



BANCA POPOLARE DI MILANO

# Bipiemme Group First Half 2011 Results

**Milan, 25 August 2011**

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*Mr Roberto Frigerio, as the manager responsible for preparing the bank's accounts, hereby states, pursuant to Article 154 bis, paragraph 2 of the Testo Unico della Finanza (the Finance Act), that the accounting information contained in this report corresponds to the documentary evidence, corporate books and accounting records.*

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*Following the agreement between Banca Popolare di Milano and Gruppo Covéa on the strategic partnership of the bancassurance activity, which provides for the sale of 81% of Bipiemme Vita to the French insurance group, Bipiemme Vita's assets and liabilities have been consolidated under IFRS 5 procedures as "non-current assets (or disposal groups) held for sale and associated liabilities". The 2011 and 2010 figures have been reclassified by deconsolidating Bipiemme Vita to allow for a like-for-like comparison. Likewise, all cost and income items, after all tax effects related to Bipiemme Vita, have been reclassified under Item 310 "Profit (loss) from groups of assets after taxes held for sale" for both 2010 and Q1 2011.*

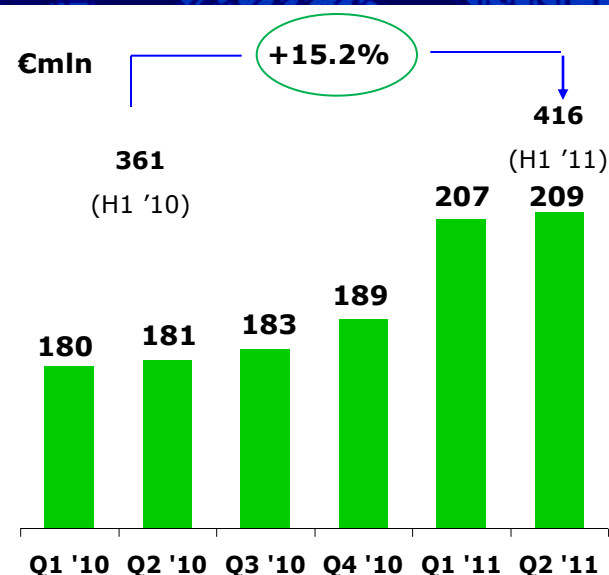
*Furthermore, as a consequence of the disposal of the majority stake in Anima Sgr and its deconsolidation from the results as at 31.12.2010, the 2010 results were reclassified to allow for a like-for-like comparison.*

# June 2011: main trends

(1/3)

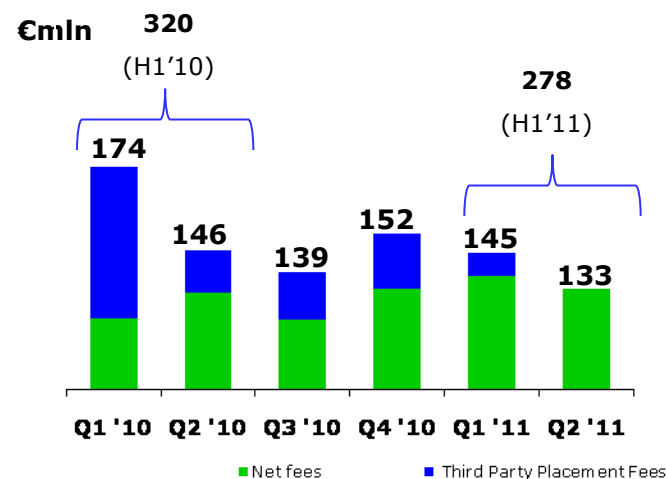
## NET INTEREST INCOME

- Positive net interest income quarterly trend confirmed.
- In first 6 months 2011, net interest income performance YoY was +15.2% thanks to good commercial banking and contribution from investment banking, which more than offset the increase in cost of wholesale funding.

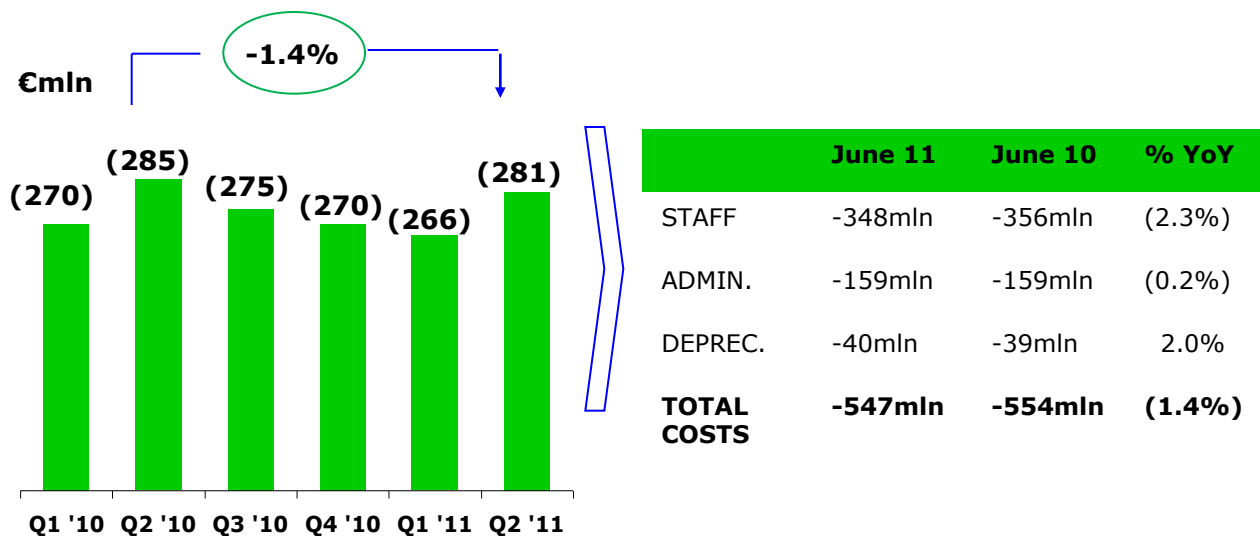


## NET FEES AND COMMISSIONS

- Up YoY (+0.4%) net of fees on Third Party bond placements, which totalled €7.4m in H1 '11 vs €50.4m in H1 '10.
- The significant reduction in Third Party placement fees is tied to a strategic decision to focus on the placement of BPM bonds.
- Net fees performance was even more positive given the lack of contribution from Custodian Bank commissions (€7m) in H1 '11 (sold in H1 '10).



