

Bipiemme Group 2010 Results

Milan, 30 March 2011



BANCA POPOLARE DI MILANO

Disclaimer

This document has been prepared by Banca Popolare di Milano solely for information purposes and for use in presentations of the Group's strategies and financials.

Neither the company, its advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document.

The forward-looking information contained herein has been prepared on the basis of a number of assumptions which may prove to be incorrect and, accordingly, actual results may vary.

In forming your opinion you must bear in mind the above information.

This document does not constitute an offer or invitation to purchase or subscribe for any shares and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

The information herein may not be reproduced or published in whole or in part, for any purpose, or distributed to any other party. By accepting this document you agree to be bound by the foregoing limitations.

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 one hundred percent of Bipiemme Vita means the company has been fully consolidated into Bipiemme Group's balance sheets as of 31 December 2010, the effects being: on the asset side, an increase of € 4,205 million in "financial assets" and, on the liabilities side, an increase of € 810 million in "due to customers" and € 3,308 million in "technical reserves" . The contribution of Bipiemme Vita on the Group's results at 31 December 2010 was negative for 2.9% on operating income due to non-recurring charges on the proposal to holders to transform the insurance policies with underlying Islandic bonds and the 0.5% on operating costs.

Furthermore, as a consequence of the disposal of majority stake of Anima SGR and its deconsolidation from the results as at 31.12.2010; the 2009 and 2010 results have been reclassified to allow for a like-for-like comparison.

Index

2010 results: main trends

slide 4

2010 results: details

slide 12

2010 results: main trends

NET INTEREST INCOME: RECOVERING

+3.0% QoQ

OPERATING COSTS: REDUCING

-1.9% QoQ

VOLUMES: CONTINUOUS GROWTH

Loans: +2.6% QoQ
Funding: +2.9% QoQ

COST OF CREDIT: IMPROVING

69bps (-32bps YoY)

LIQUIDITY: BALANCED; CONFIRMED GOOD FUNDING CAPACITY

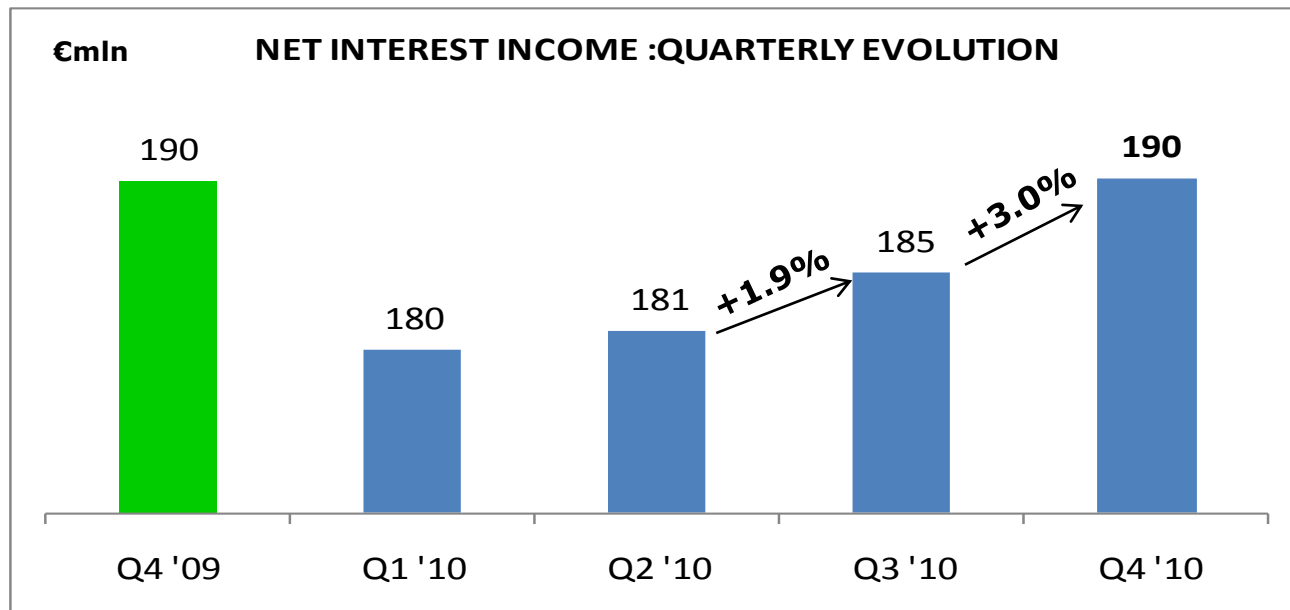
More than €800mln issued in first 2 months of 2011 on the wholesale market; retail funding in line with the expectations

CAPITAL LEVEL: ADEQUATE

Core Tier1 at 7.1%.
Expected CT1 2011 at 7.2%*

4(*) The expectations include the deconsolidation of the majority stake in BPM Vita at book value and do not include any capital gain.

