



BANCA POPOLARE DI MILANO

PRESS RELEASE

- **Giuseppe Coppini appointed as Chairman of the Supervisory Board**
- **Supervisory Board and Arbitration Committee integrated**
- **Merger by incorporation of Banca di Legnano S.p.A. in Banca Popolare di Milano S.c.ar.l. approved**
- **Approval of capital increase up to Euro 500 million**

Milan, 22 June 2013. The Ordinary and Extraordinary General Meeting of Members of Banca Popolare di Milano S.c.ar.l. was held today in the presence of approximately 3,000 members (in person or by proxy) in Rho (MI), in the pavilions of Fiera Milano.

The ordinary part of the General Meeting of Members dealt with the integration of the Supervisory Board by appointing as members thereof Giovanni Maria Flick, Roberto Fusilli, Flavia Daunia Minutillo and Giacinto Sarubbi; and as proposed by the Supervisory Board - to meet the commitments taken on with Fondazione Cassa di Risparmio di Alessandria - it confirmed Carlo Frascarolo as Supervisory Board member, in accordance with art. 63, paragraph 3 of the Articles of Association.

Subsequent to the above appointments, the General Meeting of Members appointed Giuseppe Coppini as Chairman of the Supervisory Board (voting details for the election of the Chairman are given at the end of this press release).

Set out below are the characteristics from a professional and independence point of view of the above mentioned Supervisory Board members, considered relevant for the purposes of the Articles of Association and as declared at the time of candidature:

Members of the Supervisory Board

	*	**
Giovanni Maria Flick	YES	NO
Carlo Frascarolo	NO	YES
Roberto Fusilli	NO	NO
Flavia Daunia Minutillo	YES	YES
Giacinto Sarubbi	YES	YES

* *Candidate qualified as independent Supervisory Board member, at the time of candidature, in accordance with art. 3 of the Code of Conduct for Listed Companies (2011 version).*

** *Candidate who declared, at the time of candidature, to be listed in the Register of Auditors and to have worked in the field of auditing for not less than three years.*

While noting that, in accordance with the Articles of Association, the term of office of the above mentioned Supervisory Board members will expire, along with that of the other members of the Supervisory Board, at the General Meeting of Members to be held - in accordance with paragraph 2 of art. 2364-*bis* and paragraph 2 of art. 2364 of the Civil Code - in the spring of 2014, please be advised that the CVs and the related declarations of the newly appointed members of the Supervisory Board are available on the Bank's website (www.bpm.it) and it should also be noted that the additional information required by the "Instructions for the Regulation of markets

organised and managed by Borsa Italiana S.p.A." - including the assessments by the Supervisory Board of the profile of each Supervisory Board member in terms of independence and professionalism - will be disclosed to the market as soon as it is available by means of an appropriate press release.

Lastly, the ordinary part of the General Meeting of Members dealt with the integration of the Arbitration Committee by appointing Emilio Luigi Cherubini as Alternate Arbitrator, whose office will have the same expiry as the acting alternates, that is, up to the approval of the financial statements for the year ending 31 December 2014.

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The extraordinary part of the General Meeting of Members approved - in accordance with art. 2502 of the Civil Code - the merger by incorporation (hereinafter, the “**Merger**”) by Banca Popolare di Milano of its subsidiary Banca di Legnano S.p.A. (hereinafter, “**BDL**”), by means of the approval of the related merger plan and based on the share exchange ratio equal to 2.07 BPM ordinary shares for each BDL ordinary share.

The General Meeting of Members consequently approved an increase in share capital, in connection with the aforementioned Merger, up to Euro 21,495,992.48 (amount calculated on the basis of the implicit par value of BPM's shares) by issuing up to 24,225,742 new no par value BPM shares.

It should also be noted that the Merger was approved by the Extraordinary Shareholders' Meeting of BDL held yesterday, 21 June; in this regard, it should be noted that Fondazione Cassa di Risparmio di Alessandria - the sole shareholder of BDL apart from Banca Popolare di Milano, with a holding of 2.2% - abstained by not voting in the related resolution.

Accordingly, in accordance with the merger plan - since it was a simplified merger in accordance with paragraph 1 of art. 2505-bis of the Civil Code and considering the implicit transformation of BDL - Fondazione Cassa di Risparmio di Alessandria was granted (i) the right to have its shares in BDL acquired by BPM, at a price determined by the Management Board of BPM - according to the criteria set for withdrawal by art. 2437-ter of the Civil Code - equal to Euro 2.05 for each BDL share and (ii) the right of withdrawal pursuant to paragraph 1 b) and g) of art. 2437 of the Civil Code at a liquidation value determined by the Board of Directors of BDL - pursuant to art. 2437-ter of the Civil Code - equal to Euro 2.05 for each BDL share. The maximum amount payable for the exercise of the right to sell or, alternatively, the right of withdrawal will be approximately equal to Euro 24 million.

