



BANCA POPOLARE
DI MILANO

Il futuro è di chi fa.

Corporate presentation

January 2014



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Bipiemme Group Overview

Capital Position

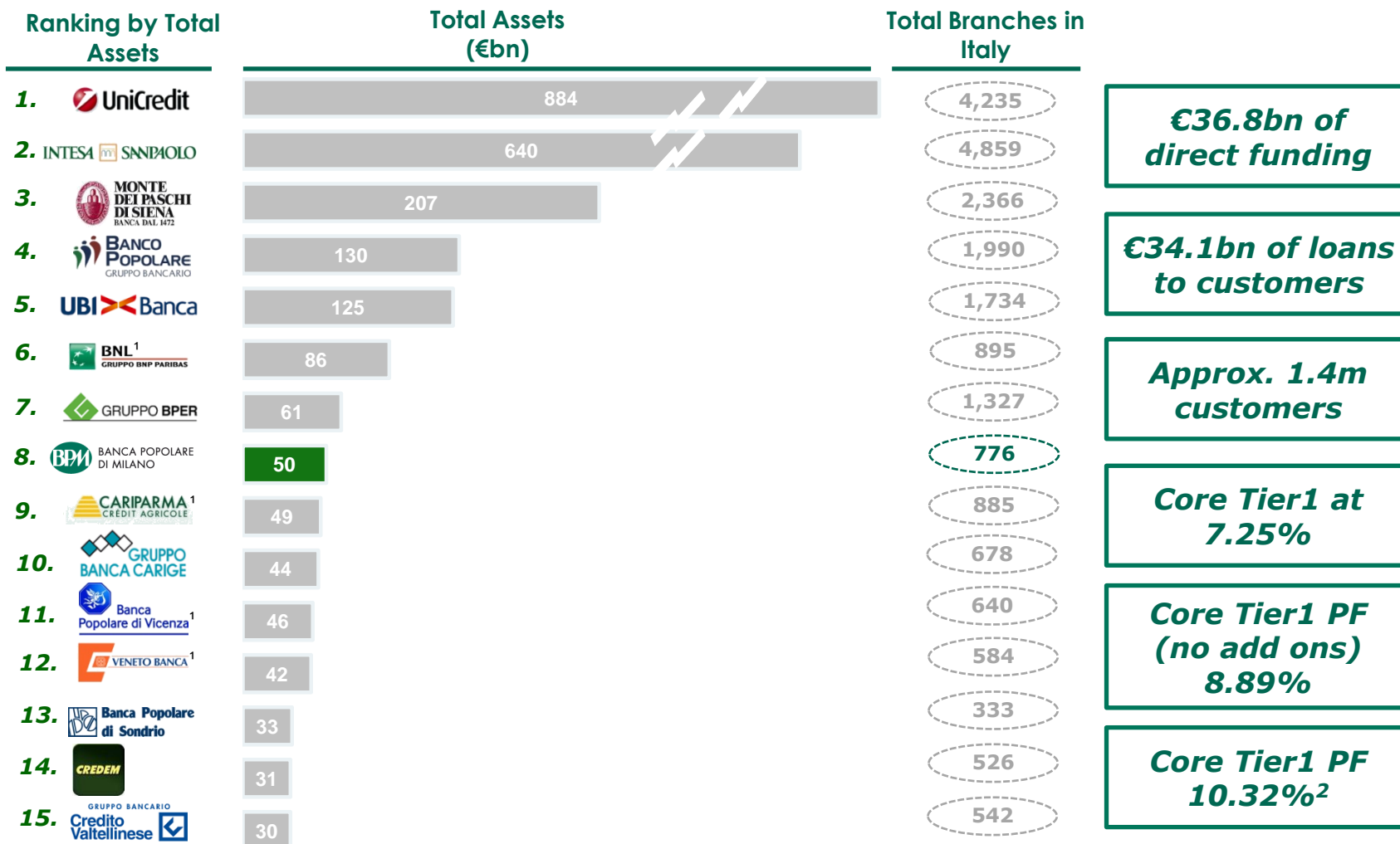
Funding & Liquidity

Lending, Asset quality and Risk Profile

Q3 13 Highlights

Annexes: macroeconomic overview

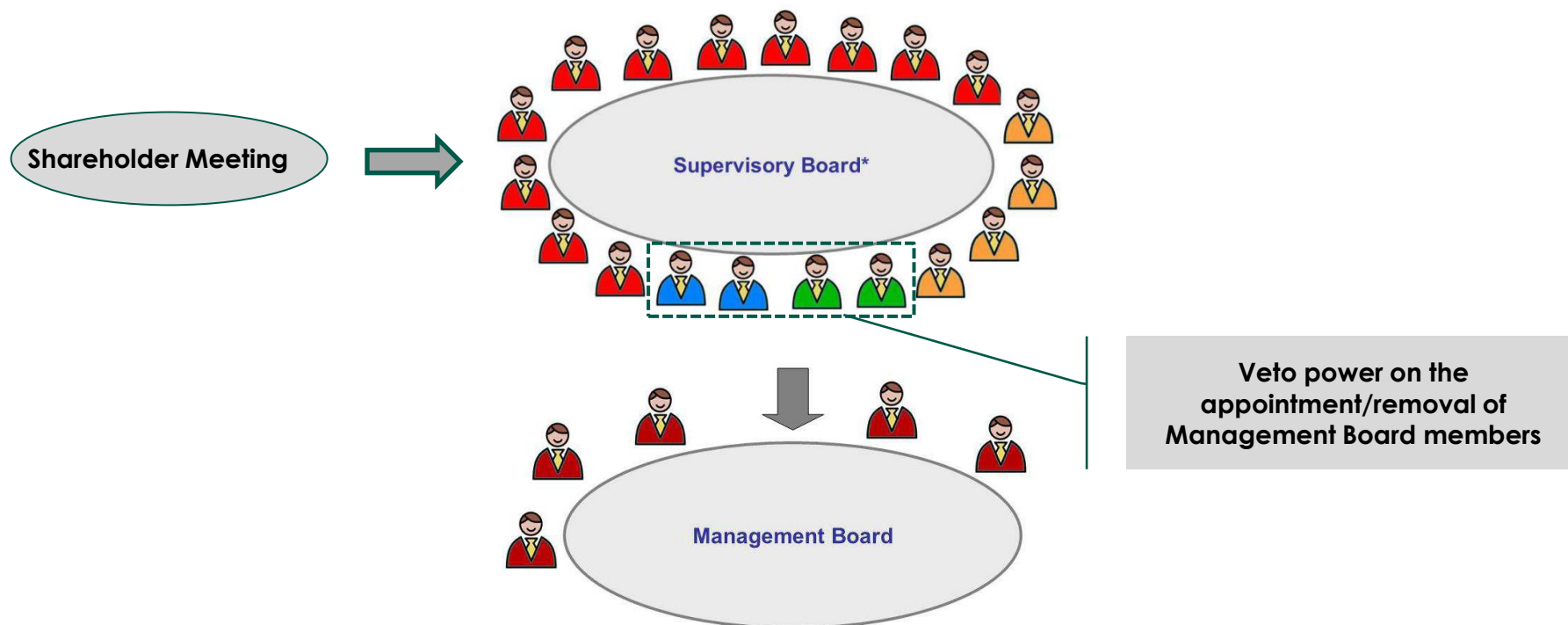
BPM IS ONE OF THE LARGEST ITALIAN BANKING GROUPS...







Source: Companies reported data as at 3Q 13

1. Data as of 1H13

2. Net of the add-ons exacted by Bank of Italy in June 2011 and taking into account the rights issue of €500m



-  Winner list (under per head voting system) = 11 seats
-  Other minorities lists (under per head voting system) = 4 seats
-  Strategic partners = 2 seats
-  Lists presented by Institutional Investors (under the proportionate voting system) = 2 seats

To appoint or remove the management board members is required the favourable vote equal to at least three quarters of the Board Members currently in office, providing that they include at least one Board Member taken from the lists submitted by UCITS and at least one Board Member taken from a list submitted by the Supervisory Board pursuant to art. 63 of the Article of Association

Main corporate governance features

Bodies

Highlights

Main powers

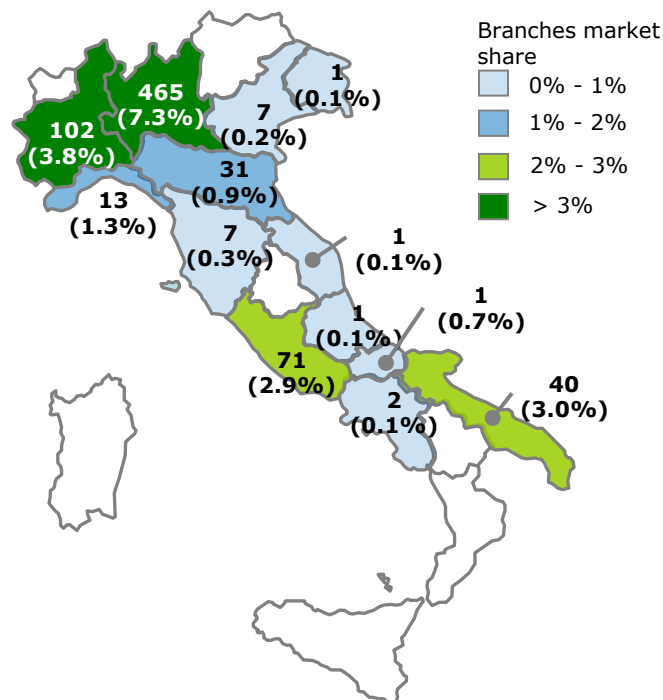
Shareholder Meeting		<ul style="list-style-type: none"> ➤ Appoints the Supervisory Board on the basis of a voting list mechanism
Supervisory Board	<ul style="list-style-type: none"> ➤ Composed of 19 members: 11 nominated by the majority; 6 nominated by the minorities (o/w 2 reserved for institutional investors) and 2 seats are reserved for strategic partners ➤ In charge for 3 financial years 	<ul style="list-style-type: none"> ➤ Supervision and management control of the bank ➤ Approval of yearly statutory and consolidated financial statements ➤ Appointment and removal of the 5 members of the management board
Management Board	<ul style="list-style-type: none"> ➤ Composed of 5 members, including a Chairman, a CEO and other 3 members ➤ In charge for 3 financial years 	<ul style="list-style-type: none"> ➤ Management of the bank ➤ Definition of strategic policies ➤ Appointment/removal of the CEO and Top Management ➤ Proposals to EGM

