FAIRNESS OPINION ON THE SHARE EXCHANGE RATIO FOR THE MERGER BY INCORPORATION OF BANCA LOMBARDA AND PIEMONTESE S.P.A. INTO BANCHE POPOLARI UNITE S.C.P.A.

BPU Banca

Gruppo Banca Leonardo

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1 Introduction

1.1 Purpose and scope of the mandate

GBL S.r.l. (hereafter, "GBL" or the "Advisor"), a wholly-owned subsidiary of Gruppo Banca Leonardo S.p.A., received the mandate (hereafter, the "Mandate") from the Board of Directors of Banca Popolari Unite S.C.p.A. (respectively, the "Board" and "BPU") to assist the Board in determining, in its own independent judgement, the appropriate share exchange ratio, from a financial perspective, between the ordinary shares of BPU and the ordinary shares of Banca Lombarda e Piemontese S.p.A. ("BL" and, jointly with BPU, the "Banks") in relation to the merger by incorporation of BL into BPU (hereafter, the "Merger").

This fairness opinion (hereafter, the "Opinion") has been prepared for the exclusive use of the Board, to support it in taking the decisions for which it alone is responsible and for the sole purpose of providing it with indicators and references to aid in determining the share exchange ratio for the Merger to be proposed to a General Meeting of BPU Shareholders. Therefore, any other use, including the communication or distribution, in whole or in part, of the contents of this Opinion, must first be authorised by GBL in writing, with the exception that it may be made available to any experts engaged to give an opinion as provided for under Article 2501-*sexies* of the Italian Civil Code.

In the context of the limitations and information detailed below, and given the specific purpose of the Mandate, the valuations have been made with a view to expressing a comparative analysis of the values of the two Banks, privileging the consistency and comparability of the methods used rather than the determination of the absolute value of each of the Banks individually. The valuations and this Opinion must also be interpreted with exclusive reference to the specific Merger transaction. The statements and conclusions drawn in the Opinion are therefore based on the entirety of the information and valuations contained herein, and no part of it may be used without considering the Opinion in its entirety. The valuations are, furthermore, based on the current configuration and future prospects of the Banks on a stand alone basis, without taking into account potential synergies deriving from the Merger.

In addition, the Opinion does not constitute, nor may it be interpreted as, or considered similar to, a report as defined under Article 2501-*sexies* of the Civil Code, an expert opinion as defined in Annex 3A of CONSOB Regulation 11971/99, or a report as defined under the same Regulation.

1.2 Description of the transaction

On 13 November 2006, the Boards of Directors of BPU and BL approved, on that date and on behalf of the Chairmen of the respective Boards of Directors, a framework agreement (hereafter, the "Framework Agreement") intended to set out the principal points in the Merger plan between the Banks.

The financial terms of the Merger, as defined in the Framework Agreement, set an exchange ratio of 0.83 newly-issued BPU ordinary shares for each ordinary BL share (hereafter, the "Exchange Ratio"). No cash consideration is envisaged.

In the Framework Agreement, the above Exchange Ratio was established on the basis of the financial statements of the Banks as at 30 September 2006 and with the assumption, amongst other things, that:

- any treasury shares held by the Banks do not exceed the maximum authorised by the resolutions of the respective Shareholders' Meetings;
- the Banks have not taken any actions which are incompatible with the implementation of the Merger and capable of significantly altering their own equity or financial structure or that of their Group.

In the Framework Agreement, the Banks have also agreed to undertake accounting, legal and administrative due diligence (hereafter, the "Due Diligence") for the purpose of determining, if the Due Diligence revealed the existence of total net differences in excess of 5% of each Bank's consolidated net assets, any required adjustment to the Exchange Ratio. On the basis of information received by GBL in this regard, the results of the Due Diligence performed between 16 November and 6 December 2006 did not require any changes to the relative valuations of the Banks, or the Exchange Ratio.

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Pursuant to art. 2437 of the Italian Civil Code, implementation of the Merger will entitle any BL shareholders who did not vote in favour of the merger plan at the meeting, to withdraw all or part of their shares. In this regard, BL will be obliged to pay a unitary cash consideration to any shareholders who exercised their withdrawal right, determined with reference to the arithmetical average of the closing price for the BL ordinary share during the 6 months preceding publication of the notice of Meeting of BL Shareholders called to resolve upon the Merger. In this context, the Framework Agreement provides that the effect of the Merger will be subordinated to the failure of BL's shareholders to exercise their right to withdraw for a percentage of the share capital higher than 10%. However this condition may be waived with the Banks' collective agreement.

1.3 Purpose of the Opinion

The purpose of this Opinion is to provide the Board with elements and references to aid in the determination, in its independent judgement, the fairness of the Exchange Ratio to be proposed to BPU Shareholders in the Extraordinary General Meeting called to approve the Merger.

The analyses and valuations contained in this Opinion have, as a result, the sole scope of identifying an appropriate value interval for the Exchange Ratio relating to the Merger. For this reason, the values obtained cannot in any way be considered estimates of the economic value and/or historic, current or prospective market values of the Banks on a stand-alone basis.

This Opinion should not, furthermore, be interpreted by the Shareholders of BPU as a recommendation in relation to the exercise of their right to vote at the Extraordinary General Meeting of the Bank called to approve the Merger.

