



BANCA POPOLARE  
DI MILANO

*Il futuro è di chi fa.*

# BIPIEMME GROUP

## Investor Presentation

September 2015



BANCA POPOLARE  
DI MILANO



This Presentation has been prepared by Banca Popolare di Milano S.c.a r.l. (the "**Company**" and, together with its subsidiaries, the "**Group**") solely for information purposes. "**Presentation**" means this document and any oral presentation made, any question and answer session conducted, and any other information discussed orally during any investor meeting, as well as any other written material distributed relating to this Presentation, including without limitation any information relating to the proposed issue (the "**Proposed Issue**") of the first series of Covered Bonds (*obbligazioni bancarie garantite*) (the "**Securities**") by the Company. The materials comprising this Presentation have been prepared by the Company solely for use by the Group's management at the meetings with investors held in connection with the Proposed Issue.

This Presentation is strictly confidential and is being furnished to you solely for your information. This Presentation may not be reproduced or redistributed to any other person, and it may not be published, in whole or in part, for any purpose. You understand that this Presentation is solely for viewing by the persons designated and authorised by the Company and by electing to view the presentation you represent, warrant and agree that you will not download, copy, print, videotape, record, re-transmit or otherwise attempt to pass on, reproduce, duplicate or redistribute the Presentation in whole or in part by mail, facsimile, electronic or computer transmission or by any other means to any other person in whole or in part, or use it in any manner to sell securities to the general public, and you will not disclose the contents of the Presentation to any other person. Failure to comply with such confidentiality obligation may result in civil, administrative or criminal liabilities.

Investment in the Securities will involve certain risks. A summary of the material risks relating to the Proposed Issue is set out in the section headed "*Risk Factors*" in a prospectus to be prepared by the Company in connection with the Proposed Issue and to be approved by the *Commission de Surveillance du Secteur Financier* ("**CSSF**"), which is the competent authority in the Grand Duchy of Luxembourg for the purposes of the Prospectus Directive 2003/71/EC and the amendments thereto (the "**Prospectus**"). There may be additional material risks that are currently not considered to be material or of which the Company and its advisers or representatives are unaware.

This Presentation does not purport to be comprehensive or to contain all the information that a prospective purchaser of the Securities or other securities of the Company or the Group may desire or require in deciding whether or not to purchase such Securities or other securities. The information contained in the Presentation is subject to change, verification and completion without notice.

Neither this presentation nor any copy of it may be taken, transmitted, disclosed or distributed into, or accessed from, directly or indirectly, the United States, nor may this presentation nor any copy of it be taken, transmitted, disclosed, or distributed into, or accessed from, directly or indirectly, Canada, Australia or Japan. The distribution of or access to this presentation in or from other jurisdictions may also be restricted by law and persons into whose possession this presentation comes should inform themselves about and observe any such restrictions. The Company has not, and does not intend to, register any securities under the U.S. Securities Act of 1933, as amended (the "**Securities Act**").

*THIS PRESENTATION DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER FOR SALE OR SOLICITATION OF ANY OFFER TO BUY ANY SECURITIES NOR SHALL IT OR ANY PART OF IT FORM THE BASIS OF OR BE RELIED ON IN CONNECTION WITH ANY CONTRACT OR COMMITMENT TO PURCHASE SECURITIES. ANY DECISION TO PURCHASE SECURITIES IN THE PROPOSED ISSUE OR OTHERWISE SHOULD BE MADE SOLELY ON THE BASIS OF THE INFORMATION TO BE CONTAINED IN THE PROSPECTUS TO BE PUBLISHED IN DUE COURSE AND NOT ON THE BASIS OF THIS PRESENTATION.*

This Presentation is directed only at, and may only be accessed by, persons who (i) are outside the United Kingdom, (ii) are "investment professionals" falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order"), (iii) are persons falling within Article 49(2)(a) to (d) ("*high net worth companies, unincorporated associations etc*") of the Order or (iv) are other persons to whom an invitation or inducement to engage in investment activity (within the meaning of the Financial Services and Markets Act 2000) in connection with the issue or sale of any shares may otherwise lawfully be communicated or caused to be communicated (all such persons in (i), (ii), (iii) and (iv) together being referred to as "Relevant Persons"). This presentation is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons.

In any member state of the European Economic Area, the Presentation is directed only at "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU to the extent implemented in a relevant EEA member state).

Any investment or investment activity to which the presentation relates is available only to Relevant Persons or qualified investors and will be engaged in only with Relevant Persons and qualified investors. Solicitations resulting from this Presentation will only be responded to if the person concerned is a Relevant Person or qualified investor. Other persons should not rely or act upon these materials or any of their contents.

This Presentation may contain "forward-looking statements", which includes all statements that do not relate solely to historical or current facts and which are therefore inherently uncertain. All forward-looking statements rely on a number of assumptions, expectations, projections and provisional data concerning future events and are subject to a number of uncertainties and other factors, many of which are outside the control of the Company. There are a variety of factors that may cause actual results and performance to be materially different from the explicit or implicit contents of any forward-looking statements and thus, such forward-looking statements are not a reliable indicator of future performance. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law.

None of the Company, its subsidiaries or any of their respective members, directors, officers or employees nor any other person accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or otherwise arising in connection therewith.

**By accessing this Presentation you will be taken to have represented, warranted and undertaken that you have read and agree to be bound by and comply with the contents of this notice and the foregoing limitations.**

# Index

## Executive Summary

BPM Overview

BPM H1 2015 Results

Cover Programme and Pool Summary

BPM Mortgage Business Overview

Appendix:

Italian OBG Framework and Criteria

Statutory Tests

Overview of Italy and the Italian Mortgage Market

# Executive summary

## Bank Profile

- ❑ Fourth largest cooperative bank by total assets in Italy
- ❑ Leader in Northern regions of Italy
- ❑ Good credit quality
- ❑ Strong capital base

## OBG 2 Programme

- ❑ BPM's €10 billion Covered Bond Programme is rated [A2] by Moody's
- ❑ Only residential mortgages eligible
- ❑ Experienced counterparties
- ❑ The Italian legislation provides a strong framework for investors, fully in line with the most advanced European market standards

## The Cover Pool

- ❑ 100% prime Italian, first lien, residential mortgages
- ❑ Only fully performing loans added to the Cover Pool
- ❑ WA Current LTV 54.51% / WA Original LTV 57.26%
- ❑ 60.0% of the assets are located in northern regions of Italy

## BPM Mortgage Business

- ❑ The analysis criteria are based on a rating system integrated with credit policies
- ❑ The approval of mortgage loans is attributable to commercial structures or credits, depending on the outcome of the rating system and the amounts
- ❑ The valuation of the property subject to a mortgage guarantee meets the standards Basel 2 provided for the purpose of risk mitigation

# Index

Executive Summary

**BPM Overview**

BPM H1 2015 Results

Cover Programme and Pool Summary

BPM Mortgage Business Overview

Appendix:

Italian OBG Framework and Criteria

Statutory Tests

Overview of Italy and the Italian Mortgage Market

# BPM Group: profile

## OVERVIEW

- Banca Popolare di Milano S.c.ar.l. ("BPM") is a listed cooperative bank founded in Milan in 1865
- BPM Group is a multi-regional bank, leader in the region of Lombardy, with a wide customer base (around 1.3 m customers)

## MARKET POSITION

- Sound network:
  - ✓ 654 retail branches<sup>1</sup>
- Direct funding: €36.8bn; market share 1.6%<sup>2</sup>
- Loan to customers: €33.5bn; market share 1.8%<sup>2</sup>
- Total assets: €49.3bn, 9<sup>th</sup> Italian Banking Group (excl. Mediobanca as of Dec.'14)

## CREDIT QUALITY

- Net bad loans / Total net loans: 4.3% (vs 4.6% sector)
- Impaired loans coverage: 39.3%
- Performing loans coverage: 0.67%

## CAPITAL

- B3 Common Equity Tier 1 "fully loaded": 12.09%<sup>4</sup>

## RATING

- Long Term: Ba3 (Moody's) / B+ (S&P) / BB+ (Fitch)
- Short Term: NP (Moody's) / B (S&P) / B (Fitch)
- Outlook: Stable (Moody's) / Stable (S&P) / Stable (Fitch)
- OBG 1: A2 (Moody's) / BBB+ (Fitch)
- OBG 2 [A2] (Moody's)

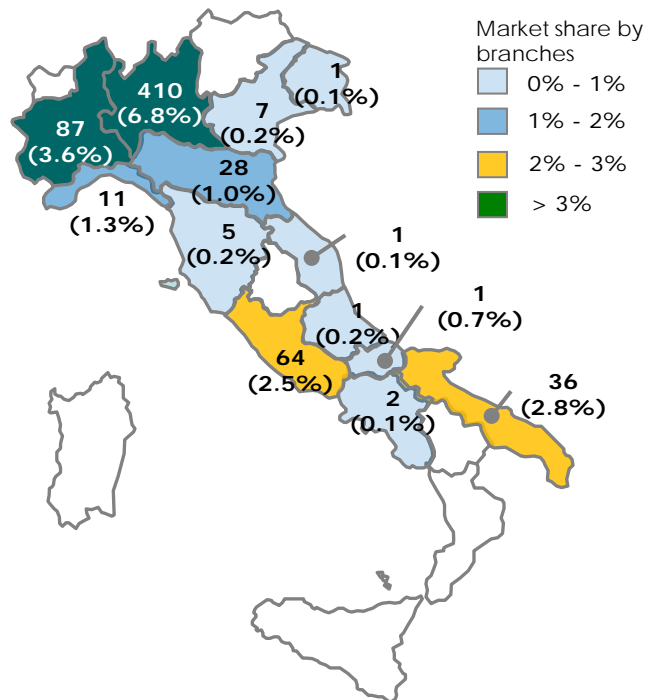
1. As of June 2015. Retail branches include Banca Akros

2. Market share as of May 2015

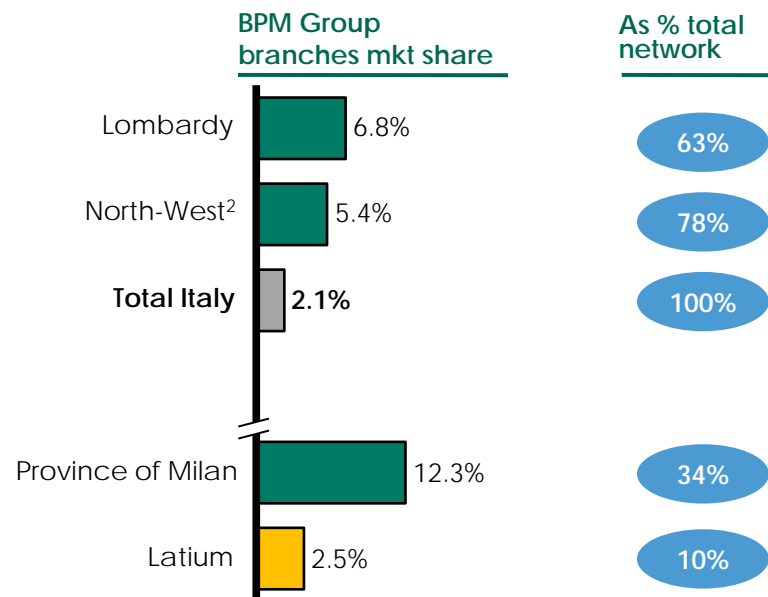
3. Capital ratio calculated including AFS reserve on govies as of July 2015

# BPM Group: geographical footprint

654 branches: distribution by region<sup>1</sup>



BPM Group network market share



Market share above 10% in 6 provinces: Alessandria (25.0%), Foggia (12.0%), Milan (12.4%), Lecco (11.6%), Varese (10.8%), Monza-Brianza (10.9%)

1. As of June 2015. Retail branches include Banca Akros.

2. Includes Piedmont, Lombardy, Liguria



# BPM Group composition – legal entities and business description

Sector	Company	Ownership Percent	Head office	Business description
Parent company	Banca Popolare di Milano <sup>1</sup>	N/S	Milan	<ul style="list-style-type: none"> <li>Commercial and integrated multichannel bank</li> <li>636 branches and 7,280 employees</li> </ul>
Other commercial banks	Banca Popolare di Mantova	62.6	Mantua	<ul style="list-style-type: none"> <li>Commercial bank (Group holding)</li> <li>17 branches and 70 employees</li> </ul>
Specialized business	ProFamily	100.0	Milan	<ul style="list-style-type: none"> <li>Consumer finance product factory, offering special purpose loans, personal loans, salary loans</li> </ul>
	Banca Akros	96.9	Milan	<ul style="list-style-type: none"> <li>Investment and Private banking, mainly focused on capital markets services for investors in Italy</li> </ul>
	Bipiemme Vita	19.0	Milan	<ul style="list-style-type: none"> <li>Insurance company (controlling shareholder is Covéa Group (81%))</li> </ul>
	Anima Holding SpA	16.9	Milan	<ul style="list-style-type: none"> <li>Asset management factory</li> </ul>
	Aedes Bipiemme Real Estate SGR	39.0	Milan	<ul style="list-style-type: none"> <li>Asset management factory specialized on Real Estate</li> </ul>
	Factorit	30.0	Milan	<ul style="list-style-type: none"> <li>Factoring product factory</li> </ul>
	Selma Bipiemme	40.0	Milan	<ul style="list-style-type: none"> <li>Leasing product factory</li> </ul>
	Pitagora 1936	24.0	Turin	<ul style="list-style-type: none"> <li>Consumer finance product factory, operating in the business of salary loans</li> </ul>

■ Fully consolidated   
 ■ Associates   
  Asset on disposal

1. In Nov 2014 WeBank was incorporated into BPM in order to create a sole multi-channel platform to cater pure digital customers and develop the customer base  
 Source : BPM Group financial report as at 30.06.15

# BPM Group: achievements in 2014

2014: A Year of Growth...

