previously, the Chairman of the Supervisory Board invited the Chairman of the Management Board and the Managing Director to take part in Supervisory Board Meetings each time achieved results were presented, or when a general and/or strategic issue was addressed, as well as the Heads of Business Units, Governance Areas, Head Office Departments and Internal Control Functions of the Bank to provide information and figures as appropriate on matters submitted for examination by the Board.

The Articles of Association permit the holding of valid meetings through remote connection systems, provided that the identity of those attending can be verified and that all are able to follow discussions and intervene in real time with regard to the matters on the agenda as well as view, receive and transmit documents.

At least the Chairman and the Secretary must always be physically present at the venue officially designated as that in which the Board Meeting is deemed to have taken place.

1.C.5.

2.P.2.

8.P.1.  
1.P.2.

1.C.6.

For the validity of decisions a majority of members in office must be present at the meeting; resolutions are adopted with vote in favour by the absolute majority of members attending the meeting, without prejudice to special decisions, e.g. those relating to the appointment of the Chairman and of one or two Deputy Chairmen of the Management Board, for which vote in favour by the majority of Supervisory Board Members in office is necessary.

Minutes are prepared for each meeting, fully illustrating the agenda items discussed and related decisions adopted.

### ***Frequency of meetings and Board Member attendance***

1.C.1. i) In 2013 the Supervisory Board met a total of 17 times, with the following attendance percentage for each Member:

Giovanni Bazoli – Chairman	100%	Marco Mangiagalli	100%
Mario Bertolissi - Deputy Chairman	94%	Piergiuseppe Dolcini	100%
Gianfranco Carbonato – Deputy Chairman	100%	Edoardo Gaffeo	100%
Franco Dalla Sega – Secretary	100%	Pietro Garibaldi	100%
Gianluigi Baccolini	100%	Rossella Locatelli	100%
Rosalba Casiraghi	100%	Iacopo Mazzei	100%
Francesco Bianchi	100%	Beatrice Ramasco	100%
Jean-Paul Fitoussi	94%	Marcella Sarale (from 21.05.13)	100%
Pietro Garibaldi	100%	Monica Schiraldi	100%
Giulio Stefano Lubatti	94%	Giuseppe Berta (up to 16.05.13)	100%
Carlo Corradini	100%		

In 2014, the Supervisory Board had held three meetings at the date of approval of this Report.

The Company's 2014 financial calendar indicates 7 April 2014 as the date of the Supervisory Board meeting for approval of the Parent Company's and consolidated financial statements as at 31 December 2013.

### ***Contestation of resolutions***

Resolutions adopted by the Supervisory Board in breach of law or the Articles of Association may only be contested by Board Members who were absent from the relative meeting or who voted against or abstained, by and no later than 90 days from the date the resolution was adopted.

Shareholders may also contest the resolutions of the Supervisory Board where a resolution is prejudicial to their rights. In this case, as to terms and procedures for contesting resolutions, provisions governing the contestation of shareholder resolutions shall apply, as per Articles 2377-2378 of the Italian Civil Code.

Special rules are in place for contesting resolutions approving the financial statements, in accordance with Article 157 of the Consolidated Law on Finance and Article 2409-quaterdecies, paragraph 2, of the Italian Civil Code.

### ***Self-assessment of extent, composition and operations***

2.C.2. The Members of the Supervisory Board are aware of the duties and responsibilities inherent to their office. Upon appointment, they receive detailed information on their office, as well as on the obligations connected to their function, also in terms of the applicable regulations. The Secretariat ensures they receive prompt updates on the regulatory scenario, also with respect to the duties and obligations of members of control bodies.

2.C.2. 1.C.1. g) Each year, the Supervisory Board carries out an assessment of its adequacy in terms of powers, size, composition and operations, also in accordance with its Regulations. The Bank of Italy reserves specific provisions, issued in 2008 and currently under review, for this activity. Those provisions lay down the tasks assigned to collegial bodies with functions of strategic supervision, management and control in order to ensure optimal qualitative and quantitative composition in conjunction with appointment and on ongoing basis. The Bank of Italy requires rigorous, thorough self-assessment on a periodic basis, aimed at certifying

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full operation, identifying any critical areas and adopting the appropriate measures, with respect to the intermediary's size, complexity and operations.

Consequently, the Supervisory Board, at its meeting of 25 February 2014, renewed its self-assessment, with the support of the Control Committee and Nomination Committee, without using any external consultants. As is customary, said self-assessment consisted of detailed analysis of the functions actually carried out by the Board and by its Committees during the year, aimed at verifying, in light of their respective duties and powers, the degree of completion of the activities performed and identifying any area requiring greater attention.

1.C.1. h)

With reference to the interlocking prohibition, all Board Members in office have confirmed that they have no offices incompatible with that held with Intesa Sanpaolo.

Furthermore, in reference to the verification of Board operations, with due regard to the size, complexity and operations of the Bank, each Board Member expressed his own opinion in a questionnaire on the size, composition and operation of the Board and its Committees. The results of the questionnaire confirm the general adequacy of the Board, with a number of points for consideration in the future with particular reference to the size of the Board and the operations of the Committees.

Taking the above into consideration, the Supervisory Board expressed its adequacy assessment in reference to:

- powers assigned by law and by the Articles of Association which allow the Board to perform its duties efficiently;
- size, which is consistent with the many duties performed by the Board and allows the appointment of a higher number of Committees than envisaged by regulations;
- composition, which benefits from the experience, skills and professional characteristics of the Board Members in reference to banking business – also regarding risk management and control methods – and the rules and dynamics of the economic and financial system of reference;
- operations, covering the entire scope of responsibilities as a result of the organisational model adopted, and the fundamental support provided by the General Secretariat of the Supervisory Board.

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## The Management Board

The Management Board is governed by its own Regulations as well as by legal and regulatory provisions and the Articles of Association.

1.P.1. The Regulations are applicable to the Management Board jointly as a whole and severally to the Chairman and Members of the Management Board, who contribute to forming the decisions of the Board.

These Regulations provide the Board with an up-to-date set of organisational and operating rules which specifically govern the following:

- the Board's composition and structure;
- the Board's duties and powers, based on a criterion of subdivision by topic;
- the duties of the Chairman, with particular reference to tasks associated with Management Board operations and relations with the Supervisory Board and its Chairman;
- the duties of the Deputy Chairman and the Managing Director;
- the organisation of Board discussions; methods and timing for the calling of meetings, issue of documentation to Board Members, meeting attendance and conducting of the same.

### Duties and powers of the Management Board

1.C.1. i) The Management Board has sole responsibility for management of the Bank in compliance with general, programme-related and strategic guidelines approved by the Supervisory Board, with which it cooperates, to the extent of its own duties, in performing the strategic supervisory role.

For this purpose, the Board resolves on all transactions – relating to both ordinary and extraordinary administration – necessary, useful or appropriate in achieving the corporate purpose.

Pursuant to the Articles of Association and in accordance, inter alia, with the provisions contained in the Supervisory Regulations on corporate governance and in the Joint Bank of Italy/Consob Regulation, the Management Board is guaranteed sole responsibility for certain matters of greater importance – identified in a precise and analytical manner – beyond those strictly envisaged in the regulations. On such matters joint decision-making makes it possible to actively involve Board Members who therefore participate, with independent judgement, in key moments in the operational governance of the Bank.

More specifically, in addition to the duties that according to law may not be delegated, those reserved to the Board include, amongst others:

- 1.C.1. a) – submitting proposals on general programmes and strategic guidelines of the Bank and the Group to the Supervisory Board;
- the preparation of business and/or financial plans as well as the budgets of the Bank and the Group for submission to the Supervisory Board for approval;
- periodic monitoring of the implementation of strategic, business and/or financial plans of the Bank and the Group;
- 1.C.1. b) 7.C.1. a) – the definition of guidelines and policies related to risk management (including the policy relative to the risk of non-compliance) and to internal audit, to be submitted to the Supervisory Board's approval;
- the purchase and sale of equity investments leading to changes in the Banking Group;
- 1.C.1. c) – adequacy assessment of the organisational, administrative and accounting structure of the Bank and its strategic subsidiaries, with particular reference to the internal control and risk management system, and the Group organisational structure;
- the determination of criteria for the coordination and management of Group companies and for the implementation of Bank of Italy provisions;
- the appointment, on the recommendation of the Supervisory Board, and removal of the Managing Director and the delegation, amendment and withdrawal of the relevant powers;
- the appointment to particular offices or the assignment of particular powers to one or more Board Members and the determination of the relevant powers;
- the appointment and removal of one or more General Managers, the determination of the relevant functions, duties and remuneration, on the recommendation of the Managing Director and upon previous opinion of the Supervisory Board;



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- subject to the mandatory opinion of the Supervisory Board, the appointment and removal of the Manager responsible for preparing the Company's financial reports and the determination of relevant powers, funding and remuneration;
  - the appointment and removal, further to the favourable opinion of the Supervisory Board, of the Heads of internal control functions (including internal audit, compliance to regulations and risk management), pursuant to applicable laws or regulations; 7.C.1.
  - supervision to ensure that the Manager responsible for preparing the Company's financial reports and the Heads of internal control functions have the powers and resources they need to fulfil the duties assigned to them;
  - preparation of the draft Parent Company's and consolidated financial statements and of documentation on merger and spin-off projects; 1.C.1. f)
  - the arrangement of transactions to be submitted for Supervisory Board authorisation or approval pursuant to the Articles of Association, and resolutions on transactions with a unit value exceeding 3% of the consolidated regulatory capital;
  - the determination of criteria to identify related party transactions for which the Management Board has sole decision-making responsibility;
  - the designation of members of corporate bodies of subsidiaries, including executive board members;
  - the approval of major internal regulations and the amendment thereof;
  - the definition of the remuneration policies for employees and other staff, to be submitted to the approval of the Supervisory Board;
  - the determination, upon previous opinion of the Supervisory Board, of incentive and remuneration schemes for top managers in the Bank's organisational and operational structure, as well as of remuneration paid to heads of internal control functions.

Without prejudice to regulatory provisions and the Articles of Association, the Management Board resolves on all other matters reserved to the Board under its own Regulations and on those it decided not to delegate.

In particular and solely by way of example, the Board is responsible for the following matters, without prejudice, where required, to joint responsibility of the Supervisory Board:

- a) structure, organisation and operations of the Management Board;
- b) strategies and general guidelines of the Bank and the Group;
- c) structure and organisation of the Bank and the Group;
- d) control and prudent supervision policies;
- e) financial reporting, financial statements and relations with independent auditors;
- f) Shareholders' Meetings and relations with Bank Shareholders.

The Management Board periodically assesses the general development of operations, also on presentation of the financial data of the Bank and Group, taking into account, in particular, the information received from the Managing Director, and periodically comparing results achieved with those previously forecast. 1.C.1. e)

On recommendation from the Chairman, the Board appoints a Secretary. The Secretary provides support to the Chairman and the Board in exercising their respective duties, arranging all matters necessary to operations of the Board, pursuant to law, the Articles of Association, regulations and procedures adopted by the Bank.

The Corporate Secretariat provides support for Management Board activities, reporting to the Chairman and Managing Director in the Bank's organisation. The Secretariat is entrusted with handling Board-related activities and providing support to the various members in carrying out their respective duties, especially to the Chairman, Deputy Chairpersons and Managing Director.

The Corporate Secretariat also guarantees reporting and organisational coordination as necessary with the Supervisory Board and its internal Departments, as well as the appropriate links between the Management Board with the other Corporate Bodies and Departments, and in general ensures that corporate obligations for which the Board and its Members are responsible, are fulfilled.

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Board Members act independently and pass resolutions on an informed basis, pursuing the corporate interest and the priority of creating value for shareholders over the medium to long-term period, in 1.P.2.

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accordance with the principle of sound and prudent management and the principles and values of reference adopted by the Bank.

Board Members are required to uphold the confidentiality, also beyond their term of office, of all documents, information and data concerning the Bank or the Group or otherwise learnt through the performance of their duties, and to comply with Bank procedures for the internal management and disclosure of such information. Board Members are further required to refrain from using information or knowledge about business opportunities learnt during their term of office to their own advantage or to the advantage of third parties.

## Composition of the Management Board

### *Composition and appointment*

1.C.1. i) Art. 123-bis (2), d) and (1), l) CLF  
In accordance with the Articles of Association, the Management Board is composed of a minimum of 7 and a maximum of 11 members, including non-shareholders, appointed, with the Nomination Committee's assistance, by the Supervisory Board, which determines their number at the time of appointment. In doing so, the Supervisory Board is required to ensure that the Board has a sufficient number of members and the professional competence to fulfil its duties effectively.

The Articles of Association envisage that the Board includes a significant percentage, varying according to the number of members, of Managers from companies in the Intesa Sanpaolo Banking Group (excluding the Managing Director from this percentage, who at the time of appointment or later holds the title of Key Manager in any companies in the Banking Group).

In addition, the minority gender must be reserved at least the number of Board Members established by current laws in force on the matter of equal access to the administrative and control bodies of listed companies.

The Management Board in office at the date of publication of this Report consists of:

Gian Maria Gros-Pietro - Chairman  
Marcello Sala - Senior Deputy Chairman  
Giovanni Costa - Deputy Chairman  
Carlo Messina – Managing Director and CEO  
Carla Patrizia Ferrari  
Piera Filippi  
Gaetano Micciché  
Francesco Micheli  
Giuseppe Morbidelli  
Bruno Picca

The Management Board was unanimously appointed by the Supervisory Board in the meeting held on 9 May 2013, which set the number of its members at 10, appointing Gian Maria Gros-Pietro as Chairman, Marcello Sala (Senior Deputy Chairman) and Giovanni Costa as Executive Deputy Chairmen.

Following the resignation of Enrico Tommaso Cucchiani as Managing Director and CEO, at its meeting on 29 September 2013 the Supervisory Board integrated the Management Board by appointing Francesco Micheli as Board Member for the remainder of the year and for 2014 and 2015. On that same date, as recommended by the Supervisory Board, the Management Board appointed Carlo Messina as Managing Director and CEO.

1.C.1. i) The Bank website provides and updates brief biographical and professional notes on each of the Board Members in office.

Also note that with regard to seniority of office since first appointed, the two Deputy Chairmen are now in their third term of office with Intesa Sanpaolo (for Giovanni Costa also including the office of Supervisory Board member in 2007/2008/2009) while for eight Board Members (including the Managing Director) this is their first term of office.

20% of the Board's membership represents the minority gender, in line with the provisions of Italian Law 120/2011 on equal access to the administrative and control bodies of listed companies, in accordance with

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which at least one fifth of members of corporate bodies must be of the minority gender for the current term of office.

#### ***Term of office, replacement and removal***

The Members of the Management Board remain in office for a maximum period of three financial years, as determined by the Supervisory Board, with their term of office expiring as of the date of the Supervisory Board meeting called to approve the financial statements relating to the last year of their office, but effective as of the actual appointment of a new Board by the Supervisory Board. Board Members may be re-elected.

123 bis,  
(1), l) and  
(2), d)

The current Management Board will remain in office for the 2013/2014/2015 financial years. Expiry of the term of office for all Members is envisaged as the date of the Supervisory Board meeting called to approve the 2015 financial statements.

The current provisions of the Articles of Association do not envisage a differentiated term of office for all or part of the Management Board.

Where one or more Management Board Members leave service, for any reason whatsoever, the Supervisory Board is to substitute them without delay, in compliance with provisions on the Board's composition. The term of office of the newly appointed Board Members expires simultaneously with the term of the members in office at the time of their appointment.

Where during the year, for whatever reason, the majority of the Members of the Management Board, as appointed by the Supervisory Board, resigns, the entire Management Board will forfeit office as of the date on which the newly appointed Members take office. The term of office of the newly appointed Members expires on the date on which the office of the replaced Management Board would have expired.

Members of the Management Board may be removed by the Supervisory Board at any time, without prejudice to the right of the removed Member to be indemnified for removal without just cause. Management Board Members may also be removed as a result of shareholder derivative actions as per Article 2393 of the Italian Civil Code, by resolution approved by a number of shareholders representing at least one-fifth of the share capital, or by decision of the Supervisory Board pursuant to Article 2409-decies of the Italian Civil Code, approved by at least two-thirds of its members. In the latter case, the Supervisory Board is required to appoint replacements for the removed Management Board Members at the same meeting.

With regard to members of the Board chosen from among the Banking Group's Managers, if for any reason the office or managerial duties covered at the time of appointment should terminate, this constitutes just cause for removal from the Management Board unless the Supervisory Board considers there are exceptional grounds for the term of office to continue.

#### ***Executive and non-executive Members***

In accordance with the Supervisory Provisions on corporate governance - which require the Management Board to be a "corporate body characterised by a predominance of executives" – the Management Board currently consists of 6 Executive Members: the Managing Director as Chief Executive Officer and in relation to the role as head of operational management of the Bank and the Group, three Executive Members from the Group's Management (Bruno Picca, Head of the Chief Risk Officer Governance Area, Francesco Micheli, Head of the Chief Operating Officer Governance Area and Gaetano Micciché as Head of the Corporate and Investment Banking Division) and two "external" Executive Deputy Chairmen (Marcello Sala and Giovanni Costa), whose executive nature derives from their participation, with voting rights, in the Group's managerial committees and from assignment to specific duties (as described in greater detail later in this Report).

1.C.1.i)  
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2.P.3.  
2.C.1.

The majority presence of Executive Board Members is consistent with the character and tasks assigned to the Board, enhancing its executive nature in terms of active participation in the management process, without prejudice to the fact that, as mentioned previously, the Articles of Association envisage a system of duties not to be delegated, which reinforces the joint decision-making of the Board's operations and actively involves all members, enhancing their respective professional expertise, as part of and in support of management activities as a whole.

The Board has not adopted a plan in place for replacement of the Managing Director or other executive Management Board Members in the event of early termination of their office. In such cases, the

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aforementioned method for replacing Board Members applies, as envisaged in the Articles of Association, according to which, where one or more Management Board Members leave service, for any reason whatsoever, the Supervisory Board is to substitute them without delay.

The Supervisory Board is supported in this task by the Nomination Committee, which carries out consulting, selection and propositional tasks. In submitting nomination proposals to the Supervisory Board, the Committee also takes into account the requirements of the Articles of Association and regulations in force for Management Board Members, as well as of the qualitative and quantitative composition deemed optimal and the professional skills considered appropriate to have, including with respect to the appropriate assessments conducted by the Management Board itself.

Following proposals by the Nomination Committee, the Supervisory Board appoints the new Board Member, indicating said individual to the Management Board as Managing Director or executive Board Member. Based on the indications of the Supervisory Board, the Management Board appoints the Managing Director.

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Prior to renewal of the Board in spring 2013, in compliance with the statutory provisions in force at that time, the members of the specialised internal Commissions with a preparatory and advisory support role to the Board qualified as Executive Board Members.

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4.C.1. g)

Until that time, in fact, in conducting its activities the Board made use of the following specialised Commissions, to which specific topic areas were assigned:

Art. 123-  
bis (2), d)  
CLF

- Business Plan and Extraordinary Transactions Commission (composed of Board Members Marcello Sala – as coordinator, Giovanni Costa and Emilio Ottolenghi), with the task of performing preparatory and advisory activities regarding proposals on general programmes and strategic guidelines for the Bank and the Group, submitted by the Management Board to the Supervisory Board, and the initial examination of the Bank's main transactions under the Board's responsibility, including all strategic transactions to be submitted for authorisation or approval to the Supervisory Board in accordance with the Articles of Association;
- Capital Adequacy and Financial Statements Commission (composed of Board Members Giovanni Costa – as coordinator, Marcello Sala and Roberto Firpo), with the task of performing advisory and preparatory activities regarding assessment of the Group's capital adequacy, both current and forecast, in relation to risks assumed and to corporate strategies, and preparatory activities regarding preparation of the draft financial statements and interim financial statements;
- Lending and Risks Commission (composed of Board Members Paolo Campaioli – as coordinator, Roberto Firpo and Emilio Ottolenghi), with the task of performing advisory and preparatory activities regarding risk management, in particular offering its preparatory contribution to the Board's performance of duties specifically reserved to it under the terms of the Articles of Association, Regulations and current Guidelines on risk management and control issues.

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### *Chairman and Deputy Chairpersons*

The Chairman and Deputy Chairpersons of the Management Board are appointed by the Supervisory Board.

1.C.1. i)  
2.P.4.  
2.P.5.

The Chairman is a non-executive Board Member: in fact he/she does not have assigned operating powers and the current organisation of the Bank keeps his duties separate from those of the Managing Director.

The corporate governance structure adopted by Intesa Sanpaolo gives the Chairman of the Management Board a special role, the fulfilment of which calls for deep commitment and proven managerial skills, also in order to promote the Board's role in pursuing the strategic objectives of the Bank and of the Group.

The Chairman, who is the Bank's legal representative, is in charge of organising, promoting and coordinating the activity of the Board, as part of which he has the power to submit proposals, and is called upon to manage relations among Management Board Members - in particular, among executive and non-executive Members - and with the Supervisory Board and its Chairman, ensuring efficient coordination of the activities of the two Corporate Bodies.

2.C.2

Through the Board and through specific induction sessions, the Chairman is also responsible for ensuring that Board Members increase their business and corporate awareness at Bank and Group level, so as to

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guarantee a full and suitable knowledge of banking business, the economic and financial system, finance regulations and, above all, the control system and risk management and control methods.

In general, the Chairman exercises all powers appropriate to his/her office, and based on provisions of the Articles of Association and Management Board Regulations, fulfils duties relating, amongst other things, to the Bank's general strategies and guidelines, external relations and corporate reporting to the Supervisory Authorities.

Lastly, the Chairman – in agreement with the Managing Director – has the power to adopt resolutions in urgent cases on any matter relevant to the Management Board, with the exception of matters that the latter may not delegate.

The same rules apply to the approval of urgent resolutions that may not be delegated under the Articles of Association, concerning:

- transactions having a unit value greater than 3% of the consolidated regulatory capital, and equal to or lower than 6% of said capital, provided that such transactions are unrelated to matters for which a resolution, approval or authorisation by the Supervisory Board is required under the Articles of Association;
- the nomination of members of the corporate bodies of subsidiaries.

The Management Board must be informed of such decisions at the next meeting.

The current corporate structure of Intesa Sanpaolo calls for the appointment of two Executive Deputy Chairmen: based on the above, the replacement of the Chairman, in the event of absence or impediment, is assigned to Senior Deputy Chairman, Marcello Sala, given his seniority as Management Board Member.

In addition to acting as deputy to the Chairman, as indicated above the Deputy Chairmen perform duties of an executive nature.

In particular, the Deputy Chairmen participate, with voting rights, in the Group's managerial committees (described in detail in the next section). Both participate in the Group Risk Governance Committee: Marcello Sala participates in the Credit Committee and Giovanni Costa participates in the Group Financial Risks Committee.

As a result of their active participation in these Committees, the Deputy Chairmen have direct access to information and decisions that form the Bank's and the Group's day-to-day management, and are directly involved in the decision-making arrangements on issues under the Board's responsibility.

In addition, the Board has assigned the following tasks to the Deputy Chairmen:

- to the Senior Deputy Chairman, Marcello Sala, the task of handling the development of international relations and the internationalisation projects of the Bank and the Group, in agreement with the Managing Director and in coordination with the Chairman of the Management Board;
- to the Deputy Chairman, Giovanni Costa, the task of developing territorial relations and relations between the Management Board and the governance of the Banks pertaining to the Banche del Territorio Division, with the duty of monitoring implementation of the Board's decisions, in strict liaison with the Chairman of the Management Board, Managing Director and Head of the Chief Governance Officer Governance Area.

The Deputy Chairmen must report periodically to the Management Board on the most significant activities and, on an annual basis, on all the activities undertaken.

### ***Managing Director***

The Management Board, upon the indication of the Supervisory Board, is required to appoint a Managing Director from among its members, by resolution adopted by favourable vote of the majority of the Board Members in office. The Management Board also determines the powers to be delegated, along with their limitations and how they may be exercised.

1.C.1. i)

The Managing Director, Carlo Messina, appointed on 29 September 2013, with immediate effect and for the remainder of the term underway, has the role of Chief Executive Officer of the Bank and the Group, as well as that of General Manager. Up to that date the role of Managing Director had been held by Enrico Tommaso Cucchiani.

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The Managing Director - whose duties are governed by the Articles of Association and the Management Board Regulations – is the Chief Executive Officer, supervising corporate management by means of powers attributed in compliance with general programmes and strategic guidelines of the Corporate Bodies. He/she ensures implementation of the resolutions of the Board, is responsible for personnel management, determines and implements operational directives, has the power to submit proposals to the Board and ensures that the Bank's organisational, administrative and accounting structure is adequate considering the nature and size of its business.

He/she is in charge of the operational management of the Bank and the Group, with full powers of ordinary and extraordinary administration, with the sole exception of the powers that cannot be delegated according to law and of those reserved to the Management Board under the Articles of Association.

By way of example only, the powers attributed to the Managing Director include:

- submitting proposals on strategic guidelines, multi-year plans and annual budgets of Intesa Sanpaolo and the Group for approval by the Management Board;
- submitting proposals on the overall organisational structure of the Bank and the Group;
- defining the detailed organisation of all Group business units that report to the Managing Director;
- acquiring, increasing (also via share capital increases) and disposing investments not implying a change in the Banking Group to a limit of 25 million euro; authorising the waiver or disposal of option rights on share capital increases in subsidiaries and the waiver of pre-emption rights, where these do not imply a change in the Banking Group;
- authorising, without limit, compulsory expenses and other expenses up to a limit of 25 million euro;
- authorising the purchase or sale of real estate assets with a commercial value of no more than 25 million euro and concession of such assets on free loan;
- ensuring application of the Group's corporate governance rules.

7.P.3. a) With regard to responsibilities associated with risk management and internal control policies, see the following chapter on the internal control and risk management system.

#### ***Independent Management Board Members***

1.C.1. i)  
3.P.1. Pursuant to the Articles of Association, at least one Member of the Management Board must meet the independence requirements pursuant to Article 148, paragraph 3 of the Consolidated Law on Finance, particularly with regard to administrative offices held in Group companies or self-employment, established employment or other relations of an economic or professional nature with the company – or with its subsidiaries, parent companies or companies subject to joint control – which might compromise their independence.

To this end, the provisions in the Issuers' Regulation contemplate the requirement for quoted issuers to make an assessment regarding possession by one or more Board Members of the prerequisites envisaged by the aforementioned provision, as well as to inform the market of the results of said assessments.

3.P.2.  
3.C.4. The Management Board verified that each Board Member satisfies the independence criteria upon their appointment and subsequently on an annual basis, also taking into consideration their individual statements; the last verification in this respect was performed, in the presence of members of the Control Committee, prior to the approval of this Report on 25 February 2014 and, in the light of the elements considered and indications provided by Consob and the Bank of Italy, the following Board Members proved to be independent: Gian Maria Gros-Pietro and Piera Filippi.

The Members declaring their independence under applicable law are committed to informing the Board should they find themselves in a situation of non-independence.

A list of the Board Members and an updated indication of their qualification as independent pursuant to art. 148 of the Consolidated Law on Finance can be found on the Bank's website.

3.C.4. The Articles of Association do not insist that Members of the Management Board meet the independence requirements envisaged in the Corporate Governance Code, in line with the special features of the dual system in which most of the independent members are on the Supervisory Board. However, the Management Board has not waived their presence and, in particular, one of the independent Board Members was appointed Chairman.

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### ***Requirements of integrity and professionalism***

In order to ensure the sound and prudent management of the Bank and, in particular, the proper functioning of the Management Board, Members of the latter – as representatives of a listed bank – must meet the specific requirements of integrity and professionalism in compliance with current pro tempore laws and regulations.

2.P.1.  
2.P.3.

The integrity requirement aims to ensure that the Bank can rely on Corporate Bodies composed of individuals of proven honesty and moral integrity. At the same time, in terms of professionalism, these individuals are expected to have successfully practised the profession for at least three years through proper and qualified activities relevant to the office covered. Loss of the aforementioned requirements leads to lapse of the post.

More specifically, in accordance with laws in force, the Chairman is required to have a total of at least five years' experience in the aforementioned professional activities, while the Managing Director is required to have specific management experience in a position of high responsibility, given the fundamental role the Managing Director has in managing the company.

The appointment of Members of the Management Board, along with the choice of Chairman and Managing Director, consequently involves an adequate examination of the personal and professional characteristics of the candidates to such office, with decisions oriented towards those of the highest professional standing and wide-ranging managerial experience. In any event, the Management Board verifies the possession of such requirements by each Board Member, in compliance with supervisory regulations and its own Regulations.

In this respect, note that the aforementioned presence on the Management Board of executive Members from the Group's Management, has contributed to increased Board professionalism, with particular regard to banking business, the dynamics of the economic and financial system, banking and finance regulations and risk management and control methods.

The wide-ranging and diversified level of professional, managerial and academic experience of each of the Members provides the Management Board with an overall level of expertise that is adequate in ensuring the efficient performance of its duties.

### ***Management or control positions of Management Board Members***

Management Board Members, especially if executives, accept and maintain office in the full awareness of the need to dedicate the effective time necessary for performance of the duties and responsibilities assigned to them, taking into account other offices held and any commitments associated with any other professional activities they may pursue.

1.C.2.

In this respect, it must be mentioned that Intesa Sanpaolo Management Board is not required to state a specific orientation regarding the maximum number of offices an individual Member may hold, nor is it required to identify any specific general criteria in this respect.

This matter, in fact, is specifically governed by the Articles of Association, according to which no individual may be appointed Member of the Management Board, and if appointed such office shall lapse, where the maximum of four administrative, steering or control office in other listed companies, their subsidiaries or parent companies is exceeded. Note that accumulative office - up to a maximum of four - within the same group is classed as one office; where the maximum of four is exceeded they are classed as two).

1.C.3.  
1.C.4.

With reference to the offices held with banking, financial, insurance or other companies of significant size outside the Group, it should also be taken into account that specific impediments were introduced by Article 36 of Italian Law Decree 201/2011, according to which it is forbidden for "holders of offices in the management bodies [...] of companies or groups of companies operating in the credit, insurance and financial markets to take on or exercise similar posts in competing companies or groups of companies".

In this respect and on the basis of verifications conducted, note that three Board Members hold office in an unlisted company, one Board Member holds offices in three listed companies and one Board Member holds offices in four listed companies. In all these cases, however, the companies involved do not operate

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on the aforementioned markets and therefore the Board has acknowledged that no Member is subject to lapse of office as envisaged in the previously mentioned Article 36.

For each Management Board Member, compliance with the aforementioned provisions is checked periodically. In addition it is specified that the Self-assessment conducted by the Management Board in 2014 (as described in the next paragraph) did not reveal any conflicting positions of Directors, not even among those considered compatible pursuant to art. 36 of Leg. Decree no. 201/2011.

2.C.5. Given his/her additional role as Chief Executive Officer of the Bank and the Group, the Managing Director holds no offices as director of other issuers outside the Intesa Sanpaolo Group in which an Intesa Sanpaolo Management Board Member is chief executive officer.

The Management Board checks and assesses the suitability of each Board Member to fulfil their respective duties upon their appointment and on an on-going basis, as well as the number of offices held by each Member, with focus placed on those demanding the greatest involvement in ordinary company operations.

1.C.2. Summary table No. 3, provided as an attachment to this Report, illustrates the number of other management or control offices held by Members of the Management Board in other companies quoted on regulated markets (also abroad), in financial, banking, insurance or large companies; Table No. 4 provides the list of such offices.

## Management Board operations

### *Calling of Meetings*

1.P.1. The Management Board is called by the Chairman when deemed necessary or when a written request is made by the Managing Director or by at least two Members of the Management Board; subject to prior notification to the Chairman of the Management Board, the Board may also be summoned by the Supervisory Board or by its individual Members in accordance with law.

Art. 123-bis (2), d) CLF

In calling a Board meeting, the Chairman decides on the agenda, also taking into consideration proposed resolutions submitted by the Managing Director or other Members.

The meeting is called by the issue of a convocation notice containing the agenda of matters for discussion, addressed to Board Members at least four days prior to the date of the meeting or, in urgent cases, giving at least 24 hours' notice. The convocation notice and agenda are also sent to the Supervisory Board Members.

The agenda included in the convocation notice contains items which are grouped by topic areas, in order to ensure their orderly discussion. An indication is also given of whether the item will be subject to resolution or merely for information purposes.

The Management Board meets alternatively at the Torino registered office and Milano secondary office or, exceptionally, at another venue in Italy. The Articles of Association also permit the holding of valid Management Board meetings through remote connection systems, provided that the identity of those attending can be verified and that all are able to follow discussions and intervene in real time with regard to the matters on the agenda as well as view, receive and transmit documents. In such cases, at least the Chairman and the Secretary must be physically present at the venue officially designated as that in which the Board meeting is deemed to have taken place.

### *Reports to Board Members*

1.C.5. The Chairman, aided by the Secretary of the Board where necessary, ensures that documentation relating to items on the agenda is brought to the attention of all Board Members in accordance with criteria of completeness and suitably in advance with respect to the meeting date, also with a view to necessary reporting symmetry between executive and non-executive Board Members.

1.P.2. Except in any cases of price sensitivity or urgency, the documentation regarding the agenda is normally distributed within the same terms as apply to the convocation notice, in order to allow each Board Member to inform himself or herself thereof appropriately, and thus to perform his or her duties with awareness, as well as to make informed decisions on the agenda items. Documentation for information purposes only can also be sent after this deadline.



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If the documentation for submission to the Board contains price-sensitive elements, on a special accompanying form the proposing Department indicates the assessments performed to guarantee correct processing of the sensitive data and prompt compliance with disclosure obligations envisaged by law.

In order to guarantee adequate reporting to Board Members, proposals to the Board are first presented to the Chairman, in order to allow the Chairman to more appropriately structure the meeting agenda and to ensure that the Board receives the necessary documentation in a timely manner.

In the event that the documentation provided is particularly lengthy or complex, an executive summary is provided, recapping the most significant points of relevance for resolutions, without prejudice to the fact that such document is in no way considered a replacement for the complete documentation sent to Board Members.

In order to optimise the information circulation process and timing, documents relating to Board meetings are made available through a dedicated IT platform accessible by Board Members. On this platform Board Members also have access to governance documents, key correspondence with the Supervisory Authorities, accounting positions and additional information useful to performing their duties. This application, accessible via intranet in protected mode, enables management of the information flows in full compliance with the internal security and system security standards.

If confidentiality has to be guaranteed or if the Chairman considers it appropriate given the topic and related resolution, or if there are other justified reasons for which the documentation cannot be made available, it may be provided directly at the meeting and its nature as additional material indicated. In such cases the Chairman verifies compliance with the principles of completeness and adequacy of the information on items on the agenda for all Board Members, who in any event have the right to request any clarification, further details or additional information considered necessary or appropriate for a correct assessment of the topics.

In any case, the documentation provided at meetings of the Board is filed in company records and remains available for consultation at the Corporate Secretariat, as well as on the dedicated IT platform.

The documentation is also sent and made available to the Secretary of the Supervisory Board and to members of the Control Committee.

The Bank Departments involved from time to time ensure that the utmost attention is focused on the information provided to Board Members on the business to be discussed at meetings, in the awareness that such information is fundamental for Board Members to make suitable decisions and dedicate more time to in-depth analysis and discussion at meetings.

