

Bipiemme Group

Merrill Lynch Banking Conference

2 – 4 October 2007



Banca Popolare di Milano

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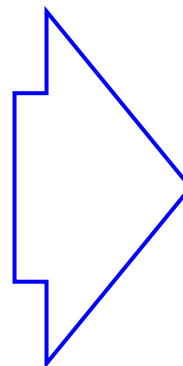
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In line with the scope of consolidation as at 31 December 2006, the quarterly and interim results for 2006 have been restated to include Bipiemme Vita and Ultramedias as equity consolidated rather than line-by-line, following the merger of Ultramedias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

H1 2007 results: highlights

€ m	Jun. 07	Jun. 06	%
Loans	28,243	23,988	17.7
Funding	32,031	26,908	19.0
Assets in custody	20,592	17,949	14.7
Asset management	20,930	20,501	2.1
RWA	33,729	29,575	14.0
Total capital ratio	10.0	10.8	
Tier 1	7.8	7.3	

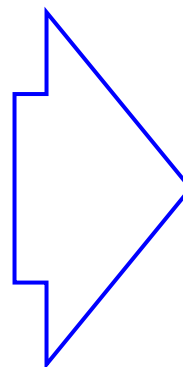


No slow down in new mortgage granted

Funding benefits from new bond issues (EMTN program) and the positive effect of securitisation

Sound increase of AuC continues

€ m	H1 07	H1 06	%
Interest income	501	429	16.8
Total income	952	856	11.3
Operating profit	414	343	20.7
Net income	235	238	(1.3)
Adj. net income	234	168	39.6
Cost/income ratio	56.6%	60.0%	
ROE adj. (annualised)	17.7%	14.2%	



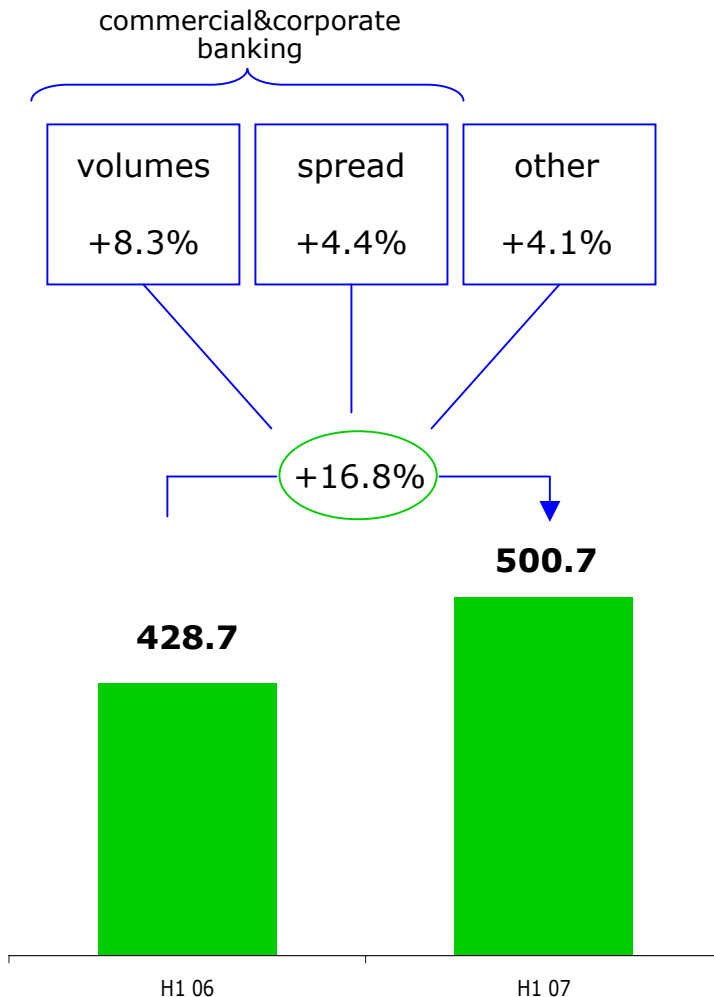
Strong growth of interest income driven by volumes

Net income up 40% adjusting for sale of Bipiemme Vita in H1 2006 (net capital gain: €70m)

Loan growth and improved deposit spread boost revenues

Interest income

€ m



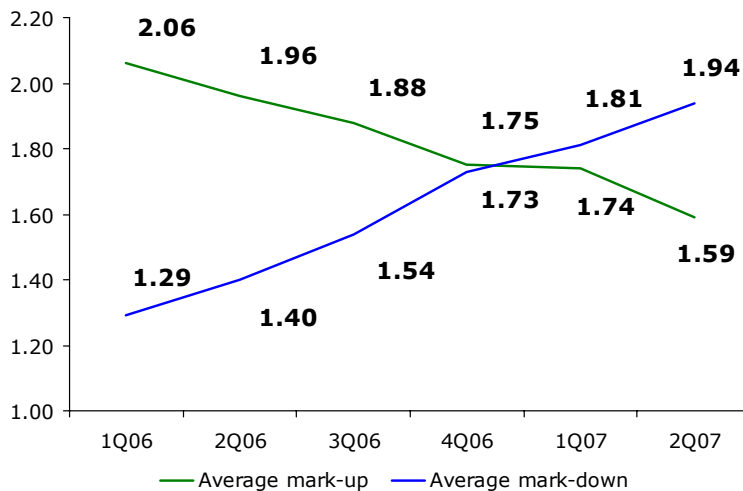
- Sustained volume growth supports interest margin expansion
- Favourable impact of interest rate spread improvement in the first six months (+18 bps vs. H1 06)
- Interest margin of corporate banking up 9.1% YoY, despite pressure on spreads in Q2
- Commercial banking margin increased by 15% versus H1 06
- Positive contribution of Corporate Center (included in "other") thanks to improved rates and liquidity management
- Q2 interest margin at € 266 m, up 13.6% vs. Q1, mainly driven by the positive effect of short-term financial investments

