



BANCA POPOLARE DI MILANO

The Board of Directors approves Bipiemme Group's First Quarter Results as at 31 March 2011.

Group net profit: €42.3 million, thanks to the excellent trend of interest income (+16% YoY) and the sharp improvement in the cost of credit, 47bps compared to 80bps in March 2010 (-33bps).

Excellent QoQ comparison: interest income up 9.7%, operating costs down (- 1.7%), cost of credit down to 47bps compared with 104bps in Q4 2010 (annualised values).

- **Interest income: €208.8 million (+16% YoY)¹**
- **Payroll: down 1.1%**
- **Adjustments on credit: down 36.5%**
- **Net profit: €42.3 million (-15.6%)**
- **Direct funding: €38.7 billion (+5.6%) o/w sight deposits €23 billion (+3.3%)**
- **Customer loans: €35.4 billion (stable QoQ, +6% YoY)**
- **Indirect funding: €36.9 billion (stable YoY)²**

In today's meeting, the Board of Directors of Banca Popolare di Milano examined and approved BPM Group's First Quarter Results as at 31 March 2011. Economic growth during the first quarter of 2011 was still sluggish; as such, interest rates remained low, even though there were a few weak signs of recovery compared to 2010 (the average 3-month Euribor rate was 1.1%).

Despite this scenario, the positive trend recorded at the end of 2010 continued into 2011. Direct funding grew by 5.6%, whereas loans, which were basically stable QoQ, increased towards the retail and SME segment, though this was offset by a contraction in corporate loans with marginal spreads. As regards the income

¹ Unless otherwise stated, the balance sheet figures as at 31 March 2011 are compared with those as at 31 December 2010 while the Income Statement figures as at 31 March 2011 are compared with those as at 31 March 2010.

² On a like-for-like basis, i.e. net of the deconsolidation of Anima Sgr, which managed non-captive assets for a total of €9.8 bln as at March 2010.

statement, interest income continued to grow (+9.7% QoQ) while the Group continued to focus on cost control, which led to a 1.7% drop in operating costs QoQ. To this we must add the sharp fall in the cost of credit, from 104 bps in Q4 2010 to 47 bps as at 31 March 2011 (annualised values).

Before proceeding to examine the Group's balance sheet and income statement figures in depth we would like to point out that following Bipiemme Group's 100% acquisition of Bipiemme Vita the Group has now fully consolidate Bipiemme Vita into Bipiemme Group's accounts².

Bipiemme Group

Direct customer deposits and issued securities

Direct customer deposits (amounts due to customers, debt securities issued and financial liabilities at fair value) totalled €38,659 million, up 11.9% YoY and 5.6% QoQ.

Going into detail, amounts due to customers (€25,459 million) grew by 6.7% QoQ, thanks to the positive trend of both current accounts and deposit accounts (+3.3%).

Securities issued also increased, to €12,324 million (+2.1%), thanks mainly to new issues in the first quarter of 2011, which more than offset the redemption of the €1 billion bond issued under the EMTN Programme.

Financial liabilities at fair value totalled €876 million, up by 30.9% QoQ, owing to the €265 million in new financial liabilities issued in Q1 2011.

Given the foregoing, the weight of retail funding on total funding was stable at around 81% QoQ.

Indirect customer deposits

Total indirect customer deposits as at 31 March 2011 totalled €36,894 million, basically stable on a like-for-like basis, thus not including the deconsolidation effect of Anima Sgr which, in December 2010, managed non-captive assets totalling €8 billion.

In detail, total assets under management, on a like-for-like basis, were down by 2.8% QoQ at €276 million, mainly owing to net outflows, which in Q1 2011 were €276 million.

Assets under custody of retail customers at market value totalled €21,421 million, up by 4.8% YoY and basically stable QoQ.

² The incorporation of Bipiemme Vita into Bipiemme Group's balance sheets took place on 17 June 2010, thus the Half Year 2010 Report as at 30 June 2010 included consolidated balance sheet figures. On the other hand, the Q3 Management Report as at 30 September 2010 included the consolidated Income Statement figures. The consolidation of Bipiemme Vita into Bipiemme Group means, on the asset side, an increase of €4,268 million in "financial assets" and, on the liabilities side, an increase of €770 million in "due to customers" and €3,426 million in "technical reserves". As regards the Income Statement, the result of the 100% acquisition of Bipiemme Vita on Bipiemme Group's results as at 31 March 2011 was 3.3 % of the operating income and 1% of the operating charges.