1.4 Reference Date for the Opinion

This Opinion has been based on the financial statements of the Banks as at 30 September 2006 (hereafter, the "Reference Date"). No change in the situation of the Banks – in terms of earnings, capital structure and of a financial, market and/or other nature - subsequent to the Reference Date has been taken into account in preparing this Opinion, except for the significant events, detailed in paragraph 1.5 below, brought to the attention of GBL by the Banks and which could potentially influence the Exchange Ratio.

1.5 Documentation and information used

In fulfilling its Mandate and preparing this Opinion, GBL obtained and reviewed the following accounting material and information:

- the current Articles of Association of BPU and BL;
- the approved statutory and consolidated financial statements of BPU and BL for 2004 and 2005, complete with Director's Reports, Reports of the Statutory Boards of Auditors, and the audit certifications;
- the approved statutory and consolidated interim financial statements of BPU and BL as at 30 June 2006, complete with Director's Reports and limited audit reports;
- the approved statutory and consolidated interim financial statements of BPU and BL as at 30 September 2006, complete with Directors' Reports;
- the consolidated financial plans of BPU and BL for 2006-2008, prepared by the managements of the Banks and presented to the financial community respectively on 14 December 2005 and 21 March 2006 (hereafter the "Financial Plans");
- other data and information of an accounting, financial, strategic and commercial nature provided, both verbally and in written form, directly by the managements of the Banks and/or through their advisors;
- public information considered relevant for the purposes of the analysis, such as that relating to the financial projections and the stock exchange listing of BPU, BL and a sample group of comparable listed banks (cfr. Paragraph 3.1.3).

In preparing the Opinion, furthermore, GBL has assumed that:

- all information, data, statements and reports - of a financial or other nature - provided to, analysed or discussed with GBL by the managements of BPU and BL are true and complete, with no independent verification, certification or analysis being carried out by GBL;
- the financial projections are reasonable and have been formulated on the basis of best estimates and opinions available to management at the time or, as the case may be, by financial analysts, in relation to the future performance of BPU and BL;
- no materially relevant information has been omitted or withheld from GBL;

- the valuations of assets and liabilities provided to GBL, which has not conducted any valuation or expert analysis of the assets and liabilities of BPU and BL, are consistent and reasonable;
- the Merger will be carried out in accordance with the current agreement, without exclusions, modifications or delays to the agreed terms and conditions;
- all authorisations necessary for completion of the transaction are obtained with no material negative impact to BPU, BL and/or the Merger.

GBL, therefore, assumes no responsibility for the authenticity, completeness or accuracy of the information used, nor provides any guarantee, implicit or explicit, to that effect.

2 Valuation methods adopted

2.1 Introduction

Merger valuations present the complex issue of determining an exchange ratio: that is, the ratio between the values of the respective shares of the companies involved in the transaction.

For that reason, standard valuation practice places particular importance on the principle of consistency in the valuation criteria applied. This is because the purpose of merger valuations is not so much to determine the absolute economic value of the companies involved in the transaction, as to obtain values which can be compared in order to determine an exchange ratio. For this reason, merger valuations are meaningful as relative valuations but should not be considered estimates of the absolute value of the companies involved in a transaction.

A second principle often adopted in merger valuations is the "stand alone" perspective , based on the current configuration and future prospects of the companies on an independent basis, without taking into account any potential synergies deriving from the merger which may create added value for the two groups of Shareholders.

2.2 Valuation methods adopted

Fundamental to merger valuations, whose purpose is to establish economic values from which an exchange ratio can be determined, are the consistency and comparability of the valuation assumptions made in relation to the earnings, capital structure and operational profiles of the companies involved in the transaction. Consequently, the chosen methods cannot be analysed individually, but, rather, should be considered as intrinsic parts of a single valuation process. In light of this and taking into account (i) the purpose of the estimates, (ii) the standard valuation criteria used, both domestically and internationally, which are specific to the banking sector, (iii) the particular characteristics of each of the Banks, and (iv) the listed company status which applies to both Banks, the following principal valuation methods – which include both absolute and relative methods – have been adopted:

- the Dividend Discount Model or DDM;
- the Gordon Growth Model;
- the market multiples method (based on comparable listed companies);
- the market value method.

As a control for the results obtained from the application of the above valuation methods, the following was also used:

- the contribution analysis.

In selecting and applying the above methods, the characteristics and implicit limits of each have been considered, particularly with regard to the specific characteristics of each Bank.

In paragraph 3 which follows, a detailed description of the methods referred to above, used to verify the fairness of the Exchange Ratio, has been provided.

2.3 Analytical approach

Approval of the Merger by the Extraordinary General Meetings of BPU and BL will lead to a *società per azioni* (public company limited by shares) being incorporated into a *società cooperativa* (cooperative bank), changing the legal status of the incorporated company and consequently amending its Articles of Association, with particular regard to the exercise of voting rights. In a *società per azioni*, each share confers the right to one vote, consequently all of the administrative and equity rights of each shareholder is commensurate with the number of shares it holds. In a cooperative, on the other hand, each shareholder is only entitled to one vote however many shares it holds. It follows that the control of a "popolare" bank, given its nature as a cooperative, requiring the per capita vote associated with acceptance clauses and a ceiling on shareholding of 0.5% of the share capital [1], is difficult to contest.

