

Bipiemme Group

**UBS - THE ITALIAN FINANCIAL
SERVICES CONFERENCE 2008**



Banca Popolare di Milano

31 January 2008

Disclaimer

This document has been prepared by Banca Popolare di Milano solely for information purposes and for use in presentations of the Group's strategies and financials.

The information contained herein has not been independently verified. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein.

Neither the company, its advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document.

The forward-looking information contained herein has been prepared on the basis of a number of assumptions which may prove to be incorrect and, accordingly, actual results may vary.

This document does not constitute an offer or invitation to purchase or subscribe for any shares and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

The information herein may not be reproduced or published in whole or in part, for any purpose, or distributed to any other party. By accepting this document you agree to be bound by the foregoing limitations.

In line with the scope of consolidation as at 31 December 2006, the nine-month results for 2006 have been restated to include Bipiemme Vita and Ultramedias as equity consolidated rather than line-by-line, following the merger of Ultramedias into Bipiemme Vita and the subsequent sale of the latter to FondiariaSai.

Agenda

Profile at a glance

slide 4

BP 2007-2009: main targets

slide 10

Group results

slide 14

Asset quality, liquidity and risk profile

slide 20

Leading player in Lombardy

Business profile

- #8 banking group and #4 Popolare bank in terms of total asset (€43.2m)
- Strong local franchise: 741 branches (~2.3% market share)
- Leading position in Lombardy (~7.5% market share)
- Wide customer base: ~1.3m customers
- Cooperative bank with ~91,000 shareholders, of which more than 50,000 registered shareholders with voting rights
- Crédit Industriel et Commercial (CIC), BPM's strategic and commercial partner, holds 3.4% stake and € 180m of convertible bond (exp. Dec 2009, strike € 7.04, with conversion rate of 1:1 which equal to 25.5m shares or 6.1% of outstanding capital)

Financial highlights

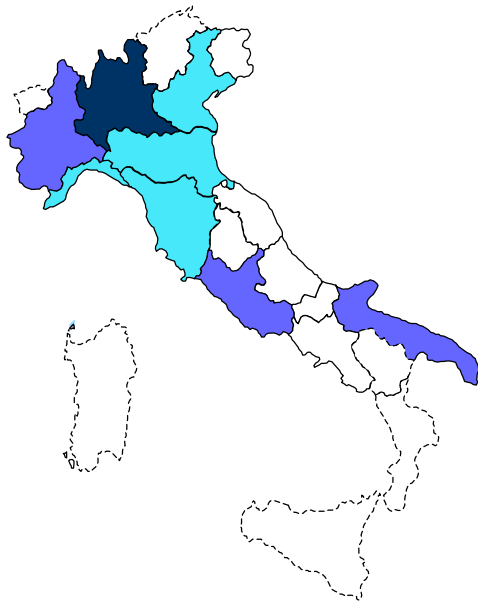
- Customer loans: €28.8bn (+11.3% vs Q3 2006)
Funding: €31.1bn (+8.0% vs Q3 2006)
- Indirect customer funds: €40.9b (+4.2% vs Q3 2006, of which: AUM €20.1b)
- Cost to Income ratio: 58.9%
- ROE adjusted: 16.3% (annualized)
- Tier 1 Capital Ratio: 7.24%
- Total Capital Ratio: 9.55%
- Ratings: A1 stable Moody's / A- stable S&P's / A stable Fitch
- Market cap: €3.3b

Financial as of Sept. 30, 2007

Deep penetration in Italy's wealthiest areas



Banca Popolare di Milano
8th Italian banking group



Market share



Point of sales: 741

- 713 (*) retail

- 4 corporate centres and 10 SMEs centres

- 14 Private banking centres

	Retail branches	Market share	GDP	Wealth (**)	Companies (%)
Lombardy	466	7.5%	20.0%	39.1%	15.7%
o/w Milan	322	13.2%			
Varese	58	12.5%			
Lecco	29	13.4%			
Piedmont	91	3.6%	8.4%	8.2%	7.0%
o/w Alessandria	65	22.4%			
Apulia	38	2.7%	4,7%.	2.2%	6.6%
Latium	58	2.2%	10.3%	11.6%	9.1%
TOTAL	653	5.6%	43.5%	61.1%	39.0%

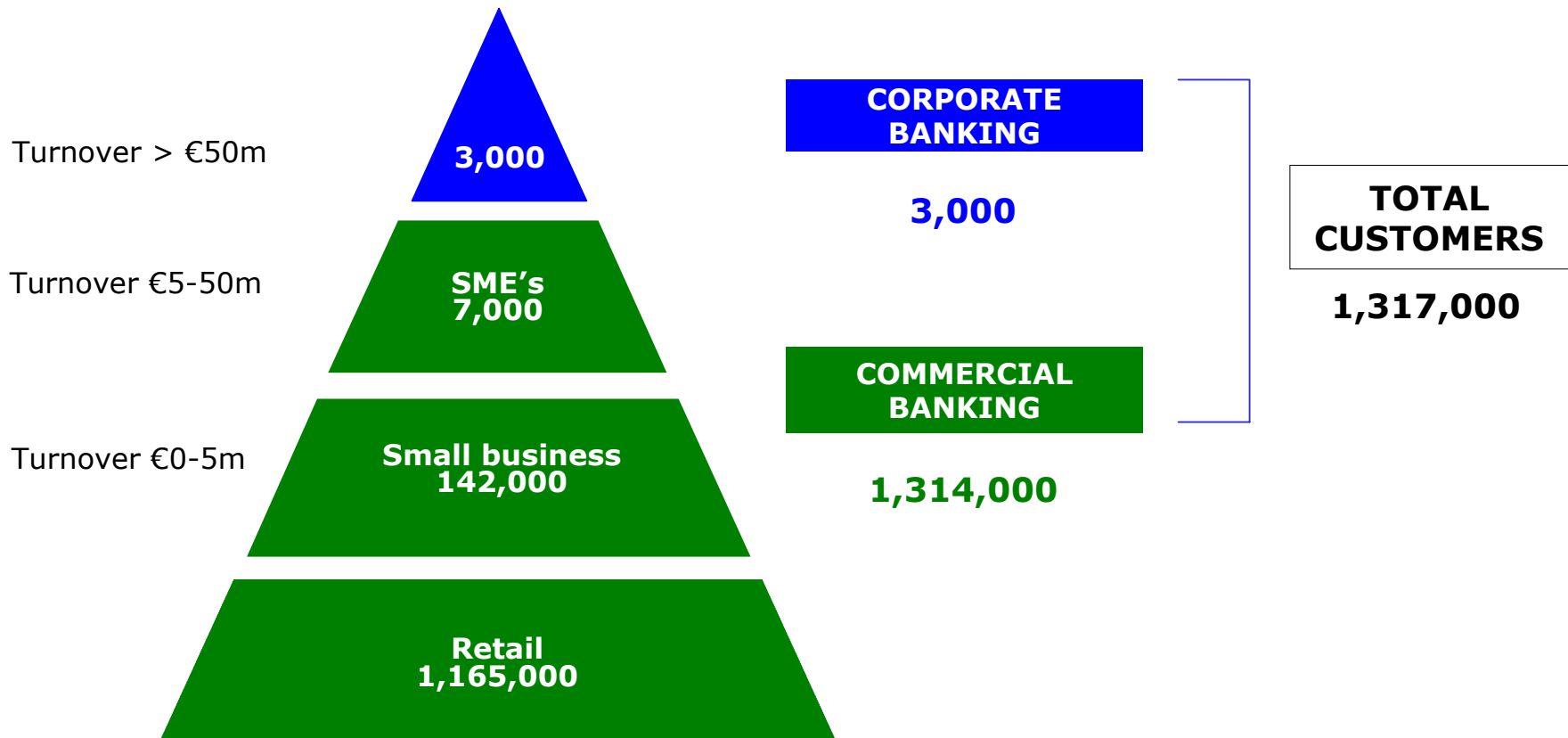
Other regions 60 0.3% 43.0% 32.1% 44.1%

(*) BPM (519), B. Legnano (107), CR Alessandria (85), Banca Akros (1), WE@bank (1)