Mar '14

Business Plan  
2014-16/18  
Presentation

May '14

Rights Issue  
(€500M)  
Successfully  
Completed

Jun '14

Add-ons Fully  
Removed

Oct '14

AQR<sup>1</sup>:  
▪ 4<sup>th</sup> Best Ranked  
Italian Bank  
CA<sup>2</sup>  
▪ €713M Excess  
Capital

- Financial results better than expectations, though macro-economic environment was weaker than forecast and interest rates are at their all-time lows
- Capital level among the highest in the sector

**BPM:**  
A strengthened, sound and profitable bank, ready to tackle new challenges

BACK TO DIVIDEND  
€0.022

= PAYOUT 41.59%

1. AQR result: -40pb on CET1

2. Comprehensive Assessment result: +€713m including all 2014 remedial actions

Source: BPM

# Comprehensive assessment

## Strong Result in the Comprehensive Assessment

### AQR impact: 40bps on CET1 ratio, fourth best Italian Bank

Ranking	Bank	AQR impact on CET1 ratio (bps)
1	CE	-9
2	UCG	-19
3	ISP	-25
<b>4</b>	<b>BPM</b>	<b>-40</b>
5	UBI	-44
6	ICCREA	-44
7	BPER	-78
8	BP Son	-78
9	MEDI OB.	-85
10	CREV	-127
11	CRG	-129
12	VEN.B.	-163
13	BP Vic	-179
14	BAPO	-212
15	MPS	-320

### Capital Excess at €713m

Ranking	Bank	Capital Excess / Shortfall Bankit (Eur m)
1	ISP <sup>1</sup>	10,897
2	UCG <sup>1</sup>	8,747
3	UBI <sup>1</sup>	1,761
4	BAPO <sup>1</sup>	1,183
5	MEDI OB.	765
<b>6</b>	<b>BPM</b>	<b>713</b>
7	BPER	631
8	CE	463
9	ICCREA	256
10	CREV	50
11	BP Vic	30
12	BP Son	26
13	VEN.B.	24
14	CRG	-814
15	MPS <sup>1</sup>	-2,111

1. Banks that use AIRB models to calculate capital ratios  
Source: BPM

# Strong recovery in profitability

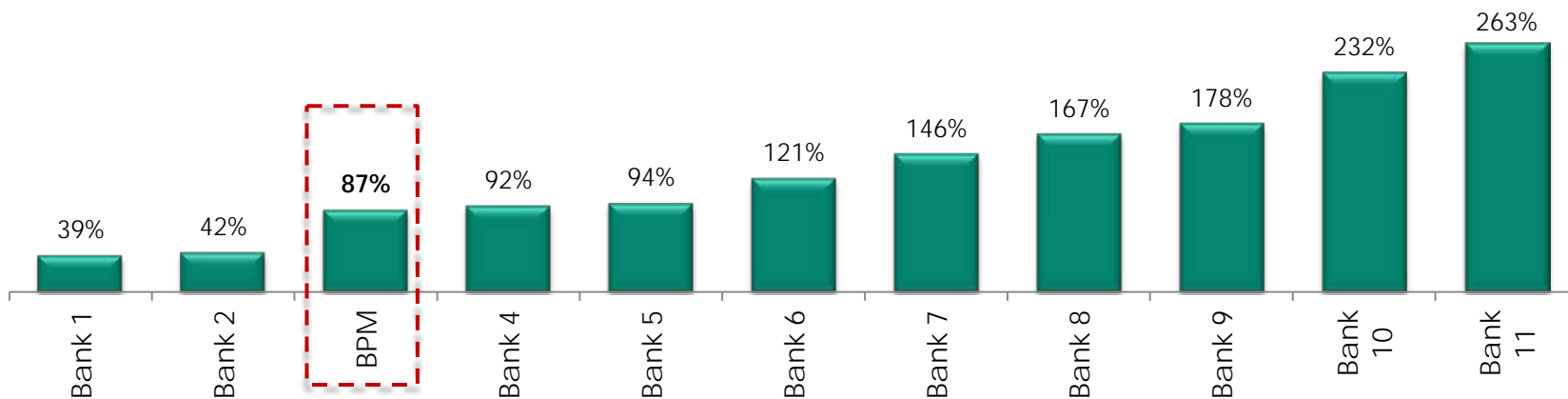


2013, 2014 and H1 2015 have both posted positive Net Income figures

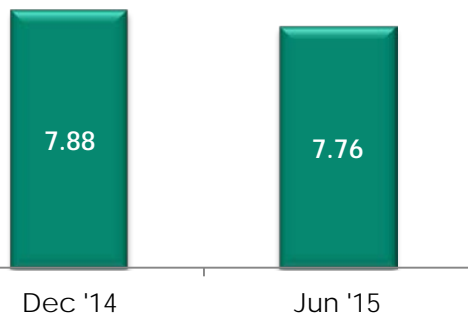
Source: BPM

# Sound balance sheet and low risk profile

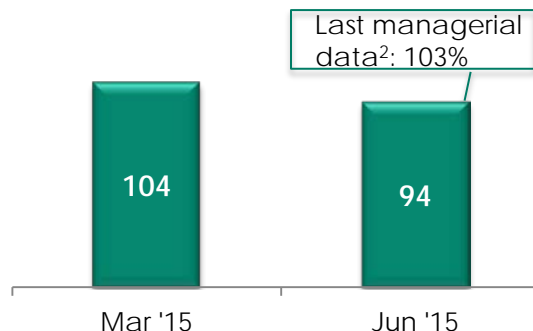
TEXAS ratio: Net NPEs/ (capital+reserves-intangible assets)



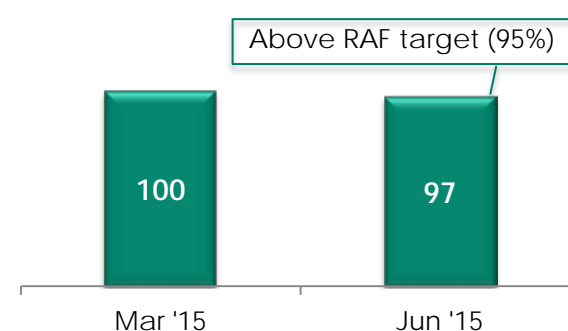
Leverage ratio<sup>1</sup> (%)



LCR (%)



NSFR (%)

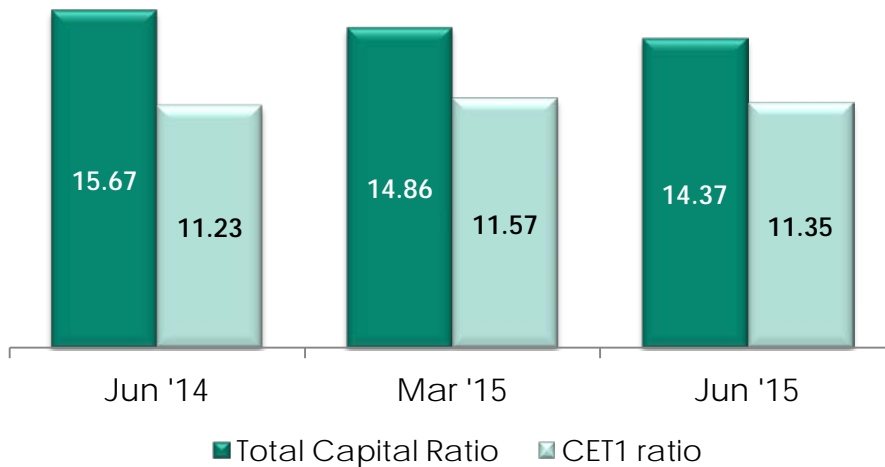


In line with 2015 targets

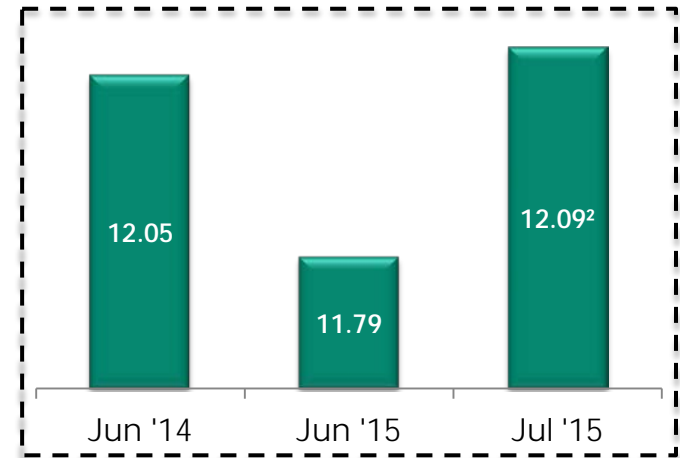
1. Calculated using european definition
2. As of 28/08/2015

# Capital ratios<sup>1</sup>

CET1 phased-in without AIRB models (%)



CET1 fully loaded (%)



□ Sound capital ratios: CET1as at June 2015 at 11.35%

□ RWA (+€1.1bn vs Mar' 15): €35.0bn

- Credit Risk: €31.3bn (€30.4bn as at end Mar '15)
- Market Risk: €1.0bn (€0.8bn as at end Mar '15)
- Operating Risk: €2.7bn (unchanged vs Mar '15)

1. CET1 as at June 2015 includes H1 '15 net profit  
 2. Capital ratio calculated including AFS reserves as at end July 2015  
 Source: BPM

# Index

Executive Summary

BPM Overview

**BPM H1 2015 Results**

Cover Programme and Pool Summary

BPM Mortgage Business Overview

Appendix:

Italian OBG Framework and Criteria

Statutory Tests

Overview of Italy and the Italian Mortgage Market

# H1 2015 results: overview

The H1 2015 results confirm the sound balance sheet results reached in the first year of the business plan and excellent P&L results

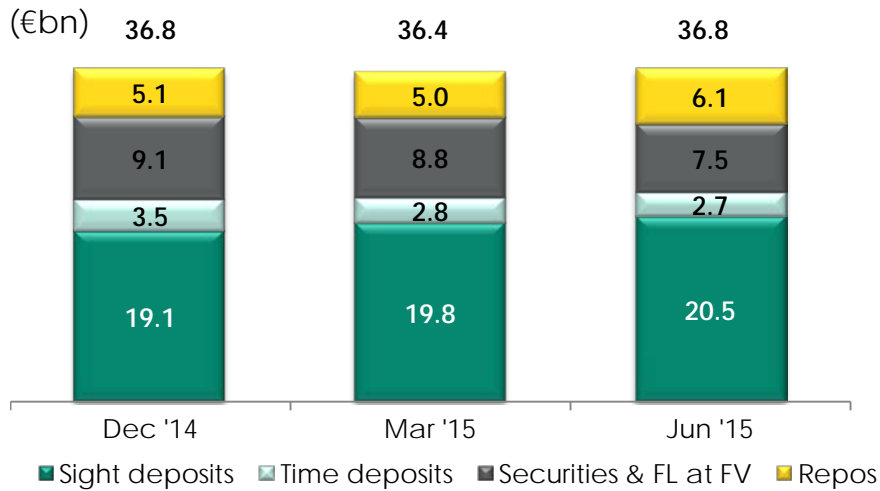
<p>✓ <i>Excellent trend of customer loans, deposits and AUM</i></p>	<ul style="list-style-type: none"> <li>❑ Loans to customers growth accelerated: €33.5bn as at end June '15 (+2.7% Q/Q; +4.4% YTD); €2.4bn new loans</li> <li>❑ Sight deposits continued to increase reaching €20.5bn (+3.6% Q/Q; +7.6% YTD)</li> <li>❑ Strong AUM net inflows: €1.8bn YTD and €0.9bn in 2Q '15             <ul style="list-style-type: none"> <li>❑ AUM stock increase 21.6% Y/Y, 13.2% YTD and 3.0% Q/Q</li> </ul> </li> </ul>
<p>✓ <i>Risk profile improvement is confirmed</i></p>	<ul style="list-style-type: none"> <li>❑ Net non-performing exposures down (-0.6% Q/Q)</li> <li>❑ In H1 '15 gross loans flow from performing to non-performing exposures decreased (-36% Y/Y; -17% vs H2 '14)</li> <li>❑ Non-performing exposure coverage increased to 39.3% (+100bps Q/Q)</li> <li>❑ Leverage among the best in Italian banking system: 7.76%</li> <li>❑ Low risk profile: Texas ratio at 87.2%</li> </ul>
<p>✓ <i>Capital ratios well above regulatory requirements</i></p>	<ul style="list-style-type: none"> <li>❑ CET1 phased in at 11.35% (Jun '15) and CET 1 Fully Loaded 12.09%<sup>2</sup>, though the ratios do not benefit from the use of the AIRB models</li> </ul>
<p>✓ <i>Excellent P&amp;L results driven by the core business</i></p>	<ul style="list-style-type: none"> <li>❑ Strong performance of the core business: net interest income + net fees and commission result was €710m in H1 '15 (+3.8% Y/Y) and €365M in 2Q '15 (+6.0% Q/Q)</li> <li>❑ Net fees and commissions were +11.0% Y/Y and 6.9% Q/Q; <b>best result in more than 4 years</b></li> <li>❑ Operating costs continued to be under control:             <ul style="list-style-type: none"> <li>❑ H1 '15 operating costs: -2.3% Y/Y in spite of €12.4m contribution to the SRF and deposits guarantee scheme (net of these item costs would be down -4.8% Y/Y)</li> <li>❑ H1 '15 cost/income normalised on a like-for-like basis<sup>3</sup>: 55.9% slightly decreasing Y/Y (-0.1%) and strongly down vs Dec '14 (-3.3%)</li> <li>❑ H1 '15 normalized net profit<sup>4</sup>: €164.7m vs €97.5m in H1 '14</li> </ul> </li> </ul>

