

# **UBS Banking Conference**

**1-2 February 2007**



**Banca Popolare di Milano**

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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).***

# Agenda

**Profile at a glance**

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**slide 4**

**Q3 2006 results**

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**2007-09 main targets**

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**2007-09 BP: first initiatives**

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**Focus on BPM's factories**

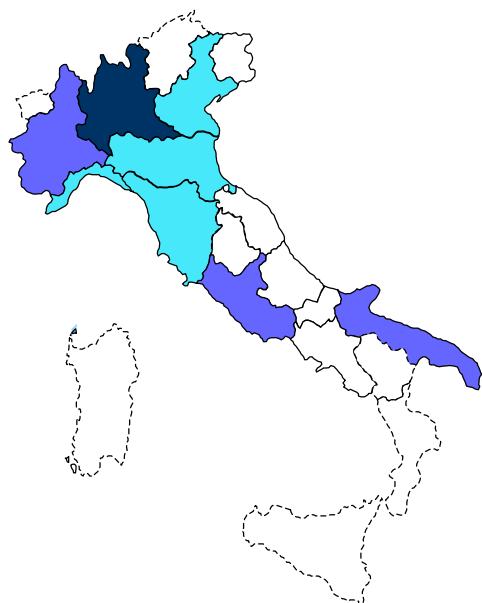
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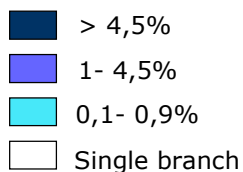
# BPM's deep penetration in the wealthiest areas of Italy

**9<sup>TH</sup> banking Group in Italy (\*)**  
**734 retail, SMEs and private branches (Sept.2006)**

**1.35m retail customers**  
**12,000 corporate customers**



## Branch market share



	Retail Branches	Mkt share	GDP	Wealth (**)	Companies %
<b>Lombardy</b>	<b>462</b>	<b>7.5%</b>	<b>20.1%</b>	<b>39.1%</b>	<b>15.7%</b>
o/w Milan	320	13.3%			
Varese	57	12.5%			
Lecco	29	13.5%			
<b>Piedmont</b>	<b>92</b>	<b>3.6%</b>	<b>8.4%</b>	<b>8.2%</b>	<b>7.0%</b>
o/w Alessandria	65	22.4%			
<b>Apulia</b>	<b>37</b>	<b>2.7%</b>	<b>4.7%</b>	<b>2.2%</b>	<b>6.6%</b>
<b>Latium</b>	<b>57</b>	<b>2.3%</b>	<b>10.3%</b>	<b>11.6%</b>	<b>9.1%</b>
<b>TOTAL</b>	<b>648</b>	<b>5.1%</b>	<b>43.5%</b>	<b>61.1%</b>	<b>39.0%</b>

Other regions      56      0.4%      43.0%      32.1%      44.1%

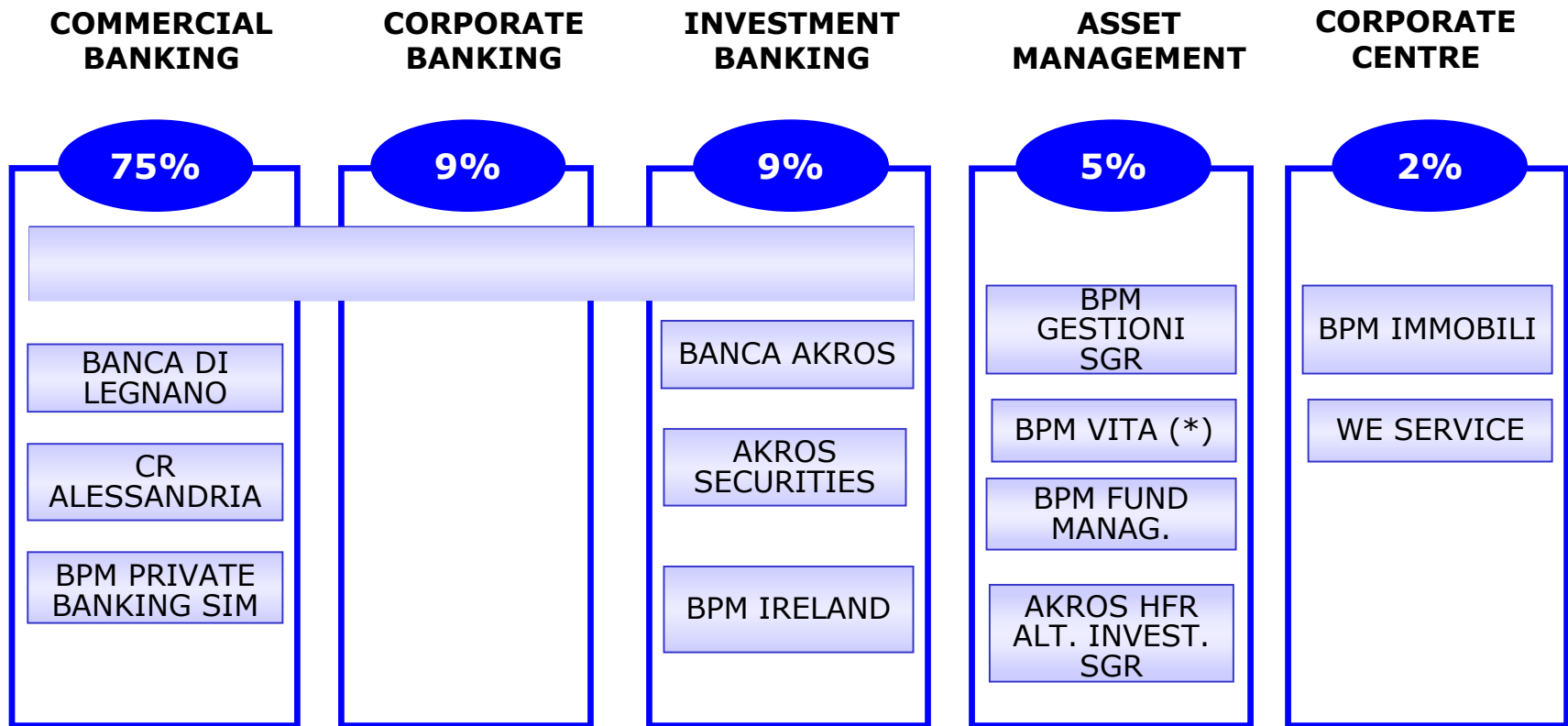
(\*) In terms of total assets as of 30<sup>th</sup> June, 2006, considering the recent announced M&A operations