Consequently, in order to take into account (for the purposes of this Opinion) the different value attributable to shares with varying levels of strategic desirability due to the ability to contest control, it was deemed appropriate to apply an adjustment factor (hereafter the "Adjustment Factor"), as an expression of the difference between the value of shares in a company whose control is not open to contest (or only to a limited extent) such as a cooperative, and the value of shares in a company in which control is open to contest (*società per azioni*) [2], to the exchange ratio values (number of BPU ordinary shares for each ordinary BL share) estimated according to analytical and earnings-based methods (Dividend Discount Model, Gordon Growth model and contribution analysis). However, no modifications were made to the exchange ratio values obtained with the market methods (market multiples for comparable companies and market value method) as it was considered that they already expressed values including the above adjustment (see paragraphs 3.1.3 and 3.1.4).

In particular, on the basis of a comparison between the multiples on net assets at the end of 2006, obtained from the consensus estimates of the Institutional Brokers Estimate System (hereinafter, "IBES" Source: Bloomberg), implied in the recent listings of cooperative banks and the same multiples for institutions with the legal status of a *società per azioni*, the Adjustment Factor relating to the reduced possibility of contesting control in cooperatives, even taking into account any differences in terms of return on equity (ROE_{2006}), was estimated in a range between 1.25 and 1.35.[3]

[1] This limit does not apply to undertakings for collective investment in transferable securities, which are subject to the limits set by regulations governing each of them.

[2] L. Guatri, M. Bini, *Nuovo trattato sulla valutazione delle aziende*, published by Bocconi University, February 2005, Chapter 23 (pages 896 et seq).

[3] Expressed as a formula: Adjustment Factor = $1/(1+\Delta)$, where Δ represents the difference in value, in percentage terms, attributable to the different legal status of the banks in question, i.e. the different extent to which control can be contested. In particular, the Adjustment Factor was estimated by comparing separate sample groups of Italian quoted banks with different legal status.

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As of 30 September 2006, BL held approximately 145 million ordinary shares in Banca Intesa S.p.A., equal to a shareholding of 2.41% of the voting capital. In consideration of the fact that this stake (i) represents, in value terms, approximately 27% of BL's consolidated net equity as of 30 September 2006, (ii) that it has an independent value and (iii) that it does not pertain directly to the core business, it was considered as a surplus asset for the purpose of the Dividend Discount Model and Gordon Growth method.

Similarly, the extraordinary income and charges included in the Banks' Financial Plans used for the purposes of this Opinion were considered as surplus assets (present value at the Reference Date) as they represent profit elements that do not pertain to ordinary operations.

3 Description and application of the valuation methods

3.1 Principal methods

3.1.1 Dividend Discount Model

3.1.1.1 Description of method

The Dividend Discount Model (or DDM) defines the economic value of a bank as the sum of (i) the present value of future dividend flows potentially distributable to shareholders, for a predetermined time horizon, consistent with maintaining an adequate level of capitalisation and (ii) the present value of the Terminal Value (or TV), calculated assuming a perpetual constant growth rate for dividend flows beyond the projected time horizon. This approach disregards, therefore, the actual distribution policy of the bank.

This "two stage" version of the DDM is expressed by the following formula:

$$W = \sum_{t=1}^{t=n} \frac{Div_t}{(1+k_e)^t} + \frac{TV}{(1+k_e)^n} + SA \text{ where } TV = \frac{Div_{Nn} \times (1+g)}{(k_e - g)}$$

where:

W	=	economic value of the bank being valued
TV	=	Terminal Value, equal to the estimated value of the bank in the year following the last year of explicitly forecast dividend flows
Div_t	=	dividends potentially distributable in year *t* of the explicit forecast period
Div_{Nn}	=	"normalised" dividend flows potentially distributable at the end of the explicit forecast period (year *n)*
SA	=	Surplus assets
n	=	the number of years of explicitly forecast dividend flows
k_e	=	discount rate, equal to the bank's cost of equity
g	=	growth rate of profits beyond the explicit forecast period

In the current valuation, application of the DDM approach comprises the following steps:

a. identification of the dividend flows potentially distributable over the explicit forecast period (2006–2009);

b. estimate of the normalised profit at the end of the explicit forecast period and the relative normalised potentially distributable dividend flow "D_{Nn}" ;

c. determination of the discount rate "k_e" (i.e., the cost of equity) and the growth rate "g";

d. calculation of the present value of dividend flows for the explicit forecast period (2006-2009) and of the Terminal Value (>2009).

3.1.1.2 Identification of the dividend flows potentially distributable over the explicit forecast period

For the purposes of this valuation, a time horizon of 2006-2009 has been assumed for the explicit forecast of dividend flows, beyond which the value of the banks has been calculated as a Terminal Value. Profit and loss and balance sheet items for the above forecast period are based on the Financial Plans supplied by the managements of the two banks for the three-year period 2006-2008 (see paragraph 1.5) and the IBES consensus estimates to determine the data for the last year of the forecast period.

Calculation of the dividend flows potentially distributable during the explicit forecast period assumes - prudently and to establish the minimum level of capitalisation considered adequate to support future growth of the banks - a Core Tier 1 ratio (the ratio between tier 1 capital, excluding any innovative capital instruments issued, and total risk weighted assets) and a total capital ratio (ratio between total regulatory capital, including any third level subordinated liabilities, and total risk weighted assets) equivalent, respectively, to 6.0% and 8.0%.