1. Texas ratio: net non-performing exposures / (capital + reserves – intangible assets)
2. Capital ratio calculated including AFS reserves as at 31 July 2015
3. Net of non-recurring items and €12.4m contribution in H1 '15 for SRF and deposit guarantee
4. Net of non-recurring items

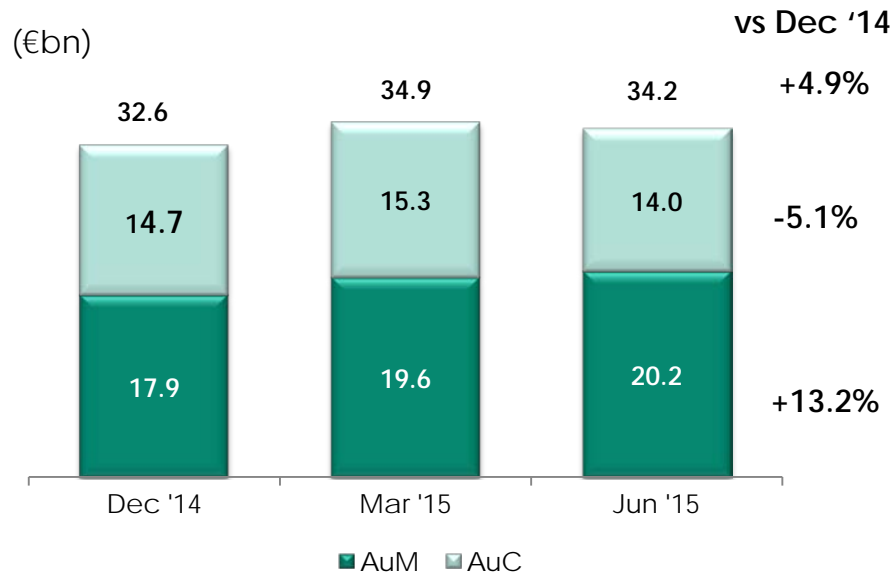
Source: BPM's H1 2015 results



# H1 2015 results: direct and indirect customer funding



	vs Mar '15	vs Dec '14
<b>Direct Funding</b>	<b>+1.0%</b>	<b>-0.1%</b>
Repos	+21.4%	+18.3%
Securities and FL at FV	-15.3%	-18.1%
Time deposits	-2.2%	-21.9%
Sight deposits	+3.6%	+7.6%



## AUC BY ASSET CLASS

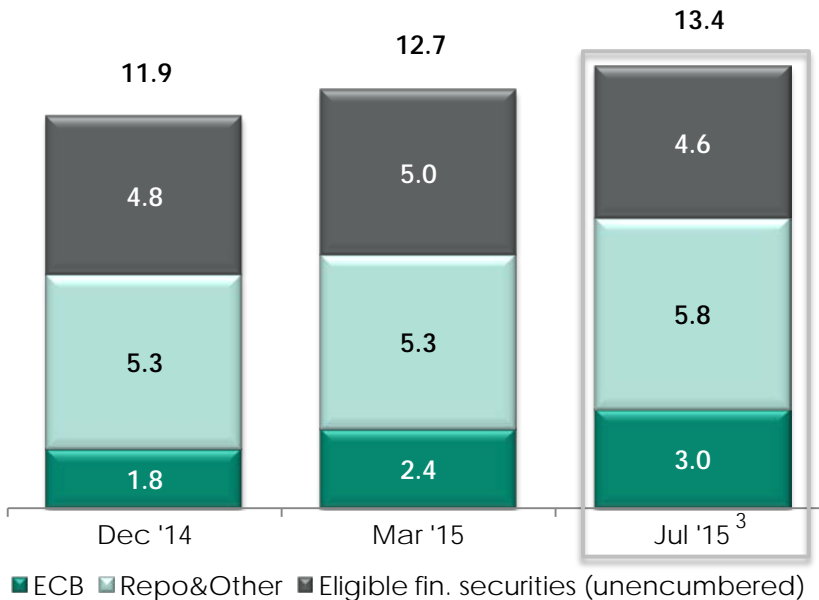
	Jun-15	vs Jun '14
Equity	31%	+6%
Government bonds	39%	-2%
Bonds & other	30%	-4%

## FUNDS BY ASSET CLASS

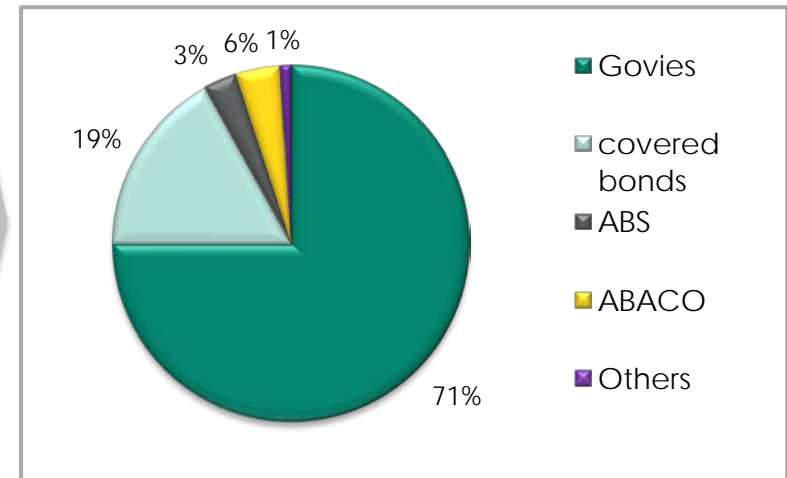
	Jun-15	vs Jun '14
Equity	11%	-3%
Balanced	15%	-1%
Liquidity	1%	-1%
Flexible	30%	-2%
Bond	43%	+7%

# H1 2015 results: liquidity position

Use of eligible securities<sup>1</sup>(€m)



Composition of eligible securities<sup>2</sup>



- Net liquidity balance<sup>3</sup>: spot 9.3% of total assets and about €3bn at 3 months
- ECB exposure: €3.0bn (includes €2.8bn TLTRO)
- The group's liquidity profile continued to be sound thanks to €4.6bn unencumbered eligible securities in addition to a wide buffer of other eligible assets (residential mortgages, SME and retail loans)

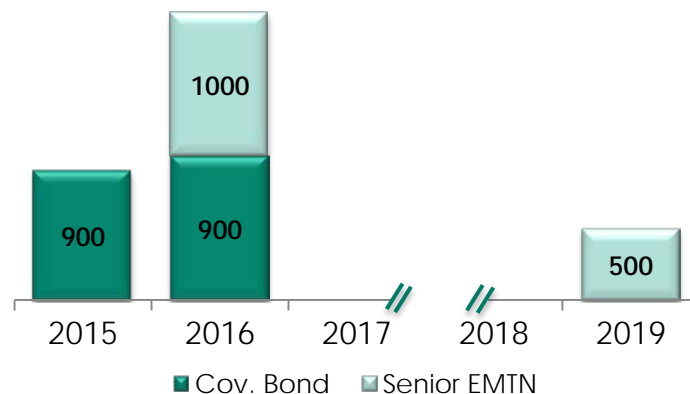
1. Includes eligible securities received as collateral  
 2. Dirty price net of ECB haircut  
 3. Figures as at 28 July 2015  
 Source: BPM

# H1 2015 results: maturing securities<sup>1</sup>

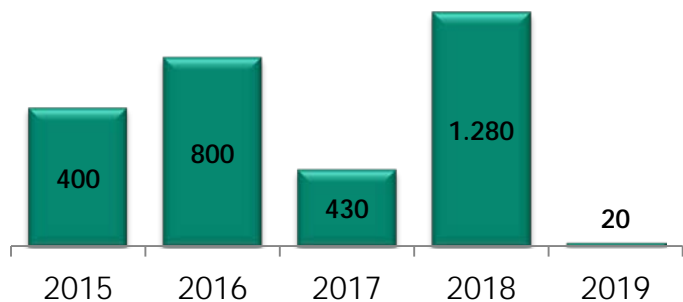
- A 5-year €900m Covered Bond is due to expire in November 2015



Wholesale funding by maturity (€m)



Retail Bonds by maturity (€m)



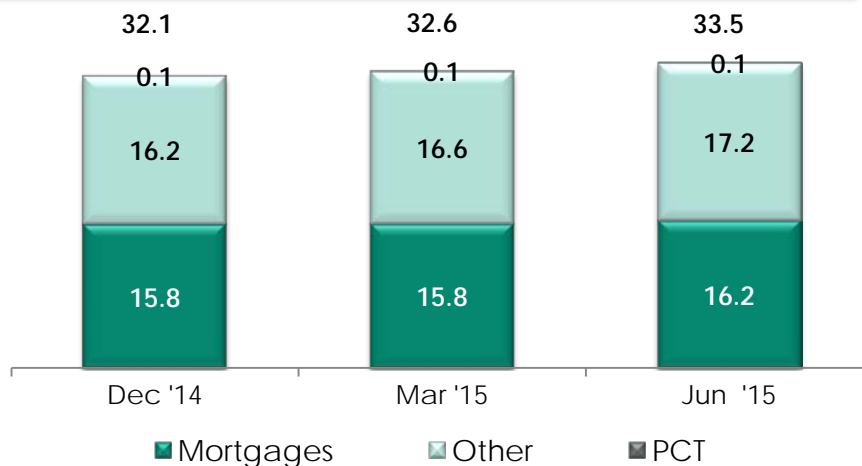
- €400m retail bonds are due to expire in H2 '15:
  - 3Q '15: €180m
  - 4Q '15: €220m

- The 2015 Funding Plan envisages the issue of medium-term institutional bonds in H2 '15

1. Institutional (net of repurchases) and retail securities are expressed at first call date  
Source: BPM

# H1 2015 results: loans to customers, NPEs and coverage

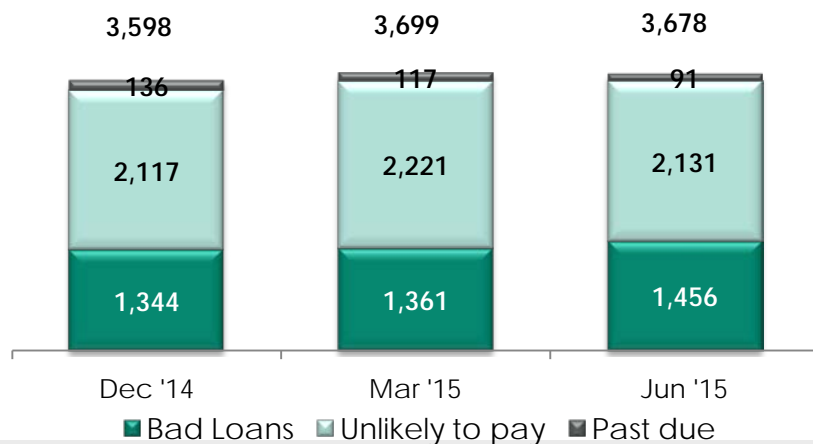
## Loans to customers (€bn)



Vs. Mar '15 Vs. Dec '14

Loans to customers	+2.7%	+4.4%
Repos	n.s.	n.s.
Others	+3.3%	+6.1%
Mortgages	+2.1%	+2.4%

## Total net non-performing exposures (€m)



### Coverage %

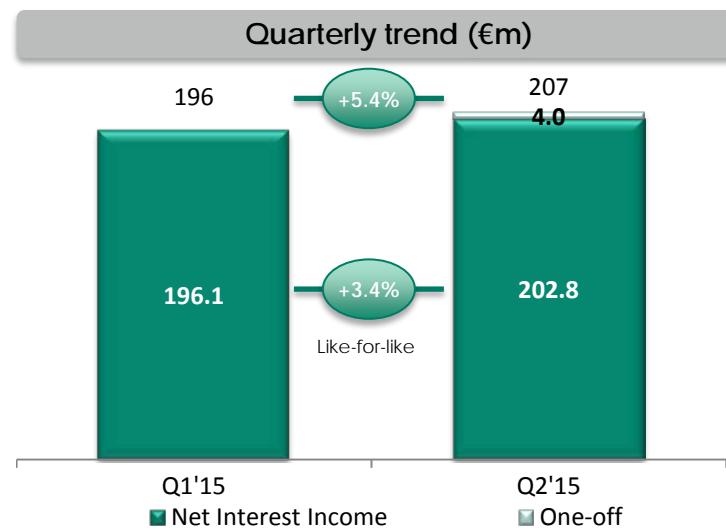
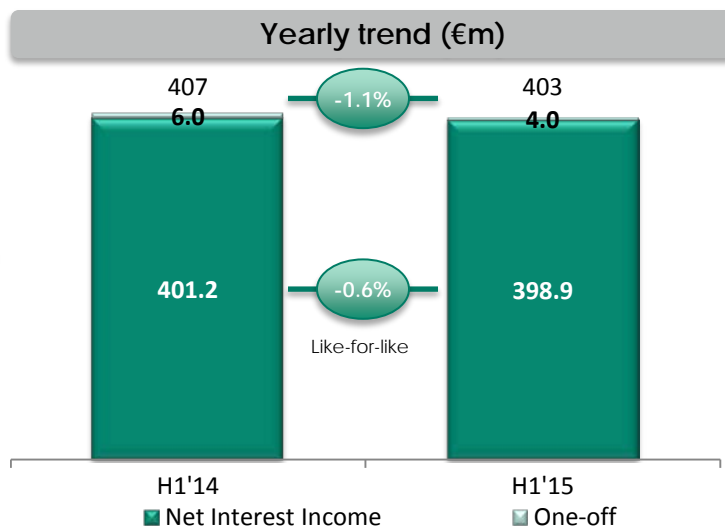
Dec '14 Mar '15 Jun '15