New Supervisory Board appointed by the General Meeting held the 21st of December

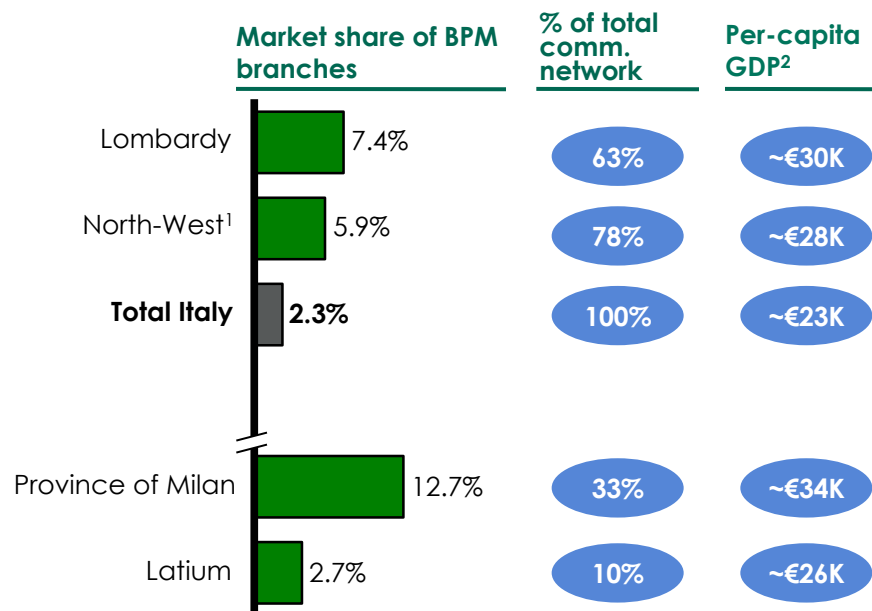
Name	Office
Dino Piero Giarda	Chairman
Mauro Paoloni	Deputy Chairman
Marcello Priori	Deputy Chairman
Alberto Balestrieri	Board Member
Andrea Boitani	Board Member
Angelo Busani	Board Member
Donata Gottardi	Board Member
Alberto Montanari	Board Member
Giampietro Giuseppe Omati	Board Member
Claudia Bugno	Board Member (resigned on 15/01/2014)
Lucia Vitali	Board Member
Piero Lonardi	Board Member
Roberto Fusilli	Board Member
Ezio Maria Simonelli	Board Member
Flavia Daunia Minutillo	Board Member
Luca Raffaello Perfetti	Board Member
Cesare Piovene Porto Godi	Board Member
Carlo Frescarolo	Board Member
Jean-Jacques Tamburini	Board Member

... WITH A SOLID FOOTPRINT IN NORTHERN ITALY

Distribution of 742 BPM Group branches by region¹



BPM Group branches and market share per key areas



Market share higher than 10% in 6 provinces: Alessandria (20.7%), Lecco (13.0%), Foggia (12.6%), Varese (12.8%), Milan (12.7%), Monza-Brianza (11.9%)

Source: BPM Group H12 2013 Results as at 30 June 2013, Bank of Italy, Istat and Unioncamere

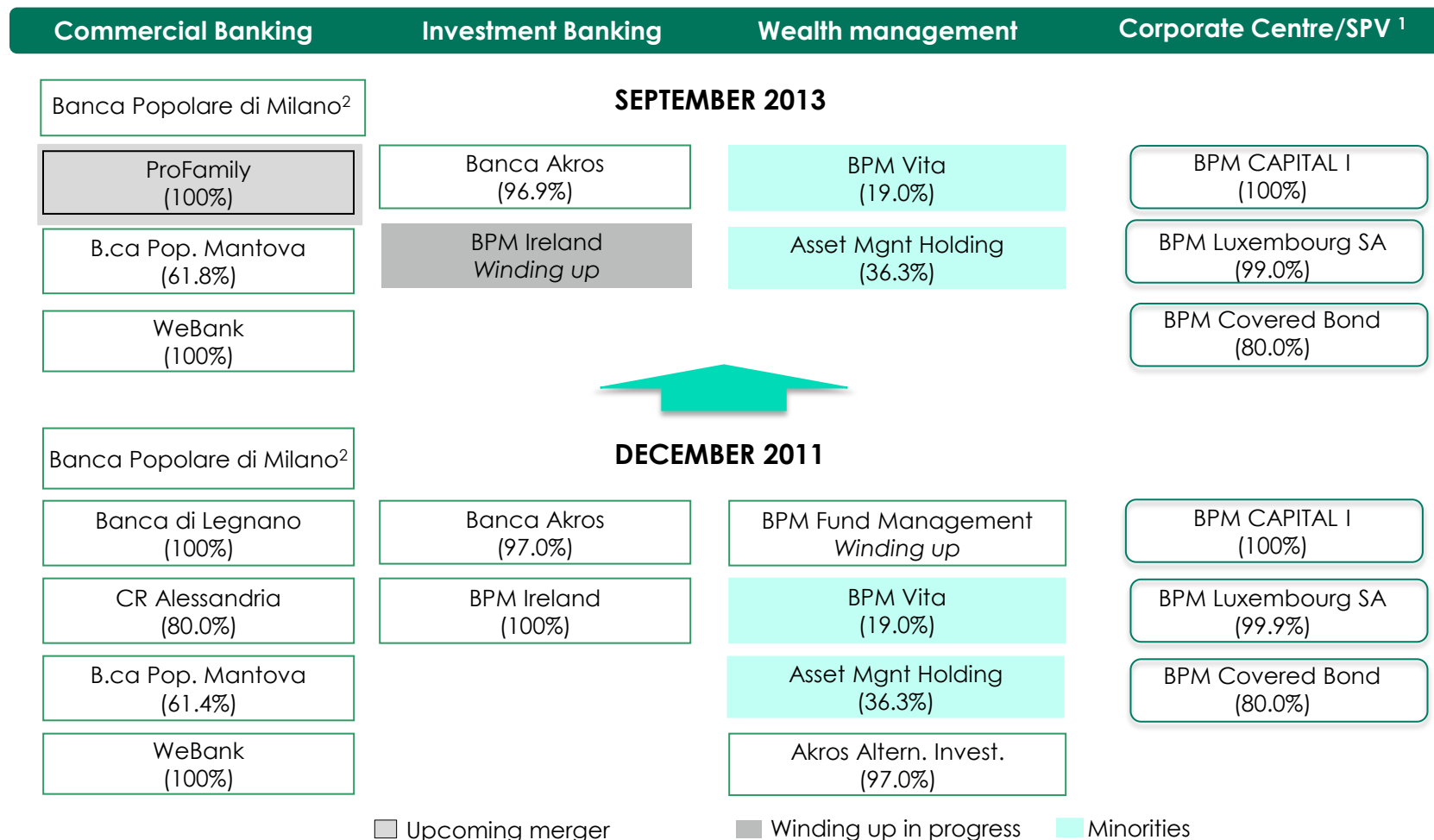
¹ Includes Piedmont, Lombardy, Liguria

² Figures as at 2011

GROUP STRUCTURE



BIPIEMME GROUP



Source: BPM Group Q2 2013 Results as at 30 June 2013

1. SPV for specific operations on Tier1 and Covered Bonds.
2. Parent Company

Main actions

1. Organization and network simplification

- Downsizing of headquarter organizational units (-60%) and network hierarchical levels (-40%)
- Merger of CRA into Banca di Legnano followed by merger of the new entity into BPM. Closure of BPM Ireland, BPM Fund Management and Akros Alternative Investments
- Commercial network: new Hub and Spoke model

2. Actions on balance sheet

- 1.3 billion euros loan loss provisions from 2011, increasing NPLs coverage ratio from 47% to 54%(+7p.p.)
- Entire goodwill write-off (-700 million Euros)

3. Strict cost control and staff reduction

- Administrative cost -5% (vs. 9M 2011)
- Staff costs – 8% (vs. 9M 2011 normalized)
- Staff reduction – 7% (vs. 9M 2011)

Main actions

4. New HR management

- New Administrative Bodies at BPM and at Group's subsidiaries and first line managers
- Strengthening of performance-based culture
- Introduction of a new incentive and performance management system

5. Digital innovation

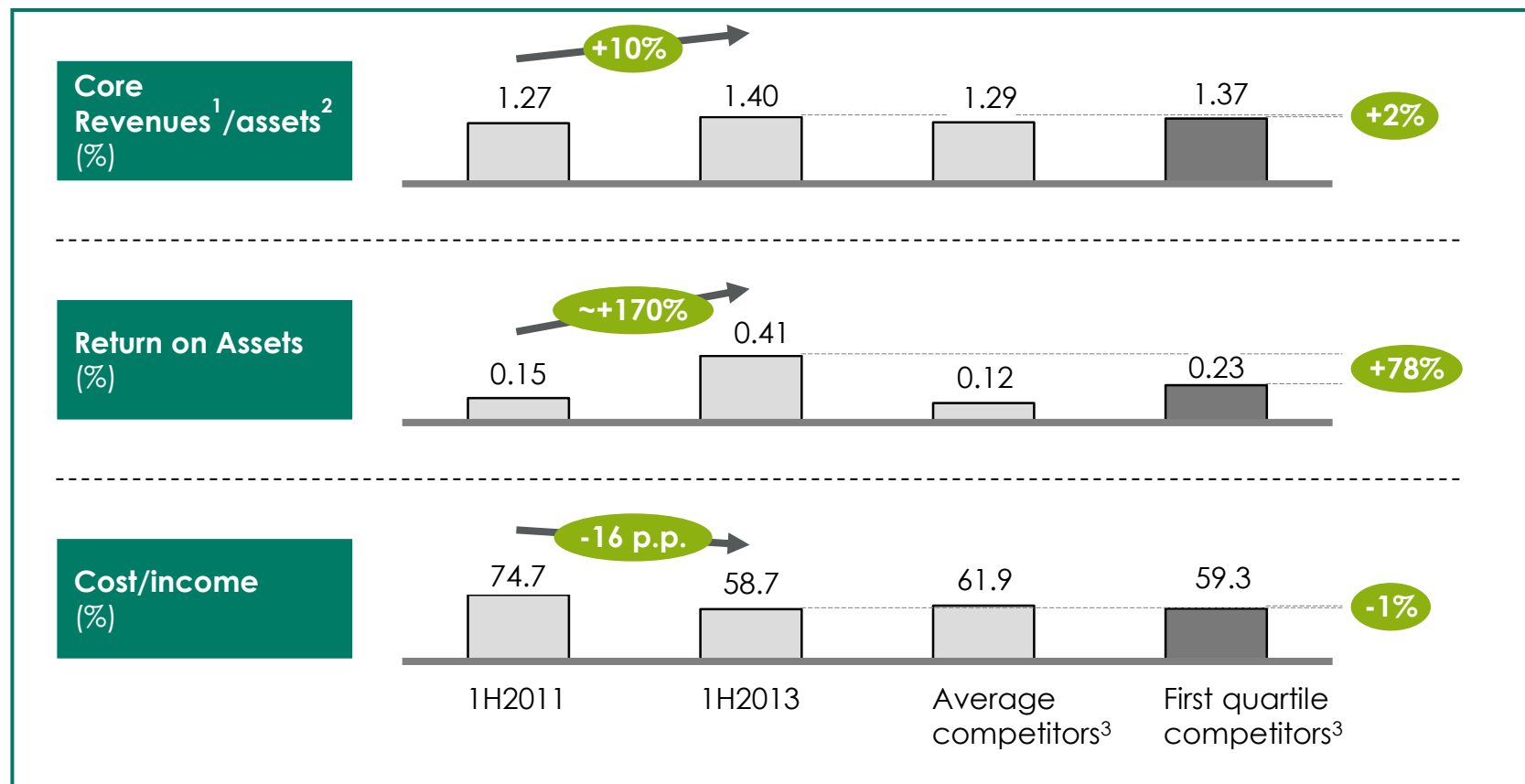
- Improved IT system (new stock PCs in the network, NSR (network sales system also featuring digital signature) etc..
- Multi-channel sales process (new website and phone apps)

6. Brand new corporate image



Solid, competitive...Back to profit!

