



## JOINT PRESS RELEASE

### *Merger of UniCredit and Capitalia to consolidate Italian footprint and create the No. 1 Eurozone bank by market capitalization*

**Merger with an exchange ratio of 1.12 new ordinary shares of UniCredit for each ordinary share of Capitalia**

#### **Key Transaction features:**

- **Consolidates and strengthens position in the Italian market, one of the most attractive in Europe**
- **Significantly enhances main banking segments and distribution channels**
- **Unites complementary branch networks to reach more than 5,000 branches in Italy**
- **Achieves well-balanced geographic and business mix with more than 50% of revenues outside of Italy, confirming the European orientation**
- **Approx. €1.2 billion estimated pre-tax synergies in 2010, of which approx. 68% deriving from lower costs**
- **Pre-tax one-off integration costs estimated at approx. €1.1 billion**
- **Positive financial proposition for all shareholders:**
  - **Combined EPS CAGR 2007-2009 around 17%<sup>1</sup>**
  - **Accretive deal for UniCredit shareholders from 2009 onwards and for Capitalia shareholders from the outset<sup>1</sup>**
  - **DPS to grow progressively over the next years**
  - **Core Tier I ratio confirmed at 6.8% by 2008**
- **Capitalia's activities to be integrated within UniCredit divisional model**
- **Creation of three retail banks in Italy with specific regional responsibilities**

**20 May 2007**

The UniCredit and Capitalia Board of Directors, which met today in Milan and Rome respectively, approved the merger project by incorporation of Capitalia S.p.A. in UniCredito Italiano S.p.A.

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<sup>1</sup> Based on brokers consensus from Reuters. EPS pre allocation of Transaction goodwill

In addition, UniCredit and Capitalia Board of Directors called the respective extraordinary shareholders' meetings which will be asked to approve the merger project and the related changes of the articles of association.

### **Transaction Rationale**

The transaction is a unique opportunity to consolidate two leading banking groups in a key core market which enjoys a positive growth outlook.

The merger will enhance the competitive position in Italy in very attractive segments (e.g. consumer credit, leasing, factoring and personal financial advisory) while increasing the scale in global businesses (e.g. asset management, investment banking).

The combination of the retail branch networks of UniCredit and Capitalia, which are very complementary, will:

- produce a powerful footprint with national coverage and well-balanced geographic presence (in terms of branches: #1 in the North-East and Centre Italy; #2 in North-West and South & Islands), with limited overlap;
- strengthen retail penetration in areas where the two groups separately are currently underweighted, but together can synergetically reap high growth potential;
- ally strongly recognised brands (i.e. UniCredit Banca, Banca di Roma, Banco di Sicilia).

The combined entity resulting from the merger will benefit from geographically highly diversified operations...

- 4 core markets (Italy #2 with 16% market share, Germany #2 with 5% market share, Austria #1 with 19% market share and CEE #1 with presence in 17 countries - twice the next player in terms of assets in the region); and
- more than 50% of combined revenues still outside Italy;

...as well as from a well-balanced business mix:

- significant exposure to retail (37% of revenues);
- "add-ons" in global businesses (Markets & Investment Banking and Private Banking & Asset Management 14% and 11% of revenues, respectively); and
- strong contribution from Corporate and CEE businesses (20% and 18% of revenues respectively).

With a pro-forma market capitalisation of €96.7 billion<sup>2</sup> the group will raise further its European profile (#1 by market capitalisation and #5 by total assets in the Eurozone).

### **Transaction Details**

The transaction will be implemented via a merger of Capitalia S.p.A. into UniCredito Italiano S.p.A. on the basis of an exchange ratio of 1.12 new ordinary shares of UniCredit for each Capitalia ordinary share.

The exchange ratio represents a premium of 23.5% and 24.4% respectively over Capitalia's closing price and 3-month average price on the last date pre-leakage on the transaction<sup>3</sup>.

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<sup>2</sup> Based on prices pre-leakage as of 8 May 2007

<sup>3</sup> Premia calculated on Capitalia prices on the last date before start of significant media speculation (8 May 2007) based on UniCredit spot price as of 8 May 2007.

