

Bipiemme Group Q3 2006 results

14 November 2006



Banca Popolare di Milano

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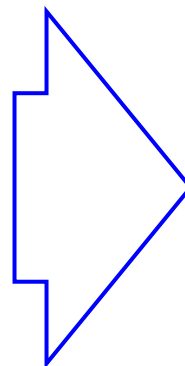
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The profit and loss and the balance sheet accounts as at 30 September 2005 have been restated to take into account Bank of Italy Circular no. 262 and the changes in the IAS 39 and in the IAS 19, as well as a change in the accounting criteria of insurance contracts, seniority bonus and non-competition agreements – as used in the 2005 Annual Report of the Bipiemme Group. These changes had an impact on the net profit at 30 September 2005 (which moved from € 212.8m to € 210.6m), on equity reserves (from €779.4m to €741.5m) and on valuation reserves (from €285.0m to €264.8m).

Q3 2006 results: highlights

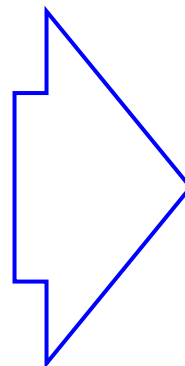
€ m	Sept. 06	Sept. 05	%
Loans	25,899	21,874	+18.4
Funding	30,869	26,229	+17.7
Assets in custody	18,587	17,048	+9.0
Asset management	20,655	20,202	+2.2



Ongoing healthy loan expansion: up 12.8% excluding securitisation and operations with institutional customers

Funding benefits from mortgage securitisation for around € 2bn. Clean growth: 9.9%

€ m	Q3 06	Q3 05	%
Interest income	238	186	+27.9
Total income	430	392	+9.6
Operating profit	176	139	+26.8
Net income	107	63	+69.0



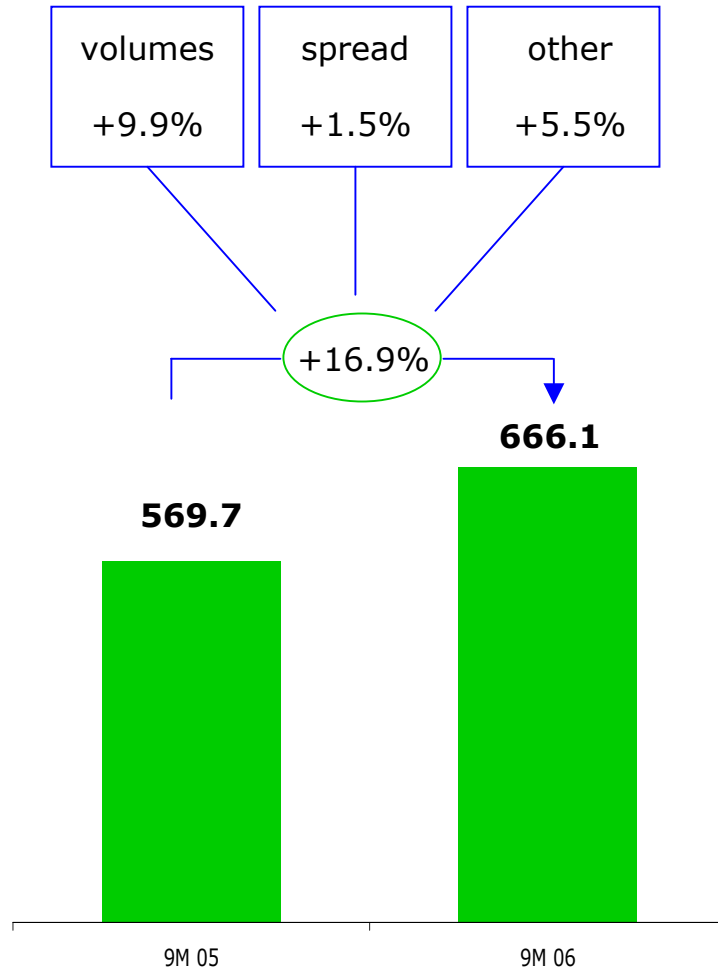
Volume increase and spread improvement support interest income

Net profit up 26.2% excluding the capital gain on a real estate disposal

Interest income up YOY and QoQ

9-month period

€ m



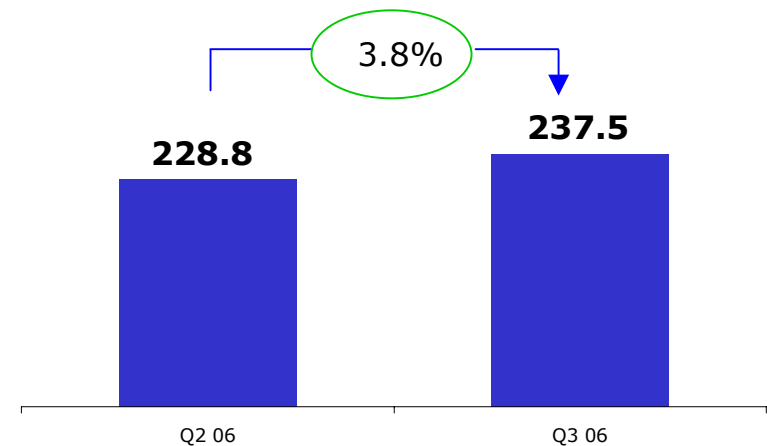
■ Interest income shows sound increase on both yearly and quarterly basis

■ Favourable trend in volumes, with strong growth of commercial business:

- average customer deposits up 8.3%
- average loans up 11.8%

Third quarter

€ m

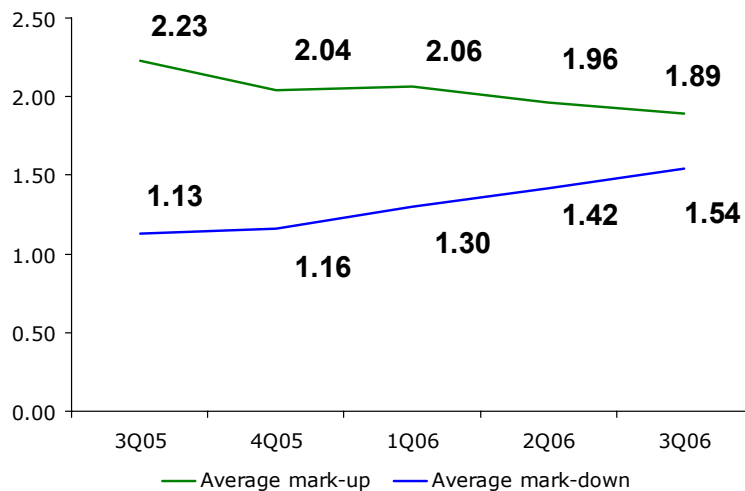


Favourable pricing trend, particularly for funding

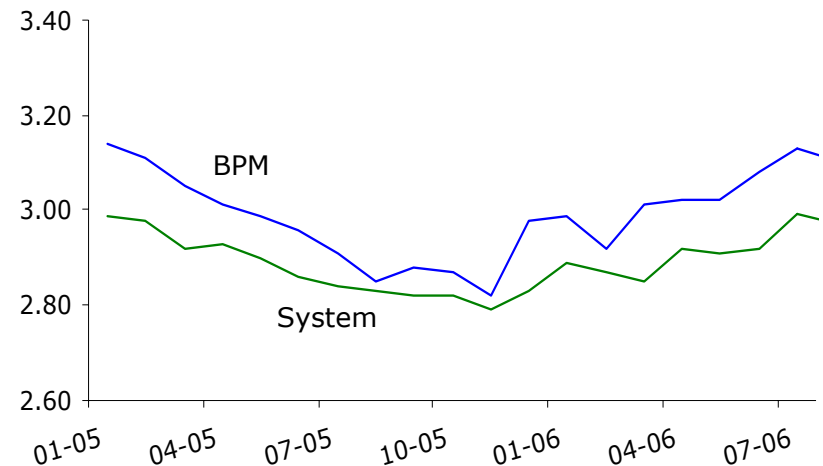
- Slight improvement of average interest spread, up 6 bps YoY
- Mark down expansion (+29bps) fully offsets mark up contraction (-26 bps) in the nine-month period

- Trend consolidation in the third quarter, with BPM spread up 9 bps versus Q2 06
- Strong market position confirmed: BPM spread still 12 bps above the system average in the first nine months, 14 bps in September

