

SAVINGS BANK FOUNDATIONS AND SOCIAL AND FINANCIAL INCLUSION IN ITALY

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❖ AGENDA

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Origin and aims of the SAVINGS BANK FOUNDATIONS

The Foundations of Banking Origin (Italian acronym FOB) were first set up in Italy in the early 1990s, following a series of restructuring operations regarding SAVINGS BANKS and state-controlled credit institutions.

As a result of these operations, the original credit institutions transferred their “bank companies” to a transferor company. In exchange, they were given a majority shareholding.

The FOBs are today the major shareholders in Italy’s main banking groups, including Unicredit, BancaIntesa, Monte dei Paschi di Siena.

The FOBs are the social core of the Savings Banks which began life as Banks specialising in providing financing to the economically weakest social categories between the 15th and 19th centuries. The reference point for both the Foundations and the Banks is the area in which they were set up; today, however, each has a different role to play:

- the Savings Banks, authorised to operate as ordinary commercial Banks, intervene in order to support economic development, providing financing mainly to SMEs and families, while
- the FOBs have a wider social function, pursuing more collective aims.

The FOBs' shareholding in the Savings Banks renders the latter more socially responsible, adding an ethical approach typical of Foundations to their own sense of banking corporate responsibility.

Legal foundations of social responsibility

The legal system governing non-profit activities

- a) Articles 14 et seq of the Italian Civil Code provide a general regulatory framework governing the entire sector of non-profit organisations, including both foundations and associations with a legal personality and associations and committees without a legal personality, in which both the subject itself with its equity and the directors acting on the subject's behalf are held responsible for liabilities undertaken.

All these subjects are of a private nature and may pursue any aim that is permitted by law. In the case of subjects with a legal personality, in which the directors may not be held responsible for liabilities undertaken in the interest of the subject, the law establishes minimum rules of governance and public controls regarding compliance with the law and the articles of association on the part of the directors.

The subjects that do not have legal status enjoy complete independence and are free to organise themselves as they see fit.

- b) There are special laws governing those foundations and associations that pursue aims of general interest deemed to be of particular importance, and are entitled to fiscal benefits related to such activities.
- c) The main laws governing the FOBs are:
- Legislative Decree No. 356 of 20.11.1990 governing the reorganisation of the banking system, which initially provided for the original Savings Banks to become foundations and at the same time for them to be separated off from the “bank company” and transferred to a joint-stock company incorporated by the foundation for this purpose and entirely owned by the latter
 - Legislative Decree No. 153 of 17.5.1999, which, once the initial separation phase was complete, made it mandatory for the FOBs to cease to be the majority shareholder; this operation has now been completed

d) The FOBs are private legal entities whose full autonomy is constitutionally guaranteed as a “civil liberties organisation”, as established by the Constitutional Court with judgment No. 300 of 2003.

These entities pursue socially useful aims chosen from a very lengthy list of options contemplated by law, including, for example, research, art, assistance to the elderly, volunteer activities and philanthropy.

In accordance with the law, they are to be subject to the control of an independent authority. This authority has not yet been set up, however, because a thorough legislative reform of the entire non-profit sector has not yet been completed. It is the Ministry of the Economy that currently acts as a controlling body.

The controls are carried out to ascertain whether the work of the directors is compliant with the law and with the articles of association, and to ensure the aims chosen by the Foundation are effectively being pursued.

e) The Foundations may not pay out equity, profits any other earnings to the directors, the founders, the employees or any other subjects.

The income generated by the foundations must be destined in its entirety to achieving the socially useful aims they pursue, subtracting only those expenses necessary for the functioning of the Foundation and to comply with the tax charges and equity reserves provided for by the law and authorised by the supervisory authority.

f) The law also sets down the minimum mandatory rules regarding the issue of governance, compelling the organisation of the foundations to include a management body (the board of directors), a policy-making body (the policy board) - the role of which is to determine the general strategy for equity management and investment policy, determine plans and policies regarding the Foundation's activities and any amendments to be made to the articles of association, to appoint members to the board of directors and the board of statutory auditors and to approve the financial statements - and a control body (the external audit board).

Equity and geographical distribution of the Foundations

There are 88 FOBs. They are to be found throughout Italy, with the largest number present in the centre-north of the country.

