BANCA POPOLARE DI MILANO

PRESS RELEASE

In today's meeting, the Management Board deliberated the following points of the agenda:

- *Approval of Bipiemme Group's results as at 31 December 2013*

- *Approval of Bipiemme Group's 2014-2016/2018 Business Plan and proposal to change the Governance*

- *Amendments to the calendar of corporate events 2014: Shareholders' Meeting deliberated for 11/12 April 2014*

- *Amendment to the pre-underwriting agreement with the syndicate for the rights issue*

The Management Board approves Bipiemme Group's results as at 31 December 2013

- **Gross Operating Profit: €696 million +89.8% YoY thanks to the positive revenue trend (+8.6%) and the tight cost control**
- **Net profit: € 30 million (-€430 million in 2012)**
- **Normalised Net Profit[1]: €78million (-€62 million in 2012)**
- **Doubtful loans coverage: 36% (+250 bps vs. September 2013)**
- **Increase in the coverage of all doubtful loans categories:**
  - **Non-performing loans coverage: 55.5% +200 bps QoQ**
  - **Watchlist coverage: 22.8% +300 bps QoQ**
  - **Restructured loans coverage: 9.9% +200 bps QoQ**
  - **Past-due coverage: 8% +50 bps QoQ**

P&L results:

- **Total income: €1,683 million (+8.6% YoY) o/w:**
  - **Net interest income: €837 million (-2.5% YoY)**
  - **Non net interest income: €846 million (+22.3%YoY) o/w:**
    - **Net fees and commission: €545 million (+9.6%)**
    - **Net income from financial activities: €201 million (+56.2%)**
- **Cost Income Ratio 58.6%, down 17.7 p.p. compared with 76.3% as at 31/12/2012; Normalised Cost Income Ratio also down: 56.4% (-6p.p. YoY)**
- **Gross operating profit: €696 million (+89.8% YoY)**

[1] Net of non-recurring items.

Balance-sheet results:

- **Total funding[2]: €52.0bn, stable YoY , +0.9% QoQ**
  - **Direct funding: €36.8bn (-4.5% YoY) and stable QoQ**
  - **AUM: €15.2 bn, up 10.3% YoY and 3.2% QoQ**
- **Loans to customers: €33.3bn (-4.2% vs Dec 2012 and -2.2% vs Sept 2013)**
- **Core Tier 1: 7.21% , Core Tier 1 Pro-forma[3]: 10.35%**

In today's meeting, the Management Board of Banca Popolare di Milano examined and approved BPM Group's results as at 31 December 2013. The economy was still very weak in 2013, as confirmed by the low interest rates (average 3-month Euribor in 2013 was 0.22%) and, above all, the weak outlook for Italy in 2014 (GDP growth +0.8%, source: Prometeia).

Despite the unfavourable backdrop, BPM Group's core operating trend in 2013 recorded good results, especially in terms of P&L. In particular we point out:

- P&L results: strong gross operating profit, which was driven by both the positive trend in revenues and the tight cost control;
- Balance-sheet results: good growth in indirect funding vs 2012 and reduction in direct funding YoY but stable QoQ. Loans to customers were also down in 2013, in line with the strategic guidelines to reduce large risks and exposure to the real estate sector;
- The group's good liquidity position, highlighted by about €3.6bn[4] in unencumbered eligible securities;
- The group's good capital standing: at the end of December 2013, the group's regulatory capital standing was €4.6bn, slightly down vs December 2012 owing to the redemption of the Tremonti Bond; as such, the Core Tier 1 was 7.21%, which would rise to 8.38% on a pro-forma basis if it included the envisaged rights issue, and 10.35% if it included the possible removal of the add-ons.

[2] Direct funding + AuM.
[3] Net of add-ons and including the already deliberated capital increase for €500 million.
[4] Data as at 4 March 2014, Source: weekly liquidity report

Bipiemme Group

Direct customer funding and issued securities

Direct customer funding (amounts due to customers, debt securities issued and financial liabilities at fair value) totalled €36,814 million, flat vs September 2013 and down (-4.5%) vs December 2012.

Specifically, amounts due to customers (€26,423 million) increased 0.5% (+€126 million) vs December 2012, mainly due to an increase in both current and savings accounts (+€127 million) as well as in Repos (+€103 million) - mostly from BPM's operations on the MTS market - in order to diversify the funding mix.

"Debt securities issued" totalled €10,114 million, down 9.9% (-€1,109 million) vs December 2012. The reduction was due to both the retail segment (-€848 million) and to "institutional" customers (-€261 million). The fall in institutional funding was due to the redemption in April of Senior EMTN Bonds for € 1.25bn, an amount that was only partially offset by a placement of an EMTN Senior Bond for €750 million and €250 million that came from a tap issue carried out in October and November.

The decrease in retail funding, on the other hand, was mainly due to holders of deposit certificates and bonds that matured in the period as investors switched their investments to insurance and AuM products.

Indirect customer funding

Total indirect customer funding as at December 2013 was €31,222 million, up 1.9% vs December 2012 and 1.6% vs September 2013.

Specifically, **"assets under management"** (€15,177 million) were up 10.3% vs December 2012, driven by both net inflows from funds (+€ 852 million) and insurance reserves. The latter recorded net inflows of +€424 million and an increase in stock for +€447 million (+11% vs December 2012).