Interest rate spread peaked in Q1

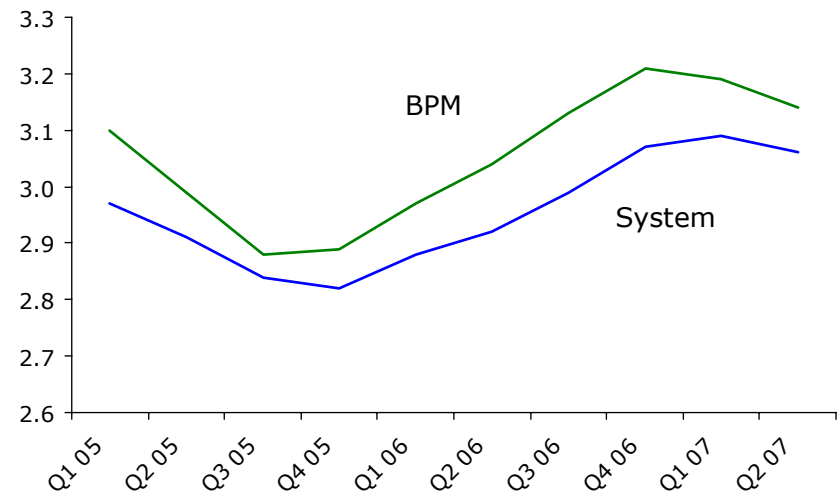
- Declining trend of mark-up continued, despite average interest rate on loans 80 bps higher than in H1 06
- Further expansion of mark-down offsets decrease in mark-up

- Interest rate spread down 4 bps in Q2, as an effect of increasing competitive pressure
- Slight erosion of BPM spread gap vs. the system in H1 2007 (8 bps vs. 11 bps in H1 2006)

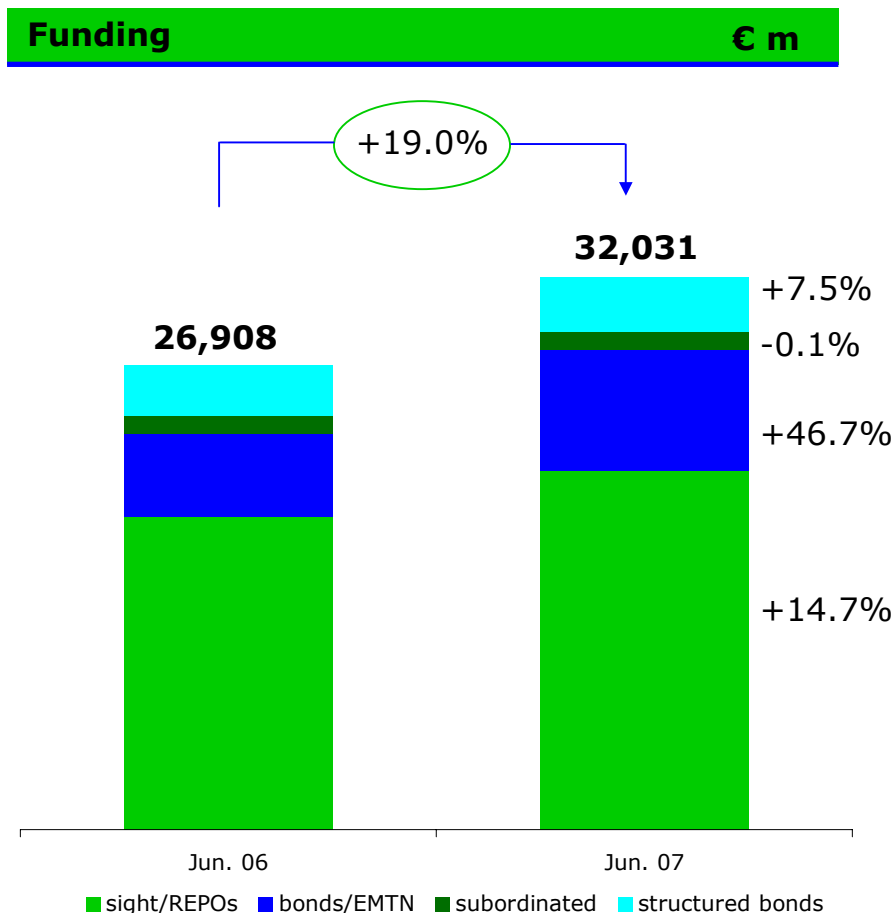
BPM mark-up/mark-down %



Spread BPM vs system (quarterly avg) %



New issues support funding expansion

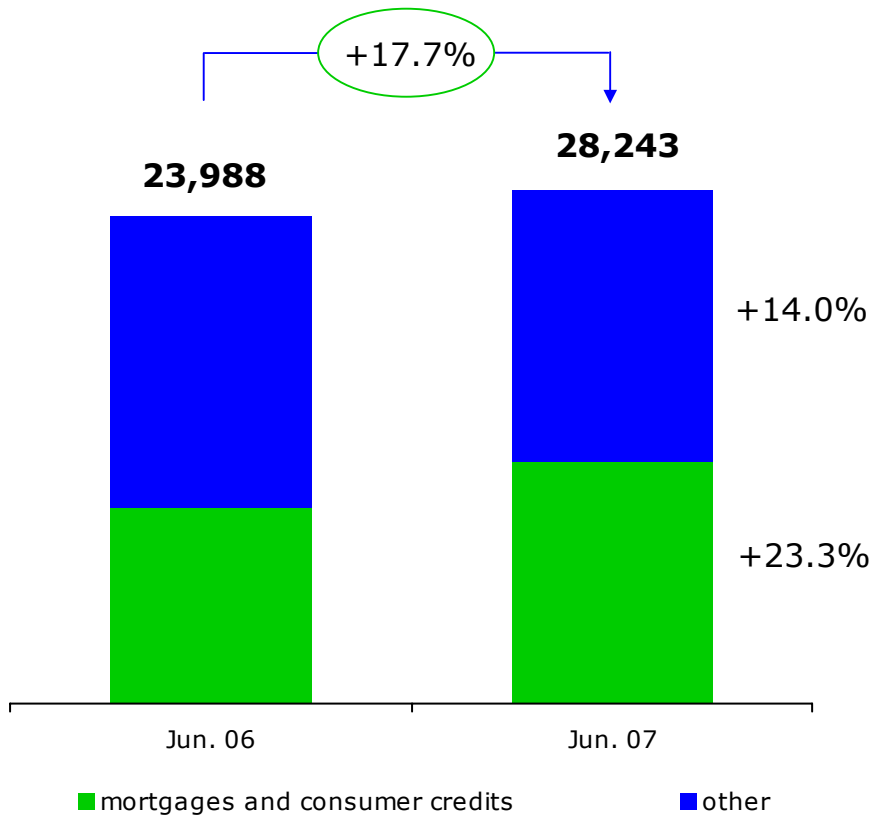


- Short term funding benefits from a mortgage securitisation of around € 2 bn. Net of this, total funding increased by 11.5% YoY
- Relevant rise in outstanding securities (bonds, EMTN and subordinated), up 38.3% to € 8.1 bn
- New issues amounting to € 2.8 bn in H1 07, of which € 2.5 bn included in the EMTN program
- Good timing of EMTN placements, arranged at a very competitive spread: €1bn (5-year maturity) issued in February and €1.5 bn (7-year maturity) in April
- Net positive interbank position at June 30, 2007
- Total funding up 5.8% QoQ
- Market share at 2.05% in March 2007 vs. 2.01% in March 2006