## OPERATING COSTS



- ❑ In Q2 '11 operating costs were €281m, down YoY despite investments made in accordance with the actions planned in the Business Plan
- ❑ The QoQ growth was essentially due to seasonality (art. 47) and it also reflected one-off costs linked to the recent exit of some top managers (around €3m)
- ❑ Very positive staff cost trend in H1 '11 (-2.3% YoY) mainly thanks to staff cost reduction in commercial banks as a result of the participations in the Early Retirement Plan.

# June 2011: main trend

(3/3)

## NORMALISED PROFIT

□ In H1 '11 normalised profit was €49.3mIn, up 39.9% YoY

	Profit/Loss for the period	Profit/Loss from non-recurring operations	Profit from recurring op.
JUNE'10	70.2mIn	34.9mIn	35.2mIn
JUNE'11	42.7mIn	-6.7mIn	49.3mIn

+39.9%

- Disposal of Custodian Bank
- Bipiemme Vita
- Anima SGR

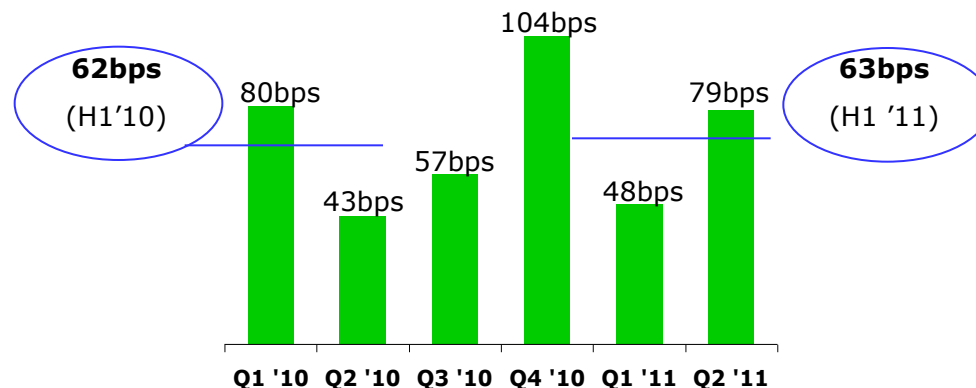
- Bipiemme Vita and Bipiemme Assicurazioni

## ASSET QUALITY

□ Cost of credit risk stable in June 2011 vs June 2010 (+1bp YoY).

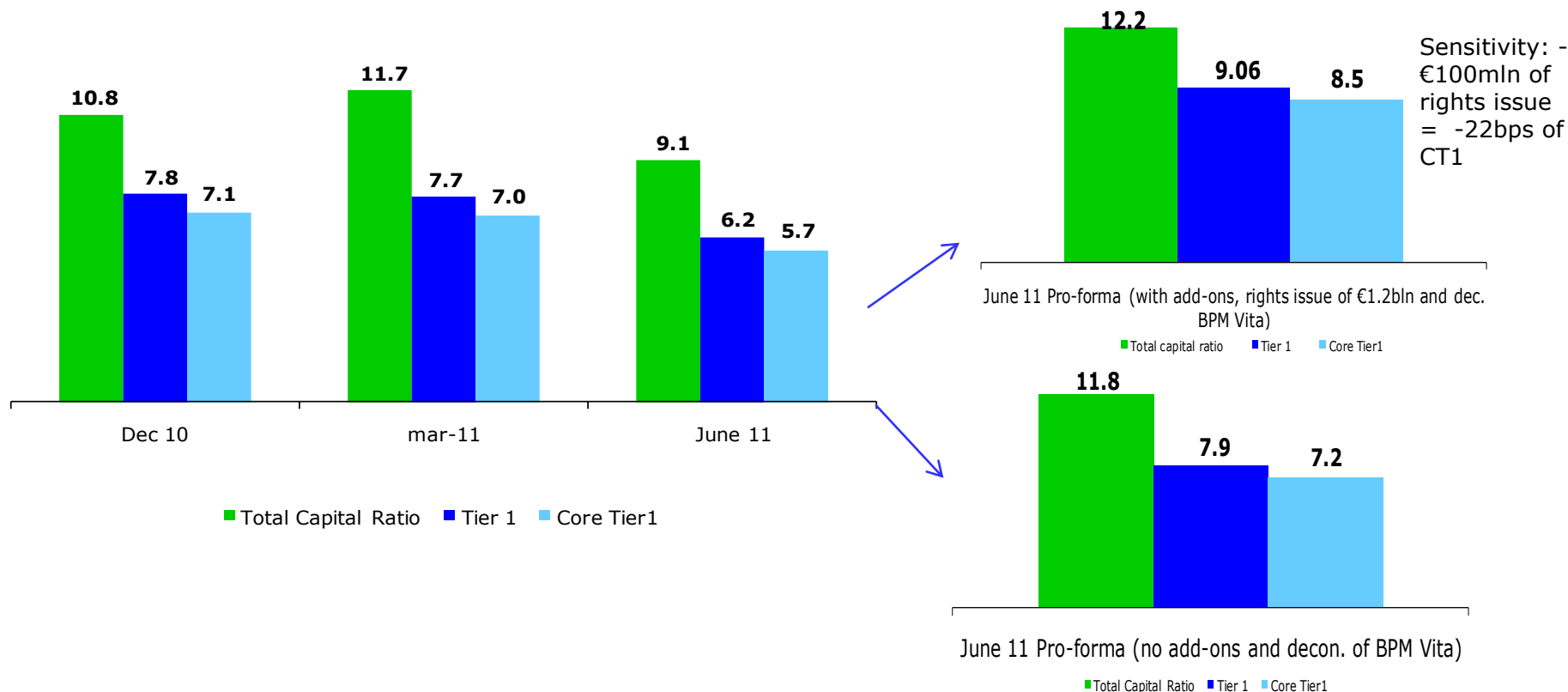
□ Volatile cost of credit on quarterly basis: Q2 '11 includes €25mIn in provisions for two corporate positions classified among restructured loans.