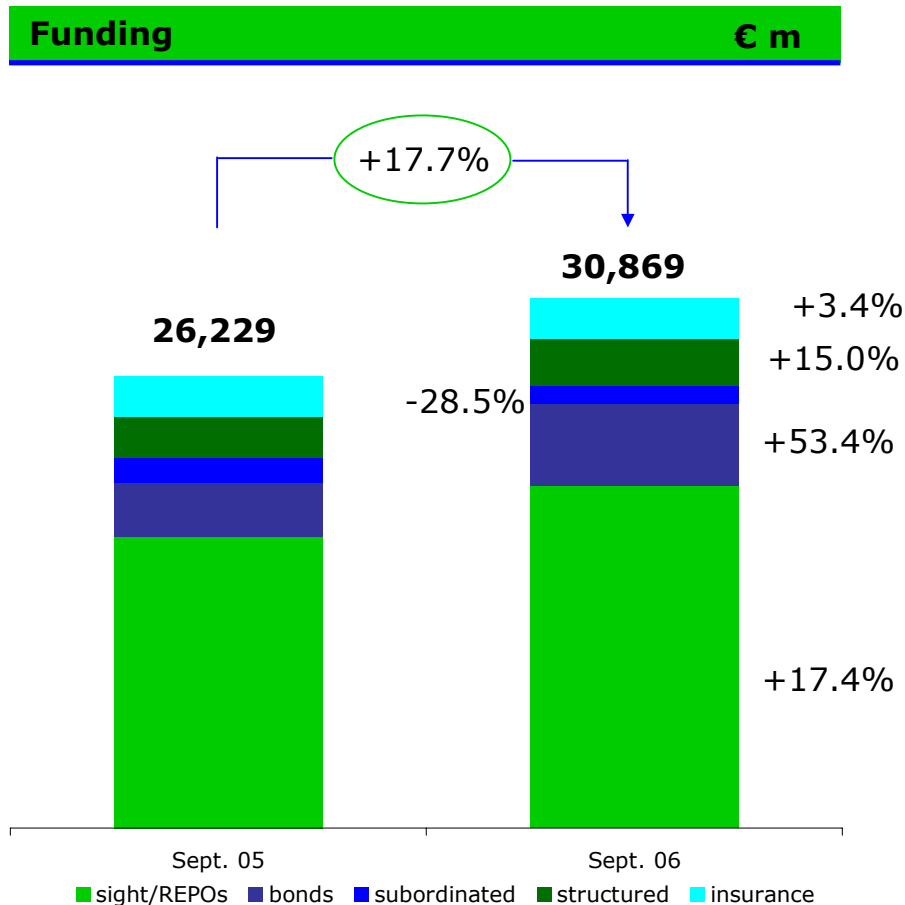
BPM mark-up/mark-down %



Spread BPM vs system %



Strong growth of both deposits and bonds



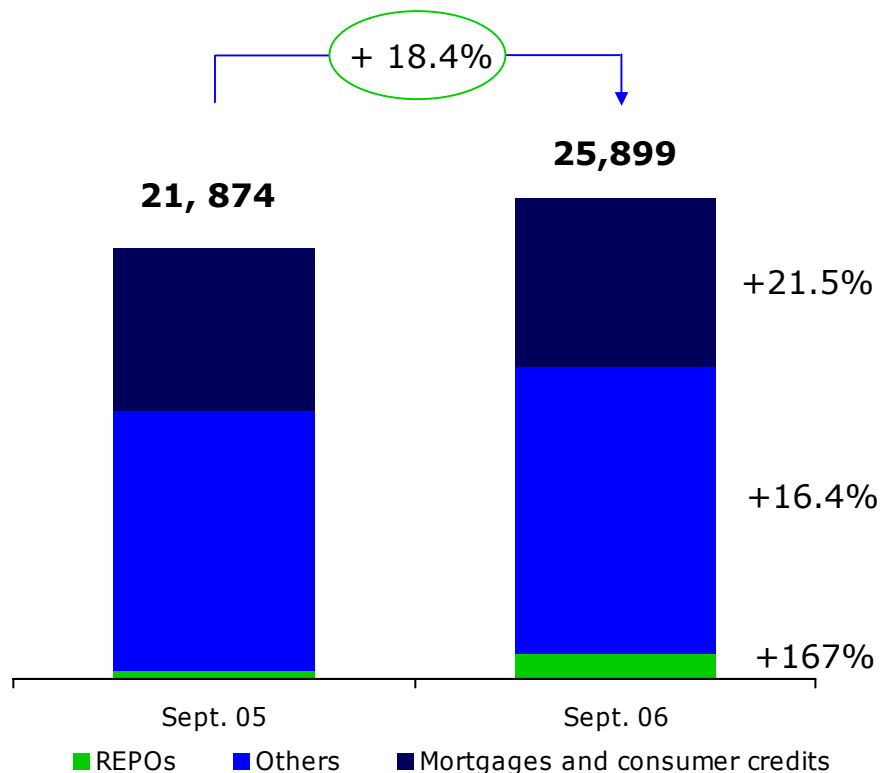
- Short term funding benefits from a mortgage securitisation of around €2bn. Net of this, sight deposits and REPOs increased by 5.5% with total funding up 9.9%
- Funding grew by 6.7% in Q3 (flat excluding securitisation)
- Outstanding growth of bonds, driven by new issues (€1.8bn under the EMNT programme since September 2005, €1.2bn in 2006 only)
- Year-to-date issues of structured securities reached €800m
- Market share improves to 2.05% vs. 1.89% in June 2005

According to IFRS4, funding includes unit linked and index linked products

Improving economic environment pushes loan volumes

Customer loans

€ m

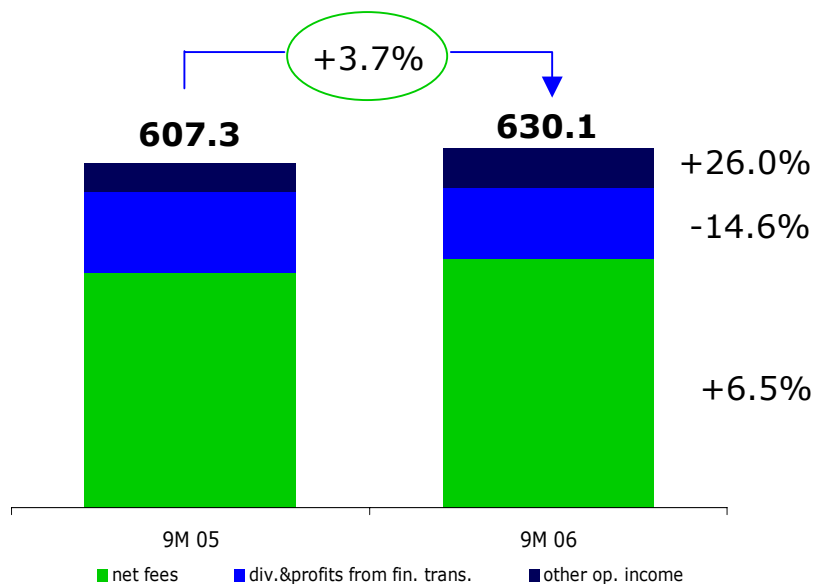


- Loan portfolio at Sept. 30 benefits from increased operations with institutional customers (up around €800m) and €400m of mortgages from the closure of the 2001 securitisation
- Net of this, the growth of loans still remained strong (+12.8% YoY)
- Positive momentum confirmed in Q3: loan portfolio increased by 3.2% vs. June 2006 (net of REPOs)
- Granted new mortgages: over €2.6 bn in 2006 vs. €2.4bn in the first nine months of 2005
- Market share at 1.86% vs. 1.76% in June 2005

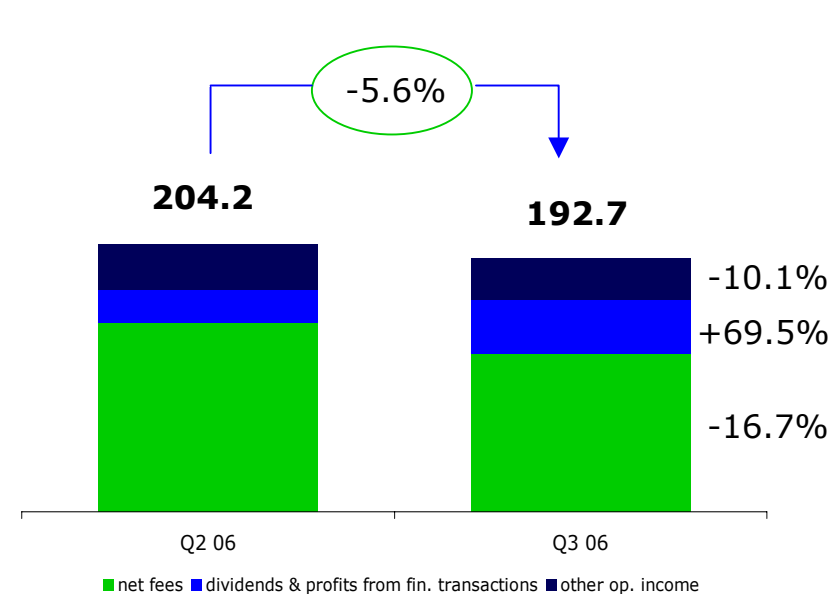
Non interest income

- Net commissions at € 426m in September 06, up 6.5% YoY thanks to:
 - increase of asset management fees and commissions on assets in custody (€23.3m)
 - higher revenues at Banca Akros (€11.5m)
- Non-recurring income: €24.2m in 9M 2005 (lending related revenues); €23.5m in 9M 2006 (excess spread from closure of 2001 securitisation, of which €13m in Q3)
- Q3 decreased by 5.6% QoQ, affected by seasonality (slow-down in placement of third-party bonds and lower fees on assets under custody and corporate finance operations)