Tot. NPE	38.5	38.3	39.3
Bad Loans	55.9	55.8	54.9
Unlikely to pay	20.3	20.5	22.1
Past due	8.4	8.4	9.7
Performing	0.73	0.69	0.67
<b>Total loans</b>	<b>7.1</b>	<b>7.1</b>	<b>7.2</b>

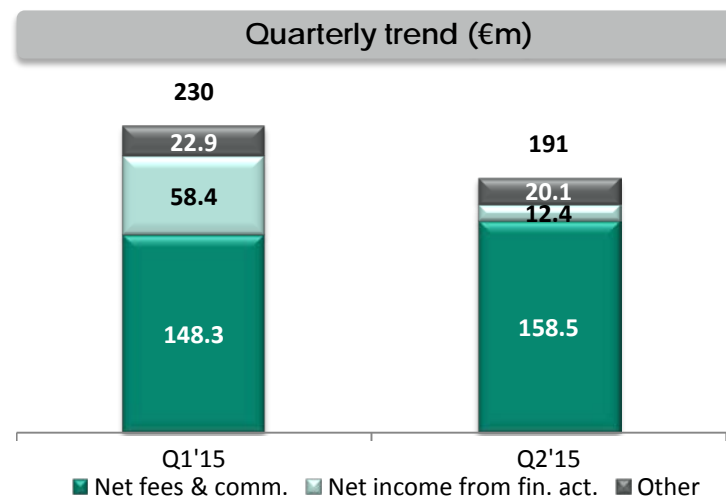
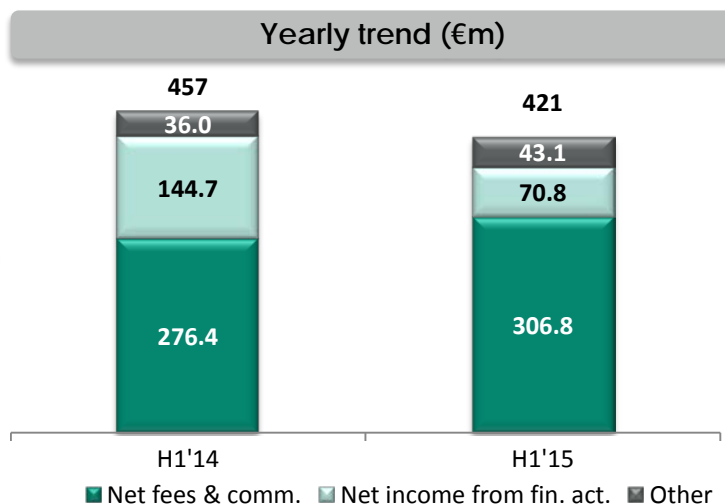
Source: BPM

# H1 2015 results: revenue components

Net Interest Income



Non Net Interest Income

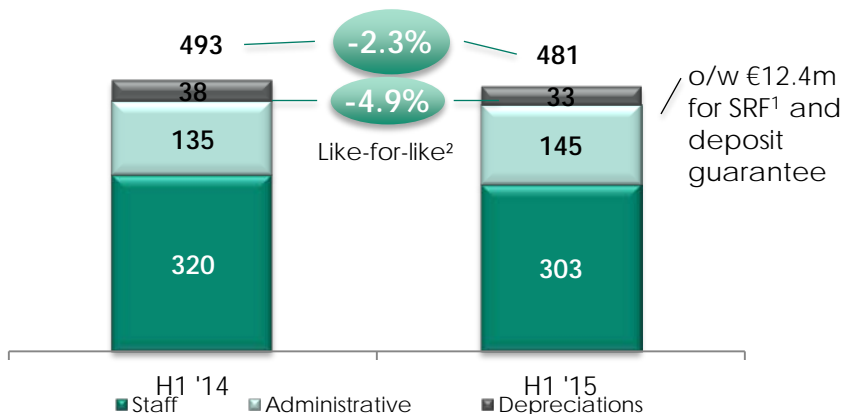


1. Other operating income/expenses and share of profit /loss on investments valued under the equity method  
Source: BPM

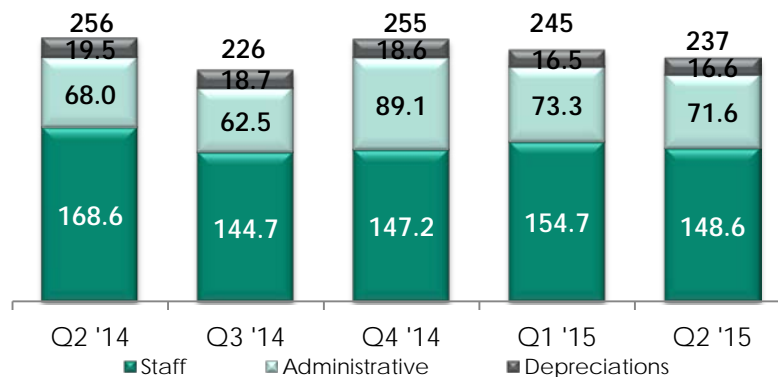
# H1 2015 results: operating cost and cost of risk

## Operating Cost

### Yearly comparison (€m)

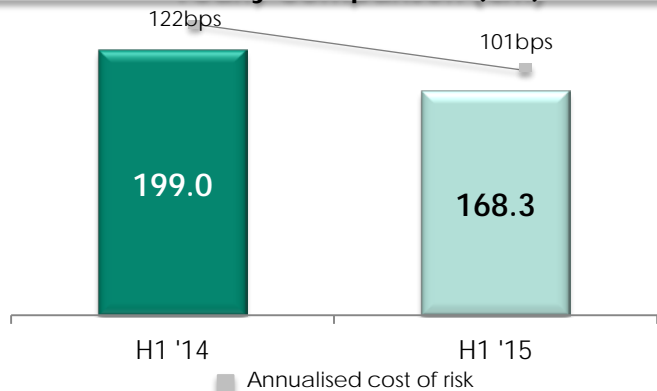


### Quarterly comparison (€m)

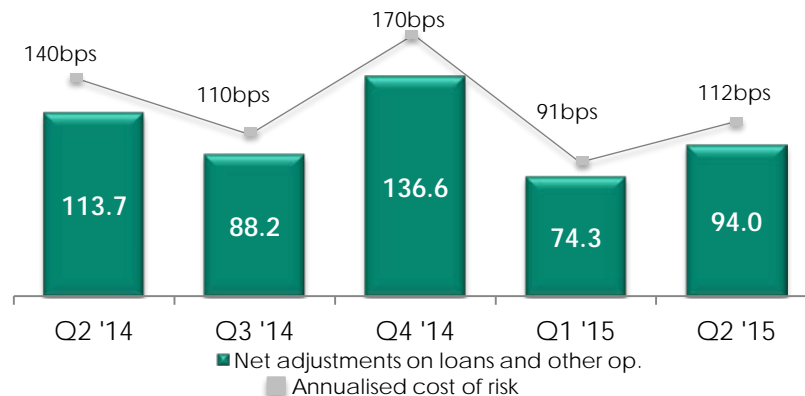


## Cost of Risk

### Yearly comparison (€m)



### Quarterly comparison (€m)



1. Single Resolution Fund . 2.Net of €12.4m for SRF and deposit guarantee  
Source: BPM

# H1 2015 results: stated vs normalised<sup>1</sup>

(€m)	Stated			Net of non-recurring items		
	Jun '15	Jun '14	Change Y/Y %	Jun '15	Jun '14	Change Y/Y %
<b>Net interest income</b>	<b>402.9</b>	<b>407.2</b>	<b>-1.1%</b>	<b>402.9</b>	<b>407.2</b>	<b>-1.1%</b>
<b>Non-interest income:</b>	<b>420.7</b>	<b>457.1</b>	<b>-8.0%</b>	<b>432.2</b>	<b>457.1</b>	<b>-5.4%</b>
- Net fees and commission income	306.8	276.4	11.0%	<b>306.8</b>	<b>276.4</b>	11.0%
- Other operating income	113.9	180.7	-37.0%	125.4	180.7	-30.6%
- Share of Profit (loss) on the investments valued under the equity	19.1	11.9	59.8%	19.1	11.9	59.8%
- Net income (loss) from financial activities	70.8	144.7	-51.0%	82.3	144.7	-43.1%
- Other operating income/expenses	24.0	24.1	-0.3%	24.0	24.1	-0.3%
<b>Operating income</b>	<b>823.5</b>	<b>864.3</b>	<b>-4.7%</b>	<b>835.0</b>	<b>864.3</b>	<b>-3.4%</b>
Administrative expenses:	-448.2	-455.3	-1.5%	-446.1	-446.8	-0.2%
a) Personnel expenses	-303.4	-320.5	-5.3%	-301.2	-312.0	-3.5%
b) Other administrative expenses	-144.9	-134.8	7.5%	-144.9	-134.8	7.5%
Depreciations and amortisation	-33.1	-37.5	-11.8%	-33.1	-37.5	-11.8%
<b>Operating costs</b>	<b>-481.4</b>	<b>-492.8</b>	<b>-2.3%</b>	<b>-479.2</b>	<b>-484.3</b>	<b>-1.1%</b>
<b>Operating profit</b>	<b>342.2</b>	<b>371.5</b>	<b>-7.9%</b>	<b>355.8</b>	<b>380.0</b>	<b>-6.3%</b>
Net adjustments to loans and other operation	-168.3	-199.0	-15.4%	-168.3	-199.0	-15.4%
Net provisions to risk and charges	1.1	4.7	-77.0%	1.1	4.7	-77.0%
Profit (loss) from equity and other investments	37.5	104.5	-64.2%	38.9	0.0	n.s.
<b>Profit (loss) before tax from continuing operations</b>	<b>212.4</b>	<b>281.7</b>	<b>-24.6%</b>	<b>227.4</b>	<b>185.7</b>	<b>22.5%</b>
Tax on income from continuing operations	-58.1	-89.9	-35.3%	-62.5	-87.9	-28.9%
<b>Net profit (loss) for the period</b>	<b>154.2</b>	<b>191.8</b>	<b>-19.6%</b>	<b>164.9</b>	<b>97.8</b>	<b>68.7%</b>
Minority interests	-0.2	-0.3	45.3%	-0.2	-0.3	43.5%
<b>Net profit</b>	<b>154.1</b>	<b>191.5</b>	<b>-19.5%</b>	<b>164.7</b>	<b>97.5</b>	<b>69.0%</b>

Net profit on a like-for-like was up 29% Y/Y even when stripping out the positive contribution in 2Q '15 from Selma Bipiemme Leasing (€38.9m)

1. Net of non-recurring items  
Source: BPM

# Index

Executive Summary

BPM Overview

BPM H1 2015 Results

**Cover Programme and Pool Summary**

BPM Mortgage Business Overview

Appendix:

Italian OBG Framework and Criteria

Statutory Tests

Overview of Italy and the Italian Mortgage Market



# Features of BPM's obbligazioni bancarie garantite ("OBG") 2

Despite having an established programme, many rating agency and covered bond market developments have occurred making the establishment of a new programme beneficial

---

## Background

BPM's first programme was established back in 2008. Over the last 7 years it has been subject to various amendments following changes to rating agencies methodologies as well as numerous counterparty downgrades. For this reason BPM has decided to structure a new programme from scratch. The new programme will allow BPM to adapt, in a clean way, to changes to various rating triggers as well as swap structures

---

## Residential

BPM's first programme has the contractual possibility to include commercial and residential mortgages. The OBG2 will be a pure residential mortgage programme and it is BPM's intention to use it for the new public issues. The OBG1 could be used for retained issues and in the future could include commercial mortgages. Finally, BPM's ultimate intention is to move collateral from the OBG1 to the new programme as outstanding OBGs become mature under the OBG 1 programme

---

## Single Agency

BPM has decided to opt for only one rating agency, Moody's. In the covered bond market there are numerous OBG programmes with only one rating (12 out of 20 programmes in Italy). Moody's is the rating agency who we believe has the most transparent OBG rating methodology and over the years has been the most consistent allowing the rating of the OBG to be more stable and consequently the rating has been less volatile compared to other rating agencies. Moody's already rates BPM OBG1 and understands BPM's mortgage business very well. We expect a rating of A2 on the new programme.