## QUARTERLY COST OF CREDIT (annualised)



# June 2011: capital ratios

## QUARTERLY TREND OF CAPITAL RATIOS

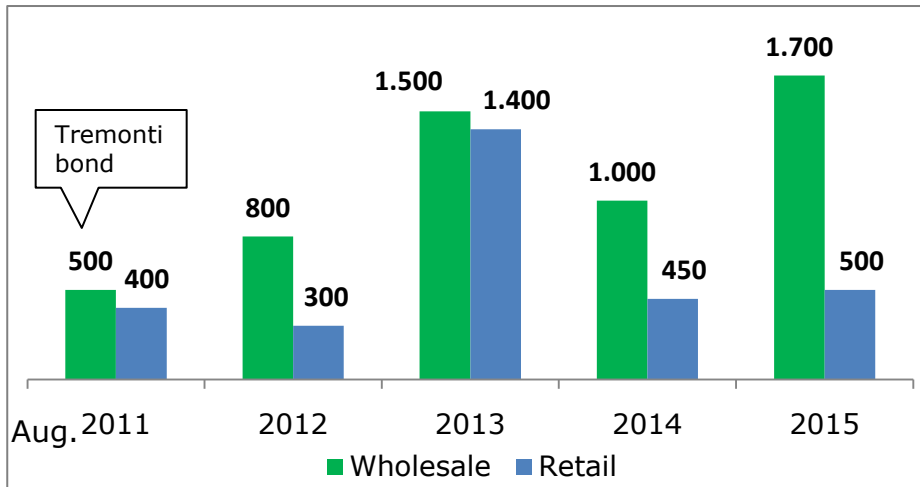


❑ Bipiemme Group's capital ratios as at June 2011 include the higher weighting on assets requested by Bank of Italy.

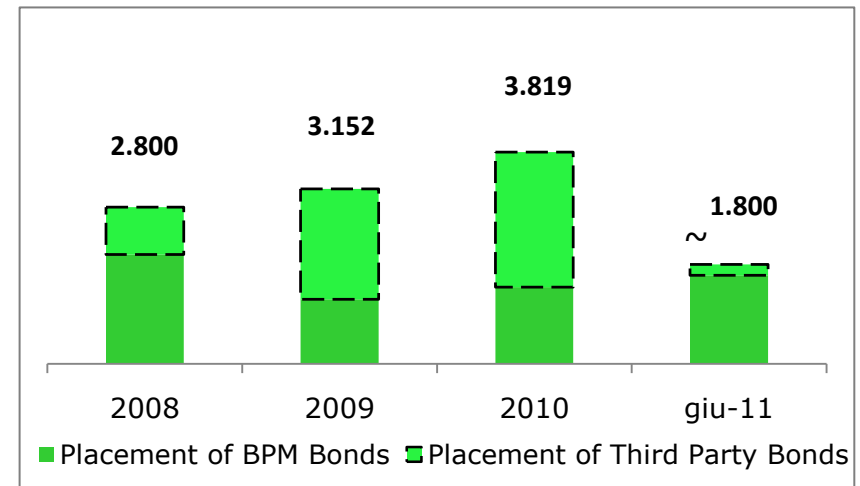
❑ The total effect on risk weighted assets deriving from the additional weighting was €8.3bln, which leads to a negative effect of 124bps on the CT1, 136bps on the Tier1 and 199bps on the Total Capital Ratio.

# LIQUIDITY: well balanced

## MATURITIES (€mln)



## FUNDING : COMMERCIAL NETWORK (€mln)



- In H1 '11, €2,075mln in wholesale placements plus €1.8bln in retail customer bond placements
- The funding mix was well diversified: about 80% from retail customers and about 20% from wholesale customers
- Overall liquidity position was positive at 3 months\*
- €7.2bln ECB eligible assets

(\* Source: Bank of Italy weekly data)

# H1 2011 results: highlights

€ mln	June 11	June 10	%
Loans	35,848	33,412	7.3
Funding *	37,684	35,560	6.0
AUC	21,018	20,139	4.4
AUM**	15,180	16,319	(6.7)
Core Tier 1***	5.7	7.7	(2pp)
Tier1***	6.2	8.5	(2.3pp)
TCR***	9.1	12.3	(3.2pp)

(\*\*\*) Effected by higher weighting sought by Bank of Italy (see slide 6)

**Loans:** +7.3% YoY thanks to good trend in mortgages (€2.2bln in H1 '11) and to increase in loans to SB and SMEs. Financial loans down by about €700mln .

**Funding:** +6.0% YoY driven by the increase in securities in issue: in 1H '11 retail issuance totalled about €1.8mln and wholesale over €2bln. Market share up from 2.35% in May '10 to 2.37% in May '11.

**AUM:** -6.7% YoY mainly due to negative trend in financial markets.

€ mln	June 11	June10	%
Net interest income	416.0	361.2	15.2
Total income	746.7	747.4	(0.1)
Operating profit	200.2	193.0	3.7
Net profit	42.7	70.2	(39.2)
Cost/income %	73.2	74.2	(100bps)

**Net interest income:** up 15.2% YoY thanks to positive trend in commercial banking (mainly thanks to growth in mark-down) and to good contribution from government bond portfolio which more than offset the increase in the cost of wholesale funding.

**Operating profit:** the substantially stable total income (-0.1%) along with the fall in overall costs (-1.4%) led to the growth in operating profit (+3.7%)

\* The figures as at June 2010 are Bipiemme Vita's pro-forma figures (being sold in 2011) for a like-for-like comparison .

\*\* As of 29 December 2010 Anima SGR is no longer part of the scope of consolidation. Figures as at June '10 were adjusted for Anima SGR.

# H1 2011 results : main P&L data (YoY)

€ mln

June 11 June 10

	June 11	June 10
<b>Net interest income</b>	<b>416.0</b>	<b>361.2</b>
<b>Net fees and commissions</b>	<b>278.3</b>	<b>320.0</b>
Associates	3.8	(2.7)
Net income from financial activities	34.3	48.4
Other operating charges/income	14.3	20.5
<b>Non-interest income</b>	<b>330.7</b>	<b>386.2</b>
<b>Total income</b>	<b>746.7</b>	<b>747.4</b>
Staff costs	(347.7)	(356.0)
Administrative costs	(158.8)	(159.1)
Net adjust. on tang. and intang. assets	(40.1)	(39.3)
<b>Operating costs</b>	<b>(546.5)</b>	<b>(554.4)</b>
<b>Operating profit</b>	<b>200.2</b>	<b>193.0</b>
Net adjust.to loans and fin. Assets	(113.0)	(102.9)
Net provisions for risks and charges	(2.3)	(2.8)
Profit/loss from investments	0.8	55.0
<b>Profit/loss from curr.op. before taxes</b>	<b>85.6</b>	<b>142.4</b>
Income tax for the period	(34.8)	(64.2)
Profit/loss on assets held for sale	(6.7)	(4.5)
Minorities	(1.5)	(3.5)
<b>Net profit for the period</b>	<b>42.7</b>	<b>70.2</b>

**Net interest income:** up thanks to contribution from commercial margin (~+€35mln YoY) and from investment banking (~+€50mln YoY) which more than offset the increase in wholesale funding cost (~-€25mln YoY)

**Net fees and commissions:** down due to fewer third party bond placements (bonds placed: €201mln as at June '11 vs €1,519mln as at June '10)

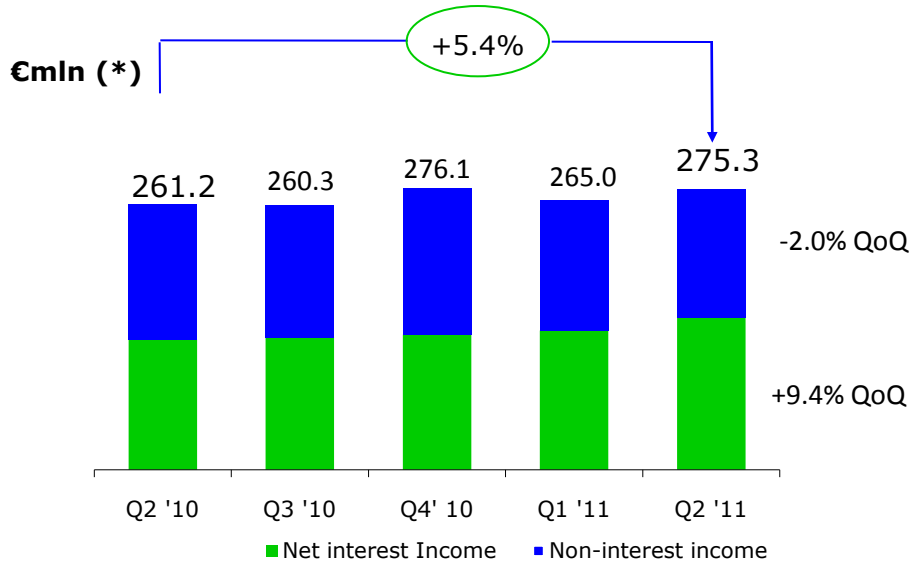
**Net income from fin. act.:** down YoY mainly due to less contribution deriving from interest rate derivatives and to less profit from Banca Akros owing to fewer flows from wholesale customers

**Staff costs:** down mainly due to Early Retirement Plan (€-8.3mln) despite one-off charges for exit of some top managers (around + €3mln)

**Net adj. to loans:** Q2 11 includes €25mln from exposure to two corporate positions classified among restructured loans

**Profit/loss on assets held for sale.:** includes contribution from Bipiemme Vita and Bipiemme Assicurazioni as at June '11 and contribution from Bipiemme Vita and Anima SGR as at June '10

# Commercial Banking: total income



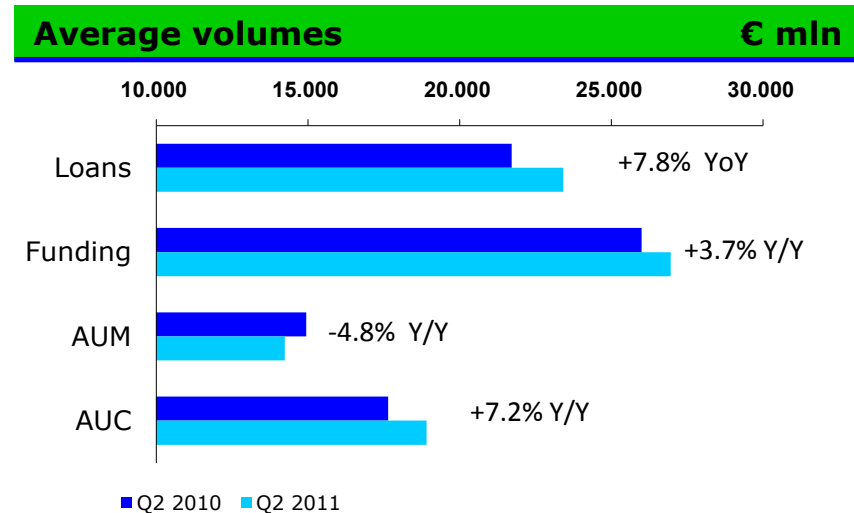
■ Net interest income: +9.4% QoQ, mainly due to improvement in spreads (+15bps QoQ) driven by increase in mark-down (+18bps QoQ), which more than offset the slight drop in mark-up (-3bps QoQ).