Note that Fondazione Cassa di Risparmio di Alessandria qualifies as a external related party of the BPM Group; in this regard, specific safeguards have been activated as required by current regulations, also at corporate level, on the subject of "related parties and associated persons". The merger, which qualifies as a “less relevant” related-party transaction, was thus subjected to the approval process as laid down by BPM Group's corporate procedures.

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The Extraordinary General Meeting also approved - subject to the Bank of Italy's authorisation - the proposal for the share capital increase for a maximum amount of Euro 500,000,000.00 (including any share premium) to take place by 30 April 2014, by means of an issue of no par value ordinary shares with regular dividend right to be offered on a pre-emptive basis to shareholders of the Bank, pursuant to Article 2441, first, second and third paragraph of the Civil Code.

The share capital increase is functional and aimed at permitting the Bank to redeem, by 30 June 2013, the financial instruments pursuant to Law Decree no. 185/08, converted into Law no. 2/09, issued by the Bank and subscribed for in December 2009 by the Ministry of Economy and Finance for an amount of Euro 500 million (the “**Tremonti Bonds**”). Therefore, the occurrence of the redemption of the Tremonti Bonds by 30 June 2013 is a condition precedent for the share capital increase.

The subscription price of the newly issued ordinary shares and, consequently, the maximum number of ordinary shares to be issued and the related subscription ratio will be determined, in accordance with normal market practice, by the Management Board closer to the beginning of the rights issue. Should the market conditions allow it and subject to the redemption of the Tremonti Bonds by 30 June 2013 and to having obtained the required authorisations, it is believed that the share capital increase will be launched by September 2013.

On 19 March 2013, Barclays Bank PLC, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc and Mediobanca - Banca di Credit Finanziario S.p.A. entered into a pre-underwriting agreement with the Bank, according to which they have agreed as joint bookrunners, to underwrite - pursuant to standard terms and conditions for such type of transactions – the shares not subscribed for at the end of the rights issue, up to Euro 500 million. The pre-underwriting agreement expires on 31 October 2013.

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To supplement the information provided by the reports explaining the matters on the agenda for the General Meeting of Members - made available to the general public in accordance with the law - also to comply with a request made by Consob on 18 June 2013, in accordance with paragraph 5 of art. 114 of Legislative Decree 58/1998, disclosure is hereby made of the information communicated to Members during the course of the General Meeting of Members.

- 1) **Means by which, prior to the share capital increase and by the prescribed date of 30 June 2013, the Bank will fully redeem the Tremonti Bonds of Euro 500 million due to the Ministry of Economy and Finance; impacts that the full redemption by 30 June 2013 could have on the liquidity position and on the regulatory capital ratios of the BPM Group in the period between the redemption of the Tremonti Bonds and the end of the share capital increase; impacts on the results, financial position and capital of the BPM Group linked to the not fully redemption of the Tremonti Bonds by 30 June 2013.**

The full redemption of the Tremonti Bonds by 30 June 2013 will take place by means of recourse to the Bank's liquid funds and/or through the utilisation of available for sale financial assets to obtain the cash needed for the payment; the redemption will thus lead to an outflow of liquidity of Euro 500 million, which for some time now has already been taken into account for the computation of the net liquidity balance of the BPM Group, consistently with the decision to proceed with the redemption of the Tremonti Bonds. The net liquidity balance will, however, remain in excess of Euro 2.5 billion on a 3 month timescale. The redemption will also have an impact on the BPM Group's regulatory capital ratios, which, with all other things being equal, would decrease by 116 basis points compared with the levels as at 31 March 2013.

On the other hand, the redemption of the Tremonti Bonds by 30 June 2013 would lead to relevant economic benefits for both the Bank and its shareholders; in fact, with this repayment the Bank would save at least Euro 50 million, since there would be no increase of the amount to be redeemed (so-called "step up") and, looking to the future, there would be a further saving linked to the non payment of coupons in forthcoming years to the Ministry of Economy and Finance in the event that the BPM Group's consolidated financial statements report distributable net profit (minimum coupon of 9% in relation to the financial years 2013 to 2016, with a higher coupon payable in the event of later redemption, rising to 15% for the 2039 and subsequent financial years), with a consequent increase in profit that could either be used to finance the Bank or that could be distributed as a dividend to the shareholders.

- 2) **Update regarding commitments by current shareholders to subscribe for newly-issued shares in the context of the capital increase.**

It is hereby confirmed that, as of today', the Bank has not received any commitment by current shareholders to subscribe for newly-issued shares in the context of the capital increase.

