

FAIRNESS OPINION PREPARED FOR SANPAOLO IMI S.P.A.  
BY PROF. E. FILIPPI AND PROF. C. PASTERIS  
AS CONCERNS THE SALE OF ASSETS  
TO CRÉDIT AGRICOLE S.A.

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Turin, 8 November 2006

To: The Board of Directors  
SANPAOLO IMI S.p.A.  
Turin

*Subject: An opinion on the economic conditions agreed upon for the sale by Banca Intesa of its equity shareholdings in the Cassa di Risparmio di Parma e Piacenza and the Banca Popolare Friul Adria and 193 Banca Intesa branches to Crédit Agricole.*

*Observations on Banca Intesa's purchase of a call option on a controlling shareholding in CAAM SGR, currently held by Crédit Agricole.*

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Dear Sirs,

You have provided us with a description of the terms and conditions of the transactions described above, which are currently under negotiation between Banca Intesa and Crédit Agricole. Considering that Crédit Agricole holds a significant interest in Banca Intesa, you have requested that we deliver a fairness opinion on the economic conditions agreed upon for the proposed transactions (collectively referred to hereafter as “the Transaction”).

The purpose of this document is to determine whether the total price agreed upon for the Transaction is fair or not.

### **Description of the Transaction**

A. Sale of the following assets by Banca Intesa to Crédit Agricole:

- a 100% equity shareholding in the share capital of Cariparma;
- a 76.05% equity shareholding in the share capital of Friuladria;
- a network of 193 bank branches (“**Branches**”).

The total price to be paid for the above assets is 5,966.5 million euro, broken down as follows:

- 3,800.0 million euro for the equity shareholding in Cariparma;
- 836.5 million euro for the equity shareholding in Friuladria;
- 1,330.0 million euro for the Branches.

B. Amendments to the purchase agreement for CAAM SGR (formerly Nextra SGR) between Banca Intesa and Crédit Agricole, which the parties entered into on 24 October 2005; among other changes, these amendments would allow Banca Intesa to buy (and Crédit

Agricole to sell) a call/put option on Crédit Agricole's 65% equity shareholding in CAAM.

The strike price for these options will be the price that Crédit Agricole originally paid Banca Intesa to acquire CAAM (net of any share capital increases subscribed by Banca Intesa), adjusted to take into account the following factors:

- I. Subtraction of the dividend paid to Crédit Agricole from the date the sale is executed to the date the option is exercised.
- II. Interest accrued on the initial payment compounded at a rate of 9.0%

### **Information Received and Analyzed**

We have received the following documents, data, analyses and information (the "Information"):

- Establishment of the Termsheet for the agreement between Crédit Agricole and Banca Intesa;
- 2004-2005 Financial Statements of CR Parma;
- 2004-2005 Financial Statements of BP Friuladria;
- Half Year Report of CR Parma for the period ended on 30.06.06;
- Half Year Report of BP Friuladria for the period ended on 30.06.06;
- Projections regarding the financial position and balance sheet figures of CR Parma, BP Friuladria, and the 193 branches for 2006-2009.

SANPAOLO IMI has also provided us with accounting data and valuations, as well as a series of projections and simulations of future operations, for CR Parma, BP Friuladria and the 193 Banca Intesa branches.

We have discussed relevant aspects of the above-mentioned documents with SANPAOLO IMI, which provided us with the documentation regarding the entities involved in the Transaction.

We have also discussed relevant aspects of the documentation we consulted (draft agreements) with the law firm Benessia Maccagno, the legal consultant of SANPAOLO IMI, and with Citigroup, the financial advisor of SANPAOLO IMI.

**Stand-Alone Perspective:** Drawing on a principle commonly applied to valuations of acquisitions, the valuations laid out below have been conducted under the assumption that each of the banks in question would operate independently (in other words, ignoring the impact of possible synergies or extraordinary costs related to the Transaction).

### **Valuation Methods Adopted**

Based on the above considerations, and due the characteristics of the companies in question, the type of assets involved, and the markets in which they operate, the following valuation methods have been adopted for estimating the economic value of the Banks and Branches:

- Dividend Discount Model ("DDM");
- Comparable Company Valuation

- Linear Regression (or Value Map) Method
- Comparable Transaction Method

The last three methods function to control the results of the fundamental valuation based on the dividend discount model (DDM).