BPM will commit the same contractual OC amount as per BPM OBG1 of 7.5%, despite a lower Moody's required OC for an [A2] rating

---

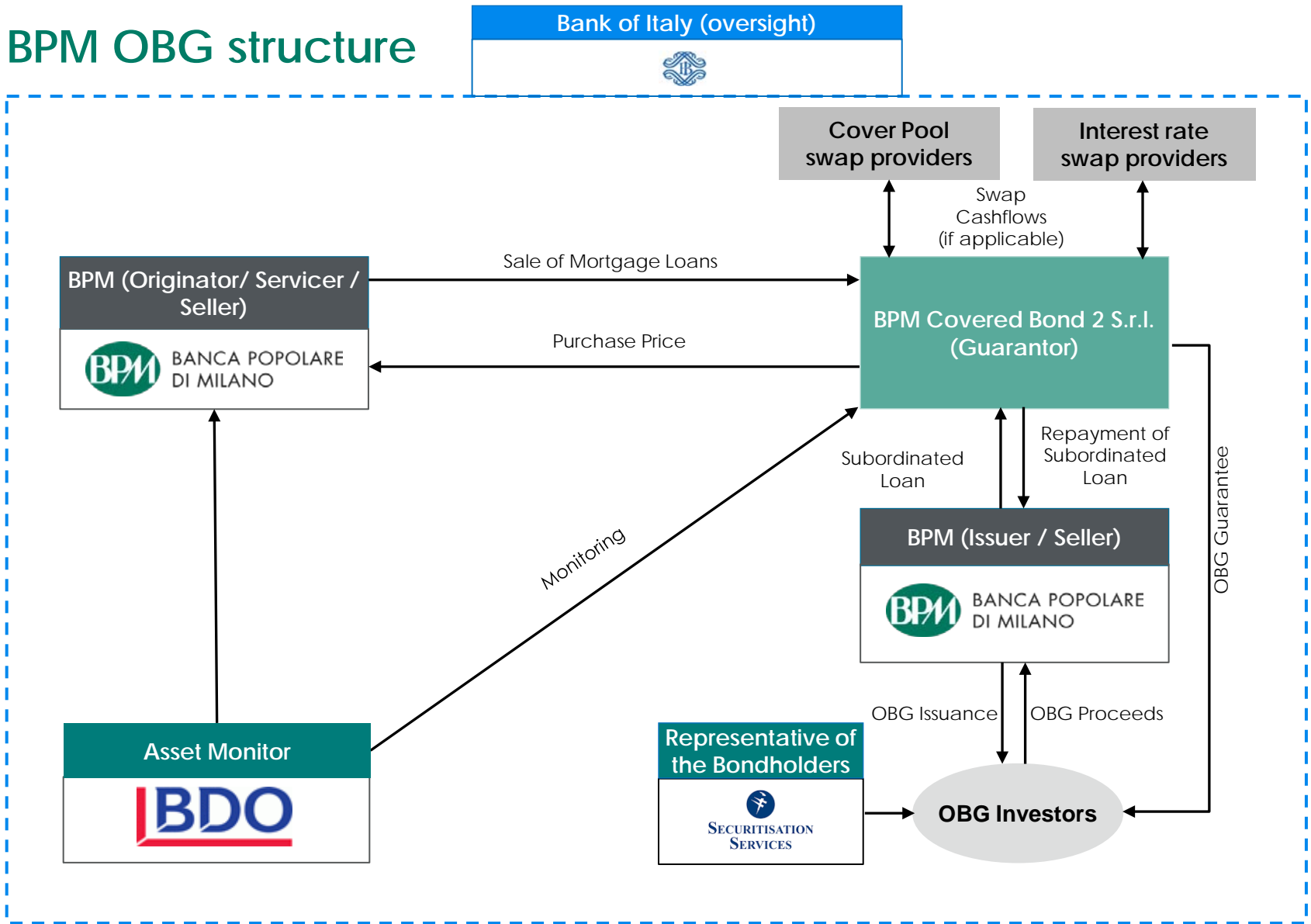
## Counterparties

One key difference compared to BPM's OBG1 refers to the counterparties selected. The Asset Monitor for this programme will be BDO Italia (formerly Mazars; well known asset monitor in the Italian market); Account Bank, Principal Paying Agent, Paying Agent, LuxSE Agent will be BNP Paribas; Representative of the Bondholders will be Securitisation Services and Back Up-Servicer will be Zenith

---

Source: BPM

# BPM OBG structure



Source: BPM OBG 2 prospectus



This document should not be distributed in the United States or to U.S. persons as defined in Regulation S of the U.S. Securities Act of 1933, as amended

# Cover programme summary

	Banca Popolare di Milano
Seller	BPM
Programme size	€10,000,000,000
Guarantor	BPM Covered Bond 2 S.r.l
OBG Ratings	[A2] (Moody's)
Cover Pool	Prime, first lien, residential mortgage loans only
Segregation Collateral	The cover pool is segregated by law from the guarantor's other assets
Listing	Luxembourg
Over-collateralisation	Statutory tests are to be run monthly to ensure sufficient programme support
Calculation Agent	BPM
Principal Paying Agent, Account Bank, Paying Agent, Listing Agent	BNP Paribas
Asset Monitor	BDO Italia S.p.A (formerly Mazars)
Governing Law	Italian
Representative of the Bondholders	Securitisation Services S.p.A.
Arranger	Barclays
ECB CBPP3 Programme	BPM's OBG is compliant with all the conditions required and should be therefore eligible for CBPP3 as a Level 2A asset

Source: BPM OBG 2 prospectus

# Programme comparison

	OBG 1	OBG 2
Size	€ 10,000,000,000	€ 10,000,000,000
Rating Agency(ies)	Moody's & Fitch	Moody's
Rating (Moody's / Fitch)	A2 / BBB+	A2 Expected
Sellers	Webank and BPM	BPM <sup>1</sup>
Eligible Assets	Residential and commercial mortgages	Residential mortgages only
Asset Monitor	PricewaterhouseCoopers	BDO Italia (formerly Mazars <sup>2</sup> )
Swaps	Interest Rate Swap	Interest Rate Swap
Account Bank	BPM / Bank of New York Mellon	BNP Paribas
Listing and Paying Agent	Bank of New York Mellon	BNP Paribas
Principal Paying Agent	Bank of New York Mellon	BNP Paribas
Back-up Account Bank	Bank of New York Mellon	BPM
Back-up Servicer	Zenith Services S.p.A	Zenith Services S.p.A
Representative of the Bondholders	Bank of New York Mellon	Securitisation Services S.p.A.
Commingling	Cash commingling	Deduction from Asset Coverage Test

Source: Prospectuses from BPM's OBG1 and OBG2 programmes

1. Webank merged with BPM in 2014. 2. Mazars Italy recently merged with the BDO Network.

# Collateral comparison

Cover Pool as of Cut-off Date	OBG 1	OBG 2
Number of Loans	55,215	11,823
Total Residential Loan Balance	€ 4,965,681,050	€1,351,327,092
Total Original Balance	€ 6.760.277.284,38	€ 1,459,177,501
Average Current Balance	€ 91,047	€ 114,296
Pool Cut-off date	31 July 2015 <sup>1</sup>	22 August 2015
WA Interest Rate (bps)	218	276
WA OLTV	60.21%	57.26%
WA CLTV	52.23%	54.51%
WA Seasoning (months)	64.26	17.59
WA Remaining Term (months)	220.21	262.09
Latest Maturity Date	30 September 2045	30 June 2045

Note: All data from the OBG 1 programme comes from the July 2015 investor report

1. Investor report date

Source: BPM

# Cover pool summary

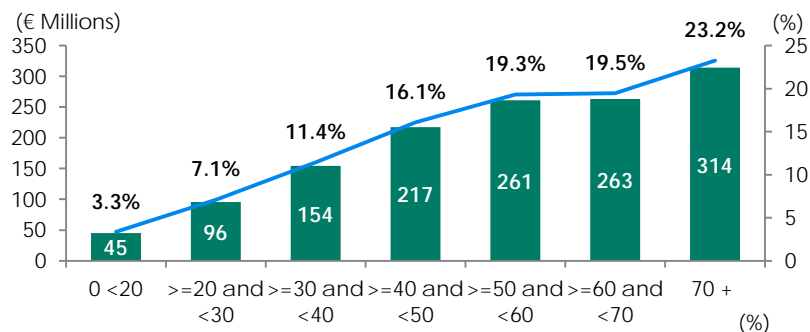
## Cover Pool as of Cut-off Date (22<sup>nd</sup> August 2015)

Originator (BPM <sup>1</sup> /Webank) (%)	34.56 / 65.44
Number of Loans	11,823
Current Balance (Euro)	1,351,327,092.40
Average Current Balance (Euro)	114,296
Max Current Balance (Euro)	1,529,583
Original Balance (Euro)	1,459,177,500.84
Average Original Balance (Euro)	123,419
Max Original Balance (Euro)	1,960,000
Origination date (min - max)	11/06/1997 - 29/06/2015
Maturity date (min - max)	01/12/2015 - 30/06/2045
WA Original Maturity (years)	23.32
WA Seasoning (years)	1.47
WA Remaining Term (years)	21.86
WA CLTV (%)	54.51
WA OLTV (%)	57.26
Debtor Geographical Area (N/C/S)	59.99 / 32.98 / 7.03
Top 1 Debtor (%)	0.11
Top 10 Debtors (%)	0.74
Top 20 Debtors (%)	1.23
Payment Frequency (M/Q/S) (%)	97.62 / 1.26 / 1.12
Current Interest Rate (Fix/Float) (%)	28.97 / 71.03
Interest Rate Type (Fix/Float/Float Cap/Mix/Opt) (%)	23.91 / 52.71 / 16.12 / 0.05 / 7.21
WA Interest Rate (%) for Fixed Rate Loans	3.67
WA Spread (%) for Floating Rate Loans	2.39
WA Interest Rate (%) total pool	2.76
WA Spread (%) total pool	2.26

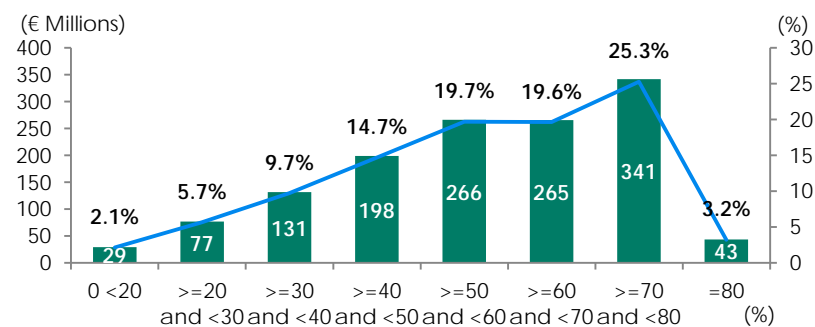
1. Include BDL and CRAL  
Source: BPM

# Stratification tables (1/3)

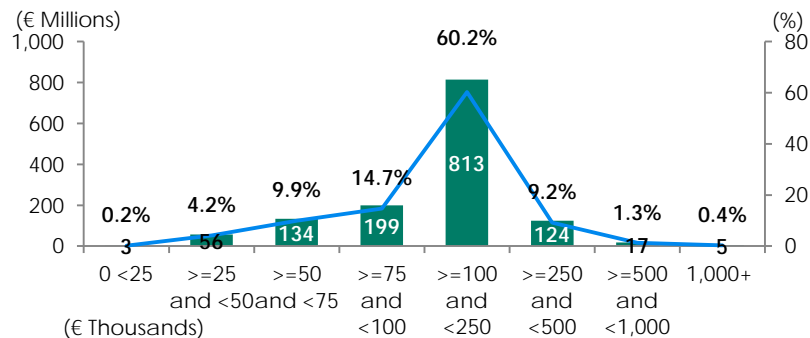
CLTV (%)					
Max	79.97	Min	0.05	WA	54.51



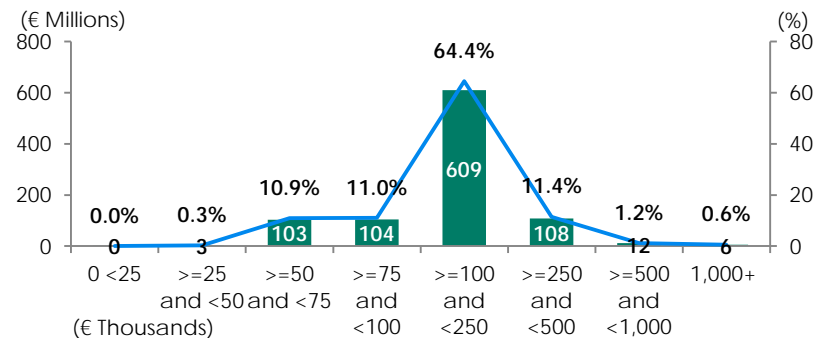
OLTV (%)					
Max	80.00	Min	0.4	WA	57.26



Current Balance			
Max	€1,529,583	Min	€76
Average		€114,296	



Original Balance			
Max	€1,960,000	Min	€2,780
Average		€123,419	



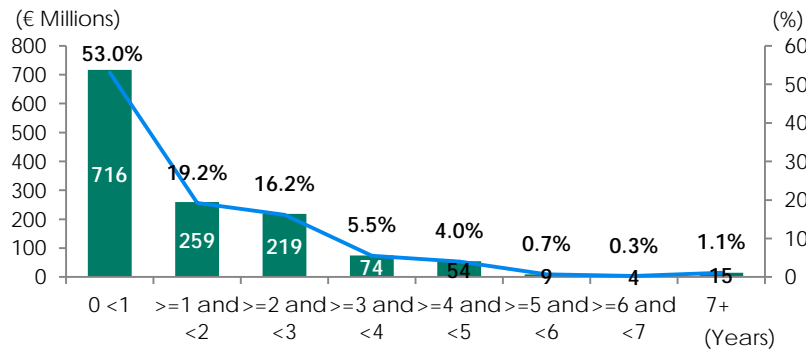
Source: BPM



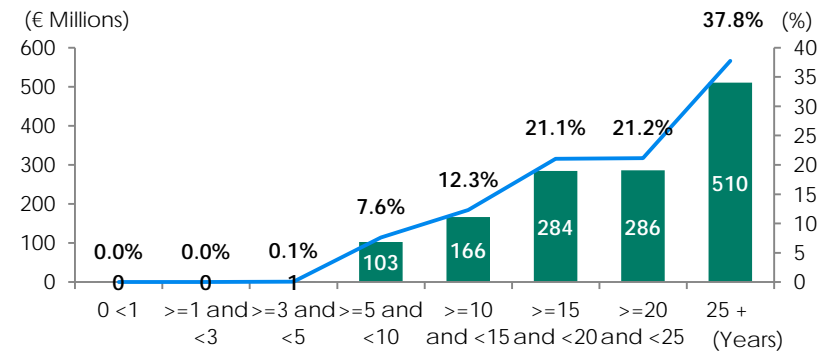
This document should not be distributed in the United States or to U.S. persons as defined in Regulation S of the U.S. Securities Act of 1933, as amended

