BANCO POPOLARE

BPM BANCA POPOLARE DI MILANO

Creation of the Third Largest Italian Banking Group Leader in the Wealthiest Areas of Italy

March 24th, 2016

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Transaction at a Glance

- ✓ **Strengthening of competitive positioning**
- ✓ **Solid capital position**
- ✓ **Enhanced profit generation driven by substantial fully phased synergies**
- ✓ **Products rationalisation and commercial optimisation**
- ✓ **Coverage ratio of non performing exposures in line with Italian market best practices**

Agenda

1. **Key Transaction Highlights**
2. **Strategic Rationale**
3. **Organisational Model and Corporate Governance**
4. **Value Creation**
5. **Next Steps**

1. Key Transaction Highlights

A New Banking Group with a Clear Mission and a Strong Competitive Positioning

Clear Mission	• A Banking Group with national size, leader in the wealthiest areas of Italy • Solid capital base and excellent liquidity profile, coupled with a growing and sustainable profitability • Value creation through improved efficiency, significant synergies, rationalization of product offering and development of a multi-channel network
Critical Mass	• 4 million customers and 2,500 branches • Total assets of €171bn • Direct funding of €120bn and customer loans of €113bn • Indirect funding of €105bn, of which c.€56bn of assets under management
Strong Competitive Positioning	• 3rd banking group in Italy, with a market share above 8% by number of branches • Focus on Northern Italy: 3rd player with 11% market share • Leadership in the wealthiest regions of the country: Lombardy (1st – 15.5% m.s.), Piedmont (3rd – 12.5% m.s.), Veneto (3rd – 9.5% m.s.), Tuscany (3rd – 9.7% m.s.), Emilia Romagna (4th – 7.6% m.s.), Liguria (2nd – 14.7% m.s.) • Market leader in the wealthy provinces including: Verona, Milan, Novara, Bergamo, Lodi and Lucca

Diversified Revenue Drivers	• Strong potential to expand customer base
	• Excellent positioning in:
	  • Asset Management
	  • Private Banking
	  • Corporate & Investment Banking
	  • Bancassurance
	  • Consumer Finance

Solid Capital Positioning and Strong Increase in NPEs Coverage

Capital Increase	• Capital strengthening process by Banco Popolare in order to provide the New Group with an adequate capital base in light of its prospective role and relevance within the Italian and European banking sector • Capital increase for €1.0bn (the "Capital Increase"), also through the exclusion of the pre-emptive rights and/or through the issuance of mandatory convertible instruments, to be executed ahead of the merger • Pre-underwriting commitments of Mediobanca – Banca di Credito Finanziario S.p.A. and Bank of America Merrill Lynch for the portion under pre-emptive rights
Solid Capital and Liquidity Positions	• CET1 pro-forma[1] phased-in at 13.7% and fully loaded above 13,6%, including the Capital Increase • LCR pro-forma significantly above 100%

Optimization of Asset Quality and Further Strengthening of Risk Monitoring Procedures	• Definition, within the context of the future business plan, of a convincing program for the management of bad loans, aimed at reducing the amount of NPE of the New Group, through the following actions:
	  ◦ Immediate increase of coverage ratios, to be aligned to the average of the Italian largest banking groups
	  ◦ NPEs reduction
	• Initiatives aimed at asset quality optimization through: (i) Loan portfolio diversification and adoption of best practices for risk management; (ii) *ad hoc* business unit responsible for the valorization and management of NPEs with dedicated teams of specialists

1. As of 2015, including full recognition of negative goodwill. Including the Capital Increase but without considering the benefits arising from BPM's adoption of A-IRB (pro-forma for the Capital Increase).

Significant Value Creation with Limited Execution Risk

Significant Value Creation Potential	• Fully phased pre-tax synergies preliminarily estimated in euro 365 million per year[1] – Cost synergies = c.€290m (equal to 10% of the 2015 combined cost base of the two Groups[2]) – Funding synergies = c.€30m – Revenue synergies = c.€45m (equal to 1% of the 2015 revenue base of the two Groups) • One-off integration costs estimated at approximately 150% of cost synergies, in line with previous comparable transactions • Estimated value creation of €1.9bn[3], net of tax and integration costs • Additional areas of improvement may be identified in the context of the business plan
Business Plan	• The financial objectives of the NewCo will be made available after the publication of the business plan
Strong Joint Commitment on the Transaction	• The business plan will envisage a merger project based on: – Clear management responsibilities and accountability – Integration workstreams with clear and measurable objectives

1. Preliminary data. 2. Aggregated FY 2015 cost base excluding D&A and net of costs related to the Deposit Guarantee Scheme and excluding the extraordinary contributions to the National Resolution Fund. 3. Assuming cost of equity equal to 10%.

