



BANCA POPOLARE DI MILANO

**BANCA POPOLARE DI MILANO AND COVÉA HAVE SIGNED AGREEMENTS TO CREATE
A STRATEGIC PARTNERSHIP IN BANCASSURANCE**

- **Banca Popolare di Milano (BPM) and the Covéa Group have signed agreements to create a strategic partnership in bancassurance, selling life and accident insurance;**
- **under these agreements BPM will sell 81% of Bipiemme Vita S.p.A. to the Covéa Group at a price of Euro 243 million;**
- **the transfer, which is subject to approval by the competent authorities, ought to take place in the third quarter of this year;**
- **the effect on the BPM Group's core Tier 1 ratio, barring any price adjustment due to changes in the company's adjusted net equity prior to the closing, is put at 44 basis points.**

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Banca Popolare di Milano S.c.a r.l. (“**BPM**” or the “**Bank**”) and the Covéa Group, a leading French insurance company with total premium income of more than 13.5 billion euro and 10.6 million persons insured, with a presence also in the USA, UK, Canada, Spain and Luxembourg, have signed agreements to set up a strategic partnership in bancassurance, selling life and accident insurance.

Under these agreements, subject to approval by the competent authorities, BPM will sell 81% of Bipiemme Vita S.p.A., a company that also controls 100% of Bipiemme Assicurazioni S.p.A., a company that operates in the field of non-life insurance.

BPM and Covéa have signed a shareholder agreement containing the rules of corporate governance for Bipiemme Vita and Bipiemme Assicurazioni, as well as the operating aspects of the partnership. These foresee that the insurance companies will have access to the distribution networks of the BPM Group for a period of 10 years from the closing, with the possibility of extending it on expiry if both parties agree.

The agreed price for 81% is Euro 243 million, which values the whole of Bipiemme Vita at Euro 300 million. In accordance with usual practice, this price will be subject to adjustment at the time of the transfer - expected to take place in the third quarter of this year - if there are any changes in the adjusted net equity of the company prior to the closing. The deal will generate a capital gain for the BPM Group of around Euro 43 million, with an impact of 44 basis points on its core Tier 1 ratio.

Bipiemme Vita is the BPM Group's insurance company, which operates through the Group's 780 branches, with premium income last year, net of reinsurance, of Euro 924 million (+38.3% on 2009). The company closed 2010 with a loss, calculated according to IAS/IFRS, of 31.8 million, a result that was heavily affected by the cost of transforming the index-linked products that had securities issued by the Icelandic banks, Glitnir Banki hf and Kaupthing Bank hf, as their underlying. The shareholders' equity of Bipiemme Vita at

31 December 2010 came to Euro 176.8 million, while its gross technical reserves amounted to Euro 3,308 million.

In the current situation of the insurance industry, this partnership will allow Bipiemme Vita and Bipiemme Assicurazioni to benefit from the technical and commercial know-how of a leading international insurance operator like Covéa, encouraging the development of innovative products and services designed to anticipate market trends and improving their share of customers of the BPM Group's distribution networks.

For the BPM Group the agreement will allow it to have more technical support in insurance services for households and SMEs, which is indispensable to pursue significant objectives in terms of growth in production volumes.

For the Covéa Group this agreement represents a further opportunity to expand its international business, integrating perfectly with existing initiatives from a operating point of view.

The deal ought to be completed during the third quarter of the year, though as we said, it is subject to approval by the competent authorities.

Declaration of the Chairman of Banca Popolare di Milano:

“This partnership with an operator of high standing like the Covéa Group reflects the strategic importance that the BPM Group attributes to the bancassurance business. The agreements that we have signed lay the bases to us to continue providing our customers with innovative and high value-added products; and not only in life insurance, where BPM has been active for around 20 years, but also in non-life insurance, where we are looking for considerable growth.”

Banca Popolare di Milano was assisted by by Rothschild, Mediobanca - Banca di Credit Finanziario and KPMG Corporate Finance as financial advisors, by Studio Legale Pedersoli e Associati as legal advisor, by Alfa Lambda Srl as actuarial advisor, and by Cap Gemini Consulting as insurance industry advisor.

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