Double digit growth of loan portfolio

Customer loans

€ m

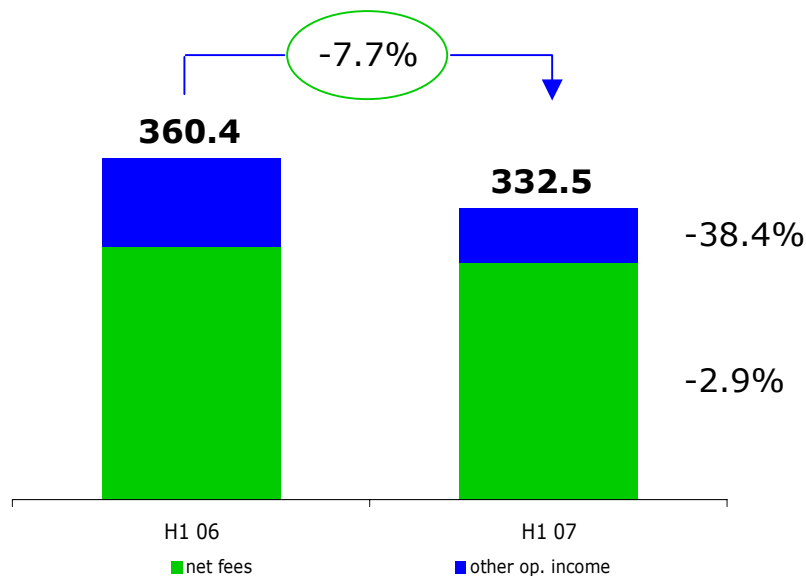


- New mortgages accelerate in Q2 with issues at € 1.2 bn vs. € 1.1 bn in Q1
- Total mortgages granted in H1 07 up 21% YoY
- Mortgage stock at June 07 equal to € 9.6 bn (+29.5% YoY considering the securitisation of € 1.7 bn in July 06)
- Positive trend of short-term loans as well (up around 14% YoY)
- Total loans up 2.7% QoQ
- Market share at 1.86% in March 2007 vs. 1.85% in March 2006

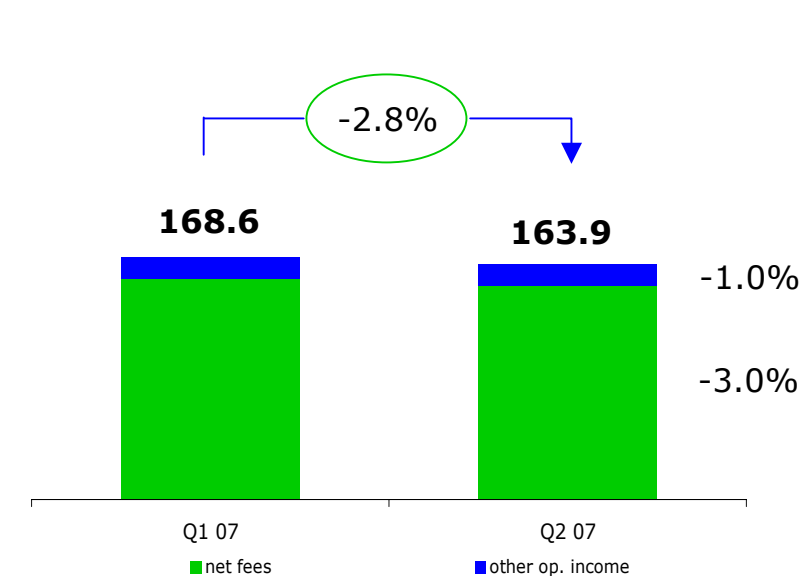
Net fees and other revenues

- Net commissions declined by € 9 m versus H1 2006, mainly explained by:
 - lower fees on segregated accounts (- € 4.4 m due to a change in mix)
 - decrease of fees on bond placement (- € 3.1 m, with Akros - € 6m)
- Up-front fees on third-party bond and policy sales stable at around € 28 m, with a 0.8% increase in fees on bonds and a 14.3% decrease for index-linked policies
- Other income included € 13.4 m of one-off revenues in H1 2006, related to the closure of the 2001 securitisation

First Half € m



Second Quarter € m

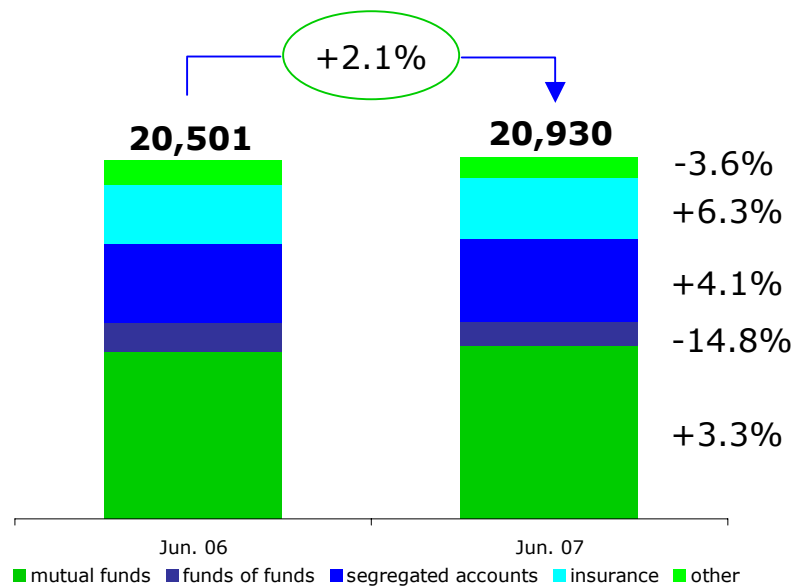


Good market performance offsets AUM outflows

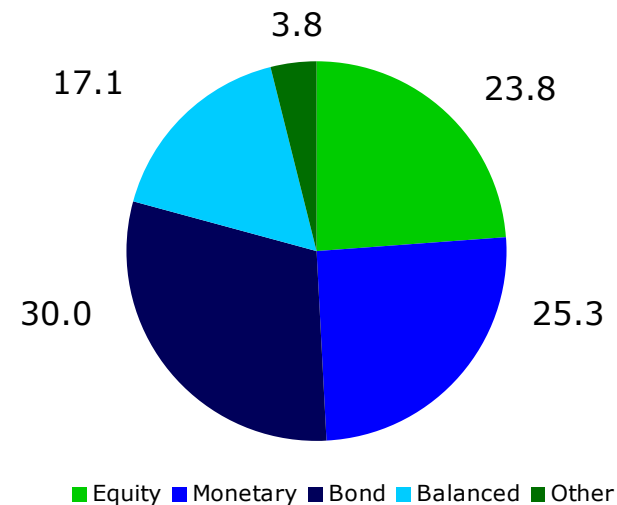
- Assets under management up 2.1% YoY despite weak market environment (Group outflows at € 71 m YTD)
- Mutual funds positive performance (+6% YoY) more than offsets outflows (€200m)
- Market share of SGR funds at 2.06% in June 2007 versus 2.13% in June 2006