For the valuation of the financial terms of the CAAM transaction, on the other hand, we analyzed the price adjustment mechanism, assuming that the amount Crédit Agricole paid Banca Intesa for the company in the original transaction was fair.

We have not checked the veracity of any of the data or analyses provided to us.

Our opinion is consequently limited to examining the procedures adopted for correctness and the parameters used in the documents provided to us for adequacy, with the aim of reaching a conclusion regarding the fairness of the terms of the transaction as at 30 June 2006.

In the following section we set forth the methods applied and the results obtained thereby.

## **DDM**

The dividend discount model, known in the specialist literature as the “Gordon-Shapiro model”, is founded on the principle that the economic value of a company is equal to the sum of the current value of the cash flows that the company will distribute to its shareholders.

The dividend discount model calculates the value of a company as the sum of:

1. the current value of future cash flows available to the company’s shareholders (equal to the cash flow from potentially distributable dividends) over a certain projection period and in line with capital levels considered adequate;
2. the company’s terminal value (TV), i.e. the economic value of the company after the projection period (assuming that dividend flows continue to grow at a constant rate).

It is important to emphasize that the approach we have adopted does not take into account which profit distribution policies the company being valued will actually adopt.

The dividend discount method estimates the economic value of a company by applying the following formula:

$$EV = \sum_{t=1}^{\bar{n}} \frac{Div_t}{(1+k_e)^t} + \frac{TV}{(1+k_e)^{\bar{n}}}$$

with

$$TV = \frac{Div_n \times (1+g)}{(k_e - g)}$$

Where:

EV = the economic value of the company;

TV = terminal value, i.e. the value of the company in the year after the final year of the projection period for dividend flows;

Div<sub>t</sub> = the potentially distributable dividend flow for year t of the projection period;

$Div_n$  = the potentially distributable dividend flow at the end of the projection period (year n);

n = the number of years of the projection period for dividend flows;

$k_e$  = the discount rate, equal to the company's cost of equity;

g = the growth rate of dividend flows after the projection period.

Application of DDM may be divided into the following phases:

- A. Creation of a projection of potentially distributable dividend flows for a certain period of time;
- B. Calculation of the discount rate ( $k_e$ ) and the growth rate (g);
- C. Calculation of the current value of dividend flows for the projection period and synthetic calculation of Terminal Value;
- D. Development of alternative scenarios, sensitivity analyses of estimates based on variations in the discount rate and development rate;

- A. Creation of a projection of potentially distributable dividend flows for the projection period.

For the purpose of this valuation, we have used 2006-2015 as the projection period for dividend flows; after 2015, the value of the Banks and the Branches has been synthetically calculated according to Terminal Value.

The projection of income statement and balance sheet figures for 2006 to 2009 is based on the Financial Plan drawn up by the company. For 2010 to 2015, we projected "inertial growth" values in line with the Banks' financial and operational profiles and the market's growth prospects.

We estimated potentially distributable dividend flows for 2006-2015 assuming that the Banks will maintain capital levels considered adequate to sustain their future development, defined as a Tier 1 capital ratio (Tier 1 assets to risk-adjusted assets) of 7%.

- B. Calculation of the discount rate ( $k_e$ ) and the growth rate (g).

The discount rate for dividend flows corresponds to the return that an investor would expect on alternative investments with a similar risk profile. It represents the expected return on the Banks' own risk capital (cost of equity).

In keeping with the valuation method applied, this rate was calculated by using the Capital Asset Pricing Model ("CAPM"). According to CAPM, cost of equity is calculated with the following formula:

$$K_e = r_f + \beta \times (r_m - r_f)$$

Where:

rf = the rate of return on a risk-free investment. Considering the time period in the case at hand, we used the benchmark return on Italian government securities with a ten-year maturity as the risk-free rate. **Rf used = 4.03%**

( $r_m - r_f$ ) = the additional return that an investor would expect on investment in the

stock market over the return on risk-free investments (the risk premium). This risk premium was estimated according to long-term historical data at 5.0%; recent research (Andrea Sironi, *La stima del costo del capitale e la creazione di valore nelle banche italiane*, Edibank) confirms that this figure is adequate;

$\beta$  = the correlation coefficient between the actual return on the stock of the company in question and the overall return of the market (beta or  $\beta$ ). Beta measures the volatility of a security compared to a portfolio representing the market. The **beta used was 1.13**, corresponding to the median value of the adjusted beta for a group formed from the main Italian banks over a period of 5 years, calculated on a weekly basis. This value seems adequate considering that the banks the constitute the object of the transaction are not listed.

