Bipiemme Group
Obbligazioni Bancarie Garantite Programme and New Issue

October 2010

BANCA POPOLARE DI MILANO

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The acquisition of one hundred percent of Bipiemme Vita means the company has been fully consolidated into Bipiemme Group's balance sheets, the effects being: on the asset side, an increase of €3,836 million in "financial assets" and, on the liabilities side, an increase of €925 million in "due to customers" and €3,063 million in "technical reserves".

Executive Summary

Banca Popolare di Milano (BPM) is delighted to present BPM Group and its Aaa/AAA (Moody’s/Fitch) rated Obbligazioni Bancarie Garantite (OBG) Programme

BPM Group

- BPM Group is the 8th Italian group by total assets* (€51,2 billion) with a leading position in the Northern regions of Italy
- The Group’s business is diversified even though commercial banking constitutes the core activity
- BPM Group has a very solid deposit base
- The Group is rated A1/A-/A- (Moody’s/S&P/Fitch), with outlook stable (Moody’s, Fitch) and negative (S&P)

The OBG Programme

- The Italian legislation provides a strong framework for investors, fully in line with the most advanced European market standards
- BPM’s Programme, rated by Moody’s and Fitch, was the first to be launched in July 2008 under the Obbligazioni Bancarie Garantite Legislation (“Law”)
- All the bonds issued under the Programme fully benefit from the provisions and protection granted under this framework

Italian Banking Sector Overview

- Significantly less leveraged than the rest of Europe
- The Northern part of Italy is traditionally the wealthiest area and provides the largest deposit pools

The Cover Pool

- 100% prime Italian, first lien, residential mortgages
- Assets have been legally segregated according to the Law
- Only fully performing loans added to the Cover Pool (no loan in arrears)
- WA Current LTV: 52.5%

* As at June 2010

Agenda

BPM Group business profile

Overview

- BPM Group ("BPM") is a listed cooperative company established in Milan in 1865
- **#8* banking** group and **#4 Popolare bank** in Italy in terms of total assets (**€51.2bn**)

Market Positioning

- Strong local franchise: 814 points of sales, of which 784 retail branches
- Funding: +4.0% YoY mainly thanks to retail segment. Market share 2.35%
- Loans: +4.3% YoY driven by new mortgages. Market share 1.98%
- AUM: +8.4% YoY thanks to the net inflows. 3.81% market share
- Leading position in Lombardy (Northern Italy): 7.3% market share in terms of retail branches

Capital Structure

- Core Tier 1 Ratio: 7.7%
- Tier 1 Capital Ratio: 8.4%
- Total Capital Ratio: 12.3%

* As of June 2010 - Source: BPM H1 2010 Report

BPM's ratings

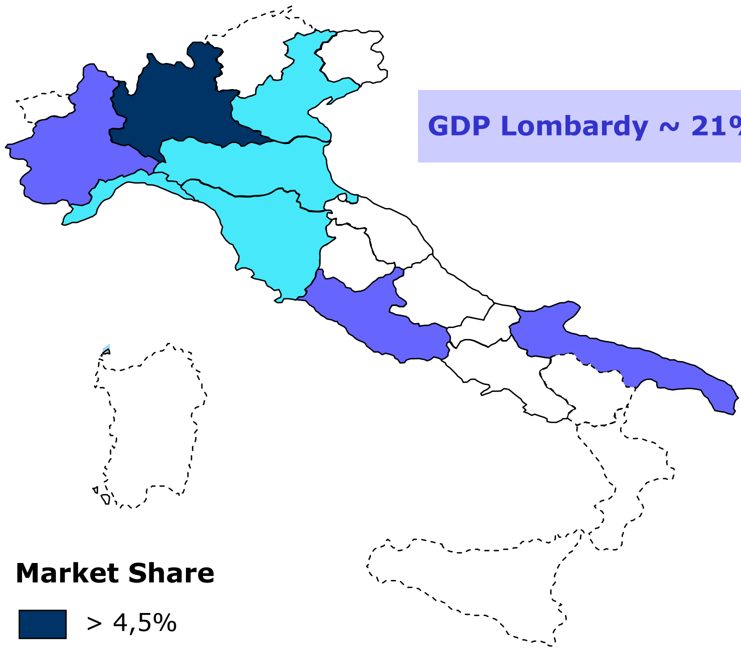
	Strength	Positive rating actions
S&P **A-/A-2** **Negative** **23 April 2010**	• Good franchise in the wealthy region of Lombardy • Good and stable funding base • Adequate financial profile	• Overcome the current economic turmoil without materially hurting its financial portfolio
Moody's **A1/P-1** **Stable** **29 June 2010**	• Strong retail franchise • Adequate capital • Moderate risk profile	• Strengthening of its franchise • Successful delivery of the bank's Business Plan 2010-12
Fitch **A-/F-2** **Stable** **28 May 2010**	• Solid franchise network • Improved capitalization • Funding stable and diversified	

Source: Rating Agencies reports

Deep penetration in Italy's wealthiest areas

BANCA POPOLARE DI MILANO

8th Italian banking group



GDP Lombardy ~ 21% Italian GDP*

Market Share

- > 4,5%
- 1- 4,5%
- 0,1- 0,9%
- Single Branch

* Source Prometeia as at December 2009

Region	Retail branches (June 10)	Market share (April 10)
Piedmont	109	4.14%
Lombardy	479	7.33%
Liguria	13	1,45%
NORTH – WEST	**601**	**5.89%**
Veneto	9	0.25%
Friuli-Venezia-G.	1	0.10%
Emilia-Romagna	37	1.07%
NORTH – EAST	**47**	**0.53%**
Tuscany	7	0.27%
Marche	1	0.08%
Latium	83	3.03%
CENTRE	**91**	**1.29%**
Abruzzo	1	0.14%
Molise	1	0.68%
Campania	2	0.12%
Puglia	41	2.94%
SOUTH	**45**	**0,98%**
TOTAL	**784**	**2,36%**

A stable business model

Total income 1H10
(100% = € 779.8m)

Commercial Banking	Corporate Banking	Investment Banking	Wealth Management	Corporate Centre
70%	14%	10%	5%	1%
BPM	BPM	BPM	Anima SGR SPA	BPM CAPITAL I Llc
Banca Di Legnano		Banca Akros	BPM Fund Manag.	BPM Luxembourg SA
CR Alessandria		BPM Ireland	Akros Alt. Invest. Sgr	BPM Securitisation 2
BP Di Mantova			BPM Vita	BPM Covered Bond
Webank				
Profamily				

Commercial Bkg: composed of companies with turnover €0-50m - Corporate Bkg: composed of companies with turnover €>50m

Source: 1H10 Report

H1 2010 results: main trend

Focus on customers	• In H1 10 total customers increased by ~11,000 units vs Dec. 09 o/w around 9,500 retail, thanks also to the contribution from Webank, linked to the online banking initiatives included in the 2010-12 Business Plan • The constant and usual focus on our customers led BPM to define a solution for the holders of insurance policies with underlying Icelandic bonds placed by BPM Vita. The total cost for this operation (€55mln) was booked under "provisions for risks & charges"
Cost base	• Cost base affected by change in scope of consolidation (WeTrade €6.4mln) and BP 2010-12 new initiatives (ProFamily €5.7mln and WeBank €8.8mln). Net of these effects, total operating costs would have decreased by 2.5% YoY
Credit quality	• Strong improvement in cost of credit, down from 130bp in June '09 to 60bp in June '10, including the loss recorded on a credit position disposal (€8mln) which was booked under "profit & loss from financial transactions and dividends"

H1 2010 results: non recurrent & ongoing operations

Capital position	• Solid capital position confirmed: Core Tier1 7.7%, Tier1 8.4%, Total Capital Ratio 12.3%
Non recurrent operations	• Sale of **Custodian Bank**: +€55mln gross capital gain booked in Q2 2010 • **Bancassurance**: acquisition of BPM Vita (100%) in June '10 • Total impact from the operation on **Iceland Insurance policies** around €60mln (o/w €55mln posted in provision for risks & charges)
On-going operations	• **Bancassurance**: sale of the majority stake in BPM Vita expected by end 2011 • **AuM**: strategic alliance between Anima SGR and Prima SGR; closing expected in 2010

H1 2010 results: highlights

€ mln	H1 10	H1 09	%
Loans	33,412	32,041	4.3
Funding	36,485	35,085	4.0
Assets under custody	20,139	19,968	0.9
Asset management	24,988	23,050	8.4
Core Tier 1	7.7	6.5	1.2pp
Tier1	8.4	7.7	0.7pp
TCR	12.3	12.0	0.3pp

Loans: up 4.3% YoY thanks to good trend in new mortgages (~€2bn in H1 10 vs. €1,8bn in H1 09). Market share at 1.98% in May ’10* vs 1.95% in the previous year

Funding: increasing in volume YoY, mainly thanks to retail segment (core sight deposits 6.8% YoY), which weigh for 81% of the total. Market share increased from 2.28% in May ‘09 to 2.35% in May ‘10*

AUM: +8.4% YoY thanks to the net inflows in the last 12 months (€773mln), notwithstanding the net outflows recorded YTD and negative trend in financial markets

€ mln	H1 10	H1 09	%
Interest income	360.8	490.3	(26.4)
Total income	779.8	1,000.2	(22.0)
Operating profit	205.5	432.7	(52.5)
Net income	70.2	124.1	(43.4)
Cost/income ratio%	73.7	56.7	17pp
ROE %	3.7	7.8	

Net interest income: still suffering from the current low interest rates. Avg. Eur3M Q2 10 at 0.7 vs 1.37 in Q2 09. H1 09 figure included €39mln of overdraft fees.

Total income: down 22% YoY mainly explained by lower trading and dividend income which was penalised by worsening market conditions (widening in credit spread) and less contribution from ALM activity (€19mln in H1 10 vs €82mln in June 09)

Net income: €70.2mln (-43.4% YoY)

* Latest available data

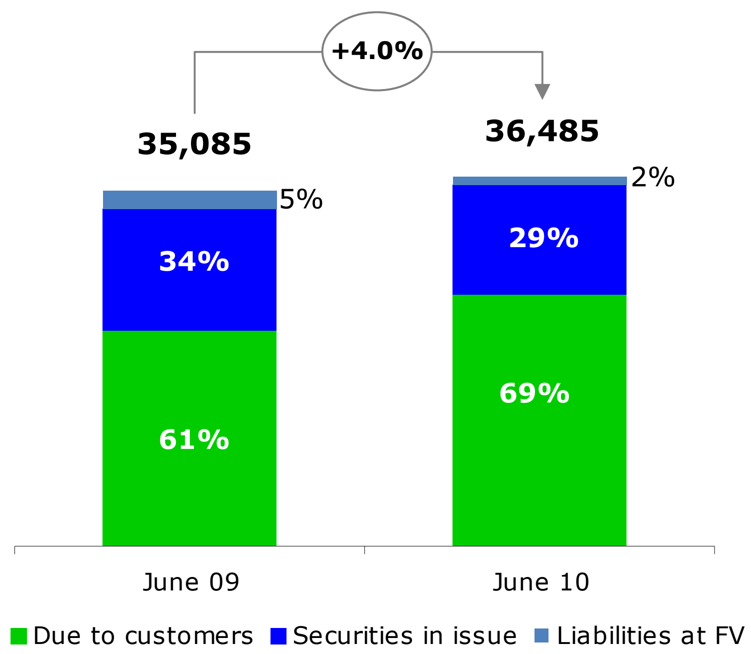
H1 2010 results: P&L main details (YoY analysis)

€ mln	H1 09	H1 10	
Interest income	**490.3**	**360.8**	H1 09 figure included €39mln of overdraft fees; H1 10 was affected by low interest rates
Net fees and commissions	**291.9**	**353.5**	€49mln of third party bond placement fees in H1 10 vs €39mln in H1 09
Associates	-5.2	-1.5	
Dividends and profits from fin. trans.	205.4	47.4	H1 10 mainly affected by: 1) lower ALM contribution (€19mln vs €82mln in H1 09); 2) lower Akros contribution (€27mln vs €57mln); 3) €-8mln credit position disposal; 4) -€7mln specific assets related to the operation on Icelandic insurance policies
Other operating income	17.8	19.7	
Non-interest income	**509.9**	**419.0**	
Total income	**1,000.2**	**779.8**	
Staff costs	(367.5)	(362.0)	Positive effect from early retirement plan "Fondo Solidarietà" (€-12,9mln) partially offset by BP 2010-12 new initiatives
Administrative costs	(158.2)	(169.7)	Admin. costs under control +€11.5mln all related (€14mln) to 2010-12 Business Plan initiatives and WeTrade consolidation
Depreciation & amortisation	(41.8)	(42.6)	
Operating costs	**(567.5)**	**(574.3)**	
Operating profit	**432.7**	**205.5**	
Net adjustments to loans and fin. assets	(211.2)	(101.5)	Improvement in cost of credit: H1 10 at 60bps vs 130bps in June 09
Net provisions for risks and charges	(6.8)	(57.8)	Provision for "Icelandic Insurance policies "(€55mln)
Profit and loss from investments	0	81.1	€55mln from custodian Bank disposal and €26mln from evaluation of 49% stake in BPM Vita after acquisition of full control
Profit/loss from current op. before tax	**214.7**	**127.2**	
Income tax	(90.2)	(53.5)	
Minorities	(0.4)	(3.5)	
Net profit	**124.1**	**70.2**	

BPM funding structure: a solid deposit base

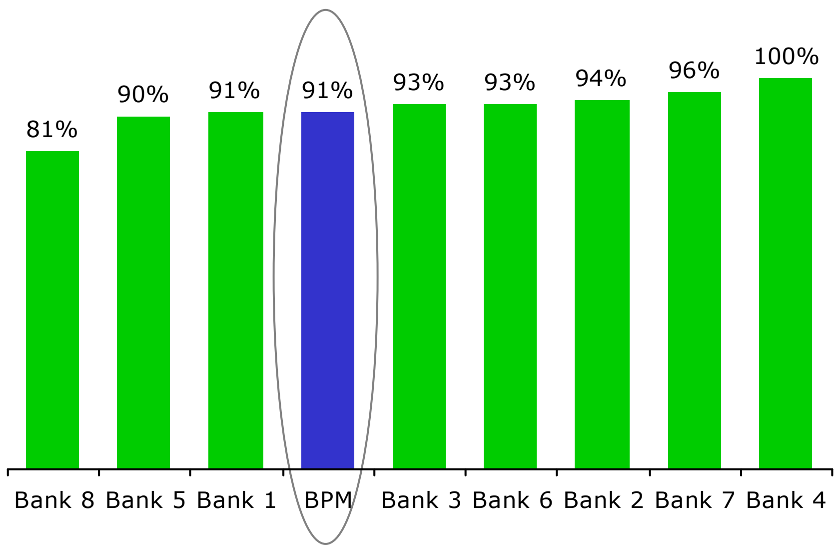
- BPM's liability mix is well balanced between direct and indirect as well as retail (81%) and wholesale (19%) funding sources
- BPM' s loan to deposit Ratio shows an excellent balance versus its Italian peers

Funding (€ mln)



Source: Half – yearly Report as of June 2010

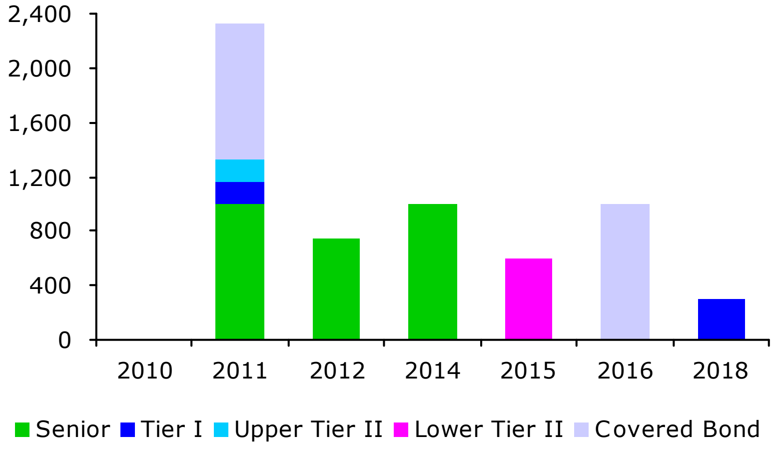
Loan to deposit ratio* (%)



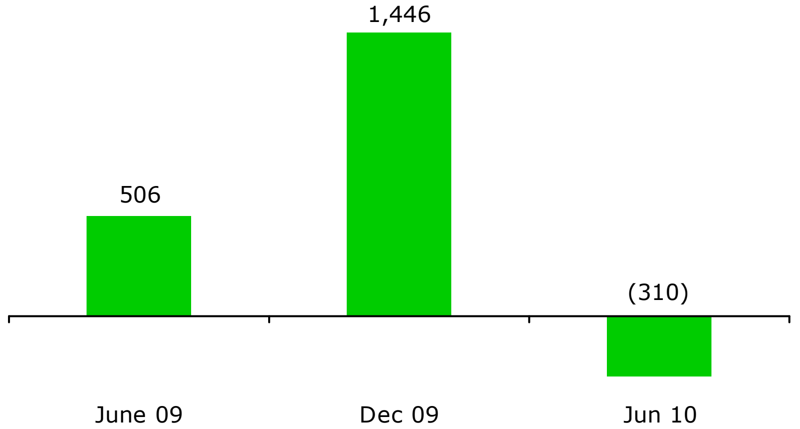
* Ratio: total loans to customers/deposits

BPM international funding

BPM debt maturity profile



Net interbank balance (€m)



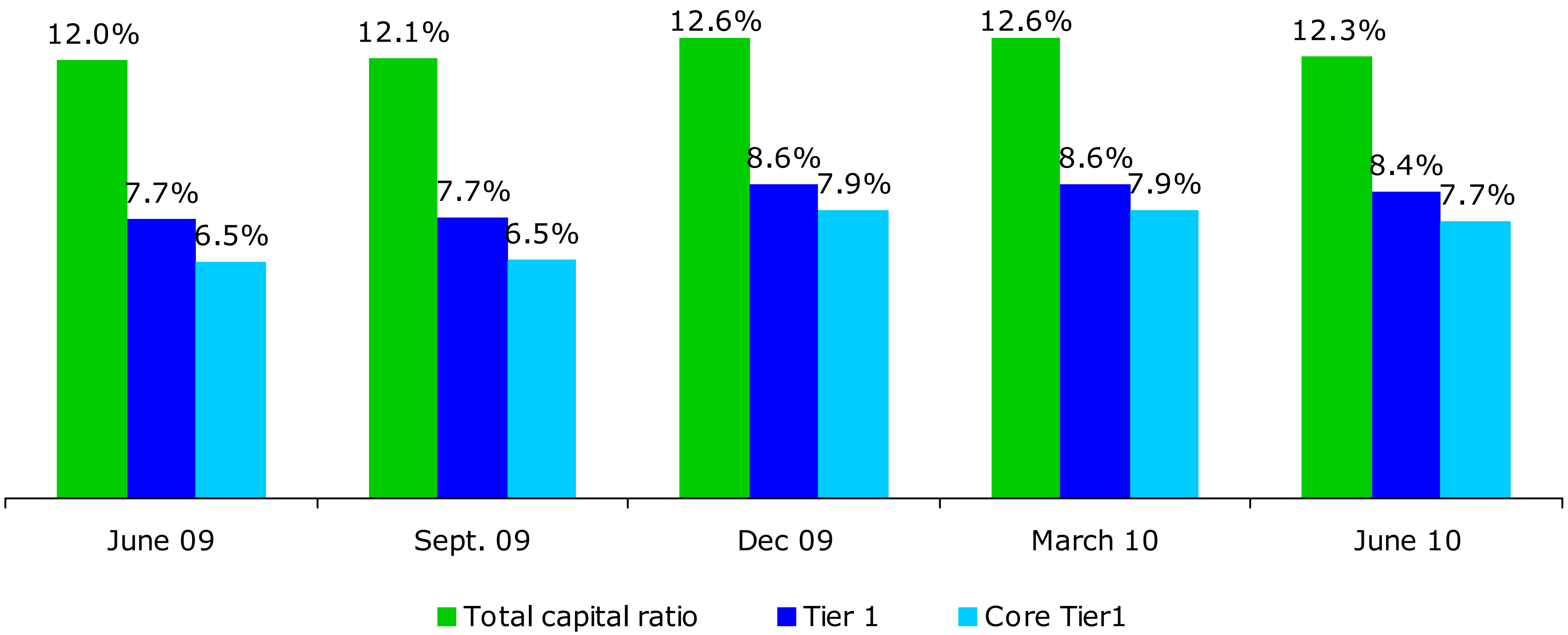
- ECB eligible assets amount to approx €3bn

Liquidity strategy

- Diversified funding sources maintaining a good balance among them: strong retail customer funding base (81%), complemented by institutional funding
- Maintain a benchmark presence in the Euro curve at key maturities
- €2 bn OBG Issuance under OBG Programme
- €10bn EMTN programme (utilised €3,350mln) in support of medium / long-term lending strategy

Source: Internal management report

Capital ratios

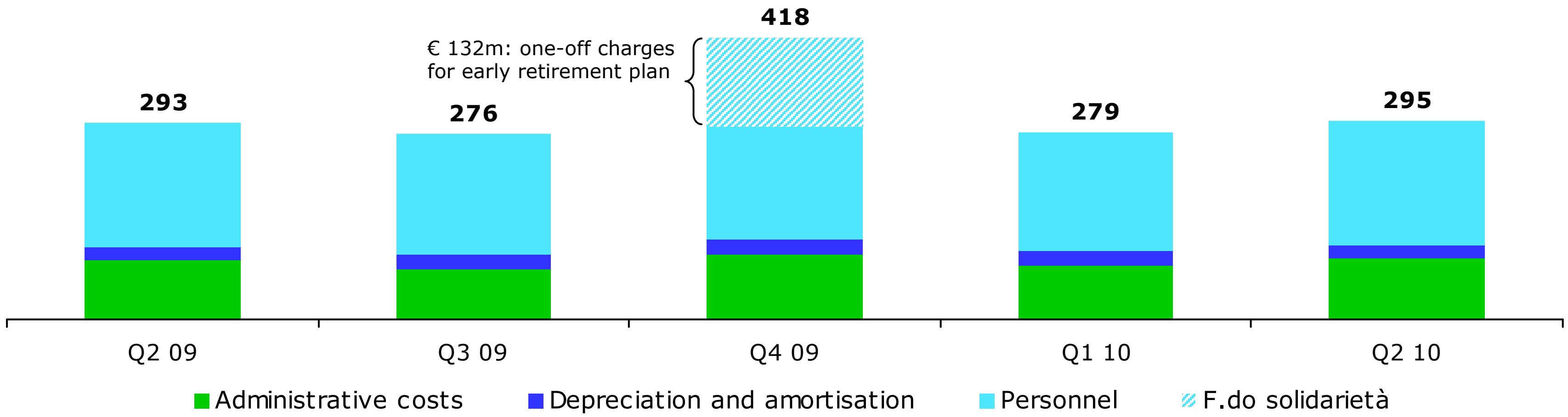


- Core Tier1 and Tier1 include €500mln of so-called Tremonti Bond, issued last December
- The slight reduction in Core Tier 1 is mainly explained by the 51% acquisition of BPM Vita, now totally owned by BPM

The ratios have been calculated using the standard Basel 2 model

Operating costs

- H1 2010 total operating cost slightly increased (+1.2% YoY). In detail:
  - Staff costs -€5.5mln vs June 09 thanks to the initial positive effect of the early retirement plan (€12.9mln), partially offset by the hirings related to the Business Plan initiatives (Profamily and WeBank) and by the change in scope of consolidation due to Wetrade acquisition. Total headcount in June 2010 was 8,852 (162 people less YoY), including 60 people from BPM Vita
  - Administrative expenses grew by €11.5mln vs H1 09 due to the consolidation of Wetrade (€4.6mln), and to the investments in the Business Plan's main business measures: Banca Online (Webank) and Consumer Credit (ProFamily). On a like for like basis, the administrative expenses decrease by €2.6mln
  - At the end of June 2010, the Group network had 814 points of sale (-10 YoY). The reduction can be explained by rationalization activity on BPM commercial bank network



Source: H1 2010 Interim Report and Internal Management Report

Asset quality analysis

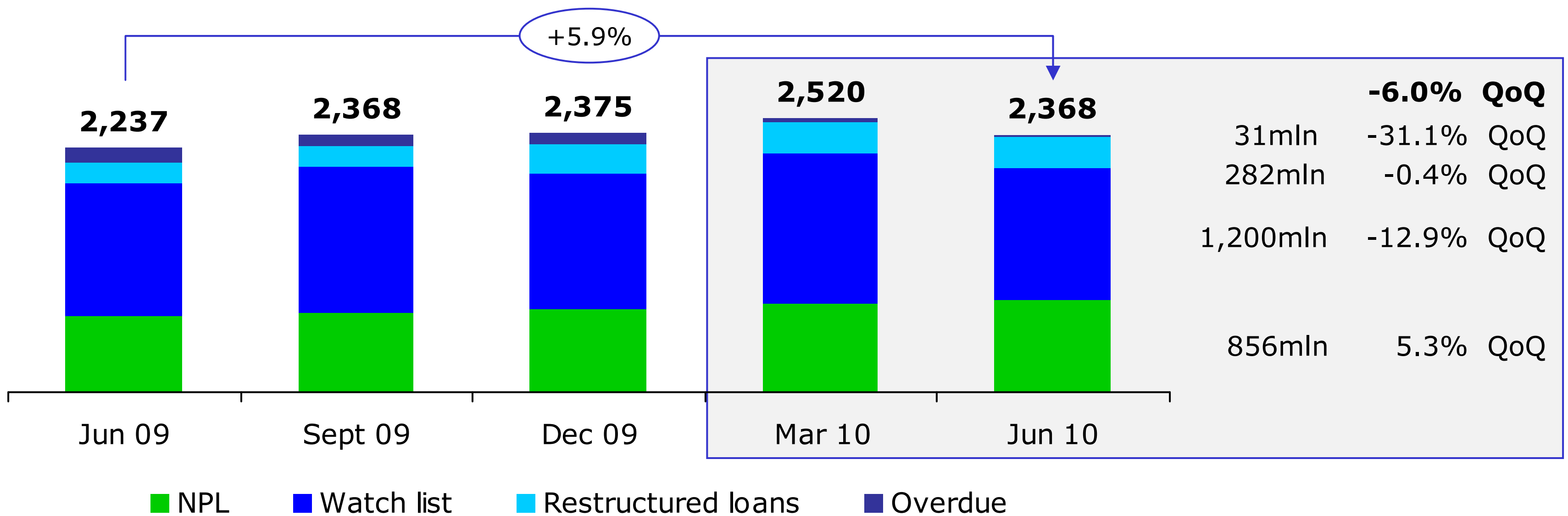
- Net NPL ratio was 1.2%, still below the banking average (2.1% source ABI as at May10*)
- First signs of recovey in the macro economic scenario were reflected on gross watchlists, which decreased by €179mln
- The total coverage of impaired loans increased QoQ: 26.5% vs 26.2%

* Latest available data

June 10	Ratio*	Coverage
Tot. net doubtful loans	**5.2%**	**26.5%**
Net NPL	1.2%	53.4%
Watchlist	3.1%	12.3%
Restructured	0.8%	6.9%
Past due	0.1%	5.2%
Performing loans	**94.8%**	**0.6%**

* Net doubtful loans / total loans

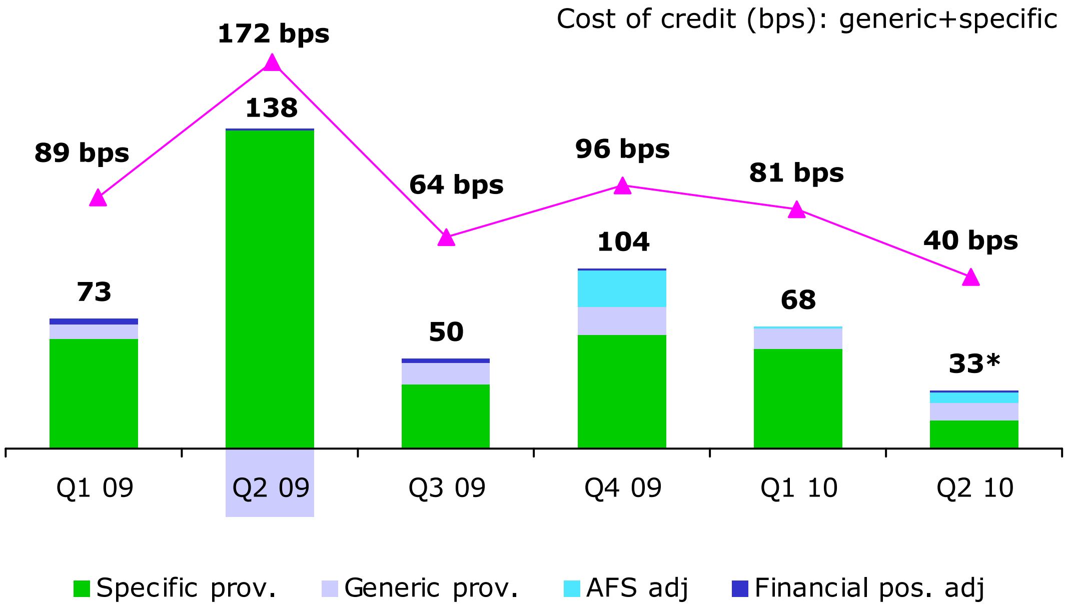
Gross doubtful loans trend (€ mln)



Provisions and adjustments: breakdown

- In Q2 10 LLP and other adjustments were €33.4mln (-51% vs Q1 09)
  - In H1 10 net adjustments on customer loans were €91.7mln (-56.2% YoY) which, including €8mln adjustment on a impaired position sold and booked under "profit & loss from financial transaction", equaled a cost of credit of 60bps (annualised) vs 130bps in June 09
  - Provision for risk & charges at ~€58mln vs €6.8mln in June 09, mainly due to the provision made to transform the "Icelandic policies" placed by BPM Vita, thus allowing the original subscribers, if they agree, to subscribe to new products that would allow them to obtain reimbursement of the original premium they paid

Provisions and cost of credit (€ mln)



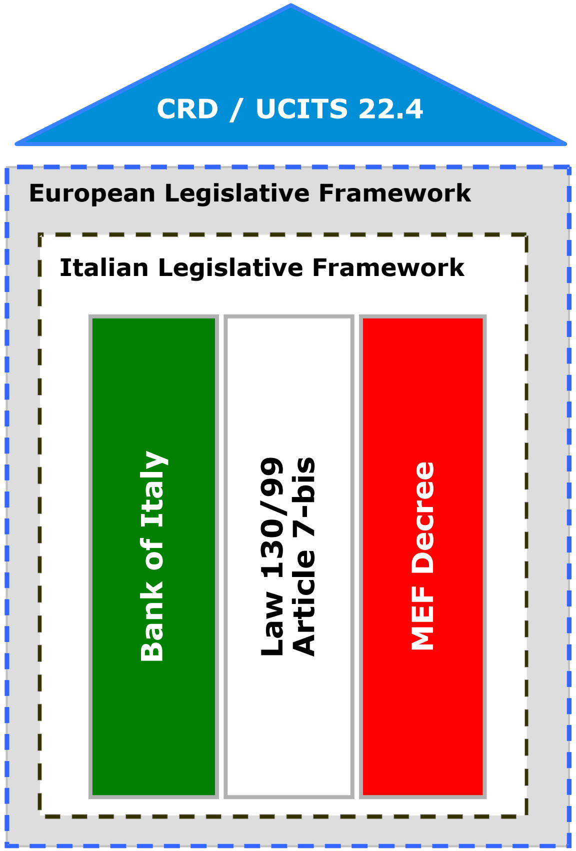
* €42m including impaired position sold and booked under "profit & loss from financial transaction

Cost of credit (bps)

	June 10	June 09
Cost of credit	**60bps**	**130bps**
Segment details		
Retail	33 bps	50 bps
Small Business	95 bps	183 bps
SMEs	95 bps	248 bps
Corporate	44 bps	108 bps

Agenda

Italian legislative framework for OBG



Primary Legislation (2005)

The OBG are direct banking debt instruments

In order to allow the segregation of assets for the benefit of the Noteholders, the Italian legislator enacted the Art. 7-bis and Art. 7-ter of Law 130/99.

Art. 7-bis:

- defines the general **deal architecture**
- mandates the **MEF**
- mandates the **Bank of Italy**

MEF Decree (2006)

- Specifies **eligible assets and issuers characteristics** and **LTV Limits**
- Sets minimum **overcollateralisation** and **matching** criteria
- Governs the mechanisms for collateral's integration
- Regulates the type of guarantee to be pledged to bondholders by the SPV

Bank of Italy Instructions (2007)

- Defines Eligible Issuers
- Sets **issuance limits** based on capital ratios
- Defines the **cover pool's sale** and **replenishment** mechanisms and limits
- Regulates the **Regulatory Capital** treatment of the structure
- Dictates the controls to be exercised over the portfolio and the structure

Bank of Italy Clarifications (2008)

- Improved definition of **asset requirements**, the **cover pool integration**, the **issuers' requirements**, the **controls & monitoring procedurs**, the **transfer limits** and the **transfer noticing**

OBG framework

	Italian Legal Framework	BPM OBG Programme
Issuer	Only banks complying with Bank of Italy's requirements strong capitalization	Tier 1 > 7% TCR > 11%
Supervision	Bank of Italy acts as regulator for the OBG issuances	
Asset Segregation	Strong asset segregation mechanism via true sale to a Law 130/99 SPV	
Eligible Assets for Collateral	• Mortgages • High quality public sector loans • Substitute assets (max 15% of cover pool)	Prime, first lien, residential mortgage loans
LTV	Strong quality for the eligible assets: • LTV ≤ 80% for residential mortgages • LTV ≤ 60% for commercial mortgages	• WA Current LTV: 52.5% • WA Original LTV: 58.1%
Monitoring	Internal: strong control activity and reporting lines (at least on annual basis) External: strict monitoring rules issued and supervised by bank of Italy	
Asset Monitor	Dedicated, external and independent audit firm appointed for monitoring purposes (at least on semi-annual basis)	PricewaterhouseCoopers
Over-collateralisation ("OC")	No over-collateralization required by law	Currently 22.7 % minimum over-collateralisation (81.50% max Asset Percentage)
Tests	• Nominal OC • Interest Coverage Test • NPV	• Nominal OC • Interest Coverage Test • NPV • ACT
Risk	-	• Interest rate risk: fully hedged • Cross-currency risk: fully hedged (if applicable)

Source: BPM's OBG Offering Circular

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 limits

Consolidated Regulatory Capital	**≥**	**Euro 500 Million**
Total Capital Ratio	**≥**	**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:

– **Total Capital Ratio (TCR) ≥ 11% and** – **Tier 1 Ratio (T1R) ≥ 7%**	→	**No restrictions**
– **10% ≤ TCR < 11% and** – **T1R ≥ 6.5%**	→	**60% of the available eligible assets**
– **9% ≤ TCR < 10% and** – **T1R ≥ 6%**	→	**25% of the available eligible assets**

Strong emphasis on control and monitoring

The Bank of Italy has put a particular focus on the controls and risk management of OBG issuers and on the ongoing involvement of the issuer’s governing bodies:

- Decisions in respect of the Programme establishment and OBG issuance need to be taken directly by the top management of the issuing Bank, with the involvement of the Statutory Auditors
- Risk management and internal audit functions are involved on a continued basis in ensuring the adequacy and robustness of the procedures in place and of the guarantee in favour of covered bondholders
- An annual review of the controls must be performed by the internal auditors at least on an annual basis, the result of which is the subject of a specific report addressed to the governing bodies
- An annual report must be produced by the Asset Monitor

OBG Issuer

Board of Directors

- Strategic supervisor of OBG
- Identifies strategic opportunities
- Deliberates OBG issuance
- Assesses risks and rewards of OBG issuance

Statutory Auditors

- Verifies the conformity and regularity of the OBG business

Internal Audit

- Monitors performance of controls and tests
- Verifies quality of controls

Risk Control Function

- Verifies the quality and integrity of the pool
- Monitors asset valuations
- Verifies compliance with regulatory limits

Independent Auditor

Asset Monitor

- Monitors the regularity of the OBG business
- Monitors the integrity and adequacy of the guarantee
- Verifies compliance with regulation and limits
- Verifies quality of tests

OC and ALM matching requirements

Asset Coverage Test (ACT)

- Currently minimum 22.7% O/C (81.5% Asset Percentage) adjusted dynamically to protect AAA/Aaa ratings

Mandatory Test (by law)

OC Test

- 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

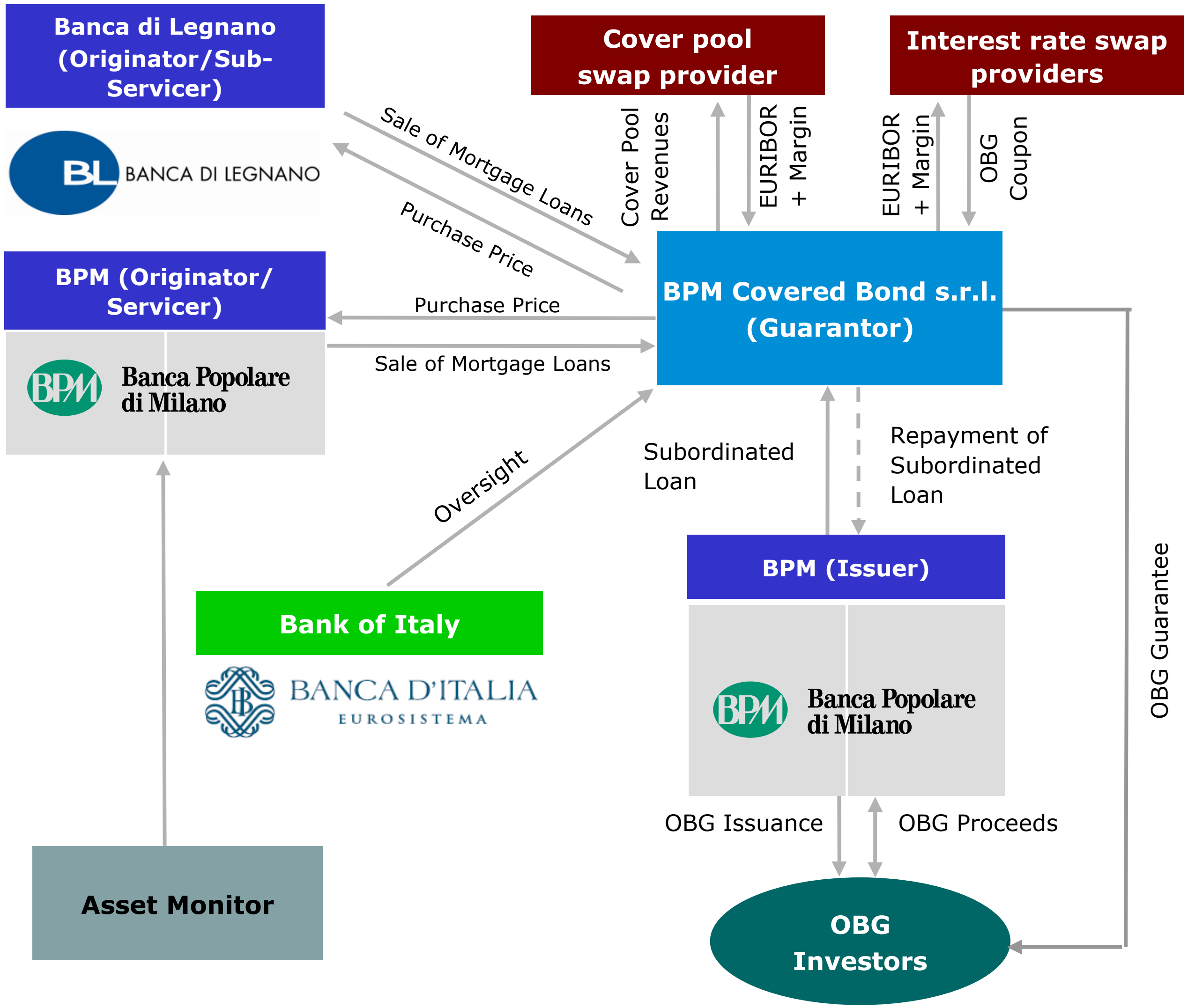
NPV Test

- 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

Interest Coverage Test

- Interests generated by the cover pool (including derivatives) **must be sufficient** to cover interest payments under the Obbligazioni Bancarie Garantite

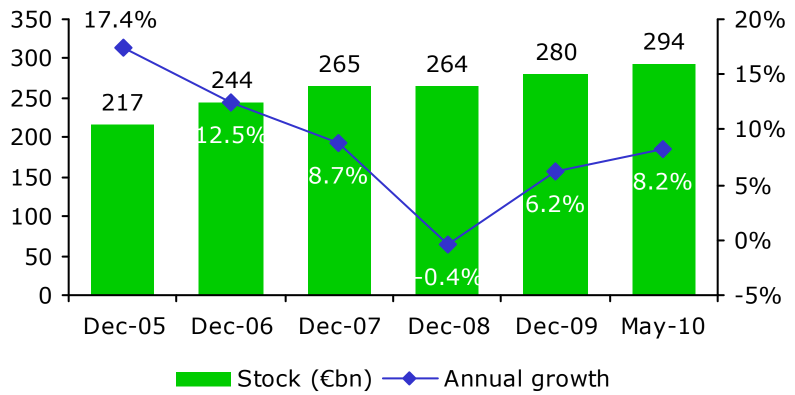
Banca Popolare di Milano



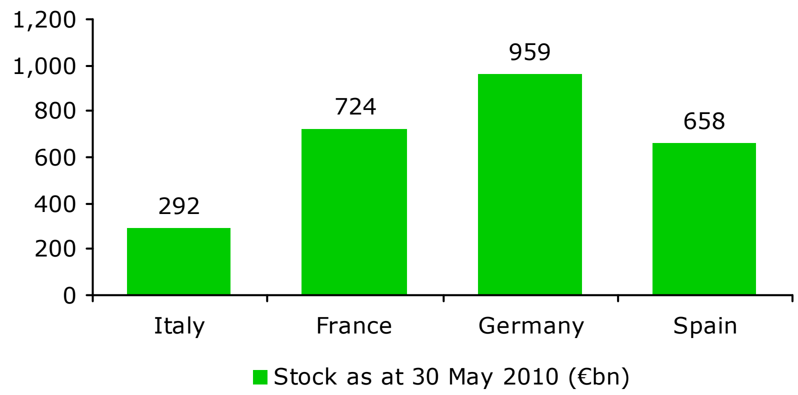
Agenda

The Italian loan market

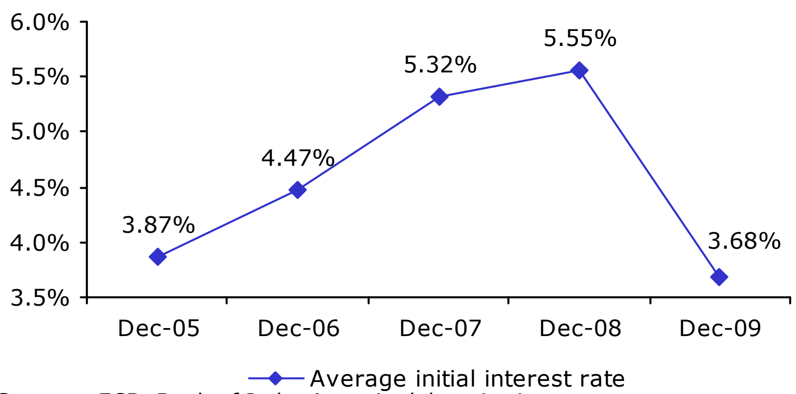
Market recovering at good pace in 2010



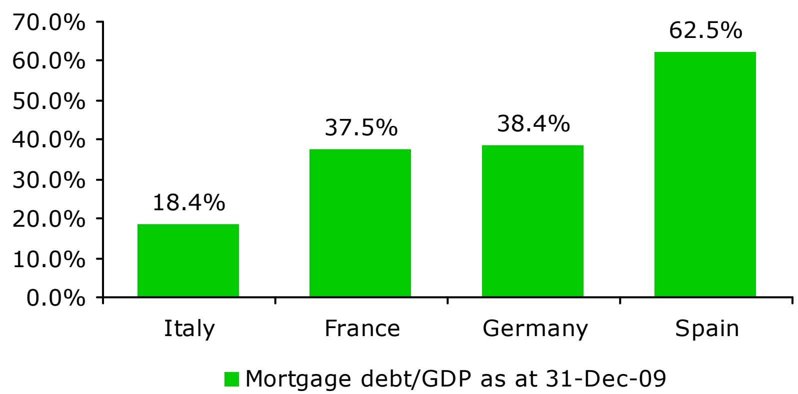
Smaller than the average Italian mortgage market (18% of GDP vs 40% Euro Area)



...partly in response to low interest rates



... with low debt/equity ratio

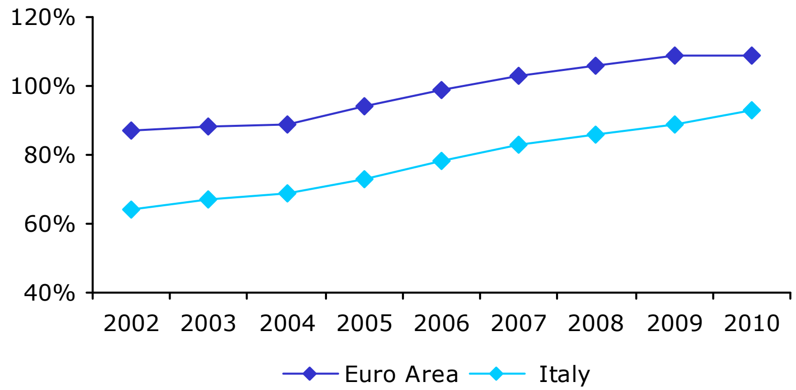


Sources: ECB, Bank of Italy, Agenzia del territorio

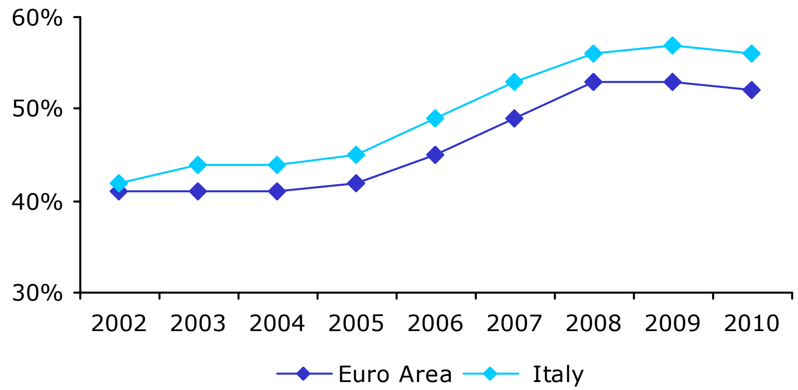
The Italian loan market (cont'd)

Italy's leverage steadily below European peers ratios

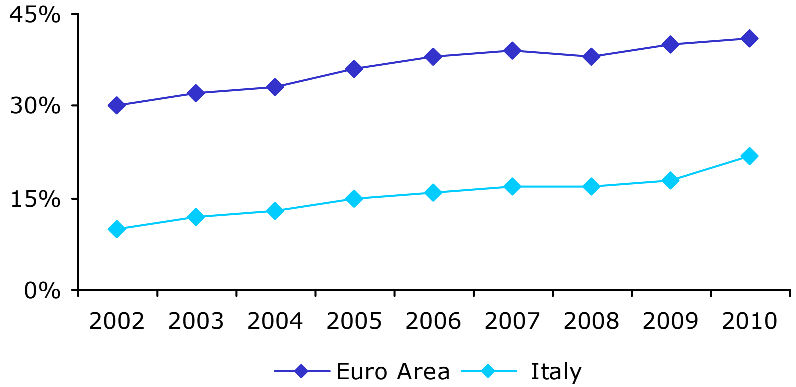
Total loans/GDP



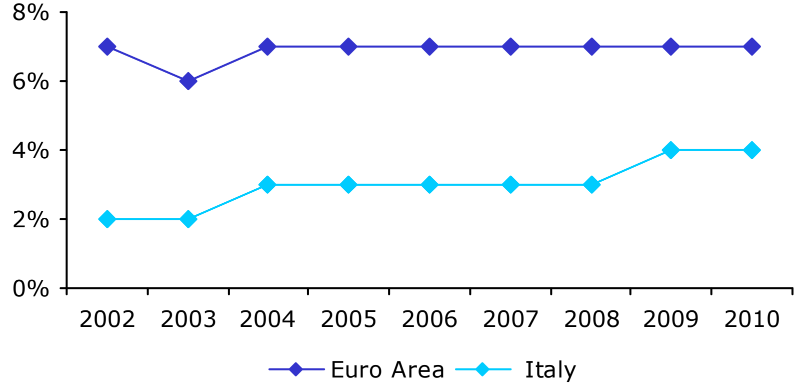
Corporate loans/GDP



Loans for house purchase/GDP



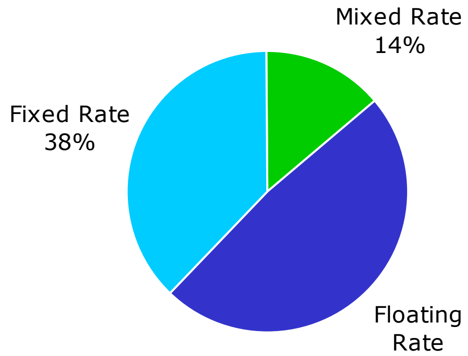
Consumer credit/GDP



Source: ECB, data as of September 2010

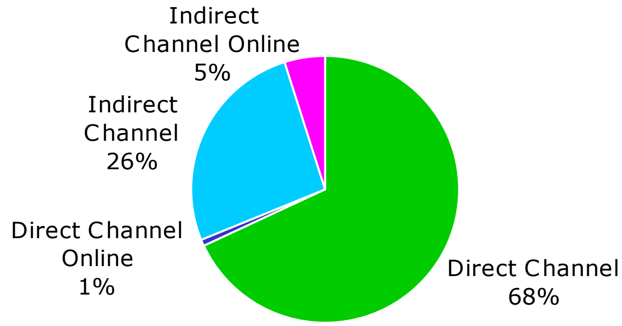
The Italian loan market in 2009: demand and supply

Loan breakdown supply by rate type

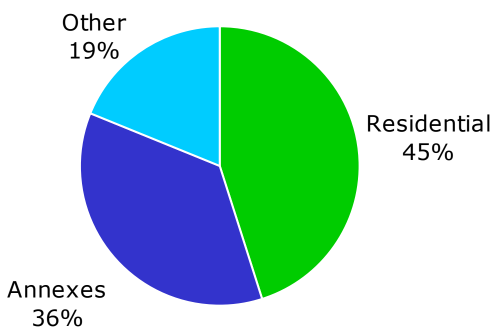


Sorse: Osservatorio ASSOFIN

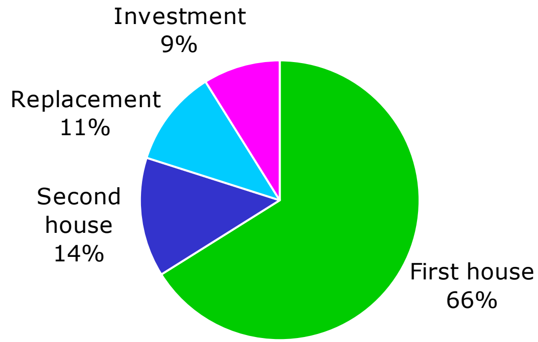
Loan breakdown supply by channel



Loan transactions



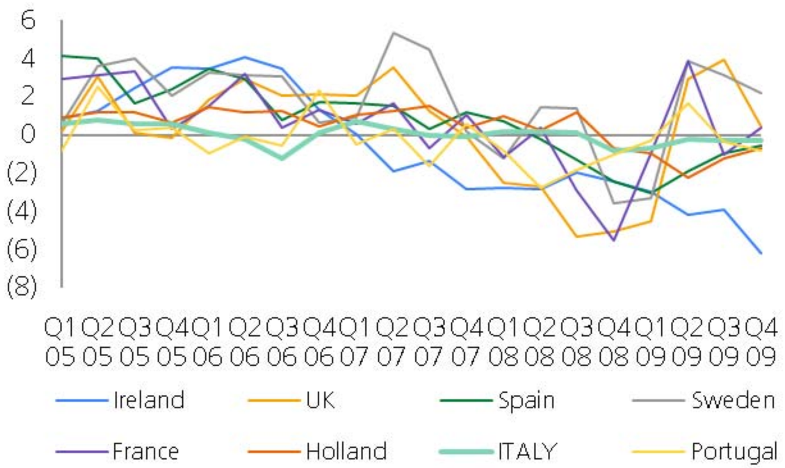
Residential RE demand breakdown



Source: Nomisma, press releases 2007–2008–2009

The housing market in Italy

Housing price indexes (% change Q/Q)



% change in housing prices (1997 - 1st half 2009)

Ireland	182%
Spain	175%
Great Britain	158%
Sweden	136%
France	133%
Denmark	103%
Italy	101%
Netherland	78%
USA	54%

Sources: Global Property Guide, Nomisma

- Since the late 90's, property units on the Italian property markets have **increased** constantly **without any significant volatility**
- **Since 2004** there have been some **signs of deceleration in** the dynamic of **prices** per square meter
- According to the ECB, 2009 saw a slight decrease in residential property prices (-0.5%)

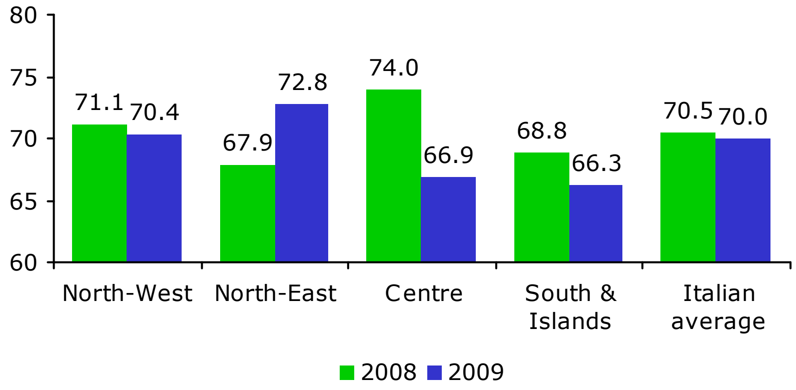
The **hypothesis** of a fall in prices for residential property

- units is improbable according to the majority of operators in
- the sector for the following reasons:
- Firstly, although there has been a significant **increase in property values** in Italy since 1997, it is **among the lowest in the international context** and this would seem to exclude the existence of prices artificially inflated by speculation;
- Secondly there is **no excess of supply over demand** in Italy partly because of the scarcity of public sector social housing;
- Thirdly the ANCE (national association of property builders) has underlined that there has been an **increase in refurbishment work** in recent years, a circumstance which confirms the need to capitalise on the existing supply;
- Low interest rates are supportive of mortgage borrowing and house purchases.

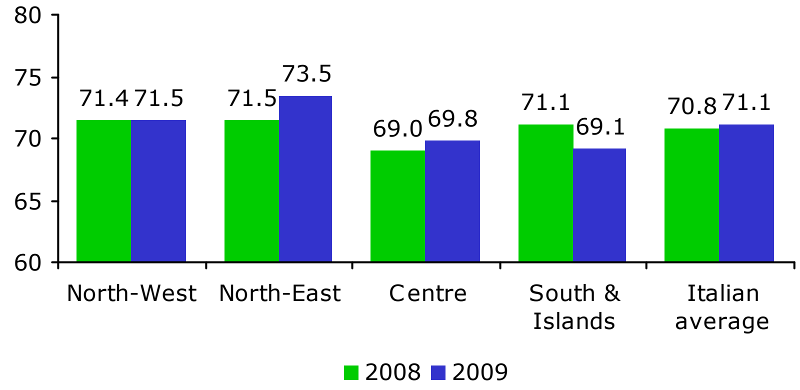
The low indebtedness of Italian households

- At year end-2009, household total financial debt stood at 61% of available income, remaining far lower than in the euro area (95%) or in the UK (150%). The differences are largely attributable to loans for house purchases, representing just 33% of Italian household available income, vs. 59% in the euro area and 93% in the UK
- The low degree of Italian mortgage penetration drives down the ratio of private debt to GDP. In fact, according to the Bank of Italy on EU-SILC Eurostat figures only 13% of Italian households is currently repaying a mortgage loan versus the around 30% observed in France, Germany and Spain and higher in UK and Netherlands (greater than or equal to 40%)
- The share of home-owners in Italy is quite high : over 80% of households in 2008 vs. 71% in the euro area, 66% in France and 56% in Germany

% of Mortgage-Financed residential transactions



Loan to value residential transactions (%)



Notes: Bank of Italy Survey-Tecnoborsa

Trends in the Italian real estate in 2010

- The dynamics of the loan market is strictly bounded to the residential market developments

- In 2009 the total deed of sales and purchases registered a negative trend equal to -11,3%. Even if this is still a negative result, it demonstrates some level of recovery versus the previous year (-15,1%). The trend is driven by a soft house price reduction, also recorded in the size of the loan market

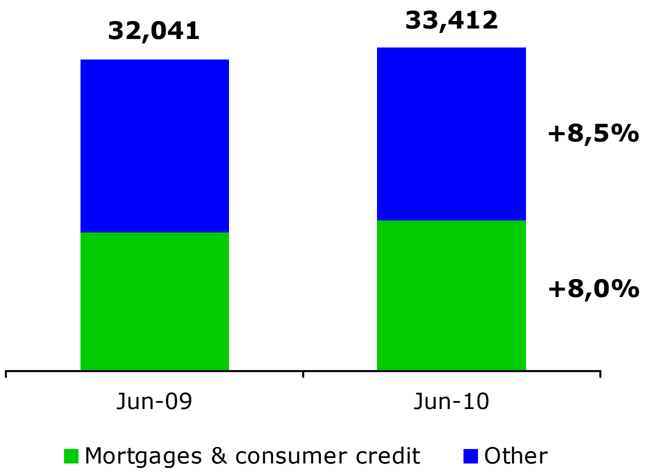
- The first quarter of 2010 confirm this positive trend with an increase in the buy and sell market equal to +2.3% versus the same period in 2009 (according to Istat data). This current increase regards especially the residential market (+93.2%) versus the commercial one

- Moreover the loan market, on the back of residential property buyers, registered a technical recovery at a national level (+13.7% versus the same period in 2009 – according to Istat), with a double digits increase especially in the main cities: Milan +10.3%, Roma +15.6%, Florence almost 20%. On a negative trend is just Turin, with a decrease trend of 2,3%

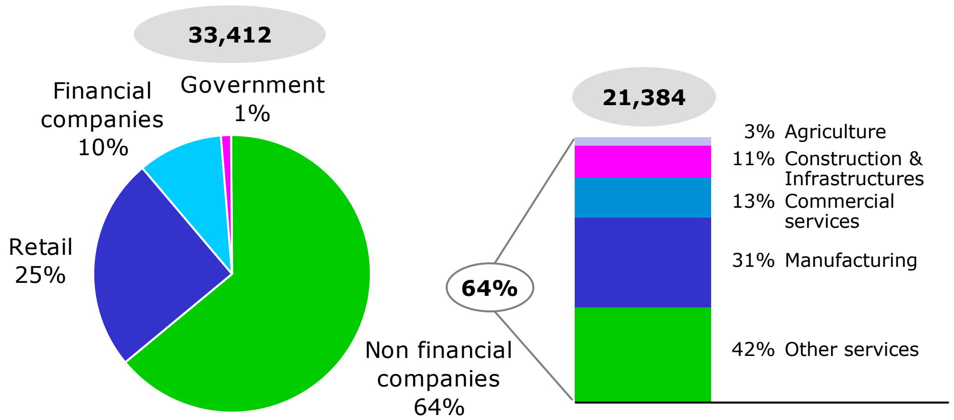
Agenda

BPM Group: loan book breakdown

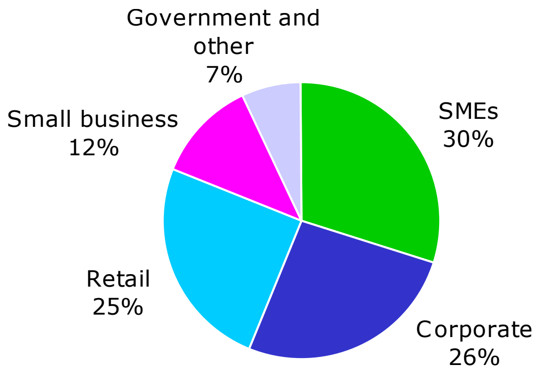
Customers loan (€m)



Loans breakdown by sector (€m) – as of June 2010

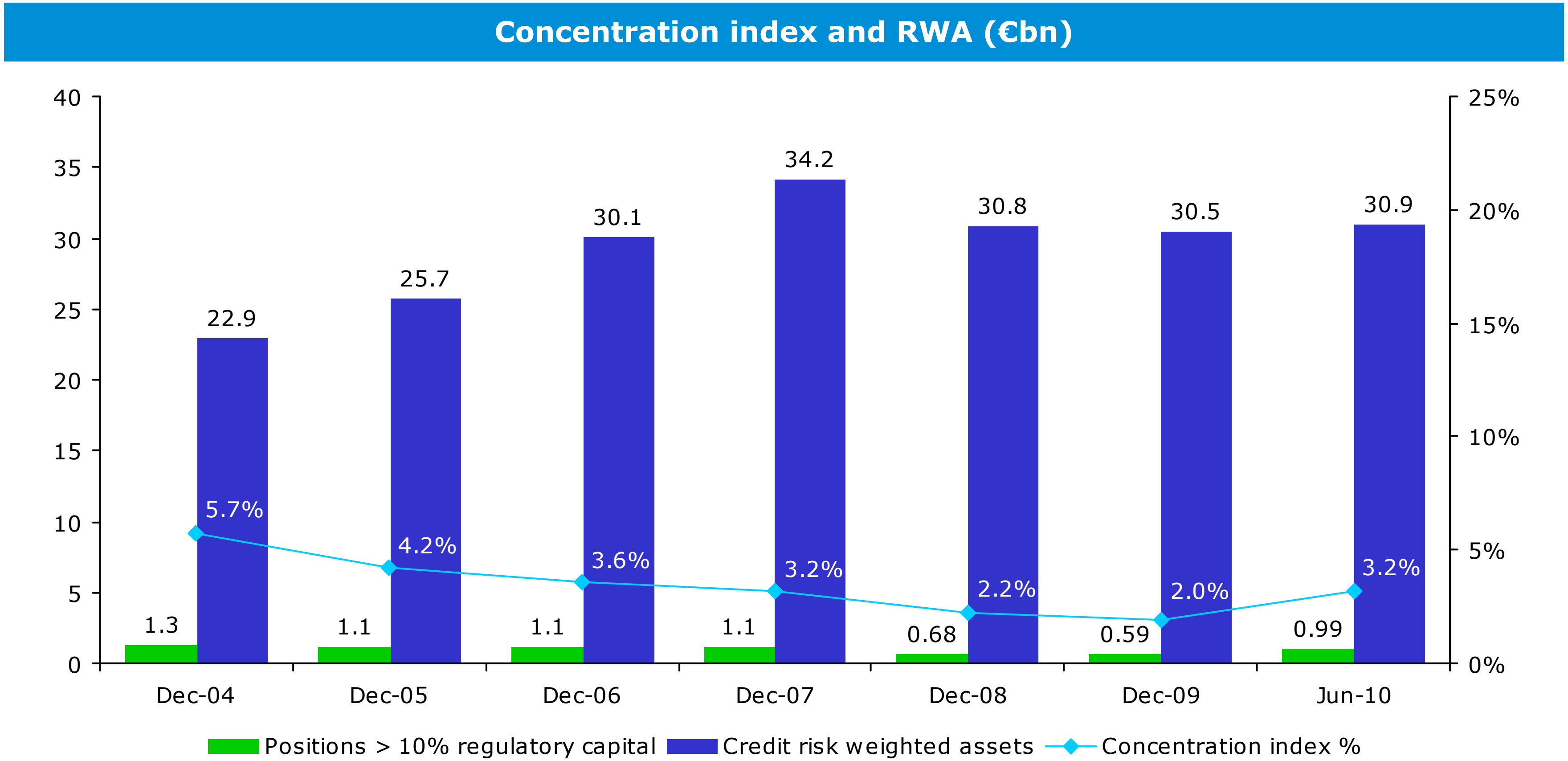


Loans breakdown by customer – as of June 2010



Source: Internal management report – Data as of June 2010

Loan book concentration



- The 5 largest consolidated exposures weight 5.5% on total RWA as at June 2010
- The 20 largest consolidated exposures weight 14.0% on total RWA as at June 2010

Source: BPM Annual Report and Interim Report

Measuring and controlling client's repayment ability

Measuring

The following ratios are taken into consideration in statistical terms:

- **Payment / Income** of both the applicant and any co-beneficiary and/or guarantor
- **Amount financed / value of the collateral**
- Other financial contracts on mortgages or loans made by the applicant
- The existence of guarantors and their professional class

Control

Standard underwriting limits include:

- **Payment / Applicant's Income** below 40%
- **Amount financed by loan / value of the collateral** below 80%
- **Applicant's age** below 65 years-old at the end of the contract

In addition, strict rules apply to mortgage origination including:

- **Maximum 80% LTV at origination**
- **First economic lien**
- **Minimum 150% Loan-to-foreclosure-value (Mortgage Amount/ Property Value)**

Property valuations are mostly performed by external chartered surveyors. Valuations conducted by internal appraisers always need cross-referencing with market comparables

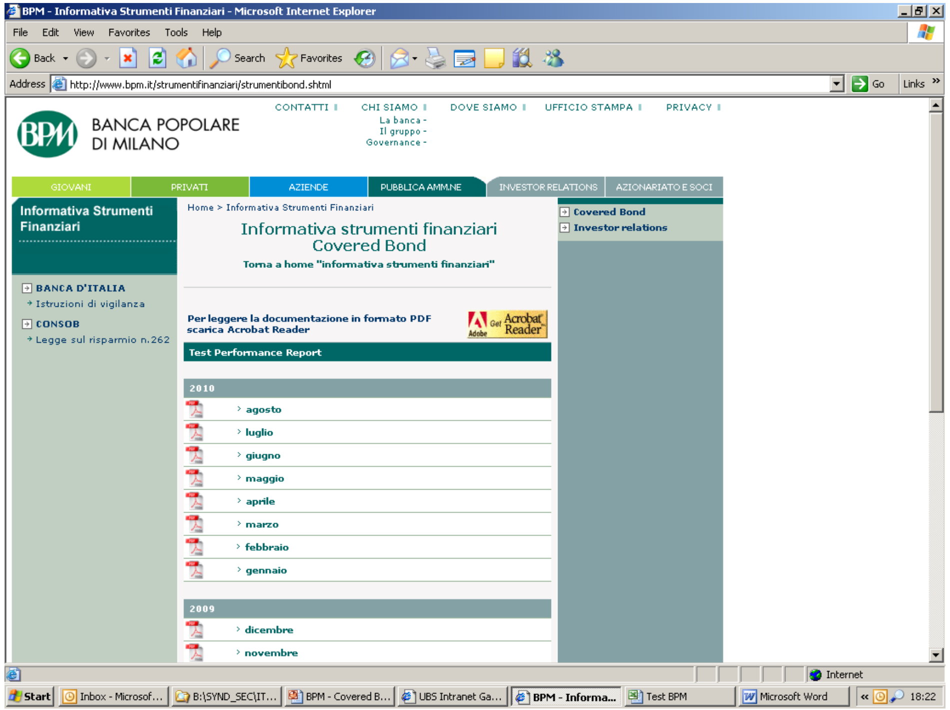
Agenda

Monthly public disclosures of cover pool and test performance

BPM is committed to provide the **utmost transparency** to investors and publishes on both website and Bloomberg :

- **Test performance reports** → summarizing compliance with the programme's tests in the previous months
- **Cover pool composition**

http://www.bpm.it/strumentifinanziari/strumentibond.shtml



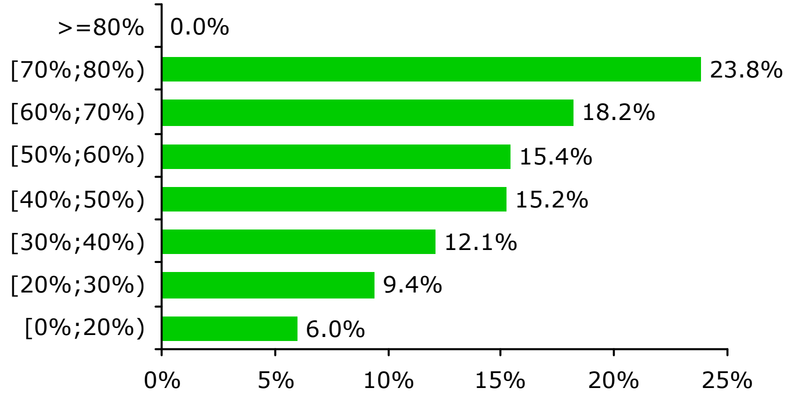
Cover pool summary

Type of loans	100% prime, first lien, residential mortgages
Pool status	99% performing loans
Number of loans	36,493
Total current balance	€3,625,001,939
Average loan balance	€99,334
WA OLTV	58.1%
WA CLTV	52.5%
WA seasoning (years)	2.7
WA residual life (years)	18.8
WA coupon	3.52%
Geographic location	83.2% North (75.2% in Lombardy)

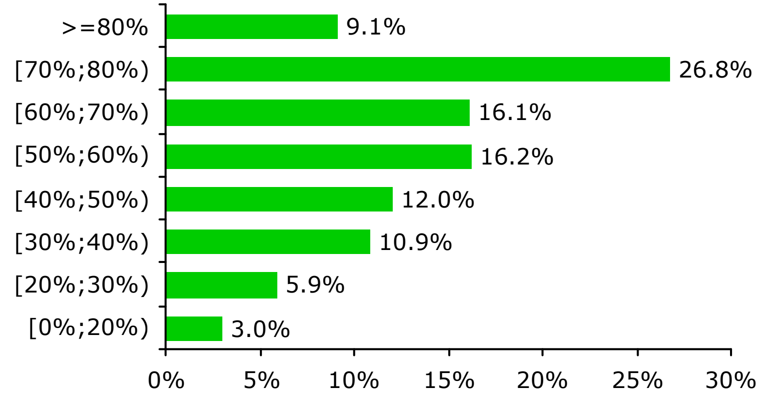
Data as of 30th September 2010

Cover pool analysis

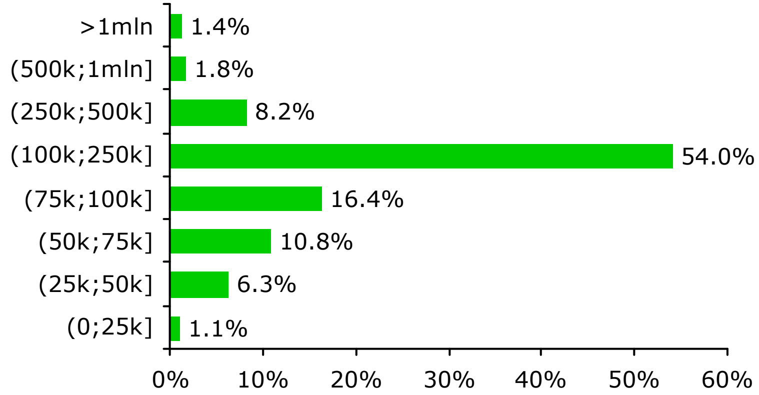
Breakdown by current LTV



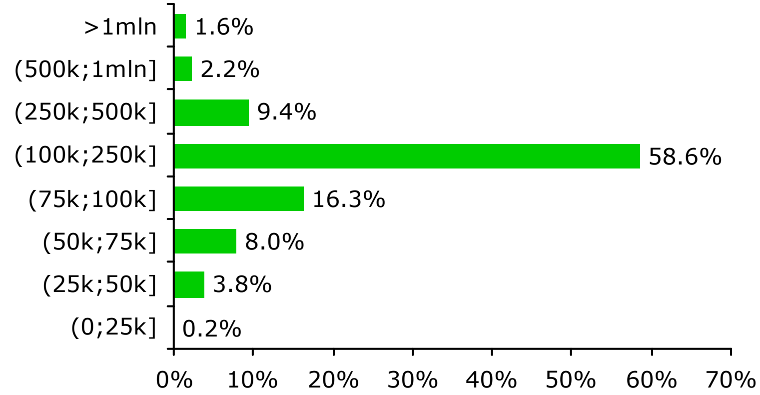
Breakdown by original LTV



Breakdown by current balance (€)



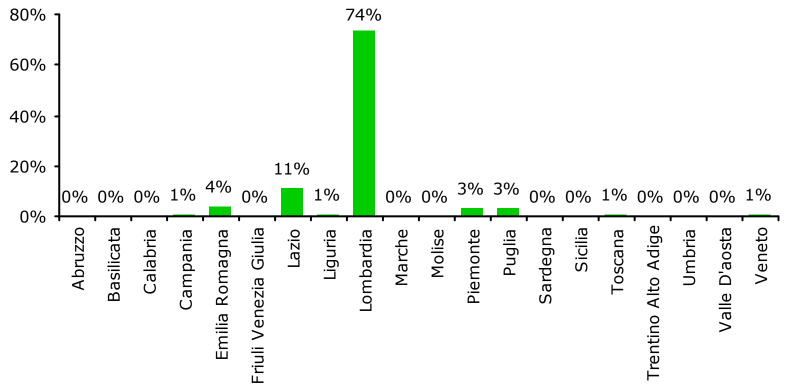
Breakdown by original balance (€)



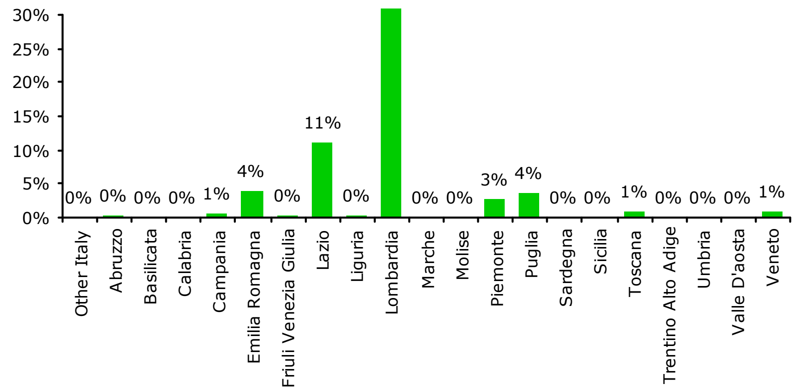
Data as of 30th September 2010

Cover pool analysis (cont'd)

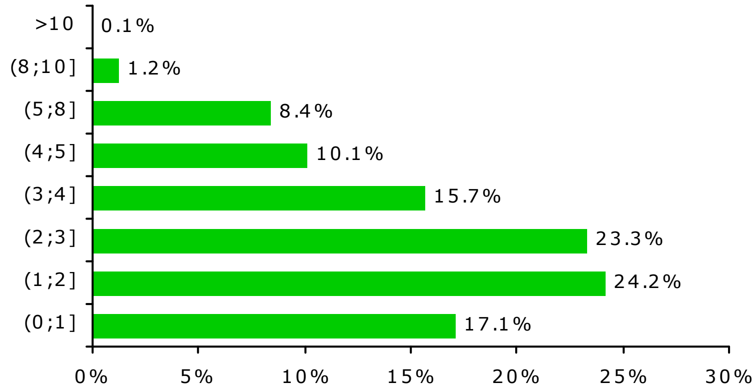
Breakdown by property region



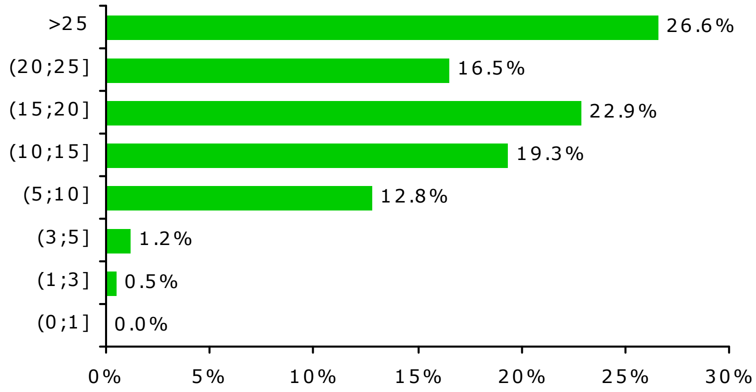
Breakdown by borrower region



Breakdown by seasoning (years)



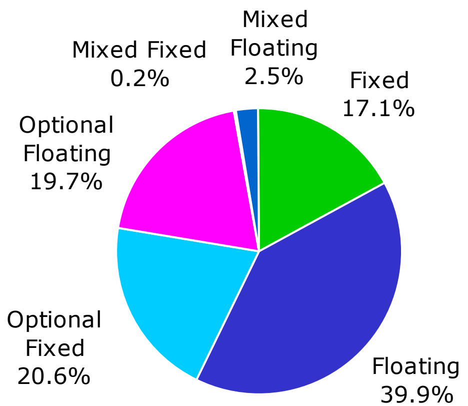
Breakdown by remaining life (years)



Data as of 30th September 2010

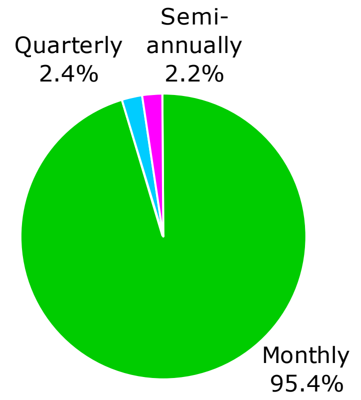
Cover pool analysis (cont'd)

Breakdown by current interest rate type



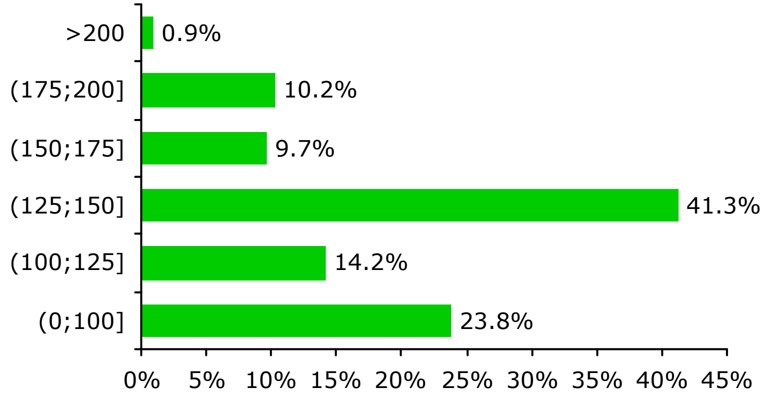
Data as of 30th September 2010

Breakdown by instalment frequency

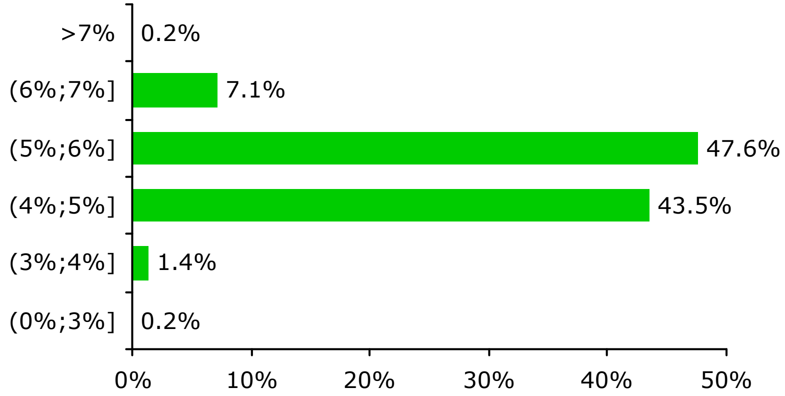


Cover pool analysis (cont'd)

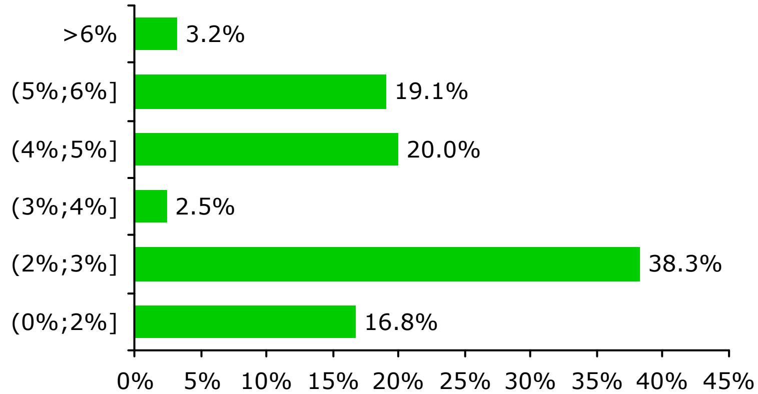
Breakdown by spread on floating rate (bps)



Breakdown by current fixed interest rate



Breakdown by current interest rate

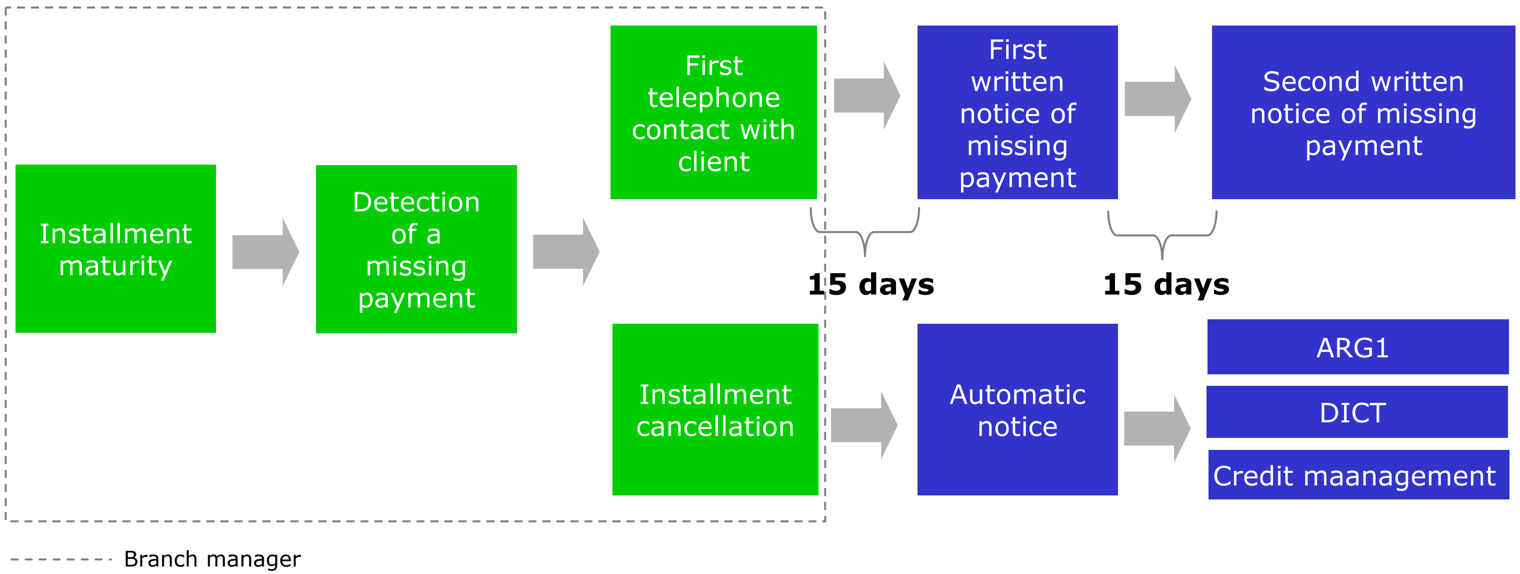


Data as of 30th September 2010

Agenda

BPM management and collection policy

- Instalments are mainly paid through clients' bank accounts:
  - About 98% of total mortgages and 100% of the portfolios securitized between 2001 and 2009 pay instalments directly through debiting client's bank accounts at BPM, the remaining pay through Direct Debit Instruction process ("RID")
- Loan or mortgages issued before November 2002 pay intra-monthly, while those issued after November 2002 pay at the end of the month
- No payment notices are sent out to clients: the debit instructions are directly loaded on clients' bank accounts, if a client does not hold an account at BPM, a Direct Debit is automatically activated
- If a missing payment is detected, BPM immediately activates a extra-judicial procedure (see chart below)



The assignment of delinquent status ("incaglio")

- Exposure is defined as delinquent ("Posizione di Rischio Incagliata") when the debtor is in situation of temporary and objective insolvency that, however, is considered to be settled in a fair period of time

- In addition, a "Delinquent Receivable" means any receivable arising from mortgage loans having (a) at least (i) one annual instalment which is past due and unpaid for more than 90 days, (ii) one semi-annual instalment which is past due and unpaid for more than 90 days, (iii) two quarterly instalments which are past due and unpaid, and/or (iv) four monthly instalments which are past due and unpaid

- Credit risk is automatically monitored on a continuous basis by an internal department of BPM

- Since March 2005, there is a new statistical programme operative in BPM named NASCA, Basel 2 compliant, that evaluates the risk of the client doing periodical monitoring of parameters such as "atti negativi", "protesti", Centralised Risk Control Office (Centrale Rischi)

- In all other cases (non-automatic detection) the assignment of delinquent status is evaluated and verified by a representative of dedicated department

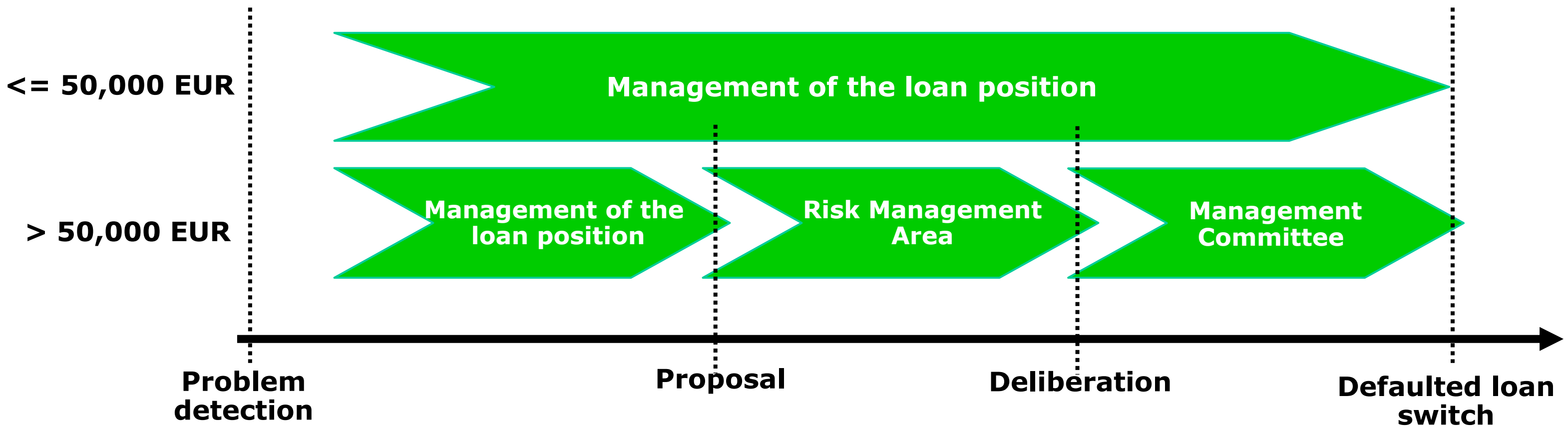
From delinquent to defaulted loan

- The eventual switch from a delinquent to a defaulted loan is determined on the basis of negative trends or heavy and serious events capable to negatively affect customer's solvency (such as registration of prejudicial acts, legal mortgages, impounding or distains, etc.)

Defaulted loan requirements:

Instalment frequency	Number of instalments
Monthly	6
Quarterly	3
Half yearly	2
Yearly	1 + 180 days

- The necessary switch to a legal dispute is considered on the basis of the following rules and criteria




Q&A
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