BANCA POPOLARE DI MILANO

The Board of Directors approves Bipiemme Group’s 2011-13/2015 Business Plan, which is based on three strategic pillars: profitability and risk management, strengthen activities on Retail and SMEs and improving efficiency

The plan provides for the following economic-financial targets for 2015

- Total income: €2.1 billion (CAGR 7.8%)
- Staff fixed costs stable for the full period of the plan
- Administrative costs falling to €311 million (CAGR -0.7%)
- Cost of credit: 57 bps
- Net profit: €394 million (CAGR 30%)
- Pay-out: 45%; forecast €1 billion dividend distribution for the full period of the plan, including an extraordinary dividend\(^1\)
- Core Tier 1\(^2\) 9.9% and Total Capital Ratio 13.2% without considering the distribution of the extraordinary dividend

In today’s meeting, the Board of Directors of Banca Popolare di Milano examined and approved BPM Group’s 2011-2013/2015 Business Plan.

The new Business Plan contains the strategic actions already rolled-out in 2010, which are still valid, but, given the changes in the macroeconomic conditions, it also includes new actions focused on a tighter control of risks, an increase in volumes, supported by a stronger capital base, but compatible with the funding mix and improvement in efficiency.

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\(^1\) Pay-out of the extraordinary dividend is subject to the temporary prudential measures set by the Bank of Italy not being enacted. Based on the measures provided for in the Business Plan, BPM feels that the penalties on the capital requirements may be gradually removed in order to return to “normal” ratios by the end of 2013. Thereafter, the group will proceed to redeem the capital over and above the Core Tier 1 target of 9% to the shareholders.

\(^2\) The difference between this figure and the Core Tier 1 target of 10.4% announced on 12 May this year is due to the forecast higher growth in loans and the different loan-portfolio mix owing to a shift from the Large Corporate and Financial Institutions segment to SMEs.
Based on the information given to the market on 12 May this year and the decisions passed during the shareholders’ extraordinary general meeting on 25 June, the actions in the new Business Plan will be carried out as part of a strategy that includes the capital increase envisaged to take place by autumn this year for a maximum of €1.2 billion, in addition to the already announced early conversion of the mandatory convertible 2009-2013 bond, the redemption of the so-called Tremonti Bond and exercise of the call on the Tier 1 8.393% bond issued in 2001.3

The 2011-2013/2015 Business Plan is based on three main strategic pillars:

1. Profitability and risk management, with a focus on:
   a. the rationalisation and optimisation of the loans book (de-leveraging and liquidity);
   b. the improvement of management tools and credit policies.
2. Strengthening activities on Retail and SMEs, by way of:
   a. focusing on the existing network and customers;
   b. strengthening activities on Private Banking and SMEs;
   c. strengthening Webank and Profamily.
3. Improvement of efficiency by:
   a. Enhancing the IT platform
   b. simplifying the group and reorganising the commercial network and the headquarters
   c. staff efficiency training.

Specifically, the following plans contain the measures to be taken for each strategic pillar:

1. **Profitability and risk management plans**

The goal to improve profitability will be pursued by way of targeted actions on the loans portfolio in order to obtain a better control on risks. This will be achieved by rationalising the “Corporate” portfolio, in particular the Large Corporate, Financial Institutions and Real Estate segments.

The plan provides for loan growth of 4.2% (CAGR 2010-2015) driven by the retail segment (+8%; CAGR 2010-2015) and, within it, growth in consumer credit and the effects of the following measures:

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3 The actions are subject to Bank of Italy’s expected authorisation
• a €2.5 billion (-40%) reduction in loans to the Large Corporate and Financial Institutions segment by way of commercial actions that are partly already planned and partly being rolled-out, mainly on syndicated loans and financial loans;

• a €0.8 billion reduction (-10%) in loans to real-estate developers by the end of the plan by:
  o reducing “financial” positions and deals with real-estate developers, depending on the time needed to complete and dispose of the properties;
  o introducing a plafond on loans (monthly and yearly caps);

• remix of the loans portfolio to the Corporate segment to obtain:
  o growth in the non real-estate segment with an increase in the Share of Wallet from 9% to 14% on less risky customers;
  o optimisation of the risk/profitability (along with current actions);

• enhance activities on SMEs, for an overall increase of €3 billion, of which €2 billion from the increase in the Share Of Wallet on low-risk customers and about €1 billion from loans to new customers. This growth will be recorded both in those area where BPM is already present, by increasing the number of relationship managers, and refocusing the business of some retail branches in high SME industrial areas;

• growth via BPM retail customers through both the traditional network and through specialised networks, in particular by way of the Profamily sales force (+€2 billion in loans in 2015, CAGR 82.1%) and a specific consumer credit company.

In order to achieve the loans targets, the loans policies will be strengthened by enhancing the current management tools. This will be achieved by developing functional metrics and by optimising the capital base and cost of credit. The bank will also apply the risk adjusted pricing method.

2 Growth plans for Retail and SMEs

The new plan provides for direct and indirect funding to grow by about €16 billion (+4.8%, CAGR 2010-2015) through actions aimed at tapping customers’ current natural tendency to save and at improving the bank’s current market share. This will be achieved by:
• implementing specific commercial planning actions in order to close the gap between potential and actual commercial growth on about a third of the branches, also by adding new staff to support the commercial actions;
• rolling out a new organisational model by the end of 2011 that groups 250 small branches. The branch activities will be managed and coordinated by about 60 head branches;
• boosting indirect funding by widening the range of assets-under-management and insurance products thanks to the specialised support of Anima Prima and Covéa and by full deployment of the Investment Center activities (asset allocation and on the portfolio management activity) with products and investments tailored to the kind of customer;
• increasing the funding from the Private segment by enlarging the offer for Private banking services to the approx. 5,000 current customers and by the addition of another 40 Private Investment managers;
• growing funding from new customers through Webank thanks to the innovative kind of channel and offer.

3 Efficiency improvement plans

The new Business Plan includes some specific actions to support the improvement in efficiency as well as specific measures to rationalise the group’s commercial banks’ processes and structures, specifically:

• a new bank called the “Banca del Territorio” will be created by merging Cassa di Risparmio di Alessandria into Banca di Legnano, thereby generating synergies for about €13 million in staff and administrative costs by simplifying the activities of two small banks in a single significantly larger bank;
• enhancing the IT system in order to reduce costs by at least 25% by the end of 2015, thus generating further benefits on the bank’s organisational functioning. Decisions on the outsourcing of certain IT services and on targeted solutions are expected by the end of 2011, depending on the outcome of the feasibility studies being carried;
• reengineering of processes and structures that provide for:
  o continuation of on-going actions (of which the centralisation of mortgage management, streamlining of the network administrative activity, ...) thus freeing about 100 people (FTE) in the network that can be re-allocated to commercial activities;
  o completion of the installation of CICO and Self Service machines (more than 700 new machines), thus allowing for further migration from bank counters to automated machines (about 20% of operations
are currently done on the new terminals), thus tellers will be able to
dedicate time to commercial activities.

The plans also provide for some specific staff measures that focus on the value of
the staff transferred from the various other activities and that also allow for more
flexibility in the organisation of the staff (specially in the network).

Under the 2011-2015 Business Plan, continuation of the on-going process to
optimise administrative costs will allow the bank to keep the increase in costs very
low.

Lastly, the new Business Plan provides for the continuation of the Corporate Social
Responsibility (CSR) projects by introducing CSR into the group’s strategies and
processes in order to reinforce the group’s reputation.

