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## NEWS RELEASE

# Extraordinary Shareholders' Meeting: approved 1.5 billion euro capital increase; approved reverse stock split - 1 new Banco Popolare share every 10 existing shares

*Lodi, 1 March 2014* - The Extraordinary Shareholders' Meeting of Banco Popolare, has approved by a large majority the capital increase up to maximum 1.5 billion euro, by issuing common shares, to be offered as a rights issue against consideration to shareholders, as well as the reverse stock split of Banco Popolare's shares at a ratio of 1 new common share every 10 outstanding common shares.

With respect to the new rights issue, the Shareholders approved the proposals:

- to grant the Board of Directors the power, under art. 2443 of the Civil Code, to carry out a capital increase for cash in one or more tranches, within 24 months of the date of the shareholders' resolution, up to a maximum total amount of Euro 1.5 billion, including any share premium, by issuing common shares to be offered as a rights issue to the Company's shareholders, together with extensive powers to define, from time to time, in compliance with the above specified limits, the procedures, terms and conditions of the transaction, including the issue price (and the share premium, as the case may be), and the rights attaching to the new shares; the issue price can correspond to the TERP (theoretical ex-rights price) of Banco Popolare's common shares, calculated according to current methodologies and discounted by an amount fixed by the Board of Directors based on the market conditions when the transaction is actually rolling out, on the stock price of Banco Popolare's common share, on Banco Popolare's and the Group's profit and loss, asset and liability, financial and operating performance and their outlook, as well as along the market practice adopted in similar cases; in any case the issue price, considering also the share premium as the case may be, may be even below the accounting par value of the shares outstanding at the date of the rights issue, with the understanding that it shall not be below the accounting par value of the new issued shares;
- to amend art. 7 of the Corporate Articles of Association, as a follow-through to the above resolution, by adding a new paragraph eleven establishing the terms and conditions based on which the Special Shareholders' Meeting has granted the Board of Directors the power to increase the share capital;

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- to grant all the necessary extensive powers to the Board of Directors, and on its behalf to the Chairman, the Chief Executive Officer and to the General Manager, also separately from one another, under the law – without prejudice to the joint use of delegated powers pursuant to art. 2443 of the civil code – so that they may fulfill the above resolutions.

Having already received the authorization of the Bank of Italy, and subject to the obtainment of the remaining authorizations by the competent Authorities, we believe that the new rights issue may take place by the first half of 2014.

The Rights Issue is assisted by an underwriting syndicate, whose members have undertaken to subscribe for shares attaching to any rights that remain unexercised at the end of the offer. Within the Underwriting Syndicate, Mediobanca – Banca di Credito Finanziario S.p.A. and UBS Investment Bank will act as Joint Global Coordinators and Joint Book-runners. Mediobanca is also the financial advisor.

The primary aim of the capital increase is to strengthen the capital structure of Banco Popolare, in keeping with the guidelines expressed by the Supervisory Authority, and lastly in line with what indicated in the Recommendation issued by the European Banking Authority on 22 July 2013, suggesting that Banco Popolare raise its capital adequacy, even though its capital ratios already exceed the minimum threshold required by the prudential regulations that came into effect on 1 January 2014, so as to bring it in line with the market best practices.

The capital increase, together with the mergers of Credito Bergmasco and Banca Italease into Banco Popolare, will enable the Group to reach a Common Equity Tier 1 ratio (CET1 ratio) of 12.9%, calculated by taking into account the phase-in arrangements. The CET1 ratio calculated based on the rules that will come into effect after the phase-in period (so called fully-loaded CET1 ratio) will instead come in at 10.8%, well above the target levels.

The broad regulatory capital base shall allow Banco Popolare to deal with more confidence with the upcoming commitments: the Comprehensive Assessment of banks launched by the ECB at the end of October 2013; the Asset Quality Review; the following stress test that as of this year all the banks under the direct supervision of the ECB shall have to undergo.

The capital solidity achieved by Banco Popolare will allow it to improve its position on the domestic financial market, to benefit from it rating upgrade and the ensuing reduction in the cost of funding. As a result, it will reacquire the necessary margins to strongly develop its credit activities, especially in favor of the households and businesses in its market area, and to enhance the distribution quality and capacity of services and products offered to customers. To this respect, the capital increase shall fit in well with the targets of the 2014-2016/2018 Business Plan.

With respect to the reverse stock split of Banco Popolare common shares, the Extraordinary Shareholders' Meeting approved the proposals:

- to consolidate outstanding Banco Popolare common shares based on a ratio of 1 new common share with regular rights every 10 outstanding common shares as of

the date to be agreed with Borsa Italiana S.p.A. and with the other competent Authorities, and in any case before the launch of the new rights issue. In order to simplify the management of fractional shares resulting from the reverse stock split, an ad-hoc service will be set up for shareholders to deal with fractional shares that cannot be consolidated, based on market official prices and at no additional expense, stamp duties or fees;

- to grant all the necessary extensive powers to the Board of Directors, and on its behalf to the Chairman, the Chief Executive Officer and to the General Manager, also separately from one another, under the law, so that they may fulfill the above resolution;
- to amend art. 7 of the Corporate Articles of Association, as a follow-through to the above resolution, by integrating paragraph 10 and adding a new paragraph twelve and a new last paragraph setting out the terms and conditions, procedures and effects of the reverse stock split;
- to adjust, following the above reverse stock split resolution, the number of shares necessary to be admitted as registered shareholder, from 1,000 (one-thousand) to 100 (one-hundred), by amending art. 10, paragraph 1, of the Articles of Association.

Although the reverse stock split is in itself financially neutral, possible benefits could be reaped from its implementation, among which - if as planned it is carried out before the approved new rights issue - a more efficient administration of the shares, whose number is destined to rise as a result of the capital increase.

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