2008

Half-yearly Report

as at 30 June 2008 of the BPM Group

BANCA POPOLARE DI MILANO

Half-yearly Report as at 30 June 2008 of the BPM Group*

BANCA POPOLARE
DI MILANO

Cooperative bank founded in 1865
Parent bank of the BPM – Banca Popolare di Milano Group
Share capital at 30.06.2008: Euro 1,660,136,924
Milan Company Register no. 00715120150
National Board of Cooperatives no. A109641
Head Office and General Management: Piazza F. Meda 4 - Milan
www.bpm.it – e– mail: bipiemme@bpm.it

Member of the Interbank
Guarantee Fund

Registered Bank and parent Bank
of the BPM – Banca Popolare di Milano – Banking Group
Registered Banking Group

* Approved by the BPM Board of Directors' meeting of 26 August 2008

This report has been translated from those issued in Italy, from the Italian into the English language solely for the convenience of international readers

Contents

Directors and officers, General management and External audit company

Board of Directors

Chairman
Roberto Mazzotta

Deputy Chairmen
Mario Artali
Marco Vitale

Directors
Enrico Airaghi
Luca Caniato
Emilio Castelnuovo
Giuseppe Coppini
Enrico Corali
Rocco Corigliano
Eugenio Crosta
Roberto Fusilli
Piero Lonardi
Maria Martellini
Michele Motterlini
Gianfranco Pittatore
Marcello Priori
Jean-Jacques Tamburini
Graziano Tarantini
Valerio Tavormina
Michele Zefferino

Board of Statutory Auditors

Chairman
Antonio Ortolani

Standing auditors
Marco Baccani
Enrico Castoldi
Emilio Cherubini
Paolo Troiano

Arbitration committee

Italo Ciancia
Alfiero Fontana
Sergio Serafini

General management

General Manager
Fiorenzo Dalu

Co-General Manager
Enzo Chiesa

Head Office Managers
Maurizio Biliotti
Paolo Croci
Giovanni Damiani
Roberto Frigerio (*)
Angelo Pellegatta

Joint-Head Office Managers
Marco Colombo
Andrea Rovellini
Stefano Stefani

Deputy Head Office Managers
Piero Capperucci
Carlo Cesare Farma
Roberto Ferrario
Aldo Pullicani Colonesi
Sergio Versienti

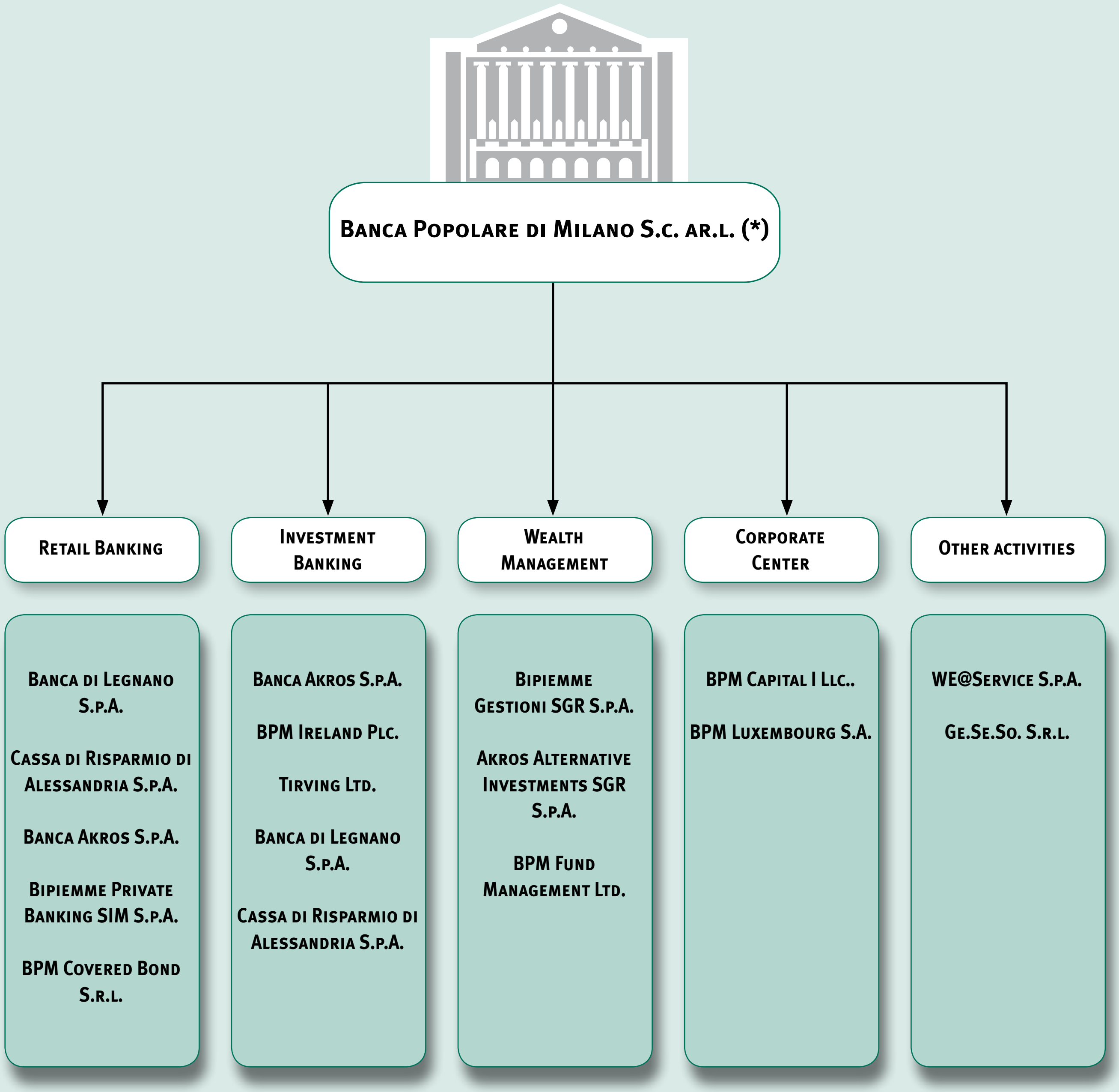
(*) Director charged with drawing up the company's accounts

External audit company

Reconta Ernst & Young S.p.A.

Key figures and ratios of the BPM Group

BPM Group Structure as at 30.06.08



(*) Banca Popolare di Milano is segmented into Retail Banking, Investment Banking, Corporate Center and Corporate banking sector activities.

Key figures and ratios of the BPM Group

Introduction

The balance sheet and income statement were reclassified in order to provide a clearer interpretation of the trends, in full compliance with standard market practice. The principal changes regard aggregations of accounting items or reclassifications of the same, which are the subject of extensive illustration in the footnotes to the reclassified statements, as well as in the Accounting Policies section of the notes to the financial statements.

Subsequently, summary data and key financial, economic and profit ratios for the BPM Group, calculated by using the values in the reclassified financial statements, are presented.

BPM Group - Reclassified balance sheet

(Euro/000)

Compulsory format codes	Assets	30.06.2008 A	31.12.2007 B	30.06.2007 C	Changes A/B		Changes A/C	
					in value	in %	in value	in %
10.	Cash and cash equivalents	186,669	225,643	172,500	–38,974	–17.3	14,169	8.2
	Financial assets at fair value and hedging derivatives:	6,207,647	7,189,224	6,950,889	–981,577	–13.7	–743,242	–10.7
20.	– Financial assets held for trading	3,089,844	3,812,546	3,637,763	–722,702	–19.0	–547,919	–15.1
30.	– Financial assets designated at fair value through profit and loss	1,086,256	1,236,726	1,368,279	–150,470	–12.2	–282,023	–20.6
40.	– Financial assets available for sale	2,017,966	2,121,819	1,930,269	–103,853	–4.9	87,697	4.5
80.	– Hedging derivatives	13,581	18,133	14,578	–4,552	–25.1	–997	–6.8
60.	Loans and advances to banks	4,364,629	3,603,085	4,627,756	761,544	21.1	–263,127	–5.7
70.	Loans and advances to customers	32,041,895	29,766,745	28,242,620	2,275,150	7.6	3,799,275	13.5
100. 120. 130.	Fixed assets	1,600,130	1,663,094	1,529,261	–62,964	–3.8	70,869	4.6
140. 160.	Other assets	1,372,620	1,179,236	1,119,369	193,384	16.4	253,251	22.6
	Total assets	**45,773,590**	**43,627,027**	**42,642,395**	**2,146,563**	**4.9**	**3,131,195**	**7.3**

BPM Group - Reclassified balance sheet

(Euro/000)

Compulsory format codes	Liabilities and Shareholders' equity	30.06.2008 A	31.12.2007 B	30.06.2007 C	Changes A/B		Changes A/C	
					in value	in %	in value	in %
10.	Due to banks	5,214,454	4,292,214	4,095,424	922,240	21.5	1,119,030	27.3
20.	Due to customers	21,402,585	21,615,950	20,805,036	–213,365	–1.0	597,549	2.9
30.	Debt securities in issue	9,907,972	8,065,143	8,059,761	1,842,829	22.8	1,848,211	22.9
	Financial liabilities and hedging derivatives:	3,992,755	4,208,092	4,340,139	–215,337	–5.1	–347,384	–8.0
40.	– Financial liabilities held for trading	1,252,388	1,362,149	1,172,447	–109,761	–8.1	79,941	6.8
50.	– Financial liabilities designated at fair value through profit and loss	2,722,041	2,844,799	3,166,005	–122,758	–4.3	–443,964	–14.0
60.	– Hedging derivatives	18,326	1,144	1,687	17,182	n,s,	16,639	n,s,
80. 100.	Other liabilities	1,383,014	1,417,782	1,368,233	–34,768	–2.5	14,781	1.1
110. 120.	Provisions for specific use	424,452	429,894	435,844	–5,442	–1.3	–11,392	–2.6
140. 160. 170. 180. 190. 200.	Share Capital and reserves	3,201,813	3,151,415	3,186,622	50,398	1.6	15,191	0.5
210.	Minority interests (+/–)	119,440	122,776	116,369	–3,336	–2.7	3,071	2.6
220.	Net profit (loss) for the period (+ / –)	127,105	323,761	234,967	–196,656	n,s,	–107,862	–45.9
	Total liabilities and Shareholders' equity	**45,773,590**	**43,627,027**	**42,642,395**	**2,146,563**	**4.9**	**3,131,195**	**7.3**

BPM Group - Reclassified income statement

(Euro/000)

Compulsory format code	Income statement items	First half 2008	First half 2007	Changes	
				in value	in %
10. 20.	Net interest income	527,568	500,665	26,903	5.4
40. 50.	Net fee and commission income	278,982	302,226	(23,244)	–7.7
of which 240.	Share of profit (loss) on investments valued under the equity method	(765)	7,044	(7,809)	n,s,
70.	Dividend and similar income	125,620	138,989	(13,369)	–9.6
80. 90. 100. 110.	Net income (loss) from financial activities	(89,988)	(26,843)	63,145	235.2
220.	Other operating income/expense	29,580	30,314	(734)	–2.4
	Operating income	**870,997**	**952,395**	**(81,398)**	**–8.5**
180.	Administrative expenses:	(514,139)	(502,164)	11,975	2.4
	a) personnel expenses	(364,641)	(354,080)	10,561	3.0
	b) other administrative expenses	(149,498)	(148,084)	1,414	1.0
200. 210.	Net adjustments on property, plant and equipment and intangible assets	(35,938)	(36,607)	(669)	–1.8
	Operating costs	**(550,077)**	**(538,771)**	**11,306**	**2.1**
	Operating profit	**320,920**	**413,624**	**(92,704)**	**–22.4**
130.	Net adjustments on impairment of loans and financial assets	(55,303)	(49,844)	5,459	11.0
190.	Net provisions for risks and charges	(5,504)	(5,647)	(143)	–2.5
240. 250. 260. 270.	Profits (losses) on disposal of investments	(33,973)	717	(34,690)	n,s,
280.	**Profit before tax from continuing operations**	**226,140**	**358,850**	**(132,710)**	**–37.0**
290.	Taxes on income from continuing operations	(93,457)	(117,879)	(24,422)	–20.7
320.	**Net profit (loss) for the period**	**132,683**	**240,971**	**(108,288)**	**–44.9**
330.	Net profit (loss) for the period pertaining to minority interests	(5,578)	(6,004)	(426)	–7.1
340.	**Net profit (loss)for the period pertaining to the Parent Bank**	**127,105**	**234,967**	**(107,862)**	**–45.9**

Earnings per share (euro)	**0.306**	**0.566**		
Diluted earnings per share (euro)	**0.295**	**0.539**		

Method used for preparing the reclassified income statement
For management reporting purposes the interim results have been presented in a reclassified format, in which items have been aggregated and reclassified in keeping with market practice in such a way as to provide a clearer picture of performance.

For the purposes of easily reconciling the reclassified income statement with the compulsory format, the code numbers from the compulsory format are shown beside each item in the reclassified statement; the following reclassifications were made:

1. The **share of profit (loss) on investments valued under the equity method** (Euro 765 thousand at 30.06.08 and Euro 7,044 thousand at 30.06.07), recorded in line item 240 “Profits (losses) on investments in associates and joint ventures” has been reported in a separate line forming part of “Operating income” in the reclassified format;

2. **“Other operating income/expense” (Item 220)** recorded as part of “Operating costs” in the official reporting format have been adjusted to include “recoverable indirect taxes” (Euro 29,016 thousand at 30.06.08 and Euro 30,018 thousand at 30.06.07) and to exclude “depreciation of leasehold improvements” (Euro 2,106 thousand at 30.06.08 and Euro 2,800 thousand at 30.06.07). “Other operating income/expense”, thus adjusted, were reported as part of “Operating income” in the reclassified format;

3. **“Other administrative expenses” (line item 180 b)** have been adjusted to exclude the amount corresponding to “recoverable indirect taxes” as discussed in point 2) above;

4. **“Net adjustments on property, plant and equipment and intangible assets”** have been increased in the reclassified statement by the corresponding amount of “depreciation of leasehold improvements”, discussed in point 2) above;

5. **“Net adjustments on impairment of loans and financial assets”** (Euro 55,303 thousand at 30.06.08 and Euro 49,844 thousand at 30.06.07), reported in line item 130, were reclassified below the “Operating profit” in the reclassified income statement.

BPM Group – Quarterly evolution of the reclassified Income statement

(Euro/000)

Compulsory format code	Income statement items	2008		2007			
		Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
10. 20.	Net interest income	266,701	260,867	266,156	260,964	266,310	234,355
40. 50.	Net fee and commission income	142,056	136,926	144,856	138,455	148,843	153,383
of which 240.	Share of profit (loss) on investments valued under the equity method	(2,875)	2,110	5,344	2,081	3,418	3,626
70.	Dividend and similar income	124,561	1,059	45,384	3,929	138,378	611
80. 90. 100. 110.	Net income (loss) from financial activities	(75,524)	(14,464)	(34,810)	(5,008)	(83,649)	56,806
220.	Other operating income/expense	14,197	15,383	17,162	14,945	15,080	15,234
	Operating income	**469,116**	**401,881**	**444,092**	**415,366**	**488,380**	**464,015**
180.	Administrative expenses:	(271,510)	(242,629)	(256,131)	(247,398)	(263,342)	(238,822)
	a) personnel expenses	(194,878)	(169,763)	(178,954)	(169,002)	(186,073)	(168,007)
	b) other administrative expenses	(76,632)	(72,866)	(77,177)	(78,396)	(77,269)	(70,815)
200. 210.	Net adjustments on property, plant and equipment and intangible assets	(18,449)	(17,489)	(20,642)	(19,864)	(18,214)	(18,393)
	Operating costs	**(289,959)**	**(260,118)**	**(276,773)**	**(267,262)**	**(281,556)**	**(257,215)**
	Operating profit	**179,157**	**141,763**	**167,319**	**148,104**	**206,824**	**206,800**
130.	Net adjustments on impairment of loans and financial assets	(26,785)	(28,518)	(40,972)	(32,017)	(35,869)	(13,975)
190.	Net provisions for risks and charges	(2,091)	(3,413)	(18,570)	(3,630)	(1,719)	(3,928)
240. 250. 260. 270.	Profits (losses) on disposal of investments	(33,811)	(162)	(21,551)	(1,981)	702	15
280.	**Profit before tax from continuing operations**	**116,470**	**109,670**	**86,226**	**110,476**	**169,938**	**188,912**
290.	Taxes on income from continuing operations	(48,121)	(45,336)	(62,100)	(40,254)	(44,581)	(73,298)
320.	**Net profit (loss) for the period**	**68,349**	**64,334**	**24,126**	**70,222**	**125,357**	**115,614**
330.	Net profit (loss) for the period pertaining to minority interests	(3,322)	(2,256)	(2,635)	(2,919)	(3,679)	(2,325)
340.	**Net profit (loss)for the period pertaining to the Parent Bank**	**65,027**	**62,078**	**21,491**	**67,303**	**121,678**	**113,289**

BPM Group – Key figures

(Euro/000)

Key balance sheet figures	**30.06.2008**	**30.06.2007**	**31.12.2007**
Loans and advances to customers, net	32,041,895	28,242,620	29,766,745
of which: net non-performing loans	*147,153*	*126,877*	*129,004*
Direct deposits (*)	34,032,598	32,030,802	32,525,892
Indirect customer deposits	38,204,303	41,521,407	40,894,092
of which: assets under management	*18,006,984*	*20,929,883*	*20,149,984*
Total assets	45,773,590	42,642,395	43,627,027
Regulatory capital (**)	3,939,756	3,376,190	3,303,605
of which: Tier 1 capital(**)	*2,879,025*	*2,588,553*	*2,527,548*
Shareholders' equity (excluding net profit for the period)	3,201,813	3,186,622	3,151,415

Key Income statement figures	**30.06.2008**	**30.06.2007**
Operating income	870,997	952,395
Operating costs	(550,077)	(538,771)
of which: personnel expenses	*(364,641)*	*(354,080)*
Operating profit	320,920	413,624
Net adjustments on impairment of loans and financial assets	(55,303)	(49,844)
Profit before tax from continuing operations	226,140	358,850
Net profit for the period pertaining to the Parent Bank	127,105	234,967

Other information	**30.06.2008**	**30.06.2007**	**31.12.2007**
Headcount (employees and other personnel)	8,733	8,615	8,588
Branches	726	711	727

(*) This item includes: amounts due to customers, debt securities in issue and financial liabilities designated at fair value through profit and loss.
(**) The data at 30.06.2008 are provisional.

BPM Group – Key ratios

	30.06.2008	30.06.2007	31.12.2007
Structural ratios (%)			
Loans and advances to customers/total assets	70.0	66.2	68.2
Fixed assets/total assets	3.5	3.6	3.8
Direct deposits/total assets	74.3	75.1	74.6
Funds under management/indirect deposits	47.1	50.4	49.3
Loans and avances to customers/direct deposits	94.2	88.2	91.5
Profitability ratios (%) (annualised six-month figures) (%)			
Net profit/(equity - net profit) (ROE) (*)	7.9	14.7	10.3
Net profit/total assets (ROA)	0.6	1.1	0.7
Cost to income ratio	*63.2*	*56.6*	*59.8*
Risk ratios (%)			
Net non-performing loans/Net loans and advances to customers	0.46	0.45	0.43
Adjustments to non-performing loans/gross non-performing loans	68.5	71.0	71.1
Adjustments to performing loans/gross performing loans	0.50	0.68	0.56
Productivity ratios (thousands of euro) (**)			
Direct deposits per employee	3,897	3,718	3,787
Loans and advances to customers per employee	3,669	3,278	3,466
Assets under management per employee	2,062	2,429	2,346
Assets under administration per employee	2,313	2,390	2,415
Capital adequacy ratios (%) **(***)**			
Tier 1 (Tier 1 capital/total risk-weighted assets)	7.5	7.7	7.2
Total capital ratio (regulatory capital/total risk-weighted assets)	10.2	10.0	9.4

(*) Equity at the end of the period.
(**) Number of employees at the end of the period, including personnel with other types of contracts.
(***) The data at 31.12.2007 and 30.06.2007 have been calculated based on the legislation previously in force (so-called “Basel 1”).
The data at 30.06.2008 are based on provisional calculations deriving from the application of the new “Basel 2” capital accord.
The definitive data (representing the first reporting using the new methodology) will be made known to the Supervisory Authority by 25 October 2008.

Directors' Half-Year Report of BPM Group

Macroeconomic scenario

The international economy

During the first half of 2008, the global macroeconomic scenario was impacted by the financial crisis triggered by the sub-prime crash and was characterised by elements of weakness such as the fear of a possible recession in the US, the slowdown of the global economy, the persistently weak dollar, especially against the euro, and the rising inflation rate (driven by mounting energy and food raw material prices).

In the **United States**, the outlook remained critical even though thanks to expansive monetary and tax policy interventions, the GNP was marginally positive. In the first quarter, development rose by +0.2% (+2.5% over the same period in the previous year) and the expectations for the second quarter stood at +0.5% (+1.8% in the previous 12 months). Growth continued to benefit from the negative performance of the dollar, which favoured net exportations.
The FED took decisive and repeated market action, lowering the FED Funds rate from 4.25% to 2% in an attempt to mitigate the effects of the financial crisis and to mostly support domestic consumption.
Even so, the scenario remained uncertain, affected by increasingly evident inflationary growth and a significantly weak real estate market.

In **Japan**, economic growth was affected by the global situation, but still managed to increase by +1% in the first quarter (+1.3% year-on-year), outperforming the average of the last two quarters of 2007. The initial results for the second quarter however are less reassuring and show signs of a significant slowdown. In view of the situation, the Bank of Japan has maintained reference rates unvaried (0.50%).

During the half year, the economic activity of most **emerging countries** saw significant growth, particularly that of India and China, especially thanks to the outstanding results achieved through exportation. Inflation due to high oil and food prices also affected these countries, forcing the countries most dependent on importation and with the biggest consumer growth to adopt restrictive monetary policies. The high cost of agricultural products boosted the economy of many developing countries where this sector still represents a principle source of wealth, but has made sustainment more difficult for the poorer segments of the population.

The **EMU Area** was not immune to the effects of the global financial crisis and the oil shock, with an average inflation of 4%, the highest since 1992 and well above the objective level of the ECB (2%). It should also be noted that in the first half of the year, despite the falling purchase power of households and the strong euro, the GNP outperformed expectations with a growth of +0.7% (+2.1% over the previous year); however, in the second quarter the scenario worsened. For the first time since the adoption of the single currency, preliminary data show a decrease in activities equal to 0.2% (+1.5% over the previous year), with a negative contribution from large countries such as Germany, France and Italy.
The monetary policy was in line with the statutory objectives of the Central Bank, which confirmed its restrictive approach in early July when it raised the reference rate by a quarter of a point to 4.25%.

The Italian economy

As is the case throughout Europe, the situation in **Italy** has also weakened significantly.
Since the beginning of the year, GNP data, although marginally positive (+0.5% in the first three months), have underperformed the forecasts made at the end of last year by leading research institutes, which have had to lower growth expectations. Even the Bank of Italy has reconsidered its 2008 and 2009 forecasts for the Italian GNP, lowering them to 0.4% for both years.
The preliminary estimates for the second quarter, in which the GNP fell by 0.3% over the previous quarter and remained the same as the 2007 figure, confirm the difficult situation.
A stagnant tertiary sector, sluggish industrial production and deficiencies in individual consumer trends due to increasingly expensive energy and food products are the main causes for worry. However, exportations increased, especially in the last part of the half-year.

The Italian banking industry

In the first six months of 2008, the trend in funding activities of Italian banks showed an acceleration in deposits denominated in euro, represented by savings deposits, current accounts, deposit and bond certificates, with an annual growth rate equal to +10.7%. At + 20.1% on an annual basis (+13.2% at June 2007), the increase in bonds was particularly significant.
Foreign deposits remained high (+8.5%), although lower than the first half of 2007.

In terms of loans, the half-year was characterised by significant growth, with signs of stagnancy appearing in May.
The growth rate estimated at June 2008 was equal to 8.3% (8.7% in May 2008 and 10.2% in June 2007).
The performance of loans appears to be supported by both long-term and short-term components.
Loans to non-financial enterprises also accelerated, showing high growth (+12.6% in May 2008; +11.7% in May 2007) and outperforming the development trend of loans to households, which although also achieving positive growth, showed signs of slowing down (+3.4% in May 2008; +8.3% in May 2007).
Net non-performing loans from Italian banks were lower year-on-year in April 2008 (- 8.3%). The ratio of net non-performing loans to total loans amounted to 0.99% (1.18% in April 2008).

The interest rate structure is on the rise: the average rate of loans to households and non-financial enterprises amounted to 6.3% in June 2008, up by 62 b.p. over the previous year as a result of the interbank market conditions, while the average rate of bank deposits from customers in the same period reached 3.20%, up 63 b.p. over June 2007. As a result of these economic trends, the spread between the average rate of loans and the average rate of deposits reached 3.10%.

Financial and currency markets

Following the negative effects deriving from the financial crisis and high oil prices, the leading international stock exchange indexes reported significant losses. In the half-year, **Standard & Poor's 500** fell by 12%, **Nikkei 225** also dropped (– 11.9%), the **Dow Jones Euro Stoxx** (which includes the most important companies in the **EMU** area) dropped by 22.5% and the **Mibtel** index of the Italian stock exchange lost 22.7%. The value of the euro against the dollar continued to appreciate during the half-year nearly reaching $1.60 against a euro when at the end of June it reached approximately $1.57.

The cost of public funding for European and US banks continues to remain extremely high and the impairment of their portfolios are not showing signs of letting up.

The global banking system has to date suffered impairment losses of approximately $500 billion, with markets forecasting $700 billion and the IMF foreseeing $1,000 billion in losses. This high level of uncertainty in regards to the 2008 results of banks and to the related need for additional capital keeps markets from forecasting a better second half-year, despite the fact that share prices and credit spreads are at an all time low.

The system's liquidity deficit has not yet returned to normal even though for the entire first half of 2008 the Central Banks, in coordination amongst themselves, provided extraordinary refinancing instruments and operations.

In addition, having been prompted by the Financial Stability Forum, the Supervisory Authorities are asking for lower financial leverage and higher average capital.

In a report dated 28 July 2008, the IMF says " the global financial markets remain fragile and indicators of systemic risk remain elevated."

Asset management

In the first half of 2008, the Italian asset management industry continued its negative trend, recording negative net returns for over Euro70 billion, attributable respectively to Italian funds for almost Euro 42 billion and foreign funds for roughly Euro 28.5 billion.

Even figures relating to assets under management fell sharply to around Euro 515 billion (down 10% on 2007).

Equity fund assets, bond fund assets and balanced fund assets fell more than average, while flexible funds, liquidity funds and hedge funds reported a less penalising performance.

Significant events

The following significant events took place during the first half of 2008:

- the “Covered Bonds – Obbligazioni Bancarie Garantite” programme;
- the new text of the General Resolution on the rules for admitting and managing Members;
- the acquisition of 39 branches from Unicredit Group.

The “Covered Bonds – Obbligazioni Bancarie Garantite” programme

On 13 November 2007, the Board of Directors of BPM approved a 10-year programme, with the annual issue of “Covered Bonds – Obbligazioni Bancarie Garantite” for a maximum amount of Euro 2 billion per year and a maximum overall amount of Euro 10 billion.
The programme is based on the transfer of mortgage and property loans issued by BPM to a special purpose vehicle and offers an important opportunity for the Bank in providing an innovative product for the Italian market, diversifying its sources of financing and creating a competitive collection tool.
In terms of lower funding costs and considering the market’s current volatility, benefits could reach up to 50 b.p. depending on the maturity dates.
In mid-July, the Bank completed its first issue, the first ever transaction carried out on the market by an Italian bank, after a successful road show whose destinations included the main European financial markets. The issue rate was equal to 5.50%.
The portfolio initially issued under guarantee amounted to roughly Euro 1.2 billion and comprises 12,229 home mortgages issued by BPM between 1996 and 2007.
All the bonds issued under the Programme will benefit from the tutelage of the Italian regulatory framework (Law no. 80 of 14 May 2005, Ministry of the Economy Decree of 14 December 2006 and Supervisory Instructions issued by the Bank of Italy of 17 May 2007).
The “Covered bonds -Obbligazioni Bancarie Garantite” will be issued directly by BPM. Contemporaneously, investors will obtain a first-request, irrevocable and unconditional guarantee from BPM Covered Bond S.r.l., a special purpose vehicle as per Law no. 130 set up ad hoc in compliance with the law and in which the Bank has an 80% stake.
The guarantee will be provided by a portfolio of performing home mortgages entirely originated by BPM. Unlike a securitisation transaction, the bond payments will be independent of the cash flows and the performance of the portfolio pledged as a guarantee since the final Guarantor of the Programme is BPM.
The Bank will have to regularly pass a series of tests and meet certain contractual and regulatory requirements in order to ensure the ongoing integrity and adequacy of the guarantee.
The ratio of the assets pledged as a guarantee to the nominal value of the Covered Bonds - Obbligazioni Bancarie Garantite issued under the Programme will be calibrated periodically to ensure that the investor is duly protected. To maintain the needed level of guarantee, BPM will periodically integrate the portfolio with new assets to replace those expired and/or impaired.
Given the nature and structural features of the Programme, the bonds are assigned an AAA rating by Moody’s and an AAA rating by Fitch.

New text of the General Resolution on the rules for admitting and managing Members

During the meeting of 3 June 2008, the Board of Directors of BPM approved the new text of the General Resolution on the rules for admitting and managing Members, using the wording proposed by the Member Committee and replacing that currently in force starting from 1 July 2008 (therefore being in force when the admission requests are presented from that date onwards).
The new text of the Resolution (published on 1 July 2008 on the company website at www.bpm.it – Azionariato e Soci section to which reference should be made) underscores the principles underlying the cooperative model to which the Bank belongs and addresses some of the petitions made by the market by introducing substantial changes to important aspects such as the admission procedure for registration in the Register of Members and the relationships between the Members and the Bank and the other members of the cooperative. In detail, the changes include the following:

- the creation of a special "Member Address Archive" in which, after Members have expressly given their specific consent, their addresses (and, obviously, their personal details, which are already contained in the Register of Members) are included so that other requesting members may consult the data (and obtain extracts thereof), thus improving knowledge of and relations among the company members;

- the elimination of the strict rule whereby persons residing in States with a privileged tax regime (so-called "black list" countries) are not allowed membership and the introduction of a new approach based on a complex valuation of the level of transparency ensured by the aspiring Member so that the Bank may continue to verify that the person that is the actual shareholder meets the necessary requirements and to make it easier for persons with which the Bank has had a long-standing relationship of trust to be included in the shareholding structure.

Acquisition of 39 branches from Unicredit Group

On 16 May 2008 within the ambit of Unicredit's sale of 184 branches, BPM signed with a "consortium" of 12 other banks a preliminary agreement for the acquisition of 39 branches located in the provinces of Rome (28), Bologna (7) and Verona (4). At 31 December 2007, the branches had direct deposits for around Euro 530 million, indirect deposits for around Euro 870 million and loans for around Euro 700 million. The total counter value of the transaction was equal to Euro 213.8 million and may be adjusted based on the actual amount of the total deposits (direct and indirect) of the branches at the effective date. Under the agreement the purchasers have the option to transfer back to the seller a certain percentage of the transferred loans, which, based on data as at 31 December 2007, for BPM would amount to roughly Euro 38 million. The deal should impact the Group's core Tier 1 by approximately 60 b.p. The transaction is subject to authorisation from the competent authorities and is expected to be concluded by the end of 2008.
It is believed that the IT and organisational integration plan launched in May 2008 will be completed by the same date so that the newly acquired branches may be able to operate for all intents and purposes as the other branches of the BPM network.

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The following events also took place during the first half of 2008:

- On 28 February 2008, the day the Stability Pact of 28 April 2005 was due to expire, BPM, Banco Popolare, Banca Popolare dell'Emilia Romagna, Società Reale Mutua di Assicurazioni and Banca Popolare di Sondrio signed a new agreement (the "Pact") that essentially confirms and renews the previous agreement for a period of 12 months.

- In March 2008, BPM sold its entire investment in NordEst Banca SpA (300,000 shares; 10% of the share capital) to Cassa di Risparmio di Ferrara SpA for Euro 10.5 per share, for a total value of Euro 3,150,000 (versus an original carrying amount of Euro 3,000,000).

- In order to keep the regulatory capital in line with the performance of the assets, the Bank issued innovative capital instruments (so-called Tier 1 instruments) for Euro 300 million. The instruments are perpetual and can be reclaimed by BPM after 10 years. The Bank also issued a Lower Tier 2 subordinate bond loan for approximately Euro 252 million maturing in 10 years as well as an Upper Tier 2 subordinate bond loan for around Euro 18 million also maturing after 10 years.

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Lastly, in accordance with Article 89-bis of Consob Regulation no. 11971/99 (and subsequent modifications), it is made known that the "Report on the Bank's corporate governance and adoption of the new Code of Conduct for Listed Companies" has been filed and is available to Members and the public at the registered offices of BPM and Borsa Italiana SpA. The report is also available in a separate section of the website www.bpm.it.

Distribution structure

Distribution network

At 30 June 2008, BPM Group's distribution network was composed of a total of 755 points of contact with Customers, consisting of 725 Retail Branches, plus the virtual branch of We@Bank, 4 new Large Corporate branches and 10 Small and Medium Company branches, as well as 15 Private Centres.

As shown in the table below, the number of traditional branches spread out over 13 regions throughout Italy increased by 15 branches compared to the same period in 2007 and decreased compared to the situation as at December 2007 on account of the closing of a BPM branch in Via G.B. Grassi, 74 c/o l'Ospedale Sacco.

The 10 SME units, which are part of the organisational structure of the Parent Bank (one for each local area), are assigned to manage companies with a turnover of up to Euro 50 million, while the 4 Large Corporate branches, also a part of the organisational structure of the Parent Bank, manage companies with a turnover higher than Euro 50 million. The distribution network is completed by the 15 Private Centres, part of the structure of Bipiemme Private Banking SIM (13) and Banca Akros (2), that provide personalised financial advisory services.

Other distribution channels

Financial advisors
At 30.06.08, the network of financial advisors flanking the traditional bank network counted 61 exclusive agents (including 38 with Bipiemme, 20 with Banca Akros and 3 with Bipiemme Private Banking SIM), who handle operations mainly in relation to asset management and administration.

Remote channels
The distribution network, with its strong local roots, is increasingly complemented by the services offered by remote channels, such as internet banking and the call centre.

Internet banking
In the first six months of 2008, the Internet banking services of BPM Group reported positive results with significant results in terms of distribution and use by customers.
Following the integration of Cassa di Risparmio di Alessandria and the decision to re-position the Group's Internet banking services, the Individual customers accessing the website www.webank.it and the Corporate customers accessing the website www.inlineanet.it have been gradually migrated to new multi-channel services between November 2007 and February 2008. These services are reserved to Bank customers that are Internet channel users. The services are additional to the already existing We@bank services, which have taken on a different commercial function and are dedicated to customers that have chosen "purely" on-line accounts.

To date, BPM Group offers Internet banking services to 342,849 Individual and Corporate customers through the following websites:

- BPM Banking (197,982 individual and 58,867 corporate);
- BL Banking (26,568 individual and 10,498 corporate);
- CRA Banking (6,051 individual and 4,657 corporate);
- We@bank (37,661 individual and 565 corporate).

The Group's on-line customers have grown by more than 20% over the 284,566 customers reported in the previous year.
The first half of 2008 saw roughly 30,000 new individual users, bringing the count to around 269,000, and a further 9,000 corporate users, reaching a total of 75,000 users.

In total, the Group has placed around 10.4 million instructions for on-line banking and trading.

Call Centre

The BPM Call Centre performs the diversified functions of a phone bank in the strictest sense: namely, inbound, help desk and outbound activities. Risponde BPM and Risponde Bidielle are telephone banking services with more than 120 thousand customers as of the end of June 2008, compared with over 113 thousand at the end of 2007. A multi-lingual call centre was launched to respond to the needs of foreign immigrant customers.

Distribution network of the BPM Group at 30.06.08

	30.06.2008 A	31.12.2007 B	Changes A/B	30.06.2007 C	Changes A/C
Distribution network					
Banca Popolare di Milano	526	527	–1	518	8
Banca di Legnano	111	111	0	107	4
Cassa Risparmio di Alessandria	87	87	0	84	3
Banca Akros	1	1	0	1	0
We@Bank	1	1	0	1	0
Total branches	**726**	**727**	**–1**	**711**	**15**
Large Corporate branches	4	4	0	4	0
SME units	10	10	0	10	0
Private Centres (Bipiemme Private Banking SIM and Banca Akros)	15	15	0	16	–1
Total other sales points	**29**	**29**	**0**	**30**	**–1**
Total distribution network	**755**	**756**	**–1**	**741**	**14**
Regional branches					
Lombardy	**474**	**475**	**–1**	**465**	**9**
Banca Popolare di Milano	371	372	–1	366	5
Banca di Legnano	100	100	0	96	4
Cassa Risparmio di Alessandria	2	2	0	2	0
Banca Akros	1	1	0	1	0
Other regions	**251**	**251**	**0**	**245**	**6**
Emilia Romagna	32	32	0	31	1
Latium	58	58	0	58	0
Apulia	38	38	0	38	0
Piedmont	94	94	0	91	3
Other	29	29	0	27	2
of which:					
Banca Popolare di Milano	*155*	*155*	*0*	*152*	*3*
Banca di Legnano	*11*	*11*	*0*	*11*	*0*
Cassa Risparmio di Alessandria	*85*	*85*	*0*	*82*	*3*
Total Italy	**725**	**726**	**–1**	**710**	**15**
We@Bank	1	1	0	1	0
Total branches	**726**	**727**	**–1**	**711**	**15**
Other distribution channels					
Banca Popolare di Milano	38	35	3	35	3
Banca Akros	20	19	1	19	1
Bipiemme Private Banking SIM	3	3	0	2	1
Total exclusive agents	**61**	**57**	**4**	**56**	**5**

Breakdown of Group personnel by qualification

	30.06.2008 A	Per. %	30.06.2007 B	Per. %	Changes A/B	31.12.2007 C	Per. %	Changes A/C
Managers	179	2.1	170	2.0	9	157	1.9	22
3rd- and 4th-level officials	1,724	20.1	1,595	18.9	129	1,578	18.8	146
1st- and 2nd-level officials	1,431	16.7	1,473	17.4	–42	1,451	17.3	–20
Other personnel	5,249	61.2	5,223	61.7	26	5,192	62.0	57
Total employees	**8,583**	**100.0**	**8,461**	**100.0**	**122**	**8,378**	**100.0**	**205**
Temporary staff	119	79.3	126	81.8	–7	186	88.6	–67
Other types of contracts	31	20.7	28	18.2	3	24	11.4	7
Total other personnel	**150**	**100.0**	**154**	**100.0**	**–4**	**210**	**100.0**	**–60**
Total personnel	**8,733**	**100.0**	**8,615**	**100.0**	**118**	**8,588**	**100.0**	**145**

Development strategies

The main results and most significant projects pursued in the Group's various areas of business during the first half of 2008 are discussed below.

Commercial banking area

The development of the commercial banking activity aimed at acquiring new customers and enhancing the value of the current base was pursued during the first half of 2008 through several business initiatives on specific products and promotional-advertising campaigns.

In particular, within the credit card segment, the marketing continued of **"Cartimpronta"**, the credit card issued directly by BMP and backed by a mailing sales campaign. At the end of June 2008, approximately 180 thousand cards were in issue, of which more than 50% originated from the migration from **CartaSì**. Since January 2008 development activities for the corporate segment have been launched. The new offering sets out to satisfy the needs of various corporate targets, including Business cards, particularly suited for small companies and freelance professionals, and Corporate cards for SMEs and large companies. The cards will be marketed from the second half of the year. In the first part of 2008, the **"Cartimpronta Multifunzione"** card with credit and debit functions was marketed.

In terms of pre-paid credit cards, the marketing of **CartaJe@ns has been continuing successfully** and is also proposed on the **Mastercard** circuit in order to strengthen the partnership with the circuit and increase its acceptance, especially on the Internet. In this regard, **"Security Systems"** have been made available to customers for credit card use on the Internet and are aimed at providing greater protection.

Within the ambit of the industrial and business partnership forged between BPM Group and Fondiaria – Sai Group and following the launch of the **"MP5"** policy in January 2008, corporate customers were sold a new policy called **"MP5 Benefits"** born from the experience gained with the marketing of the **"MP5"** policy and providing Third-Party Liability and Legal Assistance and Protection. In the first half of 2008, the marketing of the new **"MP5 In Viaggio"** automobile, motorbike, boat, etc. policy was launched. This new policy comprises 5 packages (4 predefined in terms of guarantees and one freely composable) and features an extensive and modular guarantee cover offered at competitive prices over leading competitors.
The new policy will be marketed at pilot branches in July 2008 and will subsequently be extended to the entire network of the Group. The following initiatives have been taken to acquire new customers, in particular:

- the marketing of the new fixed-rate mortgage called **"Fermo Tasso"** targeted to young people under 35 looking to buy their first home. The product offers a fixed rate for the first five years, after which the rate may be renegotiated for up to three times before the loan is paid up. The offering has been very successful with more than 50% of mortgage loans being issued to new customers;

- the business initiative called **"Scegli il tuo conto e mettilo alla prova per 6 mesi"** reserved for new account holders. For the first six months the management fees linked to the account, which is chosen based on the user's specific needs, are free of charge, as are charges for stamp duties on the current account or on any securities in custody. During this time, bank transfers and ATM withdrawals are also free.

BPM also continued taking steps to develop specific emerging market segments such as immigrants, young couples, members, atypical employees and non-profit organisations, with positive effects on cross-selling.

More specifically, this first segment continued to perform well, taking the customer base to over 35,000. This trend confirms, on the one hand, the growing loyalty among immigrants towards the banking system and, on the other hand, highlights the validity and effectiveness of the Bank's business and marketing strategies. Within this context, an agreement has been entered into with **Western Union** to offer, starting from the second half of 2008, money transfer services at all BPM Group branches.

In the non-profit segment, the Bank has consolidated the website "www.faresolidale.it", which has become an information tool on non-profit issues and an increasingly effective showcase for non-profit customers.

In an effort to improve customer loyalty and relations, the Bank has continued implementing the **"Punta su di te"** project aimed at creating a point system entitling personal current account holders of the bank to choose prizes from a catalogue with the aim of making BPM their bank of choice. In March 2008, the second edition of the project was launched and in June was activated by 22% of individual account holders. Together with the launch of the project's second edition, the initiative was extended to other Group banks – Banca di Legnano and Cassa di Risparmio di Alessandria – which at the end of June boasted more than 11,000 subscriptions.

Corporate banking area

For the corporate segment, during the course of the first half of 2008, close attention was paid to the selective growth of loans and the increase in the level of penetration with current customers (so-called share of wallet). Loans grew by 14% in the same period of 2007. Growth was selective and constant attention was placed on the risk profile of customers.

In terms of the initiatives supporting small and medium sized enterprises (SMEs), it should be noted that the commercial banks of the BPM Group and Banca Akros, respectively as sponsors and specialists, have been involved in the ACM initiative (Alternative Capital Market) which is based on simplifying access to risk capital and on strengthening the financial structure of Italian SMEs by offering new solutions to the SMEs interested in opening their capital to new investors.

Investment banking area

In this area, the focus was placed on increasing profitability and maintaining the current low levels of risk by implementing control and risk management systems as well as capital allocation tools.

With reference to bond issues, the Parent Bank increased the amount of the E.M.T.N. (Euro Medium Term Notes) programme to Euro 10 billion and within the scope of the programme made a sizeable public issue in January 2008 for Euro 1.25 billion (variable rate, maturing in February 2010).

In terms of investment banking, the Bank concluded three subordinated Tier-1 and Tier-2 bond loan placements, as already illustrated in the section of this report entitled "Significant events".

Following the conclusion in 2007 of the **"Asset & Liability Management"** project, which provided the Parent Bank with a new system for sourcing assets and liabilities from bank ledgers and modelling positions payable on demand, during 2008 the Bank has been in the process of completing the activities needed to have the system managed by the financial operations desk, which has been subject to operating limits for the management of the banking book rate risk.

Despite the difficult financial market conditions, Banca Akros, the Group's investment and private bank, has confirmed its sizeable market share in terms of brokering activity and consolidated its corporate finance activities by closing two important M&A deals, taking part in two IPOs and guaranteeing three capital increases. On the brokering activities front, in the first half of 2008 the Bank not only obtained its usual results on the bond markets, but also achieved strong development on foreign share activities, a strategic decision in response to the growing demand for international activity. Banca Akros has also been confirmed as the leader in over-the-counter financial derivatives activities, developing its own offering in instruments linked to rates, exchanges, indices and shares, as well as in structured bonds. The Bank has continued its MiFID-directive activities on investment services and fulfilled its requirements arising from the assimilation of the 3rd anti-money laundering directive and the launch of Basel 2.

Wealth management area

Irrespective of the challenges facing this segment, the Bank has continued to take steps to improve its offering by launching new products and consolidate direct and third-party distribution channels.

Corporate centre area

A number of organisational initiatives were concluded or are currently in the pipeline in order to make the Group structures more efficient, streamline back office activities and consolidate actions directed to reduce IT costs.

Some of the more important activities include:

- the completion of the **"Integrazione Cassa di Risparmio di Alessandria"** (Cassa di Risparmio di Alessandria's Integration) project, aimed at the full operational integration of Cassa di Risparmio di Alessandria into the BPM Group through the adoption of BPM's information system, the standardisation of CRA operational procedures with those of the Parent Bank, alignment of its model and organisational structures, and the full integration of CRA and BPM products and services.

- the launch of the project for integrating 39 branches currently being acquired from Unicredit Group into BPM's IT system, which will be concluded by the end of 2008 when the operation is expected to be completed;

- the completion of the process of switching We@bank from a technological platform of captive service for banks of the Group to a purely on-line operator in order to attract customers wishing to use on-line banking services.

Risk management and control system

Within the area of activities related to the risks and control system, the following is worth mentioning:

- The activities linked to the **"Basel 2"** regulation and more generally risk management processes (see the section on risks contained in the notes to the financial statements) have continued.

- The **"Metopa"** project (Operative Methodology for Auditing), designed to finalise the use of a new operative methodology for auditing, is focused on risks and processes which enables BPM to align itself to the most current best practices in the industry and complies with the new Control Model adopted by the Bank and which is set to be adopted also by the other companies of the Group.

- The **"Sviluppo Modello di gestione dei rischi di agenzia"** project (Development Model for managing branch risks), aimed at designing an efficient model for governing corporate risk and focussed on "distribution processes" in the hands of the structures of the Network.

IT Environment

Activities in this area have focussed on implementing solutions in support of the sales channels, on compliance of procedures with new regulations, on strengthening logistic security and on the adoption of measures that would ensure uninterrupted service and a progressive reduction of ICT costs as well as efficiency improvements.

The consolidation of initiatives targeted to reduce ICT costs is continuing within the **"IT Transformation"** project aimed at a structural reduction of ICT costs, at streamlining internal processes and at the formulation of a personnel development plan.

Among the accomplishments achieved in the support of the sales channel, worthy of mention is the progressive issue of the **"New System of Financing"** application which aims to manage a wider range of instalment loans with greater flexibility and the start of the installation phase of the **"Evolved Self Service"** instruction in branches that will enable customers to carry out transactions in complete autonomy.

Among the activities geared towards guaranteeing continuity of service, we point out the implementation of certain projects falling within the scope of **"The Strategic Security Plan"**, which has further reinforced the protection mechanisms of the information system, such as the introduction of Strong Authentication mechanisms, which will continue also in the second half of 2008.

Lastly, also worthy of note is the launch of long-term works to replace the current Linux software with Microsoft software thereby allowing greater compatibility among current as well as future applications and greater adherence to market standards.

Organisational projects concerning the new legislative provisions

In reference to the projects which highly impact the company's organisation, and that intend to comply with recent legislative provisions, the following are worth mentioning:

- the continuance of the "**Market in Financial Instrument Directive (MiFID)**" project, which has introduced rules for the establishment of a financial market integrated at the European level and has involved important activity in terms of bringing computerised procedures and organisational processes into line and creating business structures;

- the continuation of the "**SEPA**" project, designed to ensure compliance with the European process for the integration of the retail payment system in non-cash Euros and which saw the conclusion of the management of the **"SCT"** bank transfer component.

The BPM Group's scope of consolidation

Reference should be made to the particular section of this report for details of the changes in the scope of consolidation, whereas the following tables show the contribution made by each of the companies to Group net profit and consolidated assets.
As shown in the appropriate tables, the Parent Bank confirms its central role within the Group, both in terms of contribution to the net profit and of contribution to the consolidated assets.

Contributions of companies of the Group to consolidated net profits

Company	% interest (*)	Net profit as per individual financial statements	Share of net profit	Consolidation adjustments	Contribution to consolidated net profit	% contribution to consolidated net profit
Banca Popolare di Milano		145,669	145,669	–64,164	81,505	64.12
Banca di Legnano	93.51	39,385	36,829	–3,572	33,257	26.16
Banca Akros	94.29	17,450	16,454	–646	15,808	12.44
Cassa di Risparmio di Alessandria	80.00	8,196	6,557	–512	6,045	4.76
Bipiemme Gestioni SGR	88.08	5,078	4,473	117	4,590	3.61
Bpm Fund Management	99.99	1,197	1,197		1,197	0.94
We@Service	100.00	1,075	1,075		1,075	0.85
Tirving	100.00	645	645		645	0.51
Akros Alternative Investments SGR	94.29	206	194		194	0.15
Bipiemme Private Banking SIM	95.19	97	92		92	0.07
Fondo Akros Dynamic (**)	92.75	31	29		29	0.02
Ge.Se.So.	100.00	5	5		5	0.00
Fondo Akros Long/Short Equity (**)	96.82	–117	–113		–113	–0.09
Bpm Capital I	100.00	–127	–127		–127	–0.10
Fondo Akros Equity Hedge (**)	66.38	–250	–166		–166	–0.13
Bpm Luxembourg	99.94	–210	–210		–210	–0.17
Fondo Akros Market Neutral (**)	94.09	–2,390	–2,249		–2,249	–1.77
Bpm Ireland	99.99	–11,372	–11,372	–3,100	–14,472	–11.39
Total			**198,982**	**–71,877**	**127,105**	**100.00**

(*) Calculated on equity ratio basis.
(**) These entities are consolidated on a line-by-line basis since the Group holds most of the risks and rewards (SIC 12 "Consolidation – Special purpose entities").