Their total equity amounts to some 49 billion euros.

The first 11 FOBs hold over 65% of the total equity for all the foundations

The main FOBs are:

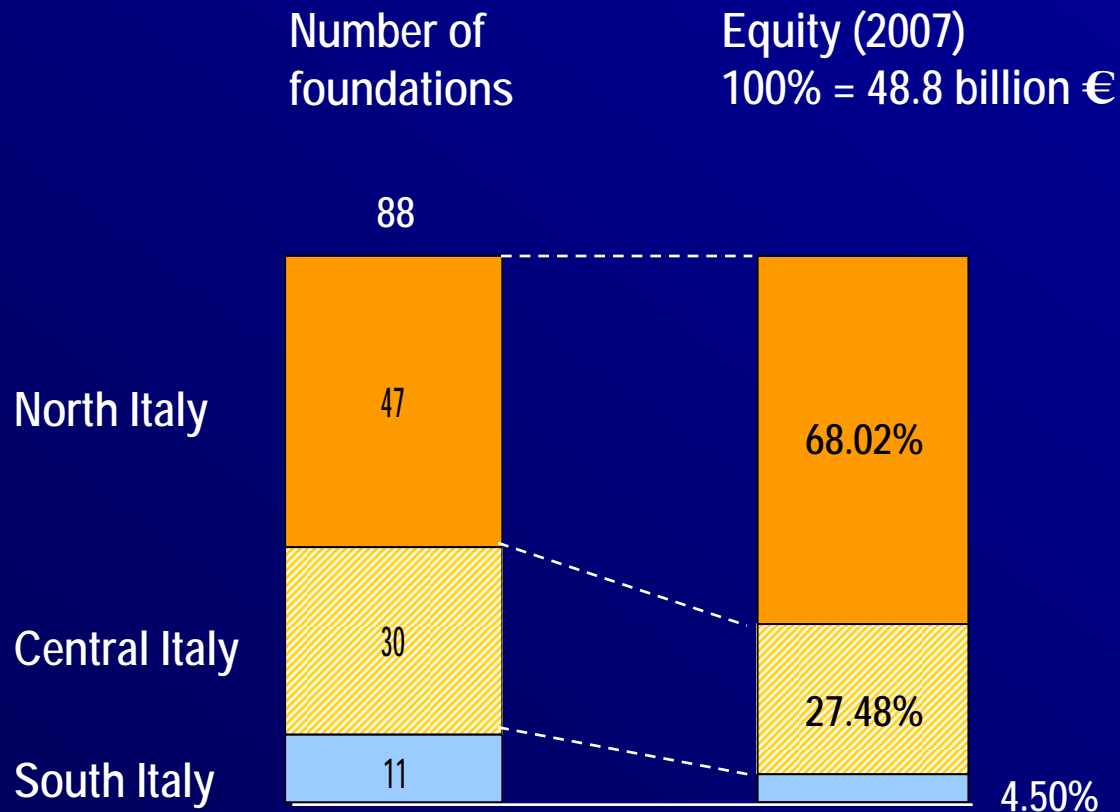
- ❑ Fondazione Cariplo, equity: 6.3 billion euros
- ❑ Compagnia di San Paolo, equity 5.4 billion euros
- ❑ Fondazione Monte dei Paschi, equity 5.4 billion euros
- ❑ Fondazione Cariverona, equity 4.3 billion euros
- ❑ Fondazione Cassa Risparmio di Torino, equity 2.6 billion euros
- ❑ Fondazione Roma, equity 1.7 billion euros