# Stratification tables (2/3)

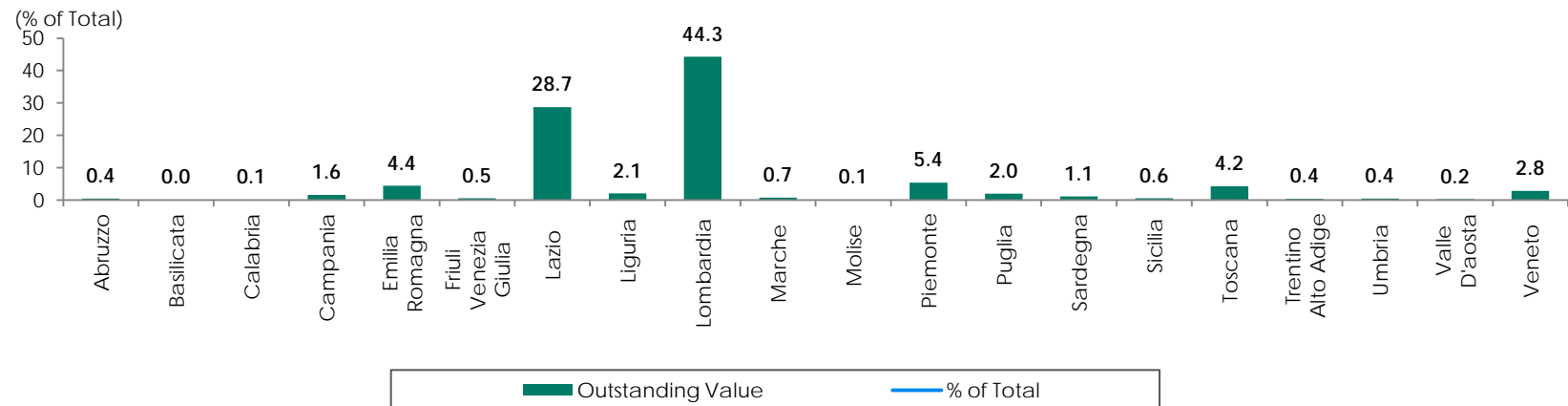
Seasoning (years)					
Max	18.20	Min	0.15	WA	1.47



Remaining Term (years)					
Max	29.86	Min	0.28	WA	21.86



## Breakdown of Property Region

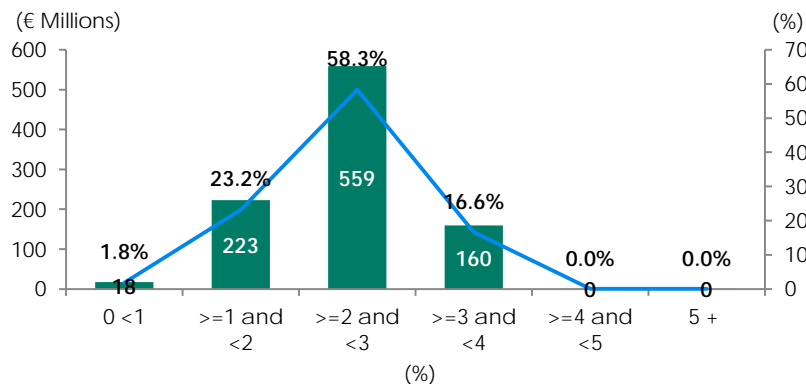


Source: BPM

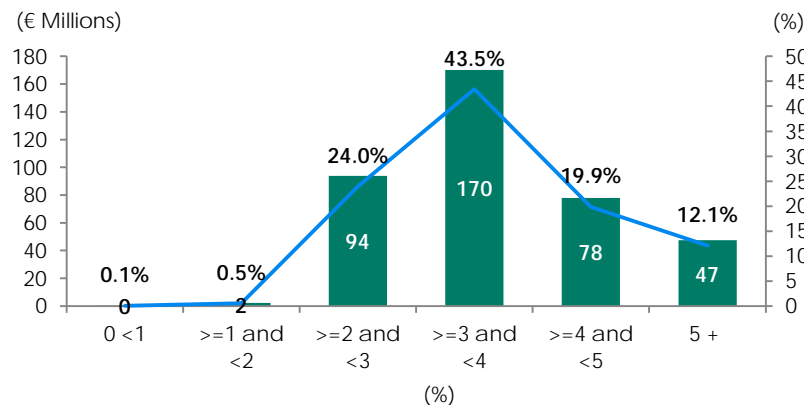


# Stratification tables (3/3)

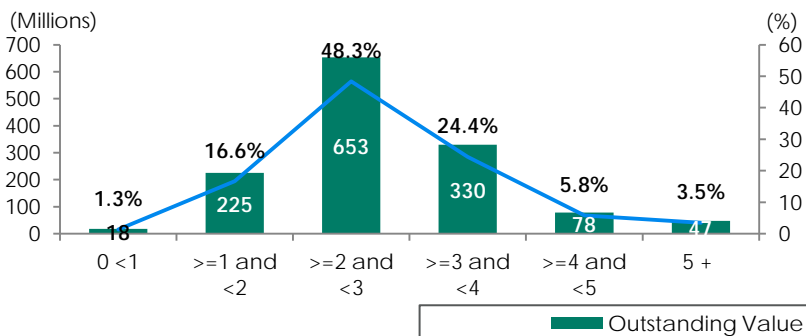
Interest Rate for Current Floating Rate Mortgages (%)					
Max	6.16	Min	0.50	WA	2.39



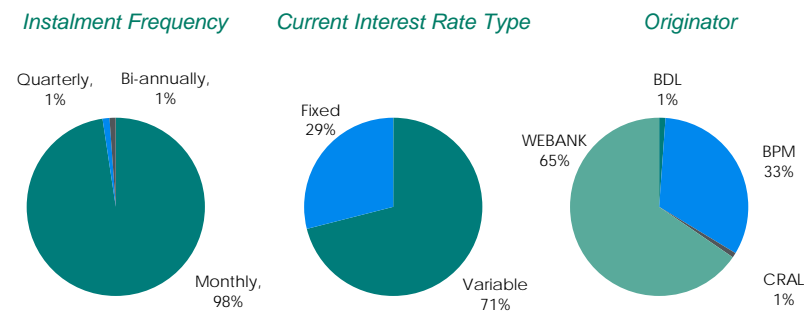
Current Interest Rate for Fixed Rate Mortgages (%)					
Max	8.00	Min	0.75	WA	3.67



Current Interest Rate (%)					
Max	8.00	Min	0.50	WA	2.76



Breakdown		
-----------	--	--



Source: BPM



This document should not be distributed in the United States or to U.S. persons as defined in Regulation S of the U.S. Securities Act of 1933, as amended

# Index

Executive Summary

BPM Overview

BPM H1 2015 Results

Cover Programme and Pool Summary

**BPM Mortgage Business Overview**

Appendix:

Italian OBG Framework and Criteria

Statutory Tests

Overview of Italy and the Italian Mortgage Market

# Origination and underwriting

## Underwriting

The mortgage origination process envisages the intervention of two key players:

- Branch: intervenes in the initial stage of business consulting, documents acquisition and subsequently during signing of the deed and the mortgage
- "Loan centre": handles the entire process of investigation until the preparation of contract documents

## Property Valuation

The valuation of the property subject to a mortgage guarantee meets the rigorous standards Basel II provided for the purpose of risk mitigation. For residential loan the LTV must not be higher than 80%.

## Servicing

Some phases of the process are outsourced. In particular:

- Control and storage of documents in electronic format on the loan application
- Execution and storage in electronic format of real estate appraisal
- Control, scanning and storage in electronic and paper documents after the execution of the mortgage loan

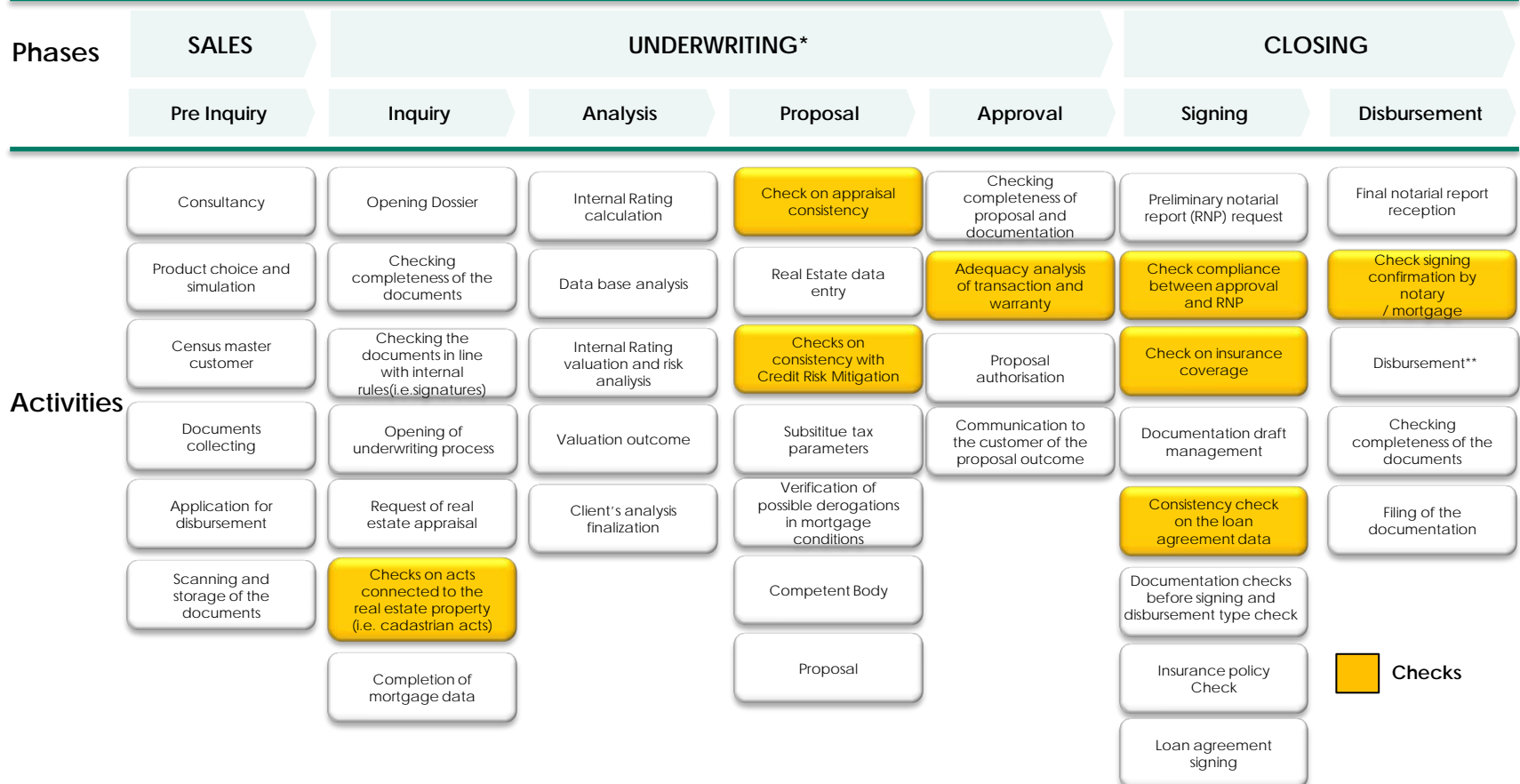
Source: BPM's Credit and Collection Policy

The phase of the mortgage origination under Webank's channel uses forms of distance communication for business advice and during the closing phase. Mortgages originated under Webank's channel are stipulated in unilateral mode: without the presence of the bank's delegate during the signing of the mortgage agreement

# BPM Group's mortgage loan process

## Main parties involved

- Both the branches (Sales and Closing) and the Centro Mutui (Underwriting and Closing) are involved in the origination
- Documentation checks and electronic filing processes are made in outsourcing