- Significant increase of equity and balanced products in H1, now at 41% of total vs. 35% at 30 June 2006
- AUM commissions stable at around 120 bps (including fees as custodian bank)
- Gross inflow of insurance products at €300m YTD

Assets under management € m



Fund breakdown %

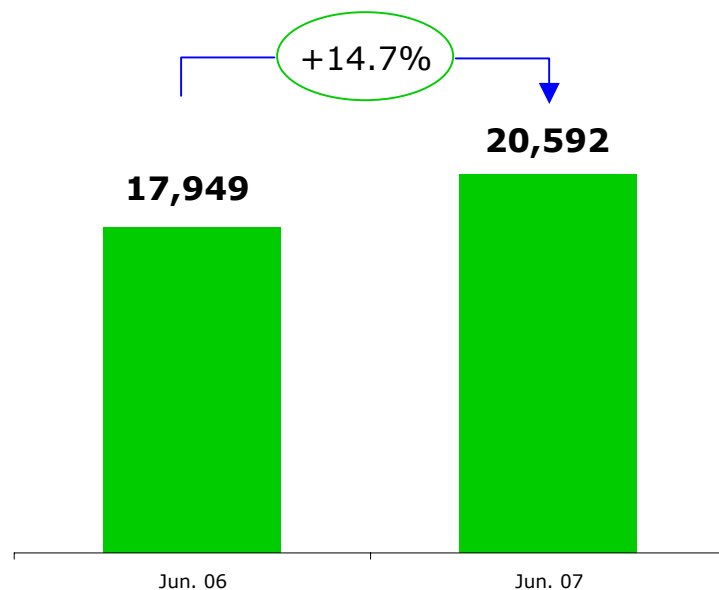


Growth of assets in custody continues

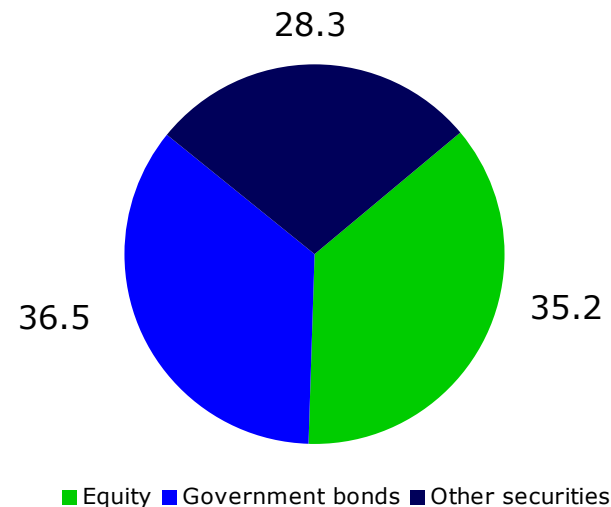
- Positive trend of assets in custody offsets subdued growth of assets under management
- AUC now at nearly 50% of indirect funding versus 47% a year ago

- Steady high profitability of assets in custody, at 50 bps vs. 53 bps in 2006 (excluding fees as custodian bank)

Assets in custody* € m



AuC breakdown %



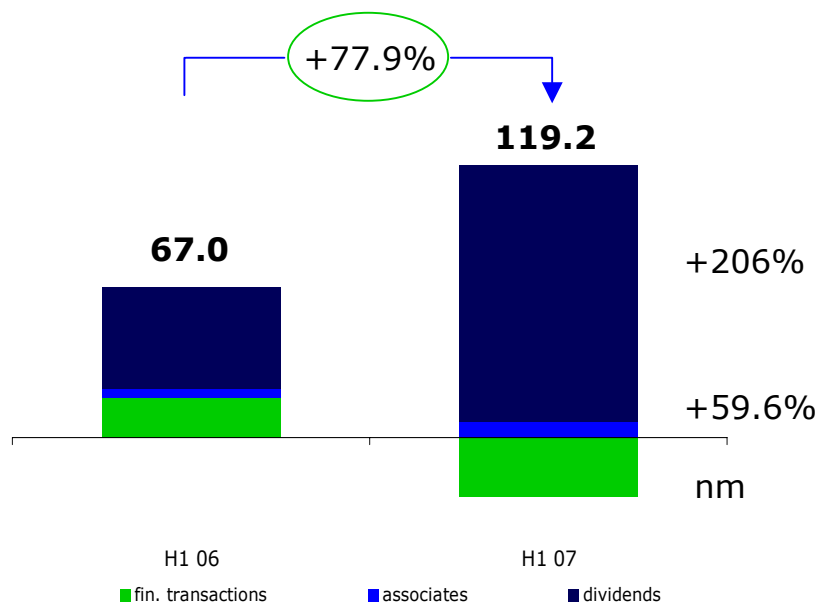
(*) : customers only, excluding institutionals

Profit from financial operations

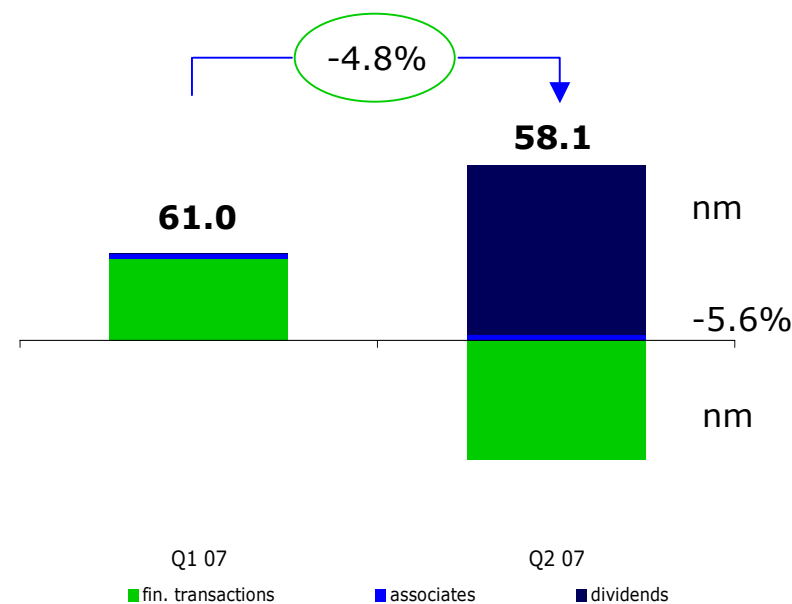
■ Dividends and profits from financial transactions at € 112.2m in H1 2007, up 79.2%. Main drivers:

- trading portfolio performance up € 22.8 m, of which around € 18 m attributable to Akros' activity as market maker on derivatives
- banking book profit up € 31.2 m, namely thanks to disposals of assets available for sale and fair value adjustments on investments
- write-downs on structured bonds at fair value increased by € 5.1 m

First Half € m

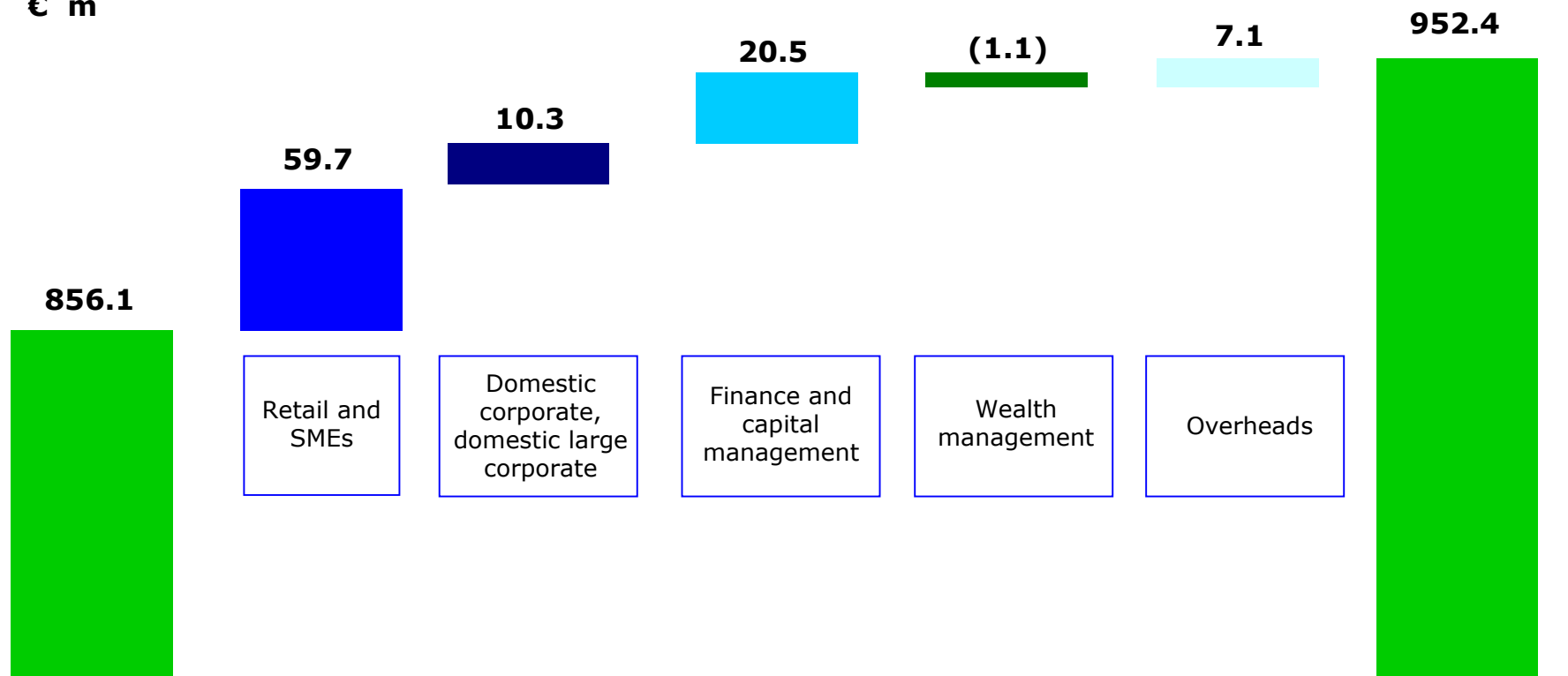


Second Quarter € m



Total income growth by business unit

€ m



Total income
H1 2006

Commercial
banking

Corporate
banking

Investment
banking

Asset
management

Corporate
centre

Total income
H1 2007

YoY change

+9.7%

+13.7%

+26.7%

-4.0%

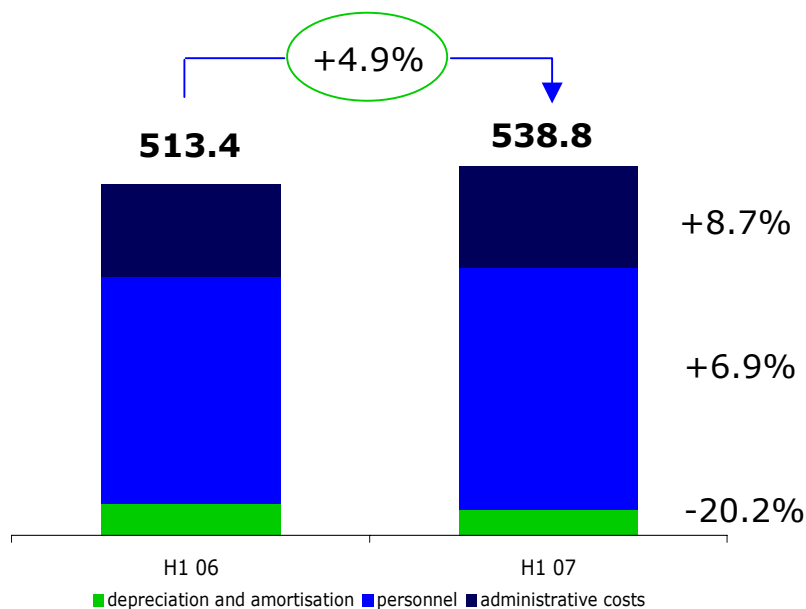
+11.8%

+11.3%

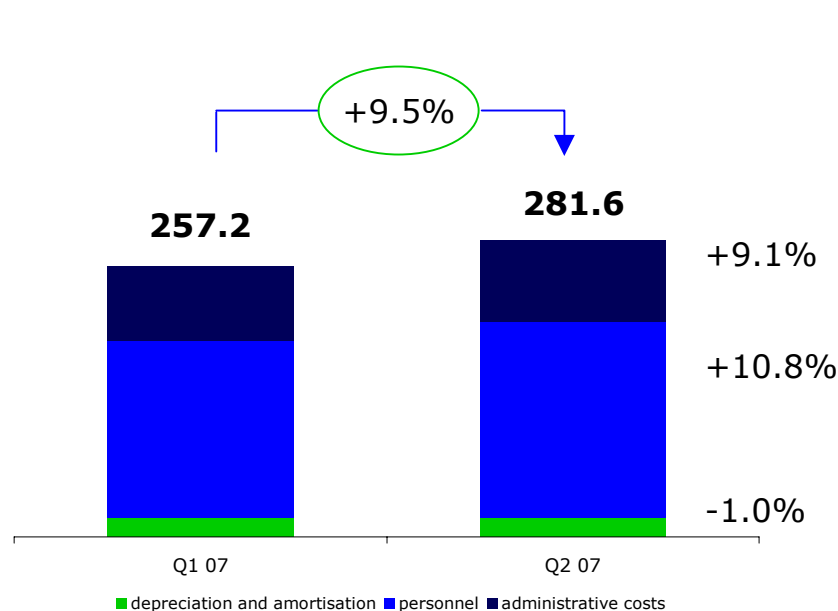
Contract updates and changes in art. 47 affect personnel costs