Contributions of companies of the Group to consolidated assets

Company	% interest (*)	Total assets	Eliminations and consolidation adjustments	Contribution to consolidated assets	% contribution to consolidated assets
Banca Popolare di Milano		38,031,793	–3,658,509	34,373,284	75.09
Banca di Legnano	93.51	4,292,362	–100,405	4,191,957	9.16
Banca Akros	94.29	3,486,512	–251,641	3,234,871	7.07
Cassa di Risparmio di Alessandria	80.00	2,302,035	–8,042	2,293,993	5.01
Bpm Ireland	99.99	1,156,559	–825	1,155,734	2.52
Fondo Akros Market Neutral (**)	94.09	206,159	–35,620	170,539	0.37
Bpm Securitisation 2 (**)	n.a.	1,497,479	–1,364,585	132,894	0.29
Bipiemme Gestioni SGR	88.08	68,141	–8,464	59,677	0.13
Fondo Akros Long/Short Equity (**)	96.82	56,128	–1,998	54,130	0.12
Tirving	100.00	37,653	–638	37,015	0.08
Fondo Akros Dynamic (**)	92.75	26,449	–1,231	25,218	0.06
Bipiemme Private Banking Sim	95.19	17,647	–3,870	13,777	0.03
We@Service	100.00	17,747	–7,785	9,962	0.02
Fondo Akros Equity Hedge (**)	66.38	7,637	–133	7,504	0.02
Bpm Luxembourg	99.94	195,469	–189,484	5,985	0.01
Bpm Fund Management	99.99	3,349	0	3,349	0.01
Akros Alternative Investments SGR	94.29	5,949	–2,877	3,072	0.01
Ge.Se.So.	100.00	1,262	–874	388	0.00
Bpm Capital I	100.00	195,445	–195,211	234	0.00
Bpm Covered Bond	80.00	7		7	0.00
Total		**51,605,782**	**–5,832,192**	**45,773,590**	**100.00**

(*) Calculated on equity ratio basis
(**) These entities are consolidated on a line-by-line basis since the Group holds most of the risks and rewards (SIC 12 "Consolidation – Special purpose entities").

Key balance sheet items

Brokerage with customers

At 30 June 2008, BPM Group's **"total deposits"** – comprising total assets under administration on behalf of customers – amounted to Euro 72,237 million, down over December 2007 (- Euro 1,183 million) and over 30 June 2007 (- Euro 1,315 million). This trend derives from the rise in direct deposits (+ 6.2%) and the fall in indirect deposits (- 8%).

Total deposits from customers

(Euro/000)

	30.06.2008		31.12.2007		Changes A/B		30.06.2007		Changes A/C	
	A	Percentage %	B	Percentage %	in value	in %	C	Percentage %	in value	in %
Direct deposits	34,032,598	47.1	32,525,892	44.3	1,506,706	4.6	32,030,802	43.5	2,001,796	6.2
Indirect deposits	38,204,303	52.9	40,894,092	55.7	–2,689,789	–6.6	41,521,407	56.5	–3,317,104	–8.0
of which										
Assets under management	*18,006,984*	*47.1*	*20,149,984*	*49.3*	*–2,143,000*	*–10.6*	*20,929,883*	*50.4*	*–2,922,899*	*–14.0*
Assets under administration	*20,197,319*	*52.9*	*20,744,108*	*50.7*	*–546,789*	*–2.6*	*20,591,524*	*49.6*	*–394,205*	*–1.9*
Total direct and indirect deposits	**72,236,901**	**100.0**	**73,419,984**	**100.0**	**–1,183,083**	**–1.6**	**73,552,209**	**100.0**	**–1,315,308**	**–1.8**

Direct deposits

Direct deposits

(Euro/000)

	30.06.2008		31.12.2007		Variazioni A/B		30.06.2007		Changes A/C	
	A	Percentage %	B	Percentage %	in value	Percentage %	C	Percentage %	in value	in %
Due to customers	21,402,585	62.9	21,615,950	66.5	–213,365	–1.0	20,805,036	65.0	597,549	2.9
Debt securities in issue	9,907,972	29.1	8,065,143	24.8	1,842,829	22.8	8,059,761	25.1	1,848,211	22.9
Financial liabilities designated at fair value through profit and loss	2,722,041	8.0	2,844,799	8.7	–122,758	–4.3	3,166,005	9.9	–443,964	–14.0
Total direct deposits	**34,032,598**	**100.0**	**32,525,892**	**100.0**	**1,506,706**	**4.6**	**32,030,802**	**100.0**	**2,001,796**	**6.2**

Direct deposits: breakdown by company

(Euro/000)

	30.06.2008		31.12.2007		Variazioni A/B		30.06.2007		Changes A/C	
	A	Percentage %	B	Percentage %	in value	in %	C	Percentage %	in value	in %
Banca Popolare di Milano	28,743,838	84.4	27,004,768	83.0	1,739,070	6.4	27,073,443	84.5	1,670,395	6.2
Banca di Legnano	2,774,750	8.2	2,709,387	8.3	65,363	2.4	2,629,168	8.2	145,582	5.5
Cassa Risparmio di Alessandria	1,823,758	5.4	1,863,783	5.7	–40,025	–2.1	1,748,811	5.5	74,947	4.3
Banca Akros	685,752	2.0	679,501	2.1	6,251	0.9	445,744	1.4	240,008	53.8
Other companies	1,821,723	5.4	2,390,957	7.4	–569,234	–23.8	2,400,182	7.5	–578,459	–24.1
Eliminations and consolidation adjustments	–1,817,223	–5.4	–2,122,504	–6.5	305,281	–14.4	–2,266,546	–7.1	449,323	–19.8
Total direct deposits	**34,032,598**	**100.0**	**32,525,892**	**100.0**	**1,506,706**	**4.6**	**32,030,802**	**100.0**	**2,001,796**	**6.2**

Direct deposits: description (Euro/000)

	30.06.2008		31.12.2007		Changes A/B		30.06.2007		Changes A/C	
	A	Percentage %	B	Percentage %	in value	in %	C	Percentage %	in value	in %
Current and savings accounts	18,286,524	85.4	18,008,242	83.3	278,282	1.5	16,680,023	80.2	1,606,501	9.6
Repurchase agreements	1,361,363	6.4	1,263,943	5.9	97,420	7.7	1,895,905	9.1	–534,542	–28.2
Other types of debt security	1,754,698	8.2	2,343,765	10.8	–589,067	–25.1	2,229,108	10.7	–474,410	–21.3
Due to customers	**21,402,585**	**62.9**	**21,615,950**	**66.5**	**–213,365**	**–1.0**	**20,805,036**	**65.0**	**597,549**	**2.9**
Bonds and structured securities	8,045,545	81.2	6,737,531	83.5	1,308,014	19.4	6,716,735	83.4	1,328,810	19.8
Subordinated liabilities	1,584,162	16.0	1,038,305	12.9	545,857	52.6	1,036,008	12.9	548,154	52.9
Other types of debt security	278,265	2.8	289,307	3.6	–11,042	–3.8	307,018	3.8	–28,753	–9.4
Debt securities in issue	**9,907,972**	**29.1**	**8,065,143**	**24.8**	**1,842,829**	**22.8**	**8,059,761**	**25.1**	**1,848,211**	**22.9**
Financial liabilities designated at fair value through profit and loss	**2,722,041**	**8.0**	**2,844,799**	**8.7**	**–122,758**	**–4.3**	**3,166,005**	**9.9**	**–443,964**	**–14.0**
Total direct deposits	**34,032,598**	**100.0**	**32,525,892**	**100.0**	**1,506,706**	**4.6**	**32,030,802**	**100.0**	**2,001,796**	**6.2**

At 30 June 2008, the aggregate **"direct deposits"** – comprised of amounts due to customers, debt securities in issue and financial liabilities designated at fair value through profit and loss – amounted to Euro 34,033 million, up 4.6% over the end of 2007 and up 6.2% over the previous twelve months. In detail:

- **due to customers** stood at Euro 21,403 million, remaining essentially in line with the figures at the end of 2007, but up by 2.9% from the previous twelve months thanks to the on demand component, which reached Euro 18,287 million (+ Euro 1,607 million);

- **debt securities in issue** rose to Euro 9,908 million, increasing significantly by 22.8% (+ Euro 1,843 million) over December 2007. The sub-item "bonds and structured securities" reached Euro 8,046 million – benefitting for Euro 1,250 million from the issue of a bond loan falling within the Euro Medium Term Note programme – while subordinate liabilities stood at Euro 1,584 million thanks to the issue of a Lower Tier 2 subordinated bond loan (Euro 252 million) and a perpetual Tier 1 instrument (Euro 300 million);

- **financial liabilities designated at fair value through profit and loss** amounted to Euro 2,722 million, down by 4.3% over the end of 2007.

Indirect deposits and assets under management

At 30.06.08, the market value of **indirect deposits from retail customers** amounted to Euro 38,204 million, down from Euro 40,894 million at 31 December 2007 (-6.6%). The amount of assets under management is net of any duplications and the figure for assets under administration does not include securities relating to the individual and collective portfolio management services provided by Bipiemme Gestioni SGR nor the insurance products offered by Bipiemme Vita, since these are already included in assets under management and the amounts relating to institutional investors.

In detail, **assets under management** fell by Euro 2,143 million over 31 December 2007, amounting to Euro 18,007 million (-10.6%), as a result of the negative net deposits recorded at the beginning of the year for Euro 1,330 million and the drop in share prices. This downward trend is due to the negative phase the fund industry has been undergoing since the second half of 2007 to date (since the start of 2008 the fund system has reported negative net deposits for more than Euro 70 billion).

An analysis of the single management sectors reveals a negative trend also in the **individual portfolio management** sector, which fell by Euro 1,830 million compared to June 2007 to Euro 4,801 million (-27.6%); the fall is for about half attributable to the closing of the "Portfoliofondi" product. In this regard, we point out that within the ambit of the rationalisation of asset management services, customers have been offered a new investment product called "Bipiemme Più – fondo di fondi", to which they have readily responded and which include the amounts previously invested in "Portfoliofondi" (around Euro 700 million). Despite the aforementioned contribution, the **fund** component dropped by Euro 217 million compared to the end of 2007 to Euro 9,059 million; the market share however has grown to 2.28% from 2.02% in December 2007. With regard to the breakdown of assets by type of fund, 63.2% consisted of bond funds (up from 55.4% at 30 June 2007) and 16.1% of equity funds (down from 23% as at 30 June 2007).

Lastly, **insurance reserves** amounted to Euro 3,526 million, remaining substantially unchanged from 31 December 2007.

Assets under administration by retail customers amounted to Euro 20,197 million, falling by Euro 547 million versus December 2007. Assets under administration are composed for 27% of shares, for 41% of government bonds and for the remaining 32% of bonds and others.

Indirect deposits and assets under management of retail customers at market value: description

(Euro/000)

	30.06.2008		31.12.2007		Changes A/B		30.06.2007		Changes A/C	
	A	Percentage %	B	Percentage %	in value	in %	C	Percentage %	in value	in %
Funds	9,058,946	50.3	9,276,226	46.0	–217,280	–2.3	9,983,307	47.7	–924,361	–9.3
Individual portfolio management	4,800,550	26.7	6,538,870	32.5	–1,738,320	–26.6	6,630,994	31.7	–1,830,444	–27.6
Insurance reserves	3,526,371	19.6	3,570,866	17.7	–44,495	–1.2	3,566,290	17.0	–39,919	–1.1
Assets managed by non-group companies	621,117	3.4	764,022	3.8	–142,905	–18.7	749,292	3.6	–128,175	–17.1
Total asset under management	**18,006,984**	**47.1**	**20,149,984**	**49.3**	**–2,143,000**	**–10.6**	**20,929,883**	**50.4**	**–2,922,899**	**–14.0**
Assets under administration	**20,197,319**	**52.9**	**20,744,108**	**50.7**	**–546,789**	**–2.6**	**20,591,524**	**49.6**	**–394,205**	**–1.9**
Total indirect deposits and assets under management	**38,204,303**	**100.0**	**40,894,092**	**100.0**	**–2,689,789**	**–6.6**	**41,521,407**	**100.0**	**–3,317,104**	**–8.0**

Assets under management at market value: breakdown by investor

(Euro/000)

	30.06.2008		31.12.2007		Changes A/B		30.06.2007		Changes A/C	
	A	Percentage %	B	Percentage %	in value	in %	C	Percentage %	in value	in %
Banca Popolare di Milano	12,634,957	70.2	14,174,058	70.3	–1,539,101	–10.9	15,642,688	74.7	–3,007,731	–19.2
Banca di Legnano	1,886,193	10.5	2,046,993	10.2	–160,800	–7.9	2,129,859	10.2	–243,666	–11.4
Bipiemme Gestioni SGR	2,067,986	11.5	2,314,280	11.5	–246,294	–10.6	1,379,725	6.6	688,261	49.9
Cassa di Risparmio di Alessandria	796,010	4.4	893,282	4.4	–97,272	–10.9	956,615	4.6	–160,605	–16.8
Banca Akros	619,139	3.4	719,047	3.6	–99,908	–13.9	817,000	3.9	–197,861	–24.2
Akros Alternative Investments SGR	2,699	0.0	2,324	0.0	375	16.1	3,996	0.0	–1,297	–32.5
Total assets under management	**18,006,984**	**100.0**	**20,149,984**	**100.0**	**–2,143,000**	**–10.6**	**20,929,883**	**100.0**	**–2,922,899**	**–14.0**

Assets under administration at market value: breakdown by company

(Euro/000)

	30.06.2008		31.12.2007		Changes A/B		30.06.2007		Changes A/C	
	A	Percentage %	B	Percentage %	in valore	in %	C	Percentage %	in valore	in %
Banca Popolare di Milano	15,170,923	75.1	15,866,881	76.5	–695,958	–4.4	15,667,404	76.1	–496,481	–3.2
Banca di Legnano	1,854,830	9.2	1,933,165	9.3	–78,335	–4.1	1,932,681	9.4	–77,851	–4.0
Banca Akros	1,868,455	9.3	1,639,432	7.9	229,023	14.0	1,528,439	7.4	340,016	22.2
Cassa di Risparmio di Alessandria	1,303,111	6.4	1,304,630	6.3	–1,519	–0.1	1,463,000	7.1	–159,889	–10.9
Total assets under administration	**20,197,319**	**100.0**	**20,744,108**	**100.0**	**–546,789**	**–2.6**	**20,591,524**	**100.0**	**–394,205**	**–1.9**

Loans and advances to customers

Loans and advances to customers: breakdown by company

(Euro/000)

	30.06.2008	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
Banca Popolare di Milano	27,840,931	26,060,079	1,780,852	6.8	24,474,046	3,366,885	13.8
Banca di Legnano	3,179,939	2,974,600	205,339	6.9	2,782,470	397,469	14.3
Cassa Risparmio di Alessandria	1,848,932	1,747,497	101,435	5.8	1,668,739	180,193	10.8
Banca Akros	282,976	308,729	–25,753	–8.3	248,433	34,543	13.9
Other companies (*)	1,594,503	1,767,385	–172,882	–9.8	1,750,719	–156,216	–8.9
Eliminations and consolidation adjustments	–2,705,386	–3,091,545	386,159	–12.5	–2,681,787	–23,599	0.9
Total	**32,041,895**	**29,766,745**	**2,275,150**	**7.6**	**28,242,620**	**3,799,275**	**13.5**

(*) of which Euro 1.4 billion relating to "BPM Securitisation 2" and to mortgage loans subject to securitisation.

At 30 June 2008, loans and advances to customers stood at Euro 32,042 million, up significantly by Euro 3,799 million (+13.5%) over the previous year.

Medium-term loans continue in their development and in particular the mortgage sector reported a growth of Euro 1,480 million compared to the previous twelve months (+15.4%). The upward trend benefitted from the sizeable mortgages and loans issued, which in the first half of 2008 exceeded Euro 3.1 billion.

A growth was also reported in "Other transactions", which totalled Euro 12,785 million (+21.7%) and mainly include advances on bills, documents and similar instruments subject to collection and cash grants not settled via current accounts.

Securities classified as "loans" amounted to Euro 35 million and refer to debt securities not listed on an active market and not being held for trading.

Finally, it should be noted that Euro 1.4 billion in mortgage loans subject to securitisation in the second half of 2006 was classified as "assets sold and not cancelled".

Loans and advances to customers: description

(Euro/000)

	30.06.2008		31.12.2007		Changes A/B		30.06.2007		Changes A/C	
	A	Percentage %	B	Percentage %	in value	in %	C	Percentage %	in value	in %
1. Current accounts	4,790,668	15.0	4,672,737	15.7	117,931	2.5	4,923,882	17.5	–133,214	–2.7
2. Lending repurchase agreements	516,062	1.6	120,462	0.4	395,600	328.4	121,399	0.4	394,663	325.1
3. Mortgages	11,082,587	34.6	10,285,864	34.5	796,723	7.7	9,602,183	34.0	1,480,404	15.4
4. Credit cards, personal loans and salary assignments	643,762	2.0	584,400	2.0	59,362	10.2	558,832	2.0	84,930	15.2
5. Finance leases	309,255	1.0	288,456	1.0	20,799	7.2	303,883	1.1	5,372	1.8
6. Factoring	–	–	–	–	–	–	–	–	–	–
7. Other transactions	12,784,894	39.9	11,752,148	39.4	1,032,746	8.8	10,501,862	37.2	2,283,032	21.7
8. Debt securities	34,538	0.1	35,615	0.1	–1,077	–3.0	36,685	0.1	–2,147	–5.9
8.1 Structured securities	–	–	–	–	–	–	–	–	–	–
8.2 Other debt securities	34,538	–	35,615	–	–1,077	–3.0	36,685	–	–2,147	–5.9
9. Impaired assets	522,685	1.6	492,614	1.7	30,071	6.1	490,946	1.7	31,739	6.5
10. Assets sold and not cancelled	1,357,444	4.2	1,534,449	5.2	–177,005	–11.5	1,702,948	6.0	–345,504	–20.3
Total loans and advances to customers	**32,041,895**	**100.0**	**29,766,745**	**100.0**	**2,275,150**	**7.6**	**28,242,620**	**100.0**	**3,799,275**	**13.5**

The amounts indicated under item 10. “Assets sold and not cancelled” refer to the balances of the securitised loans portfolio at each respective date. In 2006, the Parent Bank sold without recourse (pursuant to Italian Law 130 of 30 April 1999) a portfolio of performing loans totalling Euro 2,011.3 million deriving from mortgage and property loans issued by BPM and secured by class A mortgage guarantees to BPM Securitisation 2 S.r.l., a company consolidated in accordance with SIC 12.

Amounts of “Impaired assets” included in the item “Loans and advances to customers”

(Euro/000)

	30.06.2008	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
9. Impaired assets	522,685	492,614	30,071	6.1	490,946	31,739	6.5
10. Assets sold and not cancelled	22,756	16,206	6,550	40.4	13,008	9,748	74.9
Total	**545,441**	**508,820**	**36,621**	**7.2**	**503,954**	**41,487**	**8.2**

The “Assets sold and not cancelled” refer to positions concerning the mortgages securitised in 2006.

Significant exposures

With reference to periodical reporting on “Significant exposures”, at the end of June 2008 the Group reported an amount 10% higher than the consolidated regulatory capital, for a total of Euro 747.6 million.

Significant exposures (Euro/000)

	30.06.2008 (*)	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
a) Amount	747,570	1,111,573	–364,003	–32.7	697,284	50,286	7.2
b) Number	1	2	–1	–50.0	1	0	0.0

(*) provisional figure

Asset quality

At 30.06.08, total impaired assets relating to cash loans to customers, net, amounted to Euro 545 million, up on year-end 2007 (Euro 509 million), but remaining unchanged (1.7% of all loans) with respect to 31 December 2007 and slightly down from June 2007 (1.8%).

In detail, net non-performing loans, amounting to Euro 147 million, remained a small portion of total loans (0.5%), well below the industry average. The related adjustments of Euro 320 million provide coverage for 68.5% of the exposure.

Total adjustments to impaired assets, applied with the usual prudent criteria, amounted to a total of Euro 392 million, compared to Euro 402 million at 31.12.07, with a total coverage of 39%.

Total adjustments amounted to Euro 219 million, in line with figures at 31 December 2007, and include adjustments to performing loans of Euro 160 million, covering 0.50%, and adjustments to problem loans of Euro 51 million, covering 14.5%.

Asset quality

(Euro/000)

Types of loans/amounts	Gross exposure		Specific adjustments		Portfolio adjustments		Net exposure	
	Amount	percentage	Amount	percentage	Amount	percentage	Amount	percentage
Loans and advances to customers at 30.06.2008								
A. Cash loans								
Impaired assets	**996,309**	**3.1**	**391,732**	**39.32**	**59,136**	**5.94**	**545,441**	**1.7**
a) Non-performing loans	466,817	1.4	319,268	68.39	396	0.08	147,153	0.5
b) Problem loans	348,215	1.1	31,915	9.17	50,619	14.54	265,681	0.8
c) Restructured loans	87,224	0.3	40,549	46.49	5,374	6.16	41,301	0.1
d) Loans overdue	94,053	0.3	–	–	2,747	2.92	91,306	0.3
Country risk	**3,854**	**–**	**XXX**	**–**	**504**	**13.08**	**3,350**	**–**
Other assets	**31,652,658**	**96.9**	**XXX**	**–**	**159,554**	**0.50**	**31,493,104**	**98.3**
Total loans and advances to customers	**32,652,821**	**100.0**	**391,732**	**1.20**	**219,194**	**0.67**	**32,041,895**	**100.0**
Loans and advances to customers at 31.12.2007								
A. Cash loans								
Impaired assets	**957,661**	**3.2**	**401,923**	**41.97**	**46,918**	**4.90**	**508,820**	**1.7**
a) Non-performing loans	445,685	1.5	316,367	70.98	314	0.07	129,004	0.4
b) Problem loans	338,310	1.1	44,225	13.07	39,543	11.69	254,542	0.9
c) Restructured loans	87,905	0.3	41,331	47.02	5,316	6.05	41,258	0.1
d) Loans overdue	85,761	0.3	–	–	1,745	2.03	84,016	0.3
Country risk	**6,002**	**–**	**XXX**	**–**	**786**	**13.10**	**5,216**	**–**
Other assets	**29,416,159**	**96.8**	**XXX**	**–**	**163,450**	**0.56**	**29,252,709**	**98.3**
Total loans and advances to customers	**30,379,822**	**100.0**	**401,923**	**1.32**	**211,154**	**0.70**	**29,766,745**	**100.0**
Loans and advances to customers at 30.06.2007								
A. Cash loans								
Impaired assets	**894,553**	**3.1**	**386,810**	**43.24**	**3,789**	**0.42**	**503,954**	**1.8**
a) Non-performing loans	437,612	1.5	310,671	70.99	64	0.01	126,877	0.4
b) Problem loans	251,165	0.9	33,791	13.45	1,492	0.59	215,882	0.8
c) Restructured loans	116,337	0.4	42,348	36.40	393	0.34	73,596	0.3
d) Loans overdue	89,439	0.3	–	–	1,840	2.06	87,599	0.3
Country risk	**465**	**–**	**XXX**	**–**	**120**	**25.81**	**345**	**–**
Other assets	**27,927,789**	**96.9**	**XXX**	**–**	**189,468**	**0.68**	**27,738,321**	**98.2**
Total loans and advances to customers	**28,822,807**	**100.0**	**386,810**	**1.34**	**193,377**	**0.67**	**28,242,620**	**100.0**

Net interbank position

As at 30.06.08, the Group showed a net borrower position on the interbank market amounting to Euro 850 million, an increase when compared to the net borrower position of Euro 689 million reported at 31 December 2007.

Interbank position

(Euro/000)

	30.06.2008	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
Loans and advances to banks	4,364,629	3,603,085	761,544	21.1	4,627,756	–263,127	–5.7
Due to banks	–5,214,454	–4,292,214	–922,240	–21.5	–4,095,424	–1,119,030	–27.3
Total	**–849,825**	**–689,129**	**–160,696**	**–23.3**	**532,332**	**–1,382,157**	**n.s.**

Net interbank position: breakdown by company

(Euro/000)

	30.06.2008	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
Banca Popolare di Milano	–131,492	–117,441	–14,051	–12.0	1,742,530	–1,874,022	–107.5
Banca di Legnano	79,974	289,308	–209,334	–72.4	353,647	–273,673	–77.4
Cassa Risparmio di Alessandria	75,912	192,549	–116,637	–60.6	28,916	46,996	162.5
Banca Akros	–1,005,946	–1,487,558	481,612	32.4	–1,456,483	450,537	30.9
BPM Ireland	–1,084,293	–1,336,109	251,816	18.8	–1,357,101	272,808	20.1
Other companies and eliminations	1,216,020	1,770,122	–554,102	–31.3	1,220,823	–4,803	–0.4
Net interbank position	**–849,825**	**–689,129**	**–160,696**	**–23.3**	**532,332**	**–1,382,157**	**n.s.**

Loans and advances to banks: description

(Euro/000)

	30.06.2008		31.12.2007		Changes A/B		30.06.2007		Changes A/C	
	A	Percentage %	B	Percentage %	in value	in %	C	Percentage %	in value	in %
Loans and advances to central banks	206,156	4.7	81,730	2.3	124,426	152.2	109,109	2.3	97,047	88.9
Loans and advances to banks:										
Current accounts and unrestricted deposits	778,134	17.8	793,694	22.0	–15,560	–2.0	1,053,595	22.8	–275,461	–26.1
Restricted deposits	1,253,595	28.7	1,209,429	33.6	44,166	3.7	1,896,706	41.0	–643,111	–33.9
Other loans	2,126,700	48.7	1,518,173	42.1	608,527	40.1	1,568,346	33.9	558,354	35.6
Impaired assets	44	–	59	–	–15	–25.4	–	–	44	–
Assets sold and not cancelled	–	–	–	–	–	–	–	–	–	–
Total loans and advances to banks	**4,364,629**	**100.0**	**3,603,085**	**100.0**	**761,544**	**21.1**	**4,627,756**	**100.0**	**–263,127**	**–5.7**

Due to banks description

(Euro/000)

	30.06.2008		31.12.2007		Changes A/B		30.06.2007		Changes A/C	
	A	Percentage %	B	Percentage %	in value	in %	C	Percentage %	in value	in %
Due to central banks	451,819	8.7	60,046	1.4	391,773	652.5	29,763	0.7	422,056	n,s,
Due to banks:										
Current accounts and unrestricted deposits	1,313,908	25.2	1,486,163	34.6	–172,255	–11.6	1,057,773	25.8	256,135	24.2
Restricted deposits	2,938,360	56.3	1,966,692	45.8	971,668	49.4	2,127,671	52.0	810,689	38.1
Loans	161,874	3.1	140,274	3.3	21,600	15.4	91,952	2.3	69,922	76.0
Liabilities for assets sold and not cancelled from the balance sheet	337,294	6.5	586,093	13.7	–248,799	–42.5	746,768	18.2	–409,474	–54.8
Other payables	11,199	0.2	52,946	1.2	–41,747	–78.8	41,497	1.0	–30,298	–73.0
Total due to banks	**5,214,454**	**100.0**	**4,292,214**	**100.0**	**922,240**	**21.5**	**4,095,424**	**100.0**	**1,119,030**	**27.3**

Financial assets

The **financial assets of BPM Group** stood at Euro 4,937 million, down by Euro 889 million on 31 December 2007 (–15.3%); net of financial liabilities held for trading mainly made up of financial derivatives, the aggregate amounted to Euro 6,208 million, down by Euro 982 million.

Financial assets/liabilities of the Group: breakdown (Euro/000)

Items/Amounts	30.06.2008	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
Financial assets held for trading	3,089,844	3,812,546	–722,702	–19.0	3,637,763	–547,919	–15.1
Financial assets designated at fair value through profit and loss	1,086,256	1,236,726	–150,470	–12.2	1,368,279	–282,023	–20.6
Financial assets available for sale	2,017,966	2,121,819	–103,853	–4.9	1,930,269	87,697	4.5
Hedging derivatives	13,581	18,133	–4,552	–25.1	14,578	–997	–6.8
Total financial assets	**6,207,647**	**7,189,224**	**–981,577**	**–13.7**	**6,950,889**	**–743,242**	**–10.7**
Financial liabilities held for trading	1,252,388	1,362,149	–109,761	–8.1	1,172,447	79,941	6.8
Hedging derivatives	18,326	1,144	17,182	n,s,	1,687	16,639	n.s.
Total net of financial liabilities	**4,936,933**	**5,825,931**	**–888,998**	**–15.3**	**5,776,755**	**–839,822**	**–14.5**

Financial assets/liabilities of the Group: breakdown by company (Euro/000)

Items/Amounts	30.06.2008	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
Banca Popolare di Milano	2,082,415	2,322,576	–240,161	–10.3	2,256,634	–174,219	–7.7
Banca Akros	1,533,381	1,963,808	–430,427	–21.9	1,735,889	–202,508	–11.7
BPM Ireland	1,112,651	1,341,097	–228,446	–17.0	1,404,433	–291,782	–20.8
Banca di Legnano	128,552	130,337	–1,785	–1.4	126,281	2,271	1.8
Cassa Risparmio di Alessandria	50,753	82,489	–31,736	–38.5	200,483	–149,730	–74.7
Other companies	314,177	296,028	18,149	6.1	775,271	–461,094	–59.5
Eliminations and consolidation adjustments	–284,996	–310,404	25,408	8.2	–722,236	437,240	60.5
Total net of financial liabilities	**4,936,933**	**5,825,931**	**–888,998**	**–15.3**	**5,776,755**	**–839,822**	**–14.5**

Financial assets held for trading (Item 20 of Assets)

Financial assets held for trading – which include debt securities and equities classified as "trading" and the positive value of derivatives taken out for trading purposes – fell by Euro 723 million (-19%) over year-end 2007 to Euro 3,090 million, mainly due to the decrease of the equity component (- Euro 610 million). Within the item, cash assets amounted to Euro 2,060 million, while the derivative component reached Euro 1,030 million.

Financial assets held for trading: description

(Euro/000)

	30.06.2008			31.12.2007			Changes A/B		30.06.2007
	Listed	Unlisted	Total A	Listed	Unlisted	Total B	in value	in %	
A. Cash assets									
Debt securities	431,330	252,422	**683,752**	666,028	256,988	**923,016**	–239,264	–25.9	**491,268**
Equities	428,758	–	**428,758**	1,025,583	12,698	**1,038,281**	–609,523	–58.7	**860,661**
Mutual fund units	20,032	23,563	**43,595**	25,822	22,280	**48,102**	–4,507	–9.4	**49,743**
Loans	–	–	–	–	–	**-**	–	–	**-**
Impaired assets	–	–	–	–	–	**-**	–	–	**-**
Assets sold and not cancelled	898,530	5,038	**903,568**	882,475	–	**882,475**	21,093	2.4	**1,375,891**
Total A	**1,778,650**	**281,023**	**2,059,673**	**2,599,908**	**291,966**	**2,891,874**	**-832,201**	**-28.8**	**2,777,563**
B. Derivatives									
Financial derivatives	16,723	1,009,082	**1,025,805**	24,275	895,665	**919,940**	105,865	11.5	**860,000**
Credit derivatives	–	4,366	**4,366**	–	732	**732**	3,634	n,s,	**200**
Total B	**16,723**	**1,013,448**	**1,030,171**	**24,275**	**896,397**	**920,672**	**109,499**	**11.9**	**860,200**
Total A+B.	**1,795,373**	**1,294,471**	**3,089,844**	**2,624,183**	**1,188,363**	**3,812,546**	**–722,702**	**–19,0**	**3,637,763**

Financial assets designated at fair value through profit and loss (Item 30 of Assets)

Financial assets designated at fair value through profit and loss – which include structured debt securities, securities not classified as financial assets held for trading and open-ended funds for which periodic valuations are available from independent sources – amounted to Euro 1,086 million, showing a slight decline on year-end 2007 due to the fall in debt securities.

Financial assets designated at fair value through profit and loss: description

(Euro/000)

	30.06.2008			31.12.2007			Changes A/B		30.06.2007
	Listed	Unlisted	Total A	Listed	Unlisted	Total B	in valore	in %	
Debt securities	253,689	456,066	**709,755**	247,941	651,812	**899,753**	–189,998	–21.1	**1,028,980**
Equities	48,160	–	**48,160**	–	–	**-**	48,160	–	**1,986**
Mutual fund units	52,721	260,699	**313,420**	50,233	286,740	**336,973**	–23,553	–7.0	**337,313**
Loans	–	–	**-**	–	–	**-**	–	–	**-**
Impaired assets	–	–	**-**	–	–	**-**	–	–	**-**
Assets sold and not cancelled	–	14,921	**14,921**	–	–	**-**	14,921	–	**-**
Total	**354,570**	**731,686**	**1,086,256**	**298,174**	**938,552**	**1,236,726**	**–150,470**	**–12.2**	**1,368,279**

Financial assets available for sale (Item 40 of Assets)

Financial assets available for sale decreased by Euro 104 million on 31 December 2007 to Euro 2,018 million.

Financial assets available for sale: description

(Euro/000)

	30.06.2008			31.12.2007			Changes A/B		30.06.2007
	Listed	Unlisted	Total A	Listed	Unlisted	Total B	in value	in %	
Debt securities	866,127	328,257	**1,194,384**	871,926	528,435	**1,400,361**	–205,977	–14.7	**1,318,642**
Equities	79,292	303,900	**383,192**	121,173	356,818	**477,991**	–94,799	–19.8	**492,927**
Mutual fund units	6	98,825	**98,831**	18	112,190	**112,208**	–13,377	–11.9	**115,639**
Loans	–	–	**-**	–	–	**-**	–	–	**-**
Impaired assets	–	1,824	**1,824**	–	664	**664**	1,160	174.7	**3,061**
Assets sold and not cancelled	293,530	46,205	**339,735**	130,595	–	**130,595**	209,140	160.1	**-**
Total	**1,238,955**	**779,011**	**2,017,966**	**1,123,712**	**998,107**	**2,121,819**	**–103,853**	**–4.9**	**1,930,269**

Financial liabilities held for trading (Item 40 of Liabilities)

Financial liabilities held for trading, which mainly consist of the negative value of trading derivatives, amounted to Euro 1,252 million, with a decrease of 8.1% over the values reported at year-end 2007. As in the case of assets, trading derivatives largely comprised interest rate swaps and currency derivatives.

Financial liabilities held for trading: description

(Euro/000)

	30.06.2008			31.12.2007			Changes A/B		30.06.2007
	Listed	Unlisted	Total A	Listed	Unlisted	Total B	in value	in %	
A. Cash liabilities									
Due to banks	13,285	–	**13,285**	11,056	7	**11,063**	2,222	20.1	**-**
Due to customers	6,680	–	**6,680**	23,008	–	**23,008**	–16,328	–71.0	**11,454**
Debt securities	86,125	9,399	**95,524**	45,197	–	**45,197**	50,327	111.4	**47,750**
Total A	**106,090**	**9,399**	**115,489**	**79,261**	**7**	**79,268**	**36,221**	**45.7**	**59,204**
B. Derivatives									
Financial derivatives	12,747	1,115,402	**1,128,149**	17,828	1,263,898	**1,281,726**	–153,577	–12.0	**1,111,958**
Credit derivatives	–	8,750	**8,750**	–	1,155	**1,155**	7,595	–	**1,285**
Total B	**12,747**	**1,124,152**	**1,136,899**	**17,828**	**1,265,053**	**1,282,881**	**–145,982**	**–11.4**	**1,113,243**
Total A+B.	**118,837**	**1,133,551**	**1,252,388**	**97,089**	**1,265,060**	**1,362,149**	**–109,761**	**–8.1**	**1,172,447**

Hedging derivatives

The **positive value of derivatives**, inherent to hedging derivatives at fair value, offset against the changes in the items covered, amounted to Euro 14 million, while **the negative value of derivatives**, offset against the changes in the fair value of the items covered, amounted to Euro 18 million.

Fixed assets

At 30 June 2008, the aggregate of **fixed assets**, which includes **investments in associates and joint ventures, property, plant and equipment and intangible assets**, amounted to Euro 1,600 million, down by Euro 63 million on year-end 2007. In detail, **investments in associates and joint ventures** stood at Euro 180 million, while the total **property, plant and equipment and intangible assets** reached Euro 1,420 million.

Investments in jointly controlled companies (accounted for using the equity method) and companies subject to significant influence

(Euro/000)

Items/Amounts	30.06.2008	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
Companies consolidated using the equity method							
Subject to joint control	1,416	1,394	22	1.6	409	1,007	246.2
Subject to significant influence	178,373	226,233	–47,860	–21.2	108,846	69,527	63.9
Total	**179,789**	**227,627**	**–47,838**	**–21.0**	**109,255**	**70,534**	**64.6**

Property, plant and equipment and intangible assets

(Euro/000)

Items/Amounts	30.06.2008	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
Property, plant and equipment at cost:							
Assets used in business	756,657	767,715	–11,058	–1.4	765,041	–8,384	–1.1
Investment properties	19,938	20,421	–483	–2.4	20,883	–945	–4.5
Total property, plant and equipment	**776,595**	**788,136**	**–11,541**	**–1.5**	**785,924**	**–9,329**	**–1.2**
Intangible assets:							
Goodwill	**547,656**	**547,656**	**–**	**–**	**547,124**	**532**	**0.1**
pertaining to the Group	521,843	521,843	–	–	521,418	425	0.1
pertaining to minority interests	25,813	25,813	–	–	25,706	107	0.4
Other intangible assets	**96,090**	**99,675**	**–3,585**	**–3.6**	**86,958**	**9,132**	**10.5**
Total intangibile assets	**643,746**	**647,331**	**–3,585**	**–0.6**	**634,082**	**9,664**	**1.5**

Provisions for specific use

At 30.06.08, **provisions for specific use** amounted to Euro 424 million, of which Euro 199 million relating to post-employment benefits and Euro 225 million to provisions for risks and charges.

Provisions for specific use (Euro/000)

Items/Amounts	30.06.2008	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
Provision for post-employment benefits	**198,980**	**200,232**	**–1,252**	**–0.6**	**216,350**	**–17,370**	**–8.0**
Provisions for risks and charges:	**225,472**	**229,662**	**–4,190**	**–1.8**	**219,494**	**5,978**	**2.7**
Provisions for pension fund	**112,631**	**110,014**	**2,617**	**2.4**	**111,870**	**761**	**0.7**
Other provisions per risks and charges:	**112,841**	**119,648**	**–6,807**	**–5.7**	**107,624**	**5,217**	**4.8**
legal disputes	26,557	26,525	32	0.1	24,190	2,367	9.8
payroll costs	31,068	24,054	7,014	29.2	29,133	1,935	6.6
other	55,216	69,069	–13,853	–20.1	54,301	915	1.7
Total	**424,452**	**429,894**	**–5,442**	**–1.3**	**435,844**	**–11,392**	**–2.6**

Shareholders' equity and capital adequacy

At 30 June 2008, **shareholders' equity**, inclusive of net profit for the period, stood at Euro 3,329 million. This item includes share capital and reserves for Euro 3,202 million, and within the item valuation reserves for - Euro 19 million, down Euro 97 million on 31 December 2007 due to the lower value reported for financial assets available for sale.

Shareholders' equity: breakdown (Euro/000)

	30.06.2008	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
1. Share capital	1,660,137	1,660,137	–	–	1,660,137	–	–
2. Share premium	188,025	187,827	198	0.1	187,820	205	0.1
3. Reserves	1,368,542	1,221,183	147,359	12.1	1,216,612	151,930	12.5
4. (Treasury shares)	–	–	–	–	–	–	–
a) parent bank	–	–	–	–	–	–	–
b) subsidiaries	–	–	–	–	–	–	–
5. Valuation reserves	–19,101	78,058	–97,159	–124.5	117,843	–136,944	–116.2
6. Equity instruments	4,210	4,210	–	–	4,210	–	–
7. Net profit (loss) for the period	127,105	323,761	–196,656	–60.7	234,967	–107,862	–45.9
Total	**3,328,918**	**3,475,176**	**–146,258**	**–4.2**	**3,421,589**	**–92,671**	**–2.7**

Minority interests

At 30 June 2008, **minority interests** amounted to Euro 119 million, essentially in line with the figures as at 31 December 2007.

Minority interests: breakdown (Euro/000)

	30.06.2008	31.12.2007	Changes A/B		30.06.2007	Changes A/C	
	A	B	in value	in %	C	in value	in %
1. Share capital	49,029	49,029	–	–	48,273	756	1.6
2. Share premium	42,297	42,297	–	–	42,297	–	–
3. Reserves	18,917	16,206	2,711	16.7	15,831	3,086	19.5
4. (Treasury shares)	–	–	–	–	–	–	–
5. Valuation reserves	3,619	3,686	–67	–1.8	3,964	–345	–8.7
6. Equity instruments	–	–	–	–	–	–	–
7. Net Profit (loss) for the period pertaining to minority interests	5,578	11,558	–5,980	–51.7	6,004	–426	–7.1
Total	**119,440**	**122,776**	**–3,336**	**–2.7**	**116,369**	**3,071**	**2.6**

Results for the period

We shall now examine the **results reported in the income statement**. The first half of 2008 closed with **a net profit for the period** of Euro 127.1 million, compared with Euro 235 million in the same period of 2007, down by Euro 107.9 million (-45.9%). This result was negatively affected by the performance of the investment banking sector, which was strongly hit by the on-going financial market crisis and not sufficiently offset against the improvements in the corporate and commercial banking activities.

Operating income

In the six months ended 30.06.08, **operating income** amounted to Euro 871 million, down by Euro 81.4 million (-8.5%) on the same period of the previous year.

Net interest income

In detail, **net interest income** amounted to Euro 527.6 million, up by Euro 26.9 million (+5.4%) due to the growth in volumes traded with customers and to a lesser extent to the increase in the interest rate spread.

In terms of customer deposits and lending, in average annual terms and based on figures used for internal reporting purposes, loans and advances to customers showed growth by 13.2%, while deposits grew by 5.7% (including the bond component issued under the Euro Medium Term Notes programme).

With reference to customer deposits and lending, in average annual terms and based on harmonised figures reported by ECB, the Group showed an increase of 2 b.p. of the spread between lending rates and deposit rates, resulting from an average increase of 60 b.p. in lending rates and offset by an increase of 58 b.p. in deposit rates.

Net interest income

(Euro/000)

Items	First- Half 2008	First- Half 2007	Changes	
			in value	in %
Interest and similar income	1,110,173	967,473	142,700	14.7
Interest and similar charges	(582,605)	(466,808)	115,797	24.8
Total net interest income	**527,568**	**500,665**	**26,903**	**5.4**

Net interest income: breakdown by company

(Euro/000)

Company	First-Half 2008	First-Half 2007	Changes in value	Changes in %
Banca Popolare di Milano	429,154	401,747	27,407	6.8
Banca di Legnano	74,982	72,657	2,325	3.2
Cassa Risparmio di Alessandria	39,780	39,540	240	0.6
Banca Akros	(22,991)	(19,427)	3,564	18.3
BPM Ireland	4,602	4,021	581	14.4
Other companies	2,466	2,166	300	13.9
Eliminations and consolidation adjustments	(425)	(39)	386	n.s.
Total net interest income	**527,568**	**500,665**	**26,903**	**5.4**

Net fee and commission income

Net fee and commission income showed a decline of Euro 23.2 million (-7.7%), standing at Euro 279 million. Within the aggregate, there was a decline of Euro 25.7 million in "net profits from management, brokerage and advisory services", against lower commissions on managed assets (- Euro 16.9 million) and acceptance of instructions (- Euro 4.8 million), reflecting the strong impact of the continuing negativity surrounding the fund segment and the turbulent financial markets.

Net fee and commission income: breakdown

(Euro/000)

Items	First-Half 2008	First-Half 2007	Changes in value	Changes in %
Fee and commission income	315,968	339,036	(23,068)	–6.8
Fee and commission expense	(36,986)	(36,810)	176	0.5
Total of net fee and commission income	**278,982**	**302,226**	**(23,244)**	**–7.7**
Breakdown:				
a) Guarantees given/received	12,142	11,514	628	5.5
b) credit derivatives	(247)	(99)	148	149.5
c) management, brokerage and advisory services	149,379	175,126	(25,747)	–14.7
d) collection and payment services	47,213	50,466	(3,253)	–6.4
e) servicing for securitisation transactions	–	21	(21)	–100.0
f) factoring services	–	–	–	–
g) tax collection services	–	–	–	–
h) other services	70,495	65,198	5,297	8.1
Total of net fee and commission income	**278,982**	**302,226**	**(23,244)**	**–7.7**

Share of profit (loss) on investments valued under the equity method

Profits on investments valued under the equity method showed a negative balance of Euro 0.8 million, down from the same period in 2007 (- Euro 7.8 million) mainly due to the results for the period of Bipiemme Vita.

Dividend and similar income

Dividend and similar income stood at Euro 125.6 million, down by Euro 13.4 million compared to the first half of 2007 (–9.6%).

Dividend and similar income: breakdown

(Euro/000)

Items	First-Half 2008			First-Half 2007			Changes	
	Dividends	Income from mutual funds	Total	Dividends	Income from mutual funds	Total	in value	in %
Financial assets held for trading	113,112	–	**113,112**	126,662	–	**126,662**	(13,550)	–10.7
Financial assets available for sale	11,913	595	**12,508**	11,878	393	**12,271**	237	1.9
Financial assets designated at fair value through profit and loss	–	–	**–**	56	–	**56**	(56)	–100.0
Equity investments	–	X	**–**	–	X	**–**	–	–
Total	**125,025**	**595**	**125,620**	**138,596**	**393**	**138,989**	**(13,369)**	**–9.6**

Net income (loss) from financial activities

The aggregate **net income (loss) from financial activities** is negative for Euro 90 million, compared to a negative balance of Euro 26.8 million reported in the first half of 2007.

Net income (loss) from financial activities

(Euro/000)

Items	First-Half 2008	First-Half 2007	Changes	
			in value	in %
Net trading income (loss)	(54,263)	(66,249)	(11,986)	–18.1
Net hedging income (loss)	615	(81)	696	n.s.
Profits (losses) on disposal or repurchase of financial assets	1,414	20,061	(18,647)	–93.0
Net income (loss) on financial assets and liabilities designated at fair value through profit and loss	(37,754)	19,426	(57,180)	n.s.
Net income (loss) from financial activities	**(89,988)**	**(26,843)**	**63,145**	**235.2**

Within this aggregate:

- **net trading loss** amounts to Euro 54.3 million compared to the Euro 66.2 million loss recorded in the first half of 2007. The loss is closely linked to the dividend performance and is attributable, in particular, to the market-making activity carried out by Banca Akros on hedging derivatives with underlying securities or stock indices;

- **net hedging income** is equal to Euro 0.6 million;

- **"profits on disposal of financial assets"** of Euro 1.4 million is down by Euro 18.7 million due to the lack of gains on the sale of shares held in listed companies, which were recorded in the first quarter of 2007;

- the **"net loss on financial assets and liabilities designated at fair value through profit and loss"** amounts to Euro 37.8 million, compared with a net profit of Euro 19.4 million in the first quarter of 2007. The decrease on the same period of the previous year was mainly due to the following:

  - the decline in the position of the portfolio of BPM Ireland (- Euro 21.7 million), which was affected, in the third quarter of 2007, by the turbulence in the financial markets triggered by the US sub-prime crisis and by the consequent widening of the credit spread. More specifically, in relation to the US sub-prime crisis, it should be noted that BPM Group is not directly exposed to risk and only BPM Ireland has recorded in its portfolio three notes, partially affected by this crisis, for a total nominal amount of Euro 18.2 million. The potential capital loss referring to the aforementioned instruments, valued at current market values, was Euro 14.9 million at 30 June 2008 (of which Euro 5.1 million carried to the 2008 income statement);

- the decline in the position relating to the investments in UCI shares, which performed negatively in the first half of 2008 and positively in the first half of 2007, with an overall difference of Euro – 32.1 million.

Other operating income/expense

Other operating income/expense amounted to Euro 29.6 million, in line with the same figure for the first half of 2007.

Operating costs

At 30.06.08, operating costs, consisting of administrative expenses and net adjustments on property, plant and equipment and intangible assets, amounted to Euro 550.1 million, with an increase of Euro 11.3 million. The operating cost-to-income ratio stood at 63.2%, up by 6.6 p.p. on the first half of 2007 (56.6%).

Operating costs: breakdown (Euro/000)

Items	First-Half 2008	First-Half 2007	Changes	
			in value	in %
Administrative expenses:	**(514,139)**	**(502,164)**	**11,975**	**2.4**
a) personnel expenses	(364,641)	(354,080)	10,561	3.0
b) other administrative expenses	(149,498)	(148,084)	1,414	1.0
Net adjustments on property, plant and equipment and intangible assets	**(35,938)**	**(36,607)**	**(669)**	**–1.8**
Total	**(550,077)**	**(538,771)**	**11,306**	**2.1**

Payroll

In detail, **payroll** stood at Euro 364.6 million, up by Euro 10.6 million on the previous year. Within the aggregate, which considers contractual trends, the increase of staff and positive effects of turnover, the Euro 10.6 million increase is mainly due to the following:

- the higher cost of Euro 11.4 million for the adjustment of the Indemnity Provision reserved to the Managers of the Parent Bank, following the advancements made in the half-year and the disposals that took place in the period;

- the greater cost of Euro 8.3 million relating to supplementary pension funds, seniority bonuses and provisions of post-employment benefits, which in the first half of 2007 benefitted from the recalculations made in light of the legislative changes occurred at the time;

- the lower profits allocated to employees of the Parent Bank pursuant to Article 47 of the Articles of Association as a result of the operating profit (- Euro 8.7 million), to which is added a lower charge of Euro 4.9 million linked to the conclusion of the shares accumulation programme for Bank employees;

- the higher cost of personnel of Cassa di Risparmio di Alessandria for Euro 2.1 million linked to the recourse to the leaving incentive and the use of temporary staff within the ambit of the integration of the Parent Bank's IT system;

- the higher cost of personnel of the other Group companies for Euro 2.4 million on account of additional hirings.