Geographical presence*



* The name of the Foundations has been abbreviated for reasons of space

Distribution of equity according to geographical area

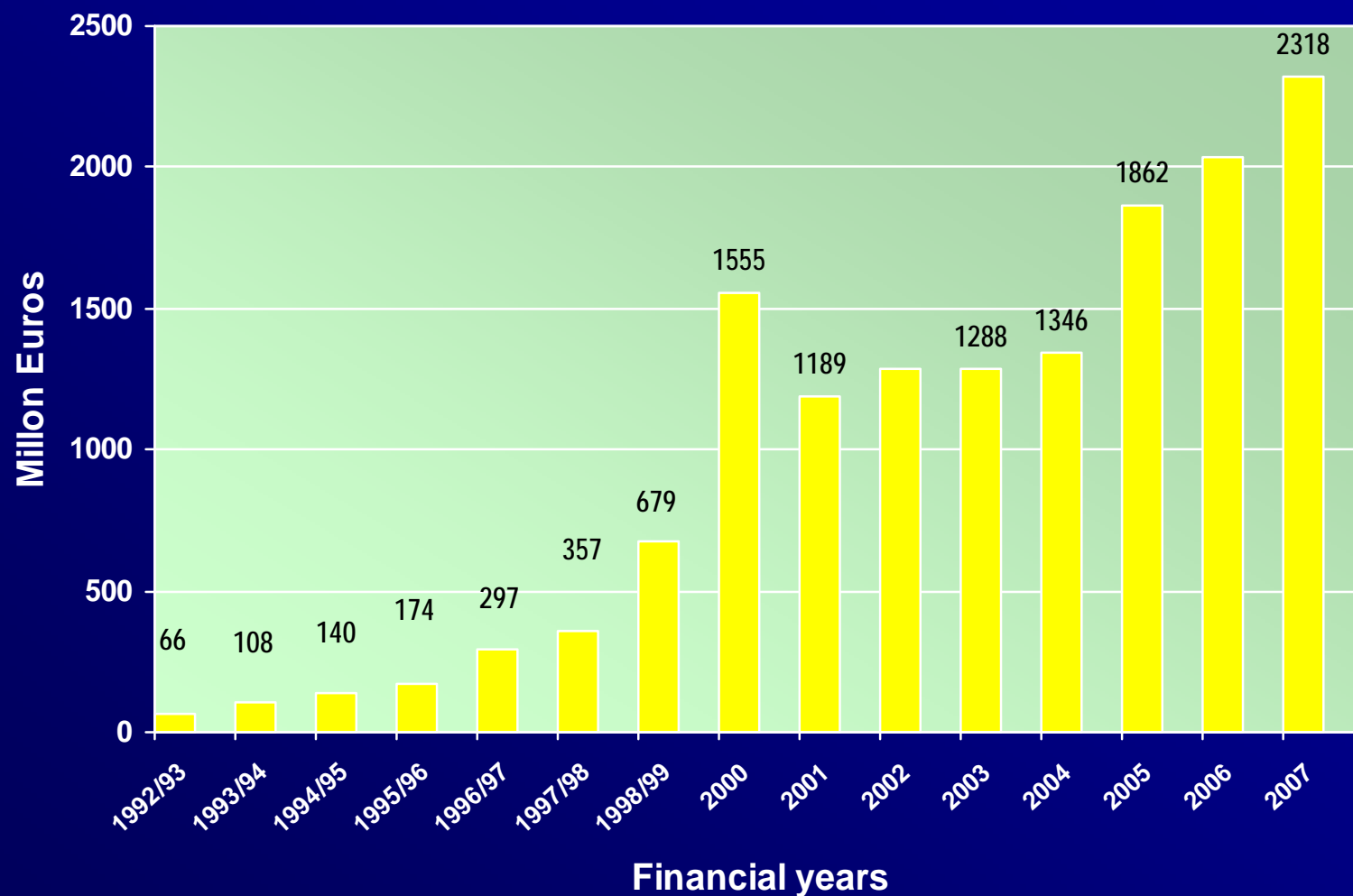


Resources devoted to SOCIAL, ECONOMIC AND FINANCIAL INCLUSION

Since 1992, their start-up year, the FOBs have given over 15 billion euros to institutional activities, through a total of over 279 thousand actions.

A total number of 871 people work in the Foundations, with an average number of 10 employees per FOB.