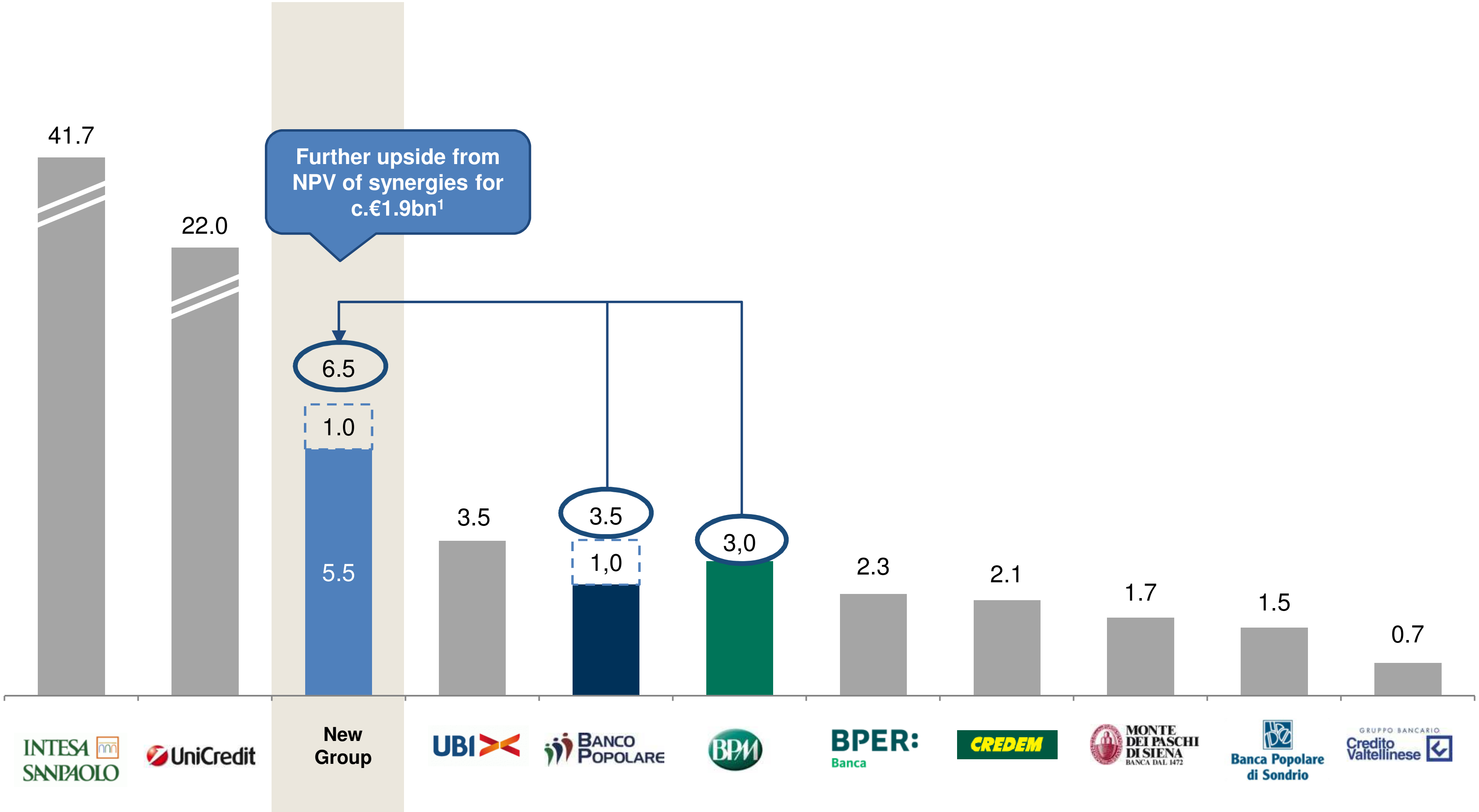
Transaction Structure

Transaction Structure	• Merger through the incorporation of a NewCo • Concurrent transformation into a Joint Stock Company • Spin-off of the retail banking activities (in the provinces of Milan, Monza e Brianza, Como, Lecco and Varese) in a network-bank BPM S.p.A., subject to the coordination and direction of the NewCo
Relative Contributions	• The relative contributions assume the execution of the entire Capital Increase equal to €1.0bn by Banco Popolare • The exchange ratio will be defined based on the following relative contributions to the NewCo share capital: 54% pertaining to BP shareholders and 46% pertaining to BPM shareholders (the “Relative Contributions”)
Corporate Governance and Shareholding Structure	• Traditional corporate governance model and control system with a Board of Directors made of 19 directors for the first mandate and of 15 directors subsequently • Limit of 5% to the voting rights until the envisaged term of the Popolari Reform
Next Steps	• Preparation of the joint business plan and market presentation • Reciprocal confirmatory Due Diligence • Extraordinary General Meeting of BP for the approval of the Capital Increase • Approval of the Merger Plan • Capital Increase by BP • Approval from the Competent Authorities • Approval from the Extraordinary General Meetings of BP and BPM

2. Strategic Rationale

Third Largest Banking Group in Italy

Market Capitalisation of the Top 10 Italian Banking Groups (€bn)

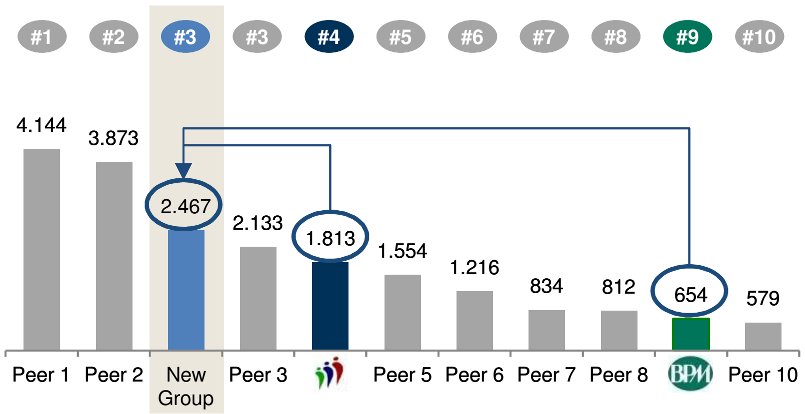


= *€1bn Capital Increase of Banco Popolare*

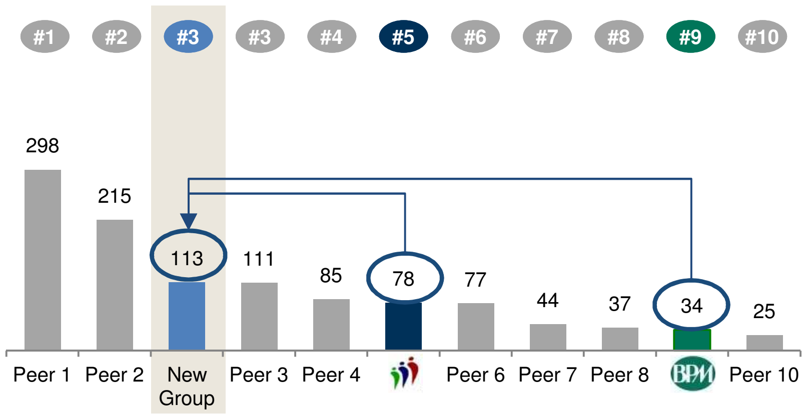
Source: FactSet. Market capitalisation computed as number of shares (net of treasury shares) times last price as of 18 March 2016.
1. Net of integration costs

A New Top Player in the Italian Banking Industry

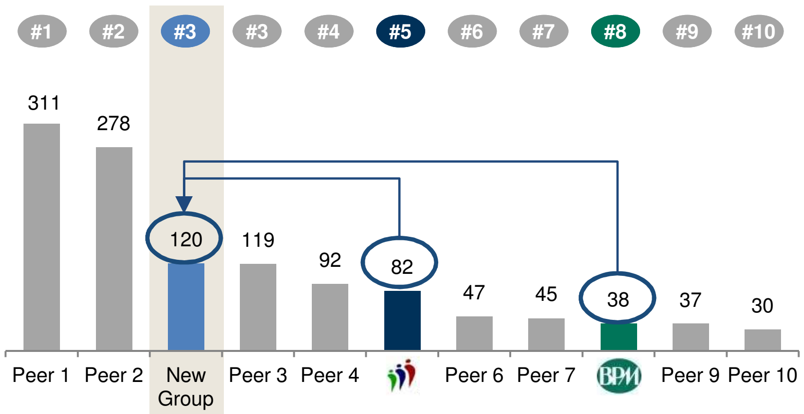
Branches in Italy (Dec-2015)[1]