(**) Direct and indirect funding

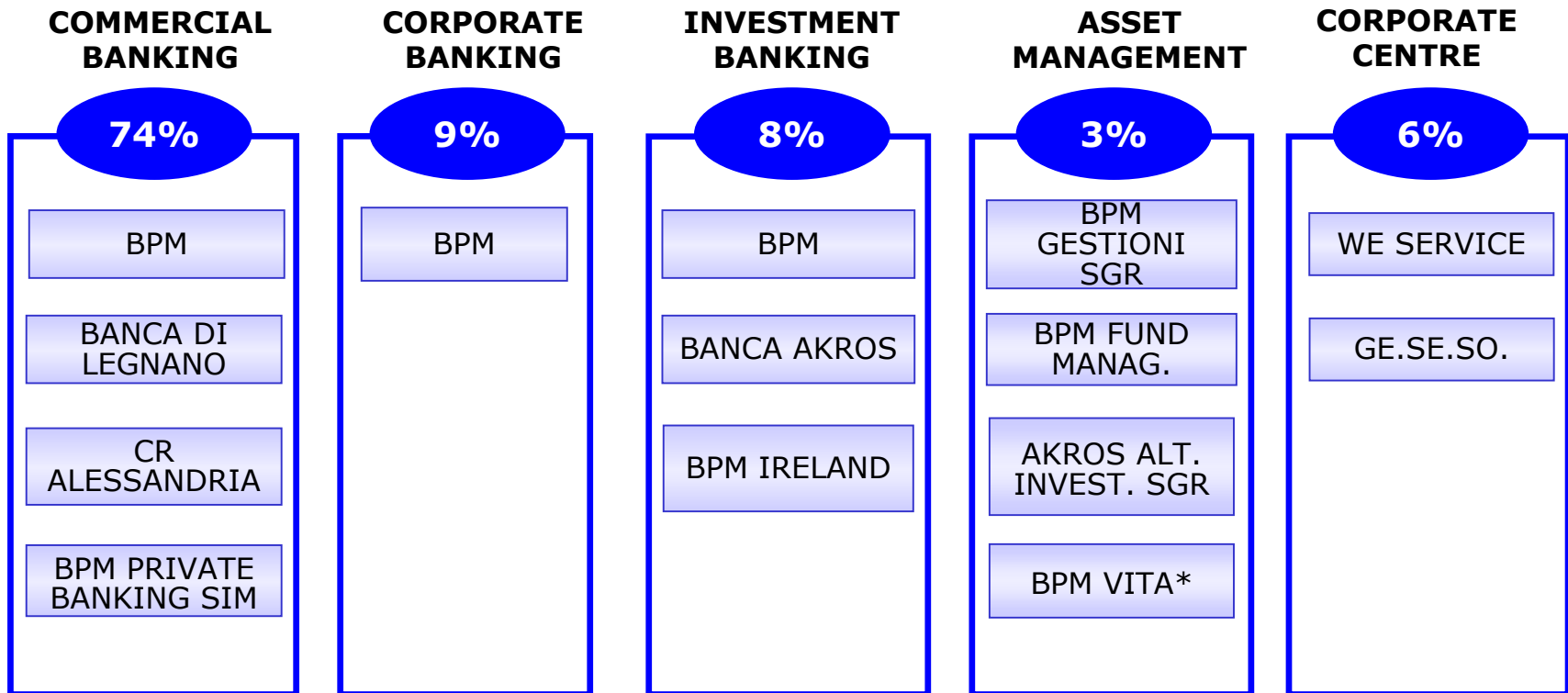
Sources: system data, Bank of Italy, Statistical Bulletin; ISTAT, 8th general census of industry and services

Wide customer base



Structure, revenue breakdown and market shares

Total revenues September 2007
(100% = € 1,368m)

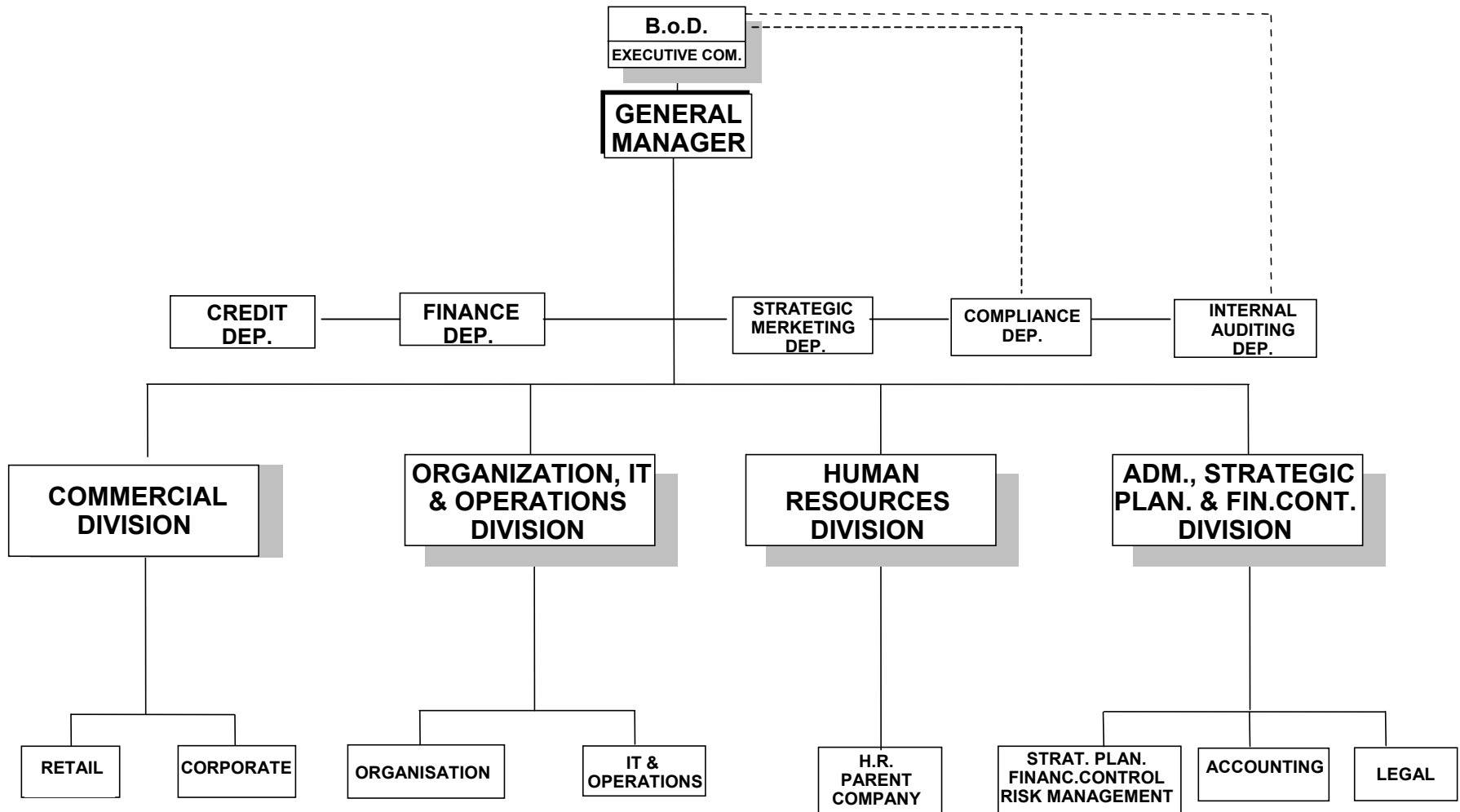


* Bancassurance partnership: Bpm (46%) e FonSAI (51%) CrAL Foundation (3%)

Group market shares:
funding 2.2%, loans 1.9%, AUM 2.1%

Organization chart

BANCA POPOLARE DI MILANO S.C.r.l.



Agenda

Profile at a glance

slide 4

BP 2007-2009: main targets

slide 10

Group results

slide 14

Asset quality, liquidity and risk profile

slide 20

BP 2004-06: main actions implemented

Commercial development

- Repositioning on retail and SMEs
- Change in RWA mix: lower financial activity, more commercial loans
- Reduction of loan book concentration
- Focus on ML term loans (mortgages)
- 40 new points of sale opened

Organizational structure

- Restructuring of finance area
- Closure of foreign branches
- Integration of BdL and start-up of CR
Alessandria integration
- New organisational structure of corporate banking

Operational efficiency

- Implementation of the R.A.C.E. project (optimisation of network operating processes)
- First implementation of IT cost savings
- Back-office streamlining

Risk and capital management

- Basle II project (rating system for credit and market risk assessment)
- Agreement with Aedes for real estate funds
- Disposal of majority stake in BPM Private Equity
- Bancassurance agreement with Fonsai

BP 2007-09: from guidelines to actions

Guidelines

Consolidate the strategic rational and actions of the 2004-06 BP

Fully implement the commercial and organisational projects launched in recent years

Develop new initiatives and investments to close the residual gap vs the market

Focus on:

- **EVA creation**
- **capital discipline**
- **pay-out (50% in 2009)**

Continuity

Efficiency

Growth

Shareholders' return

Actions

Fully exploit BPM's customer base in Commercial banking and increase Share of Wallet in Corporate banking

Subdued dynamic of operating costs despite significant increase of business volumes
Strict cost control to finance growth initiatives

New development projects to leverage on strong local positioning and new high-growth segments

Strong capital base and improved profitability leave room for pay-out expansion while securing new investments

BP 2007-09: main targets

	2006 (*)	2009	CAGR 06-09
Total income	1,765	2,035	4.9%
Operating costs	(1,070)	(1,129)	1.8%
Operating profit	695	906	9.2%
Group's net profit	302	443	13.6%
ROE adjusted	12.5%	16.1%	3.6 pp
Cost to income ratio	60.6%	55.5%	-5.1 pp
EPS	0.73	1.07	0.34
Tier 1 (yearly average)	7.1%	7.7%	0.6

(*) 2006 figures normalised excluding non-recurring income

Agenda

Profile at a glance

slide 4

BP 2007-2009: main targets

slide 10

Group results

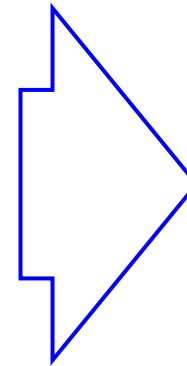
slide 14

Asset quality, liquidity and risk profile

slide 20

Q3 2007 results: highlights

€ m	Sept. 07	Sept. 06	Var. %
Customers loans	28,842	25,908	11.3
Funding	31,078	28,769	8.0
Assets in custody	20,761	18,587	11.7
Asset management	20,138	20,655	(2.5)
RWA	33,812	29,923	13.0
Total capital ratio	9.55%	10.67%	
Tier 1	7.24%	7.18%	

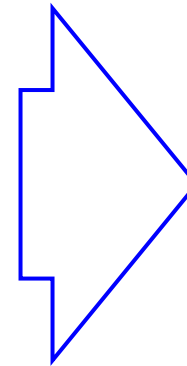


Strong increase of volumes continues

Positive contribution of new bond issues

High double-digit growth of mortgages confirmed

€ m	9M 07	9M 06	Var. %
Interest income	762	666	14.3
Total income	1,368	1,279	6.9
Operating profit	562	513	9.5
Net income	302	345	(12.4)
Adj. net income	294	248	18.6
Cost to income ratio	58.9%	59.9%	
ROE adj. (annualised)	16.3%	13.9%	



Volumes and spread improvement support interest income growth

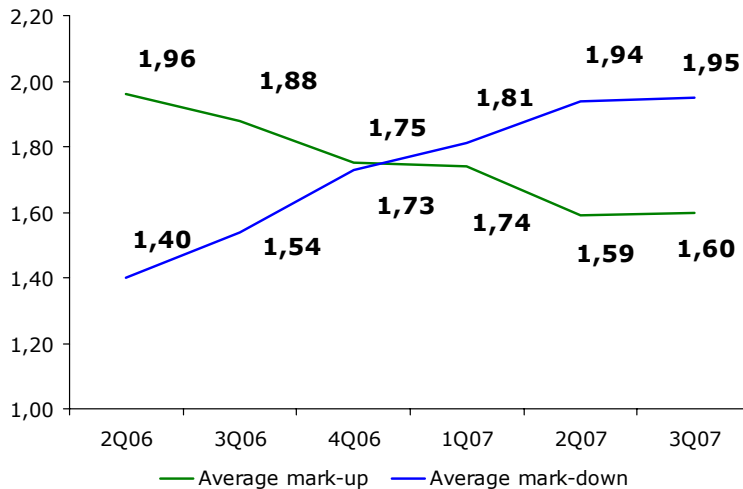
Net income up 18.6% adjusting for non-recurring items

Favourable pricing context supports spreads

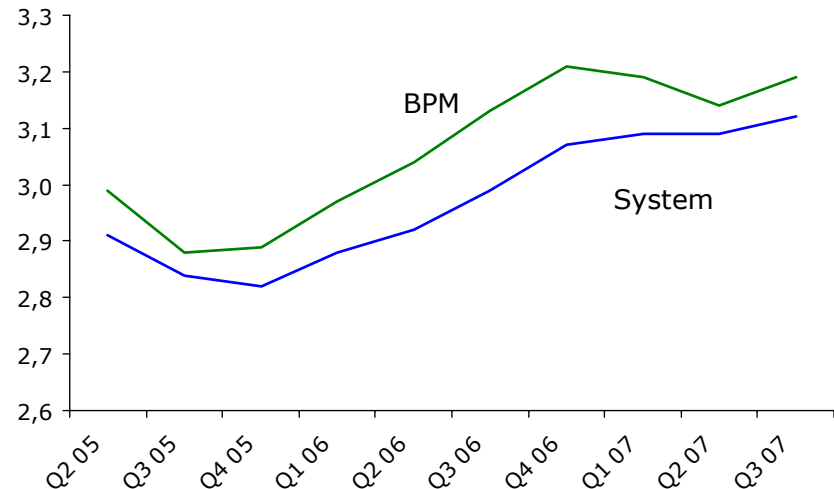
- Improving price environment in Q3
- Average mark-up flat in the quarter after a long-lasting declining trend

- BPM average spread up 13 bps in the 9-month period versus 2006 and up 6 bps QoQ
- Market position confirmed: BPM spread still 7 bps above the system average in Q3

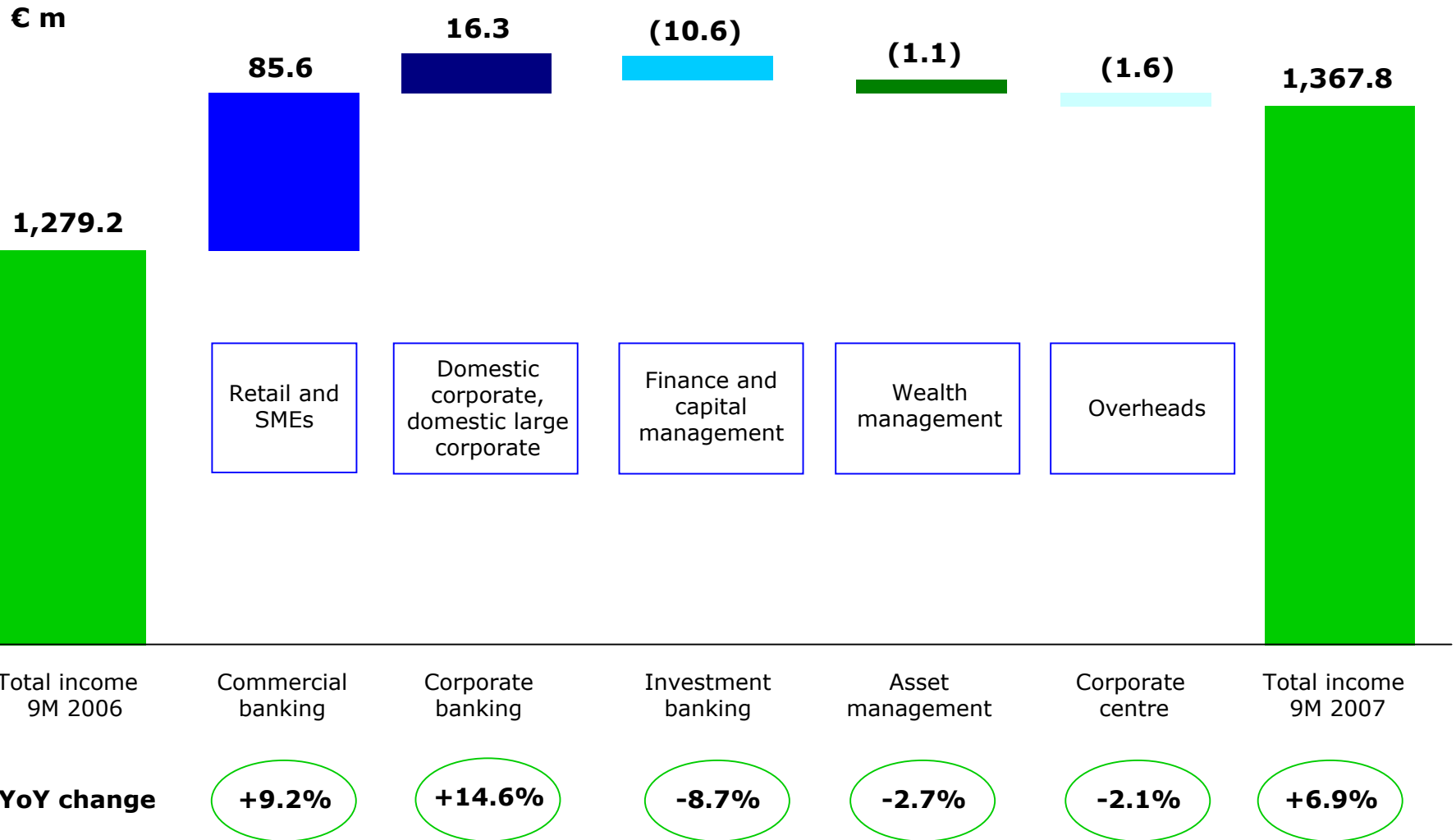
BPM mark-up/mark-down %



Spread BPM vs system (quarterly avg) %

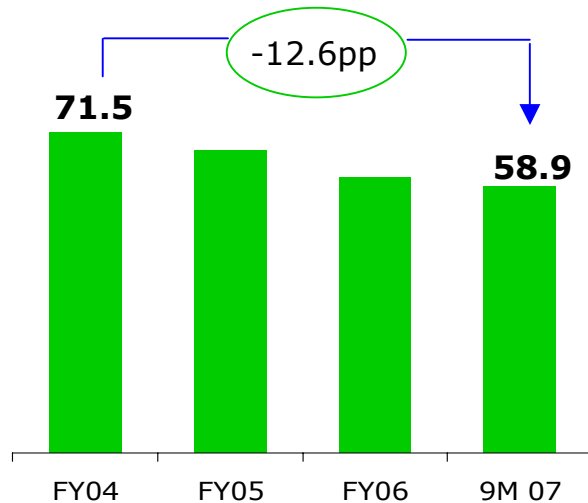


Total income growth by business unit



Cost income ratio

Cost income ratio %



Declining trend in cost to income ratio in line with BP targets: down 12.6 pp from FY 2004 to Sept. 2007

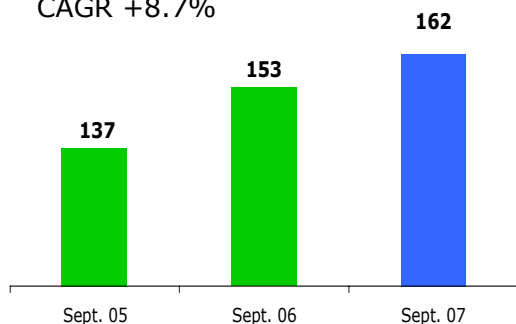
	FY 04	FY 07 e	Var.
Employees	8,556	8,417	- 139
Points of sale	725	750	+25

Hires in 2007 mainly related to network expansion, strengthening of sales operations and IT integration of CR Alessandria

Improving productivity

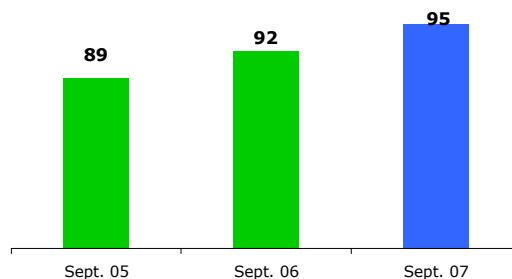
Total income per employee (€ ,000)

CAGR +8.7%



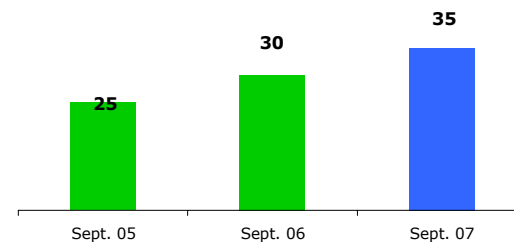
Total costs per employee (€ ,000)

CAGR +3.3%



Adjusted net profit* per employee (€ ,000)

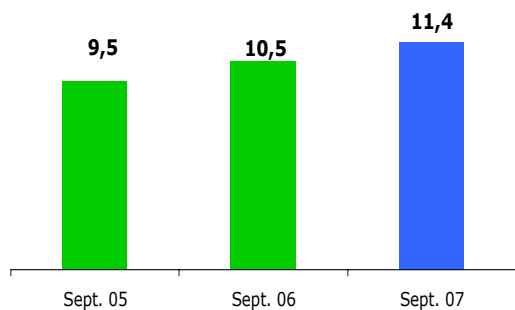
CAGR +18.3%



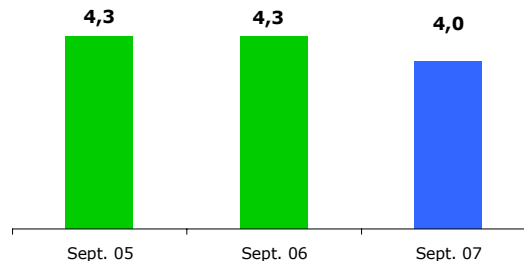
* Adjusted for non recurring income

Tot. volumes*/employee (€m)

CAGR +9.5%

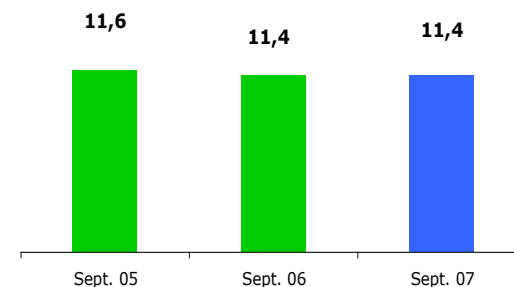


Total income/RWA (%)



Employees/POS

CAGR -1%



* Average customer volumes (management report data)

Agenda

Profile at a glance

slide 4

BP 2007-2009: main targets

slide 10

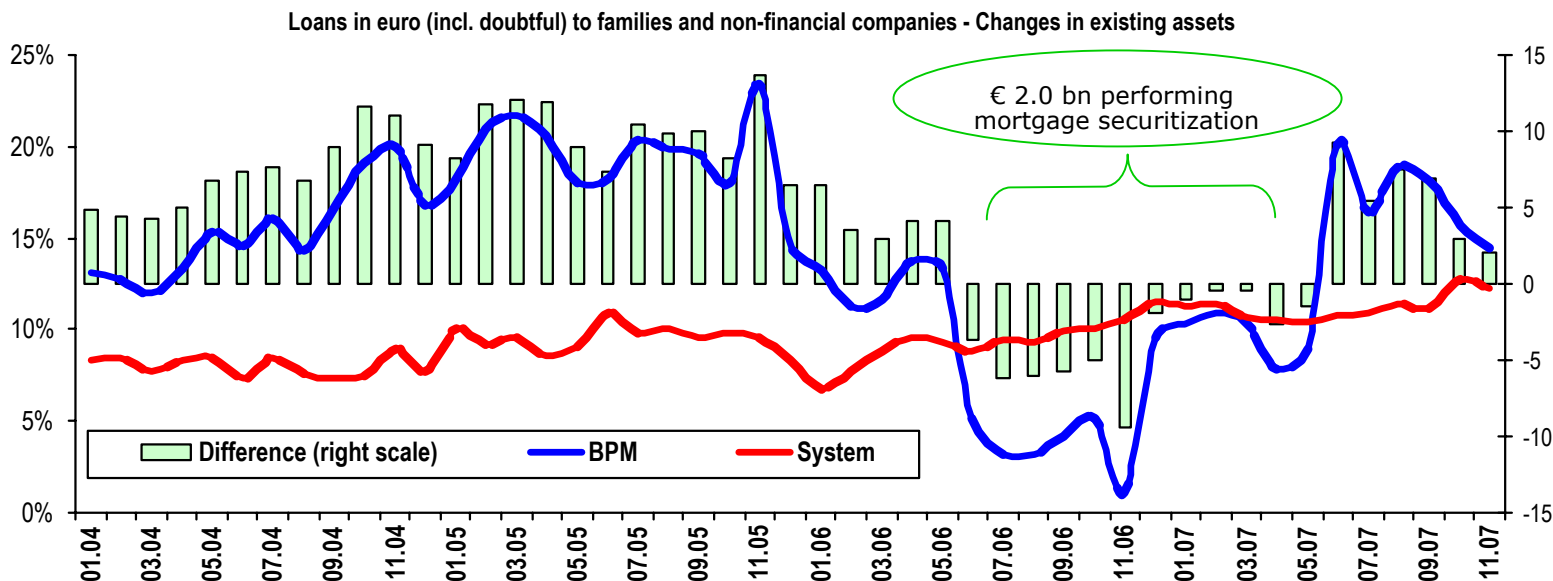
Group results

slide 14

Asset quality, liquidity and risk profile

slide 20

Loan Book growth

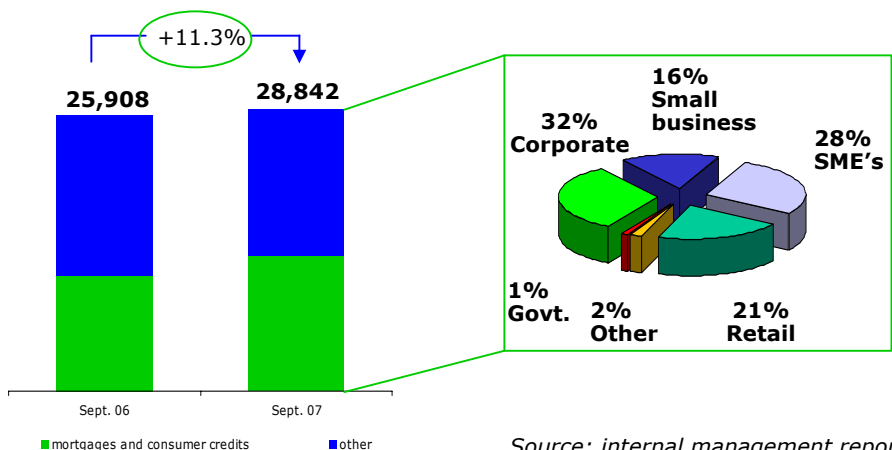


- BPM's loans growth higher than the system in the last four years
- adjusted for the € 2.0 bn of performing mortgages securitization the comparison with the system remain positive also in the period July 06 – July 07

Source: ECB statistical data

Loan Book Breakdown

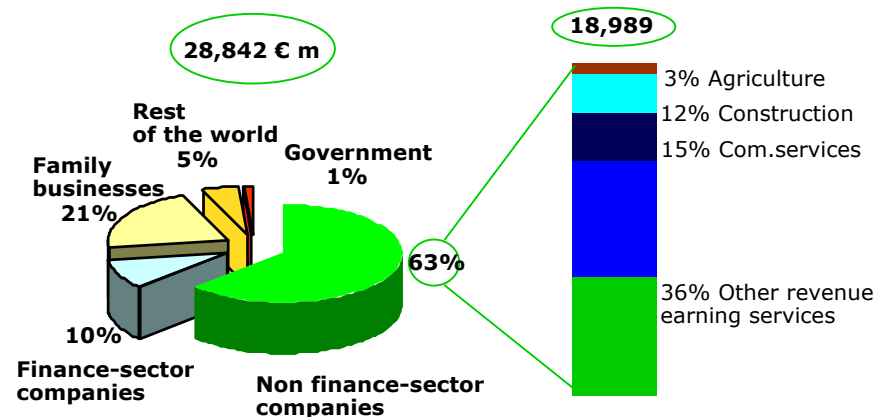
Customer loans (€ m)



- Medium Long Term facilities grew from 56.2% to 60.3% (+4.1pp) in the last 3 years
- Weight of Long Term facilities still below the system average (60.3% vs 64.2%)
- More than 40% of loans are secured (system around 37%)

- Bpm granted/used ratio below system average: 60% vs 63%
- Mortgages (€11.6b) and consumer credit (€0.6b) at 40% and 2% on total loans, respectively

Breakdown customers loans by sector (€ m)

