

PRESS RELEASE

**INTESA SANPAOLO: BOARDS APPROVE AGREEMENT WITH ENTE CASSA DI RISPARMIO DI FIRENZE FOR ACQUISITION OF CONTROL OF CARIFIRENZE**

- Intesa Sanpaolo will acquire 40.3% of Carifirenze's share capital by means of a share swap of 399 million of own ordinary shares, equal to approximately 3.3% of its ordinary share capital
- Intesa Sanpaolo will launch a "European" Mandatory Public Offer on 41.1% of Carifirenze's capital in cash at the price of 6.73 euro per share (on 30.8% if Ente Cassa di Risparmio di Firenze maintains its 10.3% in Carifirenze)
- The Ordinary Shareholder's Meeting has been summoned for 28<sup>th</sup> September – 2<sup>nd</sup> October 2007 to resolve upon the authorisation for the purchase of own shares to serve the share swap
- A cash-settled derivative contract has been stipulated on the number of own ordinary shares included in the share swap transaction to minimise the exposure to their market price fluctuation
- Following the integration with Carifirenze pre-tax synergies in 2010 are estimated at approximately 185 million euro (65% from costs and 35% from revenues), "one-off" integration charges at approximately 185 million euro and value creation for the Intesa Sanpaolo shareholders equal to 3.4% of the EPS estimated by the "IBES consensus" for 2010

*Torino, Milano, 25<sup>th</sup> July 2007* – Intesa Sanpaolo's Management Board and Supervisory Board which met today chaired by Enrico Salza and Giovanni Bazoli respectively, resolved, as falls within their respective competence, to proceed with the acquisition of control of Carifirenze under the terms agreed upon with Ente Cassa di Risparmio di Firenze.

**1. The share swap**

**The agreement provides for the acquisition on the part of Intesa Sanpaolo of 40.3% of Carifirenze's share capital** – equal to 334 million shares – held by Ente Cassa di Risparmio di Firenze, Fondazione Cassa di Risparmio di Pistoia e Pescia, Fondazione Cassa di Risparmio di La Spezia (the "Fondazioni") and Sofibar **by means of a share swap of 399 million Intesa Sanpaolo ordinary shares** – own shares to be **purchased on the market once the relevant Shareholders' Meeting resolution is obtained** – **on the basis of the swap ratio of 1.194 Intesa Sanpaolo ordinary shares for each Carifirenze share** which will enable the Fondazioni to acquire an approximately 3.3% stake in the Intesa Sanpaolo ordinary share capital (thus reaching approximately 4% since Ente Cassa di Risparmio di Firenze already owns 0.7% in the latter's capital).

The share swap ratio has been calculated on the basis of the simple arithmetic average of the market reference price of Carifirenze ordinary shares and Intesa Sanpaolo ordinary shares for the three months from 6<sup>th</sup> December 2006 to 5<sup>th</sup> March 2007 (the last trading day preceding the first rumours circulated by the press with respect to this transaction) equal to 4.49 euro and 5.64 euro respectively. For the purpose of determining the share swap ratio, to the market price of the Carifirenze share (4.49 euro) has been applied a premium - relating to the transfer of control of

Carifirenze from the current majority shareholders to Intesa Sanpaolo - up to 6.73 euro thus determining the ratio of 1.194 Intesa Sanpaolo ordinary shares for each Carifirenze share.

## 2. The public offer

**Intesa Sanpaolo** - already owning approximately 18.6% in Carifirenze and in consequence of the aforementioned share swap - will reach **58.9% in the latter's share capital**. Therefore, **Intesa Sanpaolo will launch a public offer pursuant to art. 106 and art. 102 of Legislative Decree 58 of 24<sup>th</sup> February 1998 as subsequently amended** ("Mandatory Public Offer") on the total shares of Carifirenze with voting rights not held, corresponding to 41.1% of the share capital of the issuer. The Mandatory Public Offer will have the objective of delisting Carifirenze to be carried out through the ways deemed most appropriate which might include the residual-acquisition public offer or, alternatively, a merger with a not listed company.

Since the European Directive provisions on takeover bids will be shortly adopted in Italian regulations, a **"European" Mandatory Public Offer will be launched on 41.1% of Carifirenze's capital wholly in cash at a price per share equal to the valuation price of Carifirenze share for the purpose of calculating the share swap ratio**, that is **at the price of 6.73 euro per share inclusive of the above-mentioned premium**.