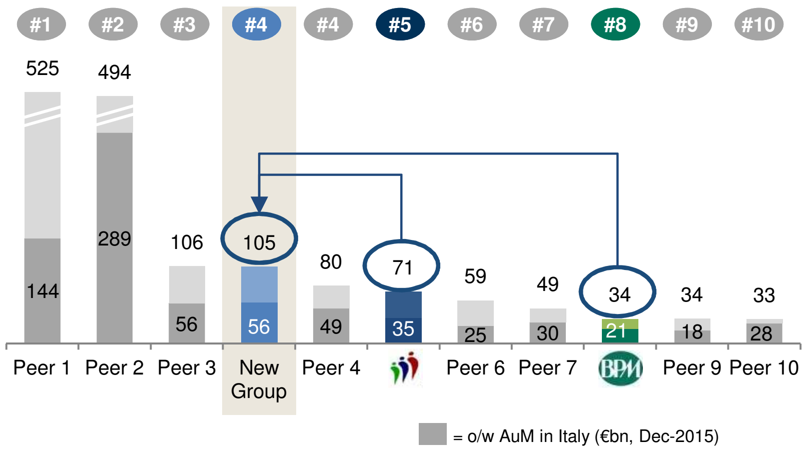
Net Customer Loans in Italy (€bn, Dec-2015)



Direct Funding in Italy (€bn, Dec-2015)



Total Indirect Funding (€bn, Dec-2015)



Source: Company data, annual reports and investor presentations.

1. Banco Popolare branches include #33 Banca Aletti branches. BPM branches exclude #1 Banca Akros branch.

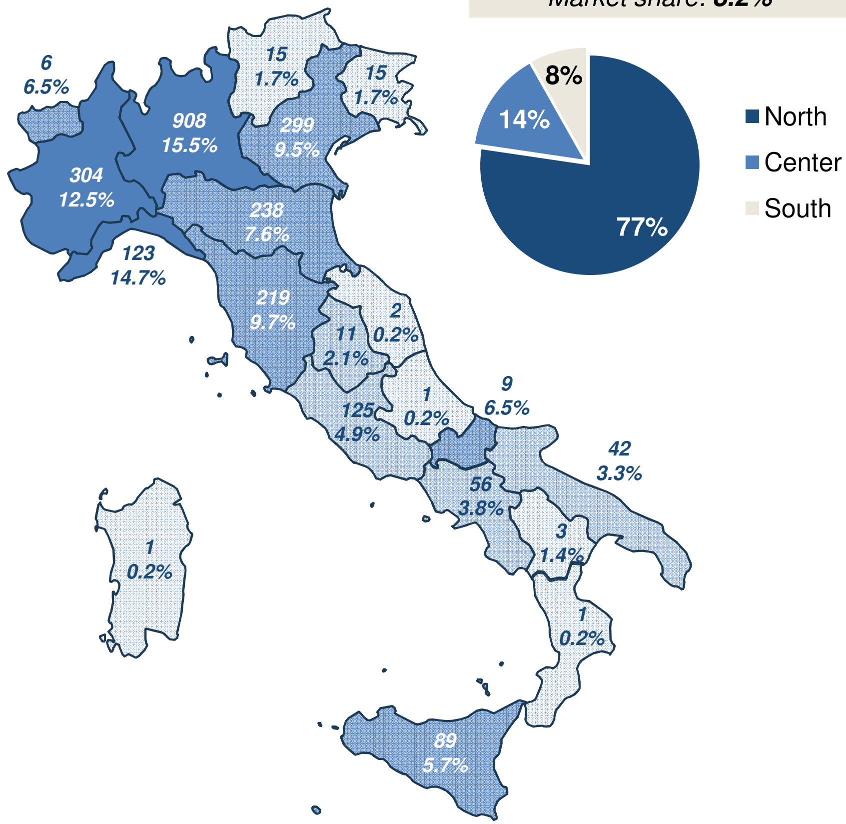
Strong Geographic Fit

The New Leader in Lombardy and among Top 3 in Northern Italy

Market Share of the New Group Pro-Forma

Market Share in Italy
(before rationalizations)

 # Branches: ***2,467***
Market share: ***8.2%***



Market share: 0 - 2% | 2 - 5% | 5 - 10% | >10%

Market Share in Lombardy, Veneto and Piedmont
(before rationalizations)

Region	Province	# Branches	% Mkt share
Lombardy	Milan	323	18.4%
	Bergamo	111	16.0%
	Varese	79	18.9%
	Monza Brianza	75	17.2%
	Brescia	69	7.8%
	Cremona	61	23.7%
	Pavia	47	15.7%
	Lodi	43	29.5%
	Mantua	37	12.1%
	Lecco	34	15.0%
	Como	29	8.8%
Veneto	Verona	151	23.4%
	Venice	50	10.4%
	Vicenza	40	6.9%
	Padua	28	4.8%
	Treviso	23	4.2%
	Belluno	4	2.5%
	Rovigo	3	2.0%
Piedmont	Alessandria	73	27.5%
	Novara	60	31.1%
	Turin	53	5.3%
	Cuneo	33	6.8%
	Vercelli	31	25.0%
	Verbania	24	29.3%
	Asti	17	10.7%
	Biella	13	9.8%

Lombardy: *# Branches:* ***908*** — *Market share:* ***15.5%***

Veneto: *# Branches:* ***299*** — *Market Share:* ***9.5%***

Piedmont: *# Branches:* ***304*** — *Market share:* ***12.5%***

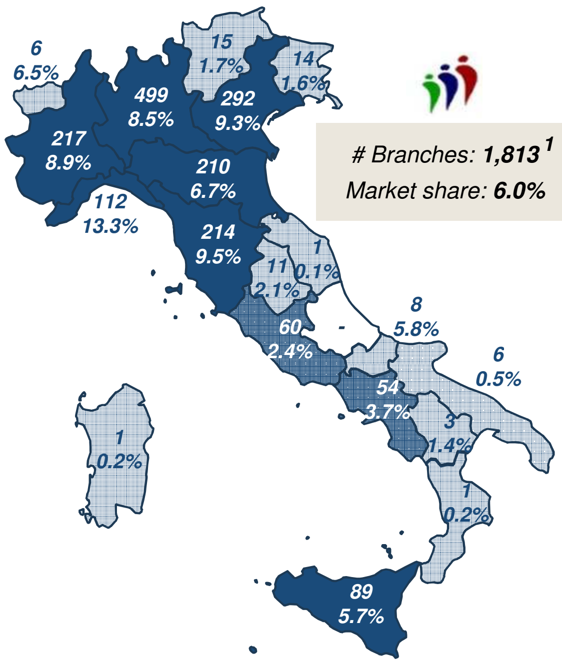
Source: Public Information, Bank of Italy.

