BANCA POPOLARE DI MILANO

PRESS RELEASE

FitchRatings revised its ratings on Banca Popolare di Milano

Today FitchRatings revised the ratings of eight Italian mid-sized banks. Consequently BPM's ratings modified as follows:

Long- term Issuer Default Rating (IDR) from 'A-' to 'BBB', outlook Negative;
Short-term IDR from 'F2' to 'F3';
Viability Rating from 'a-' to 'bbb';
Individual Rating from 'B/C' to 'C'.

Affirmed the Support Rating at '3' and Support Rating Floor at 'BB+'.

Find attached the release of the rating agency

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FITCH TAKES RATING ACTION ON ITALIAN MEDIUM-SIZED BANKS

Fitch Ratings-Milan/London-25 November 2011: Fitch Ratings has downgraded the Long-term
Issuer Default Ratings (IDR) and Viability Ratings (VR) of eight Italian mid-sized banks. The
Outlooks are Negative. The banks involved in the rating actions are: Banca Popolare di Sondrio,
Credito Emiliano, Banca Popolare dell'Emilia Romagna, Banca Popolare di Milano, Credito
Valtellinese, Veneto Banca, Banca Popolare di Vicenza and Banca Popolare dell'Etruria e del
Lazio. A full list of rating actions is at the end of this document.

Today's rating actions on the banks' IDRs and VRs reflects Fitch's view that Italian medium-sized
banks face the structural challenge of operating in a changed environment where operating
profitability has shrunk amid low interest rates and higher funding costs. Fitch also expects loan
impairment charges to remain high. Banks also need to maintain a higher degree of liquid assets on
their balance sheet and operate with higher capital levels. The Negative Outlooks reflect Fitch's
view that the operating environment for the banks might deteriorate further given downside risks in
the current market environment.

In October 2011, Fitch sharply revised down its near and medium-term growth forecasts for Italy,
and the agency believes that Italy is probably already in recession. On 7 October 2011 Fitch
downgraded Italy's rating to 'A+'/Negative (see 'Fitch Downgrades Italy to 'A+'; Outlook Negative'
published on 7 October and 'Italy - The Challenge Ahead' published on 17 November 2011 and
available on www.fitchratings.com), and on 11 October 2011 Fitch took a number of negative
rating actions on Italy's five largest banks (see 'Fitch Takes Rating Action on Major Italian Banks
Following Sovereign Downgrade' available on www.fitchratings.com).

Asset quality has deteriorated fast for all Italian banks since 2008 amid the domestic recession
followed by a slow recovery. The inflow of new impaired loans slowed down in 2010 and 9M11,
but doubtful loans continue to increase. Given the weak outlook for the economy, a renewed
acceleration of asset quality deterioration is a real risk, and increased loan impairment charges
would weigh on the already weakened operating profitability of the banks.

Italian mid-sized banks have generally maintained sound structural funding, which benefits from
good access to retail customer funding. The Italian banking sector saw a significant issuance of
bonds in H111, largely through branch networks, but also issuance to institutional investors. In
2012, Fitch expects Italian mid-sized banks to continue to concentrate their funding efforts on their

customer bases in the absence of access to wholesale markets. However, funding costs will increase
as competition for customer deposits has become tougher and because of the widening spreads on
Italian government bonds. Nevertheless, banks are still able to attract funding at costs that are well
below government bond yields. Maturing amounts should be manageable for most banks in 2012.
All banks have been focusing on improving their short-term liquidity for several quarters, including
through the lengthening of funding maturities, reduction of credit lines to larger corporate clients
and the creation of assets that are eligible for refinancing with the European Central Bank (ECB).
Fitch considers that ECB utilisation is likely to rise further in the coming quarters as some banks
might choose to substitute part of maturing long-term funding with ECB facilities.
Only one of the Italian rated mid-sized banks increased its capital in 2011 to date (Banca Popolare
di Milano) but all set up medium-term plans to reinforce capitalisation, mostly by issuing
convertible bonds, through internal capital generation and reduced dividend payout ratios. The
sluggish performance of the Italian economy and pressure on banks' profits, combined with
international authorities ensuring banks operate with stronger capital levels, might put pressure on
the Italian mid-sized banks to revise their medium and long-term capital targets upwards and speed
up the implementation of existing plans.
The eight mid-sized banks are trying to become more cost efficient but Fitch does not see them
being able to reduce their cost bases drastically given their business model that is based on costly
branch networks.
Ultimately, Fitch does not exclude some consolidation in the medium term among Italian smalland
medium-sized banks, particularly as weaker ones might find it no longer possible to compete
successfully in the new environment.
The rating actions are as follows:
Banca Popolare di Sondrio
Long-term IDR: downgraded to 'A-' from 'A'; Outlook Negative
Short-term IDR: downgraded to 'F2' from 'F1'
Viability Rating: downgraded to 'a-' from 'a'
Individual Rating: downgraded to 'B/C' from 'B'
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB'
Credito Emiliano
Long-term IDR: downgraded to 'BBB+' from 'A'; Outlook Negative
Short-term IDR: downgraded to 'F2' from 'F1'
Viability Rating: downgraded to 'bbb+' from 'a'
Individual Rating: downgraded to 'C' from 'B/C'
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB'