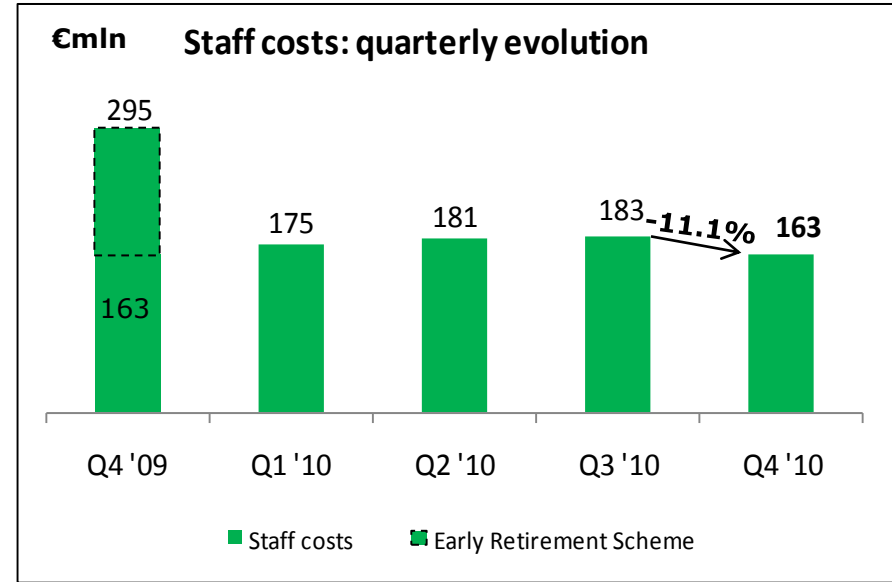
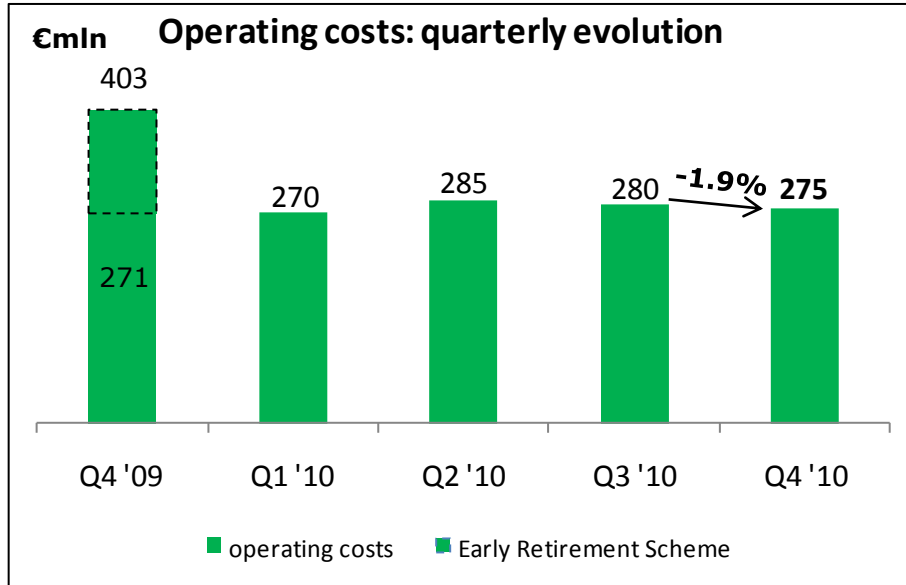
NET INTEREST INCOME: recovering



- Net interest income up on quarterly basis and in line with Q4 '09 thanks to strong growth in Q4 '10 (+3.0% QoQ).
- The contribution from the financial assets has more than offset the drop by the corporate center owing to increase in wholesale funding costs.
- Good commercial and corporate banking contribution, thanks mainly to the increase in volumes but also to the slight growth in spreads (+2bps QoQ)

Reclassified quarterly data (Ex Anima)

OPERATING COSTS: reducing

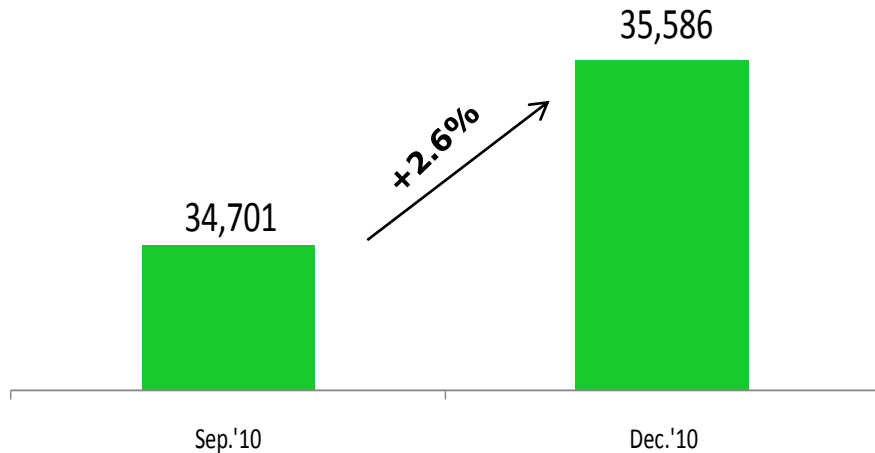


- Operating costs down (-1.9% Q/Q) thanks to focus on rationalization.
- Staff costs down greatly (-11.1% Q/Q) thanks to positive effects from the Early Retirement Scheme (Fondo Solidarietà).
- Staff costs in Q4'10 in line with Q4'09; the latter was net of charges on the Early Retirement Scheme (€132mIn). The YoY comparison is even more positive when considering the increase in the scope of consolidation (BPM Vita) and that 2009 included a one-off positive effect for about €6mIn.

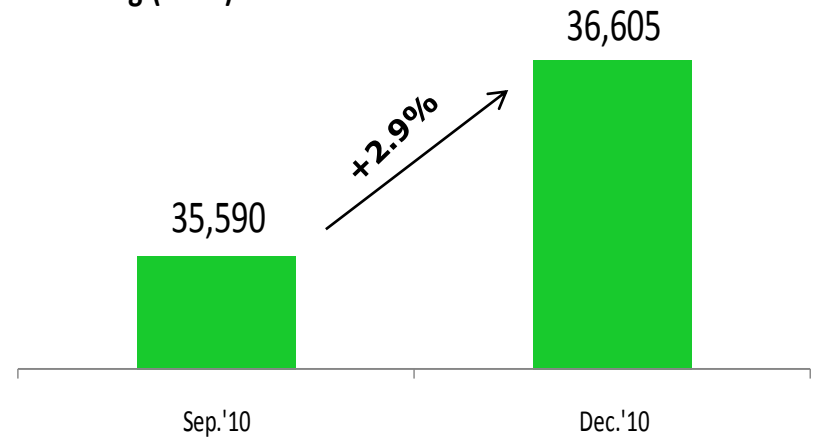
Reclassified quarterly data (Ex Anima)

VOLUMES: continuous growth

Loans (€mln)