Personnel expenses: breakdown (Euro/000)

Type of expense	First-Half 2008	First-Half 2007	Changes in value	Changes in %
1) Employees (*)	(357,429)	(347,860)	9,569	2.8
2) Other personnel expenses	(3,881)	(2,533)	1,348	53.2
3) Directors	(3,331)	(3,687)	(356)	–9.7
Total	**(364,641)**	**(354,080)**	**10,561**	**3.0**

(*) Personnel expenses includes the portion of profit reserved to Parent Bank employees for Euro 11.9 million (Euro 20.6 million in the first half of 2007). This amount is equal to 5% of the Parent Bank's "profit before tax from current operations" as reported in the half-year report prepared by the Parent Bank, computed before the amounts reserved to employees and to the Board of Directors.

At 30 June 2008, employees amounted to 8,583 compared to 8,461 employees reported at 30 June 2007; employees grew by 122, mainly due to the strengthening of the sales network.

Other administrative expenses

Other administrative expenses stood at Euro 149.5 million, up slightly on the first half of 2007 (+ Euro 1.4 million). In detail:

- information technology expenses fell by Euro 1.9 million against lower maintenance and leasing of hardware and software costs and lower outsourcing costs of Cassa di Risparmio di Alessandria following its integration into the Parent Bank's IT system;

- expenses for the purchase of professional services rose by Euro 3.6 million due to greater legal expenses and professional fees, in relation to the management of projects to comply with new regulatory measures.

Other administrative expenses: breakdown (Euro/000)

Type of expense	First-Half 2008	First-Half 2007	Changes in value	Changes in %
IT costs	(41,956)	(43,820)	(1,864)	–4.3
Building and equipment costs	(26,488)	(25,895)	593	2.3
Rent and leases paid	(17,390)	(17,599)	(209)	–1.2
Other expenses	(9,098)	(8,296)	802	9.7
Expenses for the purchase of non-professional goods and services	(36,883)	(36,818)	65	0.2
Expenses for the purchase of professional services	(23,391)	(19,793)	3,598	18.2
Insurance premiums	(2,048)	(2,057)	(9)	–0.4
Advertising	(7,713)	(6,359)	1,354	21.3
Indirect taxes and duties	(33,110)	(34,394)	(1,284)	–3.7
Other expenses	(6,925)	(8,966)	(2,041)	–22.8
Total	**(178,514)**	**(178,102)**	**412**	**0.2**
Reclassification of tax recoveries	29,016	30,018	(1,002)	–3.3
Total	**(149,498)**	**(148,084)**	**1,414**	**1.0**

Net adjustments on property, plant and equipment and intangible assets amounted to Euro 35.9 million, slightly down on the same figure for the first quarter of the previous year (- Euro 0.7 million).

Other current operation items

Net adjustments on impairment of loans and financial assets and **net provisions for risks** increased by a total charge of Euro 5.3 million as a result of:

- increased net adjustments on impairment of loans and financial assets (Euro 5.5 million) reaching Euro 55.3 million and almost entirely attributable to adjustments to customer loans (Euro 54 million);

- lower provisions for risks and charges by Euro 0.1 million, standing at Euro 5.5 million, related mainly to recovery procedures and legal disputes.

Net djustments on impairment of loans and financial assets (Euro/000)

Transactions/Items of income	Adjustments			Reversals of impairment losses			First-Half 2008	First-Half 2007	Changes	
	Specific	Portfolio	Total	Specific	Portfolio	Total			in value	in %
Loan and advances	(72,202)	(12,259)	(84,461)	26,481	3,943	30,424	(54,037)	(51,535)	2,502	4.9
Loans and advances to banks	–	*(5)*	*(5)*	–	*12*	*12*	*7*	*(17)*	*24*	*141.2*
Loans and advances to customers	*(72,202)*	*(12,254)*	*(84,456)*	*26,481*	*3,931*	*30,412*	*(54,044)*	*(51,518)*	*2,526*	*4.9*
Financial assets available for sale	(2,185)	–	(2,185)	–	–	–	(2,185)	(23)	2,162	n.s.
Other financial transactions	(1,113)	–	(1,113)	745	1,287	2,032	919	1,714	(795)	–46.4
Total	**(75,500)**	**(12,259)**	**(87,759)**	**27,226**	**5,230**	**32,456**	**(55,303)**	**(49,844)**	**5,459**	**11.0**

Profits (losses) on investments in associates and joint ventures amounted to Euro 34 million is entirely due to the impairments made on the shareholdings in Anima SGR, which became necessary by virtue of the on-going crisis in the asset management sector and the strongly negative performance of financial markets.
In particular, the extent of the impairment was calculated applying the same valuation methods used in 2007, updating the estimates on the prospective performance of the Bank and the measurement parameters in light of the sector and market changes.

Net profit for the period

At 30 June 2008, the **profit before tax from continuing operations** amounted to Euro 226.1 million, down by Euro 132.7 million (-37%) on the first quarter of 2007.

After stating **taxes on income from continuing operations** for Euro 93.5 million (tax rate of 41.3% calculated on the basis of Law Decree no. 112 of 25 June 2008, linked to the 2009 Finance Law), the net profit for the period amounted to Euro 132.7 million, down Euro 108.3 million compared with the previous year.

After deducting Euro 5.6 million in **profit pertaining to minority interests**, the **net profit for the period pertaining to the Parent Bank** amounted to Euro 127.1 million, down by Euro 107.9 million (-45.9%) on the first half of 2007.

Explanatory notes on the companies of BPM Group

In order to provide a more complete picture of the BPM Group, the following brief notes describe the results obtained from the performance of the Group's consolidated companies and other important businesses. Key economic and financial data is provided for each business, together with a brief comment on each. The companies consolidated using a line-by-line method are presented following the logical sequence adopted by segment reporting (IAS 14), whereas the associated companies are presented following an investment decreasing criteria.

Companies consolidated on a line-by-line basis

Banca Popolare di Milano Soc. Coop. a r.l.

Banca Popolare di Milano - Reclassified balance sheet (Euro/000)

Compulsory format codes	Assets	30.06.2008 A	31.12.2007 B	30.06.2007 C	Changes A/B in value	Changes A/B in %	Changes A/C in value	Changes A/C in %
10.	Cash and cash equivalents	145,441	169,354	132,372	–23,913	–14.1	13,069	9.9
	Financial assets at fair value and hedging derivatives:	2,425,153	2,702,287	2,514,064	–277,134	–10.3	–88,911	–3.5
20.	– Financial assets held for trading	882,113	1,104,348	1,115,482	–222,235	–20.1	–233,369	–20.9
30.	– Financial assets designated at fair value through profit and loss	417,665	407,007	369,573	10,658	2.6	48,092	13.0
40.	– Financial assets available for sale	1,111,794	1,172,799	1,014,431	–61,005	–5.2	97,363	9.6
80.	– Hedging derivatives	13,581	18,133	14,578	–4,552	–25.1	–997	–6.8
60.	Loans and advances to banks	4,214,233	2,691,985	4,320,588	1,522,248	56.5	–106,355	–2.5
70.	Loans and advances to customers	27,840,931	26,060,079	24,474,046	1,780,852	6.8	3,366,885	13.8
100. 110. 120.	Fixed assets	2,311,168	2,347,492	2,245,452	–36,324	–1.5	65,716	2.9
130. 150.	Other assets	1,094,867	947,707	791,005	147,160	15.5	303,862	38.4
	Total assets	**38,031,793**	**34,918,904**	**34,477,527**	**3,112,889**	**8.9**	**3,554,266**	**10.3**

Compulsory format codes	Liabilities and Shareholders' equity	30.06.2008 A	31.12.2007 B	30.06.2007 C	Changes A/B in value	Changes A/B in %	Changes A/C in value	Changes A/C in %
10.	Due to banks	4,345,725	2,809,426	2,578,058	1,536,299	54.7	1,767,667	68.6
20.	Due to customers	17,525,689	17,374,451	17,079,199	151,238	0.9	446,490	2.6
30.	Debt securities in issue	9,140,078	7,520,589	7,598,294	1,619,489	21.5	1,541,784	20.3
	Financial liabilities and hedging derivatives:	2,420,809	2,489,439	2,653,380	–68,630	–2.8	–232,571	–8.8
40.	– Financial liabilities held for trading	324,412	378,567	255,743	–54,155	–14.3	68,669	26.9
50.	– Financial liabilities designated at *fair value* through profit and loss	2,078,071	2,109,728	2,395,950	–31,657	–1.5	–317,879	–13.3
60	– Hedging derivatives	18,326	1,144	1,687	17,182	n,s,	16,639	n,s,
80. 100.	Other liabilities	1,154,640	1,161,361	1,044,425	–6,721	–0.6	110,215	10.6
110. 120.	Provisions for specific use	312,264	316,473	320,610	–4,209	–1.3	–8,346	–2.6
130. 150. 160. 170. 180. 190.	Share Capital and reserves	2,986,919	2,897,859	2,922,559	89,060	3.1	64,360	2.2
200.	Net profit (loss) for the period (+ / –)	145,669	349,306	281,002	–203,637	n,s,	–135,333	–48.2
	Total liabilities and Shareholders' equity	**38,031,793**	**34,918,904**	**34,477,527**	**3,112,889**	**8.9**	**3,554,266**	**10.3**

Key balance sheet items

With reference to the Parent Bank's performance as of 30 June 2008, the **main capital aggregates** are herewith analysed and compared against the figures at 2007 year-end.

Direct deposits

As of June 2008, the aggregate **"direct deposits"** – comprised of the amounts due to customers, debt securities in issue and financial liabilities designated at fair value through profit and loss – amounted to Euro 28,744 million, up 6.4% (+Euro 1,739 million) compared to the end of 2007. In detail:

- the **amounts due to customers**, amounting to Euro 17,526 million, are substantially in line (+0.9%) with the results of 2007; but when compared to the previous 12 months, show a 2.6% (+ Euro 446 million) increase: in particular, the on-demand component amounted to Euro 15,362 million, increasing significantly by Euro 1,408 million (10.1%) compared with the figures of the previous twelve months;

- **debt securities** amounted to Euro 9,140 million, marking a significant Euro 1,619 million (+ 21.5%) increase compared to December 2007. Euro 1,250 million of this increase is attributable to the issue of bonds, within the Euro Medium Term Note programme, whereas Euro 252 million is attributable to the issue of a Lower Tier 2 subordinated bond, and Euro 300 million to the issue of an innovative capital instrument with perpetual characteristics;

- **financial liabilities designated at fair value through profit and loss**, represented essentially by structured bonds, amounted to Euro 2,078 million, substantially in line with the figures at the end of 2007. During the last six months, structured loans, equal to Euro 168 million, were issued.

In terms of annual average and based on figures used for reporting purposes, the growth in deposits has reached 2.8%.

Indirect customer deposits

Indirect deposits, as of 30 June 2008, amounted to Euro 27,806 million, down by Euro 2,235 million compared with 31 December 2007 (–7.4%).
More specifically, within this aggregate, the **assets under management** totalled Euro 12,635 million showing, compared with the figures at 31 December 2007, a drop of Euro 1,539 million (–10.9%) and reflecting both negative net deposits of Euro 991 million, from the beginning of the year, and a drop in securities price. This trend is associated with a particular negative period of time which is affecting the fund segment and is continuing from the second half of 2007; it should be noted in fact that in the first six months of 2008, the asset management industry has witnessed a decline in the flow of deposits of over Euro 70 billion.
The analysis by technical form shows a drop in the individual portfolio management component (– Euro 1,289 million), coming in at Euro 2,294 million; approximately half of this decline is due to the closing of the "Portfoliofondi". It is to be further noted that, within the rationalisation process of capital management services, a new investment product, called "Bipiemme Più – fondo di fondi" has been proposed to customers and has received the amounts previously invested in Portfoliofondi" (about Euro 680 million). The fund component, even considering the aforementioned contribution, is at Euro 6,998 million, in line with the figures reported at the end of 2007.

Assets under administration, standing at Euro 15,171 million with a drop of Euro 696 million compared with the end of 2007, was affected by the negative trend of the financial market that started in the second half of 2007 and was triggered by the crisis of the sub–prime mortgages in the US; the equity component accounted for 28.4%.

Loans and advances to customers

As at 30 June 2008, the **loans and advances to customers** amounted to Euro 27,841 million, with a growth of Euro 1,781 million compared to the end of 2007 (+ 6.8%); the figures of the previous twelve months show an even more significant growth (+13.8%). More specifically and comparatively to the figures at 30 June 2007, the mortgage aggregate amounted to Euro 8,798 million with a growth of Euro 1,225 million, benefiting from a considerable number of new mortgages that in the last twelve months reached about Euro 4 billion.
A significant growth of Euro 1,925 million was reported in the "Other transactions" aggregate, which included mainly advances on bills, documents and similar instruments subject to collection, cash grants not settled via current accounts, amounted to Euro 12,465 million with a growth of 18.3% compared with June 2007.
Lastly, receivables represented by securities amounted to Euro 85 million and are mostly comprised (for Euro 51 million) of the class C bonds issued by the "BPM Securitisation 2" within the scope of the securitisation operations relative to the Parent Bank loans.

Based on figures used for reporting purposes and in terms of annual average, loans and advances to customers was up by 12.8% thanks to the growth of the medium-long term component (mortgages and loans +11.2%).

Asset quality

As at 30 June 2008, gross impaired assets totalled Euro 814 million, up by Euro 20 million as at 31 December 2007, and accounted for 2.9% of all loans.

Net non-performing loans amounted to Euro 114 million, representing only 0.4% of total loans, while the related adjustments, totalling Euro 259 million, provided hedging against 69% of the exposure. Total adjustments to impaired assets, implemented in accordance with prudential criteria, amounted to Euro 322 million, a modest drop compared with 2007. The portfolio adjustments amounted to Euro 178 million, in line with the figures at the end of 2007; this amount included Euro 127 million of adjustments on performing loans with a hedging percentage of 0.46% and an additional Euro 43 million of adjustments on problem loans with a hedging percentage of 15.4%.

Net interbank position

As at 30 June 2008, the **net interbank position** was a borrowing position amounting to Euro 131 million, closely in line with the figures at the end of 2007.

Net financial assets

Net financial assets amounted to Euro 2,082 million, down by Euro 240 million compared with the figures at 31 December 2007. In detail:

- **financial assets held for trading** amounted to 882 million, showing a drop of Euro 222 million (-20.1%). The non-derivatives components showed a decline of Euro 147 million, without including capital securities (equal to Euro 80 million at 31 December 2007), whereas the derivative components amounted to Euro 229 million, mostly consisting of interest rate swap and currency derivatives;

- **financial assets designated at fair value through profit and loss** were substantially in line with the end of 2007, totalling Euro 418 million;

- **financial assets available for sale** decreased slightly by Euro 61 million, amounting to Euro 1,112 million;

- the **positive value of hedging derivatives** amounted to Euro 14 million pertaining almost entirely to hedging derivatives at fair value, offset against the changes in the hedged items;

■ **financial liabilities held for trading**, fully consisting of the negative value of trading derivatives, amounted to Euro 324 million, down by Euro 54 million (-14.3%). As in the case of assets, trading derivatives largely comprised interest rate swaps and currency derivatives;

■ lastly, the **negative value of hedging derivatives**, offset against the changes in the fair value of hedged items, amounted to Euro 18 million.

Fixed assets

As at 30 June 2008, the **fixed assets** aggregate decreased by Euro 36 million compared with the figures at 31 December 2007, standing at Euro 2,311 million.
In detail, the value of **investments in subsidiaries, associates and joint ventures** amounted to Euro 1.592 million, down by 17 million compared with 2007
year-end and more specifically, the following should be noted:

■ a depreciation of Euro 35.1 million was carried out on Anima SGR, due to the on-going crisis affecting the assets under management sector and resulting from the crisis in the financial sector which has heavily influenced the performance of managed assets and net deposits;

■ in the first quarter of 2008, the carrying amount of the investment in BPM Ireland was deducted (Euro 17 million) due to the on-going negative management trend of the company. This negative trend was associated with the adjustment of market prices of portfolio securities which, in turn, was the result of the expanding spread occurring in international markets. Subsequently, over the second quarter of 2008, a capital injection of Euro 40 million was carried out in favour of the subsidiary for the purpose of covering the losses previously reported and of maintaining an adequate level of capitalization.

The **property, plant and equipment** item amounted to Euro 615 million, a modest drop compared to Euro 631 million at 2007 year-end, whereas **intangible assets** totalled Euro 104 million, in line with the figures of 2007 year-end.

Shareholders' equity

As at 30 June 2008, the **Shareholders' equity**, inclusive of the net profit for the period, amounted to Euro 3,133 million. Within this item, share capital and reserves together amounted to Euro 2,987 million, up Euro 89 million compared to 31 December 2007, an increase due to higher allocations to reserves for Euro 182 million. On the other hand, the valuation reserves were down by Euro 93 million due mainly to the lower value reported for financial assets available for sale.

Banca Popolare di Milano - Reclassified income statement

(Euro/000)

Compulsory format codes	Income statement items	First-Half 2008	First-Half 2007	Changes in value	Changes in %
10.20.	Net interest income	429,154	401,747	27,407	6.8
40.50.	Net fee and commission income	199,325	219,114	(19,789)	–9.0
70.	Dividend and similar income	108,351	165,635	(57,284)	–34.6
80.90.100.110.	Net income (loss) from financial activities	(18,577)	32,037	(50,614)	n.s.
190.	Other operating income/expense	32,216	29,620	2,596	8.8
	Operating income	**750,469**	**848,153**	**(97,684)**	**–11.5**
150.	Administrative expenses:	(395,170)	(388,835)	6,335	1.6
	a) personnel expenses	(275,826)	(271,559)	4,267	1.6
	b) other administrative expenses	(119,344)	(117,276)	2,068	1.8
170 .180.	Net adjustments on property, plant and equipment and intangible assets	(27,870)	(30,864)	(2,994)	–9.7
	Operating costs	**(423,040)**	**(419,699)**	**3,341**	**0.8**
	Operating profit	**327,429**	**428,454**	**(101,025)**	**–23.6**
130.	Net adjustments on impairment of loans and financial assets	(43,829)	(34,446)	9,383	27.2
160.	Net provisions for risks and charges	(6,140)	(4,175)	1,965	47.1
210.240.	Profits (losses) on disposal of investments	(52,291)	169	(52,460)	n.s.
250.	**Profit before tax from continuing operations**	**225,169**	**390,002**	**(164,833)**	**–42.3**
260.	Taxes on income from continuing operations	(79,500)	(109,000)	(29,500)	–27.1
290.	**Net profit (loss) for the period**	**145,669**	**281,002**	**(135,333)**	**–48.2**
	Earnings per share (euro)	**0.351**	**0.677**		
	Diluted earnings per share (euro)	**0.338**	**0.643**		

Method used for preparing the reclassified income statement
For management purposes, the results as at 30 June were recorded by using a reclassified income statement in which the main items refer to aggregations of items and reclassifications aimed to guarantee a clearer understanding of trends, in line with market practice.
For the purpose of easily reconciling the reclassified statement with the compulsory format, the code numbers from the compulsory format are shown beside each line item in the reclassified statement. As regards the reclassifications, the following should be noted:
1. “Other operating income/expense” (line item 190), recorded as part of “Operating costs” in the official reporting format, were adjusted to exclude the “recoverable indirect taxes” (Euro 22,800 thousand at 30 June 2008 and Euro 23,396 thousand at 30 June 2007) whereas the “depreciation of leasehold improvements” (Euro 1,644 thousand at 30 June 2008 and Euro 2,394 thousand at 30 June 2007) were included. The adjusted amount of “other operating income/expense” item, reclassified as indicated above, was reported under “Operating income” in the reclassified statement;
2. “Other administrative expenses” (line item 150 b) were adjusted so as to exclude the “recoverable indirect taxes” amount as discussed in point 1) above;
3. “Net adjustments on property, plant and equipment and intangible assets” were increased in the reclassified statement by the corresponding “depreciation of leasehold improvements” amount, as discussed in point 1) above;
4. “Net adjustments on impairment of loans and financial assets” (Euro 43,829 thousand at 30 June 2008 versus Euro 34,446 thousand at 30 June 2007), reported under line item 130, were restated under “operating profit” in the reclassified format.

The **economic results** of the Parent Bank’s income statement show that the first six months of 2008 closed with a **net profit** of Euro 145.7 million versus Euro 281 million reported in the first six months of 2007 (-48.2%).

Operating income

As at 30 June 2008, the **operating income** decreased by Euro 97.7 million, standing at Euro 750.5 million (–11.5%). Within this aggregate, **net interest income** was Euro 429.2 million, up Euro 27.4 million (+6.8%), following the growth in assets under administration and the slight improvement in interest rate spreads.

Net fee and commission income amounted to Euro 199.3 million with a drop of Euro 19.8 million versus the same figure of the previous year (–9.0%). In detail:

- a Euro 21 million decline in net fee and commission income from management, brokerage and advisory services, due to lower fees and commissions from securities placement (– Euro 14.9 million) and order collections (– Euro 3.8 million), impacted by the adverse financial market and fund industry context;

- a Euro 4.4 million decline in collection and payment services, due to a higher use of payments through electronic channels, versus a growth of Euro 5.1 million in the "other services" item.

Dividend and similar income amounted to Euro 108.4 million, down Euro 57.3 million, due mostly to lower dividends collected by Banca di Legnano (– Euro 32.8 million) which had benefited, in 2006, from non–recurring profit items, and due to non–collection of dividends from Banca Akros (Euro 16 million in 2007).

Net income from financial activities showed a net loss of Euro 18.6 million, compared to a net profit of Euro 32 million recorded in the same period of 2007. Within this aggregate, the following should be noted:

- a decline of Euro 9 million in the **net trading loss** which showed a net loss of Euro 6.1 million;

- an increment of Euro 0.7 million in the **net profit from hedging activity** which showed a net profit of Euro 0.6 million;

- a decline in **gains on the sale of financial assets available for sale** (– Euro 18.6 million), due to the lack of gains on the sale of securities of listed companies that were recorded in the first six months of 2007;

- a decline of Euro 23.7 million in the **net loss on financial assets and liabilities designated at fair value through profit and loss item**, which showed a net loss of Euro 13.8 million, mainly due to the worsening position of hedge funds in portfolio;

Other operating income/expense totalled Euro 32.2 million, up Euro 2.6 million due to a greater income from services provided to the Group's companies.

Operating costs

Operating costs amounted to Euro 423 million, in line with the same period of the previous year (+0.8%). The cost to income index, stood at 56.4%, up 6.9 percentage points compared with the figures of 2007 (49.5%).

In detail, within this aggregate, **personnel expenses** amounted to Euro 275.8 million, an increase of Euro 4.3 million (+1.6%). In detail:

- a higher cost of Euro 11.4 million for the adjustment made to the Senior executives indemnity provision, following the promotions and terminations that occurred during the first six months of the year;

- a higher charge of Euro 6.8 million, relative to supplementary pension funds, to seniority bonuses and to provisions for post-employment benefits, which, in the first six months of 2007 had benefited from the recalculation made with amended regulations entered into effect at that time;

- a smaller portion of the net profit allocated to employees, pursuant to art. 47 of the Articles of Associations, reflecting the negative operating profit (- Euro 8.7 million), in addition to lower charges of Euro 4.9 million as part of closing the shares accumulation programme for the employees.

As at 30 June 2008, personnel amounted to 6,576 compared with 6,518 as at 30 June 2007. In detail, the employees were composed of 6,516 (6,454 at 30 June 2007), with an additional 24 seconded to other companies of the Group (23 at 30 June 2007) and 36 temporary staff and project-based contractors (41 at 30 June 2007).

Other administrative expenses amounted to Euro 119.3 million, slightly above the figures of the same period of last year (+1.8%). As regards the main changes in the expenses items, the increment of Euro 2.9 million in the expenses for the purchase of professional goods and services due to higher legal expenses should be noted.

Net adjustments on property, plant and equipment and intangible assets amounted to Euro 27.9 million down by Euro 3.0 million (-9.7%) compared with the figures of the first six months of 2007, due in particular to lower net adjustments to intangible assets (- Euro 2.4 million) and to lower depreciation rates for both proprietary and licensed software.

Accordingly, the **operating profit**, as at 30 June 2008, amounted to Euro 327.4 million, down by Euro 101 million (-23.6%) compared with the same period of the previous year.

The total **net adjustments on impairment of loans and financial assets** totalled Euro 43.8 million, up by Euro 9.4 million compared with the same period of last year; the **provisions for risks and charges** increased by Euro 2 million to Euro 6.1 million.

Profit (losses) on investments in subsidiaries, associates and joint ventures reported a net loss of Euro 52.3 million which, as already noted in the paragraph "Fixed assets" of the Income statement, is a result of the following:

- depreciation of Euro 35.1 million in the equity investment in Anima SGR, which was believed to be necessary due to the on-going crisis in the asset management sector as well as the highly negative trend in the financial markets. More specifically, the amount of depreciation was based on the same methodologies that were applied in the previous period, that is, through an update of the estimates of the company's future performance as well as of the measurement parameters, in accordance with the changes that occurred in the sector and in the market;

- depreciation of Euro 17 million in the equity investment in BPM Ireland. For this purpose, please see previous paragraph "Fixed assets".

Net profit for the period

Consequently, as at 30 June 2008, **profit before tax from current operations** amounted to Euro 225.2 million, down Euro 164.8 million (-42.3%) compared with the corresponding period of the previous year.

After recognising Euro 79.5 million for **taxes**, with a growth in the tax rate of 35.31% (calculated in compliance with the provisions of Legislative Decree n. 112 of 25 June 2008, according to the 2009 Finance Act), versus 27.95% reported at 30 June 2007, the **net profit for the period** amounted to Euro 145.7 million, down by Euro 135.3 million (-48.2%) compared with the first six months of the previous year.

Banca di Legnano S.p.A.

Banca di Legnano - Principal balance sheet aggregates

(Euro/000)

Compulsory	Items	30.06.2008	31.12.2007	30.06.2007	Changes A/B		Changes A/C	
		A	B	C	in value	in %	in value	in %
	Assets							
70.	Loans and advances to customers	3,179,939	2,974,600	2,782,470	205,339	6.9	397,469	14.3
60.	Loans and advances to banks	249,420	338,745	358,901	–89,325	–26.4	–109,481	–30.5
20. 30. 40. 80.	Financial assets: held for trading, designated at fair value through profit and loss, available for sale	136,814	136,034	135,150	780	0.6	1,664	1.2
10. 100. 110. 120. 130. 150.	Other asset line items	726,189	701,263	727,353	24,926	3.6	–1,164	–0.2
	Total assets	**4,292,362**	**4,150,642**	**4,003,874**	**141,720**	**3.4**	**288,488**	**7.2**
	Liabilities and shareholders' equity							
20. 30. 50.	Due to customers, debt securities in issue and financial liabilities designated at fair value through profit and loss	2,774,750	2,709,387	2,629,168	65,363	2.4	145,582	5.5
10.	Due to banks	169,445	49,437	5,254	120,008	242.7	164,191	n.s.
40. 60.	Financial liabilities held for trading	8,262	5,697	8,870	2,565	45.0	–608	–6.9
80. 100. 110. 120.	Other liabilities	151,256	153,927	162,882	–2,671	–1.7	–11,626	–7.1
130. 160. 170. 180. 200.	Share capital and reserves (including net profit/loss for the period)	1,188,649	1,232,194	1,197,700	–43,545	–3.5	–9,051	–0.8
	Total liabilities and shareholders' equity	**4,292,362**	**4,150,642**	**4,003,874**	**141,720**	**3.4**	**288,488**	**7.2**
	Other information							
	Indirect customer deposits at market value	3,741,023	3,980,158	4,062,540	–239,135	–6.0	–321,517	–7.9
	- of which assets under management	1,886,193	2,046,993	2,129,859	–160,800	–7.9	–243,666	–11.4
	Headcount (*)	861	831	837	30	3.6	24	2.9
	Number of branches	111	111	107	0	0.0	4	3.7

(*) employees + employees seconded to other companies + temporary staff.

First of all, the following operations pertaining to the sale of equity investments carried out in the first six months of 2008, should be taken into account:

- the renewal of the Articles of Associations and the Board of Statutory Auditors, for the years from 2008 until 2010, both approved by the Board of Directors on 14 April 2008;

■ the new mandate for the accounting review activity for the 2008-2016 period, entrusted by the Board of Directors to Reconta Ernst & Young, on 14 April 2008;
■ the agreement for a share capital increase of Euro 30.4 million, approved by the subsidiary Cassa di Risparmio di Asti, of which Banca di Legnano holds 20% of the share capital.

The principal **balance sheet aggregates**, compared with those of 31 December 2007, showed the following:

■ a growth of Euro 205 million, in the **loans and advances to customers**, which amounted to Euro 3,180 million (+6.9%), backed by the mortgages and loans component (+7.5%) and by a recovery in the financial and pool loans and advances sector;

■ a growth of Euro 2,775 million (+2.4%) in the **direct deposits** aggregate, comprised of amounts due to customers, debt securities in issue and financial liabilities designated at fair value through profit and loss, due to a consistent +6.8% increase in long-term loans (bonds and certificates of deposits), and to the overall stability of other deposits (0.3%), represented by deposits repayable on demand and in repurchase agreement;

■ a 6.0% drop in indirect deposits, expressed at market value and standing at Euro 3,741 million, compared with the figures at December 2007;

■ a decline in shareholders' equity, inclusive of the net profit for the period, from Euro 1,232 million to Euro 1,189 following dividend distribution of Euro 83 million.

It should also be noted that the commercial network kept the number of branches unchanged at 111 units compared to the end of 2007, whereas, compared to June 2007, new branches in Casorate Sempione (VA), Somma Lombardo (VA), Como (CO) and Vertemate con Minoprio (CO) were opened.

Banca di Legnano - Reclassified Income Statement

(Euro/000)

Compulsory format code	Income statement items	First-Half 2008	First-Half 2007	Changes in value	Changes in %
10.20.	Net interest income	74,982	72,657	2,325	3.2
40.50.	Net fee and commission income	25,841	25,118	723	2.9
70.	Dividend and similar income	6,088	19,252	(13,164)	–68.4
80.90.100.110.	Net income (loss) from financial activities	(1,165)	5,738	(6,903)	n.s.
190.	Other operating income/expense	2,948	3,779	(831)	–22.0
	Operating income	**108,694**	**126,544**	**(17,850)**	**–14.1**
150.	Administrative expenses:	(45,702)	(44,785)	917	2.0
	a) personnel expenses	(30,212)	(30,356)	(144)	–0.5
	b) other administrative expenses	(15,490)	(14,429)	1,061	7.4
170.180.	Net adjustments on property, plant and equipment and intangible assets	(2,236)	(2,013)	223	11.1
	Operating costs	**(47,938)**	**(46,798)**	**1,140**	**2.4**
	Operating profit	**60,756**	**79,746**	**(18,990)**	**–23.8**
130.	Net adjustments on impairment of loans and financial assets	(5,897)	(5,041)	856	17.0
160.	Net provisions for risks and charges	2,086	114	1,972	n.s.
210.240.	Profits (losses) on disposal of investments	0	6	(6)	n.s.
250.	**Profit before tax from continuing operations**	**56,945**	**74,825**	**(17,880)**	**–23.9**
260.	Taxes on income from continuing operations	(17,560)	(20,088)	(2,528)	–12.6
290.	**Net profit (loss) for the period**	**39,385**	**54,737**	**(15,352)**	**–28.0**

Method used for preparing the reclassified income statement
For management purposes, the results as at 30 June were recorded using a reclassified income statement in which the main items refer to aggregations of items and to reclassifications made to guarantee a clearer understanding of trends, in line with market practice.
For the purpose of easily reconciling the reclassified statement with the compulsory format, the code numbers from the compulsory format are shown beside each item in the reclassified statement. As regards the reclassifications, the following should be noted:
1. "Other operating income/expense" (line item 190), recorded as part of "Operating costs" in the official reporting format, were adjusted to exclude the "recoverable indirect taxes" (Euro 3,860 thousand at 30 June 2008 and Euro 4,204 thousand at 30 June 2007) whereas the "depreciation of leasehold improvements" (Euro 173 thousand at 30 June 2008 and Euro 238 thousand at 30 June 2007) were included. The adjusted amount of "other operating income/expense" item, reclassified as indicated above, was reported under "Operating income" in the reclassified statement;
2. "Other administrative expenses" (line item 150 b) were adjusted so as to exclude the "recoverable indirect taxes" amount as discussed in point 1) above;
3. "Net adjustments on property, plant and equipment and intangible assets" were increased in the reclassified statement by the corresponding "depreciation of leasehold improvements" amount, as discussed in point 1) above;
4. "Net adjustments on impairment of loans and financial assets" (Euro 5,897 thousand at 30 June 2008 and Euro 5,041 thousand at 30 June 2007), were restated in line item 130, were restated under the "Operating profit" in the reclassified format.

Following is a description of the main aggregates of the income statement at 30 June 2008, compared to the corresponding period of 2007.

"Operating income" registered a decline of Euro 17.9 million, standing at Euro 108.7 million (–14.1%). Not considering the dividends, which registered a drop of Euro 13.2 million, due mostly to the non–distribution of Banca Akros dividends, and the "net income from financial activities", the income growth was Euro 2.2 million (+2.2%). In detail:

- **Net interest income**, at Euro 75.0 million with a growth of Euro 2.3 million (+3.2%) due to the increase of the net income from services and net interest and other banking income, more specifically of +7.1% for deposits and of +10.4% for loans and advances;

- **Net fee and commission income** at Euro 25.8 million, with a growth of +2.9% due to higher commissions on the placement of third–party securities (Euro +1.6 million), which have compensated for the decline in assets under management;

- **Net income from financial activities** at Euro –1.2 million, showed a drop of Euro 6.9 million of which Euro 3.7 million related to the capital gain arising from the sale of Bipiemme Immobili S.p.A., completed in the first six months of 2007, and the remaining part to be attributed to market valuations with a negative sign, concerning liabilities and financial assets held for trading;

- **Other operating income/expense**, at Euro 2.9 million, versus Euro 3.8 million in the first six months of 2007 (–22.0%), a drop to be attributed to less extraordinary revenues and to a general contraction in the recharges on credit.

The **"operating costs"** aggregate showed an increase of Euro 1.1 million (+2.4%) at 30 June 2008, standing at Euro 47.9 million. In detail:

- a decline of Euro 0.1 million in personnel costs, which dropped to Euro 30.2 million thanks to lower costs for leaving incentives (Euro – 0.5 million) and to a careful management of the turnover confirmed by a growth in costs, net of incentives, equal to +1.2% with a 2.3 % growth in the average workforce. Personnel at 30 June 2008, accounting for seconded and temporary staff, comprised 861 employees, with an increment of 30 employees compared with the end of December 2007 and of 24 employees compared with the same figure at 30 June 2007;

- an increase of Euro 1.1 million registered in other administrative expenses, which amounted to Euro 15.5 million (+7.4%), due to the new trademark launch campaign and other events associated with the 120th anniversary of the foundation of the Institute;

- an increase of 11.1% in total adjustments on property, plant and equipment and intangible assets which amounted to Euro 2.2 million (Euro + 0.2 million).

Therefore, the **operating profit** stood at Euro 60.8 million versus Euro 79.7 million, with a drop of Euro 19 million (–23.8%) compared to the same figures of the previous year. The drop is attributable entirely to the "dividends" and "net income from financial activities" items (with an overall decline of Euro 20.1 million). Net of these figures, the operating profit showed a growth of Euro 1.1 million (+2.0%).

Net adjustments/recoveries on impairment of loans and financial assets have increased by Euro 0.9 million, reaching Euro 5.9 million (+17.0%), due to an increase in the net provisions for the impairment of assets from Euro 4.2 million to Euro 6.6 million and a recovery of Euro 1.5 million on performing loans.

Provisions for risks and charges showed a net profit of Euro 2.1 million versus Euro 0.1 million in the first six months of 2007 (+ Euro 2.0 million), following a recovery on allocations for positions subject to revocation and carried as losses.

Net profit before tax from continuing operations stood at Euro 56.9 million, with a drop of Euro 17.9 million (–23.9%) compared to the results of the first six months of 2007. Net of "dividends" and "net income from financial activities", the growth is Euro 2.2 million (+4.4%).

After recording Euro 17.6 million in **taxes** (30.8 % tax rate), **net profit for the period** stood at Euro 39.4 million versus Euro 54.7 million for the first six months of 2007 (–28.0%).

Cassa di Risparmio di Alessandria S.p.A.

Cassa di Risparmio di Alessandria - Principal balance sheet aggregates (Euro/000)

Compulsory format code	Items	30.06.2008	31.12.2007	30.06.2007	Changes A/B		Changes A/C	
		A	B	C	in value	in %	in value	in %
	Assets							
70.	Loans and advances to customers	1,848,932	1,747,498	1,668,739	101,434	5.8	180,193	10.8
60.	Loans and advances to banks	272,160	338,179	149,517	–66,019	–19.5	122,643	82.0
20. 30. 40.	Financial assets: held for trading, designated at fair value through profit and loss, available for sale	54,766	85,673	202,621	–30,907	–36.1	–147,855	–73.0
10. 100. 110. 120. 130. 150.	Other asset line items	126,177	125,515	125,510	662	0.5	667	0.5
	Total assets	**2,302,035**	**2,296,865**	**2,146,387**	**5,170**	**0.2**	**155,648**	**7.3**
	Liabilities and shareholders' equity							
20. 30. 50.	Due to customers, debt securities in issue and financial liabilities designated at fair value through profit and loss	1,823,758	1,863,783	1,748,811	–40,025	–2.1	74,947	4.3
10.	Due to banks	196,248	145,630	120,601	50,618	34.8	75,647	62.7
40.	Financial liabilities held for trading	1,923	1,095	2,138	828	75.6	–215	–10.1
80. 100. 110. 120.	Other liabilities	117,143	119,198	113,686	–2,055	–1.7	3,457	3.0
130. 160. 180. 200.	Share capital and reserves (including net profit/loss for the period)	162,963	167,159	161,151	–4,196	–2.5	1,812	1.1
	Total liabilities and shareholders' equity	**2,302,035**	**2,296,865**	**2,146,387**	**5,170**	**0.2**	**155,648**	**7.3**
	Other information							
	Indirect customer deposits at market value	2,099,121	2,197,912	2,419,615	–98,791	–4.5	–320,494	–13.2
	- of which assets under management	796,010	893,282	956,615	–97,272	–10.9	–160,605	–16.8
	Headcount (*)	617	608	626	9	1.5	–9	–1.4
	Number of branches	87	87	84	0	0.0	3	3.6

(*) employees + employees seconded to other companies + temporary staff.

An analysis of the main **balance sheet aggregates**, compared with those at the end of 2007, shows:

- an increase (+5.8%) in loans and advances to customers amounting to Euro 1,849 million, reflecting the on-going policy of extending maturities by developing medium/long term lending;

- a slight decline in the direct deposit aggregate, inclusive of amounts due to customers, debt securities in issue, financial instruments designated at fair value through profit and loss, to Euro 1,824 million (–2.1%), due to a drop in the bonds component, whereas the positions payable on demand showed a modest growth;

- a decline in the indirect deposits, carried at market value, stood at Euro 2,099 million (–4.5%), due to a decline in the assets under management.

The distribution network of Cassa di Risparmio di Alessandria remains stable at 87 branches, compared with the figures of December 2007, as a result of the closing of the “Ospedale Cesare Arrigo” (Al) branch and the opening of the Savigliano (Cn) branch.

Cassa di Risparmio di Alessandria - Reclassified Income Statement

(Euro/000)

Compulsory format code	Income statement items	First-Half 2008	First-Half 2007	Changes in value	Changes in %
10.20.	Net interest income	39,779	39,540	239	0.6
40.50.	Net fee and commission income	11,996	13,056	(1,060)	–8.1
70.	Dividend and similar income	448	445	3	0.7
80.90.100.110.	Net income (loss) from financial activities	307	0	307	n.s.
190.	Other operating income/expense	2,883	3,868	(985)	–25.5
	Operating income	**55,413**	**56,909**	**(1,496)**	**–2.6**
150.	Administrative expenses:	(34,059)	(31,071)	2,988	9.6
	a) personnel expenses	(21,998)	(19,846)	2,152	10.8
	b) other administrative expenses	(12,061)	(11,225)	836	7.4
170.180.	Net adjustments on property, plant and equipment and intangible assets	(1,608)	(1,501)	107	7.1
	Operating costs	**(35,667)**	**(32,572)**	**3,095**	**9.5**
	Operating profit	**19,747**	**24,337**	**(4,590)**	**–18.9**
130.	Net adjustments on impairment of loans and financial assets	(5,111)	(10,320)	(5,209)	–50.5
160.	Net provisions for risks and charges	(564)	(1,050)	(486)	–46.3
210.240.	Profits (losses) on disposal of investments	24	726	(702)	n.s.
250.	**Profit before tax from continuing operations**	**14,096**	**13,693**	**403**	**2.9**
260.	Taxes on income from continuing operations	(5,900)	(4,666)	1,234	26.4
290.	**Net profit (loss) for the period**	**8,196**	**9,027**	**(831)**	**–9.2**

Method used for preparing the reclassified income statement
For management purposes, the results as at 30 June were recorded by using a reclassified income statement in which the main items refer to aggregations of items and reclassifications aimed to guarantee a clearer understanding of trends, in line with market practice.
For the purpose of easily reconciling the reclassified statement with the compulsory format, the code numbers from the compulsory format are shown beside each item in the reclassified statement. As regards the reclassifications, the following should be noted:
1. “Other operating income/expense” (line item 190), recorded as part of “Operating costs” in the official reporting format, were adjusted to exclude the “recoverable indirect taxes” (Euro 2,356 thousand at 30 June 2008 and Euro 2,418 thousand at 30 June 2007) whereas the “depreciation of leasehold improvements” (Euro 289 thousand at 30 June 2008 and Euro 168 thousand at 30 June 2007) were included. The adjusted amount of “other operating income/expense” item, reclassified as indicated above, was reported under “Operating income” in the reclassified statement;
2. “Other administrative expenses” (line item 150 b) were adjusted so as to exclude the “recoverable indirect taxes” amount as discussed in point 1) above;
3. “Net adjustments on property, plant and equipment and intangible assets” were increased in the reclassified statement by the corresponding “depreciation of leasehold improvements” amount, as discussed in point 1) above;
4. “Net adjustments on impairment of loans and financial assets” (Euro 5,111 thousand at 30 June 2008 versus Euro 10,320 thousand at 30 June 2007), reported under line item 130, were restated under “operating profit” in the reclassified format.

Cassa di Risparmio di Alessandria’s **net profit**, at 30 June 2008, amounted to Euro 8.2 million compared to Euro 9 million in the same period of 2007 (–9%).

In detail, **operating income** reached Euro 55.4 million, down 2.6% compared to Euro 56.9 million in the same period of 2007. Within this aggregate, the following should be noted:

- the stability of the net interest income, which stood at Euro 39.8 million (+0.6%). Accounting results were affected by a lower contribution from loans – which were not compensated by an increase in customers’ business particularly in terms of the average amount of loans to customers – and by a modest improvement, from 3.4% to 3.5%, in the spread between lending rates and deposit rates applied to ordinary customers;

- a decline of Euro 1.1 million in net fee and commission income, which amounted to Euro 12 million, due mostly to a lower contribution coming in from assets under management and services to customers;

- a decline of Euro 1 million in other operating income/expense which amounted to Euro 2.9 million.

Operating costs rose by 9.5% to Euro 35.7 million (+ Euro 3.1 million). Within this aggregate, the following should be noted:

- a growth (+10.8%) in payroll costs which amounted to Euro 22 million. The number of employees increased by 9 units compared to the end of 2007;

- other administrative expenses increased to Euro 12.1 million (+7.4%), due mainly to higher ICT costs and other costs incurred by the business units;

- a modest increase in the net adjustments/recoveries on property, plant and equipment and intangible assets which amounted to Euro 1.6 million.

Therefore, at 30 June 2008, reflecting the results in operating income and costs, **operating profit** amounted to Euro 19.7 million (-18.9%).

Net adjustments/recoveries on impairment of loans and financial assets declined to Euro 5.1 million, down by Euro 5.2 million, due to lower individual write-downs and to lower adjustments in portfolio (collective write-downs) whereas the **net charges to provisions for risks and charges** amounted to Euro 0.6 million.

Therefore, **profit before tax from continuing operations** amounted to Euro 14.1 million (+2.9%) and after restating **taxes** for Euro 5.9 million, the **net profit for the period** amounted to Euro 8.2 million, down -9.2% compared to Euro 9 million in 2007.

Banca Akros S.p.A.

Banca Akros - Principal Balance Sheet Aggregates

(Euro/000)

Compulsory format code	Items	30.06.2008	31.12.2007	30.06.2007	Changes A/B		Changes/C	
		A	B	C	in value	in %	in value	in %
	Assets							
70.	Loans and advances to customers	283,053	308,802	248,580	–25,749	–8.3	34,473	13.9
60.	Loans and advances to banks	511,234	394,041	252,727	117,193	29.7	258,507	102.3
20. 40.	Financial assets held for trading and available for sale	2,612,565	3,057,130	2,778,305	–444,565	–14.5	–165,740	–6.0
10. 100. 110. 120. 130. 150.	Other asset line items	79,661	101,594	111,575	–21,933	–21.6	–31,914	–28.6
	Total assets	**3,486,513**	**3,861,567**	**3,391,187**	**–375,054**	**–9.7**	**95,326**	**2.8**
	Liabilities and equity							
20.	Due to customers	685,752	679,500	445,767	6,252	0.9	239,985	53.8
10.	Due to banks	1,515,203	1,879,624	1,708,137	–364,421	–19.4	–192,934	–11.3
40.	Financial liabilities held for trading	1,079,181	1,093,319	1,042,254	–14,138	–1.3	36,927	3.5
80. 100. 110. 120.	Other liabilities	60,428	79,463	85,154	–19,035	–24.0	–24,726	–29.0
130. 160. 180. 200.	Share capital and reserves (including net profit/loss for the period)	145,949	129,661	109,875	16,288	12.6	36,074	32.8
	Total equity and liabilities	**3,486,513**	**3,861,567**	**3,391,187**	**–375,054**	**–9.7**	**95,326**	**2.8**
	Other information							
	Indirect customer deposits at market value	2,487,594	2,358,479	2,345,439	129,115	5.5	142,155	6.1
	- of which assets under management	619,139	719,047	817,000	–99,908	–13.9	–197,861	–24.2
	Headcount (*)	263	258	254	5	1.9	9	3.5
	Number of branches	3	3	3	0	0.0	0	0.0

(*) employees + employees seconded to other companies + temporary staff

Banca Akros has responded strongly to the international financial crisis. The integrated risk control system applied to cash, receivables and operations, was a determinant factor in the achievement of stability and effective management. For this reason Banca Akros is one of the three Italian banks that was approved by the Bank of Italy to use an internal model for the recalculation of market risks.

The Bank, which neither has, nor ever had, ABS/CDOs in its securities portfolio, and neither has, nor ever had established or guaranteed off-balance sheet “financial vehicles”, has realised a growth in its operating income, which is reflected by a positive trading activity, by the confirmation of relevant market shares in the brokerage of financial instruments and in the development of corporate financial operations with Italian companies. The returns from the management of customers’ equity have grown, with positive deposit flow.

In the trading and brokerage activities, Banca Akros has confirmed its position of absolute leadership, at the international level, in OtC options regarding Italian equities. The bank has acquired a 5.1% market share in the trading of Italian equities on behalf of third parties (4th in the Borsa Italiana’s ranking among Italian and foreign operators – Assosim source) and has increased by 80% the trading in foreign equities, compared with the first six months of 2007; the bank demonstrated the validity of both its strategic choices for internationalisation through ESN, and of the partnership established with nine other European independent investment companies, with a strong presence in their respective markets, for equity search and trading activities.

In the area of trading on behalf of third parties, the Bank has been ranked 1st in MOT (17% market share) and 2nd in EuroMOT (18% market share), with a 13% growth in volume, thanks also to major contributions from SABE (Sistema Automatico di Best Execution) for retail customers, a system planned by Banca Akros and representing an advanced solution in the search for the best execution on bonds, at the international level, in compliance with MiFID regulations.

The growth was quite strong in the market-making activity regarding Eurobonds, with volumes equal to Euro 20 billion (+64%).

The Bank reaffirms its position as one of the main Italian “factories” of financial instruments aimed at meeting hedging requirements and at managing the risk of professional, corporate and institutional customers, with swap and options on interest rates (Euro 14 billion, +27%), exchange rates and derivatives on exchange rates (Euro 65 billion, + 1%) as well as bank structured covered bonds.

As regards corporate finance operations, within the difficult context that has characterised the capital markets, of particular relevance was the role of Global Coordinator and Financial Advisor performed for Best Union and Enervit, as well as the role of Financial Advisor in two operations with an overall value of Euro 170 million (Camozzi Group and Cremonini Group). The partnership with ESN, applied also to the Equity Capital Market, has enabled the Bank to participate, representing the Italian market, in the most relevant European privatisation operation of the first six months of 2008 (Euro 1.6 billion): the listing of EDP Renováveis, a company for renewable energy, in the Portuguese stock market.

Banca Akros has completed, on the Debt Capital Market, twenty-six operations of institutional subscription and placement services of bank, financial and supranational entities securities. To be noted is the role of sole Financial Co-ordinator obtained by GROUP, a joint-venture among Banca Akros/BPM Group and four other banking groups, holding altogether 6,000 branches, in a public bond issue operation issued by the European Bank for Investments (AAA rating). In July the Bank acted also as Joint Lead Manager in the issue of covered bonds, an operation that the Banca Popolare di Milano has carried out as the leading Italian issuer of this type of securities.

