

**NEWS RELEASE**

## Approval of the Group branch network reorganization plan and of the merger of Banca Popolare di Cremona and Banca Popolare di Crema into Banca Popolare di Lodi

*Verona, 13 May 2011* – The Management and Supervisory Boards of Banco Popolare have approved the plan to reorganize the branch networks of its retail banks (*Banche del Territorio*) and the merger of Banca Popolare di Cremona and Banca Popolare di Crema into Banca Popolare di Lodi.

These projects represent one of the key elements of the Business Plan, which is now under development and shall be presented by next June. The Plan guidelines actually include a number of actions aiming at enhancing the efficiency and strengthening the Group's retail footprint.

The above projects, which involve the branch distribution network, will be realized through the rearrangement of the distribution network at town level. The decision to act at grassroots level, directly at the smallest geographical/administrative unit, allows us to combine the economic and commercial benefits we expect to obtain from this streamlining with our respect for unique local characteristics as are expressed by the individual communities, which represent a distinctive reference point for a *popolare* bank.

The branch reorganization plan, which is subject to the authorization of the Supervisory Authority, provides for the swap of 161 branches among the Group retail banks. The branches will be reallocated, depending on the cases, by way of an elaborated series of disposals, transfers and spin-offs of business operations (the latter perfected in simplified form) among banks of the Group. Once the reorganization is completed, the Group structure shall rely on five retail banks - the *Banche del Territorio* - and Banca Aletti, while the shareholding structures of the retail banks, considering the merger of the Banche Popolari di Cremona and Crema, will be equivalent to the existing ones.

The transactions are expected to be completed by 2011. Based on legal and organizational analyses, the plan schedule was prepared by staggering the transactions in four groups from August to November 2011, depending on their effectiveness date. The last series of deals includes the above mentioned merger of the Banche Popolari di Crema and Cremona into Banca Popolare di Lodi.

The banks involved in the plan all belong to the Group, namely: Banca Popolare di Verona – S.Geminiano e S.Prospiero, Banca Popolare di Novara, Banca Popolare di Lodi, Cassa di Risparmio di Lucca Pisa Livorno, Credito Bergamasco, Banca Popolare di Cremona, Banca Popolare di Crema.

Illustrated below is the detailed list of branches under transfer subdivided by the retail bank of belonging, with their final destination:

- from **Banca Popolare di Novara**: 32 branches to Banca Popolare di Lodi (of which 18 branches located in the province of Genoa, 8 branches in the province of Varese, 5 branches in the province of La Spezia and 1 branch in the province of Milan); 1 branch to Cassa di Risparmio di Lucca Pisa Livorno (located in the province of Grosseto); 1 branch to Credito Bergamasco (located in the province of Rome);
- from **Banca Popolare di Lodi**: 25 branches to Banca Popolare di Novara (of which 12 branches located in the province of Savona, 3 in the province of Milan, 3 in the province of Frosinone, 2 in the province of Imperia, 2 in the province of Latina, 2 in the province of Rome and 1 in the province of Pavia); 18 branches to Credito Bergamasco (of which 9 branches located in the province of Varese, 4 in the province of Como, 3 in the province of Milan, 1 in the province of Bergamo and 1 in the province of Rome); 6 branches to Banca Popolare di Verona-S.Geminiano e S.Prospiero (located in the province of Bologna);
- from **Banca Popolare di Cremona**: 21 branches to Credito Bergamasco (of which 10 branches located in the province of Brescia, 10 in the province of Bergamo and 1 in the province of Monza-Brianza); 2 branches to Banca Popolare di Verona-S.Geminiano e S.Prospiero (of which 1 branch located in the province of Brescia and 1 in the province of Mantua);
- from **Credito Bergamasco**: 17 branches to Banca Popolare di Lodi (of which 4 branches located in the province of Cremona, 4 located in the province of Rome, 3 in the province of Monza-Brianza, 2 in the province of Genoa, 2 in the province of Milan and 2 in the province of Parma); 10 branches to Banca Popolare di Verona-S.Geminiano e S.Prospiero (of which 3 branches located in the province of Verona, 2 in the province of Bologna, 2 in the province of Treviso, 1 in the province of Mantua, 1 in the province of Padua and 1 in the province of Vicenza); 8 branches to Banca Popolare di Novara (of which 2 branches located in the province of Turin, 2 in the province of Milan, 2 in the province of Rome, 1 in the province of Alessandria and 1 in the province of Novara);
- from **Banca Popolare di Crema**: 8 branches to Credito Bergamasco (of which 7 branches located in the province of Brescia and 1 in the province of Bergamo);
- from **Cassa di Risparmio di Lucca Pisa Livorno**: 5 branches to Banca Popolare di Lodi (located in the province of La Spezia);
- from **Banca Popolare di Verona-S.Geminiano e S.Prospiero**: 4 branches to Credito Bergamasco (located in the province of Brescia); 1 branch to Banca Popolare di Lodi (located in the province of Bologna); 2 branches to Banca Popolare di Novara (of which 1 located in the province of Milan and 1 branch in the province of Rome).