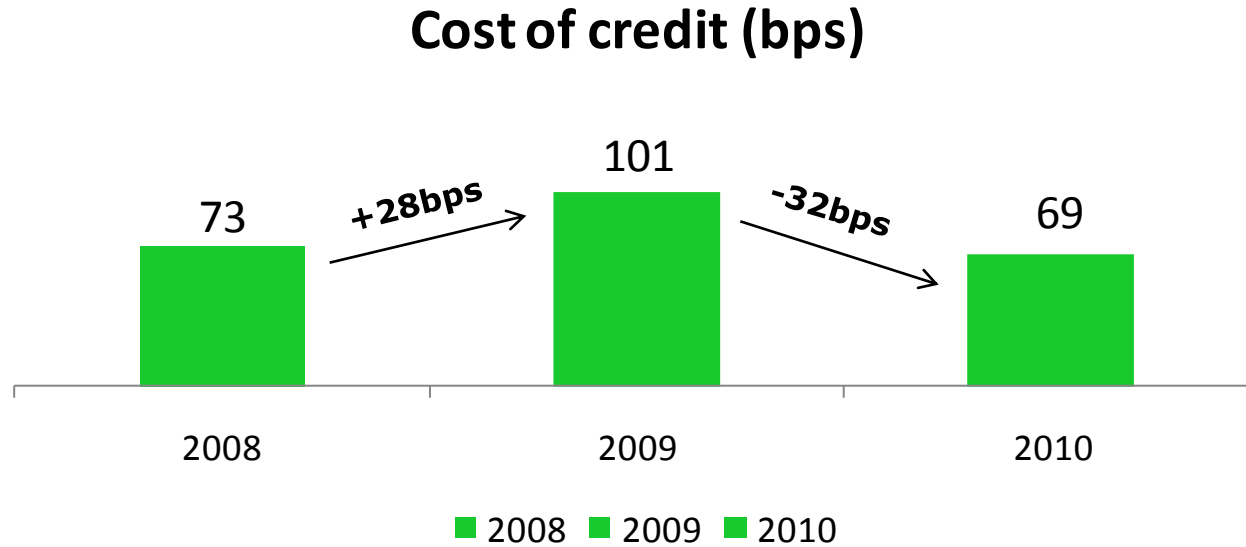


Funding (€mln)



- Customers loans increasing despite the weak macroeconomic scenario (+8.3% vs Q4 2009).
- Loans to SMEs increased by 2.4% QoQ, in line with 2010-2012 Business Plan, so well above BPM Group's commitments with the Finance Ministry linked to the Tremonti Bond issue.
- Funding increasing vs Q3'10 thanks also to contribution from Webank (online banking) and to other actions taken by the Group's commercial banks.

COSTO OF CREDIT: improving

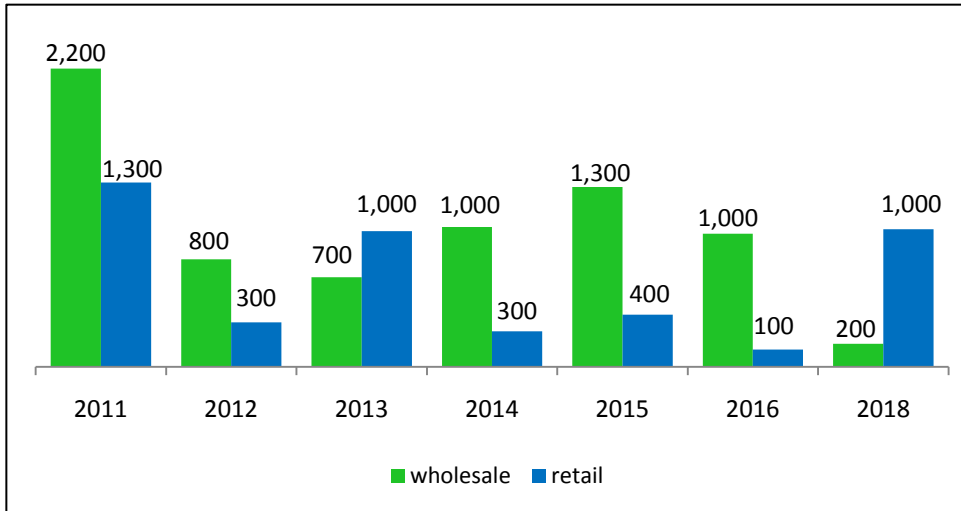


- Cost of credit down strongly vs 2009 and well below 2010 Business Plan expectations (95bps)

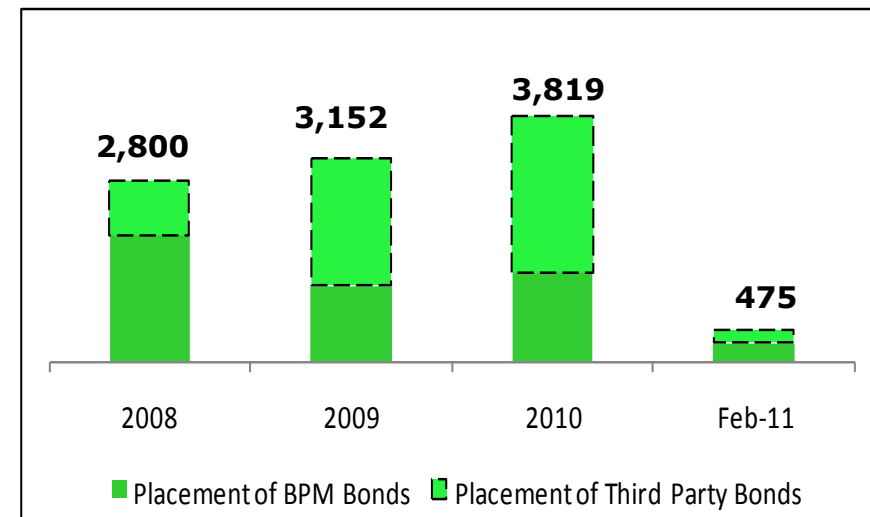
LIQUIDITY: well balanced

MATURITIES

(€mln)

