

## **PRESS RELEASE**

### **BANCA INTESA APPROVES THE GUIDELINES OF THE MERGER PROJECT WITH SANPAOLO IMI**

- **The new Group will be positioned among the top banking groups in the Euro Zone already before-synergies**
- **The new Group will be the undisputed leader in Italy, with an average market share of around 20% in all segments**
- **The new Group's network, with over 6,000 branches in Italy, will be capillary and well-balanced throughout the territory with market shares exceeding 15% in most regions**
- **Legal Headquarters will be in Turin. Operating Headquarters in Milan and Turin**
- **Exchange ratio of 3.115 Banca Intesa new ordinary shares for each Sanpaolo IMI ordinary and privileged share**
- **Estimated fully phased-in pre-tax synergies of around €1.3 billion in 2009**
- **Pre-tax one-off integration costs estimated at around €1.5 billion**
- **Preliminary estimates of financial indicators of the new Group after synergies:**
  - **net income 2009 around €7 billion**
  - **net income CAGR in 2005-2009 equal to around 13% (adjusted for the non-recurring items registered in 2005)**
  - **EPS improvement in 2009 following the synergies equal to around 13%**
  - **pay-out equal to at least 60% of net income**
- **Corporate Governance structure grounded on the Supervisory Board and the Management Board**
- **Organisational model to reinforce the "Banca dei Territori" pattern; integration of the Banca Intesa S.p.A. and Sanpaolo IMI S.p.A. networks with the adoption of a single brand where not present through local brands**

*Milano, 26<sup>th</sup> August 2006* – The Board of Directors of Banca Intesa, which met today under the chairmanship of Giovanni Bazoli, approved the guidelines of the merger project with Sanpaolo IMI.

The Group resulting from the merger will be positioned among the leading European banking groups and able to compete in the financial service sector at a supranational level through a domestic strengthening process bearing unique features.

Before synergies, the new Group will be positioned **among the top banking groups in the Euro Zone with a market capitalisation of above €65 billion and be the undisputed leader in Italy with more than 13 million customers and an average market share of around 20% in all segments**, retail, corporate and wealth management, in line with the leading banks in the main European countries.

Based on the two companies' results for 2005 and the combination of the their market shares, the new Group would rank first in Italy in many segments:

Banca Intesa + Sanpaolo IMI		
	market share	ranking
Customer deposits	22.1%	1 <sup>st</sup>
Loans to customers	21.8%	1 <sup>st</sup>
<b><i>Retail</i></b>		
Asset Management	32.4%	1 <sup>st</sup>
Bancassurance	30.4%	1 <sup>st</sup>
Private banking	27.6%	1 <sup>st</sup>
Mortgages	23.8%	1 <sup>st</sup>
Consumer Credit	16.1%	1 <sup>st</sup>
<b><i>Corporate</i></b>		
IPO	29.8%	1 <sup>st</sup>
Foreign trade settlements	25.4%	1 <sup>st</sup>
Factoring	25.3%	1 <sup>st</sup>
Syndicated loans	10.1%	1 <sup>st</sup>
Brokerage (equity trading)	8.1%	1 <sup>st</sup>

Moreover, the new Group will be the Italian leader in the public and infrastructure finance sector.

**The new Group's domestic network of over 6.000 branches will be capillary and well-balanced throughout the territory** with market shares above 15% in 15 regions and below 5% only in 7 provinces. The rationalisation of the presence on the territory may entail a reduction of up to around 10% of the total number of branches.

A leadership presence in all the Italian regions, therefore, with the following market shares in terms of branches:

Banca Intesa + Sanpaolo IMI		
	market share	ranking
North-West	23.6%	1 <sup>st</sup>
North-East	19.0%	1 <sup>st</sup>
Centre	13.9%	1 <sup>st</sup>
South & Islands	20.2%	1 <sup>st</sup>
Italy	19.5%	1 <sup>st</sup>

Over 60% of the branches are in the North of the country.

