

PRESS RELEASE

INTESA SANPAOLO CONFIRMS PLANS FOR BOLSTERING CAPITAL BASE AND GROWING WITHOUT USING “TREMONTI BONDS”

Torino, Milano, 29 September 2009 – At today’s meetings the Intesa Sanpaolo Management Board chaired by Enrico Salza and the Supervisory Board chaired by Giovanni Bazoli have decided - in light of better trends in the Group’s performance and the economic scenario than those foreseeable at the beginning of the year - to issue up to 1.5 billion euro of Tier 1 and speed up and increase capital management actions (e.g. partial or full disposals, partnerships, listings) envisaged in the Business Plan in order **to assure the Group the capital base necessary to sustain a growth in lending activity even greater than that foreseeable today**. Thus, relying on a capital base adequate for growth, the two Boards have decided not to carry out procedures started on 20 March last for the issue of special bank bonds to be subscribed by the Ministry for Economy and Finance (so-called “Tremonti Bonds”) and consequently not to make the relevant request for subscription to the Ministry for Economy and Finance and the Bank of Italy.

Both Boards have renewed **their appreciation of the Government’s willingness** to subscribe the Tremonti Bonds, when the crisis was at the peak of its uncertainty, which has concretely helped the Italian banking system come out of a very critical and risky market phase.

Actions taken so far as regards the Tremonti Bonds

The Management Board and the Supervisory Board at their meetings of 20 March 2009 decided within their respective competences to start procedures for the issue of up to a maximum of 4 billion euro of Tremonti Bonds with the aim of having an **“insurance policy”** against three main risks represented by:

- markets collapsing further with the Group unable to turn to the markets to meet eventual internal needs and/or loan demands;
- the Group being unable to deliver on capital management actions targeted in the Business Plan;
- the Group being penalised by competitive disadvantages generated by state aid given to the major international competitors to bolster their capital base.

Moreover, issuing the Tremonti Bonds has been looked upon as a **“bridge”** - and so to be repaid as soon as possible - until capital management actions (e.g. partial or full disposals, setting up partnerships, listings) on non-core assets are finalised, that is an instrument to underpin the Group’s capital temporarily while a permanently stronger capital base is being built through the capital management actions envisaged in the Business Plan.

The decision about the formal request for subscription has taken place as close as possible to the expiry date - the end of September - in order to take into consideration how both internal and market events have been evolving. Meanwhile, Intesa Sanpaolo has also worked with departments of the Ministry of the Economy and Finance to prepare all the necessary documents in case a decision to present the formal request was taken.

Main considerations about the possible issue of Tremonti Bonds

Taking up the Tremonti Bonds option would have led to a further strengthening of the Intesa Sanpaolo Group's Core Tier 1 ratio and Tier 1 ratio by about 100 basis points.

On the other hand, today it has been considered that - based on how both internal and market events have been evolving - **the Group is able to reach and exceed capital strength targets on its own:**

- the level of the Group's capital ratios are higher than could have been foreseen at the beginning of the year. As at June 2009, the Core Tier 1 ratio stood at 6.9% (Tier 1 ratio at 7.7%). This capital level is fully consistent with both the risk profile of a banking group like Intesa Sanpaolo and the assumptions and targets that the Group has been considering. There is reason to believe that the Group's ratios can remain at around **7% for the Core Tier 1** and 8% for the Tier 1 in the next 12-18 months even with no benefits from significant capital management actions (e.g. partial or full disposals, partnerships, listings) and although resuming payment of dividends on ordinary shares;
- latest analyses show that Intesa Sanpaolo can count on more than **200 basis points of Core Tier 1** ratio and Tier 1 ratio to be generated by capital management actions on non-core assets. Delivering on these actions is much more viable today with respect to earlier in the year. The value of non-core assets has grown compared to initial estimates to more than 11-15 billion euro, considering either the book value or a reasonable market value;
- taking into account the current levels of Core Tier 1 ratio and Tier 1 ratio, their trends as well as capital benefits from only half of the planned actions (resulting in at least 100 basis points), the Intesa Sanpaolo Group has the capital base **to sustain the foreseeable loan growth level and to increase lending further by over 60 billion euro**, an increase which is hard to imagine for the short term even in the presence of a very sustained economic recovery.

Taking up the Tremonti Bonds would have allowed the Group to compensate for any competitive disadvantages generated by fund injections which many peers had received from the Governments of their respective countries; on the other hand, banks which have taken state aid have been repaying it to a large extent.

The situation has improved for Intesa Sanpaolo also considering cost of funding. The Group enjoys a significantly reduced Credit Default Swap, which is currently the lowest among the leading European banks.