9-month period € m

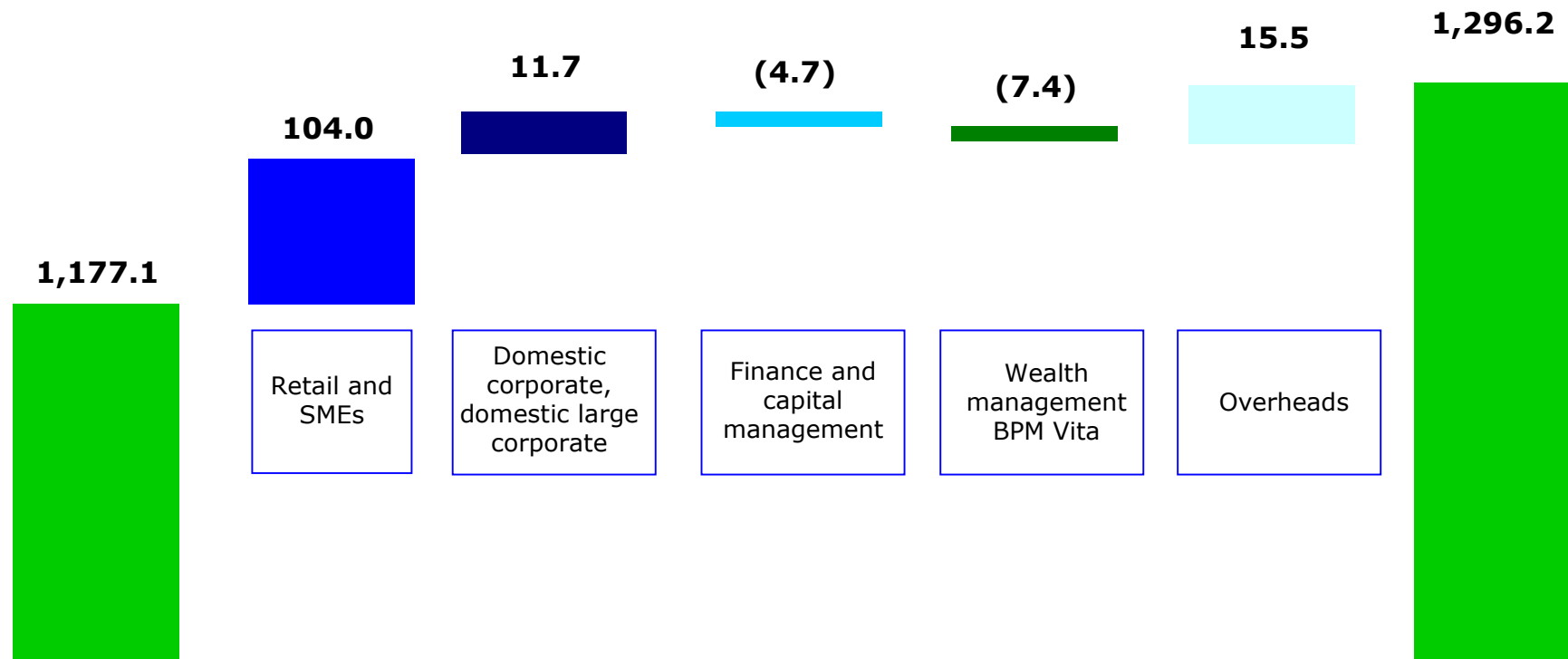


Third quarter € m



Total income growth by business unit

€ m



Total income
9M 2005

Commercial
banking

Corporate
banking

Investment
banking

Asset
management

Corporate
centre

Total income
9M 2006

YoY change

+11.9%

+11.7%

-3.9%

-10.5%

+170.8%

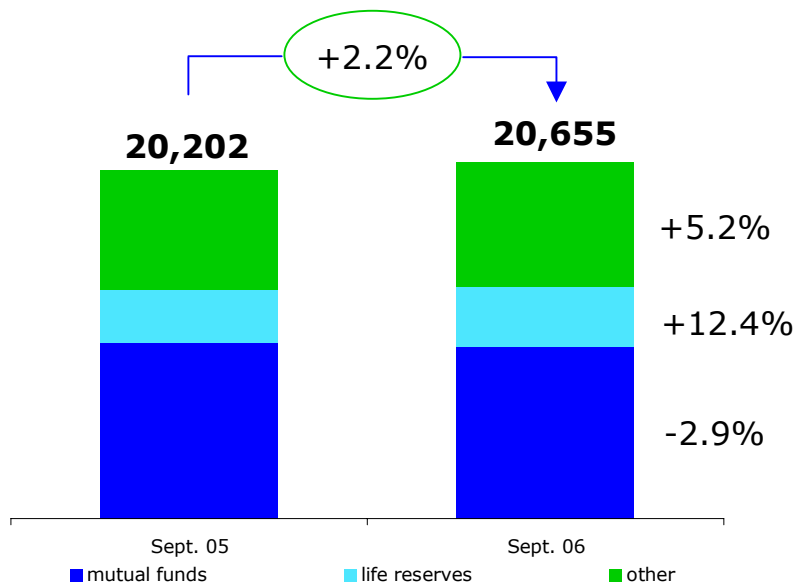
+10.1%

Positive trend of insurance products

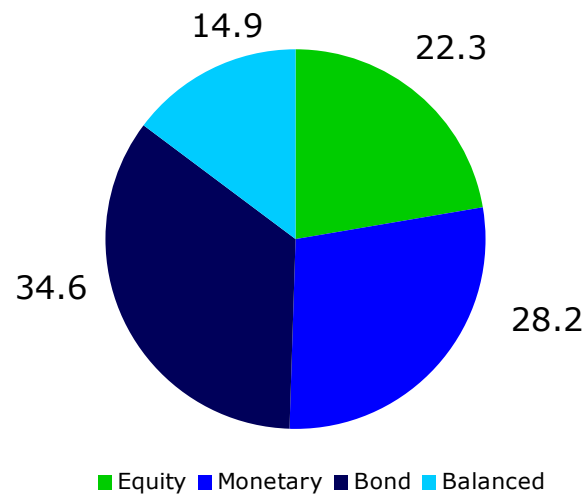
- YoY increase of insurance reserves and portfolio management more than offsets weak performance of mutual funds
- 9M net outflow for € 255m, but Q3 shows slight recovery with net inflow for both mutual funds (€69m) and insurance products (€71m)

- Market share of SGR funds at 2.29% vs. 2.31% YoY (data restated for homogeneous comparison)
- Ongoing switch to equity and balanced products supports fee expansion

Assets under management € m



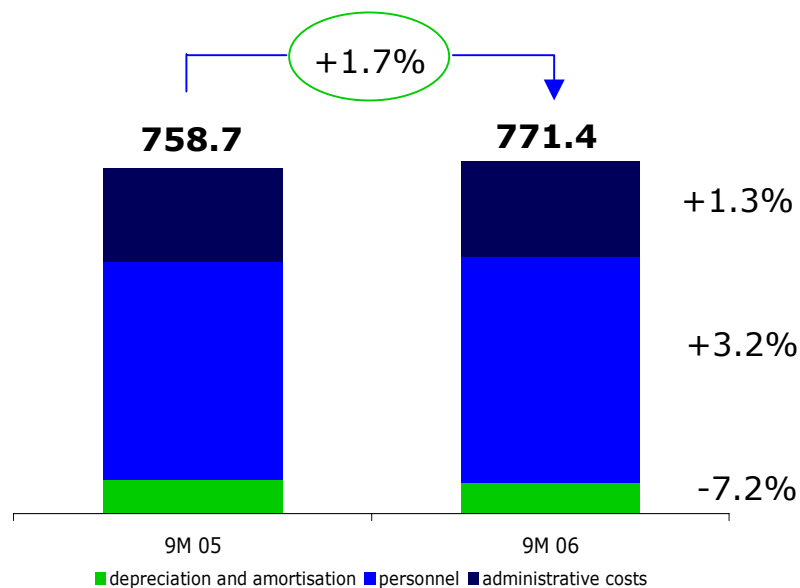
Break-down of mutual funds %



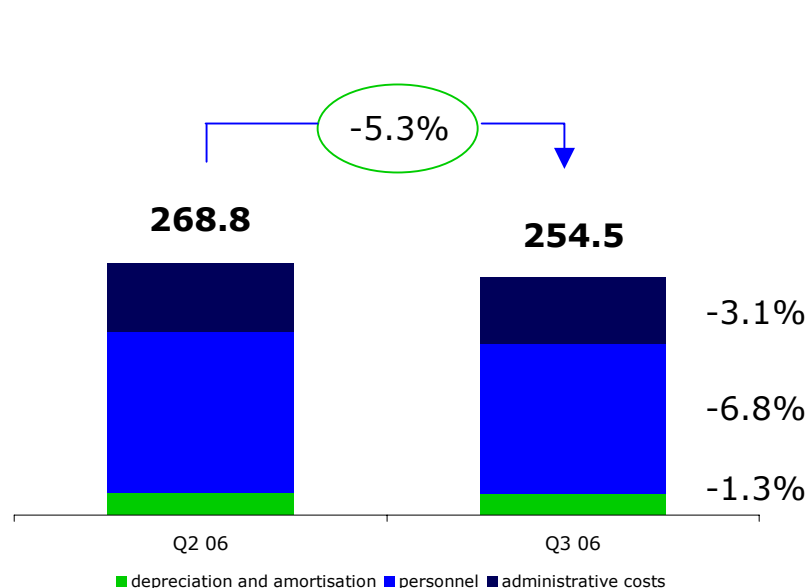
Firm commitment to cost control

- Favourable effect of the announced rationalisation of IT capital expenditure, with lower IT costs (-8% YoY) and declining depreciation
- Increase in personnel costs mainly attributable to labour contract updates (€5m), severance indemnity allocations and bonus growth
- Positive impact of turnover and restructuring: €5.8m savings vs. 9M 2005
- Q3 reduction due to provisioning in Q2 for salary component linked to Group results

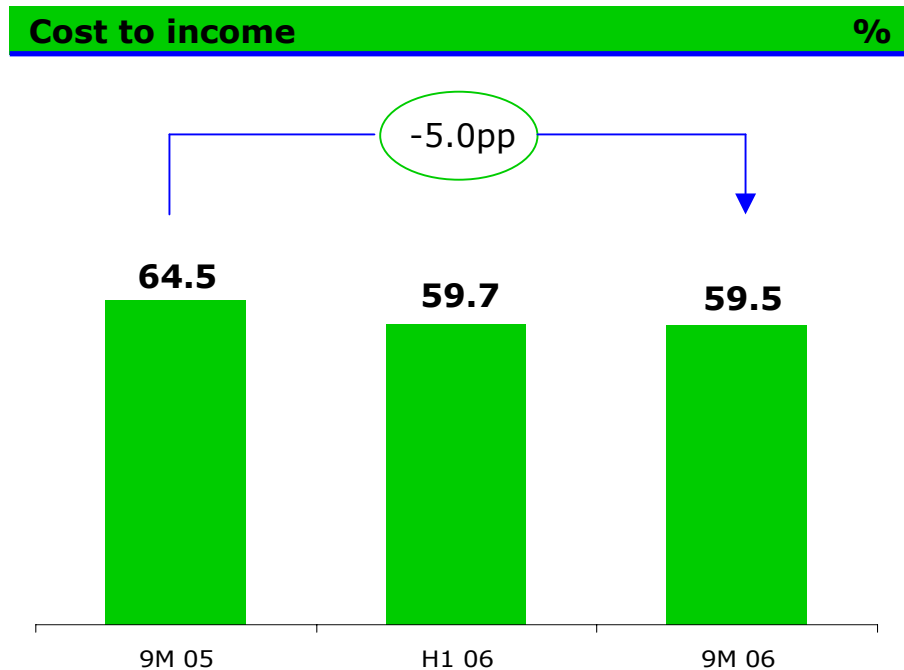
9-month period € m



Third quarter € m



Cost income ratio further declines



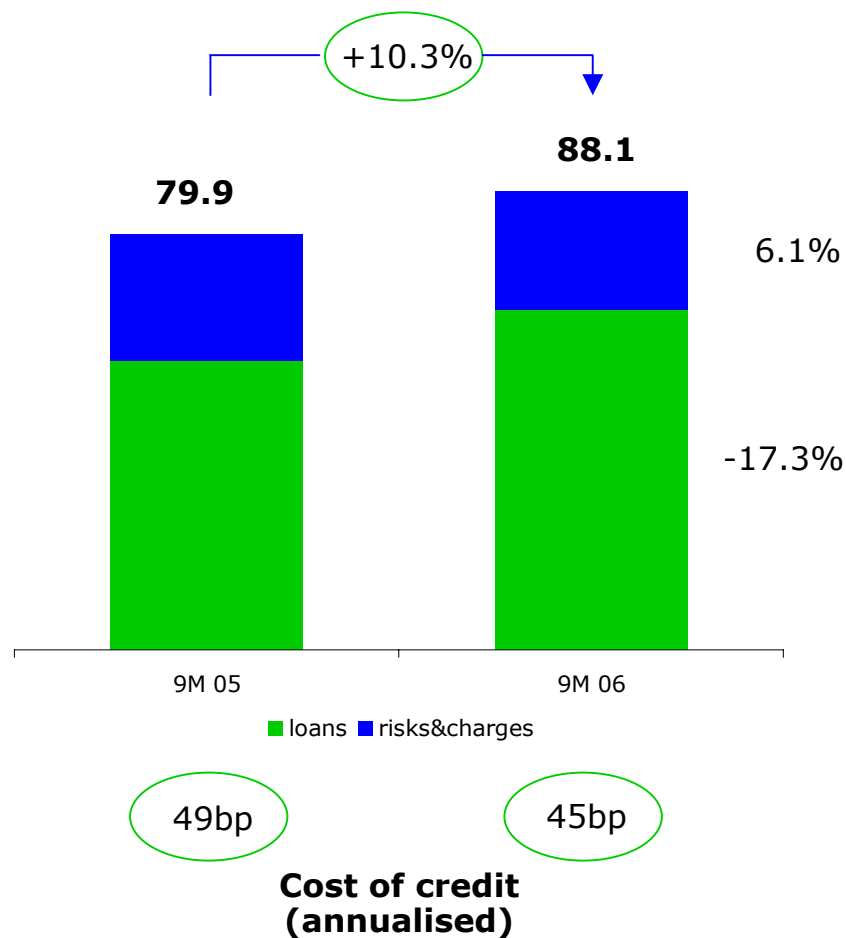
	Sept. 06	Sept. 05	Chg	%
Employees	8,544	8,600	-56	-0.6
Points of sale	734*	731	+3	+0.4

* including the reorganisation of the corporate business area

Provisions

9-month period

€ m



- Total provisions on loans decline to 45 bps vs. 49 bps in 9M 2005 (annualised figures), reflecting a firming credit outlook
- YoY increase in total provisions is fully attributable to higher adjustments to customer loans (up €9.6m YoY)

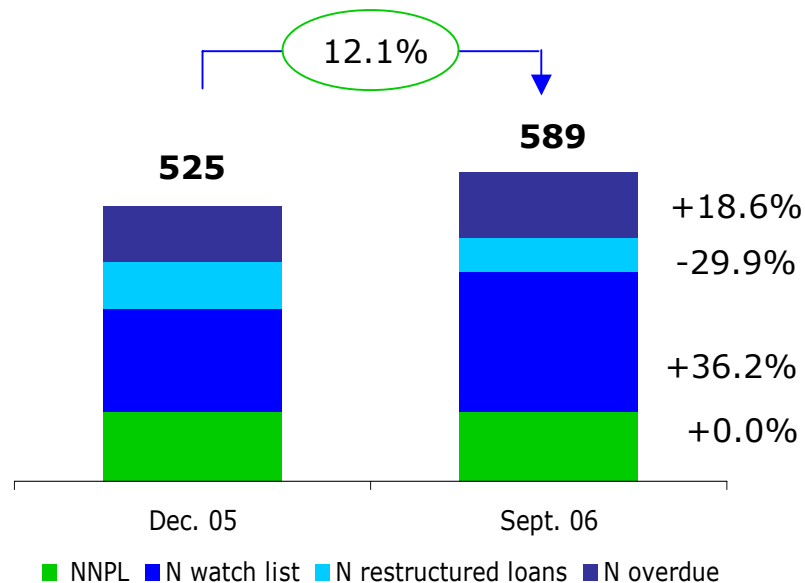
Above-average asset quality

- Asset quality still excellent, with net NPL ratio at 0.5% and total doubtful loan ratio at 2.3%
- Increase in net doubtful loans linked to watch-list positions without write-downs for good level of guarantees or restructuring under-way
- Coverage of non performing loans steadily improving: 69.8% at September 30 vs. 68.7% at June 30, 2006

Jun. 06	Ratio	Coverage
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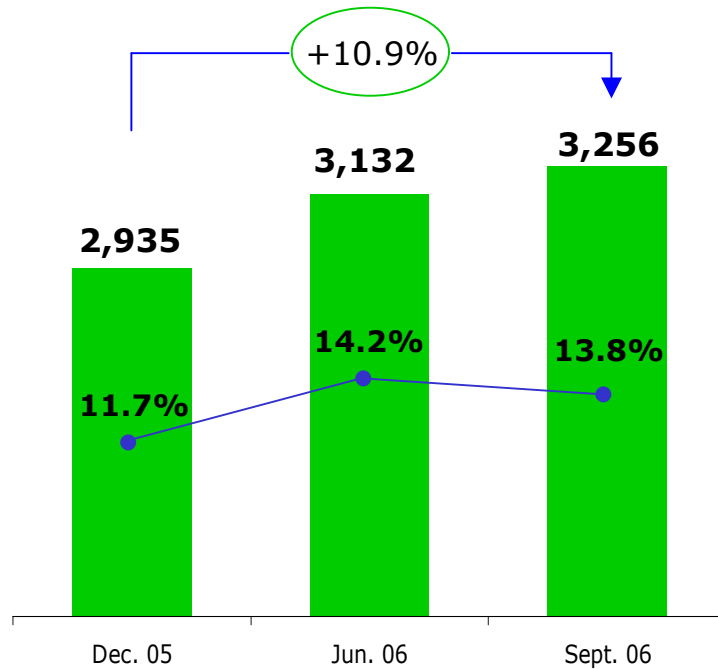
Tot. doubtful loans	2.3%	39.4%
Net NPL	0.5%	69.8%
Watch list	1.0%	12.9%
Restructured loans	0.2%	34.6%
Overdue loans	0.5%	2.1%
Performing loans	97.7%	0.7%

Net doubtful loans	€ m
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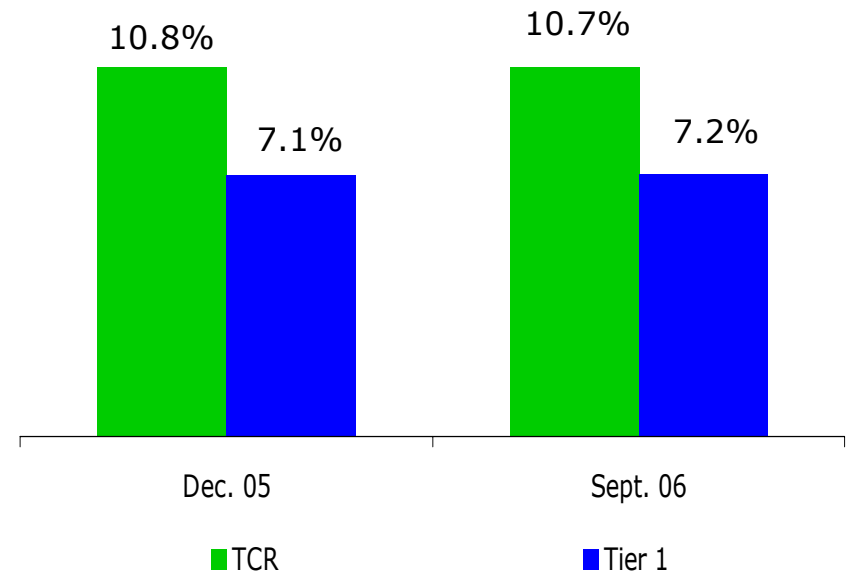
Net equity and capital ratio

Net equity (€m) and adj. ROE (annualised)



Capital ratios

%



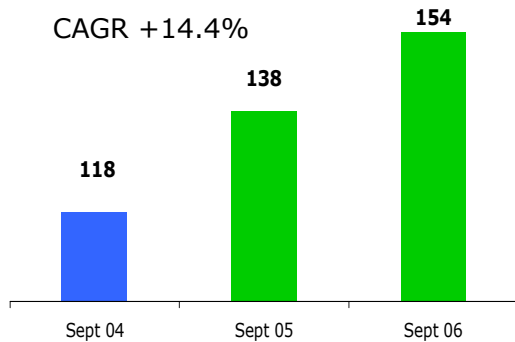
9M results: reclassified Group P&L

€ m	9M 06	9M 05	%	3Q 06	3Q 05	%
Interest income	666.1	569.7	16.9	237.5	185.7	27.9
Net fees and commissions	425.6	399.8	6.5	120.3	126.8	(5.1)
Dividens and profits from fin. transactions	119.7	140.2	(14.6)	41.2	62.3	(33.8)
Other operating income	74.3	54.7	35.9	25.0	16.2	54.7
Income from insurance operations	10.6	12.7	(16.6)	6.1	1.5	315
Total income	1,296.2	1,177.1	10.1	430.2	392.4	9.6
Staff costs	(493.2)	(477.9)	(3.2)	(160.1)	(154.8)	(3.4)
Administrative costs	(208.8)	(206.1)	(1.3)	(71.0)	(72.8)	(2.5)
Depreciation & amortisation	(69.4)	(74.8)	7.2	(23.4)	(26.2)	10.7
Operating profit	524.8	418.3	25.5	175.7	138.6	26.8
Net adjustments to loans and fin. assets	(65.3)	(55.7)	(17.3)	(33.2)	(35.0)	5.1
Net provisions for risks and charges	(22.8)	(24.2)	6.1	(6.6)	(1.6)	nm
Profit/loss from investments	108.0	9.6	nm	34.7	(1.5)	nm
Profit/loss from current operations before tax	544.8	348.1	56.5	170.6	100.5	69.8
Income tax for the period	(189.6)	(133.4)	(42.2)	(59.3)	(35.9)	(65.2)
Net profit/loss for the period	355.2	214.7	65.5	111.2	64.6	72.1
Minorities	(10.3)	(4.0)	nm	(4.3)	(1.3)	nm
Group net profit/loss for the period	344.9	210.6	63.8	107.0	63.3	69.0

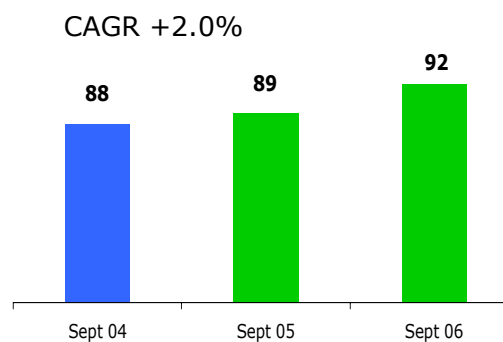
Steady improvement of efficiency and productivity