The new Group will also enjoy a significant presence in Central-Eastern Europe with the network of around 1,400 branches and 6 million customers (taking into account the acquisitions under way) of its banking subsidiaries operating in the retail and commercial banking activities:

company	country	ranking
PBZ	Croatia	2 <sup>nd</sup>
VUB	Slovakia	2 <sup>nd</sup>
Banca Intesa Beograd and Panonska <sup>(1)</sup>	Serbia	2 <sup>nd</sup>
CIB and IEB	Hungary	4 <sup>th</sup>
Ukrsotsbank <sup>(1)</sup>	Ukraine	4 <sup>th</sup>
UPI Banka	Bosnia	5 <sup>th</sup>
BIA	Albania	5 <sup>th</sup>
Banka Koper	Slovenia	6 <sup>th</sup>
KMB	Russian Federation <sup>(2)</sup>	n.m.
SPIMI Bank	Romania	n.m.

<sup>(1)</sup> Acquisition under way

<sup>(2)</sup> In this country Zao Banca Intesa is present, set up in 2003, the only Italian banking subsidiary licensed to operate in Russia, active in the corporate banking.

Moreover, the international network specialised in support of corporates will be strengthened and be present in over 30 countries, in particular the Mediterranean area and those areas where Italian enterprises are most active, such as the United States, Russia, China and India.

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The guidelines of the merger project set forth, in particular, the following:

1. **legal Headquarters** after the merger **in Turin**, where therefore ordinary and extraordinary Shareholders' Meetings will be held, and **operating Headquarters in Milan and Turin**;
2. **exchange rate of 3.115 Banca Intesa new ordinary shares for each Sanpaolo IMI ordinary share after the conversion of the current 284,184,018 privileged shares** of the latter. Consequently, after the issue of 5,840,177,487 Banca Intesa new ordinary shares, the new Group's **main shareholders** should own the following ordinary share capital stakes:

Crédit Agricole	9.1%
Compagnia di San Paolo	7.0%
Generali	4.9%
Fondazione Cariplo	4.7%
Banco Santander Central Hispano	4.2%
Fondazione CR Padova e Rovigo	3.5%
Fondazione CR Bologna	2.7%
“Gruppo Lombardo”	2.5%
Fondazione Cariparma	2.2%
Caisse Nationale des Caisses d'Épargne	0.7%

3. **estimated fully phased-in pre-tax preliminary synergies of around €1.3 billion in 2009 of which around 75% from cost synergies**, corresponding to around 9% of the combined costs, in line with the recent merger operations in the Italian banking system, without taking into account rationalisation of the presence on the territory and/or asset disposals. Cost synergies are expected in particular from:
  - unification of IT systems,
  - unification of back-office structures,
  - integration of central functions,
  - centralisation of purchase functions,
  - external contract renegotiation,
  - rationalisation of administrative expenses,
  - integration/merger of product companies operating in the same business areas.
 Revenue synergies (around 2% of combined revenues) are expected in particular from:
  - commercial effectiveness increase following the deeper entrenchment in the territory which will enable to maximise cross-selling and increase the share of wallet and number of customers in the provinces where competitiveness will improve most,
  - commercial effectiveness increase due to the enlarged critical mass which will enable to optimise the pricing lever thanks to economies of scale and scope,
  - alignment of the new Group to internal best practices thanks to sharing of products, services, commercial approaches and support systems;
4. **one-off pre-tax preliminary estimated integration costs of around €1.5billion**;