Strong Geographic Fit (cont'd)

The New Leader in Lombardy and among the Top 3 in Northern Italy

Branch Networks by Region

BANCO POPOLARE



Branches: **1,813**[1]
Market share: **6.0%**

 # Branches

- >100
- 51 - 100
- 21 - 50
- 1 - 20
- 0

Geographical presence

North	75%
Center	16%
South	9%

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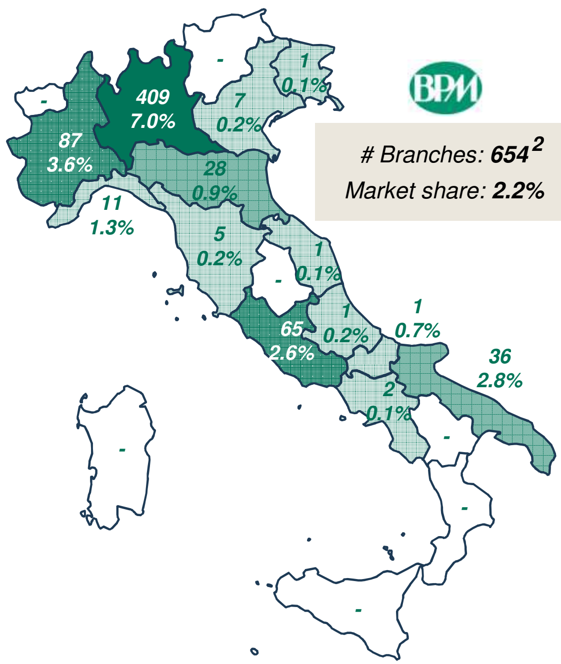


Branches: **654**[2]
Market share: **2.2%**

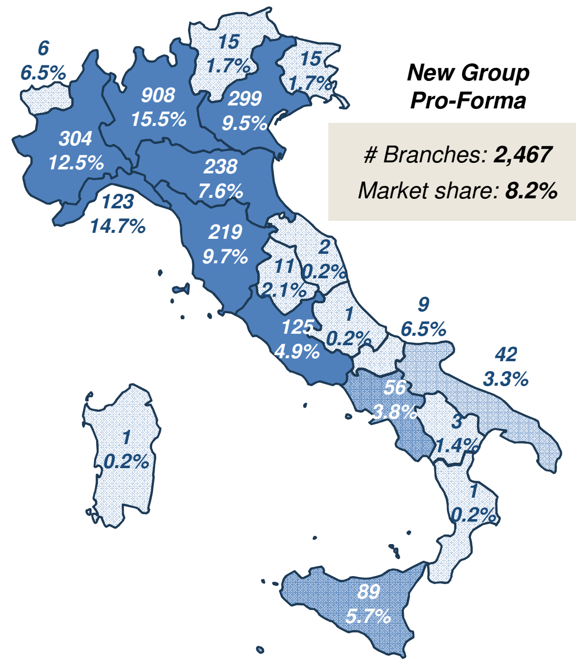
 # Branches

- >100
- 51 - 100
- 21 - 50
- 1 - 20
- 0

Geographical presence

North	83%
Center	11%
South	6%

New Group Pro-Forma
(before rationalizations)



New Group Pro-Forma

Branches: ***2,467***
Market share: ***8.2%***

 # Branches

- >100
- 51 - 100
- 21 - 50
- 1 - 20
- 0

Geographical presence

North	77%
Center	14%
South	8%

Source: Public Information, Bank of Italy.
1. Including #33 Banca Aletti branches. 2. Excluding #1 Banca Akros branch.

Strong Geographic Fit (cont'd)

The New Leader in Lombardy and among the Top 3 in Northern Italy

Branch Network in Lombardy, Veneto and Piedmont

Region	Province	Banco Popolare # Branches [1]	Banco Popolare %Mkt share	Banca Popolare di Milano # Branches[2]	Banca Popolare di Milano %Mkt share	New Group Pro-Forma (before rationalizations) # Branches	New Group Pro-Forma (before rationalizations) %Mkt share
Lombardy	Milan	101	5.8%	222	12.7%	323	18.4%
	Bergamo	98	14.2%	13	1.9%	111	16.0%
	Varese	34	8.1%	45	10.8%	79	18.9%
	Monza Brianza	26	6.0%	49	11.3%	75	17.2%
	Brescia	66	7.5%	3	0.3%	69	7.8%
	Cremona	59	23.0%	2	0.8%	61	23.7%
	Pavia	36	12.0%	11	3.7%	47	15.7%
	Lodi	40	27.4%	3	2.1%	43	29.5%
	Mantua	20	6.5%	17	5.6%	37	12.1%
	Lecco	8	3.5%	26	11.5%	34	15.0%
	Como	11	3.3%	18	5.4%	29	8.8%
	Total	# Branches: **499**	Mkt Share: **8.5%**	# Branches: **409**	Mkt share: **7.0%**	# Branches: **908**	Mkt share: **15.5%**
Veneto	Verona	148	22.9%	3	0.5%	151	23.4%
	Venice	49	10.2%	1	0.2%	50	10.4%
	Vicenza	39	6.7%	1	0.2%	40	6.9%
	Padua	27	4.6%	1	0.2%	28	4.8%
	Treviso	22	4.0%	1	0.2%	23	4.2%
	Belluno	4	2.5%	-	-	4	2.5%
	Rovigo	3	2.0%	-	-	3	2.0%
	Total	# Branches: **292**	Mkt share: **9.3%**	# Branches: **7**	QdM: **0.2%**	# Branches: **299**	Mkt share: **9.5%**
Piedmont	Alessandria	21	7.9%	52	19.6%	73	27.9%
	Novara	49	25.4%	11	5.7%	60	31.1%
	Turin	43	4.3%	10	1.0%	53	5.3%
	Cuneo	30	6.2%	3	0.6%	33	6.8%
	Vercelli	28	22.6%	3	2.4%	31	25.0%
	Verbania	21	25.6%	3	3.7%	24	29.3%
	Asti	12	7.5%	5	3.1%	17	10.7%
	Biella	13	9.8%	-	-	13	9.8%
	Total	# Branches: **217**	Mkt share: **8.9%**	# Branches: **87**	Mkt share: **3.6%**	# Branches: **304**	Mkt share: **12.5%**

Source: Public Information, Bank of Italy.
1. Including #33 Banca Aletti branches. 2. Excluding #1 Banca Akros branch.