"Assets under custody" were stable QoQ and down (-4.9%) vs December 2012 mainly due to the shift in customers' investment preferences towards AuM products.

Customer loans

Customer loans as at December 2013 totalled €33,345 million, down vs both December 2012 (-4.2%) and September 2013 (-2.2%). The decrease in customer loans in 2013 was mainly due to the fall in commercial loans

and, specifically, mortgages (- €761 million), and other technical forms (- €632 million), owing to the unfavourable macroeconomic scenario.
More in detail, commercial loans decreased 5.7%[5] vs December 2012: retail loans were flat whilst corporate banking and small business loans were down 8% and 9% respectively.
Mortgages fell vs December 2012 (-4.5%) whilst new mortgages issued in 2013 totalled €2.2bn (-21.8% YoY); personal loans and corporate loans were also down (-17.1% Y/Y).
The decrease in customer loans was in line with the sector; the group's loans market share as at December 2013 (1.9%) was stable vs December 2012.
The continuing difficult macroeconomic environment worsened **credit quality** in 2013 on both the Italian banking sector and at a corporate level.
The group's total gross doubtful loans (€5,279 million) were up 25.6% vs December 2012, though the growth rate was slower than in 2012 (+34.6%).
The QoQ analysis shows a further decrease in the net doubtful loans growth trend (+1.7%) whilst gross doubtful loans were up 5.8%, mostly due to four new positions (€250 million) in the watchlist. Net of these positions, the growth would be in line with net doubtful loans.
It must be pointed out that the coverage ratio increased on all the doubtful loans categories. Total gross doubtful loans coverage (36.0% as at December 2013) was up by 170bps vs December 2012 and by 250 bps vs September 2013.
In detail, the coverage ratio of single categories was:

- non-performing loans 55.5% +200bps QoQ
- watchlist 22.8% +300 bps QoQ
- restructured loans 9.9% +200 bps QoQ
- past-due 8.0% +50 bps QoQ

Furthermore, it must be pointed out that performing loans coverage also increased greatly (0.72% as at December 2013 vs 0.60% as at September 2013).

Net equity and Regulatory capital

As at 31 December 2013, Bipiemme Group's net equity was €3,626 million (-9.7% vs December 2012) and regulatory capital was €4,552 million (-13.1% YoY).

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[5] Average monthly data based on organisational segmentation.

The decrease was mainly due to the redemption of the Tremondi bond (€500 million).
The Core Tier 1 ratio as at December 2013 was 7.21%, the Tier 1 ratio was 7.82% and the Total Capital Ratio was 10.68%.
The decrease in the Core Tier 1 ratio (-117 bps vs December 2012) was due to the aforementioned redemption of the Tremonti Bond and extension of the add-ons to Banca di Legnano's assets (c. €1bn): Banca di Legnano was merged into BPM group in third quarter 2013.
The group's capital ratios include the higher weightings exacted by the Bank of Italy. These higher weightings led to an increase in risk-weighted assets of about €8 billion, thereby causing a negative impact of 169bps on the Core Tier 1, 183 bps on the Tier 1 and 250 bps on the Total Capital Ratio.
The Core Tier 1 ratio on a pro-forma basis (net of add-ons and including the already deliberated capital increase for €500 million) would be 10.35%

Total Income
Bipiemme Group's total income as at December 2013 was €1,683.0 million, up by 8.6% YoY.
Specifically, **"net interest income"** was €837.4 million, down 2.5% YoY. The decrease was mainly due to lower commercial income, which was down 1.7% YoY (-€12 million) owing to both a reduction in the spread between lending and deposit interest rates (-4bps) and a decrease in the average volumes of customer loans (c.-5.3%).
"Non net interest income" was €845.6 million, (+22.3% YoY) and was driven by:

- the increase in net fees and commission (+ €47.9 million or +9.6% YoY), thanks to the higher "management, brokerage and advisory fees" (+€54.1 million), which benefitted, among other things, from placements of indirect funding, insurance and AuM products;
- the excellent net income from financial activities (+€72.2 million or +56.2%); this includes, on the one hand, the devaluation on the holding in another bank (c. €50 million) and, on the other hand the capital gain on the holding in the Bank of Italy (€13.1 million[6])
- "net income from investments valued at net equity" (+€25.7 million), thanks to the good contribution from Anima Holding, Bipiemme Vita and Factorit.

[6] We point out that - especially in view of the ongoing reviews in all domestic and international banks - there is a possibility that in the future a number of theories will be put forward on how to book this item. Furthermore, we point out that this capital gain was not considered to calculate the capital ratios.

Operating costs

Operating costs were excellent, recording €986.6 million, down vs. December 2012 (-16.6%) which, though, included non-recurring items for €213.4 million related to the Early Retirement Plan (Fondo di Solidarietà).

Specifically:

- "Staff costs" totalled €608.7 million, down greatly, -€203 million vs. December 2012 (-25%). On a like-for-like basis - i.e. net of cost related to the Early Retirement Plan (Fondo di Solidarietà) and the non-recurring items - staff costs would actually be down Y/Y thanks to the benefits from the mentioned Early Retirement Plan (-466 people YoY);
- "Other administrative expenses" was €305.3 million (+2.1% YoY), mainly due to the actions to implement the business plan (c. €18.5 million) and the merger by incorporation of Banca di Legnano;
- "net adjustments on tangible and intangible assets" was €72.6 million, basically stable vs. December 2012 (-0.5%).