### ***Conduct of meetings and the decision-making process***

The Management Board meeting is duly constituted if the majority of its members in office are in attendance.

The Chairman presides over Board meetings and coordinates the work in hand, ensuring adequate space is given to the discussion of each topic on the agenda, along with the time necessary for related analysis and encouraging the Board's effective interaction and constructive debate, with particular attention placed on agreement as required between executive and non-executive Board Members.

Board Members actively participate in Board discussions, contribute to discussions based on their respective competences and knowledge (also in relation to office held in Group companies), and analyse the various topics from different viewpoints, contributing to achieving a reasoned decision-making process and to reaching Board decisions that are fully considered and measured. On their part, non-executive Board Members monitor the decisions made by executive members and contribute to enhancing and promoting Board interaction.

On invitation from the Chairman, the General Managers, the Manager responsible for preparing the Company's financial reports, Heads of the Control Functions and top Managers of the Bank and the Group can attend Board meetings. Other Heads of Bank and Group Departments, members of the independent auditors and external consultants can also be invited to attend – in accordance with criteria of strict relevance – in relation to items on the agenda that might require specific technical skills. Such

2.P.2.  
2.P.3.

1.C.6.

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management participation has allowed the Board Members to obtain clarification and additional information on items on the agenda and has proved particularly important in encouraging an adequate contribution and involvement of corporate Departments in the decision-making process, through direct involvement in the Board's activities.

Management Board meetings are attended by the Secretary of the Supervisory Board and, in accordance with the Articles of Association, by the members of the Control Committee, though without the right to vote.

Management Board resolutions are normally carried by absolute majority vote of the Members in attendance (in the event of a tie, the meeting Chairman has the casting vote); certain resolutions involving, amongst other things, the appointment and removal of the Managing Director and the delegation of their powers, as well as the appointment and removal of the Manager responsible for preparing the Company's financial reports are carried by majority vote of all members in office. Decisions regarding the appointment, removal and determination of functions, duties and remuneration of General Managers are carried by majority vote in favour by Members of the Management Board in office, subject to the mandatory opinion of the Supervisory Board.

Following the meetings, the Secretary draws up the draft minutes, illustrating the method adopted for decision-making and a note of the underlying reasons for such decisions. The draft of the minutes is sent to the Chairman and Managing Director and subsequently to all Board Members for comments, if any, collected by the Corporate Secretariat, and forwarded to the members of the Control Committee. Upon approval, a copy of the minutes is forwarded without delay to the Chairman of the Supervisory Board, pursuant to the Articles of Association.

Each Board Member has the right to ensure that the minutes include a note of any vote against or abstention and the related reasons.

Resolutions made by the Board on topics in the agenda are sent by the Corporate Secretariat to the Departments involved, to ensure timely information and subsequent implementation within the Bank or Group.

#### ***Frequency of meetings and Board Member attendance***

1.C.1. i) Pursuant to the Articles of Association, Management Board meetings are held at least once a month. In effect, the Board meets on a regular basis, normally almost twice a month. This frequency has allowed a suitable number of items to be included in the meeting agenda, along with proper discussion and constructive debate.

In 2013 the Board held 24 meetings, 17 of which in its current, post-renewal composition. As in the past, Board Members' attendance at meetings has proved constant, despite the higher number of meetings held during the year. In particular, in 2013 the attendance of each Board Member was 100% with regard to the Management Board currently in office, whilst for the Board in office until 9 May 2013 one Member was absent on only one occasion.

This attendance in the Board meetings ensured the systematic contribution of all Members to the management of Group and Company business, thereby allowing the Bank to make full use of the professional skills represented.

However, the overall commitment of Board Members is not expressed merely in attendance at Board meetings. All Board Members, in fact, must take into consideration the activities associated with the meetings (study of documentation on items on the agenda, meeting preparation, queries and requests for information, etc.), whilst with particular regard to executive Board Members, the activities performed as Heads of Bank operating Departments (for Board Members from the Group's Management) or in relation to participation in Group management Committees and the assignment of specific tasks (for Executive Deputy Chairpersons) also have to be considered.

The Board meetings lasted an average of 4 hours, considered adequate in satisfying the need for thorough development and discussion of matters on the agenda, also in view of the appropriate meeting and pre-meeting information, and the number of meetings held.

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A total of 13 meetings are scheduled for the current year, 6 of which have already been held. Additional meetings may be arranged as specifically needed. In compliance with Borsa Italiana Regulations, in January Intesa Sanpaolo disclosed the 2014 corporate events calendar to the market (also published on the website), with an indication of Management Board meeting dates for the approval of financial reports. Additional meetings – including induction sessions – are defined during the year as necessary to meet specific needs.

### ***Contestation of resolutions***

Resolutions adopted by the Management Board in breach of law or the Articles of Association may only be contested by the Supervisory Board and Management Board Members who were absent or who voted against the resolution, by and no later than ninety days from the date the resolution was adopted.

Shareholders may also contest the resolutions of the Management Board where a resolution is prejudicial to their rights. In this case, the term and procedures for contesting resolutions are determined in application of the provisions governing the contestation of shareholder resolutions in the Italian Civil Code, where compatible, which are addressed in this Report in the chapter on Shareholders' Meetings.

### ***Self-assessment of size, composition and operations***

At its meeting of 25 February 2014, pursuant to its own Regulations and to the Corporate Governance Code, the Management Board performed the adequacy self-assessment in terms of operations, size and composition. Furthermore, taking into consideration the interim renewal of the Board, the assessment referred to the period between the inaugural meeting of the current Board (9 May 2013) and the meeting of 28 January 2014.

1.C.1. g)  
and i)

The self-assessment was also performed with regard to instructions formulated by the Bank of Italy in its Communication of 11 January 2012, concerning the application of Supervisory Provisions on banks' corporate governance, and in its letter of 11 December 2013 on the "Composition and operations of the Boards of supervised banking groups", following the benchmark analysis performed by the Supervisory Authority on self-assessments for 2011. Also taken into consideration when performing the self-assessment process was the "self-assessment model" for future issue as referred to in the Consultation Paper on Supervisory Provisions on banks' corporate governance, published by the Bank of Italy on 16 December 2013.

Also in view of the regulatory changes in progress, the Management Board did not use any external consultants, in the belief that the process could be effectively conducted through appropriate and constructive discussion within the Board and among the Board Members.

The Management Board's self-assessment was therefore performed using methods similar to those adopted in the past, pending the definition of a specific internal regulation governing the procedure. The process was also given greater structuring (multiple Board consideration steps, induction session, use of the questionnaire), with a view to enhancing the "substance" profiles as required by the Supervisory Authority.

In particular, the topic of self-assessment was introduced and arranged in three board sessions. Later, during a dedicated induction session, the organisation of self-assessment activity was discussed and specific assessment forms were made available to the Board Members. The forms have been divided into the following assessment areas: (i) composition, (ii) operations of the Board, (iii) topic areas for Board debate, (iv) information flows, (v) the self-assessment process. For each self-assessment profile the reference regulations, the Intesa Sanpaolo implementation status and any benchmarking data were indicated and, amongst other things, the related quantitative data on the number, frequency and duration of meetings and the recurrence of topics covered were taken into account. Each Board Member was asked for an opinion on the profiles indicated in the forms, where appropriate qualifying his/her opinion with observations and comments.

The results of the assessment forms were then processed in aggregate form by preparing an "Assessment Document", subject to final examination at the aforementioned Board Meeting of 25 February 2014.

The Management Board expressed an opinion of substantial adequacy in terms of size, composition and operations, identifying a number of possible corrective measures to be taken in future years in areas that have shown a need for improvement (on the one hand, the need for a stronger balance between strategic

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and business issues, and - on the other hand and in a broader sense - the need regarding the control area; research into tools to narrow the gap in information between the management component and other Management Board Members; considering the different prerogatives of the Bodies, stronger enhancement of interaction with the Control Committee).

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2.C.2. Also taking into account the results of the self-assessment, the Management Board Members are fully aware of their duties and responsibilities inherent to their office. On appointment they receive specific information in this respect, and accurate indications of the related obligations. In addition, as part of the information and decision-making process that characterises Board meetings, the Board Members are kept constantly informed by the relevant company Departments on the main new elements of laws and regulations affecting the Bank and the exercise of its activities.

During the term of office of the Board and up to publication of this Report, special induction sessions – gradually more structured - were also held to allow Board Members to learn of and discuss the various aspects of the Bank's and Group's business, the regulatory framework of reference and the duties and responsibilities inherent to their office.

The induction sessions covered the following issues in particular: the 2013 Incentive System (in the form of one-to-one meetings), Self-Assessment of the Group's internal control system, Comprehensive Assessment of the ECB in view of the full adoption of single supervision responsibilities, In-depth Study of the Interim Statement as at 30 September 2013, Gap Analysis on the control system and completion of the self-assessment process referred to above.

## **Powers**

In accordance with the Articles of Association, and within the scope of its powers, as mentioned above, for ordinary and extraordinary administration, the Management Board may appoint, by resolution adopted by majority vote, a Managing Director, delegating relevant powers and determining their scope, limitations and how they may be exercised, and may delegate special capacities or tasks to one or more Board Members, together with their relative powers.

For certain categories of action and business activities, specific powers can also be delegated to Bank personnel, provided the limits and methods of exercise of powers are defined, and establishing whether the appointed individuals may act individually or jointly in committees.

In implementation of the provisions of the Articles of Association, the Management Board, as mentioned, elected a Managing Director from among its own Members, upon whom powers were delegated, without prejudice to its power of issuing directives and calling back decisions on matters delegated, and assigned specific tasks to the two Executive Deputy Chairmen.

The Board also defined and approved the decision-making powers and expenditure limits of Heads of Bank Departments, in accordance with the organisational and management responsibilities assigned to them respectively, and set limits and rules for the subdelegation of those powers.

The power to subdelegate is exercised through a transparent process that is constantly monitored and graded on the basis of the role and responsibilities of the subdelegate, who has the obligation to report back to the delegating function.

It should be noted that all Bank Departments operate on the basis of specific regulations that define the scope of their powers and responsibilities; these Regulations are available throughout the Bank, as are the operating procedures that determine how all the Bank's various processes are to be performed. All the main decision-making and implementing processes concerning Bank operations are encoded and can be monitored and traced by the entire Department.

1.C.1. d) Finally, the Management Board decides the methods for reporting to the Board on decisions made under delegated powers. In this regard it should be noted that the Board assesses the general performance of operations on a periodic basis, taking into consideration information received from delegates.

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## Information Flows to Corporate Bodies and between Corporate Bodies

Effective internal information flows constitute a key element of the organisation and corporate governance of Intesa Sanpaolo, not only because they allow for the correct fulfilment of obligations imposed by current regulations, but because they also offer effective Management and Supervisory Board activities and efficient relations between the two Corporate Bodies. The circulation of information between and within the Corporate Bodies may be carried out periodically at pre-established deadlines or as one-time occurrences if limited to simple events where regulatory provisions call for reporting and represents a fundamental condition for the effective achievement of management and control efficiency objectives.

The Articles of Association and Board Regulations contain provisions to ensure the correct flow of information between Bank Departments and the Managing Director and between the latter and the Management Board and between the Management and Supervisory Boards, in addition to effective coordination and full liaison between the Management and Supervisory Boards. The main participants of these processes are outlined below, as well as the respective roles carried out.

The Managing Director, in accordance with the Articles of Association, reports to the Management Board, usually on a monthly basis, on the key performance data for the period compared with system data; reports on general business performance and outlook, and on the most significant transactions carried out by the Bank and its subsidiaries, are made at least every three months. The Managing Director also activates the Departments of the Bank and Group in order to ensure the appropriate flows of information to the Management Board, particularly as regards risk management, the control system, compliance and administrative-financial governance. On a quarterly basis, pursuant to Article 150 of the Consolidated Law on Finance, the Managing Director reports to the Management Board and, consequently, to the Supervisory Board, on transactions with related parties of Intesa Sanpaolo with a major economic, capital and financial impact completed during the period by the Parent Company or by subsidiaries.

1.C.1. d)  
and e)

The Management Board provides the Supervisory Board with up-to-date reports, or reports at least once every three months, on the general business performance and on significant transactions (i.e. transactions with a major economic, capital and financial impact) for the Bank and its subsidiaries; in particular the Board reports on transactions in which Management Board Members have personal or third-party interests, or which are influenced by the entity responsible for management and coordination activities; it provides the Supervisory Board with monthly reports on the key performance data for the period compared with system data.

As part of its duties attributed by the dual system, the Supervisory Board provides the Management Board with periodic Control Committee reports on analyses and studies completed with regard to the control system, also to allow the Management Board to implement corrective action or improvements as necessary.

The Control Committee periodically meets the Managing Director and CEO in order to discuss issues considered significant for the efficiency and effectiveness of the internal control system. The members of the Control Committee are required to attend meetings of the Management Board, without voting rights, and for this purpose any documentation prepared by the Management Board is also made available to members of the Control Committee.

7.C.2.

In its capacity as Surveillance Body pursuant to Italian Legislative Decree 231/2001, the Committee submits, at least on a half-yearly basis, a report on the adequacy of and compliance with the relative Organisational, Management and Control Model to the Management Board and Supervisory Board. The Committee reports to the corporate Boards on its activities.

The Chairman of the Management Board and Chairman of the Supervisory Board receive specific internal regulatory and statutory provisions expressly aimed at ensuring the appropriate sharing of information between each other and with the Managing Director, also with a view to guaranteeing accuracy of information flows to the Management Board. In particular:

- the Chairman of the Management Board ensures that all Members receive adequate reporting on matters on the agenda, exchanging information with the individual Members in relation to their delegated powers or duties; the Chairman also receives information on resolutions adopted by the Supervisory Board together with all other significant communications subject to assessment by the Management Board;

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- the Chairman of the Supervisory Board is promptly informed and consulted by the Chairman of the Management Board and Managing Director on specific aspects of Bank and Group management and on business performance in general, also in terms of business outlook, and on initiatives regarding the Bank's general strategies and guidelines and strategic transactions subject to Supervisory Board approval; in this respect, the Chairman reports and may submit observations and proposals to the Board for resolution as appropriate. In Intesa Sanpaolo's governance practice, the Chairman of the Supervisory Board does not take part in the meetings of the Management Board.

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## Operating Structure

### *Business Units, Governance Areas and Head Office Departments*

In terms of organisational logic and to ensure that Group governance has the necessary overall coherence, the Parent Company is divided into Business Units – comprising business line aggregations with similar characteristics in terms of products and services provided and in terms of the regulatory framework – Head Office Departments and Staff Units, most of which are grouped into five Governance Areas under the direct responsibility of the Managing Director and CEO (Chief Operating Officer, Chief Lending Officer, Chief Risk Officer, Chief Governance Officer and Wealth Management) and of the Chief Financial Officer, likewise reporting to the Managing Director and CEO.

The head of the Governance Area of the Chief Operating Officer, within the scope of his/her duties, works with Intesa Sanpaolo Group Services, which are responsible for providing services and support to the Group that meet effectiveness, efficiency and quality standards.

The following Governance Areas were set up with effect from 22 May 2013:

- Chief Governance Officer, responsible for the Supervisory Board Secretariat, the Office of the Chairman of the Management Board, the Corporate Affairs Department, the Corporate Social Responsibility, International Regulatory and Antitrust Affairs, Laboratorio Banca e Società units, and the Institutional Investments Service. The Legal Affairs Department also reports functionally to the Chief Governance Officer;
- Wealth Management, which coordinates the companies Eurizon Capital, Intesa Sanpaolo Assicura, Intesa Sanpaolo Previdenza and Intesa Sanpaolo Vita.

On 30 September 2013 the Administration and Tax Department was placed under the responsibility of the Managing Director and CEO.

The Internal Auditing Department holds a special position in the organisation, in order to enjoy the necessary autonomy and independence, reporting directly to the Chairmen of the Management and Supervisory Boards.

The Managers in charge of Business Units, Governance Areas, the Chief Financial Officer, Head Office Departments, Staff Units and Group companies, in the general policy and guidelines framework, are responsible for the achievement of objectives in their specific business areas, also through the optimum use of assigned human and technical resources.

For additional information on Intesa Sanpaolo's organisational structure, reference should be made to the Bank's website ("About us" Section, "Organisational structure" and "Top management" pages).

### *General Managers*

The Management Board, upon proposal by the Managing Director and after consultation with the Supervisory Board, is responsible for the appointment, removal and the determination of the powers and remuneration of one or more General Managers, one of whom acts as deputy to the Managing Director, excluding functions which must be performed by the latter.

The General Managers report to the Managing Director within the scope of their roles and responsibilities, and assist the Managing Director in the management of the company to the extent of the powers delegated to them upon their appointment.

Until 21 May 2013, Intesa Sanpaolo's organisational structure included three General Managers: Giuseppe Castagna, General Manager and Head of the Banca dei Territori Division, who left the Bank on 24 June 2013; Gaetano Miccichè, General Manager and Head of the Corporate and Investment Banking Division, and Carlo Messina, General Manager and Head of the Chief Financial Officer Area. On 22 May 2013 the Management Board appointed Carlo Messina as Head of the Banca dei Territori Division and on 29 September 2013 the Management Board appointed Carlo Messina as Managing Director and CEO, without prejudice to the office as General Manager. At the time of publication of this Report the office of General Manager acting as deputy to the Managing Director – pursuant to art. 27 of the Articles of Association – has not been assigned. Until 29 September 2013 such deputising duties were attributed to Carlo Messina.

The Management Board has therefore appointed the Managing Director and CEO, and the Head of the Corporate and Investment Banking Division as General Managers, without prejudice – in accordance with

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the principle of the unified management of the Bank – to the Managing Director’s responsibility for the general management of all Bank and Group operations.

### **Group Committees**

As part of the mechanisms to guarantee effective management of operational matters relevant to the entire Group, to more effectively govern the risk profile within the Group, and to guarantee an adequate level of internal communication and discussion, special Intragroup Committees are established by the Bank, composed of Bank Executives and Members of the Group’s top management:

- Coordination Committee, consultative body with the role of facilitating intragroup operations and top level communication between the Bank Departments, with a view to sharing and coordinating the main corporate decisions;
- Group Risk Governance Committee, formed with decision-making, consultative and reporting powers to ensure the monitoring and management of risks and the safeguarding of corporate value at Group level. The Committee also coordinates the internal control system, in implementation of the strategic guidelines and management policies defined by the Corporate Bodies;
- Group Financial Risk Committee, technical body with a decision-making and reporting role, focusing on proprietary financial risks of the banking and trading book and on Active Value Management, which operates on the basis of operating powers and duties assigned by the Management Board;
- Group Compliance and Operational Risk Committee, technical body with a decision-making, consultative and reporting role with the aim of stepping up co-ordination and interdepartmental co-operation mechanisms, and facilitating the effective management of operational and compliance risks, which operates within the scope of the guidelines set by the Corporate Bodies, on the basis of the operational and functional powers delegated by the Management Board;
- Group Credit Committee, technical body with a decision-making and consultative role that has the task of guaranteeing coordinated management of issues relating to credit risk to the extent of its assigned powers;
- Group International Markets Coordination Committee, a body with a reporting and consultative role that has the task of promoting synergistic action and appropriate sharing of information by Managers of the Business Units of the Bank and the Group operating on international markets, and of strengthening the interdepartmental coordination and communications between the Business Units and the Governance Areas.



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## The internal control and risk management system

### Main characteristics

As previously mentioned, the supervisory regulations on internal control system were recently subject to significant amendments. On 2 July 2013, in fact, the Bank of Italy issued the new regulations (and included them in the New regulations for the prudential supervision of banks – Circular 263/2006) on “internal control system”, which introduced a number of new, important elements compared to the previous regulatory framework. Banks must adapt to the new regulations by 1 July 2014, or later dates for certain specific obligations.

7.P.1.  
7.P.2.

As requested of all Italian banks by the Supervisory Authority, Intesa Sanpaolo sent the Bank of Italy a self-assessment of its corporate position with respect to the new regulations and prepared a plan of measures to be adopted to ensure full compliance with the new provisions.

In this respect, it should be emphasised that the description of the internal control and risk management system illustrated in this chapter should be considered to refer to the position as at the date of approval of this Report, without prejudice to the forthcoming implementation – during 2014 and, for certain aspects, also in 2015 – of measures to adapt to the changing regulatory framework.

The internal control and risk management system consists of a set of rules, procedures and organisational departments aimed at ensuring compliance with Bank strategies and the achievement of the following objectives:

- effectiveness and efficiency of the Bank processes;
- safeguard of asset value and protection from losses;
- reliability and integrity of accounting and management information;
- transaction compliance with the law, supervisory regulations, the Articles of Association, policies, plans, guidelines and internal procedures and regulations.

Art. 123-  
bis (2),  
(b) CLF

In line with corporate law and bank supervisory regulations, and consistent with indications in the Corporate Governance Code, the Bank has adopted an internal control and risk management system aimed at identifying, measuring, managing and monitoring, on an ongoing basis, the risks for the Bank and the Group, involving the Corporate Bodies, special internal control functions, the Surveillance Body pursuant to Italian Legislative Decree 231/2001, and the Manager responsible for preparing the Company’s financial reports. The independent auditors also contribute to the internal control system.

In the implementation of the guidelines set forth by the Corporate Bodies, the internal control system of the Bank and the Group is designed to constantly monitor, identify and manage business-related risks. Under this system, the primary reference are supervisory provisions on the prudential control of companies and banking groups, and regulations on organisation and corporate governance of Banks and of financial, service and investment conglomerates, taking into account developments in international best practices.

7.C.1. a)  
7.P.1.

The internal control and risk management system is divided into three levels:

- the first level consists of line controls that are conducted by operating departments (by the person performing the relevant activity plus hierarchical controls), or are incorporated into procedures or back-office activities;
- the second level falls mainly under the responsibility of the Chief Risk Officer and includes specific functions that involve:
  - risk management controls, which are aimed at contributing to the definition of risk measurement methodologies, at verifying compliance with the limits assigned to the various operating departments and at controlling the consistency of the operations of individual productive areas with the assigned risk-return targets;
  - compliance controls, which are aimed at preventing the risk of incurring legal and administrative penalties, significant financial loss or damage to reputation as a consequence of infringements of laws and regulations or voluntary codes;
  - compliance controls with regard to anti-money laundering, combating the financing of terrorism and embargo management;
  - credit granting controls, including the correct process of assignment and updating of ratings, controls on the management process for non-performing and doubtful loans and monitoring of credit quality;

7.P.3. o)

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- internal validation controls, in accordance with Bank of Italy Circular 263/2006;
- 7.P.3. b) – the third level consists of internal auditing activities run by the Internal Auditing Department, a separate, independent structure from the operating structures, whose aim is to identify anomalous operations and breaches of procedures and regulations, and to assess the overall functioning of the internal control system.

7.C.1. b)  
7.P.3. In this context, the adequacy of essential system elements is assessed on an ongoing basis by the Corporate Bodies, and is taken into consideration in the report on operations attached to the Parent Company's financial statements as prepared by the Management Board, in this Report and in the report of the Supervisory Board pursuant to Article 153 of the Consolidated Law on Finance.

7.C.1. d) Given the above, a description is provided below of the main elements of the internal control and risk management system, also indicating the breakdown of financial reporting controls (in reference to the duties of the Manager responsible for preparing the Company's financial reports, the financial reporting control system and audit), corporate control functions as defined in the Bank of Italy Circular 263/2006 (risk management, compliance with regulations, internal audit, anti-money laundering and validation) and crime prevention models.

7.P.3. The Supervisory Board, as the Control Body, is the centre of the control system, with the task of supervising compliance with legal and regulatory provisions, and the Articles of Association as well as correct governance and the adequacy of the Bank's organisational and accounting structures.

In this context, among its various duties, the Board is responsible for ensuring the effectiveness of all the Departments involved in the internal control system and their adequate coordination.

The rules, regulations and procedures that aim to ensure the achievement of these objectives of relevance to the Bank include the Corporate Governance Project prepared in accordance with the Supervisory Provisions on corporate governance, the Group Regulations, the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001, the Supervisory Board Regulations and the Management Board Regulations, the Group Committee Regulations and other so-called "governance documents", including the main risk management and control guidelines, the compliance guidelines, the administrative and financial governance guidelines and the Pillar III Disclosure guidelines.

These documents outline the main information flows required for the purposes of coordinating control functions, including the information provided by control functions to the Bank's Corporate Bodies and, in particular, the Control Committee, and the information exchanged between control functions.

Lastly, it should be remembered that the abovementioned Bank of Italy provisions on the internal control system envisage that, to ensure coordination and interaction between the various departments and bodies responsible for control (envisaged in corporate, accounting and supervisory regulations), the body responsible for strategic supervision approves a specific document stating the duties, responsibilities and coordination/cooperation methods between the various control functions involved (the "Coordination Document").

In light of the foregoing, and in consideration of the changing conditions on financial markets in recent years, in 2013 an assessment was launched of the internal control system, with the aim of assessing its solidity and efficacy and identifying any guidelines for its evolution aimed at rendering it more consistent with the Group's needs in the light of the business model adopted. The assessment results formed the basis of Intesa Sanpaolo's self-assessment report, required from all Italian banks by the Supervisory Authority.

## The role of Corporate Bodies

7.P.3. a)  
7.C.1. Given the considerable importance of the subject and based on the implementation of the dual management and control model, both Corporate Bodies involved in strategic supervision of the Bank play an active role in risk management and control activities; in particular:

- the Management Board defines the Bank's risk appetite and the related risk management policies to be submitted to the approval of the Supervisory Board and is responsible for the establishment and maintenance of effective risk management and control systems and internal control systems for the implementation of strategic guidelines, assessing its overall operations by taking into account all

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operating areas of the Group. It approves specific guidelines aimed at ensuring the efficacy of the business risk identification, measurement and management system, including the risk mitigation techniques, and defines the guidelines in terms of the Group's exposure to reputational risk. It continuously verifies the overall efficiency and effectiveness of the risk management and control system; it defines the responsibilities of the corporate departments involved so that the relative tasks are clearly assigned and potential conflicts of interest avoided. It defines the information flows aimed at ensuring that the Corporate Bodies and control functions have full knowledge of and governance over the risk factors; it implements the ICAAP.

Moreover, on the recommendation of the Managing Director, the Management Board adopts appropriate resolutions for submission to the Supervisory Board of guidelines to ensure the adequacy of the organisational, administrative and accounting structure; it appoints and removes, with the approval of the Supervisory Board, the heads of internal control functions. The Management Board defines guidelines for the approval and control of transactions with related parties to be submitted for approval by the Supervisory Board; and it is responsible for the management and coordination of the Group, with strategic-management control and technical-operational control over Group activities;

- the Supervisory Board, at the proposal of the Management Board, is responsible for approving the Bank's risk appetite and general risk management policies and their periodic review, in order to ensure their effectiveness over time. In this context, the Supervisory Board verifies that the risk control functions are organised in line with the strategic objectives, as well as assessing and supervising the efficiency and adequacy of the internal control system and correct exercise of strategic and management control by the Parent Company over Group companies.

7.P.3. d)

As already mentioned, the Managing Director is in charge of ensuring proper functioning of control measures. Consequently, Management Board resolutions on risk management policy and internal control are taken on the recommendation and proposal of the Managing Director, who in general is responsible for the measures necessary for ensuring that an effective and efficient control system is established and maintained. In addition, the Managing Director steers the implementation of guidelines resolved by the Management and Supervisory Boards by the Departments concerned.

7.P.3. a)-i)  
7.C.4.

As already mentioned, the Supervisory Board, with the support of the Control Committee, also assesses the degree of efficiency and adequacy of the internal control system, with particular reference to risk control, internal audits and the IT accounting system. The Articles of Association define the role of the Control Committee as a permanent reference point for all internal control functions, from which it is to receive specific information. Accordingly, the Control Committee reports to the Supervisory Board on any management irregularities or breaches of regulations found through the exercise of its duties and responsibilities.

7.P.3. a)-ii)  
7.P.4.  
7.C.2.

### **The Manager responsible for preparing the Company's financial reports**

The Management Board, based on the opinion of the Supervisory Board, appointed Ernesto Riva as the Manager responsible for preparing the Company's financial reports, pursuant to the provisions of Article 154-bis of the Consolidated Law on Finance.

In accordance with the Articles of Association, the Manager responsible for preparing the Company's financial reports shall be chosen among the Bank's executives and must meet specific professional requirements connected to adequate skills in financial and accounting disclosures, management or control of the related administrative procedures, gained in a period of at least five years in positions of responsibility in operating departments within the Bank, Group or other companies or entities comparable in terms of activities and organisational structures. The Manager responsible for preparing the Company's financial reports must also meet integrity requirements for members of control bodies of quoted companies envisaged under current regulations.

The Manager responsible for preparing the Company's financial reports has the task of monitoring the internal control system in terms of accounting and financial disclosures. In accordance with the aforementioned Article 154-bis, the Manager is required to:

- certify that the documents and disclosures disseminated by the Bank to the market and regarding interim and annual accounting information correspond to corporate records, books and accounts;

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- jointly with the Managing Director, in a specific report attached to the Parent Company's and consolidated financial statements and to the condensed half-yearly reports, certify the adequacy and actual application of administrative and accounting procedures, the compliance of company accounting reports with the records, books and accounts and their capacity to provide a true and fair presentation of the Bank's balance sheet, income statement and financial situation and those of companies included in the scope of consolidation, and that the report on operations includes a reliable analysis of business performance and results, the position of the issuer and the overall position of companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which the Group is exposed.

For this purpose, the Supervisory Board and the Management Board approved the corporate "Guidelines for administrative and financial governance", which govern:

- the corporate governance model enabling the Manager responsible for preparing the Company's financial reports to constantly verify the adequacy and effective application of administrative and accounting procedures at Group level;
- the system of information flows that subsidiaries are expected to transpose to the Manager responsible for preparing the financial reports, to strengthen the level of monitoring of information to be used in the presentation of the Group's balance sheet, income statement and financial position and the main risks and uncertainties to which it is exposed;
- the system of certifications to the Managing Director and the Manager responsible for preparing the Company's financial reports from the Parent Company and subsidiary Departments, in terms of related compliance with regulatory obligations and company regulations;
- the communication flows from the Manager responsible for preparing the Company's financial reports towards Corporate Bodies and the exchange of information with independent auditors.

The Manager responsible for preparing the Company's financial reports plays a steering and coordination role in Group companies with regard to administrative and accounting matters and in the supervision of internal control system functional to accounting and financial reporting. To this end, the Manager responsible for preparing the Company's financial reports plans the activities that the Group is required to perform over the year and is responsible for:

- coordinating the instructions issued to the companies for the correct and uniform application of the accounting standards, rules and measurement criteria, formalised as part of the Group accounting regulations and subject to regular periodic updates;
- preparing administrative and accounting procedures for producing the annual separate and consolidated financial statements, and coordinating process development measures to comply with financial reporting obligations to national and supranational authorities;
- verifying the adequacy and effective application of administrative and accounting procedures over the period, also by subsidiaries subject to the laws of countries that are not European Union member states, in accordance with relevant Consob regulations, through a structured assessment process, the findings of which are formally included in a Report on the internal control system functional to the financial reporting process;
- monitoring the data acquisition process for the information required to produce the Group's balance sheet, income statement and financial situation, especially with reference to the main risks and uncertainties to which Group companies are exposed;
- supervising the compliance of information contained in corporate documents disclosed to the market, such as public Pillar III disclosures and the Report on Corporate Governance and Ownership Structures subject to opinions from the independent auditors, and statements accompanying the issue and public offering of bonds on the domestic and international markets;
- providing feedback on recommendations formulated by the Independent Auditors on audit of the Parent Company's separate financial statements and on the Group consolidated financial statements for the purpose of continuous improvement of procedures affecting accounting data in the financial reporting process;
- supervising the assignments granted to independent auditors to monitor the auditors' independence and impartiality, in compliance with legal provisions and in accordance with methods governed by Group Regulations, the implementation of which calls for periodic reporting to the Management Board and Control Committee.

In the light of the relative responsibilities, the Manager responsible for preparing the Company's financial reports is also assigned adequate powers and means to perform his/her duties. In particular, said Manager

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has a dedicated organisational structure and is also supported by the other control functions of the Parent Company as regards the performance of specific assessments for actual application of the administrative and accounting procedures.

In order to allow the Management Board to monitor the adequacy of the powers and means assigned, as well as the effective observance of administrative and accounting procedures, the Manager responsible for preparing the Company's financial reports issues a periodic report to the Board on activities performed, on any critical points emerging and on remedial action taken, and, on a half-yearly basis, a report on the results of internal control system assessments of the financial reporting process requiring certification by the Managing Director and the Manager responsible for preparing the Company's financial reports in accordance with regulations.

These reports are also submitted to the Control Committee, which reports to the Supervisory Board in order for it to perform its supervisory task of monitoring the IT accounting system, as required by law and the Articles of Association.

### **Internal control of accounting and financial disclosure**

The adopted reference model identified by Intesa Sanpaolo for verification of the adequacy and actual application of internal controls on the accounting and financial reporting process is based on the COSO and COBIT Framework, the generally accepted reference standards at international level<sup>1</sup>. The model provides for the existence of:

- an adequate internal control system at corporate level to reduce the risk of errors or incorrect conduct; this is achieved through the verification of elements such as adequate governance systems, conduct standards based on ethics and integrity, effective organisational departments, clear attribution of powers and responsibilities, adequate risk policies, effective codes of conduct and fraud prevention systems and personnel disciplinary systems;
- administration and accounting procedures for the preparation of financial statements and, more generally, financial reporting to the market, with long-term monitoring of their adequacy and effective implementation; this category of procedures includes administrative and accounting processes in the strictest sense along with steering and control processes (planning, management control, risk control), used in preparing disclosures, business processes (credit, finance, wealth management, etc.), in relation to the assessment and reporting stages of assets and liabilities recorded in the accounting records, governance rules for the technological and applications infrastructure and the main operations in support of all stages from the accounting entry up to the reporting in the financial statements;

The model is applied according to a risk-based logic, selecting the companies, the administration and accounting procedures and the governance rules for the IT infrastructure and the applications considered relevant for the purpose of the Group's accounting and financial reporting.

Following the activities conducted for each Group company, an Internal Control System Report is prepared on the financial reporting process which describes: a) the main profiles of operational and valuation complexity, indicating the organisational setup and the application architectures instrumental to the financial reporting process, together with the related control procedures; b) the findings of audits conducted during the year, indicating any shortcomings found and action taken to remedy them; the final assessment stage is managed in concert with the Manager responsible for preparing the Company's financial reports to ensure the application of standard opinion-forming criteria, further studying the material nature of critical points found in relation to the consolidated financial statements; c) the recommendations expressed by the Independent Auditors on audit of the financial statements to improve procedures affecting the accounting data. The Reports discuss the considerations formed by the Company's management and are signed by its own relevant Body, together with a certification to the Manager responsible for preparing the Company's financial reports confirming compliance with

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<sup>1</sup> The COSO Framework was prepared by the Committee of Sponsoring Organizations of the Treadway Commission, the U.S. organisation dedicated to improving the quality of financial reporting through ethical standards and an effective system for corporate governance and organisation. The COBIT Framework - Control Objectives for IT and related technology is a set of rules prepared by the IT Governance Institute, the U.S. organisation whose aim is to define and improve the standards of corporate IT.

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regulatory obligations. These are also made available to the Boards of Statutory Auditors and to the Independent Auditors to promote their involvement and ongoing monitoring action.