Key Aggregated Financial Data of the New Group

Key Data for 2015

€bn, %	Banco Popolare	Banca Popolare di Milano	New Group Pro-Forma
Total Assets	120.5	50.2	170.7
Net Customer Loans	78.4	34.2	112.6
Direct Funding	82.1	37.6	119.7
Indirect Funding	71.1	34.1	105.2
- of which: Assets under Management	35.4	20.9	56.3
Tangible Book Value Pro-Forma	7.5[1]	4.5	11.9
Operating Income	3.7	1.7	5.3
Operating Expenses[2]	(2.4)	(1.0)	(3.4)
- of which Personnel Expenses[2]	(1.4)	(0.6)	(2.0)
- of which Other Administrative Expenses[2]	(0.8)	(0.3)	(1.1)
Reported Net Income	0.4	0.3	0.7
Adjusted Cost Income[3]	58.6%	57.2%	58.2%
ROE	5.1%	6.2%	5.5%
Cost of Risk *(bps)*	103	100	102
Number of Branches in Italy[4]	1,813	654	2,467
Number of Employees	17,337	7,743	25,084

Source: P&L data based on reclassified schemes of each bank. 1. Pro forma for Banco Popolare €1.0bn Capital Strengthening; 2. Operating Expenses for both banks include in the Personnel Expenses the charges for layoff incentives and solidarity funds and in Other Administrative Expenses ordinary and extraordinary contributions to DGS and SRF; 3. Excluding from costs both charges for layoff incentives and solidarity funds and ordinary and extraordinary contributions to DGS and SRF. 4. Banco Popolare branches include #33 Banca Aletti branches. BPM branches exclude #1 Banca Akros branch.

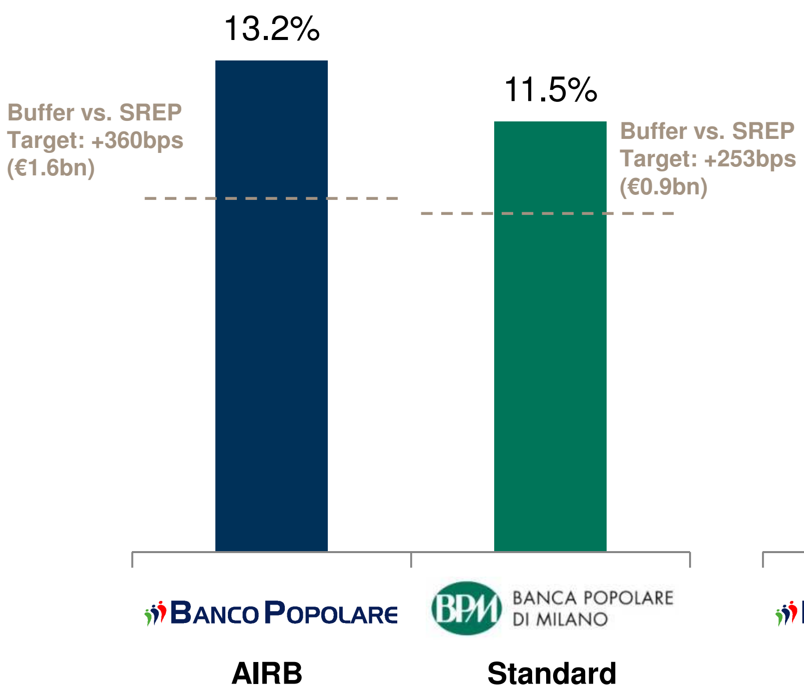
Capital Position of the New Group Pro-Forma

Solid CET1 Position

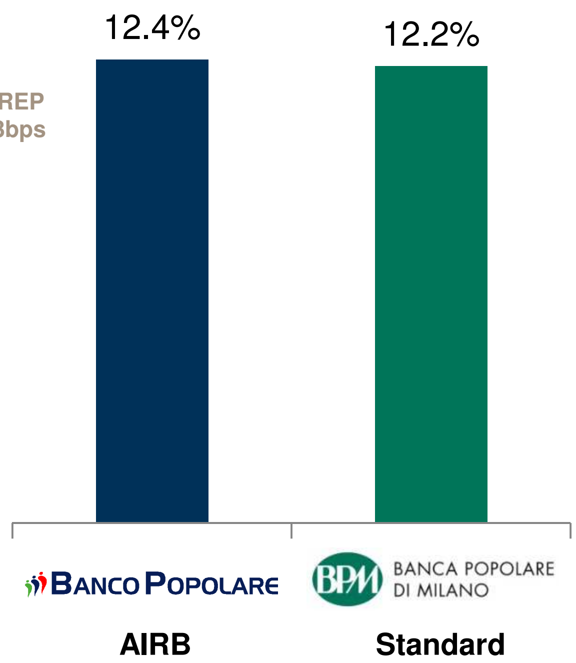
CET1 Ratio *Phased-In* FY2015

CET1 Ratio Target SREP 2016

9.55% **9.00%**

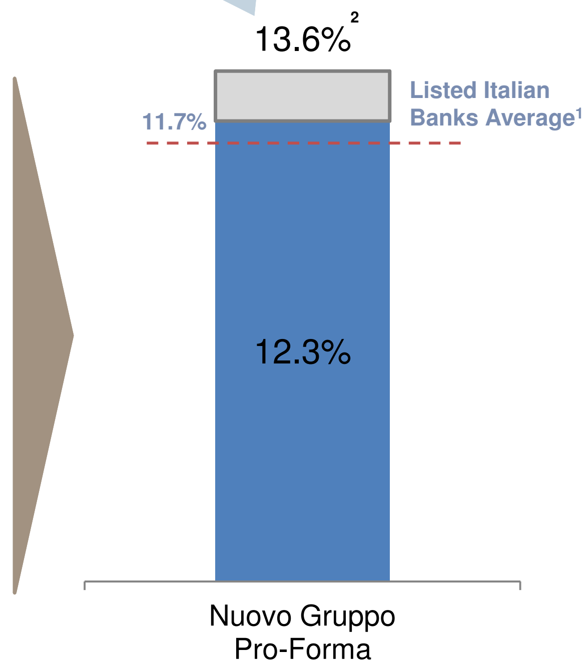


CET1 Ratio *Fully Loaded* FY2015



CET1 Ratio *Fully Loaded* FY2015

Pro forma for €1bn Capital Increase of BP



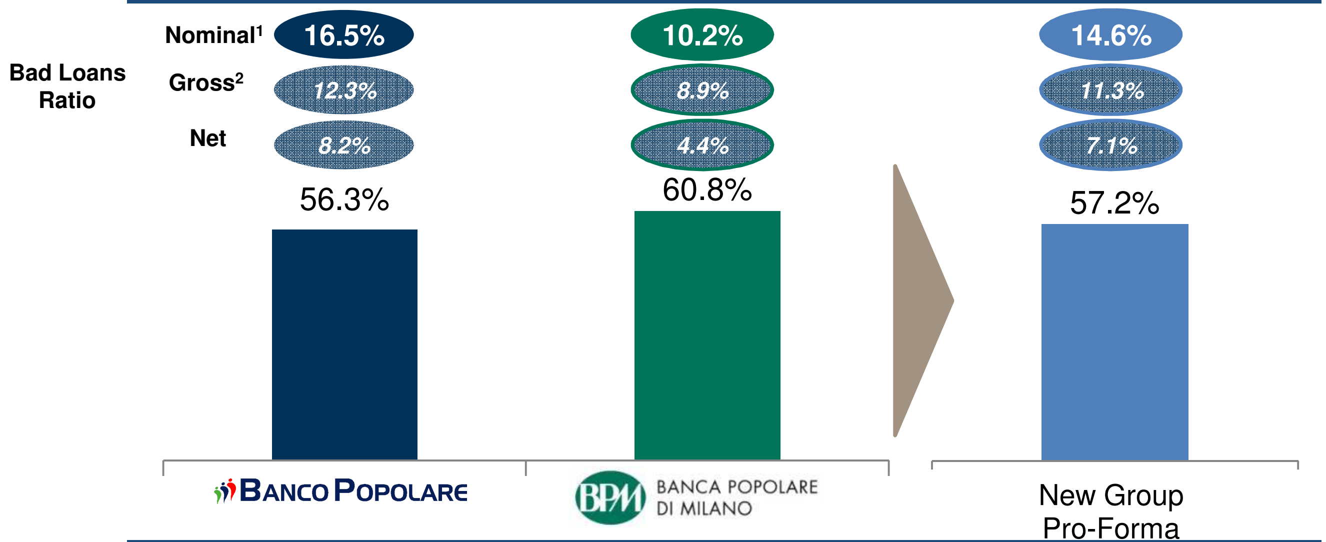
Not including potential benefit from BPM migration to AIRB models