Customer loans

Customer loans as at 31 March 2011 totalled €35,375 million, up by 6% YoY and slightly down QoQ (-0.6%).

The foregoing slight fall was due to the loans rebalancing policy carried out in the last few months, which led to a drop in corporate loans with marginal spreads of over €600 million; however, this result was offset by the growth in household loans and loans to SMEs. There was also good growth in mortgages, +2.5% QoQ, and in “credit cards, personal loans and “cessione del quinto” (repayment of a loan via deduction of one fifth of the customer’s salary until full settlement), +7.4% QoQ.

Under credit quality, which was still affected by the drawn out domestic and international macroeconomic turmoil, total net impaired loans grew by €44 million QoQ owing to the increase in non-performing and restructured loans (€30 million and €39 million, respectively). This sum was offset, however, by a €31 million decrease in the watchlist.

Total gross and net impaired loans weighed for 7.8% and 6%, respectively, on total credits, thus actually in line with the end-of-year 2010 figures.

The total gross watchlist on total credits was 2.7%, while the net watchlist on total credits was 2.4%. However, we must underline that these figures were 4% and 3.5% respectively at the end of March 2010, thus a strong decrease YoY. Total gross non-performing loans on total loans was 2.8%, while net non-performing loans on total loans was 1.4%, thus below the banking average (2.5% in February 2011 – Source: ABI).

Total adjustments (specific and portfolio) on customer loans guaranteed a 2.4% coverage rate, in line QoQ. The coverage rate of other assets, compared to both March and December 2010, was basically stable (0.6%), as was the coverage rate of non-performing loans, watchlist and restructured loans compared to 31 December 2010.

Equity

As at 31 March 2011, Bipiemme Group’s net equity was €3,903 million. The Core Tier 1 was 7.0%, the Tier 1 was 7.7% and the Total Capital Ratio was 11.7%. The March 2011 figures do not include the higher weighted values required by the Bank of Italy for June 2011 onwards.

Total income

Bipiemme Group’s total income as at 31 March 2011 was €388.6 million, down by 7.3% YoY. In detail, interest income was €208.8 million, up by 16% thanks to the improvement in the mark-down and the increase in volumes. The QoQ comparison shows that the positive trend in interest income recorded at the end of December 2010 continued into 2011, recording a growth of 9.7% QoQ thanks to an increase in commercial and corporate banking, owing to the increase in spreads and in

volumes and to investment banking, whose contribution was up versus previous quarters.

Non-interest income was €166.9 million, down by 30.3% YoY. This result was mainly due to:

- the decrease in the contribution from financial activities, which recorded a positive result in 2010 thanks to the derivatives trades in interest rates (€24 million against the €11 million capital loss recorded as at 31 March 2011);
- the trend in net fees (€140.3 million, -19.4% YoY), mainly due to the drastic decrease in placement fees on third-party securities which, as at 31 March 2010, totalled €36 million.

Operating costs

Total operating costs were €270.3 million, basically stable YoY but down by 1.7% QoQ.

In detail, payroll costs were €173 million (-1.1%), thanks to the reduction in labour costs in the three commercial banks, mainly due to the early retirement plan (F.do di Solidarieta). However, this decrease was partially offset by an increase in costs due the hiring of some specialised staff by the Group's product companies, which was in any case provided for in the Business Plan, and due to the entry of Bipiemme Vita in the Group's scope of consolidation.

Other administrative expenses totalled €75.4 million, stable YoY despite the costs incurred in launching the new initiatives provided for in the Business Plan.

Provisions and adjustments

Total provisions and adjustments were €43.3 million compared to the €68.9 recorded as at 31 March 2010; net adjustments on credits and other operations were €42.4 million (-36.5% YoY), thus a 47 bps annualised cost of credit compared to the 80 bps in March 2010 and the 104 bps in December 2010.

Net profit

After recording €32 million in income taxes, the Group's net profit for the first quarter of 2011 was €42.3 million (-15.6% YoY).

Parent Bank

The key profit and loss and balance sheet figures for the parent bank, Banca Popolare di Milano S.c.a r.l., are as follows:

Direct funding:	29,696 million euros (+3.4% QoQ)
Customer loans:	29,490 million euros (-2.3%)
AUM:	11,699 million euros (-3.7%)
AUC:	14,928 million euros (-0.7%)

Operating income: 284.7 million euros (-10.6% YoY)
Net profit: 30.5 million euros (-26.2%)

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 Consolidated Finance Act), that the accounting information contained in this press release corresponds to the documentary evidence, corporate books and accounting records.