On completion of the annual audit plan, the Manager responsible for preparing the Company's financial reports prepares a Group report for the Management Board and the Control Committee to illustrate: a) the implementation status of the administrative and financial governance model, with an indication of the main initiatives promoted during the year to strengthen the administrative and accounting system; b) an update on any shortcomings found with an indication of the risks to reporting, related balance sheet and income statement aggregates, accounts and transaction categories that could be affected, and the compensatory controls that had a mitigating effect; c) the summary opinion on the financial reporting process, taking into account the opinions expressed by the companies' management and by the Independent Auditors.

The model used offers a reasonable guarantee of the reliability of accounting and financial information. As evidenced by the COSO Framework, any internal control system, even if well designed and operational, cannot completely exclude malfunction or fraud that could affect such information.

### **The Chief Risk Officer**

The Chief Risk Officer, to which the Governance Area that includes the Risk Management and Compliance Departments reports, together with the Credit Quality Monitoring Unit, the Anti-Money Laundering Service and the Internal Validation Unit, representing a "second line of defence" in the management of corporate risks that is separate and independent from the business support functions.

The Chief Risk Officer is responsible for:

- consistent with corporate strategies and objectives, defining guidelines and policies on risk management and compliance with regulations;
- coordinating the implementation of guidelines and policies on risk management and compliance with regulations by the relevant Group business units, and in the various corporate departments;
- guaranteeing the measurement and control of Group exposure to the various types of risk, also verifying the implementation of guidelines and policies as above;
- guaranteeing the monitoring of credit quality and the observance of credit-related guidelines and strategies through the constant monitoring of risk, and submitting proposals on the structure of delegated powers of the Corporate Bodies;
- supervising the identification and monitoring of any misalignment of current regulations, and arranging consulting, support and sensitisation as appropriate on regulations to the corporate Departments;
- ensuring the monitoring of compliance risk in terms of anti-money laundering, combating the financing of terrorism and embargo management.

### **Risk Management**

Policies concerning the assumption and management of risk are approved by the Supervisory Board on the recommendation of the Management Board. The Management Board, in turn, relies on the support of the specific Group Committees mentioned earlier, whereas both collegial Bodies draw on support from the Chief Risk Officer, who reports directly to the Chief Executive Officer.

The risk management strategy aims to achieve an integrated and consistent management of risks, in consideration of the Group's risk profile within the macroeconomic scenario, while fostering a culture of risk-awareness.

The Group Risk Governance Committee, chaired by the Managing Director and CEO, ensures the monitoring and management of risks and the safeguarding of corporate value at Group level, in implementation of the strategic guidelines and management policies defined by the Corporate Bodies. It is assigned important responsibilities for the implementation of risk control strategies, such as:

- examining and validating in advance of presentation to the Corporate Bodies the strategies and, for risks not monitored by other Group committees, Group policies for managing risks, so as to ensure steering and coordination of the main risk management measures;
- ensuring compliance with Supervisory Authority instructions and provisions with regard to risk governance and related reporting transparency;

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- ensuring that the Managing Director and CEO and the Management Board have an overall view of risk exposure, by reporting any non-compliance and/or breaches of relevant policy;
  - identifying, analysing and monitoring situations of potentially significant deterioration of risk and directly managing events of specific impact and relevance, with implications for the Group's reputation;
  - ensuring the adequacy and effectiveness of the risk measurement and reporting system architecture for risks not monitored by other Group Committees, assessing consistency between business guidelines and management tools/processes; on this point the Committee supervises the results of risk management model validation processes for these types of risk;
  - assessing the adequacy of the Group's equity and regulatory capital, as well as the allocation of capital to business units on the basis of plan objectives and risk tolerance objectives;
  - verifying the consistency of capital requirements and risk measurement with accounting policies;
  - verifying the Group's overall credit risk profile, co-ordinating corrective action and strategic guidelines in relation to credit risk and lending policies;
  - allocation of risk limits to the Divisions/Departments and setting country risk limits (by country, duration and type of operations) and credit risk concentration limits, in accordance with the decisions of the Management Board;
  - defining business continuity strategies for disaster recovery purposes.

The Committee is also responsible for Basel II governance and supervising the projects and measures necessary to guarantee compliance.

The Group Financial Risk Committee is responsible for matters concerning the assumption of financial risks (in both the trading and banking books). The Committee, chaired by the Chief Risk Officer and the Chief Financial Officer, is responsible for evaluating, in advance of approval by Corporate Bodies, the methodological and measurement guidelines for financial risks and proposals for operational limits, in addition to defining the distribution thereof amongst the Group's major units. The Committee verifies the financial risk profile of the Group and its main operational units. It also provides operational guidelines in implementation of the strategic guidelines and risk management policies laid down by Corporate Bodies in respect of management of the banking book, liquidity, interest rate and exchange risk and periodically verifies the Group's overall financial risk profile, as well as appropriate measures aimed at modifying it.

The Group Compliance and Operational Risk Committee, chaired by the Chief Risk Officer, has the task of supervising the implementation of operational risk management guidelines and policies, in accordance with indications provided by the Corporate Bodies, in terms of operational risks and compliance. It periodically verifies the Group's overall operational risk profile, defining any corrective actions, coordinating and monitoring the effectiveness of the main mitigation activities and, in accordance with indications received from the Corporate Bodies, approving the operational risk transfer strategies.

Within the Chief Risk Officer's governance area, the Risk Management Department is in charge of the operational implementation of management strategies and guidelines along the decision-making chain, down to each of the Bank's operational units. The Risk Management Department is also responsible for the risk management methods and controls implemented in each business unit, reporting on the general situation to the corporate governance bodies, proposing operational limits on financial risks (for both the banking and trading books), promoting the use of risk measurement tools in granting and monitoring loans and risk concentration, overseeing the methodological and organisational framework for operational risks, using capital-at-risk measurements in management reporting and for assessing the Group's internal capital adequacy, and ensuring statutory reports are sent to Supervisory Authorities.

For the purposes described above, Intesa Sanpaolo uses a wide-ranging set of tools and techniques for risk assessment and management which take from best practices, as comprehensively described in the notes to the Financial Statements and the Pillar III - Basel II Disclosure.

### **Compliance**

In accordance with the Bank of Italy's Supervisory Provisions, which require the compliance department to be independent from operating departments and separate from internal auditing, the Compliance Department reports directly to the Chief Risk Officer.

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The current Head of the Compliance Department was appointed by the Management Board with effect from 1 July 2013 on the recommendation of the Managing Director and with approval from the Supervisory Board, and has the necessary autonomy and independence from the operating Departments.

The Compliance Department is responsible for Group level management of the risk of non-compliance with regulations, meaning the risk of incurring legal and administrative penalties, significant financial loss or damage to reputation as a consequence of infringements of laws and regulations or voluntary codes, by preparing guidelines, policies and methodologies in relation to the management of compliance risk.

The “Compliance Guidelines”, approved by the Management Board and Supervisory Board, implement the Group’s Compliance Model, identifying the roles and responsibilities of the Corporate Bodies and corporate departments in monitoring compliance risk. Specifically, directly on behalf of the Parent Company and subsidiaries with an outsourcing contract, the Compliance Department performs all activities relating to compliance with Bank of Italy supervisory provisions and the Joint Bank of Italy-Consob Regulation on regulatory areas of strategic importance or for which centralised management of compliance risk is considered necessary, consistent with industrial association guidelines and best market practices: investment services, insurance and pension-related intermediation, market abuse, public offerings, contractual transparency, customer protection regulations and initiatives, usury, payment systems, administrative liability of Entities, custody services.

The Bank has also identified certain regulatory areas in any event significant in terms of compliance risk, for which the related duties of the Compliance Department are performed by other corporate departments, all with an adequate level of independence and the required skills: internal dealing, register of persons with access to inside information on Intesa Sanpaolo and Group company securities, safeguarding of competition, transactions with related parties, obligations binding on the Banking Group officers, protection of privacy, occupational safety, environmental protection. In these regulatory areas, the Compliance Department has the role of defining guidelines and methodologies for the monitoring and measurement of compliance risk, coordinating compliance initiatives also in terms of prioritising the related risk, verifying their actual implementation by the Control Departments and producing a full report on related results to the Corporate Bodies.

With regard to the Group Compliance Model, a review is currently in progress to adapt to the new Bank of Italy provisions for internal control systems issued in July 2013, which assign responsibility for compliance risk management for all regulatory aspects applying to corporate activities to the Compliance Department, with the option of tailoring regulatory tasks for which suitable forms of specialised monitoring are envisaged.

The Compliance Department plays a coordination and controlling role on behalf of subsidiaries not in service and for Branches abroad, whose internal compliance offices report directly to the central Compliance Department.

### ***Credit Quality Monitoring***

As part of the credit governance processes, the Credit Quality Monitoring Unit is responsible for monitoring risk and credit quality through second level controls, as well as for the implementation of any corrective measures by the Business Units, the Chief Risk Officer’s departments and the Debt Collection Department, according to the positions in question. Specifically, it carries out controls on the lending processes, monitors the process for management of non-performing and doubtful loans, proposes to the Chief Risk Officer – in agreement with the Chief Lending Officer and Chief Operating Officer departments – criteria for the classification of positions as non-performing and doubtful loans and periodically reports on significant issues regarding credit quality, also in relation to specific status levels (performing, non-performing, overdrawn/past due, substandard, restructured and doubtful) and significant exposures. It also carries out monitoring and control of the rating updates and the loan assessment process for reporting purposes.

The Service also contributes to the process of making credit strategy proposals, through assessment of credit quality, and to their structuring, based on the relevant credit management variables.

Finally, the Credit Quality Monitoring Unit assigns the Chief Risk Officer the powers to grant and manage loans, defining the limits and criteria for their determination.



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### **Internal Validation**

The Internal Validation Unit reports directly to the Chief Risk Officer and is independent of the units that manage internal system development activities and the internal auditing department. It ensures that internal models, whether already operational or in the development stages, are validated with regard to all risk profiles covered by Pillars I and II of the Basel II Accord, in accordance with the independence requirements established by the Bank of Italy.

With respect to the first pillar in particular, it conducts ongoing assessments of risk management and measurement systems in terms of models, processes, information technology infrastructure and their compliance over time with regulatory provisions, company needs and changes in the market of reference by developing adequate methodologies, tools and operating solutions.

With respect to pillar-two risks, the Internal Validation Unit conducts analyses of methodologies, verifying in particular that the measurement or assessment metrics adopted in quantifying significant risks are economically and statistically consistent, the methodologies adopted and estimates produced to measure and assess significant risks are robust and comparing alternative methodologies for measuring and aggregating individual risks.

The unit also manages the internal validation process at the Group level, interacting with Supervisory Authorities, the company bodies of reference and the units responsible for the level-three controls provided for in regulations. The unit adopts a decentralised approach for companies with local validation units (certain international companies), coordinating and supervising the activities of such companies, and a centralised approach for the others.

### **Anti-Money Laundering**

In implementation of the Bank of Italy provisions issued on 10 March 2011 in terms of organisation, procedures and internal controls of anti-money laundering, and as a further development of the governance model already implemented at Intesa Sanpaolo, the Anti-Money Laundering Service was established, carried out by the Anti-Money Laundering Service, reporting directly to the Chief Risk Officer.

The Head of the Anti-Money Laundering Unit was appointed by the Management Board, on the recommendation of the Supervisory Board and with approval by the Control Committee. He/she operates with the necessary autonomy and independence from the operating Departments and carries out supervision at the Group level across all corporate Departments that are assigned the various tasks as part of compliance with anti-money laundering regulations.

The Anti-Money Laundering Service is a specialist, second-level control function and is specifically responsible for preventing and combating the implementation of money laundering transactions and financing of terrorism at the Group level. It reports directly to the Governing Bodies and has access to all activities within the Bank, as well as any information significant for the performance of its duties.

The "Guidelines on anti-money laundering, combating the financing of terrorism and embargo management" approved in July 2011 and amended in December 2013 by the Management Board and Supervisory Board identify the key principles and define responsibilities, duties and main processes for the Parent Company and for all Group companies in managing the risk of money laundering, in combating terrorism financing and in managing embargoes.

To ensure a uniform approach to managing money laundering risk at the Group level, there is a high level of coordination between the local units within Group companies and the Anti-Money Laundering Service, with reference to both the reporting of suspicious activity as well as monitoring of the adequacy of the processes and procedures envisaged to mitigate money laundering risk.

### **Internal Auditing**

Internal auditing activities are performed by a special head office Department - Internal Auditing - which reports directly to the Chairman of the Management Board and the Chairman of the Supervisory Board. It also liaises with the Control Committee and has no direct operating responsibilities.

As part of its duties the Department also liaises with the Internal Auditing Departments of Group companies.

The Head of the Internal Auditing Department – appointed by the Management Board on the recommendation of the Managing Director and subject to approval from the Supervisory Board – has the necessary autonomy and independence from the operating Departments. The Internal Control Manager

7.P.3. b)  
7.C.5. b)

7.C.1.  
7.C.5. c)

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has the adequate resources and funding to perform his/her duties and has no constraints in the access to company data, archives and assets.

7.C.5.  
a) and g)

The Internal Auditing Department performs overall third-level assessment of the internal control systems, reporting possible improvements to the Corporate Bodies.

In particular, the Department assesses the completeness, adequacy, functionality and reliability of the components of the internal control systems, the risk management process and corporate processes, also with regard to their capacity to identify errors and irregularities. In this context, amongst others, it audits the risk control and regulatory compliance departments, also through participation in plans, in order to create value added and to improve the effectiveness of the control and corporate governance processes. The audit action directly concerns Intesa Sanpaolo and the Group companies.

The Internal Auditing Department is also responsible for assessing the effectiveness of the processing of defining the Risk Assessment Framework and related compliance of Bank operations.

The Internal Auditing Department uses personnel with the appropriate professional skills and expertise and ensures that its activities are performed in accordance with international best practice and standards for internal auditing established by the Institute of Internal Auditors (IIA). Internal auditors conduct their activity in accordance with the principles laid down in the Internal Auditor's Code of Ethics, inspired by that proposed by the Institute of International Auditors. The Department has earned the maximum rating in the external Quality Assurance Review envisaged by the international standards: "Generally Compliant".

7.C.5.  
d) and e)

In performing its duties, the Internal Auditing Departments uses structured risk assessment methods for the various areas, identifying existing situations of most interest and the main new risk factors. In this context, it takes into account any specific requests for further study made by the Corporate Bodies as a whole and, more specifically, by the director responsible for the risk management and control system. Based on the assessments emerging from risk assessment and the resulting priorities, the Department prepares and submits an Annual Intervention Plan for prior examination to the Control Committee and subsequent approval by the Management Board and the Supervisory Board, on the basis of which it conducts its activities during the subsequent year. The Audit Plan includes the verification of reliability of the IT systems, including the accounting recognition systems.

The Plan can be changed during the year as a result of extraordinary events, also deriving from potential development of risks and from new requests from the Corporate Bodies or from the director responsible for the internal control and risk management system.

It supports corporate governance and ensures that top management, the Corporate Bodies and the competent authorities (Bank of Italy, Consob, etc.) promptly and systematically receive information on the status of the control system and on the outcome of activities performed.

Audit is performed directly for the Parent Company and for Banche dei Territori, as well as for subsidiaries with an outsourcing contract; for other Group companies, on the other hand, indirect control is maintained.

In such cases, indirect audit is conducted via the steering and practical coordination of the Auditing departments of the Italian and international banks and subsidiaries, to guarantee control consistency and adequate attention to the different types of risks, also verifying the effectiveness and efficiency levels under both structural and operational profiles. Furthermore, direct audit and verification are also performed in its institutional capacity as Parent Company.

7.C.4.  
7.C.5. f)

Any weak points are systematically reported to the Departments involved for prompt improvement action, monitored by follow-up activities.

Internal control system audits from the checks are periodically submitted to the Control Committee, Management Board and Supervisory Board which require detailed updates also on the progress status of remedial action on weak points. Significant events and negative reports are referred promptly to the Control Committee, with which subsequent periodic meetings are held to analyse and study the issues further. They are also reported to the Chairman of the Management Board and to the CEO (director responsible for the internal control and risk management system).

A similar approach is used with regard to administrative liability pursuant to Italian Legislative Decree 231/2001 for the Control Committee in its capacity as a Surveillance Body.

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The Internal Auditing Department ensures constant assessment of its own efficacy and efficiency in line with the internal "quality assurance and improvement" plan drafted in accordance with the recommendations of international standards for professional audit practice.

## **Management of conflicts of interest**

### ***Introduction***

In line with corporate law, banking supervisory regulations and Consob provisions, and in accordance with the instructions of the Corporate Governance Code, the Bank has adopted a system of rules designed to ensure that transactions carried out with Intesa Sanpaolo related parties, transactions with associated entities of the Intesa Sanpaolo Group and transactions in which a corporate Board Member has a personal interest or interest on behalf of third parties, are performed in a transparent manner and meet criteria of substantial and procedural fairness.

### ***Interests of Management Board Members***

In line with the provisions of Article 2391 of the Italian Civil Code, the Management Board Regulations require each Board Member to inform the other Management Board Members and the control Body of any personal interests held or interests held on behalf of third parties, with reference to a specific corporate transaction governed by the Board, specifying the nature, terms, origin and extent of the interests.

In accordance with the abovementioned provisions, the Management Board has jurisdiction over decisions regarding transactions in which the Managing Director possesses an interest on his/her own account or through a third party and must therefore abstain from the decision. In such cases, any resolution adopted by the Management Board is to suitably explain the reasons and convenience of the transaction for the Bank.

In addition, in accordance with the provisions of the Group's Code of Conduct and the Group regulations on the management of transactions with related parties of Intesa Sanpaolo and associated entities of the Group, all company officers, employees and other staff in the performance of their respective duties are to abstain from making decisions and engaging in activities contrary to, or in conflict with, the interests of the Bank and/or the Group, or otherwise incompatible with their duties.

Where there are grounds for its application, the special decision-making procedure set forth in Article 136 of the Consolidated Law on Banking is to be followed.

### ***Interests of Supervisory Board Members***

In line with the provisions of the Corporate Governance Code, the Supervisory Board Regulations require each Board Member holding a personal interest or interests on behalf of third parties, whether direct or indirect, in a specific transaction under examination by the Supervisory Board to promptly and fully inform the Supervisory Board of the nature, terms, origin and extent of the interests.

8.C.3.

Furthermore, the Articles of Association contemplate a provision governing the transparency of interests held by Supervisory Board Members in transactions of strategic importance. Based on this provision, any Member of the Supervisory Board who holds a personal interest or interest on behalf of third parties in a transaction deemed strategic under Article 25.1.2 of the Articles of Association, is required to disclose the interest and state its nature, terms, origin and extent. In this case, any resolution adopted by the Supervisory Board is to suitably explain the reasons and convenience of the transaction for the Bank.

Where applicable, the provisions of Article 136 of the Consolidated Law on Banking also apply to Supervisory Board Members.

### ***Transactions with related parties and associated entities***

As of 31 December 2012, the Group has applied the "Group Procedures regulating the conduct of related party transactions of Intesa Sanpaolo S.p.A. and Group associated entities", approved in June 2012 by the Management Board and Supervisory Board, upon favourable opinion by the Control Committee. These Procedures, which replace those previously adopted in 2010, take into account both the rules issued by Consob, pursuant to Article 2391-bis of the Italian Civil Code, as well as the Supervisory Provisions introduced by the Bank of Italy on 12 December 2011 on risk and conflicts of interest of banks and banking groups with respect to associated entities, issued in accordance with Article 53, paragraph 4 et

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seq. of the Consolidated Law on Banking and CICR (Interdepartmental Committee for Credit and Savings) Resolution 277 of 29 July 2008.

The Procedures, the full text of which is available on the Bank's website (Governance/Company documents section), apply to the entire Intesa Sanpaolo Group and govern the dealings with related parties of Intesa Sanpaolo and associated entities of the Intesa Sanpaolo Group with respect to the following aspects:

- the criteria for identifying related parties and associated entities;
- the process of analysis, decision-making and information to the Corporate Bodies on transactions executed by Group companies with related parties and associated entities, and the terms and conditions for involvement of the Supervisory Board's independent Committee (Related Party Transactions Committee);
- market disclosure for transactions with related parties;
- the prudential limits and obligations for periodic reporting to the Bank of Italy on activities at risk in relation to associated entities;
- the rules regarding organisational control and monitoring, to which paragraph 12 of the Group Procedures regulating the conduct of related party transactions of Intesa Sanpaolo S.p.A. and Group associated entities is specifically dedicated;
- the general rules for disclosure and abstention for the management of the personal interests of officers, employees and company staff, including other than associated entities.

Pursuant to the mentioned Procedures, the following are considered related parties of Intesa Sanpaolo: parties that exercise control or significant influence, subsidiaries and associates, joint ventures, pension funds of the Group, Officers and Key Managers of Intesa Sanpaolo and their close family members and significant shareholdings.

The set of associated entities of the Group consists of the associated entities of each bank of the Group (including the Parent Company) and each significant intermediary monitored with regulatory capital greater than 2% of the consolidated shareholders' equity. The following are considered to be associated entities for each significant bank or intermediary monitored of the Group: i) shareholders that exercise control, significant influence or that are required to request authorisation pursuant to Article 19 of the Consolidated Law on Banking or that may appoint a member of the management or strategic supervisory body and the relative corporate groups; ii) subsidiaries, associated companies under joint control and associated companies, as well as the companies controlled by the latter, also jointly with others; iii) corporate officers and their relative close family members up the second degree and significant shareholdings.

As a form of self-regulation, the Bank has extended the regulations in terms of transactions with related parties, as well as those on activities involving risk and conflicts of interest with respect to associated entities, to shareholders of Intesa Sanpaolo and to the relative corporate groups with an equity investment in the Bank's voting capital of over 2%, calculated only based on shares owned or under management. This approach allows closer monitoring of transactions with the main shareholders - by subjecting them to the same requirements for assessment, approval and subsequent disclosure to the Corporate Bodies and the market as for transactions with related parties and associated entities - and by keeping the risk activities carried out by the Group with said parties within the prudential limits set by the Bank of Italy.

A more detailed description of the Group procedures is provided in Part H of the Notes to the separate and consolidated financial statements, available on the Bank's website.

#### ***Obligations of Board Members and General Managers of the Bank***

Article 136 of the Consolidated Law on Banking requires the adoption of a more thorough decision-making procedure (unanimous decision by the management body and favourable vote of members of the control body) in order to allow the bank officers to contract obligations, directly or indirectly, with the bank of which they act as officers.

The banking regulation is supported by criminal penalties.

In Intesa Sanpaolo, the special decision-making procedure set forth in Article 136 of the Consolidated Law on Banking – even regarding related parties or associated entities – requires a prior resolution adopted unanimously by the Management Board, with the unanimous approval of the members of the Supervisory

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Board. Without the approval of all the members of the control body, it is strictly prohibited for the transaction in question to go ahead.

### ***Conflict of interest management policy***

In compliance with the laws and regulations in effect prior to the entry into force of the Markets in Financial Instruments Directive (MiFID), Intesa Sanpaolo had already introduced the “Guidelines”, now “Rules for the management of conflicts of interest and inside and confidential information flows regarding third-party issuers”, identifying relevant organisational principles and procedural rules to manage conflicts of interest.

In 2009, the Bank’s Corporate Bodies approved a “Conflicts of interest management policy” which amended internal regulations to comply with the provisions of the Joint Bank of Italy/Consob Regulations and the Consob Regulation on Intermediaries. Said Regulations, issued in implementation of the MiFID, step up obligations regarding the identification and management of conflicts of interest through the introduction of the following requirements:

- the express provision of a conflicts of interest policy that identifies conflict situations and how they are to be managed;
- alongside conflicts of interest that may arise between an intermediary and a customer, the inclusion of conflicts that may arise between a relevant person of the intermediary and the customer, between an entity with a controlling interest in the intermediary and a customer, and between two or more customers of the intermediary;
- the establishment of a register to systematically record each and every situation where a conflict of interest arises and how the situation is dealt with.

In accordance with the Regulations, the Policy adopted by Intesa Sanpaolo provides for:

- the mapping of conflicts: a list of circumstances that generate or may generate a conflict of interests at the Group level, which may harm the interests of one or more customers;
- the identification of management measures: a list identifying the procedures and organisational measures to be adopted to manage conflicts of interest, including those adopted prior to the entry into force of MiFID.

In subsequent years, certain fine-tuning measures were taken in order to bring the content thereof into line with developments in the business model.

### ***Personal transactions rules***

In 2009, Intesa Sanpaolo’s Corporate Bodies approved the internal regulations on personal transactions, in compliance with the Joint Bank of Italy/Consob Regulations, issued in implementation of MiFID. The Regulations require intermediaries to adopt procedures to prevent relevant persons involved in activities that may give rise to conflicts of interest, or that have access to inside or confidential information, from performing personal transactions prohibited under regulations governing market abuse, or that involve the abuse or disclosure of confidential information, or that breach regulations governing conflicts of interest.

Personal transactions Rules are applicable to all Group companies that provide investment services, as well as asset management companies and open-ended collective investment schemes, and identify as relevant persons: (i) corporate officers; (ii) managers, employees and other natural persons involved in the provision of investment services under outsourcing agreements; (iii) shareholders that are natural persons and that hold a corporate office in a Group company; (iv) shareholders that are legal entities and that hold equity interests in a quoted or non-quoted Group company of over 2% or 20% respectively and have officers on the corporate bodies of the company, with the exception of shareholders that are legal entities subject to supervision and joint-stock companies that have adopted the models contemplated by Italian Legislative Decree 231/2001.

The Rules introduce a set of specific restrictions on the transactions that relevant persons may perform, in order to prevent conflicts of interests or the abuse of inside or confidential information from arising in areas of greatest risk (e.g. investment banking, treasury services, proprietary trading, trading services, equity investment management, portfolio or UCI management, investment research studies, corporate customer relationship management, financial institutions, public entities and companies or loan arrangements with such customers).

Relevant persons are required to notify their companies of any transactions they order through accounts held in their name or held jointly in their name at companies other than the Italian banks of the Intesa

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Sanpaolo Group, as well as any transactions they order through accounts held by persons for whom the relevant person has power of attorney, and any transactions ordered on their behalf by any third person.

For situations of greatest risk involving relevant persons subject to specific restrictions, in accordance with regulations in force, the Rules require notification of the names of all persons with whom the relevant person has kinship ties (spouse or cohabiting partner, children living at home, and any other relative up to the fourth degree of kin that has lived with the relevant person for at least a year at the transaction date) or close links (natural persons or legal entities linked to the relevant person through a controlling interest or equity interests of over 20% of the voting rights or share capital of a company).

In order to identify any non-compliance with the Rules, all personal transactions performed by or on behalf of relevant persons are subject to registration and monitoring, together with any transactions ordered through accounts held at Intesa Sanpaolo or other Italian bank of the Group, by persons with kinship ties or close links to relevant persons subject to specific restrictions.

### **The Surveillance Body and the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001**

In Intesa Sanpaolo, the role and responsibilities of the Surveillance Body as per Legislative Decree 231/2001 are, as previously mentioned, assigned to the Control Committee, along with the necessary powers and capacities to fulfil such tasks.

Conferring the aforementioned supervisory function on the Control Committee guarantees a high degree of independence in exercising the duties set out in the aforementioned Decree, in that the Committee incorporates the prescribed characteristics of independence and professionalism and, at the same time, is aware of the corporate facts required to efficiently perform this role.

The decision made by the Bank was determined to be, ex post, consistent with the provisions of the law. In fact, Article 14 of Italian Law 183/2011 allows joint-stock companies to assign the duties of the Surveillance Body to the control body, in order to simplify controls within the company.

The members of the Control Committee are, therefore, also effective members of the Surveillance Body, whose composition includes three alternate members of the same Body, selected from professionals outside of the Board. The latter may act in the place of effective members, within the limits of the functions assigned to Surveillance Body members, where more than one effective member is suspended or temporarily unable to act, as in the cases contemplated by the Model. To date, no alternate member has been required to substitute an effective member.

In 2013, following renewal of the Corporate Bodies, the Supervisory Board confirmed the decision previously adopted, appointing members of the Control Committee from among Surveillance Body members and confirmed two of the three alternate members of the Body.

Intesa Sanpaolo, by decision of its Management Board and Supervisory Board, has adopted an "Organisational, Management and Control Model" for the prevention of crime, in accordance with Italian Legislative Decree 231/2001 (the "Model").

For each category of offences contemplated by Legislative Decree 231/2001, the Model identifies "sensitive" company areas and, for each area, the company activities where there is a risk of the illicit offences being committed (so-called "sensitive activities"). For each sensitive activity, control principles and rules of conduct have been set forth, applicable to the people involved in such activities.

In particular, the Model outlines the reference legal context, the role and responsibility of the Departments involved in its adoption, the efficient implementation and updating of the Model itself, the "sensitive" areas related to the type of illegal acts prevented, and the areas of company activity in which the risk of committing such acts may emerge, the behavioural principles and control rules for their prevention, related information flows and the disciplinary system.

The Model is fully and effectively implemented in daily operations through the connection between each sensitive area and the dynamic management of processes and the reference internal regulations. Being

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based on the control and behavioural principles stated for each activity, these regulations govern company operations at the various levels, thereby forming an integral part of the Model itself.

The Surveillance Body is responsible for supervising implementation and compliance with the Model and for providing support to the Corporate Bodies for implementation and updating purposes. Specifically, the Surveillance Body, with support from the Internal Auditing and Compliance Departments, guarantees constant and independent supervision over the regular performance of Bank operations and processes to prevent and/or identify the emergence of anomalous or risky conduct or events. It assesses the operational nature of the internal control system as a whole and its adequacy in guaranteeing the effectiveness and efficiency of the control processes identified, and ensures their compliance with policies established by the corporate governance Bodies and with internal and external regulations.

The operations and duties of the Surveillance Body, which met 22 times in 2013, in addition to those indicated in the Model, were specified in a special section of the “Regulations for the Control Committee and Surveillance Body, pursuant to Legislative Decree 231/2001”, adopted by the Supervisory Board.

With reference to the value of the Model, Intesa Sanpaolo pushed ahead with the roll-out of the internal communication and staff training plan to facilitate the dissemination of the provisions of the Decree and of the Organisation Model adopted, so that awareness of the subject and observance of the related rules become an integral part of the professional portfolio of each employee. In particular, the Body agreed on the expedience of further reinforcement within the Model of the compulsory nature of 231 training by establishing specific training activities for international branch personnel.

In addition to this, without prejudice to the separate responsibility of each Group company for the adoption and effective implementation of their own models under the Decree, the Bank, in its capacity as Parent Company, has formalised a series of guidelines on this topic for its subsidiaries with regard, among other things, to the appointment of a Surveillance Body, the preparation of staff training plans, the adoption of suitable controls for sensitive processes, and periodic reports to the Parent Company’s Compliance Department.

In particular, on proposal of the Management Board the Supervisory Board authorised subsidiaries to assign their Boards of Statutory Auditors the duties of Surveillance Body, without prejudice to the need to ensure adequate separation of roles, in a manner similar to the practice at Intesa Sanpaolo.

The Surveillance Bodies of subsidiaries are responsible for monitoring the implementation of the model and compliance with the statutory requirements of the Decree, and for reporting to the Parent Company’s Surveillance Body on their respective activities.

The “Organisational, Management and Control Model” adopted by Intesa Sanpaolo is available in the Governance section of the Bank’s website.

## **Independent Auditing**

For Intesa Sanpaolo, as a quoted company (Public Interest Entity pursuant to the relevant regulations), auditing of the accounts may only be conducted by an independent auditing firm (Auditor), responsible for verifying, during the year, the regular keeping of corporate accounts and the proper recording of management operations in the books, and for expressing, through the appropriate reports, an opinion on the Parent Company’s and consolidated financial statements, as well as on the half-yearly report, after ascertaining that they correspond to the accounting entries and related audits and that such records comply with the relevant regulations.

The independent auditors are KPMG S.p.A., to which the ordinary Shareholders’ Meeting of 10 May 2011 awarded the engagement for financial years 2012-2020, on proposal of the Supervisory Board.

In order to monitor compliance with laws governing independent auditors engaged for the auditing of the accounts of Group companies, while ensuring the conditions to protect the independence of independent auditors, Intesa Sanpaolo has adopted specific Group Regulations used to introduce a supervisory system aimed at monitoring the appointment of independent auditors and other engagements awarded by the

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Parent Company's Departments and Group companies to independent auditors, their business networks and their affiliates, in accordance with the guidelines set forth by the Management Board and Supervisory Board.

Based on current Group provisions, the appointment of independent auditors by Parent Company Departments and Group companies to provide services other than accounting audits requires prior examination by the Manager responsible for preparing the Parent Company's financial reports and subsequently by the Parent Company's Control Committee or Board of Statutory Auditors of the company concerned. The Manager responsible for preparing the Parent Company's financial reports is also responsible for reporting to the Control Committee, the Supervisory Board and the Management Board on a periodic basis - as well as to Consob, as required by laws in force - on Group assignments awarded during the period to the independent auditors of the Parent Company and other Group companies by the Group and the fees paid to them over the year.



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## Treatment of corporate information

### *Inside information*

Intesa Sanpaolo - aware that the flow of price-sensitive information must be governed, pursuant to the provisions in force, according to the principles of fairness, clarity and equal access to information - has already adopted the "Regulation on disclosure to the market of inside information", governing the internal management and treatment of sensitive information and procedures to be observed for the external disclosure of documents and information regarding Intesa Sanpaolo and its subsidiaries, with particular reference to price sensitive data pursuant to Article 114, paragraph 1 of the Consolidated Law on Finance.

1C.1.j)

The recipients of the Regulation - also prepared in the light of Article 18.1 letter f) and Article 26.1 letter l) of the Articles of Association and the provisions of the Group Regulation on corporate disclosure management - are all persons whose role or duties grant them access to and/or management of price sensitive information and/or information that could become price sensitive (i.e. members of the corporate Bodies, executives, employees and contractors of the Bank and its subsidiaries).

The Regulation identifies the Managing Director, Chairman of the Management Board and Chairman of the Supervisory Board, along with other Group employees and departments identified by said Managing Director and Chairmen as the persons authorised to issue disclosures - also to the market - of inside information on the Bank and the Group.

The Regulation envisages the adoption of any necessary precautionary measures in the treatment of sensitive information, in order to avoid jeopardising its confidential nature, and also outlines a procedure for the management and external disclosure of inside information of which Bank Departments may become aware as a result of their specific operating responsibilities.

In following these regulations, the Bank uses the External Relations Department and Investor Relations and Rating Agencies Services, which report directly to the Chief Financial Officer. The first of these – answerable to the Chairman of the Supervisory Board, Chairman of the Management Board, Managing Director and CEO – is responsible for managing press and media relations and relations with consumer associations; Investor Relations is responsible for managing relations with institutional investors and financial analysts in order to standardise the disclosure of information and news on operations, results, strategies and business outlook of the Group and, lastly, Rating Agencies is responsible for relations with the rating agencies.

### *Internal Dealing and Insiders List*

In compliance with the provisions contained in the Consolidated Law on Finance and the Issuers' Regulation, Intesa Sanpaolo has adopted specific Internal Dealing Regulations, aimed at adapting internal regulations and procedures to the rules on reporting requirements for transactions involving financial instruments issued by the Bank (or other related financial instruments) by relevant officers and/or strictly related parties, in order to ensure the necessary transparency and consistency of disclosures to the market.