- Personnel costs grew by € 22.8m YoY primarily explained by:
 - impact of labour contract updates (€ 9.3m)
 - changes in profit sharing system (art. 47 of by-laws) for a total increase of € 17.4m, linked to the parent company's high dividend inflow in Q2 (to be reabsorbed in H2)
- Increase in administrative expenses (€ 11.8m) mainly attributable to higher business related costs and IT infrastructure outsourcing, largely offset by a decrease in depreciation (YoY net growth of the two items: € 2.5 m or +1.4%)

First Half € m

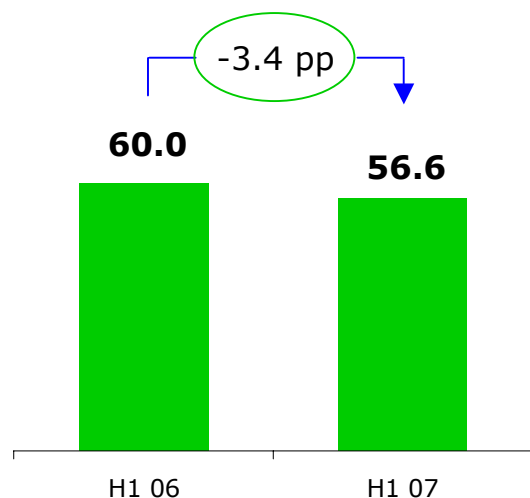


Second Quarter € m

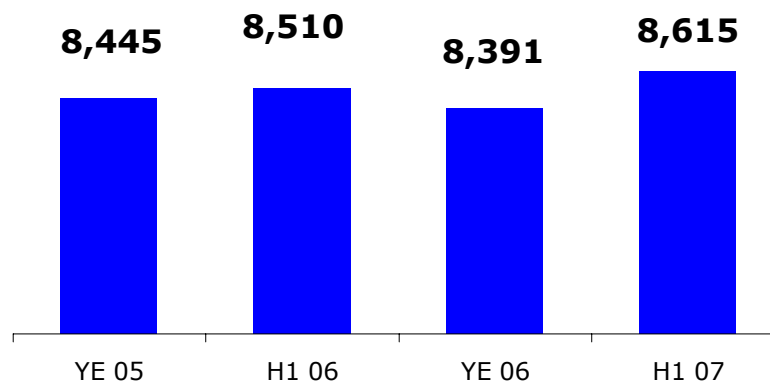


Cost income ratio and staff

Cost income ratio %



Headcount evolution

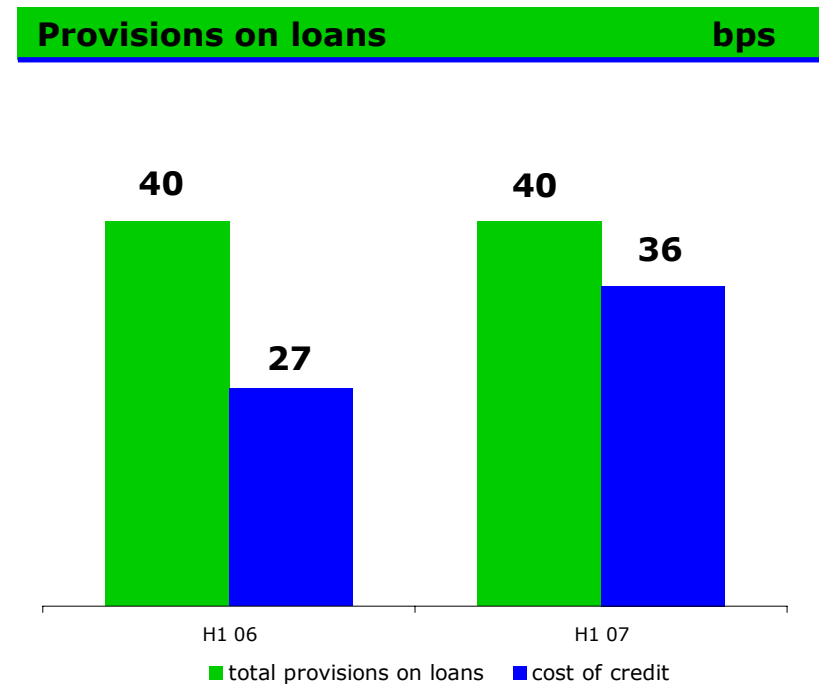
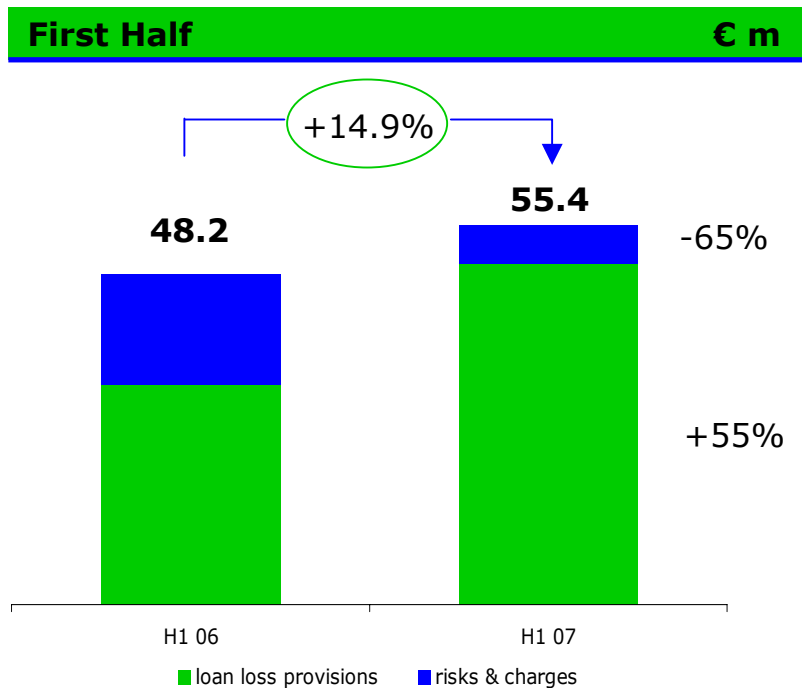


- Cost income down 3.4 percentage points YoY despite statutory increase in personnel costs
- Exits expected in H2 will restore the trend in staff rightsizing as foreseen in the Group business plan
- No branch openings in H1 2007; 13 new branches planned in H2

	H1 07	H1 06	Chg
Employees	8,615	8,510	+105
of which temporary workers	154	120	+34
Points of sale	741	733	+8

Provisions and adjustments

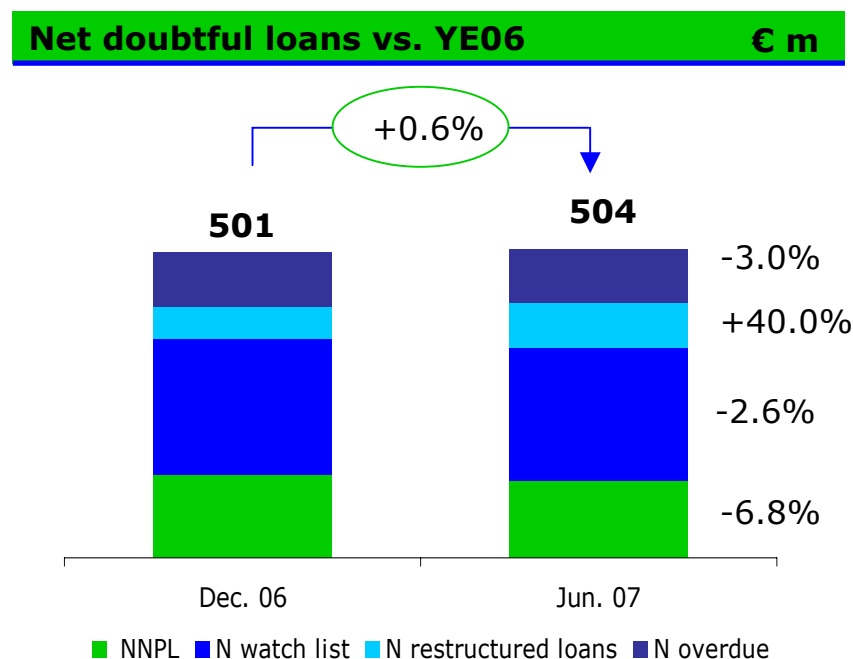
- Total provisions up € 7.3m YoY. Main components:
 - adjustments at € 49.8m (up € 17.8m YoY), fully attributable to an increase in provisions on performing loans linked to higher volumes
 - risk provisions at € 5.6m (down 10.5m YoY), mainly referring to claw-back actions or "revocatorie"
- Write-backs on loan loss provisions at € 33m vs. €38.7m in H1 06



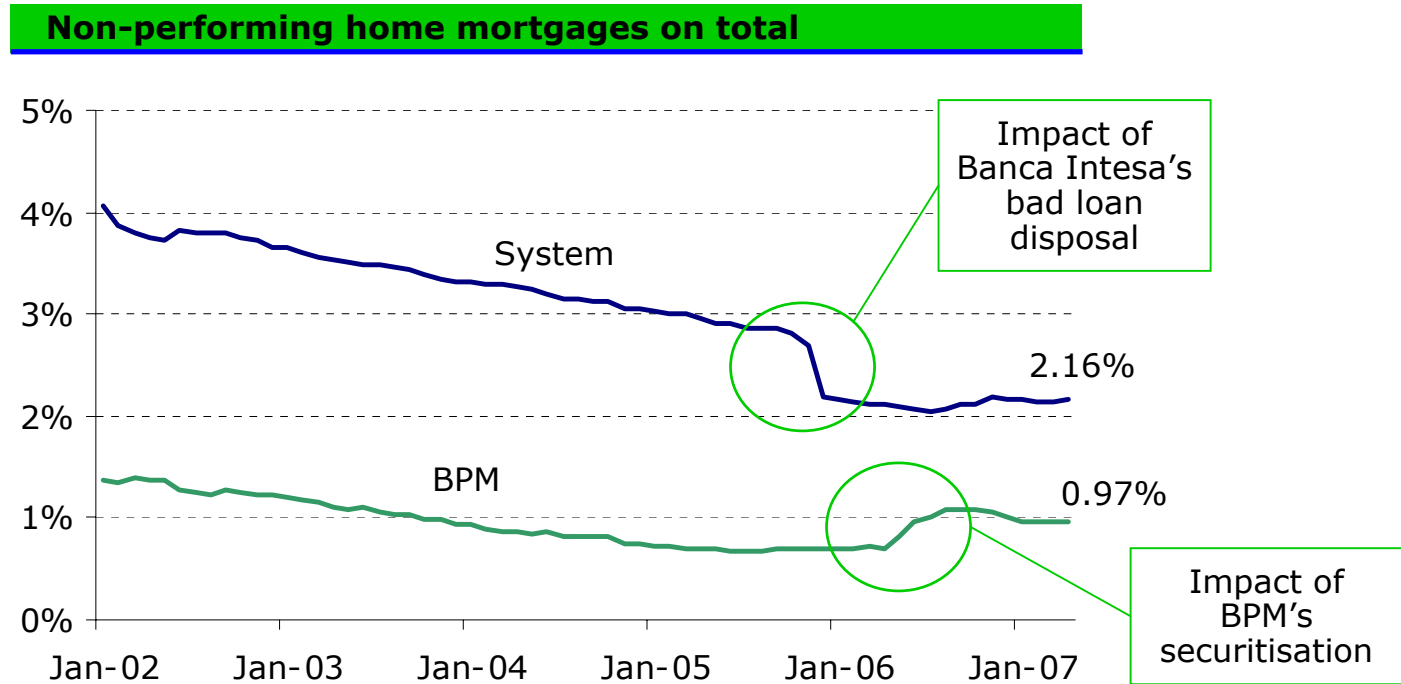
Asset quality improving further

- Asset quality still excellent: net doubtful loans stable versus YE 2006 and declining at 1.8% of total loans versus 1.9% in December 2006
- Gross doubtful loans at 3.1% of total loans compared with 3.4% at December 2006
- Coverage of non-performing loans at 71% versus 69% in June 2006 and 70.6% in March 07