■ Non-interest income: -2.0% QoQ, due to reduction in fees from third party bond placements (€7.4mIn in Q1), partially offset by good trend in commissions from traditional banking.

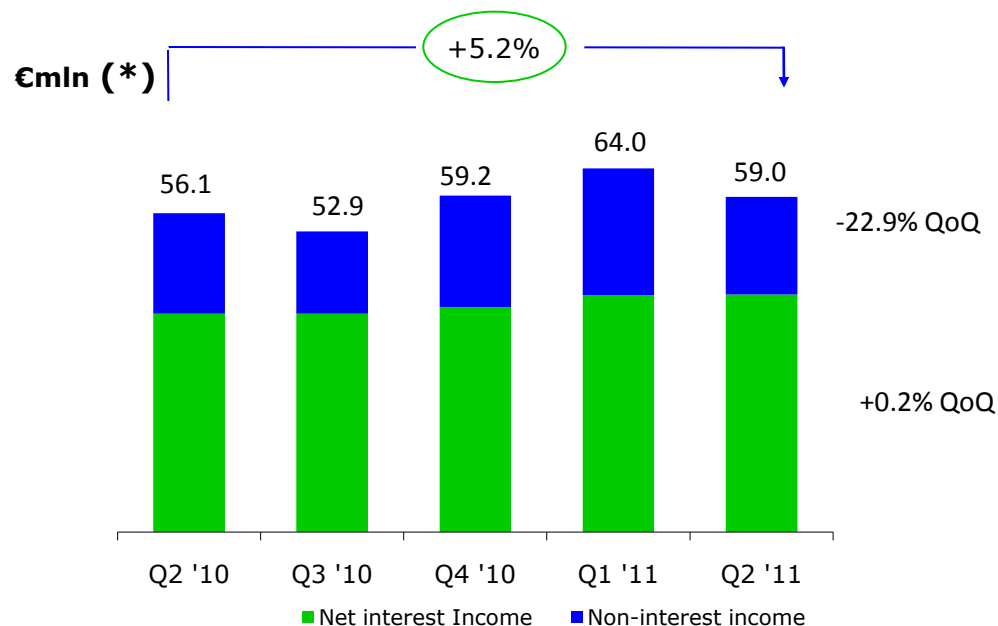
■ Loans: +7.8%, driven by new mortgages and personal loans. In Q2 new loans exceeded €1bln and installment loans totalled about €450mIn

■ Funding: +3.7%, driven mainly by bond issuances. Sight deposits were basically stable.

■ Indirect funding: up 1.7% vs June '10



# Corporate Banking: total income



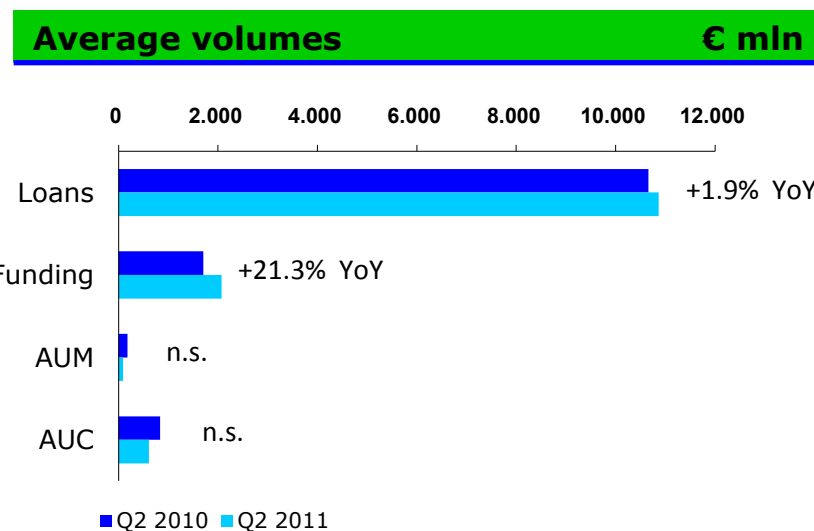
- Total income: +5.2% YoY thanks to increase in net interest income (+8.9% YoY), driven by mark-down and mark-up respectively up by 5bps and 8bps.

- Net interest income: stable QoQ; mark-up increasing from Q4 '10 (+12pb) and (+1bp QoQ).

- Non-interest income: down €5mIn QoQ, essentially due to less commission on FX, loans and portfolio management.

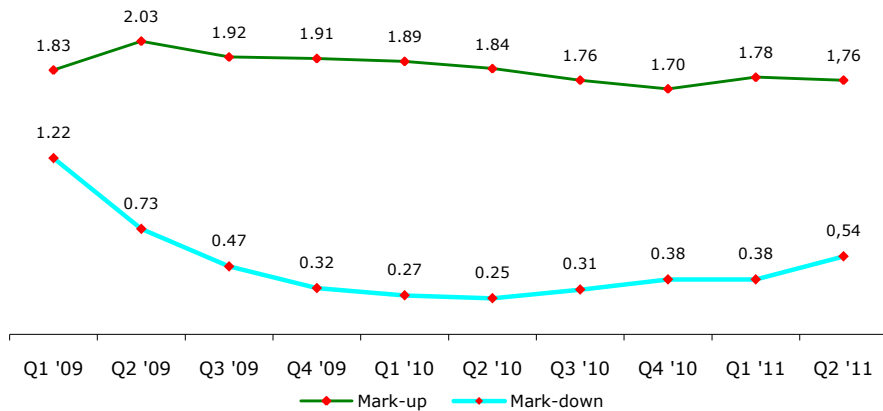
- Loans: up 1.9%, driven by commercial loans. Financial loans down by 18% QoQ and by 30% YoY. New mortgages and installment loans in Q2 '11 totalled €144mIn, up 14% QoQ