These Regulations, in addition to identifying the "relevant parties" (members of the corporate Bodies, General Managers and Key Managers of Bank departments), defining their conduct and disclosure requirements, also forbid such transactions in the 30 days preceding the Management Board meeting called to approve the draft financial statements and the half-yearly report and in the 15 days preceding the Management Board meetings called to approve interim reports. Each relevant party is informed of the aforementioned "blocking periods" on a timely basis.

The Regulations also identify the Head of the Corporate Affairs Department as the "competent party" for receiving, managing and disclosing information, supported by the Corporate Secretariat, where the Register of "relevant parties" is kept.

Any transactions by "relevant parties" are also published on the Bank's website (Governance/Internal Dealing section), through which the text of the Regulations can also be consulted.

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Again on the basis of provisions contained in the Consolidated Law on Finance and the implementing provisions issued by Consob, Intesa Sanpaolo has created and regularly updates a register of people who, due to their work or professional activities or duties performed, have permanent or occasional access to inside information concerning the Bank (the “Insiders List”).

The regular and accurate updating of the Insiders List is governed by specific internal rules that, on the one hand, identify the people who by virtue of their role and/or responsibilities have permanent access to inside information, and on the other, set forth the criteria to be used to identify any people who may have occasional access to such information as a result of participating in relevant and strategic projects. All Group companies that issue quoted securities are required to keep and update an Insiders List identifying the people who, by virtue of their work or professional activities or duties performed, have permanent or occasional access to inside information concerning the companies. The List has been created by Intesa Sanpaolo Group Services to identify the people who may have access to inside information on Group quoted issuers, on whose behalf Intesa Sanpaolo Group Services operates under ongoing mandates.

In compliance with the same law, a Temporary Insiders List – Third-Party Issuers has been created and is regularly updated, identifying all people who, by virtue of the duties they perform on behalf of third-party issuers of quoted securities, have occasional access to inside information on said issuers. The List is kept and updated in accordance with the “Rules for the management of conflicts of interest and inside and confidential information flows regarding third-party issuers.

Considering the importance of the topic and the consequent objective of implementing future monitoring, the internal regulations are subject to constant fine-tuning and development.

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## Relations with shareholders and the financial community – The website

Intesa Sanpaolo has a specific interest, as well as an obligation towards the market, in the management of on-going dialogue with shareholders, institutional investors and national and international market operators in compliance with internal rules and procedures governing the disclosure of inside information. In this respect the Bank guarantees a regular and systematic disclosure of accurate, complete and prompt information on Group operations, also in the light of indications provided by Consob, the principles expressed in the Corporate Governance Code and in national and international best practices.

9.P.2.  
1.C.1. j)

The Articles of Association assign to the Chairman of the Supervisory Board the task of supervising relations with shareholders, and verifying that such relations are managed correctly, in agreement with the Chairman of the Management Board and with the Managing Director. The Chairman of the Management Board also arranges for the Common Representative of Savings Shareholders to be informed of bank operations that could affect the official price of savings shares, particularly proposals that the Management Board has decided to submit to the Shareholders' Meeting with regard to capital transactions, mergers and spin-offs.

Given the size of the Bank and the Group, Intesa Sanpaolo makes use of specialist Departments backed by appropriate funding and professional resources: the Investor Relations Service, which handles relations with institutional investors, and the Corporate Secretariat Service, which handles relations with shareholders – or shareholder associations – and support to shareholders by providing them with corporate documentation disclosed pursuant to law. Press and media relations in general, in Italy and abroad, are the responsibility of the External Relations Department - Media Relations Service, which in this respect is the main contact also for Group companies. As mentioned above, Rating Agencies is instead dedicated to the management of relations with analysts of rating agencies.

9.C.1.

In its relations with the market, Intesa Sanpaolo adopts a specifically transparent form of conduct, especially with regard to annual and interim financial results and to Group strategies. This also takes place via meetings with the national and international financial community, in a framework of constant dialogue with the market based on correct and timely communication.

Given this line of transparent communications and in order to make information available promptly and as accessible as possible, Intesa Sanpaolo also uses its website.

The Bank focuses special attention on this particular information channel, taking into consideration developments in international best practices in the sector. The institutional website is constantly developed and expanded, so as to highlight its role in showcasing the Intesa Sanpaolo Group, its values and its distinctive characteristics, and comply with statutory obligations and transparency requirements for the institutional information published online, while satisfying the highest market communication standards in terms of the timeliness and adequacy of messages.

On the website, available in both Italian and English, stakeholders can use an internal search engine to find additional information on the structure and composition of the corporate Bodies, the organisational structure of the Bank and the Group, the Shareholders' Meeting, the ownership structure and dividends, as well as share performance, interim financial reports and presentations of the results, ratings and prospectuses concerning securities issued by Intesa Sanpaolo. The website also publishes the Bank's press releases, the annual financial calendar of important corporate events as well as information on significant or extraordinary transactions.

Also available on the website is the Intesa Sanpaolo "Shareholder's Guide". The Guide is designed to provide useful information on investing in Bank shares, to inform shareholders of the rights attaching to their shareholdings, and to enable shareholders to build a more active relationship with the Bank.

In this way the website becomes the place in which the financial community and stakeholders in general find numerous opportunities for information and dialogue with the Bank within the framework of constant, consistent and complete communication. Telephone contacts and an e-mail address are provided on the site and there are specific links for requesting documentation of interest.

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## Shareholders' Meetings: procedures and shareholders' rights

### *The Shareholders' Meeting of Intesa Sanpaolo*

Art. 123-bis (2),  
(c) CLF

The Shareholders' Meeting is the Body deemed to represent all shareholders and its resolutions, passed in accordance with the law and the Articles of Association and which are binding on all shareholders, irrespective of their attendance or dissent.

For the Bank, the Shareholders' Meetings are one of the main opportunities for contact and dialogue with shareholders, as well as an important occasion for the disclosure of news, in accordance with the principle of non-selective disclosure and rules on price sensitive information. At the same time, the Shareholders' Meeting represents for shareholders an opportunity for active participation in the Bank's operations and a chance to express their opinions, through the methods and on the topics envisaged by law and by the Articles of Association.

9.P.1. Intesa Sanpaolo has always strived to encourage the broadest possible participation of shareholders in the Shareholders' Meetings and to guarantee the best quality standards for the information provided.

### *Duties of the Shareholders' Meeting*

In the dual management and control model adopted by Intesa Sanpaolo, the Shareholders' Meeting is, amongst other things, expected to resolve upon:

- the appointment, removal and remuneration of members of the Supervisory Board, including Board Members vested with special duties;
- the responsibilities of members of the Supervisory Board and, without prejudice to the concurrent duties of the Supervisory Board, of members of the Management Board;
- the allocation of net income;
- appointment and revocation of the independent auditors;
- the approval of financial statements unless approved by the Supervisory Board;
- the approval of remuneration policies for Management Board Members and financial instrument-based plans, in keeping with the provisions of law and regulations in force;
- transactions reserved by the law to resolution of the Extraordinary Shareholders' Meeting.

The duties of the Shareholders' Meetings under the Articles of Association are in line with the Supervisory Provisions on remuneration. Specifically, the Shareholders' Meeting is responsible for determining the remuneration of Supervisory Board Members vested with special duties and for approving remuneration policies for Management Board Members, as well as financial instrument-based management incentive plans.

9.C.2. With regard to the above, it should be pointed out that, despite the fact that the Shareholders' Meeting agenda does not normally include approval of the financial statements, at the start of meetings, the Chairman of the Supervisory Board, Chairman of the Management Board and Managing Director provide shareholders with information on the general performance of the Bank and its results for the year. Such reports are generally followed by a full debate – in question and answer format – with shareholders.

### *Calling and conduct of work*

Shareholders are called to the Shareholders' Meeting by the Management Board, whenever it is deemed appropriate or, pursuant to Article 2367 of the Italian Civil Code, upon request by shareholders representing at least one-twentieth of share capital. The Ordinary Shareholders' Meeting must be called at least once a year, no later than a hundred and twenty days after the end of the financial year. Where the legal requirements are met, the Shareholders' Meeting can be called within one hundred and eighty days of the end of the financial year.

The Shareholders' Meeting is called at the registered office of the Bank or in another location in the municipality where the Bank has its registered office, by notice published on the Bank's website at least thirty days prior to the date of the Shareholders' Meeting, as well as by other methods envisaged in the regulatory provisions, including an abstract publication in daily newspapers (the abstract notice is normally published in "Il Sole 24 Ore" and in the major national and international newspapers). If the Shareholders' Meeting is called to appoint members of the Supervisory Board, an earlier deadline for publication of forty days prior to the date of the meeting is applied.

The convocation notice may also provide for Shareholders' Meetings to be convened on second call and, limited to Extraordinary Shareholders' Meetings, also on third call; the Management Board may also decide

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that the Meetings be held in a single meeting, giving notice thereof in the convocation notice, thereby excluding further calls. The Board exercised this option for the meeting held in 2013 in order to streamline procedures.

The convocation notice informs shareholders on a timely basis as regards the procedures for participation and the exercise of voting rights in the Shareholders' Meeting, the record date, the terms and methods for exercising of the right to ask questions on items on the agenda, the terms and methods for acquiring the Meeting documentation - including the descriptive reports and the resolution proposals involving issues on the agenda - as well as any other information provided by the Bank.

The Bank generally makes a report on each of the items on the agenda, as well as the documents to be submitted to the Shareholders' Meeting, available to the public at the Bank's registered office, in a specific section of its website – made accessible directly from the homepage – and according to the other methods prescribed by law by the deadline for publication of the convocation notice prescribed in relation to each item on the agenda.

The Management Board and Supervisory Board Members participate in the Shareholders' Meetings. Also attending the Meetings are the Common Representative of Savings Shareholders, Bank executives and employees, as well as directors, auditors, executives and employees of Group companies and representatives of the independent auditors. In addition, other persons whose presence is considered useful by the Chairman of the Meeting may participate in the topics for discussion or in the work of the meeting.

9.C.2.

Intesa Sanpaolo has not adopted a Shareholders' Meeting Regulation. The management and coordination powers attributed to the Chairman on this matter by the law and the Articles of Association – through the identification, at the beginning of each session, of the main rules to be observed – ensure the orderly and effective conduct of work and the participation of those entitled in related discussions.

9.C.3.

In any event, participants are informed by the Chairman, prior to the start of the Meeting, of voting procedures in order that they may express clear and well-informed opinions about topics on the agenda. As concerns the right to speak on the items posted on the meeting agenda, and with a view to guaranteeing everyone the opportunity to speak, based on the individual requirements and on the number of participants wishing to do so, the Chairman sets the speaking and answer time for each speaker at a maximum, normally, of five minutes. Requests to speak are made via an automatic booking system at specific stations in the meeting hall.

Intesa Sanpaolo's Articles of Association do not currently permit the holding of Shareholders' Meetings using means of telecommunication.

The Bank has decided not to change the percentage capital thresholds provided for by regulations in force with regard to the exercise of action and prerogatives to safeguard minority interests.

9.C.4.

#### ***Additions to the agenda and submission of new proposed resolutions***

Pursuant to the law and to the Articles of Association, shareholders severally or jointly representing at least one-fortieth of the share capital may, within ten days from publication of the convocation notice, request the addition of items to the Meeting agenda, specifying the additional topics proposed in their request, or submit proposed resolutions on items already on the agenda. The deadline is reduced to five days in the cases of shorter deadlines envisaged by law.

Additional items are not permitted for topics which the Shareholders' Meeting addresses, by law, upon proposal by the Management Board or based on a project or report prepared by said Board, other than that usually drawn up for all items on the agenda pursuant to Article 125-ter, paragraph 1, of the Consolidated Law on Finance.

Notice of additions to the agenda or the submission of additional proposed resolutions on items already on the agenda is given in the forms prescribed for the publication of the convocation notice.

#### ***Right to ask questions on items on the agenda***

Those entitled to vote may ask questions concerning items on the agenda even prior to the Shareholders' Meeting. Answers to questions received prior to the Meeting are provided during the Meeting at the latest, with the Bank having the right to provide a single response to questions with the same content.

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Questions may also be submitted through the appropriate section of the website or by e-mail, according to the specific instructions expressly outlined in the convocation notice.

### ***Participation and representation – The Appointed Representative***

As mentioned, the right to participate in the Shareholders' Meeting is recognised for parties that are entitled to vote at the end of the accounting day of the seventh market trading day prior to the date set for the meeting on first or single call (the so-called record date).

Voting by proxy is permitted: those entitled to vote but who do not intend to participate directly in the Shareholders' Meeting may be represented through written proxy.

The Articles of Association envisage the possibility for electronic notification of voting proxies to the Bank through the appropriate section of the website or through e-mail.

The convocation notice contains specific instructions regarding the voting by proxy procedure and the availability of a facsimile of a proxy form on the Bank's website, as well as the methods with which proxies can be electronically notified.

As an additional instrument to encourage more widespread participation in the decision-making processes of the Shareholders' Meeting, the Articles of Association allow the Bank to designate for each meeting, disclosing it in the convocation notice, one or more "Appointed Representatives" on whom holders of voting rights can confer a proxy with instructions to vote on all or some of the items on the agenda. The appointment of more than one representative, also in different locations, could satisfy the need of increased proximity to shareholders, as well as differentiation by shareholder category.

However, the legal provisions on the requests for proxies by advisors or collective proxies by associations of shareholders remain in force.

Regarding the latter, again to pursue ample involvement of shareholders, the Intesa Sanpaolo website also indicates contacts of Shareholder Associations in respect of whom the Bank received notice as of the last Shareholders' Meeting or by previous communications.

Intesa Sanpaolo's Articles of Association do not permit postal voting.

### ***Voting rights***

There are no restrictions on voting rights, except with regard to savings shares, which only carry voting rights at Special Savings Shareholders' Meetings, and not at ordinary and extraordinary Shareholders' Meetings.

It should also be mentioned that for the election of members of the Supervisory Board, the Articles of Association envisage a proportional list voting system.

### ***Quorum and voting majorities***

The quorum required for shareholders' meetings indicates the proportion of share capital required to be represented in order for the meeting to be declared valid. Voting majorities refer to the proportion of share capital required for shareholder resolutions to be approved.

At Intesa Sanpaolo, the quorum required for the validity of ordinary and extraordinary Shareholders' Meetings – and for the validity of related resolutions – is determined by law, except as provided by the Articles of Association for the election of Supervisory Board members.

The table below recaps the quorum and voting majorities required under law and applicable to Intesa Sanpaolo.

Art.  
123-bis  
(1), (f) and  
(l) CLF

Ordinary Shareholders' Meeting	First call	Second call	Further calls	Single call
Quorum	Any number of entitled parties representing at least half the share capital	The proportion of share capital represented by the entitled parties attending	N/A	The proportion of share capital represented by the entitled parties attending
Voting majority	Absolute majority of the share capital represented at the Meeting	Absolute majority of the share capital represented at the Meeting	N/A	Absolute majority of the share capital represented at the Meeting
Extraordinary Shareholders' Meeting				
Quorum	Any number of entitled parties representing at least half the share capital	Any number of entitled parties representing over one-third of the share capital	Any number of entitled parties representing at least one-fifth of the share capital	Any number of entitled parties representing at least one-fifth of the share capital
Voting majority	At least two-thirds majority of the share capital represented at the Meeting	At least two-thirds majority of the share capital represented at the Meeting	At least two-thirds majority of the share capital represented at the Meeting	At least two-thirds majority of the share capital represented at the Meeting

### **Contestation of shareholder resolutions**

Shareholder resolutions adopted at Shareholders' Meetings in accordance with law and the Articles of Association are binding on all shareholders, including those who dissent or abstain from voting. Resolutions adopted not in accordance with law and the Articles of Association may be contested by assenting, dissenting or abstaining shareholders and by the Supervisory Board.

The terms and procedures for contesting shareholder resolutions are determined by the provisions of law in force, contained in Articles 2377-2378 of the Italian Civil Code.

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In 2013, one ordinary Shareholders' Meeting was held on 22 April 2013.

The items on the agenda were: the proposal for allocation of net income relating to the financial statements as at 31 December 2012 and the distribution of dividends; resolutions concerning the Supervisory Board (determination of the number of members for 2013/2014/2015, appointment of members on the basis of lists of candidates submitted by shareholders, election of the Chairman and Deputy Chairmen and determination of related remuneration); remuneration policies for the Management Board; resolution concerning the Report on Remuneration pursuant to Article 123-*ter*, paragraph 6, of Italian Legislative Decree 58/1998; the proposal for approval of the Incentive System based on financial instruments and authorisation for the purchase and use of treasury shares.

Shareholders representing approximately 55% of the ordinary share capital attended the Meeting, confirming a constantly high participation of shareholders at meetings.

### **The Special Savings Shareholders' Meeting**

Holders of savings shares have the right to participate and vote at Special Savings Shareholders' Meetings.

In accordance with law, Special Savings Shareholders' Meetings are called, among other things:

- a) to appoint and remove the Common Representative of Savings Shareholders and act against him;
- b) to approve shareholder resolutions that compromise the rights of savings shareholders.

Appointment of the Common Representative requires the favourable vote of savings shares representing at least twenty per cent and ten per cent of the shares in this category on first and second call, respectively, and the majority of those present on third call, regardless of the proportion of share capital represented.

The current Common Representative is Paolo Sfamini, appointed at the Special Meeting held on 2 December 2011 for the period 2012-2014.

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The Common Representative of Savings Shareholders', who remains in office for three financial years, has the right to participate in ordinary and extraordinary meetings of the Bank and is to be informed without delay by the Chairman of the Management Board of any bank operations that could affect the official price of savings shares, and in particular of any proposals that the Management Board has decided to submit to the Shareholders' Meeting regarding capital transactions, mergers and spin-offs.

Special Savings Shareholders' Meetings may be called by the Common Representative or by members of the Management Board as necessary and at the request of any number of savings shareholders representing at least one per cent of all savings shares. Where the Management Board fails to act or acts with unjustified delay, Special Savings Shareholders' Meetings may be called by the Supervisory Board.

#### *The right of withdrawal*

The right of withdrawal may be exercised only in those cases exclusively provided by Article 2437 of the Italian Civil Code. As permitted by Article 2437, paragraph 2, of the Italian Civil Code, the Articles of Association exclude the right of withdrawal for shareholders that vote against resolutions concerning the extension of the duration of the Bank and the introduction or cancellation of restrictions on the trading of shares.

The terms and methods for the exercise of the right of withdrawal and the criteria for determining the value of the shares and related liquidation procedures are governed by law.



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## Corporate social responsibility

In setting long-term growth and creation of value objectives, Intesa Sanpaolo is aware of the social and environmental developments that accompany the business activities of the Bank and the Group. It therefore promotes a style of growth that concentrates on long-term sustainability of results, in support of economies and the communities in the areas in which it operates, placing special focus on environmental protection and enhancement and on providing significant benefits for all stakeholders.

In order to monitor and coordinate the various issues related to social responsibility, there is a dedicated Intesa Sanpaolo business unit – the Corporate Social Responsibility Unit – and CSR officers have been appointed in all the Group’s main entities and banks. Specific management tools have also been adopted in this respect, including the Code of Ethics and policies on specific sectors of the Bank activities, in addition to the Sustainability Report.

The Code of Ethics – the Group’s constitutional charter – is a governance document approved by the Management and Supervisory Boards. It spells out the reference culture and values of Intesa Sanpaolo that lead to conduct principles to be followed by all individuals – internal and external - with whom direct or indirect relations are entertained: first of all, customers, shareholders and employees, but also suppliers, the community and the local areas in which the Bank operates, in addition to the natural environment affected by the activities of any business. The Corporate Social Responsibility Unit reports annually to the Control Committee with regard to its application.

All of the Personnel in the Group, both in Italy and abroad, are expected to behave in a manner that complies and is consistent with the values and principles described in the Code of Ethics and each company in the Group is expected to ensure the adherence of its actions and activities to the values and principles prescribed, albeit consistent with its own specific characteristics.

By way of the Sustainability Report, prepared on the basis of international reporting standards and published on the Bank’s website, also in interactive form, Intesa Sanpaolo is accountable to stakeholders regarding activities performed during the year. This demonstrates the ability to operate in a manner consistent with stated values and with the principle of development along the lines of economic, social and environmental sustainability. A Summary of the Report, prepared on the basis of *Linee Guida dei Dottori Commercialisti* (Italian Accounting Profession Guidelines), is published as part of the Report on Operations in the Parent Company’s Financial Statements.



## Part IV – Summary Tables\*

**Table No. 1: Composition of the Supervisory Board and Committees**

Director	Office	Independent pursuant to the Corporate Governance Code	No. of other offices held	Control Committee	Nomination Committee	Remuneration Committee	Strategy Committee	Financial Statements Committee	Related Party Transactions Committee
Giovanni Bazoli	Chairman				X		X		
Gianfranco Carbonato	Deputy Chairman		5		X		X		
Mario Bertolissi	Deputy Chairman	X	1		X		X		
Gianluigi Baccolini	Director	X	1		X			X	
Francesco Bianchi	Director	X	1				X		
Rosalba Casiraghi	Director	X	7	X		X			
Carlo Corradini	Director	X	3	X					X (alternate)
Franco Dalla Sega	Director and Secretary to the Board	X	2						X
Piergiuseppe Dolcini	Director	X	2			X			
Jean-Paul Fitoussi	Director	X	2				X		
Edoardo Gaffeo	Director	X		X					
Pietro Garibaldi	Director	X						X	X
Rossella Locatelli	Director		1					X	
Giulio Stefano Lubatti	Director	X	2	X					
Marco Mangiagalli	Director	X	2			X			X
Iacopo Mazzei	Director	X	3		X				
Beatrice Ramasco	Director	X	12	X					
Marcella Sarale (from 21/05/2013)	Director	X						X	
Monica Schiraldi	Director	X	2					X	

\*Information referred to Board Members in office

**Table No. 2: List of other management or control offices of Members of the Supervisory Board in other companies quoted on regulated markets (also abroad), in financial, banking, insurance or large companies**

Member	Office	Company
Giovanni Bazoli		
Mario Bertolissi	Director	Equitalia S.p.A.
Gianfranco Carbonato	Chairman and Managing Director Chairman Chairman Director Director	Prima Industrie S.p.A. Prima Electro S.p.A. Prima Power North America Inc. Gruppo Iren (up to 27/06/2013) Prima Power Suzhou Co. Ltd. (since 23/08/2013)
Gianluigi Baccolini	Managing Director	Renografica S.r.l.
Francesco Bianchi	Managing Director	H7 S.p.A.
Rosalba Casiraghi	Chairperson, Board of Auditors Chairperson, Board of Auditors Chairperson, Board of Auditors Chairperson, Board of Auditors Director Director Director Director	Banca CR Firenze S.p.A. (*) (up to 25/03/2013) Non Performing Loans S.p.A. Nuovo Trasporto Viaggiatori S.p.A. Telecom Italia Media S.p.A. (since 05/04/2013) Luisa Spagnoli S.p.A. Spa.Im S.r.l. Spa.Pi. S.r.l. NH Hoteles S.A.
Carlo Corradini	Director Director Director	PLT Energia S.p.A. Fine Sounds S.p.A. YLF S.p.A.
Franco Dalla Sega	Chairman, Board of Auditors Chairman Standing Auditor	Intesa Previdenza SIM S.p.A. (*) (up to 18/03/2013) Mittel S.p.A. R.C.S. Mediagroup S.p.A.
Piergiuseppe Dolcini	Chairman Director	Hera Luce S.r.l. Hera S.p.A.
Jean-Paul Fitoussi	Director Director	Telecom Italia S.p.A. Pirelli S.p.A. (since 13/05/2013)
Pietro Garibaldi		
Edoardo Gaffeo		
Rossella Locatelli	Supervisory Board Member	Darma Sgr in liquidation
Giulio Stefano Lubatti	Chairman, Board of Auditors Chairman, Board of Auditors	Banco di Napoli S.p.A. (*) Eurizon Capital Sgr S.p.A. (*)
Marco Mangiagalli	Director Director	Luxottica Group S.p.A. Autogrill S.p.A.
Iacopo Mazzei	Director Director Director	Marchesi Mazzei S.p.A. ADF Aeroporto di Firenze S.p.A. Residenziale Immobiliare 2004 S.p.A.

Member	Office	Company
Beatrice Ramasco	Standing Auditor Chairman, Board of Auditors Chairman, Board of Auditors Chairman, Board of Auditors Chairman, Board of Auditors Chairman, Board of Auditors Standing Auditor Standing Auditor Standing Auditor Standing Auditor Alternate Auditor	IBM Italia S.p.A. Fiat Partecipazioni S.p.A. Fiat Sepin S.c.p.a. Iveco Acentro S.p.A. Iveco Partecipazioni Finanziarie S.r.l. Astra Veicoli Industriali S.p.A. IN.TE.S.A. Tyco Electronics AMP Italia S.p.A. Comau S.p.A. SEDES Sapientiae S.r.l. Teknofarma S.p.A. Automotive Lighting Italia S.p.A.
Marcella Sarale (since 21/05/2013)		
Monica Schiraldi	Managing Director Representative	Ca.Nova S.p.A. GTT S.p.A.

(\*) Intesa Sanpaolo Group companies

**Table No. 3: Composition of the Management Board**

Director	Office	Executive	Manager	Non-executive	Independent pursuant to art. 148, Consolidated Law on Finance	No. of other offices held
Gian Maria Gros-Pietro	Chairman			X	X	4
Marcello Sala	Senior Deputy Chairman	X				1
Giovanni Costa	Deputy Chairman	X				2
Carlo Messina	Managing Director and Chief Executive Officer	X				
Carla Patrizia Ferrari	Director			X		1
Piera Filippi	Director			X	X	1
Gaetano Micciché	Director	X	X			4
Francesco Micheli	Director	X	X			1
Giuseppe Morbidelli	Director			X		1
Bruno Picca	Director	X	X			1

**Table No. 4: List of other management or control offices of Members of the Management Board in other companies quoted on regulated markets (also abroad), in financial, banking, insurance or large companies**

Director	Office	Company
Gian Maria Gros-Pietro	Chairman Director Director Director	ASTM S.p.A. Caltagirone S.p.A. Edison S.p.A. Fiat S.p.A.
Marcello Sala	Deputy Chairman	Bank of Alexandria S.A.E. (*)
Giovanni Costa	Chairman Director	Cassa di Risparmio del Veneto S.p.A. (*) Edizione S.r.l.
Carlo Messina		
Carla Patrizia Ferrari	Advisory Board Member	Ambienta SGR
Piera Filippi	Managing Director	DECAR S.p.A.
Gaetano Micciché	Managing Director Director Director Director	Banca IMI S.p.A. (*) Pirelli & C. S.p.A. Prada S.p.A. Telecom Italia S.p.A.
Francesco Micheli	Managing Director and General Manager	Intesa Sanpaolo Group Services S.c.p.A. (*)
Giuseppe Morbidelli	Chairman	Cassa di Risparmio di Firenze S.p.A. (*)
Bruno Picca	Director	Intesa Sanpaolo Group Services S.c.p.A. (*)

(\*) Intesa Sanpaolo Group companies





# Report on Remuneration

7 April 2014



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# Introduction

The issue of remuneration of listed companies and financial intermediaries has been gaining growing attention by international bodies and regulators, aiming to guide issuers and intermediaries towards the adoption of remuneration systems that are consistent with the principles - intensified following the economic and financial crisis - governing the process for drawing up and approving the remuneration policies, their compensation structure and their transparency.

In particular, according to these principles, remuneration systems must take into account current and future risks and the level of capitalisation of each intermediary, and guarantee remuneration based on results actually achieved.

With effect from 2011, Italian Authorities defined a set of key rules, also in accordance with the European Community regulations adopted on this issue.

By regulation dated 30 March 2011, the Bank of Italy issued new Provisions dictating harmonised rules and regulations to govern the remuneration policies, systems and practices in banks, in terms of the relative process of drawing up and control, compensation structure and disclosure obligations. The Supervisory Authority further intensified monitoring of this last issue by including remuneration systems and practices among the information to be disclosed under Pillar 3 reporting, pursuant to Circular 263 dated 27 December 2006.

Moreover, ISVAP (now IVASS), with regulation no. 39 of 9 June 2011, dictated the principles regarding the decision-making processes, structure and disclosure obligations of the remuneration policies of insurance companies.

In its resolution no. 18049 of 23 December 2011, Consob regulated implementation of the provisions contained in Article 123-ter of the Consolidated Law on Finance, which require issuers to draw up and publicly disclose a report on remuneration.

Finally, several important updates have been introduced on the self-governance level as well. After being initially modified (March 2010) in the part regarding remuneration, the Corporate Governance Code underwent a complete overhaul that resulted in the publication of a new edition in December 2011.

In fact, the Bank of Italy subsequently revisited the topic of remuneration policies with two communications dated 2 March 2012 and 13 March 2013, highlighting in general the opportunity for banks to define a strategy that is consistent with the objective of preserving, with a view to the future, the equilibrium of the company's position, as well as maintaining the conditions of capital adequacy and prudent management of liquidity risk.

In December 2013 the Supervisory Authority launched a consultation on the amendments it intends to make to the aforementioned provisions issued on 30 March 2011, with a view to implementing the provisions of the CRD IV Directive.

At the time of preparation of this Report, the consultation has ended and the issue of new provisions, which the system shall comply with as prescribed, is pending, without prejudice to the fact that the policies currently in force anticipate, and already implement, part of the recommendations indicated in the consultation paper (the introduction of a cap on variable remuneration equal to 100% of fixed remuneration, with the only exception being for company control functions and the manager responsible for preparing the company's financial reports, the cap for which remains 33%).

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Art. 123-ter (1), CLF

This Report has been prepared in accordance with the aforementioned Article 123-ter of the Consolidated Law on Finance, and also takes into account the obligations of disclosure to the shareholders' meeting, in accordance with the supervisory provisions issued by the Bank of Italy.

Intesa Sanpaolo has always focused extensively on the issue of remuneration, observance of the relative regulations and utmost transparency on the market. The Report gathers into a single, well-organised and structured document all of the qualitative and quantitative disclosures which, up to 2011, depending on their type, were contained in the Report on Corporate Governance and Ownership Structures, in the Supervisory Board's report submitted to the Meeting, pursuant to Article 153 of the Consolidated Law on Finance, and in the financial statement documentation.

Art. 123-ter (2), CLF

This Report, available in the "Governance" section of the website [www.group.intesasanpaolo.com](http://www.group.intesasanpaolo.com), is subdivided into two Sections. The first regards the remuneration policies adopted by the Bank with respect to its Corporate bodies, the corporate bodies of its subsidiaries and the employees and staff of the Group - with a particular focus on the General Managers and Key Managers - and the procedures for adoption and implementation of these policies. The second section, subdivided into four parts, provides quantitative, analytical and aggregate information.

6.C.8.

With a view to disclose information in accordance with the regulatory obligations, the document illustrates, based on the dual management and control model, the levels of compliance with the remuneration provisions envisaged by Article 6 of the Corporate Governance Code. In this respect, for more immediate interpretation, specific margin notes citing the relevant Principles and Criteria have been provided alongside the text, along with the indications provided in Articles 123-bis and 123-ter of the Consolidated Law on Finance (CLF).

The Appendix to this document contains specific check lists that indicate, on one side, the Principles and Criteria of the Code applied and the provisions of Articles 123-bis and 123-ter and, on the other side, the relative implementation (with any amendments), with reference also to the page of this Report in which the matter is discussed.

These check lists should be read together with the clarifying notes and details provided in the Report as regards application of the individual provisions.

Information contained in this Report, unless otherwise stated, refers to the position as at 7 April 2014, the date of its approval by the Supervisory Board, upon proposal by the Management Board.

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Art. 123-ter (6), CLF

This Report shall be subject to non-binding resolution by the Shareholders' Meeting convened pursuant to Article 2364-bis, paragraph 2 of the Italian Civil Code, with reference to the following paragraphs:

Section I, 1 – "Procedures for adoption and implementation of the remuneration policies";

Section I, 5 – "Remuneration policy for employees and other staff not bound by an employment agreement", only with regard to General Managers and Key Managers.

In this respect, note that in April 2013 the Shareholders' Meeting specifically approved the remuneration policies for the Management Board Members and determined the remuneration of the Supervisory Board Members appointed at that meeting.

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# Section I

## 1. Procedures for adoption and implementation of the remuneration policies

### 1.1. The role of Corporate bodies

For companies adopting the dual management and control system, the remuneration policies are partly resolved upon by the Shareholders' Meeting and partly by the Supervisory Board.

The relative procedure is complex and includes, with respect to the remuneration policies for employees and other staff, the involvement of the Management Board.

Art. 123-ter (3), (b), CLF

#### 1.1.a. The Shareholders' Meeting

In accordance with Article 2364-bis, paragraph 1, no. 2) of the Italian Civil Code and pursuant to the provisions of the Articles of Association, the Shareholders' Meeting of Intesa Sanpaolo is responsible for determining the remuneration amount for Supervisory Board Members appointed by the same and for Members appointed to special offices.

The Shareholders' Meeting is also responsible for approving the remuneration policy for Management Board Members and the remuneration plans based on financial instruments.

Pursuant to the aforementioned Supervisory Provisions, the Shareholders' Meeting receives a report (at least yearly) on the implementation methods for the remuneration policies resolved upon by the Meeting for Management Board Members, as well as those subject to resolution by the Supervisory Board regarding employees and other staff.

6.P.4.

Furthermore, based on the provisions of Article 123-ter of the Consolidated Law on Finance, the Shareholders' Meeting resolves, in favour or opposed, on Section I of this Report, limited to the remuneration policies adopted by the Bank for Management Board Members, General Managers and Key Managers, as well as the relative procedures for adoption and implementation of these policies.

The resolution is not binding and its outcome must be disclosed within 5 days of the Meeting date, in accordance with Article 125-quarter, paragraph 2 of the Consolidated Law on Finance. In this respect, the Shareholders' Meeting on 22 April 2013 agreed on the remuneration policies for the Management Board Members, General Managers and Key Managers, as well as on the procedures used to adopt and implement said policies.

#### 1.1.b. The Supervisory Board

In accordance with the remuneration policies resolved upon by the Shareholders' Meeting, the Supervisory Board is responsible for determining the remuneration for Management Board Members, including in relation to the offices and duties attributed to them (Chairman, Deputy Chairperson, Managing Director, Executive Board Member).

The Supervisory Board is also responsible for approving - upon proposal by the Management Board - the remuneration policies for employees (including General Managers and Key Managers) and other staff not bound to the company by an employment agreement.

The Remuneration Committee is called upon to support the Supervisory Board in all activities concerning remuneration, assisting it in the preparatory activity by formulating specific opinions. The Committee has advisory duties and makes proposals in terms of compensation for Bank Managers.

6.C.5.

The Supervisory Board is also required to verify achievement of the parameters of the variable component of remuneration for the Managing Director and Executive Board Members. For the Executive Management Board Members selected from among the Group Managers, the regulatory provisions of the Supervisory Authority on this matter apply, with regard to the company function held by each of the relative individuals.