(\*\*) Direct and indirect funding

Sources: system data, Bank of Italy, 2004 Statistical Bulletin; ISTAT, 8th general census of industry and services 2001

# Strong focus on retail and SMEs

**Share of total revenues in 9M 2006**  
(100% = € 1,296.2 m)



\* Partnership with Fonsai (50%)

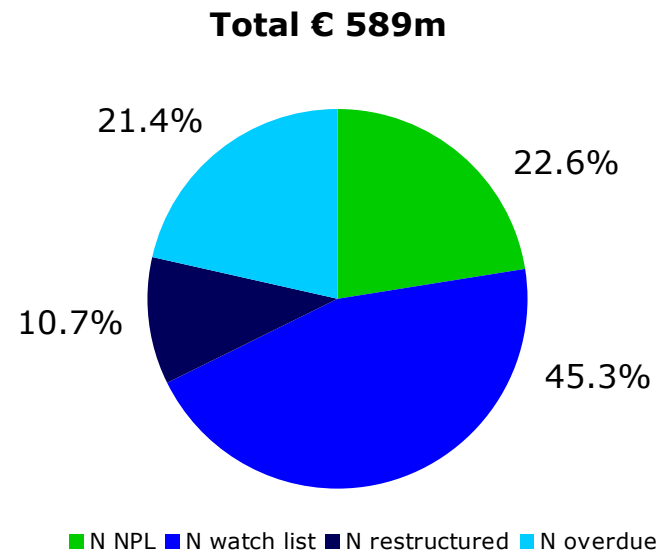
# Above-average asset quality

- Excellent asset quality: BPM's gross NPL at 30 June 2006 1.57% vs. a system average of 3.38%
- Mortgages: at 30 September 2006 BPM's gross doubtful loan ratio at 1.2%, 1 p.p. below the system average of 2.2%, notwithstanding the July securitisation of €2bn of performing loans
- Conservative policy on performing loans: coverage at 0.7% in Q3 2006

Sept. 06	Ratio	Coverage
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<b>Net doubtful loans</b>	<b>2.3%</b>	<b>39.4%</b>
Net NPL	0.5%	69.8%
Watch list	1.0%	12.9%
Restructured loans	0.2%	34.6%
Overdue loans	0.5%	2.1%
<b>Performing loans</b>	<b>97.7%</b>	<b>0.7%</b>

Net doubtful loans at Sept. 06	%
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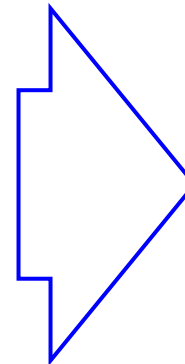
**Focus on BPM's factories**

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# Q3 2006 results: highlights

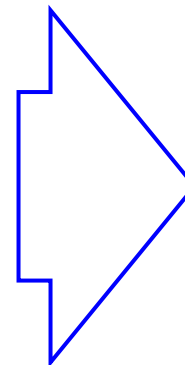
€ m	Sept. 06	Sept. 05	%
Loans	25,899	21,874	+18.4
Funding	30,869	26,229	+17.7
Assets in custody	18,587	17,048	+9.0
Asset management	20,655	20,202	+2.2



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%

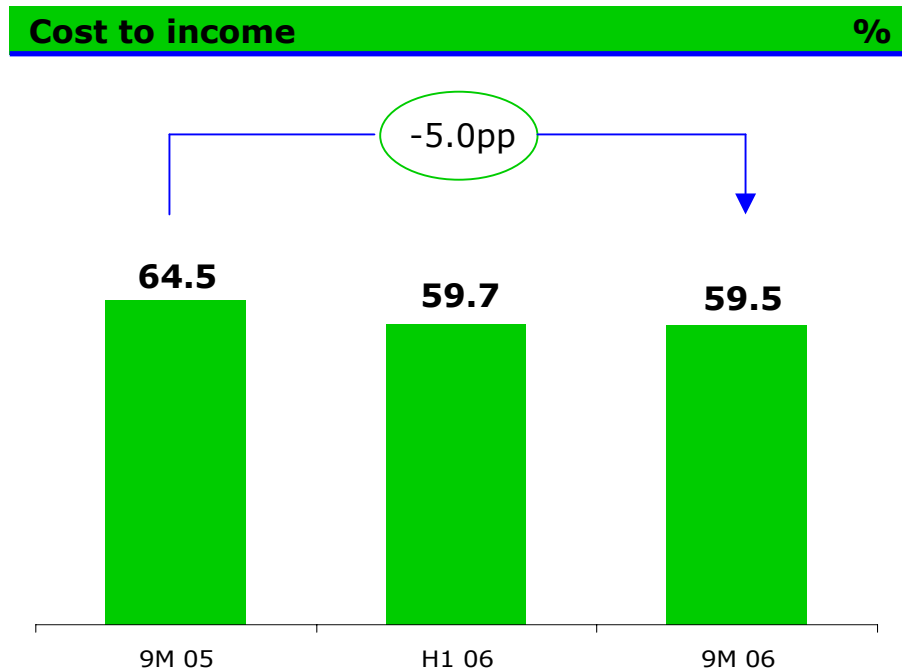
€ m	Sept. 06	Sept. 05	%
Interest income	666	570	+16.9
Total income	1,296	1,177	+10.1
Operating profit	525	418	+25.5
Net income	345	211	+63.8



