

Bipiemme Group Q3 2008 Results

Milan, 12th November 2008



BANCA POPOLARE DI MILANO

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BPM's actions from June 08 to date (1/2)

CAPITAL ADEQUACY

**Core Tier1 > 6%
by YE 08**

- Use of ECAI* rating
- RWA optimisation through revaluation of eligible collateral
- Payout 50%

LIQUIDITY

**Increase liquidity level
and the buffer margin**

- Reductions in financial assets
- Focus on direct funding (+6.2% June 08, +11.7% Sept 08)
- Set up of internal securitisation on BPM loans in order to increase eligible assets for ECB repo's (~€1.2bn)
- Issue of BPM Group bonds for customer repo's

LOANS GROWTH

Continues

- >€1.0bn in mortgages and personal loans granted in Q3 08
- New loan facilities for SMEs
- New products for households (Euromutuo)

* External Credit Assessment Institution

BPM's actions from June 08 to date (2/2)

FINANCIAL ASSET ALLOCATION

Results

- No changes to financial asset category as BPM has not applied voluntary amendments to IAS 39
- Re-evaluation as at Sept 08 were carried out according to IAS 39

CURRENT WORK IN PROGRESS

Ongoing

- Acquisition of Unicredit branches (39 branches)
- Acquisition of 56.9% of B.P. Mantova (9 branches)
- Public Tender Offer on Anima
- Webank spin-off

GOVERNANCE

Changes

- BoI approved BoD amendments to the BPM By-Laws
- EGM will be held 13th December 2008

September 2008 results: highlights

| € m | Sept 08 | Sept 07 | % |
|----------------------|---------|---------|--------|
| Loans | 31,984 | 28,842 | 10.9 |
| Funding | 34,720 | 31,078 | 11.7 |
| Assets under custody | 20,025 | 20,761 | (3.5) |
| Asset management | 17,174 | 20,138 | (14.7) |
| Tier1 | 7.6 | 7.2 | 0.4pp |
| TCR | 10.1 | 9.6 | 0.5pp |
| RWA | 37,423 | 33,812 | 10.7 |

Strong loans and funding growth continues, driven by commercial banking activity (Mkt share: loans 1.96% +10bp YoY, funding 2.08% stable YoY)

AUM trend still negative, but better than the sector (Mkt share 2.18% + 13bp YoY and +30bps on a homogenous basis)

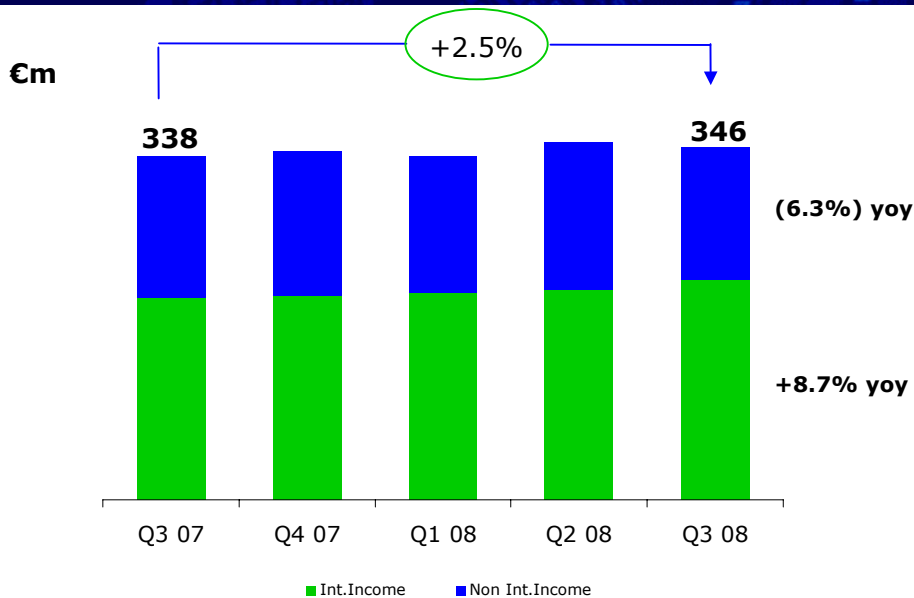
| € m | Sept 08 | Sept 07 | % |
|-----------------------|---------|---------|---------|
| Interest income | 791 | 762 | 3.9 |
| Total income | 1,250 | 1,368 | (8.6) |
| Operating profit | 438 | 562 | (22.1) |
| Net income | 143 | 302 | (52.7) |
| Cost/income ratio | 65.0% | 58.9% | 6.1 pp |
| ROE adj. (annualised) | 7.2% | 15.4% | (8.2pp) |

Interest income performance supported by contribution from corporate and commercial banking

Total income mainly affected by portfolio adjustments and weak net commissions

Net income also affected by adjustment on Anima stake

Commercial Banking income



Interest income growth (+8.7% YoY) sustained by volumes:

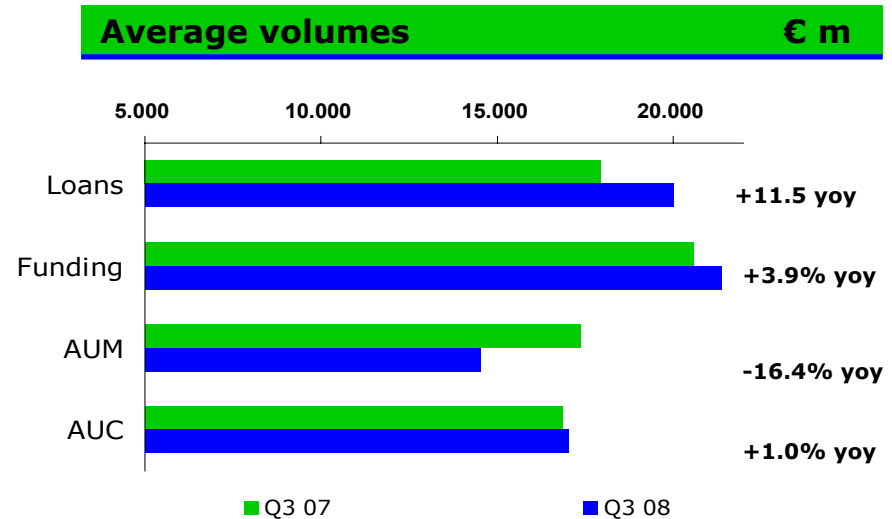
- volume effect +6.3%
- margin effect +2.4%
- other 0%

NNII decreased by 6.3% YoY due to both AUC and AUM commissions, while traditional banking fees were stable YoY and grew by 2.7% QoQ. Commission from third party bond placement grew around €4m YoY but dropped €5.2m QoQ