Source: BPM

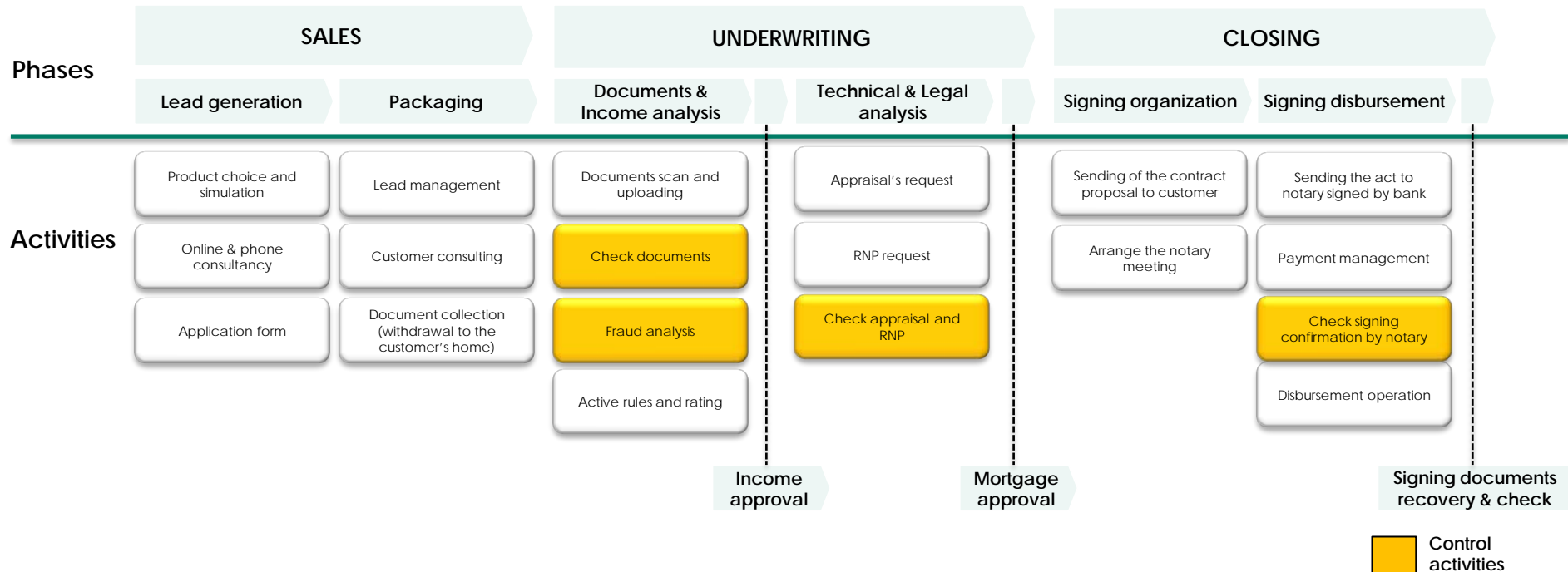
\* Smart Center processes are made by different roles (Maker & Checker)

\*\* If not contextual with the signing

# Webank's mortgage loan process

## Main parties involved

- The origination process is operated directly by Webank or with the support of an external processor
- The model allows standardization of activities according to the operating rules provided and facilitates the management of peaks of work
- The decision-making phases remains on the deliberative functions in Webank, according to the autonomies provided by the internal Credit Regulation



Source: BPM

# Credit policy – key parameters

---

## Underwriting Parameter Bank Policy

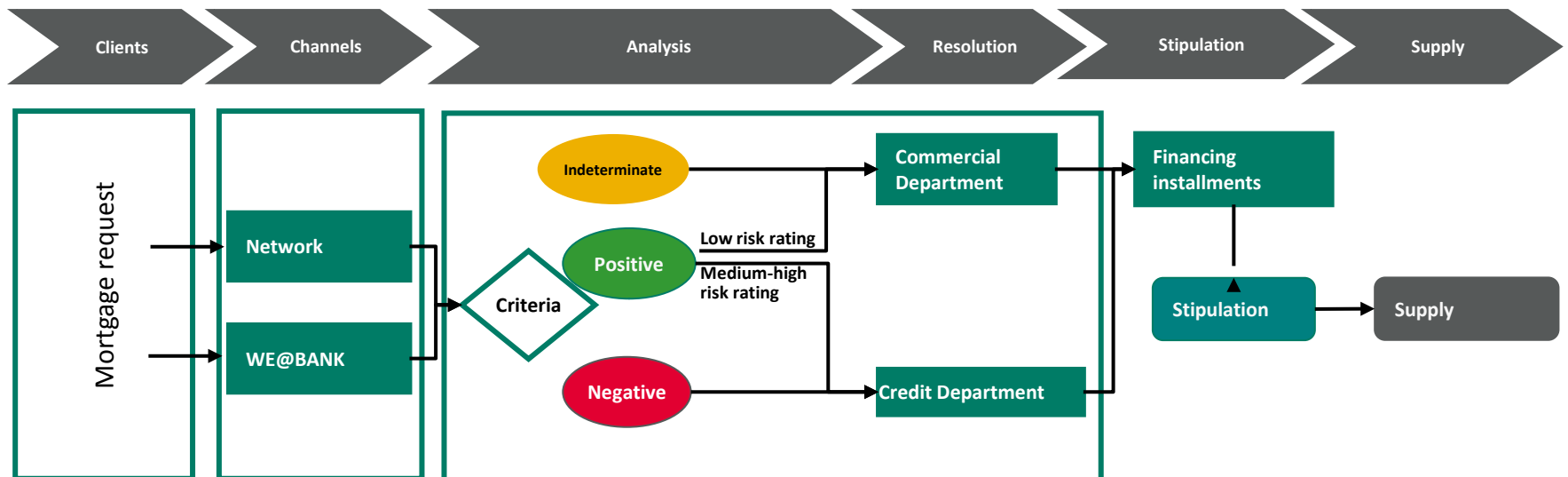
Loan Purpose	Purchase / Construction / Refurbishment/ Liquidity / Subrogation
Loan Security	Mortgage is 150% of the loan amount
Property Owner	Individuals
Citizenship	All
Insurance	Mandatory: fire and explosion (BPM's Risks Home Insurance / external policy); Optional: CPI and TCM
Original LTV	Max 80% (50% if non residential properties)
Tenor & Grace Period	Max 30 years
Loan Repayment Method	Bank account BPM / Webank or SDD other banks
Age	Max 75 years at maturity
Profession	Full term employee / Self employed / retired
Minimum Net Income	Consistent with DTI
DTI	40%
Residency	Italian
Guarantor Policy	Third party guaranty if inadequate income of the borrower

---

Source: BPM

# Mortgage approval process

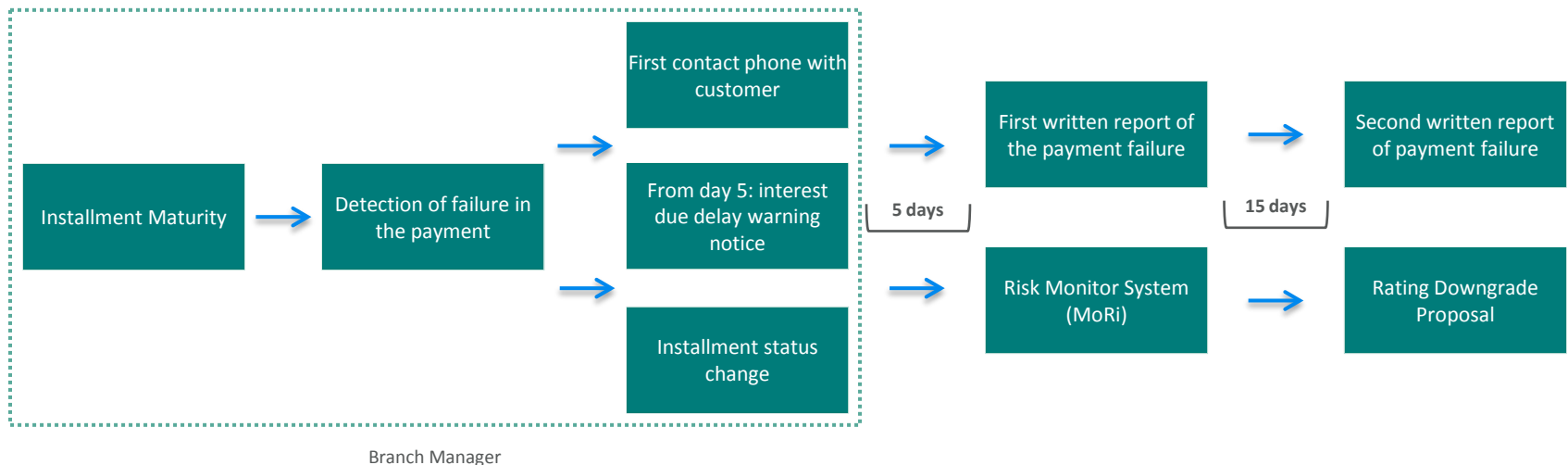
- ❑ Decisions are taken by the Commercial Department if:
  - Amount requested within the limits of its delegated powers
  - Outcome of the customer assessment "indeterminate" or "positive" with a low-risk rating
  - Compliance with the policy established by the Consolidated delegated powers on credit with respect to: LTV , mortgage registered 1st lien, etc.
- ❑ Decisions are taken by Credit Local Department or Central Functions when:
  - Amount requested goes beyond the limits of the delegated powers of the marketing functions
  - Outcome of the customer assessment is "negative" or "positive" with a medium-high risk rating



Source: BPM

# Management and collection of payments

- ❑ The payments of the instalments of the mortgages and loans are made primarily through direct debit. A small part is paid via Sepa Direct Debit (SDD)
- ❑ The products in place before November 2002 have instalment payments during the month, whereas after this date the instalment payment is fixed at end of month
- ❑ “Renewal notices” are not sent when the payment is internal to the Bank as the orders pass directly to the bank account. In the case of Direct Debit flows, the renewals are automatically activated and bank accounts opened with other banks are charged
- ❑ In case of detection of missing payment, BPM activates the litigation procedure, which is shown below:



Source: BPM



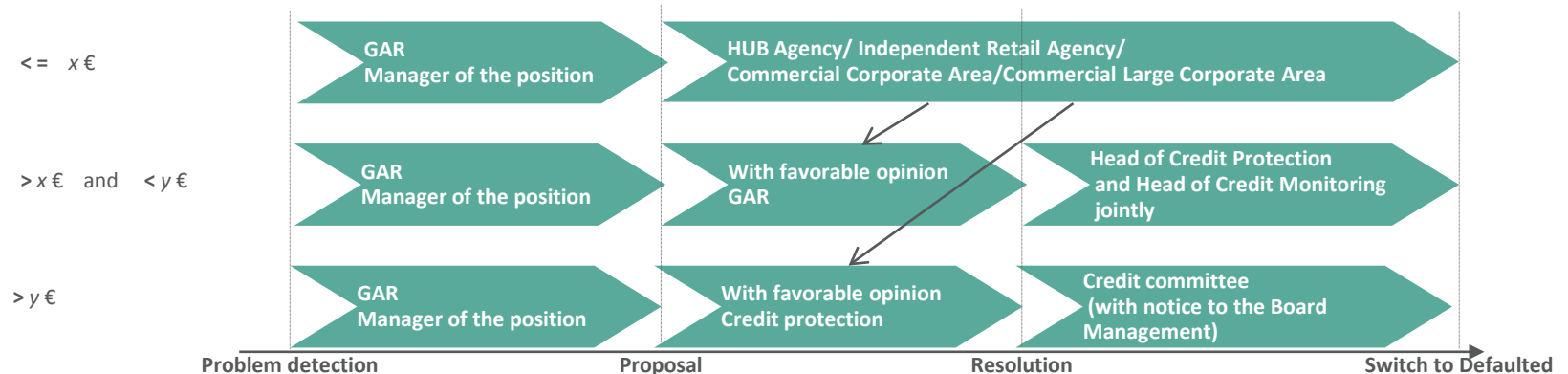
# Status of “Unlikely to pay” (incaglio) and management

- ❑ The classification of “unlikely to pay” is in charge of the Credit Monitoring Department which responds to the CLO
- ❑ The activity is supported operationally by a system of automatic monitoring of credit risk which, through the systematic examination of information and internal / external events, detects symptoms of worsening of the position and shall propose the classification to “unlikely to pay” of positions showing payment arrears.
- ❑ The management of “unlikely to pay” is attributed to the Office “Gestione Credito Anomalo Privati” that is part of the Credit Protection Department and reports to the Chief Lending Officer.

Source: BPM

# When loans are classified as defaulted loans (sofferenze)

- The necessity of moving the loan to litigation is determined by the negative relationship or serious events that could endanger the solvency of the customer (i.e. registration of prejudicial acts, court and legal mortgages, seizures, foreclosures)
- When assessing if a loan should be classified as defaulted the following principles and formal procedures (which are function of the overall exposure) are applied:



GAR: Gestore Anomalo Retail

Source: BPM

# Foreclosure procedures

## Litigation Office "Ufficio Contenzioso"

People are organized in 4 teams processing defaulted positions divided as follows

- with exposures greater than 1 million euro
- under insolvency proceedings
- classified as mortgage loans
- other loans
- "Ufficio Contenzioso" is mainly located in Milan, with additional offices in Bologna, Padua and Rome

## Procedures

The defaulted positions are evaluated on a monthly basis through the definition of the doubtful loan, the maximum recovery amount and the expected cash flow

This data is used to calculate the impairment of each defaulted loan that will be entered into balance sheet

## Settlement

The defaulted positions are closed:

- after the total or the agreed recovery
- after the enforcement or insolvency proceedings
- after the determination of the final loss of the loan due to the fact that the bank cannot recover the entire defaulted position anymore.

