GRUPPO SANPAOLO IMI

PRESS RELEASE

SANPAOLO IMI APPROVES THE BANCA INTESA MERGER PROJECT GUIDELINES

- **The new Group will be among the leading banking groups in the eurozone, even before synergies**
- **The new Group will be a leader in Italy, with a market share of approximately 20% in all business areas**
- **The branch network of the new Group, more than 6,000 in Italy, will be well distributed throughout the country, with market share of more than 15% (in the majority of the regions)**
- **The registered office following the merger will be in Turin. The Management offices will be in Turin and Milan**
- **The exchange ratio will be 3.115 ordinary shares of Banca Intesa for every Sanpaolo IMI ordinary share, after conversion of the preferred shares ("azioni privilegiate")**
- **Pre-tax synergies estimated at 1.3 billion euro in 2009**
- **Pre-tax integration charges estimated at 1.5 billion euro**
- **Preliminary financial estimates of the new Group post merger synergies**
  - **net income 2009 approximately 7 billion euro**
  - **average compound annual growth in 2005-2009 net income approximately 13% (adjusted for non-recurring items in 2005)**
  - **improvement in EPS 2009 of approximately 13% following synergies**
  - **dividend distribution of at least 60% of net income**
- **Corporate governance composed of Supervisory Board and Management Board**
- **Organization model to strengthen the local Bank concept, with the integration of the Banca Intesa and Sanpaolo IMI networks and single branding where there are no local brands**

Turin, 26 August 2006 - The Board of Directors of Sanpaolo IMI, meeting today chaired by Enrico Salza, approved the Banca Intesa merger project guidelines.

Following the merger, the Group will be among the leaders in European banking and able to compete in financial services at a supranational level, through a strengthening in the domestic market which presents special characteristics.

The new Group, even before synergies, will be **among the leading banking groups in the eurozone with a market capitalization of more than 65 billion euro** and will be **the leader in Italy with more than 13 million clients and an average market share of around 20% in all business areas**, retail, corporate and wealth management, in line with Europe's leading banks.

On the basis of 2005 results and the aggregation of the market shares of the two companies, the new Group would be first in Italy in several sectors:

	Sanpaolo IMI + Banca Intesa	
	Market share	Position
Customer deposits	22.1%	1°
Customer loans	21.8%	1°
Retail		
Asset management	32.4%	1°
Bancassurance	30.4%	1°
Private banking	27.6%	1°
Mortgages	23.8%	1°
Consumer credit	16.1%	1°
Corporate		
IPO	29.8%	1°
Factoring	25.3%	1°
Foreign Exchange settlement	25.4%	1°
Syndicated loans	10.1%	1°
Equity Brokerage	8.1%	1°

The new company will also be the Italian leader in Public Entities and infrastructure.

The network of more than 6,000 branches of the new Group in Italy will be well distributed throughout the country, with market shares of more than 15% in 15 regions and less than 5% in only seven provinces. Rationalization would mean a reduction of up to approximately 10% of total branches.

The bank will be a leader in Italy, with the following branch market shares:

	Sanpaolo IMI + Banca Intesa	
	market share	position
North West	23,6%	1°
North East	19,0%	1°
Centre	13,9%	1°
South and Islands	20,2%	1°
Italy total	19,5%	1°

More than 60% of the branches are in the North of Italy.

The new Group will also have a significant presence in central and eastern Europe, through the network of approximately 1,400 branches and 6 million clients (taking account of the acquisitions in course) of subsidiary banks operating in retail and commercial banking:

Company	Country	Position
PBZ	Croatia	2°
VUB	Slovak Republik	2°
Banca Intesa Beograd and Panonska (1)	Serbia	2°
CIB and IEB	Hungary	4°
Ukrsotsbank (1)	Ukraine	4°
UPI Banka	Bosnia	5°
BIA	Albania	5°
Banka Koper	Slovenia	6°
KMB	Russian Federation	n.r.
SPIMI Bank	Romania	n.r.
(1) In corse of acquisition		

The specialist international network to support corporate customers, in more than 30 countries, in particular the Mediterranean basin and the areas of greatest dynamism for Italian companies such as the USA, Russia, China and India, will be also strengthened.