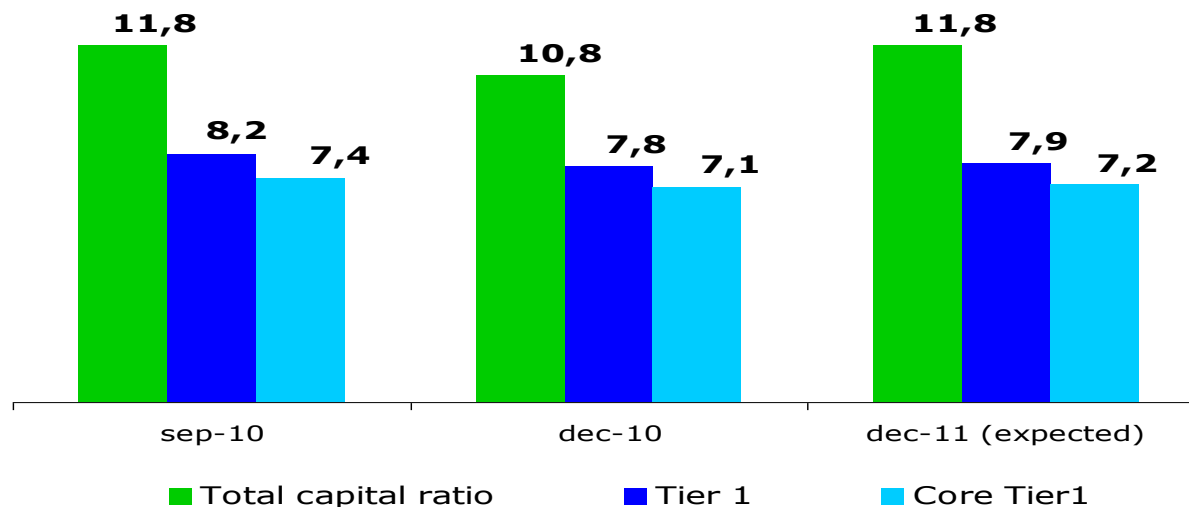


FUNDING : COMMERCIAL NETWORK (€mln)



- €825mln of wholesale bonds placed in first two months of 2011 (issue of Covered Bond originally foreseen by June '11) plus €475mln of retail bonds; the latter was in line with the targets.
- Funding mix in line with objectives: 79% from retail customers and 21% from wholesale customers.
- Overall liquidity position positive up to 2 months (source: Bank of Italy weekly data).
- €5.6bln ECB eligible assets

Capital Ratios



- Core Tier1 and Tier1 include €500mln in so-called Tremonti Bonds, issued December 2009.
- Core Tier1, Tier1 and TCR as at 2010, do not include the positive contribution from the disposal of the majority stake in BPM Vita expected by 2011.
- Core Tier 1 down by approximately 30bps QoQ due to the joint effect of : 1) disposal of Anima Sgr; 2) settlement of tax dispute; 3) worsening weighting on Cerved Group's rating; 4) amendments owing to Bank of Italy Circular number 263 dated December 2010.
- The capital ratios expected at the end of 2011 include the deconsolidation of the majority stake in BPM Vita foreseen by end of 2011 at book value and do not consider any capital gain.
- Based on internal simulations using FY 2010 data, the effect on Core Tier 1 owing to new Basel 3 standards is expected to be positive.

2010 results: main trends

slide 4

2010 results: details

slide 12

FY results 2010: highlights

€ mln	Dec. 10	Dec. 09	%
Loans	35,586	32,852	8.3
Funding	36,605	35,803	2.2
AUC	21,524	20,245	6.3
AUM	23,965	25,488	(6.0)
Core Tier 1	7.1	7.9	-80bps
Tier1	7.8	8.6	-80bps
TCR	10.8	12.6	-180bps

Loans: +8.3% YoY thanks mainly to growth in new mortgages granted and consumer credit (+9.7% YoY). New mortgages in Dec. '10 total €4bln (+7.4% YoY). Market share up from 1.97% in Dec.'09 to 2.09% in Dec.'10.

Funding: +2.2% YoY thanks mainly to sight deposits, up €0.7bln YoY (+3.1%). Weight of retail customers' funding was 79% of the total vs 21% for wholesale customers. Market share of deposits at the end of 2010 was 2.24% vs 2.29% in December 2009.

AUM: -6.0% YoY due to negative financial market trend and net outflows (€-2.2bln in 2010), specifically those recorded by third party placers of Anima SGR's products.

€ mln	Dec. 10	Dec. 09	%
Interest income	736.1	886.1	(16.9)
Total income	1,431.2	1,749.5	(18.2)
Operating profit	321.7	533.5	(39.7)
Net profit	106.0	103.6	2.3
Cost/income %	77.5	69.5	
ROE %	2.8	2.7	

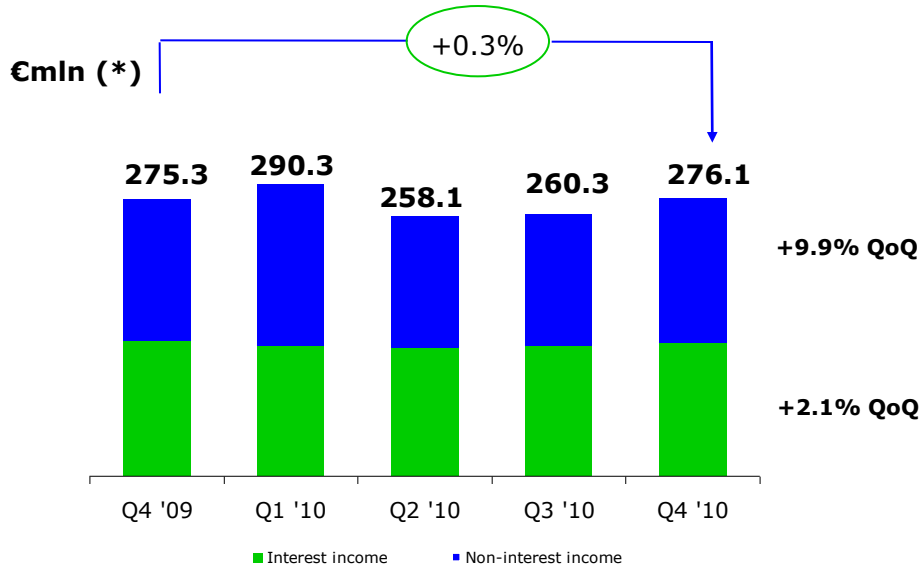
Interest income: down YoY owing to fall in interest rates, causing narrowing of spread on rates with clients (from 2.6% to 2.1% average '09 versus average '10). 2009 included €39mln in overdraft fees.

Total income: down YoY, owing to both less contribution from finance and from non-recurring charges (€55mln) due to the transformation of life policies with underlying Islandic bonds, included in the results from insurance in Q4'10.

BPM Group: non-recurring operations

€mln	2010	
Interest income	736.1	
Net fees and commissions	603.5	
Associates	1.0	
Dividends and profits from fin. transactions	99.4	
Result of insurance activities	(41.4)	☐ Affected by the operation proposed to holders to transform the insurance policies with underlying Islandic bonds, which generated a cost of about €55mln, booked in Q4'10 but which was prudentially set aside in H1'10 under provisions for risks and charges.
Other operating income	32.6	
Non-interest income	736.5	
Total income	1,431.2	
Staff costs	(702.6)	☐ Includes a non-recurring charge of €5.7 mln owing to the change in the law on social security, causing an adjustment to the sum already booked in the Early Retirement Scheme.
Administrative costs	(322.8)	
Depreciation and ammortization	(84.2)	
Operating costs	(1,109.5)	
Operating profit	321.7	
Net adj. to loans and fin. assets	(244.6)	☐ €55mln capital gain from disposal of custodian bank. ☐ €26mln from revaluation in stake of BPM Vita (49%) after the acquisition of 51% from Fonsai Group.
Net provisions for risks and charges	(11.1)	
Profits (loss) from investments	81.1	
Extraordinary tax charges	(178.5)	☐ Charge owing to settlement of dispute with tax authority regarding income that generated a tax credit on foreing assets and dividends from abroad from 2004 to 2008.
Profit (loss) before taxes	(31.5)	
Income taxes for the period	(77.6)	
Profit (loss) after taxes	(109.1)	
Profit (loss) on assets held for sale	220.2	☐ Capital gain from disposal of Anima SGR
Minorities	(5.2)	
Group net profit (loss) for the period	106.0	

Commercial Banking: total income



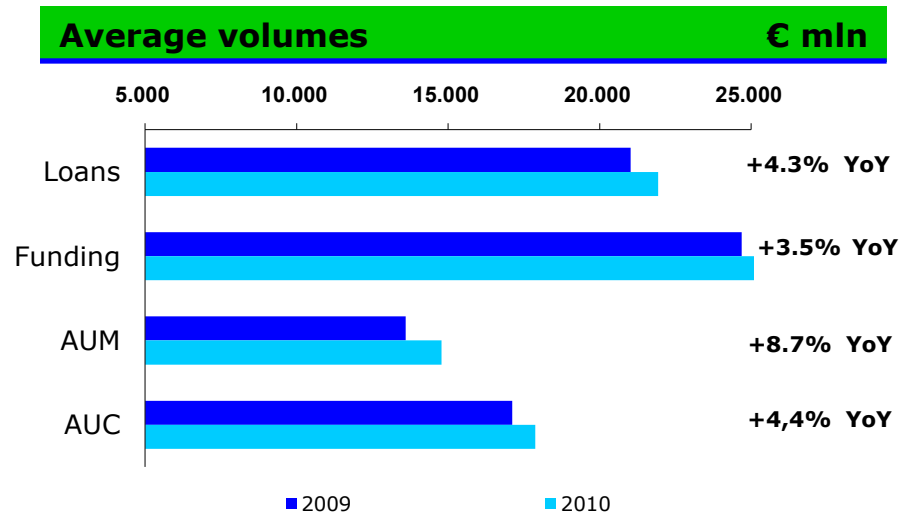
Interest income: up QoQ thanks to both growth in loans volumes (+€0.5bln) and increase in spreads (+2bps).

NNII: +9.9% QoQ thanks to strong increase in AUC fees and traditional banking fees.

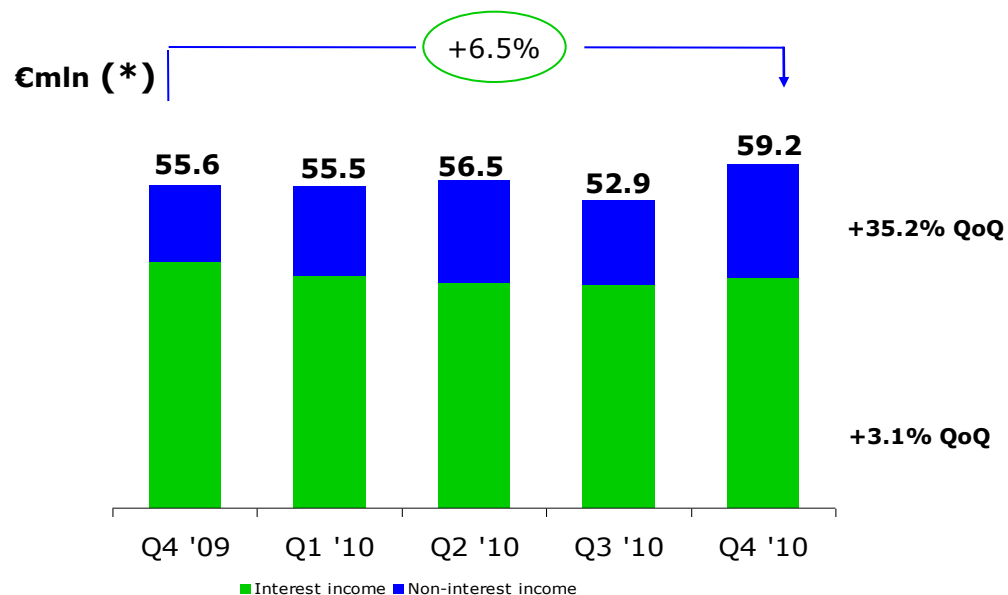
Loans: +4.3% YoY driven by new mortgage issues and consumer credit in Q4 for €1bln and €580mln respectively.

Funding: +3.5% YoY thanks to constant support from sight deposits (+10.5% YoY).

Indirect Funding: +6.3% YoY.



Corporate Banking: total income



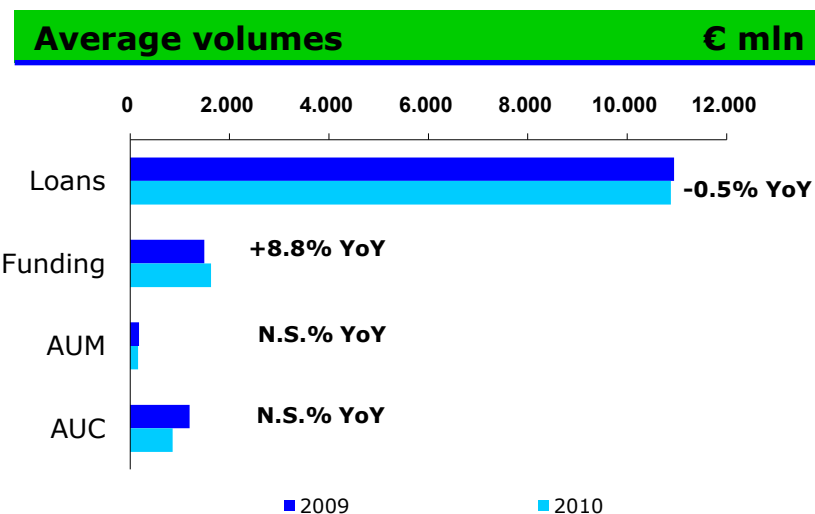
Interest income: +3.1% QoQ driven mainly by increasing volumes while spreads were stable QoQ.

NNII: +35.2% QoQ thanks to the contribution from traditional banking fees.

Loans, though stable YoY, grew 3.3% vs Q3.

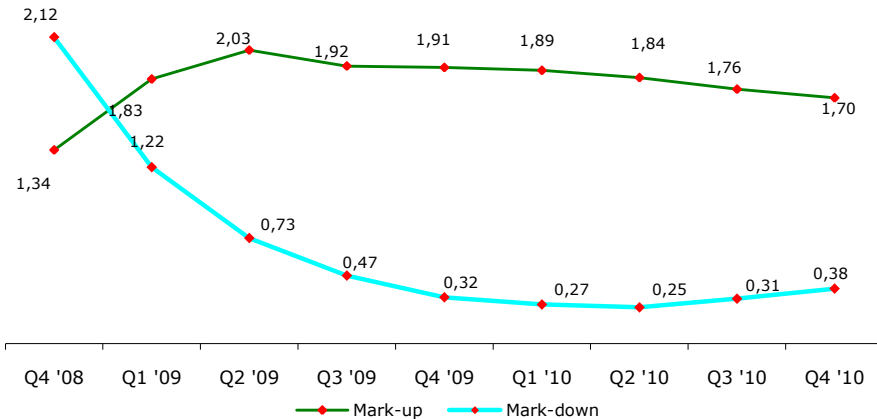
New mortgage issues and installment loans in Q4 '10 were €719mln, +47.0% QoQ.

Funding growth was driven by sight deposits (+9.1% vs Dec. 09).

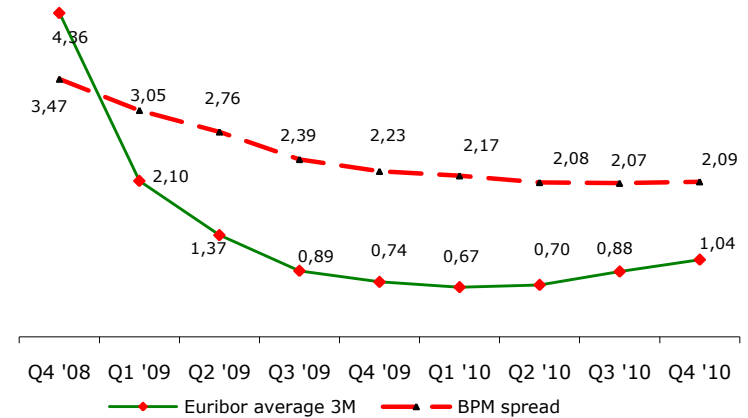


Customer Spreads

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



BPM Spread vs 3M Euribor

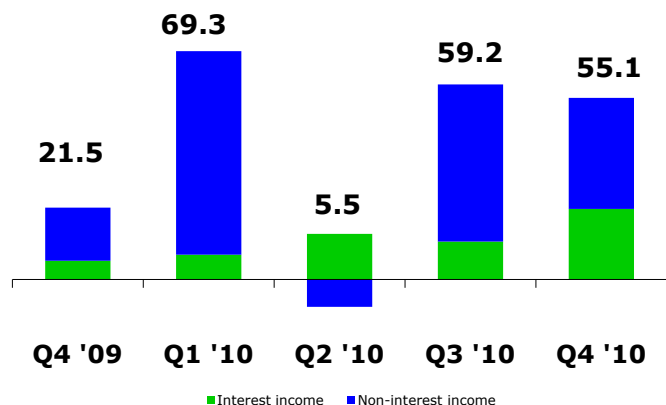


- BPM Group spread down -14bps (Q4'10 vs Q4 '09) owing to pressure on mark-up (-21bps), not offset by recovery in mark-down (+6bps).
- In Q4 '10 BPM Group's spread shows a slight increase (+2bps) vs Q3 '10 thanks to recovery in mark-down (+7bps QoQ).
- Commercial banking mark-up continued to narrow; corporate banking stable.

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

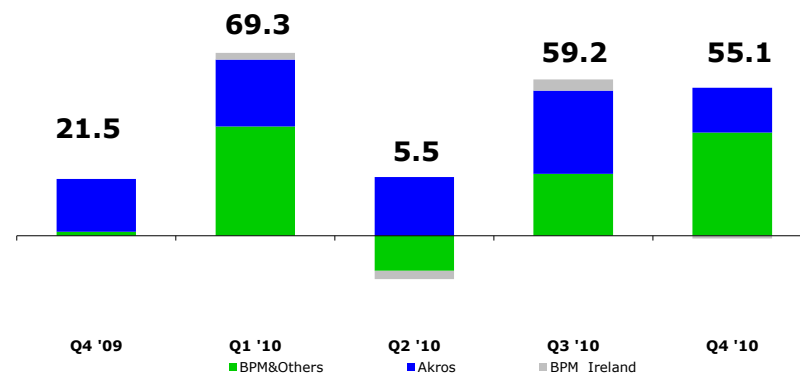
Treasury & Investment Banking: total income

Revenues breakdown € mln



- Interest income was €21.4mln thanks to significant contribution from parent bank, about €17mln, thanks to investments in Gov. Bonds
- NNII was €33.7mln thanks to positive results from trading, about €15mln, and recoveries from capital losses registered in previous quarters.