#### 1.1.c. The Management Board

In terms of remuneration, the Management Board, in accordance with the Articles of Association, has the exclusive responsibility for making decisions regarding:

- 
- determination of the compensation for General Managers, further to the mandatory opinion of the Supervisory Board;
  - 6.C.3. - determination, further to the mandatory opinion of the Supervisory Board, of the compensation for the Manager responsible for preparing the Company's financial reports;
  - definition, further to the mandatory opinion of the Supervisory Board, of the remuneration for the managers of company control functions, including internal audit, compliance to regulations and risk management, pursuant to the applicable laws or regulations.

### ***1.2. The Human Resources Function and the Company Control Functions***

As mentioned above, the Supervisory Board is responsible for approving the policies on remuneration of employees and other staff not bound to the company by an employment agreement, upon proposal of the Management Board and with the involvement of the Remuneration Committee.

These Bodies also have the option of resolving on updates, amendments and/or derogations to the policy.

The Human Resources Department is responsible for drawing up the aforementioned remuneration policies, that undergo the relative approval procedure, involving the following, to the extent of their responsibilities, as envisaged by the Regulations:

- the Risk Management Department, in order to ensure consistency of the remuneration policies and consequent incentive systems with the Group's risk appetite framework (RFA);
- the Planning, Strategic ALM and Capital Management Department in order to ensure consistency of the remuneration policies and consequent incentive systems with:
  - the strategic short-and medium-long term objectives of the Companies and of the Group;
  - the level of capital base and liquidity of the Companies and of the Group;
- the Compliance Department, in order to verify compliance of the remuneration policies and consequent incentive systems with rules, regulations, codes of ethics and standards of conduct applicable to the Group.

6.P.2.

On an annual basis, the Internal Auditing Department, in accordance with the guidelines of the Supervisory Authority, verifies the compliance of the remuneration implementation procedures to the relevant policies, informing the Supervisory Board and the Shareholders' Meeting on the results of the verifications conducted (see the subsequent paragraph "Internal auditing department assessment of the remuneration system").

### ***1.3. Criteria used to assess the performance targets at the basis of assignment of variable components***

Identification of the parameters used to evaluate the performance objectives on which to base the assignment of incentives to management, risk takers and, more in general, all personnel of the Group, is carried out by the competent functions, examining the economic and financial indicators considered most significant for achievement of the budget objectives, periodically monitored through internal reporting tools and available at the consolidated level as well as according to division and/or business unit.

The process used to identify these parameters also involves the company control functions (risk management, compliance) and the Human Resources Department in order to ensure full compliance with the Group's RAF and with the regulatory provisions in effect at the time in question.

This has resulted in the selection of a complex mix of qualitative and quantitative parameters - transparent, objective and measurable (see the subsequent paragraph "The Correlation between remuneration, risk and performance") - allowing a 360-degree evaluation of the company's performance in terms of profitability, risks taken, capital base and liquidity.

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## 2. Remuneration of the Supervisory Board Members

### 2.1. General criteria

The Bank's Articles of Association envisage that members of the Supervisory Board be entitled, in addition to the reimbursement of expenses sustained due to their office, to a remuneration for the services rendered, which is determined for the entire period of their office by the Shareholders' Meeting at the time of their appointment, also taking into account the remunerations due to Board Members appointed to special offices.

Art. 123-ter (3), (a)  
CLF

The Supervisory Board Members appointed for 2013, 2014 and 2015 receive a gross, fixed annual remuneration of 100,000 euro as established by the Shareholders' Meeting held on 22 April 2013, which appointed them. This remuneration, reduced by one third compared to that decided for the previous office, reflects the initiative implemented by the Board Members in office at that time who – as stated in the Report on Remuneration last year – had waived 1/3 of the remuneration due for their office with effect from 1 July 2012.

The characteristics of the remuneration system for members of the body also responsible for control - predetermined and invariable - are a guarantee of the independence of their activity, whose diligence must never be based on expectations of an increase in remuneration depending on the results achieved by the Bank. The Supervisory Provisions on remuneration confirm that members of the control body may not receive any variable remuneration.

The insurance policy ("D&O policy") has been renewed in favour of the Supervisory Board Members.

### 2.2. Conduct of special offices

The Articles of Association envisage that some Members be invested with special offices and that, as a consequence, the Shareholders' Meeting determine their relative remuneration.

The Shareholders' Meeting has therefore established the following additional annual remuneration: 800,000 euro gross to the Chairman (in line with the reduction accepted by the officer concerned with effect from 1 May 2012); 100,000 euro gross to each Deputy Chairperson; 100,000 euro gross to the Secretary.

### 2.3. Membership of Committees

In terms of the activities that the Members are called upon to carry out as members of the Committees established within the Supervisory Board also pursuant to the Articles of Association, the Shareholders' Meeting has envisaged recognition of the following additional remuneration: 30,000 euro gross, annual pay to the Chairpersons of the Committees; 1,800 euro gross, as an attendance allowance, to each Supervisory Board Member designated to participate in the Committees and based on actual attendance at each meeting.

Pursuant to the Articles of Association, the members of the Control Committee are required to participate in meetings of the Management Board. The Shareholders' Meeting has envisaged that this task be remunerated and, in this respect, has recognised a gross, unit attendance allowance of 1,800 euro to each member of the Control Committee, based on actual attendance at each meeting of the Management Board.

The Chairpersons of the Nomination Committee, Strategy Committee and Remuneration Committee have, as is customary, waived the annual remuneration envisaged for this office. On renewal of the offices, the Chairpersons of the Control Committee, the Financial Statements Committee and Related Party Transactions Committee made similar waivers.

### 2.4. Termination of office; employee termination indemnities

The Supervisory Board Members are not in the regular employ of the Bank. No agreements exist obliging the Bank to pay Board Members an indemnity in the event of their resignation or termination of their office following a public takeover bid.

Art. 123-bis (1),  
(i) CLF

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## 3. Remuneration policy for Management Board Members

### 3.1. Objectives and structure

Art. 123-ter (3), (a)  
CLF

The Articles of Association require the Shareholders' Meeting to approve the remuneration policy for Management Board Members and the Supervisory Board to determine the relative remuneration amount.

On renewal of the Corporate Bodies, as proposed by the outgoing Supervisory Board (which had made use of the Remuneration Committee), the Shareholders' Meeting of 22 April 2013 approved the remuneration policies for the Management Board Members appointed for 2013/2014/2015.

6.P.4.

This policy combines the following objectives:

- aligning the interests of Management Board members with pursuit of medium-/long-term value creation for shareholders, as part of the set of rules aimed at accurate monitoring of current and future corporate risks and maintenance of an adequate level of liquidity and capitalisation;
- boosting the Bank's and Group's competitiveness in the domestic and international context in which they operate;
- attracting qualified resources, having the appropriate professional skills and qualities necessary to successfully manage the Bank and steer and coordinate the Group it heads;
- promoting the sustainability of the remuneration policy over time, to limit expense deriving from application of the policy to values compatible with medium- and long-term strategies and annual targets, by means of:
  - mechanisms to adjust allocations to the overall incentive provisions according to the company's profitability and the results achieved, while also taking account of the reference peers;
  - the use of objective parameters when reviewing pay;
  - the determination of appropriate caps on both total incentives and the amount of individual bonuses;
- guaranteeing compliance with international, European and national legal and regulatory provisions.

The remuneration policies for Management Board Members as resolved by the Shareholders' Meeting are based on assessment of individual positions (Non-Executive Management Board Member; Management Board Member holding special offices; Executive Management Board Member selected from Managers in the Intesa Sanpaolo Group; Executive Management Board Member not selected from the management; Managing Director), the extent of which must be based on a careful assessment of the following elements:

- the responsibilities associated with the position under the law and the Articles of Association;
- the peculiar aspects and complexity of the duties of the position;
- the expected long-term contribution to increasing the sustainability of the Bank's performance, not only in economic terms, and to value creation for shareholders and stakeholders.

In line with the above criteria and with the reference to the regulatory framework, the remuneration policy for Management Board Members includes a fixed part for each Board Member, the amount of which will match the importance of the position and the time required to correctly perform the tasks assigned, and a variable part, to be exclusively reserved for executive members of the Board.

The fixed components are determined by the Supervisory Board so that:

- all Management Board Members, being members of the Bank's management body, shall receive a fixed, annual remuneration for each year of their term of office;
- Management Board Members holding special offices (Chairman, Deputy Chairman, Managing Director, Executive Board Member) shall receive an additional remuneration consisting of a fixed annual amount for each year of their term of office. If more than one office is held, only the higher remuneration is allocated.

The incentive system for executive members shall apply to the Managing Director, Executive Management Board Members selected from the management and Executive Management Board Members not selected from the management.

In addition to the above fixed remuneration in relation to the position held on the Management Board, the Managing Director shall receive an additional remuneration, specifically connected with the management functions of the Chief Executive Officer. This annual remuneration shall consist of a fixed portion and a



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variable portion, based on the provisions set forth in the Remuneration Policy of the Intesa Sanpaolo Group approved by the Supervisory Board and reported in the Report on Remuneration presented at today's Meeting.

The remuneration for Executive Management Board Members selected from Group Managers shall be composed of the above fixed remuneration in relation to the position of Board member in addition to the remuneration for the management role held. This remuneration shall be structured on an annual basis, consisting of a fixed portion and a variable portion, based on the provisions set forth in the Remuneration Policy of the Intesa Sanpaolo Group approved by the Supervisory Board and reported in the Report on Remuneration presented at today's Meeting.

Lastly, the Executive Deputy Chairpersons of the Management Board and any additional non-managerial Executive Board Members shall receive a pre-established variable remuneration equal to a maximum of 20% of the fixed component. This remuneration is linked to the objectives and measured using the parameters established for the Managing Director and CEO, according to the provisions set forth in the Remuneration Policy of the Intesa Sanpaolo Group approved by the Supervisory Board and reported in the Report on Remuneration submitted in today's Meeting.

The Supervisory Board must ensure that the variable components:

- are indexed to indicators that are quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (strategic actions or projects) performance drivers;
- are subject, in the amount of no less than 60%, to a deferred payment system for a period of time of no less than 3 years, so that the remuneration takes into account the trend over time of the risks taken by the bank ("malus mechanisms");
- are paid - for a substantial amount of at least 50% of the upfront as well as the deferred component - via financial instruments of the Intesa Sanpaolo Group and there is a specific retention mechanism in place (of at least two years for the upfront component, shorter for the deferred component) for the aforesaid financial instruments, unless the relevance threshold of 80,000 euro has not been exceeded (under which the variable components may be paid in cash);
- are subject to the appropriate ex post (malus or clawback) adjustment mechanisms to reflect, among other things, the levels of performance net of the risks actually taken or ensuing, up to significant reduction or elimination in the event of results that are substantially lower than forecasts or negative.

Identification of the parameters and their relative values for awarding variable components shall be carried out by the Supervisory Board which – in line with the remuneration policies adopted to date for the Management Board – takes into consideration pre-established quantitative and qualitative indicators which can be objectively measured and capable of ensuring there is a link between the level of risk taken and the achievement of stable, effective results.

The insurance policy ("D&O policy") has also been renewed in favour of the Management Board Members.

The following paragraphs describe the Supervisory Board's decisions, as proposed by the Remuneration Committee and in implementation of the policies approved by the Shareholders' Meeting, in favour of the Management Board in office.

### ***3.2. Fixed remuneration for Management Board Members***

Management Board Members shall receive a fixed gross annual remuneration of 100,000 euro.

6.P.1.  
6.C.4.

Executive Management Board Members appointed from among Group Managers have waived this remuneration.

### ***3.3. Fixed remuneration for special offices***

The Supervisory Board has established the following additional annual remuneration: 800,000 euro gross to the Chairman; 150,000 euro gross to each Executive Deputy Chairperson.

For the Chairman of the Management Board, the amount is in line with the outgoing Chairman's decision waiving one third of remuneration due for this office with effect from 1 May 2012.

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The Senior Deputy Chairman also continues to receive the additional fixed, gross amount of 150,000 euro, due to a special task assigned previously by the Management Board, in agreement with the Managing Director and in coordination with the Chairman of the Management Board, to handle development of the Bank's and the Group's international relations and internationalisation projects.

For the [REDACTED] the Supervisory Board had established a fixed annual remuneration of 350,000 euro, in addition to that as member of the Management Board, confirming the additional remuneration associated with the office of General Manager and CEO as the fixed gross annual amount of 1,800,000 euro, and the current contractual terms that characterised the employment relations with the person concerned and the existing insurance and welfare benefits.

Following [REDACTED] from his office as Management Board member, [REDACTED], the Management Board decided to exercise its option of unilateral termination of his managerial employment contract, which envisaged the title of General Manager, [REDACTED]. With regard to this decision, the economic terms established at the time of recruitment were applied, particularly those established in the signed "Stability Agreement" which envisaged the payment of 3.6 million euro gross.

At the time of appointment of [REDACTED] as the new Managing Director [REDACTED], the Supervisory Board decided to establish the gross annual remuneration payable to him as General Manager and CEO of Intesa Sanpaolo as 1,300,000 euro, on the one hand confirming the additional remuneration components already recognised to [REDACTED] as supplementary pension scheme, insurance coverage and accident insurance together with further contractual benefits, and on the other hand the gross annual remuneration associated with the office of Managing Director (350,000 euro) as resolved by the Board [REDACTED].

As mentioned previously, the remuneration of Management Board Members selected from Group Managers does not envisage additional fixed remuneration for this office.

### *3.4. Variable remuneration for the Managing Director and Executive Management Board Members*

The Supervisory Board decisions regarding the 2013 incentive system reserved for the Managing Director and CEO and the Executive Management Board Members takes into account the changes to the 2013 incentive system for Top Managers and Risk Takers (details of which can be found in the specific section) and specifically:

- the provision for individual bonus cap equal to 100% of gross annual remuneration, thereby adopting the CRD IV Directive regime in advance; and
  - the introduction of an indicator (the "Q Factor") measuring the residual risk level;
- without prejudice to payment of the bonus 50% in cash and 50% in shares, referring to both the upfront and deferred portions.

Consequently, and in compliance with the principle that activation of the incentive system must be consistent and compatible with the distribution of dividends, the Supervisory Board established the variable component of remuneration for the [REDACTED], as follows, also in relation to the office of Chief Executive Officer:

- the amount of the variable component of remuneration is indexed on the fixed portion, i.e. 1,800,000 euro, with a maximum multiple of 1;
- verification of compliance with the regulatory requirement in terms of Core Tier 1 ratio and achievement of Income before Tax from Continuing Operations of 2,319 million euro in order to activate the system;
- verification of the absence of individual compliance breach;
- verification of the achievement of the assigned targets, sub-divided into the Group targets (the KPIs identified for the implementation of strategic drivers Productivity, Profitability and Cost of Risk/Sustainability, accounting for 70%) and those relating to qualitative evaluation (accounting for 30% of the total), the latter referring to actions taken, against which to measure managerial qualities, and to particularly key projects.

6.P.1.  
6.P.2.  
6.C.1. a)  
6.C.1. c)

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Comparison between the results obtained and targets, weighted according to pre-established weights, would have indicated the Target Bonus percentage achieved: the variable remuneration would then have been obtained by multiplying that percentage by the base amount of variable remuneration (1,800,000 euro). The "Q Factor" would then have been verified, calculated in reference to the entire Intesa Sanpaolo Group.

After calculating the variable remuneration as above, 60% would have been subject to deferral in equal parts over the next three years, with payment (in 2015, 2016 and 2017) subject to the following Malus conditions: Core Tier 1 ratio exceeding the regulatory threshold; AV2 consistent with the Group's Risk Appetite Framework; a positive Income before Tax from Continuing Operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on demand positions.

Moreover, the variable remuneration component is paid, in accordance with the applicable rules, in financial instruments, equal to 50% of the amount paid upfront and 100% and 50% of the second and third deferred portions, respectively. Each payment of these components is subject to a holding period.

Taking into consideration all of the above with regard to [REDACTED] resignation and to the related recognition to him of the amount established under the signed "Stability Agreement", the incentive system to the benefit of the person concerned has lapsed.

With reference instead to [REDACTED] – and likewise the three Executive Management Board Members appointed from among Group Managers – the Supervisory Board has confirmed the bonus system reserved for Key Personnel of the Intesa Sanpaolo Group, under the terms of the board resolution of 16 July 2013, again referring to the dedicated section on this matter for further details.

Lastly, in relation to the two Deputy Chairpersons, without prejudice to the aforementioned need for consistency between activation of the incentive system and the remuneration of shareholders, the Supervisory Board has decided that the variable component should be established as follows:

- base amount equal to 20% of the fixed component for the office, as determined by the Supervisory Board in its resolution of 9 May 2013;
- cash payment only, by the extent to which the amount (50,000 euro) does not exceed the materiality threshold;
- verification of compliance with the regulatory requirement in terms of Core Tier 1 ratio and achievement of Income before Tax from Continuing Operations of 2,319 million euro in order to activate the system;
- verification of the achievement of the targets assigned to [REDACTED] at the time, [REDACTED] in relation to the Group, namely the KPIs identified for the implementation of the strategic drivers Productivity, Profitability and Cost of Risk/Sustainability.

The comparison between results achieved and the above targets, with the related weighting, determines the Target Bonus percentage achieved, and multiplying this by the base amount gives the variable remuneration due for 2013.

60% will be subject to deferral in equal parts over the next three years, with payment in 2015, 2016 and 2017 subject to verification of the following Malus conditions: Core Tier 1 ratio exceeding the regulatory threshold; AV2 consistent with the Group's Risk Appetite Framework; a positive Income before Tax from Continuing Operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on demand positions.

Given the above, in terms of activation of the 2013 Incentive System, the minimum conditions required by the aforementioned Regulations are met<sup>1</sup> solely as a consequence of the effects on the income statement deriving from the recognition of the new stakes in the Bank of Italy replacing the previous stakes already held and cancelled by the Bank of Italy due to Law Decree no. 133/2013 converted into Law no. 5/2014

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<sup>1</sup> Particular reference is made to the condition that requires a positive Income before Tax from Continuing Operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on demand positions.

6.C.1.a)  
6.C.1.d)  
6.C.1.e)

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and the consequent amendments to the Articles of Association approved by the Meeting of Shareholders of the Bank of Italy on 23 December 2013.

Upon recommendation by the Managing Director and CEO, supported by the Remuneration Committee, the Corporate bodies have agreed on the opportunity of removing this effect from Income before Tax from Continuing Operations, as it is the minimum threshold for the 2013 Incentive System, also in accordance with the applicable rules (non-recurring income items or mere valuation components are not included in the results for variable incentive purposes, as they do not express “effective and long-term” results, pursuant to the Provisions of March 2011 – see Communication of 13 March 2013 – 2012 Financial Statements: assessment of loans, remuneration and distribution of dividends of the Bank of Italy). Therefore, the 2013 Incentive System is not activated and the Bonus Pool is not financed, resulting in the non-payment of any variable remuneration component.

6.C.1. No stock option plan is currently in place for the Managing Director or other Management Board Members.

### ***3.5. Termination of office; employee termination indemnities***

Art. 123-bis (1), (i) CLF  
The Management Board Members, with the exception of the Managing Director who is also General Manager and the three Managers, are not in the regular employ of the Bank.

6.C.1. f) No agreements exist that envisage payment of an indemnity in the event of resignation or termination of employment following a public takeover bid.

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#### 4. Remuneration policy for the corporate bodies of subsidiaries

Remuneration for members of the corporate bodies of Group companies is defined by Intesa Sanpaolo in its capacity as majority shareholder and entity responsible for management and coordination activities, pursuant to the relative statutory and banking regulations.

The remuneration policy for corporate bodies, therefore, complies with the following principles, applied uniformly at Group level, in accordance with the regulatory context of the various countries in which Intesa Sanpaolo operates through its subsidiaries.

Members of the management and supervisory boards of companies of the Intesa Sanpaolo Group receive compensation commensurate to their assigned duties and responsibilities.

To ensure uniformity in accordance with Group standards, specific determination of the compensation of directors is carried out by considering parameters such as the capital and economic size and organisational complexity of the company in question, as well as other objective and qualitative elements, such as the nature of the business carried out by the subsidiary and its operating risk profile.

Similar criteria apply in determining the compensation for directors appointed to special offices, pursuant to Article 2389 of the Italian Civil Code and similar provisions in effect in foreign countries.

Variable compensation amounts, bonuses linked to results, profit-sharing clauses or options to buy shares at predetermined prices are not normally envisaged. Exemptions from this principle are envisaged only on an exceptional and justified basis, in accordance with the Group remuneration policies and the relative supervisory regulations in force.

In general, there are no differences in the remuneration of directors who are Group employees, professionals, independent, etc. The remuneration of Group employees who are appointed as directors in subsidiaries is paid to the company with which an employment agreement is in place.

Remuneration of members of the board of statutory auditors of Italian subsidiaries is determined upon appointment for the entire term of office, pursuant to Article 2402 of the Italian Civil Code, with a fixed yearly amount.

The amount paid to statutory auditors is determined through a uniform calculation method at Group level that takes into account objective parameters, namely capital and revenues of the company, in order to identify a specific compensation amount.

Members of the corporate bodies normally have the right to reimbursement of the expenses incurred as a result of their office.

Finally, an insurance policy (the so-called "D&O policy") is stipulated for the corporate officers of subsidiaries.

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## 5. Remuneration policy for employees and other staff not bound by an employment agreement

Art. 123-ter (3), (a)  
CLF

This chapter deals with the remuneration policy for all personnel, as approved by the Bodies for 2014, including, for the purposes of the Shareholders' Meeting vote as envisaged by Article 123-ter of the Consolidated Law on Finance, General Managers and Key Managers, namely, in the current organisational structure of Intesa Sanpaolo and in accordance with the provisions of the Group Regulation on the management of transactions with related parties, the Supervisory Board and Management Board Members, the General Managers and the following if not included in the above categories:

6.P.4.

- Manager responsible for preparing the financial reports
- Heads of the Divisions and Business Units
- Heads of the following Governance Areas: Chief Governance Officer, Chief Lending Officer, Chief Operating Officer, Chief Risk Officer, Wealth Management
- the Heads of Head Office Departments that report directly to the Managing Director, the Chairman of the Management Board and the Chairman of the Supervisory Board
- the Head of the General Secretariat of the Supervisory Board and the Corporate Affairs Department
- the Head of Strategic Operations and Special Projects.

### 5.1. Objectives of the remuneration policy

6.P.2.

The remuneration policy of the Intesa Sanpaolo Group is based on the following principles:

- a) alignment of the conduct of management and employees to the interests of shareholders, to the medium and long-term strategies and to company objectives, as part of the set of rules aimed at accurate monitoring of the current and future corporate risks and maintenance of an adequate level of liquidity and capitalisation;
- b) merit, to guarantee better matching with actual performance and the quality of management identified, through:

6.P.1.

- remunerative flexibility via the variable component linked to results achieved;
  - a focus on key staff members demonstrating high management quality, to whom competitive salary brackets, aligned to the market of reference, are reserved;
  - differentiation of the best performances to which variable bonus levels significantly in excess of the average are to be assigned;
- c) equality, in order to promote proper conduct and standardise treatment in terms of remuneration, through:
    - the correlation of a person's fixed salary to the weight of the role held;
    - the differentiation of salary brackets and the proportion of variable pay components on global remuneration, on the basis of professional categories;

6.P.1.

- d) external competitiveness of overall annual remuneration with respect to the levels in the large European banking groups, obtained through periodic specialist surveys, in order to attract and retain the best management and professional resources on the market;
- e) sustainability, to limit expense deriving from application of the policy to values compatible with medium- and long-term strategies and annual targets, by means of:
  - mechanisms to adjust allocations to the overall incentive provisions according to the company's profitability and the results achieved, while also taking account of the reference peer group;
  - selective reviews of fixed pay;
  - the use of objective parameters when reviewing pay;
  - alignment of costs to company performance, by varying the amount of remuneration paid to management;
  - the determination of appropriate caps on both total incentives and the amount of individual bonuses;
- f) compliance with the international, European and national legal and regulatory provisions and the consequent focus on Key Managers, Risk Takers and Company Control Functions.

### 5.2. Segmentation of personnel

The remuneration policy guidelines of the Intesa Sanpaolo Group have always been based on the principle of segmentation, according to the role and contribution provided, with respect to the corporate governance processes as well as the systems and tools adopted.

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The rationale underlying the segmentation principle is also used by the Regulator with reference to the type and content of operational risk assumed by personnel. At the time of preparation of this document, the principles to identify personnel whose activities have a significant impact on the Bank's risk profiles have been revised under the Regulatory Technical Standards (RTS), developed by the EBA but not yet adopted by the European Parliament and the Council of the European Union.

The Intesa Sanpaolo Group adapts its own segmentation principles to those required by the Provisions in force from time to time. Therefore, pending the implementation of the RTS, the Group shall maintain its current segmentation, in line with the prior Bank of Italy's Provisions of 30 March 2011, based on which the following segments are identified:

- "Key Personnel"
- "Extended Scope"
- Other Managers
- Remaining Personnel

The first segment ("Key Personnel") is identified as i) executive directors, ii) the general manager and heads of the main business lines, corporate functions or geographical areas, as well as those who report directly to bodies with strategic, management and control duties, iii) heads and higher-level personnel of the Company Control Functions<sup>1</sup>, iv) other individuals who, individually or collectively, take on significant risk and v) any employee whose total remuneration falls within the same range as categories ii) and iv).

Intesa Sanpaolo Group "Key personnel" are identified through the application of organisational criteria, considering:

- the clear definition of rules, processes and procedures from which the specific assignment of responsibility derives, differentiated among the various hierarchical levels (Divisions, Governance Areas, Departments, Services, Offices, Units);
- the close correlation between the role and position covered within the Group's organisational structure and the assignment of independent management powers, powers in terms of credit granting and management, and risk limits (VaR) for Banca IMI, with the power and independence to impact on the Group's overall risk profile, limited to those with the most important positions in the Group's organisation.

"Key personnel" is broken down into the following categories:

- Category 1: Chief Executive Officer
- Category 2: General Managers, the remaining Key Managers (excluding those with "Company Control Functions"<sup>2</sup>), the Managing Directors and General Managers of Banca Fideuram, Eurizon Capital, Intesa Sanpaolo Vita and Banca IMI;
- Category 3: the Heads of the Group "Company Control Functions" (Head of the Chief Risk Officer Governance Area, Internal Auditing Department, Manager responsible for preparing the Company's financial reports, Compliance Department, Risk Management Department, and Anti Money Laundering Service);
- Category 4: other individuals taking on significant risk include:
  - the heads of the remaining Head Office Departments;
  - the heads of the Business Departments in the Corporate and Investment Banking Division, Banca dei Territori Division, International Subsidiary Banks Division, Banca Fideuram and Eurizon Capital;
  - the Managing Directors / General Managers of large banks and subsidiaries;
  - the key roles of responsibility in terms of finance/investment banking, with particular reference to Banca IMI, where not already included in the personnel outlined in the previous point;
  - the CEOs of the international subsidiary banks.

Any individuals whose variable remuneration is equal to or greater than 500,000 euro (category 5) are also subject to the same treatment, as outlined below, for "Key Personnel" belonging to categories 1 and 2.

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<sup>1</sup> As per Circular 263 – New regulations for the prudential supervision of banks, these are functions of internal audit, compliance, risk management, anti money laundering, and those with direct responsibility for the truthfulness and accuracy of the bank's accounting and financial data.

<sup>2</sup> Although the Head of the Chief Risk Officer Governance Area, Head of the Internal Auditing Department and Manager responsible for preparing the Company's financial reports are all Key Managers, they are considered to carry out "Company Control Functions" for the purposes of application of the specific regulations on incentives envisaged by the new Supervisory Provisions.

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The “Extended Scope” includes managers identified in application of the “principle of proportionality,” namely:

- those who report directly to the Heads of Head Office Departments and the Heads of Business Units within the Corporate and Investment Banking Division, Banca dei Territori Division, International Subsidiary Banks Division, Banca Fideuram and Eurizon Capital, who, due to the nature of their roles, assume significant risks (e.g., roles of responsibility in the lending process) and/or enjoy levels of remuneration significantly above average;
- the remaining personnel of higher level in the “Company Control Functions”, where not already included among “Key Personnel” (typically functional reports or control duties within the Group’s Italian and international legal entities).

The third segment (Other Managers) includes the remaining department heads not included amongst “Key Personnel” and the “Extended Scope.”

The fourth segment (Remaining Personnel) includes all of the other employees and financial advisors of the Group whose remuneration is predominantly defined by the contractual provisions in effect from time to time in the countries in which the Group operates.

### **5.3. The correlation between remuneration, risk and performance**

The correlation between remuneration, performance and risk is ensured for all employees through:

- 6.C.1. a) – use of a balanced pay mix, as the fixed component is sufficiently high to allow the variable portion, which is never guaranteed, to decline significantly, even down to zero, upon occurrence of the conditions specified below;
- the application of the principle of selectivity, which differentiates the best performances and, in return, assigns significantly higher-than-average bonuses;
- 6.P.2. 6.C.1. d) – the introduction, on the basis of the “financial sustainability principle”, of a structured mechanism for funding the variable component (bonus pool), which correlates the amount to be allocated to incentives for all company segments to the performance of a Group parameter, currently identified as Income before Tax from Continuing Operations;
- the use of a solidarity mechanism between Group and Division/Business Unit results, according to which the amount of total bonuses paid to the employees of each Business Unit depends in part on the Group’s overall performance (reflected in the size of the bonus pool) and in part on the performance of the specific Organisational Unit, measured in terms of the degree of expected contribution to the Group’s Income before Tax from Continuing Operations;
- the introduction of the “guided discretion principle”, which translates into the assignment to the CEO of a limited part of the Group’s bonus pool (10%), eligible for allocation once the threshold has been reached, to departments that have exceeded their access thresholds, as further recognition for the quality and level of performance achieved;
- observance of the access conditions provided for in international and national regulations, namely:
  - o at Group level, the achievement of capital adequacy and liquidity levels and, in more general terms, compliance with the limits envisaged in its own Risk Appetite Framework (RAF);
  - o at individual level, the propriety of conduct (absence of disciplinary measures resulting in one or more days of suspension);
- 6.P.2. 6.C.1. d) – measurement of performance from multiple perspectives, both quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (strategic actions or projects and managerial qualities), as well as extending to different perimeters (Group/Department/Individual). The following are some examples of indicators for performance drivers:
  - o Profitability: Operating income/Risk Weighted Assets, Income before Tax from Continuing Operations/Tangible Equity vs. Peers, Portfolio mix (assets under management vs. assets under administration) and Combined ratio (non-life business).
  - o Growth: Operating Income, Revenues / total assets (asset management);
  - o Productivity: Cost/Income, Recovery on directly managed problem portfolios (top level doubtful and non-performing loans) and Operating Income/Full Time Equivalent
  - o Cost of risk/sustainability: Adjustments to loans/period-end loans, Concentration risk, balance sheet quality and active risks profile;
- the use of an additional mechanism that measures the residual risk level of each Business Unit (Q-Factor) and that acts as a possible de-multiplier of the bonus achieved in the event of failure to reach the target.



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For the Manager responsible for preparing the Company's financial reports and the Heads and higher-level personnel of the Company Control Functions, assuming application of conditions set out above and the "malus condition" described below, determination of the incentive accrued is strictly defined with reference to the specific qualitative and quantitative indicators of the respective functions, in accordance with the Supervisory Provisions. In the particular case of the Manager responsible for preparing the Company's financial reports, such indicators allow assessment of i) the quality of administrative and financial reporting disclosures to the market, ii) accuracy in the preparation of the consolidated financial statements, iii) the effectiveness of guidelines and policies governing financial reporting and tax obligations and iv) the effective, timely fulfilment of accounting and supervisory obligations.

6.C.3.

With regard to the Head of the Chief Risk Officer Governance Area, the Heads of the Risk Management, Compliance and Internal Auditing Departments, the Head of the Anti-Money Laundering Service and the higher-level personnel of these areas, these indicators measure their performance in accomplishing their respective control activities with regard to the various types of risk (market, credit, interest rate, liquidity, operational, country, and non-compliance, as well as money laundering and terrorism financing). Performance is measured both in quantitative terms (e.g., percentage of assets on which the advanced models validated by the regulator are used, maximum date of reports of suspicious activity, etc.) and qualitative terms (e.g., implementation of the Action Plan for adoption of the new provisions of the Bank of Italy - Circular 263 - on the Internal Control System, the quality of cooperation with the business in improving the ways in which risk and compliance are managed, reinforcement of the culture/skills of risk and compliance by means of effective risk management guidelines, etc.).

6.C.3.

#### 5.4. Remuneration components

Employee remuneration is broken down into the following:

- a) fixed component, defined based on the contractual agreement, the role held, any responsibilities assigned, and the specific experience and expertise acquired by the employee, including any allowance;
- b) variable component, linked to employee's performance and aligned to the short and long-term results actually achieved, and consisting of:
  - specific incentive systems, as described further on, that provide for bonuses in line with market standards, as reported by periodic specialist surveys such as the Italian Banking Association's annual salary survey, focusing on personnel of the commercial network;
  - company bonus, envisaged by the Italian collective labour agreement and designed to reward employees for productivity increases, on the basis of their respective job profiles;
- c) any benefits designed to increase employee motivation and loyalty; these may be of a contractual nature (e.g., supplementary pension, health benefits, etc.) or the result of remuneration policy decisions (e.g., company car) and, therefore, have different treatment with respect to different categories of personnel.

#### 5.5. The remunerative pay mix

For the purposes of this Report, the term "pay mix" refers to the weight of the fixed and variable components expressed as a percentage of total remuneration, as described above.

6.C.1. a)

In accordance with the regulatory guidelines, the Intesa Sanpaolo Group traditionally adopts a pay mix that is appropriately balanced between the aforementioned components, in order to:

- allow flexible management of labour costs, as the variable portion may significantly decline, even down to zero, depending on the performance actually achieved during the year in question;
- discourage behaviours focused on the achievement of short-term results, particularly if these involve taking on greater risk.

6.C.1. c)

In order to achieve the above objectives, it is standard Group practice to establish ex ante limitations in terms of balanced maximums for variable remuneration, through the definition of specific caps on the increase of bonuses in relation to any over-performance.

6.C.1. b)

From 1 January 2013 this cap on variable remuneration was set at 100% of the fixed remuneration, adopting the requirements of Directive 2013/36/EU ("CRD 4") in advance of a year.

However, in terms of cap compliance between fixed and variable remuneration (1:1), the pay mix was differentiated with respect to the following:

- the various categories of personnel, with particular focus on "Key Personnel" and the "Extended Scope", in order to adequately reflect the level of impact on risk and performance, limiting the weight of the variable component for personnel of the Company Control Functions;

- 
- professional categories, i.e. by business unit, consistently with the results obtained from specific benchmark analysis of the leading European banking groups that also guarantee observance of the internal equality principle, given the use of common benchmarks for each statistical population;
  - key staff members demonstrating high management quality, in order to support meritocracy and retention of these resources.

6.P.1. The adequacy of the amounts is further verified in comparison to market practices, with ongoing participation in national and international remuneration surveys; for management roles and other particular business positions, the comparison is based on specific peer groups, in order to evaluate the competitive alignment with the most appropriate reference market.

In relation to market data, the Intesa Sanpaolo Group aims to align the overall remuneration to median values, notwithstanding the possibility to make the appropriate differentiations for particularly critical positions and/or resources with high management skills.

6.C.1. a) In terms of guidelines, the incidence of the variable component with respect to the fixed component is periodically revised for the various categories of personnel according to the performance of the business, human resources management and development strategies and the law in force at the time.