INCREASED PROFITABILITY AND OPERATING EFFICIENCY



1 Sum of net interest income and net commission, annualised figure

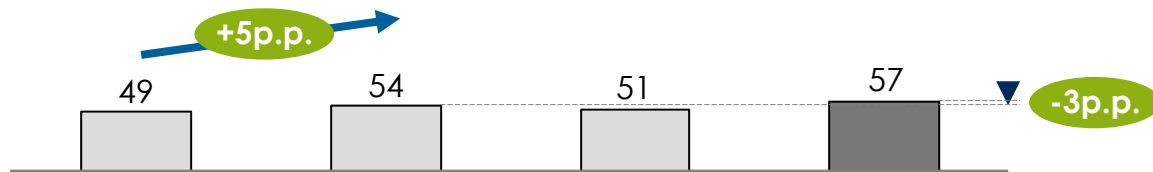
2 Includes customer loans, direct funding, indirect funding (figures exclude repos)

3 Competitor panel includes: Banco Popolare, UBI, BPER, Carige, Credem, Creval e Banca Popolare di Sondrio (figures as at 1H2013)

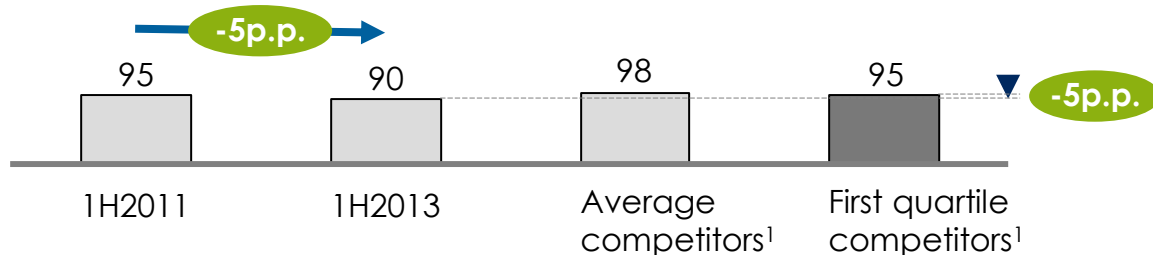
SOURCE: Presentations, financial reports

SIGNIFICANT STRENGTHENING OF BALANCE SHEET AND LIQUIDITY POSITION

Coverage of non-performing loans (%)



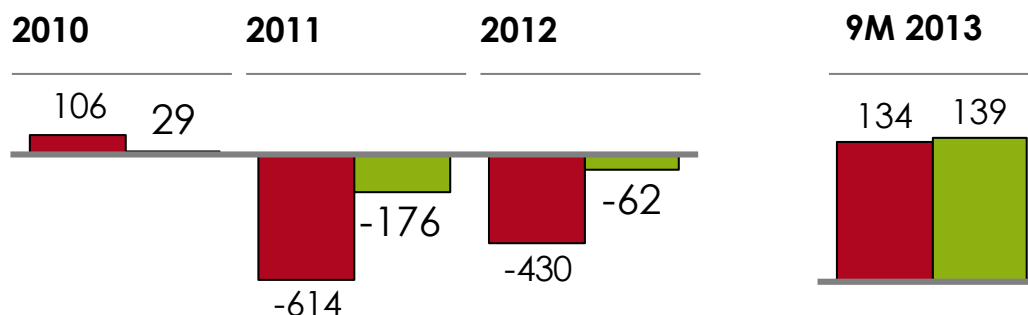
Loans/direct funding (%)



Net income Million Euros

Main indicators trend

- Non-normalised figures
- Normalised figures



Competitor panel includes: Banco Popolare, UBI, BPER, Carige, Credem, Creval e Banca Popolare di Sondrio (figures as at 1H2013)
SOURCE: Presentations, financial reports

UPCOMING EVENTS

Next steps following the General Meeting held the 21st of Dec 2013 which appointed a new Supervisory Board and extended the deadline of the capital increase to the 31st of July 2014



- New Management Board
- New Business plan
- Capital increase Timetable

Agenda

Bipiemme Group Overview

Capital Position

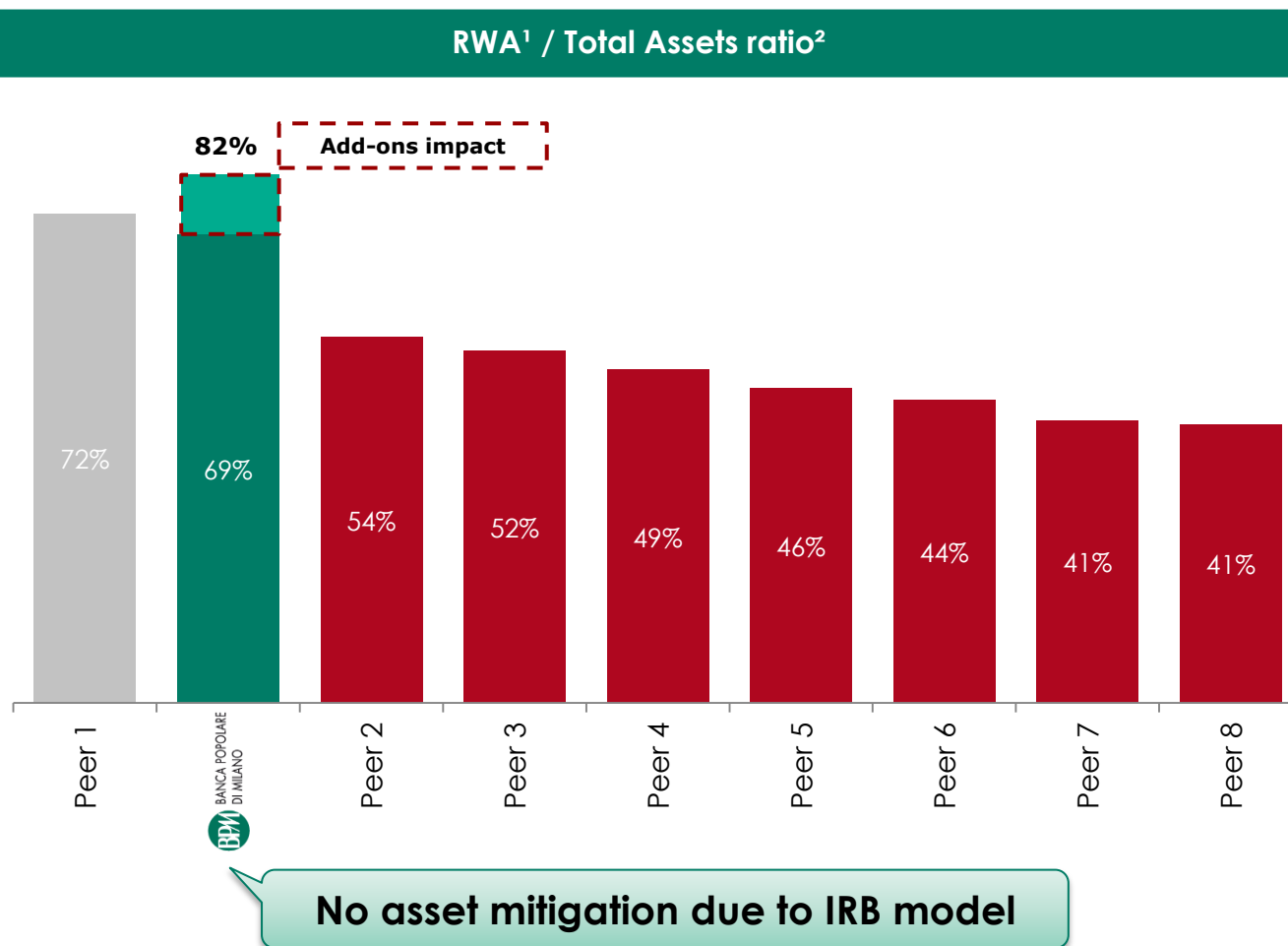
Funding & Liquidity

Lending, Asset quality and Risk Profile

Q3 13 Highlights

Annexes: macroeconomic overview

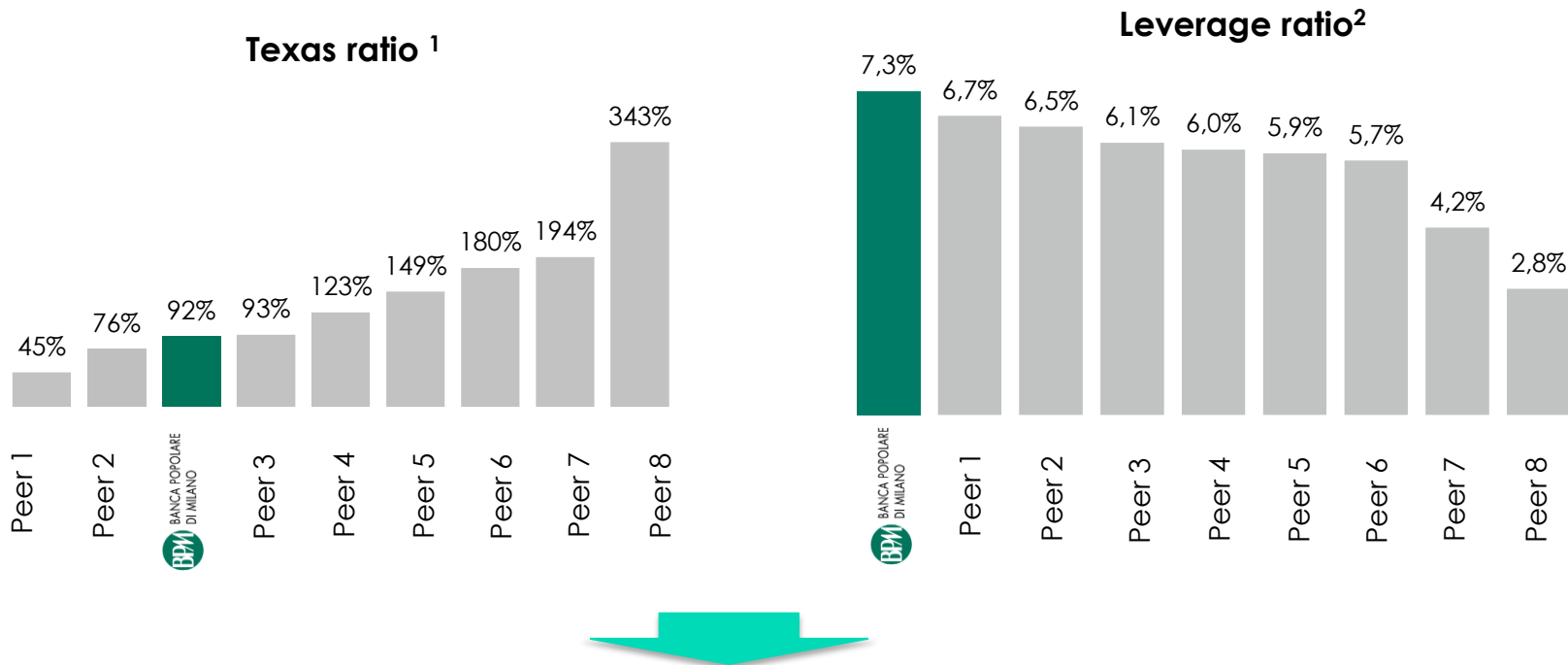
RWA/Total Assets on Italian banks



1. In red banks using internal rating based systems (Foundation or Advanced) to calculate capital requirements for credit risk