**ECONOMIC AND FINANCIAL TARGETS**

The trends in the macroeconomic conditions and financial markets that so
characterised the first part of 2011 are the base scenarios, and still prudent, used to
draw up the actions and goals set in the 2011-2013/2015 Business Plan. The
forecast macroeconomic indicators are:

<table>
<thead>
<tr>
<th>macro indicators</th>
<th>2011</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italian GDP</td>
<td>0.9%</td>
<td>1.4%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Lombardy GDP</td>
<td>1.5%</td>
<td>1.8%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Italian CPI</td>
<td>2.9%</td>
<td>1.7%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

The expected trend in the 3-month Euribor rate, starting from the current market
rates and, also in this case, taking a conservative approach, is as follows:

<table>
<thead>
<tr>
<th>Interest rate trend</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU 3M – (Ave)</td>
<td>1.55%</td>
<td>2.20%</td>
<td>2.71%</td>
</tr>
</tbody>
</table>

As far as the Italian banking sector is concerned, loans are expected to grow by
5.5% in 2011 and 4% at the end of the plan. Funding will be less dynamic with
3.3% growth in 2011 and around 4% at the end of the plan. Still with reference to
the banking industry as a whole, the cost of credit is expected to fall from 0.97% in
2011 to 0.76% in 2015.
Based on the macroeconomic scenario and the outlined actions, the expected targets in the 2011-2015 Business Plan are as follows:

### Volume figures

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2013</th>
<th>2015</th>
<th>Cagr 10-13</th>
<th>Cagr 10-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding</td>
<td>27.1</td>
<td>34.1</td>
<td>37.7</td>
<td>8.0%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Loans</td>
<td>34.1</td>
<td>38.4</td>
<td>42.0</td>
<td>4.0%</td>
<td>4.2%</td>
</tr>
</tbody>
</table>
| RWA
|                | 37.0 | 42.7 | 47.2 | 4.9%       | 5.0%       |
| AUC            | 19.3 | 19.3 | 19.9 | 0.0%       | 0.6%       |
| AUM            | 14.6 | 17.3 | 19.5 | 5.8%       | 6.0%       |

### P&L results

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2013</th>
<th>2015</th>
<th>Cagr 10-13</th>
<th>Cagr 10-15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total income</strong></td>
<td>1,431</td>
<td>1,876</td>
<td>2,086</td>
<td>9.4%</td>
<td>7.8%</td>
</tr>
<tr>
<td><strong>Operating costs</strong></td>
<td>1,110</td>
<td>1,152</td>
<td>1,168</td>
<td>1.3%</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>106</td>
<td>291</td>
<td>394</td>
<td>40.0%</td>
<td>30.0%</td>
</tr>
<tr>
<td><strong>Cost of credit</strong></td>
<td>72bps</td>
<td>55bps</td>
<td>57bps</td>
<td>-17bps</td>
<td>-15bps</td>
</tr>
<tr>
<td><strong>Cost/income</strong></td>
<td>77.5%</td>
<td>61.4%</td>
<td>56.0%</td>
<td>-16pp</td>
<td>-21pp</td>
</tr>
<tr>
<td><strong>ROTE</strong></td>
<td>3.5%</td>
<td>7.1%</td>
<td>9.1%</td>
<td>+3.6pp</td>
<td>+5.6pp</td>
</tr>
<tr>
<td><strong>EVA</strong></td>
<td>-161</td>
<td>15</td>
<td>124</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The management will go over the 2011-2013/2015 Business Plan during a conference call with the financial community at 8.30 am (CET) tomorrow, 20 July 2011. This is the number to connect to the conference call:

Italy: +39 02 805 8811 – UK: +44 1 212 818 003 – USA: +1 718 705 8794

Milan, 19 July 2011

*Please note that the original version is in Italian. In case of doubt, the Italian version will prevail.*

For information contact:

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4 The volume aggregates, including those used to calculate the cost of credit, do not refer to the balance sheet figures as at 31 December 2010 but the average monthly figures at the end of December taken from internal management reports. Furthermore, the figures do not include the aggregate figures for Banca Akros, Bipiemme Vita and Anima Sgr.

5 Without considering the penalties on the capital requirements set by the Bank of Italy.
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