According to our estimates, once the branch reorganization of the Group retail banks is completed, 85 branches will still be concerned by a territorial overlap, and their

possible closedown shall be assessed based on a thorough analysis of all the related organizational and property aspects.

The resulting rationalization of the branch networks will produce immediate and future benefits, among which: reduced costs in various areas, especially in terms of real estate; removal of commercial overlaps, for example neighboring branches belonging to different banks of the Group; elimination of pricing inconsistencies among similar products and services; a more powerful and competitive marketing action boosted by a close-knit branch network and by leveraging the strong local brand awareness within the different towns.

The impact on the capital ratios of Banco Popolare, as the above transactions shall have no impact on the consolidated ratios, is not significant.

The value of the disposed and transferred business operations, approved by the Board, have been determined with the assistance of the advisors Equita SIM and KPMG Corporate Finance (a division of KPMG Advisory S.p.A.).

### **Combination of Banca Popolare di Cremona and Banca Popolare di Crema into Banca Popolare di Lodi**

The combination of the two banks into Banca Popolare di Lodi represents a key element of the Group's territorial reorganization. Bringing the two acquiree retail banks under a single coordinating entity will allow us to obtain significant benefits from: enhanced marketing efficacy by reducing internal competition within the same market territory, cost rationalization across the distribution network, more cohesive central planning and control action while respecting and promoting the identity and the value of local brands. Clearly, the deals are mindful of the experience and professional skills of the personnel deployed on the territory, part of which may be reassigned to other structures along the principle of a "common use of resources".

### **Merger by acquisition of Banca Popolare di Cremona in BPL**

The merger shall be executed pursuant to art. 2505-bis c.c., (acquisition of a 90% owned company). Banca Popolare di Cremona (**BPCR, Acquiree**) is 99.63% owned by Banca Popolare di Lodi (**Acquirer, BPL**) and the remaining 0.37% is held by more than 2,000 private shareholders. The merger plan expressly grants BPCR's minority shareholders the right to sell their shares to BPL at a price of Euro 7.50 for each BPCR share, calculated based on the criteria provided for withdrawals. The terms and conditions for BPCR shareholders to exercise the above right shall be communicated and regulated under the law.

Note that the exchange ratio was fixed at 36 ordinary shares of the Acquirer, with a par value of Euro 1.00 each, every 5 ordinary shares of BPCR, and that no cash payment for residual odd lots is provided.

The exchange ratio has been computed with the assistance of the advisors Equita SIM for BPCR and KPMG Corporate Finance, a division of KPMG Advisory Spa, for Banca Popolare di Lodi.

Once the merger is finalized, all BPCR shares are going to be cancelled; those which are not held by the Acquirer will be replaced with newly issued BPL shares, based on the computed exchange ratio.

To this end, the Acquirer shall increase its share capital by max Euro 894,621.00, by issuing max. 894,621 ordinary shares, with a par value of Euro 1.00 each, to be assigned to BPCR shareholders, other than the Acquirer, and excepting a smaller

number of shares due to the cancellation without exchange of the acquiree's shares, which the Acquirer has acquired also pursuant to art. 2505-bis, paragraph one, c.c.. With respect to art. 2504-bis, paragraph 4, note that the Acquirer's capital increase does not exceed the shareholders' equity of the Acquiree, considering the share held by the Acquirer in the Acquiree.

