BPM Board of Directors unanimously approves the 2010-2012 Industrial Plan: putting the customer and closer links with the Group’s traditional geographic territory (local presence) at the heart of the plans to increase volumes and profitability, in a context of strong recovery in efficiency.

Main guidelines:
- **Enhance the bank’s competitive advantages** by exploiting BPM Group’s strengths: deep territorial roots and excellent relations with customers
- Launch new initiatives to increase the market share and share of wallet
- **Increase operating efficiency** through an increase in variable costs
- Keep Group capital structure in line with its risk profile

2012 Targets (CAGR 2009 PF\(^1\)-2012)
- **Customer loans**: €40 billion (+7.6%)
- **Funding**: €40 billion (+5.1%)
- **AuM**: €29 billion (+7.8%)
- **Total revenues**: €2.2 billion (+8.1%)
- **Operating profit**: ~€1 billion (+17.7%)
- **Net profit**: €378 million (+45.5%)
- **Cost-income**: 56% (-10 p.p.)
- **Core Tier 1**: 7.20%
- **Cost of credit**: 0.75 (-30 b.p.)

In today’s meeting, the Board of Directors of Banca Popolare di Milano unanimously approved BPM Group’s 2010-2012 Industrial Plan, which will be presented to the financial community during a conference call scheduled for 9 a.m. tomorrow 20 January 2009.

The Plan – which envisages a slight upturn in the economy for the three-year period 2010-2012 (for 2012, GDP 1.5%, ECB interest rate 2.5%) – is aimed at taking full advantage of the bank’s long-standing relations with its customers, thereby confirming the bank’s mission to make it the benchmark bank for Households and Companies in its local geographic area. Among the main objectives of the Industrial Plan we highlight the improvement in operating efficiency and the bolstering of the competitive advantage by

\(^1\) The 2009 pro forma figures have been prepared to allow for a like-for-like comparison with the 2012 targets in the Industrial Plan. The 2009 figures highlight so-called “normalised” profitability, they do not include extraordinary or non recurring data; however some of the data are included in the 2009 nine month results (profit on IRS operations and on Euribor and Bund futures performed by the Parent Company to mitigate the exposure to interest rates and in view of the downturn in interest rates), and others already notified to the market during the nine month 2009 results presentation (charges on early retirement plan “fondo di solidarietà” and capital gains from the disposal of asset and from the Public Tender Offer on Hybrid Instruments).
way of a few targeted measures with a very deep economic impact. The 3 main strategies are:

1) Enhancement of the current customer base
2) Increase in the Group’s market share
3) Improvement in efficiency

Enhancement of the current customer base
For the Household segment, the Group’s main intentions are to: optimise customer segmentation, focus more closely on customer needs, review the product offering, both by simplifying the product range and by improving product pricing, and start up a new financial advisory model. For the small business segment, the actions will be aimed at improving the offering by differentiating it to fit each category of customer (craftsmen, merchants, free-lance people, entrepreneurs), while for SMEs and Corporate customers, the actions will be aimed at strengthening the Share of Wallet, thus widening overall margins and increasing the business. As part of the Plan to focus on the customer the bank will also be aiming to develop its Bancassurance activity.

Increase in the Group’s market share
The new Industrial Plan also provides for a further improvement in the current business model which, among other things, is based on the development of the product companies in order to increase the non-captive market and improve the product offering to current customers. As such, BPM Group intends to set up a consumer credit company (ProFamily), bolster its on-line banking service (Webank) and develop the new Anima sgr in the asset management business. The goal is to increase the current customer base by 250,000 customers.

Improvement in efficiency
The new Industrial Plan also includes specific actions aimed at reorganising, optimising and consolidating the commercial network, the various departments and the processes in order to reduce headcount. Credit policies along with risk management will be merged into the commercial strategy while the capital management and capital allocation functions will be bolstered. In 2012, the Group will have 807 branches in Italy (15 more than in 2009) and 8,628 employees, while the cost of credit is forecast at 0.75% (compared to 1.05% at the end of 2009).