Consequently, the cost of equity used in discounting was 9.7%.

The growth rate (g), which is necessary for the calculation of Terminal Value, was set to **2.5%** for both Banks in line with expectations regarding inflation in Europe in the medium-to-long term.

C. Calculation of the current value of dividend flows for the projection period and synthetic calculation of Terminal Value

The projected dividend flows for 2006-2015 were discounted using the cost of equity as calculated above as the discount rate.

Terminal Value was calculated by applying the formula for income increasing at the rate (g) in perpetuity to the potentially distributable dividend flow at the end of the projection period.

D. Sensitivity Analysis

The valuation obtained by applying DDM was run through a number of sensitivity analyses in order to assess the impact that changes in assumptions regarding the cost of equity (ke) and the growth rate (g) would have on the valuation.

The following values emerged from the valuation process:

Upper Bound of the Range

€ m	Value					
		PE07	PE08	P / Adj.Equ. 1H06	P / Branches	Goodwill / Branches
<b>Cariparma</b>	<b>3,655</b>	14.9x	13.4x	3.46x	11.8	NA
Friuladria @ 100%	978	15.2x	14.1x	2.09x	6.6	NA
<b>Friuladria @ 76.05%</b>	<b>744</b>					
Branches	<b>1,607</b>	14.4x	13.9x	4.38x	8.3	6.7
Total @ Friuladria 100%	6,240	<b>14.8x</b>	<b>13.6x</b>	<b>3.30x</b>	<b>9.6</b>	
<b>Total @ Friuladria 76.05%</b>	<b>6,006</b>					

## Lower Bound of the Range

€ m	Value	PE07	PE08	P / Adj. Equ. 1H06	P / Branches	Goodwill/ / Branches
<b>Cariparma</b>	<b>3,297</b>	13.5x	12.1x	3.12x	10.6	NA
Friuladria @ 100%	895	14.0x	12.9x	1.91x	6.0	NA
<b>Friuladria @ 76.05% Branches</b>	<b>1,461</b>	13.1x	12.7x	3.98x	7.6	5.9
<b>Total @ Friuladria 100%</b>	<b>5,653</b>	<b>13.4x</b>	<b>12.4x</b>	<b>2.99x</b>	<b>8.7</b>	
<b>Total @ Friuladria 76.05%</b>	<b>5,439</b>					

## Market Multiple Method for Comparable Listed Companies

The market multiple method is based on an analysis of the prices at which a sample of comparable companies to the company being valued trade on the stock market. This method is founded on the general assumption that in an efficient market free of speculative influences, the price at which a company's shares trade reflects the market's expectations about the rate at which its earnings will grow and the level of risk associated with it.

Application of Market Multiple Method may be divided into the following phases:

- A. Selection of the sample to be used;
- B. Determination of the time period for the analysis;
- C. Identification of fundamental ratios ("multiples") that are held to be significant and representative of the company being valued;
- D. Determination of the relevant prospective parameters for the companies in the sample and calculation of multiples;
- E. Identification of the multiple range and its application to the company being valued, resulting in a range of values for the company.

The degree of accuracy of this valuation method depends on how well it is adapted to fit the specific case at hand. The most relevant aspects of the analysis of the case at hand are illustrated below.

- A. Selection of the sample to be used

Given the nature of this model, it is of critical importance that the companies in the sample are similar in nature to the company being valued. The usefulness of the results is closely tied to the comparability of the sample. Given that in practice it is impossible to find companies that are similar in all aspects, it is common practice to decide which traits are most significant for constructing the comparative sample, and to select comparable companies according to pre-established criteria.

The stock of the companies in the sample must also be highly liquid, and companies that could be affected by special contingencies should not be included.

For the purpose of this analysis, we selected a sample of Italian companies, including Italian banks, which operate on a national or multi-regional level.