Please note that Bipiemme Group's Interim Management Report as at 31 March 2011 will be available, within the legal timeframe, at Bipiemme Group's registered offices, at Borsa Italiana and on the bank's website (www.bpm.it).

Milan, 12 May 2011

For the purpose of providing more complete data on Bipiemme Group's First Quarter 2011 Results, the reclassified balance sheet and income statement annexed to the Report, as approved by the Board of directors, are herewith attached. For management reporting purposes, the First Quarter 2011 Results have been presented in a reclassified balance sheet and income statement, in which line items have been aggregated and reclassified in keeping with market practices in such a way as to provide a clearer interpretation of trends and performances. It should be noted that the foregoing financial statements have not been audited by the Group's appointed auditing firm.

For additional information contact:

Press office
+39 02 7700 3784
relazioni.esterne@bpm.it

Investor relations
+39 02 7700 2057
investor.relations@bpm.it

Ad Hoc Communications
+39 02 76 06 741
paolo.mazzoni@ahca.it

Bipiemme Group - Reclassified Balance Sheet

(euro/000)

Assets	03.31.2011	12.31.2010	03.31.2010	Changes A-B		Changes A-C	
	A	B	C	change	%	change	%
Cash and equivalents	221,087	264,208	212,935	-43,121	-16.3	8,152	3.8
Financial assets at fair value and hedging derivatives	13,154,923	12,295,231	4,666,478	859,692	7.0	8,488,445	181.9
- <i>Financial assets held for trading</i>	1,711,854	1,877,498	1,913,192	-165,644	-8.8	-201,338	-10.5
- <i>Financial assets designated at fair value</i>	1,748,093	1,784,520	841,313	-36,427	-2.0	906,780	107.8
- <i>Financial assets available for sale</i>	9,619,103	8,557,363	1,804,009	1,061,740	12.4	7,815,094	433.2
- <i>Hedging derivatives</i>	76,221	75,674	107,964	547	0.7	-31,743	-29.4
- <i>Changes in fair value of hedged items (+ / -)</i>	-348	176	0	-524	n.s.	-348	n.s.
Loans and advances to banks	2,968,260	2,535,990	3,782,068	432,270	17.0	-813,808	-21.5
Loans and advances to banks	35,374,515	35,585,503	33,362,548	-210,988	-0.6	2,011,967	6.0
Fixed assets	1,989,782	1,998,110	1,891,552	-8,328	-0.4	98,230	5.2
Reinsurers' share of technical reserves	6,477	5,642	0	835	14.8	6,477	n.s.
Other assets	1,842,751	1,368,251	1,475,228	474,500	34.7	367,523	24.9
Total assets	55,557,795	54,052,935	45,390,809	1,504,860	2.8	10,166,986	22.4

Liabilities and Shareholders' Equity	03.31.2011	12.31.2010	03.31.2010	Changes A-B		Changes A-C	
	A	B	C	change	%	change	%
Due to banks	6,213,096	7,154,837	3,361,074	-941,741	-13.2	2,852,022	84.9
Due to customers	25,458,693	23,865,880	22,762,099	1,592,813	6.7	2,696,594	11.8
Debt securities in issue	12,324,471	12,070,146	10,594,995	254,325	2.1	1,729,476	16.3
Financial liabilities and hedging derivatives	1,940,499	1,842,215	2,412,231	98,284	5.3	-471,732	-19.6
- <i>Financial liabilities held for trading</i>	1,040,533	1,150,710	1,214,450	-110,177	-9.6	-173,917	-14.3
- <i>Financial liabilities designated at fair value</i>	875,700	669,009	1,193,225	206,691	30.9	-317,525	-26.6
- <i>Hedging derivatives</i>	125,859	49,294	4,556	76,565	155.3	121,303	n.s.
- <i>Changes in fair value of hedged items (+ / -)</i>	-101,593	-26,798	0	-74,795	-279.1	-101,593	n.s.
Other liabilities	1,732,869	1,395,439	1,708,877	337,430	24.2	23,992	1.4
Provisions for specific use	418,646	432,438	478,173	-13,792	-3.2	-59,527	-12.4
Technical reserves	3,425,571	3,308,463	0	117,108	3.5	3,425,571	n.s.
Share capital and reserves	3,860,416	3,737,196	3,892,877	123,220	3.3	-32,461	-0.8
Minority interests (+/-)	141,270	140,351	130,382	919	0.7	10,888	8.4
Net profit (loss) for the period (+/-)	42,264	105,970	50,101	-63,706	n.s.	-7,837	-15.6
Total Liabilities and Shareholders' Equity	55,557,795	54,052,935	45,390,809	1,504,860	2.8	10,166,986	22.4

