



DETERMINATION OF MERGER NOTIFICATION M/06/077 – BANCA INTESA/SANPAOLO

Section 21 of the Competition Act 2002

Proposed acquisition by Banca Intesa Spa of Sanpaolo IMI Spa

Dated 28/11/06

Introduction

1. On 7 November 2006, the Competition Authority (“the Authority”), in accordance with Section 18 (1) (a) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposed merger between two Italian banks, Banca Intesa Spa (“Banca Intesa”) and Sanpaolo IMI Spa (“Sanpaolo”).
2. The boards of directors of Sanpaolo and of Banca Intesa approved the proposed merger and the related merger plan on 12 October 2006. As a result of the proposed merger, Sanpaolo will cease to exist as an independent legal entity and all its assets and liabilities, as well as all the agreements to which it is a party, will be assumed and continued by the new entity.
3. The parties have agreed that the new entity will adopt a new corporate name, Intesa Sanpaolo Spa, with a registered office in Turin and a second registered office in Milan.
4. In connection with the merger project, Banca Intesa reached a separate agreement with a third party, Credit Agricole, to sell to it Banca Intesa’s interest in two Italian banks as well as 193 Banca Intesa branches in Italy.

The Undertakings Involved

5. Banca Intesa is active directly and through its subsidiaries, in a wide range of banking and financial services. Its operations are mainly located in Italy and in Eastern and Central Europe. It is listed on the Italian Stock Exchange and generated a worldwide turnover in 2005 of €15.62 billion.
6. Banca Intesa’s operations in the State are located in the IFSC and provide financial services predominantly to international clients. As an IFSC entity, Banca Intesa’s Irish banking subsidiary was effectively incentivised to conduct business predominantly with foreign (non-Irish) clients until the expiry of its certificate under the relevant legislation in 2005.¹ In 2005 its Irish operations generated €[.] million.

¹ The International Financial Services Centre (IFSC) was established in 1987. Section 30 of the Finance Act, 1987 established a tax incentive for IFSC companies which carried out particular trading operations. This section provided that the Minister for Enterprise, Trade and Employment may grant a certificate to a company which carried out particular trading operations in the Custom House Dock area. The certificates were to remain in force until 31 December 2000. Section 34 of the Finance Act 1991 extended the period of validity of

7. Sanpaolo is active in the provision of banking, financial and insurance activities. It is listed on both the Italian and New York Stock Exchanges and has a presence in 34 countries through its international network. Its activities can be divided into two main areas; banking, which is its core business; and savings and pensions. In 2005, Sanpaolo generated worldwide turnover of €15.58 billion.
8. Sanpaolo's operations in the State are mainly located in the IFSC and involve the provision of financial services predominantly to international clients. As with Banca Intesa, Sanpaolo's Irish banking subsidiary mainly conducted business with foreign clients until the expiry of its certificate under the relevant legislation in 2005.
9. Sanpaolo also has a life assurance company in the State, Eurizon Life Limited,² which is not currently located in the IFSC.³ Sanpaolo Life has been granted a life assurance authorisation under the European Communities (Life Assurance) Framework Regulations 1994 pursuant to which it carries on life assurance business from Ireland on a freedom to provide services basis into one or more other EU Member States. It operates on a cross-border basis into other member States only and does not transact any business in the State.
10. In 2005 Sanpaolo generated turnover in the State of €[.] million.

Analysis

11. Both Banca Intesa and Sanpaolo's Irish operations are focused on servicing predominantly foreign customers. Eurizon Life Limited which is authorised under relevant EU legislation to provide cross-border services does not provide services to Irish customers. Similarly both Banca Intesa and Sanpaolo's banking and asset management companies, all IFSC companies, provide services predominantly to non-Irish customers on international markets. As IFSC entities these companies were incentivised to offer services to companies outside the State until the expiration of their certificates under applicable legislation at the end of 2005. Consequently, the undertakings involved only have a combined total of [less than 10] major Irish customers.
12. The scope of the markets on which the undertakings involved operate (e.g. corporate lending, lending to financial institutions, lending to large corporate entities, issuance of debt instruments, interbank money market borrowing and insurance) relate to investment banking and financial markets rather than retail banking and are likely to be broader than the State and may be worldwide in dimension. Such a view would be consistent with previous decisions by the European Commission.⁴
13. On these broad geographic markets the undertakings involved face competition from many international banks and their market shares

the certificate to 31 December 2005. The tax incentive, provided to IFSC companies, applied only to sales to foreign (non-Irish) companies.

² Sanpaolo Life changed its name to Eurizon Life Limited on 20 November 2006.

³ Eurizon Life, formerly Sanpaolo Life, was originally located in the IFSC and was granted an IFSC tax certificate in 1998. It traded as an IFSC entity until its license expired in December 2005

⁴ See for example, Case Comp/M.225 Fortis/ASR, paragraph 12

are minor. Data provided by the undertakings involved supports this view.

14. Given the broad geographic scope of the markets the undertakings involved operate in, the limited extent of their activities in the provision of services to Irish companies, and the focus of the undertakings involved on overseas rather than Irish-based customers, the Competition Authority does not believe that the proposed transaction will raise significant competition concerns.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed merger between Banca Intesa Spa and Sanpaolo IMI Spa will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority