

Bipiemme Group

Q1 2011 Results and Business Plan 2011-2013 guidelines

Milan, 13 May 2011



BANCA POPOLARE DI MILANO

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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.

The acquisition of 100% of Bipiemme Vita means the company has been fully consolidated into BPM Group's balance sheets and the effects as at 31 March 2011 are: on the assets side an increase of €4,268 mln in "financial assets" and, on the liabilities side, an increase of €770 mln in "due to customers" and €3,426 mln in "technical reserves". As regards the income statement, Bipiemme Vita contributed to the Group's results at 31 March 2011 for 3.3% of operating income and for 1% of operating costs.

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.

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Q1 2011 Results: highlights

€ mln	Mar. 11	Mar. 10	%
Loans	35,375	33,363	6.0
Funding	38,659	34,550	11.9
AUC	21,421	20,437	4.8
AUM*	15,473	16,287	(5.0)
Core Tier 1	7.0	7.9	-90bps
Tier1	7.7	8.6	-90bps
TCR	11.7	12.6	-90bps

Loans: +6.0% YoY due to growth in mortgages and consumer credit (+11.2% YoY). New mortgages YTD totalled €979mln (+17.7% YoY). Good contribution from WeBank and ProFamily, which reached a total stock of about €400mln. Market share (Feb. '11) was 2.02%, up from 1.97% in Feb.'10.

Funding: +11.9% YoY. Specifically we point out the increase in sight deposits, up €700mln YoY (+3.2%) and securities in issue (+16.3% YoY). Against the redemption of the €1bn (Feb.'11) EMTN bond, €350mln in Covered Bonds, €475mln of Lower Tier2 and €900mln of bonds were issued. Weight of wholesale funding was still low on total funding (19%).

AUM: -5.0% YoY affected by net negative inflows of €527mln

€ mln	Mar. 11	Mar. 10	%
Interest income	208.8	180.0	+16.0
Total income	388.6	419.3	(7.3)
Adj. on loans	42.4	66.8	(36.5)
Net profit	42.3	50.1	(15.6)
Cost of credit	47bps	80bps (33bps)	
Cost/income %	69.6	64.3	
ROE %	4.4	5.1	

Interest income: +16% YoY owing to positive trend in volumes (commercial and corporate banking) and contribution from investment banking.

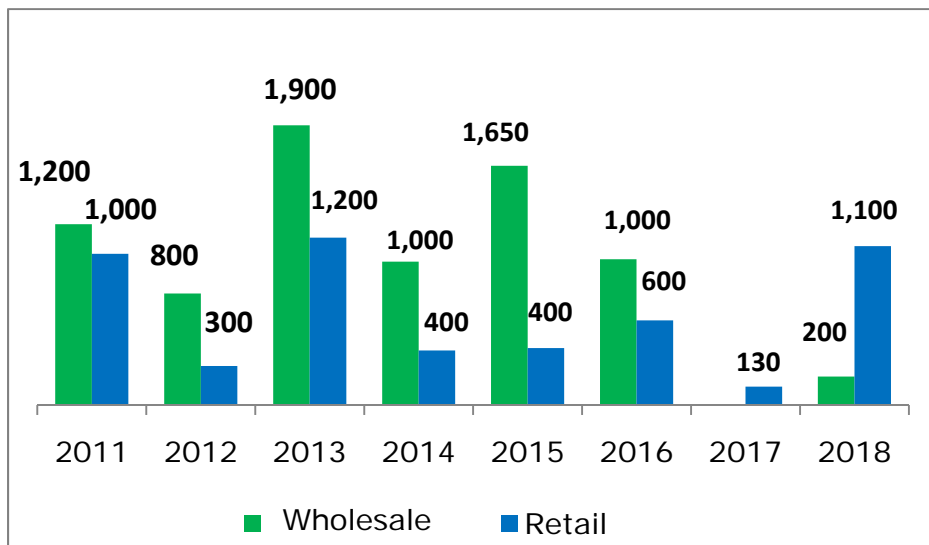
Total income: -7.3% YoY, mainly owing to less contribution from finance and reduction in net fees, mainly due to drastic reduction commission on placement of third party bonds, which totalled €36.3mln in Q1 '10.

Adjustment on loans: €42.4mln (-36.5% YoY) thus a cost of credit (annualized) of 47bps vs 80bps in March 2010.

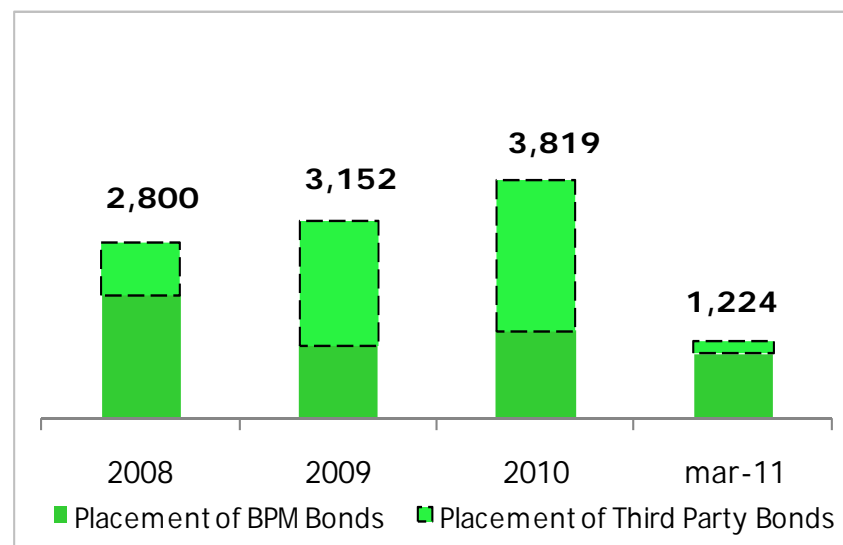
4 * On a like-for-like basis considering the consolidation of Anima Sgr which at the end of Q1 2010 managed captive assets for about €10bn

LIQUIDITY: well balanced

MATURITIES (€mIn)



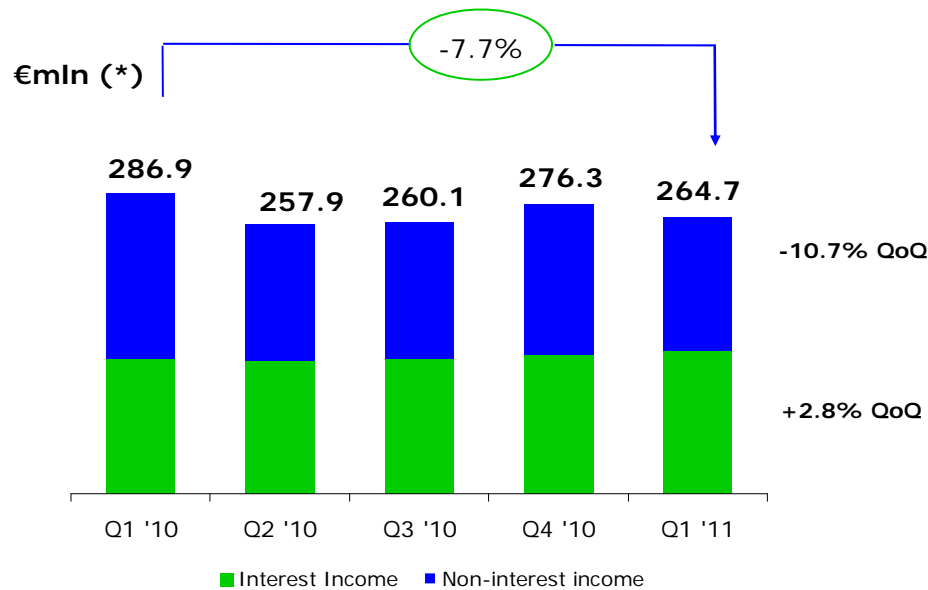
FUNDING: COMMERCIAL NETWORK (€mIn)



- €825mIn of wholesale placement plus €1,2bn of retail customer bond placement, the latter was in line with the budget. In April a €1.25bn EMTN Senior Bond was issued.
- The funding mix was in line with December 2010: 81% from retail customers and 19% from wholesale customers.
- Overall liquidity position positive up to three months*.
- €6.4bn ECB eligible assets

(*) source: Bank of Italy weekly data

Commercial Banking: total income



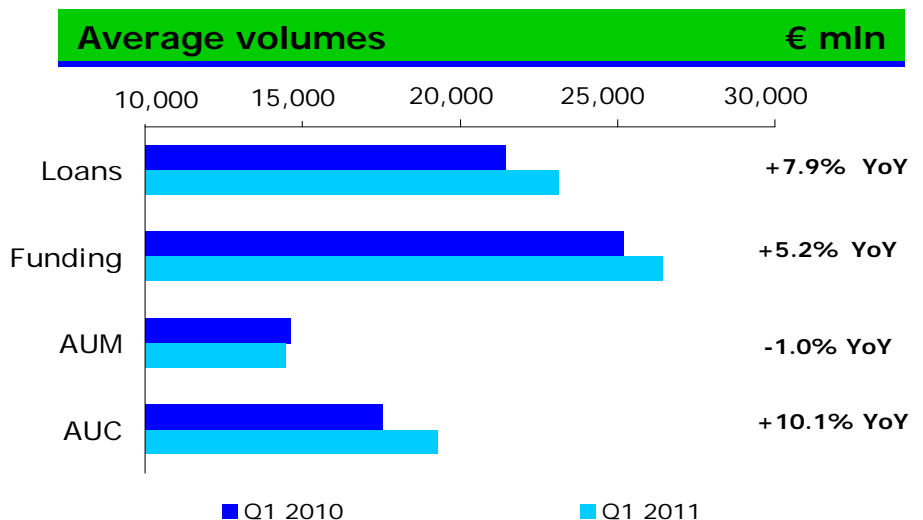
■ Interest income: +2.8% QoQ thanks to good increase in volumes (+€0.5bn) and increase in mark-up (+5bps QoQ)

■ NNII: -10.7% QoQ owing to less contributions from placement fees on third party bonds (€7mIn vs €18mIn in Q4 2010) and traditional banking.

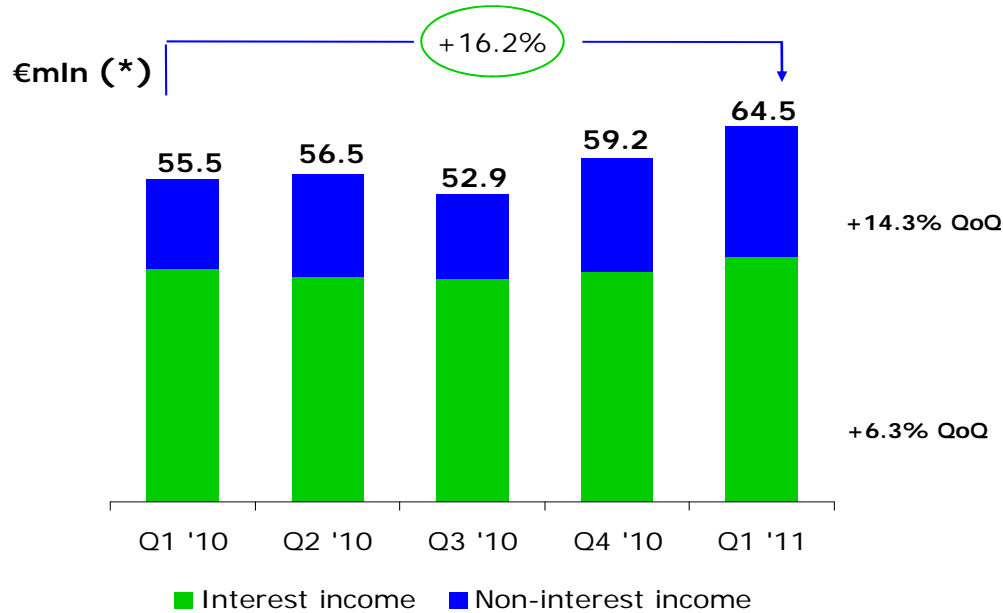
■ Loans: +7.9% YoY driven by mortgages and consumer credit: in Q1 new issues accounted for about €0.9bn and about €0.5bn respectively.

■ Funding: +5.2% YoY thanks to constant support from sight deposits (+5.1% YoY).

■ Indirect Funding: +5% YoY.

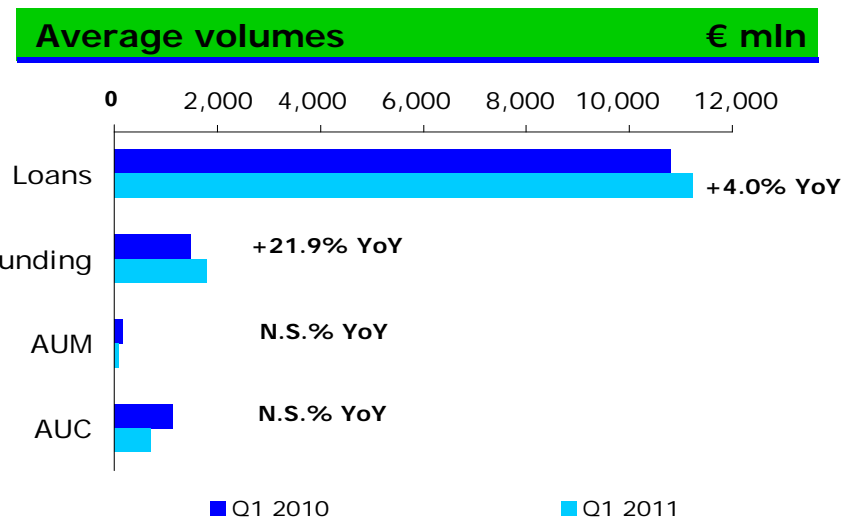


Corporate Banking: total income



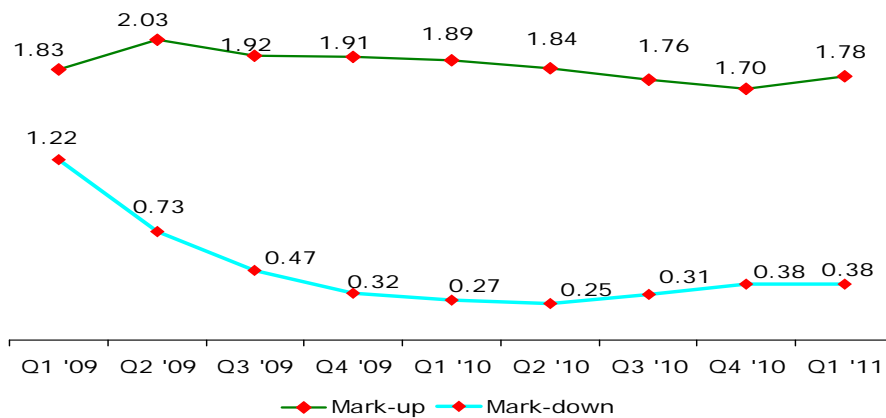
- Interest income: +6.3% QoQ thanks to both volumes and mark-up increase (+11bps QoQ).
- NNII: +14.3% QoQ thanks to contribution from fees on new loans granted

- Loans: +4% YoY driven by short-term loans (+11%). New mortgage issues and installment loans in Q1 '11 totalled €126mIn (+1.6% YoY)
- Funding: +21.9% YoY thanks to sight deposits (+21.8% vs March '10).

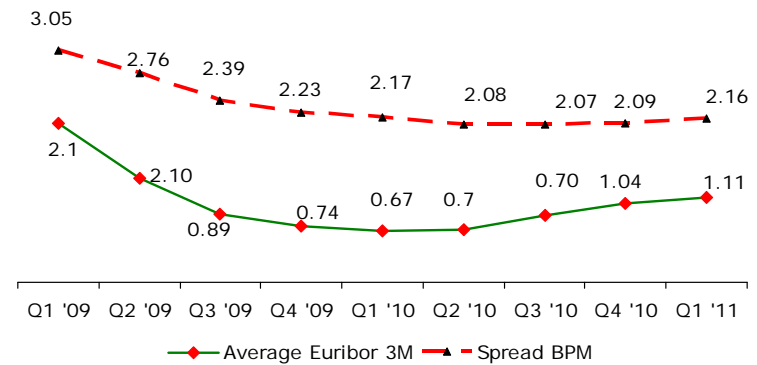


Customer Spreads

Mark-up (net of CMS) and mark-down



BPM Spread vs 3M Euribor

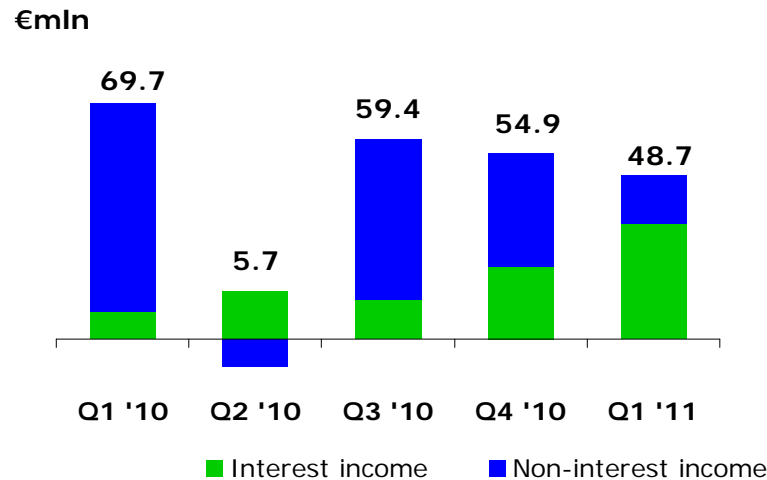


- Quarterly analysis of the last year (Q1 2010/Q1 2011) shows basically stable overall spreads, though with a different mix: the mark-up erosion was offset by a steady improvement in mark-down
- In Q1 '11 BPM Group spread grew well (+7bps) vs Q4 '10 totally due to strong recovery in mark-up (+8bps QoQ).

Mark-up (no CMS) and mark-down calculated vs TIF average vs 3M Euribor 3M – Source: Management Report

Treasury & Investment Banking: total income

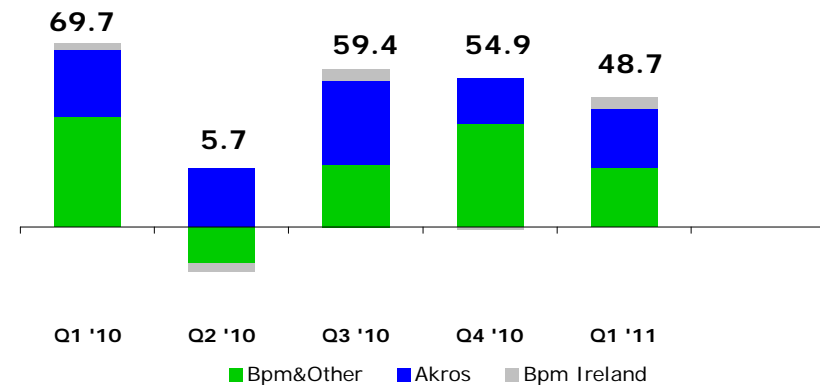
Revenue breakdown € mln



- Net interest income in Q1 '11 was €34.1mln thanks to significant contribution from Parent Bank (+~€29.6mln), owing to investment in Government Bonds. Net interest income up €13mln QoQ.
- NNII was €14.6mln, down on Q4 '10 (€33mln) owing to reduced interest-rate derivatives activity by Parent Bank.

- The Parent Bank contributed €19.8mln in Q1 '11, thanks to significant increase in interest income; Banca Akros contributed €22.1mln, up QoQ.

Revenue breakdown by company € mln



Financial Assets

€ mln	Mar. 11	Dec. 10
BPM & Other	6,375	5,485
BPM Ireland	516	525
Banca Akros	930	907
Bipiemme Vita (*)	4,268	4,205
TOTAL FINANCIAL ASSETS	12,090	11,122
<i>% on total assets (net of financial liabilities)</i>	<i>22.2%</i>	<i>21.0%</i>
<i>% on total net assets (excl. Akros e BPM Vita)</i>	<i>12.8%</i>	<i>11.5%</i>

€ mln	Mar.11	Dec. 10
BPM & other commercial banks	6,375	5,485
o/w		
Governments (o/w Italian: >99% and BEI <1%)	5.136	4,509
Financials	462	343
Other (**)	777	633
BPM Ireland	516	525
o/w		
Governments		
Financials	516	525
Other		

(**) €495mln in strategic and stable stakes, €334mln in open funds, €161mln in private equity, - €212mln in elisions

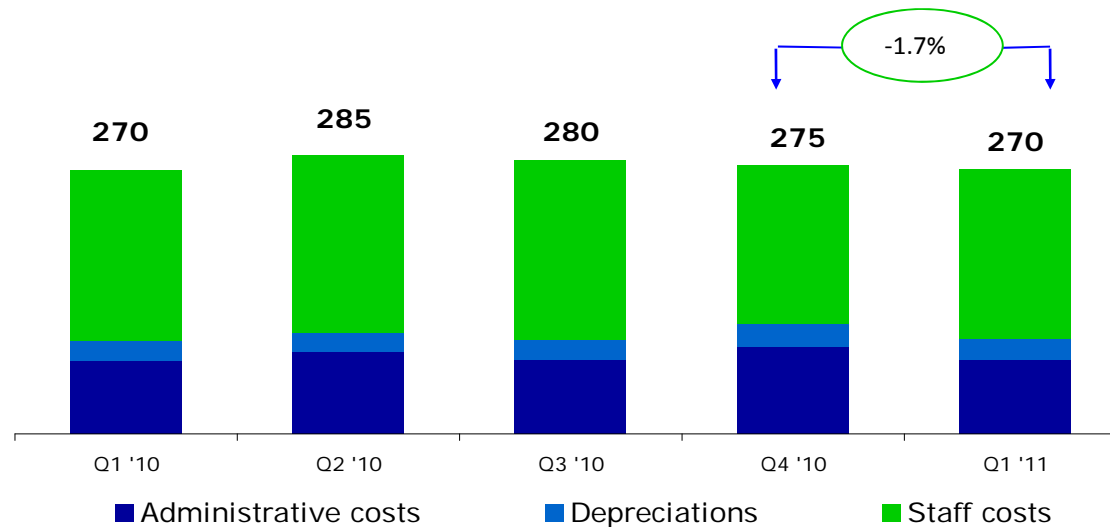
10 (*) The acquisition of 100% of Bipiemme Vita means the company has been fully consolidated into BPM Group's balance sheets

Q1 2011: results by B.U.

