

## **JOINT PRESS RELEASE**

**A union between two strong banking Groups with great tradition of creating value**

**The Boards of Directors unanimously approve the merger of Banca Lombarda into BPU Banca**

- **Merger between two solid and complementary banking groups on an equal partners basis:**
  - swap rate of 0,83 new ordinary BPU Banca shares for each Banca Lombarda ordinary share; a dividend for the 2006 financial year unified for all the shareholders of the two Banks will be proposed, amounting to 0,80 euro per share;
  - dual type governance model (Supervisory Board and Management Board).
- **According to forecasts, the transaction will be accretive for Banca Lombarda shareholders from 2007 and for BPU Banca shareholders from 2009**
- **The banking group resulting from the merger (the “New Group”) will be one of the leading banking players in Italy with a network of 1.970 branches (the 4<sup>th</sup> largest network in Italy with a market share of approximately 6,3%), significant market shares in the wealthiest areas in the country (2<sup>nd</sup> largest banking group in Lombardy with 935 branches and a market share higher than 15%) and more than 4 million customers.**
- **Combined market capitalisation of 13,5 billion euro.**
- **Adoption of a poly-functional, federal and integrated model with a ‘Popular’ type listed Parent Bank.**
- **The management teams of both groups have a proven track record in managing integration processes:**
  - estimated pre-tax synergies of 365 million euro at regime in 2010 (with more than 90% of synergies achieved by 2009) of which 225 million euro will be cost synergies and 140 revenue synergies;
  - “one-off” integration costs of approximately 380 million euro before taxes in 2007;
  - net present value of synergies net of taxes and integration costs higher than 2 billion euro.
- **main financial objectives of the New Group after synergies:**
  - net profit of more than 1,4 billion euro in 2009;
  - dividend policy of the New Parent Bank not lower than the current policy of BPU Banca;

- a cost/income ratio of less than 45% and ROE<sup>1</sup> of more than 17% in 2009;
- Core Tier 1 higher than 7% in 2009.
- Extraordinary General Meetings for the approval of the merger project scheduled before the end of March 2007 and merger in effect by April 2007.

The merger plan will be presented to markets and the press at the conference scheduled for Tuesday 14th November 2006 at 3.30 p.m. at the Hotel Principe di Savoia, Piazza della Repubblica, 17 - Milan

**Bergamo and Brescia, 13<sup>th</sup> November 2006** – The Boards of Directors of Banche Popolari Unite Scpa – BPU Banca and Banca Lombarda e Piemontese S.p.A., have approved the project for the merger of Banca Lombarda into BPU Banca for the creation of a New Banking Group. The shareholders' agreement of Banca Lombarda has decided in favour of the aggregation project.

## **MAIN OPERATIONAL DIMENSIONS AND INDUSTRIAL PLAN**

The merger operation will result in the formulation of an industrial plan with high strategic value, given the high level of complementarity between the network banks, the product companies and the customers.

The New Group will be the fourth Italian banking group in terms of branches and on the basis of **pro-forma figures as at 30th June 2006**, it will have:

- over 4 million customers;
- direct funding of approximately 80 billion euro (5<sup>th</sup> highest in Italy, 1<sup>st</sup> highest for 'popular' banks);
- lending to customers of approximately 79 billion euro (5<sup>th</sup> highest in Italy, 1<sup>st</sup> highest for 'popular' banks);
- good credit quality: NPLs/net loans of 0,7%;
- assets under management of approximately 58 billion euro (3<sup>rd</sup> highest in Italy, 1<sup>st</sup> highest for 'popular' banks), of which 23 billion euro relating to private banking business (3<sup>rd</sup> highest in Italy, the 1<sup>st</sup> for 'popular' banks);
- total assets of approximately 110 billion euro (6<sup>th</sup> highest in Italy, 2<sup>nd</sup> for 'popular' banks);
- combined shareholders' equity of 7,4 billion euro (fully diluted);
- combined pro-forma net profit as at 30 September 2006 of 745 million euro;
- core tier 1 ratio of 6,2% (fully diluted) and a total capital ratio of 10,1% (fully diluted);
- network of 1.970 Branches (4<sup>th</sup> largest branch network in Italy, with a market share of 6,3%), with no significant overlap.
- significant market share in the wealthiest areas in the country (2<sup>nd</sup> largest banking group in Lombardy with 935 branches and a market share higher than 15%);
- market share in terms of branches higher than 10% in 21 provinces, among which Bergamo (26%), Brescia (29%), Varese (29%), Cuneo (26%), Pavia (18%) and Milan (10%).

**The principal strategic guidelines** for the operation are as follows:

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<sup>1</sup> Net of goodwill generated by the transaction

- creation of a New Group capable both of competing with the best players on the market and of further enhancing the value of its deep roots in local markets where identities and brand names will be conserved;
- the achievement of important growth objectives assisted by geographical contiguity and complementarity in high potential growth areas with an increase in critical masses and exploitation of the culture and skills of each of the two groups;
- an increase in customer support activities, above all for small to medium size enterprises and households, by broadening the range of services and products offered;
- enhancing the value of the product companies present in the two original groups, also, amongst other things, through partnerships with international operators of high standing;
- rapid achievement of expected synergies due, amongst other things, to the proven track record of the management teams of both groups in managing integration processes:

The operation will allow the New Group to benefit from **synergies** resulting from:

- optimisation of staff numbers in various infrastructure areas;
- reduction in IT costs following the adoption of a single Group ITC platform;
- containment of administrative expenses as a result, amongst other things, of stronger negotiating leverage of the new Group;
- enhancing the value of product companies on a broader scale as a result, amongst other things, of partnerships with international operators of high standing and further improvement of quality standards for products and services offered to customers;
- the best practices of each Group become common practice in all the New Group (both in terms of costs and income).

