

Illustrative Report of the Board of Directors on the project for the merger in Banca Intesa S.p.A. of Intesa Sistemi e Servizi S.p.A. and Intesa Riscossione Tributi S.p.A.

Motivations for the operation

The proposal for the merger in Banca Intesa S.p.A. (hereafter: Intesa) of Intesa Sistemi e Servizi S.p.A. (hereafter: ISS), wholly-owned directly by Intesa, has the objective of strengthening the governance of the ICT area and is in line with the new organisational model adopted by Banca Intesa, in application of which certain functions (back office, real estate and purchases), previously allocated to ISS, have already been transferred to the Parent Company and specific business units.

Furthermore considering that to date there is no interest in operating in the Information Technology (IT) market by offering services to counterparties outside the Group, the identification of organisational measures for the pursuit of further synergies and economies of scale in the management of the Group's ICT systems, suggested the centralisation of IT activities, currently carried out by ISS, directly in Banca Intesa through the formation in the Parent Company of the new ICT Systems Department. This will contribute to reducing costs and increasing cost-effectiveness of the IT system and simplify – also following the completion of the unification of the IT systems of the three former networks – the preparation and implementation of a Group IT plan.

As concerns IRT (also wholly-owned by Intesa), it must be recalled that the company is the subholding company which had been charged with the management and monitoring of Gruppo Intesa's tax collection activities (currently Esatri S.p.A., E.TR. S.p.A. and S.Es.I.T. Puglia S.p.A.), of which IRT holds control stakes.

The reform of the tax collection sector being passed will lead to the abolition of the concession system for tax collection activities and the establishment of a new company, owned by Agenzia delle Entrate, which will be charged with such activities (and which will have the possibility of acquiring the entities operating as concessionaries), required the reorganisation of the Group's tax collection activities, for the purpose of streamlining and concentrating tax collection activities in one company which has been identified in E.TR. S.p.A., wholly-owned by IRT.

For this purpose, IRT already sold to E.TR. S.p.A., with effects as of 1st July 2004, its tax collection and service activities, including also the equity investments in the companies Esatri S.p.A. and S.Es.I.T. Puglia S.p.A.; the merger of IRT in Intesa will simplify the chain of equity investments, taking the equity investment in E.TR.S.p.A. under the direct control of the Parent Company.

Description of the merger

As explained in detail in the merger project, the to-be-absorbed companies are wholly-owned by Intesa and the merger therefore does not lead to an exchange in shares, but to the annulment without substitution of the shares representing the entire share capital of the to-be-absorbed companies, without an increase in capital for the absorbing company.

The merger will be carried out based on the balance sheet situations as at 30th June 2004 of the companies taking part in the operation.

To the balance sheet situation of IRT is attached a pro forma balance sheet situation which considers the effects of the spin-off of the tax collection and service activities in favour of E.TR. S.p.A.

Furthermore it must be noted that, conditional upon the necessary authorisations required by the law, the spin-off of the Fund and Securities Services of Nextra Investment Management SGR S.p.A. (Nextra) in favour of ISS may be executed as part of this merger. The operation, which will not lead to an increase in the share capital of the beneficiary company since Banca Intesa S.p.A. holds

directly and indirectly the entire share capital of the companies taking part in the spin-off, has been resolved upon by the Boards of Directors of ISS and Nextra respectively on 26th and 27th July 2004 and is aimed at concentrating, as a result of the merger described herein, the aforementioned activities in Banca Intesa.

In fact, Legislative Decree 274/2003 has come into force and introduced the possibility for the depositary bank to calculate, upon mandate of the relevant SGR (asset management company), the value of the quota of mutual funds directly. Banca Intesa deems this to be a strategic opportunity and is therefore defining the possibility of spinning off Nextra's Fund and Securities Services (Operations and IT) from Nextra to Banca Intesa via ISS.

The spin-off from Nextra to ISS which, as already indicated, is conditional upon the authorisation of the Bank of Italy, will however be executed only following and based upon how the matter will be regulated by the implementation rules of the aforementioned Legislative Decree 274/2003, which are currently being issued.

Therefore, at the time of the merger, the balance sheet situation of ISS may have changed with respect to as at 30th June 2004 due to the effects of the aforementioned spin-off which will necessarily come into effects prior to the merger. Such changes are contained in the pro forma balance sheet situation prepared considering the balance sheet elements transferred and, therefore, the effects of the spin-off.

According to provisions set out in the merger project, the operations carried out by the to-be-absorbed companies will be recorded in Intesa's financial statements as of 1st January of the year in which the merger deed will come into effects with respect to third parties; tax effects will start from the same date.

The merger deed will set out, for each of the to-be-absorbed companies the date in which the merger comes into effects with respect to third parties, ex art. 2504 bis, of the Italian Civil Code, that may also be subsequent to the date of the last of the registrations provided for by art. 2504 of the Italian Civil Code.

The merger is neutral in tax terms and leads to the transfer to the absorbing company, from ISS and IRT, of the residual portions of costs which may be deducted from the future income of the absorbing company.

Since the merger involves wholly-owned subsidiaries, it does not have any consequences on the shareholder base of Banca Intesa S.p.A., or on shareholder agreements on Intesa shares. The right to recede also does not recur for Banca Intesa shareholders.

As provided for by art. 2505, second paragraph, of the Italian Civil Code, since the prerequisites set forth in art. 2501 bis of the Italian Civil Code do not apply and consistently with the Articles of Association of the companies taking part in the merger, the operation will be resolved upon with a public deed by the respective administrative bodies of the companies involved, without prejudice to the possibility, ex art. 2505, third paragraph, of the Italian Civil Code, granted to shareholders of the absorbing company representing at least 5 per cent of its share capital to request, with request sent to the company within eight days from the deposit set forth by the third paragraph of art. 2501 ter of the Italian Civil Code, that the approval of the merger by the absorbing company be resolved upon by the Shareholders' Meeting pursuant to art. 2502, first paragraph, of the Italian Civil Code.