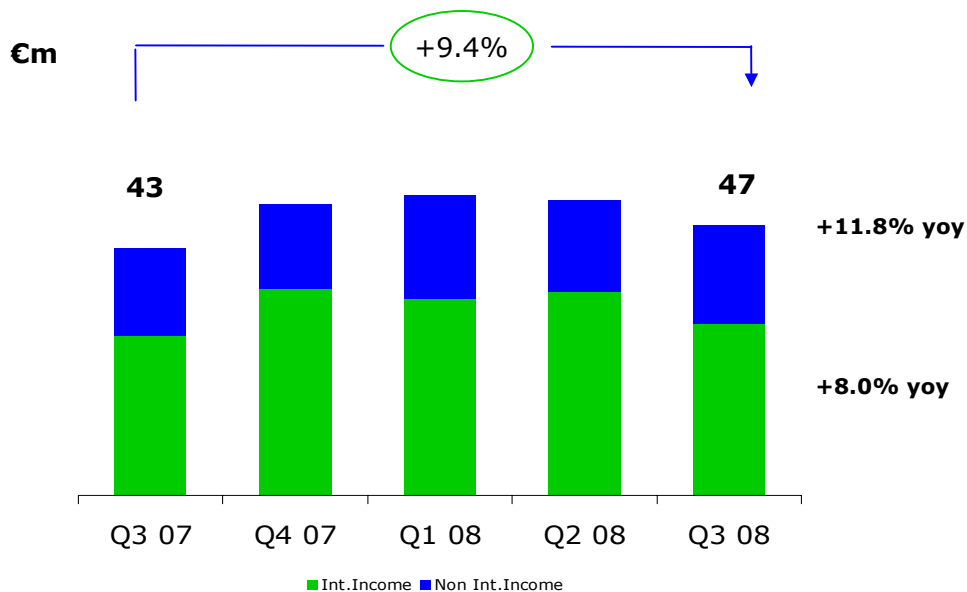
Loans (+11.5% YoY) over €20bln driven by mortgages and consumer credit (+11.7% YoY). €3.3bn of new mortgages YTD (+23.4% YoY). Good performance also in SB loans related to commercial business (+14.7% YoY)

Funding above €21bln (+3.9% YoY) driven by CoD/bond (+12.3%)

Drop in AUM volumes (-16.4% YoY) tied to sector difficulties and market performance. AUC grew by +1.0% YoY

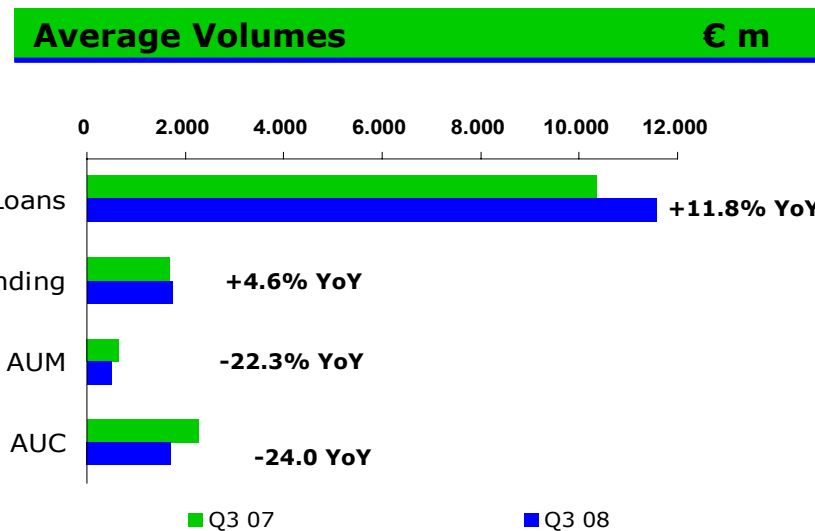


Corporate Banking income



- Interest income growth (+8.0% YoY) explained by increased :
 - volume effect +10.7%
 - margin effect -1.8%
 - other -0.9%
- NNII increased by 11.8% due to the trend in credit and FX net commissions

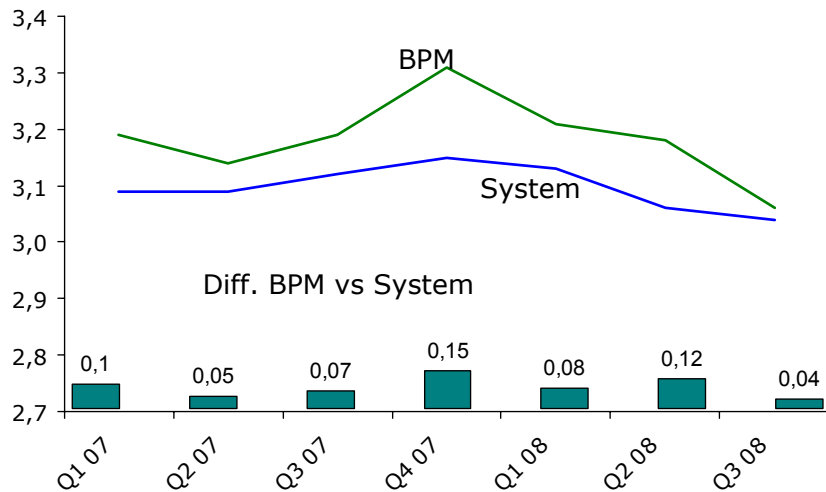
- Total loans (+11.8% YoY) driven by still good trend in loans related to commercial business (+18.4%)
- New mortgages YTD dropped to €0.3bn in comparison to €0.6bn in 07



Spread still positive vs system

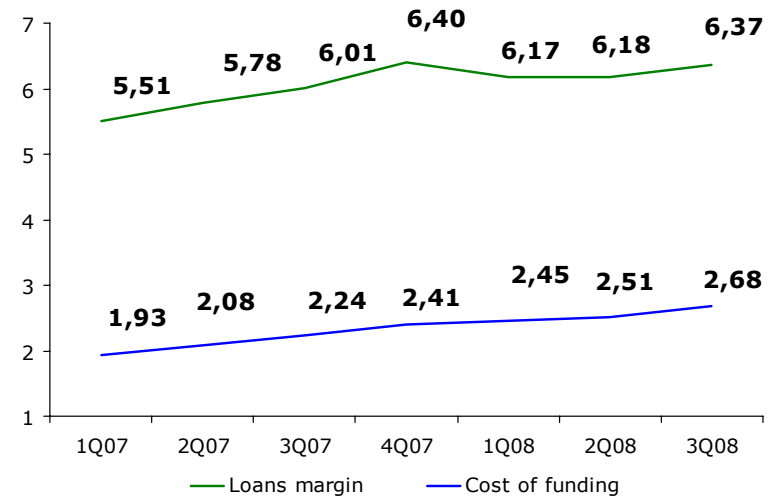
- Decrease in spread (-8bps) QoQ linked to the increase in cost of wholesale funding (€300m hybrid Tier1 bond and €1bn covered bond)
- BPM spread still positive vs system

BPM spread vs. system %



- Comm. and corp. bk margin: loans margin recovered in Q3 08 (+19 bps) and totally off set the higher cost of funding (+17bp)
- Group sensitivity: -50bps of parallel shift in interest rates will affect interest margin (around -€18m) in 12 months