	€mln	Comm. Bk	Corp. Bk	Treasury & Inv.Bk	Wealth Mgt	Corp. Center (*)	BPM Group
Interest income	Amount	136.4	42.1	34.1	1.5	(5.3)	208.8
	YoY %	+5.8	+5.3	n.s.	n.s.	n.s.	+16.0
Non-interest income	Amount	128.3	22.4	14.6	(5.5)	7.1	166.9
	YoY %	(18.8)	44.6	(76.4)	n.s.	n.s.	(30.2)
Insur. activity	Amount	0	0	0	13	0	13
Total income	Amount	264.7	64.5	48.7	8.9	1.8	388.6
	YoY %	(7.7)	+16.2	(30.0)	n.s.	n.s.	(7.3)

¹¹ Source: Management Report. (*) Corporate center: includes only results from core group activities. Income from ALM was reclassified in the B.U. under "Treasury and Investment Bank".

Operating costs

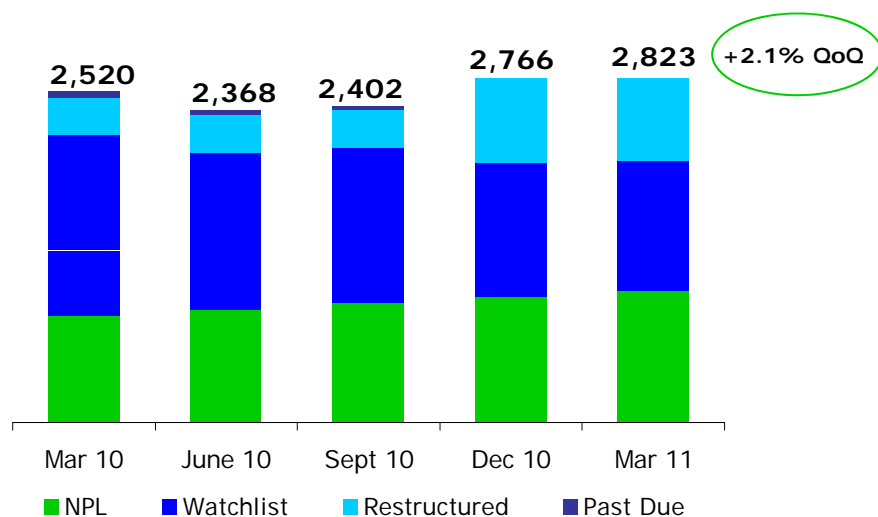


- Operating costs stable YoY and down QoQ by -1.7%
- Staff costs as at March 2011 totalled €173mIn (-1.1% YoY) owing to:
 - reduction in staff costs in the Group's commercial banks owing to Early Retirement Plan and reduction in variable costs in Banca Akros
 - increase in staff costs due to hiring of specialized staff by the product companies, in consistence with the Business Plan
- The total number of staff as at March 2011 was 8,556, -46 people QoQ.
- Administrative costs: + €0.5mIn YoY, owing mainly to higher costs incurred in launching some of the projects under the Business Plan
- As at the end of March 2011 the Group distribution network included 828 points of sale (+7 points YoY) o/w 27 ProFamily branches

Asset quality analysis

- Total net doubtful loans on total loans was 6%, slightly up vs the 5.6% in March 2010, mainly due to the increase in the restructured loans stock.
- Net NPL on total loans was low at 1.4%, in line QoQ and well below the industry average (2.5% source ABI as at February '11*). The coverage rate was 50.2% .
- Decrease in stock of gross watchlist, -€33mIn QoQ and -€389mIn vs March 2010. Coverage improved overall, going from 13% as at Dec. '10 to 13.2% as at Mar.'11.
- The gross amount of restructured loans, €780mIn (+€41m QoQ; +€497mIn YoY), reflects the strong increase in 2010 and in the first three 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



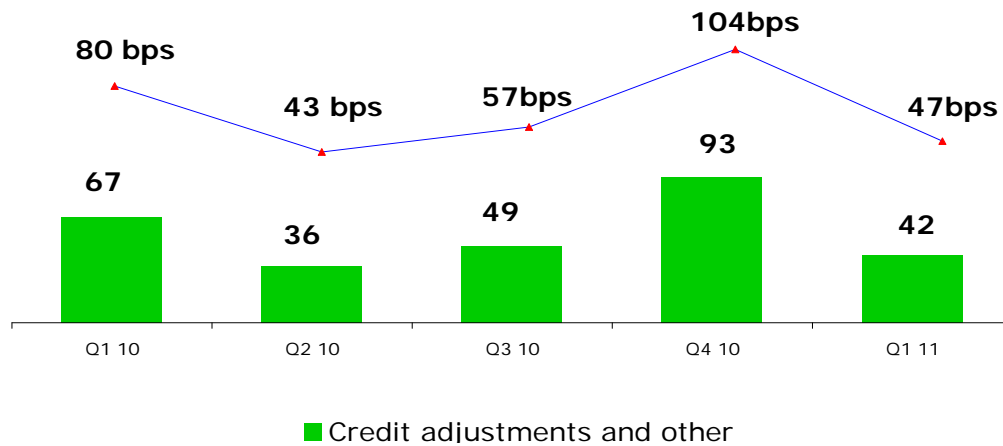
Mar. 11 Ratio(**) Coverage

Tot. Net Doubtful Loans	6.0%	24.2%
Net NPL	1.4%	50.2%
Net Watchlist	2.4%	13.2%
Net Restructured	2.1%	6.3%
Net Past Due	0.1%	5.2%
Performing Loans	94.0%	0.6%

