



Italy's Banking giant to be created by Merger

Milan -- Europe's biggest lenders should be ready to face huge competition as the boards of the two banks: Banca Intesa and Sanpaolo IMI have agreed to merge in a deal that would create Italy's largest retail bank. Banca Intesa of Milan is all set to buy a smaller rival, Sanpaolo IMI of Turin, Italy, for 29.6 billion euros (\$37.8 billion).

Milan-based Intesa is Italy's No. 2 bank after Unicredit. Turin-based Sanpaolo is No. 3. The merger would create a bank with a market value of about US\$83 billion, ranking it among the top 10 banks in Europe. This link-up between the banks will cause a major transformation in Italy's business landscape and the new lender will be put at the summit of the country's fragmented banking system.

"This is an excellent deal," said Riccardo Dubbioso, a fund manager at BNP Paribas in Milan. "It creates a national champion and puts two of Italy's most important lenders out of reach of foreign banks."

Some foreign banks already own stakes in the merging companies and their roles will probably have to be sorted out. The new bank's biggest shareholder will be Cr dit Agricole of France, with a 9.1 percent stake. Agricole, currently owns almost 18 percent of Intesa and approved the basic merger plan on Saturday. But it said it wanted a guaranteed way to 'safeguard and enhance' its position in Italy.

"They have been very wise in settling for a share deal. You get all the benefits without paying too much, especially now that the stock market prices are quite high," said Christopher Kummer, director at the Institute of Mergers, Acquisitions and Alliances in Vienna. The combined company will have about 13 million customers in Italy and will create Italy's biggest bank by customers. The bank will have its headquarters in Turin. Intesa's CEO Corrado Passera will act as the head of the bank. Sanpaolo chairman Enrico Salza will head the executive board while Intesa's chairman Giovanni Bazoli will be the chairman of the supervisory board.

"The merger makes a lot of sense. Strategically, the banks were in a difficult position and this merger allows them to grow without having to pay a fortune," said a bank analyst who declined to be named.

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