



BANCA POPOLARE DI MILANO

The Board of Directors approves Bipiemme Group's First Half 2010 Results.

Net profit: 70 million euro

Improvement in the cost of credit, down from 130 bps as at 30 June 2009 to 60 bps as at 30 June 2010

- **Direct funding: €36.5 billion (+4% YoY), o/w €22.3 billion in sight deposits (+6.8%)**
- **Indirect funding: €45.1 billion (+4.9%), o/w €25 billion in AUM (+8.4%)**
- **Customer loans: €33.4 billion (+4.3%)**
- **Net profit: €70 million (-43% YoY)**
- **Total income: €780 million (-22%)**
- **Improvement in cost of credit, down from 130 bps as at 30 June 2009 to 60 bps**

In today's meeting, the Board of Directors of Banca Popolare di Milano examined and approved Bipiemme Group's First Half Results as at 30 June 2010.

The turmoil in domestic and international economic conditions continued into the first half of 2010 and interest rates stayed very low (the average 3-month Euribor rate on 30 June 2010 was 0.7%, compared to 1.37% at the end of June 2009). This situation affected Bipiemme Group's interest income, which was only partially offset by net fees. Total income was €780 million, down 22% YoY; however, the result as at 30 June 2009 included €82 million from derivative trading on interest rates, compared to €19 million recorded in the first six months of 2010.

On the other hand, net adjustments on credits and financial assets improved greatly, falling from €211.2 million at the end of June 2009 to €101.5 million at the end of June 2010, down 52% YoY and, for the first

time since first half 2007, the amount of gross doubtful loans fell by €151 million to €2,368 million compared to March 2010.

We also point out that in line with Bipiemme Group's usual attention to the needs of its customers it has decided to transform the index linked policies, which Bipiemme Vita initially placed on the market along with underlying bonds issued by Icelandic banks, and to fully bear the losses from the operation, thereby allowing the original subscribers, if they agree, to subscribe to new products that would allow them to obtain reimbursement of the original premium they paid. Based on its decision, which is designed to protect its customers, Bipiemme Group has established a €55 million provision for risks.

Lastly, we point out that during the first six months of the year Bipiemme Group terminated some important corporate measures aimed at changing the organisational structure, at bolstering the commercial activity and at starting the activities provided for in the 2010-2012 Business Plan, such as:

- **the incorporation of Bipiemme Private Banking SIM into Banca Popolare di Milano**, the goal being to renew the offer policy for financial products, thereby putting the focus on the central role the customers play and on their needs;
- **the disposal of some branches within Bipiemme Group**, the goal being to streamline and simplify the distribution network. The immediate merger of these branches with branches of other banks in the group has led to a reduction of 11 branches;
- **the launch of the consumer credit company Profamily** in May and the opening of the first branch here in Milan;
- **the disposal of the custodian bank to BNP Paribas**, since it is no longer considered a strategic activity; this disposal generated a gross capital gain of €55 million;
- **the acquisition of a 51% stake in Bipiemme Vita**, thus the company is now fully owned by Banca Popolare di Milano¹.

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 €36,485 million, up 4% YoY. Specifically, amounts due to customers grew significantly

¹ The acquisition of one hundred percent of Bipiemme Vita means the company has been fully consolidated into Bipiemme Group's balance sheets, the effects being: on the asset side, an increase of €3,836 million in "financial assets" and, on the liabilities side, an increase of €925 million in "due to customers" and €3,063 million in "technical reserves".

thanks mainly to the increase in current accounts and savings accounts, totalling €22,309 million (+€1,416 million, or +6.8% YoY), while financial liabilities at fair value fell to €852 million (-€960 million or -53% YoY) owing to the lack of new placements of structured bonds that had matured in the first half of the year. As regards securities issued (-10.2% YoY), the bank reimbursed a €1,250 million bond issued under the EMTN Programme and that matured in February 2010 using its own funds and without having to issue another bond. Given the foregoing, the weight of retail funding (compared to wholesale funding) on total funding rose from 78% in June 2009 to 81% for the first six months of 2010.

Indirect customer deposits

Total indirect customer deposits as at 30 June 2010 were €45,127 million (+4.9% YoY). Specifically, assets under management rose by 8.4% to €24,988 million. In detail, segregated accounts grew by 25.4% and insurance reserves by 12.5%. The foregoing increases were tied to excellent net inflows in the last twelve months (€773 million).

The assets under custody of retail customers, at market value, totalled €20,139 million, up 0.9% YoY.

Customer loans

Customer loans as at 30 June 2010 totalled €33,412 million, up 4.3% YoY. Mortgages recorded a further increase, up 9.2% YoY to € 14,766 million. In detail, new mortgages for €2 billion were issued in the first six months of 2010 (€1.8 billion in H1 2009).

The first signs of a macroeconomic recovery in Lombardy led to an improvement in credit quality in the period and to a decrease in both gross and net impaired loans, down respectively by €151 and €118 million.

Given the above, the percentage of total net impaired loans on the total loan portfolio fell from 5.6% at the end of March 2010 to 5.2% on 30 June 2010, the net watchlist on total loans fell from 3.5% to 3.1% in the same period and net non-performing loans on total loans was basically stable, moving from 1.1% on 31 March 2010 to 1.2% on 30 June 2010, well below the industry average of 2.1% in May 2010 (the most recent figure available).

Non-performing loans coverage was 53.4%, up from the 53.1% recorded in March 2010; total adjustments on impaired loans had a coverage level of 26.5% on 30 June, up from the 26.2% as at 31 March 2010 and in line YoY.

Net interbank position

Bipiemme Group's net interbank position as at 30 June 2010 was negative for €310 million, compared to the positive €506 million recorded at the end of June 2009. The result reflects the trend in funding and loans and the growth in net financial assets.

Equity

As at 30 June 2010, Bipiemme Group's net equity was €3,894 million, the Core Tier 1 was 7.7%, the Tier 1 was 8.4% and the Total Capital Ratio was 12.3%².

Operating income

As at 30 June 2010, Bipiemme Group's operating income was €779.8 million, down 22% YoY.

Specifically, net interest income was €360.8 million, down €129.5 million (-26.4%) due to the fall in interest rates, which caused total customer spreads to narrow and thus a negative impact mainly on interest income on funding (mark-down was down by 71 bps YoY). Furthermore, we point out that interest income at the end of June 2009 included €39 million in fees on overdrafts.

Non-interest income (€419 million) included €353.4 million in net fees and commission, up 21.1% YoY; the results was due to the increase in AUM fees, bond placements and on current accounts.

"Dividends and similar income" totalled €75.3 million, down €40.9 million YoY owing to the fewer dividends received by Banca Akros on stock trading.

The "net result from financial activities" recorded a loss of €27.9 million, compared with a profit of €89.2 million recorded at the end of June 2009. This decrease was mostly due to the fewer interest-rate derivatives trades (€82 million at the end of June 2009 against €19 million at the end of June 2010), to the €8.2 million loss booked on the disposal of a non-performing loan position and to the €17.7 million loss on financial assets and liabilities at fair value, which were affected by the widening in credit spreads and the turmoil in financial markets in the second quarter of the year.

"Other operating income and expenses" totalled €19.7 million, up 10.8% YoY.

Operating costs

Total operating costs as at 30 June 2010 were €574.3 million (+1.2% YoY). In detail, payroll costs fell by €5.5 million to €362 million, mainly

² Provisional figures.

due to efficiency improvement measures and to the reduction in headcount in those commercial banks that took advantage of the early retirement plan (€12.9 million), all of which was partially offset by the increase in costs due to the widening of the scope of consolidation (WeTrade, €1.8 million) and the hiring of specialised staff needed to help run the activities provided for in the 2010-2012 Business Plan (Profamily and WeBank, respectively €3 million and €1.9 million). Total headcount as at 31 June 2010 was 8,852, including 53 people from Bipiemme Vita (-162 people YoY).

“Other administrative expenses” totalled €169.7 million (+ €11.5 million, up 7.3%) owing to the consolidation of WeTrade (€ 4.6 million) and to the costs incurred in launching some important projects provided for in the Business Plan (Banca Online “WeBank”: + €6.9 million; the consumer credit company “ProFamily”: + €2.7 million). On a like-for-like basis, the administrative expenses would fall by about €2.6 million.

Provisions and adjustments and profit from associates and investments

Net adjustments on credit and financial assets along with net provisions for risks and charges totalled €159.3 million, down 26.9% YoY.

Net adjustments on credit and financial assets - totalling €101.5 million, down 51.9% YoY - included €6.8 million in adjustments on financial assets.