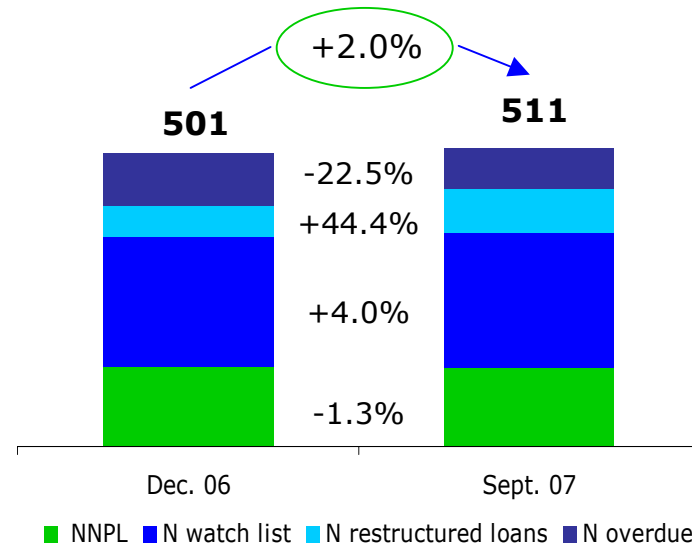


NPL still well below system average

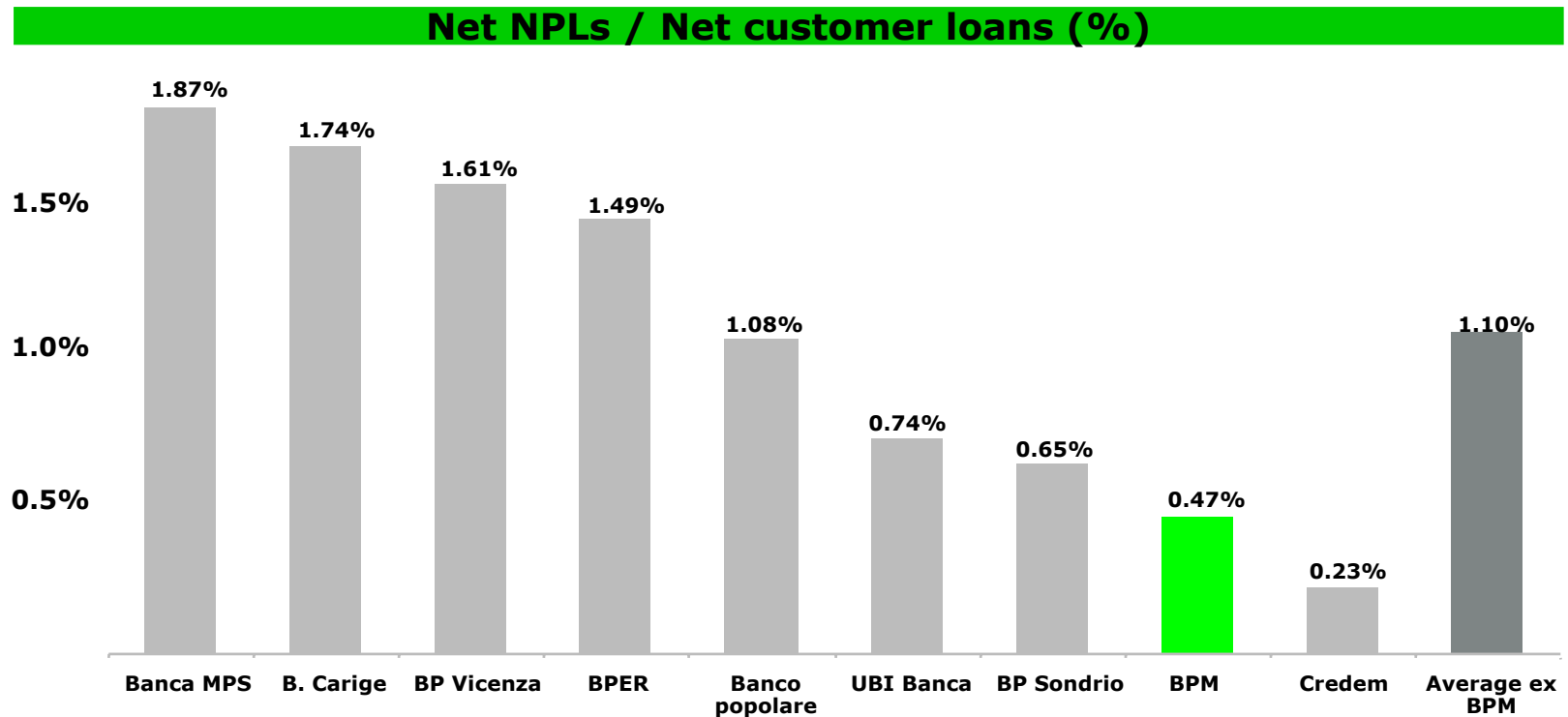
- Net doubtful loans slightly increasing vs FY 2006 and declining at 1.8% of total loans vs 1.9% in Dec. 2006
- Gross doubtful loans at 3.1% of total loans compared with 3.4% at Dec. 2006. System average at 5.4%.
- Net non-performing loans at a modest 0.5% of loan portfolio with coverage stable at 70%. System average at 1.18%.
- Temporary increase in restructured loans due to a single position already wrote back in October


Sept. 07	Ratio	Coverage
Tot. doubtful loans	1.8%	43.7%
Net NPL	0.5%	70.1%
Watch list	0.8%	14.0%
Restructured loans	0.3%	35.8%
Overdue loans	0.2%	2.6%
Performing loans	98.2%	0.7%

Net doubtful loans vs. FY 06 (€ m)



Asset quality benchmarking

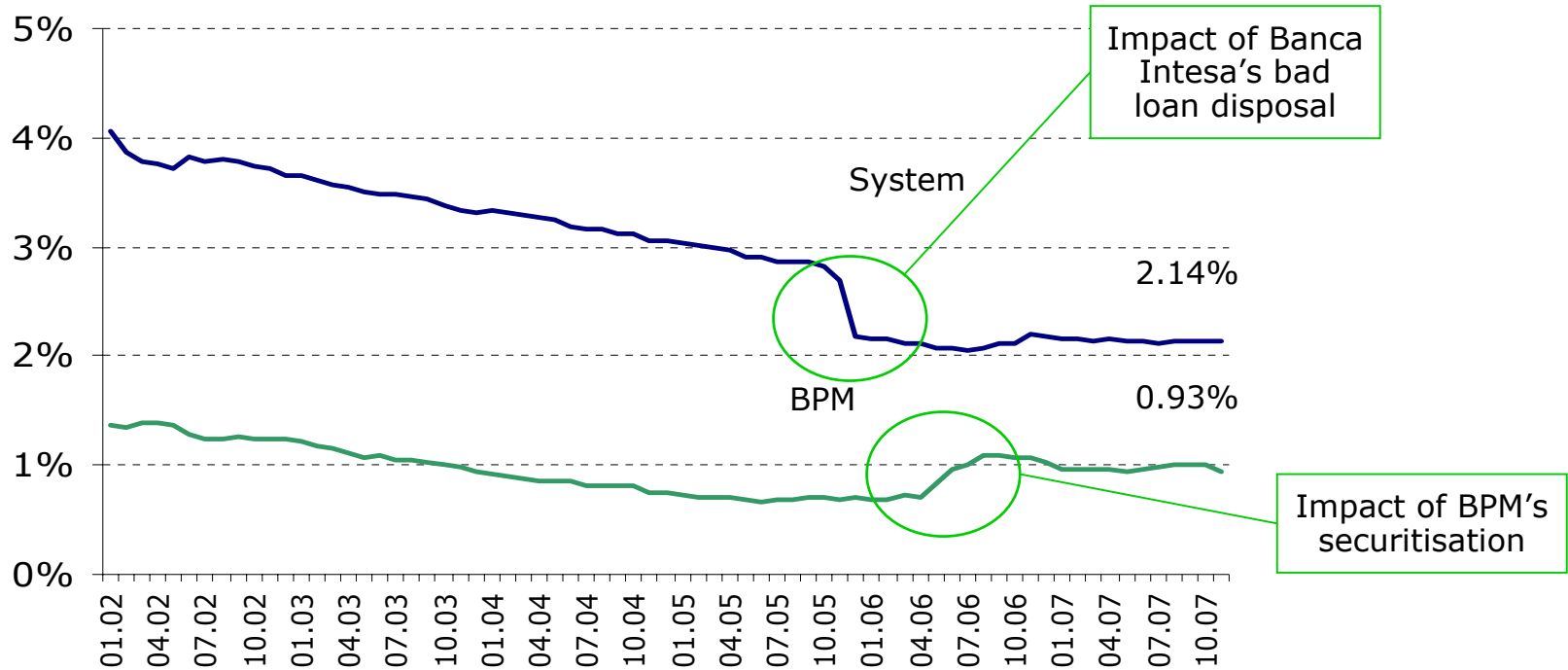


 Excellent asset quality vs. peers achieved without any bad loan securitization

Source: annual reports, press releases, websites. All data at Sept. 30, 2007; BP Sondrio at June 30, 2007; BP Vicenza at Dec. 31, 2006 – Latest data available.