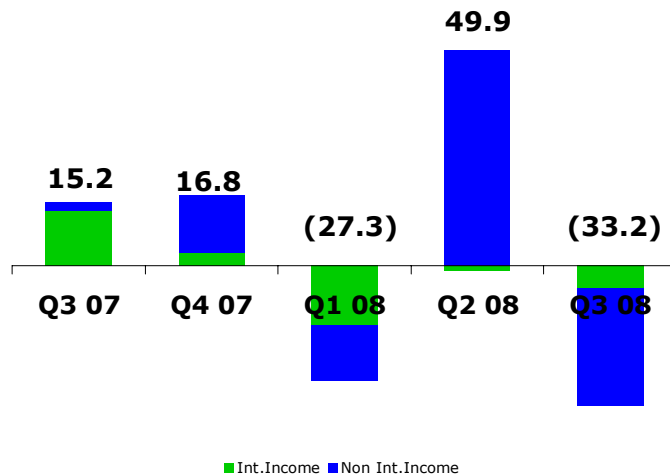
Comm. and corp. bk margins* %



* Wholesale cost of funding not included

Investment Banking and financial asset income

€m

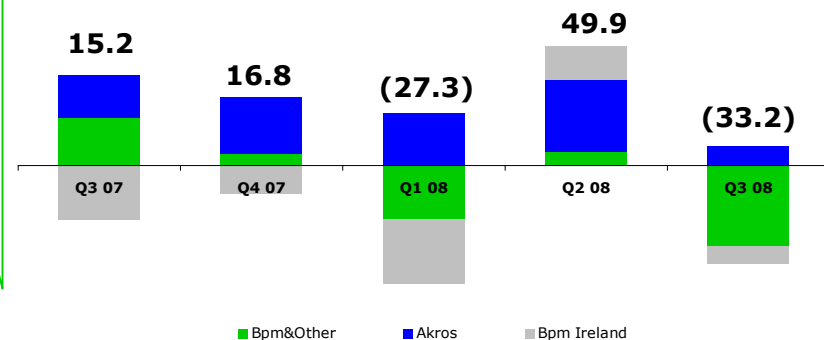


■ Quarterly IB trend:

- Net interest income (€-5.4m): drop in positive contribution from short-term investments YoY and increase in cost of carry
- Non interest income (€ -27.8m): due to negative trend of financial markets and widening credit spreads

■ Investment banking income (-€33.2m) is mainly due to negative contribution from BPM finance and BPM Ireland, not completely offset by still positive Akros results (€ 8m):

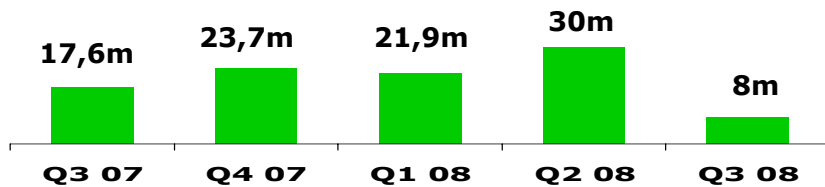
Total Income breakdown € bn



Banca Akros: Investment Banking income

Banca Akros Income

€m



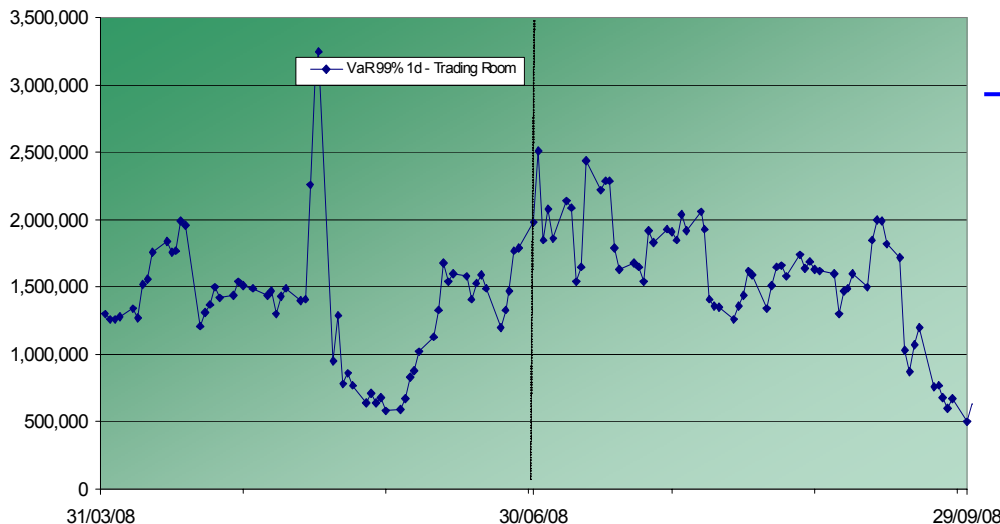
Banca Akros closed Q3 with €8m income, lower than the previous quarters.

Q3 decline is common to the main streams of income, such as trading on behalf of third parties, brokerage and proprietary trading.

The result was generated by lower brokerage volumes and a more prudential approach in proprietary trading, due to the worsening global financial crisis.

Value at risk - Q2 and Q3 *

€

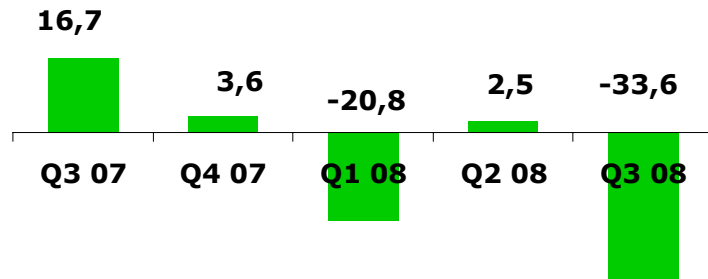


The lower chart reports the daily amount of value at risk; the level of risk undertaken by the bank was lower than in Q2. Notwithstanding a dramatic increase in market volatility, the Q3 average amount of VAR was only slightly higher than in Q2 (€1.6m vs € 1.3m). Due to a sharp reduction in the open positions during September, the last VAR was reduced to €0.6m.

* 1day holding period 99% confidence

BPM Finance and BPM Ireland income

BPM Financial asset income € m



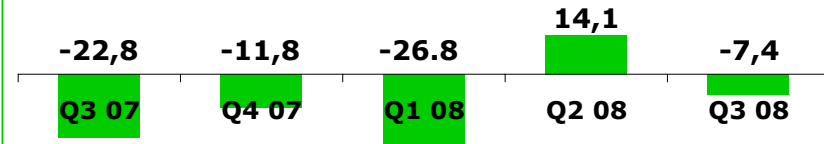
Quarterly BPM trend (-€33.6m) main effect:

- Net interest margin: -€5m, mainly due to cost of funding for financial assets;
- Unrealized losses on funds: -€25.7m: mainly generated by the negative performance of the hedge funds (-6%);

Quarterly BPM Ireland trend (-€7.4m):

- Net interest margin: +€2.5m
- Unrealized losses on structured credit portfolio: -€10.2m mainly due to widening of credit spreads and illiquidity of the market
- Unrealized gain on the credit protection: €1m the credit protection helped to mitigate the negative effects of the widening credit spread.