Private Banking has realised a growth of 6% in the returns from the management of customers’ equity. The Bank operates from its offices in Milan and through the Turin and Rome branches. At the end of June 2008, the customers’ equity assets at the Bank exceeded Euro 2.4 billion, with an average per customer equal to Euro 1.7 million.

In June 2008, Banca Akros received again the Standard & Poor’s “A–“ long term credit rating with a stable outlook.

From an analysis of the principal **balance sheet aggregates**, the following should be noted:

- a decline of Euro 2,613 (versus Euro 3,057 million at 31 December 2007) in the aggregate composed of "financial assets held for trading" and of "available for sale financial assets", attributable mainly to the a lower equity trading component;

- an increase in the "equity", attributable to the capitalisation of the net profit for 2007 and the first six months of 2008.

Banca Akros – Reclassified Income Statement (Euro/000)

Compulsory format code	Income statement items	First-Half 2008	First-Half 2007	Changes in value	Changes in %
10.20.	Net interest income	(22,991)	(19,426)	3,565	18.4
40.50.	Net fee and commission income	14,426	13,149	1,277	9.7
70.	Dividend and similar income	113,135	125,603	(12,468)	–9.9
80.90.100.110.	Net income (loss) from financial activities	(50,621)	(69,269)	(18,648)	–26.9
190.	Other operating income/expense	1,294	806	488	60.5
	Operating income	**55,243**	**50,863**	**4,380**	**8.6**
150.	Administrative expenses:	(30,738)	(28,891)	1,847	6.4
	a) personnel expenses	(20,738)	(18,279)	2,459	13.4
	b) other administrative expenses	(10,000)	(10,612)	(612)	–5.8
170.180.	Net adjustments on property, plant and equipment and intangible assets	(2,168)	(1,339)	829	61.9
	Operating costs	**(32,906)**	**(30,230)**	**2,676**	**8.9**
	Operating profit	**22,337**	**20,633**	**1,704**	**8.3**
130.	Net adjustments on impairment of loans and financial assets	(465)	(39)	426	n.s.
160.	Net provisions for risks and charges	(789)	(432)	357	82.6
210.240.	Profits (losses) on disposal of investments	(1)	0	(1)	n.s.
250.	**Profit before tax from continuing operations**	**21,082**	**20,162**	**920**	**4.6**
260.	Taxes on income from continuing operations	(3,632)	2,201	(5,833)	n.s.
290.	**Net profit (loss) for the period**	**17,450**	**22,363**	**(4,913)**	**–22.0**

Method used for preparing the reclassified income statement
For management reporting purposes, the interim results were presented in a reclassified format, in which items have been aggregated and reclassified in keeping with market practice in such a way as to provide a clearer picture of performance.
For the purpose of easily reconciling the reclassified statement with the compulsory format, the code numbers from the compulsory format are shown beside each item in the reclassified statement.

As for the income statement, in detail, the **operating income** stood at Euro 55.2 million, up 8.6%, and in particular:

- the main **investment banking** activities, consisting of "net interest income", "dividends" and "net income from financial activities", amounted to Euro 39.5 million, a 7% increase over the first six months of 2007, despite an increase in the negative net interest income due to the rise in the European interest rate which affected the cost for financing the security portfolio of the Bank;

- **net fee and commission income** amounted to Euro 14.4 million, up 9.7%, due mostly to the contribution from corporate finance activity and to the reduction of fee and commission expenses resulting from brokerage activity.

Operating costs amounted to Euro 32.9 million, up Euro 2.7 million compared with the same period of the previous year, due to the impact of the increase in payroll costs (+ Euro 2.5 million). It should be noted that the 2008 payroll costs are compared with the same figures of 2007 after deducting the lump sum following the reform in the supplementary pension fund.

Operating profit stood at Euro 22.3 million (+ 8.3% compared to the first six months of 2007) and, after allocations and adjustments, **profit before tax from continuing operations** amounted to Euro 21.1 million (+4.6%).

The allocation for income taxes amounted to Euro 3.6 million. Net profit for the first half of 2008 is therefore equal to Euro 17.4 million (Euro 22.4 million as at 30 June 2007). Since in the same period of the previous year, the tax item, at Euro 2.2 million, had instead represented a positive income component, the comparison between the two six-month periods is more significant at the level of profit from continuous operations before tax. The **net profit** was Euro 17.5 million, down Euro 4.9 million compared to the same period of the previous year. ROE (Return on Equity) stood at approximately 14%.

Bipiemme Private Banking SIM S.p.A.

Bipiemme Private Banking SIM is the company of the BPM Group interfacing with private consumers and equipped to offer a personalised consulting service in terms of capital management and of wealth management.

The company, which obtained in 2007 certification of quality on all the company's processes, is comprised of eleven Private Centres where over sixty professionals operate, the majority of which are qualified as Financial Advisors and with EFPA (European Financial Planning Association) certification.

Over the first six months of 2008, SIM had to deal with the complex and negative economic market while continuing its expansion and specialisation of its commercial offerings so as to provide the most appropriate and innovative wealth management solutions aimed at meeting the needs of the clients, as well as adjusting to changing market conditions. A new platform was implemented for the definition of the most suitable investment and risk management strategies for the customer (Personal Financial Planning), thus adopting all available instruments in order to provide the most qualified and professional advisory services.

Although within a highly penalised financial market, SIM was able to carry out and complete 9,000 transactions (acceptance of instructions), for an overall value of Euro 303.5 million, as well as to place financial instruments for Euro 96.2 million, of which Euro 32 million was associated with the SICAV placement.
As at 30 June 2008, about 7,000 advisory contracts were in effect (+12.9% compared to the same period of the previous year), whereas the overall amount of Assets Under Management was approximately Euro 4.5 billion (-0.6%), of which the assets under management component was 48.1%. The first six months of 2008 broke just about even and with a net interest and banking income of Euro 7.4 million (+0.2% compared to the previous year).

In the course of the year, SIM has progressively provided its services also to the private customers of the other banks of the Group (Banca di Legnano and Cassa di Risparmio di Alessandria).

BPM Covered Bond S.r.l.

Financial brokerage company – of which the Bank holds 80% of its share capital – registered in the registry pursuant to art. 106 of Legislative Decree no. 385/1993. The remaining 20% of the capital is held by a Dutch foundation (so-called "stitching").

The investment was acquired within the covered bonds issue programme (art. 7bis Law n. 130 of 30 April 1999) of Banca Popolare di Milano which, in compliance with the regulations in effect, provides for the pro-soluto transfer to a special purpose vehicle of assets of high credit quality (performing residential mortgages portfolio). These assets represent a separate capital, based on the guarantee that the same vehicle provides to the holder of covered bonds.

BPM Ireland Plc

This company, based in Dublin's International Financial Services Centre, has continued to manage its own bond portfolio, in addition to managing the activities of its subsidiary, BPM Fund Management (Ireland) Ltd.

The assets under management, part of the debt capital market, are comprised of almost all the categories of financial instruments, for example, floating-rate and fixed-rate bonds, securities related to synthetic securitisations as well as some credit derivatives. The company completely neutralises interest and exchange rate risks, leaving itself open only to credit risk.

The first six months of 2008 were strongly impacted by the negative effect of adjusting the portfolio's securities to market rates. As at 30 June 2008, the securities portfolio was valued at Euro 1,138 million (compared to Euro 1,367 million at 31 December 2007), of which Euro 662 million in financial assets designated at fair value through profit and loss and Euro 476 million in financial assets available for sale.
Over the second quarter of 2008, the Parent Company carried out a capital injection of Euro 40 million in favour of the subsidiary for the purpose of covering the losses previously reported and of maintaining an adequate level of capitalisation.

The company closed the first six months of 2008 with a loss of Euro 11.4 million compared with a profit of Euro 6.5 million reported at 30 June 2007. This result significantly affected the write-downs on debt securities held in portfolio, which caused a "net loss on financial assets designated at fair value through profit and loss" of Euro 21.1 million. As for the other components, a substantial stability was reported in the net interest income, amounting to Euro 4.6 million, and a decrease in the dividends to Euro 3.1 million, whereas the operating costs fell slightly to Euro 0.8 million.

Tirving Ltd.

An Irish company that participates in securitisation transactions through the purchase of holdings in special purpose vehicles. The two securitisation programmes, due to end on 30 September 2010, continued over the period. These programmes, one of which relates to Michelin North America and the other to the Michelin Group's European subsidiaries, are managed through the special purpose vehicle Tayar Receivables Company.

The company ended the first half of 2008 with a net profit of Euro 0.6 million (versus Euro 0.7 million as at 30 June 2007).

Bipiemme Gestioni SGR S.p.A.

Bipiemme Gestioni, the asset management company of BPM Group, has continued to pursue its mission towards a constant improvement in the quality of products and services provided to customers. The company was recognised, also in the first six months of 2008, as among the best SGRs in terms of returns on some of the funds in its portfolio. For the purpose of expanding the product range, "Bipiemme Più", a fund composed of multi-sector funds investing mainly in parts of mutual funds promoted and/or managed by Bipiemme Gestioni, was recently established.

The "Bipiemme Obiettivo Rendimento" fund was recently changed: from a reserved fund, it has become a fund open to retail customers, with benefits for legal entities and professional/institutional investors.

In addition to the regular contributions made by the Group's banking channels, the contribution from other placement channels, which are still being strengthened through the conclusion of new distribution agreements and through customer loyalty by providing training activities and support of the commercial network, is becoming increasingly important.

The general crisis in the assets under management sector has impacted negatively the equity of the managed funds which, as at 30 June 2008, was equal to Euro 10,454 million, compared to Euro 11,136 million reported at 31 December

2007. The amount of the individual portfolio management component decreased from Euro 7,796 million at 31 December 2007 to Euro 6,245 million at 30 June 2008. Over the six month period, the company has closed the fund-based portfolio management of "Portfoliofondi". The customers of the Group were offered a subscription to a new product, a fund of funds called "Bipiemme Più" which collected more than Euro 770 million.
The company's market share as at 30 June 2008 amounted to 2.16%, up 2.08% on the end of 2007 (source: Assogestioni).

The economic trend of the company was strongly impacted by the on-going crisis of the financial markets which caused a decline in the income and commissions component pertaining to management services. As in the past, the business provided consistent attention to ordinary costs, both in the commercial and operating areas. The profit net of tax for the period in question amounted to Euro 5.1 million versus Euro 6.3 million at 30 June 2007.

Akros Alternative Investments SGR S.p.A.

The company, which manages Italian funds of the hedge funds sector, is fully-owned by Banca Akros.

As at 30 June 2008, the Italian funds of the hedge funds sector (net of the property funds) reported returns on assets under management for about Euro 28.6 billion, a modest drop compared to the end of 2007. Among these, the hedge single manager funds, active in the Italian market, reported returns on assets under management equal to Euro 1.7 billion (Euro 1.6 billion at 31 December 2007). The fund management companies active in the market were 42 (versus 40 at 31 December 2007) whereas the number of managed funds was 282 (versus 241 at 31 December 2007).

The SGR manages four funds of hedge funds and a single manager fund, all of them offering a high degree of transparency and a variety of different risk/yield profiles.

The returns on the funds managed by the company amounted to Euro 330 million, at the end of the first six months, registering, contrary to the market trend, a positive increase of Euro 9 million compared to 31 December 2007. The SGR ranks 20th in the asset management sector.

As at 30 June 2008, net interest and other banking income amounted to Euro 1.7 million. The company profitability was positive with a reported net profit of Euro 0.2 million (Euro 1.1 million at 30 June 2007).

BPM Fund Management (Ireland) Ltd.

The company – a subsidiary fully-owned by BPM Ireland Plc – during the relevant period continued to promote the open-end, multi-sector Dublin International Funds (DIF), a collective investment entity compliant with Directive 85/611/EEC, authorised to sell its financial products in Italy. As at 30 June 2008, the fund's equity fell from Euro 405 million at the end of 2007 to Euro 369 million.

In order to expand the product range offered in the market, in addition to the seven sectors already existing, two new ones were recently established: "DIF Monetary Fund" (active since 1 July 2008) and "DIF Absolute Fund" (which will become active at the end of the third quarter).

The net profit for the period amounted to Euro 1.2 million, versus Euro 1.6 million reported in the previous year.

BPM Capital I L.L.C. - BPM Luxembourg S.A.

These two companies, the former based in Delaware and the latter in Luxembourg, continued to manage the securities issued as part of a project approved in 2001 seeking to boost BPM's capital reserves. The US company share capital is fully-owned by the Bank, while the Luxembourg company's share capital is 99% owned by Banca Popolare di Milano and the remaining portion by Banca Akros.

Both companies have closed the first half of 2008 with a modest loss (BPM Capital I with Euro 0.1 million and BPM Luxembourg with Euro 0.2 million).

We@Service S.p.A.

In the first six months of 2008, the company has continued to develop the virtual bank services offered by BPM Group and in particular, has completed the repositioning process of We@bank, which from a technological platform for captive services for the banks of the group has become, since 1 March 2008, a true online operator aimed to attract that segment of customers that wants to interface with a credit institution exclusively via Web.

The company currently offers an Internet banking service to approximately 343 thousand customers (+20% versus the number of customers at 30 June 2007), of which over 38 thousand are purely "online customers" (through the brand "We@bank"). Following an 11% increase in the number of customers that have completed at least one access to the internet services available, approximately 36 million transactions were reported, up 24% compared to 2007.

The portals under management have been subject to several enhancements designed to simplify the use and the level of support for the use of services, as well as the security of the transactions conducted. From a commercial point of view, the following should be noted:

- the expansion of the offering in the finance area, through the possibility of conducting Repurchase Agreement operations and purchasing certificates, that is, financial derivative instruments which are based, with or without "leverage effect", on the performance of the underlying assets;

- the expansion of the offering in the loans and advances area through the new product, "Prestito@me", and the possibility to acquire mortgages thanks to the cooperation established with Banca per la Casa.

In economic terms, the company closed the first six months of 2008 with a net profit of Euro 1.1 million, down by Euro 2 million compared with the previous year, due to higher investments in advertising and technology. In detail, the costs amounted to Euro 11.8 million which, even though 36% higher than 2007 results, were in line with budget forecasts, whereas the Euro 13.4 million income showed a growth of 10% compared to the previous year.

Companies consolidated by using the equity method

Calliope Finance S.r.l.

Calliope Finance S.r.l. is a financial brokerage company registered in the registry pursuant to Article 106 of Legislative Decree no. 385/1993. The company is the result of an equal joint venture between Banca Popolare di Milano and LB UK RE Holdings Limited, a company of the Lehman Brothers Group. More specifically, Calliope Finance grants mezzanine financing – usually secured by a second mortgage – for real estate development and/or acquisitions. The company seeks to optimise the potential synergies between Bipiemme and Lehman Brothers, within the scope of real estate loans, by leveraging, on the one hand, the Lehman Brothers' experience and mezzanine lending clients, and on the other, Banca Popolare di Milano's roots in the territory.

As at 30 June 2008, Calliope Finance issued loans before interest for a total of Euro 70.9 million within the scope of real estate trading transactions.

The company closed the first half of 2008 with a net profit of Euro 0.8 million (Euro 0.4 million at 30 June 2007).

Bipiemme Vita S.p.A.

The insurance company, of which Banca Popolare di Milano holds 45.89% of the share capital, has continued to pursue a high level of satisfaction of customer needs through the constant monitoring and adjustment of its products and by placing the utmost care in the financial management of its guaranteed capital and return policies.

As at 30 June 2008, the premium income amounted to Euro 342.4 million, versus Euro 298 million at 30 June 2007, of which Euro 340 million is to be attributed to life policies and Euro 2.4 million to non-life policies.

Within the difficult context faced by the entire insurance sector, following the negative trend of the financial markets, the company closed the six-month period with a net result (calculated in compliance with IAS/IFRS criteria) of Euro 0.5 million compared with Euro 10.5 million at 30 June 2007. Therefore, in order to standardise the companies' accounting principles to the rules set forth for the Group, Banca Popolare di Milano has taken into account higher liabilities on insurance reserves tied to index-linked policies, and thus reaching a negative result of Euro 7.9 million (used in the consolidated financial statements for the purpose of measuring the company through the equity method).

SelmaBipiemme Leasing S.p.A.

SelmaBipiemme Leasing S.p.A., 40% of which is held by Banca Popolare di Milano, owns 100% of Palladio Leasing S.p.A., which operates in the Veneto area, as well as 80% of Teleleasing S.p.A. (with 20% held by Telecom S.p.A.), which mainly specialises in operating leases. The latter two companies closed the first half of 2008 with net profits of Euro 9.7 million and Euro 9.1 million, respectively.

During the period from 1 July 2007 to 30 June 2008, SelmaBipiemme Leasing S.p.A. concluded 9,690 new contracts worth about Euro 946.8 million, compared with 8,329 contracts, worth around Euro 898.7 million, in the period from 1 July 2006 to 30 June 2007.

Consolidated lending by the three companies exceeded Euro 4.4 million, while new business generated in 2008 confirmed SelmaBipiemme S.p.A. and its subsidiaries among the leasing sector's top ten operators.

As at 30 June 2008, the company closed with a net profit of Euro 8.2 million versus Euro 11 million in the previous year.

Aedes BPM Real Estate SGR S.p.A.

This company, formerly Bipiemme Real Estate SGR, is 39% owned by Banca Popolare di Milano and currently manages five closed-end property funds: these are the "Investietico" fund designed for retail customers and listed on the Italian stock market, whose assets are mostly invested in nursing homes and office premises, and the "Dante Retail", "Virgilio", "Petrarca" and "Boccaccio" funds, which are reserved for institutional investors.

Net profit as at 30 June 2008 amounted to Euro 0.9 million.

ESN North America Inc.

ESN North America Inc. operates in the purchase and sale of European equities for North American investors and in the capacity of execution broker in the US shareholding markets, on behalf of Italian and European institutional customers.

The company, of which 35.81% is held by Banca Akros, closed the first six months of 2008 with a net profit of about $ 85 thousand compared with $ 230 thousand at 30 June 2007, despite the difficult conditions experienced by the equity brokerage sector in the first six months of 2008.

Anima SGR S.p.A.

Anima SGR, of which 29.9% of its share capital is held by Banca Popolare di Milano, is the leading Italian operator in terms of assets under management among the independent asset management companies, specialised in mutual funds, with a significant presence of its management in the shareholding structure. The SGR does not have its own distribution network, but makes use of numerous distribution agreements with banks and financial advisor networks.

The company manages 11 Italian mutual funds, 6 components in the Luxembourg investment company with variable capital (Anima Sicav) and the open-ended pension fund (Anima Orizzonti), which includes four investment components. The assets under its management at 30 June 2008 amounted to approximately Euro 9 billion, versus about Euro 10 billion reported at 31 December 2007.

The first six months of 2008 closed with a net profit of Euro 3.5 million versus Euro 9.2 million at 30 June 2007. The significant decline in the results has led BPM to update the valuation of the subsidiary, as detailed in the comments to the Parent Bank's and to the consolidated Income Statement

Etica SGR S.p.A.

In the last six months, the crisis that brought a strong instability to the international financial market has continued. This crisis has impacted the ethical funds promoted by Etica SGR, both in terms of contributions (lower by approximately Euro 10 million compared to the budget forecasts) and in terms of write-down of the assets by approximately Euro 6 million from the beginning of the year. Despite this, Etica SGR is still the third leading management company in the sector of Italian ethical funds, with Euro 235.2 million in assets under management at 30 June 2008, representing 14.9% of the total ethical funds sold in Italy.

In the period in question, the 4 "Responsible Values System" funds have ranked first in the category in terms of returns. Despite the difficult market conditions, Etica SGR has continued to promote the funds and its role as ethical advisor on the investments made by Public Bodies, banking foundations, pension funds, religious institutions.

Within this context, Etica SGR – of which BPM holds an interest of 27.50% - has maintained a stable net interest and other banking income amounting to Euro 0.6 million at 30 June 2008.

The operating result for the first six months of 2008, after deducting the investments for strengthening the operational structure, closed even in terms of net profit.

Pitagora 1936 S.p.A.

A special purpose vehicle set up to acquire control of Pitagora S.p.A., a company operating mainly in the loans against salary assignment market. BPM holds a 24% interest in Pitagora 1936 S.p.A, the "Wisequity II & Macchine Italia" fund holds 52% and Pitagora S.p.A. management holds 24%. This investment enables BPM Group to strengthen its offering in the consumer credit sector and to use Pitagora's network to market other BPM products in areas where BPM Group is not, or is only marginally, present. On the basis of a specific mandate, Pitagora S.p.A. also performs loan brokerage activities for targeted customer segments, thus enabling BPM to pursue new investments.

Pitagora 1936 S.p.A. closed the first six months of 2008, with the consolidation of the subsidiary Pitagora S.p.A., with a net profit of Euro 1.4 million versus Euro 1.7 million at June 2007.

Group S.r.l.

Group S.r.l., of which 22.5% is held by Banca Akros, is a company that conducts market analysis and provides services to its shareholders (five Italian leading banks: BPM, Banco Popolare, UBI Banca, BPER and Banca Popolare di Sondrio), in view of their participation in investments and public placement of financial instruments (stocks and bonds).
It should be noted that in the first six months of 2008, Group has organised, in its capacity as Financial Co-ordinator, the first retail placement in Italy of a public bond issue operation issued by the European Bank for Investments ("AAA" rating), for a total of Euro 180 million.
Group uses a distribution channel of shareholding cooperative banks comprised of 6,000 branches.
As at 30 June 2008, the company broke even in terms of management.

Wise Venture SGR S.p.A.

The SGR, of which 20% is owned by Banca Popolare di Milano, operates in the private equity sector. The company currently manages three main funds, "Wisequity", "Wisequity II & Macchine Italia" and "BPM Private Equity Fund". As at 30 June 2008, the assets managed by the company, including the funds' unclaimed assets, amounted to Euro 230 million.

In the first six months of 2008, the company broke even in terms of net profit.

Transactions with related parties

In compliance with the provisions of Article 2391-bis of the Italian Civil Code, it should be noted that, following the introduction of compulsory reporting requirements on 1 January 2003 under Article 71-bis of CONSOB Regulation No. 11971/99 (as subsequently amended by CONSOB itself), the Board of Directors of Banca Popolare di Milano, with resolutions of 10 December 2002 and 21 October 2003, approved a detailed procedure titled “Guidelines on significant transactions and related parties”.

The procedure is described in detail in the “Report on Corporate Governance” of the Bank drawn up in compliance with the Self-Regulatory Code for Listed Companies (March 2006 edition) with which the Bank has complied, and has been provided to Borsa Italiana S.p.A. and is available on the Web at www.bpm.it. The purpose of the BPM guidelines is to identify “significant” transactions by both BPM and the entire BPM Group, and in particular those with related parties, as well as to provide all parties concerned with rules of conduct for notifying the Parent Bank of their status as “related parties” in conducting transactions with the same and for governing the authorization procedure of such transactions in order to ensure their substantive and procedural fairness.

In implementation of the principles contained in these “Guidelines”, a computerised database has been created - based on the information provided by those polled and qualified as “related parties” - with the purpose of identifying the qualifications of “related parties” amongst entities who conduct, directly or indirectly, transactions with the Bank. The database has been updated further to CONSOB Resolution no. 14990 of 14 April 2005, which repealed Communication no. 2064231 of 30 September 2002, and “related parties” are now defined in accordance with IAS 24 (“Related party disclosures”).

Having acknowledged CONSOB Communication no. 6064293 of 28 July 2006 whereby issuers with listed securities must provide in the notes to the financial statements and half-year reports, in addition to that required under IAS 24, also “information on the impact that transactions or positions with related parties, as classified by IAS 24, have on the balance sheet and profit and loss position, on the economic results and financial flows of the company and/or group”, BPM implemented the appropriate business/technical solutions.

The Board of Directors resolved on 13 March 2007 to update the “Guidelines” so that they are in line with the new regulatory and legal framework (with reference to the significant transactions as per Article 136 of the Banking Act, as amended by Legislative Decree no. 303 of 29 December 2006), including in the “Guidelines” further specifications on the scenarios governed under Article 2391 of the Italian Civil Code (involving directors who acting for themselves or on behalf of third parties have an interest) in light of the instructions contained in the new Self-Regulatory Code for Listed Companies.

In addition to these “Guidelines”, the Bank has created “implementation guidelines” aimed to optimize the operators’ monitoring and management of the conduct of transactions with related parties as well as to optimize their levels of authorizing competence. The Bank then resolved to set up software solutions that, once the significant processes and transactions connected thereto have been identified, will allow relationships with related parties to be identified and the transactions with such parties to be systematically monitored.

Transactions between BPM and subsidiary and associated companies, as well as with other related parties, are conducted in the normal course of business under terms normally applied on the market to transactions of this kind and, if no such transactions exist, under terms that reflect the cost of producing the services provided.

In reference to this matter, it should be noted that:

- during the first half of 2008 there were no atypical or unusual transactions during the half-year with “related parties” or any such that would significantly “affect the Group’s profit and loss account position or the completeness and correctness of the data, including accounting data, of the issuer” and hence requiring disclosure to the market in accordance with Article 71-bis of CONSOB Regulation no. 11971/99 (and subsequent amendments);

- the Board of Directors approved – pursuant to Article 10 of the Credit Line Regulations in force – loans of any amount to subsidiary or associated companies (without prejudice, where applicable, to the dispositions of the “Guidelines” regarding “related parties”);

- the Board of Directors also approved – unanimously and with the required consent of all the Members of the Board of Statutory Auditors – all direct or indirect operations (including also all family members, as per the definition of IAS 24) with parties that fall under Article 136 of the Banking Act ("Obligations of bank corporate officers"), and as per the express provisions of Article 6 of the Credit Line Regulations (and related Implementation Guidelines).

See the relevant section of Part H for further information on transactions with related parties. Below are the transactions recorded by the Parent Bank as at 30.06.08:

1) with subsidiary companies:

- Assets: Euro 2,030,762 thousand;
- Liabilities: Euro 477,287 thousand;
- Guarantees and Loans: Euro 1,674,365 thousand.

2) with companies subject to joint control:

- Assets: Euro 37,161 thousand wholly attributable to Calliope Finance;
- Liabilities: Euro 2,731 thousand wholly attributable to Calliope Finance.

3) with companies subject to significant influence:

- Assets: Euro 431,077 thousand, attributable to Bipiemme Vita (Euro 5,007 thousand), SelmaBipiemme Leasing (Euro 419,613 thousand), Pitagora 1936 (Euro 6,457 thousand);

- Liabilities: Euro 359,809 thousand, attributable to Bipiemme Vita (Euro 354,878 thousand), Wise Venture SGR (Euro 276 thousand), Aedes Bipiemme Real Estate SGR (Euro 3,313 thousand), Etica SGR (Euro 79 thousand), SelmaBipiemme Leasing (Euro 446 thousand), Società Milanese di Sviluppo e Formazione Musicale (Euro 246 thousand), Pitagora 1936 (Euro 571 thousand);

- Guarantees and Loans: Euro 9,513 thousand, attributable to SelmaBipiemme Leasing (Euro 8,684 thousand), Wise Venture SGR (Euro 79 thousand), Società Milanese di Sviluppo e Formazione Musicale (Euro 750 thousand).

EQUITY INTERESTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGER AT 30.06.08						
	Name	**Company**	**Number of shares**			
			at 31.12.07	**Purchases**	**Sales**	**at 30.06.08**
Directors	Roberto Mazzotta	BPM	1,000			1,000
	indirect ownership through spouse	*BPM*	*7,500*			*7,500*
	Mario Artali	BPM	2,000			2,000
	indirect ownership through spouse	*BPM*	*100*			*100*
	Marco Vitale	BPM	200			200
	Enrico Airaghi	BPM	5,003			5,003
	indirect ownership through spouse	*BPM*	*5,008*			*5,008*
	Luca Caniato	BPM	12,008			12,008
	indirect ownership through spouse	*BPM*		*1,000*		*1,000*
	Emilio Castelnuovo	BPM	25,000	25,000		50,000
	indirect ownership through spouse	*BPM*	*8,000*			*8,000*
	Giuseppe Coppini	BPM	1,500			1,500
	indirect ownership through spouse	*BPM*	*300*			*300*
	Enrico Corali	BPM	120			120
	Rocco Corigliano	BPM	19,500	1,500		21,000
	indirect ownership through spouse	*BPM*	*1,360*	*2,140*		*3,500*
	Eugenio Crosta	BPM	10,702			10,702
	indirect ownership through spouse	*BPM*	*630*			*630*
	Roberto Fusilli	BPM	11,049		10,000	1,049
	indirect ownership through spouse	*BPM*	*600*			*600*
	Piero Lonardi	BPM	12,010			12,010
	Maria Martellini	BPM	4,860			4,860
	Michele Motterlini	BPM	4,040			4,040
	Gianfranco Pittatore	BPM	1,000			1,000
	Marcello Priori	BPM	680			680
	indirect ownership through spouse	*BPM*	*414*			*414*
	Jean-Jacques Tamburini	BPM	1,100			1,100
	Graziano Tarantini	BPM	3,684			3,684
	indirect ownership through spouse	*BPM*	*307*			*307*
	Valerio Tavormina	BPM	3,001			3,001
	Michele Zefferino	BPM	6,852			6,852
	indirect ownership through spouse	*BPM*	*532*			*532*
Statutory auditors	Antonio Ortolani	BPM	20,000			20,000
	indirect ownership through spouse	*BPM*	*20,000*			*20,000*
	Marco Baccani	BPM	136			136
	Enrico Castoldi	BPM	56			56
	Emilio Cherubini	BPM	5,000			5,000
	Paolo Troiano	BPM	100			100
Alternate Statutory Auditors	Salvatore Rino Messina	BPM	1,000			1,000
	Enrico Radice	BPM	13,880			13,880
	Giuseppe Zanzottera	BPM	1,000			1,000
	Giorgio Zoia	BPM	22,010			22,010
	indirect ownership through spouse	*BPM*	*5,019*			*5,019*
General Manager	Fabrizio Viola	BPM	30,394	269 (1)		30,663

1) following allocation of net profit for 2007

As already made known to the market, Fiorenzo Dalu and Enzo Chiesa respectively hold 5,942 and 438 shares in BPM.

Banca Popolare di Milano shareholding, stock price and ratings

Shareholders

The total shareholders amount to 94,132, of which 47,614 are Members and 46,518 are shareholders not recorded in the Book of Members. In the first six months of 2008, 430 new members were admitted and 94 members excluded (due to lack of a shareholding, breach of contractual obligations or death).

As at 30 June 2008, and on the basis of the communications received by the Bank, there are 8 relevant companies, hereinafter listed with the respective percentage of their shareholding:

- **Caisse Fédérale du Crédit Mutuel Centre Est Europe** – CM , with 4.99% of the share capital (ownership divided up between various companies in the same group);

- **HSBC Bank Plc.**, with 2.57% of the share capital;

- **UBS AG.**, with 2.297% of the share capital;

- **Allianz SE.**, with 2.289% of the share capital (direct ownership held by the subsidiary company: Dresdner Kleinwort Securities Ltd.);

- **Artio Global Management LLC.**, (previously Julius Baer Investment Management LLC New York – notifying of its name change on 20/06/2008), with 2.197% of the share capital;

- **Amber Capital LP**, with 2.16% of the share capital (as manager of the "Amber Master Fund Cayman SPC" fund);

- **Morley Fund Management Ltd.**, with 2.092% of the share capital;

- **Barclays Global Investors UK Holding Ltd**, with 2.011% of the share capital. Direct ownership is held by the following subsidiary companies: Barclays Global Investors Ltd. (0.437%), Barclays Global Investors N.A (0.837%), Barclays Global Fund Advisors (0.673%) and Barclays Global Investors Deutschland AG. (0.064%).

In conclusion, please note that subsequent to 30 June 2008, as can be verified on the CONSOB website, on 31 July 2008, the following variations to the percentage of shareholdings took place:

- **UBS, HSBC and Morley Fund Management Ltd** decreased their shareholding to below 2%;

- **Credit Suisse Group** currently holds a 3.412% stake directly owned by the following companies: Credit Suisse International (2.403%), Credit Suisse Securities Europe Limited (0.98%) and Credit Suisse (0.029%).

The composition of the BPM shareholder base reflects its status as a "listed co-operative bank". If the share capital of the Bank includes, on one hand, a large number of small individual shareholders - confirming the importance of personal aspects and mutualism between Members, being the inspiring and traditional principles behind co-operative banks; on the other hand, the importance of institutional investors has grown in recent years also confirming a continuing interest in the BPM Group as an investment.

An ordinary shareholders' meeting of Banca Popolare di Milano was held on 19 April 2008, with the attendance of 2,915 members or their proxies, to approve the 2007 financial statements of the Parent Bank Banca Popolare di Milano and acknowledge the consolidated financial statements of the BPM Group within the terms proposed by the Board of Directors and disclosed to the market on 17 March 2008.

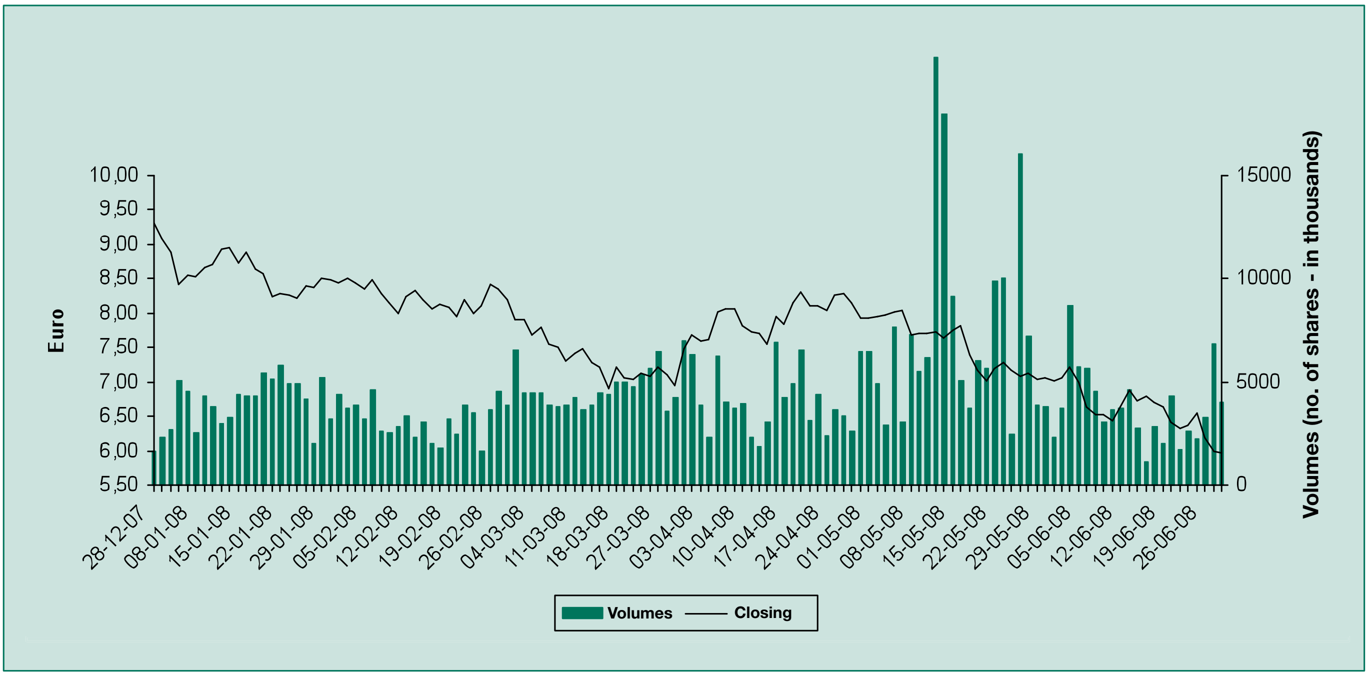
The shareholders' meeting also approved the alignment of the Shareholders' Meeting Regulations (Article 21, paragraph

4 and Article 25, paragraph 3) with the new Article 32, paragraph 4 of the Articles of Association, which assimilates the wording of Article 144-quater, paragraph 3 of CONSOB Regulation no. 11971/99 on the methods for presenting the lists of candidates for appointment of members on the Board of Directors.

Performance of BPM stock

The negative trend of the financial markets started in the second half of 2007 continued into the first half of 2008, triggered by the US sub-prime crash, which, as is known, has had strongly negative repercussions on the performance of financial markets and above all the banking sector.
In the light of this less than favourable context, the European stock exchanges performed poorly in the first half of 2008: Milan reported the biggest drop (S&P MIB index, -23.9%), followed by Paris (CAC40, -21.2%), Frankfurt (DAX100, -20.4%) and London (FTSE100, -13.1%).
The performance of the financial sector fared even worse with DJ Stoxx 600 Banks falling by 32.7%.
The BPM share was heavily impacted by this overall bear market. In the first half of 2008, it dropped by 36.1%, varying from a maximum price of Euro 9.32 on 2 January 2008 to a minimum of Euro 5.96 on 30.06.08.
In the first six months of the year, average daily volumes traded amounted to roughly 4.6 million shares.

Performance of Banca Popolare di Milano stock in the first half of 2008



As at 30.06.08, BPM did not hold any treasury shares. During the course of the first half of 2008, 2,494,300 treasury shares were purchased (worth Euro 18,653,089.05). Of these shares, 2,480,412 were assigned to BPM employees during the distribution of 2007 profits 2007, according to the resolution of the Board of Directors and the Shareholders' Meeting of 19/4/2008; the remaining 13,888 shares (worth Euro 111,772.60) were sold.

Rating

The table below highlights the ratings assigned by the international ratings agencies Moody's, Fitch Ratings and Standard & Poor's.

BPM Rating

Rating agency	Last update	Long-term debt	Short-term debt	*Outlook*
Moody's	21 December 2007	A1	P-1	Stable
Fitch Ratings	13 June 2008	A	F-1	Stable
Standard and Poor's	30 November 2007	A-	A-2	Stable

Significant events after the first half of 2008 and BPM Group outlook

Significant events

Subsequent to the close of the first half of 2008, the following significant events were reported:

Acquisition by Banca Popolare di Milano of 56.99% of Banca Popolare di Mantova S.p.A.

On 1 July 2008 Banca Popolare di Lodi S.p.A. (Banco Popolare Group) and Banca Popolare di Milano S.c. a r.l. reached an agreement for the sale and purchase of 403,515 ordinary shares of Banca Popolare di Mantova S.p.A. (equal to 56.99% of its share capital), a bank with 9 branches in the province of Mantua. The Bank's main vocation are individual customers and SMEs. At 31/12/2007 it reported total deposits for Euro 295 million, loans and advances to customers for Euro 245 million and an equity of approximately Euro 22 million.
The transaction entails the sale of the entire stake in Banca Popolare di Mantova held by Banca Popolare di Lodi to Banca Popolare di Milano for Euro 32,490,000.
A preliminary agreement was entered into on 23 July 2008. The agreement will enter into force once legal authorisations have been obtained. The acquisition will enable BPM Group to strengthen its market share in eastern Lombardy and is in keeping with the BPM branches currently present in the surrounding provinces.

Conclusion of the fact-finding assessments by the Bank of Italy

On 16 May 2008 the fact-finding assessments on Banca Popolare di Milano conducted by the Bank of Italy were concluded.
In the meeting of 14 July 2008, the Board of Directors of BPM acknowledged the content of the Evaluation Report and undertook to make its considerations within the agreed timeframes.
The Bank of Italy requested changes to the articles of association in terms of reducing the overall number of the Parent Bank's directors, as well as the restructure of the majority bonus for the most-voted list, the change of certain meeting quorums, and the strengthening and development of the role of independent directors with a view to optimising governance and better distinguishing the roles carried out by the administrative body and by the management of the Bank.
The proposal to modify the articles of association resolved on by the Board of Directors will have to be submitted to the BPM extraordinary shareholders' meeting for approval.

Tranformation of We@service into an on-line bank

On 22 July 2008, the Board of Directors of BPM approved the transformation of We@service from a company instrumental to BPM Group dedicated to the IT, commercial and advisory development of Internet activities into an on-line bank with the Webank brand and therefore resolved to take steps to request authorisation from the Bank of Italy.
From a technological platform of the captive market for the banks of the Group, We@service is transformed with the aim of becoming a "lean" on-line bank with a very strong mandate: to acquire new customers by offering comprehensive banking services.
Today, We@service manages a total of about 430,000 current accounts, roughly 40,000 of which are pure on-line accounts through the Webank brand, that generate 21 million transactions each year on the basis of the current 150 banking and investment management functions.
The transformation into an on-line bank will change the mix of products and services, significantly increasing revenues deriving from the Webank offering on the on-line market (non-captive assets).

Appointment of a new General Manager and Co-General Manager of Banca Popolare di Milano

Following the resignation of the General Manager, Mr. Fabrizio Viola, the Board of Directors met on 24 July 2008 and unanimously appointed Mr. Fiorenzo Dalu as General Manager and Mr. Enzo Chiesa as Co-General Manager of the Bank starting from 1 August 2008.

Sanction to Banca Popolare di Milano by the Anti-Trust

In August 2008 and within the ambit of a lawsuit filed by Associazione Consumatori (the Italian Consumer's Association) against leading Italian banks, the Autorità Garante per la Concorrenza e il Mercato (the Italian Competition and Market Authority) issued an administrative fine for Euro 420 thousand to Banca Popolare di Milano on account of the Bank's unfair commercial practice whereby the Bank made it impossible or burdensome for consumers already holding mortgage loans to obtain the subrogation and implementation of so-called portability from the Bank, as provided for under Article 8 of Law Decree no. 7 of 31 January 2007, as modified by Law no. 40 of 2 April 2007 and Law no. 244 of 27 December 2007. Believing that there is good reason to oppose the suit, the Board of Directors of BPM resolved to challenge the ruling before the competent authorities and not make any provisions to the income statement

Evolution of the management of BPM Group and related risks and uncertainties for the second half of 2008

The Group faces the second half of 2008 aware of the uncertainties and risks associated with the progressive weakening of the state of the economy, the higher-than-expected inflation rate, the on-going financial market crisis and the difficult liquidity situation.

Until now, these factors have had a limited impact on the commercial and corporate banking business lines, showing a trend that is in line with that emerged in the first half of the year. Even so, we can expect loans to customers to enjoy limited development due to the sluggish economy and residential property market.

In addition to the impact the aforementioned elements have on funding costs for credit institutions, in terms of net interest income we point out the asset-sensitive position taken by the Group, the effects of which, in terms of the margin's sensitivity to possible rate changes, are illustrated in part E (Data on risks and hedging policies: section 1.2.2. Interest Rate Risk – Bank Portfolio) of this condensed half-yearly financial statements.

The following factors could also negatively impact the Group's economic results for the period:

- any legislative changes that might affect certain types of fees present in the Group's current profit structure (e.g., maximum overdraft fees);

- the on-going crisis of the managed assets market, which for some time has been subject to sizeable fund defluxes that could influence the fee-levels of products distributed by the Group, the profitability of the subsidiary Bipiemme Gestioni SGR, as well as the value of the stake in Anima SGR;

- a significant downfall of property market conditions, the scale of which is not currently foreseeable, with consequent effects on the ability of sector operators to make good on their commitments.

The investment banking activity is expected to enjoy greater stability after the fluctuating results in the last 4 quarters, even though, as shown in the report, there is still a certain sensitivity to credit spread trends, in particular to the results of financial institutions, and market rates (see Part E – Data on risks and hedging policies Section. 1.2 Market Risks).

In addition, it is worth noting that intangible assets included goodwill for a total of Euro 548 million, mainly attributable to the shares held in Banca di Legnano and Cassa di Risparmio di Alessandria; this figure is subject to a yearly impairment test, considering not just objective market parameters, but also expectations on the development of brokerage volumes and the profit results of the two banks, which are directly linked to the overall performance of the commercial banking market.

After careful evaluation of the potential impact of the aforementioned factors and considering the measures the management of the Group can take to limit the negative effects, the forecasts of the 2008 profit performance relating to earnings from commercial banking, corporate banking and wealth management are essentially confirmed.

More specifically, these forecasts highlight, compared to 2007 results, possible net interest income growth for these three business lines ranging between +8% and +10% and predicts service margin performance to range between –2% and 0%.

As far as the investment banking area and the corporate centre, the possibility of narrowing the negative gap accumulated as at June 2008 compared to the same period in 2007 depends largely on interest rate and credit spread performance, as already illustrated.

In reference to the cost segment, a roughly 2% annual growth is expected, while for adjustments on loans and provisions to risks the forecasts of the strategic plan, which hold the overall value at 0.40% of the total loan book, are confirmed.

Condensed Half-Yearly Financial Statements of BPM Group

Consolidated financial statements of the BPM Group

- Consolidated Balance Sheet as at 30 June 2008
- Consolidated Income Statement of the first half of 2008
- Statement of changes in consolidated shareholders' equity as at 30 June 2008
- Statement of changes in minority interests as at 30 June 2008
- Statement of changes in consolidated shareholders' equity as at 30 June 2007
- Statement of changes in minority interests as at 30 June 2007
- Consolidated Cash Flow Statement as at 30 June 2008

BPM Group - Consolidated Balance Sheet as at 30 June 2008

(Euro/000)

Assets		30.06.2008	31.12.2007	30.06.2007
10.	Cash and cash equivalents	186,669	225,643	172,500
20.	Financial assets held for trading	3,089,844	3,812,546	3,637,763
30.	Financial assets designated at fair value through profit and loss	1,086,256	1,236,726	1,368,279
40.	Financial assets available for sale	2,017,966	2,121,819	1,930,269
50.	Financial assets held to maturity	0	0	0
60.	Loans and advances to banks	4,364,629	3,603,085	4,627,756
70.	Loans and advances to customers	32,041,895	29,766,745	28,242,620
80.	Hedging derivatives	13,581	18,133	14,578
90.	Changes in fair value of hedged items (+ / -)	0	0	0
100.	Investments in associates and joint ventures	179,789	227,627	109,255
110.	Technical insurance reserves reassured with third parties	0	0	0
120.	Property, plant and equipment	776,595	788,136	785,924
130.	Intangible assets	643,746	647,331	634,082
	of which:			
	- *goodwill*	*547,656*	*547,656*	*547,124*
140.	Tax assets	461,906	483,341	593,845
	a) current	*245,189*	*251,561*	*249,397*
	b) deferred	*216,717*	*231,780*	*344,448*
150.	Non-current assets held for sale and discontinued operations	0	0	0
160.	Other assets	910,714	695,895	525,524
	Total assets	**45,773,590**	**43,627,027**	**42,642,395**

BPM Group - Consolidated Balance Sheet as at 30 June 2008

(Euro/000)

	Liabilities and Shareholders' equity	30.06.2008	31.12.2007	30.06.2007
10.	Due to banks	5,214,454	4,292,214	4,095,424
20.	Due to customers	21,402,585	21,615,950	20,805,036
30.	Debt securities in issue	9,907,972	8,065,143	8,059,761
40.	Financial liabilities held for trading	1,252,388	1,362,149	1,172,447
50.	Financial liabilities designated at fair value through profit and loss	2,722,041	2,844,799	3,166,005
60.	Hedging derivatives	18,326	1,144	1,687
70.	Changes in fair value of hedged items (+ / -)	0	0	0
80.	Tax liabilities	117,789	96,758	186,279
	a) current	*59,048*	*22,763*	*45,130*
	b) deferred	*58,741*	*73,995*	*141,149*
90.	Liabilities associated with non-current assets held for sale and discontinued operations	0	0	0
100.	Other liabilities	1,265,225	1,321,024	1,181,954
110.	Employee termination indemnities	198,980	200,232	216,350
120.	Provisions for risks and charges:	225,472	229,662	219,494
	a) pensions and similar commitments	*112,631*	*110,014*	*111,870*
	b) other provision	*112,841*	*119,648*	*107,624*
130.	Technical reserves	0	0	0
140.	Valuation reserves	–19,101	78,058	117,843
150.	Redeemable shares	0	0	0
160.	Equity instruments	4,210	4,210	4,210
170.	Reserves	1,368,542	1,221,183	1,216,612
180.	Share premium	188,025	187,827	187,820
190.	Share capital	1,660,137	1,660,137	1,660,137
200.	Treasury shares (–)	0	0	0
210.	Minority interests (+/–)	119,440	122,776	116,369
220.	Net profit (loss) for the period (+/–)	127,105	323,761	234,967
	Total liabilities and Shareholders' equity	**45,773,590**	**43,627,027**	**42,642,395**

BPM Group - Consolidated income statement of the first half of 2008

(Euro/000)

Items		First-half 2008	First-half 20087
10.	Interest and similar income	1,110,173	967,473
20.	Interest and similar charges	(582,605)	(466,808)
30.	**Net interest income**	**527,568**	**500,665**
40.	Fee and commission income	315,968	339,036
50.	Fee and commission expense	(36,986)	(36,810)
60.	**Net fee and commission income**	**278,982**	**302,226**
70.	Dividend and similar income	125,620	138,989
80.	Net trading income (loss)	(54,263)	(66,249)
90.	Net hedging income (loss)	615	(81)
100.	Profits (losses) on disposal or repurchase of:	1,414	20,061
	a) loans and advances	*2*	*(303)*
	b) financial assets available for sale	*1,412*	*19,765*
	c) financial assets held to maturity	*0*	*0*
	d) financial liabilities	*0*	*599*
110.	Net profit (loss) on financial assets and liabilities designated at fair value through profit and loss	(37,754)	19,426
120.	**Net interest and other banking income**	**842,182**	**915,037**
130.	Net impairment charges:	(55,303)	(49,844)
	a) loans and advances	*(54,037)*	*(51,535)*
	b) financial assets available for sale	*(2,185)*	*(23)*
	c) financial assets held to maturity	*0*	*0*
	d) other financial transactions	*919*	*1,714*
140.	**Net profit (loss) from financial activities**	**786,879**	**865,193**
150.	Net premium from insurance contracts	0	0
160.	Other income/expense from insurance activities	0	0
170.	**Net income from financial and insurance activities**	**786,879**	**865,193**
180.	Administrative expenses:	(543,155)	(532,182)
	a) personnel expenses	*(364,641)*	*(354,080)*
	b) other administrative expenses	*(178,514)*	*(178,102)*
190.	Net provisions for risks and charges	(5,504)	(5,647)
200.	Net adjustments/recoveries on property, plant and equipment	(20,792)	(19,854)
210.	Net adjustments/recoveries on intangible assets	(13,040)	(13,953)
220.	Other operating income/expense	56,490	57,532
230.	**Operating costs**	**(526,001)**	**(514,104)**
240.	Profits (losses) on investments in associates and joint ventures	(34,598)	7,736
250.	Net gains (losses) on fair value adjustments to property, plant and equipment and intangible assets	0	0
260.	Goodwill impairment	0	0
270.	Profits (losses) on disposal of investments	(140)	25
280.	**Profit (loss) before tax from continuing operations**	**226,140**	**358,850**
290.	Taxes on income from continuing operations	(93,457)	(117,879)
300.	**Profit (loss) after taxes from continuing operations**	**132,683**	**240,971**
310.	Profit (loss) after taxes from discontinued operations	0	0
320.	**Net profit (loss) for the period**	**132,683**	**240,971**
330.	Net profit (loss) for the period pertaining to minority interests	(5,578)	(6,004)
340.	**Net profit (loss) for the period pertaining to the Parent Bank**	**127,105**	**234,967**

	Earnings per share (Euros)	**0.306**	**0.566**
	Diluted earnings per share (Euros)	**0.295**	**0.539**

BPM Group – Statement of changes in consolidated shareholders' equity as at 30 June 2008

(Euro/000)	Opening balance as at 31.12.07	Adjustment to opening balance	Opening balance as at 01.01.08	Allocation of net profit from previous year		Changes in the period									Shareholders' equity at 30.06.08
						Changes in reserves	Equity transactions						Net profit (loss) for the period ended 30.06.08	
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:	**1,660,137**	0	**1,660,137**	0	0	0	0	0	0	0	0	0	0	**1,660,137**
a) ordinary shares	1,660,137	0	1,660,137											1,660,137
b) other shares	0	0	0											0
Share premium	**187,827**	0	**187,827**			0	(*) 198							**188,025**
Reserves:	**1,221,183**	0	**1,221,183**	**157,747**	0	**–10,388**	0	0	0	0	0	0	0	**1,368,542**
a) retained earnings	1,221,183	0	1,221,183	157,747		–10,388								1,368,542
b) other	0	0	0											0
Valuation reserves:	**78,058**	0	**78,058**	0	0	**–97,159**	0	0	0	0	0	0	0	**-19,101**
a) available for sale	64,584	0	64,584			–97,159								–32,575
b) cash flow hedges	0	0	0											0
c) other:	13,474	0	13,474											13,474
Exchange differences	0	0	0											0
Special revaluation laws	*13,474*	0	*13,474*											*13,474*
Equity instruments	**4,210**	0	**4,210**											**4,210**
Treasury shares	0	0	0				**18,850**	**-18,850**						0
Net profit (loss) for the period	**323,761**	0	**323,761**	**-157,747**	**-166,014**								**127,105**	**127,105**
Shareholders' equity	**3,475,176**	0	**3,475,176**	0	**-166,014**	**-107,547**	**19,048**	**-18,850**	0	0	0	0	**127,105**	**3,328,918**

(*) This is the difference between the purchase price paid for treasury shares and the "normal" value of shares allocated to employees.