2. Source: Financial Interim statements as of 1H13. Group peers includes: UCG, ISP, BP, UBI, MPS, CE, Carige, BPER.

TEXAS RATIO AND LEVERAGE RATIO



BPM is well positioned on both ratios

1. Net doubtful loans/tangible equity

2. Tangible Equity/ Total tangible assets

3. Source: Financial Interim statements as of 1H13. Group peers includes: UCG, ISP, BP, UBI, MPS, CE, Carige, BPER.

CORE TIER 1 RATIO



- Core Tier 1 ratio calculated using standard B2 methodology
- Core Tier 1 ratio as at September 2013 do not include the 3Q earnings allocated to the regulatory capital because they are calculated twice a year¹

1. The part of earnings allocated to the regulatory capital is unchanged vs 30 June 2013 because, according to the Supervisory Regulation, it is calculated twice a years (30 June and 31 December)

RWA BREAKDOWN

Add ons do not impair the bank's loss absorption capability

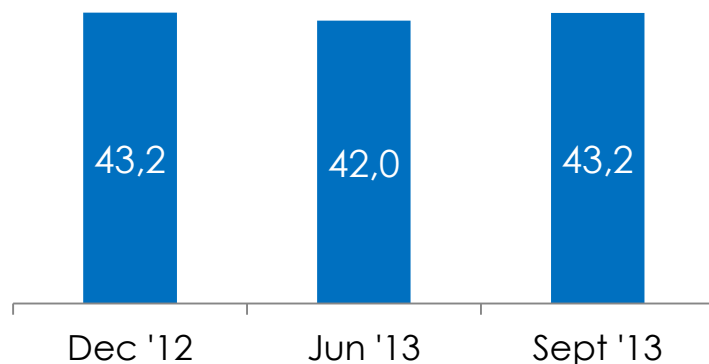
RWA breakdown (€m)

€/m	Dec 12	June 13	Sept 13	% on total
Credit risk	32,481	31,838	32,104	74.3%
Market Risk	547	567	528	1.2%
Operating risk	2,547	2,547	2,547	5.9%
Add-ons	7,589	7,075	8,001	18.5%
TOTAL	43,162	42,027	43,180	100%

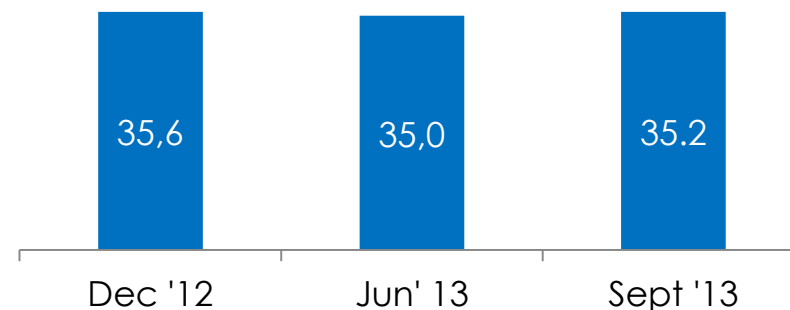
Add-ons details (€m)

€/m	Dec 12	June 13	Sept 13
Mortgage guarantees	2,434	1,991	2,583
RE exposure	2,608	2,538	2,871
Operating risk	2,547	2,547	2,547
Add-ons	7,589	7,075	8,001

RWA trend with add-ons (€bn)



RWA trend without add-ons (€bn)



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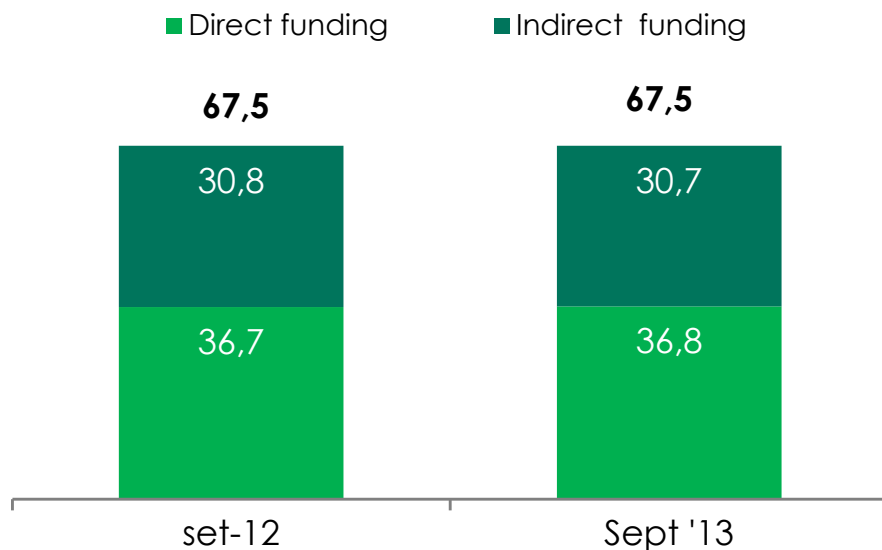
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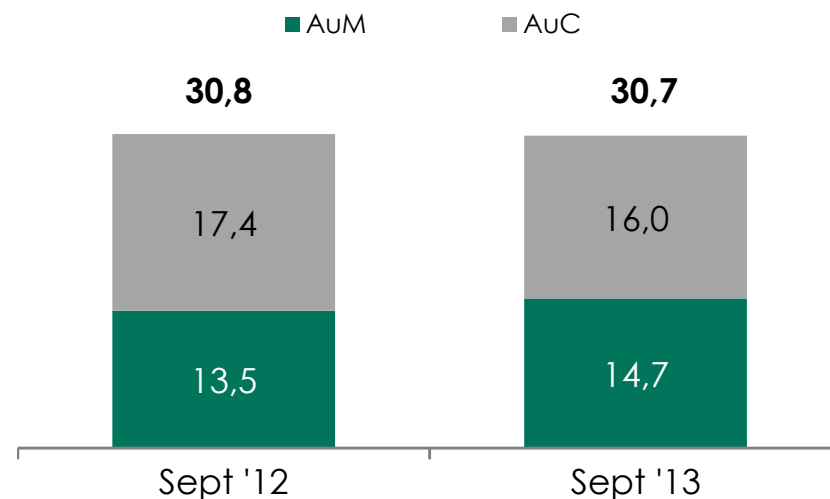
OVERVIEW OF BPM FUNDING

(1/2)

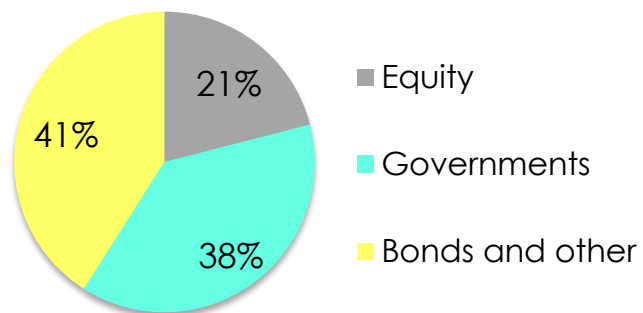
Evolution of direct and indirect funding (€bn)



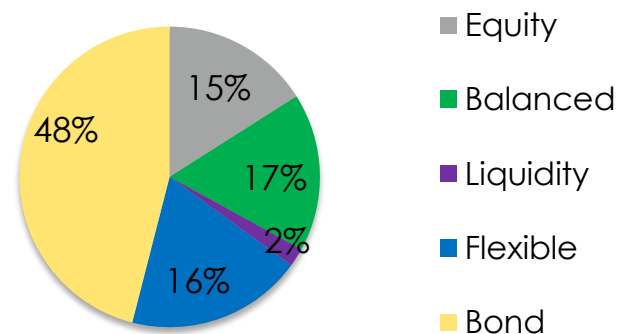
Evolution of indirect funding breakdown (€bn)



Breakdown of AuC by asset class



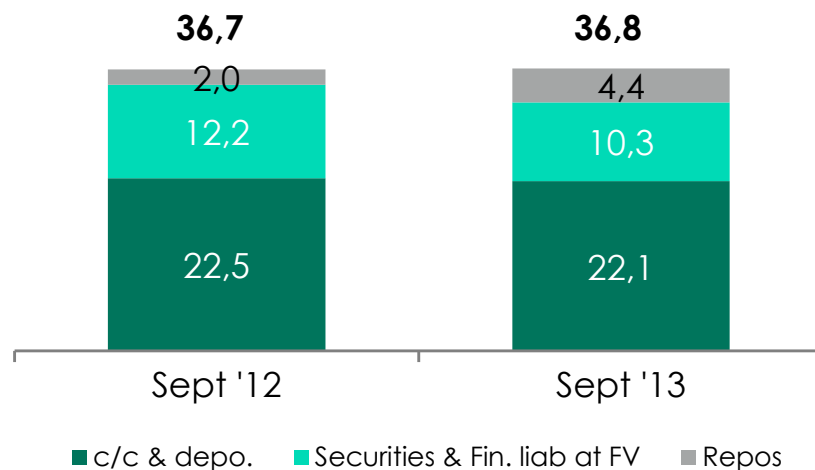
Breakdown of AuM by asset class



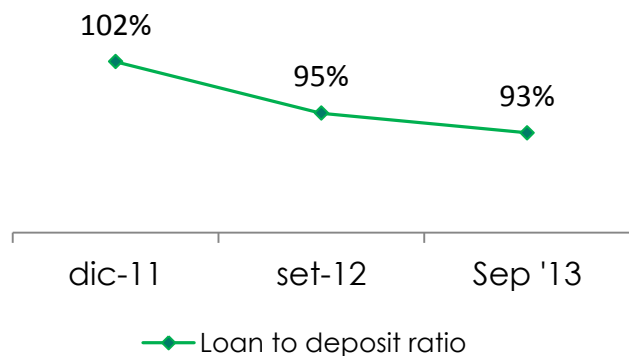
OVERVIEW OF BPM FUNDING

(2/2)

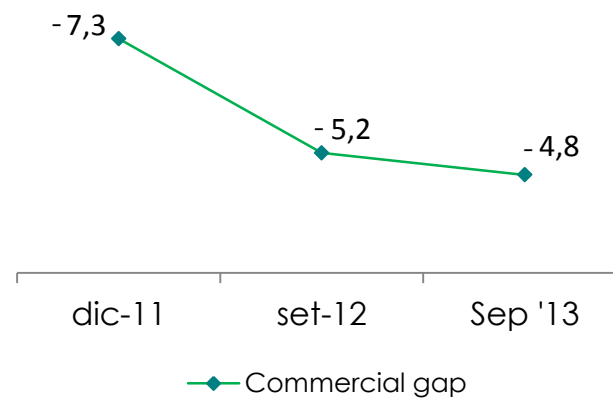
Evolution of direct funding (€bn)



Loan to deposit ratio¹ (%)



Commercial Gap² (€bn)