Volume increase and spread improvement support interest income

Net profit up around 22% excluding capital gain on a real estate and BPM VITA disposals

# Cost income ratio further declines



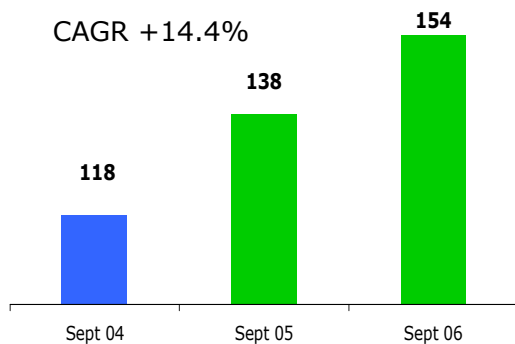
	Sept. 06	Sept. 05	Chg	%
<b>Employees</b>	8,544	8,600	-56	-0.6
<b>Points of sale</b>	734*	731	+3	+0.4

\* including the reorganisation of the corporate business area

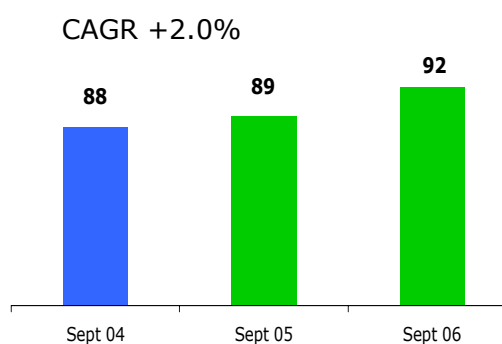
# Steady improvement of efficiency and productivity

2004 figures: management report data

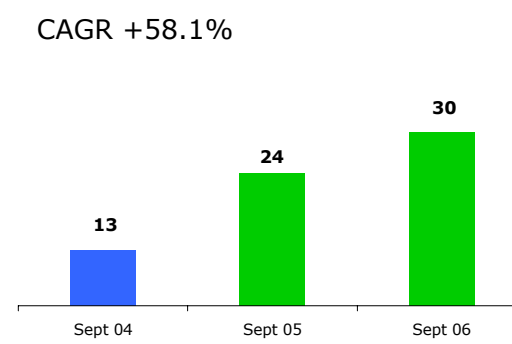
**Total income per employee (€ ,000)**



**Total costs per employee (€ ,000)**

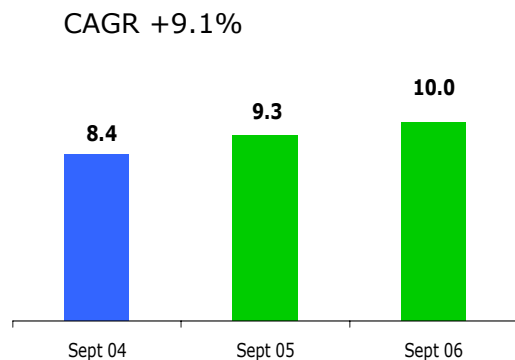


**Adjusted net profit\* per employee (€ ,000)**

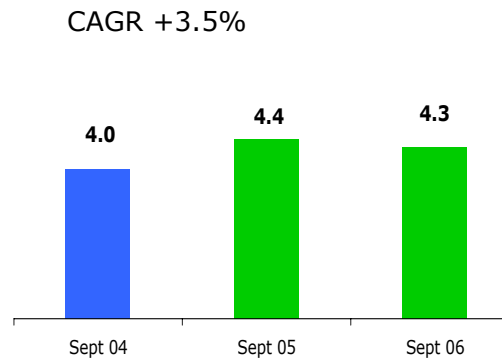


\* Adjusted for non recurring income

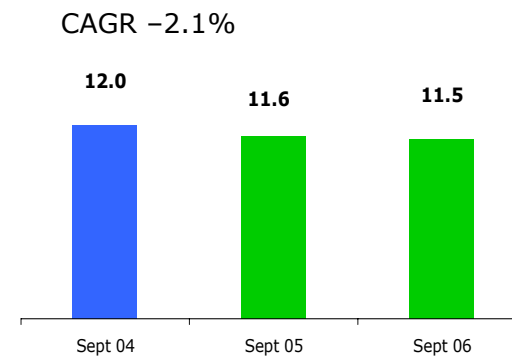
**Tot. volumes\*/employee (€m)**



**% Total income/RWA**



**Employees/POS**



\* Average customer volumes (management report data)