3.1.1.3 Determination of the discount rate “k_e“

The discount rate “k_e“ applied to dividend flows represents the return required by investors for alternative investments with a comparable risk profile (cost of equity). Consistent with standard valuation practice, this rate was calculated by applying the Capital Asset Pricing Model (CAPM) which is expressed by the following formula:

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

where:

r_f	=	rate of return for risk free investments. For the current valuation, taking the reference time horizon into account, a risk free rate of approximately 4.0% as at 8 December 2006 was assumed. This represents the current gross yield of 10 year BTP with a maturity of 1 August 2016 (source: Bloomberg)
r_m-r_f	=	risk premium required by the market, set prudentially at 5.0% in line with current valuation practice
β	=	correlation coefficient between the effective return on an individual share and the total return for the reference market; this measures the volatility of a share compared to a market portfolio. For the current valuation, a β of 1.02 has been used for both BPU and BL (*Barra Predicted Beta.* Source: MSCI Barra)

On the basis of these assumptions, the discount rate “k_e“ for both banks is 9.1%.

3.1.1.4 Calculation of the Terminal Value

The Terminal Value was determined by applying a perpetual growth formula, based on the growth factor "g" of 2.5%, to the potential normalised dividend "Div_{Nn}" distributable in the final year of the explicit forecast period. This was calculated by taking into account (i) the return on equity for the period 2006-2009 and (ii) the share of profits not eligible for distribution as it is destined to ensure adequate equity cover for the growth of all weighted risk assets.

3.1.1.5 Sensitivity analysis and results summary

Table 1 shows the values of the Banks, total and per share, obtained using the Dividend Discount Model with the assumptions stated above.

Table 1. Results summary

	BPU	**BL**
Value with DDM (€ millions)	8,102	4,622
Surplus Assets (€ millions)	385	786
Value (€ millions)	**8,487**	**5,408**
Value per share (€)	**24.64**	**15.23**

To evaluate the impact on BPU and BL values of any variations in the cost of equity (k_e) and growth rate "g", a sensitivity analysis has been performed and the results, in terms of value per share, are provided below in Table 2 for BPU and Table 3 for BL.

Table 2. Sensitivity analysis for BPU (€)

		Long-term growth rate (from 2009, g)				
		2.38%	**2.44%**	**2.50%**	**2.56%**	**2.63%**
Cost of equity (k_e)	**8.6%**	25.90	26.14	26.39	26.64	26.90
	8.8%	25.03	25.25	25.48	25.72	25.95
	9.1%	24.22	24.42	24.64	24.85	25.08
	9.3%	23.45	23.65	23.85	24.05	24.26
	9.5%	22.74	22.92	23.11	23.30	23.49

Table 3. Sensitivity analysis for BL (€)

		Long-term growth rate (from 2009, g)				
		2.38%	**2.44%**	**2.50%**	**2.56%**	**2.63%**
Cost of capital (k_e)	**8.6%**	16.00	16.14	16.29	16.44	16.60
	8.8%	15.47	15.61	15.74	15.88	16.03
	9.1%	14.98	15.11	15.23	15.36	15.50
	9.3%	14.52	14.64	14.76	14.88	15.00
	9.5%	14.09	14.20	14.31	14.43	14.54

Consequently, based on (i) the results of the sensitivity analysis with regard to possible variations in "k_e" and "g" in an interval of ±5% compared to the central values stated above and (ii) the Adjustment Factor described in paragraph 2.3 above (1.25 – 1.35), an exchange ratio between 0.77 and 0.84 ordinary BPU shares for each ordinary BL share was obtained.

3.1.2 Gordon Growth Model

3.1.2.1 Description of method

The Gordon Growth Model estimates a bank's value on the basis of the relationship between (i) expected returns (expressed by the ROE) sustainable over the long term, (ii) the nominal rate of growth "g" in income over the long term and (iii) the rate of return "k_e" required by investors for alternative investments with a comparable risk profile (cost of equity).[4] The formula is:

[4] The method in question derives from the Gordon Valuation Model, which determines the price of a share in the case of dividends rising steadily for an indefinite period and allows the calculation of a company's value by estimating the net assets multiple implied in its fundamentals (ROE, g and k_e).

$$W = BV \times \frac{(ROE - g)}{(k_e - g)} + SA$$

where:

W	=	economic value of the bank being valued
BV	=	net assets
ROE	=	return on equity (sustainable over the long term)
SA	=	surplus assets
g	=	growth rate of earnings (sustainable over the long term)
k_e	=	cost of equity (see paragraph 3.1.1.3)

For the current valuation, the Gordon Growth Model was calculated using the same parameters as for the Dividend Discount Model (see paragraph 3.1.1) and with reference to the provisional ROE to the end of 2009, as an indicator of the sustainable return on the Banks' own capital.

3.1.2.2 Sensitivity analysis and results summary

Table 4 shows the values, absolute and per share, calculated for BPU and BL using this method.

Table 4. Results summary

	BPU	**BL**
Value with *Gordon Growth Model* (€ millions)	7,493	4,201
Surplus Asset (€ millions)	385	786
Value (€ millions)	**7,878**	**4,988**
Value per share (€)	**22.87**	**14.05**

A sensitivity analysis of the assumed cost of equity (k_e) and the growth rate "g" using an interval of ± 5% was performed in order to evaluate the impact of potential variations on the values obtained. The results in terms of value per share are shown in Tables 5 and 6.