BPM Group – Statement of changes in minority interests as at 30 June 2008

(Euro/000)	Opening balance as at 31.12.07	Adjustment to opening balances	Opening balance as at 01.01.08	Allocation of net profit from previous year		Changes in the period								Equity attributable to minority interests as at 30.06.08
							Equity transactions							
				Reserves	Dividend and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equit instruments	Derivatives on treasury shares	Stock options	Net profit (loss) for the period ended 30.06.08	
Share capital:	**49,029**	**0**	**49,029**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**49,029**
a) ordinary shares	49,029	0	49,029											49,029
b) other shares	0	0	0											0
Share premium	**42,297**	**0**	**42,297**			**0**	**0**							**42,297**
Reserves:	**16,206**	**0**	**16,206**	**2,557**	**0**	**154**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**18,917**
a) retained earnings	16,206	0	16,206	2,557		154								18,917
b) other	0	0	0											0
Valuation reserves:	**3,686**	**0**	**3,686**	**0**	**0**	**–67**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3,619**
a) available for sale	957	0	957			–67								890
b) cash flow hedges	0	0	0											0
c) other:	2,729	0	2,729											2,729
Exchange differences	*0*	*0*	*0*											*0*
Special revaluation laws	*5*	*0*	*5*											*5*
Revaluation Law no. 342/2000	*2,724*	*0*	*2,724*											*2,724*
Equity instruments	**0**	**0**	**0**											**0**
Treasury shares	**0**	**0**	**0**											**0**
Net profit (loss) for the period	**11,558**	**0**	**11,558**	**–2,557**	**–9,001**								**5,578**	**5,578**
Equity attributable to minority interests	**122,776**	**0**	**122,776**	**0**	**–9,001**	**87**	**0**	**0**	**0**	**0**	**0**	**0**	**5,578**	**119,440**

BPM Group – Statement of changes in consolidated shareholders' equity as at 30 June 2007

				Allocation of net profit from previous year		Changes in the period								
							Equity transactions							
(Euro/000)	Opening balance as at 31.12.2006	Adjustment to opening balance	Opening balance as at 01.01.07	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Net profit (loss) for the period ended 30.06.07	Shareholders' equity as at 30.06.07
Share capital:	**1,245,103**	**0**	**1,245,103**	**0**	**0**	**415,034**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,660,137**
a) ordinary shares	1,245,103	0	1,245,103			(*) 415,034								1,660,137
b) other shares	0	0	0											0
Share premium	**338,303**	**0**	**338,303**			**(*) –150,425**	**(***) –58**							**187,820**
Reserves:	**948,060**	**0**	**948,060**	**253,418**	**0**	**15,134**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,216,612**
a) retained earnings	948,060	0	948,060	253,418		(**) 15,134								1,216,612
b) other	0	0	0											0
Valuation reserves:	**424,636**	**0**	**424,636**	**0**	**0**	**–306,793**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**117,843**
a) available for sale	126,999	0	126,999			–22,569								104,430
b) cash flow hedges	0	0	0											0
c) other:	297,637	0	297,637			–284,224								13,413
Exchange differences	*–24*	*0*	*–24*			*–37*								*–61*
Special revaluation laws	*297,661*	*0*	*297,661*			*(**) –284,187*								*13,474*
Equity instruments	**4,210**	**0**	**4,210**											**4,210**
Treasury shares	**0**	**0**	**0**				**22,526**	**–22,526**						**0**
Net profit (loss) for the period	**398,680**	**0**	**398,680**	**–253,418**	**–145,262**								**234,967**	**234,967**
Shareholders' equity	**3,358,992**	**0**	**3,358,992**	**0**	**–145,262**	**–27,050**	**22,468**	**–22,526**	**0**	**0**	**0**	**0**	**234,967**	**3,421,589**

(*) Increase in share capital following a bonus issue with an increase in the nominal value of shares from Euro 3 to Euro 4, resolved by the shareholders during the extraordinary meeting on 15 February 2007.
(**) These include the effect of the share capital increases of the Parent Bank, Banca di Legnano and Cassa di Risparmio di Alessandria.
(***) This is the difference between the purchase price paid for treasury shares and the "normal" value of shares allocated to employees.

BPM Group – Statement of changes in minority interests as at 30 June 2007

(Euro/000)	Opening balance as at 31.12.2006	Adjustment to opening balance	Opening balance as at 01.01.07	Allocation of net profit for the previous year: Reserves	Allocation of net profit for the previous year: Dividends and other allocations	Changes in the period: Changes in reserves (*)	Changes in the period – Equity transactions: Issue of new shares (**)	Changes in the period – Equity transactions: Purchase of treasury shares	Changes in the period – Equity transactions: Extraordinary dividends	Changes in the period – Equity transactions: Changes in equity instruments	Changes in the period – Equity transactions: Derivatives on treasury shares	Changes in the period – Equity transactions: Stock options	Changes in the period: Net profit (loss) for the period ended 30.06.07	Equity attributable to minority interests as at 30.06.07
Share capital:	**45,458**	**0**	**45,458**	**0**	**0**	**2,640**	**175**	**0**	**0**	**0**	**0**	**0**	**0**	**48,273**
a) ordinary shares	45,458	0	45,458			2,640	175							48,273
b) other shares	0	0	0											0
Share premium	**42,293**	**0**	**42,293**			**–443**	**447**							**42,297**
Reserves:	**21,933**	**0**	**21,933**	**–6,644**	**0**	**542**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**15,831**
a) retained earnings	21,933	0	21,933	–6,644		542								15,831
b) other	0	0	0											0
Valuation reserves:	**6,633**	**0**	**6,633**	**0**	**0**	**–2,669**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**9,475**
a) available for sale	1,122	0	1,122			119								1,241
b) cash flow hedges	0	0	0											0
c) other:	5,511	0	5,511			–2,788								8,234
Exchange differences	*–3*	*0*	*–3*			*–1*								*–4*
Special revaluation laws	*2,790*	*0*	*2,790*			*–2,787*								*3*
Revaluation Law no. 342/2000	*2,724*	*0*	*2,724*											*2,724*
Equity instruments	**0**	**0**	**0**											**0**
Treasury shares	**0**	**0**	**0**											**0**
Net profit (loss) for the period	**5,187**	**0**	**5,187**	**6,644**	**–11,831**								**6,004**	**6,004**
Equity attributable to minority interests	**121,504**	**0**	**121,504**	**0**	**–11,831**	**70**	**622**	**0**	**0**	**0**	**0**	**0**	**6,004**	**116,369**

(*) Variations in reserves include the effects of the change in the consolidation scope and the bonus share capital increases of Banca di Legnano and Cassa di Risparmio di Alessandria.
(**) These variations relate to the share capital increase against consideration of Banca Akros.

BPM Group – Consolidated Cash Flow Statement (Indirect Method)

(Euro/000)

A. OPERATING ACTIVITIES	30.06.2008	30.06.2007	31.12.2007
1. Cash flow generated (used in) from operations	**587,721**	**716,610**	**845,798**
- Net profit (loss) for the period (+/-)	127,105	234,967	323,761
- gains/losses on financial assets held for trading and financial assets/ liabilities designated at fair value through profit and loss (-/+)	226,682	265,515	34,913
- gains/losses on hedging activities (-/+)	–615	81	848
- net adjustments /recoveries on impairment (+/-)	55,303	49,844	122,833
- net adjustments/recoveries on property, plant and equipment and intangible assets (+/-)	33,832	33,807	71,232
- net provisions for risks and charges and other costs/revenues (+/-)	17,360	21,561	47,444
- net uncollected insurance premiums (-)	0	0	0
- other uncollected insurance income/expense (-/+)	0	0	0
- unsettled taxes (+)	93,457	117,879	225,557
- net adjustments/recoveries on to disposal groups, net of the tax effect (+/-)	0	0	0
- other adjustments (+/-)	34,597	–7,044	19,210
2. Cash flow generated (used in) from financial assets	**–2,563,212**	**–2,702,831**	**–3,564,274**
- financial assets held for trading	508,034	–514,402	–445,436
- financial assets designated at fair value through profit and loss	108,632	305,473	373,896
- financial assets available for sale	101,668	93,394	–147,591
- loans and advances to banks: on demand	15,560	–277,885	–17,984
- loans and advances to banks: other receivables	–777,097	–573,663	287,155
- loans and advances to customers	–2,329,884	–1,982,445	–3,530,243
- other assets	–190,125	246,697	–84,071
3. Cash flow generated (used in) from financial liabilities	**2,113,697**	**2,172,382**	**3,150,167**
- due to banks: on demand	–172,255	–717,180	–288,790
- due to banks: other payables	1,094,495	172,552	–128,854
- due to customers	–213,365	–3,031	793,891
- debt securities in issue	1,865,818	2,444,309	2,447,304
- financial liabilities held for trading	–109,461	112,633	302,335
- financial liabilities designated at fair value through profit and loss	–92,934	202,876	–68,347
- other liabilities	–258,601	–39,777	92,628
Net cash generated (used in) from operating activities	**138,206**	**186,161**	**431,691**
B. INVESTING ACTIVITIES			
1. Cash flow generated from	**15**	**2,543**	**3,396**
- sale of investments in associates and joint ventures	0	2,542	2,623
- dividends collected on investments in associates and joint ventures	0	0	0
- sale of financial assets held to maturity	0	0	0
- sale of property, plant and equipment	15	1	773
- sale of intangible assets	0	0	0
- sale of subsidiaries and business divisions	0	0	0
2. Cash flow used in	**–11,379**	**–70,641**	**–263,888**
- purchase of investments in associates and joint ventures	–432	–7,805	–152,512
- purchase of financial assets held to maturity	0	0	0
- purchase of property, plant and equipment	–4,793	–53,335	–73,483
- purchase of intangible assets	–6,154	–9,501	–37,893
- purchase of subsidiaries and business divisions	0	0	0
Net cash generated (used in) from investing activities	**–11,364**	**–68,098**	**–260,492**
C. FINANCING ACTIVITIES			
- issue/purchase of treasury shares	198	–58	–51
- issue/purchase of share and other equity instruments	0	0	0
- dividends and other distributions	–166,014	–145,262	–145,262
Net cash generated (used in) from financing activities	**–165,816**	**–145,320**	**–145,313**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**–38,974**	**–27,257**	**25,886**

Reconciliation

Items	30.06.2008	30.06.2007	31.12.2007
Cash and cash equivalents at the beginning of the period	225,643	199,757	199,757
Net increase (decrease) in cash and cash equivalents	–38,974	–27,257	25,886
Cash and cash equivalents: foreign exchange effect	0	0	0
Cash and cash equivalents at the end of the period		172,500	225,643

Key: (+) generated (–) used

Explanatory Notes

Part A

Accounting policies

A. 1 - General Part

Section 1 - Declaration of conformity with IFRS

The condensed half-yearly financial statements of the BPM Group has been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as established by EC Regulation no. 1606 of 19 July 2002, and in force at the date of the half-year report.

The IFRS were applied taking into account the "framework for the preparation and presentation of financial statements", with particular regard to the fundamental principle of substance over form and the concepts of relevance and reliability of the information.

Section 2 - General method of preparation

Legislative Decree no. 195/2007, in force from 24 November 2007, assimilated EC Directive 2004/109/EC (Transparency) on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market. The Decree modified and integrated Legislative Decree no. 58 of 24 February 1998 (the Italian Consolidated Law on Finance) on the matters envisaged by Community provisions, introducing with Article 1, paragraph 10 the new Article 154-ter (Financial Reports), which governs the content and terms for publication of annual and half-year financial reports and interim directors' report, in compliance with the Directive provisions. In particular, the new Article 154-ter, paragraph 2 requires listed issuers with Italy as their home member state to publish a half-year report containing the condensed half-yearly financial statements, the interim directors' report and the declaration provided for under Article 154-bis, paragraph 5 within sixty days of the close of the first half of the financial year. The Independent Auditors' Report on condensed half-yearly financial statements is published in full within the same term.

Consequently, the condensed half-yearly financial statements has been drawn up in accordance with the guidelines contained in IAS 34 "Interim financial reporting" and consists of the balance sheet, income statement, statement of changes in equity, cash flow statement and the explanatory notes in a condensed format. To this end, for continuity purposes with the disclosures, in drawing up the explanatory notes to the condensed half-yearly financial statements, we used the same numbering of the tables contained in the financial statements as at 31 December 2007.

The financial statements comply with the requirements of the Bank of Italy Circular no. 262/2005 and, in addition to the figures at 30.06.08, include the following comparative information, adjusted as necessary in order to guarantee comparability:

- Balance sheet: 31.12.07;
- Income statement: First-half 2007
- Statement of changes in shareholders' equity: 30.06.07;
- Cash flow statement: 30.06.07.

Account was taken not only of the instructions contained in the Bank of Italy Circular no. 262 of 22 December 2005 entitled "Bank financial statements: formats and rules for their preparation", but also of the guidelines issued by the Italian Accounting Board (OIC – Organismo Italiano di Contabilità) on applying the IFRS in Italy.

In accordance with Article 5, paragraph 2 of Legislative Decree no.38 dated 28 February 2005, the half-year financial report has been prepared using the euro as the reporting currency. Unless otherwise specified, all amounts in this report are expressed in thousands of euros.

The condensed half-yearly financial statements has been prepared on an accrual basis and using historical costs adjusted for revaluations of financial assets held for trading, financial assets available for sale, financial assets designated at fair value through profit and loss and all outstanding derivative contracts and certain liabilities with specific characteristics, which were calculated at fair value.

The carrying amounts of hedged assets and liabilities were adjusted to account for changes in the fair value of the portion attributable to the risk being hedged.
Assets and liabilities and costs and revenue have been offset only if required or allowed by a standard or its interpretation.

For management reporting purposes the half-year 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 practice in such a way as to provide a clearer picture of performance. To facilitate reconciliation with the accounting schedules of the balance sheet and income statement, the code numbers for the line items in the mandatory schedules are shown alongside the line items in the reclassified schedules. With reference to the reclassifications, please note that:

1. The "share of profit (loss) on investments valued under the equity method", recorded under item 240 "Profits (losses) on investments in associates and joint ventures", was reclassified to a separate item under "Operating income" in the reclassified schedule;

2. "Other operating income/expense (line item 220) classified under "Operating costs" in the compulsory format have been decreased by "Recoverable indirect taxes" and increased by "depreciation of leasehold improvements." The adjusted amount of "Other operating income/expense" has been reported under "Operating income" in the reclassified income statement;

3. "Other administrative expenses" (item 180 b) were decreased by the amount of "recoverable indirect taxes" discussed in point 2 above;

4. "Net adjustments on property, plant and equipment and intangible assets" (items 200 and 210) have been increased in the reclassified statement by the amount of "depreciation of leasehold improvements" described in point 2 above;

5. "Net adjustments on impairment of loans and financial assets" reported in item 130 were reclassified under "Operating profit" in the reclassified income statement.

Section 3 - Scope of consolidation and consolidation procedures

3.1 Investments in subsidiaries, jointly controlled companies (accounted for by using the equity method) and in companies subject to significant influence: information on investments

	Company name	Share capital in Euro or original currency	Registered office	Nature of relationship (1)	Investment details		Voting rights (2)
					Held by	Share %	
A.	**Companies**						
A. 1	**Companies consolidated line-by-line**						
1	Banca Popolare di Milano S.c.a r.l.	1,660,136,924	Milan				
2	Banca di Legnano S.p.A.	472,573,272	Legnano	1	Banca Popolare di Milano S.c.a r.l.	93.51	
3	Cassa di Risparmio di Alessandria S.p.A.	69,492,300	Alessandria	1	Banca Popolare di Milano S.c.a r.l.	80.00	
4	Banca Akros S.p.A.	39,433,803	Milan	1	Banca Popolare di Milano S.c.a r.l.	56.89	
					Banca di Legnano S.p.A.	40.00	
5	Akros Alternative Investments SGR S.p.A.	1,200,000	Milan	1	Banca Akros S.p.A.	100.00	
6	WE@SERVICE S.p.A.	3,520,000	Milan	1	Banca Popolare di Milano S.c.a r.l.	99.99	
					Banca Akros S.p.A.	0.01	
7	BPM Ireland Plc.	257,586	Dublin	1	Banca Popolare di Milano S.c.a r.l.	99.99	
8	BPM Fund Management Ltd.	190,500	Dublin	1	Bpm Ireland Plc.	100.00	
9	Tirving Ltd.	GBP 5,000	Dublin	1	Banca Popolare di Milano S.c.a r.l.	100.00	
10	BPM Capital I Llc.	24,500,000	Delaware (USA)	1	Banca Popolare di Milano S.c.a r.l.	100.00	
11	BPM Luxembourg S.A.	255,000	Luxembourg	1	Banca Popolare di Milano S.c.a r.l.	99.00	
					Banca Akros S.p.A.	1.00	
12	Bipiemme Private Banking SIM S.p.A.	10,000,000	Milan	1	Banca Popolare di Milano S.c.a r.l.	51.00	
					Banca di Legnano S.p.A.	19.00	
					Bipiemme Gestioni SGR S.p.A.	30.00	
13	Bipiemme Gestioni SGR S.p.A.	13,855,000	Milan	1	Banca Popolare di Milano S.c.a r.l.	55.16	
					Banca di Legnano S.p.A.	34.35	
					Cassa di Risparmio di Alessandria S.p.A.	1.00	
14	Ge.Se.So S.r.l.	10,329	Milan	1	Banca Popolare di Milano S.c.a r.l.	100.00	
15	BPM Covered Bond S.r.l.	10,000	Rome	1	Banca Popolare di Milano S.c.a r.l.	80.00	
16	Akros Long/Short Equity Fund (*)	–	Milan	4	Banca Popolare di Milano S.c.a r.l.	96.82	n.a.
17	Akros Market Neutral Fund (*)	–	Milan	4	Banca Popolare di Milano S.c.a r.l.	94.09	n.a.
18	Akros Dynamic Fund (*)	–	Milan	4	Banca Popolare di Milano S.c.a r.l.	92.75	n.a.
19	Akros Equity Hedge Fund (*)	–	Milan	4	Banca Akros S.p.A.	70.40	n.a.
20	BPM Securitisation 2 S.r.l. (*)	10,000	Rome	4	Banca Popolare di Milano S.c.a r.l.	n.a.	n.a.
B.	**Companies valued under the equity method**						
B. 1	**Subject to joint control**						
1	Calliope Finance S.r.l.	600,000	Conegliano	7	Banca Popolare di Milano S.c.a r.l.	50.00	
2	ESN North America Inc.	USD 2,29	Delaware (USA)	7	Banca Akros S.p.A.	35.81	
B. 2	**Subject to significant influence**						
1	Bipiemme Vita S.p.A.	73,500,000	Milan	8	Banca Popolare di Milano S.c.a r.l.	45.89	
2	SelmaBipiemme Leasing S.p.A.	41,305,000	Milan	8	Banca Popolare di Milano S.c.a r.l.	40.00	
3	Aedes Bipiemme Real Estate SGR S.p.A.	5,500,000	Milan	8	Banca Popolare di Milano S.c.a r.l.	39.00	
4	Società Milanese di Sviluppo e Formazione Musicale S.p.A.	3,000,000	Milan	8	Banca Popolare di Milano S.c.a r.l.	33.33	
5	Anima SGR S.p.A.	5,250,000	Milan	8	Banca Popolare di Milano S.c.a r.l.	29.90	
6	Etica SGR S.p.A.	4,000,000	Milan	8	Banca Popolare di Milano S.c.a r.l.	27.50	
7	Pitagora 1936 S.p.A.	5,000,000	Turin	8	Banca Popolare di Milano S.c.a r.l.	24.00	
8	Group S.r.l.	80,000	Milan	8	Banca Akros S.p.A.	22.50	
9	Wise Venture SGR S.p.A.	1,250,000	Milan	8	Banca Popolare di Milano S.c.a.r.l.	20.00	

Key:

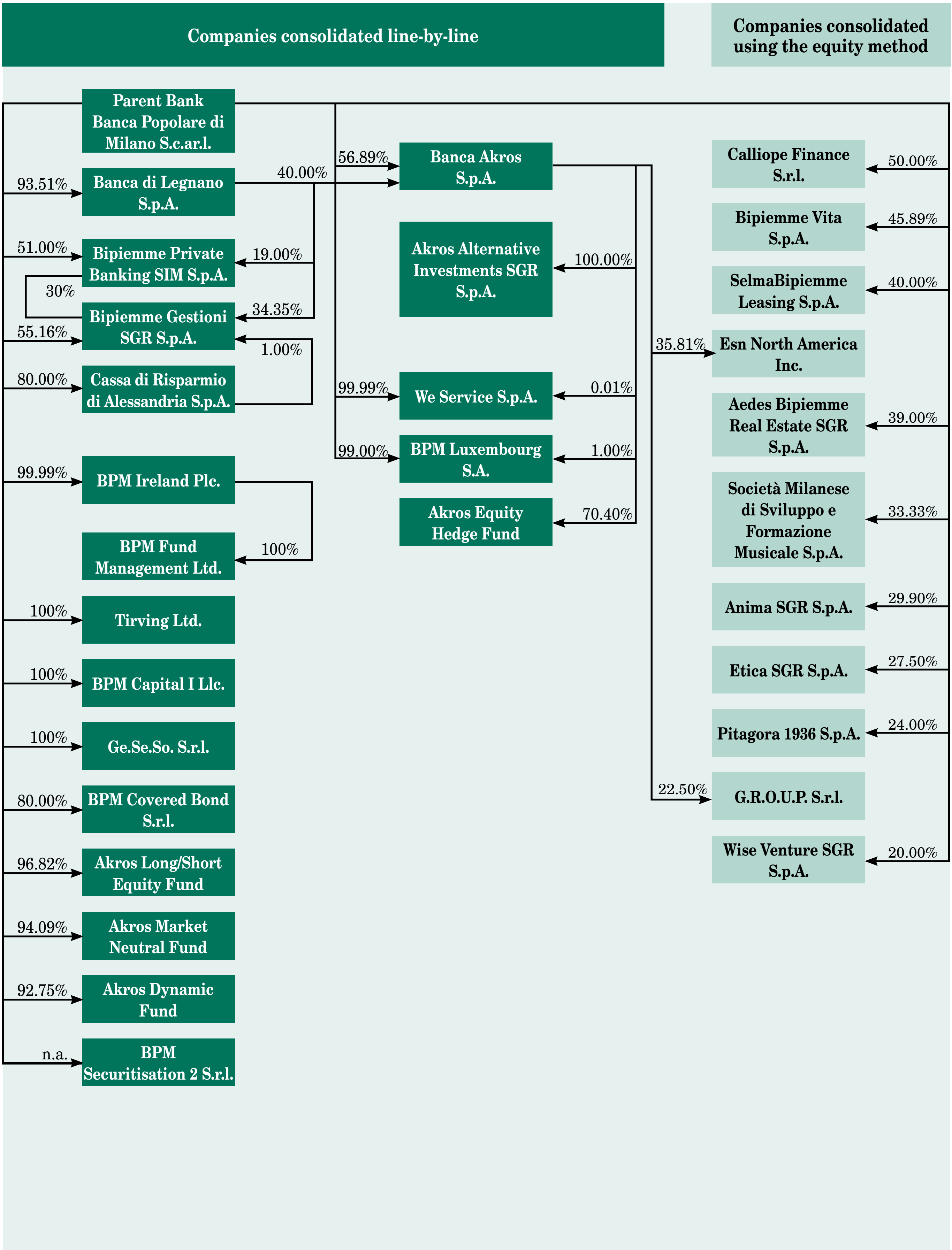
(1) Nature of relationship:

1. majority of voting rights at shareholders' meetings
2. dominant influence at ordinary shareholders' meetings
3. agreements with other shareholders
4. other forms of control (IAS 27/40c)
5. sole management as per Article 26, paragraph 1 of Legislative Decree no.. 87/92
6. sole management as per Article 26, paragraph 2 of Legislative Decree no.. 87/92
7. joint control
8. significant influence

(2) Voting rights at ordinary shareholders' meeting Voting rights are reported only when different from the percentage of the shareholding.

(*) These companies are consolidated on a line-by-line basis since the Group holds most of the risks and rewards (SIC 12 "Consolidation – Special purpose entities").

BPM Group structure at 30.06.08



3.2 Other information

The condensed half-yearly financial statements of the BPM Group includes the financial statements at 30.06.08 of Banca Popolare di Milano (Parent Bank) and its direct and indirect subsidiaries. As required by IFRS, companies operating in sectors other than that of the Parent Bank are also included in the consolidated accounts, as are funds managed by fund management companies belonging to the Group in which the Group owns the majority of shares and is therefore exposed to the variability of the fund's risks and rewards.
The consolidated accounts also include special purpose entities that meet the criteria for control, whether or not the Group owns an equity interest in such entities. Assuming the necessary conditions exist, special purpose entities created for securitisations carried out after 1 January 2004 were consolidated on the basis of SIC 12 and the derecognition rules set forth in IAS 39 were applied.

Subsidiaries were fully consolidated using the line-by-line method, while associates were consolidated using the equity method. As provided for in IAS 31, interests held in joint ventures (jointly controlled companies) were accounted for by using the equity method.

Full consolidation (line-by-line): full consolidation involves combining the balance sheets and profit and loss accounts of subsidiary companies "line by line". After allocating minority interests in equity and net profit to separate line items, the amount of the equity investment is offset against the value of the subsidiary's remaining equity.

Subsidiaries are defined as all companies and entities over which the Group has the power to govern financial and operating policies; this is normally deemed to be the case when the Parent Bank controls more than half of the voting rights of such companies or entities. For the purposes of verifying the existence of control by the Group, both existing and potential voting power at the date of financial statement preparation are taken into account.
Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control by the Group ceases.
If control over a consolidated company is lost, the consolidated financial statements includes net profit or loss for the portion of the year during which the Group held control.
Acquisitions are reported using the purchase method, under which all business combinations, except for those between companies under common control, are treated as business acquisitions for all intents and purposes. This means that the cost of an acquisition is measured at the fair value of the assets given, the equity instruments issued and the liabilities incurred or assumed at the date of exchange, including any costs directly attributable to the acquisition. The specific identificable assets acquired, as well as the liabilities assumed, including contingent liabilities and those assumed in a business combination, are initially recognised at their related fair value at the date of acquisition. The excess of the acquisition cost over the Group's interest in the fair value of the identifiable net assets is recognised as goodwill. Such goodwill is booked under "Intangible assets" and tested annually for impairment in accordance with IAS 36. If the acquisition cost is lower than the fair value of the net assets acquired, the difference is recognised immediately in the profit and loss account.

For acquisitions or disposal of interests in companies that are already subsidiaries, in the absence of a specific standard or interpretation that applies to such transactions (with the guidance of IAS 8 – "Accounting standards, Changes in Estimates and Errors"), the Group:

- in the case of **acquisition**, recognises the related goodwill in the balance sheet as the difference between the acquisition cost and the carrying amount of the assets and liabilities assumed;

- in the case of **disposal**, recognises the difference between the sale price and the corresponding carrying amount in the income statement (Parent entity extension method).

All intragroup balances and transactions, including any unrealised post-tax profits resulting from intragroup transactions, are fully eliminated upon consolidation. Unrealised losses are also eliminated unless there is evidence that they are attributable to a potential impairment of the assets transferred.

The interim financial statements of subsidiary companies used for the condensed half-yearly financial statements are usually prepared using the same accounting policies as their parent for each financial period. Consolidation adjustments are made to standardise the reporting of like items affected by the application of different accounting policies.
Companies in which the Group does not have an equity interest but for which shares with voting rights have been received in pledge were not consolidated in view of the fact that the purpose of the pledge is to secure loans and not to exercise control and power over financial and economic policies.

Consolidation using the equity method: under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee company. Differences between the value of the equity investment and the investee's net assets are treated in the same way as differences arising under line-by-line consolidation.

Associates are defined as enterprises over which the Group has the power to exercise significant influence but not control. Significant influence is presumed to exist when the Group has between 20% and 50% of the voting power.
Joint ventures are defined as economic activities that are subject to joint control, i.e., companies governed by contractual arrangements according to which all strategic financial and managerial decisions relating to the activities of such companies require the unanimous consent of the parties sharing control.
The carrying amount of these equity investments includes any goodwill identified at the date of acquisition (less impairment losses).

After acquisition, the Group's share of profits or losses is recorded in the consolidated profit and loss account, while any post-acquisition changes in the investee's reserves are reported as movements in consolidated reserves. If the Group's share of losses exceeds the carrying amount of the investment, the Group recognises such losses until the carrying amount of the investment is reduced to zero. The recognition of further losses is discontinued except to the extent that the Group has an obligation to make payments on behalf of the associate.

Unrealised gains on transactions between and with associates are eliminated upon consolidation in proportion to the equity interest held. Any unrealised losses are eliminated upon consolidation, unless the transaction provides evidence of impairment of the assets transferred.

For the purposes of consolidating investments in associated companies, their financial statements at the reporting date are used.
If these companies have not yet adopted IFRS, the financial statements prepared under local GAAP are either adjusted accordingly or used as is if there are no differences in the accounting policies applied or if such differences are immaterial.

Translation of financial statements of foreign operations
The financial statements of foreign subsidiaries, whose business is based or conducted in a country or in a currency other than those of the Parent Bank, are translated into euro based on the following procedures:
a) the assets and liabilities of each foreign entity are translated using the exchange rates prevailing at the balance sheet date;
b) income and expense items in the income statement of each foreign entity are translated using the average exchange rate for the period;
c) exchange differences on equity items of consolidated subsidiaries are recognised in a specific reserve under consolidated shareholders' equity and recognised in the income statement when the equity investment is sold.

Changes in consolidated companies

It should be noted that compared to the financial statements as at 31 December 2007, the consolidated companies changed in the first half of 2008 were only those in relation to point A.1 Companies consolidated on a line-by-line basis.

In particular, Banca Popolare di Milano acquired a majority stake (80%) in the special purpose vehicle, **BPM Covered Bond S.r.l.** (the remaining 20% of which is held by Stichting Horizonburg, a foundation incorporated under Dutch law), in order to create the Covered Bond programme. The first issue was made on 15 July 2008. For further details on the transaction, see the interim directors' report.

In addition, the Group's shareholding percentage in Akros Funds has changed as follows:

- the units held by the Parent Bank in **Akros Long/Short Equity Fund** and in **Akros Market Neutral Fund** were lowered respectively to 96.82% (100% at 31.12.2007) and to 94.09% (94.55% at 31.12.2007);

- the stake held by Banca Akros in **Akros Equity Hedge Fund** increased from 65.43% to 70.40%.

Section 4 – Subsequent events

The Board of Directors of the Parent Bank has examined the half-yearly report of the BPM Group for the six months ended 30.06.08 and gave authorisation for its publication on 26.08.08. No facts or events have occurred since the end of the period such as to require adjusting the interim financial statements at 30 June 2008.

Section 5 – Other aspects

Use of estimates and assumptions when preparing interim financial statements
The preparation of interim financial statements also requires the use of estimates and assumptions that may have a significant impact on the amounts reported in the balance sheet and income statement, and in the information relating to contingent assets and liabilities disclosed therein. The determination of these estimates involves using the available information and making subjective judgements, some on the basis of historical trends, used for deriving reasonable assumptions for reporting the results of operations. Given their nature, the estimates and assumptions used may vary from year to year, meaning that reported amounts may differ materially due to changes in the subjective judgements used.
The main areas in which management is required to use subjective judgements are as follows:

- the quantification of losses for the impairment of loans and other financial assets in general;
- the determination of the fair value of financial instruments to be used for reporting purposes;
- the use of valuation models for measuring the fair value of financial instruments that are not quoted on active markets;
- the assessment of the reasonableness of the value of goodwill and other intangible assets;
- the quantification of personnel provisions and provisions for risks and charges;
- the estimates and assumptions relating to the recoverability of deferred tax assets.

The description of the accounting policies adopted in determining the main financial statement aggregates provides details of the principal assumptions and subjective valuations used in preparing the condensed half-yearly financial statements.

Option for national tax consolidation
Since 2004, Banca Popolare di Milano and the Italian companies of the Group have adopted the "national tax consolidation" governed by Articles 117-129 of the TUIR and introduced by Legislative Decree no. 344/2003. Under this option, the individual subsidiaries transfer their taxable income (or their tax losses) to the parent company, which determines a single taxable income, or a single tax loss, for the Group as the algebraic sum of the incomes and/or losses of the individual companies, and reports a single tax receivable from or payable to the Tax Administration.

Audit of the condensed half-yearly financial statements
The condensed half-yearly financial statements has been subjected to a limited examination by the independent auditors Reconta Ernst & Young S.p.A., following their appointment by the shareholders' meeting resolution on 21 April 2007 for the period 2007-2015.

A.2 - Part relating to the principal reporting line items

Accounting policies

The accounting policies adopted in preparing the condensed half-yearly financial statements, with reference to the recognition, classification, measurement and derecognition of the various assets and liabilities, and the procedures for recognising income and expenses, have remained unchanged with respect to those adopted in preparing the annual report of BPM Group, to which reference shall be made.

Part B

Notes to the consolidated balance sheet

Assets

Section 2 – Financial assets held for trading – Item 20

This item includes all financial assets (debt securities, equities, mutual fund shares, derivatives) classified in the trading book.

2.1 Financial assets held for trading: description

Items/Amounts	Listed	Un listed	Total 30.06.2008	Total 31.12.2007
A. Cash assets				
1. Debt securities	**431,330**	**252,422**	**683,752**	**923,016**
1.1 Structured securities	28,290	161,589	189,879	188,152
1.2 Other debt securities	403,040	90,833	493,873	734,864
2. Equities	**428,758**	**–**	**428,758**	**1,038,281**
3. Mutual fund units	**20,032**	**23,563**	**43,595**	**48,102**
4. Loans	**–**	**–**	**–**	**–**
4.1 Repurchase agreements	–	–	–	–
4.2 other	–	–	–	–
5. Impaired assets	**–**	**–**	**–**	**–**
6. Assets sold and not cancelled	**898,530**	**5,038**	**903,568**	**882,475**
Total A	**1,778,650**	**281,023**	**2,059,673**	**2,891,874**
B. Derivatives				
1. Financial derivatives:	**16,723**	**1,009,082**	**1,025,805**	**919,940**
1.1 trading	16,723	979,353	996,076	887,457
1.2 fair value option	–	29,729	29,729	32,483
1.3 other	–	–	–	–
2. Credit derivatives	**–**	**4,366**	**4,366**	**732**
2.1 trading	–	4,034	4,034	693
2.2 fair value option	–	332	332	39
2.3 other	–	–	–	–
Total B	**16,723**	**1,013,448**	**1,030,171**	**920,672**
Total (A+B)	**1,795,373**	**1,294,471**	**3,089,844**	**3,812,546**

Item “A.6. Assets sold and not cancelled” includes securities held in the Group’s own portfolio used for repurchase transactions under liabilities.

Section 3 – Financial assets designated at fair value through profit and loss – Item 30

The following instruments are classified in this category:
- debt securities with embedded derivatives;
- debt securities not classified as financial assets held for trading and whose cash flows have been hedged;
- open-ended funds (including speculative ones), for which regular valuations are available from independent sources and which, not being held for short-term trading, form part of a duly documented investment strategy, designed to achieve an overall return based on the change in the fair value of the instrument itself, with periodic detailed reports on its performance provided to management. This item also includes financial assets (equities and UCI shares) held by the fund under consolidation.

3.1 Financial assets designated at fair value through profit and loss: description

Items/Amounts	Listed	Un listed	Total 30.06.2008	Total 31.12.2007
1. Debt securities	**253,689**	**456,066**	**709,755**	**899,753**
1.1 Structured securities	40,960	160,984	201,944	291,281
1.2 Other debt securities	212,729	295,082	507,811	608,472
2. Equities	**48,160**	**–**	**48,160**	**–**
3. Mutual fund units	**52,721**	**260,699**	**313,420**	**336,973**
4. Loans	**–**	**–**	**–**	**–**
4.1 Structured	–	–	–	–
4.2 Other	–	–	–	–
5. Impaired assets	**–**	**–**	**–**	**–**
6. Assets sold and not cancelled	**–**	**14,921**	**14,921**	**–**
Total	**354,570**	**731,686**	**1,086,256**	**1,236,726**
Cost	**339,497**	**795,092**	**1,134,589**	**1,245,645**

The amounts indicated as “cost” correspond to the historical purchase cost of the financial assets in the portfolio on the reporting date. Item A.6, “Assets sold and not cancelled”, includes securities held in the Group’s own portfolio used for repurchase agreements.

Section 4 – Financial assets available for sale – Item 40

This item includes all the financial assets (debt securities, equities, etc) classified in the “available for sale” category. The equity investments no longer classifiable as such under international accounting standards have been reclassified as financial assets available for sale.

4.1 Financial assets available for sale: description

Items/Amounts	30.06.2008			31.12.2007		
	Listed	Unlisted	Total	Listed	Unlisted	Total
1. Debt securities	**866,127**	**328,257**	**1,194,384**	**871,926**	**528,435**	**1,400,361**
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	866,127	328,257	1,194,384	871,926	528,435	1,400,361
2. Equities	**79,292**	**303,900**	**383,192**	**121,173**	**356,818**	**477,991**
2.1 Valued at fair value	79,292	278,514	357,806	121,173	336,311	457,484
2.2 Valued at cost	–	25,386	25,386	–	20,507	20,507
3. Mutual fund units	**6**	**98,825**	**98,831**	**18**	**112,190**	**112,208**
4. Loans	**–**	**–**	**–**	**–**	**–**	**–**
5. Impaired assets	**–**	**1,824**	**1,824**	**–**	**664**	**664**
6. Assets sold and not cancelled	**293,530**	**46,205**	**339,735**	**130,595**	**–**	**130,595**
Total	**1,238,955**	**779,011**	**2,017,966**	**1,123,712**	**998,107**	**2,121,819**

Breakdown of item "5. Impaired assets"

Items/Amounts	Listed	Unlisted	30.06.2008	Listed	Unlisted	31.12.2007
Equities:						
• Genextra S.p.A.	–	1,492	**1,492**	–	–	**–**
• Parco Scientifico e Tecnologico della Valle Scrivia	–	270	**270**	–	270	**270**
• Evoluzione 94 S.p.A.	–	62	**62**	–	394	**394**
Total	**–**	**1,824**	**1,824**	**–**	**664**	**664**

The amounts reported in this item refer to the carrying value of the interests in joint-stock companies for which adjustments were made following determination of impairment losses.

Item A.6, "Assets sold and not cancelled", includes securities held in the Group's own portfolio used for repurchase agreements.

Subordinated financial assets

	30.06.2008			31.12.2007		
	Listed	Unlisted	Total	Listed	Unlisted	Total
1. Debt securities						
1.2 Other debt securities						
Issued by banks, of which:						
- Subordinated bonds Banca Popolare di Vicenza 20.12.2007/2017	–	23,863	**23,863**	–	25,068	**25,068**
- 3rd-level subordinated bonds Banca Popolare dell'Etruria e Lazio 29.6.2007/2009	–	30,039	**30,039**	–	29,909	**29,909**
- Subordinated bonds Banca Popolare dell'Etruria e Lazio 28.9.2007/2017	–	24,750	**24,750**	–	24,889	**24,889**
Issued by financial companies	–	–	**–**	–	–	**–**
Issued by insurance companies	–	–	**–**	–	–	**–**
Total	**–**	**78,652**	**78,652**	**–**	**79,866**	**79,866**

Section 6 – Loans and advances to banks – Item 60

This item reports unlisted financial assets due to banks (current accounts, security deposits, debt securities, etc) that have been classified in the loan portfolio ("loans and receivables") according to IAS 39.

6.1 Loans and advances to banks: description

Type of transaction/Amounts	30.06.2008	31.12.2007
A. Loans and advances to central banks	**206,156**	**81,730**
1. Restricted deposits	–	–
2. Compulsory reserve	206,148	81,713
3. Lending repurchase agreements	–	–
4. Other	8	17
B. Loans and advances to other banks	**4,158,473**	**3,521,355**
1. Current accounts and unrestricted deposits	778,134	793,694
2. Restricted deposits	1,253,595	1,209,429
3. Other loans:	2,126,700	1,518,173
3.1 Repurchase agreements	1,574,818	1,101,740
3.2 Finance leases	–	–
3.3 Other	551,882	416,433
4. Debt securities	–	–
4.1 Structured securities	–	–
4.2 Other debt securities	–	–
5. Impaired assets	44	59
6. Assets sold and not cancelled	–	–
Total book value	**4,364,629**	**3,603,085**
Total fair value	**4,481,248**	**3,642,728**

The sub-item "compulsory reserve" includes the "accessible" portion of this reserve.

Section 7 – Loans and advances to customers – Item 70

This item reports unlisted financial instruments due from customers, including debt securities, that IAS 39 classifies as "Loans and receivables".

7.1 Loans and advances to customers: description

Type of transaction/Amounts	30.06.2008	31.12.2007
1. Current accounts	4,790,668	4,672,737
2. Lending repurchase agreements	516,062	120,462
3. Mortgages	11,082,587	10,285,864
4. Credit cards, personal loans and salary assignments	643,762	584,400
5. Finance leases	309,255	288,456
6. Factoring	–	–
7. Other transactions	12,784,894	11,752,148
8. Debt securities	34,538	35,615
8.1 Structured securities	–	–
8.2 Other debt securities	34,538	35,615
9. Impaired assets	522,685	492,614
10. Assets sold and not cancelled	1,357,444	1,534,449
Total book value	**32,041,895**	**29,766,745**
Total fair value	**32,709,533**	**30,464,198**

Amounts of "Impaired assets" included in the item "Loans and advances to customers"

Type of transaction/Amounts	30.06.2008	31.12.2007
9. Impaired assets	522,685	492,614
10. Assets sold and not cancelled	22,756	16,206
Total	**545,441**	**508,820**

The "Assets sold and not cancelled" refer to positions concerning the mortgages securitised by the Parent Bank in 2006.
The current account balances due from customers include any "in transit" or "suspended" transactions attributable to such accounts at the end of the period; these balances are not affected by non-cash debits and credits relating to bill and document collection services.

Item 7, "Other transactions", refers mostly to advances on bills, documents and similar instruments subject to collection, cash grants not settled via current accounts, loans to Post Office, loans using public funds, derivative transaction margin changes at clearing houses, operating loans, and loans and documents discounted without recourse.

Discounted bills are reported at their face value less any deferred income; they also include those sent for collection to the Group's subsidiaries or to third parties.
Item 7 also includes leasing transactions involving assets under construction or available for lease where the ownership "risks are transferred" to the lessee.
The amounts indicated under item 10. "Assets sold and not cancelled" refer to the balances of the securitised loans portfolio at each respective date. In 2006, the Parent Bank sold without recourse (pursuant to Italian Law 130 of 30 April 1999) a portfolio of performing loans totalling Euro 2,011.3 million deriving from mortgage and property loans issued by BPM and secured by class A mortgage guarantees to BPM Securitisation 2 S.r.l., a company consolidated in accordance with SIC 12.

Subordinated financial assets

Type of transaction/Amounts	30.06.2008	31.12.2007
7. Other transactions		
• subordinated loans to insurance companies	4,804	9,907
Total	**4,804**	**9,907**

Subordinated financial assets to insurance companies refer to the following loan granted to Bipiemme Vita S.p.A.: an original sum of Euro 4,800 thousand issued on 27/6/2003 with an open-ended maturity date – 12 month Euribor + 2.50 b.p. The amount indicated at 31.12.2007 also includes a second loan issued on 27/6/2003 to Bipiemme Vita S.p.A. for Euro 4,800 thousand repaid on 26/6/2008.

Section 8 – Hedging derivatives – Item 80

This item reports financial derivatives used for hedging purposes, which have a positive fair value at the half-year report date.

8.1 Hedging derivatives: breakdown by type of contract and underlying asset

Type of derivative/underlying assets	Interest rates	Currency and gold	Equities	Loans	Other	30.06.2007
A) Listed derivatives						
1. Financial derivatives:	–	–	–	–	–	–
• With exchange of capital	–	–	–	–	–	–
- Options purchased	–	–	–	–	–	–
- Other derivatives	–	–	–	–	–	–
• Without exchange of capital	–	–	–	–	–	–
- Options purchased	–	–	–	–	–	–
- Other derivatives	–	–	–	–	–	–
2. Credit derivatives:	–	–	–	–	–	–
• With exchange of capital	–	–	–	–	–	–
• Without exchange of capital	–	–	–	–	–	–
Total A	**–**	**–**	**–**	**–**	**–**	**–**
B) Unlisted derivatives						
1. Financial derivatives:	7,692	5,889	–	–	–	13,581
• With exchange of capital	–	5,889	–	–	–	5,889
- Options purchased	–	–	–	–	–	–
- Other derivatives	–	5,889	–	–	–	5,889
• Without exchange of capital	7,692	–	–	–	–	7,692
- Options purchased	–	–	–	–	–	–
- Other derivatives	7,692	–	–	–	–	7,692
2. Credit derivatives:	–	–	–	–	–	–
• With exchange of capital	–	–	–	–	–	–
• Without exchange of capital	–	–	–	–	–	–
Total B	**7,692**	**5,889**	**–**	**–**	**–**	**13,581**
Total (A+B)	**7,692**	**5,889**	**–**	**–**	**–**	**13,581**
Previous year total (A+B)	**15,216**	**2,917**	**–**	**–**	**–**	**18,133**

8.2 Hedging derivatives: analysis by hedged portfolios and types of hedging

The following table shows the positive book values of hedging derivatives broken down by the asset or liability hedged and the type of hedge.

Transactions/Type of hedge	Fair Value						Cash flows	
	Specific					Generic		
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks		Specific	Generic
1. Financial assets available for sale	–	–	–	–	–	X	–	X
2. Loans	–	5,889	–	X	–	X	–	X
3. Financial assets held to maturity	X	–	–	X	–	X	–	X
4. Portfolio	X	X	X	X	X	–	X	–
Total Assets	**–**	**5,889**	**–**	**–**	**–**	**–**	**–**	**–**
1. Financial liabilities	7,692	–	–	X	–	X	–	X
2. Portfolio	X	X	X	X	X	–	X	–
Total Liabilities	**7,692**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

The amount indicated in sub-item 1. “Financial liabilities” refers to the positive value of the financial derivative contracts stipulated to hedge the interest rate risk of the following subordinated securities:

Loan	30.06.2008	31.12.2007
Preference shares - BPM Capital Trust I – 8.393%	172,886	170,014
Subordinated loan Banca Popolare di Milano – Upper Tier 2 - 7.625% Notes Due 2011	159,280	169,820
Total	**332,166**	**339,834**

Section 10 – Investments in associates and joint ventures – Item 100

This item includes investments in companies over which the Bank exercises joint control (IAS 31) or significant influence (IAS 28).