Source: BPM

# Index

Executive Summary

BPM Overview

BPM H1 2015 Results

Cover Programme and Pool Summary

BPM Mortgage Business Overview

## Appendix:

Italian OBG Framework and Criteria

Statutory Tests

Overview of Italy and the Italian Mortgage Market

# OBG framework

	Italian Legal Framework	BPM'2 OBG 2 Programme
Issuer	<ul style="list-style-type: none"> <li>Only banks complying with Bank of Italy's requirements strong capitalization</li> </ul>	<ul style="list-style-type: none"> <li>Currently BPM has a Tier 1 Ratio <math>\geq 9\%</math> (<b>11.89%</b>) and a Common Equity Tier 1 Ratio (CET1R) <math>\geq 8\%</math> (<b>11.35%</b>)</li> </ul>
Supervision	<ul style="list-style-type: none"> <li>Bank of Italy acts as regulator for the OBG issuances</li> </ul>	
Asset Segregation	<ul style="list-style-type: none"> <li>Strong asset segregation mechanism via true sale to a Law 130/99 SPV</li> </ul>	
Eligible Assets for Collateral	<ul style="list-style-type: none"> <li>Mortgages</li> <li>High quality public sector loans</li> <li>Substitute assets (max 15% of cover pool)</li> </ul>	<ul style="list-style-type: none"> <li>Prime, first lien, residential mortgage loans</li> </ul>
LTV	<ul style="list-style-type: none"> <li>Strong quality for the eligible assets:</li> <li>LTV <math>\leq 80\%</math> for residential mortgages</li> <li>LTV <math>\leq 60\%</math> for commercial mortgages</li> </ul>	<ul style="list-style-type: none"> <li>WA Current LTV: 54.51%</li> <li>WA Original LTV: 57.26%</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>Internal: strong control activity and reporting lines (at least on annual basis)</li> <li>External: strict monitoring rules issued and supervised by bank of Italy</li> </ul>	
Asset Monitor	<ul style="list-style-type: none"> <li>Dedicated, external and independent audit firm appointed for monitoring purposes (at least on semi-annual basis)</li> </ul>	<ul style="list-style-type: none"> <li>BDO Italia (formerly Mazars)</li> </ul>
Over-collateralization ("OC")	<ul style="list-style-type: none"> <li>No over-collateralization required by law</li> </ul>	<ul style="list-style-type: none"> <li>Currently 7.5% minimum over-collateralization (93.0% max Asset Percentage)</li> </ul>
Tests	<ul style="list-style-type: none"> <li>Nominal Value Test</li> <li>Interest Coverage Test</li> <li>NPV</li> </ul>	<ul style="list-style-type: none"> <li>Asset Coverage Test</li> <li>Amortization Test</li> <li>Nominal Value Test</li> <li>NPV Test</li> <li>Interest Coverage Test</li> </ul>
Risk		<ul style="list-style-type: none"> <li>Interest rate swap at issuance</li> </ul>

Source: BPM, BPM's OBG2 Prospectus, BPM, Italian legal framework

# Bank of Italy eligibility criteria

The Framework provides additional comfort to investors by linking the issuance of OBG to the Issuer's capital strengths

## 1. Eligible OBG Issuers

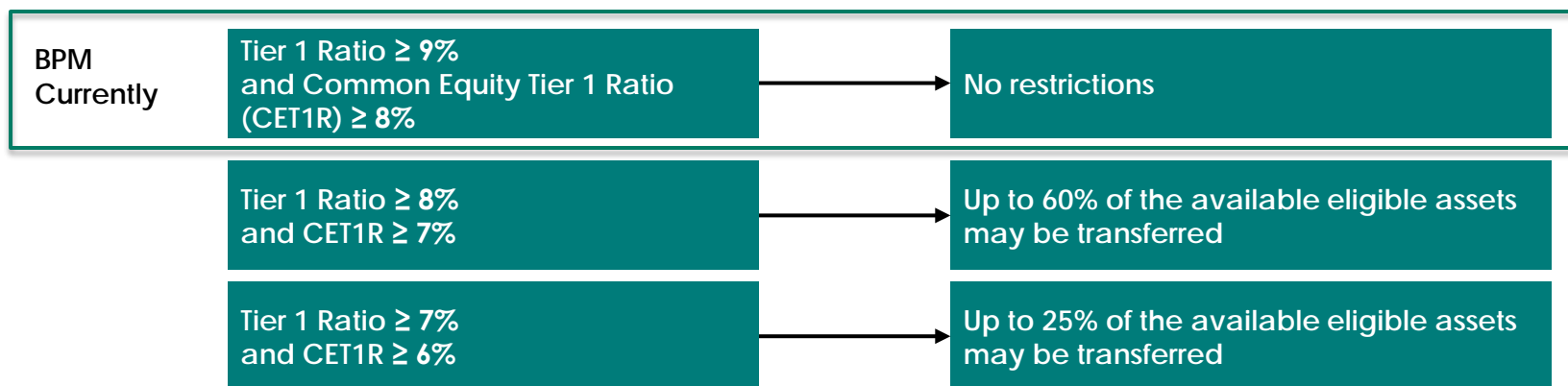
- ❑ Strong capitalization is a strict pre-requisite for qualifying as an OBG issuer under the Bank of Italy rules
- ❑ Issuance of OBG is restricted to Banks (or Banking Groups) complying with the following set of capital requirements

Consolidated Regulatory Capital  $\geq$  Euro 250 Million

Total Capital Ratio  $\geq$  9%

## 2. Assets to be Segregated

- ❑ The amounts that can be financed via OBG are a direct function of the Issuer's capital strength
- ❑ The Bank of Italy's Instructions limit the proportion of eligible assets to be included in the pool as follows



Sources: ECB, Bank of Italy

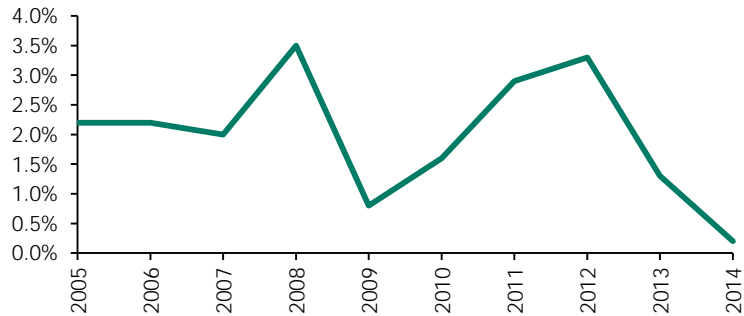
# Statutory tests

	<b>Asset Coverage Test (ACT)</b>	<ul style="list-style-type: none"><li>□ Currently minimum 7.5% O/C (93.0% Asset Percentage) adjusted dynamically to protect the credit enhancement</li></ul>
	<b>Amortization Test</b>	<ul style="list-style-type: none"><li>□ The test intended to ensure that on each Calculation Date, following the delivery of an Issuer Default Notice, the outstanding principal balance of the Cover Pool is higher than or equal to the Euro Equivalent of the Principal Amount Outstanding of all Series of Covered Bonds issued under the Programme</li></ul>
<b>Mandatory Test (by law)</b>	<b>Nominal Value Test</b>	<ul style="list-style-type: none"><li>□ The aggregate outstanding amount of the cover pool must be at least equal to the outstanding amount of all the OBG issued under the Program</li></ul>
	<b>Net Present Value ("NPV") Test</b>	<ul style="list-style-type: none"><li>□ The Net Present Value of the cover pool (net of the SPV general and administrative expenses) including derivatives must be at least equal to the NPV of the outstanding Obbligazioni Bancarie Garantite</li></ul>
	<b>Interest Coverage Test</b>	<ul style="list-style-type: none"><li>□ Interests generated by the cover pool (including derivatives) must be sufficient to cover interest payments under the Obbligazioni Bancarie Garantite</li></ul>

Source: BPM's OBG2 Prospectus

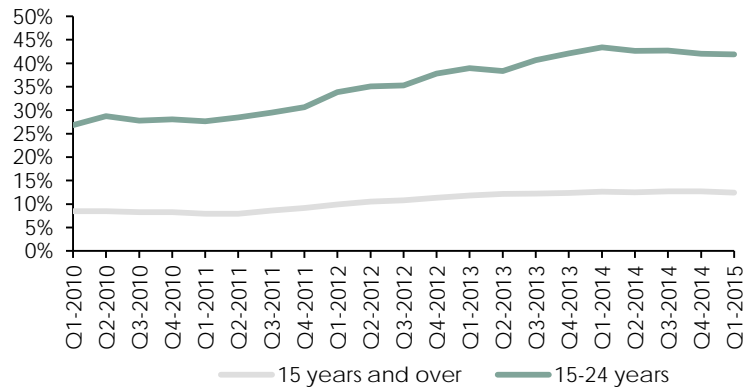
# Overview of Italy

## Y/Y % HICP Change (base = 2005)



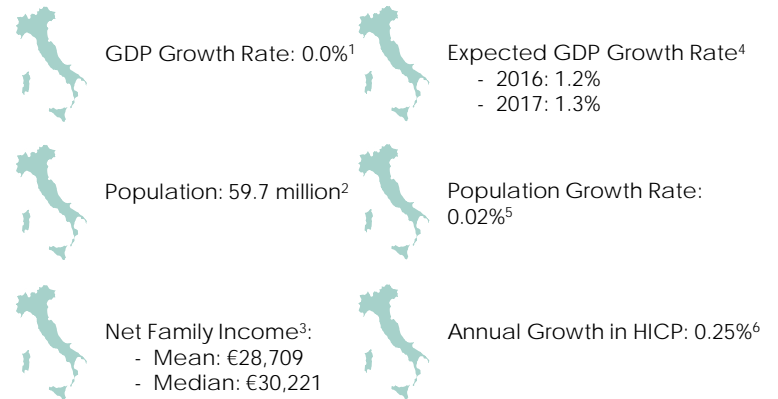
Source: National Institute of Statistics

## Quarterly Unemployment Rates

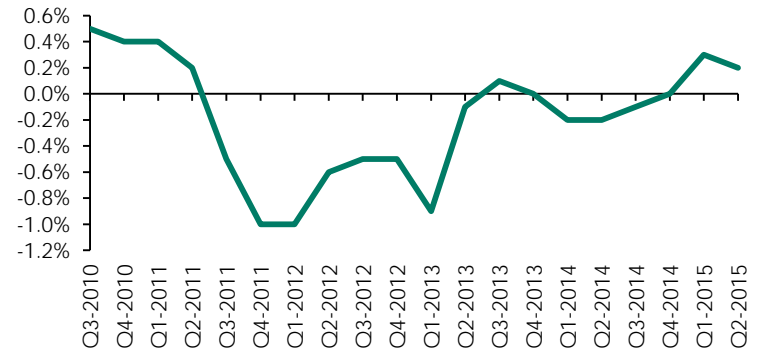


Source: National Institute of Statistics

## Key Statistics



## Quarterly GDP Growth Rates



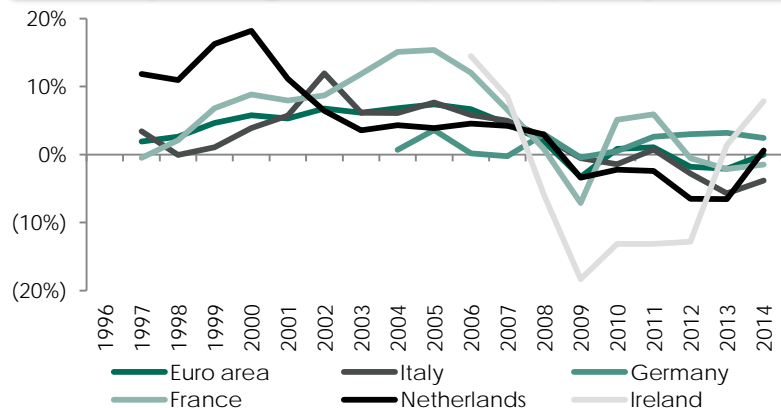
Source: National Institute of Statistics

1. As of May 12<sup>th</sup> 2015. 2. As of 2013. 3. As of 2012. 4. In real terms. 5. Taking the 2013/2012 population. 6. As of 31<sup>st</sup> December 2014  
Source: National Institute of Statistics



# Overview of the housing market in Italy

## Housing Price Indexes (% change current/previous period)

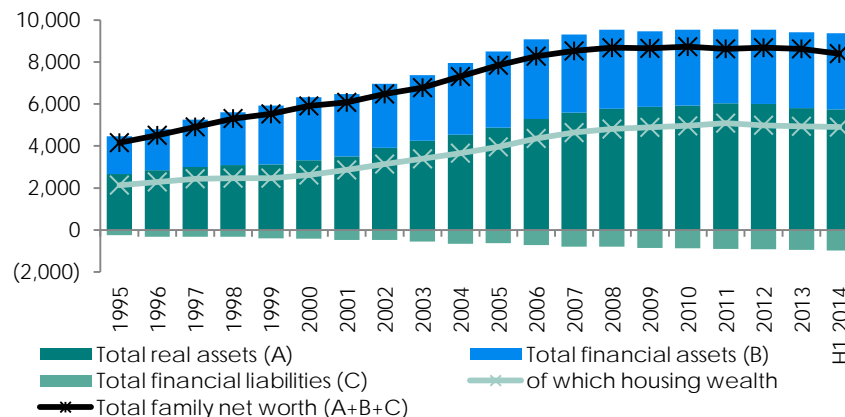


- Since the late 90s, property prices in the Italian market have increased without any significant volatility compared to other European countries.
- Unlike most countries in Europe, Italy did not experience sharp house price falls with the global financial crisis. After rising almost 70% from 1997 to 2007, the house price index has slightly decreased since the crisis to 2014 (the most recent data available), according to the ECB.
- The likelihood of a strong devaluation of residential properties seems unlikely according the majority of sector operators.

## Housing Price Volatility

	1997 to 2007	2007 to Q2 2014
Germany	-4%	15%
France	147%	-2%
Euro Area	75%	-5%
<b>Italy</b>	<b>67%</b>	<b>-12%</b>
The Netherlands	120%	-18%
Spain	189%	-36%
Ireland	237%	-45%

## Italian Households Net Worth (current prices)



Source: ECB, Bank of Italy. Data calculated as of Q2 2014.