



Italian merger to create top bank

MILAN, Italy (Reuters) -- The boards of Banca Intesa and Sanpaolo IM plans to merge, creating Italy's top bank which will rival Europe's biggest. The link-up between the banks agreed on Saturday will transform Italy's landscape, putting the new lender at the pinnacle of the country's fragmented system and forging a national champion able to fend off takeovers by UniCredit as the biggest retail bank in Italy with a domestic network of 6 twice as many as its local rival.

The lender would be one of Europe's top 10 banks, but its presence is smaller than that of UniCredit, which owns a major bank in Germany and central and eastern Europe.

Under the terms of the merger plan, Intesa will offer 3.115 new shares for each and preferred share in Sanpaolo.

Intesa shares closed on Friday at 5.05 euros and Sanpaolo shares at 16 equivalent to a swap-ratio of 3.18.

Equal standing

Analysts said the plan could be considered a merger of equals and that governance appeared to be evenly split between both parties.

"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," Christopher Kummer, director at the Institute of Mergers, Acquisitions and Restructuring in Vienna told Reuters.

The week's sharp rallies in both banks' shares boosted the market value of the combined entity to about \$77 billion on Friday. That does not include Sanpaolo's preferred shares.

The merger, to be completed by the early next year, would generate pre-tax synergies of 1.3 billion euros by 2009 and result in one-off pretax charges of 1.5 billion euros. Intesa said it expects the new entity to achieve a net profit of 7 billion euros from synergies.

Intesa's CEO Corrado Passera is to head the bank which will be headquartered in Milan. Sanpaolo chairman Enrico Salza will head the executive board while Intesa's Giovanni Bazoli will chair 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," a source who declined to be named told Reuters.