10.1 Investments in jointly controlled companies (accounted for using the equity method) and companies subject to significant influence: information on investments

	Company name	Registered office	Nature of relationship (1)	Investment details		Voting rights (2)
				Held by	Share %	
	Companies consolidated using the equity method					
	Subject to joint control					
1	CALLIOPE FINANCE S.r.l.	Conegliano (TV)	1	Banca Popolare di Milano S.c.a r.l.	50.00	
2	ESN NORTH AMERICA Inc.	Delaware (USA)	1	Banca Akros S.p.A.	35.81	
	Subject to significant influence					
3	BIPIEMME VITA S.p.A.	Milan	2	Banca Popolare di Milano S.c.a r.l.	45.89	
4	SELMABIPIEMME LEASING S.p.A.	Milan	2	Banca Popolare di Milano S.c.a r.l.	40.00	
5	AEDES BIPIEMME REAL ESTATE SGR S.p.A.	Milan	2	Banca Popolare di Milano S.c.a r.l.	39.00	
6	SOCIETÀ MILANESE DI SVILUPPO E FORMAZIONE MUSICALE S.p.A.	Milan	2	Banca Popolare di Milano S.c.a r.l.	33.33	
7	ANIMA SGR S.p.A.	Milan	2	Banca Popolare di Milano S.c.a r.l.	29.90	
8	ETICA SGR S.p.A.	Milan	2	Banca Popolare di Milano S.c.a r.l.	27.50	
9	PITAGORA 1936 S.p.A.	Turin	2	Banca Popolare di Milano S.c.a r.l.	24.00	
10	GROUP S.r.l.	Milan	2	Banca Akros S.p.A.	22.50	
11	WISE VENTURE SGR S.p.A.	Milan	2	Banca Popolare di Milano S.c.a.r.l.	20.00	

Key: **1 Nature of relationship**: 1. joint control 2. significant influence **2 Voting rights at ordinary shareholders' meeting**

(2) Voting rights at ordinary shareholders' meeting. Voting rights are reported only if different from the shareholding percentage.

10.2 Investments in jointly controlled companies and companies subject to significant influence: accounting information

	Company name	30.06.2008		31.12.2007	
		Carrying amount	Fair value	Carrying amount	Fair value
	Companies consolidated using the equity method				
	Subject to joint control				
1	CALLIOPE FINANCE S.r.l.	743	X	753	X
2	ESN NORTH AMERICA Inc. (*)	673	X	641	X
	Subject to significant influence				
3	BIPIEMME VITA S.p.A.	32,974	–	46,342	–
4	SELMABIPIEMME LEASING S.p.A.	59,803	–	58,061	–
5	AEDES BIPIEMME REAL ESTATE SGR S.p.A.	2,929	–	2,662	–
6	SOCIETÀ MILANESE DI SVILUPPO E FORMAZIONE MUSICALE S.P.A.	253	–	253	–
7	ANIMA SGR S.p.A.	77,013	45,334	114,293	67,107
8	ETICA SGR S.p.A.	1,011	–	1,007	–
9	PITAGORA 1936 S.p.A.	3,811	–	3,050	–
10	GROUP S.r.l.	21	–	21	–
11	WISE VENTURE SGR S.p.A.	558	–	544	–
Total		**179,789**	**–**	**227,627**	**–**

(*) The classification of ESN North America Inc. as a jointly controlled company is the result of a clause contained in a Stockholders' Agreement established among its shareholders that requires a qualified majority (76%) to carry out certain transactions concerning the company's ordinary and extraordinary operations.

The fair value of equity investments in companies subject to significant influence is reported for listed companies only.

Section 12 – Property, plant and equipment – Item 120

12.1 Property, plant and equipment: breakdown of assets valued at cost

Assets/Amounts	30.06.2008	31.12.2007
A. Assets used in business		
1.1 owned by company	**756,657**	**767,715**
a) land	275,585	273,430
b) buildings	416,978	423,657
c) furniture	22,847	25,218
d) electronic equipment	17,580	19,334
e) other	23,667	26,076
1.2 purchased under finance leases	**–**	**–**
a) land	–	–
b) buildings	–	–
c) furniture	–	–
d) electronic equipment	–	–
e) other	–	–
Total A	**756,657**	**767,715**
B. Investment properties:		
2.1 owned by company	**19,938**	**20,421**
a) land	5,023	5,041
b) buildings	14,915	15,380
2.2 purchased under finance leases	**–**	**–**
a) land	–	–
b) buildings	–	–
Total B	**19,938**	**20,421**
Total (A+B)	**776,595**	**788,136**

This item includes property, plant and equipment (buildings, plant, machinery and other tangible assets) used in business and governed by IAS 16, as well as investment properties (land and buildings) governed by IAS 40.

12.2 Property, plant and equipment: breakdown of assets at fair value or revalued

No property, plant and equipment at fair value was reported at the balance sheet date.

Section 13 – Intangible assets – Item 130

This item includes intangible assets as defined by IAS 38, all of which are valued at cost.

13.1 Intangible assets: breakdown by type

	30.06.2008		31.12.2007	
Assets/Amounts	**Limited life**	**Unlimited life**	**Limited life**	**Unlimited life**
A.1 Goodwill	**X**	**547,656**	**X**	**547,656**
A.1.1 Pertaining to the group	X	521,843	X	521,843
A.1.2 Pertaining to third parties	X	25,813	X	25,813
A.2 Other intangible assets	**96,090**	**–**	**99,675**	**–**
A.2.1 Assets valued at cost:	96,090	–	99,675	–
a) Internally generated intangible assets	4,679	–	4,112	–
b) Other assets	91,411	–	95,563	–
A.2.2 Financial assets at fair value:	–	–	–	–
a) Internally generated intangible assets	–	–	–	–
b) Other assets	–	–	–	–
Total	**96,090**	**547,656**	**99,675**	**547,656**
Total Intangible assets	**643,746**		**647,331**	

As required in paragraph 118 letter a) of IAS 38, all software has been classified as intangible assets with a limited useful life, with a depreciation time between 3 and 7 years.

Section 16 - Other assets – Item 160

This item includes assets that are not classified elsewhere in the balance sheet.

16.1 Other assets: breakdown

	30.06.2008	31.12.2007
Accrued income	**61,776**	**4,730**
Leasehold improvements	**19,251**	**15,764**
Other assets	**829,687**	**675,401**
Items being processed	424,075	333,594
Duty-paid paper and other instruments	8,081	10,569
Cheques drawn on third-party current accounts	125,276	93,619
Cheques drawn on bank current accounts	992	–
Advances paid to tax authorities on behalf of others	46,813	17,872
Other tax-related items	28,921	49,062
Non-interest bearing guarantee deposits on own account	6,436	2,420
Prepayments (not capitalised)	51,731	38,810
Consolidation difference	–	–
Other	137,362	129,455
Total	**910,714**	**695,895**

Liabilities and shareholders' equity

Section 1 – Due to banks – Item 10

This item includes payables to banks in all their technical forms (deposits, current accounts, loans, operating payables).

1.1 Due to banks: description

Type of transaction/Amounts	30.06.2008	31.12.2007
1. Due to central banks	**451,819**	**60,046**
2. Due to banks	**4,762,635**	**4,232,168**
2.1 Current accounts and unrestricted deposits	1,313,908	1,486,163
2.2. Restricted deposits	2,938,360	1,966,692
2.3. Loans	161,874	140,274
2.3.1 Finance leases	–	–
2.3.2 Other	161,874	140,274
2.4. Payables for commitments to repurchase own equity instruments	–	–
2.5 Liabilities for assets sold and not cancelled	337,294	586,093
2.5.1 Repurchase agreements under liabilities	160,583	122,496
2.5.2 Other	176,711	463,597
2.6. Other payables	11,199	52,946
Total	**5,214,454**	**4,292,214**
Fair Value	**5,225,978**	**4,293,768**

Item "1. Due to central banks" includes Euro 401,138 thousand related to funding repurchase agreements against assets sold and not cancelled.

Item 2.6. "Other payables" includes repurchase agreements carried out using securities obtained from lending repurchase agreements.

Section 2 – Due to customers
Item 20

This item includes amounts due to customers in all their technical forms (deposits, current accounts, loans, derivative transaction margin changes at clearing houses and operating payables other than those for the supply of goods and services, which are classified under "other liabilities").

2.1 Due to customers: description

Type of transaction/Amounts	30.06.2008	31.12.2007
1. Current accounts and unrestricted deposits	18,265,940	17,988,506
2. Restricted deposits	20,584	19,736
3. Public funds under administration	6,265	7,270
4. Loans	–	5
4.1 Finance leases	–	–
4.2 other	–	5
5. Payables for commitments to repurchase own equity instruments	–	–
6. Liabilities for assets sold and not cancelled from the balance sheet	1,997,034	2,538,161
6.1 Repurchase agreements under liabilities	248,601	201,671
6.2 Others	1,748,433	2,336,490
7. Other payables	1,112,762	1,062,272
Total	**21,402,585**	**21,615,950**
Fair Value	**21,339,527**	**21,615,950**

Item "6. Liabilities for assets sold and not cancelled from the balance sheet - Others" includes the payables related to the securitisation transaction "BPM Securitisation 2" .

Item "7. Other payables" includes repurchase agreements carried out using securities obtained from lending repurchase agreements.

Section 3 – Debt securities in issue
Item 30

This item reports listed and unlisted securities issued (including certificates of deposit, broker's drafts issued to bearer), valued at their amortised cost. The amount reported is stated net of repurchased securities and includes also the securities that have matured at the date of the balance sheet but have not yet been repaid.

3.1 Debt securities in issue: description

Type of security	30.06.2008		31.12.2007	
	Carrying amount	Fair value	Carrying amount	Fair value
A. Listed securities	**–**	**–**	**–**	**–**
1. bonds	–	–	–	–
1.1 structured	–	–	–	–
1.2 other	–	–	–	–
2. other securities	–	–	–	–
2.1 structured	–	–	–	–
2.2 other	–	–	–	–
B. Unlisted securities	**9,907,972**	**9,834,013**	**8,065,143**	**8,030,914**
1. bonds	9,629,707	9,555,748	7,775,836	7,741,607
1.1 structured	183,022	183,323	178,500	179,391
1.2 other	9,446,685	9,372,425	7,597,336	7,562,216
2. other securities	278,265	278,265	289,307	289,307
2.1 structured	–	–	–	–
2.2 other	278,265	278,265	289,307	289,307
Total	**9,907,972**	**9,834,013**	**8,065,143**	**8,030,914**

Breakdown of sub-item B. Unlisted securities - other securities

	Carrying amount	
	30.06.2008	31.12.2007
Certificates of deposit subscribed by customers	**101,838**	**117,712**
Own cheques outstanding	**176,427**	**171,595**
Total	**278,265**	**289,307**

Item B 1.1, "Unlisted structured securities" includes only the "host" contract on the BPM 21 December 2004/09 bond convertible into shares of Banca Popolare di Milano Scrl. The amount of the related embedded derivative, Euro 4,210 thousand, is reported under "Equity instruments".

Euro Medium Term Notes (EMTN) Programme

Item B.1.1.2. " Unlisted securities – other bonds" includes residual bonds issued by the Parent Bank as part of the EMTN programme, which may be broken down as follows at the balance sheet date:

Breakdown of EMTN issues	**30.06.2008**			**31.12.2007**		
	Nominal value	**Carrying amount**	***Fair Value***	**Nominal value**	**Carrying amount**	***Fair Value***
EMTN bonds:	**6,300,000**	**6,337,080**	**6,312,236**	**5,250,000**	**5,289,110**	**5,281,246**
• Fixed rate	300,000	300,763	300,565	300,000	309,945	309,914
• Variable rate	6,000,000	6,036,317	6,011,671	4,950,000	4,979,165	4,971,332
Of which subordinated:	**760,000**	**758,433**	**757,561**	**760,000**	**768,788**	**773,677**
• *Fixed rate*	*160,000*	*159,280*	*164,881*	*160,000*	*169,820*	*173,856*
• *Variable rate*	*600,000*	*599,153*	*592,680*	*600,000*	*598,968*	*599,821*

The book value of these securities includes their principal, accrued interest at the balance sheet date and, in the case of hedged securities, the effective portion of the associated hedge.
At the end of January 2008, the Bank repaid a variable rate security for a nominal value of Euro 200,000 thousand and in February it issued a variable rate security for a nominal value of Euro 1,250,000 thousand.

3.2 Detail of the item 30 "Debt securities in issue": subordinated securities

The unlisted bonds (category B 1.2) include the following subordinated securities:

Loan	30.06.2008	31.12.2007	Nominal amount in original currency		Issue price	Interest rate	Date of issue/ maturity	Notes
Tier 1 innovative capital instruments:	**465,203**	**170,014**						
Preference shares Bpm Capital Trust I – 8.393%	172,886	170,014	160,000	Euro	100	Variable	02.07.2001 perpetual	1
Perpetual Subordinated Fixed/Floating Rate Notes – 9%	292,317	–	300,000	Euro	98.955	Variable	25.06.2008 perpetual	2
Hybrid instruments (upper Tier 2):	**177,158**	**169,820**						
Subordinated loan Banca Popolare di Milano – Upper Tier 2 - 7.625% Notes Due 2011	159,280	169,820	160,000	Euro	99.202	7,625%	29.06.2001 29.06.2011	3
Subordinated loan Banca Popolare di Milano – Variable rate – 18 June 2008/2018	17,878	–	17,850	Euro	100	Variable	18.06.2008 18.06.2018	4
Subordinated liabilities (lower Tier 2):	**941,801**	**698,471**						
Subordinated bond: Banca Popolare di Milano Subordinated Mix Performances 16 September 2003/2013	99,448	99,503	99,379	Euro	100	Variable	16.09.2003 16.09.2013	5
Subordinated loan Banca Popolare di Milano 2005/2015	599,153	598,968	600,000	Euro	99.716	Variable	29.06.2005 29.06.2015	6
Subordinated loan Banca Popolare di Milano – Lower Tier 2 – 4.50% 18 April 2008-2018	243,200	–	252,750	Euro	100	4,50%	18.04.2008 18.04.2018	7
TOTAL	**1,584,162**	**1,038,305**						

The amount of these securities includes their principal, accrued interest at the balance sheet date and, in the case of hedged securities, the effective portion of the associated hedge. The amount is net of any repurchased shares.

1	**Preference shares - BPM Capital Trust I – 8.393%**	
	Interest rate:	fixed at 8.393% until 2 July 2011; variable (EURIBOR + 4.70%) after 2 July 2011
	Listing:	Luxembourg stock market (*)
	Early repayment clause:	the issuer may choose to enforce an early repayment clause starting from 2 July 2011 with authorisation from the Bank of Italy
	Subordination clause: Preference shares are issued with the clauses provided for by the Bank of Italy so that they can be calculated within Tier 1 capital. Therefore, in the event of liquidation of the bank, the holders of securities, with preference over holders of ordinary shares, are subordinated to all other creditors.	
	Other information: Preference shares are issued by BPM Capital I LLC (through BPM Capital Trust I), a company incorporated under US law and wholly-owned by the Parent Bank. A "loss absorption" clause is provided for. The Company has the option to not pay the dividends on the Preference Shares if Banca Popolare di Milano does not have net distributable profits or does not pay dividends on ordinary shares. A "Capital Deficiency Event" clause is provided for on the basis of which if Tier 1 falls below 5% at consolidation level, preference shares may be used to make up for the deficiency. Any undistributed interest cannot be accumulated.	

2	Perpetual Subordinated Fixed/Floating Rate Notes – 9%
Interest rate:	fixed at 9% until 25 June 2018; variable (3-months EURIBOR + 6.18%) starting from 25 June 2018
Listing:	Luxembourg stock market (*)
Early repayment clause:	the issuer may choose to enforce an early repayment clause starting from 25.06.18 with authorisation from the Bank of Italy

Subordination clause:
The notes are issued with the clauses provided for by the Bank of Italy so that they can be calculated within Tier 1 capital. Therefore, in the event of liquidation of the bank, the holders of securities, with preference over holders of ordinary shares, are subordinated to all other creditors.

Other information:
To be noted:
- the payment of interest may be suspended if the Parent Bank does not have distributable profits and/or has not paid dividends relating to the last financial year ended before the payment of interest;
- the payment of interest is compulsorily suspended in the case of a Capital Deficiency Event (occurring if the overall capital ratio falls below the minimum set out by the Supervisory Body);
- a "loss absorption" is provided for, on the basis of which – in the case of a Capital Deficiency Event – the repayment of the notes is suspended;

Any undistributed interest cannot be accumulated.

3	Subordinated loan Banca Popolare di Milano – Upper Tier 2 - 7.625% Notes Due 2011
Interest rate:	fixed 7.625%
Listing:	Luxembourg stock market (*)
Early repayment clause:	"tax reason" only after approval by the Bank of Italy

Subordination clause:
The loan is issued with a subordination clause, pursuant to and for the purposes of the provisions contained in the Regulations issued by the Bank of Italy. Therefore, in the event of the Bank's voluntary or compulsory liquidation, bondholders will be reimbursed only after all the claims of the other creditors of the Bank which are not equally subordinated have been settled.

Other information:
The loan is a part of a multi-year European Medium-term Note (E.M.T.N.) programme, approved by the Board of Directors on 11 September 2000 for a maximum total amount of Euro 2 billion.

4	Subordinated loan Banca Popolare di Milano – Variable rate – 18 June 2008-2018
Interest rate:	variable: EONIA + 0.75%
Listing:	Unlisted
Early repayment clause:	Not provided for

Subordination clause:
The loan is issued with a subordination clause, pursuant to and for the purposes of the provisions contained in the Regulations issued by the Bank of Italy. Therefore, in the event of the Bank's voluntary or compulsory liquidation, bondholders will be reimbursed only after all the claims of the other creditors of the Bank which are not equally subordinated have been settled. In particular, the Subordinate Bonds constitute "hybrid capital instruments" as per the New Regulations for Prudential Supervision.

5	Subordinated bond: Banca Popolare di Milano Subordinated Mix Performances 16 September 2003/2013
Interest rate:	fixed coupon of 3.01% per annum (3-year swap rate fixed with the value date on 16 September 2003) for the period 16 September 2003-16 September 2006; variable coupon equal to the 6-month EURIBOR for the period 16 September 2006-16 September 2008; variable coupon equal to the 6-month EURIBOR + 0.50% for the period 16 September 2008-16 September 2013.
Listing:	Unlisted
Early repayment clause:	The bonds are redeemable at the issuer's initiative starting from 16 September 2008 and subsequently on each coupon detachment date. On 1 July 2008, the Board of Directors resolved to request authorisation from the Bank of Italy to enforce the early repayment clause.

Subordination clause:
The loan is issued with a subordination clause pursuant to and for the purposes of the provisions contained in the Regulations issued by the Bank of Italy. Therefore, in the event of the Bank's voluntary or compulsory liquidation, bondholders will be reimbursed only after all the claims of the other creditors of the Bank which are not equally subordinated have been settled.

6	**Subordinated loan Banca Popolare di Milano 2005/2015**	
	Interest rate:	Variable (the 3-month EURIBOR + 0.45% until June 2010; thereafter the 3-month EURIBOR + 1.05%).
	Listing:	Luxembourg stock market (*)
	Early repayment clause:	The issuer may choose to enforce the early repayment clause starting from the fifth year and with authorisation from the Bank of Italy

Subordination clause:
The loan is issued with a subordination clause pursuant to and for the purposes of the provisions contained in the Regulations issued by the Bank of Italy. Therefore, in the event of the Bank's voluntary or compulsory liquidation, bondholders will be reimbursed only after all the claims of the other creditors of the Bank which are not equally subordinated have been settled.

Other information:
The loan was placed with institutional investors and is part of a multi-year European Medium-term Note (E.M.T.N.) programme, approved by the Board of Directors on 2 December 2003 for a maximum total amount of Euro 4 billion.

7	**Subordinated loan Banca Popolare di Milano - Lower Tier 2 – 4.50% 18 April 2008/2018**	
	Interest rate:	Fixed rate 4.50%
	Listing:	Unlisted
	Early repayment clause:	Not provided for

Subordination clause:
The loan is issued with a subordination clause pursuant to and for the purposes of the provisions contained in the Regulations issued by the Bank of Italy. Therefore, in the event of the Bank's voluntary or compulsory liquidation, bondholders will be reimbursed only after all the claims of the other creditors of the Bank which are not equally subordinated have been settled.

(*) Subordinated securities listed on the Luxembourg stock exchange have been classified as unlisted for IAS/IFRS purposes since their trading volumes are not such as to satisfy the definition of an active market.

3.3 Debt securities in issue: securities with specific hedges

	30.06.2008	31.12.2007
1. Securities with specific fair value hedges:	**867,683**	**339,834**
a) interest rate risk	867,683	339,834
b) exchange rate risk	–	–
c) multiple risks	–	–
2. Securities subject to specific cash flow hedges:	**–**	**–**
a) interest rate risk	–	–
b) exchange rate risk	–	–
c) other	–	–

The securities with specific fair value hedges as per point 1. a) are the following:

Loan	30.06.2008	31.12.2007
Preference shares - BPM Capital Trust I – 8.393%	172,886	170,014
Perpetual Subordinated Fixed/Floating Rate Notes – 9%	292,317	–
Subordinated loan Banca Popolare di Milano – Upper Tier 2 - 7.625% Notes Due 2011	159,280	169,820
Subordinated loan Banca Popolare di Milano – Lower Tier 2 – 4.50% 18 April 2008-2018	243,200	–
TOTAL	**867,683**	**339,834**

The amounts indicated consist of the principal, accrued interest at the balance sheet date and the portion of hedging considered effective.

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: description

Type of transaction/Amounts	30.06.2008		31.12.2007	
	Fair value		Fair value	
	Listed	Unlisted	Listed	Unlisted
A. Cash liabilities				
1. Due to banks	13,285	–	11,056	7
2. Due to customers	6,680	–	23,008	–
3. Debt securities	86,125	9,399	45,197	–
3.1 Bonds	48,686	9,399	4,261	–
3.1.1 Structured	–	–	–	–
3.1.2 Other bonds	48,686	9,399	4,261	–
3.2 Other securities	37,439	–	40,936	–
3.2.1 Structured	–	–	–	–
3.2.2 Other	37,439	–	40,936	–
Total A	**106,090**	**9,399**	**79,261**	**7**
B. Derivatives				
1. Financial derivatives	12,747	1,115,402	17,828	1,263,898
1.1 Trading	12,747	989,502	17,828	1,171,524
1.2 Associated with FVO	–	125,900	–	92,374
1.3 Other	–	–	–	–
2. Credit derivatives	–	8,750	–	1,155
2.1 Trading	–	8,524	–	810
2.2 Associated with FVO	–	226	–	345
2.3 Other	–	–	–	–
Total B	**12,747**	**1,124,152**	**17,828**	**1,265,053**
Total (A+B)	**118,837**	**1,133,551**	**97,089**	**1,265,060**

Part A of the table shows “short positions” on equities (included in the items “due to banks” or “due to customers” depending on the issuer) and on debt securities (shown at point 3).

Section 5 – Financial liabilities designated at fair value through profit and loss – Item 50

This item includes the debt securities that were issued and designated at fair value with changes in the fair value carried in the profit and loss account, under the option set forth in IAS 39 (“Fair value option”).

5.1 Financial liabilities designated at fair value through profit and loss: description

Type of transaction/Amounts	30.06.2008		31.12.2007	
	Fair value		Fair value	
	Listed	Unlisted	Listed	Unlisted
1. Due to banks	–	–	–	–
1.1 Structured	–	–	–	–
1.2 Other	–	–	–	–
2. Due to customers	–	–	–	–
2.1 Structured	–	–	–	–
2.2 Other	–	–	–	–
3. Debt securities	–	2,722,041	–	2,844,799
3.1 Structured	–	2,124,548	–	2,158,963
3.2 Other	–	597,493	–	685,836
Total	**–**	**2,722,041**	**–**	**2,844,799**

Financial liabilities designated at fair value through profit and loss include structured debt securities that have been hedged.

Reasons for using the “fair value option” and amounts of the financial liabilities involved

Type of transaction/Amounts	30.06.2008			31.12.2007		
	Natural hedges	Structured financial instruments	Portfolios of financial liabilities managed on the basis of fair value	Natural hedges	Structured financial instruments	Portfolios of financial liabilities managed on the basis of fair value
1. Due to banks	–	–	–	–	–	–
1.1 Structured	–	–	–	–	–	–
1.2 Other	–	–	–	–	–	–
2. Due to customers	–	–	–	–	–	–
2.1 Structured	–	–	–	–	–	–
2.2 Other	–	–	–	–	–	–
3. Debt securities	**597,493**	**2,124,548**	**–**	**685,836**	**2,158,963**	–
3.1 Structured	–	2,124,548	–	–	2,158,963	–
3.2 Other	597,493	–	–	685,836	–	–
Total	**597,493**	**2,124,548**	**–**	**685,836**	**2,158,963**	**–**

The structured financial instruments are hedged.

Section 6 – Hedging derivatives – Item 60

This item includes financial derivatives used for hedging purposes, which had a negative fair value at the balance sheet date.

6.1 Hedging derivatives: breakdown by type of contract and underlying asset

Type of derivative/underlying assets	Interest rates	Currency and gold	Equities	Loans	Other	30.06.2008	31.12.2007
A) Listed derivatives							
1. Financial derivatives:	**–**	**–**	**–**	**–**	**–**	**–**	**–**
■ With exchange of capital	–	–	–	–	–	–	–
– options issued	–	–	–	–	–	–	–
– other derivatives	–	–	–	–	–	–	–
■ Without exchange of capital	–	–	–	–	–	–	–
– options issued	–	–	–	–	–	–	–
– other derivatives	–	–	–	–	–	–	–
2. Credit derivatives:	**–**	**–**	**–**	**–**	**–**	**–**	**–**
■ With exchange of capital	–	–	–	–	–	–	–
■ Without exchange of capital	–	–	–	–	–	–	–
Total A	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B) Unlisted derivatives							
1. Financial derivatives:	**18,326**	**–**	**–**	**–**	**–**	**18,326**	**1,144**
■ With exchange of capital	–	–	–	–	–	–	–
– options issued	–	–	–	–	–	–	–
– other derivatives	–	–	–	–	–	–	–
■ Without exchange of capital	18,326	–	–	–	–	18,326	1,144
– options issued	–	–	–	–	–	–	–
– other derivatives	18,326	–	–	–	–	18,326	1,144
2. Credit derivatives:	**–**	**–**	**–**	**–**	**–**	**–**	**–**
■ With exchange of capital	–	–	–	–	–	–	–
■ Without exchange of capital	–	–	–	–	–	–	–
Total B	**18,326**	**–**	**–**	**–**	**–**	**18,326**	**1,144**
Total (A+B)	**18,326**	**–**	**–**	**–**	**–**	**18,326**	**1,144**

The “interest rates” column also includes derivatives with underlying debt securities.

6.2 Hedging derivatives: analysis by hedged portfolios and types of hedging

Transaction/Type of hedge	Fair Value Hedges						Cash flow hedges	
	Specific					Generic		
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks		Specific	Generic
1. Financial assets available for sale	–	–	–	–	–	X	–	X
2. Loans	488	–	–	X	–	X	–	X
3. Financial assets held to maturity	X	–	–	X	–	X	–	X
4. Portfolio	X	X	X	X	X	–	X	–
Total assets	**488**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1. Financial liabilities	17,838	–	–	–	–	X	–	X
2. Portfolio	X	X	X	X	X	–	X	–
Total liabilities	**17,838**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

The amount in sub-item “2. Loans” relates to the negative value of a financial derivative hedging interest rate risk on a loan granted and recognised under “due from customers”.

The amount in sub-item “1. Financial liabilities” refers to the negative value of the financial derivative contracts stipulated to cover the interest rate risk of the following subordinated securities issued in the second quarter of 2008:

Loan	30.06.2008	31.12.2007
Perpetual Subordinated Fixed/Floating Rate Notes – 9%	292,317	–
Subordinated loan Banca Popolare di Milano – Lower Tier 2 – 4.50% 18 April 2008-2018	243,200	–
Total	**535,517**	**–**

Section 10 – Other liabilities – Item 100

This item includes liabilities that are not classified in the other liabilities items of the balance sheet.

10.1 Other liabilities: breakdown

Items/Technical forms	30.06.2008	31.12.2007
Payables arising from the impairment of:	**26,099**	**26,043**
Endorsement credits	26,099	26,043
Credit derivatives	–	–
Irrevocable commitments to issue funds	–	–
Payment agreements based on treasury shares	**11,882**	**26,771**
Accrued expense	**19,281**	**8,276**
Other liabilities	**1,207,963**	**1,259,934**
Suspense items	–	–
Guarantee deposits received from third parties	5,612	5,639
Amounts payable to tax authorities on behalf of others	124,291	166,937
Amounts payable to tax authorities on own account	17,523	6,287
Adjustments for illiquid portfolio items	22,549	44,999
Amounts available to customers	176,302	176,982
Items being processed	531,479	485,088
Due to suppliers	73,111	109,879
Due to social security	39,941	44,529
Payroll costs	89,246	92,519
Deferred income (not capitalized)	23,827	28,335
Consolidation difference	255	4,971
Other	103,827	93,769
Total	**1,265,225**	**1,321,024**

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Items/Amounts	30.06.2008	31.12.2007
1. Provisions for pension fund	**112,631**	**110,014**
2. Other provisions for risks and charges	**112,841**	**119,648**
2.1 legal disputes	26,557	26,525
2.2 payroll costs	31,068	24,054
2.3 other	55,216	69,069
Total	**225,472**	**229,662**

Section 15 – Consolidated shareholders' equity – Items 140, 160, 170, 180, 190, 200 and 220

15.1 Consolidated Shareholders' equity: breakdown

Items/Amounts	30.06.2008	31.12.2007
1. Share capital	1,660,137	1,660,137
2. Share premium	188,025	187,827
3. Reserves	1,368,542	1,221,183
4. (Treasury shares)	–	–
a) parent bank	–	–
b) subsidiaries	–	–
5. Valuation reserves	–19,101	78,058
6. Equity instruments	4,210	4,210
7. Net profit (loss) for the period pertaining to the Group	127,105	323,761
Total	**3,328,918**	**3,475,176**

15.2 "Share capital" and "Treasury shares": breakdown

		30.06.2008	31.12.2007
Share capital	Euro	**1,660,136,924**	**1,660,136,924**
No. ordinary shares		**415,034,231**	**415,034,231**
Nominal value: Euro each		4	4
Of which, number of treasury shares		–	–
Nominal value: Euro each		–	–

Share capital: the share capital of the Parent Bank was fully subscribed and paid in at the half-year report date.

Treasury shares: there were no treasury shares in the portfolio at the half-year report date.

15.6 Valuation reserves: breakdown

Items/Components	30.06.2008	31.12.2007
1. Financial assets available for sale	–32,575	64,584
2. Property, plant and equipment	–	–
3. Intangible assets	–	–
4. Hedging of foreign investments	–	–
5. Cash flow hedges	–	–
6. Exchange differences	–	–
7. Non-current assets held for sale	–	–
8. Special revaluation laws	13,474	13,474
Total	**–19,101**	**78,058**

Section 16 – Minority interests – Item 210

16.1 Minority interests: breakdown

Items/Amounts	30.06.2008	31.12.2007
1. Share capital	49,029	49,029
2. Share premium	42,297	42,297
3. Reserves	18,917	16,206
4. Treasury shares	–	–
5. Valuation reserves	3,619	3,686
6. Equity instruments	–	–
7. Net profit (loss) for the period pertaining to minority interests	5,578	11,558
Total	**119,440**	**122,776**

16.2 Valuation reserves: breakdown

Items/Components	30.06.2008	31.12.2007
1. Financial assets available for sale	890	957
2. Property, plant and equipment	–	–
3. Intangible assets	–	–
4. Hedging of foreign investments	–	–
5. Cash flow hedges	–	–
6. Exchange differences	–	–
7. Non-current assets held for sale	–	–
8. Special revaluation laws	2,729	2,729
Total	**3,619**	**3,686**

Other information

1. Guarantees given and commitments

Transactions	30.06.2008	31.12.2007
1) Financial guarantees given	697,010	749,880
a) Banks	2,099	81,066
b) Customers	694,911	668,814
2) Commercial guarantees given	2,720,335	2,596,587
a) Banks	46,623	40,238
b) Customers	2,673,712	2,556,349
3) Irrevocable commitments to disburse funds	5,660,215	7,060,808
a) Banks	880,746	1,626,070
i) certain to be called on	792,390	1,512,665
ii) not certain to be called on	88,356	113,405
b) Customers	4,779,469	5,434,738
i) certain to be called on	232,242	347,609
ii) not certain to be called on	4,547,227	5,087,129
4) Commitments underlying credit derivatives: sales of protection	137,806	91,575
5) Assets pledged in guarantee for third-party obligations	4,702	4,731
6) Other commitments	466,612	434,481
Total	**9,686,680**	**10,938,062**

The amount of "guarantees given" is stated at nominal value net of any drawdowns and of any adjustments.
The "irrevocable commitments to disburse funds" are stated on the basis of the commitments given net of the sums already disbursed and of any adjustments. All commitments arising from derivative contracts are excluded.
The "irrevocable commitments to disburse funds" which are certain to be called on include forward and spot purchases of securities awaiting settlement and loans and deposits to be made on a specified future date.
"Commitments underlying credit derivatives: sale of protection" refer to the notional value, less the sums already disbursed and any adjustments.

Part C

Notes to the consolidated income statement

Section 1 – Interest
Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Performing financial assets		Impaired financial assets	Other assets	First-half 2008	First-half 2007
	Debt securities	Loans				
1. Financial assets held for trading	15,756	–	–	–	15,756	11,395
2. Financial assets designated at fair value through profit and loss	21,144	–	–	–	21,144	26,837
3. Financial assets available for sale	28,513	–	–	–	28,513	25,566
4. Financial assets held to maturity	–	–	–	–	–	–
5. Loans and advances to banks	15	83,350	–	–	83,365	95,332
6. Loans and advances to customers	587	868,299	19,109	–	887,995	741,969
7. Hedging derivatives	X	X	X	611	611	2,147
8. Financial assets sold and not cancelled	14,378	54,444	6	–	68,828	60,935
9. Other assets	X	X	X	3,961	3,961	3,292
Total	**80,393**	**1,006,093**	**19,115**	**4,572**	**1,110,173**	**967,473**

Item “8. Financial assets sold and not cancelled” includes the interest on portfolio securities used in funding repurchase agreements, security lending and those related to securitised loans.

1.2 Interest and similar income: differentials on hedging transactions

The following table provides details of positive balance of positive and negative differentials accrued on “Hedging derivatives”, reported in sub-item “7 Hedging derivatives” of table 1.1.

Items/Amounts	First-half 2008	First-half 2007
A. Negative differentials on transactions involving:		
A.1 Specific hedges of the fair value of assets	–	–
A.2 Specific hedges of the fair value of liabilities	13,825	15,263
A.3 General hedges of interest rate risk	–	–
A.4 Specific hedges of cash flows from assets	–	–
A.5 Specific hedges of cash flows from liabilities	–	–
A.6 Macro-hedges of cash flows	–	–
Total positive differentials (A)	**13,825**	**15,263**
B. Negative differentials on transactions involving:		
B.1 Specific hedges of the fair value of assets	(123)	(286)
B.2 Specific hedges of the fair value of liabilities	(13,091)	(12,830)
B.3 General hedges of interest rate risk	–	–
B.4 Specific hedges of cash flows from assets	–	–
B.5 Specific hedges of cash flows from liabilities	–	–
B.6 Macro-hedges from cash flows	–	–
Total negative differentials (B)	**(13,214)**	**(13,116)**
C. Balance (A-B)	**611**	**2,147**

1.4 Interest and similar charges: breakdown

Items/Technical forms	Payables	Securities	Other liabilities	First-half 2008	First-half 2007
1. Due to banks	(96,535)	X	–	(96,535)	(86,994)
2. Due to customers	(166,277)	X	–	(166,277)	(133,852)
3. Debt securities in issue	X	(208,979)	–	(208,979)	(137,164)
4. Financial liabilities held for trading	–	–	(25,863)	(25,863)	(5,343)
5. Financial liabilities designated at fair value through profit and loss	–	(18,445)	–	(18,445)	(38,962)
6. Liabilities for assets sold and not cancelled	(66,506)	–	–	(66,506)	(64,493)
7. Other liabilities	X	X	–	–	–
8. Hedging derivatives	X	X	–	–	–
Total	**(329,318)**	**(227,424)**	**(25,863)**	**(582,605)**	**(466,808)**

Item “4. Financial liabilities held for trading” includes payable interest on:

- “derivatives operationally linked to assets classified as for trading” for Euro 64 thousand (Euro 101 thousand positive at 30.06.2007);
- “derivatives linked to the fair value option” for Euro 25,799 thousand (Euro 5,343 thousand negative in the first half of 2007).

Item “6 Liabilities for assets sold and not cancelled” includes Euro 14,326 thousand related to the funding repurchase agreements made with portfolio securities, Euro 16,261 thousand related to securities lending transactions and interest linked to the securitisation transaction “Bpm Securitisation 2”.

Section 2 – Fees and commissions
Items 40 and 50

2.1 Fee and commission income: breakdown

Type of services/Amounts	First-half 2008	First-half 2007
a) guarantees given	**12,407**	**11,670**
b) credit derivatives	**–**	**28**
c) management, brokerage and advisory services:	**164,454**	**194,749**
1. trading of financial instruments	11,376	17,449
2. currency trading	4,314	4,411
3. portfolio management	78,778	96,376
3.1 individual	14,973	16,745
3.2 collective	63,805	79,631
4. custody and administration of securities	7,943	7,711
5. custodian bank	7,677	9,531
6. placement of securities	29,176	29,975
7. acceptance of instructions	9,082	13,869
8. consultancy	500	186
9. distribution of third-party services	15,608	15,241
9.1 portfolio management	–	–
9.1.1 individual	–	–
9.1.2 collective	–	–
9.2 insurance products	13,177	12,007
9.3 other products	2,431	3,234
d) collection and payment services	**59,820**	**59,927**
e) servicing for securitisation transactions	**–**	**21**
f) factoring services	**–**	**–**
g) tax collection services	**–**	**–**
h) other services	**79,287**	**72,641**
Total	**315,968**	**339,036**

Line item h) other services includes fees received on short-term loans and for the use of safe deposit boxes.

2.2 Fee and commission income: product and service distribution channels: banking group

Channels/Amounts	First-half 2008	First-half 2007
a) at own branches:	**115,668**	**135,659**
1. portfolio management	70,920	90,488
2. placement of securities	29,176	29,975
3. services and products of third parties	15,572	15,196
b) door-to-door:	**7,863**	**5,898**
1. portfolio management	7,858	5,888
2. placement of securities	–	–
3. services and products of third parties	5	10
c) other distribution channels:	**31**	**35**
1. portfolio management	–	–
2. placement of securities	–	–
3. services and products of third parties	31	35

2.3 Fee and commission expense: breakdown

Services/Amounts	First-half 2008	First-half 2007
a) guarantees received	**(265)**	**(156)**
b) credit derivatives	**(247)**	**(127)**
c) management and brokerage services:	**(15,075)**	**(19,623)**
1. trading of financial instruments	(4,045)	(7,590)
2. currency trading	(3)	–
3. portfolio management:	(6,344)	(7,088)
3.1 own portfolio	(6,344)	(7,088)
3.2 third-party portfolio	–	–
4. custody and administration of securities	(2,613)	(3,444)
5. placement of financial instruments	(883)	(243)
6. door-to-door sales of financial instruments, products and services	(1,187)	(1,258)
d) collection and payment services	**(12,607)**	**(9,461)**
e) other services	**(8,792)**	**(7,443)**
Total	**(36,986)**	**(36,810)**

Section 3 – Dividend and similar income
Item 70

3.1 Dividend and similar income: breakdown

	First-half 2008		First-half 2007	
Items/Income	**Dividends**	**Income from mutual funds**	**Dividends**	**Income from mutual funds**
A. Financial assets held for trading	113,112	–	126,662	–
B. Financial assets available for sale	11,913	595	11,878	393
C. Financial assets designated at fair value through profit and loss	–	–	56	–
D. Equity investments	–	X	–	X
Total	**125,025**	**595**	**138,596**	**393**
Total dividend and similar income	**125,620**		**138,989**	

Section 4 – Net trading income (loss)
Item 80

4.1 Net trading income (loss): breakdown

Transactions/Items of income	Unrealised gains (A)	Trading profits (B)	Unrealised losses (C)	Trading losses (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	**4,455**	**17,361**	**(245,161)**	**(371,269)**	**(594,614)**
1.1 Debt securities	2,296	15,561	(25,919)	(163)	(8,225)
1.2 Equities	1,801	1,523	(215,681)	(370,428)	(582,785)
1.3 Mutual fund shares	330	–	(3,398)	(670)	(3,738)
1.4 Loans	–	–	–	–	–
1.5 Other	28	277	(163)	(8)	134
2. Financial liabilities held for trading	**–**	**–**	**–**	**–**	**–**
2.1 Debt securities	–	–	–	–	–
2.2 Payables	–	–	–	–	–
2.3 Other	–	–	–	–	–
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(25,047)**
4. Derivatives	**138,592**	**629,948**	**(82,874)**	**(149,418)**	**565,398**
4.1 Financial derivatives	137,410	629,948	(82,874)	(149,418)	564,216
- on debt securities and interest rates	38,353	206,230	(79,085)	(148,285)	17,213
- on equities and stock indices	99,057	419,252	(1)	(1,133)	517,175
- on currency and gold	X	X	X	X	29,150
- Other	–	4,466	(3,788)	–	678
4.2 Credit derivatives	1,182	–	–	–	1,182
Total	**143,047**	**647,309**	**(328,035)**	**(520,687)**	**(54,263)**

1. Financial assets held for trading: the sub-item 1.5 “Other” includes the profits and losses from trading in currency, gold and other precious metals.

3. Other financial assets and liabilities: exchange differences this sub-item includes the positive or negative balance of the changes in value of all those financial assets and liabilities in foreign currency, other than those at fair value, or which are not the subject of fair value hedges (exchange rate or fair value risk) or cash flow hedges (exchange rate risk) as well as hedging derivatives.

4. Derivatives: positive and negative differentials and margins are reported in the “trading profits” and “trading losses” columns, respectively.

Section 5 – Net hedging income (loss)
Item 90

5.1 Net hedging income (loss): breakdown

Items of income/Amounts	First-half 2008	First-half 2007
A. Income relating to:		
A.1 Fair value hedges	3,629	1,087
A.2 Financial assets with fair value hedges	–	–
A.3 Financial liabilities with fair value hedges	22,989	9,270
A.4 Cash flow hedges	–	–
A.5 Foreign currency assets and liabilities	–	–
Total income from hedging activities (A)	**26,618**	**10,357**
B. Charges relating to:		
B.1 Fair value hedges	(22,341)	(9,320)
B.2 Financial assets with fair value hedges	(3,662)	(1,118)
B.3 Financial liabilities with fair value hedges	–	–
B.4 Cash flow hedges	–	–
B.5 Foreign currency assets and liabilities	–	–
Total charges from hedging activities (B)	**(26,003)**	**(10,438)**
C. Net hedging income (loss) (A-B)	**615**	**(81)**

Section 6 – Profits (losses) on disposal/repurchase
Item 100

6.1 Profits (losses) on disposal/repurchase: breakdown

Items/Items of income	Total First-half 2008			Total First-half 2007		
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
Financial assets						
1. Loans and advances to banks	2	–	2	–	–	–
2. Loans and advances to customers	–	–	–	–	(303)	(303)
3. Financial assets available for sale	1,706	(294)	1,412	19,816	(51)	19,765
3.1 Debt securities	79	(133)	(54)	86	(48)	38
3.2 Equities	803	(161)	642	19,337	–	19,337
3.3 Mutual fund shares	824	–	824	393	(3)	390
3.4 Loans	–	–	–	–	–	–
4. Financial assets held to maturity	–	–	–	–	–	–
Total assets	**1,708**	**(294)**	**1,414**	**19,816**	**(354)**	**19,462**
Financial liabilities						
1. Due to banks	–	–	–	–	–	–
2. Due to customers	–	–	–	–	–	–
3. Debt securities in issue	–	–	–	604	(5)	599
Total liabilities	**–**	**–**	**–**	**604**	**(5)**	**599**

Section 7 – Net profit (loss) on financial assets and liabilities designated at fair value through profit and loss – Item 110

7.1 Net profit (loss) on financial assets and liabilities designated at fair value through profit and loss: breakdown

Transactions/Items of income	Unrealised gains (A)	Gains on disposal (B)	Unrealised losses (C)	Losses on disposal (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets	**4,153**	**228**	**(45,991)**	**(12,615)**	**(54,225)**
1.1 Debt securities	3,667	228	(25,713)	(6,650)	(28,468)
1.2 Equities	–	–	(3,869)	(969)	(4,838)
1.3 Mutual fund shares	486	–	(16,409)	(4,996)	(20,919)
1.4 Loans	–	–	–	–	–
2. Financial liabilities	**41,096**	**3,404**	**(11,272)**	**(1,419)**	**31,809**
2.1 Debt securities in issue	41,096	3,404	(11,272)	(1,419)	31,809
2.2 Due to banks	–	–	–	–	–
2.3 Due to customers	–	–	–	–	–
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivatives	**20,330**	**3,373**	**(50,010)**	**(2,276)**	**(15,338)**
4.1 Financial derivatives	19,926	3,373	(50,010)	(2,276)	(15,742)
- on debt securities and interest rates	17,798	1,746	(50,010)	(2,276)	(32,742)
- on equities and stock indices	2,128	1,627	–	–	3,755
- on currency and gold	X	X	X	X	13,245
- other	–	–	–	–	–
4.2 Credit derivatives	404	–	–	–	404
Total derivatives	**20,330**	**3,373**	**(50,010)**	**(2,276)**	**(15,338)**
Total	**65,579**	**7,005**	**(107,273)**	**(16,310)**	**(37,754)**

Section 8 – Net adjustments/recoveries on impairment Item 130

8.1 Net adjustments/recoveries on impairment of loans and advances: breakdown

Transactions/ Items of income	Adjustments			Reversals of impairment losses				First-half 2008	First-half 2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Loans and advances to banks	–	–	(5)	–	–	–	12	7	(17)
B. Loans and advances to customers	(9,446)	(62,756)	(12,254)	3,942	22,539	–	3,931	(54,044)	(51,518)
C. Total	**(9,446)**	**(62,756)**	**(12,259)**	**3,942**	**22,539**	**–**	**3,943**	**(54,037)**	**(51,535)**

Key: A = For interest B = Other reversals

The “reversals of impairment losses – for interest” include writebacks associated with the time value of money, corresponding to the interest earned in the year on the basis of the original effective interest rate previously used to calculate any net adjustments.

8.2 Net adjustments/recoveries on impairment of financial assets available for sale: breakdown

Transactions/ Items of income	Adjustments		Reversals of impairment losses		First-half 2008	First-half 2007
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities	–	–	–	–	–	–
B. Equities	–	(1,818)	X	X	(1,818)	(23)
C. Mutual fund shares	–	(367)	X	–	(367)	–
D. Loans to banks	–	–	–	–	–	–
E. Loans to customers	–	–	–	–	–	–
F. Total	**–**	**(2,185)**	**–**	**–**	**(2,185)**	**(23)**

Key: A = For interest B = Other reversals

The adjustment reported under item “B Equities” relates to the write-downs made on the shares held in the unlisted company Genextra S.p.A.

8.3 Net adjustments/recoveries on impairment of financial assets held to maturity: breakdown

No financial assets held to maturity were classified at the balance sheet date.

8.4 Net adjustments/recoveries on impairment of other financial transactions: breakdown

Transactions/ Items of income	Adjustments			Reversals of impairment losses				First-half 2008	First-half 2007
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Guarantees given	–	(1,113)	–	–	745	–	1,287	919	1,714
B. Credit derivatives	–	–	–	–	–	–	–	–	–
C. Commitments to disburse funds	–	–	–	–	–	–	–	–	–
D. Other information	–	–	–	–	–	–	–	–	–
E. Total	**–**	**(1,113)**	**–**	**–**	**745**	**–**	**1,287**	**919**	**1,714**

Key: A = For interest B = Other reversals

Section 11 – Administrative expenses
Item 180

11.1 Personnel expenses: breakdown

In addition to employee payroll costs, the personnel expenses include:

- the cost of employees seconded to other companies and the related recharges;
- costs associated with equity-based payments to employees;
- cost for non-standard employment contracts (for temporary workers and for on-going collaborators);
- reimbursement of cost of employees of other companies seconded to the Group's companies;
- remunerations to the Directors.

Type of expense/Sectors	**First-half 2008**	**First-half 2007**
1) Employees	(357,429)	(347,860)
a) wages and salaries	(223,359)	(219,260)
b) social security charges	(66,624)	(68,822)
c) severance indemnities	(27)	(144)
d) pension costs	–	–
e) charge to the provision for severance indemnities	(9,833)	(12,240)
- charge to the provision for severance indemnities	*(4,943)*	*(12,240)*
- severance indemnities to the INPS treasury account	*(4,980)*	–
f) charge to provision for pensions and similar obligations:	(6,913)	(3,674)
- defined contribution	*(1,701)*	*(818)*
- defined benefit	*(5,212)*	*(2,856)*
g) payments to external supplementary pension funds:	(13,544)	(7,265)
- defined contribution	*(13,544)*	*(7,265)*
- defined benefit	–	–
h) costs associated with equity-based payments	(11,882)	(25,447)
i) other staff benefits	(25,331)	(11,029)
l) recovery of cost of staff on secondment	84	21
2) Other personnel expenses	(3,881)	(2,533)
3) Directors	(3,331)	(3,867)
Total	**(364,641)**	**(354,080)**

Composition of item h) "costs associated with equity-based payments"

Items	**First-half 2008**	**First-half 2007**
Net profit set aside for employees of the Parent Bank (*)	(11,882)	(20,581)
Costs incurred to buy BPM shares and the related social security contributions as part of the share accumulation plan for the Parent Bank's employees	–	(4,866)
Total	**(11,882)**	**(25,447)**

(*) This amount is equal to 5% of the Parent Bank's "profit from current operations before tax" as reported in the half-year report prepared by the Parent Bank, computed before the amounts reserved to employees and to the Board of Directors.