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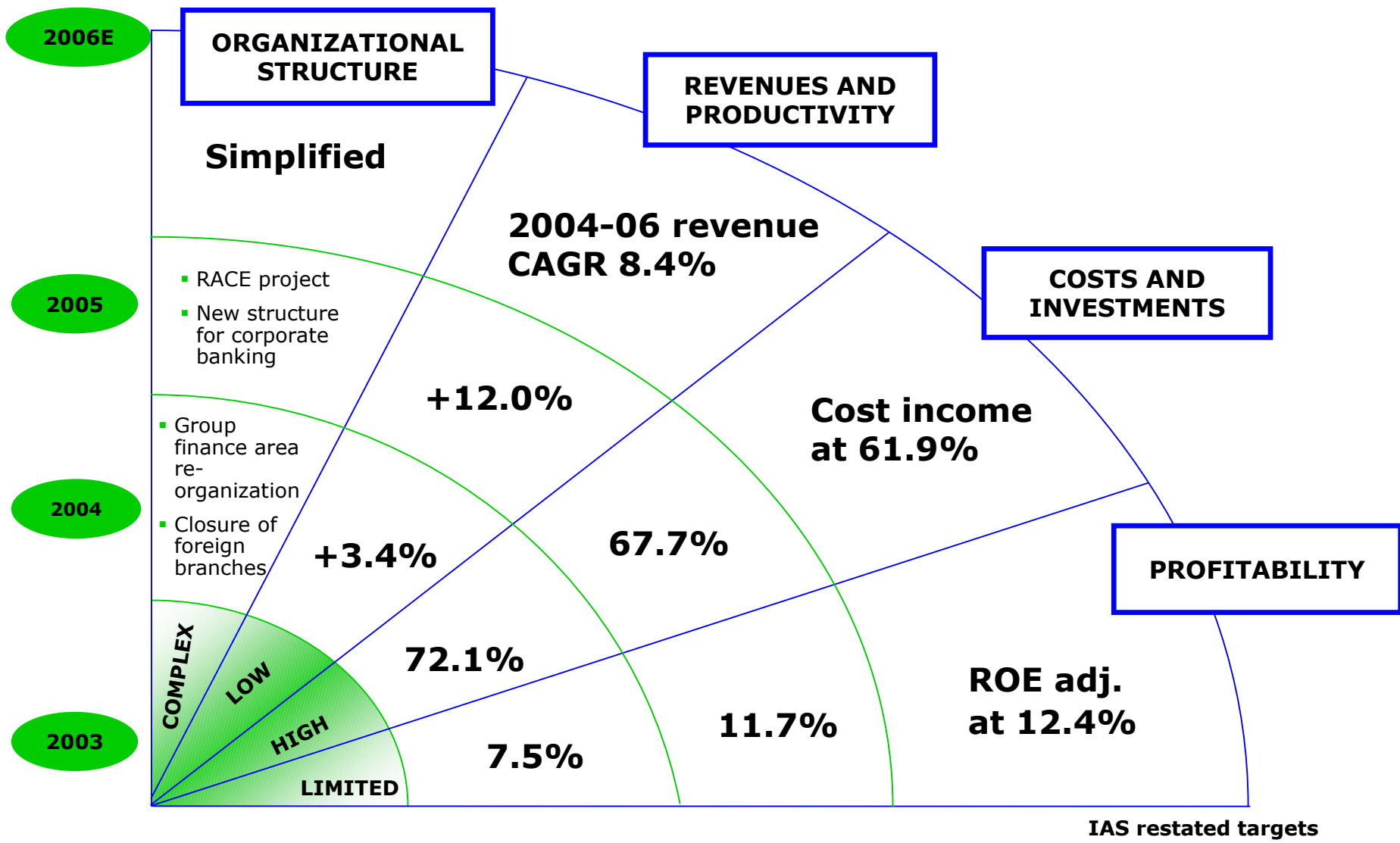
**slide 17**

**Focus on BPM's factories**

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**slide 24**

# 2004-06 performance: a solid starting base



# 2007-09: continuity in growth and value creation

## Continuity

**Consolidate the strategic rational and actions of the 2004-06 business plan**

## Efficiency

**Fully implement the commercial and organisational projects launched in recent years**

## Growth

**Develop new initiatives and investments to close the residual gap versus the market**

## Shareholders' return

**Focus on:**

- **EVA creation**
- **capital discipline**
- **pay-out**

# BPM's 2007-09 strategic pillars

## Enlarge BPM's customer base

- **Increase volumes and customers**, leveraging on retail and SMEs
- **Expand** network and sales channels
- Launch **new products**
- **Exploit** new attractive segments

**Innovative actions** with a long-term view

## Enhance productivity and profitability

- **Improve profitability and risk profile**
- **Selective growth** in lending
- **Optimise** risk management, capital allocation and HR

Focus on **performance and returns**

## Improve operating efficiency

- **Complete the restructuring** started in recent years
- Optimisation of **operating processes and IT systems**

**Structural projects** with LT returns

**ROE adj.**  
**16.5%**

**EVA up**  
**over 3x**

**Net profit**  
**CAGR**  
**15%**

**Pay-out**  
**~50%**

**Commercial Banking**  
**Wealth Management**

**Corporate Banking**  
**Investment Banking**

**Corporate**  
**Centre**

# 2007-09 Business Plan key targets

	2005PF <sup>1</sup>	2009	CAGR 05-09
<b>Total revenues (€m)</b>	1,574	2,080	7.2%
<b>Operating costs (€m)</b>	(1,089)	(1,170)	1.8%
<b>Operating income (€m)</b>	484	910	17.1%
<b>Net profit (€m)</b>	259	455	15.1%
<b>Cost/income</b>	69.2%	56.2%	
<b>ROE adj.<sup>2</sup></b>	11.7%	16.5%	
<b>EVA (€m)</b>	77	242	
<b>Tier 1</b>	7.2%	7.7%	
<b>Funding (€ bn)</b>	21.1	24.9	4.2%
<b>Assets under management (€ bn)</b>	19.7	25.8	7.0%
<b>Assets in custody (€ bn)</b>	16.7	19.5	3.9%
<b>Customer loans (€ bn)</b>	21.9	32.0	9.9%

(1) 2005 data are pro-forma with BPM Vita equity consolidated rather than fully consolidated

