



## PRESS RELEASE

**pursuant to Articles 36 and 43 of Regulation adopted by Consob with resolution no. 11971 of 14 May 1999, as subsequently amended**

### **INTESA SANPAOLO: INCREASE IN THE CONSIDERATION OF THE PRIOR PUBLIC EXCHANGE OFFER FOR ALL ORDINARY SHARES OF UNIONE DI BANCHE ITALIANE S.P.A.**

*Turin - Milan, 17 July 2020* – With reference to the voluntary public exchange offer for maximum 1,144,285,146 ordinary shares of Unione di Banche Italiane S.p.A. (“**UBI Banca**”), which was communicated on 17 February 2020 and updated by a press release on 6 March 2020 concerning the filing of the offer document (the “**Offer Document**”) with Consob (the “**Offer**”), Intesa Sanpaolo, since the announcement of the Offer on 17 February 2020, has underlined that the ultimate aim pursued by the Bank in seeking a combination with UBI Banca is to generate benefits for all stakeholders of the two Groups - shareholders, households, businesses, people who work for the two Groups, the community and the environment where the two Groups operate - while strengthening the support to the real and social economy of Italy, promoting local economies.

Intesa Sanpaolo, in the pursuit of this ultimate aim and in its role as the engine for sustainable and inclusive growth and a reference point for sustainability and social responsibility, has decided to take into consideration the difficult situation of the territories with concentration of retail shareholders and, more in general, stakeholders of UBI Banca - which, as known, have been severely hit by the COVID-19 pandemic - and not to make it even worse by unintentionally producing possible divisive effects between stakeholders in favour of the Offer or against it.

In this perspective and on the basis of updated valuations, **Intesa Sanpaolo’s Board of Directors, at its meeting held today, resolved to increase the Consideration of the Offer and pay, for each UBI Banca share tendered in the Offer, a Consideration, not subject to any adjustment, consisting of a Consideration in Shares as indicated in the Offer Document published on 26 June 2020, equal to no. 1.7000 Intesa Sanpaolo newly issued ordinary shares resulting from the capital increase to serve the Offer, and a Cash Consideration of 0.57 euro.**

On the basis of the official price of the Intesa Sanpaolo shares recorded at market close on 14 February 2020 (equal to 2.502 euro), **the Consideration increased as indicated above** corresponds to a value equal to 4.824 euro for each UBI Banca share and, therefore, **incorporates a premium of 44.7% compared to the price of the UBI Banca shares recorded on 14 February 2020** (equal to 3.333 euro).

In the event of full acceptance of the Offer, **the Cash Consideration to be received by UBI Banca shareholders can be quantified in around 80 million euro as regards the Foundations**, backing their contributions to local communities, **and around 310 million euro as regards households and businesses of the territories.**

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Today, Intesa Sanpaolo, in accordance with Articles 37-bis and 43 of the Issuers’ Regulation, filed documentation with Consob certifying that a guarantee has been constituted in respect of the full and complete fulfilment of the Cash Consideration payment commitment, issued by Mediobanca - Banca di Credito Finanziario S.p.A..

It is clarified that **Intesa Sanpaolo's Board of Directors has reached the decision to increase the Consideration also on the basis of valuations updated** with the support of its own financial advisor. Specifically, the update of the valuations, conducted, as far as possible, in accordance with the valuation process conducted when the Offer was launched, has been made in order to take into account: (i) **the most recent market data** in order to reflect the changed macro-economic context following the COVID-19 pandemic, (ii) **the income statement, balance sheet and financial positions of Intesa Sanpaolo and UBI Banca as reported in their interim statements as at 31 March 2020** and in the related press releases and result presentations to the financial community, (iii) **the "Updated Business Plan" published by UBI Banca on 3 July 2020**, (iv) **the income statement, balance sheet and financial effects in relation to value creation** in both the baseline scenario (*i.e.* holding a total equity stake in UBI Banca's share capital equal to 50% plus one share without a merger) and the theoretical scenario (*i.e.* holding a total equity stake in UBI Banca's share capital equal to 100% with a merger).