On the basis of the aforementioned unit price, the **total value of the acquisition** is therefore determined, on one hand, by the value of 41.1% of the capital at the **Mandatory Public Offer** price of 6.73 euro per share equal to **approximately 2,295 million euro** if the public offer is fully-tendered (the Group has adequate liquidity to face relevant disbursement), and, on the other hand, by the value of the 399 million Intesa Sanpaolo ordinary shares **swapped** (calculated on the basis of the aforementioned share swap ratio of 1.194 shares for each Carifirenze share) which - if notionally calculated applying the market reference price of 5.34 euro of the Intesa Sanpaolo shares as at 24<sup>th</sup> July 2007 - would be equal to **approximately 2,130 million euro**.

Such value does not impact on the calculation of the number of own ordinary shares that will be swapped by Intesa Sanpaolo to the Fondazioni, which has been fixed at 399 million by applying the aforementioned share swap ratio and is not linked to the Intesa Sanpaolo ordinary share performance until execution of the share swap transaction. Conversely, this performance will impact on the cost of the own shares purchase at the service of the share swap. **In order to minimise the exposure to their market price fluctuations**, which could make the actual price of the transaction differ from the expected price, following its Boards' resolution, **Intesa Sanpaolo has stipulated a cash-settled derivative contract** having as underlying asset the number of Intesa Sanpaolo ordinary shares included in the swap transaction (399 million, equal to approximately 3.3% of the ordinary share capital) the details of which are provided hereafter.

Therefore the **implied acquisition value for 100% of the capital** made up of 829 million shares - calculated by valuing the 40.3% stake related to the share swap at the aforementioned notional share swap price as at 24<sup>th</sup> July 2007, the 41.1% stake at the Mandatory Public Offer price and the remaining 18.6% stake at the weighted average of the notional share swap price and the Mandatory Public Offer price - would amount to **approximately 5,435 million euro**, that is to **6.55 euro per share**, corresponding to a multiple of 3.1 times the shareholders' equity of Carifirenze estimated by the market consensus available as at 31<sup>st</sup> December 2007.

For complete information, it is hereby clarified that **Ente Cassa di Risparmio di Firenze has committed itself not to tender its shares under the Mandatory Public Offer and to maintain a 10.3% stake in the Carifirenze share capital**. In consequence, if Ente Cassa di Risparmio di

Firenze fulfils its commitment, through the Mandatory Public Offer Intesa Sanpaolo may acquire a maximum stake of 30.8% of Carifirenze's capital.

In this case, the **total value of the acquisition** is determined, on one hand, by the value of 30.8% of the capital at the **Mandatory Public Offer** price of 6.73 euro per share equal to **approximately 1,720 million euro** if the public offer is fully-tendered, and, on the other hand, by the value of the 399 million Intesa Sanpaolo ordinary shares **swapped** (calculated on the basis of the aforementioned share swap ratio of 1.194 shares for each Carifirenze share) which - if notionally calculated applying the market reference price of 5.34 euro of the Intesa Sanpaolo shares as at 24<sup>th</sup> July 2007 - would be equal to **approximately 2,130 million euro**.

Therefore the **implied acquisition value for 100% of the capital** - calculated by valuing the 40.3% stake related to the share swap at the aforementioned notional share swap price as at 24<sup>th</sup> July 2007, the 30.8% stake at the Mandatory Public Offer price and the remaining 28.9% stake at the weighted average of the notional share swap price and the Mandatory Public Offer price – would amount to **approximately 5,415 million euro**, that is to **6.53 euro per share**, corresponding to a multiple of 3.1 times the shareholders' equity of Carifirenze estimated by the market consensus available as at 31<sup>st</sup> December 2007.

### **3. The purchase of own shares to serve the share swap**

In order to execute the share swap, today the Management Board summoned the **Ordinary Shareholders' Meeting for 28<sup>th</sup> September and 2<sup>nd</sup> October 2007, on first and second call respectively**, to resolve upon the purchase of own shares to serve the share swap. In the 15 days prior to the date of the Meeting relevant documents will be made available.