Gross estimated synergies amount to 365 million euro per year, of which approximately 225 million euro from reduced costs and approximately 140 million euro from higher income. These will be fully phased in by 2010, with more than 90% of synergies achieved by 2009.

Gross integration costs have been conservatively estimated at approximately 380 million euro of which 360 million euro to be charged to income statement in 2007 and 20 million euro recognised as increased goodwill. The resulting potential creation of value will consequently be in the order of more than 2,3 billion euro, and that is net of integration costs.

## **STRUCTURE OF THE OPERATION AND FINANCIAL CONDITIONS**

The operation will be implemented by merging Banca Lombarda into BPU Banca, with 'popular' co-operative bank status maintained.

The financial conditions will be subject to confirmation by a due diligence investigation and will consist of a swap ratio of 0,83 BPU Banca ordinary shares for each Banca Lombarda ordinary share. The dividend related to 2006 financial year will be proposed in the amount of 0,80 euro per share, in favour of all the shareholders of the new Parent Company.

The post merger composition of the share capital will consist of approximately 54% of the shares held by BPU Banca shareholders and approximately 46% shares held by former Banca Lombarda shareholders.

It is agreed that the shareholders of Banca Lombarda will be automatically entered in the register of the voting shareholders of the New Parent Group when the deed of merger is signed and takes effect.

Absent, dissenting or abstaining shareholders of Banca Lombarda will have the right to opt out in accordance with article 2437 of the Italian Civil Code, on the grounds of the change in the type of company and modifications to voting rights.

The merger will be subordinated to the condition that the right to opt out granted to shareholders of Banca Lombarda is not exercised for an amount higher than 10% of the share capital. However, this condition may be waived by common agreement between the parties within 10 working days following the date on which the final data on the exercise of the right to opt out by shareholders has been communicated by Banca Lombarda to BPU Banca.

The merger will lead to the integration of the two parent banks with the creation of a single unifying listed company able to formulate strategic policies, to perform the functions of co-ordination and to exercise control over all the units and companies in the New Group, in which the network banks will maintain their operational autonomy and presence in their traditional markets.

## **CORPORATE GOVERNANCE**

The new Parent Bank, which will be formed by the merger of Banca Lombarda into BPU Banca, will have its registered offices in Bergamo, while centralised functions will be distributed at the sites of the two Groups with a balanced division which takes account of functional and economic issues.

The name of the new company will be jointly defined by the parties in a subsequent phase.

In order to guarantee a system of corporate governance which provides solid unified management and governance and at the same time represents the original components of the BPU Banca and Banca Lombarda groups in the new banking group on an equal partners basis, a dual type of governance will be adopted based on a Supervisory Board and a Management Board, characterized also by the principle of alternating the main charges.

The Supervisory Board of the New Parent Bank will be composed of 23 members (11 appointed by BPU Banca, 11 by Banca Lombarda and one from minority interest lists) and will include the Chairman, one Senior Deputy Chairman and two Deputy Chairmen.

The first Chairman of the Supervisory Board will be named by Banca Lombarda, while the first Senior Deputy Chairman will be named by BPU Banca.

The Management Board will be composed of between 7 and 11 members and will be appointed by the Supervisory Board. The Management Board will be composed of 10 members for the first three year term of office (5 from BPU Banca and 5 from Banca Lombarda) and will include the Chairman, the Deputy Chairman and the Managing Director.

The first Chairman of the Management Board will be Mr. Emilio Zanetti, the first Deputy Chairman will be Mr. Corrado Faissola and the first Managing Director will be Mr. Giampiero Auletta Armenise. The parties have convened that Mr. Zanetti will remain Chairman of the Management Board also for the second three year term.

The General Manager will be appointed by the Management Board. Mr. Victor Massiah, the present General Manager of Banca Lombarda, will be appointed as the first General Manager.

Mr. Alfredo Gusmini, present General Manager of BPU Banca, will become a member of the Management Board.

The Joint General Manager will be named by BPU Banca.

### **TIMING OF THE OPERATION**

The timing of the merger plan will be as follows:

14<sup>th</sup> November 2006: communication of the operation to markets

November/December 2006: publication of the notice of call of extraordinary general shareholder meetings of BPU Banca and Banca Lombarda for the approval of the merger project

by mid-December 2006: approval of the merger project by Boards of Directors

March 2007: Extraordinary General Meetings for the approval of the merger project

1<sup>st</sup> April 2007: merger takes effect

April/May 2007: ordinary general shareholder meeting called to approve the proposal of distribution of a dividend of 0,80 euro per share

May 2007: distribution of the dividend

The operation is subject to authorisation by the Bank of Italy, by the Antitrust authorities and other relevant authorities.

BPU Banca is advised by Banca Leonardo and by Morgan Stanley particularly with reference to market aspects, for the operating and financial aspects and by Studio Pedersoli for the legal aspects.

Banca Lombarda is advised by Mediobanca and Rothschild for the operating and financial aspects and by Studio Pavesi-Gitti-Verzoni for the legal aspects.

**The merger plan will be presented to markets and the press at the press conference scheduled for Tuesday 14<sup>th</sup> November 2006 at 3.30 p.m. at Hotel Principe di Savoia, Piazza della Repubblica 17, Milan.**

#### **For further information:**

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*Copy of this press release is available on the web sites: [www.bpubanca.it](http://www.bpubanca.it) e [www.bancalombarda.it](http://www.bancalombarda.it)*