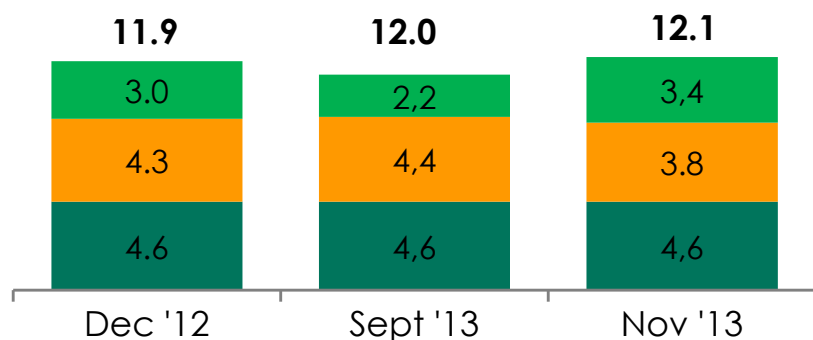
1. Customer loans / direct funding

2. Funding – Loans from commercial banking division

LIQUIDITY

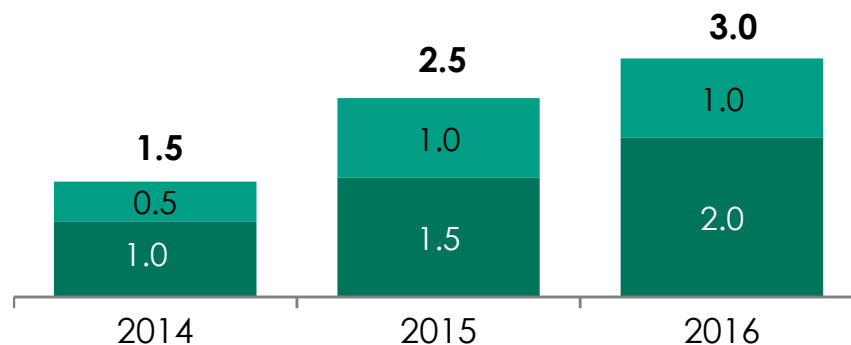
Use of eligible securities¹ (€ bn)

■ LTRO ■ Repo&Other ■ Eligible securities (unencumbered)



Debt maturities by year (€ bn)

■ Wholesale ■ Retail



- Good liquidity position:
 - net liquidity balance²: about €4.2 bn spot and € 2.9 bn at 3M
 - ECB exposure stable at €4.6bn at end of November 2013
- Liquidity profile still strong: €3.4bn unencumbered securities, which do not take into account €0.3bn not eligible marketable securities and a large buffer of unencumbered assets (residential mortgages, loans to SMEs and consumers)

1. Includes eligible securities received as collateral

2. Figures as at 3 December 2013. Source: weekly liquidity report

BREAKDOWN OF NET FINANCIAL ASSETS

€ m	Dec-12	Sept-13	Chg.
BPM & other commercial banks	9,333	9,141	(192)
Banca Akros	907	942	35
TOTAL NET FINANCIAL ASSETS	10,240	10,083	(157)

€ m	Dec-12	Sept-13	Chg.
Breakdown of net financial assets	10,240	10,083	(157)
<i>o/w</i>			
<i>Governments (o/w: over 99% Italian)</i>	8,414	8,281	(133)
<i>Financial and others</i>	817	677	(140)
<i>Equity stakes</i>	476	555	79
<i>Mutual funds and private equity</i>	283	278	(5)
<i>Net hedging and trading derivatives</i>	250	292	42

- As at November 2013 the AFS reserve on Italian government bonds (before fiscal effect) was positive for about €205 m, despite the gains realised on Italian government Bonds in the first nine months
- The spread duration of Italian government bond portfolio is around 3 years

Agenda

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Funding & Liquidity

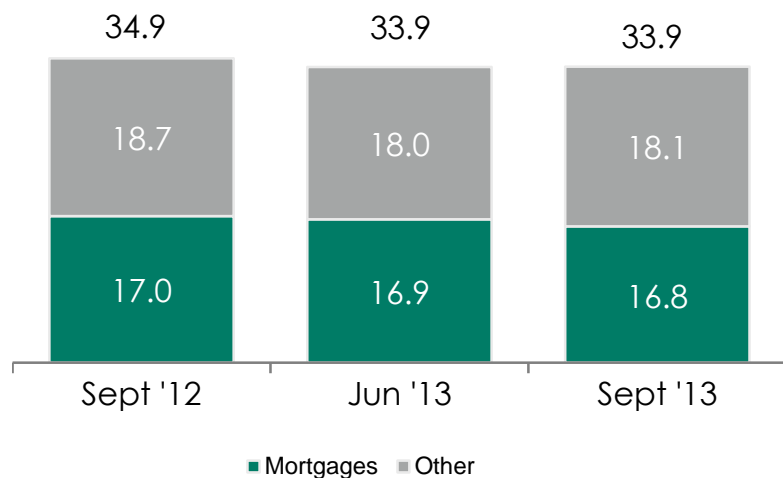
Lending, Asset quality and Risk Profile

Q3 13 Highlights

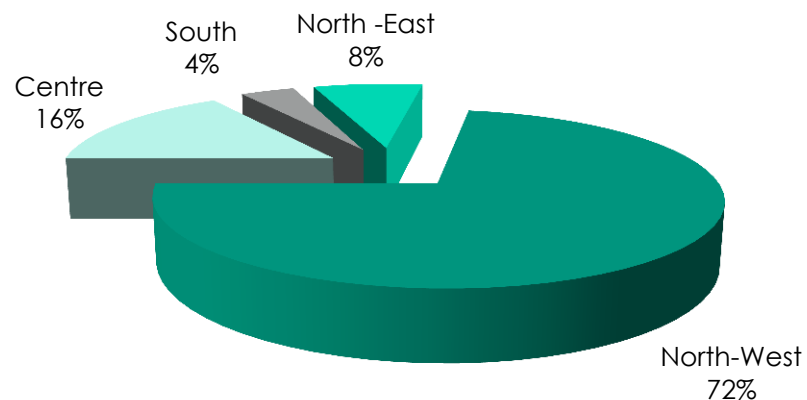
Annexes: macroeconomic overview

OVERVIEW OF LOANS TO CUSTOMERS

Evolution of loans to customers (€bn)



Breakdown of customer loans by geography



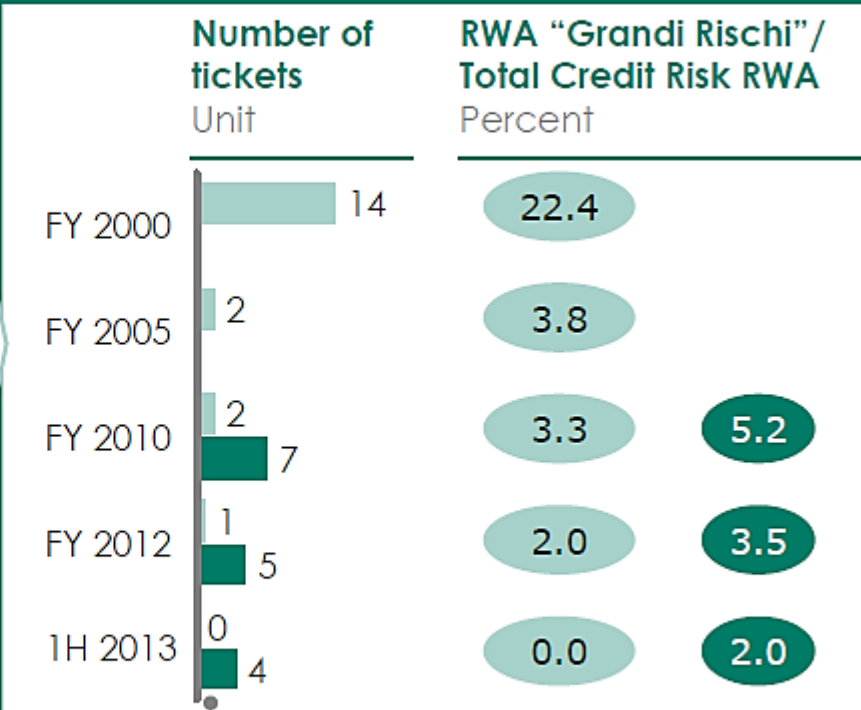
"GRANDI RISCHI" EVOLUTION

■ "RWA" method ■ "Nominal exposure" method

Methodology

- "Grandi Rischi" defined as **single name** exposures **exceeding 10%** of **Regulatory Capital**
- "Grandi Rischi" definition **changed in December 2010** following a more **conservative approach**:
 - **Before December 2010**: exposure quantified in terms of **RWA**
 - **After December 2010**: exposures quantified in terms of **nominal amount**

"Grandi Rischi" evolution

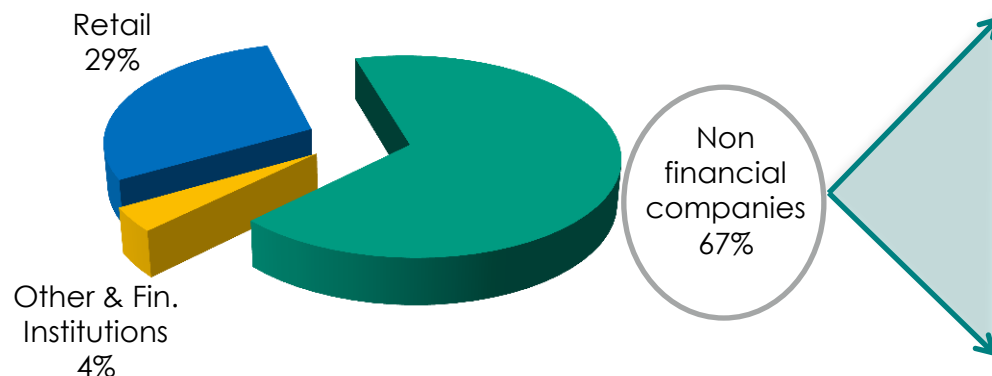


"Grandi Rischi" currently include **banks**, other **italian financials** and **Italian government** (no real estate exposure)

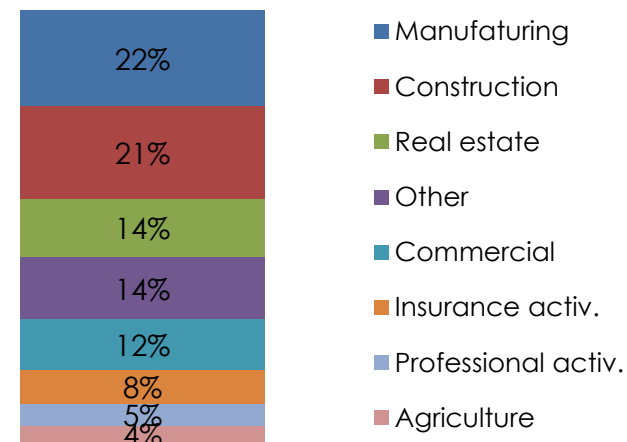
1. Source: Circolare n. 263/2006 , Bank of Italy; Consolidated Annual Reports 2000, 2005, 2010, 2012, H1 2013

BREAKDOWN OF LOANS TO CUSTOMERS¹ (SEP. 13)