In general, remuneration of personnel is subject to periodic review, in order to verify constant alignment to developments in the internal situation and in the market, also taking into account the results of performance evaluations. In these cases, under the annual budget allocations (based on the overall economic compatibility), measures aimed at adjusting the total pay of personnel, through tools defined by the Group management policies and in accordance with the powers in terms of personnel effective from time to time, may be envisaged.

The appropriateness of total pay is also evaluated in cases of assignment of tasks or changes in organisational position, in order to verify consistency with the required skills and assigned responsibilities in the new position.

All decisions regarding remuneration are to be taken in accordance with the Group's Remuneration Policies, in concert with the Human Resources Department and in a manner consistent with international and national regulation.

## **5.6. Incentive systems for Group personnel**

### **5.6.a Conditions to activate incentive systems**

All of the Group's personnel incentive systems are subject to three conditions:

1. minimum activation conditions required by the Regulator at Group level (5.6.b)
2. financing conditions envisaged by the bonus funding mechanism at Group and department level (5.6.c)
3. individual access condition (5.6.d)

6.C.1. a) **5.6.b Minimum activation conditions required by the Regulator**

6.C.1. d) The minimum conditions required by the Regulator are based on the principles of financial sustainability of the remuneration variable component and therefore represent an assessment of the "quality" of income results achieved and the consistency with the limits envisaged in the Risk Assessment Framework (RAF).

In the Intesa Sanpaolo Group these conditions are as follows:

1. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or a positive Income before Tax from Continuing Operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on demand positions.

6.C.1. c) Non-achievement of even only one of the above conditions results in non-activation of the incentive systems for the Group personnel.

### 5.6.c Group's bonus funding mechanism and configuration by department

All of the Group's human resources incentive systems are funded by a structured bonus pool mechanism (see 5.3.) that requires the implementation of financing conditions at both the Group and department level.

The Group's bonus pool is activated if, and only if, having verified the conditions under the above point, Income before Tax from Continuing Operations exceeds the minimum access threshold, and it gradually increases as the thresholds are exceeded, up to a predefined maximum (cap).

In the specific case where Income before Tax from Continuing Operations does not exceed the access threshold but the conditions under the above point exist, a minimum portion of the Group's bonus pool is available - the so-called buffer - to be used as incentives for any performing units. The purpose of the buffer is the regulated, ex-ante governance of any positive performance of units that opposes the performance of the rest of the Group, which is a likely scenario given the many types of businesses and the various countries in which Intesa Sanpaolo operates.

The portion of Income before Tax from Continuing Operations to be allocated to funding the Group's bonus pool is determined in advance, on an annual basis, according to an historical analysis and budget projections. The resulting Group bonus pool is corrected according to an evaluation of the performance of Intesa Sanpaolo relative to a panel of its international and domestic peers defined during the budgeting process (+/- 10%), on the basis of criteria of comparability by size (assets), capital and talent market and business mix.

The allocation of the Group's bonus pool by department is correlated to size (relative weight of the department's target total bonus within the Group's total bonus) and adjusted according to the degree of contribution during the year concerned (the department's Income before Tax from Continuing Operations with respect to the access threshold).

The financial sustainability principle is also computed at the department level. Accordingly, only departments that exceed their access thresholds receive the predefined pool (once the Group's minimum threshold has been reached). The bonus pool of a department that has not exceeded its access threshold (the "additional" bonus pool) may be allocated to departments that have exceeded their access thresholds.

### 5.6.d Individual access condition

In each department, after verifying the conditions pursuant to the two paragraphs above, payment of the individual bonus is proportional to the level of achievement of the individual performance objectives and, in any case, subject to the absence of any disciplinary measures that call for at least a 1-day suspension (so-called individual compliance breach).

### 5.6.e "Key Personnel" and "Extended Scope"

The regulations dictate specific rules on the variable remuneration component for "Key Personnel", requiring that:

- at least 40% (which can be raised to 60% for executive directors, top managers and heads of the main business lines, corporate functions or geographical areas) be subject to deferred payment systems for a period of at least 3 years, so that the remuneration takes into account the trend in risks taken by the bank over time;
- a significant portion of at least 50% be adequately balanced among shares, instruments linked to shares or, for unlisted banks, equivalent instruments and, where appropriate, innovative and non-innovative capital instruments up to 50% of Tier 1 capital and that adequately reflect the bank's credit quality on an on-going basis; this percentage is applied, in the same proportion, to the deferred variable component as well as to the non-deferred (upfront) component;
- there be a specific retention mechanism in place (of at least 2 years for the upfront component, shorter for the deferred component) for the above financial instruments;
- it be subject to the appropriate ex post (malus or clawback) adjustment mechanisms to reflect, among other things, the levels of performance net of the risks actually taken or ensuing, up to significant reduction or elimination in the event of results that are substantially lower than forecasts or negative.

For the "Extended Scope," the law requires the application of the proportionality principle, by which is meant the "discretionary" adjustment of the rules set for "Key Personnel."

The Intesa Sanpaolo Group has defined the following in application of the foregoing:

6.C.1. a)  
6.C.1. b)  
6.C.1. d)

6.C.1. a)  
6.C.1. c)  
6.C.1. d)

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*Deferred disbursement of variable remuneration*

- 6.C.1. e) The deferral percentages required by law are applied to "Key Personnel":
- o 60% for categories 1 and 2 (and, if present, 5)
  - o 40% for the remaining categories.

The deferral percentage applied to the "Extended Scope" is 40%.

*Payment of variable remuneration through financial instruments:*

- 6.C.2) The assignment of financial instruments of the Intesa Sanpaolo Group is envisaged for "Key Personnel" with respect to:
- 50% of the upfront remuneration
  - 50% of the deferred remuneration.

The assignment of financial instruments is not envisaged for the "Extended Scope".

*Deferral period:*

- 6.C.1. e) With regard to the Key Personnel, the deferral period is equal to 3 years, with payment of three equal instalments at the three annual deadlines following the year of accrual of the upfront component. Considering the retention period specified below for the portion paid in shares to "Key Personnel", payment of the incentive is complete after five years from the reference year. A simpler deferral period calculation is envisaged for the "Extended Scope", i.e. one single instalment after two years.

*Breakdown of deferred portions:*

- 6.C.2) The composition of the deferred portions for "Key Personnel" is as follows:
- 1<sup>st</sup> deferred portion: 100% cash;
  - 2<sup>nd</sup> deferred portion: 100% financial instruments;
  - 3<sup>rd</sup> deferred portion: 50% financial instruments, 50% cash.

The composition of the deferred portions for the "Extended Scope" is 100% cash.

*Retention period:*

- 6.C.2) The following holding period is envisaged for the assigned financial instruments:
- 2 years for those assigned as the upfront portion;
  - 1 year for those assigned as the deferred portion.

*Relevant Bonus*

The threshold for identification of a "Relevant Bonus" is set at 80,000 euro.

Bonuses equal to or below that threshold are paid entirely in cash and upfront, inasmuch as the amounts that would result from the application of the deferral mechanisms, payment in shares and holding period would be quite insignificant in both absolute and relative terms with respect to total remuneration collected, to such an extent as to result in effective invalidation of the principle that inspires the mechanism (correlation between the amount of a bonus and assumption of risks).

*Variable remuneration payment conditions:*

The deferred portion is subject to the individual remaining with the Group at the end of the deferral period or at the deadlines envisaged for actual delivery of the financial instruments, save as provided in paragraph 5.8, as well as to the "malus condition" described below and to the non-existence of negative events directly attributable to the person's behaviour, in carrying out their activities, that jeopardises the sustainability of results over time.

*Calculating the total incentive payable:*

The total amount due (sum of the up-front and deferred components) is assigned annually to individual managers according to the position achieved in the "internal rankings" of their Business Units/departments.

Such rankings are obtained by ordering the scores of the results of the individual performance sheets, constructed according to the criteria illustrated above (see paragraph 5.3), assigned to each manager.

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Those who place above the third quartile in the rankings (equivalent to 25% of managers) receive the maximum bonus. This bonus may reach up to 100% of fixed remuneration, with the exception of heads and higher-level personnel of Company Control Functions and the Manager responsible for preparing the Company's financial reports, for which it comes up to approximately 33% of fixed remuneration (net of any role allowance).

6.C.1. a)  
6.C.1. b)

By contrast, managers who place below the first quartile (equivalent to 25% of the total) do not receive any bonus.

Those who place between the second and third quartile (equivalent to 50% of the population) receive a bonus that is a function of the share of the bonus pool assigned to their business unit/department according to the funding mechanism described above, after deducting the total bonuses attributable to the best performers (i.e., managers who have placed above the third quartile).

The individual incentive calculation mechanism described above allows the application of the principles of selectivity, merit and differentiation of performance.

*Malus condition on the deferred portion of variable remuneration:*

Payment of the deferred portion of variable remuneration is subject to:

- assessment of the individual access condition
- application of the ex-post adjustment mechanism.

Assessment of the individual access condition, namely the absence of disciplinary measures that call for at least a 1-day suspension (so-called individual compliance breach), is a necessary condition but not sufficient for payment of the deferred portion.

6.C.1.c)

Each deferred portion is, indeed, subject to an ex post adjustment mechanism - the so-called malus condition - according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year to which the deferred portion refers, in relation to the level of achievement of the minimum conditions set by the Regulator (see 5.6.a), namely:

6.P.2  
6.C.1. d)  
6.C.2

1. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or a positive Income before Tax from Continuing Operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on demand positions.

In particular, if either condition 1 or 2 does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

6.C.1.c)

#### *5.6.f Other Managers*

The remaining managerial population that does not belong to either "Key Personnel" or the "Extended Scope" is subject to an incentive system that is consistent with the provisions envisaged for the above segments. In fact, bonuses are determined according to the results achieved with respect to the targets set out in the individual performance sheets, the structure of which is entirely analogous to that applied to "Key Personnel" and the "Extended Scope".

Accordingly, the individual incentive calculation mechanism also implements the principles of selectivity, merit and differentiation of performance of this segment of the population as well.

Any "Relevant Bonuses" awarded to this segment, by which are meant bonuses in excess of the threshold of 80,000 euro (see paragraph 5.6.e), are subject to the deferral mechanisms envisaged for the "Extended Scope".

#### *5.6.g Remaining personnel*

Specific incentive systems are in place for all Group employees, drawn up in accordance with the above-described principles, guidelines and rules envisaged for management.

In an effort to build fair and motivating incentive systems, studies were conducted on internal practices and their alignment with specific market benchmarks.

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The incentive systems adopted call for bonus-award mechanisms that are differentiated by business area with the aim of implementing measures consistent with the specific professional qualities present within the company, recognising individual merit and rewarding teamwork.

The amount of bonuses paid is correlated to the performance of both the Division/Business Unit and the Group as a whole (financial sustainability and solidarity mechanisms).

The rationale underlying the incentive systems introduced and applied by the company can be summarised as follows:

- Retail & Private Business (Banca dei Territori Division): bonuses are awarded to reward team work, duly adjusted to take into account individual performance. The objective parameters used for determining incentives refer to the typical revenues of the business area, appropriately adjusted for risk (e.g. net revenues per employee) and aspects of a business nature (taking into consideration the compliance guidelines), duly combined with customer satisfaction and service quality indicators. In accordance with the principles of financial sustainability, merit and differentiation of performance, the system also calls for pre-determined selectivity criteria;
- Corporate & Finance Business (Corporate and Investment Banking Division) and Asset Management Business (Eurizon Capital, some Banca Fideuram subsidiaries): bonuses are awarded primarily to reward individual merit, also considering qualitative and behavioural elements, within the limits of team spirit, rewarding outstanding performance with incentives comparable to the target levels of markets of reference;
- Financial Advisors: without prejudice to the specific characteristics of the agency mandate (remuneration through commissions) in dealings with Banca Fideuram and Sanpaolo Invest, financial advisors, in accordance with the legislative provisions pro tempore effective, benefit from annual incentive schemes that, given suitable qualitative indicators, are connected with the level of achievement of the business objectives defined to support the company's growth, sustainability and profitability target;
- Governance Functions (Head Office Departments and Division Staff): incentives are awarded on the basis of overall Group/Division results. The system also uses, in a manner consistent with the principles of financial sustainability, merit and differentiation of performance, a series of selectivity criteria (in terms of a maximum number of staff members that may be rewarded) so as to ensure that bonuses are awarded exclusively for outstanding service and excellent conduct;
- international banks: without prejudice to the use of adequate qualitative-quantitative indicators and compliance with the general Group policy, incentives are awarded on the basis of the procedures and local regulations pro tempore in force in each Country.

Any "Relevant Bonuses" awarded to Remaining Personnel, by which are meant bonuses in excess of the threshold of 80,000 euro (see paragraph 5.6.e), are subject to the deferral mechanisms envisaged for the "Extended Scope".

#### *5.6.h Guaranteed bonuses*

The assignment of guaranteed bonuses is not envisaged, with the sole exception of limited cases of recently hired employees, without prejudice to thorough assessment and analysis of market practice, solely for the first year.

#### *5.6.i Clawback mechanisms*

The company reserves the right to activate clawback mechanisms, namely the return of bonuses already paid as required by regulations, as part of the disciplinary initiatives and provisions envisaged for fraudulent behaviour or gross negligence by personnel, also taking into account the relative legal, contributory and fiscal profiles.

#### *5.6.l Prohibition of hedging strategies*

It is expressly prohibited for individual employees to undertake personal hedging or insurance strategies on the remuneration or other aspects that may alter or undermine the effects of the alignment with company risk inherent in the remuneration mechanisms described. Remuneration may not be paid in forms, instruments or methods aimed at avoiding provisions of law.

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## 5.7. Employee share ownership

The Intesa Sanpaolo Group is always seeking innovative ways to motivate and retain its resources, the involvement and development of which constitute key and enabling factors in the achievement of results at all levels of the organisation.

The Group believes that share ownership encourages identification and alignment to the medium/long-term objectives and constitutes a desirable form of sharing the value created over time.

This takes on particular importance during the launch of the 2014-2017 Business Plan, whose implementation requires the commitment and activation of the energy of all individuals working in the Intesa Sanpaolo Group.

### 5.7.1 Employee Investment Plan – LECOIP (Leveraged Employee Co-Investment Plan)

The Bank's desire to offer all of its employees an investment meeting such characteristics (the Investment Plan or LECOIP) falls under this scope.

#### 5.7.1.a Principles

- Strengthening of the sense of belonging (ownership);
- alignment with a medium/long-term timeframe which is consistent with that of the Business Plan;
- express sharing of the "challenge" offered by the Business Plan: participation in the LECOIP assumes an individual investment choice that is both voluntary and informed;
- protection and promotion of employees' savings by offering an efficient investment instrument;
- inclusion and cohesion: the Investment Plan targets all employees;
- fairness: the Investment Plan is offered through a uniform structure to all employees.

#### 5.7.1.b Characteristics

The share ownership proposal is subdivided into two phases:

1. launch by the Bank of an Employee Share Ownership Plan that allows each employee to share equally in the value of Intesa Sanpaolo through ownership and, therefore, to increase their sense of belonging;
2. the possibility for each employee to dispose of the shares received and:
  - a. maintain them in their securities account, in order to sell them subsequently or transfer them immediately;
  - b. invest them in a long-term financial instrument, the LECOIP Certificate, with term aligned to the Business Plan, which upon maturity:
    - i. guarantees a "certain" capital (higher than the value corresponding to the amount of shares invested);
    - ii. participates in the share value increase over a larger number of shares.

With regard to the *Employee Share Ownership Plan*, the amounts assigned free of charge in shares to all employees are differentiated by population groups and, in any case, represent a limited significance value compared to fixed remuneration (up to 80,000 euro to Key Managers). In any case, the methods for implementation of the *Employee Share Ownership Plan* will be discussed with company members, in accordance with the provisions of the relative collective labour and company agreement in force from time to time.

With regard to the LECOIP Certificate, the guaranteed capital amount that the employee receives upon maturity after having invested in the Plan may reach a maximum of 1 fixed remuneration (over 4 years). The extent of participation in the share value increase will be defined upon subscription to the Plan, within a range of between 60% and 75%.

#### 5.7.1.c Diversification in relation to Key Personnel

Key Personnel, as defined above, are offered an investment opportunity with differentiated features compared to those envisaged for employees in general, given their specific impact on company results and in accordance with EU Regulations on remuneration.

The differentiating factor for Key Personnel is the definition of trigger events that may decrease the guaranteed portion as well as the equity portion.

These trigger events – which will be identified in detail in the Risk Taker LECOIP Certificate conditions – include the value distribution or non-distribution to shareholders (this meaning the distribution of

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dividends and/or reserves and/or the buyback of own shares), during the Investment Plan's term of one year or longer.

In fact, the occurrence of said trigger event (namely the non-distribution of dividends to shareholders) may be due to limited profitability, as well as, according to what is expressly stated in Circular no. 285, Title II, Chapter 1, Section V "Capital Preservation Measures", situations of weakening in the capital adequacy conditions, thereby requiring the application of prudent risk management measures.

If said trigger event occurs, the rights that would have been recognised to the Risk Takers pursuant to the Risk Takers LECOIP Certificate shall be transferred to Intesa Sanpaolo according to the methods described in the terms and conditions of said Certificates.

#### *5.7.1.c.i Consistency with the Provisions on remuneration*

Even though the LECOIP is technically a Co-Investment Plan, it is consistent with the CRD IV Directive in terms of its key elements.

In fact, the characteristics of the LECOIP implement the requirements of the international Regulator in terms of remuneration of Key Personnel:

- the "guaranteed capital" is limited to a maximum of 1 fixed remuneration (in 4 years);
- availability of the benefit is subject to a vesting period (cliff) of over 3 years;
- the LECOIP is paid fully in shares;
- the adoption of trigger events that reduce the amount of guaranteed capital and of the investment portion to the share value increase constitutes an intrinsic element of prudent risk management.

#### *5.7.1.d Conditions governing participation in the Investment Plan*

Participation in the Investment Plan is subject to verification of the existence of an employment relationship with Intesa Sanpaolo, or with one of the Group companies at the moment of effective participation in the Investment Plan.

In fact, any rights arising from the Certificate, including the right to protection with regard to the shares assigned free of charge, shall lapse in the event of resignation, termination for just cause or justified reason of the Employees involved, mutual termination of the employment relationship and similar situations. However, at the end of the Investment Plan and based on the actual period of office, amounts/shares accrued may be in any case recognised in the case of termination of the employment relationship due to achievement of the direct pension requirements or through access to the Solidarity Allowance or participation in the Emergency Fund. In all of the above cases, the rights that would have been recognised to Employees under the Certificates shall be transferred to Intesa Sanpaolo according to the methods described in the terms and conditions of said Certificates.

#### *5.7.1.e Change of control*

In the event of a "change of control" impacting the Intesa Sanpaolo Group<sup>3</sup>, the employee receives, on a pro rata basis, the value of guaranteed capital (in any case equal to at least the value of the shares invested by the employee from the *Employee Share Ownership Plan*), plus what has been accrued up to that moment in terms of participation in any share value increase.

#### *5.7.1.f Expected benefits*

- Support of motivation;
- Increase in attraction levels and personnel retention;
- Efficient use of the economic resources available to the Bank (the cost of the Investment Plan is largely lower than traditional forms of remuneration, with equal net benefit for the employee);
- Distribution of the Plan's costs over a multi-year timeframe;
- Tax advantage, in favour of employees, compared to traditional forms of remuneration, as participation in any appreciation of the share value compared to its original market value is subject to taxation on financial income;
- Higher returns for the investor compared to traditional forms of remuneration, as the Investment Plan involves an average increase in EPS of around +1%, with equal net benefit for the employee.

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<sup>3</sup> A change of control is considered to have occurred in the event of acquisition of control of the Intesa Sanpaolo Group by third parties (other than the current shareholders) through public takeover bid, private agreements or any other method (e.g., mergers, acquisitions, spin-offs, extraordinary transactions), where "control" generally refers to: (a) possession of over half of the voting capital or (b) the possibility to exercise substantial control over the company, such as by determining or removing all or part of the management bodies, or (c) the possibility to guide the financial policies or, in general, management of the company.



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### **5.8 Termination of the employment agreement**

The termination of service of personnel with state pension or seniority pension rights and/or A.G.O. pension treatment does not result in loss of the right to payment of the entitled amounts, even deferred.

In all other cases, the company has the right to award any amounts, depending on the specific situations, on termination of the employment contract, also through consensual retrenchment agreements providing termination indemnities.

In any case, observance of the principles contained in the Group's Code of Ethics excludes the possibility of "golden parachutes" to its managers and employees, meaning individual agreements signed ex ante (i.e. prior to termination of the employment contract) that govern remuneration agreed in the event of early termination of employment.

In recent years, the Bank has signed specific agreements with the trade unions with regard to the "solidarity fund", applied to employees of all grades, including executives, which also governs the treatment of sums payable to personnel on termination of service in the event of extraordinary transactions and/or company reorganisations.

6.C.1.f)

### **5.9 Discretionary pension benefits**

Discretionary pension benefits, when recognised, are assigned to beneficiaries in accordance with the regulations in force and, therefore:

- in the case of resources who are not entitled to receive a pension, will be invested in Intesa Sanpaolo shares or other related instruments, held by the bank for a period of at least five years and subject to ex post adjustment mechanisms related to the Group's performance net of risk;
- in the case of resources entitled to a pension, will be invested in Intesa Sanpaolo shares or other related instruments and held by the bank for a period of at least five years.

6.C.1. f)



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## Section II

### PART I – GENERAL INFORMATION

#### Description of remuneration items and consistency with the relevant policy

The remuneration of Board Members, General Managers and other Key Managers consists of:

Art. 123-  
ter (4), (a)  
CLF

- a) a **fixed component** including, for:
  - 1. Supervisory Board Members, the remuneration resolved by the Shareholders' Meeting, including compensation for the performance of special offices and attendance fees;
  - 2. Management Board Members, the remuneration resolved by the Supervisory Board in accordance with the specific remuneration policies approved by the Shareholders' Meeting, including compensation for the performance of special offices;
  - 3. General Managers and other Key Managers, the gross remuneration amount defined individually based on the contractual agreement, the role held, the responsibilities assigned, and the specific experience and expertise acquired by the manager, including any indemnity;
- b) a **variable component** (to which Supervisory Board Members or non-executive Management Board Members are not entitled), linked to performance and aligned to the short-and long-term results actually achieved by the Bank and by the Group overall, resulting from application of the incentive systems approved by the relative corporate bodies in accordance with the remuneration policies in force. The variable component includes the incentive plan based, *inter alia*, on financial instruments targeted at the Top Management and Risk Takers, approved pursuant to the remuneration policies by the Management Board and the Supervisory Board, each within the scope of its remit;
- c) a component resulting from valuation of the **benefits** assigned to the General Managers and other Key Managers and including the amount paid by the company into the manager's supplementary pension fund and the premiums (taxable) paid by the Company for the relative insurance coverage; the statements do not include any other benefits granted to said personnel (for example, a company car) that are not taxable, also due to specific conditions under company policy (for example, if a monetary contribution by the manager is required).

6.C.2

Generally, no specific agreements are envisaged or formalised to govern benefits or indemnity to be paid on termination of the employment relationship to Directors, General Managers and the other Key Managers, to which, in addition to the payment of the fees envisaged by the Italian Civil Code and, if such parties are employees, by the national collective employment agreement, the provisions in the previous paragraphs 2.4, 3.5 and 5.9 of Section I shall apply.



## PART II – QUANTITATIVE ANALYTICAL TABLES

### Remuneration

Table No. 1: Remuneration paid to members of the Supervisory Board and Management Board, General Managers and other Key Managers

(euro/000)

Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration			Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit sharing	Non-monetary benefits				
██████	██████	01/01/2013	31/12/2013	800						800			
██████	██████	01/01/2013	31/12/2013	100						100			
██████	██████	01/01/2013	31/12/2013		h)	9				9			
██████	██████	01/01/2013	31/12/2013		h)	9				9			
██████	██████	01/01/2013	31/12/2013	108						108			
██████	██████	01/01/2013	31/12/2013	100						100			
██████	██████	01/01/2013	31/12/2013		-	9				9			
██████	██████	01/01/2013	31/12/2013		-	9				9			
██████	██████	01/01/2013	31/12/2013	100						100			
██████	██████	22/04/2013	31/12/2013	68						68			
██████	██████	01/01/2013	22/04/2013		-	6				6			
██████	██████	29/04/2013	31/12/2013		-	5				5			
██████	██████	29/04/2013	31/12/2013		-	4				4			

Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration			Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit sharing	Non-monetary benefits				
██████████	████████████████████	22/04/2013	31/12/2013	68						68			
██████████	██████████	29/04/2013	31/12/2013		-	5				5			
	████████████████████	29/04/2013	31/12/2013		-	16				16			
██████████	████████████████████	22/04/2013	31/12/2013	67						67			
██████████	██████████	29/04/2013	31/12/2013		-	5				5			
██████████	████████████████████	01/01/2013	31/12/2013	100						100			
██████████	████████████████████	01/01/2013	22/04/2013		-	10				10			
	████████████████████	29/04/2013	31/12/2013		-	18				18			
	████████████████████	01/01/2013	31/12/2013		-	86				86			
	████████████████████	01/01/2013	31/12/2013		-	39				39			
a)	████████████████████	01/01/2013	25/03/2013	16	2	3				21			
a)	████████████████████	01/01/2013	31/12/2013	44						44			
a)	████████████████████	01/01/2013	31/12/2013	38						38			
██████████	████████████████████	22/04/2013	31/12/2013	68						68			
██████████	████████████████████	29/04/2013	31/12/2013		-	56				56			
	████████████████████	29/04/2013	31/12/2013		-	5				5			
	████████████████████	29/04/2013	31/12/2013		-	27				27			

Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit sharing					
████	████████████████████	01/01/2013	31/12/2013	100						100			
████	████████████████████	01/01/2013	31/12/2013	100						100			
	████████████████████	01/01/2013	31/12/2013		10	35				45			
a)	████████████████████	01/01/2013	18/03/2013	-						-			
a)	████████████████████	01/01/2013	31/12/2013	58						58			
████	████████████████████	22/04/2013	31/12/2013	67						67			
████	████████████████████	29/04/2013	31/12/2013		-	18				18			
████	████████████████████	01/01/2013	31/12/2013	100						100			
	████████████████████	01/01/2013	31/12/2013		-	9				9			
a)	████████████████████	19/05/2013	31/12/2013	32						32			
a)	████████████████████	01/01/2013	31/12/2013	110	65					175			
	████████████████████												
████	████████████████████	22/04/2013	31/12/2013	67						67			
████	████████████████████	29/04/2013	31/12/2013		-	56				56			
	████████████████████	29/04/2013	31/12/2013		-	27				27			
	████████												

Name and Surname	Office	Office held since	End of office	Fixed remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit sharing					
█	█	01/01/2013	22/04/2013	41						41			
█	█	01/01/2013	31/12/2013	100						100			
	█	29/04/2013	31/12/2013		-	16				16			
	█	29/04/2013	31/12/2013		-	27				27			
	█	01/01/2013	22/04/2013		-	4				4			
	█	01/01/2013	22/04/2013		-	32				32			
	█	01/01/2013	22/04/2013		-	12				12			
█	█	22/04/2013	31/12/2013	68						68			
█	█	29/04/2013	31/12/2013		k)	16				16			
	a) █	01/01/2013	22/04/2013	3						3			
█	█	01/01/2013	31/12/2013	100						100			
█	█	01/01/2013	31/12/2013		10	86				96			
	█	01/01/2013	31/12/2013		-	39				39			
	a) █	01/01/2013	31/12/2013	85		3				88			
	a) █	01/01/2013	31/12/2013	71						71			
	a) █	01/01/2013	31/12/2013	7						7			



Name and Surname	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration			Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit Sharing	Non-monetary benefits				
█	█	01/01/2013	31/12/2013	100						100			
█	█	01/01/2013	22/04/2013		-	10				10			
	█	29/04/2013	31/12/2013		j)	18				18			
	█	01/01/2013	31/12/2013		-	43				43			
█	█	22/04/2013	31/12/2013	68						68			
█	█	29/04/2013	31/12/2013		-	5				5			
█	█	22/04/2013	31/12/2013	67						67			
	█	29/04/2013	31/12/2013		-	56				56			
	█	29/04/2013	31/12/2013		-	27				27			
█	█	21/05/2013	31/12/2013	62						62			
█	█	21/05/2013	31/12/2013		-	14				14			
█	█	22/04/2013	31/12/2013	68						68			
█	█	29/04/2013	31/12/2013		-	16				16			

Name and Surname	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration			Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit Sharing	Non-monetary benefits				
[REDACTED]	[REDACTED]	01/01/2013	22/04/2013	31						31			
[REDACTED]	[REDACTED]	01/01/2013	22/04/2013		-	12				12			
a)	[REDACTED]	17/04/2013	31/12/2013	23						23			
a)	[REDACTED]	01/01/2013	23/04/2013	-						-			
a)	[REDACTED]	01/01/2013	19/04/2013	2						2			
[REDACTED]	[REDACTED]	01/01/2013	22/04/2013	31						31			
[REDACTED]	[REDACTED]	01/01/2013	22/04/2013		-	2				2			
[REDACTED]	[REDACTED]	01/01/2013	22/04/2013	31						31			
[REDACTED]	[REDACTED]	01/01/2013	22/04/2013		-	12				12			
a)	[REDACTED]	24/04/2013	31/12/2013	21						21			
[REDACTED]	[REDACTED]	01/01/2013	22/04/2013	31						31			
[REDACTED]	[REDACTED]	01/01/2013	22/04/2013		-	10				10			
[REDACTED]	[REDACTED]	01/01/2013	22/04/2013		-	10				10			
a)	[REDACTED]	24/04/2013	31/12/2013	25	6	1				32			
a)	[REDACTED]	19/03/2013	31/12/2013	36						36			

Name and Surname	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit Sharing					
██████████	████████████████████	01/01/2013	22/04/2013	31							31		
██████████	████████████████████	01/01/2013	22/04/2013		-	12					12		
a) ██████████	████████████████████	01/01/2013	31/12/2013	25		2					27		
a) ██████████	████████████████████	01/01/2013	23/04/2013	22							22		
a) ██████████	████████████████████	01/01/2013	19/03/2013	16							16		
██████████	████████████████████	01/01/2013	22/04/2013	31							31		
██████████	████████████████████	01/01/2013	22/04/2013		i)	10					10		
	████████████████████	01/01/2013	22/04/2013		-	32					32		
	████████████████████	01/01/2013	22/04/2013		-	12					12		
a) ██████████	████████████████████	01/01/2013	31/12/2013	70		2					72		
██████████	████████████████████	01/01/2013	22/04/2013	31							31		
██████████	████████████████████	01/01/2013	22/04/2013		-	4					4		
	████████████████████	01/01/2013	22/04/2013		-	4					4		
a) ██████████	████████████████████	24/04/2013	31/12/2013	83							83		
██████████	████████████████████	01/01/2013	22/04/2013	31							31		
██████████	████████████████████	01/01/2013	22/04/2013		10	12					22		

Name and Surname	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration			Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit Sharing	Non-monetary benefits				
█	█	01/01/2013	22/04/2013	31						31			
█	█	01/01/2013	22/04/2013		-	32				32			
	█	01/01/2013	22/04/2013		-	12				12			
a)	█	01/01/2013	31/12/2013	58		2				60			
a)	█	01/01/2013	31/12/2013	64		2				66			
a)	█	01/01/2013	31/12/2013	37	4					41			
a)	█	01/01/2013	31/12/2013	10						10			
a)	█	01/01/2013	31/12/2013	30	4	2				36			
a)	█	01/01/2013	31/12/2013	-						-			
█	█	01/01/2013	22/04/2013	31						31			
█	█	01/01/2013	22/04/2013		-	4				4			
█	█	22/04/2013	17/05/2013	5						5			
█	█	29/04/2013	17/05/2013		-	-				-			
█	█	09/05/2013	31/12/2013	519						519			
█	█	09/05/2013	31/12/2013	65						65			

Name and Surname	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit Sharing					
██████	████████████████████	01/01/2013	31/12/2013	168						168			
██████	████████████████████	01/01/2013	31/12/2013	118			14			132			
	████████████████████	01/01/2013	31/12/2013	150						150			
a) ████████	████████████████████	01/01/2013	30/09/2013	17						17			
a) ████████	████████████████████	01/10/2013	31/12/2013	8						8			
██████	████████████████████	01/01/2013	31/12/2013	168						168			
	████████████████████	01/01/2013	31/12/2013	118			14			132			
a) ████████	████████████████████	01/01/2013	31/12/2013	250		4				254			
██████	████████████████████	01/01/2013	31/12/2013	1.092			480		59	1,631			
	████████████████████	29/09/2013	31/12/2013	88						88			
	████████████████████	09/05/2013	31/12/2013	g)									
a) ████████	████████████████████	17/04/2013	13/12/2013	d)									
a) ████████	████████████████████	01/01/2013	19/03/2013	d)						-			
██████	████████████████████	09/05/2013	31/12/2013	65						65			
a) ████████	████████████████████	01/01/2013	25/07/2013	b)									
██████	████████████████████	09/05/2013	31/12/2013	65						65			

Name and Surname	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration			Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit Sharing	Non-monetary benefits				
██████████	██████████	01/01/2013	31/12/2013	1.193			640		52		1,885		
██████████	██████████	09/05/2013	31/12/2013	g)							-		
a) ██████████	██████████	01/01/2013	31/12/2013	c)							-		
a) ██████████	██████████	01/01/2013	31/12/2013	c)							-		
a) ██████████	██████████	05/11/2013	31/12/2013	c)							-		
a) ██████████	██████████	01/01/2013	31/12/2013	c)							-		
a) ██████████	██████████	01/01/2013	03/07/2013	c)							-		
██████████	██████████	29/09/2013	31/12/2013	g)							-		
██████████	██████████	01/01/2013	31/12/2013	960			-		72		1,032		
a) ██████████	██████████	01/01/2013	31/12/2013	-							-		
██████████	██████████	09/05/2013	31/12/2013	65							65		
a) ██████████	██████████	01/01/2013	31/12/2013	250							250		
██████████	██████████	09/05/2013	31/12/2013	g)							-		
██████████	██████████	01/01/2013	31/12/2013	942			310		63		1,315		
a) ██████████	██████████	01/01/2013	31/12/2013	-							-		

Name and Surname	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit Sharing					
██████████	████████████████████	01/01/2013	09/05/2013	283						283			
██████████	████████████████████	01/01/2013	09/05/2013	53						53			
a) ██████████	████████████████████	15/05/2013	31/12/2013	113						113			
██████████	████████████████████	01/01/2013	29/09/2013	261						261			
██████████	████████████████████	01/01/2013	29/09/2013	92						92			
██████████	████████████████████	01/01/2013	31/12/2013	1.800			-		377	2,177		3,600 (1)	
██████████	████████████████████	01/01/2013	09/05/2013	54						54			
a) ██████████	████████████████████	01/01/2013	31/12/2013	30		1				31			
a) ██████████	████████████████████	01/01/2013	31/12/2013	100						100			
██████████	████████████████████	01/01/2013	09/05/2013	106			12			118			
██████████	████████████████████	01/01/2013	09/05/2013	53						53			
a) ██████████	████████████████████	01/01/2013	13/09/2013	77	70					147			
a) ██████████	████████████████████	01/01/2013	31/12/2013	99						99			
a) ██████████	████████████████████	01/01/2013	03/07/2013										

Name and Surname	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit Sharing					
██████████	████████████████████	01/01/2013	09/05/2013	106			12			118			
██████████	████████████████████												
	a) ████████████████████	01/01/2013	31/12/2013	60						60			
	a) ████████████████████	01/01/2013	25/07/2013	6		1				7			
	a) ████████████████████	26/07/2013	31/12/2013	21						21			
██████████	████████████████████	01/01/2013	09/05/2013	106			12			118			
██████████	████████████████████												
	a) ████████████████████	01/01/2013	17/04/2013	66		1				67			
██████████	████████████████████	01/01/2013	12/06/2013	339			-		25	364		450 (2)	
██████████	████████████████████												
	a) ████████████████████	01/01/2013	12/06/2013	69			-		6	75	-		
	a) ████████████████████	01/01/2013	04/07/2013	-						-			
	a) ████████████████████	01/01/2013	23/09/2013	e)						-			
	a) ████████████████████	01/01/2013	19/04/2013	e)						-			
	a) ████████████████████	01/01/2013	04/07/2013	e)						-			



Name and Surname	Office	Office held since	End of office	Fixed Remuneration	Remuneration for participation in committees	Attendance fees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment
							Bonus and other incentives (x)	Profit Sharing					
Key managers (****)	Total remuneration in the company drawing up the financial statements			4,947				1,842	238		7,027	-	1,750 (3)
	Total remuneration and attendance fees in subsidiaries and associates			916 f)				283			1,199 f)		

The Chairmen of the Supervisory Board and the Management Board have waived one third of their remuneration, as of 1st May 2013 until 22 April 2013.