- Funding: the funding growth was driven by sight deposits (+19.5% vs June 10)

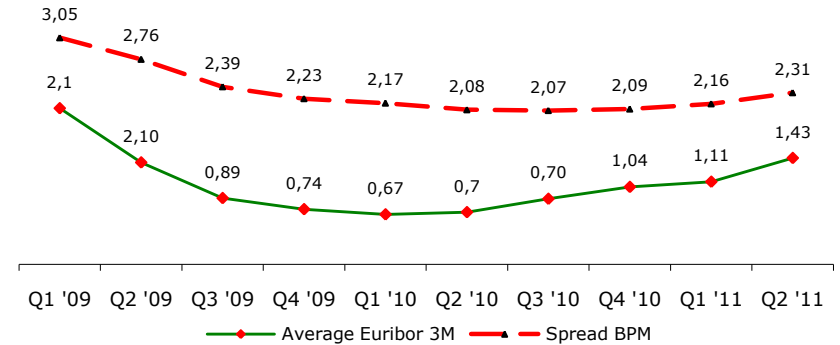


# Customer Spreads

## Mark-up and mark-down



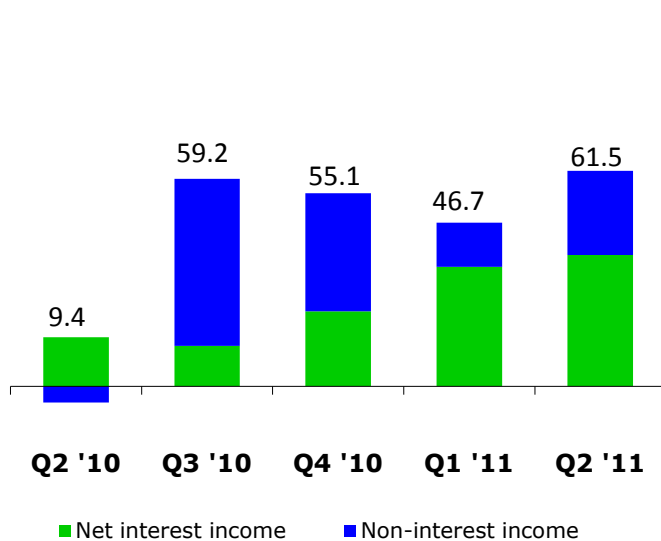
## BPM Spread vs 3M Euribor



- BPM Group's spread was up (+23bps YoY) thanks to the significant increase in mark-down (+29bps YoY), which greatly offset the slight reduction in mark-up (-8bps YoY).
- Also on a quarterly basis, the group's overall spread recorded a net improvement (+15bps QoQ), completely due to the increase in mark-down (+16bps).

# Treasury & Investment Banking: total income

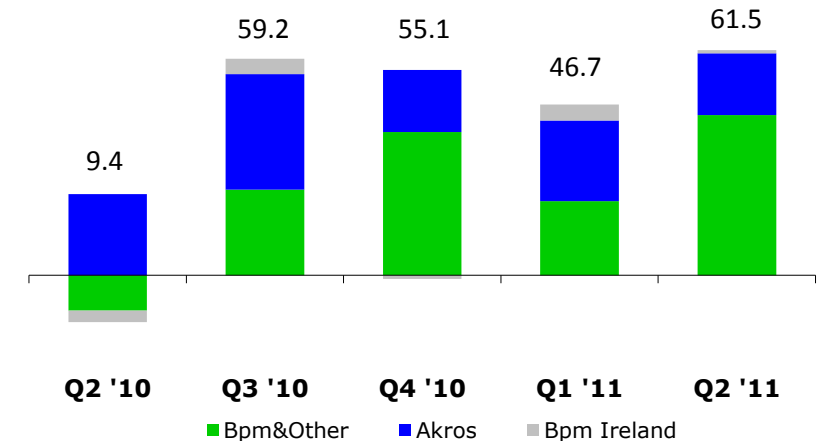
€mln



- Net interest income: €37.5mln in Q2 '11 (+9.9% QoQ) thanks to positive contribution from government bonds in BPM's portfolio.
- Non-interest income: €24mln in Q2 '11, up €11.4mln thanks to positive contribution from BPM and other commercial banks (€10mln) and to Banca Akros (€13.6mln).

- Total income was €61.5mln, mainly driven by contribution from BPM and other commercial banks for €43.8mln. Banca Akros contributed €16.9mln in Q2 '11

## Revenue breakdown by company



# Financial Assets

€ mln	June 11	Mar 11*
BPM & Other	7,244	6,613
BPM Ireland	483	516
Banca Akros	897	930
<b>TOTAL FINANCIAL ASSET</b>	<b>8,624</b>	<b>8,059</b>
<i>% on total assets (net of financial liabilities)</i>	<i>15.6%</i>	<i>14.8%</i>
<i>% on total net assets (excl. Akros and BPM Vita)</i>	<i>13.4%</i>	<i>13.0%</i>

€ mln	June 11	Mar 11
<b>BPM &amp; other commercial banks</b>	<b>7,244</b>	<b>6,613</b>
o/w		
Governments (o/w Italian: 98% and BEI 2%)	5,787	5,136
Financials	370	462
Equity stake	489	495
Mutual funds	321	334
Private equity	189	161
Net hedging and trading derivatives	87	26