Revenue breakdown by company € mln



Banca Akros contributed €17mln in Q4, down on Q3, which was €31.5mln.

BPM contribution was up €14mln vs Q3 thanks to significant increase in interest income from €8.3mln in Q3 to €17.1mln in Q4.

Financial assets

€ mln	Dec. 10	Sep. 10
BPM & Other	5,575	3,040
BPM Ireland	525	543
Banca Akros	907	1,100
Bipiemme Vita (*)	4,115	4,067
TOTAL FINANCIAL ASSETS	11,122	8,750
<i>% on total assets (net of financial liabilities)</i>	<i>21.0%</i>	<i>17.4%</i>
<i>% on total net assets (excl. Akros and BPM Vita)</i>	<i>11.5%</i>	<i>7.1%</i>

€ mln	Dec. 10	Sep. 10
BPM & other commercial banks	5,575	3,040
o/w		
Governments (o/w Italian: >99% and BEI <1%)	4,509	1,974
Financials	343	388
Other (**)	723	677
BPM Ireland	525	543
o/w		
Governments		
Financials	525	543
Other		

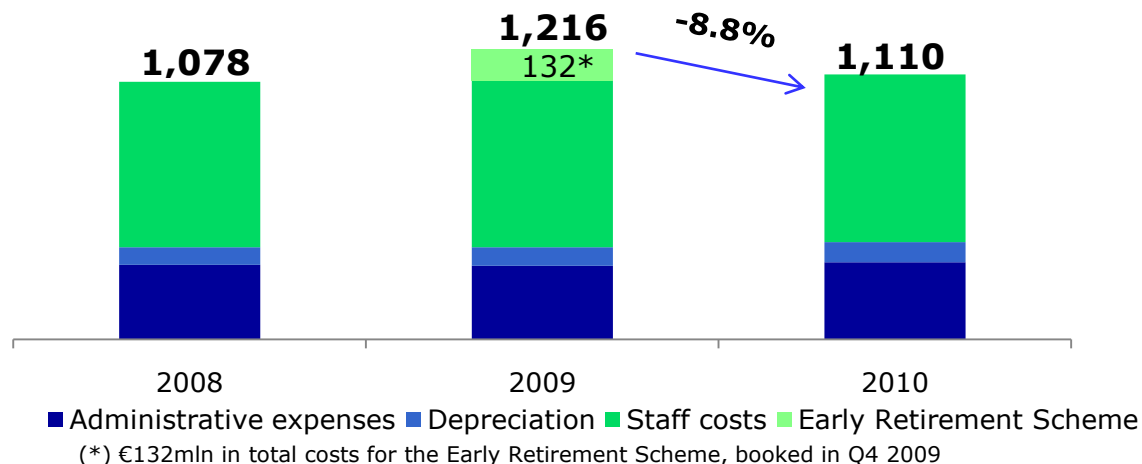
(**) €473mln in strategic and stable stakes, €286mln in open funds, €179mln in private equity, -221mln elisions

December 2010: results by B.U.

	€mln	Comm. Bk	Corp. Bk	Treasury & Inv.Bk	Wealth Mgt	Corp. Center (*)	BPM Group
Interest income	Amount	519.3	156.8	54.2	3.1	2.7	736.1
	YoY %	(16.5)	(9.9)	n.s.	n.s.	n.s.	(16.9)
Non-interest income	Amount	565.6	67.3	134.9	12.0	(43.3)	736.5
	YoY %	(4.8)	18.3	n.s.	n.s.	n.s.	(14.7)
Insur. Activity	Amount	0	0	0	(41.4)	0	(41.4)
Total income	Amount	1,084.9	224.2	189.0	(26.3)	(40.5)	1,431.2
	YoY %	(10.8)	(3.0)	n.s.	n.s.	n.s.	(18,2)

For a like-for-like comparison, 2009 data were reclassified including overdraft fees in non-interest income

Operating Costs

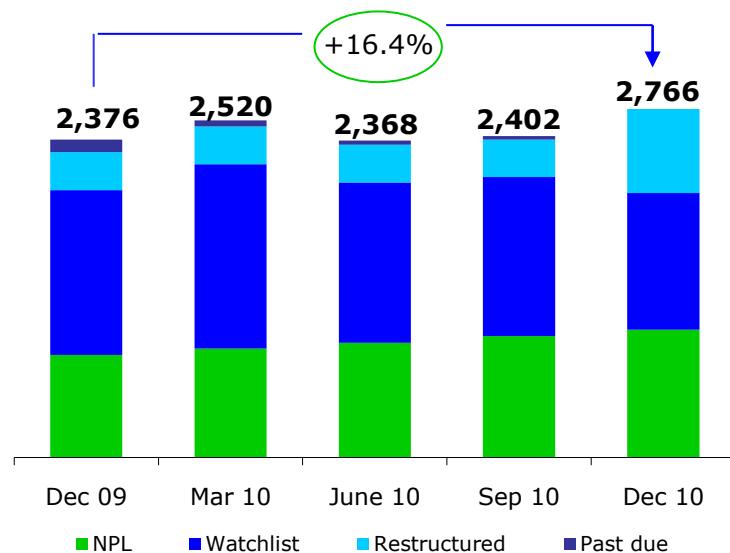


- Staff costs: -15.4% YoY; we point out however that the 2009 figure included €132m in costs for the Early Retirement Scheme. Specifically we point out:
 - fewer costs for the commercial banks, in particular thanks to the savings from people signing up to the Early Retirement Scheme (-€33.4m);
 - fewer staff costs in Banca Akros (-€1.9m);
 - additional costs owing to the widening of the scope of consolidation (+€16.4m) due to the initiatives in the Business Plan (ProFamily and WeBank) and the acquisition of 100% of Bipiemme Vita.
- The total number of staff in December 2010 was 8,602 (-231 vs December 2009 o/w -145 from the balance between disposal of Anima SGR and entry of BPM Vita in the scope of consolidation).
- At the end of 2010 the Group's distribution network included 838 points of sales o/w 782 retail agencies, up 16 units YoY.
- Administrative expenses: +4.9% YoY owing to the start up of the projects under the Business Plan (online banking and consumer credit) and the consolidation of BPM Vita.