(2) Computed on tangible shareholders' equity at beginning of period, net of goodwill

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**2007-09 main targets** **slide 12**

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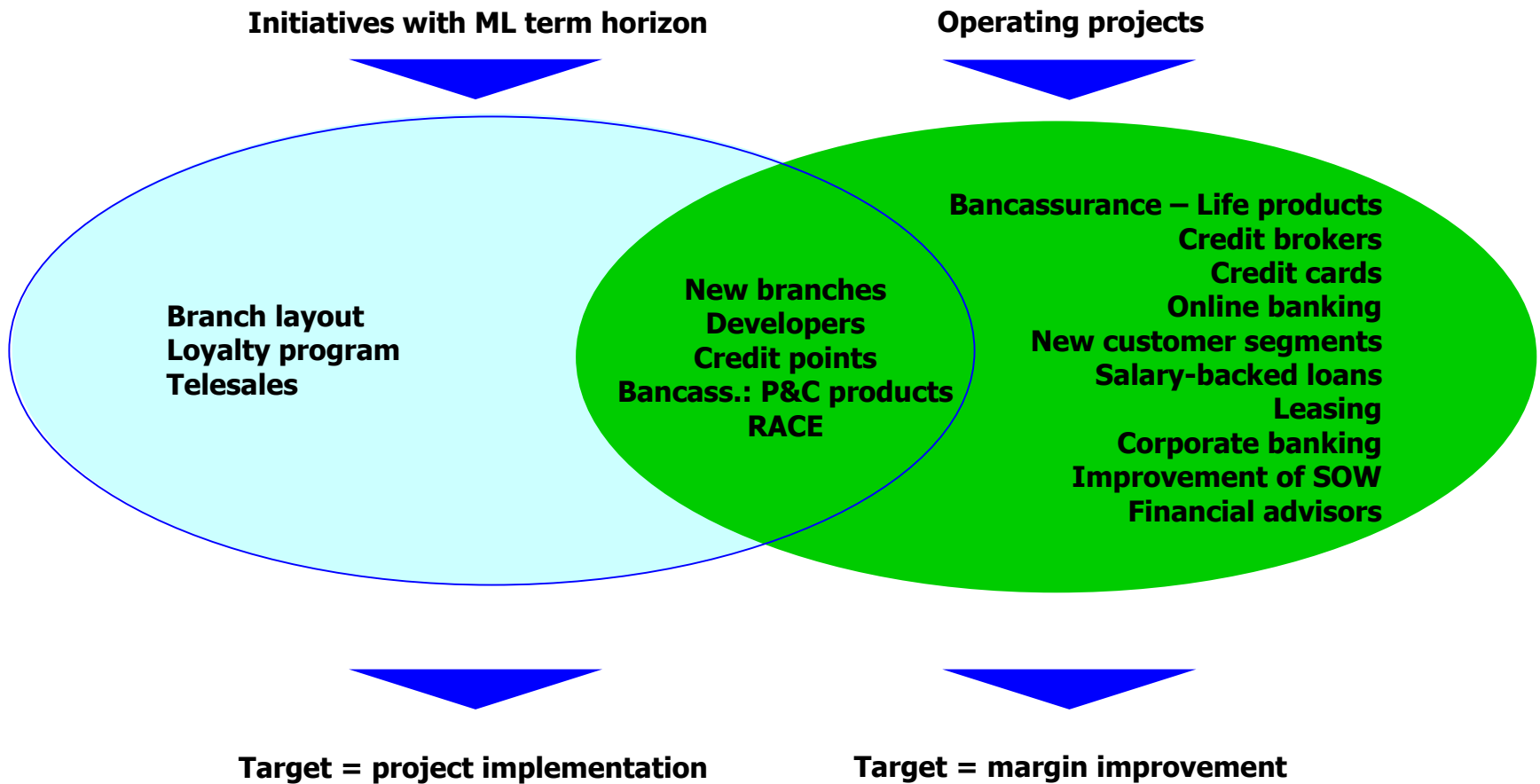
**2007-09 BP: first initiatives** **slide 17**