The total number of staff was 7,846, down by 466 people YoY.

The Cost Income Ratio was 58.6%, down by 17.7 p.p. The Normalised Cost Income Ratio was also down, reaching 56.4%, -6 p.p. YoY.

Provisions, adjustments and other items

Net adjustments on loans and other operations totalled €589.7 million, up on the €566.3 million as at December 2012 (+4.1%). This increase was due to the conservative approach adopted in evaluating the loan portfolio owing to the ongoing economic situation.

This approach allowed the Bank to materially increase the coverage ratio on all categories of doubtful loans, also in consideration of the Asset Quality Review that is due to start on major financial institutions shortly.

The following contributed to the increase in net adjustments on loans:

- specific adjustment to loans: €700 million vs. €716.1 million as at December 2012;
- portfolio adjustment (“collettive”): ~ € 38.6 million, vs. €4.5 million in 2012;
- writebacks on specific positions: €148.8 million.

Given the foregoing, the annualized cost of risk, calculated by comparing annualised net adjustments on loans against the volume of total loans, was 177 bps, up by 14 bps YoY.

Provisions for risks and charges totalled €9.6 million (vs. € 32 million as at December 2012.

Profit (loss) from equity and other investments and provisions on tangible and intangible assets

"Profit from equity and other investments and adjustments on goodwill and other intangible assets" was -€0.3 million vs -€366.8 million in 2012 (due to impairments on goodwill and core deposits following impairment tests).

Net profit

After recording €67.4 million for taxes, the group recorded a net profit of €29.6 million, vs -€429.7 million as at December 2012; net of non-recurring items, the group's net profit as at 31 December 2013 increased to €78.5 million compared with the net loss of €61.9 million recorded as at December 2012.

Outlook for the current financial year

In 2014, the management's efforts will be focused on enlarging the group, both in terms of increasing funding and in increasing loans without, thought, dropping its guard on credit quality. The goal to increase operating margins will be particular important, and this will be achieved by keeping a close watch on operating costs.

In the last few months, the domestic macroeconomic scenario seems to be showing hazy signs of improvement, though certain factors are still dormant - even at an international level - and this could weaken the recovery. The banking activity will inevitable be affected by the current still fragile outlook.

In particular, the low market interest rates will continue to affect net interest income in 2014, while the desired economic recovery could help to rekindle loans to companies.

However, we can expect a slowdown in credit deterioration, but not enough to drive credit quality back to the pre-crisis levels.

After 31 December 2013, the group's operating trend is in line with the growth guidelines set out in the new consolidated Business Plan.

The commercial business trend will continue to be honed even in the coming months to improve the group's foothold on its local territory and the services offered to customers without, though, lowering its guard on costs and risks, which are levers to maintain profitability. At the same time, the group will strengthen its already sound liquidity position and capital base; this will also be accomplished thanks to the foreseen 500 million euro rights issue.

The new development actions will be supported by organisational streamlining and efficiency.

Parent Bank

The key profit and loss and balance sheet figures for the parent bank, Banca Popolare di Milano S.c.a r.l., are as follows:

Direct funding	€ 33,467 million (-5.8% Y/Y)
Customer loans	€ 31,925 million (-7.4%)
Total income	€ 1,483.6 million (+7.2%)
Operating costs	€ -895.5 million (-16.9%)
Net profit	€ 23.1 million

Approval of Bipiemme Group's 2014-2016/2018 Business Plan and proposal to change the Governance

"Sound and sustainable growth"

Strategic guidelines

- **CORPORATE GOVERNANCE: FORWARD LOOKING GOVERNANCE**
- **SOUND FUNDAMENTALS TO ENABLE THE BANK TO FULLY EXPLOIT ITS BUSINESS OPPORTUNITIES: SOUND CAPITAL BASE, STRENGHTENED LIQUIDITY, LOW RISK PROFILE**
- **COMMERCIAL EFFICACY AND OPERATING EFFICIENCY TO SUPPORT GROWTH**

***Governance*:**

The proposed amendments to the bank's governance, approved today by the Management Board and which will be submitted for approval to the next Shareholders' Meeting, are aimed at providing a signal that the bank intends to continue along its path to change - gradually but assertively - its corporate governance in line with the decision of the Shareholder's Meeting held on October 2011, sought by the Market and recommended by the Supervisory Authorities.
Such amendments are aimed at strengthening the bank's stability, transparency and efficacy in the bank's governance and ensuring, together with the envisaged rights issue, the definitive re-launch of the BPM Group as a strong, stable and independent group.
The key features of the proposed reform, aimed at ensuring balance between the various stakeholders that are interested in the banks' re-launch and success (i.e. /shareholders, investors, customers and employees), are:

a) to rationalise the number of the members on the bank's governing bodies by way of:
    (i) the reduction of the number of members of the Supervisory Board from 17 to a maximum of 13, which could rise to a

maximum of 15 including 2 representatives of the Strategic Partners;

(ii) the increase of the number of members of the Management Board from 5 to 7; and