Supervisory Board members have waived, as of 1st July 2013 until 22 April 2013, one third of fixed fees due in relation to their office and any ad personam assignments granted by the Board

a) Remuneration/Attendance fees in subsidiaries and associates.

b) Remuneration for offices held in subsidiaries and/or associates as representatives of Intesa Sanpaolo S.p.A., which amounts to 6.6 thousand euro, has not been included in this item, as it was fully transferred to the Bank.

c) Remuneration for offices held in subsidiaries and/or associates as representatives of Intesa Sanpaolo S.p.A., which amounts to 238 thousand euro, has not been included in this item, as it was fully transferred to the Bank.

d) Remuneration for offices held in subsidiaries and/or associates as representatives of Intesa Sanpaolo S.p.A., which amounts to 24 thousand euro, has not been included in this item, as it was fully transferred to the Bank.

e) Remuneration for offices held in subsidiaries and/or associates as representatives of Intesa Sanpaolo S.p.A., which amounts to 7 thousand euro, has not been included in this item, as it was fully transferred to the Bank.

f) Other remuneration for offices held in subsidiaries and/or associates as representatives of Intesa Sanpaolo S.p.A., which amounts to 337 thousand euro, has not been included in this item, as it was fully transferred to the Bank.

g) Executive Members of the Management Board who are Managers of the Banking Group have waived their remuneration due in relation to the office.

h) [REDACTED] waived the remuneration for the offices of [REDACTED] (50 thousand euro) and [REDACTED] (50 thousand euro).

i) [REDACTED] waived the 33 thousand euro remuneration for the office of [REDACTED].

j) [REDACTED] waived the 30 thousand euro remuneration for the office of [REDACTED].

k) [REDACTED] waived the 30 thousand euro remuneration for the office of [REDACTED].

(\*) [REDACTED] receives an additional remuneration for the [REDACTED] of the Bank and of the Group.

(\*\*) Remuneration to [REDACTED] refers to the period from 1/1/2013 to 22/4/2013. For the period from 29/4/2013 to 31/12/2013 Mr. Dalla Sega waived the 30 thousand euro remuneration.

(\*\*\*) Remuneration to [REDACTED] for the office of [REDACTED] refers to the period from 1/1/2013 to 22/4/2013. For the period from 29/4/2013 to 31/12/2013 Mr. [REDACTED] waived the 30 thousand euro remuneration.

(\*\*\*\*) Remuneration refers to 11 Key Managers, 10 of which still in office as at 31 December 2013.

x) The amounts set out refer exclusively to payment of the deferred portions of the incentives allocated in previous financial years against the results achieved in 2010 and 2012; no bonus is payable for 2013 (see table 3B for details).

(1) Penalty for early unilateral termination under the stability agreement signed upon hiring.

(2) Indemnity in lieu of advance notice under the current National Collective Bargaining Agreement for Executives.

(3) Exit incentives inclusive of all benefits due under the current National Collective Bargaining Agreement for executives of the credit sector.

Table No. 2: Stock options assigned to members of the Management Board, General Managers and other Key Managers

A	B	(1)	Options held at the beginning of the year			Options assigned during the year					Options exercised during the year			Options expired during the year	Options held at end of the year	Options for the year	
			(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15) = (2) + (5) - (11) - (14)	(16)
Name and Surname	Office	Plan	Number of options	Exercise price	Possible exercise period (from-to)	Number of options	Exercise price	Possible exercise period (from-to)	Fair value at assignment date	Assignment date	Market price of underlying shares upon assignment of options	Number of options	Exercise price	Market price of underlying shares at exercise date	Number of options	Number of options	Fair value

N.B.: The figures indicated refer to the remuneration assigned by the company drawing up the financial statements; the assignment of stock options to subsidiaries and associates is not envisaged.  
 (\*) Exercisable during pre-established time periods.

Table No. 3A: Incentive plans based on financial instruments other than stock options, in favour of members of the Management Board, General Managers and other Key Managers (euro/000)

A Name and surname	B Office	(1) Plan	Financial instruments assigned in previous years and not vested during the year		Financial instruments assigned during the year						Financial instruments vested during the year and not assigned	Financial instruments vested during the year and assigned		Financial instruments for the year
			(2) Number and type of financial instruments	(3) Vesting period	(4) Number and type of financial instruments	(5) Fair value at assignment date	(6) Vesting period	(7) Assignment date	(8) Market price at assignment	(9) Number and type of financial instruments	(10) Number and type of financial instruments	(11) Value at maturity date	(12) Fair value	
██████	██████████	2011 Incentive												
██████	██████████	2012 Incentive									682,335			
██████	██████████	2013 Incentive			-	-	-	-	-	-				
██████	██████████	2011 Incentive	422,660	March 2014/June 2016							65,025			
██████	██████████	2012 Incentive	379,075	March 2015/June 2017										
██████	██████████	2013 Incentive			-	-	-	-	-	-				
██████	██████████	2011 Incentive												
██████	██████████	2012 Incentive	454,890	March 2015/June 2017										
██████	██████████	2013 Incentive			-	-	-	-	-	-				
██████	██████████	2011 Incentive									117,042			
██████	██████████	2012 Incentive									171,758			
██████	██████████	2013 Incentive			-	-	-	-	-	-				
██████	██████████	2011 Incentive	52,019	March 2014/June 2016							5,039			
██████	██████████	2012 Incentive												
██████	██████████	2013 Incentive			-	-	-	-	-	-				

A Name and surname	B Office	(1) Plan	Financial instruments assigned in previous years and not vested during the year		Financial instruments assigned during the year					Financial instruments vested during the year and not assigned	Financial instruments vested during the year and assigned		Financial instruments for the year
			(2) Number and type of financial instru- ments	(3) Vesting period	(4) Number and type of financial instru- ments	(5) Fair value at assign- ment date	(6) Vesting period	(7) Assign- ment date	(8) Market price at assignment	(9) Number and type of financial instruments	(10) Number and type of financial instruments	(11) Value at maturity date	(12) Fair value
		2011 Incentive	190,196	March 2014/June 2016						29,261			
		2012 Incentive	151,630	March 2015/June 2017									
		2013 Incentive			-	-	-	-	-				
		2011 Incentive											
		2012 Incentive											
		2013 Incentive			-	-	-	-	-				
Key managers (remuneration assigned by Intesa Sanpaolo)		2011 Incentive	1,194,007	March 2014/June 2016						183,693			
		2012 Incentive	1,273,644	March 2015/June 2017									
		2013 Incentive			-	-	-	-	-				
Key managers (remuneration assigned by subsidiaries)		2011 Incentive	177,733	March 2014/June 2016						17,340			
		2012 Incentive	576,192	March 2015/June 2017									
		2013 Incentive			-	-	-	-	-				

1 Incentives defined in relation to the office of General Manager of Banco di Napoli.

2 Incentives defined in relation to previous managerial offices in the Intesa Sanpaolo Group.

N.B.: The figures indicated refer to the remuneration assigned by Intesa Sanpaolo or, where indicated, by subsidiaries; the assignment of variable remuneration by associates is not envisaged

Table No. 3B: Monetary incentive plans in favour of members of the Management Board, General Managers and other Key Managers

(euro/000)

A	B	(1)	(2)			(3)			(4)
Name and Surname	Office	Plan	Bonus for the year			Bonus for previous year			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Erogabile / Erogato	Differito	Periodo di differimento	No longer payable (a)	Payable/Pai d	Still deferred	
██████████	████████████████████ ██████████	2011 Incentive				-	-	-	
		2012 Incentive				-	14	28	
		2013 Incentive	-	-	-				
██████████	████████████████████	2011 Incentive				-	-	-	
		2012 Incentive				-	14	28	
		2013 Incentive	-	-	-				
██████████	████████████████████ ██████████	2011 Incentive				-	-	-	
		2012 Incentive				-	12	24	
		2013 Incentive	-	-	-				
██████████	████████████████████ ██████████	2011 Incentive				-	-	-	
		2012 Incentive				-	12	24	
		2013 Incentive	-	-	-				

A Name and Surname	B Office	(1) Plan	(2)			(3)			(4) Other Bonuses
			Bonus for the year			Bonus for previous year			
			(A)	(B)	(C)	(A)	(B)	(C)	
			Erogabile / Erogato	Differito	Periodo di differimento	No longer payable (a)	Payable/Pai d	Still deferred	
██████████	████████████████████ ██████████	2011 Incentive				-	-	-	
		2012 Incentive				-	12	24	
		2013 Incentive	-	-	-				
██████████	████████████████████	2011 Incentive				-	-	8	
		2012 Incentive				-	-	-	
		2013 Incentive	-	-	-				
██████████████	████████████████████ ██████████████████ ██████████	2011 Incentive				-	-	-	
		2012 Incentive				540	-	-	
		2013 Incentive	-	-	-				
██████████	████████████████████ ██████████████████ ██████████	2010 Incentive				-	280	-	
		2011 Incentive				-	-	100	
		2012 Incentive				-	200	100	
		2013 Incentive	-	-	-				

A Name and Surname	B Office	(1) Plan	(2)			(3)			(4) Other Bonuses
			Bonus for the year			Bonus for previous year			
			(A)	(B)	(C)	(A)	(B)	(C)	
			Erogabile / Erogato	Differito	Periodo di differimento	No longer payable (a)	Payable/Pai d	Still deferred	
██████████	████████████████████ ██████████████████ ██████████████	2010 Incentive				-	400	-	
		2011 Incentive				-	-	-	
		2012 Incentive				-	240	120	
		2013 Incentive	-	-	-				
██████████	████████████████████	2011 Incentive				16	-	-	
		2012 Incentive				91	-	-	
		2013 Incentive	-	-	-				
██████████	████████████████████ ██████████████ ██████████████	2010 Incentive				-	230	-	
		2011 Incentive				-	-	45	
		2012 Incentive				-	80	40	
		2013 Incentive	-	-	-				
██████████	████████████████████ ██████████████ ██████████████	2011 Incentive				-	-	-	
		2012 Incentive				-	-	-	
		2013 Incentive	-	-	-				

A Name and Surname	B Office	(1) Plan	(2)			(3)			(4) Other Bonuses
			Bonus for the year			Bonus for previous year			
			(A)	(B)	(C)	(A)	(B)	(C)	
			Erogabile / Erogato	Differito	Periodo di differimento	No longer payable (a)	Payable/Pai d	Still deferred	
Key Managers (Remuneration assigned by Intesa Sanpaolo)		2010 Incentive				-	1,170	-	
		2011 Incentive				-	-	283	
		2012 Incentive				-	672	336	
		2013 Incentive	-	-	-				
Key Managers (Remuneration assigned by subsidiaries)		2011 Incentive				-	-	27	
		2012 Incentive				-	283	141	
		2013 Incentive	-	-	-				

1 Incentives defined in relation to previous managerial offices in the Group.

2 Incentives 2011 e 2012 defined in relation to the office of General Manager of Banco di Napoli.

N.B.: The figures indicated refer to the remuneration assigned by Intesa Sanpaolo or, where indicated, by subsidiaries; the assignment of variable remuneration by associates is not envisaged.



## Equity investments

Table No. 1: Equity investments of members of the Supervisory Board and Management Board and of the General Managers

Name and surname	Office	Subsidiary	Number of shares held at the end of prior year	Number of shares purchased	Number of shares sold	Number of shares held at the end of current year (*)
██████████ (1)	██████████	Intesa Sanpaolo ordinary shares	19,284			19,284
██████████ (2)	██████████	Intesa Sanpaolo ordinary shares	105,031			105,031
██████████ (2)	██████████	Intesa Sanpaolo savings shares	19,000			19,000
██████████ (3)	██████████	Intesa Sanpaolo ordinary shares	2,200			2,200
██████████ (1)	██████████	Intesa Sanpaolo ordinary shares	1,017			1,017
██████████ (4)	██████████	Intesa Sanpaolo ordinary shares	417 (a)			417
██████████	██████████	Intesa Sanpaolo ordinary shares	3,720			3,720
██████████ (4)	██████████	Intesa Sanpaolo ordinary shares	52,856 (b)			52,856
██████████	██████████	Intesa Sanpaolo ordinary shares	570,553			570,553
██████████ (5)	██████████	Intesa Sanpaolo ordinary shares	1,800,124			1,800,124
██████████ (1)	██████████	Intesa Sanpaolo ordinary shares	500,000			500,000
██████████ (1)	██████████	Intesa Sanpaolo ordinary shares	16,020 (a)			16,020
██████████ (1)	██████████	Intesa Sanpaolo ordinary shares	19,506,171 (b)			19,506,171
██████████ (6)	██████████	Intesa Sanpaolo ordinary shares	20,000			20,000
██████████ (6)	██████████	Intesa Sanpaolo ordinary shares	900,210			900,210

(\*) or at the beginning/end of office, if different from the aforesaid reference period

(1) in office up to 9 May 2013

(2) in office up to 16 June 2013.

(3) in office from 9 May 2013

(4) in office from 29 April 2013

(5) in office from 29 September 2013

(6) in office up to 22 April 2013

(a) Shares owned by spouse

(b) Shares held indirectly.

*Table No. 2: Equity investments of other Key Managers*

Number of other key managers	Subsidiary	Number of shares held at the end of prior year	Number of shares purchased	Number of shares sold	Number of shares held at the end of current year
11 (*)	Intesa Sanpaolo ordinary shares (a)	3,410,431			1,309,495
	Intesa Sanpaolo non convertible savings shares (a)	5,000			5,000

(\*) Total number of other key managers including those who do not hold any equity investments.

(a) Of which 10,743 ordinary shares and 5,000 non convertible savings shares pertaining to spouse.

Please Note : The values at the beginning and end of the period take into account the changes in the composition of "Other key managers".

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## PART III – AGGREGATE QUANTITATIVE INFORMATION PURSUANT TO THE SUPERVISORY PROVISIONS OF THE BANK OF ITALY

### The 2013 incentive system for Top Management and Risk Takers

#### *Introduction*

On 12 March 2013, Intesa Sanpaolo's remuneration and incentive policies were approved by the Supervisory Board - upon proposal of the Management Board - and submitted, to the extent of its responsibilities, to an advisory vote by the Shareholders' Meeting of 22 April 2013, which was favourable. On 16 July 2013, the Management and Supervisory Boards approved, to the extent of their responsibilities, the incentive system for Top Management and Risk Takers (hereinafter also the "System"), implementing said policies.

The System is fully consistent with the recent regulatory provisions, with particular reference to:

- identification of "Key personnel", meaning those whose decisions have a significant impact on the Bank's risk profile, to which specific remuneration rules must be applied in terms of payment of variable remuneration;
- the ratio of the fixed component to the variable component of remuneration, suitably balanced;
- the structure of the variable component, of which:
  - a) at least 40% (which can be raised to 60% for executive directors, top managers and heads of the main business lines, corporate functions or geographical areas) must be subject to deferred payment systems for a period of at least 3 years;
  - b) at least 50% must be disbursed in shares or instruments linked to shares; this percentage is applied, in the same proportion, to the deferred variable component as well as to the non-deferred (upfront) component;
- the presence of a specific retention mechanism (of at least 2 years for the upfront component, shorter for the deferred component) for the financial instruments pursuant to point b);

#### *Recipients*

The System is addressed to "Key personnel", as defined by the Supervisory Provisions, identified by the Management and Supervisory Boards, each acting under its remit, as the Chief Executive Officer, the General Managers, the other Key Managers, the heads of the Company Control Functions at Group level, including the relative main hierarchical and functional heads, the heads of the main corporate functions and business areas and the persons defined by the regulations as "risk takers", who may take on significant risks for the Group, such as, merely by way of example, the heads of the main business units of Banca IMI, for a total of about 110 resources.

Therefore, recipients include managers who have regular access to privileged information and have the power to make management decisions which may affect the Group's evolution and outlook.

#### *Plan rationale*

Incentive plans are designed, in general terms, to retain managers and support their motivation to achieve the company's long-term goals. Where they include financial instrument-based compensation, they also strengthen the alignment of Management conduct, Shareholders' interests and medium-/long-term results, also via the managers' direct participation in corporate risk.

Under this approach, the plans are an integral component of the Intesa Sanpaolo Group compensation system addressed to executive officers and Remaining Personnel, fully in line with its investment in human capital development, in the framework of a policy targeting sustainable long-term development and accountability vis-à-vis all stakeholders, by incentivising the achievement of targets identified by the competent corporate functions from among the indicators that best reflect Group profitability over time, also taking account of risks assumed, the cost of capital, liquidity and the level of capital base required to handle the activities implemented.

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The structure of the incentive mechanism is also functional for compliance with the Supervisory Instructions in force, when these require that at least 50% of the variable part accrued by executive officers be assigned in shares or related instruments.

*Characteristics of the financial instruments to be awarded*

The System provides for the assignment to the recipients identified above of a bonus comprised of 50% cash and 50% Intesa Sanpaolo ordinary shares, which will be purchased on the MTA market (mercato telematico azionario) in compliance with the proxies duly issued by the Shareholders' Meeting.

60% of the entire bonus (reduced to 40% for the Chief Executive Officer, Key Managers and other specific positions) will be paid to the recipients in the year following the year the bonus refers to (upfront portion) according to the same cash/shares ratio as above.

The remaining portion will instead be assigned proportionally in the three further following years, broken down as follows: the first third will be paid entirely in cash, the second third exclusively through shares and the last third equally divided into cash and shares.

As per the Supervisory Provisions, each portion of the bonus assigned in shares shall be subject to a retention period of 2 years for the upfront portion and 1 year for the deferred portions. The retention period starts from the accrual date of the bonus.

The shares accrued in each case shall be delivered to the recipients only at the end of the retention period described above and, save for the cases described below, subject to continuation of employment in any company of the Group.

In light of the above, the shares to be purchased on the basis of the Shareholders' Meeting proxy may be delivered to the recipients starting from 2016 (for the upfront portion referring to 2013 results) and up to 2018 (for the last deferred portion).

In any event, incentives lower than or equal to 80,000 euro gross are paid entirely in cash and upfront, inasmuch as the amounts that would result from the application of the deferral, payment in shares and holding period regulations would be quite insignificant in both absolute and relative terms with respect to total remuneration collected, to such an extent as to result in effective invalidation of the principle that inspires the mechanism (correlation between the amount of the incentive and assumption of risks).

As has become traditional practice in the Group and in line with regulators' indications based on which the ratio of the fixed component of remuneration and the variable one "must be suitably balanced, exactly determined and carefully assessed in relation to the characteristics of the intermediary and of the various categories of personnel", the theoretical bonus paid is related to the level of each recipient's fixed remuneration component.

More specifically, recipients may at the most receive a yearly bonus, including the deferred portion and the portion assigned in shares, of 50% of the remuneration pay mix, down compared to the previous 60% and anticipating by one year alignment to the new provisions of Directive 2013/35/EU (CRD 4) in relation to the ratio of the fixed component to the variable component of remuneration. In light of regulator's indications, the Heads of the Company Control Functions, even if they are included under Key Managers, may benefit from a variable portion of compensation, with the same characteristics as that for "Key personnel", though smaller - amounting to approximately 40% of the remuneration pay mix, at most (net of any indemnity for their position).

The assignment of incentives to recipients is funded by a structured bonus pool mechanism. In full harmony with the criterion of symmetry between the amount of bonuses paid and actual performance achieved, the total amount of the incentives at Group level is linked to the trend of an economic indicator, Income before Tax from Continuing Operations, appropriately adjusted (approximately +/- 10%) in relation to an evaluation of the performance of Intesa Sanpaolo relative to a panel of its international and domestic peers, identified based on comparability in terms of size, business mix, capital and talent markets.

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The opening of a bonus pool at Group and department level is based on the exceeding of the so-called “access threshold”, expressed ex ante as the minimum value of the relative Income before Tax from Continuing Operations.

Financial sustainability principle is ensured, in accordance with the requirements of the Regulator, by two preliminary conditions:

1. Core Tier 1 in line with the regulatory threshold;
2. No loss or a positive Income before Tax from Continuing Operations, net of any contribution of profits from the buyback of Bank’s own liabilities, from the fair value measurement of Bank’s liabilities and from income components arising from accounting policies following changes to the internal model on demand positions.

Non-achievement of even only one of the above conditions results in non-activation of the incentive systems for the Group personnel.

Once said conditions have been exceeded, the total amount due to the recipients is defined, in compliance with the Group and Division/Business Unit bonus pools, based on the position reached by each Manager in the “internal ranking” of their specific Division/Business Unit. This ranking is obtained by ordering the scores of the results of the individual “target sheets”, which measure performance at several levels, both quantitative (profitability, growth, productivity, cost of risk/sustainability) and qualitative (strategic actions or projects and managerial qualities).

Moreover, each deferred portion is subject to ex-post adjustment mechanism – the “malus conditions” – according to which the relative amount paid and the number of financial instruments assigned, if any, may be reduced, even down to zero, in the year to which the deferred portion refers, in relation to the level of achievement of the minimum conditions set by the Regulator, namely:

1. Core Tier 1 in line with the regulatory threshold;
2. AV2 consistent with the Group’s RAF limits;
3. No loss or a positive Income before Tax from Continuing Operations, net of any contribution of profits from the buyback of Bank’s own liabilities, from the fair value measurement of Bank’s liabilities and from income components arising from accounting policies following changes to the internal model on demand positions.

In particular, if either condition 1 or 2 does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

In any case, even if the malus conditions are met, individual access to the deferred portions requires the absence of any disciplinary measures that call for at least a 1-day suspension (individual compliance breach).

In terms of activation of the 2013 Incentive System, the minimum conditions required by the aforementioned Regulations are met<sup>1</sup> solely as a consequence of the effects on the income statement deriving from the recognition of the new stakes in the Bank of Italy replacing the previous stakes already held and cancelled by the Bank of Italy due to Law Decree no. 133/2013 converted into Law no. 5/2014 and the consequent amendments to the Articles of Association approved by the Meeting of Shareholders of the Bank of Italy on 23 December 2013.

Upon recommendation by the Managing Director and CEO, supported by the Remuneration Committee, the Corporate bodies have agreed on the opportunity of removing these effects from Income before Tax from Continuing Operations, as it is the minimum threshold for the 2013 Incentive System, also in accordance with the applicable rules (non-recurring income items or mere valuation components are not included in the results for variable incentive purposes, as they do not express “effective and long-term” results, pursuant to the Provisions of March 2011 – see Communication of 13 March 2013 – 2012 Financial Statements: assessment of loans, remuneration and distribution of dividends of the Bank of Italy). Therefore, the 2013 Incentive System is not activated and the Bonus Pool is not financed, resulting in the non-payment of any variable remuneration component.

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<sup>1</sup> Particular reference is made to the condition that requires a positive Income before Tax from Continuing Operations, net of any contribution of profits from the buyback of Bank’s own liabilities, from the fair value measurement of Bank’s liabilities and from income components arising from accounting policies following changes to the internal model on demand positions.

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## Quantitative information subdivided by business area

As shown in the previous paragraph, non-activation of the 2013 Incentive System results in a zero variable portion in the pay mix of each business area.

COMPARISON OF PERCENT DISTRIBUTION OF STAFF, FIXED COST AND VARIABLE COMPONENT FOR 2013			
	Staff 2013	Fixed Cost 2013	Variable Component 2013
Central Structures (including Top Management)	12%	16%	0%
Banca dei Territori	52%	62%	0%
Corporate & Investment Banking	3%	6%	0%
Banca Fideuram	2%	3%	0%
Eurizon Capital	1%	1%	0%
International Subsidiary Banks	30%	12%	0%

## Quantitative information subdivided among the various categories of “key personnel”

Population (as at 31.12.2013)	No.	Percent ratio of the Fixed Component to the Variable Component of Remuneration		Remuneration 2013		Detail of Variable Component 2013				Variable deferred amount from prior years <sup>2</sup> :		Variable deferred amount and upfront shares from prior years paid in 2013:
		Theoretical	Actual	Fixed Remuneration	Variable Remuneration	Upfront Cash	Upfront Shares	Deferred Cash	Deferred Shares	Variable deferred amount from prior years <sup>2</sup> :		
										Accrued following 2013 performance	Not accrued	
	1	Max 100%	-	2.153	-	-	-	-	-	-	1.080	-
	1	Max 100%	-	1.180	-	-	-	-	-	333	67	413
GM, Other Key Managers <sup>2</sup> and MD/GM of the main Business Units/Companies	13	Max 100%	-	8.525	-	-	-	-	-	2.264	217	2.236
Heads of the Company Control Functions <sup>1</sup>	6	Max 67%	-	3.172	-	-	-	-	-	367	74	709
Other individuals who individually or collectively take on significant risk	89	Max 100%	-	22.661	-	-	-	-	-	3.402	762	2.803

<sup>1</sup> The amount indicated under the column “Fixed Remuneration” also includes remuneration received as [REDACTED]

<sup>2</sup> Excluding 3 Key Managers who are included under Managers of Internal Control Functions.

<sup>3</sup> The amount indicated under the column “Fixed Remuneration” also includes any amounts paid as role indemnity.

<sup>4</sup> The amounts indicated include the value, upon definition of the incentives, of the shares assigned to Management in prior years under the incentive plans, even though these shares can be effectively assigned only in upcoming years, given the retention period and in any case subject to remaining in office with the exception of specific cases.

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As shown in the table above, deferred bonus portions accrued during the year but assigned in prior years (2010 Incentive System), as well as the upfront cash bonus portion for the 2012 Incentive System, were paid during 2013.

In consideration of this, and taking into account the fixed remuneration levels recognised, a total of 8 Managers, in office as at 31 December 2013, had a total remuneration for 2013 of at least 1 million euro. More specifically:

- 1 Manager with total remuneration of between 2 and 2.5 million euro;
- 2 Managers with total remuneration of between 1.5 and 2 million euro;
- 5 Managers with total remuneration of between 1 and 1.5 million euro.

As regards the information required on employee termination indemnities defined during the year, it is specified that, apart from [REDACTED] – [REDACTED] [REDACTED] – and [REDACTED] there was 1 case of termination of Key Managers and 4 cases of Managers under the “Key Personnel” category in 2013.

The total amount of termination indemnities payable to these 7 Managers amounts to 7,381 thousand euro, the highest of which is 3,600 thousand euro, to be paid during 2014 to [REDACTED] [REDACTED] as a penalty for early unilateral termination, in application of the stability agreement signed upon hiring.

No Managers under the “Key Personnel” category were recruited on the market in 2013.



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## PART IV – INTERNAL AUDITING DEPARTMENT ASSESSMENT OF THE REMUNERATION SYSTEM

The Internal Auditing Department has carried out the planned audit, aimed at analysing the operational practices followed in defining the incentive system for the year 2013, in terms of consistency with the policies resolved by the Bodies and the relative provisions issued by the Bank of Italy.

The audit aimed to verify the main operational phases of the process: the quantification and approval of the 2013 incentive system and its main components (economic requirements, provisions, certification of results achieved, any allocation of the bonus pool to the Departments), as well as incentives for Key Personnel and for Heads of the Control Functions.

With a view to improving the efficacy of the system, taking advantage of a number of innovations introduced by CRD 4 in advance, in addition to the Supervisory Authority's recommendations during 2013, amendments to the 2013 incentive system have been approved by the Boards, with regard to aspects under their responsibility, such as: the introduction of a cap on the variable portion, which cannot exceed 100% of the annual gross fixed remuneration, and reduction of the "relevant bonus" threshold.

The structure of the system has been assessed by the Compliance Department as being compliant with the regulations. The recommendations made following the audits conducted the prior year have been adopted, except for the request to formalise the principles of the incentive system within the bank's internal regulations, to be carried out in 2014.

With regard to 2013, despite the presence of indicators consistent with the thresholds envisaged for access to the approved incentive system, taking into consideration the applicable external regulations (which exclude the contribution of "non-recurring" or "valuation" income components), the revaluation gain in the Bank of Italy stake has been removed from the income amount for the purposes of the incentive system. The minimum threshold envisaged by the rules for access to the incentive system is therefore considered not to have been achieved, and was consequently not activated for 2013.

Moreover, the intention to use provisions – allocated by those Group companies that achieved results higher than budget - has been expressed, for targeted "management" initiatives, with a view to maintaining adequate motivational and/or retention levels. The establishment of principles and selection and assignment criteria has been recommended for such initiatives.

Based on the observations thus far, the Internal Auditing Department has expressed an opinion of adequacy of the operational procedure followed, in accordance with the policies and application profiles defined.

The audit will be completed with the assessment of disbursement of the aforementioned management initiatives, together with corroboration of the deferred portions for the years 2011 and 2012.

In addition to the information presented in the Report on Remuneration illustrated for the Shareholders' Meeting on 22 April 2013, the following is a summary of the audit of the 2nd stage of the process of disbursing incentives accrued in 2012, which took place in June and July 2013, including the deferred portion.

The amounts disbursed are "in line" with the bonus pool allocations except for a limited number of exceptions concerning the Remaining Staff, in any event budgeted for in the 2013 labour costs. The incentives assigned to Key Managers and Heads of the Control Functions reflect the levels stated in the Report on Remuneration. For these officers the correct disbursement of amounts deferred for 2010 and 2011 has also been assessed.

Albeit with certain limits, the application of the forced "ranking" system for Key Personnel and the Extended Scope led to selectivity in line with the planned objectives. Improvements to the level of selectivity of the Head Office Departments and Middle Management were recommended. For the Remaining Staff, in a scenario of overall adequacy, it was found that certain bonuses had not been deferred and this should be more accurately monitored in future.



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# Appendix



**Table No. 1: Check List**

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
<b>1. ROLE OF THE BOARD OF DIRECTORS</b>				
1.P.1. Listed companies are governed by a Board of Directors that meets at regular intervals, adopts an organisation and a modus operandi which enable it to perform its functions in an effective manner.	✓			Page 25, 44 (S.B.) Page 48, 56 (M.B.)
1.P.2. The directors act and make decisions with full knowledge of the facts and autonomously pursuing and placing priority on the objective of creating value for the shareholders over a medium-long term period.	✓			Page 44, 45 (S.B.) Page 50,56 (M.B.)
1.C.1. The Board of Directors shall:				
a) examine and approve the strategic, operational and financial plans of both the issuer and the corporate group it heads, monitoring periodically the related implementation; it defines the issuer's corporate governance and the relevant group structure;	✓			Page 25 (S.B.) Page 48 (M.B.)
b) define the risk profile, both as to nature and level of risks, in a manner consistent with the issuer's strategic objectives;	✓			Page 26 (S.B.) Page 48 (M.B.)
c) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control system and risk management;	✓			Page 48 (M.B.)
d) specify the frequency, in any case no less than once every three months, with which the delegated bodies must report to the Board on the activities performed in the exercise of the powers delegated to them;	✓			Page 60, 61 (M.B.)
e) evaluate the general performance of the company, paying particular attention to the information received from the delegated bodies and periodically comparing the results achieved with those planned;	✓			Page 49 (M.B.) Page 61
f) resolve upon transactions to be carried out by the issuer or its controlled companies having a significant impact on the issuer's strategies, profitability, assets and liabilities or financial position; to this end, the Board shall establish general criteria for identifying the material transactions;	✓			Page 25 (S.B.) Page 49 (M.B.)
g) perform at least annually an evaluation of the performance of the Board of Directors and its committees, as well as their size and composition, taking into account the professional competence, experience (including managerial experience) gender of its members and number of years as director. Where the Board of Directors avails of consultants for such a self-assessment, the Corporate Governance Report shall provide information on other services, if any, performed by such consultants to the issuer or to companies having a control relationship with the issuer;	✓			Page 46 (S.B.) Page 59 (M.B.)
h) taking into account the outcome of the evaluation mentioned under the previous item g), report its view to shareholders on the professional profiles deemed appropriate for the composition of the Board of Directors, prior to its nomination;	✓			Page 38, 47 (S.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
<p>i) provide information in the Corporate Governance Report on (1) its composition, indicating for each member the relevant role held within the Board of Directors (including by way of example, chairman or chief executive officer, as defined by article 2), the main professional characteristics as well as the duration of his/her office since the first appointment; (2) the application of article 1 of this Code and, in particular, on the number and average duration of meetings of the Board and of the executive committee, if any, held during the fiscal year, as well as the related percentage of attendance of each director; (3) how the self-assessment procedure as at previous item g) has developed;</p>	✓			Page 27, 30, 35, 38, 39, 41, 42, 46 (S.B.) Page 48, 50, 51, 52, 53, 54, 58, 59 (M.B.)
<p>j) in order to ensure the correct handling of corporate information, adopt, upon proposal of the managing director or the chairman of the Board of Directors, internal procedures for the internal handling and disclosure to third parties of information concerning the issuer, having special regard to price sensitive information.</p>	✓			Page 81, 83
<p>1.C.2. The directors shall accept the directorship when they deem that they can devote the necessary time to the diligent performance of their duties, also taking into account the commitment relating to their own work and professional activity, the number of offices held as director or statutory auditor in other companies listed on regulated markets (including foreign markets) in financial companies, banks, insurance companies or companies of a considerably large size. The Board shall record, on the basis of the information received from the directors, on a yearly basis, the offices of director or statutory auditor held by the directors in the above-mentioned companies and include them in the Corporate Governance Report;</p>	✓			Page 31, 32 (S.B.) Page 55, 56 (M.B.)
<p>1.C.3. The Board shall issue guidelines regarding the maximum number of offices as director or statutory auditor for the types of companies referred to in the above paragraph that may be considered compatible with an effective performance of a director's duties, taking into account the attendance by the directors to the committees set up within the Board. To this end, the Board identifies the general criteria, differentiating them according to the commitment entailed by each role (executive or non-executive or independent director), as well as the nature and size of the companies in which the offices are performed, plus whether or not the companies are members of the issuer's group.</p>	✓			Page 31 (S.B.) Page 55 (M.B.)
<p>1.C.4. If the shareholders' meeting, when dealing with organisational needs, authorises, on a general, preventive basis, derogations from the rule prohibiting competition, as per Article 2390 of the Italian Civil Code, then the Board of Directors shall evaluate each such issue, reporting, at the next shareholders' meeting, the critical ones if any. To this end, each director shall inform the Board, upon accepting his/her appointment, of any activities exercised in competition with the issuer and of any effective modifications that ensue.</p>			✓	Page 55 (M.B.)
<p>1.C.5. The chairman of the Board of Directors shall ensure that the documentation relating to the agenda of the Board are made available to directors and statutory auditors in a timely manner prior to the Board meeting. The Board of Directors shall provide information in the Corporate Governance Report on the promptness and completeness of the pre-meeting information, providing details, inter alia, on the prior notice usually deemed adequate for the supply of documents and specifying whether such prior notice has been usually observed.</p>	✓			Page 45 (S.B.) Page 56 (M.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
1.C.6. The chairman of the Board of Directors, also upon request of one or more directors, may request to the managing directors that certain executives of the issuer or the companies belonging to its group, in charge of the pertinent management areas related to the Board agenda, attend the meetings of the Board, in order to provide appropriate supplemental information on the items on the agenda.	✓			Page 45 (S.B.) Page 57 (M.B.)