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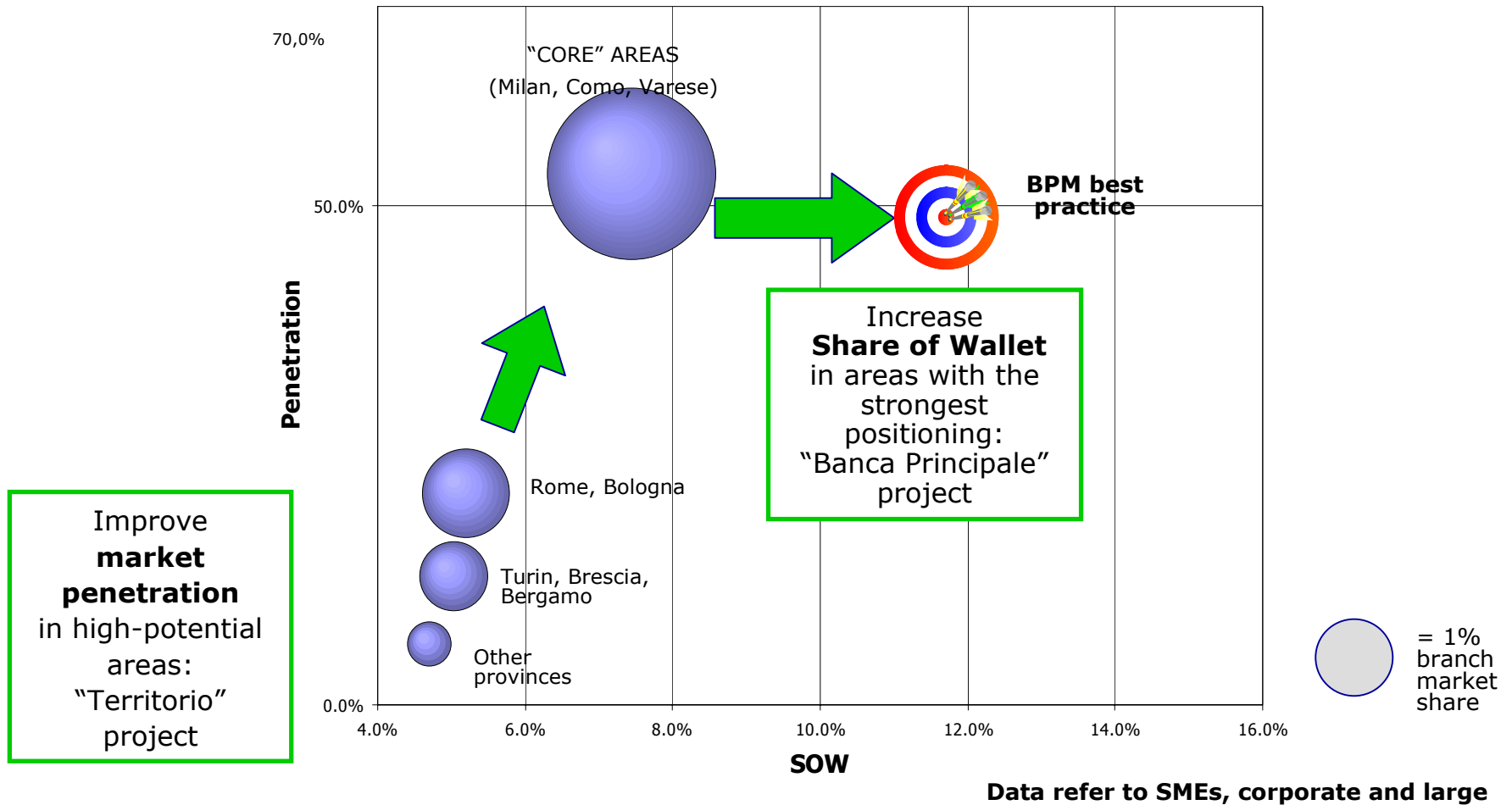
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# 2007-09 commercial development lines



# Corporate banking projects

**BPM's 2007-2009 target: to become the reference partner for any financial needs of its corporate customers**

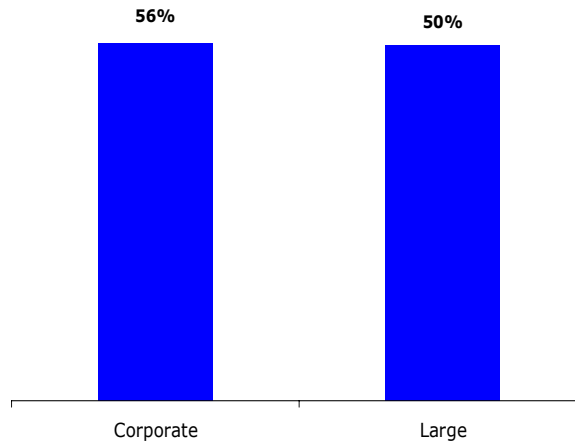
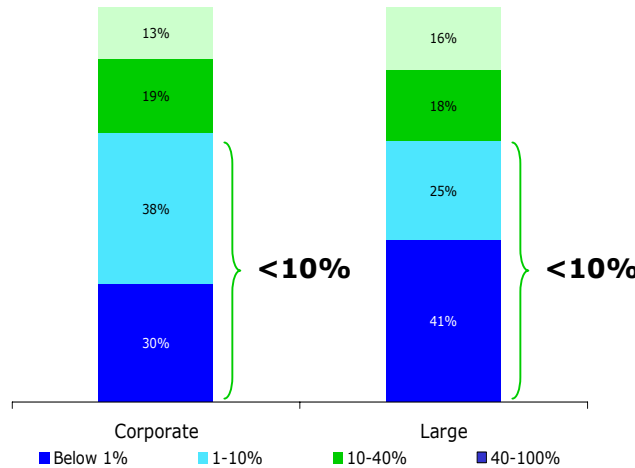


# Corporate banking targets on existing customers

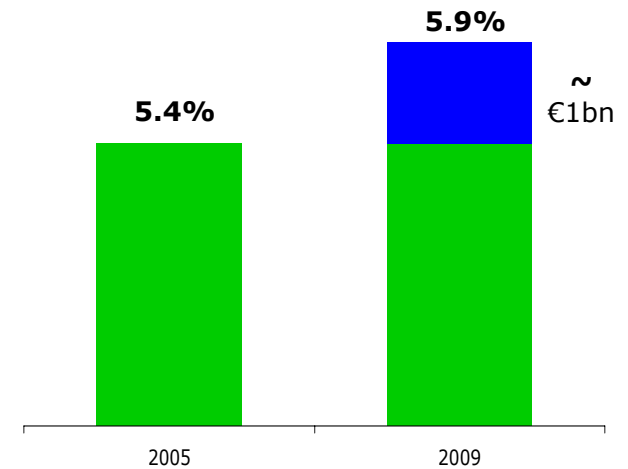
**2006 share of wallet**

**Customers breakdown per granted/used ratio**

**Percentage of customers below theoretical market share**



**2009E share of wallet (Corporate and Large)**



■ Increase share of wallet of existing customers in the Corporate and Large segments: expected additional volumes of around €1bn by 2009

