



Letter to BPM Members

Ordinary and Extraordinary
Meeting of Members

12 April 2014
FieraMilanoCity

Pavilion 3 (Gate 5)
Viale Scarampo

Dino Piero Giarda
Chairman
Supervisory Board

Mario Anolli
Chairman
Management Board

Giuseppe Castagna
Managing Director
and General Manager

Dear Members,

We look forward to meeting you very soon at our AGM, the first since we were appointed. It will be good to see you after a quarter of intense activity. We are convinced that even though the next few months are going to be particularly challenging, they should reveal positive results for our Bank.

In fact, we face the future in the knowledge that we are able to count on a solid foundation: over the past few years, despite the downward trend in the economy and the sacrifices imposed on our shareholders and employees, the BPM Group has been able to strengthen its fundamentals by increasing its coverage of problem loans, optimising cash management and eliminating goodwill from its balance sheet.

This has helped us close the year with a return to profit and an excellent performance: an excellent operating profit (+89.8% on 2012) made possible thanks to the positive trend in revenues and incisive action on costs, good growth in indirect deposits, confirmation of a strong liquidity position as evidenced by a significant amount of eligible assets (€ 3.6 billion) and a good level of capitalisation that will be further enhanced through the planned € 500 million increase in capital.

Based on these considerations, and thanks to a portfolio of high-value customers in the most fertile areas of the country and the best possible combination of territorial coverage and product excellence, our Group is ready to implement the new and ambitious 2014-2016/2018 Strategic Plan, recently approved, which will allow us to take a prominent place in the panorama of Italian banks.

During the AGM, you will be invited – among other things – to vote on a proposal for a significant reform of the Articles of Association, which will help reinforce the stability and effectiveness of the Bank's governance, guarantee a better balance among the various stakeholders and, together with the scheduled increase in capital, ensure once and for all the revival of BPM as a strong and independent Banking Group. The reform is based on a number of key elements: preservation of our co-operative status, a decrease in the number of people on the Supervisory Board and an increase in the number of people on the Management Board, as well as a greater incentive for responsible participation in the Bank's capital on the part of the institutional investors.

Among the challenges that we will have to face in the near future is the € 500 million increase in capital due to be launched in early May; if this is accompanied by the removal of the add-ons to solve the problems pointed out by the Bank of Italy, as we expect, it will enable us by 2016 to achieve one of the most solid capital bases in the market, with higher ratios than the minimum requirement imposed by the ECB.

The various measures that we have taken to date, as well as those that we are planning for the future, seem to have been well received: since the beginning of the year, the BPM stock has registered an increase of 50%, outperforming the benchmark index (FTSE IT Banks) by almost 30%.



We now intend to continue in this direction, building confidence among all our stakeholders: Members and Shareholders, Employees, Customers and Institutions. We would ask you to join us and give us your support to help us do even better.

Having got to know the employees of the Group during the many presentations of the Business Plan, we hope to meet you at the AGM, which is the main event in the year for a co-operative with thousands of members.

We can assure you that our efforts will be dedicated 100% to the objectives of profitability, capital growth and full employment, ready for open dialogue, rigour in decision-making and sobriety in our behaviour.

All of this so that we can cope successfully with another important event, namely 2015 when we will celebrate "our first 150 years of history", in the same year that Milan will be hosting the Expo.

Dino Piero Giarda

Chairman
Supervisory Board

Mario Anolli

Chairman
Management Board

Giuseppe Castagna

Managing Director
and General Manager



BPM Group – Consolidated reclassified balance sheet

(Euro/000)