Senior unsecured notes and EMTN programme: downgraded to 'BBB+' from 'A'
Banca Popolare dell'Emilia Romagna
Long-term IDR: downgraded to 'BBB' from 'A-'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Viability Rating: downgraded to 'bbb' from 'a-'
Individual Rating: affirmed at 'C'
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB+'
Senior unsecured notes and EMTN programme: downgraded to 'BBB'/'F3' from 'A-'/'F2'
Subordinated notes: downgraded to 'BBB-' from 'BBB+'
Meliorbanca
Long-term IDR: downgraded to 'BBB' from 'A-'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Support Rating: downgraded to '2' from '1'
Senior unsecured debt: downgraded to 'BBB' from 'A-'
Banca Popolare di Milano
Long-term IDR: downgraded to 'BBB' from 'A-'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Viability Rating: downgraded to 'bbb' from 'a-'
Individual Rating: downgraded to 'C' from 'B/C'
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB+''
Senior unsecured notes and EMTN programme: downgraded to 'BBB'/'F3' from 'A-'/'F2'
Subordinated Lower Tier 2 debt: downgraded to 'BBB-' from 'BBB+'
Subordinated Upper Tier 2 debt: downgraded to 'BB+' from 'BBB'
Preferred stock: downgraded to 'BB+' from 'BBB'
Subordinated hybrid capital instruments: downgraded to 'BB+' from 'BBB'
Credito Valtellinese
Long-term IDR: downgraded to 'BBB' from 'BBB+'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Viability Rating: downgraded to 'bbb' from 'bbb+'
Individual Rating: affirmed at 'C'
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB'
Senior unsecured notes, including notes guaranteed by Credito Valtellinese, and EMTN programme: downgraded to 'BBB' from 'BBB+'
Credito Artigiano
Long-term IDR: downgraded to 'BBB' from 'BBB+'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Support Rating: affirmed at '2'
Bancaperta
Long-term IDR: downgraded to 'BBB' from 'BBB+'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Support Rating: affirmed at '2'
The ratings of Bancaperta will be withdrawn after the legal completion of the merger of Bancaperta
into Credito Valtellinese, which is expected on 28 November 2011.
Veneto Banca
Long-term IDR: downgraded to 'BBB' from 'BBB+'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Viability Rating: downgraded to 'bbb' from 'bbb+'
Individual Rating: affirmed at 'C'

Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB''
Senior unsecured notes and EMTN programme: downgraded to 'BBB'/'F3' from 'BBB+'/'F2'
Subordinated Perpetual Tier 1 notes: downgraded to 'BB+' from 'BBB-'
Banca Popolare di Vicenza
Long-term IDR: downgraded to 'BBB' from 'BBB+'; Outlook Negative
Short-term IDR: downgraded to 'F3' from 'F2'
Viability Rating: downgraded to 'bbb' from 'bbb+'
Individual Rating: affirmed at 'C'
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB'
Senior unsecured notes and EMTN programme: downgraded to 'BBB/F3' from 'BBB+/F2'
Market-linked senior notes: downgraded to 'BBBemr' from 'BBB+emr'
Subordinated Lower Tier 2 notes: downgraded to 'BBB-' from 'BBB'
Banca Popolare dell'Etruria e del Lazio
Long-term IDR: downgraded to 'BB+' from 'BBB'; Outlook Negative
Short-term IDR: downgraded to 'B' from 'F3'
Viability Rating: downgraded to 'bb+' from 'bbb'
Individual Rating: downgraded to 'C/D' from 'C'
Support Rating: affirmed at '3'
Support Rating Floor: affirmed at 'BB'
Senior unsecured notes and EMTN programme: downgraded to 'BB+' from 'BBB'
Subordinated upper Tier 2 Notes: downgraded to 'BB-' from 'BB+'
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Applicable criteria, ' Global Financial Institutions Rating Criteria', dated 16 August 2011 and is
available at www.fitchratings.com.
Applicable Criteria and Related Research:
Global Financial Institutions Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649171