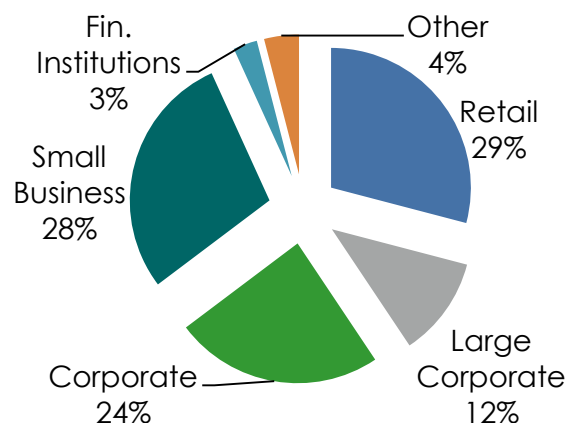
Breakdown of customer loans by segment



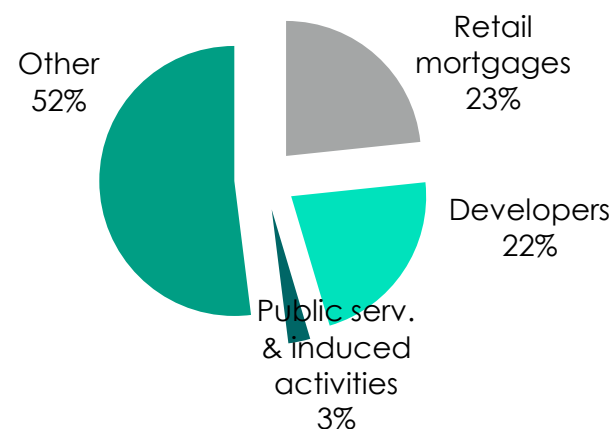
Breakdown of customer loans by sector (non financial companies)



Breakdown of customer loans by segment²



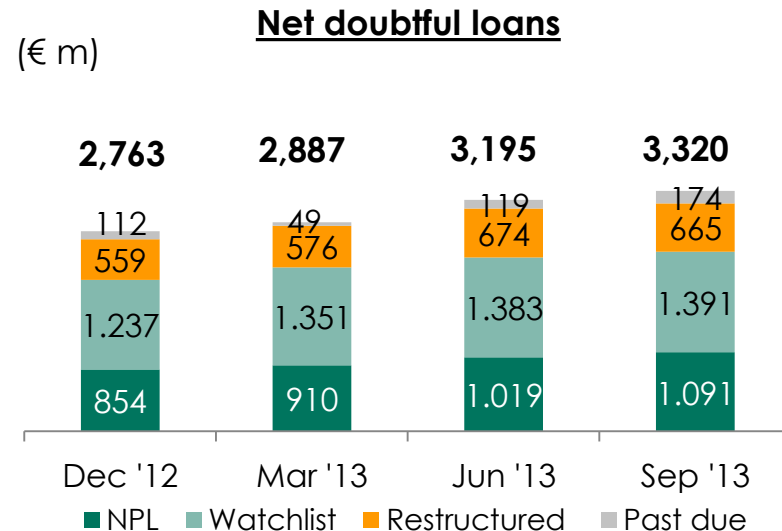
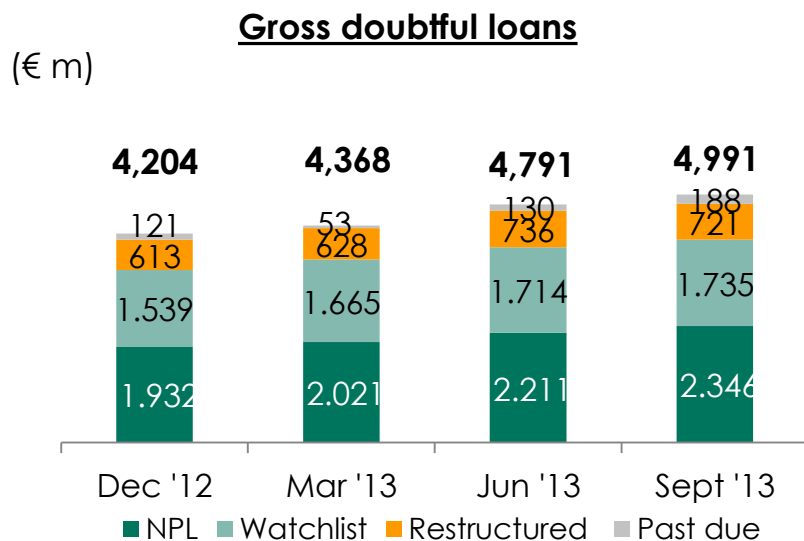
Loans to customers breakdown as of Sep '13



1. Internal management data

2. Large corporate: turnover \geq € 250 m, Corporate: turnover \geq € 15 m and $<$ € 250m, Small Business: turnover $<$ € 15 m

TOTAL DOUBTFUL LOANS



- Doubtful loans trend still affected by the difficult macro scenario (GDP 2013 estimates¹: -1.8% vs -0.6% at beginning of the year)
- Gross doubtful loans growth recorded a slowdown (+4.2%) vs both quarterly average growth in last 2 years (+6.7%) and previous quarter (+9.7%), also thanks to substantial watchlist stability
- The group's gross and net NPLs on total loans was still below the industry average (6.5% vs 7.3%) and (3.2% vs 3.9%) respectively

1. Source: Prometeia

DOUBTFUL LOANS - COVERAGE DETAILS

coverage %	Sept '12	Dec '12	Jun '13	Sept '13	Sept '13 with cancellations
Total net doubtful loans	28.4	34.3	33.3	33.5	40.4
Net NPLs	48.9	55.8	53.9	53.5	62.7
Net Watchlist	16.6	19.6	19.3	19.8	19.8
Net Restructured	11.0	8.7	8.4	7.9	7.9
Net Past due	6.4	7.3	8.1	7.5	7.5
Net performing loans	0.7	0.6	0.6	0.6	0.6
Total net adjustments	3.6	4.5	5.0	5.2	6.7

- The YoY comparison highlights:
 - an increase in the coverage of doubtful loans to 33.5% from 28.4%.
 - significant increase in total coverage from 3.6% as at September 2012 to 5.2% as at September 2013
 - higher coverage on NPLs, watchlist and Past due

- Considering cancellations on single positions, the coverage on total net doubtful loans and NPLs is 40.4% and 62.7% respectively

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HIGHLIGHTS

€m	Sep '13	Sept '12	%
Direct Funding	36,823	36,727	0.3
Customer Loans	34,081	34,938	(2.5)
AUM	14,703	13,453	9.3

- **Direct funding:** stable vs. Sept '12 with increase in Repos (+ € 2,4bn) stemming from BPM's operations on the MTS market offsetting the decrease in institutional funding.
- **Customer loans:** (-2.5% vs. Sept '12) due to the decrease in commercial loans mainly on the corporate segment and on Small Business; stable retail segment
- **AuM:** (+9.3% vs. Sept '12) mainly driven by net inflows from both mutual funds and insurance products

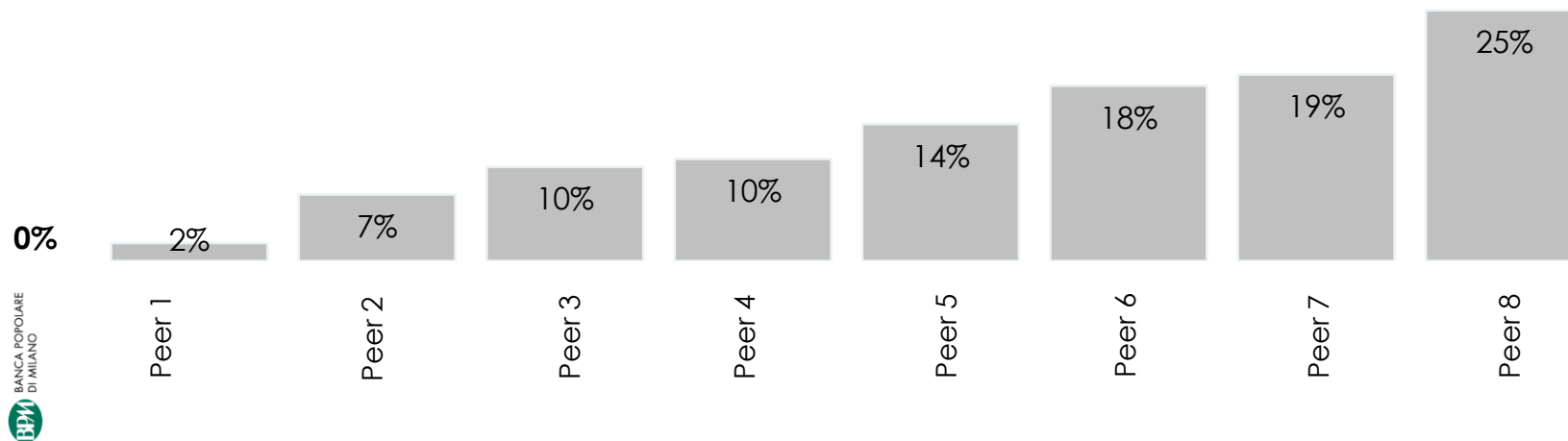
€m	9M 13	9M 12	%
Interest income	631.4	657.4	(4.0)
Total income	1,279.9	1,166.8	9.7
Gross Op. Profit	541.9	431.9	25.5
Net Result	134.4	(105.9)	n.s.
Net result (PF) ¹	138.8	103.0	34.8
Cost/income ratio%	57.7	63.0	(5.3pp)

- **Gross operating profit:** +25.5% YoY mainly thanks to non interest income which benefited from the excellent result from financial activities (+€68m YoY) and net commission growth (+13.5%).
- **Net Profit** €134.4m vs a loss of €105.9 million as at Sept '12
- **Cost Income** -5.3 p.p vs. Sept '12, thanks to strict cost control and the positive impact from Early Retirement Plan.