(iii) the increase of the number of independent members of both boards;

b) to maintain the bank's cooperative characteristics, with regard to the fact that:

(i) the majority of the members of the Supervisory Board (9 out of 13) and the Nomination and Remuneration Committees are board members who have been appointed through the per capita voting mechanism;

(ii) the Chairman and the Deputy Chairman of the Supervisory Board shall be appointed from the list that obtained the highest number of votes (per capita);

(iii) the Chairman of the Supervisory Board also chairs the Nomination and Remuneration Committees and has a key role in appointments and setting remuneration;

c) the greatest incentive for institutional investors to have an active and responsible role in the bank by:

(i) an higher representation in the Supervisory Board, namely by increasing the participation to the appointment of the members of the Supervisory Board from the current 2 (out of 17) to a maximum of 4 (out of 13), and in the Internal Control and Audit Committee (up to maximum 3 out of 5 members, among which the Chairman);

(ii) a greater importance assigned to the institutional investors in the appointment mechanism of the members of the Management Board: at least 2 Supervisory Members taken from the lists presented by institutional investors must vote for the appointment of the Management Board;

(iii) the increase of the shareholdings' limit in the bank from the current 0.5% to 1% and up to a maximum of 3% for the bank foundations;

(iv) the maintenance of the role of Strategic Partners and confirming that 2 members of the Supervisory Board will be appointed pursuant to the agreements with such partners.

The changes to the governance regarding the appointment of the members of the Supervisory Board will come into force as of the first time the Supervisory Board is renewed after the changes have been approved.

Main Management Actions:

Strengthen the capital base

- Common Equity Tier1 2016 12% thanks to:
  - rights issue up to €500 million
  - expected removal of add-ons
  - adopt internal model (AIRB) to calculate RWAs

- Further room for growth, up to 200 bps, thanks to potential alignment with validated banks' RWA/Total average assets (~50%)

Further strengthen the Bank's liquidity position

- early LTRO repayment
- control on loans/deposits ratio
- keep wide eligible asset base

LCR 2016 >100%
NSFR 2016 >95%

Constantly monitor credit quality

Cost of credit 2016: 75bps
Reduce the bank's real estate exposure.

Increase efficiency of the bank's business model

- ***Multichannel :***
  - Creation of a best-in-class multichannel bank by integrating WeBank into BPM in 2014

  Multi-channel customers: CAGR 2013-16: +8%
  Closing traditional branches by 2016: ~670 (vs 716 in 2013)
  Opening specialised points of sale: ~80 in 2016 (vs 24 in 2013)
  Increase in commercial roles: ~3,200 people in 2016 (vs 2,450 people in 2013)

- ***Retail:***
  - Enhance acquisition and cross selling processes
  - Focus on presence and proximity to SMEs in the local areas the bank operates in ("*Banca di Territorio*")
  - Clustering of new *affluent* customer segment

- ***Corporate:***
  - Honing of the business model to optimize returns
  - Reduce exposure to the real estate segment and re-allocation of short-term loans

- ***Private and Wealth management***
  - Significant increase in scale and growth in customers' financial assets by leveraging on Banka Akros and BPM Private Banking

  - ***Enhance human capital and spending review***
  - Enhance employee efficiency and professionalism
    - Training: commercial development and enhancement of staff expertise
    - Merit*:* strengthening of the staff assessment system based on performance
  - Make better use of the bank's own real estate assets and streamline the network

In today's meeting, the Management Board of Banca Popolare di Miano ("BPM) also examined and approved BPM Group's 2014-2016 Business Plan (with projections up to 2018). The plan aims to significantly increase the bank's efficiency and profitability by way of a new business model to enable the bank to strengthen its roots in the local area it operates in and its proximity to families and SMEs.

The macro scenario assumptions underlying the Business Plan are showing some first signs of recovery:

- **Back to GDP growth:** +0.8% Italian GDP growth in 2014 and +1.6% in 2016
- **Pick-up in interest rates:** 3-month Euribor expected at 0.28% in 2014 and 0.66% in 2016
- **shrinking BTP-Bund spread:** from 221 bps in 2014 to 188 bps in 2016

In spite of the unfavourable macroeconomic scenario, in the last two years BPM has managed to strength its fundamentals by increasing the coverage ratio of doubtful loans, by enhancing its liquidity profile and entirely writing-off its goodwill. In addition, the management team has been renewed and the group structure has been streamlined. The group has also adopted strong actions on operating costs. Thanks to these measures, the bank has turned profitable again.

That said, Bipiemme Group is now ready to fully exploit all the opportunities offered by an improved macroeconomic scenario thanks to a high-worth portfolio of customers who are located in the wealthiest areas of the country and the combination of product distribution and excellence. The group can leverage on its sound fundamentals in order to become a benchmark in the banking industry thanks to its ever improving and streamlined branch network, to one of the most innovative and attractive digital banks (WeBank), its specialised expertise in consumer credit (ProFamily) and its high value added services for Private and Corporate structures (Banca Akros).

The new Business Plan comes after the ongoing turnaround process; it follows important actions, such as the renewal of the corporate governance using a model that ensures the boards are independent and have forward guidance.