The purchase of own ordinary shares, if resolved upon at the Meeting, will be carried out for approximately two months on regulated markets according to the operating methods set forth in the regulations providing for the organisation and management of such markets, pursuant to art. 132 of Legislative Decree 58 of 24<sup>th</sup> February 1998, art. 144 *bis* of Consob Resolution No 11971/99 with subsequent amendments and art. 5 of Regulation (EC) No 2273/2003 from the date after the Meeting's resolution. More precisely, and subject to the authorization at the Shareholders' Meeting, Intesa Sanpaolo will purchase on the market, in the continuous trading phase, a fixed number of its own ordinary shares equal to the lower volume between i) 25% of the daily average overall volume of Intesa Sanpaolo ordinary shares traded in the month of September 2007 (the cap set forth in art. 5 of the aforementioned Regulation EC No 2273/2003) and ii) approximately 20% of the volume traded each day only in the continuous trading phase, for the number of days necessary up to the total number of 399 million own shares set forth in the transaction. More detailed information on the purchase plan will be disclosed in the terms provided for by Law before the plan is set in motion.

Approximately, the share swap execution in favour of the Fondazioni is expected to take place by the end of this November or the beginning of this December while the launch of the Mandatory Public Offer is expected to occur this December to be concluded in January 2008.

### **4. The cash- settled equity swap**

As introduced above, with respect to the purchase of own ordinary shares to serve this share swap, **in order to minimise the exposure to their market price fluctuations**, which could make the actual price of the transaction differ from the expected price, following the Boards'

resolutions **Intesa Sanpaolo has stipulated a cash-settled derivative contract** with Banca Leonardo having as underlying asset the number of Intesa Sanpaolo ordinary shares included in the swap transaction (399 million, equal to approximately 3.3% of the ordinary share capital).

As part of this equity swap derivative contract, settled exclusively for the differential amount without physical delivery (cash settlement), Banca Leonardo shall pay Intesa Sanpaolo any positive difference between the “Final Relevant Price” and the “Initial Relevant Price” of the underlying shares while they will cash in from Intesa Sanpaolo any negative difference between the Final Relevant Price and the Initial Relevant Price of the shares.

The Initial Relevant Price will be calculated on the basis of the weighted average daily price of the Intesa Sanpaolo ordinary share applying each daily price to 20% of the volume of Intesa Sanpaolo ordinary shares traded in each relevant day for the number of days necessary up to the total number of shares set forth in the transaction, over an approximately two-month period, starting from tomorrow and ending on 27<sup>th</sup> September 2007, the day preceding the Intesa Sanpaolo Meeting summoned on first call to resolve upon the purchase of own shares. In order to calculate the Initial Relevant Price, only price and volume of transactions executed in the continuous trading phase will be considered, thus excluding trades during the opening and closing auctions and cross-trades. Each daily price will be calculated as the average of prices of transactions executed in the continuous trading phase weighted by the respective number of shares traded. If by 27<sup>th</sup> September 2007 the amount of shares traded on the market is not sufficient to determine the Initial Relevant Price up to the total number of the shares set forth in the swap transaction, the calculation of the Initial Relevant Price will terminate on that date and the number of shares hedged will be reduced accordingly.

The Final Relevant Share Price will be determined as the weighted average daily price of the Intesa Sanpaolo ordinary share applying each daily price to the lower volume between i) 25% of the daily average overall volume of Intesa Sanpaolo ordinary shares traded in the month of September 2007 and ii) 20% of the volume of the Intesa Sanpaolo ordinary shares traded in each relevant day only in the continuous trading phase, for the number of days necessary up to the total number of shares set forth in the transaction, starting from the day on which Intesa Sanpaolo’s own share purchase plan is set in motion (over an approximately two-month period). Each daily price will be calculated as the average of prices of transactions executed in the continuous trading phase weighted by the respective number of shares traded, thus excluding trades during the opening and closing auctions and cross-trades.

In executing this contract, Banca Leonardo will presumably adopt a hedging strategy initially by purchasing the Intesa Sanpaolo ordinary shares underlying the swap - either on or off the market - and/or through derivatives transactions of the opposite sign and subsequently doing likewise when selling. Intesa Sanpaolo will carry out its trading activities with respect to the purchase of its own shares in an autonomous and separate way, in compliance with the terms of its purchase plan as approved at the Shareholders’ Meeting.