The merger effectiveness date is 28 November 2011, after and subject to the coming into effect of the other transactions that make up the Group branch network reorganization plan.

#### **Merger by acquisition of Banca Popolare di Crema into BPL**

Banca Popolare di Crema (**BPC, Acquiree**) is owned 94.468% by Banca Popolare di Lodi (**BPL, Acquirer**) and the remaining 5.532%, corresponding to 1,735,412 preferred shares, is held by the Associazione Popolare Crema per il Territorio.

BPC's Articles of Association (art. 6) provide that any decision affecting the rights of preferred stock, including decisions regarding mergers or spin-offs, must be approved by a special preferred shareholders' meeting, and that said stock may be held only by agencies promoting activities in favor of the Crema territory or by companies belonging to Gruppo Banco Popolare – and in any case, as concerns the latter, their shareholding may not exceed 1.5% of BPC's share capital.

In order to qualify for the simplified merger procedure, talks were started recently with the Associazione Popolare Crema per il Territorio to sell its preferred shares to BPL. This deal would enable BPL to become BPC's single member, which in turn would simplify the procedure to merge BPC into BPL.

Hence, to implement a simplified merger pursuant to art. 2505 c.c., it is necessary that BPL first acquires BPC's entire share capital, and that the necessary changes are introduced to BPC's articles of association.

The merger plan was therefore prepared along the simplified procedure pursuant to art. 2505 c.c. (acquisition of a fully owned company), assuming that by the execution date of the merger deed, BPL acquires the ownership of the BP Crema preferred stock held by the aforementioned Association, and thus becomes the single member of Banca Popolare di Crema; as a result the plan does not require that an exchange ratio be calculated, nor the preparation of an explanatory executive report pursuant to art. 2501-quinquies c.c., nor an expert report pursuant to art. 2501-sexies c.c. on exchange ratio congruity.

The merger effectiveness date is 28 November 2011, after and subject to the coming into effect of the other transactions that make up the Group branch network reorganization plan.

#### **Regulations on related-party transactions**

With the exception of the business relations with Associazione Popolare Crema per il Territorio, and subject to the evaluations that fall within the competence of Creberg's corporate Boards, the transactions making up the reorganization plan belong to the category of related-party transactions, under IAS 24 and subject to art. 2391 bis c.c., pursuant to which, in its meeting on 30 November last, after prior unanimous favorable opinion of the Control Committee, the Management Board of Banco Popolare adopted the Procedure for related-party transactions ("Procedure"), thus implementing the specific regulations issued by Consob (Consob Regulation n. 17221 of 12 March 2010, "Consob Regulation"), aiming at assuring the transparency and substantial and procedural correctness of transactions with related parties. The factfinding carried out by the Parent company's competent functions, in compliance with par. 8 and subsequent of the Procedure, established that sales, transfers and

spin-offs of business operations between subsidiaries fall within the exemption regarding inter-company transactions pursuant to art. 14 paragraph 2 of the above mentioned Consob Regulation, and for the sale to the Parent of the shareholdings acquired by the Creberg as a consequence of the transfers the afore-mentioned exemption is equally applicable. As to the merger of Banca Popolare di Cremona into Banca Popolare di Lodi, the transfer of resources between companies falls within the same exemption under art. 14 paragraph 2 of Consob's Regulation, and it should also be noted that the minority shareholders of BP Cremona include no related parties on the part of the Parent company, or entities similar to related parties under Attachment 1 of Banco Popolare's Related-party Procedure. As to the merger of Banca Popolare di Crema into Banca Popolare di Lodi, the transfer of resources between companies again falls within the same exemption under art. 14 paragraph 2 of Consob's Regulation, while the Procedure will be fully complied with for the sale to Banca Popolare Lodi of the preferred stock held by Associazione Popolare Crema per il Territorio once the economic terms of the privileged shares purchase are established, in keeping with the provisions of Attachment 1 of Banco Popolare's Related-party Procedure.

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