INTESA SANPAOLO

PRESS RELEASE

INTESA SANPAOLO: NEW REMUNERATION POLICIES OF THE GROUP

Torino, Milano, 20 July 2011 – Today, the Intesa Sanpaolo Supervisory Board - upon proposal of the Management Board - approved the Group's new remuneration policies. These policies adopt by the deadline of 31 July 2011 the regulations recently issued by the Bank of Italy(1) on this matter.

These policies include the new incentive system (hereafter, also the "System") intended for a part of the Management staff and the so-called "risk takers" of the Intesa Sanpaolo Group. The System replaces the long-term incentive Plan approved last year, in the light of the relevant changes that took place in national and international regulations.

The previous Plan already met, to a large extent, the criteria provided for in the new regulations, among which incentives linked to actual medium-term value creation and the appropriate balancing between fixed and variable components. The most significant difference between the proposed System and the previous Plan regards the introduction of shares - explicitly required by the Bank of Italy - as part of the variable component of remuneration.

The proposed System is fully compliant with recent provisions, specifically as regards:
- the identification of "most relevant staff", whose decisions significantly affect the Bank's risk profile. To these persons specific remuneration rules apply in terms of variable component payments;
- the appropriate balance between the fixed and variable component of remuneration;
- the structure of the variable component, of which:
  a. at least 40% (up to a maximum of 60% for directors who hold executive offices, key senior managers and managers responsible for main business lines, corporate functions or geographical areas) must be subject to deferred payment systems for a period of at least three years;
  b. at least 50% must be paid in shares or share-based financial instruments; this percentage applies in the same proportion to the deferred variable component as well as to the non-deferred component (the so-called "up-front");
- a specific retention mechanism (for no less than two years for the up-front component and a shorter period for the deferred component) with respect to the financial instruments under letter b..

The proposed System falls under the category of financial instrument-based remuneration plan pursuant to Article 114-bis, paragraph 1 of Legislative Decree 58 of 24 February 1998. Moreover, in accordance with Article 84-bis of the Issuers' Regulation issued by Consob, the System is to be considered as being of "particular importance" since it addresses, inter alia, top and senior executives who have regular access to privileged information and have the power to make management decisions which may affect the Group's evolution and outlook.

The Informational Document will be made public at the Company's Registered office and at Borsa Italiana and published on the Company's website group.intesasanpaolo.com in accordance with Article 84-bis of the Issuers' Regulation. The main characteristics of the System are shown below.

(1) "Provisions regarding remuneration and incentive policies and practices in banks and banking groups" published on the Official Journal of the Republic of Italy on 7 April 2011.

Recipients

The System is addressed to the “most relevant staff”, as defined by the Supervisory Provisions. They have been identified by the Supervisory and the Management Boards, within their respective competencies, and include Chief Executive Officer Corrado Passera, General Managers Gaetano Miccichè and Marco Morelli, other Top Managers(2), Managers of internal control functions at Group level(3), Managers responsible for the main corporate departments and business units. The “most relevant staff” also include employees, defined by regulations as “risk takers”, who may take relevant risks for the Group, for example the managers in charge of the main units of Banca IMI. According to current estimations the “most relevant staff” are made up of a total of around 120 employees.

Recipients include Managers who have regular access to privileged information and have the power to make management decisions which may affect the issuer’s evolution and outlook.

Moreover, the Company has decided that the System is for the benefit of a larger number of recipients (so-called “enlarged perimeter”) than those identifiable by merely applying current regulatory provisions, with the aim of spreading a sustainability-oriented culture within the Group by actually linking remuneration with long-lasting effectiveness and stability of results and capital base.

To recipients included in the “enlarged perimeter”, represented by about 780 other employees, specific ways are provided which defer the remuneration variable component. The use of share-based instruments will instead be limited, also in terms of amount, to employees included in the Top Executive Group (around 80 managers) who, due to the business under their responsibility, are not included among the “most relevant staff”.

Plan rationale

Long-term incentive plans are designed, in general terms, to retain managers and support their motivation to achieve the company’s multi-year targets. Where they include financial instrument-based remuneration, they also favour alignment of interest between employees and shareholders, via the managers’ direct participation in corporate risk.

Under this approach, the plans are an integral component of the remuneration system of the Intesa Sanpaolo Group involving Management staff, key resources and strategic professionals, 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. They are instruments to incentivise recipients to achieve yearly and multi-year targets identified by the Bank’s competent functions among those indicators that better reflect the Group’s long-term profitability, taking into account risks, cost of capital, liquidity and capital base levels needed to carry out planned activities.

The revision of the mechanisms in force to date within the Group and the adoption of the proposed System have become necessary to implement the new Supervisory Provisions which require, among other things, that intermediaries adopt incentive mechanisms with specific characteristics.

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(2) As at today’s approval and in accordance with criteria set out in IAS 24, the Top Management includes, in addition to the Chief Executive Officer and the General Managers, the Manager responsible for preparing the company’s financial reports, the Managers in charge of the Business Units, the corporate centre activities, the Head Office departments reporting directly to the CEO and the Chairman of the Management Board, the Head of the General Secretariat of the Supervisory Board and the Head of Strategic Transactions and Special Projects.

(3) Under the existing corporate structure, Managers of internal control functions are the Manager responsible for preparing the company’s financial reports, the Chief Risk Officer, the Manager in charge of the Internal Auditing Head Office Department, the Manager in charge of the Human Resources Head Office Department, the Manager in charge of the Compliance Head Office Department, the Manager in charge of the Risk Management Head Office Department and the Manager in charge of the Anti money-laundering function. The first 4 managers, while remaining in the group of Top Managers, are responsible for “Control Functions” in application of the specific rules on incentives introduced by the new Supervisory Provisions.