Assets	31.12.2013	30.09.2013	31.12.2012	Change A-B		Change A-C	
	A	B	C	Amount	%	Amount	%
Cash and cash equivalents	363,202	248,935	285,892	114,267	45.9	77,310	27.0
Financial assets designated at fair value and hedging derivatives:	11,045,773	11,446,135	11,901,399	-400,362	-3.5	-855,626	-7.2
– Financial assets held for trading	1,449,237	1,679,815	1,821,675	-230,578	-13.7	-372,438	-20.4
– Financial assets designated at fair value through profit and loss	219,118	237,272	259,321	-18,154	-7.7	-40,203	-15.5
– Financial assets available for sale	9,189,022	9,290,612	9,539,376	-101,590	-1.1	-350,354	-3.7
– Hedging derivatives	178,291	226,868	256,320	-48,577	-21.4	-78,029	-30.4
– Fair value change of financial assets in hedged portfolios (+/-)	10,105	11,568	24,707	-1,463	-12.6	-14,602	-59.1
Due from banks	1,813,458	1,838,143	2,718,371	-24,685	-1.3	-904,913	-33.3
Loans to customers	33,345,026	34,080,872	34,790,891	-735,846	-2.2	-1,445,865	-4.2
Fixed assets	1,229,975	1,185,833	1,174,152	44,142	3.7	55,823	4.8
Other assets	1,555,884	1,425,699	1,604,300	130,185	9.1	-48,416	-3.0
Total assets	49,353,318	50,225,617	52,475,005	-872,299	-1.7	-3,121,687	-5.9

Liabilities and shareholders' equity	31.12.2013	30.09.2013	31.12.2012	Change A-B		Change A-C	
	A	B	C	Amount	%	Amount	%
Due to banks	5,913,928	6,173,275	6,292,005	-259,347	-4.2	-378,077	-6.0
Due to customers	26,423,495	26,536,411	26,297,613	-112,916	-0.4	125,882	0.5
Securities issued	10,114,241	9,777,327	11,223,349	336,914	3.4	-1,109,108	-9.9
Financial liabilities and hedging derivatives:	1,487,047	1,872,708	2,671,336	-385,661	-20.6	-1,184,289	-44.3
– Financial liabilities held for trading	1,163,738	1,309,253	1,585,447	-145,515	-11.1	-421,709	-26.6
– Financial liabilities designated at fair value through profit and loss	276,739	509,702	1,009,898	-232,963	-45.7	-733,159	-72.6
– Hedging derivatives	23,348	28,671	45,049	-5,323	-18.6	-21,701	-48.2
– Fair value change of financial liabilities in hedged portfolios (+/-)	23,222	25,082	30,942	-1,860	-7.4	-7,720	-25.0
Other liabilities	1,191,645	1,584,861	1,271,219	-393,216	-24.8	-79,574	-6.3
Provisions for specific use	578,196	614,497	662,766	-36,301	-5.9	-84,570	-12.8
Capital and reserves	3,596,116	3,512,686	4,444,780	83,430	2.4	-848,664	-19.1
Minority interests (+/-)	19,061	19,468	41,631	-407	-2.1	-22,570	-54.2
Net income (loss) for the period (+/-)	29,589	134,384	-429,694	-104,795	n.s.	459,283	n.s.
Total liabilities and shareholders' equity	49,353,318	50,225,617	52,475,005	-872,299	-1.7	-3,121,687	-5.9



BPM Group – Consolidated reclassified income statement

(Euro/000)

Line items	Year 2013	Year 2012	Change	
			Amount	%
Interest margin	837,424	858,613	(21,189)	-2.5
Non-interest margin:	845,559	691,101	154,458	22.4
– Net fee and commission income	544,817	496,937	47,880	9.6
– Other income:	300,742	194,164	106,578	54.9
– Profits (losses) on investments carried at equity	47,353	21,677	25,676	118.4
– Net income from banking activities	200,773	128,526	72,247	56.2
– Other operating charges/income	52,616	43,961	8,655	19.7
Operating income	1,682,983	1,549,714	133,269	8.6
Administrative expenses:	(913,970)	(1,110,555)	196,585	17.7
a) personnel expenses	(608,720)	(811,681)	202,961	25.0
b) other administrative expenses	(305,250)	(298,874)	(6,376)	-2.1
Net adjustments to property and equipment and intangible assets	(72,646)	(72,310)	(336)	-0.5
Operating expenses	(986,616)	(1,182,865)	196,249	16.6
Operating profit	696,367	366,849	329,518	89.8
Net adjustments for impairment of loans and other activities	(589,659)	(566,254)	(23,405)	-4.1
Net provisions for risks and charges	(9,619)	(31,999)	22,380	69.9
Profits (losses) from equity and other investments and adjustments to goodwill and intangible assets	(258)	(366,820)	366,562	99.9
Income (loss) before tax from continuing operations	96,831	(598,224)	695,055	n.s.
Taxes on income from continuing operations	(67,442)	163,374	(230,816)	n.s.
Income (loss) after tax from continuing operations	29,389	(434,850)	464,239	n.s.
Net income (loss) for the period	29,389	(434,850)	464,239	n.s.
Net income (loss) pertaining to minority interests	200	5,156	4,956	96.1
Net result	29,589	(429,694)	459,283	n.s.
Basic EPS from continuing operations – Euro	0.009	(0.133)		
Diluted EPS from continuing operations – Euro	0.009	(0.133)		
Basic EPS – Euro	0.009	(0.133)		
Diluted EPS – Euro	0.009	(0.133)		