Bipiemme Group - Reclassified balance sheet (quarterly evolution)

(euro /000)

Attività	2011	2010			
	3.31	12.31	9.30	6.30	3.31
Cash and equivalents	221,087	264,208	208,929	213,680	212,935
Financial assets at fair value and hedging derivatives	13,154,923	12,295,231	10,296,325	10,285,995	4,666,478
- <i>Financial assets held for trading</i>	1,711,854	1,877,498	2,309,097	2,301,182	1,913,192
- <i>Financial assets designated at fair value</i>	1,748,093	1,784,520	1,950,842	1,943,907	841,313
- <i>Financial assets available for sale</i>	9,619,103	8,557,363	5,909,538	5,874,811	1,804,009
- <i>Hedging derivatives</i>	76,221	75,674	126,848	166,095	107,964
- <i>Changes in fair value of hedged items (+ / -)</i>	-348	176	0	0	0
Loans and advances to banks	2,968,260	2,535,990	3,829,798	3,695,734	3,782,068
Loans and advances to banks	35,374,515	35,585,503	34,700,540	33,411,775	33,362,548
Fixed assets	1,989,782	1,998,110	1,950,931	1,904,749	1,891,552
Reinsurers' share of technical reserves	6,477	5,642	5,893	5,486	0
Other assets	1,842,751	1,368,251	1,475,054	1,644,682	1,475,228
Total assets	55,557,795	54,052,935	52,467,470	51,162,101	45,390,809

Liabilities and Shareholders' Equity	2011	2010			
	31.3	31.12	30.9	30.6	31.3
Due to banks	6,213,096	7,154,837	5,523,080	4,006,192	3,361,074
Due to customers	25,458,693	23,865,880	23,500,680	24,876,922	22,762,099
Debt securities in issue	12,324,471	12,070,146	11,402,179	10,755,317	10,594,995
Financial liabilities and hedging derivatives	1,940,499	1,842,215	2,233,208	2,394,674	2,412,231
- <i>Financial liabilities held for trading</i>	1,040,533	1,150,710	1,533,046	1,536,114	1,214,450
- <i>Financial liabilities designated at fair value</i>	875,700	669,009	686,957	852,330	1,193,225
- <i>Hedging derivatives</i>	125,859	49,294	7,619	6,230	4,556
- <i>Changes in fair value of hedged items (+ / -)</i>	-101,593	-26,798	5,586	0	0
Other liabilities	1,732,869	1,395,439	2,001,124	1,521,166	1,708,877
Provisions for specific use	418,646	432,438	505,189	521,009	478,173
Technical reserves	3,425,571	3,308,463	3,228,435	3,062,612	0
Share capital and reserves	3,860,416	3,737,196	3,834,573	3,824,038	3,892,877
Minority interests (+/-)	141,270	140,351	131,049	129,955	130,382
Net profit (loss) for the period (+/-)	42,264	105,970	107,953	70,216	50,101
Total Liabilities and Shareholders' Equity	55,557,795	54,052,935	52,467,470	51,162,101	45,390,809

Bipiemme Group - Reclassified Income Statement

(euro /000)