# "Banca Principale" project: highlights



- Double target:
  - ✓ increase share of wallet
  - ✓ better risk/price ratio

**First results after 2 months from launch: 76% of customers contacted, granted loans up 43%, used ratio up 26%**

# "Banca Territorio" project: highlights

- Development in new, selected areas with high-potential, focused on corporate customers:
  - dedicated developers focused on SMEs and Corporates
  - 12 new branches with a lean structure
- Penetration in new reference areas with a long-term view



# Commercial banking: New products to complete BPM's range

	Actions	Timing	Targets
<b>BancaAss. (Property &amp; casualty)</b>	<ul style="list-style-type: none"><li>▪ Entry into the P&amp;C segment in partnership with FONSAI</li></ul>	<ul style="list-style-type: none"><li>▪ As of March 2007, property and family protection products distributed by BPM network</li><li>▪ At the beginning of 2008, new company in partnership with FONSAI for casualty products</li></ul>	<ul style="list-style-type: none"><li>▪ Premiums collected: €56m by 2009</li></ul>
<b>Credit cards</b>	<ul style="list-style-type: none"><li>▪ Issue of own credit cards</li><li>▪ Lower costs for customers, higher flexibility</li><li>▪ On-line management of services (dedicated portal)</li><li>▪ Included in BPM's loyalty program</li></ul>	<ul style="list-style-type: none"><li>▪ Phasing test underway</li><li>▪ Official launch in Q1 2007</li></ul>	<ul style="list-style-type: none"><li>▪ Improved customer service</li><li>▪ 300,000 cards by 2009</li></ul>

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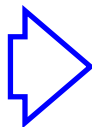
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**Focus on BPM's factories** **slide 24**

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# BANCA AKROS – Profile and financial highlights

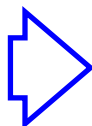
**Investment banking**



## Services:

- Equity brokerage, research and derivatives
- Fixed income
- Treasury services, forex and derivatives
- Corporate finance

**Private banking**



## Services:

- Asset management targeting high-net worth individuals:
  - hedge funds
  - segregated accounts

**FOCUS ON INNOVATION**

Market	Market share (*)	Placement	€ m	2005
Equity market (**)	4.55%	6th	Total income	84
OTC Equity derivatives	7.80%	1st	Operating costs	(57)
IDEM	6.00%	2nd	Net income	32
Stock futures	32.81%	1st	Cost income	67%
MOT	8.53%	3rd	Roe	63%
EUROMOT	11.72%		Asset under management	902
			Asset in custody	1,123

**Strong positioning in all Italian financial markets**

(\*) market share in 2005 (\*\*) market share in 2006 (source: Assosim – cash equities and S&P/MIB futures)

# BANCA AKROS – International strategy: ESN

**Multi-local network with a strong domestic expertise  
focus on equity research and trading:**

- **130 analysts covering around 800 stocks**
- **a sale force of around 140 units**



# BIPIEMME GESTIONI - Profile

## PROFILE

- 20 years experience
- Principal provider of asset management products within the BPM Group

## STRATEGY

- High quality and returns (High Yield Award of "Il Sole 24 Ore" since 2003)
- Multi-channel distribution strategy:
  - BPM network
  - BPM Private Banking SIM
  - Internet ([We@bank](#))
  - partnerships with more than 30 networks

## PRODUCTS

- Wide range of products:
  - 26 mutual funds
  - 1 pension fund (5 lines)
  - 2 funds of funds (13 lines)
  - segregated accounts (23 lines)
  - cash account

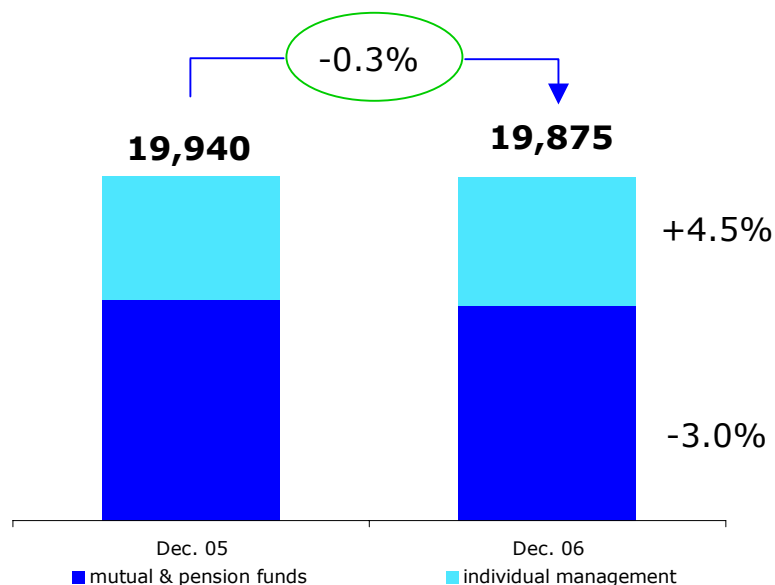
# BIPIEMME GESTIONI – Operating and financial highlights

## € m Dec. 05

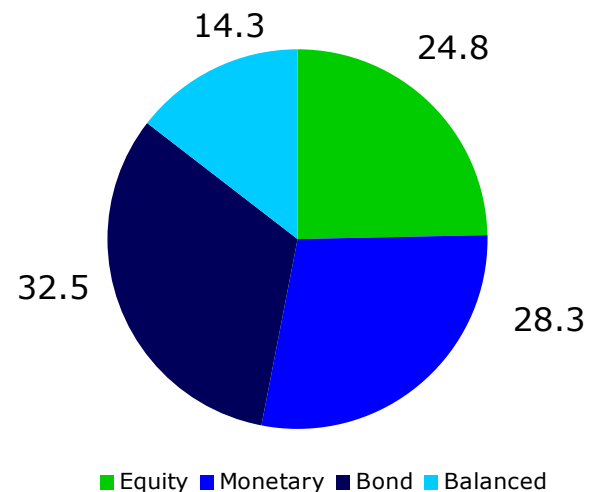
Total income	44
Operating costs	(21)
Net income	14
Equity	36
Cost income	47%
Roe	64%