Table 5. Sensitivity analysis for BPU

		Long-term growth rate (from 2009, g)				
		2.38%	**2.44%**	**2.50%**	**2.56%**	**2.63%**
Cost of equity (k_e)	**8.6%**	24.22	24.32	24.41	24.51	24.61
	8.8%	23.45	23.53	23.61	23.70	23.79
	9.1%	22.72	22.79	22.87	22.94	23.02
	9.3%	22.04	22.11	22.17	22.24	22.31
	9.5%	21.41	21.47	21.52	21.58	21.64

Table 6. Sensitivity analysis for BL

		Long-term growth rate (from 2009, g)				
		2.38%	**2.44%**	**2.50%**	**2.56%**	**2.63%**
Cost of equity (k_e)	**8.6%**	14.79	14.86	14.93	15.00	15.07
	8.8%	14.35	14.41	14.47	14.54	14.60
	9.1%	13.94	13.99	14.05	14.11	14.17
	9.3%	13.55	13.60	13.65	13.71	13.76
	9.5%	13.19	13.24	13.29	13.33	13.38

Based on the analysis performed and taking into account the Adjustment Factor referred to above (1.25 – 1.35; see paragraph 2.3) the Gordon Growth Model gives an exchange ratio between 0.76 and 0.84 ordinary BPU shares for each ordinary BL share.

3.1.3 Market multiples for comparable companies method

3.1.3.1 Description of method

The market multiples method estimates the economic value of a company based on the trading price on the public markets for shares of comparable companies by calculating the ratio (multiples) between the market price and certain key financial variables for those companies. These multiples are then applied to the same financial indicators for the company being valued so that, by simple multiplication, a value for the company is determined.

In practice, the comparable companies approach comprises the following steps:

a. selection of a sample of companies comparable to the one being valued. For the current project, consistent with standard valuation practice and taking into account the peculiarities of the Merger, it is considered that the most significant variables for this selection are (i) size and (ii) the companies' legal status. This is due to the fact that although credit institutions exhibit some uniformity in behaviour (such as, for example, diversification of assets, distribution approach, operational and commercial efficiency, etc.) in relation to their size, on the other hand, they also present several differences related to their legal status, in terms of asset portfolio and territorial presence, as well as strategic desirability related to their potential to see their control contested (see paragraph 2.3). For the purposes of this analysis, two separate samples of medium-sized listed banks were used. One sample was formed of 3 cooperative banks used to estimate the value of BPU and the other was formed of 4 institutions in the form of a *società per azioni*, used for the BL valuation;

b. selection of multiples which, in the context of the sector being analysed, are considered the most meaningful. Consistent with valuation practice for companies operating in sectors with stable earnings, such as credit institutions, the following ratios were used:

- Price/Net Income (hereafter "PE")
- Price/Net Assets (hereafter "PBV")

c. estimate of key economic variables for the banks in each sample. In particular, net income and net asset figures as of 30 September 2006 were taken into consideration, as well as forecasts for net income and dividend per share for the years 2006-2008 based on IBES consensus estimates (source: Bloomberg);

d. determination of the time period upon which to base the market prices for the banks in the sample. The value used for the current valuation was the average of quotation weighted by volumes calculated on a quarterly basis from 8 December 2006 (11 September 2006 – 8 December 2006);

e. calculation, for each of the banks in the two samples, of the selected multiples. For the current valuation, the PE and PBV multiples are based on net income and net assets for the years 2006, 2007, and 2008; [5]

f. calculation, for each year of the analysis, of the average of the multiples for all the banks in each sample group;

g. estimate of each Bank's economic value by multiplying the average value of the PE and PBV multiples of each sample and the same economic values for BPU and BL.

3.1.3.2 Market multiples for comparable companies

The following tables show the PE (Table 7) and PBV (Table 8) multiples for the selected group of banks comparable to BPU.

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5 It is common practice, for valuation purposes, to use prospective multiples, which are calculated on forecast financial results, rather than current multiples, which are calculated on historic financial results. The market price of a share, in fact, is not based on historic earnings, but on prospective earnings. Market multiples, therefore, are only meaningful when the denominator used in a multiples calculation is based on prospective values.

Table 7. PE multiple for companies comparable to BPU

Listed bank	**PE**		
	2006E	**2007E**	**2008E**
BP Milano	14.8x	13.0x	11.4x
BP Verona e Novara	11.6x	11.0x	10.1x
Credito Valtellinese	16.8x	13.2x	10.8x
Average PE	**14.4x**	**12.4x**	**10.8x**

Table 8. PBV multiple for companies comparable to BPU

Listed bank	**PBV**		
	2006E	**2007E**	**2008E**
BP Milano	1.48x	1.38x	1.29x
BP Verona e Novara	1.78x	1.63x	1.50x
Credito Valtellinese	1.32x	1.25x	1.18x
Average PBV	**1.53x**	**1.42x**	**1.32x**

The following are the PE multiples (Table 9) and PBV multiples (Table 10) for the sample group used for the BL valuation.