1. Net of non recurring items

NO GOODWILL IN BPM BALANCE SHEET

Overview of goodwill as % of shareholders equity (Sep. 2013)

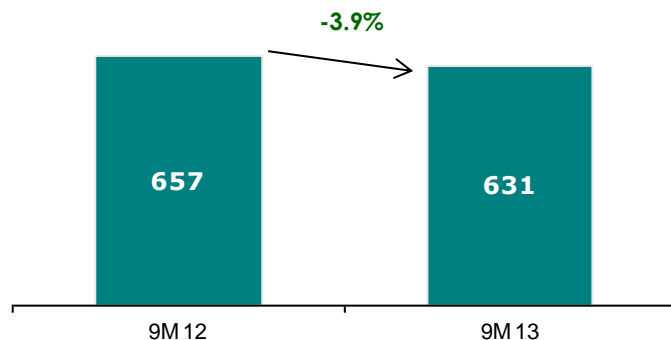


Source: Financial Interim statements as of 3Q13. Group peers includes: UCG, ISP, BP, UBI, MPS, CE, Carige, BPER

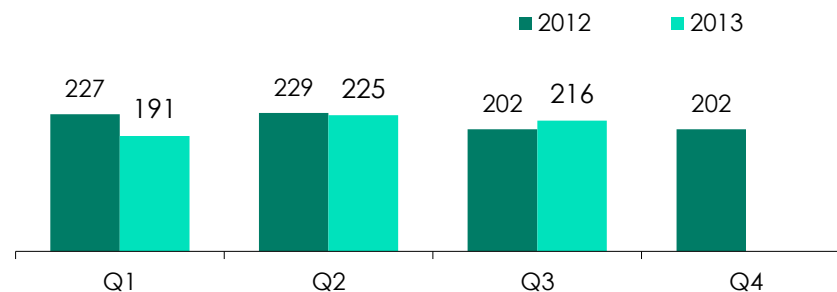
OPERATING INCOME

Evolution of net interest income (€m)

Yearly analysis



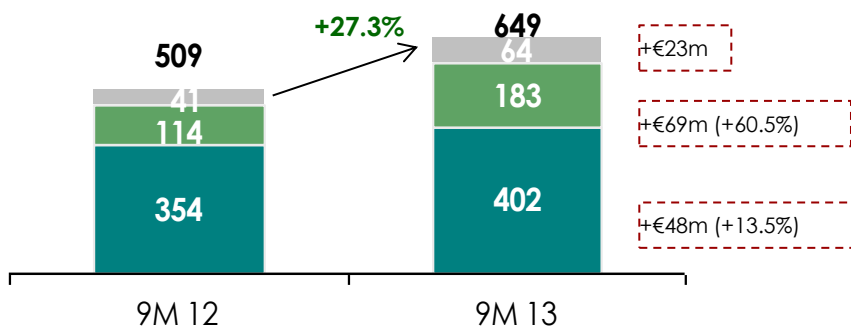
Quartely analysis



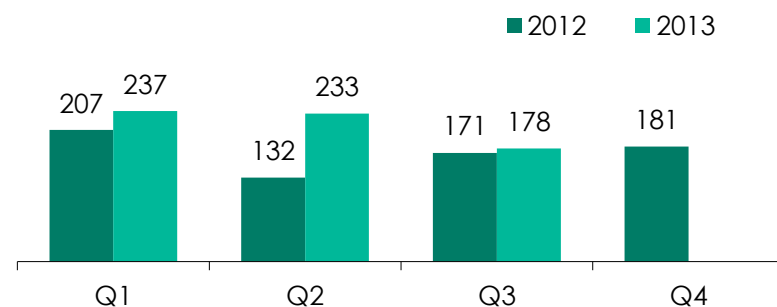
Evolution of non net interest income (€m)

Yearly analysis

■ Net fees and comm. ■ Net Income from fin. act. ■ Other



Quartely analysis

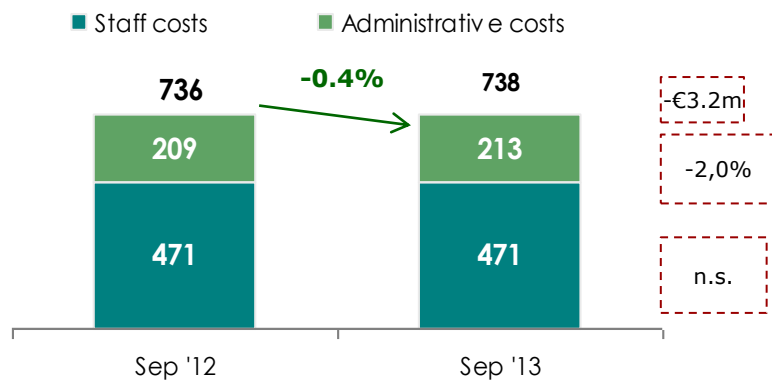


1. Q2 included €21m of positive items related to the suspension of the accrued, and not paid, interest on the "perpetual subordinated notes". Q3 included a one-off from an operating view point (€5m).

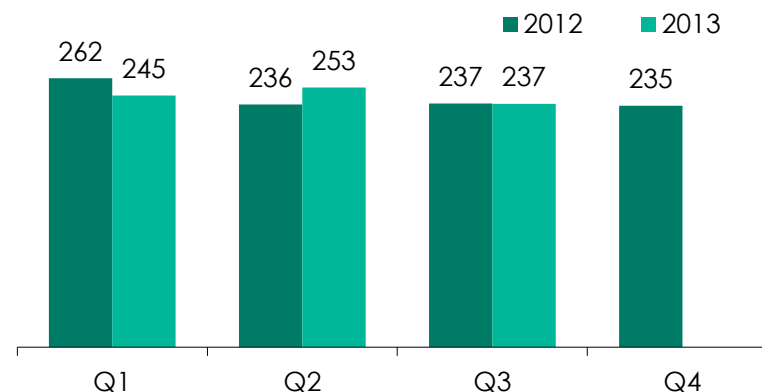
OPERATING COSTS AND COST OF CREDIT

Evolution of operating costs (€m)

Yearly analysis

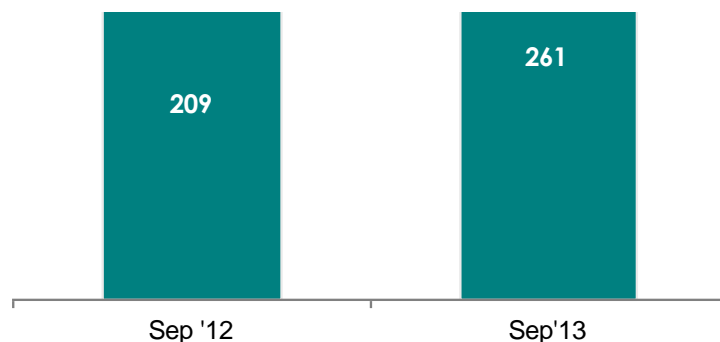


Quartely analysis

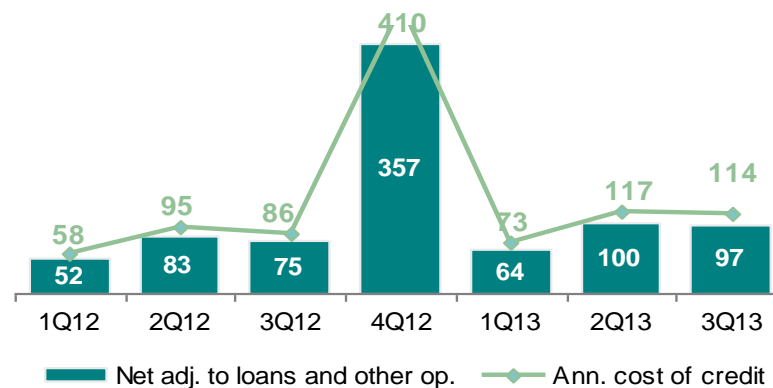


Evolution of net adjustments (€m)

Net adjustments (€m)

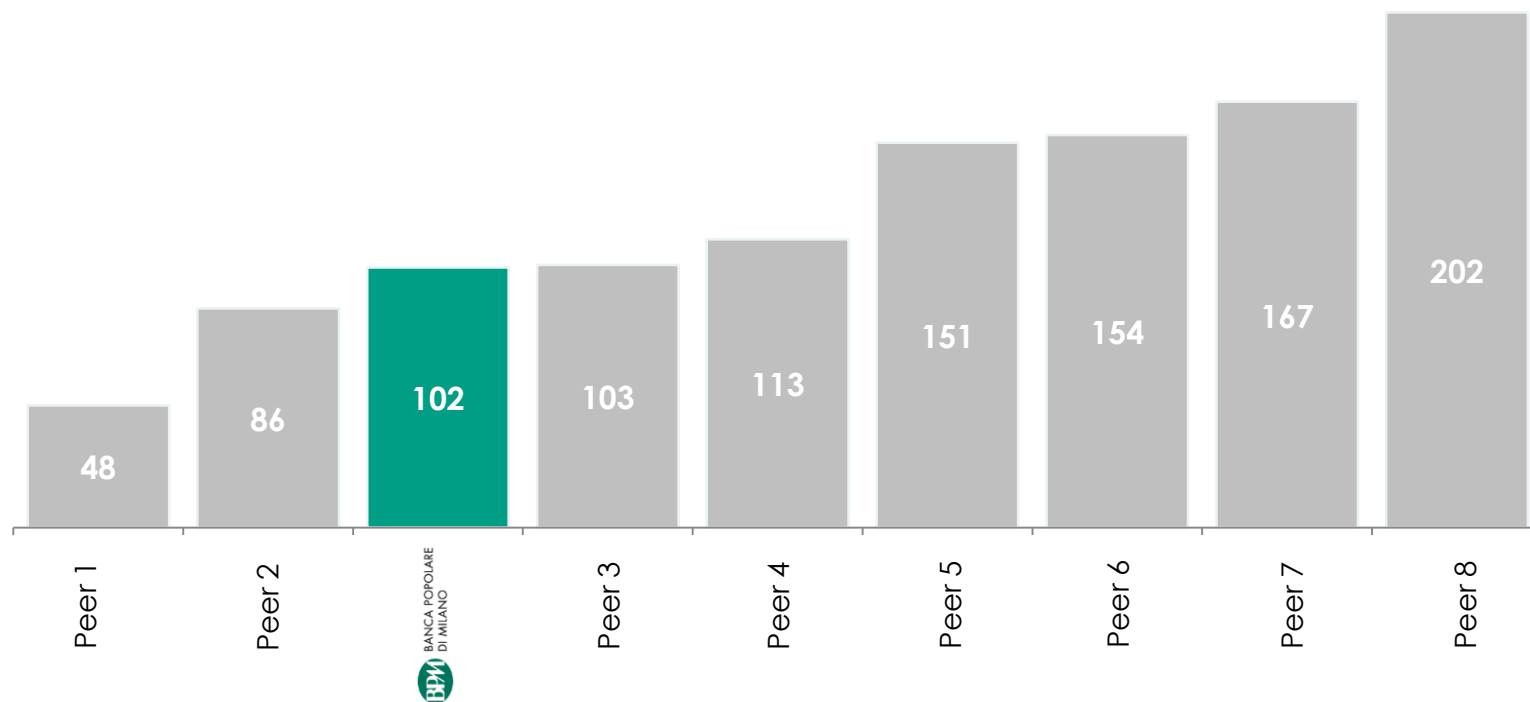


Quarterly evolution of net adjustments (€m) and cost of credit (bp)



COST OF CREDIT

Annualised cost of credit for 9M13 (bp)



Source: Financial Interim statements as of 3Q13. Group peers includes: UCG, ISP, BP, UBI, MPS, CE, Carige, BPER