When taking the €8 million loss from the disposal of the non-performing loan position into consideration, booked under “profit/loss from financial activities”, the “cost of credit” - obtained by comparing the adjustments on customer credit against total customer credit - is 60 bps, compared to the 130 bps recorded at the end of June 2009.

“Provisions for risks and charges” increased by €51 million YoY owing to €55 million in charges booked by Bipiemme Vita on the mentioned transformation operation; the operation will be put to the holders of those policies with underlying Icelandic bonds in the second half of 2010.

At the end of June 2010, profit from associates and investments, totalling €81.1 million, included €55 million from the disposal of the custodian bank and €26 million from the higher fair value put on the 49% stake Bipiemme Group already held in Bipiemme Vita before fully acquiring it in June 2010.

Net profit

After the deduction of €53.5 million for income tax (tax rate 42%), Bipiemme Group’s net profit for the first six months of 2010 was €70.2 million, down 43.4% 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:	28,791 million euro (-2.5% YoY)
Customer loans:	28,740 million euro (+7%)
AUM:	12,654 million euro (+11.3%)
AUC:	14,626 million euro (-4.4%)
Operating profit:	640.3 million euro (-22.2%)
Net profit:	134.3 million euro (-6.9%)

Lastly, we point out that Banca Popolare di Milano is working on a number of corporate measures, specifically:

- Banca Popolare di Milano is working on a plan to enter into a **new bancassurance agreement with a high standing partner**; the objective is to dispose of a controlling stake in Bipiemme Vita by 2011;
- Banca Popolare di Milano is working on a joint plan with Banca MPS and Clessidra to **establish a strategic alliance in the AUM sector** between Anima SGR and Prima SGR, the aim being to have the plan up and running by the end of the year.

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 Half Year Financial Report as at 30 June 2010 will be available, in compliance with the law, at Bipiemme Group's registered offices, at Borsa Italiana and on the bank's website (www.bpm.it)

Please note that the original version of this press release is in Italian. In case of any misunderstandings the Italian version shall prevail.

Milan, 26 August 2010

For the purpose of providing more complete data on Bipiemme Group's Half Year 2010 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 Half Year 2010 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. To facilitate reconciliation with the figures contained in the balance sheet and income statement, the line item numbers in the reclassified schedules are shown alongside the line items in the reclassified schedules (in compliance with Bankitalia regulations issued by circular No. 262 on 22 December 2005).

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Bipiemme Group - Reclassified Balance Sheet

(Euro /000)

Compulsory format codes	Assets	30.06.2010	31.12.2009	30.06.2009	Changes A -B		Changes A -C	
		A	B	C	change	%	change	%
10.	Cash and cash equivalents	213,680	652,291	210,229	-438,611	-67.2	3,451	1.6
	Financial assets at <i>fair value</i> and hedging derivatives:	10,285,995	4,358,374	4,770,266	5,927,621	136.0	5,515,729	115.6
20.	-Financial assets held for trading	2,301,182	1,607,327	1,774,862	693,855	43.2	526,320	29.7
30.	-Financial assets designated at fair value	1,943,907	869,066	1,041,381	1,074,841	123.7	902,526	86.7
40.	-Financial assets available for sale	5,874,811	1,796,653	1,763,452	4,078,158	227.0	4,111,359	233.1
80.	-Hedging derivatives	166,095	85,328	190,571	80,767	94.7	-24,476	-12.8
60.	Loans and advances to banks	3,695,734	3,200,498	3,367,518	495,236	15.5	328,216	9.7
70.	Loans and advances to customers	33,411,775	32,852,438	32,040,807	559,337	1.7	1,370,968	4.3
100. 120. 130.	Fixed assets	1,904,749	1,908,102	1,884,249	-3,353	-0.2	20,500	1.1
110.	Technical insurance reserves reassured with third parties	5,486	0	0	5,486	n.s.	5,486	n.s.
140. 160.	Other assets	1,644,682	1,309,754	2,094,169	334,928	25.6	-449,487	-21.5
	Total assets	51,162,101	44,281,457	44,367,238	6,880,644	15.5	6,794,863	15.3