The pillars of the 2014-2016/2018Business Plan:

- continuation along the guidelines set in the previous business plan;
- one of the most sound capital bases on the market so the bank can tackle the challenges ahead and exploit the growth opportunities over the next three years;
- one of the most advanced business platforms, ready to exploit its potential from its outstanding territorial presence and its customers;
- efficiency by way of innovation, training and redevelopment of the staff and better use of its real estate assets.

The Business Plan's strategic guidelines will be based on 10 drivers. In detail:

1. **Strengthening of the capital base** through a €500m rights issue, the anticipated removal of the add-ons, as the bank has tackled Bank of Italy's remarks and validated the internal AIRB models. These actions will allow the bank to reach a CET1 in 2016 of about 12%, well above the ECB's 8% minimum requirement, and maintain a capital buffer to support the business growth and a potential negative scenario.
2. **Further strengthening of the already sound liquidity position** through control of the loans/deposit ratio, improvement in the ability to access the wholesale market and a broad base of eligible assets. The bank will proceed to repay the LTRO in advance, which will not cause any significant impact on the liquidity or the P&L.
3. **Monitoring credit quality** through actions on both performing and doubtful loans. As far as performing loans are concerned, the Business Plan provides for the renewal of the organisational

structure and the credit procedures as well as strengthening of the credit granting process by redesigning the credit policies in order to optimise the risk/return profile. Rating tools will also be strengthened. The monitoring process will be upgrade by implementing a new early warning system and a team of specialists to help the relationship managers to react quickly to early warnings. Actions on doubtful loans include bolstering the credit collection office, introducing KPI with budget/incentive mechanisms and an increase in third-party collection providers. Lastly, extraordinary operations to dispose of non-performing loans will be opportunely considered.

4. **Creation of a multi-channel Bank** by integrating WeBank into BPM in order to strengthen the group's online banking services, with a unique strategy focused on the WeBank brand as the group's customer acquisition engine. Customer multi-channel base + 25% under the plan horizon.
5. **Excellence in the *"core"* retail segments** by further strengthening the asset management model (affluent and super affluent customers) and the specialised product distribution by integrating Profamily into BPM, by opening new point of sales dedicated to family financing, by turning to third-party network and by offering a new product range. In the SME segment, the Business Plan envisages strengthening the bank's territorial presence and proximity to customers, through facilitated financing and strong use of a scoring processes in order to reduce lead times and gain market share on quality customers. These actions will lead to an increase of overall retail volumes of 5.6% CAGR.
6. **Support for the recovery and new value added service offerings for <u>corporate customers</u>** by exploiting the large available capital base, by adopting a distinctive and effective business model and by leveraging on Banca Akros as a platform for corporate finance, advisory and mini-bond issuance. The Business Plan envisages a further reduction in real estate exposure and reallocation of short-term loans. Total income on total loans + 15% in 2013-2016 and total loans +4.4% CAGR 2013-2016.
7. **A centre of excellence for <u>entrepreneurs and professionals</u>** by leveraging on Banca Akros and BPM Private in order to widen the services offered by way of active advisory and personal financial planners.
8. **Enhancement of human capital** by, on the one hand, hiring people with higher professional skills and young talent and, on the other hand, by training and developing people to support the

commercial development by focusing on the staff's experience. The system will be strengthened to better evaluate staff performance.

9. **Ongoing cost control** thanks to the adoption of IT processes (branch IT systems and online banking, thanks to Webank's excellent technical/operational skills and infrastructure; launch of a new integrated sales platform that grants and monitors loans) that allow the bank to increase efficiency and productivity. The spending review is ongoing and provides for the in-sourcing of specific activities to optimise the cost base, integration of synergies and consolidation of cost control processes. Administrative expenses -3.4% CAGR 2013-2016 and investments for 244 million in the three-year horizon.
10. **Better use of the bank's own real-estate assets and space**, in order to maximise the value and use of the real estate space. In addition, the bank will progressively restructure the main branches (Hub) and close selected branches (about 50).

The following are the main assumptions and goals of the Business Plan:

Macro Scenario

	2014E	2016E	2018E
GDP Italy (%)	0.8	1.6	1.6
Euribor 3M	0.28	0.66	1.57
Italy - Customer loans (ch.%)	+0.4	+2.6	+2.6
Spread BTP-Bund (bps)	221	188	160

P&L targets

€ m	2013	2016E	2018E	CAGR 2013-16	CAGR 2016-18
Operating Income	1,683	1,801	1,982	2.3%	4.9%
Operating Costs	(987)	(1,013)	(1,033)	0.9%	1.0%
Gross Operating Profit	696	788	950	4.2%	9.8%
Net Profit	30	295	403	n.s.	17%

Balance sheet targets

€ bn	2013	2016E	2018E	CAGR 2013-16	CAGR 2016-18
Customer loans	33.3	39.2	41.7	5.6%	3.1%
Total funding	68	79.4	84.8	5.3%	3.4%

Main ratios

	2013	**2016E**	**Var. 13-16E**
Cost/Income (%)	58.6	56.3	-2.3 p.p.
Cost of credit (bps)	177	75	-102bps
CET1 Ratio (%)	7	12	+4.9p.p.
LCR (%)	91.7	>100	n.a
NSFR (%)	92.2	>95	n.a.