# H1 2011: results by B.U.

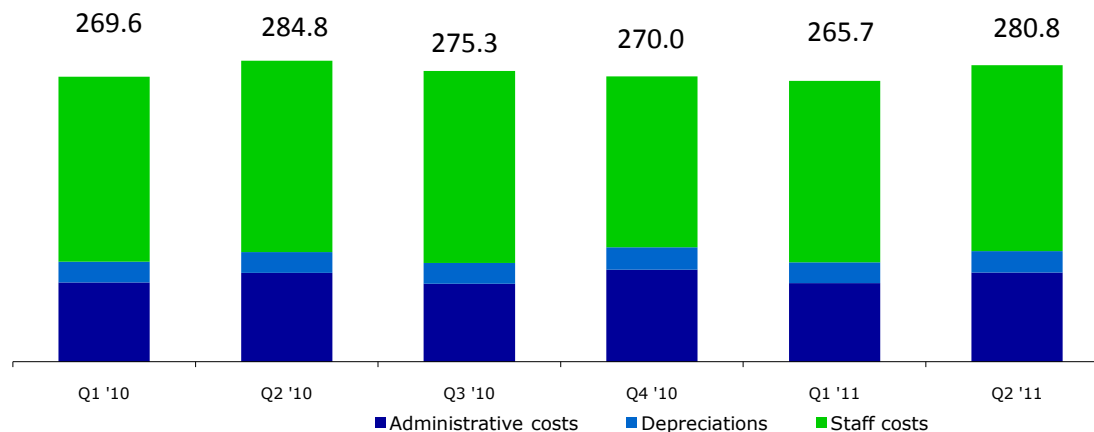
	€mln	Comm. Bk	Corp. Bk	Treasury & Inv.Bk	Wealth Mgt	Corp. Center (*)	BPM Group
<b>Net interest income</b>	<b>Amount</b>	286.1	83.5	71.7	0.0	(25.2)	<b>416.0</b>
	<b>YoY%</b>	11.4	6.9	n.s.	n.s.	n.s.	<b>15.2</b>
<b>Non-interest income</b>	<b>Amount</b>	254.2	39.5	36.6	2.2	(1.8)	<b>330.7</b>
	<b>YoY%</b>	(12.7)	19.3	(36.1)	(31)	n.s.	<b>(14.4)</b>
<b>Total income</b>	<b>Amount</b>	540.3	122.9	108.2	2.3	(27.0)	<b>746.7</b>
	<b>YoY %</b>	(1.4)	10.6	36.9	(30.3)	n.s.	<b>(0.1)</b>

15 Source: Management Report (\*) Corporate center: only includes results from core group activities. Total income from ALM was reclassified in the B.U. "Treasury & Investment Bank"

# Operating costs

■ Operating costs in H1 2011 totalled €546,5mln, a drop of 1.4% YoY. In detail:

- Staff costs: -2.3% YoY thanks mainly to the positive effect of the participation in the Early Retirement Plan (€-8.3mln) and to the reduction in the variable components of Banca Akros which are tied to results; on the other hand the payroll costs for ProFamily increased (+€1.4mln) owing to the hiring of specialised staff during the year (+43 people). Staff costs in Q2 '11 also include non-recurring charges due to the exit of some top managers (around +€3mln).
- Administrative costs: mainly stable YoY (-0.2%) owing to the joint effect of careful cost control by the commercial banks (-€3.7mln mainly for the Parent Company), the reduction in Webank's costs (€-1.7mln) and the growth in Profamily (+€ 5.4m).
- As at June 2011, the Group had a total of 832 branches (+18 points of sale YoY). The increase was due to the closure of 14 branches, which was offset by the opening of ProFamily financial shops and branches.

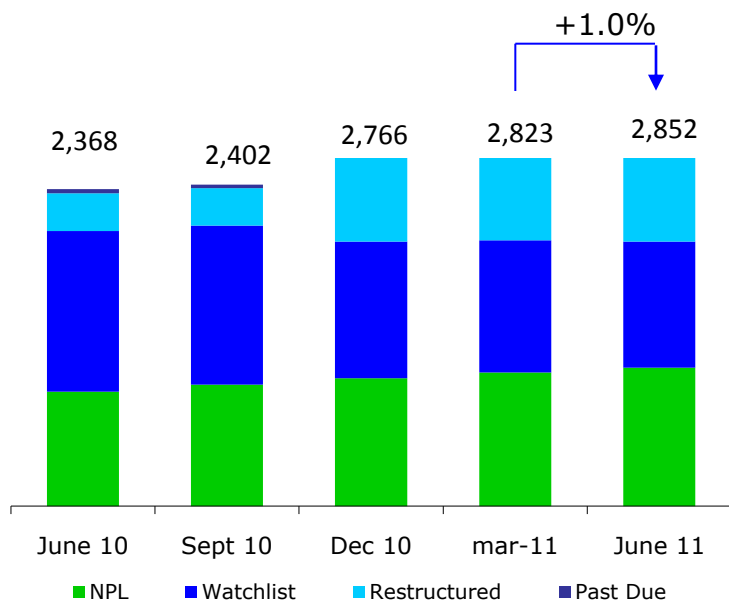


# Asset quality

- As at June 2011, total gross doubtful loans was €2,852mIn, basically in line with March 2011. Adjustments, both specific and generic, ensure a 24.5% coverage, up vs the 24.2% in March 2011.
- Net NPL on total net loans was still very low at 1.5%, well below the industry average (2.6%. Source: ABI as at May 11\*). Net adjustments ensure a coverage rate on NPLs of 48.9%, down vs the 50.2% as at March 2011, and takes into account the different mix of new loans. The coverage rate including collateral is the same level as in past quarters.
- Significant decrease in the gross watchlist (-21.4% YoY), leading to a reduction in the ratio on total loans from 3.5% as at June '10 to 2.6% as at June'11. The related adjustments ensure a coverage rate of 13.2% vs 12.3% YoY
- The gross amount of restructured loans was €844 mln (+€64mIn QoQ). The aggregate growth YoY reflects the increase in 2010, and which continued in the first few months of 2011, of the number of cases of debt restructuring under articles 67 and/or 182 of Italian Bankruptcy law that BPM Group, and the banking industry as a whole, engaged in.