Compulsory format codes	Liabilities and shareholders' equity	30.06.2010	31.12.2009	30.06.2009	Changes A -B		Changes A -C	
		A	B	C	change	%	change	%
10.	Due to banks	4,006,192	1,754,431	2,861,323	2,251,761	128.3	1,144,869	40.0
20.	Due to customers	24,876,922	22,161,961	21,296,496	2,714,961	12.3	3,580,426	16.8
30.	Debt securities in issue	10,755,317	12,011,877	11,975,940	-1,256,560	-10.5	-1,220,623	-10.2
	Financial liabilities and hedging derivatives:	2,394,674	2,585,702	3,041,593	-191,028	-7.4	-646,919	-21.3
40.	-Financial liabilities held for trading	1,536,114	953,667	1,226,432	582,447	61.1	309,682	25.3
50.	-Financial liabilities designated at fair value	852,330	1,629,256	1,812,715	-776,926	-47.7	-960,385	-53.0
60.	-Hedging derivatives	6,230	2,779	2,446	3,451	124.2	3,784	154.7
80. 100.	Other liabilities	1,521,166	1,251,076	1,324,339	270,090	21.6	196,827	14.9
110. 120.	Provisions for specific use	521,009	494,648	411,936	26,361	5.3	109,073	26.5
130.	Technical reserves	3,062,612	0	0	3,062,612	n.s.	3,062,612	n.s.
140. 160. 170. 180. 190.200.	Share capital and reserves	3,824,038	3,788,851	3,200,881	35,187	0.9	623,157	19.5
210.	Minority interests (+/-)	129,955	129,358	130,592	597	0.5	-637	-0.5
220.	Net profit (loss) for the period (+ / -)	70,216	103,553	124,138	-33,337	n.s.	-53,922	-43.4
	Total Liabilities and Shareholders' Equity	51,162,101	44,281,457	44,367,238	6,880,644	15.5	6,794,863	15.3

Bipiemme Group - Reclassified Income Statement

(Euro /000)

Compulsory format codes	Income statement	June	June	Change	
		2010	2009	change	%
10. 20.	Net interest income	360,796	490,345	(129,549)	-26.4
40. 50.	Net fees and commission income	353,456	291,943	61,513	21.1
of which 240.	Share of Profit (loss) on investments valued under the equity method	(1,538)	(5,190)	3,652	70.4
70.	Dividend and similar income	75,272	116,163	(40,891)	-35.2
80. 90. 100. 110.	Net income (loss) from financial activities	(27,873)	89,213	(117,086)	n.s.
220.	Other operating income/expense	19,685	17,764	1,921	10.8
	Operating income	779,798	1,000,238	(220,440)	-22.0
180.	Administrative expenses	(531,694)	(525,735)	(5,959)	-1.1
	<i>a) personnel expenses</i>	<i>(361,952)</i>	<i>(367,488)</i>	<i>5,536</i>	<i>1.5</i>
	<i>b) other administrative expenses</i>	<i>(169,742)</i>	<i>(158,247)</i>	<i>(11,495)</i>	<i>-7.3</i>
200. 210.	Net adjustments on property, plant and equipment and intangible assets	(42,645)	(41,766)	(879)	-2.1
	Operating costs	(574,339)	(567,501)	(6,838)	-1.2
	Operating profit	205,459	432,737	(227,278)	-52.5
130.	Net adjustments on impairment of loans and financial assets	(101,527)	(211,189)	109,662	51.9
190.	Net provisions for risks and charges	(57,758)	(6,808)	(50,950)	n.s.
240. 250. 260. 270.	Profits (losses) on disposal of investments	81,058	(24)	81,082	n.s.
280.	Profit (loss) before tax from continuing operations	127,232	214,716	(87,484)	-40.7
290.	Taxes on income from continuing operations	(53,492)	(90,193)	36,701	40.7
320.	Net profit (loss) for the period	73,740	124,523	(50,783)	-40.8
330.	Net profit (loss) for the period pertaining to minority interests	(3,524)	(385)	(3,139)	n.s.
340.	Net profit (loss) for the period pertaining to the Parent Bank	70,216	124,138	(53,922)	-43.4
	Earnings per share (euro)	0.169	0.301		
	Diluted earnings per share (euro)	0.128	0.289		

Preparation of the Reclassified Income Statement

For operational purposes, the results for the period are presented using a reclassified income statement schedule, in which the principal changes concern aggregations and reclassifications of items for the purpose of providing a clearer representation of performance dynamics, in line with market practices.