BPM Ireland Financial asset results € m



Financial Assets

| € m | Dec 07 total | Sept. 08 total | Forecast 31/12/08 | Maturing 2009 |
|------------------------------|-----------------|-------------------|----------------------|------------------|
| BPM & Others | 2.521 | 2.830 | 2.400 | 200 |
| BPM Ireland | 1.341 | 1.114 | 900 | 180 |
| Banca Akros | 1.964 | 1.284 | 1.300 | n.m. |
| TOTAL FINANCIAL ASSET | 5.826 | 5.228 | 4.600 | 380 |

Yearly trend and year-end forecast:

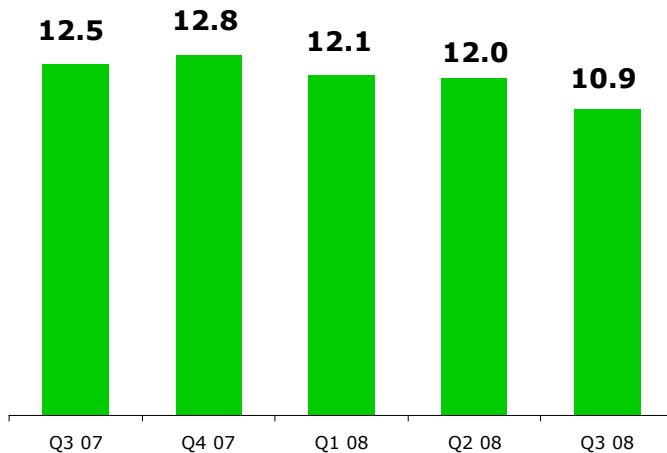
- BPM & Others portfolio posted a temporary increase at the end of September of €310m, mainly due to the increase in Government bonds. BPM portfolio is forecast to decrease by €450m over Q4.

- BPM Ireland portfolio decreased by almost €230m as at September 30th due to sale or maturity of bonds. The portfolio will decrease by €200m by YE. The structured credit portfolio is gradually reducing and at the year-end the open position will be negligible (€20-25m).

- Banca Akros portfolio decreased by almost €680m at the end of September mainly due to the equity portfolio. The reduction was due to a more cautious approach, induced by the global financial crisis. No changes in the size of the portfolio are forecast by year-end.

AUM income

€m

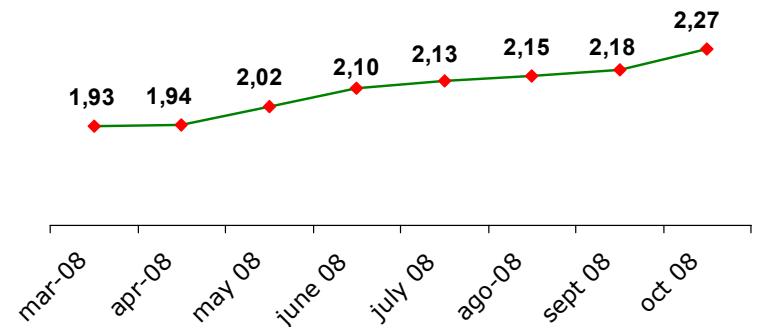


- Resilient AuM income contribution despite negative market trend and massive outflows
- Non captive asset grew 31.4% YoY at €2.0bn
- Total AuM at €17.2bn as of Sept.08 composed of:

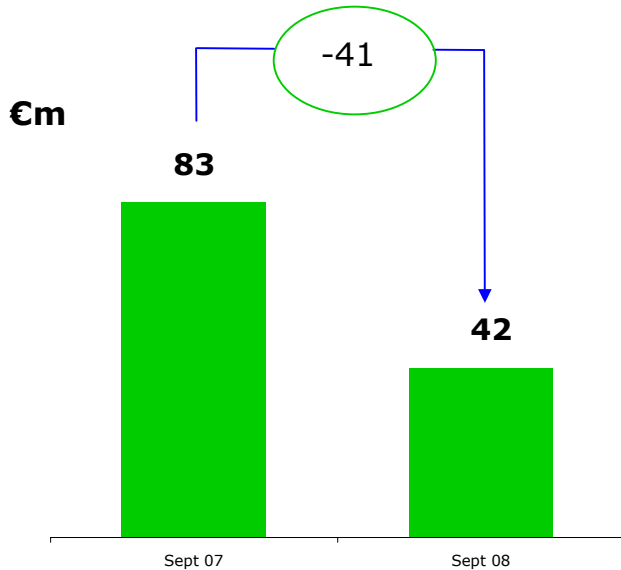
| | |
|---------------------|-------|
| Mutual funds | 8.6bn |
| Segregated accounts | 4.6bn |
| Insurance reserves | 3.4bn |
| Other | 0.6bn |

- Mutual fund market share increased YoY from 2.05% to 2.18% YoY; as of March 08 the calculation base changed. On homogenous basis, the growth would have been +30bps
- Net outflow YTD €1.9bn, compared with €96bn for the system
- The negative financial market trend influenced customer preferences for bond products (Bonds and monetary rose to 65.7% from 56.3%)
- Positive trend in Bancassurance products. Market share at 2.15% (Sept 08) from 1.60% (Sept 07)

Market share evolution %



Corporate centre evolution



■ Negative contribution for €41m mainly due to:

└ Increasing costs of wholesale funding linked to 3m EURIBOR

└ Non recurrent capital gain 2007 on AFS disposal

└ Equity stake results (BPM Vita and other)

└ Positive effect from asset & liability sensitivity to interest rate growth

-41

-26

-19

-9

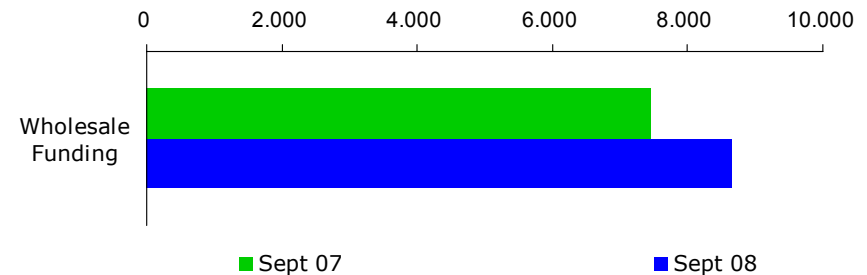
+16

■ Total average amount of wholesale funding at €8.5bn, from €7.3bn, equal to ~ 25% of total funding

■ 2008 issues:

- €300m perpetual Tier1 Bond
- €1,250m Senior Bond
- €1,000m Covered Bond

Average Volumes € m

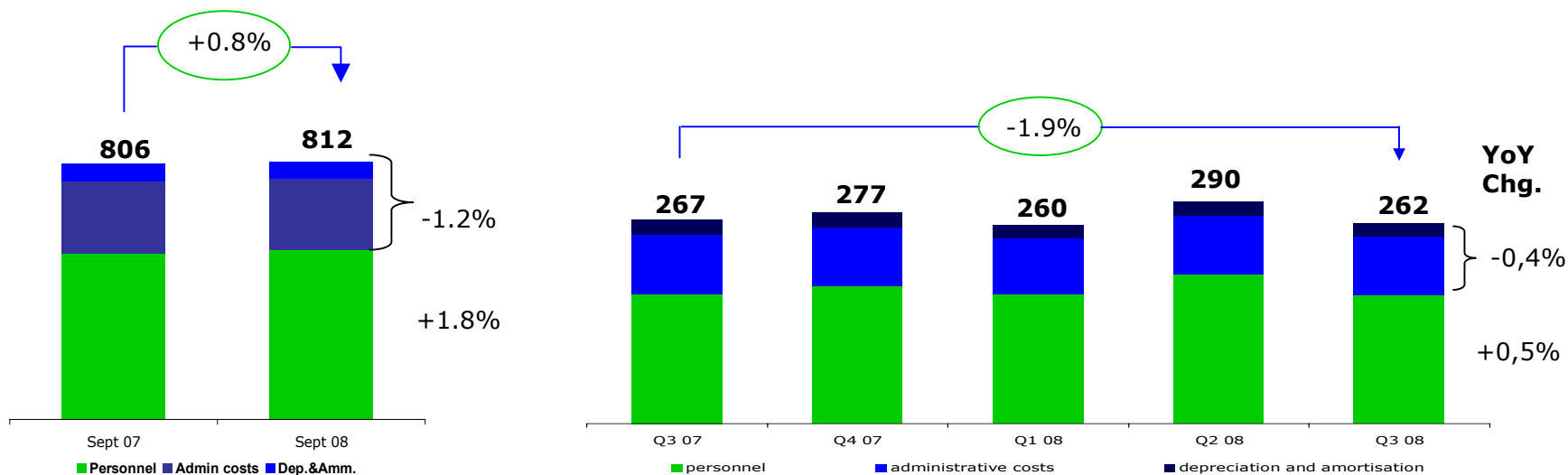


9M 08 divisional performance

| €m | | Comm. Bk | Corp. Bk | Inv. Bk | Wealth Mgt | Corp. Center | BPM Group |
|------------------------|---------------|----------|----------|---------|------------|--------------|---------------|
| Interest income | Amount | 626 | 99 | (21) | 0.4 | 87 | 791 |
| | % Chg. | 7.5 | 26.4 | nm | 2.7 | 1.8 | 4.1 |
| Non Int. income | Amount | 409 | 51 | 10 | 35 | (45) | 459 |
| | % Chg. | (3.8) | 0.9 | (89.3) | (11.7) | nm | (24.3) |
| Total income | Amount | 1,035 | 149 | (10) | 35 | 41 | 1,250 |
| | % Chg. | 2.7 | 16.4 | nm | (11.6) | (50.0) | (8.6) |

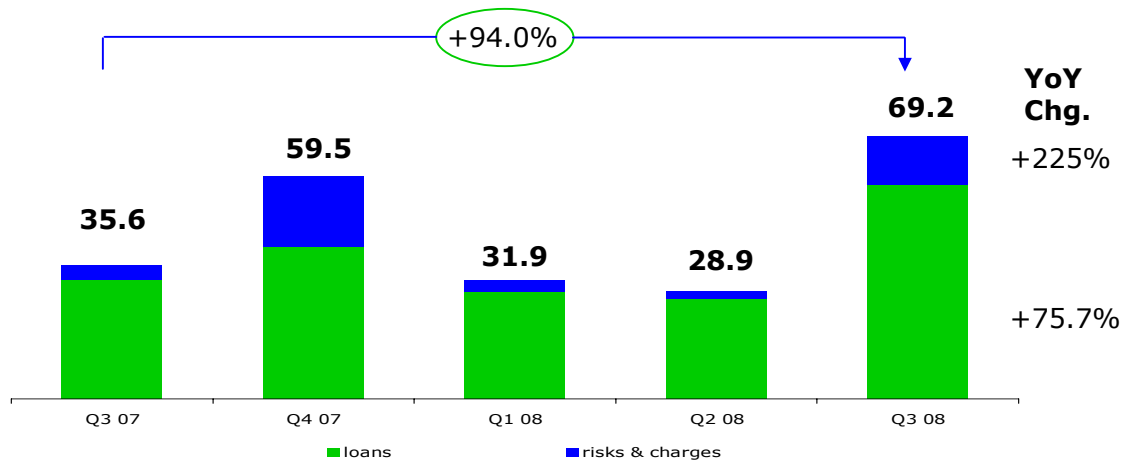
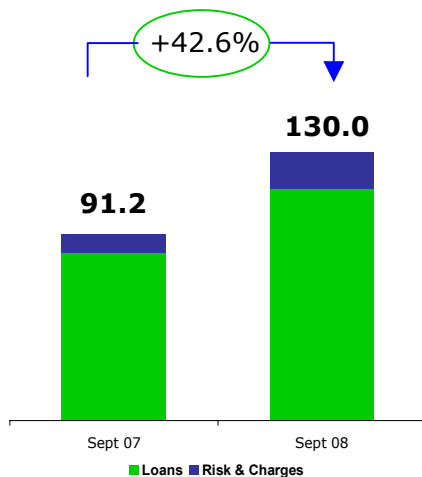
Costs under control

- Total costs grew slightly by 0.8% YoY. In detail:
 - Personnel costs +1.8% YoY mainly due to increase in employees, early retirement plan and renewed labour contract, partially offset by reduction in variable part of salary and positive turnover effects
 - Administrative expenses and depreciations decreased by €3.4m (-1.2% YoY). The result is excellent considering 16 new branches have been opened since Sept. 07, now a total of 757 branches.
 - Staff grew to 8,758 units (+102 YoY) in order to strengthen the commercial network
 - Cost income at 65.0% +6.1pp YoY mainly due to the weak trend of income



Provisions and adjustments

- Total provisions increased by €38.8m vs Sept 07. Main components:
 - LLP at €111.6m, equally distributed among retail, SB and SME segments
 - risk & charges provisions at €18.4m, referring to claw-back actions or "revocatorie" this is mainly due to adjustment on a provision referring to two old positions



Provisions and adjustments: breakdown

| Details on provisions & adjustments | Sept 08 €m | bp | Sept 07 €m | bp |
|---|---------------|-----------|---------------|-----------|
| Net adjustments To loans & fin. Asset | -111.6 | 47 | -81.9 | 38 |
| <i>o/w</i> | | | | |
| <i>Financial position adjustments</i> | -9.0 | 4 | -0.2 | 0 |
| <i>Portfolio adjustments</i> | -17.1 | 7 | -22.1 | 10 |
| <i>Specific adjustments</i> | -85.4 | 36 | -59.6 | 28 |
| Detail on specific adjustments by segments | | | | |
| Retail | -16.7 | 31 | -10.4 | 21 |
| Small Business | -40.9 | 78 | -27.6 | 58 |
| SME's | -23.9 | 60 | -20.3 | 59 |
| Corporate | -4.0 | 5 | -1.3 | 2 |

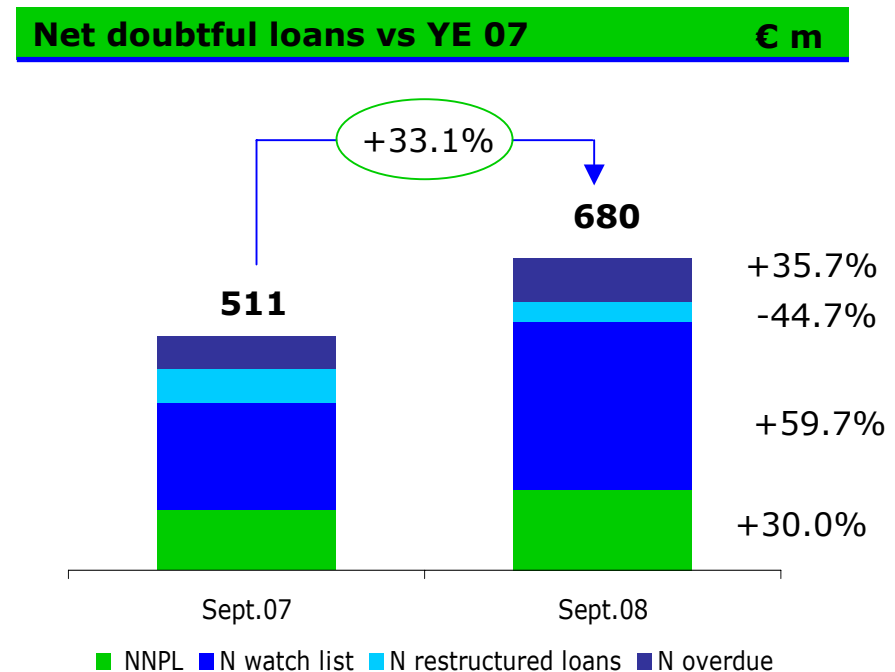
■ Annualised total cost of credit at 47bp calculated using loans figures at the end of September 2008

■ Annualised total cost of credit by segment calculated using average loans YTD

Non-performing loans still well below system average

- Net doubtful loans on total loans at 2.1% from 1.8% as at Sept. 07
- Net non-performing loans on total loans still at a sound level of 0.5%, below the Italian system average
- The increase in watchlist is mainly explained by one single position, covered by collateral, representing 1/3 of the growth

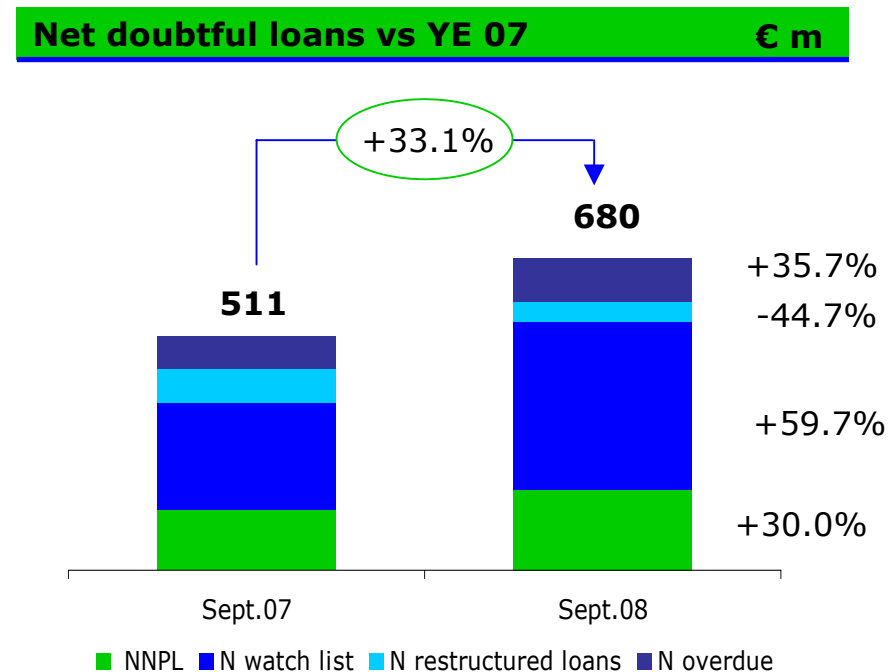
| Sept 08 | Ratio | Coverage |
|--------------------------------|--------------|--------------|
| Tot. net doubtful loans | 2.1% | 41.8% |
| Net NPL | 0.5% | 66.6% |
| Watch list | 1.2% | 20.0% |
| Restructured loans | 0.1% | 52.1% |
| Overdue loans | 0.3% | 2.3% |
| Performing loans | 97.9% | 0.5% |



Non-performing loans still well below system average

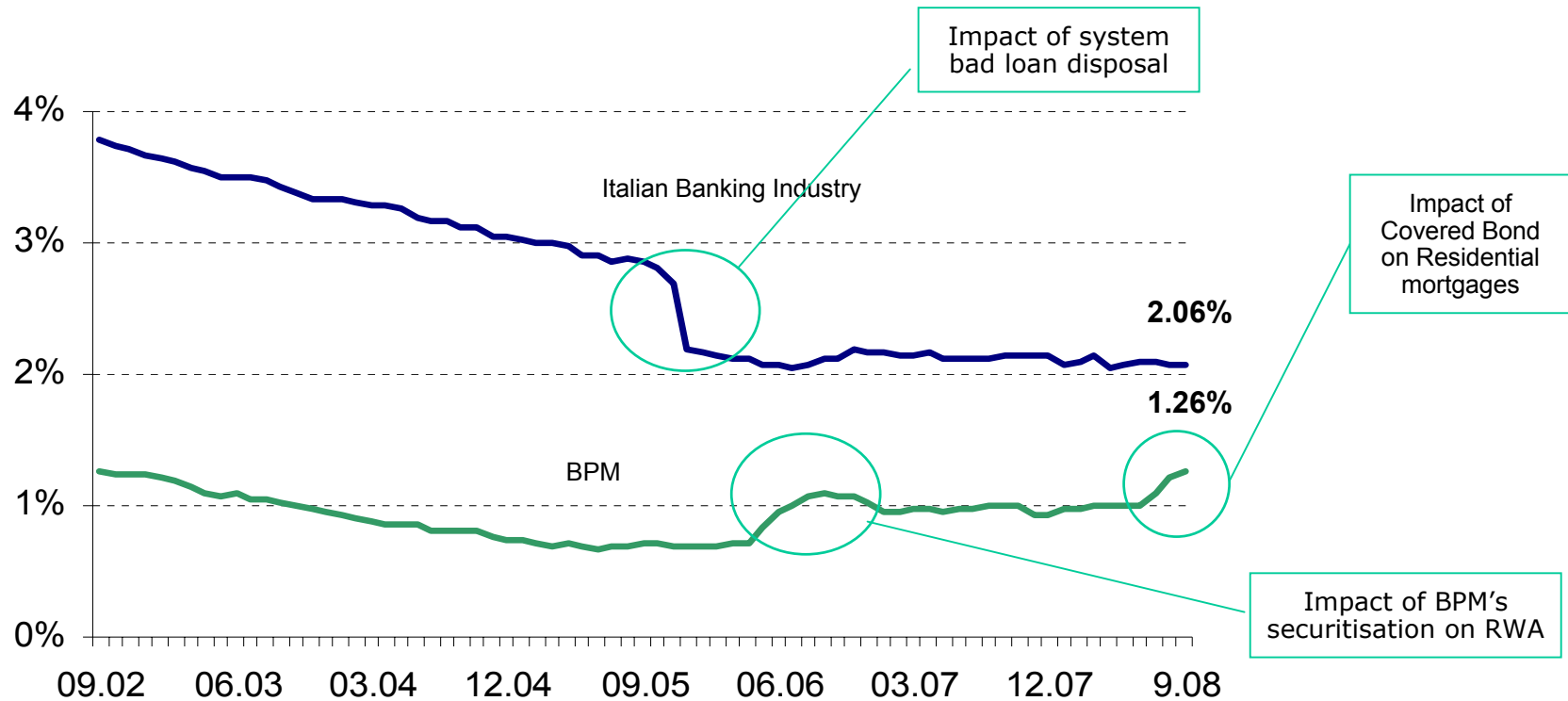
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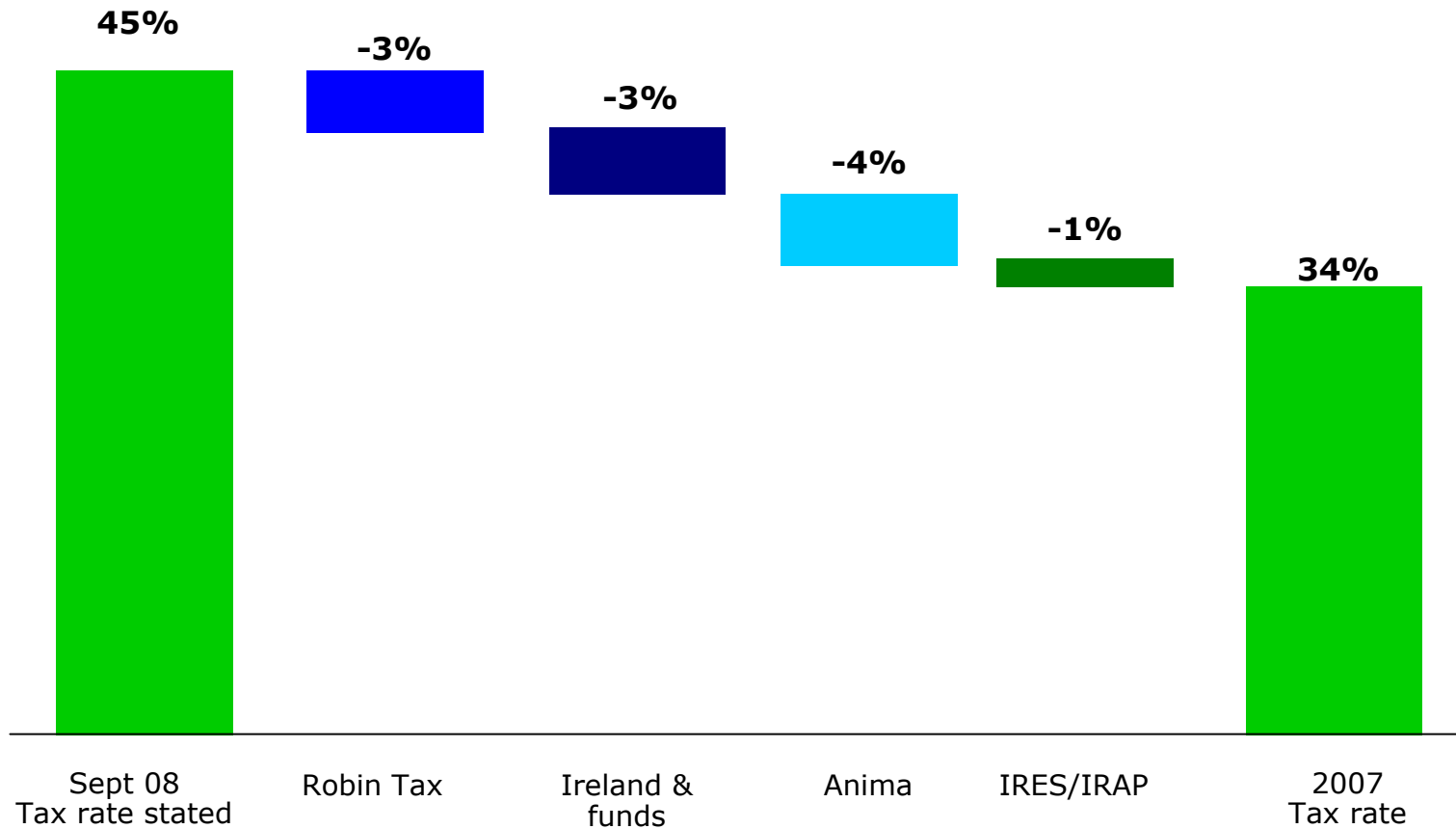