Jun. 07	Ratio	Coverage
Tot. doubtful loans	1.8%	43.7%
Net NPL	0.4%	71.0%
Watch list	0.8%	14.0%
Restructured loans	0.3%	36.7%
Overdue loans	0.3%	2.1%
Performing loans	98.2%	0.7%



BPM's excellent asset quality on mortgages as well



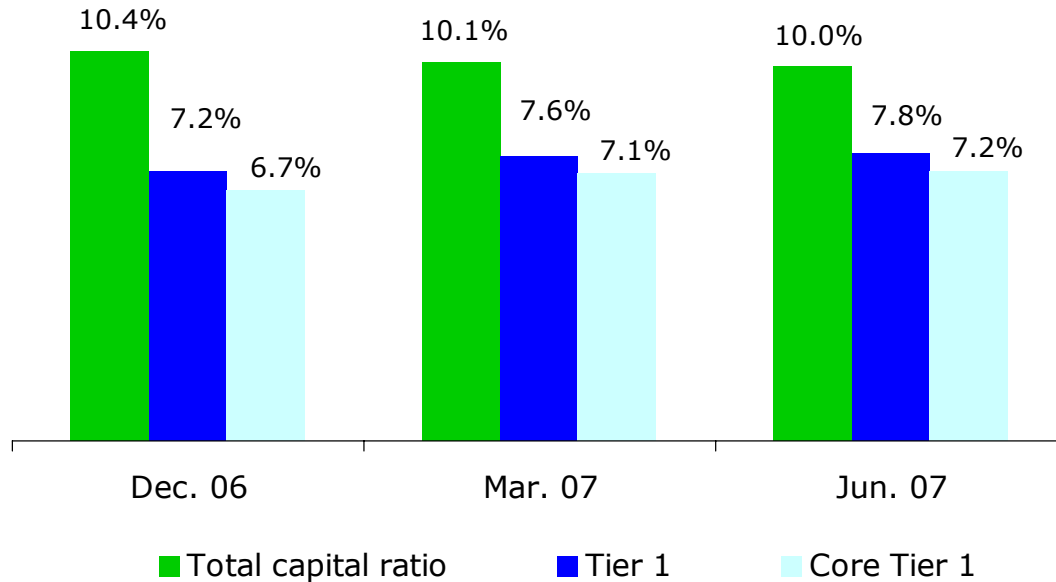
- Percentage weight of BPM's non-performing home mortgages (and property loans) well below the Italian banking system average
- BPM's ratio still 1.20 percentage points lower than average despite the € 2 bn securitisation of performing mortgages in July 2006

Trading book and subprime exposure

Financial assets at Jun. 07		€ m	Fin. assets with subprime exposure			€ m
Financial assets held for trading	3,638			Nominal value	Market value at Jun.07	
Financial assets at fair value	1,368					
Financial assets available for sales	1,930		1.	10	9.9	
Hedging derivatives	15		2.	5	5	
Total	6,951		3.	\$5m	3.7	
as % of total assets	16.3%		Total	~19	18.6	
as % of tot. assets (excl. Akros)	9.8%	as % of total assets		0.3%		

- Negligible exposure to the subprime market through three notes with a total statutory investment cap in subprime mortgages of around € 9.5 m
- Capital loss on these notes at August 20, 2007: € 5.4 m
- High Group standards in risk management and measurement: Akros' market risk model authorised by Bank of Italy in May 07 (third Italian bank officially approved)

Capital ratios



- Tier 1 capital ratio at March and June 07 benefits from the bonus capital increases of BPM, BdL and CRAL approved in H1 07 (totalling € 287 m)
- Total capital ratio (not affected by the bonus capital increase) declines because of increase in RWA (+7% in June 07 versus December 06)
- Impact of Anima acquisition (with an estimated 45 bps decline) not yet included

H1 07 results: reclassified Group P&L

€ m	H1 07	H1 06	% Chg.	Q2 07	Q1 07	% Chg.
Interest income	500.7	428.7	16.8	266.3	234.4	13.6
Net fees and commissions	302.2	311.2	(2.9)	148.8	153.4	(3.0)
Associates, dividends and profits from fin. trans.	119.2	67.0	77.9	58.1	61.0	(4.7)
Other operating income	30.3	49.2	(38.0)	15.1	15.2	(1.0)
Non interest income	451.7	427.4	5.7	222.1	229.7	(3.3)
Total income	952.4	856.1	11.3	488.4	464.0	5.2
Staff costs	(354.1)	(331.2)	6.9	(186.1)	(168.0)	10.8
Administrative costs	(148.1)	(136.3)	8.7	(77.3)	(70.8)	9.1
Depreciation & amortisation	(36.6)	(45.9)	(20.2)	(18.2)	(18.4)	(1.0)
Operating costs	538.8	513.4	4.9	281.6	257.2	9.5
Operating profit	413.6	342.7	20.7	206.8	206.8	0.0
Net adjustments to loans and fin. assets	(49.8)	(32.1)	55.0	(35.9)	(14.0)	156.6
Net provisions for risks and charges	(5.6)	(16.1)	(65.0)	(1.7)	(3.9)	(56.2)
Profit and loss from investments	0.7	73.3	n.m.	0.7	0.0	n.m.
Profit/loss from current operations before tax	358.9	367.9	(2.4)	169.9	188.9	(10.0)
Income tax for the period	(117.9)	(127.2)	(7.3)	(44.6)	(73.3)	(39.2)
Minorities	(6.0)	(2.7)	124	(3.7)	(2.3)	58.2
Group net profit/loss for the period	235.0	238.0	(1.3)	121.7	113.3	7.4

2007 outlook

Revenues

- up around 5% vs. 2006 reported
- up around 7% vs. 2006 adjusted

Operating profit

- up around 9% vs. 2006 reported
- up around 15% vs. 2006 adjusted

Net income

Assumed cost of credit at 45-50 bps, tax rate at around 40%:

- down 10% vs. 2006 reported
- up 30% vs. 2006 adjusted

2006 results adjusted for €15.3m related to deconsolidation of Bipiemme Vita (net commission), €23m of nonrecurring items linked to the closure of 2001 securitisation (other income) and capital gains on asset disposals (€105m - Profit/loss from investments)

Q&A session



Banca Popolare di Milano