To facilitate reconciliation with the mandatory accounting schedule, the numerical codes for the items in the mandatory schedule are indicated alongside the items of the reclassified schedules; also note, regarding the reclassifications, that:

1. **Profit (loss) from associates and investments** (€-1,538 thousand as at 30.06.2010 and €-5,190 thousand as at 30.06.2009), reported under line item 240 "Share of profit (loss) from equity investments" are reported under "Operating income" in the reclassified scheme;

2. **"Other operating charges/income" (item 220)** reported under "Operating costs" in the accounting schedule, were decreased by the amount of "recoverable indirect taxes" (€29,323 thousand as at 30.06.2010 and €28,521 thousand as at 30.06.2009) and were increased by the amount of "depreciation of leasehold improvement costs" (€2,325 thousand as at 30.06.2010 and €2,598 thousand as of 30.06.2009). This reclassified item is reported under "Operating income" in the reclassified scheme;

3. **"Other administrative expenses" (item 180 b)** were reduced by the amount of "recoverable indirect taxes" (see point 2);

4. **"Depreciation and amortisation, plant and equipment and intangibles" (item 200 and 210)** of the reclassified schedule were increased by the amount of "depreciation of leasehold improvement costs" (see point 2);

5. **"Net adjustments to loans and financial assets"** (€101,527 thousand as at 30.06.2010 and €211,189 thousand as at 30.06.2009) reported under line item 130, are included after "Operating profit" in the reclassified scheme.

Bipiemme Group - Reclassified Income Statement (quarterly evolution)

(Euro/000)

Compulsory format codes	Income statement	2010		2009			
		Q2	Q1	Q4	Q3	Q2	Q1
10. 20.	Net interest income	180,967	179,829	189,976	204,490	249,390	240,955
40. 50.	Net fees and commission income	163,477	189,979	191,876	163,106	154,479	137,464
of which 240.	Share of Profit (loss) on investments valued under the equity method	(1,642)	104	777	3,355	(1,667)	(3,523)
70.	Dividend and similar income	73,460	1,812	25,323	25,442	115,368	795
80. 90. 100. 110.	Net income (loss) from financial activities	(83,070)	55,197	20,363	17,314	(12,728)	101,941
220.	Other operating income/expense	10,653	9,032	8,520	9,069	6,749	11,015
	Operating income	343,845	435,953	436,835	422,776	511,591	488,647
180.	Administrative expenses	(273,640)	(258,054)	(396,494)	(254,624)	(271,671)	(254,064)
	<i>a) personnel expenses</i>	<i>(183,763)</i>	<i>(178,189)</i>	<i>(300,821)</i>	<i>(179,611)</i>	<i>(183,601)</i>	<i>(183,887)</i>
	<i>b) other administrative expenses</i>	<i>(89,877)</i>	<i>(79,865)</i>	<i>(95,673)</i>	<i>(75,013)</i>	<i>(88,070)</i>	<i>(70,177)</i>
200. 210.	Net adjustments on property, plant and equipment and intangible assets	(21,341)	(21,304)	(21,338)	(21,068)	(21,200)	(20,566)
	Operating costs	(294,981)	(279,358)	(417,832)	(275,692)	(292,871)	(274,630)
	Operating profit	48,864	156,595	19,003	(147,084)	218,720	214,017
130.	Net adjustments on impairment of loans and financial assets	(33,412)	(68,115)	(103,527)	(50,076)	(138,069)	(73,120)
190.	Net provisions for risks and charges	(55,723)	(2,035)	(5,976)	(4,101)	7,681	(14,489)
240. 250. 260. 270.	Profits (losses) on disposal of investments	81,058	0	224	0	(24)	0
280.	Profit (loss) before tax from continuing operations	40,787	86,445	(90,276)	92,907	88,308	126,408
290.	Taxes on income from continuing operations	(18,202)	(35,290)	9,786	(34,015)	(36,708)	(53,485)
320.	Net profit (loss) for the period	22,585	51,155	(80,490)	58,892	51,600	72,923
330.	Net profit (loss) for the period pertaining to minority interests	(2,470)	(1,054)	3,055	(2,042)	802	(1,187)
340.	Net profit (loss) for the period pertaining to the Parent Bank	20,115	50,101	(77,435)	56,850	52,402	71,736