Specifically, Intesa Sanpaolo's Board of Directors has decided to update its valuation approach as shown hereafter (the "Updated Valuation Approach"):

- a date for the update of the valuation has been determined at 7 July 2020 (the "Valuation Update Date");
- with reference to the main valuation methods - that is (i) the stock market price method, (ii) the method based on linear regression between multiples of the stock market price on the tangible equity of comparable listed companies and their respective prospective profitability levels expressed by the return on average tangible equity (RoATE) for the period and (iii) the trading market multiples method, in the variant based on the market prices of comparable listed companies as multiples of their prospective earnings, applied consistently with what previously made - the Valuation Update Date has been used as reference date, and **the market prices of the UBI Banca ordinary shares following the announcement date (17 February 2020) have been stripped of the premium, equal to 27.6%, relating to the Consideration in Shares to be paid by Intesa Sanpaolo compared with the official prices of UBI Banca ordinary shares on 14 February 2020;**
- the target prices method as provided for by research analysts, previously used as control method, has not been used any longer since it has not been possible to identify whether the target prices shown by research analysts as at the Valuation Update Date incorporated or not the implicit premium in the Consideration in Shares offered by Intesa Sanpaolo;
- the dividend discount model in the variant of the excess capital, used as control method, has been applied using the income statement and balance sheet estimates in respect of Intesa Sanpaolo and UBI Banca for the 2020-2022 period, published by research analysts following the announcement of the results as at 31 March 2020. Consistent with what carried out in the valuation process described in the Offer Document published on 26 June 2020, to which reference is made for further information, the choice to use the projections of research analysts has been determined by the absence (a) for Intesa Sanpaolo, of a stand-alone medium-to-long term business plan updated as at the Valuation Update Date and (b) for UBI Banca, of annual details of income statement and balance sheet projections over the time horizon of the business plan entitled "2022 Updated Business Plan", published on 3 July 2020 by UBI Banca.

Furthermore, with regard to the Updated Valuation Approach, the limitations and difficulties relating to the valuation analyses then conducted and highlighted in the Offer Document published on 26 June 2020, to which reference can be made for further information, are confirmed. With reference to the identification of ranges of value, the valuation methods as described above have been applied in accordance with the description provided.

In addition, Intesa Sanpaolo's Board of Directors, only for illustration purposes and for updating the valuation analyses conducted, has calculated the implicit exchange ratio of the Consideration, which represents the number of newly issued Intesa Sanpaolo shares necessary to obtain the value of the Consideration at the chosen valuation date. This implicit exchange ratio is equal to 2.019 as at the Valuation Update Date and is calculated as the ratio between the Consideration (equal to 3.605 euro, that is equal to the sum of the value of the Consideration in Shares - *i.e.*, the official price of the Intesa Sanpaolo shares on 7 July 2020 and equal to 1.785 euro per share, multiplied by the exchange ratio of 1.700 - and the Cash Consideration equal to 0.57 euro) and the official price of the Intesa Sanpaolo shares at the same date.

Based on the new analyses carried out in accordance with the valuation methods modified as described above the results shown below have emerged.

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| Method   | Results   |         |   |         |
|--|---|---------|---|---------|
|  | BASELINE SCENARIO<br><i>Total equity stake in UBI Banca's capital<br/>50%+1</i> |         | THEORETICAL SCENARIO<br><i>Total equity stake in UBI Banca's<br/>capital 100%</i> |         |
|  | Minimum   | Maximum | Minimum   | Maximum |
| <i>Main valuation methods:</i>                                   |   |         |   |         |
| Stock Market Prices Method                                       | 1.379   | 2.239   | 1.379   | 2.541   |
| Linear regression method and market multiples                    | 1.492   | 2.377   | 1.492   | 2.687   |
| <i>Controllo valuation methods:</i>                              |   |         |   |         |
| The Dividend Discount Model in the variant of the Excess Capital | 1.160   | 2.022   | 1.160   | 2.324   |
| <b>Range</b>   | <b>1.492-2.022</b>  |         | <b>1.492-2.324</b>  |         |

Based on the results shown above, the implicit exchange ratio of 2.019 as at the Valuation Update Date is within the identified ranges.