The actions planned under the new Industrial Plan will all have a positive effect on volumes. Specifically, Group funding is estimated to reach a 2009PF-2012 CAGR of €40 billion (+5.1%), mainly due to an increase in sight deposits (+7.4%). In 2012, sight deposits will weigh for about 60% of total funding (+4 p.p. compared to the PF2009), while the weight of institutional customers will fall to about 20%. Loans will increase by 7.6% in the three-year period, taking the total volumes to 40 billion euros. Though loans will undoubtedly benefit from the foreseen improvement in the economy, they will also be driven by the actions set in the Industrial Plan, which are aimed at increasing the Group’s business with households and SoW on SMEs and corporate customers.
Reallocation of household savings from liquidity to higher yield products will bolster the assets under management and assets under custody activities, which will reach 29 and 26 billion euros respectively, thus a 7.8% and 8.9% increase respectively in the three-year period.

As far as financial objectives are concerned, the new Industrial Plan will lead to a rise in net profit of 378 million euros (+45.5% CAGR in 2009PF-2012), partly owing to the economic recovery, albeit slow, foreseen for the period and partly to the increase in total revenues which, driven by the measures set out in the Industrial Plan, will reach 2.2 billion euros (+8.1% CAGR). Thanks to the very tight control on costs and the steps taken to improve the operating efficiency, operating costs will only grow very slightly (+2.3% CAGR); this will allow the Group to offset the higher costs foreseen in the development plans. The foregoing will thus allow the cost-income to settle at around 56%, down by 10 p.p. compared to 2009, while operating profit will be around 1 billion euros (+17.7% CAGR).

Thanks to the focus on asset quality, the cost of credit should fall from 105 b.p. to 75 b.p., and this will increase the net income by 45.5%, while ROE will be 9.5%.

The growth targets set in the 2010-2012 Industrial Plan have been calculated using pro forma final end-of-year 2009 results; these results have not been audited by an independent accounting firm. The pro forma 2009 results have been prepared only to allow the bank to compare them with the 2012 target figures set in the Industrial Plan on a like-for-like basis. The 2009 figures highlight so-called “normalised” profitability, they do not include extraordinary or non recurring data; however some of the data are already included in the 2009 nine month results (profit on IRS operations and on Euribor and Bund futures performed by the Parent Company to mitigate the exposure to interest rates and in view of the downturn in interest rates), and others already notified to the market during the nine month 2009 results presentation (charges on early retirement plan “fondo di solidarietà” and capital gains from the disposal of asset and from the Public Tender Offer on Hybrid Instruments).

Thus, the 2009 pro forma figures must not be taken as pre-notification of final 2009 results.

The following table shows the main 2012 targets:

<table>
<thead>
<tr>
<th>€m (average volumes)</th>
<th>2009 PF</th>
<th>Target 2012</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding</td>
<td>34,630</td>
<td>40,173</td>
<td>+5.1%</td>
</tr>
<tr>
<td>Loans</td>
<td>32,351</td>
<td>40,330</td>
<td>+7.6%</td>
</tr>
<tr>
<td>AuC</td>
<td>19,951</td>
<td>25,760</td>
<td>+8.9%</td>
</tr>
<tr>
<td>AuM</td>
<td>23,209</td>
<td>29,060</td>
<td>+7.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>€m</th>
<th>2009 PF</th>
<th>Target 2012</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>1,742</td>
<td>2,197</td>
<td>+8.1%</td>
</tr>
<tr>
<td>Operating costs</td>
<td>(1,147)</td>
<td>(1,227)</td>
<td>+2.3%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>595</td>
<td>970</td>
<td>+17.7%</td>
</tr>
<tr>
<td>Net profit</td>
<td>123</td>
<td>378</td>
<td>+45.5%</td>
</tr>
<tr>
<td>------------</td>
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</tr>
<tr>
<td><strong>2009 PF</strong></td>
<td><strong>Target 2012</strong></td>
<td><strong>Change</strong></td>
<td></td>
</tr>
<tr>
<td>Cost/Income</td>
<td>66%</td>
<td>56%</td>
<td>-10 p.p.</td>
</tr>
<tr>
<td>ROE</td>
<td>3.3%</td>
<td>9.5%</td>
<td>+6.2 p.p.</td>
</tr>
<tr>
<td>Tangible ROE</td>
<td>4.2%</td>
<td>12.0%</td>
<td>+7.8 p.p.</td>
</tr>
<tr>
<td>Cost of credit</td>
<td>1.05</td>
<td>0.75</td>
<td>-30 b.p.</td>
</tr>
<tr>
<td>Tier1</td>
<td>7.90%</td>
<td>7.20%</td>
<td>-70 b.p.</td>
</tr>
</tbody>
</table>

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