	Mkt. Cap. €m	P/E 07	P/E 08	P /Adj. Equ. 1H06 (1)
CAP	17,421	12.4x	10.7x	2.44x
MPS	14,651	13.5x	11.8x	2.23x
BPVN	8,445	11.8x	10.4x	2.25x
BPU	7,595	12.1x	10.8x	2.18x
BL	6,047	20.0x	17.9x	3.20x
BPM	4,574	12.7x	10.7x	1.84x
CRF	3,355	17.4x	15.2x	2.85x
CRE	3,154	12.9x	11.9x	2.77x

Note: (1) For Credito Emiliano the adjusted net shareholders' equity refers to that at 1Q06

B. Determination of the time period for the analysis.

In calculating the stock market value of the companies included in the sample, we used the last price available on 6 October 2006.

C. Identification of fundamental ratios held to be significant.

For each of the companies indicated above, we calculated a series of ratios considered significant to the analysis according to the following criterion. The choice of ratios was based on the banking sector's distinctive characteristics and market practice, which attributes particular significance to the following ratios:

- ▶ Price/Prospective Earnings Ratio (“**P/E**”);
- ▶ Price/Adjusted Net Book Value Ratio (“**P/B**”);

The P/B ratio was calculated by adjusting the estimated net equity as at 30 December 2006 of the companies in the sample to account for a series of captions, the most important of which was the deduction of intangible assets.

D. Determination of the level of prospective earnings for the companies in the sample.

The estimates provided by Multex, which are the product of the consensus reached by financial analysts (“**Consensus**”), were used for expected earnings of the companies in the sample for 2006, 2007 and 2008.

E. Determination of the range of application for the above ratios.

The weight to be given of the resulting fundamental ratios and the choice of the range to apply to the company being valued are based on considerations regarding the significance of the multiples thus obtained and the characteristics of the income statement and balance sheet figures of the company being valued.

The following values emerged from the valuation process:

	P/E 07	P/E 08	P / Adj. Equ. 1H06
Min	11.8x	10.4x	1.84x
<b>Median</b>	<b>12.8x</b>	<b>11.3x</b>	<b>2.34x</b>
Mean	14.1x	12.4x	2.47x
Max	20.0x	17.9x	3.20x

**Implicit valuation €m**

Cariparma	3,126	<b>3,083</b>	2,470
Friuladria @ 100%	819	786	1,095
Friuladria @ 76.05%	623	<b>598</b>	833
Branches	1,422	<b>1,306</b>	859
<b>Total</b>	<b>5,171</b>	<b>4,987</b>	<b>4,162</b>

### Linear Regression (or Value Map) Method

The Linear Regression Method is often used for company valuation. It estimates the value of the economic capital of a company based on the correlation between the prospective earning power of the company's own capital and the relative premium (or discount) between the prices at which the company's stock trades and its adjusted net equity.

This ratio may be represented by a statistical regression of earning power data (the expected Return on Average Equity or "ROE"), and the ratio between market capitalization and adjusted net equity for a significant sample of comparable companies.

Once the parameters of the ratio have been calculated, if they are determined to be statistically significant, they may be applied to the prospective ROE and adjusted net equity of the company being valued in order to determine the theoretical market value based on the resulting ratio.

Application of the Linear Regression Method may be divided into the following phases:

1. Selection of the sample to be used;
2. Determination of prospective ROE and the current P/B ratio of the companies in the sample for the time period of analysis;
3. Calculation of the regression line for the ROE and the P/B ratio; if statistically significant, the parameters of the statistical regression are applied to determine the theoretical economic value that may be attributed to the company being valued.

As in the case of Market Multiple Method, we used a sample of listed Italian banks in order to reflect the characteristics of SPIMI and Banca Intesa.

	P / Adj. Equ. 1H06 (1)	ROAE 08 Adj.
CAP	2.44x	18.5%
MPS	2.23x	16.3%
BPVN	2.25x	17.8%
BPU	2.18x	16.6%
BL	3.20x	18.1%
BPM	1.84x	14.7%
CRF	2.85x	15.6%
CRE	2.77x	17.6%

The economic value of the Banks was determined by taking into account the linear regression calculated according to the following formula:

$$P/B = i + c \cdot ROE$$

Where:

P/B = the multiple to be applied to the P/B ratio of the company being valued in order to determine the value of its economic capital