Income statement	First Quarter 2011	First Quarter 2010	Changes	
			Change	%
Net interest income	208,758	180,017	28,741	16.0
Non-interest income	166,851	239,238	(72,387)	-30.3
- Net fees and commissions income	140,266	173,929	(33,663)	-19.4
- Other operating income:	26,585	65,309	(38,724)	-59.3
- <i>Share of Profit (loss) on investments valued under the equity method</i>	3,543	104	3,439	n.s.
- <i>Net income (loss) from financial activities</i>	14,691	55,710	(41,019)	-73.6
- <i>Other operating income expenses</i>	8,351	9,495	(1,144)	-12.0
Net income from financial and insurance activities	12,984	0	12,984	n.s.
Operating income	388,593	419,255	(30,662)	-7.3
Administrative expenses:	(248,406)	(249,940)	1,534	0.6
<i>a) staff costs</i>	(172,974)	(174,963)	1,989	1.1
<i>b) other administrative expenses</i>	(75,432)	(74,977)	(455)	-0.6
Net adjustments on property, plant and equipment and intangible assets	(21,924)	(19,668)	(2,256)	-11.5
Operating costs	(270,330)	(269,608)	(722)	-0.3
Operating profit	118,263	149,647	(31,384)	-21.0
Net adjustments on impairment of loans and financial assets	(42,433)	(66,840)	24,407	36.5
Net provisions for risks and charges	(925)	(2,035)	1,110	54.5
Profits (losses) on disposal of investments	125	0	125	n.s.
Tax extraordinary items	0	0	0	n.s.
Profit (loss) before tax from current operations	75,030	80,772	(5,742)	-7.1
Taxes on income on current operations	(32,000)	(33,285)	1,285	3.9
Profit (loss) after tax from current operations	43,030	47,487	(4,457)	-9.4
Profit (loss) after tax on non-current assets held for sale	0	3,668	(3,668)	-100
Net profit (loss) for the period	43,030	51,155	(8,125)	-15.9
Net profit (loss) for the period pertaining to minority interests	(766)	(1,054)	288	27.3
Net profit (loss) for the period pertaining to the Parent Bank	42,264	50,101	(7,837)	-15.6
Earnings from profit (loss) after tax from current operations - euro	0.077	0.087		
Diluted earnings from profit (loss) after tax from current operations - euro	0.075	0.082		
Earnings per share - euro	0.077	0.094		
Diluted earnings per share - euro	0.075	0.088		

Bipiemme Group - Reclassified Income statement (quarterly evolution)

(euro /000)

Income statement	2011	2010			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net interest income	208,758	190,239	184,691	181,171	180,017
Non-interest income	166,851	158,606	190,553	148,097	239,238
- Net fees and commissions income	140,266	147,761	135,706	146,069	173,929
- Other operating income:	26,585	10,845	54,847	2,028	65,309
- <i>Share of Profit (loss) on investments valued under the equity method</i>	<i>3,543</i>	<i>1,240</i>	<i>1,329</i>	<i>(1,642)</i>	<i>104</i>
- <i>Net income (loss) from financial activities</i>	<i>14,691</i>	<i>4,499</i>	<i>46,487</i>	<i>(7,293)</i>	<i>55,710</i>
- <i>Other operating income expenses</i>	<i>8,351</i>	<i>5,106</i>	<i>7,031</i>	<i>10,963</i>	<i>9,495</i>
Net income from financial and insurance activities	12,984	(58,774)	17,342	0	0
Operating income	388,593	290,071	392,586	329,268	419,255
Administrative expenses:	(248,406)	(251,738)	(258,500)	(265,158)	(249,940)
<i>a) staff costs</i>	<i>(172,974)</i>	<i>(163,133)</i>	<i>(183,416)</i>	<i>(181,062)</i>	<i>(174,963)</i>
<i>b) other administrative expenses</i>	<i>(75,432)</i>	<i>(88,605)</i>	<i>(75,084)</i>	<i>(84,096)</i>	<i>(74,977)</i>
Net adjustments on property, plant and equipment and intangible assets	(21,924)	(23,155)	(21,731)	(19,608)	(19,668)
Operating costs	(270,330)	(274,893)	(280,231)	(284,766)	(269,608)
Operating profit	118,263	15,178	112,355	44,502	149,647
Net adjustments on impairment of loans and financial assets	(42,433)	(92,538)	(49,249)	(36,013)	(66,840)
Net provisions for risks and charges	(925)	49,704	(3,089)	(55,723)	(2,035)
Profits (losses) on disposal of investments	125	(53)	82	81,058	0
Tax extraordinary items	0	(178,469)	0	0	0
Profit (loss) before tax from current operations	75,030	(206,178)	60,099	33,824	80,772
Taxes on income on current operations	(32,000)	(3,556)	(24,993)	(15,759)	(33,285)
Profit (loss) after tax from current operations	43,030	(209,734)	35,106	18,065	47,487
Profit (loss) after tax on non-current assets held for sale	0	208,284	3,724	4,520	3,668
Net profit (loss) for the period	43,030	(1,450)	38,830	22,585	51,155
Net profit (loss) for the period pertaining to minority interests	(766)	(533)	(1,093)	(2,470)	(1,054)
Net profit (loss) for the period pertaining to the Parent Bank	42,264	(1,983)	37,737	20,115	50,101