Asset quality analysis

- Total net doubtful loans on total loans was 5.9%, up vs the 5.3% in December 2009, mainly due to the increase in the restructured loan stock.
- Net NPL on total loans was low at 1.3%, below the industry average (2.5%: source ABI as at December '10*). The coverage rate was 51%, down compared with the 52.9% as at September 2010. The decrease in non-performing loans coverage was mainly due to the high number of NPL cancellations, which reduced both the total amount of NPL exposure and the direct adjustments on non-performing loans. Furthermore, the new positions generally have higher guarantees.
- Decrease in stock of gross watchlist, -€212mln vs December 2009 and -€166mln vs September 2010. Coverage improved overall, going from 11.9% as at Sep.'10 to 13.0% as at December '10.
- The gross amount of restructured loans (+€455mln YoY) reflects 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



Dec. 10 Ratio(**) Coverage

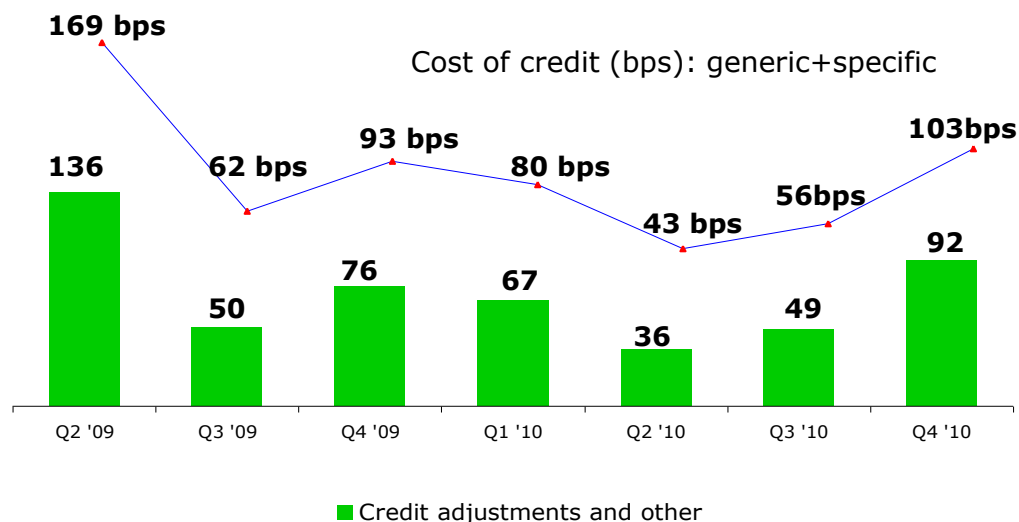
Totl. Net Doubtful Loans	5.9%	24.2%
Net NPL	1.3%	51.0%
Net Watchlist	2.5%	13.0%
Net Restructured	1.9%	6.4%
Net Past Due	0.1%	5.3%
Performing Loans	94.1%	0.6%

Provisions and Adjustments: breakdown

- In 2010 the net adjustments on customer loans and the profit/loss from the disposal/repurchase of credit totalled €245mln (-26.4% YoY), equal to an annualised cost of credit of 69bps, down greatly vs 101bps as at December 2009.
- Provisions for risks and charges were €11.1mln (-€5.7mln YoY). We point out that after the proposal to holders to transform the insurance policies with underlying Islandic bonds, the non-recurring charge was about €55mln (until September 2010 it was prudentially set aside under risks and charges) and was booked in the net result of insurance in Q4'10.
- In Q4 '10 adjustments on credit and other provisions were €92.5mln (+21.9% vs Q4 '09). This item included non-recurring provisions booked in Q4 '10 for an increase in restructured positions that the entire banking industry took. Net of these items, the provisions are in line with Q1 '10 figures.

Adjustments and cost of credit

€ mln



Cost of credit

bps

	Dec.10	Dec. 09
Cost of credit	69bps	101bps
Segment details		
Retail	49bps	31bps
Small Business	106bps	163bps
PMI	122bps	170bps
Corporate	46bps	89bps

Quarterly Trend: Reclassified Group P&L - 2010

€mln	Q4 '09	Q1 '10	Q2 '10	Q3 '10	Q4 '10
Interest Income	190.3	180.0	181.2	184.7	190.2
Net fees and commissions	154.4	173.9	146.1	135.7	147.8
Associates	0.8	0.1	(1.6)	1.3	1.2
Dividends and profits from financial transactions	17.2	55.7	(7.3)	46.5	4.5
Results after insurance activities	0.0	0.0	0.0	17.3	(58.8)
Other operating income	9.1	9.5	11.0	7.0	5.1
Non-interest income	181.5	239.2	148.1	190.6	158.6
Total income	371.7	419.3	329.3	392.6	290.1
Staff costs	(294.8)	(175.0)	(181.1)	(183.4)	(163.1)
Administrative costs	(88.7)	(75.0)	(84.1)	(75.1)	(88.6)
Depreciation and ammortisation	(19.6)	(19.7)	(19.6)	(21.7)	(23.2)
Operating costs	(403.1)	(269.6)	(284.8)	(280.2)	(274.9)
Operating profit	(31.4)	149.6	44.5	112.4	15.2
Net adjustments to loans and fin. assets	(75.9)	(66.8)	(36.0)	(49.2)	(92.5)
Net provisions for risks and charges	(5.9)	(2.0)	(55.7)	(3.1)	49.7
Profit (loss) from investments	0.2	0.0	81.1	0.1	(0.1)
Extraordinary tax charges	0.0	0.0	0.0	0.0	(178.5)
Profit (loss) from current operations before taxes	(113.1)	80.8	33.8	60.1	(206.2)
Income taxes for the period	17.3	(33.3)	(15.8)	(25.0)	(3.6)
Profit (loss) on assets held for sale	15.3	3.7	4.5	3.7	208.3
Minorities	3.1	(1.1)	(2.5)	(1.1)	(0.5)
Group net profit (loss) for the period	(77.4)	50.1	20.1	37.7	(2.0)

Q&A



BANCA POPOLARE DI MILANO