Table 9. PE multiple for companies comparable to BL

Listed bank	**PE**		
	2006E	**2007E**	**2008E**
Banca Carige	30.0x	26.0x	26.0x
Banca CR Firenze	18.1x	15.8x	14.1x
Banca MPS	15.6x	13.9x	11.8x
Credito Emiliano	15.0x	13.2x	11.8x
Average PE	**19.7x**	**17.2x**	**15.9x**

Table 10. PBV multiple for companies comparable to BL

Listed bank	PBV		
	2006E	**2007E**	**2008E**
Banca Carige	1.97x	1.91x	1.85x
Banca CR Firenze	2.24x	2.10x	1.92x
Banca MPS	1.85x	1.73x	1.61x
Credito Emiliano	2.31x	2.12x	1.94x
Average PBV	**2.09x**	**1.96x**	**1.83x**

Table 11 shows, for information purposes only, the "turnover ratio" for the banks in each sample group, calculated for the trading of ordinary shares for the period January-October 2006 (source: Borsa Italiana). [6]

Table 11. Turnover ratio for samples of comparable companies

	Market	Segment	Basket	Turnover ratio
BP Milano	MTA	Blue Chip	S&P/MIB	202.1%
BP Verona e Novara	MTA	Blue Chip	S&P/MIB	179.9%
Credito Valtellinese	MTA	Standard 1	-	49.1%
Banca Carige	MTA	Blue Chip	MIDEX	22.3%
Banca CR Firenze	MTA	Blue Chip	MIDEX	33.2%
Banca MPS	MTA	Blue Chip	S&P/MIB	90.4%
Credito Emiliano	MTA	Blue Chip	MIDEX	47.0%

3.1.3.3 Results summary

Application of this method results in the values, total and per share, for BPU and BL shown in Table 12 (for the PE multiple) and in Table 13 (for the PBV multiple).

[6] The turnover ratio measures the liquidity (turnover) of a share on an annual basis. It corresponds to the relationship between the total value of a company's trading volume and its average market capitalisation.

Table 12. Results summary (PE multiple)

	BPU			BL		
	2006E	**2007E**	**2008E**	**2006E**	**2007E**	**2008E**
Value with PE (€ millions)	5,881	6,619	6,732	5,479	5,637	6,221
Surplus Assets (€ millions)	385	385	385	-	-	-
Value (€ millions)	**6,266**	**7,003**	**7,117**	**5,479**	**5,637**	**6,221**
Value per share (€)	**18.19**	**20.33**	**20.66**	**15.43**	**15.88**	**17.52**

Table 13. Results summary (PBV multiple)

	BPU			BL		
	2006E	**2007E**	**2008E**	**2006E**	**2007E**	**2008E**
Value with PBV (€ millions)	7,423	7,316	7,239	5,997	5,951	5,936
Surplus Assets (€ millions)	385	385	385	-	-	-
Value (€ millions)	**7,808**	**7,701**	**7,624**	**5,997**	**5,951**	**5,936**
Value per share (€)	**22.67**	**22.36**	**22.13**	**16.89**	**16.76**	**16.72**

Based on the analyses performed, the application of the market multiples for comparable companies leads to an exchange ratio between 0.75 and 0.85 ordinary BPU shares for each ordinary BL share.

3.1.4 Market value Method

This method consists in attributing a value to a company which is equivalent to that attributed by the market on which its shares are traded. In fact, when a market price relates to shares which have a large free float and high volumes traded, it serves as a highly reliable valuation index in relation to earnings, capital strength, risk and growth and, as such, is useful in determining the true value of a company. Consequently, the market value method assumes the company is traded on an efficient market and that this translates into the determination of the economic value of a company as the value expressed by its market price, when observed over an appropriate time period. In relation to BPU and BL, in particular, it is considered that their market capitalisation is representative of their economic value, in that:

- both BPU and BL are within the top thirty companies with highest capitalisation listed on the Borsa Italiana. Specifically, they are the twenty-second and twenty-fifth, respectively, and the eighth and ninth banks by market value; [7]
- the shares of both banks are traded on the Blue Chip segment of Borsa Italiana's MTA market (S&P/MIB basket for BPU and MIDEX basket for BL), for companies

[7] Stock market figures on 8 December 2006. Source: Bloomberg.

with a particularly solid asset and financial structure and with capitalisation over € 1 billion;

- daily traded volumes show sufficient liquidity for shares (turnover ratio calculated for the period January-October 2006 is 131.4% for BPU and 44.8% for BL); Source: Borsa Italiana).

This method requires that short-term fluctuations typical of the financial markets are smoothed, in line with standard practice, by analysing the market price over various time intervals of different durations. In the current valuation, whose purpose is to calculate the relationship between the share prices of BPU and BL in the period leading up to the Merger announcement, the average share price, both simple (Table 14) and weighted by volume (Table 15), for various time intervals from 10 November 2006 have been considered: spot price at 10 November 2006, 1-week average, 2-week average, 3-week average, 1-month average, 2-month average, 3-month average and 6-month average (source: Bloomberg). Prices after 10 November, the last trading day prior to the banks' issue of a joint press release giving news that the Framework Agreement had been signed (see paragraph 1.2), were not used as they are assumed to be no longer representative of the stand-alone value.

Tables 16 and 17 show, for the 6 months preceding the announcement of the signing of the Framework Agreement, which occurred on 13 November 2006, the stock exchange performance of ordinary BPU and BL shares (base 11 May 2006 = 100) and the relative exchange ratio.