2004 figures: management report data

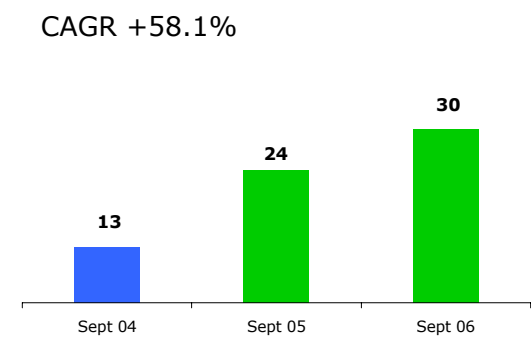
Total income per employee (€ ,000)



Total costs per employee (€ ,000)

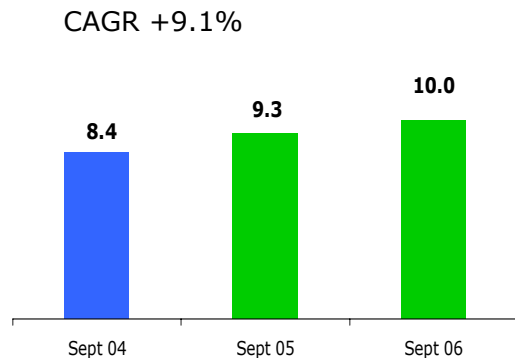


Adjusted net profit* per employee (€ ,000)

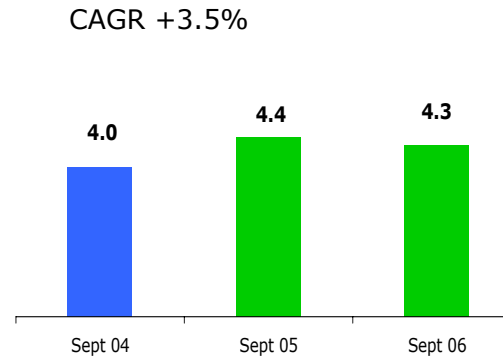


* Adjusted for non recurring income

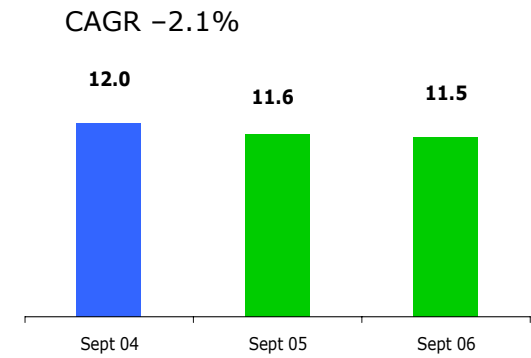
Tot. volumes*/employee (€m)



% Total income/RWA



Employees/POS



* Average customer volumes (management report data)

Two key steps of BPM's 2007-09 Business Plan

Area	Description	Impact
<p>Earnings distribution</p>	<p>Amendment to Article 47 of the Company bylaws (earnings distribution to employees): from 20% of net profit to 5% of the parent company's pre-tax profit</p>	<ul style="list-style-type: none"> Balanced relation between Group growth and employee benefits Set earnings allocation to dividends regardless of the amount paid to employees Impact on 2009E cost income: +60 bps vs. previous expectations
<p>Capital management</p>	<p>Bonus share capital increase through transfer of reserves to capital</p>	<ul style="list-style-type: none"> Share capital increase from €1,245 m to €1,660 m Share par value up from €3 to €4 2006E Tier 1 up 107 bps Stronger capital base to support asset growth, as expected in the Business Plan

Both proposals to be approved by the Shareholders' Extraordinary Meeting in early 2007



Annex

Reclassified Group P&L: 2006 quarterly trend

€ m	Q1 06	Q2 06	Q3 06
Interest income	199.8	228.8	237.5
Net fees and commissions	160.8	144.5	120.3
Dividens and profits from fin. transactions	53.3	25.2	41.2
Other operating income	16.6	32.6	25.0
Income from insurance operations	2.4	2.0	6.1
Total income	433.0	433.0	430.2
Staff costs	(161.2)	(171.8)	(160.1)
Administrative costs	(64.5)	(73.3)	(71.0)
Depreciation & amortisation	(22.3)	(23.7)	(23.4)
Operating profit	184.9	164.2	175.7
Net adjustments to loans and fin. assets	(11.8)	(20.2)	(33.2)
Net provisions for risks and charges	(8.5)	(7.6)	(6.6)
Profit/loss from investments	0.2	73.2	34.7
Profit/loss from current operations before tax	164.7	209.5	170.6
Income tax for the period	(66.7)	(63.6)	(59.3)
Net profit/loss for the period	98.0	146.0	111.2
Minorities	(1.6)	(4.4)	(4.3)
Group net profit/loss for the period	96.4	141.5	107.0

Reclassified Group P&L: 2005 quarterly trend

€ m	Q1 05	Q2 05	Q3 05	Q4 05
Interest income	192.7	191.4	185.7	187.2
Net fees and commissions	134.1	138.9	126.8	144.5
Dividens and profits from fin. transactions	42.1	35.9	62.3	21.8
Other operating income	20.6	17.8	16.2	21.5
Income from insurance operations	5.3	5.9	1.5	20.9
Total income	394.7	389.9	392.4	396.0
Staff costs	(160.9)	(162.2)	(154.8)	(178.9)
Administrative costs	(64.9)	(68.5)	(72.8)	(84)
Depreciation & amortisation	(22.3)	(26.2)	(26.2)	(23.1)
Operating profit	146.7	133.0	138.6	110.1
Net adjustments to loans and fin. assets	(7.3)	(13.3)	(35.0)	(42.2)
Net provisions for risks and charges	(18.6)	(4.0)	(1.6)	8.4
Profit/loss from investments	3.1	8.0	(1.5)	2.2
Profit/loss from current operations before tax	123.9	123.7	100.5	78.5
Income tax for the period	(45.3)	(52.2)	(35.9)	(27.6)
Net profit/loss for the period	78.5	71.5	64.6	50.9
Minorities	(1.8)	(1.0)	(1.3)	(2.5)
Group net profit/loss for the period	76.7	70.5	63.3	48.4