Provisions and Adjustments: breakdown

Adjustments and cost of credit € mln

Cost of credit (bps: generic+specific)



Cost of credit bps

Mar '11 Mar '10

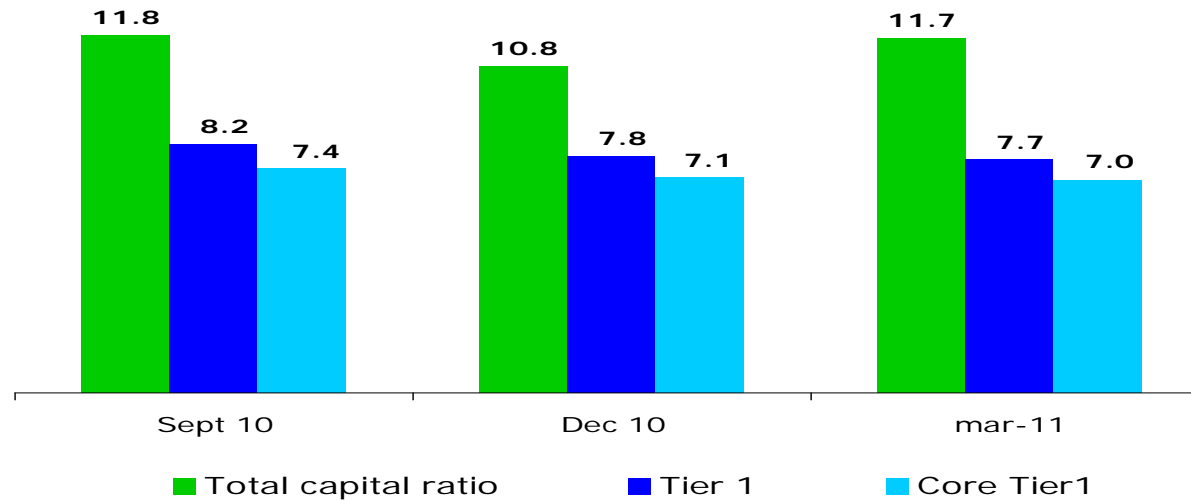
Cost of credit 47bps 80bps

Segment details

Retail	28bps	46bps
Small Business	90bps	150bps
PMI	126bps	130bps
Corporate	3bps	46bps

- In Q1 '11 net adjustments on credit to customers and other financial operations totalled €42.4mln (-36.5% YoY) thus an annualized cost of credit of 47bps, greatly down on the 104bps in Q4 2010.

Capital Ratios



- Core Tier 1 and Tier 1 include €500mIn in so-called Tremonti Bonds, issued December 2009.
- The Core Tier 1, Tier 1 and TCR as at March 2011 do not include the positive contribution (+44bps) from the disposal of the majority stake in BPM Vita, expected in 2H 2011.
- The capital ratios as at March 2011 do not include the higher weightings required by the Bank of Italy. They will be included in the calculation of capital ratios as of June 2011.

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Bank of Italy inspection

Bank of Italy's main remarks:

- technical, organisational and governance observations;
- specific, temporary requirements on capital absorption to take effect as of 30 June 2011;
- Core Tier 1 impact about 130 bps.

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Business Plan 2011-13: road map (1/2)

19 April 2011

Approval of the Business Plan guidelines in order to strengthen the capital base and restructure the bank's technical-organizational structure

- The Business Plan guidelines are:
 - Qualitative improvement and strengthening of the capital base;
 - Better risk control;
 - Group reorganisation in order to obtain better efficiency;
 - Profitability increase (return on Core Tier 1);

12 May 2011

Setting the Business Plan 2011-13 targets based on Bank of Italy's suggestions, owing to the different scenario and the current industrial actions .

- Preliminary preparation of the main core numbers and the Business Plan 2011-13 targets
- Confirm the Business Plan 2010-12 actions.

25 June 2011

Call to Extraordinary Shareholders' Meeting

- Motion to approve the following:
 - capital increase for a maximum amount of €1.2bln;
 - increase proxies to a maximum of 5;
 - amend conditions to the Mandatory Convertible Bond 2009-13.

Business Plan 2011-13: road map (2/2)

July 2011

Final and complete version of the Business Plan with a timeframe that could be 3 years + 2 years



- Complete update of the Business Plan (bottom up) with new initiatives aimed at obtaining better structural efficiency

September 2011

Capital increase for a maximum amount of €1.2bln



- Setting the timeframe for the capital increase
- Notification and conclusion of the capital increase

By end 2011

Strategic operations after capital increase.



- Completion of the following strategic operations:
 - early conversion of the Mandatory Convertible Bond 2009-13 (€406mln);
 - redemption of the Tremonti Bond (€500mln);
 - exercise call on "Tier1 8,393%" issued in 2001

Business Plan 2011-13: premise

MACROECONOMIC SCENARIO

Macroeconomic scenario is weaker than 2010 Plan's assumption:

- lower interest rates;
- GDP lower than expected;
- unfavourable EUR/USD exchange rate.