1. Excluding BP and BPM
2. Aggregated data as of 31 December 2015 including full recognition of negative goodwill and not considering benefits from BPM migration to AIRB models (data pro-forma for the Capital Increase).

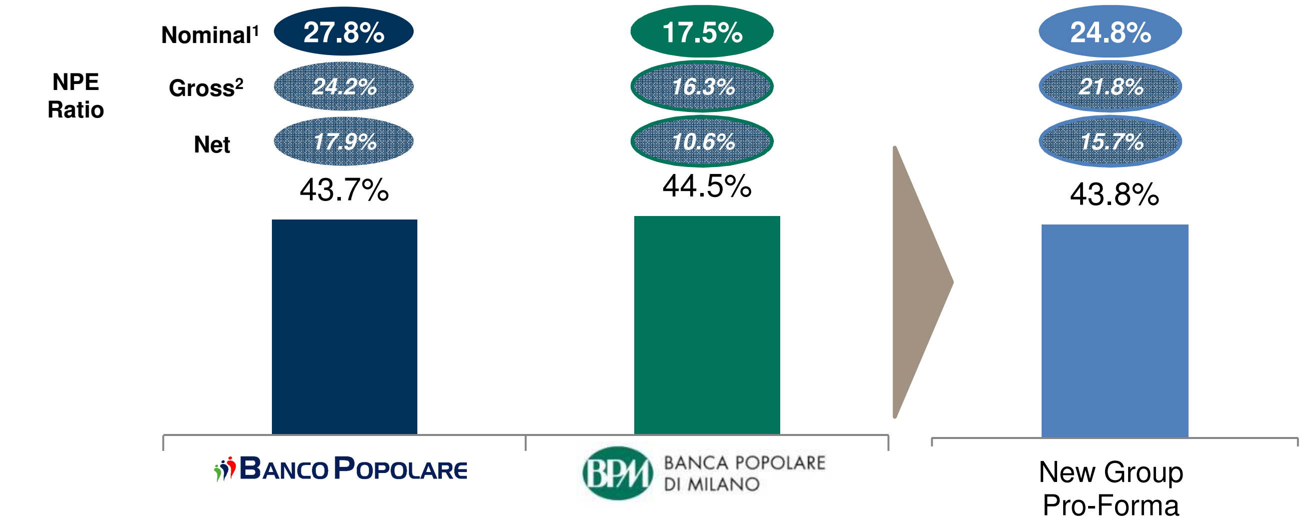
Asset Quality of the New Group

Sound Bad Loans and NPE Coverage Ratios

Bad Loans Coverage Ratios (incl. Write-Offs)



NPE Coverage Ratios (incl. Write-Offs)



- Definition, within the context of the future business plan, of an effective NPL management program for the management of bad loans, aimed at reducing the amount of NPE of the New Group, through the following actions:
  - Immediate increase of coverage ratios, to be aligned to the average of the Italian largest banking groups[3]
  - Focus on a considerable plan of NPE reduction for up to € 10bn of nominal book value over the business plan horizon (i.e. 2019)
  - Reduction of nominal NPE ratio from 24.8% to approx. 19% and net NPE ratio from 15.7% to less than 12%
- **Initiatives aimed at optimization of asset quality:**
  - Loan portfolio diversification and adoption of best practices for risk management
  - Establishment of a dedicated business unit for the management of non-performing exposures, directly reporting to CEO, in order to maximize efficiency and speed of recoveries

1. Ratios calculated on nominal book value including write-offs (gross + write-offs). 2. Excluding write-offs. 3. Including Intesa Sanpaolo, UniCredit (Italian activities) and MPS.

Capital Adequacy & NPE Coverage

	Capital Adequacy			Coverage (2)	
	CET1 Phased-In	SREP	CET1 Fully-Phased	Bad Loans	Total NPE
BP (Post-Money)	15.4%	9.6%	14.6%	56.3%	43.7%
New Group (Post-Money)	13.7%	9.3%(1)	13.6%	57.2%	43.8%
Peer1	13.0%	9.5%	13.1%	61.8%	47.6%
New Group (Post-Money and Post Coverage Strengthening)	12.5%	9.3%(1)	12.3%	62.1%	48.5%
Peer 2	12.2%	11.3%	n.a.	62.6%	44.2%
Peer 3	12.1%	9.3%	11.6%	52.5%	37.4%
Peer 4	12.0%	10.2%	11.7%	63.4%	48.5%
Peer 5	11.5%	9.3%	11.2%	64.4%	49.7%
BPM	11.5%	9.0%	12.2%	60.8%	44.5%
Peer 6	10.7%	10.0%	10.9%	61.0%	51.2%

Source: public filings.
1. Average of BP's and BPM's current SREP. 2. Including write-offs (when available).