Resources allocated to institutional activity



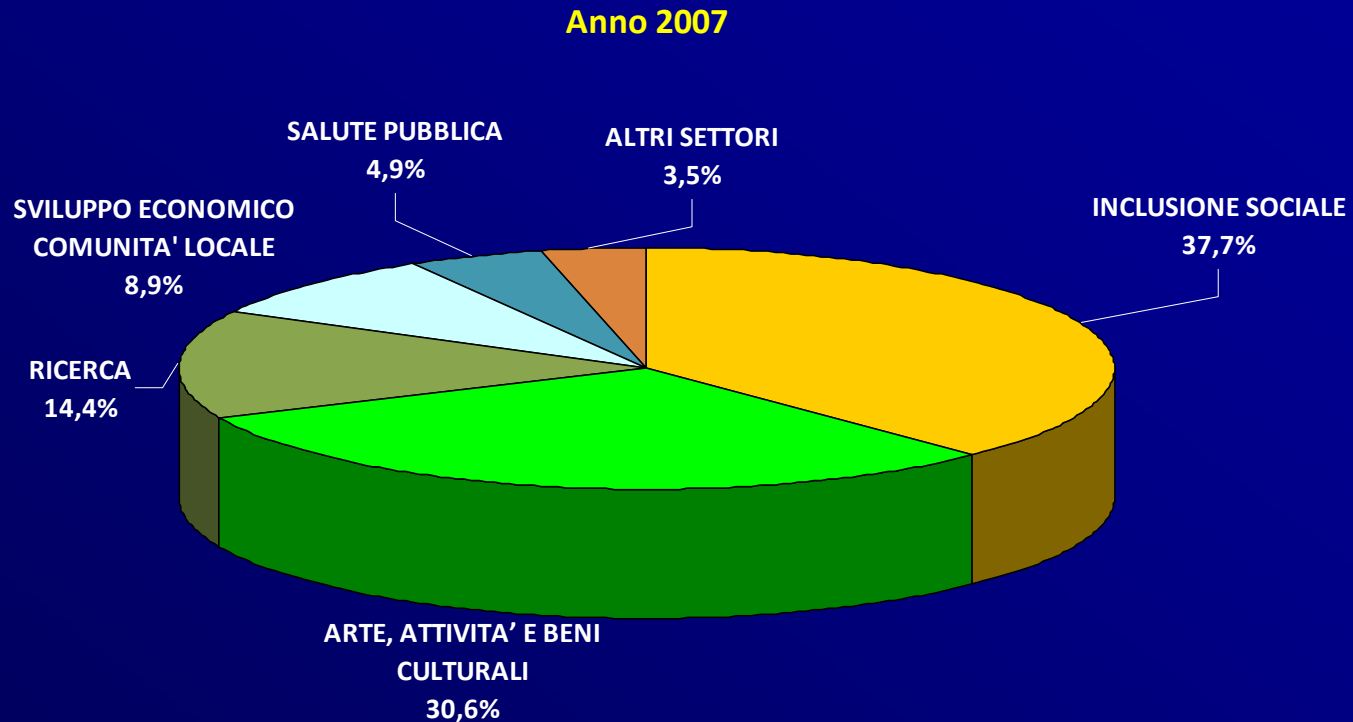
N° of actions	n.a.	14,389	13,680	13,646	14,273	15,281	17,355	19,418	21,428	20,438	22,804	23,116	25,397	28,850	29,375
Average amount in € n.a.	7500	10,233	12,750	20,808	23,362	39,124	80,080	45,329	52,681	49,888	54,846	54,043	55,086	58,386	

N.B. The figures for 2000 refer to a period of activity longer than 12 months

In 2007 the FOBs subsidised around 30 thousand actions and projects for a total amount of 1.7 billion euros.

Approximately 52% of these resources was dedicated to actions aimed at encouraging the SOCIAL, ECONOMIC AND FINANCIAL INCLUSION of the most disadvantaged individuals.