UNFAVORABLE FINANCIAL CONTEXT

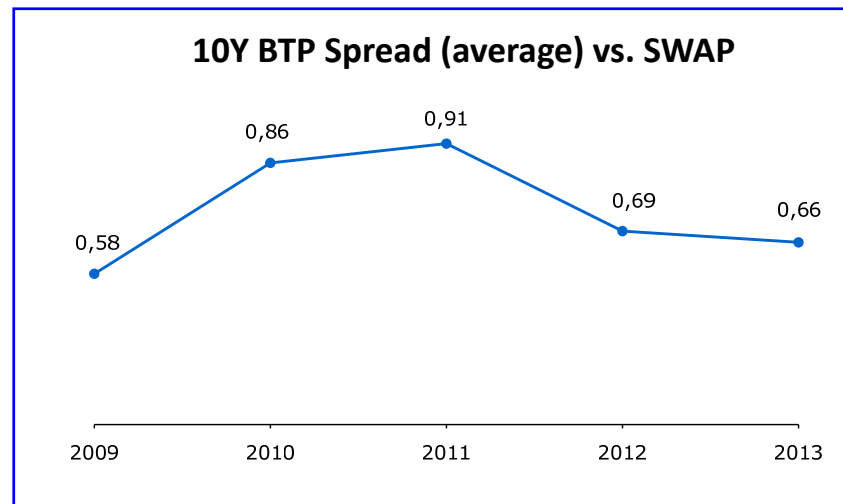
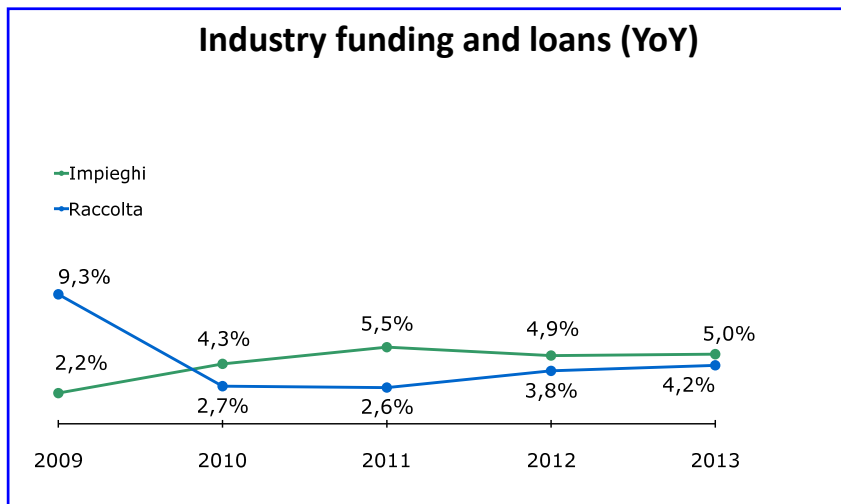
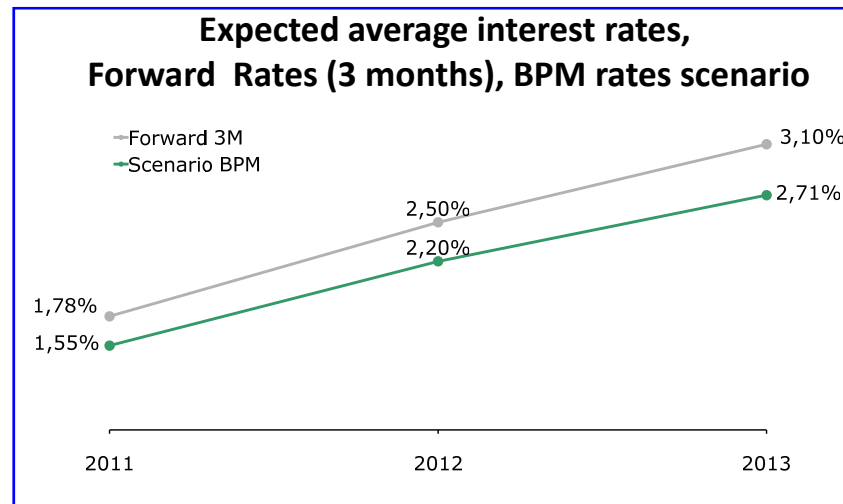
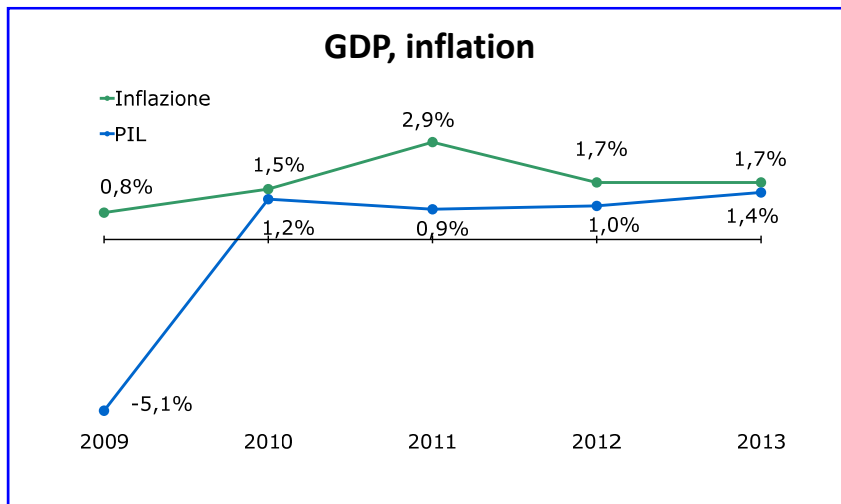
Prolonged unfavourable financial context :

- negative perception of country risk (Italy);
- cost of liquidity, highest in last few months;
- persisting volatility on European markets.

VALID INDUSTRIAL ACTIONS

Industrial actions started in 2010 are still valid, **initial positive results reached** already in Q1 2011.