## **5. The acquisition of Carifirenze**

Carifirenze has a network of 547 branches in Italy (and a further 19 in Romania) concentrated in Tuscany, Latium, Liguria, Emilia Romagna and Umbria; as at 31<sup>st</sup> December 2006, Carifirenze had total assets of 23,813 million euro, loans to customers of 14,628 million euro, direct customer deposits of 17,009 million euro, indirect customer deposits of 21,910 million euro and shareholders’ equity of 1,621 million euro. In 2006, Carifirenze’s net income amounted to 271 million euro (173 million excluding non-recurring items).

**This combination will enable the Intesa Sanpaolo Group to markedly strengthen its competitive positioning in the 5 regions of Central-Northern Italy where Carifirenze's branch network is concentrated - in Tuscany, above all, where as a result of the transaction the branch market share will increase from 4.5% to 18.6% - and, particularly, in 15 provinces of the Centre of Italy.** In 10 of these provinces, following the combination, the Group will rank first (in 6 provinces) and second (in 4 provinces) in terms of branches; its branch market share will be more than 20% in 7 provinces and in 13 provinces will exceed by 20% the highest branch market share ever reached by either Intesa Sanpaolo or Carifirenze on a stand alone basis.

This transaction - other things being equal - entails a reduction by approximately one percentage point in the Intesa Sanpaolo Group's **capital ratios** compared to the figure as at 31<sup>st</sup> March 2007, consistent with the 2007-2009 Business Plan targets of dividend distribution and a Core Tier 1 ratio at 6.5% in 2009.

**Synergies** before tax in full operation (in 2010) are estimated at approximately 185 million euro, 65% from costs and 35% from revenues, equal respectively to approximately 20% of costs and 6% of revenues generated by Carifirenze in 2006. Moreover, **"one-off" integration charges** are estimated at approximately 185 million euro. **Value creation is expected for Intesa Sanpaolo shareholders** equal to 3.4% of the EPS estimated by the "IBES consensus" for 2010.

Within the **Territorial Bank ("Banca dei Territori") framework**, Carifirenze will have the exclusive territorial control of Tuscany and Umbria to which the eastern part of Liguria (the La Spezia province), the Viterbo province, the Ascoli province and the area of Fano will be added. Both Intesa Sanpaolo's holding in Intesa Casse del Centro and the Group's branches and SME centres operating in the local territory will be transferred to Carifirenze at market value and in ways still to be defined. Moreover, Carifirenze will maintain its presence in Emilia Romagna as well as in Rome and its province.

**After the integration of Intesa Casse del Centro, Carifirenze will be a leading bank in the Centre of Italy and rank eighth in Italy with approximately 900 branches** (before antitrust intervention, if any). Carifirenze will manage and coordinate – on behalf of the Parent Company and in accordance with its general policies – the commercial banks operating in that territory.

## **6. The integration of Carifirenze into Banca dei Territori**

In keeping with the Banca dei Territori model, Carifirenze will operate in its geographical area following the Parent Company's guidelines and instructions. The General Manager of Carifirenze will report directly to the General Manager of Intesa Sanpaolo in charge of the Banca dei Territori Division; in addition, that reporting line will be integrated by functional reporting of Carifirenze structures to those of Intesa Sanpaolo.

According to the Intesa Sanpaolo Group's general policies, Carifirenze will maintain its own brands as well as commercial and lending autonomy in line with the Group model while the Group's specialised structures will be used for corporate finance, investment banking, public finance, asset management and private banking. A centre of excellence will be set up in Tuscany to serve the whole Group.

After the share swap and the subsequent planned delisting, Ente Cassa di Risparmio di Firenze, as long as it maintains the set number of Carifirenze shares, will be safeguarded through specific clauses in the Articles of Association and the shareholders' agreement which, though not limiting

the operations of Carifirenze, extraordinary ones included, will allow the aforementioned Ente to express a binding opinion as regards various issues which include maintaining Carifirenze's juridical autonomy, its name, corporate purpose, registered office and operations office as well as to have its own representatives appointed to the Board of Directors and pre-emptive and withdrawal rights in those cases as provided for.

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The finalisation of the transaction is subject to the formalisation of the agreements and necessary authorisations.

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Intesa Sanpaolo was assisted by Banca Leonardo as financial advisor. Citigroup prepared a fairness opinion for the Intesa Sanpaolo Boards on the adequacy of the transaction with regard to its financial aspects.

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