	2013	**2016E**	**2018**	**Var. 13-16E**	**Var. 16-18E**
ROTE (%)	0.8	7.0	~9	6.2p.p.	~2p.p.

Amendments to the calendar of corporate events 2014: Shareholders' Meeting deliberated for 11/12 April 2014

Further to the press release dated 28 January 2014, BPM hereby confirms that in today's meeting the Management Board deliberated to hold the Annual General Meeting on 11 and 12 April, first and second calling (instead of 18/19 April 2014 as originally planned). As such, the Supervisory Board will meet to approve the Full Year 2014 Financial Statements and the Consolidated Financial Statements on 19 March 2014. The Calendar of Corporate Events - 2014, as updated based on the foregoing, is available on the group's website www.gruppobpm.it.
The Management Board has thus deliberated to call a Shareholders' Meeting for 11 and 12 April 2014, first and second calling, to discuss and, within its powers, resolve on: (i) in the General Meeting, pursuant to article 26 of the group's Articles of Association, the Full Year Financial Statements and the Consolidated Full Year Financial Statements as at 31 December 2013, the remuneration policy, appointment of the bank's Supervisory Board, pursuant to article 48 of the Articles of Association, as well as the adjustment to the auditing company's remuneration, and (ii) in the Extraordinary Meeting, the motion to amend the bank's governance development process (as explained above). The call to the foregoing Shareholders' Meeting will be published tomorrow pursuant to the Articles of Association and pertinent laws currently in force.

Amendment to the pre-underwriting agreement with the syndicate for the rights issue

With reference to the pre-underwriting agreement dated 19 March 2013 and amended on 23 September 2013 (the "Pre-Underwriting Agreement") entered into between BPM on one side and Barclays Bank PLC, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc and Mediobanca Banca di Credito Finanziario S.p.A. acting as Joint Global coordinators and Joint Bookrunners on the other side, BPM announces that such Pre-Underwriting Agreement has been amended today in order to contemplate, inter alia, the joining of Citigroup Global Markets Limited as Joint Bookrunner and the removal of the condition precedent to the pre-underwriting undertaking of the Joint Bookrunners relating to the obtainment of regulatory and corporate approvals for the amendments of BPM's governance.

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Mr Angelo Zanzi, the manager responsible for preparing the bank's accounts, hereby states, pursuant to Article 154 bis, paragraph 2 of the Testo Unico della Finanza (the Consolidated Finance Act), that the accounting information contained in this press release corresponds to the documentary evidence, corporate books and accounting records.

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The group's Full Year 2014 Financial Results as at 31 December 2013 will be disclosed to the financial community in a conference call set for 11.30 (CET) tomorrow 12 March 2014. The instructions to connect to the event can be found in the home page of the bank's website (www.gruppobpm.it).

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Milan, 11 March 2014

Please note that the original version of this press release is in Italian.
In case of any misunderstandings the Italian version shall prevail.

For the purpose of providing more complete data on Bipiemme Group's Results for the period, the reclassified consolidated balance sheet and income statement annexed to the Financial Report, as approved by the Management Board, are herewith attached. For management reporting purposes, the results have been presented in a reclassified balance sheet and income statement, in which line items have been aggregated and reclassified in keeping with market practices in such a way as to provide a clearer interpretation of trends and performances.

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Bipiemme Group - 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 equivalents	363,202	248,935	285,892	114,267	45.9	77,310	27.0
Financial assets 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	*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*
- Changes in fair value of hedged items (+ / -)	*10,105*	*11,568*	*24,707*	*-1,463*	*-12.6*	*-14,602*	*-59.1*
Loans and advances to banks	1,813,458	1,838,143	2,718,371	-24,685	-1.3	-904,913	-33.3
Loans and advances 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 Equities	**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
Debt securities in issue	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	*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*
- Changes in fair value of hedged items (+ / -)	*23,222*	*25,082*	*30,942*	*-1,860*	*-7.4*	*-7,720*	*-24.9*
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
Share capital and reserve	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 profit (loss) of the period (+ / -)	29,589	134,384	-429,694	-104,795	n.s.	459,283	n.s.
Total liabilities and Shareholder Equity	**49,353,318**	**50,225,617**	**52,475,005**	**-872,299**	**-1.7**	**-3,121,687**	**-5.9**

Bipiemme Group - Reclassified Balance Sheet (quarterly evolution)

(euro/000)