Distribution of allocation of funds according to sectors

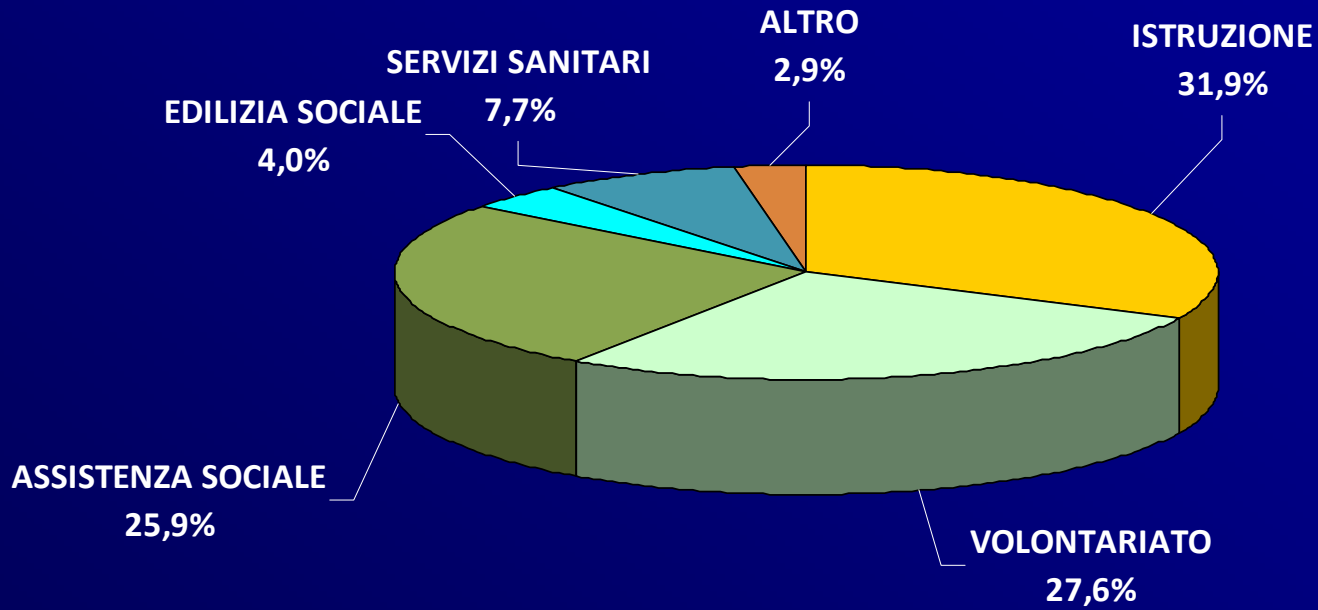


The macro sector SOCIAL, ECONOMIC AND FINANCIAL INCLUSION, which includes actions aimed at providing support to the more vulnerable social categories, takes up the largest part of the resources dedicated to the pursue of the foundations' purpose as set out in the articles of association, followed by the sectors:

- ❑ Art, cultural activities and assets, with 31%;
- ❑ Scientific and technological research, with 15%.

Around 38% of the FOBs' annual resources is devoted to SOCIAL INCLUSION alone.