## Gross Doubtful Loans

€ mln



## June 11

Ratio(\*\*)

Coverage

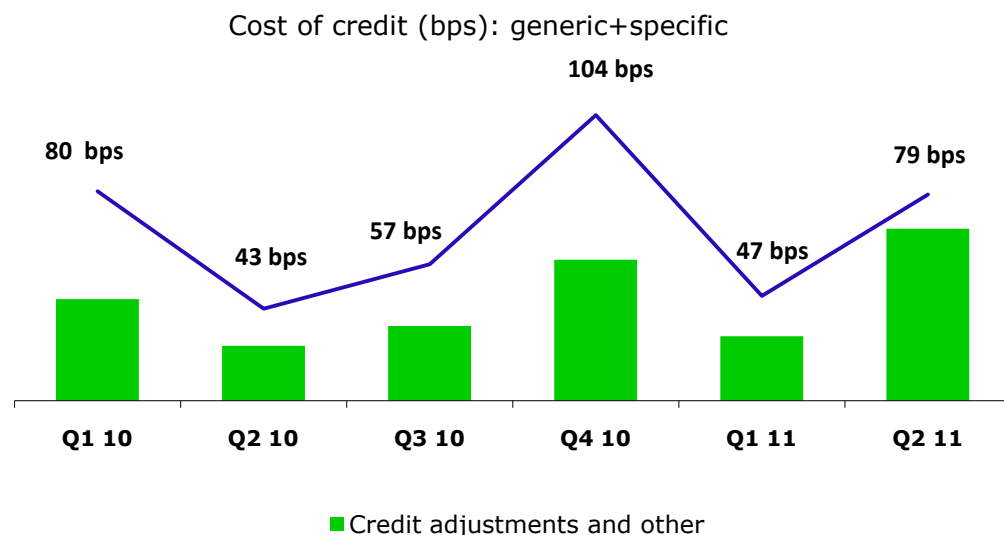
<b>Tot. Net Doubtful Loans</b>	<b>6.0%</b>	<b>24.5%</b>
Net NPL	1.5%	48.9%
Net Watchlist	2.3%	13.2%
Net Restructured	2.2%	8.0%
Net Past Due	0.1%	5.8%
<b>Performing Loans</b>	<b>94.0%</b>	<b>0.5%</b>

# Provisions and Adjustments: breakdown

- As at June 2011, net adjustments on loans and other provisions totalled €115.4mln (+9.3% vs June 2010)
- In H1 2010, net adjustment on loans to customers totalled €113mln (+9.9% YoY), which is equal to an annualised cost of credit of 63bps, basically stable vs the 62 bps as at June 2010
- The quarterly analysis shows an increase in the cost of credit in Q2 '11 (+31bps QoQ); in detail: the adjustments on values include about €25mln owing to two corporate positions classified among restructured loans
- ~€2.3 mln in provisions for risks and charges, slightly down vs June 2010 (-€0.4mln).

## Adjustments and cost of credit

€ mln



## Cost of credit (annualised)

bps

June '11 Mar. '11 June '10

Cost of credit 63bps 47bps 62bps

### Segment details

Retail	29bps	28bps	33bps
Small Business	98bps	90bps	95bps
PMI	121bps	126bps	95bps
Corporate	43bps	3bps	44bps

# P&L Bipiemme Group: quarterly evolution

€mln	Q2 '10	Q3 '10	Q4 '10	Q1 '11	Q2 '11
<b>Net interest income</b>	<b>181.2</b>	<b>183.2</b>	<b>188.8</b>	<b>207.3</b>	<b>208.7</b>
<b>Net fees and commissions</b>	<b>146.1</b>	<b>139.0</b>	<b>151.8</b>	<b>145.1</b>	<b>133.2</b>
Associates	(2.7)	1.3	1.2	3.5	0.3
Dividends and profits from financial transactions	(7.3)	46.5	(8.9)	16.7	17.6
Results after insurance activities	0.0	0.0	0.0	0.0	0.0
Other operating income	11.0	7.1	6.7	8.6	5.7
<b>Non-interest income</b>	<b>147.0</b>	<b>193.9</b>	<b>150.9</b>	<b>174.0</b>	<b>156.7</b>
<b>Total income</b>	<b>328.2</b>	<b>377.1</b>	<b>339.7</b>	<b>381.3</b>	<b>365.4</b>
Staff costs	(181.1)	(181.8)	(161.8)	(171.5)	(176.2)
Administrative costs	(84.1)	(73.8)	(87.0)	(74.3)	(84.5)
Depreciation and ammortisation	(19.6)	(19.7)	(21.2)	(19.9)	(20.1)
<b>Operating costs</b>	<b>(284.8)</b>	<b>(275.4)</b>	<b>(270.0)</b>	<b>(265.7)</b>	<b>(280.9)</b>
<b>Operating profit</b>	<b>43.4</b>	<b>101.7</b>	<b>69.7</b>	<b>115.6</b>	<b>84.6</b>
Net adjustments to loans and fin. assets	(36.0)	(49.2)	(92.5)	(42.4)	(70.6)
Net provisions for risks and charges	(0.7)	(3.1)	(5.3)	(0.9)	(1.4)
Profit (loss) from investments	55.0	0.1	(0.1)	0.3	0.5
Extraordinary tax charges	0.0	0.0	(178.5)	0.0	0.0
<b>Profit (loss) from current opeertions before taxes</b>	<b>61.7</b>	<b>49.5</b>	<b>(206.6)</b>	<b>72.6</b>	<b>13.1</b>
Income taxes for the period	(30.9)	(22.3)	(0.1)	(30.8)	(4.0)
Profit (loss) on assets held for sale	(8.2)	11.7	205.3	1.3	(8.0)
Minorities	(2.5)	(1.1)	(0.5)	(0.8)	(0.7)
<b>Group net profit (loss) for the period</b>	<b>20.1</b>	<b>37.7</b>	<b>(2.0)</b>	<b>42.3</b>	<b>0.4</b>

**Q&A**



**BANCA POPOLARE DI MILANO**