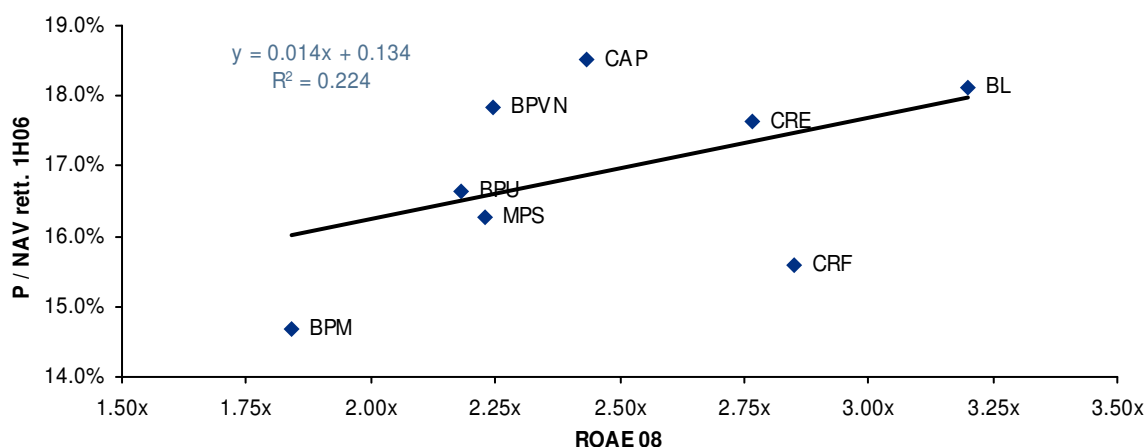
i = the intercept of the regression line that interpolates the data being observed

c = the angular coefficient of the regression line

ROE = the ROE of the company being valued

The ratio obtained from this formula is all the more satisfactory in terms of the model's adequacy since the index R<sup>2</sup>, which measures the scattering of the points around the line, is close to 100%.

Valuation according to the linear regression method, which presents a rather low R<sup>2</sup> value, leads to the following results:



	ROAE 08	Adj. Equ. 1H06	P/Adj. Equ.	Value € m
Cariparma	18.5%	1,055.5	2.72x	2,867
Friuladria @ 76.05%	13.3%	355.9	1.91x	681
Branches	22.1%	366.8	3.28x	1,203
Total				4,751

## Comparable Transaction Method

The Comparable Transaction Method is based on the analysis of prices paid in acquisitions held to be similar to the Transaction.

To establish the reference sample of comparable transactions for the valuation of CR Parma and BP Friuladria, we considered more than 25 acquisitions that took place in Italy from 1996 to the present day, which we selected according to the following criteria:

- Transfer of control
- Comparable size
- Comparable operations

To establish the reference sample of comparable transactions for the valuation of the bank branches, we considered more than 15 acquisitions of bank branches that took place in Italy from 1996 to the present day.

Based on the same approach applied in the Comparable Company Method, we established parameters considered relevant to the calculation of multiples to be applied to the Banks and Branches:

- For the banks: the price to book ratio (P/B) and the ratio of price to the number of branches
- For the branches: the ratio of goodwill to the number of branches and the ratio of goodwill to direct and indirect deposits

The following values emerged from the valuation process:

#### M&A Multiples since 1998

	Branches	Adj. Equity		Multiples		Implicit Valuation			
		05	1H06	P/B	Branches	Branches	Adj. Equ. 05	Adj. Equ. 1H06	
Friuladria @ 100%	149	482	468	2.8	8.3	1,243	1,333	1,294	
Friuladria @ 76.05%						945	1,014	984	
CR Parma	310	923	1,055	2.8	8.3	2,586	2,551	2,918	
<hr/>									
<i>In €m</i>	Branches	Adj. Equity		Multiples		Implicit Valuation		of which	
		05	1H06	Goodwill	/ Branches			goodwill	
Branches	193	319	367		2.4	837		470	
Branches	193				2.5	842		475	
<hr/>									
	Direct Deposits			Multiples		Implicit		of which	
Branches	7,796			Goodwill	/ Deposits	Valuation		goodwill	
					27%	2,448		2,081	
						TOTAL €m	4,368		
							5,979		