Agenda

Bipiemme Group Overview

Capital Position

Funding & Liquidity

Lending, Asset quality and Risk Profile

Q3 13 Highlights

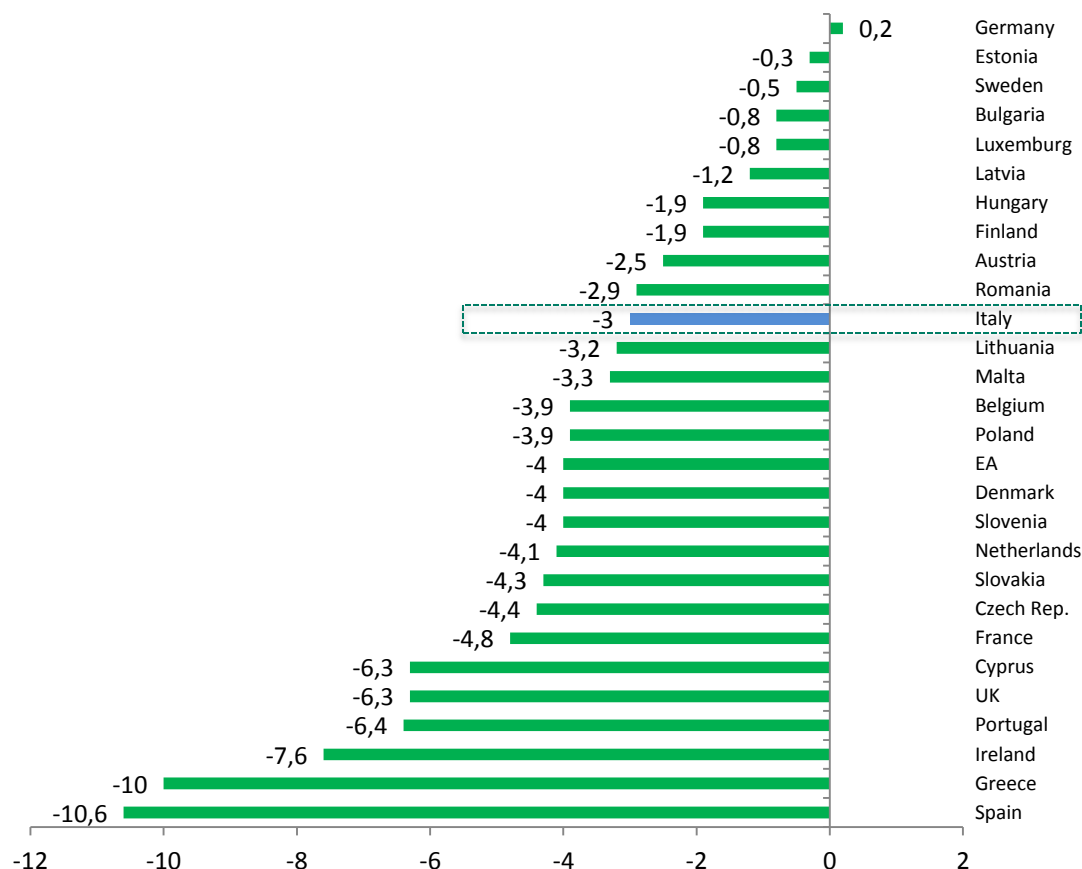
Annexes: macroeconomic overview

Annexes

Macro – Public Finances

- In 2012 only Germany registered a Government surplus
- Italy is among the eleven member states which had deficits lower than 3% of GDP, in line with European Request.
- PIGS countries rank at the bottom of the list
- France stands at -4,8%, UK at -6,3%

Deficit as % of GDP 2012

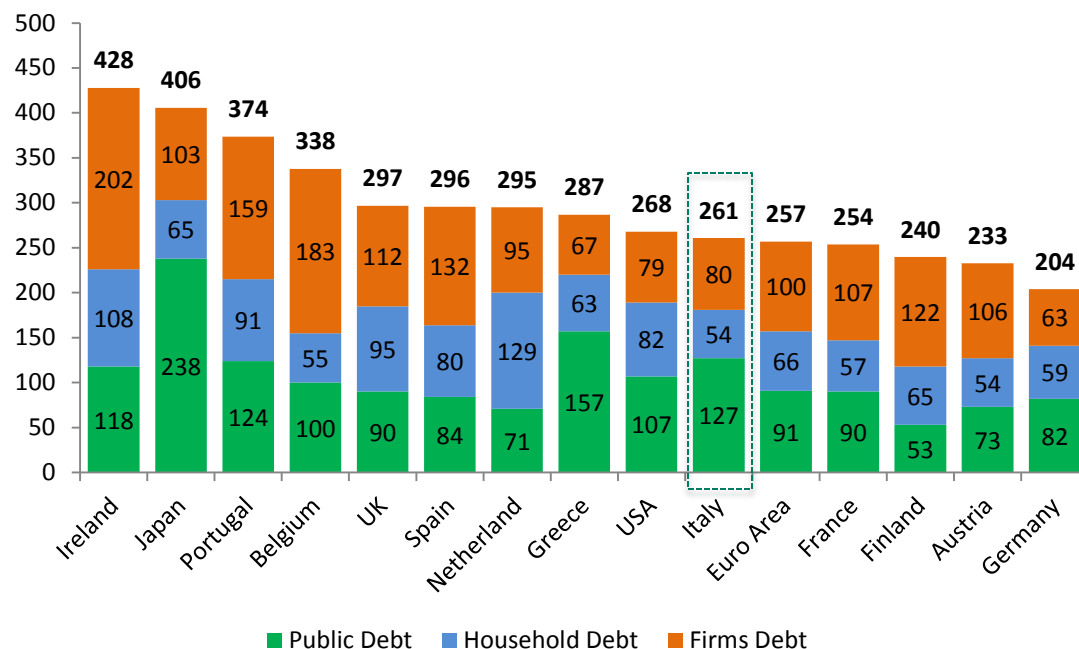


Source: ABI banking industry presentation, December 2013; Bank of Italy

Macro – Very healthy private sector

- Italy: a country of prudent savers
- Italian private Debt to GDP is among the lowest in Europe: non financial firms debt is 80% vs 100% Euro Area (EA) average; household debt is 54% vs 66% EA average
- Italian aggregate debt is in line with EA

Aggregate debt as a % of GDP 2012

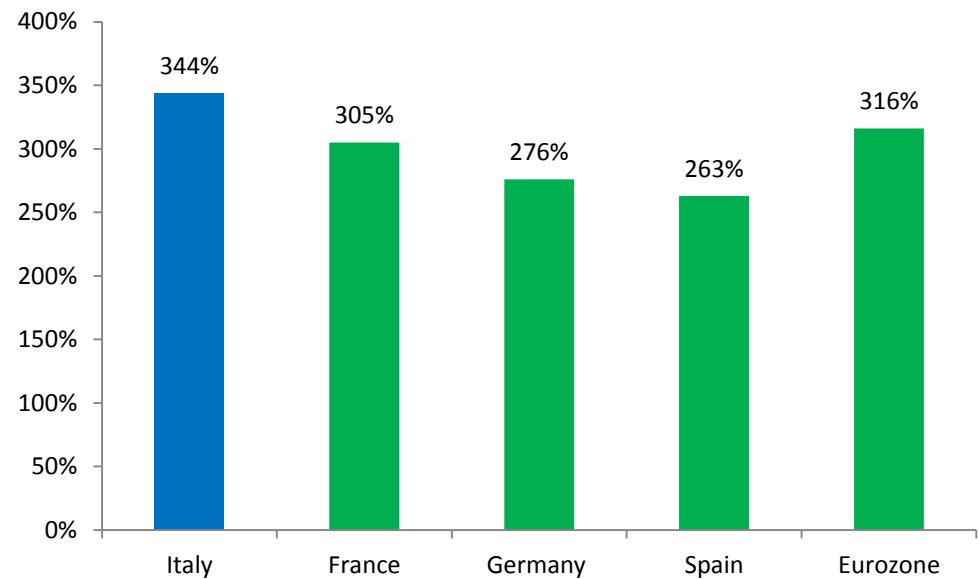


Source: ABI banking industry presentation, December 2013 ; Bank of Italy

Macro – High financial wealth

- Italy: a country with high financial wealth
- High household assets as a % of disposable income (344% vs 316% EA)
- High ratio of per-capita net wealth to per capita GDP (UK=4.1x, France = 3.7x, Italy = 3.7x, USA= 2.9x, Germany = 2.5x, Spain = 1.8x).

Household financial assets (as % of disposable income, 2012)

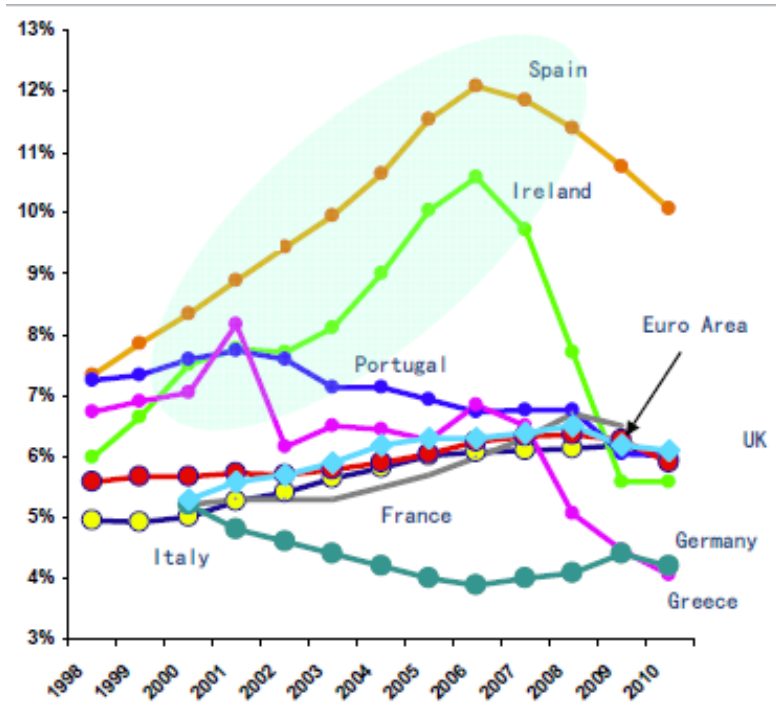


Source: ABI banking industry presentation, December 2013; Bank of Italy

Macro – Good quality of growth

- Economic growth, even if poor, is not “bubble driven”, as it has been for other European Countries (i.e. Spain, Ireland...)
- ...where the economic miracle ended with the burst of the housing bubble (2007/2008)

Value added of constructions as a % of total value added (1998-2010)



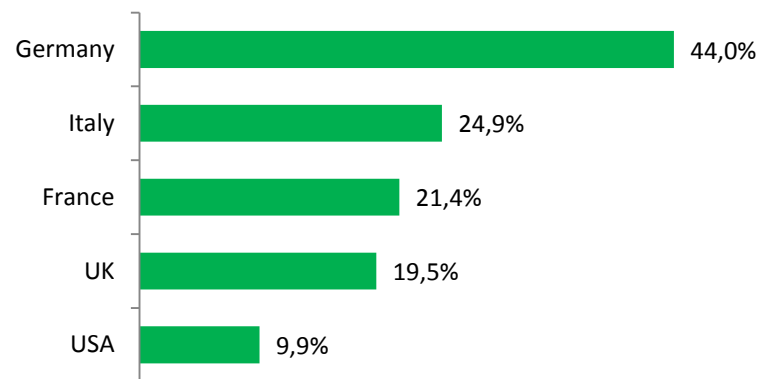
Source: ABI banking industry presentation, December 2013; Bank of Italy

Macro – Strong defense of export market share

- Italy is Europe' s second largest manufacturing and industrial country after Germany
- A country of excellence in different niches with a long history of industrial districts
- One of the biggest export oriented country in the Eurozone

	1° exporting Country	2° exporting Country
Clothing and fashion	Italy	China
Leather, footwear	Italy	China
Textile	Italy	Germany
Non electrical mechanical	Germany	Italy
Basic manufactures	Germany	Italy
Electrical appliances	Germany	Italy

Export of goods as % of GDP, 2012



Source: ABI banking industry presentation, December 2013; Bank of Italy