Banca Lombarda e Piemontese

<u>COMUNICATO STAMPA</u>

BANCA LOMBARDA:

FITCH CONFERMA RATING

<u>Brescia, 14 novembre 2006</u> – L'agenzia di rating Fitch ha comunicato in data odierna (vedi allegato) di avere confermato i rating di lungo e breve periodo ("A" e "F1"), oltre al rating individuale ("B/C") di Banca Lombarda, confermando altresì l'outlook a "stabile".

Il giudizio di Fitch segue l'annuncio da parte dei Consigli di Amministrazione di Banca Lombarda e BPU Banca relativo alla fusione per incorporazione di Banca Lombarda in BPU Banca.

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Fitch Affirms Banche Popolari Unite and Banca Lombarda At 'A' On Merger Plan

Fitch Ratings-London/Milan-14 November 2006: Fitch Ratings has today affirmed Banche Popolari Unite's ("BPU") and Banca Lombarda's ("BL") Issuer Default ratings at 'A' and Short-term ratings at 'F1'. The banks' other ratings are affirmed at Individual 'B/C' and Support '3'. The Outlooks on the Issuer Default ratings are Stable.

The rating action follows the announcement by the boards of the two banks that they will merge following a share exchange to create Italy's largest cooperative bank and the fifth largest domestic bank by customer funds and total loans with a domestic market share of around 6.3%. The new bank, as yet unnamed, will become significantly more important in the northern Italian region of Lombardy where its market share will rise to over 15%.

"We note the expected solid asset quality, sound risk management and satisfactory capitalisation of the new bank based on the records of its two predecessor banks," says Claudia Nelson, Senior Director in Fitch's Banks team. "The enlarged franchise is expected to have strong positive benefits on the bank's profitability in the medium term. Both banks' management teams have undertaken mergers in the past, thus reducing the implementation risks of the latest merger."

The new bank is likely to start operations by April 2007, subject to approval from authorities and shareholders. It expects to obtain EUR365 million of synergies each year from 2010, about two thirds of which will be from cost cutting. Against this, a one-off merger cost of EUR360m will be expensed in 2007. The core Tier 1 capital ratio of the combined entity should remain satisfactory at over 7% by 2009, although it will initially fall to c. 6.2% (Tier 1 of c.7.1%, including both banks' preference shares already issued). The goodwill generated on merger is estimated at just EUR20m.

The merger will take the form of an integration of BL into BPU, which will retain its cooperative banking status. The new bank will be run by means of a supervisory board responsible for strategic decisions and a management board for operational matters. A CEO and two general managers will manage the bank. This structure is similar to that announced by both Banca Intesa / SanPaolo IMI and by Banco Popolare di Novara e Verona / Banca Popolare Italiana. These are the first two-tier board structures to be set up in Italy and Fitch reserves judgement on their ability to maximise efficient management of the bank.

The new group will have 1,970 branches and over 4 million clients, mostly concentrated in the wealthy north of Italy but with also a significant presence in Lazio and Marche, in central Italy and Apulia, in the south. Overlap among current branches is limited. The new group will also become significantly stronger in asset management where, with assets under management of EUR58 billion, it will become the third largest in Italy. The banks also expect to obtain some potential synergies from their leasing and consumer lending subsidiaries and life assurance companies.

The announcement by BPU and BL follows a number of recently proposed planned mergers including that of Banca Intesa and SanPaolo IMI, which will create the largest Italian domestic bank and the successful bid by Banco Popolare di Novara e Verona to acquire Banca Popolare Italiana. On a smaller scale, Veneto Banca won its bid for the troubled Banca Popolare di Intra earlier in the year.

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