Excellent asset quality on mortgages

Non-performing mortgages on total



- Percentage weight of BPM's non-performing mortgages (and property loans) well below the Italian banking system average
- BPM's ratio still 1.21 percentage points lower than average despite the €2b securitisation of performing mortgages in July 2006

Cost of credit

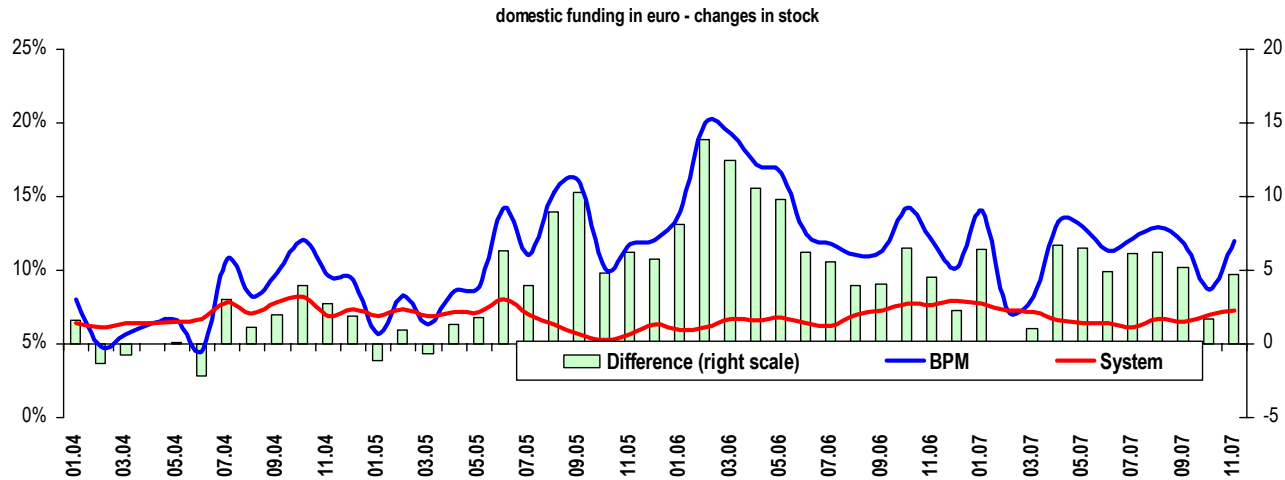
€ m	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Sept 07 ⁽¹⁾
Net adjustments to customer loans (A)	86	120	133	91	121	112
Total gross loans to customers (B)	16,263	17,461	20,455	23,124	26,897	29,442
Cost of credit (A)/(B)	0.53%	0.69%	0.65%	0.39%	0.45%	0.38%

(1) annualised figures

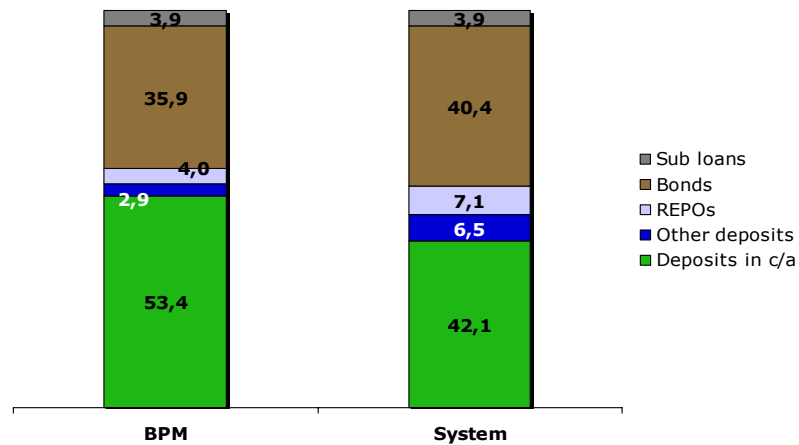
By segment (Sept.07)*		By territory (Sept. 07)*	
	%		%
Corporate	0.29	Lombardy	0.32
SMEs	0.23	Piedmont	0.22
Small business	0.92	Emilia Romagna	0.13
Retail	0.23	Latium	0.51
		Apulia	0.52
		Other regions	0.33

Source: BPM figures. internal management report

Funding trend



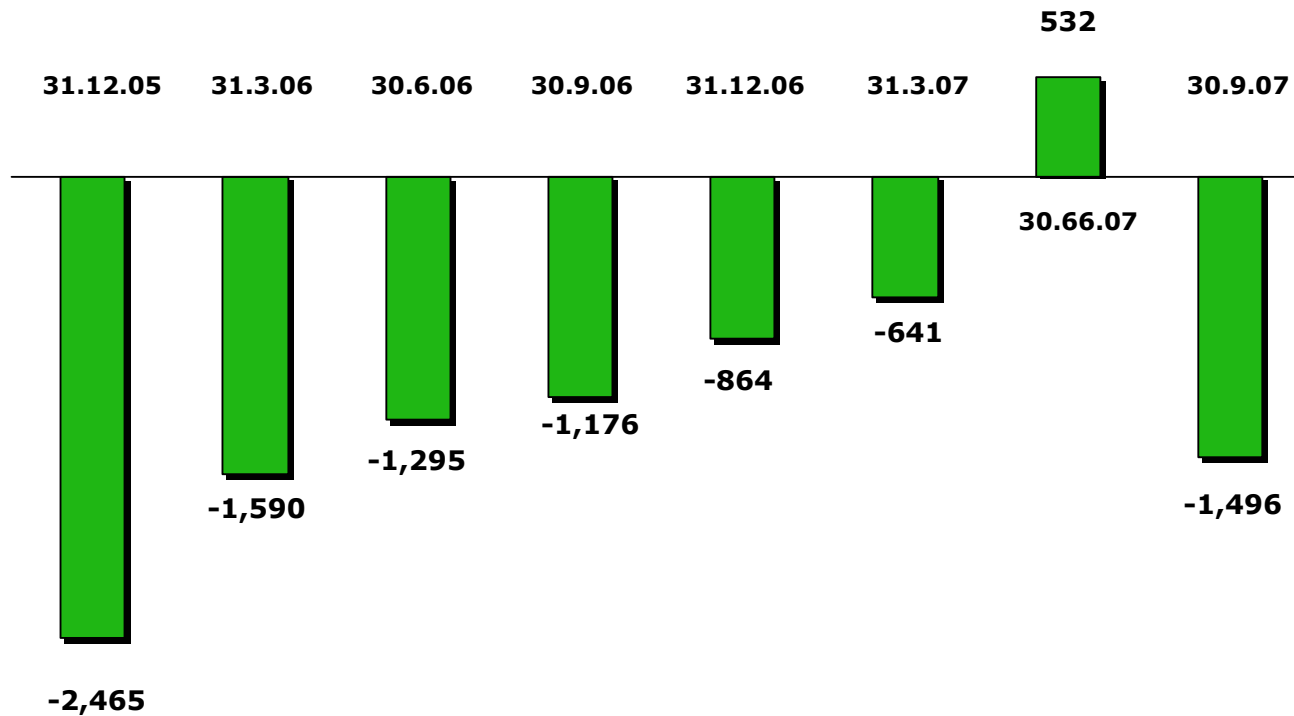
Funding breakdown



Source: ECB statistical data. Funding composed by c/a deposits, deposits with fixed duration, deposits repayable with 3-month call and REPOs from families and non-financial companies. Moreover, funding includes bonds and subordinated loans in all segments.

Net interbank position trend

Net interbank balance (€ m)