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The merger project guidelines envisage in particular:

1. **Registered office** of the new company post merger will be in **Turin**, where the ordinary and extraordinary shareholders meetings will be held, and **operational management in Turin in Milan.**

2. **Exchange ratio of 3.115 ordinary shares of Banca Intesa for every ordinary share of Sanpaolo IMI** (following conversion of the current 284,184,018 "azioni privilegiate"). Consequently, after the issue of 5,840,177,487 new Banca Intesa shares, the **principal shareholders** of the new Group will have the following holdings of ordinary shares:

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'Epargne	0.7%

3. **Pre-tax synergies are estimated at approximately 1.3 billion euro in 2009 - approximately 75% in costs**, corresponding to approximately 9% of total costs, in line with recent mergers in the Italian banking system – without taking account of rationalization in branch networks in the country or disposals of business. The cost synergies will come in particular from:
   - IT systems
   - back-office
   - integration of central structures
   - centralized purchasing
   - renegotiation of outside contracts
   - rationalization of administrative costs
   - integration of product factories in the same areas of business.

   Revenue synergies (approximately 2% of total revenues) are expected in particular from:
   - increase in commercial effectiveness from local roots to allow cross-selling and enhanced share of wallet and the number of clients with the greatest improvement in competitive position
   - increase in commercial effectiveness following enhanced critical mass, allowing optimized pricing leverage thanks to economies of scale and scope
   - alignment to internal best practice, thanks to common factors in products, services, commercial approaches and instrumentation.

4. **preliminary one off pre-tax integration costs estimated at 1.5 billion euro**.

5. **preliminary financial estimates of the new Group following synergies**, to be confirmed by an Industrial Plan:
   - **net income in 2009 of approximately 7 billion euro**

- **average compound annual growth 2005-2009 net income equal to 13%**, adjusted for main non-recurring items recorded by the two companies in 2005
- **improvement in EPS 2009, thanks to the synergies, of approximately 13%**
- **distribution of dividends of at least 60% of net income,** with the possibility of returning excess capital to shareholders – also in the light of strong expected value creation – notwithstanding a **strong capital base** and **considerable investments in innovation and human capital**
- maintenance of high **asset quality,** proper of both companies.

6. **corporate governance:** to ensure operational clarity and continuity, the Boards of Directors of the two Banks will propose to Shareholders that the Chairman of the **Supervisory Board** be Giovanni Bazoli, the Chairman of the **Management Board** Enrico Salza, Managing Director and Executive Director Corrado Passera and, two General Managers, with Pietro Modiano as Deputy. The Boards of Directors of the two Banks will also propose the participation of Alfonso Iozzo to the Boards.

7. the **organizational model** will strengthen the concept of "Banca dei Territori", with the exclusive attribution of certain areas to each brand, moreover the integration of the networks of Banca Intesa S.p.A. and Sanpaolo IMI S.p.A will be realized under a single brand, where local brands are not operating.

8. the integration process is subject to necessary authorizations and will follow this **provisional timetable**:
   - September/mid-November 2006: industrial plan, approval by the Boards of Directors of the merger project, authorizations, presentation of the operation to the market
   - December 2006: Extraordinary Shareholders' Meetings to approve the merger
   - end 2006/beginning 2007: launch of the new company.

9. the decision approved today will not modify the process of Eurizon IPO.

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The new Group will have the objective and responsibility to promote investments and innovation and contribute to the acceleration of growth and development of the companies in which it operates in all its components.

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Sanpaolo IMI was advised by Citigroup as exclusive financial advisor, which made use of Studio Tosetto, Weigmann & Associati, as well as Freshfields Bruckhaus Deringer for legal advice.

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 Sates 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 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.

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