Value Creation Through Product Factories

Business Model Diversification in High Value-Added Businesses

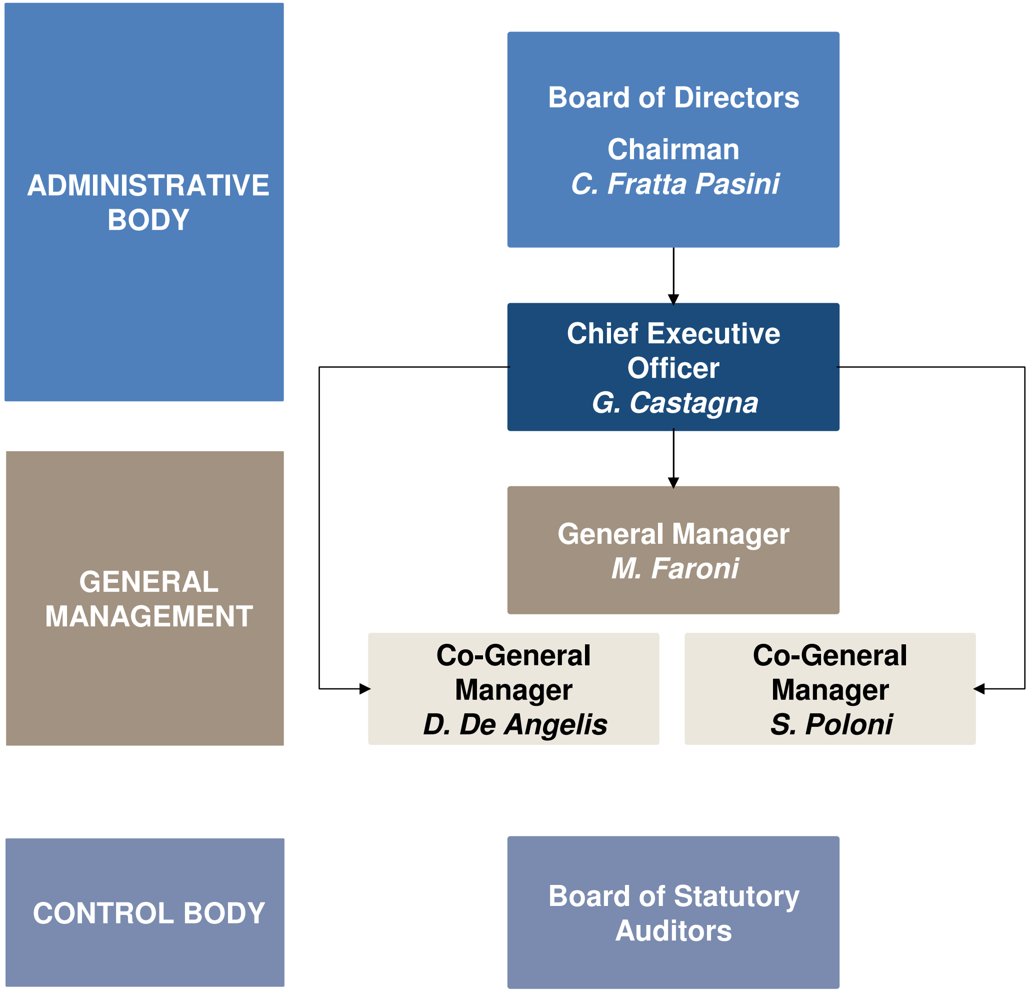
	Banco Popolare	Banca Popolare di Milano	
Wealth Management & Bancassurance	Banca Aletti (100.0%) Aletti Gestielle SGR (100.0%) Popolare Vita (50.0%) Avipop (50.0%)	Banca Akros (96.9%) Anima (16.9%) Bipiemme Assicurazioni (1) Bipiemme Vita (19.0%)	*New Group with €56bn AUM*
Consumer Finance	Agos (39.0%)	ProFamily (100.0%)	*Combined outstanding equal to ~€14bn*
Corporate & Investment Banking	Banca Aletti (100.0%)	Banca Akros (96.9%)	*Cross selling opportunities for investment banking products, such as certificates*
Leasing & Factoring	Alba Leasing (30.2%) Factorit Gruppo Banca Popolare di Sondrio (9.5%)	Selmabipiemme Leasing SpA (40.0%) Alba Leasing (9.0%) Factorit Gruppo Banca Popolare di Sondrio (30.0%)	*Total new business above €1bn, generated from more than 12,000 leasing contracts*
Online Banking	YouBanking (BP brand)	Webank.it (BPM brand)	*~200k online clients, o/w more than 5% trading clients*

1. BPM owns 19% of BipiemmeVita, which owns 100% of BipiemmeAssicurazioni.

3. Organisational Model and Corporate Governance

Merger of Equals based on Well Defined Governance

Structure



Guiding Principles

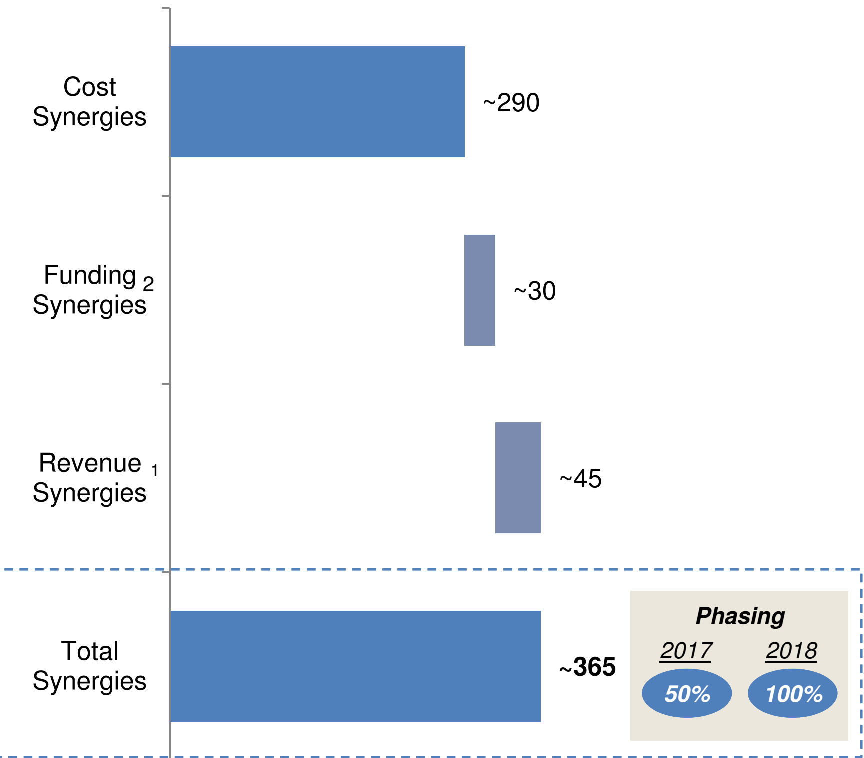
- Traditional corporate governance model, which entails the appointment of a Board of Directors and a Board of Statutory Auditors
- Board of Directors: 19 directors of which 9 independent for the first mandate (15 directors, of which 7 independent for the following mandates)
- Mechanism ensuring the representation of the employees in the Board of Directors
- Appointment of the Executive Committee and the other internal committees according to equality principle between parties
- Distribution of business functions between Verona (administrative headquarter) and Milan (legal headquarter)

4. Value Creation

€365m of Fully Phased Synergies (Preliminary Estimate)

Expected synergies to generate significant value creation potential

Fully phased Synergies Gross of Tax (€m)