## 2. COMPOSITION OF THE BOARD OF DIRECTORS

2.P.1. The Board of Directors shall be made up of executive and non-executive directors, who should be adequately competent and professional.	✓			Page 51, 55 (M.B.)
2.P.2. Non-executive directors shall bring their specific expertise to Board discussions and contribute to the adoption of fully informed decisions paying particular care to the areas where conflicts of interest may exist.	✓			Page 45 (S.B.) Page 51, 57 (M.B.)
2.P.3. The number, competence, authority and time availability of non-executive directors shall be such as to ensure that their judgement may have a significant impact on the taking of Board's decisions.	✓			Page 51, 55, 57 (M.B.)
2.P.4. It is appropriate to avoid the concentration of corporate offices in one single individual.	✓			Page 52 (M.B.)
2.P.5. Where the Board of Directors has delegated management powers to the chairman, it shall disclose adequate information in the Corporate Governance Report on the reasons for such organisational choice.	✓			Page 52 (M.B.)
<p>2.C.1. The following are qualified executive directors for the issuer:</p> <ul style="list-style-type: none"> <li>- the managing directors of the issuer or a subsidiary having strategic relevance, including the relevant chairmen when these are granted individual management powers or when they play a specific role in the definition of the business strategies;</li> <li>- the directors vested with management duties within the issuer or in one of its subsidiaries having strategic relevance, or in a controlling company when the office concerns also the issuer;</li> <li>- the directors who are members of the executive committee of the issuer, when no managing director is appointed or when the participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, entails, as a matter of fact, the systematic involvement of its members in the day-to-day management of the issuer.</li> </ul> <p>The granting of deputy powers or powers in cases of urgency to directors, who are not provided with management powers is not enough, per se, to cause them to be identified as executive directors, provided however, that such powers are not actually exercised with considerable frequency.</p>	✓			Page 51 (M.B.)
<p>2.C.2. The directors shall know the duties and responsibilities relating to their office.</p> <p>The chairman of the Board of Directors shall use his best efforts for causing the directors and the statutory auditors, after the election and during their mandate, to participate in initiatives aimed at providing them with an adequate knowledge of the business sector in which the issuer runs its activity, of the corporate dynamics and the relevant evolutions, as well as the relevant regulatory framework.</p>	✓			Page 46 (S.B.) Page 52, 60 (M.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
<p>2.C.3. The Board shall designate an independent director as lead independent director, in the following circumstances: (i) in the event that the chairman of the Board of Directors is the chief executive officer of the company; (ii) in the event that the office of chairman is held by the person controlling the issuer.</p> <p>The Board of Directors of issuers belonging to FTSE-Mib index shall designate a lead independent director if so requested by the majority of independent directors, except in the case of a different and grounded assessment carried out by the Board to be reported in the Corporate Governance Report.</p>		✓		Page 33 (S.B.)
<p>2.C.4. The lead independent director:</p> <p>a) represents a reference and coordination point for the requests and contributions of non-executive directors and, in particular, those who are independent pursuant to Article 3 below;</p> <p>b) cooperates with the Chairman of the Board of Directors in order to guarantee that directors receive timely and complete information.</p>		✓		Page 33 (S.B.)
<p>2.C.5. The chief executive officer of issuer (A) shall not be appointed director of another issuer (B) not belonging to the same corporate group, in the event that the chief executive officer of issuer (B) is a director of issuer (A).</p>		✓		Page 56 (M.B.)

### 3. INDEPENDENT DIRECTORS

<p>3.P.1. An adequate number of non-executive directors shall be independent, in the sense that they do not maintain, directly or indirectly or on behalf of third parties, nor have recently maintained any business relationships with the issuer or persons linked to the issuer, of such a significance as to influence their autonomous judgement.</p>	✓			Page 33 (S.B.) Page 54 (M.B.)
<p>3.P.2. The directors' independence shall be assessed by the Board of Directors, after the appointment and, subsequently, on a yearly basis. The results of the assessments of the Board shall be communicated to the market.</p>	✓			Page 33 (S.B.) Page 54 (M.B.)
<p>3.C.1. The Board of Directors shall evaluate the independence of its non-executive members having regard more to the contents than to the form and keeping in mind that a director usually does not appear independent in the following events, to be considered merely as an example and not limited to:</p> <p>a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or third parties, or is able to exercise over the issuer dominant influence, or participates in a shareholders' agreement through which one or more persons can exercise a control or dominant influence over the issuer;</p> <p>b) if he/she is, or has been in the preceding three fiscal years, a significant representative of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders agreement;</p>	✓			Page 33 (S.B.)



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<p>c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:</p> <ul style="list-style-type: none"> <li>- with the issuer, one of its subsidiaries, or any of its significant representatives;</li> <li>- with a subject who, also jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives;</li> </ul> <p>or is, or has been in the preceding three fiscal years, an employee of the above-mentioned subjects;</p> <p>d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration (compared to the "fixed" remuneration of non-executive director of the issuer and to remuneration of the membership in the committees that are recommended by the Code) also in the form of participation in incentive plans linked to the company's performance, including stock option plans;</p> <p>e) if he/she was a director of the issuer for more than nine years in the last twelve years;</p> <p>f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;</p> <p>g) if he/she is shareholder or quotaholder or director of a legal entity belonging to the same network as the company appointed for the auditing of the issuer;</p> <p>h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.</p>				
<p>3.C.2. For the purpose of the above, the chairman of the entity, the chairman of the Board of Directors, the executive directors and key management personnel of the relevant company or entity, must be considered as "significant representatives".</p>	✓			Page 33 (S.B.)
<p>3.C.3. The number and competences of independent directors shall be adequate in relation to the size of the Board and the activity performed by the issuer; moreover, they must be such as to enable the constitution of committees within the Board, according to the indications set out in the Code.</p> <p>As for issuers belonging to FTSE-Mib index, at least one third of the Board of Directors members shall be made up of independent directors. If such a number is not an integer, it shall be rounded down.</p> <p>Anyway, independent directors shall not be less than two.</p>	✓			Page 27, 33 (S.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
<p>3.C.4. After the appointment of a director who qualifies himself/herself as independent, and subsequently, upon the occurrence of circumstances affecting the independence requirement and in any case at least once a year, the Board of Directors shall evaluate, on the basis of the information provided by the same director or available to the issuer, those relations which could be or appear to be such as to jeopardize the autonomy of judgement of such director.</p> <p>The Board of Directors shall notify the result of its evaluations, after the appointment, through a press release to the market and, subsequently, within the Corporate Governance Report.</p> <p>In the documents mentioned above, the Board of Directors shall:</p> <ul style="list-style-type: none"> <li>- disclose whether they adopted criteria for assessing the independence which are different from the ones recommended by the Code, also with reference to individual directors, and if so, specifying the reasons;</li> <li>- describe quantitative and/or qualitative criteria used, if any, in assessing the relevance of relationships under evaluation.</li> </ul>	✓			Page 31, 33 (S.B.) Page 54, 55 (M.B.)
<p>3.C.5. The Board of statutory auditors shall ascertain, in the framework of the duties attributed to it by the law, the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members. The result of such controls is notified to the market in the Corporate Governance Report or in the report of the Board of statutory auditors to the shareholders' meeting.</p>	✓			Page 33 (S.B.)
<p>3.C.6. The independent directors shall meet at least once a year without the presence of the other directors.</p>	✓			Page 33 (S.B.)

#### 4. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS

<p>4.P.1. The Board of Directors shall establish among its members one or more committees with proposing and consultative functions according to what set out in the articles below.</p>	✓			Page 34 (S.B.) Page 52 (M.B.)
<p>4.C.1. The establishment and functioning of the committees governed by the Code shall meet the following criteria:</p>				
<p>a) committees shall be made up of at least three members. However, in those issuers whose Board of Directors is made up of no more than eight members, committees may be made up of two directors only, provided, however, that they are both independent. The committees' activities shall be coordinated by a chairman;</p>	✓			Page 34 (S.B.)
<p>b) the duties of individual committees are provided by the resolution by which they are established and may be supplemented or amended by a subsequent resolution of the Board of Directors;</p>	✓			Page 34 (S.B.)
<p>c) the functions that the Code attributes to different committees may be distributed in a different manner or demanded from a number of committees lower than the envisaged one, provided that for their composition the rules are complied with those indicated from time to time by the Code and is ensured the achievement of the underlying objectives;</p>	✓			Page 34 (S.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
d) minutes shall be drafted of the meetings of each committee;	✓			Page 34 (S.B.)
e) in the performance of their duties, the committees have the right to access the necessary company's information and functions, according to the procedures established by the Board of Directors, as well as to avail themselves of external advisers. The issuer shall make available to the committees adequate financial resources for the performance of their duties, within the limits of the budget approved by the Board;	✓			Page 34 (S.B.)
f) persons who are not members of the committee, including other Board members or persons belonging to issuer's structure, may participate in the meetings of each committee upon invitation of the same, with reference to individual items on the agenda;	✓			Page 35 (S.B.)
g) the issuer shall provide adequate information, in the Corporate Governance Report, on the establishment and composition of committees, the contents of the mandate entrusted to them, as well as, on the basis of the indications provided for by each committee, the activity actually performed during the fiscal year, the number of meetings held, their average duration and the relevant percentage of participation of each member.	✓			Page 35 (S.B.) Page 52 (M.B.)
<p>4.C.2. The establishment of one or more committees may be avoided and the relevant duties may be assigned to the Board of Directors, under the coordination of the Chairman and provided that: (i) independent directors are at least half of the Board of Directors members; if the number of the Board members is odd, a rounding down to the lower unit shall be carried out; (ii) adequate time is dedicated during the Board meetings to actions that the Code requires the Committees to carry out, and this circumstance is disclosed in the Corporate Governance Report; (iii) as far as the control and risk committee is concerned, the issuer is neither controlled by another listed company nor it is subject to direction and coordination.</p> <p>The Board of Directors describes in detail in the Corporate Governance Report the reasons underlying the choice not to establish one or more committees; in particular, it provides adequate grounds for the choice not to establish the risks and control committee in consideration of the complexity level of the issuer and the sector in which it operates. In addition, the Board shall periodically reassess the choice made.</p>		✓		Page 34 (S.B.)

## 5. APPOINTMENT OF DIRECTORS

5.P.1. The Board of Directors shall establish among its members a committee to propose candidates for appointment to the position of director, made up, for the majority, of independent directors.	✓			Page 34, 38 (S.B.)
<p>5.C.1. The committee to propose candidates for appointment to the position of director shall be vested with the following functions:</p> <p>a) to express opinions to the Board of Directors regarding its size and composition and express recommendations with regard to the professional skills necessary within the Board as well with regard to the topics indicated by articles 1.C.3. and 1.C.4.;</p> <p>b) to submit the Board of Directors candidates for directors offices in case of co-optation, should the replacement of independent directors be necessary.</p>		✓		Page 38 (S.B.)  Page 38 (S.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
5.C.2. The Board of Directors shall evaluate whether to adopt a plan for the succession of executive directors. In the event of adoption of such a plan, the issuer shall disclose it in the Corporate Governance Report. The review on the preparation of the above mentioned plan shall be carried out by the nomination committee or by another committee established within the Board of Directors in charge of this task.		✓		Page 51 (M.B.)

## 6. REMUNERATION OF DIRECTORS

6.P.1. The remuneration of directors and key management personnel shall be established in a sufficient amount to attract, retain and motivate people with the professional skills necessary to successfully manage the issuer.	✓			Page 105, 106 (M.B.) page 110, 114
6.P.2. The remuneration of executive directors and key management personnel shall be defined in such a way as to align their interests with pursuing the priority objective of the creation of value for the shareholders in a medium-long term timeframe. With regard to directors with managerial powers or performing, also de-facto, functions related to business management, as well as with regard to key management personnel, a significant part of the remuneration shall be linked to achieving specific performance objectives, possibly including non-economic objectives, identified in advance and determined consistently with the guidelines contained in the policy described in principle 6.P.4.	✓			Page 102, 110, 112, 117, 149 Page 106 (M.B.)
The remuneration of non-executive directors shall be proportionate to the commitment required from each of them, also taking into account their possible participation in one or more committees.				
6.P.3. The Board of Directors shall establish among its members a remuneration committee, made up of independent directors. Alternatively, the committee may be made up of non executive directors, the majority of which to be independent; in this case, the chairman of the committee is selected among the independent directors. At least one committee member shall have an adequate knowledge and experience in finance or remuneration policies, to be assessed by the Board of Directors at the time of his/her appointment.	✓			Page 34, 39 (S.B.)
6.P.4. The Board of Directors shall, upon proposal of the remuneration committee, establish a policy for the remuneration of directors and key management personnel.	✓			Page 101, 110 Page 105 (M.B.)
6.C.1. The policy for the remuneration of executive directors and other directors covering particular offices shall define guidelines on the issues and consistently with the criteria detailed below:	✓			Page 108 (M.B.)
a) the non-variable component and the variable component are properly balanced according to issuer's strategic objectives and risk management policy, taking into account the business sector in which it operates and the nature of the business carried out;	✓			Page 106, 107 (M.B.) Page 112, 113, 114, 115, 117
b) upper limits for variable components shall be established;	✓			Page 115, 117
c) the non-variable component shall be sufficient to reward the director when the variable component was not delivered because of the failure to achieve the performance objectives specified by the	✓			Page 113, 114, 115, 117 Page 106 (M.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
Board of Directors;				
d) the performance objectives – i.e. the economic performance and any other specific objectives to which the payment of variable components (including the objectives for the share-based compensation plans) is linked – shall be predetermined, measurable and linked to the creation of value for the shareholders in the medium-long term;	✓			Page 112, 114 115, 117 page 107 (M.B.)
e) the payment of a significant portion of the variable component of the remuneration shall be deferred for an appropriate period of time; the amount of that portion and the length of that deferral shall be consistent with the characteristics of the issuer’s business and associated risk profile;	✓			Page 107 (M.B.) Page 116
f) termination payments shall not exceed a fixed amount or fixed number of years of annual remuneration. Termination payments shall not be paid if the termination is due to inadequate performance.	✓			Page 108, 121
6.C.2. In preparing plans for share-based remuneration, the Board of Directors shall ensure that:	✓			Page 116, 117, 123
a) shares, options and all other rights granted to directors to buy shares or to be remunerated on the basis of share price movements shall have an average vesting period of at least three years;				
b) the vesting referred to in paragraph a) shall be subject to predetermined and measurable performance criteria;				
c) directors shall retain a certain number of shares granted or purchased through the exercise of the rights referred to in paragraph a), until the end of their mandate.				
6.C.3. The criteria 6.C.1 and 6.C.2 shall apply, mutatis mutandis, also to the definition – by the bodies entrusted with that task – of the remuneration of key management personnel.	✓			Page 40 (S.B.) Page 102 (M.B.) Page 113
Any incentive plan for the person in charge of internal audit and for the person responsible for the preparation of the corporate financial documents shall be consistent with their role.				
6.C.4. The remuneration of non-executive directors shall not be – other than for an insignificant portion – linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of share-based compensation plans, unless it is so decided by the annual shareholders’ meeting, which shall also give the relevant reasons.	✓			Page 105 (M.B.)
6.C.5. The remuneration committee shall:	✓			Page 40, 101 (S.B.)
- periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard;				
- submit proposals or issues opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration; it shall monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the				

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
actual achievement of performance objectives.				
6.C.6. No director shall participate in meetings of the remuneration committee in which proposals are formulated to the Board of Directors relating to his/her remuneration.			✓	Page 40 (S.B.)
6.C.7. When using the services of an external consultant in order to obtain information on market standards for remuneration policies, the remuneration committee shall previously verify that the consultant concerned is not in a position which might compromise its independence.	✓			Page 40 (S.B.)
6.C.8. Issuers are encouraged to apply article 6, as amended in March 2010, by the end of the year that begins in 2011, and to inform the market in the Corporate Governance Report to be published during 2012.  The recommendations contained in the criteria 6.C.1, 6.C.2 and 6.C.3 shall apply without prejudice to the rights acquired from contracts or regulations adopted before March 31, 2010. The issuer shall inform the market in the Corporate Governance Report (or with the different formalities which may be provided by applicable law) of any case in which those recommendations are not applicable due to the contractual arrangements referred to above.	✓			Page 100

## 7. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

7.P.1. Each issuer shall adopt an internal control and risk management system consisting of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the main risks. Such a system shall be integral to the organizational and corporate governance framework adopted by the issuer and shall take into consideration the reference model and the best practices that are applied both at national and international level.	✓			Page 65
7.P.2. An effective internal control and risk management system contributes to the management of the company in a manner consistent with the objectives defined by the Board of Directors, promoting an informed decision-making process. It contributes to ensuring the safeguarding of corporate assets, the efficiency and effectiveness of management procedures, the reliability of financial information and the compliance with laws and regulations, including the by-laws and internal procedures.	✓			Page 65
7.P.3. The internal control and risk management system involves each of the following corporate bodies depending on their related responsibilities:	✓			Page 66 Page 26 (S.B.)
a) the Board of Directors, that shall provide strategic guidance and evaluation on the overall adequacy of the system, identifying within the Board:	✓			Page 66 Page 54 (M.B.)
(i) one or more directors to be charged with the task of establishing and maintaining an effective internal control and risk management system (hereinafter, the "director in charge of the internal control and risk management system"), and	✓			Page 67 (M.B.)
(ii) a control and risk committee in line with the requirements set forth by principle 7.P.4., to be charged with the task of supporting, on the basis of an adequate control process, the evaluations and decisions to be made by the Board of Directors in relation to the internal control and risk management system, as well as to the	✓			Page 67 (S.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
approval of the periodical financial reports;				
b) the person in charge of internal audit, entrusted with the task to verify the functioning and adequacy of the internal control and risk management system;	✓			Page 66, 73
c) the other roles and business functions having specific tasks with regard to internal control and risk management, organised depending on the company's size, complexity and risk profile;	✓			Page 65
d) the Board of statutory auditors, also as "audit committee", which is responsible for oversight of the internal control and risk management system.	✓			Page 67 Page 36 (S.B.)
Each issuer shall provide for coordination methods between the above mentioned bodies in order to enhance the efficiency of the internal control and risk management system and reduce activities overlapping.				
7.P.4. The control and risk committee is made up of independent directors. Alternatively, the committee can be made up of non executive directors, the majority of which being independent ones; in this case, the chairman of the committee is selected among the independent directors. If the issuer is controlled by another listed company or is subject to the direction and coordination activity of another company, the committee shall be made up exclusively of independent directors. At least one member of the committee is required to have an adequate experience in the area of accounting and finance or risk management, to be assessed by the Board of Directors at the time of appointment.	✓			Page 34, 67 (S.B.)
7.C.1. The Board of Directors, with the opinion of the control and risk committee, shall:	✓			Page 66, 73 Page 49 (M.B.)
a) define the guidelines of the internal control and risk management system, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the company in a manner consistent with its strategic objectives;	✓			Page 65 Page 36 (S.B.) Page 48 (M.B.)
b) evaluate, at least on an annual basis, the adequacy of the internal control and risk management system taking into account the characteristics of the company and its risk profile, as well as its effectiveness;	✓			Page 66 Page 36 (S.B.)
c) approves, at least on an annual basis, the plan drafted by the person in charge of internal audit, after hearing the Board of statutory auditors and the director in charge of the internal control system;	✓			Page 38 (S.B.) Page 106 (M.B.)
d) describe, in the Corporate Governance Report, the main features of the internal control and risk management system, expressing the evaluation on its adequacy;	✓			Page 66
e) after hearing the Board of statutory auditors, it assesses the findings reported by the external auditor in the suggestions letter, if any, and in the report on the main issues resulting from the auditing.	✓			Page 36 (S.B.)

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
<p>The Board of Directors shall, upon proposal of the director in charge of the internal control and risk management system, subject to the favourable opinion of the control and risk committee, as well as after hearing the Board of statutory auditors:</p> <ul style="list-style-type: none"> <li>- appoint and revoke the person in charge of the internal audit function;</li> <li>- ensure that such a person is provided with the adequate resources for the fulfilment of his/her responsibilities;</li> <li>- define the relevant remuneration consistently with company's policies.</li> </ul>				
<p>7.C.2. The control and risk committee, when assisting the Board of Directors shall:</p> <ul style="list-style-type: none"> <li>a) evaluate together with the person responsible for the preparation of the corporate financial documents, after hearing the external auditors and the Board of statutory auditors, the correct application of the accounting principles, as well as their consistency for the purpose of the preparation of the consolidated financial statements, in any;</li> <li>b) express opinions on specific aspects relating to the identification of the main risks for the company;</li> <li>c) review the periodic reports of the internal audit function concerning the assessment of the internal control and risk management system, as well as the other reports of the internal audit function that are particularly significant;</li> <li>d) monitor the independence, adequacy, efficiency and effectiveness of the internal audit function;</li> <li>e) request the internal audit function to carry out reviews of specific operational areas, giving simultaneous notice to the chairman of the Board of statutory auditors;</li> <li>f) report to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy of the internal control and risk management system.</li> </ul>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>			<p>Page 61, 67 (S.B.)</p> <p>Page 36 (S.B.)</p> <p>Page 37 (S.B.)</p> <p>Page 36 (S.B.)</p> <p>Page 36 (S.B.)</p> <p>Page 37 (S.B.)</p> <p>Page 37 (S.B.)</p>
<p>7.C.3. The chairman of the Board of statutory auditors or another statutory auditor designated by this chairman shall participate in the works of the control and risk committee; the remaining statutory auditors are also allowed to participate.</p>		✓		Page 30 (S.B.)
<p>7.C.4. The director in charge of the internal control and risk management system, shall:</p> <ul style="list-style-type: none"> <li>a) identify the main business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and submit them periodically to the review of the Board of Directors;</li> <li>b) implement the guidelines defined by the Board of Directors, taking care of the planning, realization and management of the internal control and risk system, constantly monitoring its adequacy</li> </ul>	✓			Page 67, 74 (M.B.)



Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
<p>and effectiveness;</p> <p>c) adjust such system to the dynamics of the operating conditions and the legislative and regulatory framework;</p> <p>d) request to internal audit function to carry out reviews of specific operational areas and on the compliance of business operation with rules and internal procedures, giving simultaneous notice to the chairman of the Board of Directors, the chairman of control and risk committee and the chairman of the Board of statutory auditors;</p> <p>e) promptly report to the control and risk committee(or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the committee (or the Board) to take the appropriate actions.</p>				
7.C.5. The person in charge of internal audit shall:				
a) verify, both on a continuous basis and in relation to special needs, in conformity with international professional standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan, to be approved by the Board of Directors. Such a plan shall be based on a structured analysis and ranking of the main risks;	✓			Page 74
b) not be responsible for any operational area and be subordinated to the Board of Directors;	✓			Page 73
c) have direct access to all useful information for the performance of its duties;	✓			Page 73
d) draft periodic reports containing adequate information on its own activity, and on the company's risk management process, as well as about the compliance with the management plans defined for risk mitigation. Such periodic reports contain an evaluation on the adequacy of the internal control and risk management system;	✓			Page 73
e) prepare timely reports on particularly significant events;	✓			Page 74
f) submit the reports indicated under items d) and e) above to the chairman of the Board of statutory auditors, the control and risk committee and the Board of Directors, as well as to the director in charge of the internal control and risk management system.	✓			Page 74
g) verifies, as part of the audit plan, the reliability of the IT systems, including the accounting recognition systems.	✓			Page 74
7.C.6. The internal audit function may be entrusted, as a whole or by business segments, to a person external to the issuer, provided, however, that it is endowed with adequate professionalism, independence and organization. The adoption of such organizational choices, with a satisfactory explanation of the relevant reasons, shall be disclosed to the shareholders and the market in the Corporate Governance Report.			✓	

## 8. STATUTORY AUDITORS

8.P.1. The statutory auditors shall act with autonomy and independence also vis-à-vis the shareholders, which elected them.	✓			Page 45 (S.B.)
8.P.2. The issuer shall adopt suitable measures to ensure an effective	✓			Page 25, 27 (S.B.)

Principles and Criteria of the Corporate Governance Code		Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
	performance of the duties typical of the Board of statutory auditors.				
8.C.1.	The statutory auditors shall be chosen among people who may be qualified as independent also on the basis of the criteria provided by this Code with reference to the directors. The Board of statutory auditors shall check the compliance with said criteria after the appointment and subsequently on an annual basis, including the result of such verification in its Corporate Governance Report, according to manners complying with the ones provided with reference to directors.	✓			Page 31, 33 (S.B.)
8.C.2.	The statutory auditors shall accept the appointment when they believe that they can devote the necessary time to the diligent performance of their duties.	✓			Page 31 (S.B.)
8.C.3.	A statutory auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the issuer, shall timely and exhaustively inform the other statutory auditors and the chairman of the Board about the nature, the terms, origin and extent of his/her interest.	✓			Page 75 (S.B.)
8.C.4.	In the framework of their activities, the statutory auditors may demand from the internal audit function to make assessments on specific operating areas or transactions of the company.	✓			Page 37 (S.B.)
8.C.5.	The Board of statutory auditors and the control and risk committee shall exchange material information on a timely basis for the performance of their respective duties.	✓			Page 36 (S.B.)

## 9. RELATIONS WITH THE SHAREHOLDERS

9.P.1.	The Board of Directors shall take initiatives aimed at promoting the broadest participation possible of the shareholders in the shareholders' meetings and making easier the exercise of the shareholders' rights.	✓			Page 84
9.P.2.	The Board of Directors shall endeavour to develop a continuing dialogue with the shareholders based on the understanding of their reciprocal roles.	✓			Page 83
9.C.1.	The Board of Directors shall ensure that a person is identified as responsible for handling the relationships with the shareholders and shall evaluate from time to time whether it would be advisable to establish a business structure responsible for such function.	✓			Page 83
9.C.2.	All the directors usually participate in the shareholders' meetings. The shareholders' meetings are also an opportunity for disclosing to the shareholders information concerning the issuer, in compliance with the rules governing price-sensitive information. In particular, the Board of Directors shall report to the shareholders' meeting the activity performed and planned and shall use its best efforts for ensuring that the shareholders receive adequate information about the necessary elements for them to adopt in an informed manner the resolutions that are the competence of the shareholders' meeting.	✓			Page 84, 85
9.C.3.	The Board of Directors should propose to the approval of the shareholders' meeting rules laying down the procedures to be followed in order to permit an orderly and effective conduct of the shareholders' meetings of the issuer, without prejudice, at the same time, to the right of each shareholder to express his or her opinion		✓		Page 85

Principles and Criteria of the Corporate Governance Code	Applied with adaptations as appropriate	Not applied	Not applicable	Page of the Report
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on the matters under discussion.

9.C.4. In the event of significant changes in the market capitalization of the company's shares or in the composition of its shareholders, the Board of Directors shall assess whether proposals should be submitted to the shareholders' meeting to amend the by-laws in respect to the majorities required for exercising actions and rights provided for the protection of minority interests.		✓		Page 85
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## 10. TWO TIER AND ONE TIER SYSTEMS

10.P.1. In the event of adoption of a two tier or one tier management and control system, the above articles shall apply insofar as compatible, adapting individual provisions to the particular system adopted, consistently with the objectives of good corporate governance, transparency of information and protection of investors and the markets pursued by the Code and in the light of the criteria provided by this article.	✓			Page 15, 17
10.P.2. In the event that a new management and control system is proposed, the directors shall inform the shareholders and the market with regard to the reasons for such proposal, as well as on how it is envisaged that the Code will be applied to the new management and control system.			✓	
10.P.3. In the first Corporate Governance Report published after the modification of the management and control system, the issuer shall describe in detail how the Code has been applied to such system. Such information shall be published also in the subsequent reports, indicating any amendments to the procedure followed in applying the Code to the selected management and control system.	✓			Page 17
<p>10.C.1. In the event of adoption of the two tier management and control system, the Code shall be applied according to the following criteria:</p> <p>a) except as provided in paragraph (b) below, the articles of the Code that make reference to the Board of Directors and the Board of statutory auditors, or their members, are applied, in principle, to the Management Board and Supervisory Board, or their members respectively;</p> <p>b) due to the specific options of the by-laws adopted, in the configuration of the management and supervisory bodies - also in relation to the number of their members and the powers and duties attributed to them - as well as of the specific circumstances existing, the issuer may apply the provisions concerning the Board of Directors or directors to the Supervisory Board or its members;</p> <p>c) the provisions relating to the appointment of directors provided by Article 5 of this Code shall apply, insofar as compatible, to the appointment of the members of the Supervisory Board and/or the members of the Management Board.</p>	✓			Page 17

## Table No. 2: “Art 123-bis - Report on corporate governance and ownership structures”

Art 123-bis - Report on corporate governance and ownership structures	Page of the Report
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1. The management report of issuers with securities admitted to trading on regulated markets shall contain a specific section entitled: “Report on corporate governance and ownership structures”, providing detailed information on:

- a) the capital structure, including securities not traded on a regulated market in an EU Member State, with an indication of the different classes of shares and, for each class of shares, the related rights and obligations and the percentage of total share capital represented; page 21, 22
- b) any restriction on the transfer of securities, e.g. limitations in the possession of securities or the need to obtain consent from the company or other securities holders; page 22
- c) significant direct and indirect holdings, for example through pyramid structures and cross-holdings, as stated in reports submitted pursuant to article 120; page 22
- d) if known, the holders of any securities with special control rights and a description of such rights; page 21
- e) the mechanism for the exercise of voting rights in any employee share scheme where voting rights are not exercised directly by the employees; page 22
- f) any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for the exercise of voting rights, or systems whereby, with the company’s cooperation, the financial rights attached to the securities are separate from the holding of securities; page 86
- g) agreements known to the company pursuant to article 122; page 22
- h) any significant agreements to which the company is party and which take effect, alter or terminate upon a change of control of the company, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements; page 23
- i) agreements between companies and directors, members of the control body or supervisory council which envisage indemnities in event of resignation or dismissal without just cause, or if their employment contract should terminate as a result of a takeover bid; page 103 (S.B.)  
page 108 (M.B.)
- l) rules applying to the appointment and replacement of directors and members of the control body or supervisory council, and to amendments to the articles of association if different from those applied as a supplementary measure; page 27, 29 (S.B.)  
page 50, 51 (M.B.)  
page 86
- m) the existence of delegated powers regarding share capital increases pursuant to article 2443 of the Italian Civil Code or powers of the directors or members of the control body to issue security-related financial instruments or to authorise the purchase of own shares. page 21 (M.B.)  
page 22

2. In the same section of the report referred to in subsection 1, information shall be provided regarding:

- a) adoption of a corporate governance code of conduct issued by regulated market management companies or trade associations, giving reasons for any decision not to adopt one or more provisions, together with the corporate governance practices actually applied by the company over and above any legal or regulatory obligations. The company shall also indicate where the adopted corporate governance code of conduct may be accessed by the public; page 13, 15
- b) the main characteristics of existing risk management and internal audit systems used in relation to the financial reporting process, including consolidated reports, where applicable; page 65
- c) the operating mechanisms of the shareholders' meeting, its main powers, shareholder rights and their terms of exercise, if different from those envisaged by legal and regulatory provisions applicable as supplementary measures; page 84
- d) the composition and duties of the administrative and control bodies and their committees. page 27, 35 (S.B.)  
page 50, 51, 52, 56 (M.B.)

**Table No. 3: “Art. 123-ter - Report on remuneration”**

Art. 123-ter - Report on remuneration	Page of Report
1. At least twenty-one days prior to the date of the shareholders' meeting established by article 2364, paragraph two, or the shareholders' meeting established by article 2364-bis second paragraph of the Italian Civil Code, companies with listed shares shall make a report on remuneration available to the public at the company registered offices, on its internet website or in any of the other ways established by Consob regulation.	Page 100
2. The report on remuneration shall be laid out in the two sections established by paragraphs 3 and 4 and is approved by the Board of Directors. In companies adopting the dualism system, the report is approved by the supervisory board, upon proposal, limited to the section established by paragraph 4, letter b), of the management board.	Page 100
3. The first section of the report on remuneration explains: <ul style="list-style-type: none"> <li data-bbox="292 853 1099 943">a) the company's policy on the remuneration of the members of the administrative bodies, general managers and executive with strategic responsibilities with reference to at least the following year;</li> <li data-bbox="292 972 1099 1025">b) the procedures used to adopt and implement this policy.</li> </ul>	<ul style="list-style-type: none"> <li data-bbox="1238 846 1402 936">page 103 (S.B.) page 104 (M.B.) page 110</li> <li data-bbox="1305 972 1402 1025">Page 101</li> </ul>
4. The second section, which is intended for the members of the administrative and auditing bodies, general managers and, in aggregate form, without prejudice to the provisions of the regulation issued in accordance with paragraph 8, for executives with strategic responsibilities: <ul style="list-style-type: none"> <li data-bbox="292 1160 1099 1272">a) provides a suitable representation of each of the items comprising remuneration, including treatment provided for in the event of cessation of office or termination of employment, highlighting the coherence with the company's policy in terms of remuneration approved the previous year;</li> <li data-bbox="292 1290 1099 1480">b) analytically illustrates the fees paid during the financial year of reference, for any title and in any form by the company and by subsidiaries or associates, noting any components of said fees that refer to activities performed in years prior to that of reference, in addition to highlighting the fees to be paid in one or more subsequent years in exchange for the work performed in the year of reference, potentially specifying an estimated value for components that cannot objectively be quantified in the year of reference.</li> </ul>	<ul style="list-style-type: none"> <li data-bbox="1305 1160 1402 1191">page 123</li> <li data-bbox="1305 1290 1402 1321">Page 125</li> </ul>
5. Fee plans established by article 114-bis are attached to the report, or the report specifies the section of the company's website where these documents can be viewed.	Page 139
6. Without prejudice to the provisions of articles 2389 and 2409-terdecies, first paragraph, letter a) of the Italian Civil Code and article 114-bis, the shareholders' meeting called in accordance with article 2364, paragraph two or article 2364-bis, paragraph two, of the Italian Civil Code, resolves in favour or against the section of the report on remuneration established by paragraph 3. The resolution is not binding. The outcome of voting is made available to the public in accordance with article 125-quater, paragraph 2.	Page 100

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