Residential mortgages: quality still positive

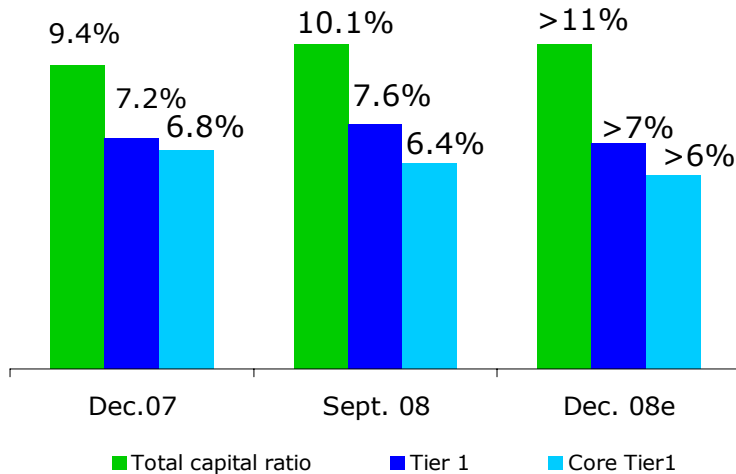
Non performing mortgages on total mortgages



TAX rate



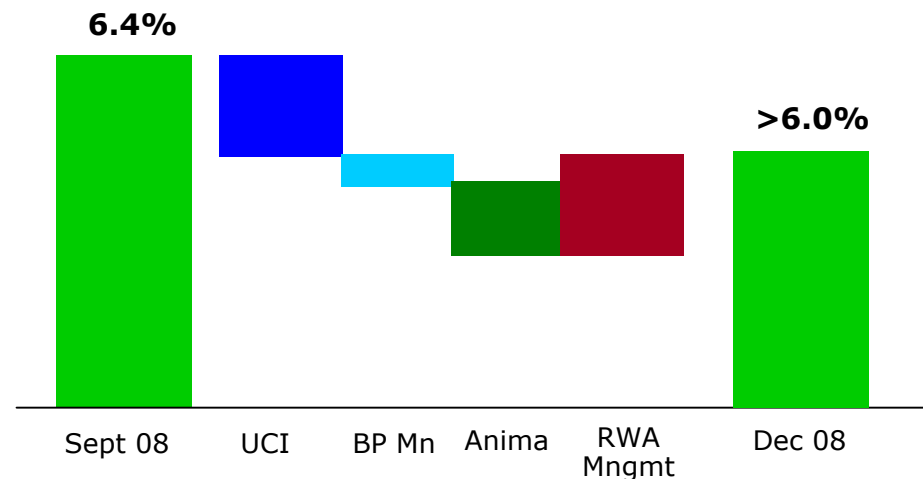
Capital ratio



- In September 08, Tier1 benefited from a €300m perpetual bond issue and TCR from a €270m subordinated issue
- The forecasts for Tier1 were confirmed at over 7% and TCR more than 11% at YE08

Negative impacts shown in the graph are calculated considering the maximum impact possible