11.2 Average number of employees, by level: banking group

Employees	First-half 2008	First-half 2007
a) executives	168	168
b) managers	3,092	3,060
- of which: 3rd and 4th level	*1,651*	*1,593*
c) remaining employees	5,220	5,141
Total	**8,480**	**8,369**

Other personnel	1° semestre 2008	1° semestre 2007
Temporary workers	153	108
On-going collaborators	28	26
Total	**181**	**134**

The values indicate the arithmetical average number of employees at the end of the first six months and at the end of the previous period.

Exact number of employees at the end of the period

Employees (end of period)	First-half 2008	First-half 2007
a) executives	179	170
b) managers	3,155	3,068
- of which: 3rd and 4th level	*1,724*	*1,596*
c) remaining employees	5,249	5,223
Total	**8,583**	**8,461**

Other personnel (end of period)	First-half 2008	First-half 2007
Temporary workers	119	126
On-going collaborators	31	28
Total	**150**	**154**

11.4 Other staff benefits

The item “other staff benefits” includes mostly the amounts paid as leaving incentives, adjustment of the indemnity provision reserved for executives, contributions toward the management of the staff canteen, seniority bonuses and the cost of low interest loans to employees.

11.5 Other administrative expenses: breakdown

Items/Technical forms	First-half 2008	First-half 2007
IT costs	**(41,956)**	**(43,820)**
Maintenance and leasing of hardware and software	(35,616)	(35,759)
Services rendered by the companies of the Group	–	
ATM management costs	(1,935)	(1,551)
Outsourced IT services	(4,405)	(6,510)
Building and equipment costs	**(26,488)**	**(25,895)**
Rent and leases paid	**(17,390)**	**(17,599)**
Rent paid	(17,188)	(17,417)
Leasing of office equipment	(202)	(182)
Other expenses	**(9,098)**	**(8,296)**
Maintenance	(6,095)	(5,477)
Cleaning	(3,003)	(2,819)
Expenses for the purchase of non-professional goods and services	**(36,883)**	**(36,818)**
Telephone, postage and data transmission	(9,084)	(10,304)
Processing by third parties	(8,612)	(7,543)
Security and cash-counting services	(6,446)	(5,983)
Electricity, heating and water	(6,287)	(5,995)
Transport	(2,664)	(2,764)
Stationery and printing	(2,797)	(3,220)
Moving and porter charges	(642)	(648)
Subscriptions to newspapers and magazines	(351)	(361)
Expenses for the purchase of professional services	**(23,391)**	**(19,793)**
Professional fees	(9,445)	(9,134)
Legal expenses and company information	(13,171)	(9,873)
Directors' and statutory auditors' fees	(775)	(786)
Insurance premiums	**(2,048)**	**(2,057)**
Advertising	**(7,713)**	**(6,359)**
Indirect taxes and duties	**(33,110)**	**(34,394)**
Other expenses	**(6,925)**	**(8,966)**
Charity	(2,536)	(3,609)
Membership fees	(1,363)	(1,601)
Other	(3,026)	(3,756)
Total	**(178,514)**	**(178,102)**

Section 12 – Net provisions for risks and charges
Item 190

12.1 Net provisions for risks and charges: breakdown

Items/Technical forms	First-half 2008	First-half 2007
Net provision for legal disputes	(2,097)	1,340
Net provision for recovery procedures	(2,149)	(5,701)
Net provision for tax disputes	(342)	(342)
Net provision for other expenses	(916)	(944)
Total	**(5,504)**	**(5,647)**

Section 13 – Net adjustments/recoveries on property, plant and equipment
Item 200

13.1 Net adjustments/recoveries on property, plant and equipment: breakdown

Assets/Item of income	Depreciation (A)	Net adjustments for impairment (B)	Writebacks (C)	Net profit (loss) (A+B–C)
A. Property, plant and equipment				
A.1 Owned by the company	(20,792)	–	–	(20,792)
– used in the business	(20,473)	–	–	(20,473)
– for investment	(319)	–	–	(319)
A.2 Purchased under finance leases	–	–	–	–
– used in the business	–	–	–	–
– for investment	–	–	–	–
Total	**(20,792)**	**–**	**–**	**(20,792)**

Section 14 – Net adjustments/recoveries on intangible assets
Item 210

14.1 Net adjustments/recoveries on intangible assets: breakdown

Assets/Item of income	Amortisation (A)	Net adjustments for impairment (B)	Writebacks (C)	Net profit (loss) (A+B-C)
A. Intangible assets				
A.1 Owned by the company	(13,040)	–	–	(13,040)
– Internally generated	(958)	–	–	(958)
– Other	(12,082)	–	–	(12,082)
A.2 Purchased under finance leases	–	–	–	–
Total	**(13,040)**	**–**	**–**	**(13,040)**

Section 15 – Other operating income/expense
Item 220

15.1 Other operating charges: breakdown

Element of income/Amount	First-half 2008	First-half 2007
Depreciation of leasehold improvements recorded under "Other assets"	(2,106)	(2,800)
Other operating expense	(11,735)	(11,666)
Total	**(13,841)**	**(14,466)**

15.2 Other operating income: breakdown

Element of income/Amount	First-half 2008	First-half 2007
Recovery of taxes and duties	29,016	30,018
Rental and leasing income	2,747	1,906
IT income and services	–	1,126
Recovered expense on deposits, current accounts and other accounts	25,167	23,945
Other income	13,401	15,003
Total	**70,331**	**71,998**

	First-half 2008	First-half 2007
Total other operating income/expense (item 220)	**56,490**	**57,532**

Section 16 – Profits (losses) on investments in associates and joint ventures Item 240

16.1 – Profits (losses) on investments in associates and joint ventures: breakdown

Elements of income/Sectors	First-half 2008	First-half 2007
1) Jointly controlled entities		
A. Income	430	5,342
1. Revaluations	430	5,024
2. Profits on disposal	–	318
3. Reversals of impairment losses	–	–
4. Other positive changes	–	–
B. Charges	–	–
1. Write-downs	–	–
2. Net adjustments for impairment	–	–
3. Losses on disposal	–	–
4. Other negative changes	–	–
Net profit (loss)	**430**	**5,342**
2) Companies subject to significant influence		
A. Income	2,412	2,394
1. Revaluations	2,412	2,020
2. Profits on disposal	–	374
3. Reversals of impairment losses	–	–
4. Other positive changes	–	–
B. Charges	(37,440)	–
1. Write-downs	(3,607)	–
2. Net adjustments for impairment	(33,833)	–
3. Losses on disposal	–	–
4. Other negative changes	–	–
Net profit (loss)	**(35,028)**	**2,394**
3) Subsidiaries		
A. Income	–	–
1. Revaluations	–	–
2. Profits on disposal		–
3. Reversals of impairment losses	–	–
4. Other positive changes	–	–
B. Charges	–	–
1. Write-downs	–	–
2. Net adjustments for impairment	–	–
3. Losses on disposal	–	–
4. Other negative changes	–	–
Net profit (loss)	**–**	**–**
Total	**(34,598)**	**7,736**

Section 19 – Profit (losses) on disposal of investments
Item 270

19.1 Profit (losses) on disposal of investments: breakdown

Elements of income/Sectors	First-half 2008	First-half 2007
A. Buildings	25	15
- Profits on disposal	25	20
- Losses on disposal	–	(5)
B. Other assets	(165)	10
- Profits on disposal	21	13
- Losses on disposal	(186)	(3)
Net profit (loss)	**(140)**	**25**

Section 22 – Net profit (loss) for the period pertaining to minority interests
Item 330

22.1 Details on item 330 “Net profit (loss) for the period pertaining to minority interests”

Minority interests in net profit (loss) is attributable to the following consolidated companies:

Company	First-half 2008	First-half 2007
Banca di Legnano	2,360	2,464
Cassa di Risparmio di Alessandria	1,619	1,736
Banca Akros	998	1,244
Bipiemme Gestioni SGR	584	467
Other companies	17	93
Total	**5,578**	**6,004**

Section 24 – Earnings per share

The new international accounting standards (IAS 33) stress the importance of the "earnings per share" ratio - commonly known as "EPS" - making its disclosure compulsory in these two formulations:

- "Basic EPS", calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period;

- "Diluted EPS", calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding, as adjusted for the effect of all dilutive potential shares.

24.1 Average number of ordinary shares on dilution of the share capital

The average number of ordinary shares used as the denominator for calculating basic EPS (414,965,966) was determined using the number of shares outstanding at the end of every month, excluding treasury shares held at that date.

The average number of ordinary shares used as the denominator for calculating diluted EPS (440,534,147) was determined using the number of shares outstanding at the end of every month, excluding treasury shares held at that date, but including those shares potentially issuable as a result of converting the "Banca Popolare di Milano/CIC 2004-2009", bond issued on 21 December 2004, which consists of 25,568,181 bonds that can be converted into BPM ordinary shares in the ratio of one share for each bond held.

Net earnings per share attributable to the Group

(in Euro)	First-half 2008	First-half 2007
Basic EPS	0.306	0.566
Diluted EPS	0.295	0.539

Part D

Segment reporting

Consolidated results by business segment

This chapter shows the consolidated results by business segment in accordance with IAS 14.
Under this standard, the BPM Group has identified the following:

- as its **primary reporting**, the breakdown of consolidated results by business segment presented in this half-year report;

- as its **secondary reporting**, the breakdown of results by geographical segment, which is presented in this half-year report, together with further details.

Primary reporting by business segment

The definition of the activities carried out by each BPM Group company represents the basis for their allocation to the relevant business segment. Broad customer groupings have been identified with regard to the numerous types of customer served by the Group, particularly by its retail banks, which use a model that splits customers into different groups. These groupings have similar characteristics in terms of:

- the type of product provided;
- distributions methods and channels;
- risk/return profile.

The method used for segmenting customers is based on qualitative and quantitative criteria. More specifically, the reference parameters used for the classification of business customers is based on the following revenue levels:

- retail, up to Euro 5 million;
- lower corporate, from over Euro 5 million to Euro 25 million;
- middle corporate, from over Euro 25 million to Euro 50 million;
- upper corporate, from over Euro 50 million to Euro 250 million;
- large corporate, over Euro 250 million.

The customer segmentation model is also consistent with the criteria applied for the allocation of customers to portfolios and for the definition of commercial policies as well as being used as a basis for management reporting.

The following business segments were therefore identified and reported:

- "***Retail banking***": this contains the results of private and small business customers ("retail", "lower corporate" and "middle corporate") of the Group's retail banks, together with those of the private banking activities performed by Bipiemme Private Banking Sim and Banca Akros. In addition, the segment contains the results relating to the special purpose vehicle BPM Securitisation 2, instituted upon the securitisation of mortgage loans, and the special purpose vehicle BPM Covered Bond, instituted upon the "Covered bonds"- Obbligazioni Bancarie Garantite programme;

- ***"Corporate banking"***: this contains amounts relating to medium-sized and large enterprises ("upper corporate" and "large corporate") customers of the Group's retail banks;

- ***"Investment banking***": this contains the results of managing the bank's own securities portfolio, trading on its own account in securities and foreign exchange, and treasury activities. This segment not only reports the financial activities typifying the Group's retail banks, but also the results of Banca Akros (the Group investment bank), Akros Securities, BPM Ireland and Tirving;

- ***"Wealth management"***: this contains the results relating to the Group's asset management companies (Bipiemme Gestioni SGR, Akros HFR Alternative Investments SGR, BPM Fund Management and the hedge funds, managed by Akros HFR Alternative Investments SGR);

- ***"Other activities"***: this segment reports the results of We@Service, the Group's virtual bank, and Ge.Se.So., the company that manages the company canteen;

- ***"Corporate centre"***: this includes BPM Group services relating to its operations and serves as the receptacle for the equity investments portfolio, the subordinated liabilities and all the other assets and liabilities not allocated to the other business segments, as well as the counterparty to all figurative/standard effects. The following companies are classified as part of this segment: BPM Capital I, BPM Luxembourg and BPM Covered Bond.

Lastly, please note that the primary segment also presents the amounts of eliminations in the aforementioned segment, included in the "Cross-segment eliminations" column, as well as the consolidation adjustments, included in the "Other adjustments" column, which also contains the results of companies carried at equity.

Definition of primary disclosures

With reference to the information included in the primary reporting formats described above, it is to be noted that:

- **"segment profit (loss) before tax from continuing operations"** is obtained by deducting segment costs from segment revenue, including the effect of figurative income and expenses. The sum of the results of all the segments is the same as the corresponding line item in the consolidated income statement;

- **"external revenue"** are those generated from transactions with customers outside the Group and the same applies to external costs;

- **"internal revenue"** consists of actual revenue arising from intercompany transactions and figurative revenue required to represent the contribution to net financial income. This figurative number is managed using a treasury pool that manages the matching between group assets and liabilities and which is run as part of the corporate centre's segment";

- **"internal costs"** consist of figurative interest expense relating to the treasury pool and the allocation of general overheads using the internal cost-allocation model. The use of an internal cost allocation model helps identify the business and service units and related transactions in order to report and price the related exchanges of value. The allocated revenues and costs thus determined are included in internal revenues and costs.

A. Primary reporting segment

A.1 Distribution by business segments: income statement

The following section provides the results of the individual business segments as of 30 June 2008, compared to those of 30 June 2007:

- ***"Retail banking"***: generated profit Euro 238.8 million, up Euro 19.0 million (+18.1%) on the previous year. The Parent Bank accounts for 66% of the segment total, confirming its central role within the Group. The Group's other retail banks, Banca di Legnano and C.R.Alessandria, contributed 17.5% and 10.0%, respectively. The increase in this segment's results on the prior year is explained by the growth in customer business, up significantly especially in the loan segment (mortgages and loans). Within net fee and commission income indirect deposit margins fell as a result of the negative performance of assets under management;

- ***"Corporate banking"***: contributed profit of Euro 76.4 million, up Euro 20.5 million (+36.6%) on the previous year. The increase is due to the significant rise in commercial loans in average annual terms as well as to the sizeable spread growth;

- ***"Investment banking"***: contributed negatively to the Group's result amounting to Euro -33.1 million, down by Euro 93.9 million compared to the same period of last year. In particular, the Parent Bank showed a negative result of Euro 40.8 million on account of the negative performance of the valuation of securities portfolios. Bipiemme Ireland also contributed to the downward trend with a negative result of Euro 13.4 million, down by Euro 20.4 million over the previous year following the impairment of the portfolio as a result of the widening of the credit spreads. Contrary to the trend, Banca Akros contributed with a positive margin equal to Euro 20.5 million;

- ***"Wealth management"***: reported profits of Euro 6.2 million, down Euro 25.6 million. The reduction was strongly impacted by the unusually negative performance of the mutual fund industry starting from mid-2006 and continuing into 2008. More specifically, Bipiemme Gestioni SGR reported an amount equal to Euro 7.6 million, down by Euro 3.0 million on the previous year. The hedge funds managed by Akros Alternative Investments SGR subject to consolidation showed a negative before tax result equal to Euro 2.9 million, down by Euro 21.5 million over the year before;

- ***"Other activities"***: showed a result of Euro 1.9 million, down by Euro 1.7 million on the previous year;

- ***"Corporate centre"***: reported a result equal to Euro 22.5 million, down by Euro 149.0 million compared to the same period of the previous year due to the lower dividends (- Euro 54.4 million) split from the subsidiaries and the impairment of Anima Sgr (- Euro 34 million) and Bpm Ireland (- Euro 17.0 million). Consolidation adjustments for dividends and other items are indicated under “Other consolidation adjustments”.

Segment’s primary reporting as of 30.06.08

Income statement

(Euro/000)

	Segment revenue			Segment costs			Segment profit (loss) before tax from continuing operations			
	External	Internal	Total	External	Internal	Total	First-half 2008	First-half 2007	Changes	
									amount	in %
Retail Banking	894,076	564,652	**1,458,728**	–577,569	–642,327	**–1,219,896**	238,832	219,818	19,014	8.6
Corporate Banking	338,139	37,038	**375,177**	–44,924	–253,824	**–298,748**	76,429	55,957	20,472	36.6
Investment Banking	214,912	84,423	**299,335**	–177,007	–155,439	**–332,446**	–33,111	60,835	–93,946	–154.4
Wealth Management	77,320	464	**77,784**	–20,989	–50,645	**–71,634**	6,150	31,702	–25,552	–80.6
Other activities	147	14,401	**14,548**	–12,365	–268	**–12,633**	1,915	3,569	–1,654	–46.3
Corporate Center	103,057	–349,390	**–246,333**	–482,087	750,915	**268,828**	22,495	171,487	–148,992	–86.9
Cross-segment eliminations	0	–67,544	**–67,544**	0	67,544	**67,544**	0	0	0	n.s.
Other adjustments	–132,190	0	**–132,190**	45,620	0	**45,620**	–86,570	–184,518	97,948	–53.1
Consolidated total	**1,495,461**	**284,044**	**1,779,505**	**–1,269,321**	**–284,044**	**–1,553,365**	**226,140**	**358,850**	**–132,710**	**–37.0**

Part E

Data on risks and hedging policies

Section 1 – Banking Group credit risks

1.1. Credit risk

Qualitative data

1. General aspects

Within the guidelines set forth in the Business Plan approved by the Parent Bank's Board of Directors, the BPM Group continues to pursue the containment of credit risk as its primary objective.
More specifically, entire Group's credit risk management focuses on two fundamental objectives:

- maintaining the high quality of the loan portfolio in order to ensure a position of excellence in respect of the best practices of competitors; the resulting ratio of gross non-performing loans to total loans for 2007 (1.4% versus 1.5% in 2007) confirms the more than positive levels achieved over the past five years;

- intensifying planned activities to complete the reengineering of the lending policies and systems used for assessing credit-worthiness, based on internal rating models, in order to comply with the "New Directives of Prudent Oversight for Banks" (Circular no. 263 of 27 December 2006, New Basel Agreement on Capital, Basel 2).

At each Group company lending activity is overseen by a specific office responsible for the allocation and monitoring of credit through structures that are well-defined and duly delegated within a system of discretionary limits determined by the Board of Directors and implemented in compliance with existing regulations. All the structures involved are required to approve/manage credit and monitor credit risk, following adequate procedures (including the internal rating system) by reviewing applications, determining credit-worthiness, and more generally, monitoring the positions over time.
Credit is allocated through the business network which is, in turn, configured through the network of the Parent Bank, BPM, and those of Banca di Legnano and Cassa di Risparmio di Alessandria, the Group's other commercial banks.

2. Credit risk management policies

2.1 Organisational aspects

The management and quality control policies for the loan portfolio and associated risks are defined by the Corporate Credit Policy Committee in observance of the guidelines outlined in the Group strategic plan, characterised by prudent management rules.

The policies defined by the Committee are implemented within the processes of allocation, management and control wherein specific activities have been provided for and special tools have been arranged to analyse risks that vary according to short-term market conditions, sector conditions, and in particular, the specific conditions of the individual borrower.
These activities are initiated within the business networks whose credit staff prepares the necessary assessment documents on each loan, including all information required to identify the proper degree of risk; the rating system is an integral part of the credit allocation/renewal process.
The credit "chain of command" provides for the possibility that, for loans involving low risk (in terms of rating) and for amounts falling within the context of the responsibilities provided for by the current Credit Limit Regulation, the proposals can be decided upon locally.
Loans involving a "medium" or "high" risk – and those nonetheless meeting the conditions specified in the Credit Line Regulations - are referred to the special unit devoted to analysing counterparty credit, known as the "Credit" function.
This function is assigned to specialists who, by virtue of their greater experience, carry out the necessary reviews for analysing the proposed risk, and deciding accordingly; or they prepare reports to present to the decision-makers in accordance with the powers established in the Credit Line Regulations.

For customers requiring more complex evaluation due to their size or line of business, this function includes the discretionary power to override the automatically assigned statistical rating in order to supplement the evaluation with information that does not lend itself to standardisation or is simply not considered by the statistical model. This task is assigned to specialised personnel known as raters who do not

have decision-making powers for the allocation of loans.
Once the credit is allocated, the risk is subjected to control in such a way that it is possible to identify and highlight, as early as possible, signs of deterioration of credit-worthiness.
This activity is supported by an automatic customer transaction analysis system (NASCA or the "New Statistical Trend Control Application"), which continuously and systematically analyses the positions and detects initial signs of deterioration using risk trend indicators both internal and external to the bank.
When risk factors are identified, automatic or semi-automatic measures are set in motion to control the credit exposure, until, in extreme cases, the loans are classified as in the problem category. At the operating level, the activity is supervised by a specialised control unit that operates in conjunction with the branch network manager, who monitors customer relations.

2.2 Management, measurement and control systems

The credit management process is specialised by category of borrower, in terms of both approval process and the systems and methods of evaluation and monitoring. First, there is a basic distinction between private individuals and businesses.

Within this latter group, companies are divided, based on their activity and turnover, into "Small Businesses", generally those with less than Euro 5 million in turnover or with credit limits of less than Euro 1 million, "SMEs" (small and medium-sized enterprises) with turnover from Euro 5 to 50 million or with credit limits of more than €1 million, and "Enterprises" with turnover greater than Euro 50 million or credit limits greater than Euro 5 million. These groups also include counterparties performing financial, holding, leasing and factoring activities.

Risk evaluation tools are used by BPM Group during the processes of evaluation and monitoring, based on internally developed rating models. The use of external ratings for the credit assessment process is generally irrelevant, as most borrowers exposed to credit risk have not been rated by the major agencies.

The BPM Group also uses a system of credit exposure limits designed primarily to avoid excessive risk of exposure concentration by individual borrower and capital availability (capital absorbed by credit risk). This system of limits is reviewed and updated periodically.

2.3 Credit risk mitigation techniques

The BPM Group requests guarantees to cover credit risk on a selective basis according to the customer credit evaluation. In these cases, the allocation of credit depends on obtaining the guarantee.
Guarantees are either secured, particularly by mortgages (accounting for 60% of the guarantee portfolio), securities or personal guarantees.
Mortgages are accepted at double or triple the guaranteed obligation, depending on the duration.
In the case of securities-backed guarantees, a periodic market assessment is carried out. In other cases, the assessment process follows the methods and frequency in accordance with the specific form of guarantee obtained. In this regard, implementation of the new regulations for the prudent supervision of banks provided for in the aforementioned circular is underway.
Personal guarantees are obtained after evaluating the guarantor's assets and personal credit rating, which is also re-assessed when reviewing the associated credit lines.
The contracts prepared for acquiring both real and personal guarantees were reviewed within the context of the Basel 2 project and found to be compliant with those regulations and thus free of restrictions that could undermine the legal validity of the guarantees.

In order to better monitor the guarantees, the BPM Group is in the process of defining specific criteria on the eligibility of real and personal guarantees. Furthermore, towards the same end, by the end of 2008, a collateral management function will be set up within the Parent Bank in order to monitor the performance of the guarantees.

2.4 Impaired loans

As described above, a specialised unit within the Credit Department is assigned to monitor credit positions and identify any "problematic" positions; in accordance with the internal Regulations, this unit is responsible for deciding the degree of impairment and thus place the loan in a specific classification.
Once a status of "impairment" has been determined, the unit takes specific steps, in cooperation with the business network, to restore the position to performing status. Where this is not possible, a disengagement plan is generally agreed upon; if this fails, then the positions in default are referred to the Legal Department for the relative recovery procedures to protect the bank's interests.

The methods for classifying impaired loans are established by special internal rules in compliance with those established by Basel 2.

Quantitative data

A. Credit quality

A.1 Impaired and performing loans: balance, impairment adjustments, movements, distribution by business segment and geographical location

A.1.1 Distribution of financial assets by originating portfolio and credit quality (book value)

Portfolios/quality	Group						Other Companies		Total
	Non-performing loans	Problem loans	Restructured loans	Overdue loans	Country risk	Other assets	Impaired	Other	
1. Financial assets held for trading	–	–	–	–	612	3,088,657	–	575	3,089,844
2. Financial assets available for sale	62	1,762	–	–	–	2,016,142	–	–	2,017,966
3. Financial assets held to maturity	–	–	–	–	–	–	–	–	–
4. Loans and advances to banks	–	–	–	44	–	4,230,354	–	134,231	4,364,629
5. Loans and advances to customers	147,153	265,681	41,301	91,306	3,350	31,493,104	–	–	32,041,895
6. Financial assets designated at fair value through profit and loss	–	–	–	–	–	839,250	–	247,006	1,086,256
7. Non-current assets held for sale	–	–	–	–	–	–	–	–	–
8. Hedging derivatives	–	–	–	–	–	13,581	–	–	13,581
Total 30.06.2008	**147,215**	**267,443**	**41,301**	**91,350**	**3,962**	**41,681,088**	**–**	**381,812**	**42,614,171**
Total 31.12.2007	**129,399**	**254,811**	**41,258**	**84,075**	**16,282**	**39,276,728**	**–**	**756,501**	**40,559,054**

A.1.2 Distribution of financial assets by originating portfolio and credit quality (gross and net values)

Portfolios/quality	Impaired assets				Other assets			Total Net loans
	Gross loans	Specific adjustments	Portfolio adjustments	Net loans	Gross loans	Portfolio adjustments	Net loans	
A. Banking group								
1. Financial assets held for trading	612	–	–	612	X	X	3,088,657	3,089,269
2. Financial assets available for sale	12,669	10,845	–	1,824	2,016,142	–	2,016,142	2,017,966
3. Financial assets held to maturity	–	–	–	–	–	–	–	–
4. Loans and advances to banks	44	–	–	44	4,230,530	176	4,230,354	4,230,398
5. Loans and advances to customers	1,000,163	391,732	59,640	548,791	31,652,658	159,554	31,493,104	32,041,895
6. Financial assets designated at fair value through profit and loss	–	–	–	–	X	X	839,250	839,250
7. Non-current assets held for sale	–	–	–	–	–	–	–	–
8. Hedging derivatives	–	–	–	–	X	X	13,581	13,581
Total A	**1,013,488**	**402,577**	**59,640**	**551,271**	**X**	**159,730**	**41,681,088**	**42,232,359**
B. Other companies included in the consolidation								
1. Financial assets held for trading	–	–	–	–	X	X	575	575
2. Financial assets available for sale	–	–	–	–	–	–	–	–
3. Financial assets held to maturity	–	–	–	–	–	–	–	–
4. Loans and advances to banks	–	–	–	–	134,231	–	134,231	134,231
5. Loans and advances to customers	–	–	–	–	–	–	–	–
6. Financial assets designated at fair value through profit and loss	–	–	–	–	X	X	247,006	247,006
7. Non-current assets held for sale	–	–	–	–	–	–	–	–
8. Hedging derivatives	–	–	–	–	X	X	–	–
Total B	**–**	**–**	**–**	**–**	**X**	**–**	**381,812**	**381,812**
Total at 30.06.2008	**1,013,488**	**402,577**	**59,640**	**551,271**	**X**	**159,730**	**42,062,900**	**42,614,171**
Total at 31.12.2007	**967,046**	**410,585**	**46,918**	**509,543**	**X**	**164,236**	**40,049,511**	**40,559,054**

A.1.3 Cash loans and off-balance sheet loans and advances to banks: gross and net values

Types of loans/values	Gross loans	Specific adjustments	Portfolio adjustments	Net loans
A. CASH LOANS				
A.1. Banking group				
a) Non-performing loans	–	–	–	–
b) Problem loans	–	–	–	–
c) Restructured loans	–	–	–	–
d) Loans overdue	44	–	–	44
e) Country risk	427	X	–	427
f) Other assets	5,872,206	X	176	5,872,030
TOTAL A.1.	**5,872,677**	**–**	**176**	**5,872,501**
A.2. Other companies				
a) Impaired				–
b) Other	147,025	X	–	147,025
TOTAL A.2.	**147,025**	**–**	**–**	**147,025**
TOTAL A	**6,019,702**	**–**	**176**	**6,019,526**
B. OFF-BALANCE SHEET LOANS				
B1. Banking group				
a) Impaired	–	–	–	–
b) Other	1,715,359	X	78	1,715,281
TOTAL B.1.	**1,715,359**	**–**	**78**	**1,715,281**
B.2. Other companies				
a) Impaired				–
b) Other	575	X	–	575
TOTAL B.2.	**575**	**–**	**–**	**575**
TOTAL B	**1,715,934**	**–**	**78**	**1,715,856**

A.1.4 Cash loans to banks: movements in gross impaired loans subject to "country risk"

Causes/categories	Non-performing loans	Problem loans	Restructured loans	Overdue loans	Country risk
A. Opening gross loans	**–**	**–**	**–**	**59**	**551**
- of which: loans sold and not cancelled	–	–	–	–	–
B. Increases	**–**	**–**	**–**	**25**	**427**
B.1 transfers from performing loans	–	–	–	25	–
B.2 transfers from other categories of impaired loans	–	–	–	–	–
B.3 other increases	–	–	–	–	427
C. Decreases	**–**	**–**	**–**	**40**	**551**
C.1 transfers to performing loans	–	–	–	–	–
C.2 cancellations	–	–	–	–	–
C.3 collections	–	–	–	40	–
C.4 gains on sales	–	–	–	–	–
C.5 transfers to other categories of impaired loans	–	–	–	–	–
C.6 other decreases	–	–	–	–	551
D. Closing gross loans	**–**	**–**	**–**	**44**	**427**
- of which: loans sold and not cancelled	–	–	–	–	–

A.1.5 Cash loans to banks: overall value adjustment movements

Causes/categories	Non-performing loans	Problem loans	Restructured loans	Overdue loans	Country risk
A. Opening overall adjustments	**–**	**–**	**–**	**–**	**–**
- of which: loans sold and not cancelled	–	–	–	–	–
B. Increases	**–**	**–**	**–**	**–**	**–**
B.1 adjustments	–	–	–	–	–
B.2 transfers from other categories of impaired loans	–	–	–	–	–
B.3 other increases	–	–	–	–	–
C. Decreases	**–**	**–**	**–**	**–**	**–**
C.1 reversals of impairment losses	–	–	–	–	–
C.2 writebacks on collection	–	–	–	–	–
C.3 cancellations	–	–	–	–	–
C.4 transfers to other categories of impaired loans	–	–	–	–	–
C.5 other decreases	–	–	–	–	–
D. Closing overall adjustments	**–**	**–**	**–**	**–**	**–**
- of which: loans sold and not cancelled	–	–	–	–	–

A.1.6 Cash loans and off-balance sheet loans to customers: gross and net values

Types of loans/values	Gross loans	Specific adjustments	Portfolio adjustments	Net loans
A. CASH LOANS				
A.1. Banking group				
a) Non-performing loans	475,371	327,760	396	147,215
b) Problem loans	352,330	34,268	50,619	267,443
c) Restructured loans	87,224	40,549	5,374	41,301
d) Loans overdue	94,053	–	2,747	91,306
e) Country risk	4,039	X	504	3,535
f) Other assets	34,925,435	X	159,554	34,765,881
TOTAL A.1.	**35,938,452**	**402,577**	**219,194**	**35,316,681**
A.2. Other companies				
a) Impaired	–	–	–	–
b) Other	234,212	X	–	234,212
TOTAL A.2.	**234,212**	**–**	**–**	**234,212**
TOTAL A	**36,172,664**	**402,577**	**219,194**	**35,550,893**
B. OFF-BALANCE SHEET LOANS				
B.1. Banking group				
a) Impaired	33,226	4,904	4,061	24,261
b) Other	8,363,113	X	9,214	8,353,899
TOTAL B.1.	**8,396,339**	**4,904**	**13,275**	**8,378,160**
B.2. Other companies				
a) Impaired				–
b) Other		X		–
TOTAL B.2.	**–**	**–**	**–**	**–**
TOTAL B	**8,396,339**	**4,904**	**13,275**	**8,378,160**

A.1.7 Cash loans to customers: movements in gross impaired loans subject to "country risk"

Causes/categories	Non-performing loans	Problem loans	Restructured loans	Overdue loans	Country risk
A. Opening gross loans	**454,572**	**338,749**	**87,905**	**85,761**	**11,513**
- of which: loans sold and not cancelled	4,967	12,703	–	820	–
B. Increases	**105,305**	**315,741**	**7,805**	**73,589**	**185**
B.1 transfers from performing loans	11,155	287,510	–	72,177	185
B.2 transfers from other categories of impaired loans	89,255	20,745	6,975	–	–
B.3 other increases	4,895	7,486	830	1,412	–
C. Decreases	**84,506**	**302,160**	**8,486**	**65,297**	**7,659**
C.1 transfers to performing loans	–	80,473	217	42,070	–
C.2 cancellations	54,607	4,490	–	–	–
C.3 collections	29,288	91,360	3,042	1,017	1,938
C.4 gains on sales	–	31,500	–	–	–
C.5 transfers to other categories of impaired loans	–	91,205	4,380	21,390	–
C.6 other decreases	611	3,132	847	820	5,721
D. Closing gross loans	**475,371**	**352,330**	**87,224**	**94,053**	**4,039**
- of which: loans sold and not cancelled	8,821	16,959	–	743	–

A.1.8 Cash loans to customers: overall value adjustment movements

Causes/categories	Non-performing loans	Problem loans	Restructured loans	Overdue loans	Country risk
A. Opening overall adjustments	**325,173**	**83,938**	**46,647**	**1,745**	**786**
- of which: loans sold and not cancelled	1,360	921	–	3	–
B. Increases	**71,216**	**22,476**	**544**	**1,073**	**-**
B.1 adjustments	60,239	21,966	544	1,073	–
B.2 transfers from other categories of impaired loans	10,888	–	–	–	–
B.3 other increases	89	510	–	–	–
C. Decreases	**68,233**	**21,527**	**1,268**	**71**	**282**
C.1 reversals of impairment losses	6,335	2,797	743	–	282
C.2 writebacks on collection	6,944	3,877	–	–	–
C.3 cancellations	54,607	4,490	–	–	–
C.4 transfers to other categories of impaired loans	–	10,363	525	–	–
C.5 other decreases	347	–	–	71	–
D. Closing overall adjustments	**328,156**	**84,887**	**45,923**	**2,747**	**504**
- of which: loans sold and not cancelled	2,566	1,198	–	3	–

B. Distribution and concentration of credit

B.5 Significant risks

	30.06.2008	**31.12.2007**
a) Amount (provisional figure)	747,570	1,111,573
b) Number	1	2

In accordance with regulatory requirements, “significant risks” reflect loans and advances to customers (assets weighted by cash, guarantees and commitments), or groups of related customers, that exceed 10% of consolidated regulatory capital.

C. Securitisation and disposal of assets

C.1 Securitisation transactions

Qualitative data

Parent Bank securitisation transactions

BPM Securitisation 2 S.r.l.

In 2006 the Parent Bank finalised a securitisation transaction involving the sale without recourse of a portfolio of performing loans totalling Euro 2,011.3 million deriving from mortgage and property loans issued by the Parent Bank and secured by class A real guarantees, to a special-purpose vehicle called BPM Securitisation 2 S.r.l., pursuant to Law 130 of 30 April 1999.

For additional details, see the respective section of BPM's separate financial statements as at 31 December 2007.

At the financial statement reference date, the securitisation transaction is recorded as follows in the Group's financial statements:

Euro/000

Items	30.06.2008	31.12.2007
Balance Sheet		
Loans and advances to customers - assets sold and not cancelled	1,357,444	1,534,449
Loans and advances to banks: SPV cash at bank and in hand	132,863	535,924
Loans and advances to banks: security deposit c/o Citibank	12,183	12,182
Other assets	548	19
Due to customers: liabilities for assets sold and not cancelled	1,401,500	1,984,152
Other liabilities	392	433
Income Statement		
Interest income on assets sold and not cancelled	43,879	93,375
Interest income on loans and advances to banks: SPV cash at bank and in hand	2,455	13,346
Interest income on loans and advances to banks: security deposit c/o Citibank	253	564
Interest expense on liabilities related to assets sold and not cancelled	(36,069)	(84,960)
Fee and commission income	775	1,742
Other operating income	–	3
Adjustments on loans and advances to customers	(1,130)	(881)
Administrative expenses	(38)	(91)
Transaction result	**10,125**	**23,098**

Other securitisation transactions

There are certain securities in the loans portfolio, the financial assets held for trading and those designated at fair value through profit and loss, that can be traced back to securitisations of third party issuers. These investments are for relatively modest amounts and represent an alternative residual form of loan diversification.

Quantitative data

C.1.1 Loans deriving from securitisation transactions, broken down by underlying asset quality

Underlying asset quality/Loans	Cash loans					
	Senior		Mezzanine		Junior	
	Gross loans	Net loans	Gross loans	Net loans	Gross loans	Net loans
A. With own underlying assets:	**–**	**–**	**50,986**	**50,986**	**26,652**	**22,884**
a) Impaired	–	–	–	–	–	22,756
b) Other	–	–	50,986	50,986	26,652	128
B. With third-party underlying assets:	**102,102**	**76,645**	**41,036**	**30,121**	**–**	**–**
a) Impaired	2,568	2,599	–	–	–	–
b) Other	99,534	74,046	41,036	30,121	–	–

Underlying asset quality/ Loans	Guarantees given						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross loans	Net loans	Gross loans	Net loans	Gross loans	Net loans	Gross loans	Net loans	Gross loans	Net loans	Gross loans	Net loans
A. With own underlying assets:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
a) Impaired	–	–	–	–	–	–	–	–	–	–	–	–
b) Other	–	–	–	–	–	–	–	–	–	–	–	–
B. With third-party underlying assets:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
a) Impaired	–	–	–	–	–	–	–	–	–	–	–	–
b) Other	–	–	–	–	–	–	–	–	–	–	–	–

The cash loan related to impaired assets underlying the mezzanine and junior notes refers to the BPM Securitisation 2 transaction

C.1.2 Loans deriving from the principal “own” securitisation transactions, broken down by category of securitised assets and by type of loans

Category of securitised assets/Loans	Cash loans						Guarantees given						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Adjustments / Reversals of impairment losses	Carrying amount	Adjustments / Reversals of impairment losses	Carrying amount	Adjustments / Reversals of impairment losses	Carrying amount	Adjustments / Reversals of impairment losses	Carrying amount	Adjustments / Reversals of impairment losses	Carrying amount	Adjustments / Reversals of impairment losses	Carrying amount	Adjustments / Reversals of impairment losses	Carrying amount	Adjustments / Reversals of impairment losses	Carrying amount	Adjustments / Reversals of impairment losses
A. Fully cancelled from financial statements	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B. Partially cancelled from financial statements	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
C. Not cancelled from financial statements	**–**	**–**	**50,986**	**–**	**22,884**	**(139)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
C.1 BPM Securitisation 2 S.r.l	–	–	50,986	–	22,884	(139)	–	–	–	–	–	–	–	–	–	–	–	–
- residential mortgages	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

C.1.3 Loans deriving from the principal "third-party" securitisations, broken down by category of securitised asset and by type of loans

Type of asset Securitised/Loans	Cash loans						Guarantees given						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Adjustments / reversals of impairment losses	Carrying amount	Adjustments / reversals of impairment losses	Carrying amount	Adjustments / reversals of impairment losses	Carrying amount	Adjustments / reversals of impairment losses	Carrying amount	Adjustments / reversals of impairment losses	Carrying amount	Adjustments / reversals of impairment losses	Carrying amount	Adjustments / reversals of impairment losses	Carrying amount	Adjustments / reversals of impairment losses	Carrying amount	Adjustments / reversals of impairment losses
A.1 C.P.G.	14,059	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Mortgage loans																		
A.2 Asset Back Eur 08	6,534	(1,934)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Loans																		
A.3 Asset Back Eur 10	13,068	(3,869)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Loans																		
A.4 Arcob 2006	2,737	(38)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Loans																		
A.5 Claris Ltd.	265	(4,391)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Mortgage loans																		
A.6 Mutina Srl	2,599	(12)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Non-performing loans																		
A.7 Napa Valley	159	(743)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Loans																		
A.8 Pharmafin 3 Classe A	35,277	(177)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Loans																		
A.9 Pharmafin 3 Classe B	1,947	(25)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Loans					–	–	–	–	–	–	–	–	–	–	–	–	–	–
A.10 Triplas IV	–	–	9,869	40	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Loans																		
A.11 ELM BV	–	–	10,046	(2,868)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Loans																		
A.12 Clare Island	–	–	4,308	(459)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Loans																		
A.13 EMBSF	–	–	2,816	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Loans																		
A.14 Pharmafin 3 Classe C	–	–	3,082	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Loans																		

The amounts indicated in the column "carrying amount" are inclusive of any instalments becoming due. The column "Adjustments/reversals of impairment losses" indicates the unrealised gains/losses reported in the annual income statement.

C.1.4 Loans to securitisations, broken down by portfolio and type

Loan/portfolio	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Financial assets held to maturity	Loans	30.06.2008	31.12.2007
1. Cash loans	**19,602**	**73,106**	**–**	**–**	**14,059**	**106,766**	**83,155**
- "Senior"	19,602	42,984	–	–	14,059	76,645	52,580
- "Mezzanine"	–	30,121	–	–	–	30,121	30,575
- "Junior"	–	–	–	–	–		
2. Off-balance sheet loans	–	–	–	–	–	–	–
- "Senior"	–	–	–	–	–	–	–
- "Mezzanine"	–	–	–	–	–	–	–
- "Junior"	–	–	–	–	–	–	–

C.1.5 Total securitised assets underlying the junior notes or other forms of credit support

Assets/Amounts	Traditional securitisations	Synthetic securitisations
A. With own underlying assets:	**1,357,444**	**–**
A.1 Fully cancelled	–	X
1. Non-performing loans	–	X
2. Problem loans	–	X
3. Restructured loans	–	X
4. Overdue loans	–	X
5. Other assets	–	X
A.2 Partially cancelled	–	X
1. Non-performing loans	–	X
2. Problem loans	–	X
3. Restructured loans	–	X
4. Overdue loans	–	X
5. Other assets	–	X
A.3 Not cancelled	1,357,444	–
1. Non-performing loans	6,255	–
2. Problem loans	15,761	–
3. Restructured loans	–	–
4. Overdue loans	740	–
5. Other assets	1,334,688	–
B. Underlying assets of third parties:	**–**	**–**
B.1 Non-performing loans	–	–
B.2. Problem loans	–	–
B.3. Restructured loans	–	–
B.4. Overdue loans	–	–
B.5. Other assets	–	–

C.1.6 Holdings in Special Purpose Vehicles (SPVs)

Company name	Head offices	% Interest
BPM Securitisation 2 S.r.l.	Rome	n.a.

The Parent Bank does not have a stake in the above SPV. In any case, the company is consolidated on the basis of "continuing involvement".

C.1.7 Servicer activity - collection of securitised loans and redemption of notes issued by the SPV

SPV	Securitised assets (end of period data)		Loans collected during the year		Percentage of notes redeemed (end of period data)					
	Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior	
					Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
BPM Securitisation 2 S.r.l.	22,756	1,334,688	118	220,739		29.34%		0%		0%

C.2 Transfer transactions

C.2.1 Assets sold and not cancelled

Technical forms/ Portfolio	Financial assets held for trading			Financial assets designated at fair value through profit and loss			Financial assets available for sale			Financial assets held to maturity			Loans and advances to banks			Loans and advances to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	30.06.2008	31.12.2007
A. Cash assets	**903,568**	**–**	**–**	**14,921**	**–**	**–**	**339,735**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,357,444**	**–**	**–**	**2,615,668**	**2,547,519**
1. Debt securities	458,432	–	–	14,921	–	–	339,735	–	–	–	–	–	–	–	–	–	–	–	813,088	288,828
2. Equities	445,136	–	–	–	–	–	–	–	–	X	X	X	X	X	X	X	X	X	445,136	724,242
3. Mutual fund shares	–	–	–	–	–	–	–	–	–	X	X	X	X	X	X	X	X	X	–	–
4. Loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,357,444	–	–	1,357,444	1,534,449
5. Impaired ssets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
B. Derivatives	**–**	**–**	**–**	**X**	**X**	**X**	**–**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**–**	**–**
Total at 30.06.2008	**903,568**	**–**	**–**	**14,921**	**–**	**–**	**339,735**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,357,444**	**–**	**–**	**2,615,668**	**–**
Total at 31.12.2007	**882,475**	**–**	**–**	**–**	**–**	**–**	**130,595**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,534,449**	**–**	**–**	**–**	**2,547,519**

Key:
A = Financial assets sold and recorded at full value (book value)
B = Financial assets sold and partially recorded (book value)
C = Financial assets sold and partially recorded (full value)

The amounts stated in point "1. Debt securities" refer to securities used for funding repurchase agreements.
Point "2. Equities" refers to securities used for securities lending transactions.
The amounts indicated in the column "Loans and advances to customers" refer to the BPM Securitisation 2 securitisation transaction carried out by the Parent Bank.

C.2.2 Financial liabilities due to financial assets sold and not cancelled

Liabilities/Assets portfolio	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Financial assets held to maturity	Loans and advances to banks	Loans and advances to customers	Total
1. Due to customers	**503,954**	**14,771**	**76,809**	**–**	**–**	**1,401,500**	**1,997,034**
a) for assets recorded in full	503,954	14,771	76,809	–	–	1,401,500	1,997,034
b) for partially recorded assets	–	–	–	–	–	–	–
2. Due to banks	**479,252**	**–**	**259,180**	**–**	**–**	**–**	**738,432**
a) for assets recorded in full	479,252	–	259,180	–	–	–	337,294
b) for partially recorded assets	–	–	–	–	–	–	–
Total at 30.06.2008	**983,206**	**14,771**	**335,989**	**–**	**–**	**1,401,500**	**2,735,466**
Total at 31.12.2007	**1,009,183**	**–**	**130,919**	**–**	**–**	**1,984,152**	**3,124,254**

D. Credit risk measurement models

From the end of the 90s, BPM Group has been making investments in creditworthiness evaluation systems for the different segments of customers, building a significant and early experience, in terms of the provisions set forth in Basil 2, in the management of credit allocations and operating authorities, in the methodologies and instruments based on internal data.
It is to be noted that in the course of 2004, the Board of Directors of the Parent Bank had approved the adoption of the FIRB approach (Foundation Internal Rating Based) as regards both the exposure classes applicable to companies and the retail exposure.
Notwithstanding some minor activities targeted at the enhancement of the internal rating system, the review process of the internal models has been mostly completed. This process included the adjustment of credit and organization processes as well as of information systems to make them compliant with the provisions set forth in the New Capital Accord (the so called "Basel II").
The internal rating system has been extended to the three retail banks of the Group (Banca Popolare di Milano, Banca di Legnano e Cassa di Risparmio di Alessandria) and is used in the following processes:

- creditworthiness evaluation;
- risk measurement;
- definition of credit policies;
- customers stratification;
- directors reports;
- financial statements preparation.

The internal rating models refer to four segments of ordinary customers, classified according to the size parameters described earlier (see previous Chapter 2.2 - Credit management, measurement and control systems):

- Private individuals
- Small Businesses
- Small and Medium-sized Enterprises (SME
- Enterprises

All models were developed internally and were based on representative samples from the BPM Group customer portfolio.

A statistical/quantitative type of rating is available for **"Private individuals"**. This rating keeps into account the requester's socio/demographic and income information, a well as data related to the product being requested and, if available, trend figures.
For this segment, the assessment is further divided by product/transaction (home mortgages, specific loans, overdraft facilities, and credit cards).

In the case of enterprises in the **"Small Business"** segment, the review process has led to the development of a new statistical-quantitative rating model that keeps into account the following:

- financial and profitability variables;
- internal trend variables;
- external trend variables (risks to the banking and finance system);
- easily measurable quantitative elements (only in terms of notching).

The model was created based on a typical development sample of BPM Group customers, and the results provide an effective credit-worthiness rating for even the smallest companies, emphasising the Group's "retail banking" mission.

A new statistical-quantitative type of model was developed for the **"Small Medium-sized Enterprises (SMEs)"**, composed of:

- financial and profitability variables;
- internal trend variables;
- external trend variables (risks to the banking system);
- qualitative items subject to statistical processing.

A new model developed also for the **"Enterprises"** assigns particular importance to the qualitative component, arising from the opinion of analysis experts and not included in the statistical engine, in accordance with the segment's size profile and the type of business.

The components of the internal rating systems applied to "Enterprises" are the following:

- financial and profitability variables;
- external trend variables (risks to the banking system);
- expert qualitative analysis of the sector's strategic risk, of the economic and financial risk, and of the internal performance risk;
- analysis of the counterparty's association with business groups.

The internal rating system is also used in calculating the collective impairment applied to all credits where objective evidences of losses were not individually identified.
The credits are divided into homogenous risk categories for which the estimated impairment is determined on the basis of past experience.
The collective impairment is calculated by determining the amount of portfolio adjustments, that is the product of the exposure at the report date, the probability of default (PD) and the loss given default (LGD).

These rating models are governed by the Credit Risk Management office of the Parent Bank, which sets up the models used for the statistical determination of the probability of default (PD), monitors them, and periodically measures their performance.
The Credit Risk Management office will help in determining the LGD parameters for the various customers' segments, by analysing and processing multiyear historical data.
The risk monitoring offices supplement the results of the analyses, performed through the rating models, with reports on the monitoring of the composition and risk level of the bank's loan portfolio, as well as on the analysis of the risk concentration.

The following table shows the evolution, in the course of the previous 12 months, of cash loans, broken down by the four segments of customers:

BPM Group (millions of euro)	**June 08**			**March 08**			**December 07**			**September 07**		
	Amount	**weight %**	**Customers**	**Amount**	**weight %**	**Customers**	**Amount**	**weight %**	**Customers**	**Amount**	**weight %**	**Customers**
Enterprises	9,325	33.23	1,450	9,101	33.48	1,440	9,409	33.1	1,284	9,230	34.0	1,497
SMEs	8,295	29.56	7,293	8,025	29.52	7,220	8,056	28.4	6,867	7,914	29.2	7,435
Small Businesses	4,122	14.69	60,406	3,978	14.63	61,007	4,911	17.3	61,529	4,291	15.8	61,304
Private individuals	6,324	22.53	192,460	6,078	22.36	187,146	6,006	21.2	180,499	5,692	20.9	187,382
Total	**28,067**	**100.00**	**261,609**	**27,181**	**100.00**	**256,813**	**28,382**	**100.0**	**250,179**	**27,127**	**100.0**	**257,618**

(*) The amount of Euro 28,067 million, as of 30 June 2008 (before adjustments), differs from the balance of "loans and advances to customers" of Euro 32,042 million, under item 70 of the financial statements, since it excludes "impaired assets", the deletion of intra-group positions, the lending repurchase agreements, securities classified as "loans and receivables" and loans to governments and public bodies.