Beyond the consideration that issuing the Tremonti Bonds is no longer essential to assure the Group's solidity and development, the following has been taken into account:

- the Tremonti Bonds have become a relatively more **costly** instrument with the progressive drop in market rates and the relaunch of hybrid bond issues. Annual cost for 4 billion euro of Tremonti Bonds would have been equal to a minimum of 340 million euro (a maximum of 600 million euro), corresponding to a minimum pre-tax cost (thus comparable to other market instruments) of 12.6% (maximum 22.2%). Moreover, the market tends to consider the Tremonti Bonds as available capital in a broad sense more than as Core Tier 1. Therefore, from this point of view issuing Tier 1 instruments, whose actual costs are today significantly lower than the Tremonti Bonds, basically serves the same purpose;

- worldwide, a large number of banks which have received state aid from the Governments of their respective countries are in the process of repaying it. So the market would have found it **hard to understand why Intesa Sanpaolo has decided today to resort to state aid** after having stood out even, and above all, during the worst moments of the international financial crisis thanks to its low leverage (today Intesa Sanpaolo has the best ratio of tangible net shareholders' equity to tangible total assets among the leading European banks), its liquidity (Intesa Sanpaolo has currently one of the strongest short/medium-term liquidity positions among the European peers) and its low risk profile.

The decisions made today

Today, the Management Board and the Supervisory Board, within their respective competences, have decided - in light of the results achieved by the Group and the foreseeable trend of the economy - not to issue the Tremonti Bonds and to:

- keep the intention to maintain the Group's **Core Tier 1** ratio and Tier 1 ratio at structural **levels not lower than 7%** and 8% respectively in the coming years even if lending activity starts growing again, with no need for a rights issue and **resuming dividend payment** on ordinary shares for 2009 payable in 2010;
- to seize favourable market conditions **to issue up to 1.5 billion euro of Tier 1**. In this way the Tier 1 ratio would register an immediate increase up to a maximum of around 40 basis points. The quality of the Group's capital would remain among the best in the industry, with an incidence of the core capital on the total regulatory capital still at 60-65% destined to become stronger over the next months also as a result of the effects of the planned capital management actions on non-core assets;
- **to speed up capital management actions on non-core assets** envisaged in the Business Plan, setting the most appropriate timing and ways with the intention of having at least half of the planned transactions taking place within the next months - being disposals, either partial or full, partnerships, listings - which should deliver a benefit to the Group's capital ratios of at least 100 basis points in terms of Core Tier 1 and Tier 1.

Although the current capital base of Intesa Sanpaolo can be considered adequate to the Group's risk profile and its will to increase lending, it has been decided to:

- substantially **strengthen** the capital base **immediately** by up to a **further 40 basis points** through the issue of Tier 1;
- replace **in the short run** the "provisional" effect of **100 basis points** from the Tremonti Bonds with structural effects of at least the same size resulting from capital management actions on non-core assets;
- pursue further capital management actions able to bolster the capital base by at least an **additional 100 basis points**, if lending activity increases more than expectations and/or regulators set relatively higher capital ratios than those achievable by the Group as a result of the aforementioned decisions.

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The Management Board and the Supervisory Board of Intesa Sanpaolo confirm that **the Group remains true to its traditional commitment to support the economy** even during the most severe phases and promote all possible initiatives aimed at growth.

Intesa Sanpaolo has long since been the banking Group most engaged in Italy in making lending available to households, businesses, Public Administration and the third sector. As of today, the Group's total loan facilities granted to the Italian System amount to nearly one third of the country's GDP.

Recent months have seen numerous initiatives being implemented which include:

- the agreement between the Intesa Sanpaolo Banca dei Territori Division and Confindustria in favour of **small and medium enterprises**, comprising a *moratorium* on loan instalments, recapitalising and financing receivables including those overdue, which was signed before the agreements involving the entire banking system;
- agreements serving the same purpose which have also involved other business categories such as **merchants** and **tradesman** and will shortly be extended to **farmers**;
- initiatives supporting specific industries such as **tourism**, the agro-business and companies participating in fairs and conferences;
- loans to **infrastructures** and the public sector, handled by the subsidiary Banca Infrastrutture Innovazione e Sviluppo (BIIS) including motorways, health services, regional railways and high-speed railways, schools, public housing, alternative energies and water services;
- financing **innovation**, besides the programme of the “Nova+” lines currently being developed by the subsidiary Mediocredito Italiano, also via joint actions with the European Investment Bank;
- financing **internationalisation** processes while carrying on initiatives with SACE and SIMEST also via agreements between Intesa Sanpaolo, the subsidiary BIIS and Assocamerestero;
- advances to facilitate **non-profit organisations** and **micro-lending** activities, also through the agreement between Intesa Sanpaolo, the subsidiary Banca Prossima and *Conferenza Episcopale Italiana* regarding the so-called *Prestito della Speranza*.

Through these and other actions the Group is making available to the Italian System tens of billions of euros that are useful to start a new phase of growth in our Country.

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