On the basis of the approved exchange ratio, following completion of the merger, a maximum of 2,947,094,176 new UniCredit ordinary shares, for a maximum nominal amount of €1,473,547,088 – with the same rights as existing UniCredit shares – will be issued. Following issuance of the new shares, based on the holdings known as of today, the largest ordinary capital shareholders would be:

Fondazione Cassa di Risparmio Verona, Vicenza, Belluno e Ancona	3.90%
Munich Re	3.70%
Fondazione Cassa di Risparmio di Torino	3.69%
Carimonte Holding	3.34%
Gruppo Allianz	2.42%
ABN Amro	1.88%
Fondazione Cassa di Risparmio di Roma	1.10%
Fondazione Manodori	0.90%
Fondiaria–SAI	0.77%
Regione Siciliana	0.62%
Fondazione Banco di Sicilia	0.60%
Libyan Arab Foreign Bank	0.56%
Assicurazioni Generali	0.42%

The Extraordinary General Shareholders' Meeting of UniCredit will also be called to approve four capital increases for an overall maximum nominal amount of €17,731,028 through the issuance of an overall maximum of 35,462,056 ordinary shares to serve the subscription rights to be assigned in exchange of those issued by Capitalia, pursuant to the incentive plans already approved.

Capitalia shareholders who will not concur to the resolution approving the merger are entitled to exercise their withdrawal right, as UniCredit's articles of association provide that no shareholders having voting rights can exercise such rights over shares exceeding 5% of the share capital.

### **Business Model**

The Group resulting from the merger will adopt a business model coherent with the current divisional structure of UniCredit, with a clear focus on customer segmentation (retail, private and corporate) and based on global product factories. In general, Capitalia's activities will be integrated within existing UniCredit Divisions, including activities in IT & Operations.

Retail banking services in Italy will be offered through 3 entities (UniCredit Banca, Banca di Roma, Banco di Sicilia) in order to maximise commercial effectiveness and to leverage on highly recognised brands and expertise that benefit from strong local roots. This target will be pursued through an intragroup branch transfer conducted in accordance with the specific regional responsibilities (i.e. UniCredit Banca in Northern-Italy, Banca di Roma in the Centre-South and Banco di Sicilia in Sicily) and through the integration of Bipop-Carire into UniCredit Banca.

The corporate and private banking activities of Banca di Roma, Banco di Sicilia and Bipop-Carire will be transferred to the UniCredit Group Italian reference banks for these businesses, namely UniCredit Banca d'Impresa and UniCredit Private Banking.

The development of products for the combined entity will be performed through global product factories, with full integration of UniCredit's and Capitalia's platforms:

- **Retail banking:** the **consumer credit/credit cards and mortgages** businesses managed by Fineco Bank will be transferred to UniCredit's specialised factories (combined new business of approx. €4 billion in consumer credit and approx. €11 billion in mortgages).
- **Asset gathering and trading online:** Fineco Bank will become the Group reference company – as well as one of the leading market players – in both asset gathering, with over 3,000 financial advisors and €25.9 billion of clients' assets, and trading online.
- **Corporate banking:** the **leasing, factoring and investment banking** businesses currently managed by MCC – Mediocredito Centrale will be transferred to UniCredit's specialised factories.
- **Public finance:** with the aim to exploit the specialised expertise developed in this business, MCC will become the group reference company within MIB Division.
- **Asset management:** with the aim to benefit from economies of scale and Pioneer global brand, the Capitalia asset management subsidiaries will be regrouped under PGAM (combined assets under management of €280 billion of which €156 billion in Italy).
- **IT and back-office operations:** the activities of Capitalia Informatica will be transferred to the respective companies of the UniCredit Group, UGIS and UPA. The HQs of the latter will be transferred to Rome in order to facilitate the integration of the domestic business, while leveraging UPA's employees in Lombardy in order to expand the branch network in the area.

In order to achieve the target model, the above restructuring steps will commence promptly following the merger completion, with the aim to maximise Group results as quickly as possible.

### **Corporate Governance**

The Holding Company, UniCredito Italiano S.p.A, will continue to adopt a traditional governance system based on a Board of Directors and a Board of Statutory Auditors. It is envisaged that its legal seat will be transferred from Genoa to Rome.

In the context of the prospective combination, it is also envisaged that:

- 4 Capitalia representatives will be co-opted for the current UniCredit's Board of Directors (comprising 23 members), following the approval of the merger. Capitalia will propose Mr Cesare Geronzi, Mr Salvatore Ligresti, Mr Donato Fontanesi and Mr Salvatore Mancuso. At the same time 4 representatives of UniCredit will be co-opted for Capitalia's Board of Directors;
- Mr Cesare Geronzi, current Chairman of Capitalia, will also be appointed as First Deputy Chairman and as Chairman of the Executive Committee, and he will be responsible for the management of the equity stakes in Mediobanca, Generali, RCS and Pirelli;
- Should Mr Geronzi accept an office in a different bank, he will resign as member of the Board of Directors of UniCredit and will be replaced by Mr Bernardino Libonati, who will be appointed Deputy Chairman; and
- 40% of the directors of Banca di Roma, Banco di Sicilia, Fineco and MCC will be selected among either the existing directors of said companies or relevant representatives of the local economic communities for the first mandate after the merger.

