FITCH AFFIRMS ITALY'S BANCA POPOLARE DI MILANO AT 'A'; OUTLOOK STABLE

Fitch Ratings-London/Milan-13 June 2008: Fitch Ratings has today affirmed Italy's Banca Popolare di Milano's (BPM) ratings at Long-term Issuer Default (IDR) 'A' with Stable Outlook, Short-term IDR 'F1', Individual 'B/C', Support '3' and Support Rating Floor 'BB+'. Fitch has also assigned a Long-term rating of 'A-' (A minus) to the bank's forthcoming hybrid Tier 1 issue.

BPM's ratings reflect its healthy loan book, adequate capitalisation and solid franchise in its wealthy regional market, which sustains its core traditional banking activity. They also take into account its structurally heavy cost base, a historically weak and difficult to change corporate governance structure, and relatively high concentrations in its loan book.

BPM's operating profitability remains acceptable despite a difficult H207 and Q108. During that time, commissions fell and trading profits decreased in light of falling stocks of assets under management and widening credit spreads. Relative stability in core profitability was achieved through higher volumes of new business and wider customer spreads. Despite improvements in efficiency over the past three years, costs continue to remain higher than at the better performing northern Italy-based banks.

BPM's asset quality is healthy, with a low proportion of impaired loans and higher-than-average loan impairment coverage. Borrower concentration levels, however, remain higher than average for a cooperative bank mostly engaged in retail, small business and SME lending, reflecting its position in industrial Lombardy.

Market risk appetite of the entire group is low. Liquidity has been tightening as a result of strong lending growth, but funding is stable and diversified. Customers provide 65% of total funding (through deposits and long-term bond issues) and the bank has successfully attracted long-term funding on the markets, including in recent times. Capital is expected to remain adequate even after a recently announced branch acquisition, partly thanks to the upcoming hybrid Tier 1 issue.

BPM is the eight-largest bank and fourth-largest cooperative bank in Italy (by end-2007 total assets), with about a 2% national share of loans and deposits.

A credit analysis on BPM will be available shortly on the agency's subscription website, www.fitchresearch.com under Financial Institutions/Banks/Full Rating Reports.

Contacts: Francesca Vasciminno, Milan, Tel: +39 02 879 087 225; Claudia Nelson, London, + 44 207 417 4269.

Media Relations: Hannah Warrington, London, Tel: +44 (0) 207 417 6298.

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