Assets	2013				2012			
	31.12	30.9	30.6	31.3	31.12	30.9	30.6	31.3
Cash and equivalents	363,202	248,935	226,984	228,473	285,892	208,682	427,010	210,564
Financial assets at fair value and hedging derivatives:	11,045,773	11,446,135	11,834,884	11,626,960	11,901,399	12,095,768	11,835,426	11,830,544
- Financial assets held for trading	*1,449,237*	*1,679,815*	*1,705,445*	*1,798,512*	*1,821,675*	*2,119,184*	*2,136,999*	*1,959,894*
- Financial assets designated at fair value	*219,118*	*237,272*	*259,500*	*261,137*	*259,321*	*288,827*	*376,610*	*425,990*
- Financial assets available for sale	*9,189,022*	*9,290,612*	*9,639,583*	*9,319,355*	*9,539,376*	*9,369,042*	*9,074,075*	*9,249,458*
- Hedging derivatives	*178,291*	*226,868*	*217,206*	*227,090*	*256,320*	*290,658*	*221,131*	*173,798*
- Changes in fair value of hedged items (+/-)	*10,105*	*11,568*	*13,150*	*20,866*	*24,707*	*28,057*	*26,611*	*21,404*
Loans and advances to banks	1,813,458	1,838,143	2,106,886	2,635,231	2,718,371	2,586,078	2,784,524	2,764,365
Loans and advances to customers	33,345,026	34,080,872	34,038,161	35,089,999	34,790,891	34,938,188	34,947,529	35,263,476
Fixed assets	1,229,975	1,185,833	1,176,934	1,171,192	1,174,152	1,148,316	1,123,334	1,499,047
Other assets	1,555,884	1,425,699	1,582,527	1,870,486	1,604,300	1,462,114	1,503,944	1,445,191
Total assets	**49,353,318**	**50,225,617**	**50,966,376**	**52,622,341**	**52,475,005**	**52,439,146**	**52,621,767**	**53,013,187**

Liabilities and Shareholders Equities	2013				2012			
	31.12	30.9	30.6	31.3	31.12	30.9	30.6	31.3
Due to banks	5,913,928	6,173,275	6,281,204	6,284,368	6,292,005	7,840,081	7,753,545	8,995,750
Due to customers	26,423,495	26,536,411	27,073,851	25,932,864	26,297,613	24,548,918	24,329,544	23,159,014
Debt securities in issue	*10,114,241*	*9,777,327*	*10,182,184*	*11,635,397*	*11,223,349*	*11,121,085*	*11,847,393*	*12,212,336*
Financial liabilities and hedging derivatives:	*1,487,047*	*1,872,708*	*1,968,230*	2,323,552	2,671,336	2,989,849	2,926,406	2,638,127
- Financial liabilities held for trading	*1,163,738*	*1,309,253*	*1,315,536*	*1,448,291*	*1,585,447*	*1,852,760*	*1,794,464*	*1,482,105*
- Financial liabilities designated at fair value	*276,739*	*509,702*	*591,492*	*803,946*	*1,009,898*	*1,056,942*	*1,051,678*	*1,084,491*
- Hedging derivatives	*23,348*	*28,671*	*34,146*	*42,305*	*45,049*	*47,230*	*45,372*	*34,686*
- Changes in fair value of hedged items (+/-)	23,222	25,082	27,056	*29,010*	*30,942*	*32,917*	*34,892*	*36,845*
Other liabilities	1,191,645	1,584,861	1,214,926	1,761,078	1,271,219	1,220,044	1,232,870	1,143,187
Provisions for specific use	578,196	614,497	633,391	648,058	662,766	448,931	456,087	463,971
Share capital and reserve	3,596,116	3,512,686	3,487,463	3,938,195	4,444,780	4,332,663	4,163,970	4,289,717
Minority interests (+/-)	19,061	19,468	19,520	41,574	41,631	43,489	43,296	46,801
Net profit (loss) of the period (+/-)	29,589	134,384	105,607	57,255	-429,694	-105,914	-131,344	64,284
Total liabilities and Shareholder Equity	**49,353,318**	**50,225,617**	**50,966,376**	**52,622,341**	**52,475,005**	**52,439,146**	**52,621,767**	**53,013,187**

Bipiemme Group -Consolidated Reclassified Income Statement

(euro/000)

	2013	2012	Change	
			Amount	**%**
Net interest income	**837,424**	**858,613**	**(21,189)**	**-2.5**
Non-interest income:	**845,559**	**691,101**	**154,458**	**22.3**
- Net fees and commission income	544,817	496,937	47,880	9.6
- Other operating income	300,742	194,164	106,578	54.9
'- Share of Profit (loss) on investments valued under the equity method	*47,353*	21,677	*25,676*	*118.4*
'- Net income (loss) from financial activities	*200,773*	*128,526*	*72,247*	*56.2*
- Other operating income/expenses	*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*
Depreciations and ammortisation	(72,646)	(72,310)	(336)	-0.5
Operating costs	**(986,616)**	**(1,182,865)**	**196,249**	**16.6**
Operating profit	**696,367**	**366,849**	**329,518**	**89.8**
Net adjustments to loans and other operations	(589,659)	(566,254)	(23,405)	-4.1
Net provisions for risks and charges	(9,619)	(31,999)	22,380	69.9
Profit (loss) from equity and other investments	(258)	(366,820)	366,562	99.9
Profit (loss) before tax from continuing operations	**96,831**	**(598,224)**	**695,055**	**n.s.**
Tax 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 profit (loss) for the period	**29,389**	**(434,850)**	**464,239**	**n.s.**
Minority interests	200	5,156	4,956	96.1
Net profit	**29,589**	**(429,694)**	**459,283**	**n.s.**

Bipiemme Group -Consolidated Reclassified Income Statement (quarterly evolution)

(euro/000)