5. **preliminary estimates of financial indicators of the new Group after synergies**, to be confirmed in the light of the drawing up of a Business Plan:
- **net income 2009 at around €7 billion**,
  - **CAGR net income 2005-2009 equal to around 13%**, adjusted for the main non-recurring items registered by the two entities in 2005,
  - **EPS improvement in 2009 following the synergies equal to around 13%**,
  - **pay-out equal to at least 60% of net income**, with possibility to return excess capital to shareholders - also in the light of the above-mentioned expected strong value creation - notwithstanding the **high level of capitalisation** and a **massive plan of investments in innovation and human capital**,
  - maintaining the high **asset quality** characterising the two entities;
6. **corporate governance**: with the aim of ensuring clarity and operating continuity the Boards of Directors of the two banks will propose to the shareholders the following appointments: Giovanni Bazoli as chairman of the **Supervisory Board**, Enrico Salza as chairman of the **Management Board**, Corrado Passera as Managing Director and CEO, and Pietro Modiano, one of the two General Managers to be nominated, as Deputy to the Managing Director. Moreover, the Boards of Directors of the two banks will propose for Alfonso Iozzo the most appropriate participation in the Boards;
7. **organisational model** which will reinforce the “**Banca dei Territori**” pattern, with the attribution of a specific territory to each brand on an exclusivity basis; moreover, the Banca Intesa S.p.A. and Sanpaolo IMI S.p.A. networks will be integrated with the adoption of a single brand where local brands are not present;
8. merger process, subject to necessary approvals, should take place according to the following **previsional calendar**:
- September/ mid November 2006: elaboration of the merger plan, approval by the Boards of Directors of the merger documentation, authorities’ approval, presentation of the operation to the market,
  - December 2006: Extraordinary Shareholders’ Meetings for the merger approval,
  - end of 2006/beginning of 2007: the new company is set up.

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The new Group will have the objective and responsibility of promoting investments and innovation and contributing to the acceleration of growth and development of the societies where it operates, in all their components.

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Banca Intesa is being advised by Banca Leonardo and Merrill Lynch for the technical and financial aspects and by Studio Pedersoli e Associati for legal matters.

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## IMPORTANT INFORMATION

In connection with the proposed business combination, the required information document will be sent to Commissione Nazionale per le Società e la Borsa (“CONSOB”) and, to the extent that the shares issued in connection with the proposed business combination will be required to be registered in the United States, a registration statement on Form F-4, which will include a prospectus, may be filed with the United States Securities and Exchange Commission (“SEC”). If an exemption from the registration requirements of the U.S. Securities Act of 1933 (the “Securities Act”) is available, the shares issued in connection with the proposed business combination will be made available within the United States pursuant to such exemption and not pursuant to an effective registration statement on Form F-4. **Investors are strongly advised to read the documents that will be sent to CONSOB, the registration statement and prospectus, if and when available, and any other relevant documents sent to CONSOB and/or the SEC, as well as any amendments or supplements to those documents, because they will contain important information.** If and when filed, investors may obtain free copies of the registration statement, the prospectus as well as other relevant documents filed with the SEC, at the SEC’s web site at [www.sec.gov](http://www.sec.gov) and will receive information at an appropriate time on how to obtain these transaction-related documents for free from the parties involved or a duly appointed agent.

This communication does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities, nor shall there be any purchase, sale or exchange of securities in any jurisdiction in which such offer, solicitation or sale or exchange would be unlawful prior to the registration or qualification under the laws of such jurisdiction. The distribution of this communication may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of and observe these restrictions. To the fullest extent permitted by applicable law, the companies involved in the proposed business combination disclaim any responsibility or liability for the violation of such restrictions by any person.

The shares to be issued in connection with the proposed business combination may not be offered or sold in the United States except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

## FORWARD-LOOKING STATEMENTS

This communication contains forward-looking information and statements about Sanpaolo IMI S.p.A. and Banca Intesa S.p.A. and their combined businesses after completion of the proposed business combination. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words “expects,” “anticipates,” “believes,” “intends,” “estimates” and similar expressions. Although the managements of Sanpaolo IMI S.p.A. and Banca Intesa S.p.A. believe that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Sanpaolo IMI S.p.A. and Banca Intesa S.p.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Sanpaolo IMI S.p.A. and Banca Intesa S.p.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public documents sent by Sanpaolo IMI S.p.A. and Banca Intesa S.p.A. to CONSOB and under “Risk Factors” in the annual report on Form 20-F for the year ended December 31, 2005 filed by Sanpaolo IMI S.p.A. with the SEC on June 29, 2006. Except as required by applicable law, neither Sanpaolo IMI S.p.A. nor Banca Intesa S.p.A. undertakes any obligation to update any forward-looking information or statements.