BPM Group – Consolidated reclassified income statement, net of non-recurring items

As required by CONSOB communication DEM/6064293 of 28 July 2006, the table below reports the effect on net income (loss) of the following non-recurring transactions.

(Euro/000)

Line items	Year 2013			Year 2012			Changes		Changes	
	A = B + C	B	C	D = E + F	E	F	A – D		C – F	
	Net result	Net income (loss) from non-recurring transactions	Net income (loss) from recurring transactions	Net result	Net income (loss) from non-recurring transactions	Net income (loss) from recurring transactions	Amount	%	Amount	%
Interest margin	837,424	0	837,424	858,613	0	858,613	(21,189)	-2.5	(21,189)	-2.5
Non-interest margin:	845,559	(36,186)	881,745	691,101	4,643	686,458	154,458	22.4	195,287	28.4
– Net fee and commission income	544,817	0	544,817	496,937	0	496,937	47,880	9.6	47,880	9.6
– Other income:	300,742	(36,186)	336,928	194,164	4,643	189,521	106,578	54.9	147,407	77.8
– Profits (losses) on investments carried at equity	47,353	0	47,353	21,677	0	21,677	25,676	118.4	25,676	118.4
– Net income from banking activities	200,773	(36,186)	236,959	128,526	4,643	123,883	72,247	56.2	113,076	91.3
– Other operating charges/income	52,616	0	52,616	43,961	0	43,961	8,655	19.7	8,655	19.7
Operating income	1,682,983	(36,186)	1,719,169	1,549,714	4,643	1,545,071	133,269	8.6	174,098	11.3
Administrative expenses:	(913,970)	(16,345)	(897,625)	(1,110,555)	(213,394)	(897,161)	196,585	17.7	(464)	-0.1
a) personnel expenses	(608,720)	(16,345)	(592,375)	(811,681)	(213,394)	(598,287)	202,961	25.0	5,912	1.0
b) other administrative expenses	(305,250)	0	(305,250)	(298,874)	0	(298,874)	(6,376)	-2.1	(6,376)	-2.1
Net adjustments to property and equipment and intangible assets	(72,646)	0	(72,646)	(72,310)	0	(72,310)	(336)	-0.5	(336)	-0.5
Operating expenses	(986,616)	(16,345)	(970,271)	(1,182,865)	(213,394)	(969,471)	196,249	16.6	(800)	-0.1
Operating profit	696,367	(52,531)	748,898	366,849	(208,751)	575,600	329,518	89.8	173,298	30.1
Net adjustments for impairment of loans and other activities	(589,659)	0	(589,659)	(566,254)	(255)	(565,999)	(23,405)	-4.1	(23,660)	-4.2
Net provisions for risks and charges	(9,619)	3,051	(12,670)	(31,999)	(14,464)	(17,535)	22,380	69.9	4,865	27.7
Profits (losses) from equity and other investments and adjustments to goodwill and intangible assets	(258)	0	(258)	(366,820)	(367,102)	282	366,562	99.9	(540)	-191.5
Income (loss) before tax from continuing operations	96,831	(49,480)	146,311	(598,224)	(590,572)	(7,652)	695,055	n.s.	153,963	n.s.
Taxes on income from continuing operations	(67,442)	606	(68,048)	163,374	218,542	(55,168)	(230,816)	n.s.	(12,881)	-23.3
Net income (loss) for the period	29,389	(48,874)	78,263	(434,850)	(372,030)	(62,820)	464,239	n.s.	141,082	n.s.
Net income (loss) pertaining to minority interests	200	(3)	203	5,156	4,234	922	(4,956)	n.s.	(719)	n.s.
Net result	29,589	(48,877)	78,466	(429,694)	(367,796)	(61,898)	459,283	n.s.	140,363	n.s.