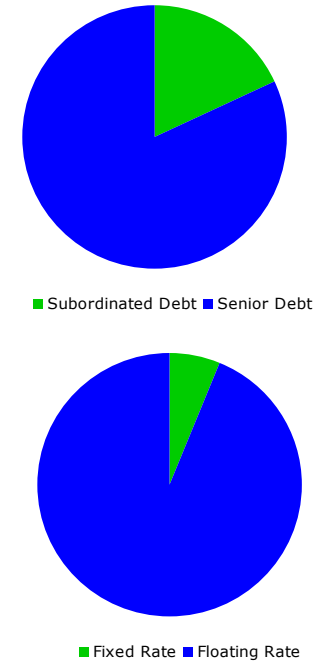
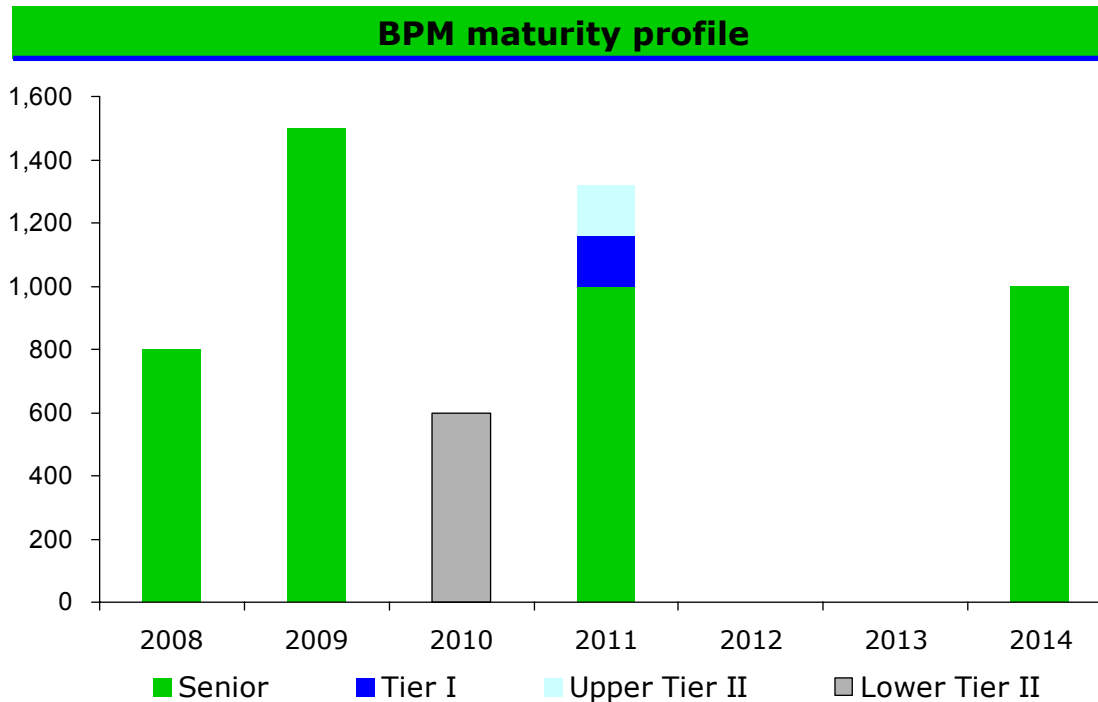
- Improvement in net interbank position, in particular after the closing of New York and London branches

Source: BPM Group reports. Figures at the end of the period

Liquidity strategy

- **Diversified funding sources maintaining a good balance among them (strong retail customer funding base and institutional funding)**
- **Maintain a benchmark presence in the Euro curve at key maturities (3, 5, 7 years)**
- **Covered bond programme (€ 5 bn in 5 years) arranged by UBS and HSBC**
- **€8.0b EMTN programme in support of medium/ long-term lending strategy**
- **Support the loan growth strategy:**
 - **Shifting structure of loans towards medium/long-term at system level**
- **Access the capital markets to support Group total capital ratio**

Outstanding senior and subordinated debt



Deal pricing date	Issuer	Currency code	Deal total value Euro (face)	Format	Coupon	First call date	Maturity date
10-Jan-06	BPM	EUR	200,000,000	2-y Senior	€3m + 11bp		25-Jan-08
23-Nov-05	BPM	EUR	600,000,000	3-y Senior	€3m + 10bp		12-Dec-08
21-Mar-07	BPM	EUR	1,500,000,000	3-y Senior	€3m + 10bp		06-Apr-09
15-Jun-05	BPM	EUR	600,000,000	10nc5 Lower Tier II	€3m + 45bp	29-Jun-10	29-Jun-15
02-Feb-06	BPM	EUR	1,000,000,000	5-y Senior	€3m + 17.5bp		16-Feb-11
20-Jun-01	BPM Capital Trust I	EUR	160,000,000	Tier I	8.393%	02-Jul-11	Perpetual
20-Jun-01	BPM	EUR	160,000,000	Upper Tier II	7.625%		29-Jun-11
16-Jan-07	BPM	EUR	1,000,000,000	7-y Senior	€3m + 20bp		31-Jan-14

Financial assets

€ m	Sept. 07	Sept. 06	%
Financial assets held for trading	3,742	3,224	16.1
Financial assets at fair value	1,221	1,740	(29.8)
Financial assets available for sales	1,967	1,967	0.0
Hedging derivatives	11	23	(50.9)
less: Financial liabilities	(1,214)	(1,178)	3.0
Total	5,727	5,776	(0.8)
as % of total assets	13.6%	14.7%	
as % of tot. assets (excl. Akros)	9.2%	11.8%	

- Stock of financial assets stable YoY at around € 5.7bn
- Assets held for trading increase due to higher trading volumes at Banca Akros which totalled at around €2.6 bn. With the adoption of the internal model approved by Bank of Italy, the capital requirement for market risk of Banca Akros halved from €55m to €29m
- At end of Sept. BPM group sustained an unrealised loss on its portfolio of about €25m, mainly related to credit structured portfolio of the Dublin subsidiary (-€20m), due to credit spread widening and bigger liquidity premium. Such figure includes a potential loss of around € 5m coming from the exposure on subprime-related notes (nominal value around €19m)
- More than 91% of BPM Group bond portfolio (€ 3.5 bn) has a rating included in the AAA to A- range. The remaining 9% is composed of Italian bank and insurance names, some of them not rated.

Corporate Derivatives on rates and fx

- Limited amount of corporate derivatives
- Low level both of negative and positive fair value
- The negative exposure reflects the effectiveness of consultancy given to customers in providing appropriate financial tools to hedge risks

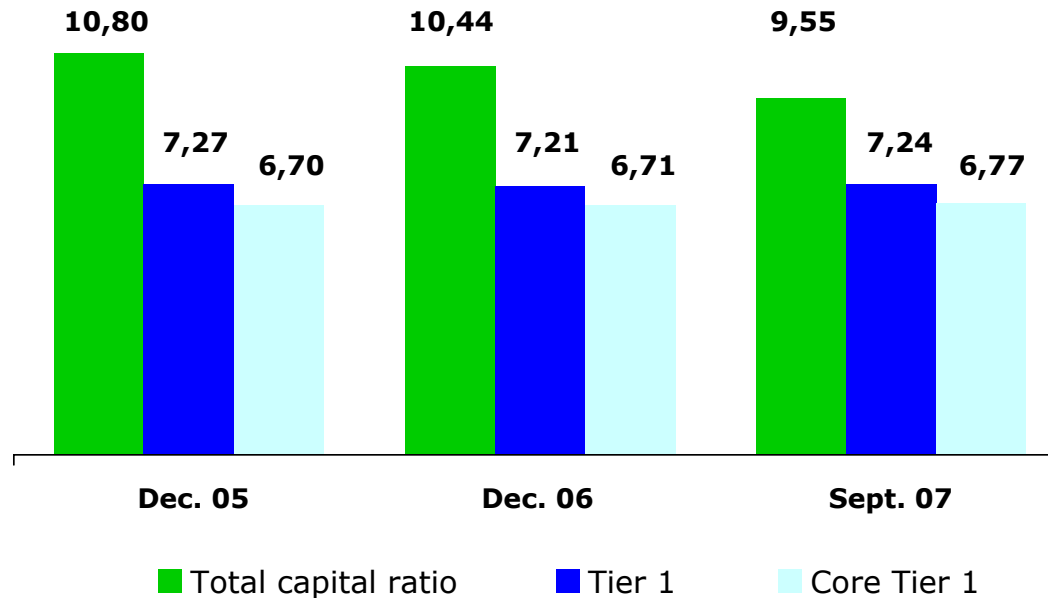
Exposure type (1)	€ m	Notional	Fair value	n.º contracts
Positive exposure (*)		975.6	18.4	397
Negative exposure (**)		3,046.8	-38.6	832
Total		4,022.4	-20.2	1,229

(1) exposure arising from interest rate and fx derivatives sold to customers

(*) due from customers

(**) due to customers

Capital ratios



- Tier 1 capital ratio declines to 7.2% because of increase in RWA (+7.3% in Sept. 07 vs Dec. 06) and the impact of Anima acquisition (42 bps)
- In June, Tier 1 and Core Tier 1 capital ratios benefited from the bonus capital increases of BPM, BdL and CRAL approved in H1 07 (totalling €287m)