## Value Creation

The business combination is expected to lead to **pre-tax synergies estimated at approximately €1.2 billion (post-tax synergies of approximately €800 million)** from 2010, of which approximately 68% will be related to cost savings and 32% to higher revenues to be obtained also through best practice transfer. One-off restructuring charges, estimated at approximately €1.1 billion (approximately 135% of cost synergies), will be expensed in 2007 and in 2008. The net present value of synergies (net of restructuring charges) is estimated to amount to approximately €7 billion, equivalent to 39% of Capitalia's market capitalisation<sup>4</sup>.

It is expected that the Transaction will lead to:

- Significant EPS growth<sup>5</sup>: CAGR 2007-2009 of 17% vs. 14% stand-alone for both UniCredit and Capitalia respectively and 11% for peers<sup>6</sup>;
- EPS<sup>4</sup> accretion, on a normalized basis, for UniCredit shareholders from 2009 onwards and for Capitalia shareholders as of the first year;
- DPS growing progressively over the coming years;
- Confirmed Core Tier I ratio at 6.8% by year end 2008 after fully incurring restructuring costs, HVB/BA-CA squeeze-outs as well as the sale of the shareholding in Mediobanca in excess of 9.39%;
- Strong internal future capital generation and further capital enhancement from disposal of UniCredit stake in Generali upon expiration of UniCredit's bond exchangeable in Generali's shares in 2008;
- Additional benefits arising from synergies being fully realized in 2010.

With respect to the shareholding in Mediobanca, the objective is to decrease the stake to 9.39% by the end of 2007, mandating Mediobanca to sell the shares in excess of such target resulting from the Transaction, within the Mediobanca shareholders' agreement, also to new investors which are not engaged in activities which might create conflicts of interest with Mediobanca.

## Timetable

The Transaction is subject to receipt of the necessary approvals (Bank of Italy, Antitrust and ISVAP) and the merger is expected to be presented to the extraordinary shareholders' meetings of UniCredit and Capitalia between the end of July and the beginning of August 2007 and is expected to be completed, at the beginning of the last quarter of 2007.

The documentation related to the Transaction envisaged pursuant to Art. 2501 *septies* of the Italian Civil Code (the merger project and related attachments, the Directors' reports and the experts' valuation on the adequacy of the exchange ratio) will be made available to shareholders and the market 30 days prior to the extraordinary shareholders' meetings asked to approve the merger. No later than 10 days prior to the shareholders' meetings, the information document (*documento informativo*) relating to the merger pursuant to Art. 70 of Consob Regulation on Issuers (*Regolamento Emittenti*) will be made publicly available.

## Advisors

Merrill Lynch and UniCredit Markets & Investment Banking have acted as strategic and financial advisors for UniCredit. Capitalia is being advised for strategic and financial aspects by Claudio Costamagna, with Citigroup, Credit Suisse and Rothschild providing a fairness opinion to the Board of Directors of Capitalia. Studio Grimaldi & Associati is acting as legal advisor to UniCredit and Studio Legale Chiomenti is acting as legal advisor to Capitalia.

<sup>4</sup> Based on prices pre-leakage as of 8 May 2007

<sup>5</sup> Based on brokers' consensus from Reuters. EPS pre allocation of transaction goodwill

<sup>6</sup> Peers include RBoS, Barclays, HBoS, Santander, BBVA, BNP Paribas, Société Générale, Crédit Agricole and Intesa Sanpaolo. Based on brokers consensus from Reuters

**The Merger will be presented by Mr Alessandro Profumo, Mr Dieter Rampl and Mr Cesare Geronzi in the following events:**

**1. Press Conference**

*Date:* 20 May, 2007

*Venue:* Rome, Palazzo De Carolis, Via Lata 3

*Time:* 6 p.m. CEST

It will be possible to connect to the press conference via conference call both in English and Italian.dialing + **39 02 802 09 31**.

**2. Analysts' and Investors' Presentation will be held in Milan, live webcast and transmitted via a telephone conference**

*Date:* 21 May, 2007

*Venue:* Milan, MIC Centre, Via Gattamelata, 5

*Time:* 9.00 a.m. CEST

To see the webcast (video), please connect to [www.unicreditgroup.eu](http://www.unicreditgroup.eu) or [www.capitalia.it](http://www.capitalia.it)  
To listen to the conference call (possibility to ask questions), please see the following dial-in numbers:

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