SOCIAL INCLUSION

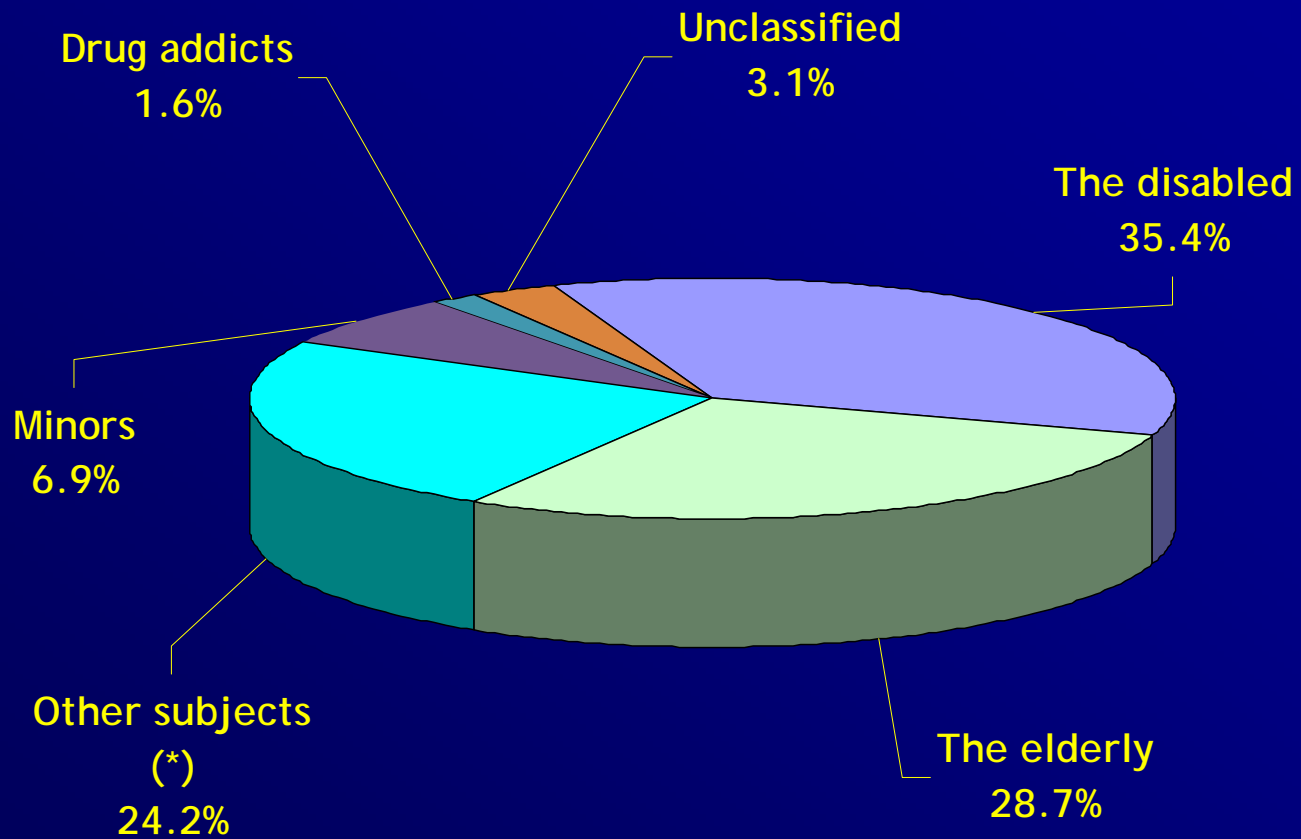


In the macro sector SOCIAL INCLUSION, the most common types of action carried out in 2007 were:

- ❑ Construction and renovation of buildings to house the healthcare, reintegration and education activities, with around 21%;
- ❑ Contributions given to humanitarian organisations operating in the social inclusion sector, with over 26%;
- ❑ Direct financing of social support projects, accounting for 23% of funds allocated.

In addition to providing support to projects drawn up by third parties, in partnership with public bodies or private organisations, the FOBs also operate in the SOCIAL INCLUSION sector by directly running, for example, hospices or care homes for the elderly, built by single Foundations or in cooperation with other FOBs.

SOCIAL INCLUSION: beneficiaries



Coordinated operations carried out by the the Foundations system as a whole

One of the most important new developments in the FOBs' experience in recent years is their ability to work as a single unit in order to achieve particularly important aims.

These actions undertaken by the FOB system as a whole are coordinated by ACRI (Italian Savings Banks Association), and allow common aims to be achieved by making available a huge amount of resources as well as the planning, organisational and supervisory skills of all the Foundations in the area concerned.

These actions are carried out:

- a) in the area of **social inclusion**, with the setting up of the **FOUNDATION FOR THE SOUTH**, designed to carry out actions of solidarity in the south of Italy in order to contribute to the growth of human capital through the improvement of social infrastructures.

The equity of the **FOUNDATION FOR THE SOUTH** is made up of contributions from all the **FOBs** in Italy, and totals around 315 million euros, added to which are further resources to be given over to specific projects. In 2007 these resources totalled around 60 million euros, allocated to the integration or reintegration of young people in difficulty and people with disabilities.

b) in the area of **financial inclusion**, guarantee funds or rotating funds have been set up. These are managed in cooperation with non-profit organisations and with the participation of banking institutes and are aimed at facilitating access to forms of micocredit on the part of the unemployed, immigrants, victims of usury and people in difficulty, in order to help them cope with pressing personal or family needs, or for the setting up of an independent working activity on the part of individuals who would not be in a position to request an ordinary bank loan.

c) in the area of **economic inclusion**, the FOBs have been active

- in local public utilities;
- in the field of private equity, with their presence in the F2i fund dedicated to the creation and development of national and local infrastructures, and in the TTVenture fund, dedicated to the transfer of technological research to businesses;
- in the CDP which finances local authorities and investments for economic development;
- in the field of social housing, also through the setting up of specific tools, with operating companies, specific funds, such as Abitare Sociale 1, PPP Italia or CDP Investimenti, which will make up the national asset management company, to which the local system of social housing funds will refer, on which the FOBs are working in the framework of ACRI and which aims to raise 2 billion euros to be used for social housing.