	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest income	**206,386**	**215,515**	**224,869**	**190,654**	**201,536**	**202,266**	**228,367**	**226,444**
Non-interest income:	**196,633**	**178,562**	**232,943**	**237,421**	**181,369**	**170,553**	**131,918**	**207,261**
- Net fees and commission income	142,234	124,335	146,405	131,843	142,335	115,396	119,978	119,228
- Other operating income	54,399	54,227	86,538	105,578	39,034	55,157	11,940	88,033
'- Share of Profit (loss) on investments valued under the equity method	*28,140*	*7,423*	*3,886*	*7,904*	*9,782*	*4,625*	*4,077*	*3,193*
'- Net income (loss) from financial activiti	*18,272*	*33,928*	*69,205*	*79,368*	*14,135*	*38,829*	*(3,290)*	*78,852*
- Other operating income/expenses	*7,987*	*12,876*	*13,447*	*18,306*	*15,117*	*11,703*	*11,153*	*5,988*
Operating income	**403,019**	**394,077**	**457,812**	**428,075**	**382,905**	**372,819**	**360,285**	**433,705**
Administrative expenses:	(229,220)	(220,279)	(235,755)	(228,716)	(430,073)	(219,546)	(217,475)	(243,461)
a) personnel expenses	*(137,340)*	*(151,410)*	*(158,006)*	*(161,964)*	*(340,419)*	*(156,868)*	*(145,239)*	*(169,155)*
b) other administrative expenses	*(91,880)*	*(68,869)*	*(77,749)*	*(66,752)*	*(89,654)*	*(62,678)*	*(72,236)*	*(74,306)*
Depreciations and ammortisation	(19,324)	(17,943)	(17,977)	(17,402)	(17,874)	(17,438)	(18,668)	(18,330)
Operating costs	**(248,544)**	**(238,222)**	**(253,732)**	**(246,118)**	**(447,947)**	**(236,984)**	**(236,143)**	**(261,791)**
Operating profit	**154,475**	**155,855**	**204,080**	**181,957**	**(65,042)**	**135,835**	**124,142**	**171,914**
Net adjustments to loans and other operations	(328,950)	(96,893)	(99,692)	(64,124)	(356,888)	(74,939)	(82,875)	(51,552)
Net provisions for risks and charges	5,081	(6,345)	(5,962)	(2,393)	(21,931)	(3,181)	(2,784)	(4,103)
Profit (loss) from equity and other investments	43	(301)	1	(1)	(6,905)	3	(360,063)	145
Profit (loss) before tax from continuing operations	**(169,351)**	**52,316**	**98,427**	**115,439**	**(450,766)**	**57,718**	**(321,580)**	**116,404**
Tax on income from continuing operations	64,058	(23,500)	(50,000)	(58,000)	125,335	(32,275)	122,717	(52,403)
Income (loss) after tax from continuing operations	**(105,293)**	**28,816**	**48,427**	**57,439**	**(325,431)**	**25,443**	**(198,863)**	**64,001**
Net profit (loss) for the period	**(105,293)**	**28,816**	**48,427**	**57,439**	**(325,431)**	**25,443**	**(198,863)**	**64,001**
Minority interests	498	(39)	(75)	(184)	1,651	(13)	3,235	283
Net profit	**(104,795)**	**28,777**	**48,352**	**57,255**	**(323,780)**	**25,430**	**(195,628)**	**64,284**

Voci	2013			2012			Change A -D		Change C - F	
	A = B + C	B	C	D = E + F	E	F				
	Net result	Net income from nonrecurring operations	Net income from recurring operations	Net result	Net income from nonrecurring operations	Net income from recurring operations	Amount	%	Amount	%
Net interest income	**837,424**	**0**	**837,424**	**858,613**	**0**	**858,613**	**(21,189)**	***-2.5***	**(21,189)**	***-2.5***
Non-interest income:	**845,559**	**(36,186)**	**881,745**	**691,101**	**4,643**	**686,458**	**154,458**	***22.3***	**195,287**	***28.4***
- Net fees and commission income	544,817	0	544,817	496,937	0	496,937	47,880	*9.6*	47,880	*9.6*
- Other operating income	300,742	(36,186)	336,928	194,164	4,643	189,521	106,578	*54.9*	147,407	*77.8*
'- Share of Profit (loss) on investments valued under the equity method	*47,353*	*0*	*47,353*	*21,677*	*0*	*21,677*	*25,676*	*118.4*	*25,676*	*118.4*
'- Net income (loss) from financial activiti	*200,773*	*(36,186)*	*236,959*	*128,526*	*4,643*	*123,883*	*72,247*	*56.2*	*113,076*	*91.3*
- Other operating income/expenses	*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*
Depreciations and ammortisation	(72,646)	0	(72,646)	(72,310)	0	(72,310)	(336)	*-0.5*	(336)	*-0.5*
Operating costs	**(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 to loans and other operations	(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*
Profit (loss) from equity and other investments	(258)	0	(258)	(366,820)	(367,102)	282	366,562	*99.9*	(540)	*-191.5*
Profit (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.***
Tax 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 profit (loss) for the period	**29,389**	**(48,874)**	**78,263**	**(434,850)**	**(372,030)**	**(62,820)**	**464,239**	**n.s.**	**141,082**	***n.s.***
Minority interests	200	(3)	203	5,156	4,234	922	(4,956)	n.s.	(719)	*n.s.*
Net profit	**29,589**	**(48,877)**	**78,466**	**(429,694)**	**(367,796)**	**(61,898)**	**459,283**	**n.s.**	**140,363**	***n.s.***