Table 14. Market value (simple average)

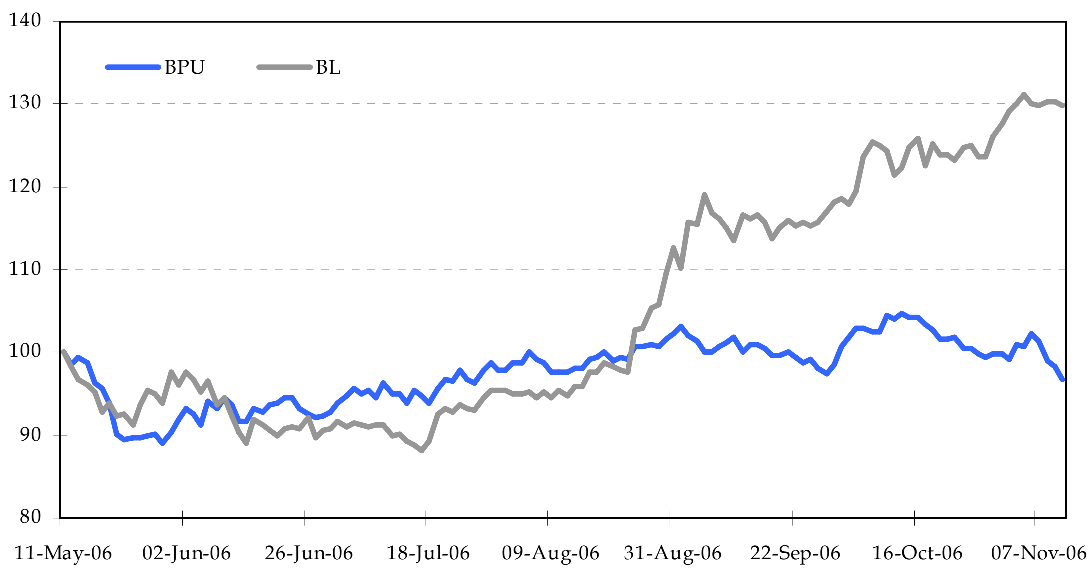
Value per ordinary share (€)	**BPU**	**BL**	**Exchange ratio**
6-month simple average	21.04	14.42	0.69
3-month simple average	21.68	16.03	0.74
2-month simple average	21.73	16.76	0.77
1-month simple average	21.78	17.33	0.80
3-week simple average	21.54	17.52	0.81
2-week simple average	21.50	17.76	0.83
1-week simple average	21.43	17.85	0.83
Price at 10 November 2006	20.85	17.82	0.85

Table 15. Market value (weighted average, by volume)

Value per ordinary share (€)	BPU	BL	Exchange ratio
6-month weighted average	20.97	15.75	0.75
3-month weighted average	21.70	16.49	0.76
2-month weighted average	21.71	16.92	0.78
1-month weighted average	21.70	17.37	0.80
3-week weighted average	21.43	17.56	0.82
2-week weighted average	21.36	17.73	0.83
1-week weighted average	21.24	17.85	0.84
Price at 10 November 2006	20.85	17.82	0.85

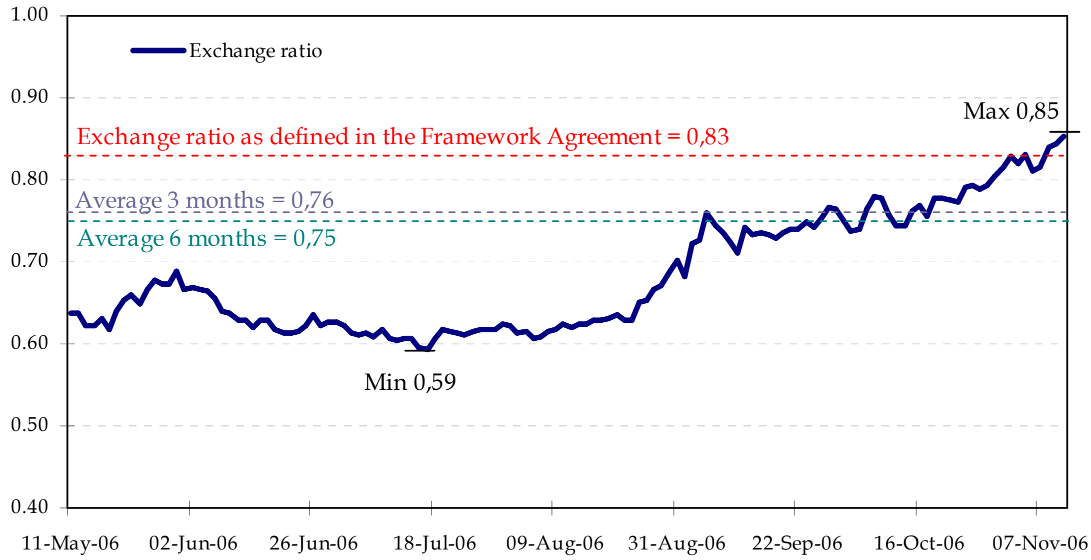
The analyses described above identify a range for the exchange ratio in line with the latest values obtained from the market performance of BPU and BL shares. This is because the difference in value between the banks, due to the differing levels of strategic desirability with regard to their potential to see their control contested (see paragraph 2.3) is reflected more fully in the trends for the two shares during the past few months, following the spread of rumours concerning potential extraordinary transactions regarding BL, including the merger with the "popolare" BPU.[8]

Table 16. Price performance of ordinary shares (11 May 2006 – 10 November 2006)



[8] The first rumours of interest by other banks in a potential merger with BL date back to 2 September 2006. On 18 October 2006, a report by "Il Sole 24 Ore" mentioned the existence of contacts between BPU and BL with the aim of sounding out a possible merger. This was confirmed by the banks in a press release issued on the same date.