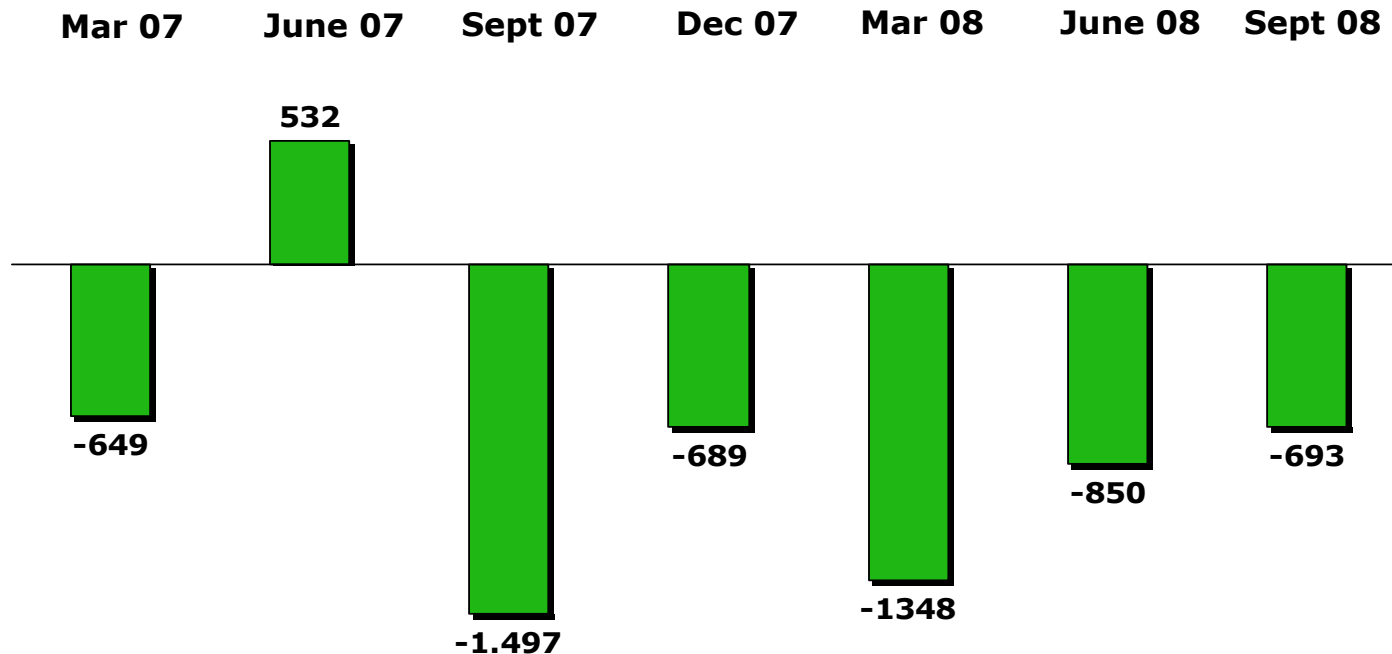
Core Tier 1 target



The ratios have been calculated by using the standard Basel 2 model

Net interbank position trend

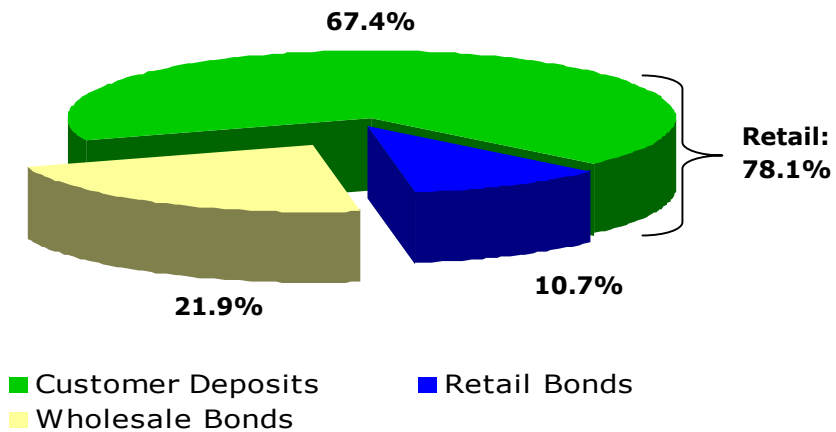
Net Interbank balance (€m)



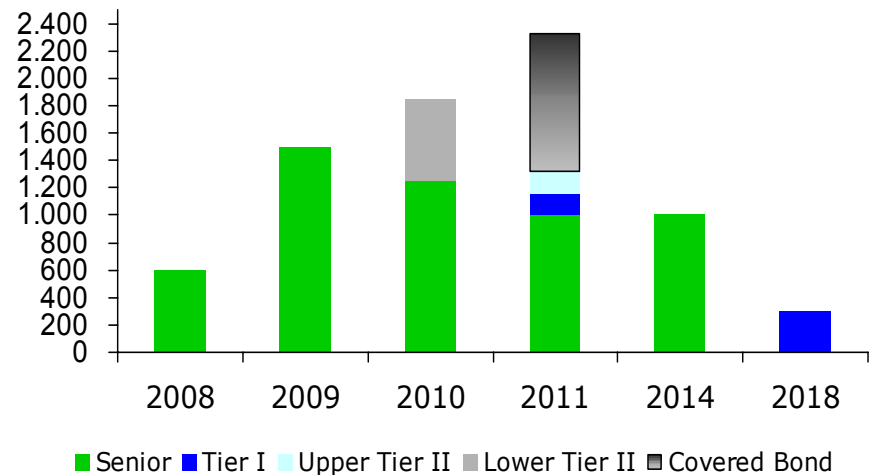
- In September 2008 interbank position of BPM (parent company) is positive thanks to its commercial activity, with a high level of retail funding, and also BPM Ireland and Banca Akros reduced their funding needs
- BPM liquidity strategy is addressed to increase the liquidity level and to buffer liquidity margin setting up an internal securitisation of loans
- The Group has around 1.5 bn of assets eligible for ECB repo's

BPM Funding

Tot. funding breakdown by type



BPM Wholesale Debt maturity



Q3 08 results: reclassified Group P&L

| € m | Sept 08 | Sept 07 | % Chg. | Q3 08 | Q2 08 | % Chg. |
|---|----------------|----------------|---------------|----------------|----------------|---------------|
| Interest income | 791.1 | 761.6 | 3.9 | 263.5 | 266.7 | (1.2) |
| Net fees and commissions | 405.5 | 440.7 | (8.0) | 126.5 | 142.1 | (10.9) |
| Associates, dividends and profits from fin. trans. | 6.4 | 120.1 | (94.7) | (32.5) | 46.2 | n.m. |
| Other operating income | 47.0 | 45.3 | 3.9 | 17.5 | 14.2 | 23.2 |
| Non-interest income | 458.9 | 606.1 | (24.3) | 115.4 | 202.4 | (43.0) |
| Total income | 1,250.0 | 1,367.8 | (8.6) | 379.0 | 469.1 | (19.2) |
| Staff costs | (532.6) | (523.1) | 1.8 | (168.0) | (194.9) | (13.8) |
| Administrative costs | (226.5) | (226.5) | - | (77.0) | (76.6) | 0.5 |
| Depreciation & amortisation | (53.1) | (56.5) | (6.0) | (17.1) | (18.5) | (7.1) |
| Operating costs | (812.2) | (806.0) | 0.8 | (262.1) | (290.0) | (9.6) |
| Operating profit | 437.8 | 561.7 | (22.1) | 116.9 | 179.2 | (34.8) |
| Net adjustments to loans and fin. assets | (111.6) | (81.9) | (36.3) | (56.3) | (26.8) | 110.1 |
| Net provisions for risks and charges | (18.4) | (9.3) | (98.4) | (12.9) | (2.1) | n.m. |
| Profit and loss from investments | (34.1) | (1.3) | n.m. | (0.1) | (33.8) | n.m. |
| Profit/loss from current operations before tax | 273.7 | 469.3 | (41.7) | 47.6 | 116.5 | (59.1) |
| Income tax for the period | (124.0) | (158.1) | 21.6 | (30.6) | (48.1) | (36.5) |
| Minorities | (6.8) | (8.9) | 24.0 | (1.2) | (3.3) | (63.9) |
| Group net profit/loss for the period | 142.9 | 302.3 | (52.7) | 15.8 | 65.0 | (75.6) |

Q&A SESSION



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