#### **CAAM SGR**

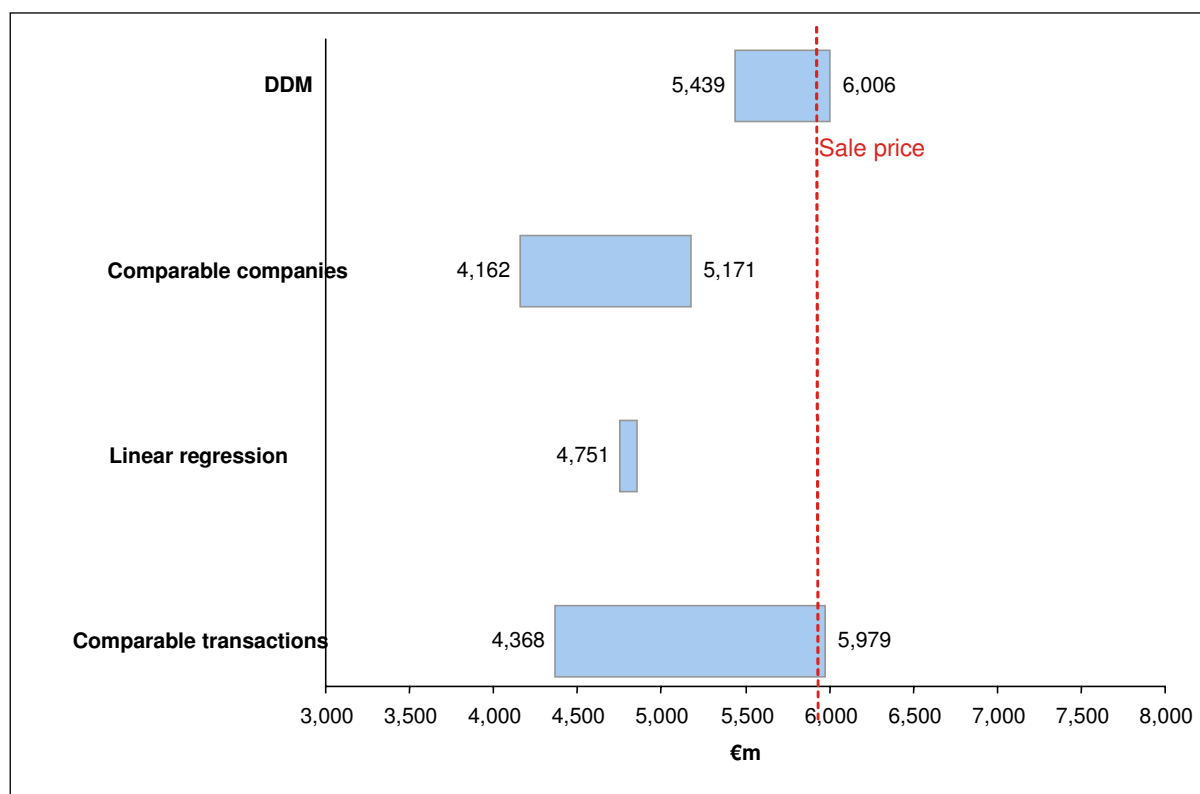
As mentioned above, the strike price for the call/put option on CAAM is based on the price Crédit Agricole originally paid for the company. The Termsheet we analyzed confirms that the acquisition regards the sum total of the assets and liabilities corresponding to the original transaction. An assessment of the fairness of the original transaction lies beyond the scope of this document, which instead proposes to make some observations relating to the adjustment mechanism:

- I. Subtraction of the dividend paid to Crédit Agricole from the date the sale is executed to the date the option is exercised
- II. Interest accrued on the initial payment compounded at a rate of 9.0%

This mechanism is deemed to be fair. The interest rate is located at the upper end of the applicable range, which is bounded by the financial rate of return on an investment and the rate that accounts for the opportunity cost of the investment made by Crédit Agricole, which must be calculated according to the cost of equity formula.

#### **Conclusions**

Based on the above methods, we determined the following price range for the sum total of the assets involved in the transaction:



Based on the documents we consulted and discussed with your company and your legal and financial consultants, and based on the above considerations, we may express our opinion of the economic conditions of the Transaction.

These conditions, should the prices finally agreed upon correspond with those indicated in the description of the Transaction, may be considered fair and corresponding with the economic value of the assets involved in the Transaction.

The total price that has been agreed upon is located within the range of fair prices resulting from the application of the analytical valuation method and near the upper boundary of the estimate resulting from the comparison with similar transactions, and is above the results of the other synthetic comparison methods, which, as indicated in the report, are less significant.

This opinion is provided without any liability on our part regarding the information that was supplied to us, which we have assumed to be accurate and complete for the purpose of the task assigned to us.

We thank you for your patronage, and remain,

Yours sincerely,

Prof. Enrico Filippi

Prof. Carlo Pasteris