■ Strong performance of BPM Gestioni funds: in 2006 74% of products above market average performance and 68% above benchmark, as in previous years

## Assets under management € m



## Break-down of mutual funds (YE2006) %



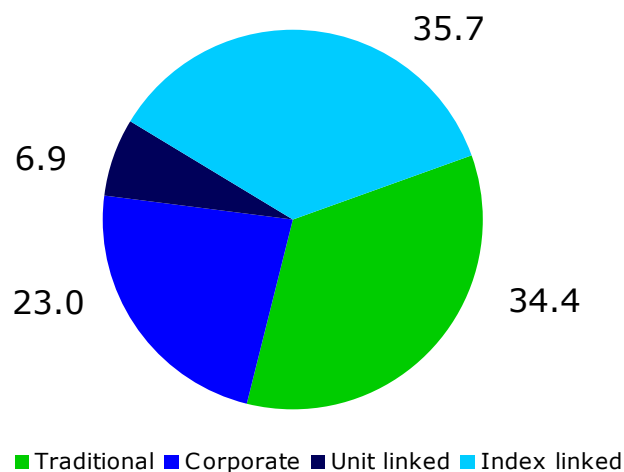
# Bipiemme Vita - Commercial and financial highlights

- High expertise in bancassurance with a full product range (life, linked, sickness and accident)
- Financial returns above market average (among the best Italian insurance companies according to "Atlante delle assicurazioni")
- Insurance reserves € 3.5bn at September 30, 2006
- New premiums collected € 537m Jan-Nov 2006 (+6.4% YoY)
- Market share at 1.58% in November 2006 vs. 1.32% in November 2005

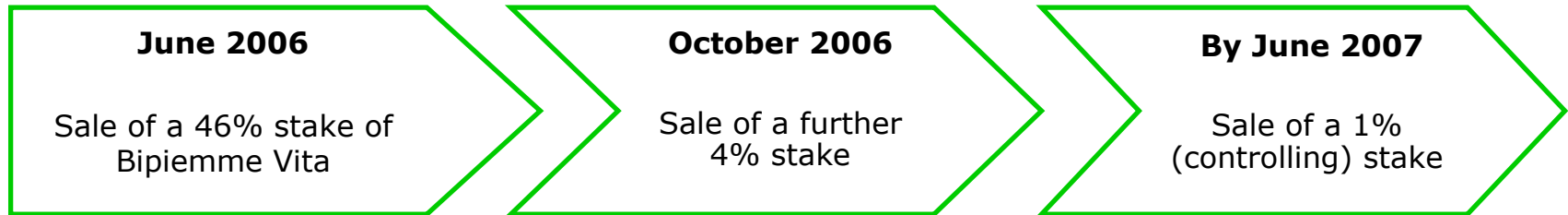
## € m 2005

Total premiums collected	632
Technical margin	42.1
Net income	23.8
Net equity	67
N. of policies (life)	258,270
N. of policies (non-life)	17,739

## Break-down of premiums collected %



# Bipiemme Vita: agreement with Fonsai



## Agreement highlights

### 2007-09 BUSINESS PLAN

- Total additional premiums collected € 256m, of which:
  - P&C: premium € 56m,
  - Life : additional premium € 200m

### NON-LIFE BUSINESS

- Co-operation agreement defined in December 2006
- Non-exclusive distribution agreement of Fonsai P&C products
- Progressive extension of the agreement to all BPM's customer segments and distribution channels (including BPM Private Banking SIM and We@bank)

### FINANCIAL PRODUCTS

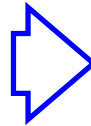
- BPM will become Fonsai's partner for banking and financial products

# WE@SERVICE - Profile

## Profile

The company offers:

- web commercial services
- information technology support



## Strategy

- Support commercial and IT integration of the Group's different distribution channels
- Growth and fidelisation of customer base
- Minimize transaction costs
- Supply innovative services with high quality

**Retail**



**We@bank**



### Services:

- Banking activity & online documentation
- On-line trading (65% of Group transactions)
- first contact for mortgages and loans
- Insurances and e-commerce

**Corporate**



**InLineanet**



### Services:

- Traditional banking activity
- Range of electronic payment
- On line assistance on Basel II

# WE@SERVICE - Commercial and financial highlights

	New initiatives		Results
We@bank	<ul style="list-style-type: none"><li>• <b>WE@bank loans:</b> as an entry point for subsequent contact by commercial network: 400 new mortgage and 800 new loan contacts in 2006</li><li>• <b>Conto@me:</b> on-line current account with appealing interest rate</li></ul>	➤	<ul style="list-style-type: none"><li>• High penetration on BPM's customers (33% above system average)</li><li>• Number of existing customers: over 200,000 at December 31, 2006</li><li>• Boost of customers growth: +25% in 2006</li><li>• Around 1.3 million operations in 2006 (+30%)</li></ul>
InLineaNet	<ul style="list-style-type: none"><li>• <b>www.pmi.bpm.it:</b> web site for SMEs for Basel 2 self-valuation</li></ul>	➤	<ul style="list-style-type: none"><li>• Number of existing customers: over 60,000 at December 31, 2006</li><li>• Customer nearly doubled YoY: +92.7% in 2006</li></ul>

- Strong returns for the Group in terms of efficiency:  
number of processed transactions equated 35 branches in terms of FTE employees