For further information on the valuation analyses conducted for the purposes of determining the Consideration and on the related limitations and difficulties, reference is made to the Offer Document published on 26 June 2020, following approval by Consob with resolution no. 21422 of 25 June 2020.

The table below shows the comparison between (i) the implicit Consideration offered, including (x) the implicit Consideration in Shares (rounded to the third decimal place), calculated taking into account the Exchange Ratio, and the official price of the Intesa Sanpaolo ordinary shares recorded on 14 February 2020 (corresponding to the last trading day prior to 17 February 2020, the announcement date of the Offer), and the weighted averages of the official prices of the Intesa Sanpaolo ordinary shares for 1, 3 and 6 months and 1 year prior to 14 February 2020 (included) as well as (y) the Cash Consideration, and (ii) the official price of the UBI Banca Shares recorded on 14 February 2020, the weighted averages of the official prices of the UBI Banca shares relating to 1, 3 and 6 months and 1 year prior to 14 February 2020 (included), together with the related implicit premiums.

| Reference  | Implicit Consideration offered (€)<br>(a) | Market price UBI Banca (€)<br>(b) | Implicit premium vs. market prices<br>(c= a/b-1) |
|--|---|-----------------------------------|--|
| Values based on prices on 14 February 2020         | <b>4.824</b>                              | 3.333                             | <b>44.7%</b>                                     |
| Values based on weighted average prices - 1 month  | <b>4.597</b>                              | 2.968                             | <b>54.9%</b>                                     |
| Values based on weighted average prices - 3 months | <b>4.569</b>                              | 2.939                             | <b>55.4%</b>                                     |
| Values based on weighted average prices - 6 months | <b>4.371</b>                              | 2.743                             | <b>59.4%</b>                                     |
| Values based on weighted average prices - 1 year   | <b>4.214</b>                              | 2.602                             | <b>62.0%</b>                                     |

Source: Factset, official prices

Only for illustration purposes, the ‘monetary’ value implicit in the Consideration offered for each UBI Banca share which will be tendered in the Offer is equal to 3.605 euro, that is equal to the sum of the Consideration in shares of 3.035 euro - equal to 1.785 euro assigned to each Intesa Sanpaolo share (corresponding to the official price on 7 July 2020) multiplied by the Exchange Ratio of 1.7000 - and the Cash Consideration of 0.57 euro.

In the event of full acceptance of the Offer, *i.e.* if all the 1,144,285,146 UBI Banca Shares subject to the Offer are tendered in, (i) no. 1,945,284,755 Intesa Sanpaolo Shares in total deriving from the share capital increase for the Offer will be assigned, corresponding to around 10% of the Intesa Sanpaolo shares, calculated assuming the full subscription and settlement of the Share Capital Increase for the Offer (fully diluted), and (ii) the Cash Consideration will be paid. Therefore, the overall monetary countervalue of the Offer amounts to 4,124,770,349.37 euro, of which 3,472,527,816.15 as Consideration in Shares and 652,242,533.22 as Cash Consideration.