Business Plan 2011-13: scenario



Business Plan 2011-13: confirmation of B.P. 2010-12 actions and new initiatives

1

Confirmation of 2010-2012 B.P. guidelines:

- Enhance relations with current customers
- Increase market share
- Improve efficiencies

3

Structure efficiency:

- Simplify and reorganise the Group structure (Banca Unica)
- Confirm cost containment policy and possible further rationalisation
- Update IT system
- Dispose of non-core assets
- Create CSR Policy
- Stricter "risk-return ratio" on new loans

2

Capital rebalancing and strengthening:

- Capital increase
- Restructure Mandatory Convertible Bond and redemption of Tremonti Bond
- Restructure and diversification of loans
- Sound growth of non-volatile funding (retail)
- Rebalancing interbank exposure

B.U. 2011-13: capital increase - characteristics

- Capital increase via options for a maximum of €1.2bln, to be carried out by first eliminating the par value of the shares.
- The shares will be offered as options to the company's shareholders and bond holders of Mandatory Convertible Bond called "Convertendo 2009-13 6.75%".
- The capital increase conditions will be established just before the operation takes place, most likely by the end of September 2011.

B.U. 2011-13: capital increase

Effects of capital increase on Core Tier 1

	2010 PF	2010	2013 E	2013
Core Tier 1 ratio	5.8%	7.1%	8.5%	10.4%
RWA (mld)	45	37	50	41

Net of temporary capital absorption required by Bank of Italy
↓

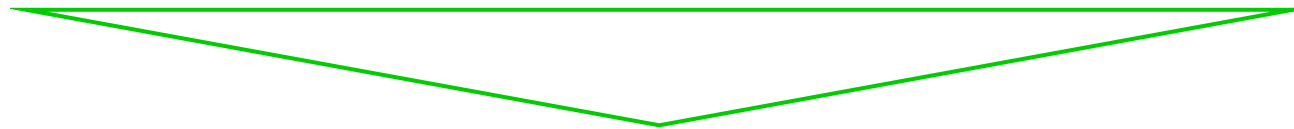
Payment of dividends under the timeframe of the Business Plan, for about 25% of the total capital increase, despite Bank of Italy's temporary prudential requirements.

Any excess capital over the "suitable" Core Tier 1 will be paid back to shareholders when Bank of Italy's prudential requirements have been removed.

(*) After Bank of Italy's capital requirements have been removed.

B.U. 2011-13: simplified capital structure – Mandatory Convertible Bond and Tremonti Bond

- Motion during the Extraordinary Shareholders' and Bond Holders meetings to restructure the "Mandatory Convertible Bond":
 - Strike price change
 - Early conversion
- Redemption of Tremonti bond at the same time



Increase in payable net profit per share in the three-year period 2011-2013 of around 30%

B.P. 2011-13: – restructuring and diversification of loans

REAL ESTATE EXPOSURE

From 26% on total credits in 2010 to 21% in 2013 by:

- closing on-going operations, about -€1bln;
- maturity profile of residential operations and consequent staggering in coming three years, about -€7bln;
- new operations, about +€1.5bln.

RESTRUCTURE CREDIT PORTFOLIO

CORPORATE weight from 32% (2010) to 26% in 2013 and SME's from 17% in 2010 to 19% in 2013 by:

- about -€1.0bln by closing *large corporate operations* with marginal spreads;
- about +€1.5bln from new operations on SME's segment.

B.U. 2011-13: liquidity

TO DATE:

GROUP LIQUIDITY POSITION POSITIVE TO THREE MONTHS

(source: Bank of Italy weekly data)

**Further improvement in structure balance
with optimize funding mix by:**

- increasing direct funding products;
- maintaining current wholesale funding level (19%);
- stable* funding growth (from 70% in 2010 to 77% in 2013);
- further improvement in loans/ (stable funding + wholesale) ratio from 108% to 93%;
- compliance with Basel 3 liquidity requirements

(*) retail funding based on commercial relationships

B.P. 2011-13: main targets

(1/2)

	2010	2013	CAGR 2010-2013
Direct customer funding	€28bln	€34bln	7%
Total customer loans	€35bln	€38bln	3%
- o/w Retail and SME's	€24bln	€28bln	5%
- o/w Corporate	€11bln	€10bln	-4%
RWA	€37bln	€41bln*	
CORE TIER 1	7.1%	10.4%*	

(*) it does not account for the prudential filters required by Bank of Italy

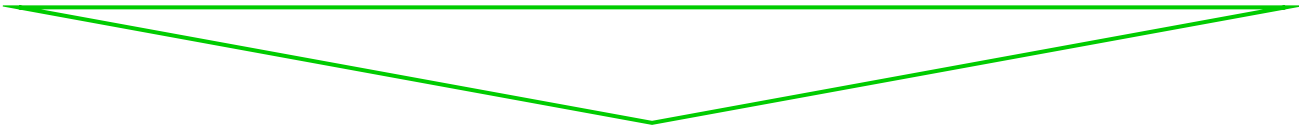
B.U. 2011-13: main targets

(2/2)

	2010	2013
Total income	€1.4bln	€1.8bln
Operating costs	(€1.1bln)	(€1.1bln)*
Net profit	€106mln	~€300mln**
Cost / Income	78%	61%
Cost of credit	69bps	52bps
Return on Core Tier1	4%	7%

B.U. 2011-13: structural efficiency

- Radical simplification and reorganization of the Group ("Banca Unica" project)
- Disposal of non-core assets
- Update of IT system
 - external assessment
 - evaluation of make or buy on single operating areas
- Confirmation of cost containment policy despite volume growth
- Review in order to simplify main corporate processes
- Improvement in capital allocation processes



The effects of the above actions are not included in the 2011-13 targets and will be better explained in the full 2011-13 Business Plan presentation by July 2011.

B.U. 2011-13: conclusions

The 2011-13 Business Plan guidelines are:

- in line with Bank of Italy's requirements;
- aimed at strengthening the Group structure;
- at the base of the risk control improvement strategy and rebalancing of loans in the corporate and real estate sectors;
- in line with targets to increase efficiency in order to close the gap with the Bank's main competitors.

Q&A



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