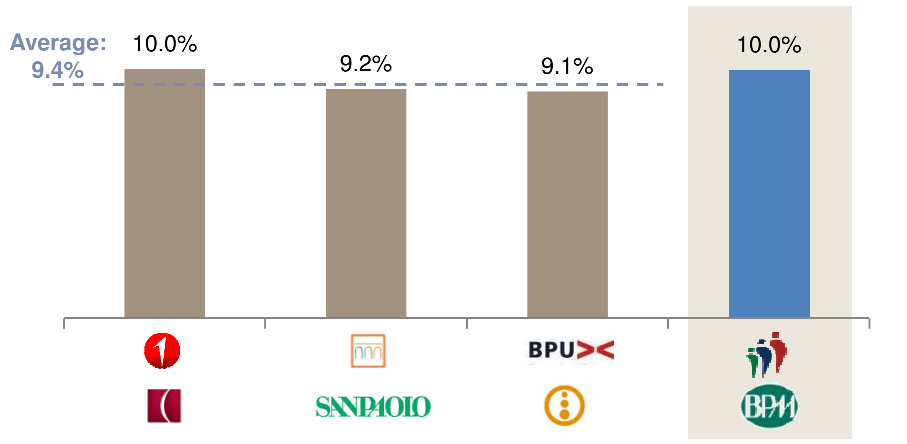


Integration costs estimated equal to c. 150% of total cost synergies and fully expensed by the end of 2017

- **Post Tax fully phased: €248m**
- **Net present value of synergies equal to c. €1.9bn, net of tax and integration costs**

Synergies Announced in Previous Transactions

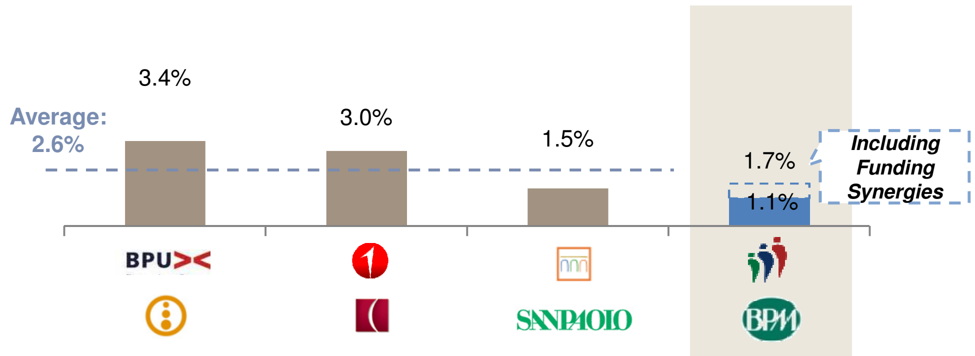
Cost Synergies / Combined Cost Base



~135% ~150% ~160% ~150%

Integration Costs / Fully phased Cost Synergies (%)

RevenueSynergies / Combined Revenue Base

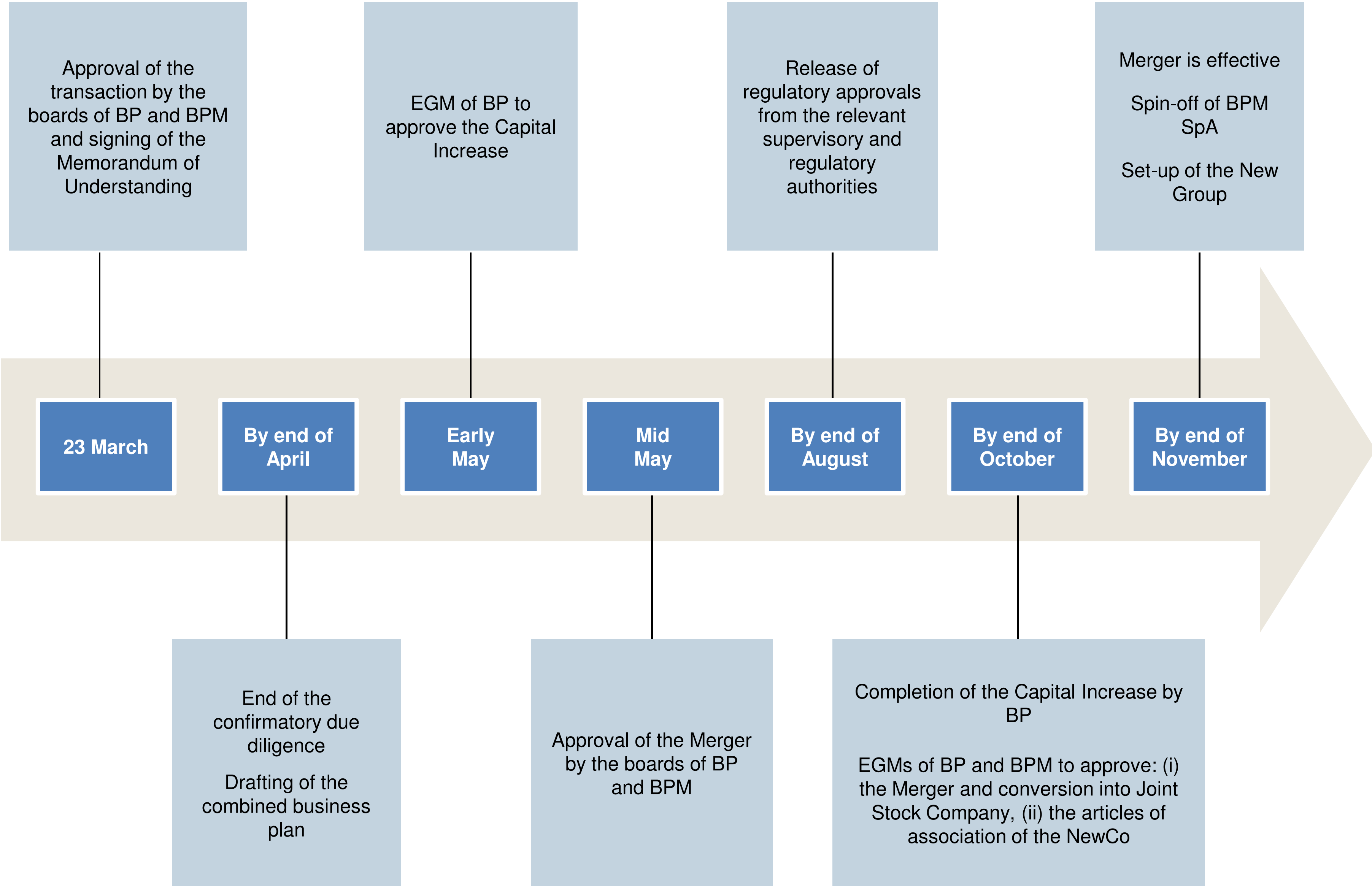


Source: Investor presentations

1. Gross revenue synergies equal to €60m; c. €15m of revenue attrition estimated due to potential loss of business from branches rationalisation. 2. Prudential preliminary estimate, not considering any potential benefits from the Capital Increase.

5. Next Steps

Indicative Timetable



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