INTESA SANPAOLO

PRESS RELEASE

Intesa Sanpaolo signs contract to acquire certain assets and liabilities of Banca Popolare di Vicenza and Veneto Banca

Turin - Milan, 26 June 2017 – Following the unanimous decision reached by its board of directors, Intesa Sanpaolo has signed a contract with the liquidators of Banca Popolare di Vicenza and Veneto Banca concerning the acquisition by Intesa Sanpaolo of certain assets and liabilities and certain legal relationships of the two banks, for a token price of €1.

The intervention of Intesa Sanpaolo makes it possible to avoid the serious social consequences that would have otherwise derived from compulsory administrative liquidation proceedings for the two banks. This intervention will safeguard the jobs at the banks involved, the savings of around two million households, the activities of around 200,000 businesses financially supported and, therefore, the jobs of three million people in the areas which record the country's highest economic growth rate.

Intesa Sanpaolo CEO Carlo Messina said: "We approved the acquisition of certain activities of Banca Popolare di Vicenza and Veneto Banca, two institutions that had reached a widely-acknowledged state of distress and for which previous rescue attempts have failed. The cost to our Bank for the previous rescue attempts, together with the support give to four local banks in the Autumn of 2015, has totaled more than €1.5 billion. Furthermore, Intesa Sanpaolo had previously confirmed that it would contribute its pro rata share of a new €1.2 billion recapitalization of the two banks, which did not occur due to inadequate commitments from the rest of the banking system. Without the offer presented by Intesa Sanpaolo - the only one submitted in the competitive auction held by the Government - the crisis of the two banks would had a significant impact on the entire Italian banking system, with severe consequences for the economy that would have put at risk the country's economic recovery. Our intervention will enable us to ensure the security of about €50 billion in savings held by the two banks and to protect 2 million clients, of which 200,000 are businesses operating in some of the most dynamic regions of Italy. The integration of the two banks and their employees will be managed without layoffs and only through voluntary buyouts."

"Following the acquisition, Intesa Sanpaolo will support the real economy in the regions in which the two Veneto banks operate by extending some €5 billion in medium- to long-term credit in the second half of 2017, in addition to the €50 billion in credit Intesa Sanpaolo already foresees in Italy for the entire year. Intesa Sanpaolo will also contribute to the restitution of retail investors holding subordinate debt, for a total of €60 million. Today's offer proposed by our Board of Directors was made on condition that there be no impact on the capital strength of Intesa Sanpaolo in safeguarding the €860 billion in savings entrusted to our Bank, nor that the rights of our shareholders be affected. Following the integration of the branch networks of the two banks, Intesa Sanpaolo will become the leading banking group in Italy's North

East, the second retail network in Sicily and will further strengthen its presence in Apulia. Intesa Sanpaolo intends to remain the point of reference for households and businesses in these regions, based on the same banking model that has made Intesa Sanpaolo a recognized leader in Europe. Our Bank is rooted in the territory in which it operates. For this reason, we are convinced that the greatest value stems from our people: our clients and our employees. This will remain our priority in the regions where Banca Popolare di Vicenza and Veneto Banca are present," he said.

Intesa Sanpaolo will acquire a segregated scope which excludes NPLs (bad loans, unlikely-to-pay loans and past due exposures), subordinated bonds issued, as well as shareholdings and other legal relationships that the Bank does not consider functional to the acquisition. However, Intesa Sanpaolo will allocate €60 million in total as restitution to small savers who hold subordinated bonds issued by the two banks, which includes an amount as its own intervention in addition to its expected pro-rata contribution to the fund supplied by the banking system.

The scope of acquisition includes, in addition to the selected assets and liabilities of Banca Popolare di Vicenza and Veneto Banca, the shareholdings in Banca Apulia S.p.A. and Banca Nuova S.p.A, SEC Servizi S.c.p.a., Servizi Bancari S.c.p.a. and, subject to approval of related authorisations, in banks operating in Moldavia, Croatia and Albania. Specifically, this scope includes:
- performing loans, other than high-risk loans, of around €26.1 billion,
- financial assets of around €8.9 billion,
- tax assets of around €1.9 billion,
- due to customers of around €25.8 billion,
- senior bonds of around €11.8 billion,
- indirect deposits of around €23 billion, of which assets under management of around €10.4 billion,
- around 900 branches in Italy and around 60 abroad including the bank network in Romania,
- around 9,960 people in Italy and around 880 abroad.

The scope of acquisition includes high-risk performing loans of around €4 billion. However, Intesa Sanpaolo will have the right to give these back to the banks in compulsory administrative liquidation, should conditions occur, during the period up to the approval of the financial statement as at 31 December 2020, requiring that these loans be classified as bad loans or unlikely-to-pay loans.

Terms and conditions of the contract, in the framework set by the decree law and the ministerial decrees issued in relation to the transaction, ensure that the acquisition by Intesa Sanpaolo is fully neutral in terms of the Intesa Sanpaolo Group's Common Equity Tier 1 ratio and dividend policy. Specifically, they provide for:
- a public cash contribution to cover the impact on the capital ratios. Its size leads to a phased-in Common Equity Tier 1 ratio of 12.5% to risk-weighted assets (RWA) acquired. This contribution will be recorded as income in the income statement, in accordance with the IAS 20 accounting principle, and is equal to an amount of €3.5 billion not subject to taxation
- an additional public cash contribution to cover integration and rationalisation charges in relation to the acquisition. These charges include those relating to the

closure of around 600 branches and the use of the solidarity allowance mechanism in relation to the exit, on a voluntary basis, of around 3,900 people of the Group resulting from the acquisition. These charges also relate to other actions to be taken to safeguard jobs, such as redeploying and retraining people. This contribution, too, will be recorded as income in the income statement, in accordance with the IAS 20 accounting principle, and is equal to an amount of around €1.285 billion not subject to taxation. This amount will be set aside in a specific fund, considering the tax effects related to its use, and will therefore be neutral for the year's net income

- public guarantees equal to €1.5 billion after tax, in order to sterilise risks, obligations and claims against Intesa Sanpaolo due to events occurring prior to the sale or relating to assets/liabilities or relationships not included among those transferred. In any case, the banks in compulsory administrative liquidation will be liable for damages that may derive from past disputes and from disputes relating to the rules regulating the purchase of own shares and/or investment services. This includes disputes brought by parties who participated/did not participate in, or were excluded from the so-called "Offers for Settlement" and from "Welfare Incentives"
- the fully eligibility of Intesa Sanpaolo to use the deferred tax assets of the banks acquired
- the right for Intesa Sanpaolo to change the scope of the transaction after the date of execution, where necessary, in order to obtain the unconditional approvals by antitrust authorities.

The contract includes a termination clause which establishes that the contract is ineffective and the assets/liabilities/legal relationships acquired can be given back to the banks in compulsory administrative liquidation. This refers, specifically, to the event that the decree law is not converted into law or is converted with amendments/integrations that make the transaction more expensive for Intesa Sanpaolo, and is not fully enacted within the terms provided by law.

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