Moreover, the proposed incentive system enables simplifying the mechanisms of human resources management by unifying in a single tool both the short and long-term incentive plans previously in force.

The System is effective from 2011 and applies to the 2011-2013 three-year period of the Business Plan. It is understood that any changes in the external conditions, including further amendments to national and international regulations as may occur in the future on the subject of remuneration will be adopted in the System to the extent possible without substantially changing its purpose and structure.

All detailed information on Plan implementation, as provided for in Annex 3A, Schedule 7, of the Issuers' Regulation will be duly disclosed to the market on completion of the assignment phase.

Characteristics of financial instruments to be awarded

The System provides for a bonus, for each year of the 2011-2013 period, to the abovementioned recipients, of 50% cash and 50% Intesa Sanpaolo ordinary shares. The latter will be purchased on the MTA market (Mercato Telematico Azionario) in accordance with relevant authorisation which will be granted at the Shareholders' Meeting.

60% of the overall bonus due (percentage reduced to 40% for the Chief Executive Officer, Top Managers and other Managers covering specific positions) shall be awarded to recipients the year following the reference period (so-called up-front quota) in the percentage of payment in cash and shares as described above.

The remaining part will be paid out pro-rata in the subsequent three years as follows: the first third of the instalment will be paid cash, the second will be allocated in shares and the last in cash and shares in equal part.

As set out in the Supervisory Provisions, each instalment paid in shares is subject to a two-year retention for the up-front quota and a one-year retention for the deferred quotas; the retention period starts from the date of accrual of the incentives under the System.

Allocation of shares to which recipients have become eligible will occur only at the end of the retention period shown above and is subject to the recipient being an employee of a Group company. Exception is made for consensual retrenchment agreements which will be fully governed by implementation rules.

As the previous short and long-term incentive plans have been unified in a single system, the overall amount of target bonus to which recipients are theoretically eligible for each year is basically equal to the amount of the yearly target bonus plus the yearly quota envisaged in the long-term incentive Plan approved at the Shareholders' Meeting of 30 April 2010, with a reduction of around 10% for the "most relevant staff". This aims at implementing the new regulatory provisions with no potential further costs for the income statement.

More in detail, the "most relevant staff" shall be awarded an annual bonus, including the deferred quota and the quota paid in shares, corresponding, as a rule, to around 60% of the remuneration pay mix if they fully achieve the targets assigned. In the light of guidelines of regulatory bodies, Managers of internal control functions, even if included in the group of Top Managers, may benefit from a variable component having the same characteristics of that attributed to the "most relevant staff", of a lesser amount and equal to about 40% of the remuneration pay mix.

The incentive mechanism involving the "most relevant staff" also applies to recipients included in the "enlarged perimeter", with the exception of simplified deferral timeframe (the deferred quota is paid in a single instalment after two years) and bonus disbursement. As a rule, the deferred quota would be paid entirely in shares to the Top Executive Group and entirely in cash to the remaining employees; the up-front quota would instead be paid exclusively in cash to all the recipients included in the "enlarged perimeter".

In full harmony with the criterion of symmetry between the amount of the bonuses paid and actual corporate performance, the amount of the incentive, without prejudice to the provisions made for the Manager responsible for preparing the Company's financial reports and Managers of internal control functions, will be linked to the degree of achievement of the yearly and multi-year corporate targets, which are verified after the approval of the draft financial statements by the competent corporate bodies; therefore, if the targets are only partially achieved, there will be a consequent reduction in the bonus, while if the targets are exceeded, the incentive will be increased accordingly.

Accrual of the overall bonus to be awarded for each year is subject to the achievement of Group performance targets, measured by the EVA® indicator or other similar indicator. It is also subject to a minimum threshold being exceeded, both at Group and Division/Business Unit level, with respect to a specific synthetic indicator shown below which is also used to quantify the incentive.

In fact, the value of the bonus payable, including the deferred quota and that payable in shares, is linked to the degree of achievement of a specific synthetic indicator made up of targets of i) profitability (e.g. operating income), ii) efficiency (e.g. cost/income), iii) risk containment (e.g. loan adjustments), iv) sustainability, having taken into account risks and cost of capital (e.g. EVA®) and v) quality, fairness in the relationship with customers and containment of legal and reputational risks (e.g. customer satisfaction, audit report, etc.)(4). A cumulative greatest weighting is given to economic targets in the composition of the quoted synthetic indicator (around 20/25% each), while an overall weighting of maximum 10% is given to qualitative indicators.

In addition, each deferred quota is subject to an *ex post* correction mechanism - the so-called "malus condition" - which provides that the relevant amount paid and the number of shares allocated, if any, may be curtailed with respect to the degree of achievement, in the year to which the quota pertains, of specific targets which measure long-lasting sustainability of value creation (EVA®) and the compliance with the maximum risk level the Group can sustain both in terms of capital base (considering as reference the level of the Core Tier 1 or Common Equity) and specific levels of liquidity (through indicators similar to the Net Stable Funding Ratio of Basel III, which enable monitoring the structural trend of liquidity in the medium-long term).

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(4) As regards Managers of internal control functions, without prejudice to the Group gateways being exceeded, the incentive accrued is strictly defined, in accordance with Supervisory Provisions, taking as reference qualifying indicators which are specific of their respective functions.

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