- 3) Update regarding the status of implementation of the 2012-2015 Business Plan and any revised objectives in relation thereto, taking account of the planned share capital increase and the related full redemption of the Tremonti Bonds, as well as developments in the macroeconomic and operational environment that occurred during the latest year, with particular reference to credit asset quality.**

On 24 July 2012, the Management Board of the Bank approved the Business Plan of the BPM Group for the period 2012-2015, which sets out objectives relating to change, a significant rise in efficiency and the strengthening of the Bank's role as a local bank that is close to households and small and medium-sized enterprises.

The Business Plan is based on the following guidelines: (i) corporate simplification, (ii) organisational simplification, (iii) rigorous monitoring of costs (iv) enhancement and meritocracy in the management of human resources, (v) radical innovation of the territorial model, (vi) technological innovation to strengthen the multi-channel approach, (vii) growth in the profitability of core segments, (viii) risk management, (ix) strengthening capital, (x) strengthening of liquidity position.

The initiatives implemented at Group level for the achievement of the Business Plan consist of more than thirty analytical projects, the current status of which is in line with what was planned.

Having considered the developments in the macroeconomic and operational environments that have taken place since the approval of the Business Plan and of changes in expectations for the future raised by research institutes and by the main players, the Bank, having also taken note of the most recent estimates of economic growth and of trends in interest rates, is assessing whether to revise the objectives of the Business Plan, taking account of the impact of the planned share capital increase and the related full redemption of the Tremonti Bonds, without prejudice to the relevance and validity of managerial actions taken. The outcome of any such revision will be communicated to the market without delay once the revision has been fully defined and approved by the competent bodies of the Bank.

- 4) Extent of exposure to the property and construction sector of the Group's loan portfolio at 31 March 2013, or at a more recent date if available; trends in exposure towards this sector compared with the objectives set for risk monitoring by the 2012-2015 Business Plan.**

At 31 March 2013, the Group's exposure to the property and construction sector, satellite industries excluded, is approximately equal to 23% of the gross loan portfolio of the Group, slightly down with respect to 31 December 2012; at the same date, the total amount granted to customers operating in the above mentioned sector fell compared with the figure at 31 December 2012 (by more than 2.5%) and compared with the figure at 31 December 2011 (by more than 11%). These figures, despite the difficulties in the sector, are in line with the risk monitoring objectives defined in the 2012-2015 Business Plan.

- 5) Criteria used for the determination of the share exchange ratio for the merger by incorporation of Banca di Legnano in BPM as well as any controlling methods used to assess the fairness of the aforementioned share exchange ratio.**

The Management Board of BPM and the Board of Directors of Banca di Legnano set the share exchange ratio for the merger by incorporation of Banca di Legnano in BPM at 2.07 BPM shares for each Banca di Legnano share.

For the determination of the share exchange ratio, the principal methods adopted, in line with standard professional practice, were valuation methodologies of an analytical nature that are widely recognised by doctrine. Empirical market methods were used, solely for control purposes .

In particular, the economic capital of BPM and Banca di Legnano was valued using the following methods:

Analytical estimation methods used as principal methods:

- ✓ **Excess capital** version of the **Dividend Discount Model (DDM)**. This method defines the economic value of a company based on future dividend flows that the company will be capable of distributing to its shareholders, discounted using a rate that is representative of its equity risk;
- ✓ **Residual Income** mixed method. This method determines the value of a company as the sum of its adjusted equity plus the present value of super profits, intended as the difference between the expected average or normal profit and the profit deemed to be satisfactory in respect of the type of investment being considered.

Market estimation method used as a control method:

- ✓ **Market multiples** method. This method consists of the application to the earnings or assets of the company being valued implicit multiples taken from a sample of listed comparable companies (for the case in hand, what was used for Banca di Legnano were the average multiples from a sample of banks considered to be comparable in terms of type of business and size; for BPM, since it is a listed company, its market capitalisation was used).

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Ordinary and Extraordinary Shareholders' Meeting - 22 June 2013

Secret Voting Results

Appointment of the Chairman of the Supervisory Board

Giuseppe Coppini	954 Votes
Piero Lonardi	903 Votes
Giovanni Maria Flick	516 Votes
Maurizio Cavallari	153 Votes
Roberto Fusilli	48 Votes
Marcello Priori	28 Votes
Jean-Jacques Tamburini	26 Votes
Enrico Castoldi	25 Votes
Alberto Balestreri	17 Votes
Flavia Daunia Minutillo	15 Votes
Umberto Bocchino	14 Votes
Michele Zefferino	12 Votes
Maria Luisa Mosconi	8 Votes
Giacinto Sarubbi	6 Votes
Mario Benito Mazzoleni	4 Votes
Carlo Frascarolo	3 Votes
Mauro Paoloni	2 Votes
Ruggiero Cafari Panico	1 Vote
Those who did not vote (null vote)	24 Votes
Blank ballots	70 Votes