\* \* \*

**Even taking into account the payment of the above-mentioned Cash Consideration, a pro-forma fully loaded Common Equity Tier 1 ratio for the combined Group expected to be above 13% <sup>(1)</sup> for 2021 is confirmed**, as reported in the Offer Document published on 26 June 2020. Furthermore, what is reported in the Offer Documents is confirmed with reference to the increase in earnings per share estimated at around 6% on the 2019 earnings per share of Intesa Sanpaolo <sup>(2)</sup>, the expected net income of no lower than 5 billion euro for 2022, and the dividend policy envisaging the distribution of cash dividends corresponding to a payout ratio of 75% of the net income for 2020 (excluding the contribution of the negative goodwill <sup>(3)</sup> not allocated to cover integration charges and reduce risk profile from net income) and 70% for 2021 <sup>(4)</sup>.

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This press release must be read jointly with the Offer Document and the Information Document both available also on the website of Intesa Sanpaolo ([group.intesasanpaolo.com](http://group.intesasanpaolo.com)). Intesa Sanpaolo will proceed, within the terms provided for by applicable regulations, to publish a specific Supplement to the Information Document. Investors who have already subscribed to the Offer prior to the date of publication of the Supplement will have the right to revoke their subscription pursuant to Article 23, paragraph 2, of the Regulation (EU) 1129/2017 within and not later than the second trading day subsequent to the date of publication of the Supplement.

Moreover, Intesa Sanpaolo will publish the Acceptance Form, amended as a result of the increase in the Consideration. For clarity purposes, it is specified that any subscription of the Acceptance Form in version in use before the publication of the new Acceptance Form will be considered as a valid acceptance of the new improved conditions of the Offer, as reported in this press release. No action or activity is required of shareholders who have accepted the Offer through the Acceptance Form in the version in use before the publication of the new Acceptance Form.

This press release is available on the website of Intesa Sanpaolo ([group.intesasanpaolo.com](http://group.intesasanpaolo.com)), and on the website of the global information agent, Morrow Sodali S.p.A. ([www.morrowsodali-transactions.com](http://www.morrowsodali-transactions.com))

It should also be noted that for requests and information relating to the Offer, the holders of UBI shares can use a dedicated email account ([ops.ubi@investor.morrowsodali.com](mailto:ops.ubi@investor.morrowsodali.com)) or the toll-free number 800 595 471 provided by the global information agent (for persons calling from outside Italy, the telephone number +39 06 45212832 is active). This telephone number will be active throughout the acceptance period on weekdays from 10:00 (Central European Time) to 19:00 (Central European Time).

- (1) Estimated by applying the fully loaded parameters, taking into account the total absorption of deferred tax assets (DTAs) related to goodwill realignment, loan adjustments, the first time adoption of IFRS 9 and the non-taxable public cash contribution of €1,285m covering the integration and rationalisation charges relating to the acquisition of the Aggregate Set of Banca Popolare di Vicenza and Veneto Banca, as well as the expected absorption of DTAs on losses carried forward. Above 12% when excluding the aforementioned DTA absorptions.
- (2) Taking into account the sum of the Intesa Sanpaolo 2019 net income, the UBI Banca 2019 income net of the non-recurring components and the run-rate synergies, after the sale of the banking business unit to BPER Banca.
- (3) The actual value of the negative goodwill will result following the outcome of the Purchase Price Allocation procedure provided for under IFRS 3.
- (4) Subject to the ECB indications which will be announced in respect of dividend distribution after 1 October 2020.

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**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY IN THE UNITED STATES, AUSTRALIA, CANADA OR JAPAN (OR IN OTHER EXCLUDED COUNTRIES, AS DEFINED HEREAFTER).**

The voluntary public exchange offer described in this Notice (the “**Offer**”) is promoted by Intesa Sanpaolo S.p.A. (the “**Offeror**”) over the totality of the ordinary shares of Unione di Banche Italiane S.p.A.

This notice does not constitute an offer to buy or sell Unione di Banche Italiane S.p.A.’s shares.

As required by the applicable regulations, the Offeror published an Offer Document which Unione di Banche Italiane S.p.A.’s shareholders shall carefully examine.