Table 17. Changes in the exchange ratio (11 May 2006 – 10 November 2006)



Based on the latest market quotations (max. 3 months), we obtain a share exchange ratio between 0.74 and 0.85 ordinary BPU shares for each ordinary BL share.

* * *

Additionally, for information purposes only, it is noted that on 8 December 2006 the market price for the ordinary shares of BPU and BL was, respectively, € 20.46 and € 16.70 implying an exchange ratio of 0.82 ordinary BPU shares for each ordinary BL share. For the period from 14 November 2006, the first day of trading after signing of the Framework Agreement, to 8 December 2006, the average price weighted by volume for the same shares was € 20.34 for BPU and € 16.74 for BL, implying an exchange ratio of 0.82.[9]

[9] During the same period, the simple average of ordinary share prices was € 20.38 for BPU and € 16.71 for BL, giving an exchange ratio of 0.82.

3.2 Verification method

3.2.1 Contribution analysis

3.2.1.1 Description of method

The contribution analysis identifies the relative weight of the merging companies compared to the aggregate that will result from the merger. It does not indicate absolute values but the ratios expressing the contribution made by each company to the final aggregate. The method in question is based on the comparison of parameters considered significant for the banks to be merged, which essentially refer to strategically significant aspects in terms of size and generation of income flows.

In practice, for each of the selected parameters, the percentage contribution of BPU and BL to the aggregate resulting from the Merger was obtained, and also the relative exchange ratio based on the number of shares of each bank on the Reference Date and the Adjustment Factor described in paragraph 2.3 (1.25 – 1.35).

3.2.1.2 Results summary

The selected parameters referring to figures reported in the banks' consolidated financial statements as at 30 September 2006, suitably modified to take into account any extraordinary income items, and the contribution of each bank to the aggregate resulting from the merger are shown in Table 18.

Table 18. Results summary (figures as at 30 September 2006)

	BPU	BL	Aggregate (€ millions)
Total income	63%	37%	3,123
Operating profit	61%	39%	1,354
Pre-tax profit	61%	39%	1,159
Normalised net profit	62%	38%	606
Customers loans	62%	38%	79,753
Total deposits	59%	41%	181,290
Direct deposits	*63%*	*37%*	*81,562*
Net assets	63%	37%	7,716
Branches in Italy (number)	60%	40%	1,973

Application of the contribution method leads to a range for the exchange ratio between 0.70 and 0.91 ordinary BPU shares for each ordinary BL share.

4 Principal difficulties and limitations in valuation

Article 2501-*quinquies* of the Italian Civil Code requires that the directors of the companies involved in a merger report "any valuation difficulties" encountered in the process of determining the exchange ratio.

The principal difficulties encountered in the valuation process and the limitations of the valuations performed in this case are summarized below:

- use of forecast data: the analyses were carried out using forecast data which by their very nature contain elements of uncertainty and potential discrepancies in relative terms;
- the existence of stock options: this has made necessary to verify the convenience of exercising the connected rights and to estimate the relative impact on equity and in economic terms;
- estimate of the Adjustment Factor: for the purposes of assessing the fairness of the exchange ratio, the exchange ratio values determined by applying the analytical and earnings-based methods (Dividend Discount Model, Gordon Growth Model and contribution method) were subjected to an adjustment factor. This adjustment factor is related to the different legal status of the banks involved in the merger (cfr. paragraph 2.3) and was calculated on the basis of empirical estimates and analyses, which by their very nature involve uncertainties and potential variations;
- valuation methods: the valuations performed reflect the limitations and particularities of each of the various valuation methods used.

5 Conclusions

The exchange ratios shown in Table 19 take into account the assumptions made, the valuation methods adopted, the analyses and valuations performed and the various considerations presented above.

Table 19. Results summary

Valuation method	Exchange ratio	
	Min	Max
Dividend Discount Model	0.77	0.84
Gordon Growth Model	0.76	0.84
Market multiples for comparable companies	0.75	0.85
Market value method	0.74	0.85
Principal methods	**0.74**	**0.85**
Verification method (contribution analysis)	0.70	0.91

In consideration:

a. of the results produced by the absolute or analytical and earnings-based methods (Dividend Discount Model and Gordon Growth Model), capable of evaluating the structural and financial profile of a company in relation to its capacity to generate returns, which determine a range of values between 0.76 and 0.84;

b. of the valuations obtained using relative methods (market multiples for comparable companies method and market value method), which determine a range of values between 0.74 and 0.85;

c. of the confirmation provided by the method used for verification purposes (contribution analysis) with respect to the interval obtained using the principal methods;

d. of the reduced variability of the results identified; [10]

we conclude that a range from 0.74 and 0.85 ordinary BPU shares for each ordinary BL share can be considered the appropriate value for the exchange ratio for the merger.

Milan, 12 December 2006

GBL S.r.l.

[10] Approximately 15% in terms of the percentage difference between the minimum and maximum values.