The Offer is launched exclusively in Italy and is made on a non-discriminatory basis and on equal terms to all shareholders of Unione di Banche Italiane S.p.A. The Offer is promoted in Italy as Unione di Banche Italiane S.p.A.’s shares are listed on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. and, except for what is indicated below, is subject to the obligations and procedural requirements provided for by Italian law.

The Offer has not been and will not be made in the United States, Canada, Japan, Australia and any other jurisdictions where making the Offer or tendering therein would not be in compliance with the securities or other laws or regulations of such jurisdiction or would require any registration, approval or filing with any regulatory authority. Such jurisdictions, including the United States, Canada, Japan and Australia are referred to as the “**Excluded Countries**”. The Offer has not been and will not be made by using national or international instruments of communication or commerce of the Excluded Countries (including, by way of illustration, the postal network, fax, telex, e-mail, telephone and internet), through any structure of any of the Excluded Countries’ financial intermediaries or in any other way. No actions have been taken or will be taken to make the Offer possible in any of the Excluded Countries.

Notwithstanding that the Offer has not been and will not be made in the United States, the Offeror reserves the right to contact certain U.S. investors by way of a private placement memorandum delivered only to “qualified institutional buyers,” as defined in Rule 144A of the U.S. Securities Act of 1933, as subsequently amended (the “Securities Act”), and subject to other restrictions imposed by U.S. federal securities laws. The U.S. private placement memorandum will not be used in connection with the Offer in Italy or in any of the Excluded Countries.

This notice and any other document issued by the Offeror in relation to the Offer does not constitute an offer in Australia to any person to whom it would not be lawful to make such an offer and no action has been taken to register or qualify this notice and any other document issued by the Offeror in Australia.

The Offer has not been and will not be made to any person located or resident in any province or territory of Canada and tenders of shares of Unione di Banche Italiane S.p.A. will not be accepted from any such persons.

A copy of any document that the Offeror will issue in relation to the Offer, or portions thereof, is not and shall not be sent, nor in any way transmitted, or otherwise distributed, directly or indirectly, in the Excluded Countries unless such document explicitly authorizes such transmission or distribution. Anyone receiving such documents shall not distribute, forward or send them (neither by postal service nor by using national or international instruments of communication or commerce) in the Excluded Countries.

Any tender in the Offer resulting from solicitation carried out in violation of the above restrictions will not be accepted.

This notice and any other document issued by the Offeror in relation to the Offer do not constitute and are not part of an offer to buy or exchange, nor of a solicitation to offer to sell or exchange, any security in the Excluded Countries. Securities cannot be offered or sold in the United States unless they have been registered pursuant to the Securities Act or are exempt from registration. Securities offered in the context of the transaction described in this notice will not be registered pursuant to the Securities Act and the Offeror does not intend to carry out a public offer of such securities in the United States. No security can be offered or transferred in any Excluded Countries without specific approval in compliance with the relevant provisions applicable in such countries or without exemption from such provisions.

This notice may only be accessed in or from the United Kingdom (i) by investment professionals falling within the scope of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as subsequently amended (the “**Order**”), or (ii) by high net worth companies and by such other persons falling within the scope of Article 49(2) paragraphs from (a) to (d) of the Order, or (iii) persons to whom the Notice may otherwise be lawfully communicated (all these persons are jointly defined “**relevant persons**”). Securities described in this notice are made available only to relevant persons (and any solicitation, offer, agreement to subscribe, purchase or otherwise acquire such securities will be directed exclusively at such persons). Any person who is not a relevant person should not act or rely on this notice or any of its contents.

Tendering in the Offer by persons residing in jurisdictions other than Italy may be subject to specific obligations or restrictions imposed by applicable legal or regulatory provisions of such jurisdictions. Recipients of the Offer are solely responsible for complying with such laws and, therefore, before tendering in the Offer, they are responsible for determining whether such laws exist and are applicable by relying on their own advisors. The Offeror does not accept any liability for any violation by any person of any of the above restrictions.