1.2 Market risk

General aspects relating to management processes and methods for measuring the market risk assumed by the BPM Group

1. Organisational aspects

In the BPM Group, financial assets are divided between trading book and banking financial portfolio, which are characterised by the following operational strategies:

1. the **trading book** includes the financial instruments held for the purpose of benefiting, in the short term, from positive variations between purchase and sale price, through directional or absolute return strategies, and by managing position books in the capacity of "market maker";

2. the **financial banking portfolio** includes:
- positions traded for long-term investments with the objective to obtain stable returns over time, and characterised by a limited volatility;
- over-the-counter derivatives on behalf of customers (the "offsetting trade") with no position books open;
- treasury and foreign exchange portfolio;
- financial instruments traded for the purpose of covering the interest rate mismatch generated by the lending and funding activity carried out by commercial banks (Asset Liabilities Management – ALM).

The new system of operating limits, approved in 2007, has determined that Banca Akros is the only entity of the BPM Group authorised to manage the trading portfolio.

The banking portfolio has instead been assigned to the Parent Bank, to the other commercial banks of the group (Banca di Legnano and Cassa di Risparmio di Alessandria), to BPM Ireland and to the other companies authorised to assume financial risks.

It should be noted that, by a provision issued on 17 May 2007, the Bank of Italy has authorised Banca Akros to use the internal model for the purpose of determining the capital requirements against the following market risks arising from trading activities:
- generic and specific risk on equities;
- generic risk on debt securities;
- position risk on mutual fund certificates (excluding equity participation in speculative mutual funds, i.e. hedge funds);
- exchange rate risk on the entire financial statements.

2. Risk measurement methods

2.1 Commercial banks and BPM Ireland

The introduction of the new system of operating limits into the banks that have been allocated with the banking portfolio has led to the implementation of systems for risk management based on interest rate sensitivity and credit spread sensitivity.

The Parent Bank's Risk Management Service has developed, through the Kondor+ application, the following tools for risk management:

- interest rate sensitivity: due to the changes in interest rates, any change occurring in the net present value is calculated with reference to predetermined rate scenarios, usually +/- 100 bps, applied to different Euribor/swap curves for each currency;

- credit spread sensitivity: for the bonds, in addition to the type of sensitivity described in the previous point, changes in the net present value are quantified by applying a shift of +/- 25bps to the Euribor/swap discount rate. As for floating rate securities, the curve used to estimate forward rates, is left unchanged.

2.2 Banca Akros

The main indicator adopted for risk quantification is the Value-at-Risk (the so-called VaR), which is calculated based on the Montecarlo simulation method. With this method, the distribution of potential gains and losses is estimated by recalculating the value of the portfolio according to simulated scenarios for risk factors, generated on the basis of volatility dynamics and correlations implicit in the historical performance of those factors. The maximum potential loss is found as an appropriate percentile of the distribution.

The parameters used by the VaR model are:

- historical period used for estimating volatility and empirical correlations: one year (252 observations);
- confidence interval: 99%, unilateral;
- holding period: 1 day;
- weighting factor: 0.992.

Data are input into the historical series of risk factors on a daily basis.

The following table highlights the average, maximum, minimum and year-end VaR figures relative to the first half-year of 2008 and pertaining to the entire trading portfolio as well as to the single areas of risk into which it is divided.

99% - 1 DAY First-half 2008	Rate Risk	Equity Risk	Exchange Rate Risk	Effect of Diversification	Risk Total
Average VaR EUR (000)	368	1.322	74	–419	1.344
Max VaR EUR (000)	772	3.360	191	–1.073	3.250
Min VaR EUR (000)	132	369	12	–82	431
Last VaR EUR (000)	565	1.739	136	–651	1.789
Nr. Exceptions	7	1	2		1

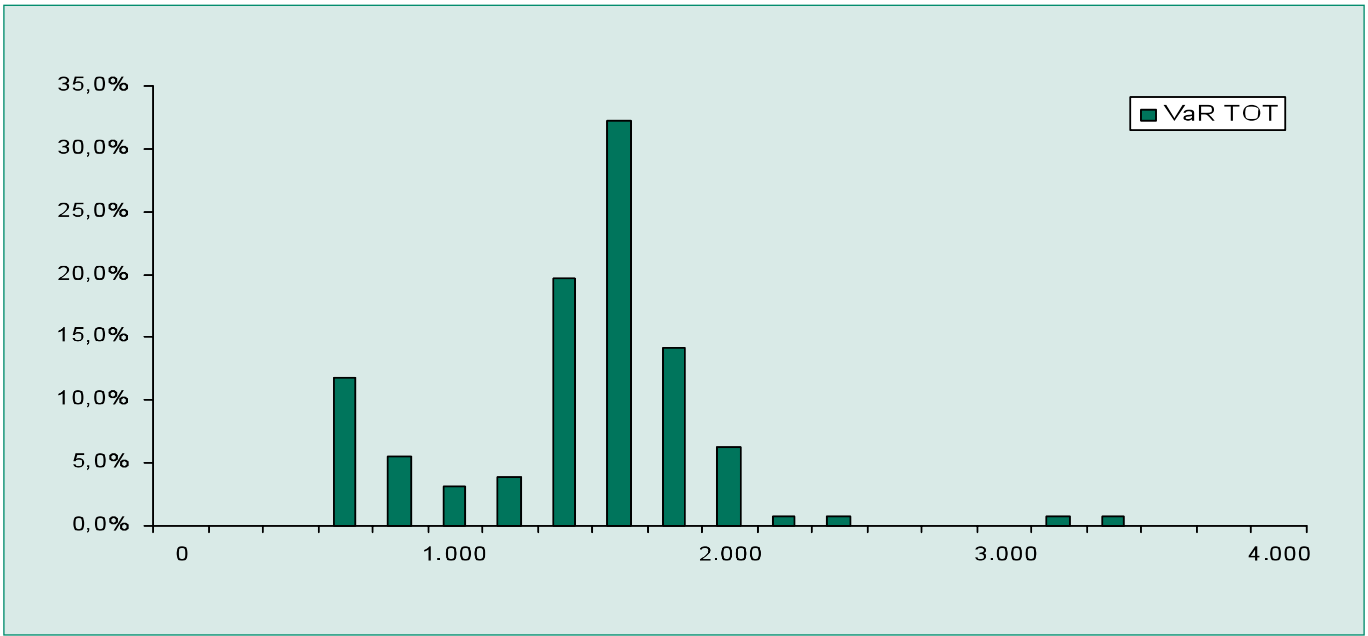
In the first half of 2008, the market risk pertaining to the entire trading book, including diversification effects, generated an average daily "value at risk" of about Euro 1.34 million, a sharp increase when compared with an average VaR of Euro 0.5 million recorded in the same period of the previous year. The reason for the increase in the trading book risk is to be attributed mainly to the progressively increasing risk in the financial markets that started in the second half of 2007 when the most relevant event, as regards the risk positions assumed by the Bank, was the sudden and significantly higher European stock market volatility followed by the stock market crash on 21 January 2008. At that time, the reference share index of the Euro area (Dow Jones Eurostoxx 50) registered, in one single session, a loss of 7.6%, a percentage comparable to the stock market shock which occurred after 11 September 2001. The main driver of this decisive increase in the portfolio risk, registered in the first quarter of 2008, was not an increase in the risk positions of the trading book, but instead the increased daily movements of financial variables which led to an increase in the volatility of market factors and therefore of the VaR. Although the rapid movements have also caused some changes in the portfolios' exposures, the increase of the VaR is primarily the expression of increased market risks which, at their first manifestation, were promptly identified by risk measurements.

An analysis of the distribution of the capital at risk in the entire trading book shows that the activity undertaken in the equity segment was the primary source of risk, followed by, to a lesser extent, the activity in the interest-rate segment. The risk generated by foreign exchange activity is fairly modest. The following table shows comparative data concerning the first six months of 2007.

99% - 1 DAY First-half 2007	Rate Risk	Equity Risk	Exchange Rate Risk	Effect of Diversification	Risk Total
Average VaR EUR (000)	324	405	20	–247	503
Max VaR EUR (000)	606	850	43	–385	917
Min VaR EUR (000)	146	170	10	–126	213
Last VaR EUR (000)	261	574	14	–183	665
N. Exceptions	0	0	8		0

A comparison of the two tables shows that the overall increase in the VaR is to be attributed almost entirely to the equity risk area where the concomitant effect of increased volatility in the risk factors mentioned above and the rapid drop in equities performance have intensified the exposure to risk measured by the VaR.

The chart below shows the frequency distribution of daily VaR values, relative to the entire trading book, that was recorded in the first six months of 2008.



The projections generated by the VaR model are subject to the requirement of daily, retrospective tests used to compare on a daily basis, the estimate of the expected loss, quantified ex-ante by the model, with the economic results that are actually recorded ex-post. The number of events, where the losses that are actually recorded exceed the VaR value (the so-called "exceptions"), must be consistent with the confidence range applied to the model.
In the course of the first six months of 2008, the retrospective tests, run on the entire trading book, have identified only one exception in the overall VaR of Banca Akros. With a VaR value of Euro 438 thousand, as of 4 January 2008, the overnight component of the trading book at the end of the next day was Euro -447 thousand, which exceeded the limits by 2.05% with respect to the risk measurement.
A detailed analysis, at the sub-portfolio level, shows that the cause for this modest exceeding of the limits, should be attributed to a breakdown of the historical correlations of the matrix of variances and co-variances used by the VaR model, which generates an exception at the sub-portfolio level to an extent sufficient also to explain the overall exception.
During the first six months, the overall maximum VaR limit of Euro 3.5 million, set forth by the Parent Bank, was not exceeded.

2.2.1 Explanatory notes on the internal model

In conjunction with the required retrospective tests, additional analyses were conducted in order to assess the capacity of the model to identify correctly the assumed risks. Such assessments are conducted resorting also to the following:

- the application of confidence ranges other than those required;
- statistics other than the one represented by exceptions frequency;
- estimates through other extreme risk measurements;
- the comparison with methods other than the quantification of the VaR;
- the monitoring of the number of risk factors with respect to the depth of historical series being input into the model.

The results from these analyses, which involve subjecting the model to assessments based on different view points and methods, confirm an overall consistency of the actual results with the hypothesis of the model, as regards the adequacy of its predictive capacity to empirically identify the observed evidence.

These analyses were the subject matter of recent communications with Bank of Italy, as is required by a provision authorising the use of the internal model for calculating capital requirements. These explanatory notes provide also an update of the interventions aimed at enhancing the model, highlighted in the authorisation provision. Of particular relevance, from a quantitative point of view, are the following aspects: the tests conducted on the correct sizing of the historical series that are used for estimating the matrix of variances/co-variances in relation to the number of risk factors underlying the portfolio; with reference to the organizational profiles, the definition of stress tests based on simulations on non-parallel movements of volatility surfaces; with reference to the information systems, the rationalisation of the procedures pertaining to the VaR calculation system and the recording of the model's output data.

The explanatory notes also include the results of the assessments conducted by the Internal Auditing on various aspects of the risk management system, with a particular emphasis on the observance of the operating limits, on the procedures authorising the exceeding of the limits, on the correct area of application of the internal model, on the corresponding positions of various "archives" and on the accuracy of the process used for determining the fair value.

2.2.2 Stress testing activity

During the first half of the year, the stress testing activity was intensified through the introduction of scenarios regarding specifically regarding stock market volatility. The stress testing was carried out regularly and on the entire trading book and sub-portfolios.
During the testing, the banking book was subjected to extreme market shocks, specifically formulated, and the negative results were recorded and analysed. The scenarios used are of three types: historical (situations that actually occurred over the years), hypothetical (generated by possible crisis scenarios) and specific (formulated based on the potential vulnerabilities of the portfolio). These tests are performed at least on a weekly basis.
In the first half of 2008, they demonstrated that the entire trading book would withstand even extreme changes in market factors. More specifically, as regards historical and hypothetical scenarios, the overall change in the portfolio value was for the most part positive.
When the scenarios of portfolio stress produced negative results, the extent of the negative economic effect was estimated as tolerable when compared with the requirements based on the VaR. However, as a precaution, the underlying position was decreased in some cases.

1.2.1. - Interest rate risk - Regulatory trading book

Qualitative data

A. General aspects

A.1 Sources of interest rate risk

The principal activities of the Group that contribute to determine interest rate risk are:

- management of the bond and government securities portfolio;
- transactions in interest rate derivatives, both regulated (e.g. EURIBOR futures) and over-the-counter, primarily interest rate swaps, overnight interest swaps, forward rate agreements and options on the interest rate.

A.2 Objectives and strategies underlying trading activity

A.2.1. Commercial banks and BPM Ireland

As described in the section on organisational aspects, the securities portfolio is managed with the following operating strategies in mind:

a) support for the commercial networks in funding repurchase agreements and, secondarily, support for secondary market activity for customers (the "basket");
b) cash management, through investments in government bonds and/or securities of prime banking issuers in order to have available assets that can be quickly settled or eligible assets in refinancing operations with the Central Bank;
c) investment for asset allocation purposes to obtain a constant contribution margin over time by investing in debt securities issued by issuers of good credit standing (investment grade).

As for transactions in interest rate derivatives, these are also managed, primarily, to complement the banking portfolio. Included are also the proprietary positions assumed by trading in interest rate derivatives aimed to reduce variability in the net interest income of the banking book or the derivatives negotiated to hedge specific securities portfolios.
Furthermore, there are positions in derivatives that refer primarily to interest rate swaps originally negotiated to hedge specific risks. When the hedging no longer served a purpose, after the hedged items were closed early, additional swap contracts were made to reduce a part of the interest rate risk thus generated.

Lastly, trading activity in over-the-counter derivatives is conducted on behalf of customers, but only as offsetting trades, leaving no position books open.

A.2.2. Banca Akros

The trading activity on interest rate derivatives consists of optimising the flows generated by interest rate hedging requirements, in directional and/or volatility terms by institutional and corporate customers, assuming the risk in the property and managing it through dynamic hedging strategies.
As for the trading activity in Eurobonds, this originates from the need to satisfy the demands of mostly institutional customers. The Bank operates, in the secondary market, in the capacity of Market Maker for over 500 debt securities of public, corporate, banking and supranational issuers, mainly in Euros, by trading through organised swapping systems or in over-the-counter mode.
Finally, Banca Akros trades specifically in financial instruments used to hedge structured bond loans issued by Banks (including those of the Group) and in financial insurance policies. This hedging is carried out using OTC derivatives with underlying financial indicators of various kinds (equities, commodities, goods or exchange rates).

B. Management processes and methods for measuring interest rate risk

B. 1 Internal processes for controlling and managing interest rate risk

Please refer to the section “General aspects relating to management processes and methods of the measuring market risk assumed by the BPM Group”.

B. 2 Methodologies used for sensitivity analysis of interest rate risk

Please refer to the section “General aspects relating to management processes and methods of the measuring market risk assumed by the BPM Group”.

Quantitative data

2. Regulatory trading book: Internal models and other methodologies used for sensitivity analysis

2.1 Banca Popolare di Milano

The description of the Parent Bank’s exposure to interest rate risk includes the bond portfolio classified among the securities under items 30 (financial assets designated at fair value through profit and loss) and 40 (financial assets available for sale) of the balance sheet that, though part of the banking book, is treated jointly with the financial instruments classified in the trading book because of the commonality of risk management and measurement systems.

As of 30 June 2008, the potential change (interest rate sensitivity) applied to securities and derivatives portfolios due to a parallel shift of +/- 100 basis points in the rate curve, is -9.1 million and +9.1 million respectively.
This data is substantially in line with the sensitivity of the 2007 year-end, equal to –7 million and to +6.9 million respectively, due to the

substantial stability of the bond portfolio that went from Euro 1,485 million at the end of 2007 to Euro 1,469 million at 30 June 2008. Substantially unchanged is also the position in interest rate derivatives. The half-year activity in derivatives was represented by brokerage activities on the behalf of customers, in addition to specific and/or management hedging operations for some bond issues.

Total sensitivity applied to the Parent Bank's security and derivatives portfolio (in millions of Euro)

Rate changes	Securities		Derivatives		Totale *sensitivity*
	Securities	Swap on securities	ALM	Other exposures	
+100 bps	–11.6	1.7	–0.3	1.1	**–9.1**
–100 bps	12.2	–2.3	0.3	–1.1	**9.1**

The following table reflects the performance of total sensitivity applied to the trading portfolio (securities and derivatives) during the half-year.

Total sensitivity applied to security and derivatives portfolio (in millions of Euro)

Rate changes	At year's end	Average	Min.	Max.
+100 bps	–9.1	–7.9	–9.9	–5.9
–100 bps	9.1	8.7	4.5	13

Following are the effects resulting from a change of +/- 100 basis points on the main income statement and balance sheet aggregates. The effects on equity are generated by bonds classified among available for sale assets, reported at Euro 782.8 million.

Effects of a change of +/- 100 basis points on: (in millions of Euro)

Rate changes	Net interest and other banking income	Equity	Profit (loss) for the year
+100 bps	–2.3	–6.8	**Same effect as the one on the interest income, net of the tax effect**
–100 bps	1.7	7.3	

2.2. BPM Ireland

BPM Ireland's portfolio, although classified within the banking book for reporting purposes, is also processed within trading book risks due to the commonality in risk measurement systems and operational responsibilities.
The carrying value of the securities portfolio amounted to Euro 1,137.9 million at 30 June 2008, down Euro 230 million compared with the balance of the 2007 year-end of Euro 1,367.5 million.
The fair value, associated with the securities portfolio in management terms, amounted to Euro –21.2 million.

The portfolio consists of the following:

- Euro 476.3 million in floating-rate notes classified among financial assets available for sale, most of which were issued by Italian banks;

- Euro 501.9 million in asset swaps; these are fixed-rate securities linked to an interest-rate swap aimed at reducing interest rate risk by "swapping" the fixed rate for a floating rate. The majority of these assets swaps have been issued by leading Italian and international banks;

- Euro 78.2 million in credit-linked notes, consisting of securities, the performance of which is linked to an underlying portfolio of securities issued by European banks;

- Euro 8.4 million in structured credit securities, a large portion of which are protected-principal. These securities are indexed to the performance of credit indexes or underlying credit funds;

- Euro 73.1 million in ABSs (asset-backed securities) and CDOs (collateralised debt obligations). These are securities the performance of which is linked to the performance of an underlying portfolio of loans and/or other securities. These include three securities, carried at a total of Euro 3.3 million, exposed to U.S. mortgages of medium-low quality (alt-a and subprime). This exposure, which is the Group's only exposure of this kind, is broken down into the following securities:
  - XS0267126703 Claris Limited, carried at Euro 0.3 million. The underlying portfolio consists entirely of RMBSs (residential mortgage backed securities), the underlying assets of which are alt-a and subprime U.S. mortgages;

- XS0275236098 Napa Valley, carried at Euro 0.2 million. The underlying portfolio has a 30% exposure to medium-quality U.S. mortgages (alt-a) and a 14% exposure to low-quality mortgages (subprime);
- USG30569AA83 EMBSF 4A-1, carried at Euro 2.8 million. The underlying portfolio has approximately a 70% exposure to medium-low quality U.S. mortgages.

In the first half of 2008, the portfolio continued to be negatively affected by the on-going crisis in the financial markets, which led to a major widening of credit spreads along with a minor liquidity of portfolio securities, especially in the area of structured credit securities.

In order to reduce the risk of a further widening of the credit spreads, credit protections on the "iTraxx Europe" index were purchased for a notional value of Euro 150 million.
The index represents the performance of the credit default spread (which expresses the premium/cost for assuming/hedging the credit risk) relative to a basket of 125 European entities or issues which are the most liquid options in the market at that time. They are all investment grade and are divided by sector so as to represent the market in the most accurate way. In particular 10 issues are in the automotive sector, 30 in the consumption sector, 20 in the energy sector, 20 in the industrial sector, 20 in technology, media and communication sectors and 25 in the financial sector. This hedging has enabled the recording in the income statement of capital gains over Euro 1.1 million.

As for the performance of the main credit indexes in the course of the six months, the "iTraxx Europe Financial" index has shown an increment of approximately 80 basis points, while the same type of index for the financial sector, "iTraxx Europe Financial", has reported an expansion of about 35 basis points in the same period of time and the index "iTraxx Europe Crossover", consisting of non-investment grade borrowers, has seen an increase of about 169 basis points.

As of 30 June, capital losses amounting to Euro 13.5 million were recognised, as well as the aforementioned capital gains on the credit protection purchases (with the addition of Euro 3.6 million for the write-downs of the financial assets available for sale which impact the capital), of which Euro 5.1 million, pertaining to the aforementioned 3 securities, was due to the exposure to medium-low quality US mortgages.

The following tables show the primary sensitivity indicators for both a change in interest rates and credit spreads. However, it should be noted that said indicators do not entirely capture the risk factor consisting of the decreased liquidity on the market that characterised the last year, which explains a large portion of the capital losses that affected the portfolio consisting of ABSs/CDOs and structured credit securities.
Consequently the indicators shown below could underestimate the risks during periods such as the present in which there is an on-going credit crunch, resulting in an intense liquidity crisis.

The sensitivity to a change of +100 basis points in the interest-rate curve is equal to Euro-1.9 million, whereas the potential variation in the portfolio's value due an expansion of 25 basis points in credit spreads comes to approximately Euro-6.9 million. Compared to 31 December 2007, the reduction in the credit spread sensitivity (equal to –11.1 due to an expansion of 25 bps) is due both to the aforementioned portfolio reduction of Euro 230 million and to the effect of the credit protection purchase for a notional value of Euro 150 million.

BPM Ireland – Sensitivity of the portfolio to changes in interest rates (in millions of Euro)

Rate changes	Interest Rate Sensitivity (securities+swap hedging)			
	At year's end	Average	Min	Max
+100 bps	–1.9	–2.2	–2.5	–1.9
–100 bps	1.9	2.2	2.5	1.9

BPM Ireland – Sensitivity of the portfolio to changes in credit spreads (in millions of Euro)

Increase in credit spreads	Credit Spread Sensitivity (including credit protection purchase)			
	At year's end	Average	Min	Max
+25 bps	–6.9	–9.5	–11.2	–6.9
–25 bps	7	9.5	7	11.3

BPM Ireland – Effects of a change of +/- 100 basis points in the interest rate curve on: (in millions of Euro)

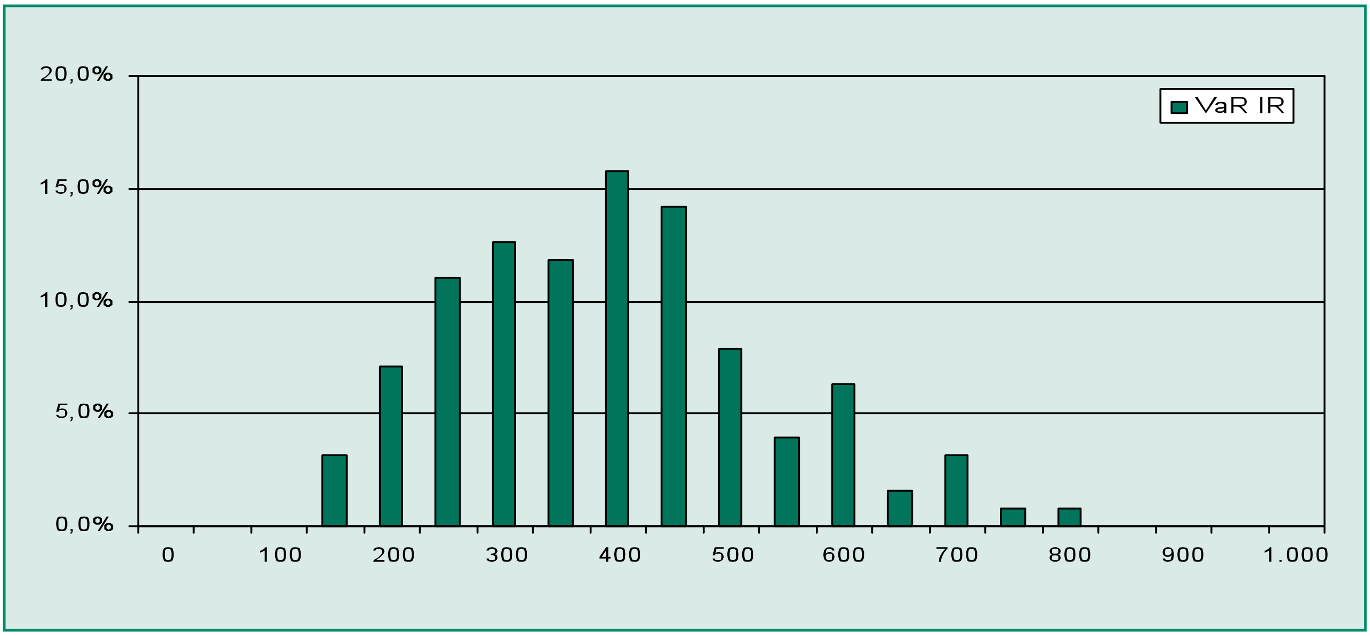
Rate changes	Net interest and other banking income	Equity	Profit (loss) for the year
+100 bps	–0.9	–0.9	**Same effects as the one on the interest income, net of the tax effect**
–100 bps	0.9	0.9	

2.3. Banca Akros

The following table shows the average, maximum, minimum, and last VaR figures in the first half of 2008, compared to the corresponding figures for the same period of 2007.

99% - 1 DAY	INTEREST-RATE RISK	
	2008	2007
Average VaR EUR (000)	368	324
Max VaR EUR (000)	772	606
Min VaR EUR (000)	132	146
Last VaR EUR (000)	565	261
Nr. Exception	7	0

The following chart shows the frequency distribution of daily VaR figures, for the first half of 2008.



In the same period, retrospective tests showed seven events in which the VaR of the fixed-income portfolio was exceeded: Four of them were due to the rapid widening of the credit spreads that took place in March (as previously mentioned, this risk component is not captured by the VaR, but is included in the prices of the bonds and thus not separable, in general, from the generic risk component that is accounted for in the retrospective tests). In three cases it was, on the contrary, imputable to a major change in the risk factor to an extent that places it outside of the selected confidence range (specifically, three months interest rate for the Euro in the first case, three months

interest rate for the US dollar in the second case, and spread among government bonds and interbank interest rates in the third).
The portfolio in question, when subjected to extreme market scenarios, has shown an overall satisfactory performance, as stress testing generally resulted in positive or marginally negative values. The same testing, applied to a limited number of days, highlighted a possible vulnerability to a market scenario where there is a sudden, sharp decrease in interest rates for the Euro (on the order of 300 basis points). The extent of the shock associated with this scenario, along with the conviction that such a shock is currently estimated as highly improbable, led the Bank to believe that the hypothetical potential losses were acceptable.

1.2.2. Interest rate risk - Banking book

Qualitative data

A. General aspects, management processes and methods of measuring interest rate risk

A.1 Sources of interest rate risk

Interest rate risk on the banking book consists of the following:

a) assets and liabilities generated by treasury activities and thus including interbank deposits given and received (discretionary interest rate risk);
b) investments in debt securities classified under item 30 (financial assets designated at fair value through profit and loss) and 40 (financial assets available for sale), the risk of which was examined with regard to the trading book;
c) the activity related to transforming the maturities of commercial transactions (the so-called "structural risk"). This risk is called "structural" as it is indirectly generated by the commercial funding and lending policies by the commercial banks of the Group. The risk assumed by the trading book and the risk described in the two preceding points, are on the contrary of a discretionary nature, as they are assumed voluntarily.

A.2 Internal processes for managing and controlling interest rate risk

General aspects

In the course of 2007, the new system for the input of asset and liability balances of the various ledgers of the bank, and the creation of new models for the positions payable on demand (hereinafter, ALM – Asset and liabilities management) were completed.
In the course of the current year, the activities needed to activate the management of the ALM system, within the financial area, are almost completed. Operating limits for the management of the interest rate applied to the banking book were applied to the system.
The extension of the new system to the other commercial banks of the Group is planned for the beginning of 2009.

A.2.1 Methodologies used for analysing the sensitivity applied to interest rate risk

As for the methodology applied, the new system continues to propose the tools traditionally used in assets and liabilities management, which are mainly based on the following:

- gap analysis by positioning assets and liabilities in maturity and/or repricing segments in terms of time;

- interest income analysis aimed at quantifying the impact on interest income by applying determinant shifts of +/-25 bps and of +/-100 bps to the curve of interest rates;

- analysis of the economic value, which, through duration gap techniques, quantifies the impact on the fair value of assets and liabilities, also based on a predetermined shift in the interest-rate curve;

- liquidity analysis aimed at assessing liquidity trends in the short and medium term.

The most relevant new aspect of this method is the analysis of positions payable on demand, in other words loans and deposits in current accounts.

The previous ALM system developed its model from the performance of positions payable on demand, on the basis of a rate analysis, factoring stickiness parameters that, in the event of an increase or reduction in the market interest rate, would take into account the time and amount of interest rate adjustments applied to loans and deposits payable on demand.
The new ALM system, on the contrary, develops its model from the performance of positions payable on demand on the basis of the persistence of volumes in addition to the actual rate indexing.

B. Fair value hedging

The hedging activity on the interest rate risk intends to mitigate the effect of changes in the fair value, as regards deposits and loans, due to shifts of the interest rate curve.
The existing fair value hedges are currently limited to five interest rate swaps (fixed rate against floating rate), which hedge a fixed-rate mortgage loan and four fixed-rate subordinated bonds.
The underlying hedging strategy is designed to minimise the duration of banking book assets and liabilities.
However, there is hedging of exchange rate risk on loans in foreign currency, performed by a foreign subsidiary through a cross currency swap operation.

C. Cash flow hedging

The BPM Group does not have any cash flow hedges, in compliance with IFRS regulations.
It does, however, have derivatives that are connected with the issue of structured securities placed with retail customers. The coupon on these issues is entirely or partly linked to the appreciation of a series of financial parameters, such as share prices, stock market indices, interest rates, commodity prices, inflation rates, etc.
In most cases, an interest rate swap is agreed upon and it involves the receipt of the same amount of coupon as payable to investors in the structured security as well as the paying out of a floating-rate interest linked to Euribor, plus or minus a specified spread.
The cost of the structured issue is therefore represented by the Euribor rate (usually 6 months), plus or minus the spread.

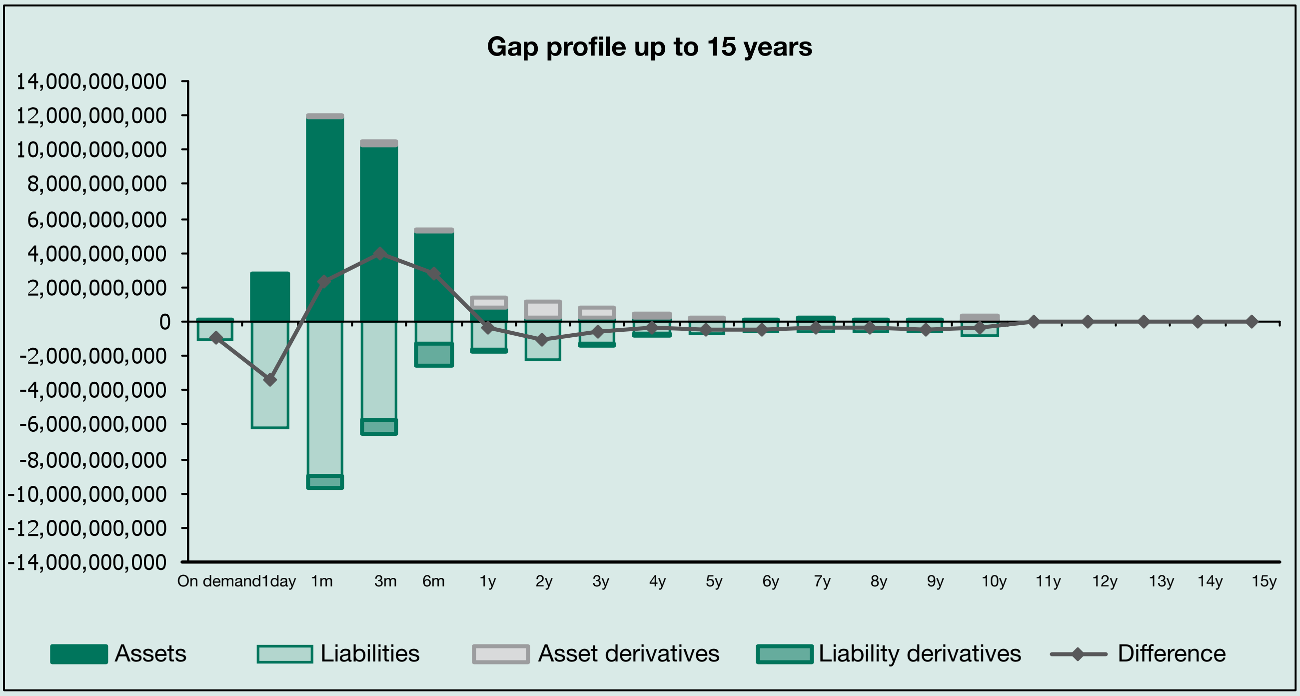
Quantitative data

2. Banking book: Internal models and other methods applied to sensitivity analysis

Based on the results as at 30 June 2008, in the event of a shift of +100 basis points in the rate curve, the change in the interest income for the following 12 months and for the entire financial statements amounts to Euro 21.2 million, versus a change of Euro -28.2 million in the event of a reduction of 100 basis points.

These values fall within the system of limits set forth by the new financial regulations which will come into effect after implementing the module that aims to activate the management of the ALM system in the Finance area.
These limits have set the maximum value of the potential change in the interest rate income over the next 12 months, on Euro -50 million, in the event of a 1% parallel shift in the rate curve. If this maximum limit is exceeded, measures needed to reduce the exposure must be adopted.

The bank's policy regarding structural risk, which has always given priority to forms of lending and funding that minimise exposure to interest rate risk, is reflected in an exposure to a rate risk that is fundamentally concentrated on a short term segment of the curve (3-6 months).
This is shown in the following chart which reports, in time segments, the variation between assets and liabilities, in maturity or in repricing.



1.2.3 – Price risk - Regulatory trading book

Qualitative data

A. General aspects

A.1 Sources of price risk

The Parent Bank's "price risk" arises mainly from positions in mutual fund shares and from portable alpha derivatives, as illustrated here below.

Banca Akros's "price risk" arises from the trading book of equity instruments.
The main types of financial instruments at issue are: equities, options on individual shares or equity indices, both regulated and over-the-counter, futures on underlying securities or equity indices, and, to a residual extent, over-the-counter financial instruments on mutual fund shares.

A.2 Objectives and strategies underlying the trading activity

A.2.1 Banca Popolare di Milano

Financial instruments subject to price risk consist mostly of portable alpha type derivatives, for a notional value of approximately Euro 75 million.
These derivatives aim to benefit from the over-performance obtained by the portfolio's manager compared to a benchmark (stock indexes and/or credit indexes).
The objectives of this strategy are long-term investments and returns that are unaffected by the market's performance and volatility.

A.2.2 Banca Akros

The Bank's activity, a significant portion of which involves the Italian equity market, primarily falls into three different areas:

- market making for regulated and over-the-counter derivatives (on individual shares and indices), executing instructions provided by customers and counterparties, whereby the Bank, within the framework of dynamic management of risks typical to the portfolio (delta, vega, gamma, rho and theta), is able to seize market opportunities offered by relative value and events;

- arbitrage or spread strategies between regulated and over-the-counter derivatives on equity indices or between indices and equities. This activity is carried out through both directional and optional trading strategies involving the underlying financial instruments;

- management of various types of over-the-counter derivatives linked to baskets of equities, listed international stock indexes (individually or in a basket) and mutual fund shares. As mentioned above in part 2.1, "Interest rate risk" of this Section this activity, which intends to support the structuring of complex products, is subject to dedicated management on the basis of dynamic hedging of risk factors by means of regulated cash and derivative instruments.

B. Management processes and methods of measuring price risk

B.1. Internal processes for managing and controlling price risk

The new operating limits system provides for a mandate to the Finance Director of the Parent Bank, of Euro 200 million as a portfolio limit for portable alphas.
For Banca Akros, the assumption of the risk price occurs within the set forth operating limits which, in addition to the VaR and to the limit of a maximum daily loss (the so-called "stop-loss"), include:

- limits on an overall directional exposure and on each individual security/equity index/mutual fund share on both an overnight and intraday basis;

- limits on the positive and negative gamma risk, both overall and per each individual security/index or mutual fund share;

- limits on the positive and negative vega risk, both overall and per each individual security/index, differentiated by the contractual duration of options and underlying equity/index;

- portfolio rho risk;

- theta risk.

B.2. Methods applied to the analysis of price risk

The Parent Bank monitors the price risk on its portfolio through an analysis of the performance of individual positions.
Banca Akros measures the price risk (or equity risk) of the trading book through the estimate of the daily risk value, adopting the methods described above (see "General aspects relating to management processes and methods of measuring the market risks assumed by the Bank"). In particular, the adopted VaR model captures both the generic component of price risk and the specific component attributable to individual risk factors (equities), taking into account the non-linear dynamics generated by the portfolio of equity options; in addition, it also measures the component of risk due to the volatility of individual equity performances, as well as risk underlying derivatives transactions.

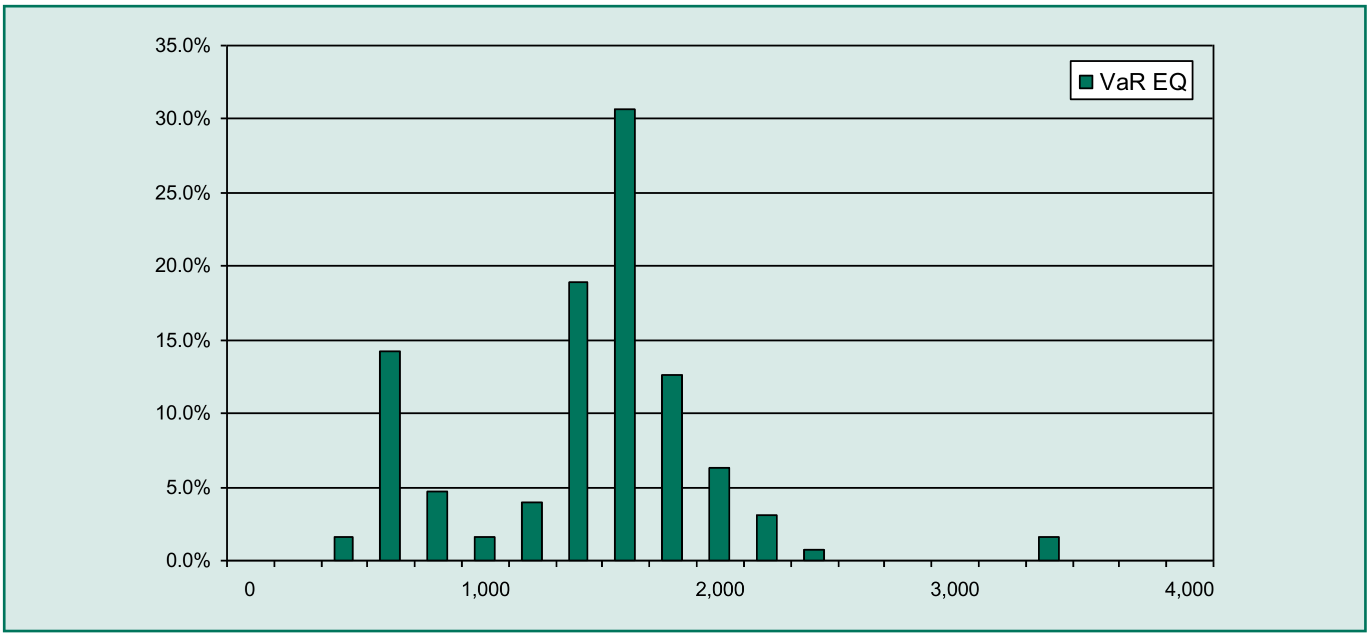
Quantitative data

3. Regulatory trading book: Internal models and other methodologies used for sensitivity analysis

Reported here below are the average, maximum, minimum and last observed VaR figures, recorded in the first half of 2008 and compared with the corresponding figures of the same period of 2007.

99% - 1 DAY	EQUITY RISK	
	2008	2007
Average VaR EUR (000)	1.322	405
Max VaR EUR (000)	3.360	850
Min VaR EUR (000)	369	170
Last VaR EUR (000)	1.739	574
N. Exceptions	1	0

As already mentioned above, the average use of VaR in this segment shows a major increase with respect to the previous year. This is confirmed also by the distribution of daily VaR figures, shown here below, which appear to concentrate mostly around the average value. The left tail of the distribution shows a second peak with values that are definitely lower than average, and represents observations for the first part of the year preceding the market crash of January 2008.



Retrospective tests for this risk area have identified one exception in the course of the first half-year. This exceeding of the limits is due mostly to the same event that generated an exception on the aforementioned overall VaR, that is a breakdown of a correlation with the historical matrix of variances/co-variances relative to a spread position among single securities and indexes.

In negative cases, historical and hypothetical stress testing showed relatively moderate decreases in the value of the entire trading book, confirming the ability of the positions assumed to withstand anomalous shifts in the market as a whole. Specific price stress testing of individual securities showed negative results of significant amounts associated with potential immediate shocks of considerable extent in security performances for a limited number of individual securities and days. Comparative analysis with analytical risk measurements led the Bank to associate these events with the presence of negative values of the gamma factor for the respective positions. In response to these hypothetical potentially negative results, in some cases it was decided not to intervene in the positions, as the losses were deemed acceptable in amount. In other cases, it was decided, in concert with the head of trading and treasury management, to reconsider certain positions in the light of the results of stress testing proceeding with a position decrease.

1.2.4 - Price risk - Banking book

Qualitative data

A. General aspects, management processes and methods for measuring price risk

The price risk is generated from positions in mutual fund shares and from minority equity investments, classified under item 30 (financial assets designated at fair value through profit and loss) and under item 40 (financial assets available for sale).

Regarding operating processes, no powers have been delegated with reference to minority equity investments; the respective Boards of Directors retain decision-making powers.
Transactions in mutual fund shares, on the other hand, come under the delegated powers governed by the Parent Bank's Financial Regulations which assign to the Financial Directors a portfolio limit set at Euro 750 million.
The new system of operating limits provides for a limit of Euro 50 million in favour of the Parent Bank's Finance Director concerning equities held as long-term investments.

Quantitative data

2. Banking book: Internal models and other methods applied to sensitivity analysis

For minority equity investments and for closed-end funds, risk monitoring is conducted through a performance analysis of individual positions.

1.2.5 – Exchange rate risk

Qualitative data

A. General aspects, management processes and methods for measuring exchange rate risk

Banca Popolare di Milano

The reorganisation of the Finance Area and the closing of the London and New York branches involved a sharp reduction in in-house foreign exchange transactions by the Parent Bank, whose activity has been reduced to serving the needs of other business functions.
More specifically, foreign exchange activity, concentrated in the Parent Bank for the commercial banks, is limited to the negotiation of income in foreign currency (net interest or net fee and commission income collected in foreign currencies) and foreign banknotes for the sale and purchase of foreign currencies in the branch network.
Lastly, foreign exchange trading activity is conducted on behalf of customers, but without leaving any significant position books open.

Banca Akros

Exchange risk also derives from centralised dealing in currency and exchange rate derivatives for hedging foreign currency positions.

A.1 Sources of exchange rate risk

With the gradual reduction in position-keeping activities in foreign exchange, the principal sources of exchange rate risk are:

- lending and funding in foreign currencies with corporate and/or retail customers;
- purchases of securities and/or equity investments and other financial instruments in foreign currencies;
- trading in foreign banknotes;
- collection and/or payment of interest, commissions, dividends, administrative expenses, etc.

A.2 Internal processes for managing and controlling exchange rate risk

Banca Popolare di Milano

The new system of granting operating authority provides for the possibility that the Finance Director of the Parent Bank may hold an overnight position in foreign exchanges of up to Euro 5 million. A stop loss of Euro 1 million has been established.
This position is monitored through the front-office application (Kondor+).

Banca Akros

Banca Akros assumes exchange rate risk within the established operational limits.
Exchange rate risk control is provided by using fair value models approved by the Pricing Model Validation and Market Risk Control Office.
The principal indicator of exposure to exchange rate risk is the portfolio VaR, used in conjunction with analysis of sensitivity to changes in the exchange rate risk, to volatility risk and to non-linear changes due to the optional component.

B. Activity in hedging for exchange rate risk

The exchange rate risk generated by the lending and funding of the banking book and by investments in securities and/or equity investments is systematically hedged by funding (and/or lending) transactions in the same currency.
The foreign exchange position generated by cash flows in foreign currency (interest income/expense, commissions) and transactions in foreign banknotes with ordinary customers is normally hedged by transactions in exchange rates of opposite sign.

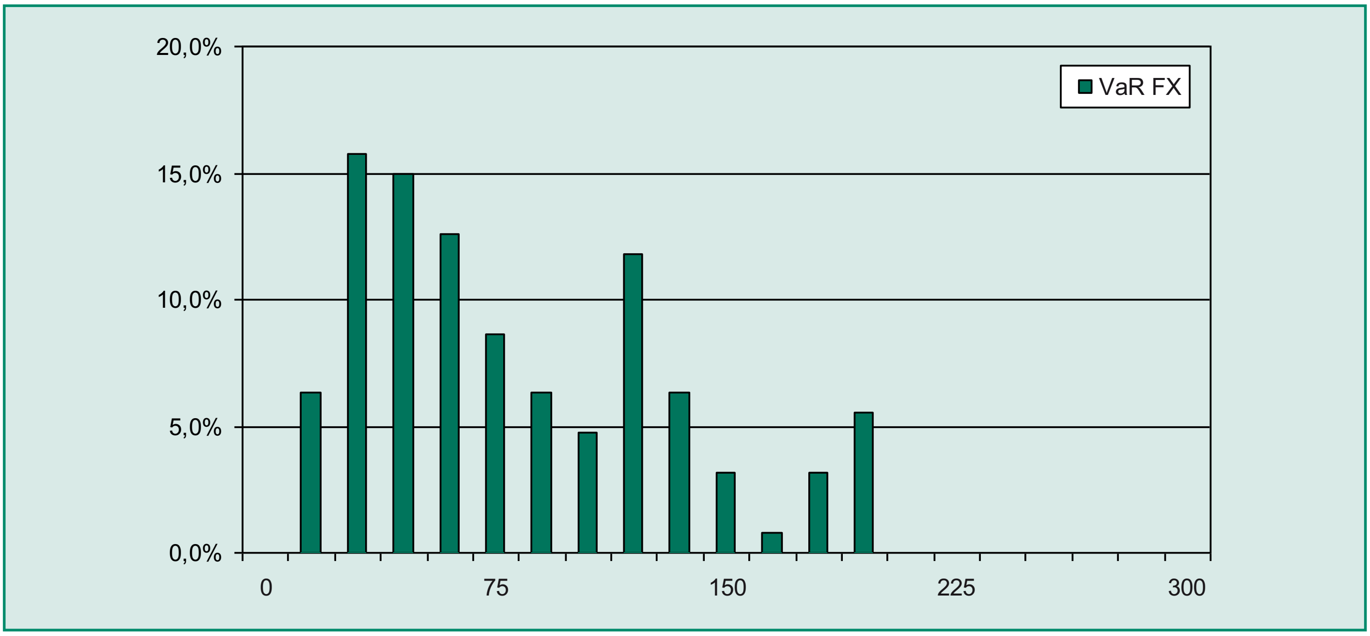
Quantitative data

2. Internal models and other methods applied to sensitivity analysis

Banca Akros uses an internal model for the calculation of value at risk to quantify exchange rate risk. The following table shows the average, maximum, minimum, and year-end VaR figures, compared with the corresponding figures from 2007.

99% - 1 DAY	EXCHANGE RATE RISK	
	2008	2007
Average VaR EUR (000)	74	20
Max VaR EUR (000)	191	43
Min VaR EUR (000)	12	10
Last VaR EUR (000)	136	14
N. Exceptions	2	8

The VaR measurements, compared with those of other areas of activity by the Bank, show that the contribution of the FX portfolio to the overall risk of the trading book is limited, although showing an increase compared to the same period of the last year. The following chart shows the frequency distribution of the daily VaR values reported in the first half of 2008, highlighting a fairly uniform distribution of values for the period.



The retrospective tests, relative to this risk area, have shown two exceptions in the first half of the year. These out of limits figures, both of modest amount in relative terms and in absolute economic terms, with regard to the VaR figures and given the low grade risk assumed by the area, are to be ascribed to exchange rate fluctuations of the Euro against the Yen in one case and against the US dollar in another case, which carried daily changes in the risk factors beyond the limit of confidence set forth for the model.
The stress testing, regarding the exchange rates area, did not show any relevant negative results.

1.3 - Liquidity risk

Qualitative data

A. General aspects, management processes and methods of measuring operational risk

Introduction

The writing of a new policy on liquidity management at Group level is underway.
The core principles of the new governance model for liquidity risk are:

1. redefinition of the responsibilities for managing and monitoring the liquidity risk within the BPM Group as well as the related system for assigning operating authorities;

2. establishment of a committee at group level, entrusted with operational and strategic liquidity management, according to the guidelines defined in the liquidity policy. This committee will be entrusted with the responsibility of minimizing liquidity risk;

3. formulation of a contingency funding plan (hereinafter CFP), as an integral part of the liquidity policy which identifies responsibilities and actions that should be undertaken in situations of liquidity crisis, at BPM system and specific levels.

The main objectives of CFP are the protection of the Group's capital and the guarantee of uninterrupted operations. These objectives will be achieved by implementing crisis management strategies as well as procedures for the procurement of various sources of financing according to predefined scenarios.
More specifically, CFP describes the following:
- activation of stress and crisis statuses;
- possible intervention plans;
- involved functions;
- stress test scenarios.

A.1 Sources of liquidity risk

The main sources of liquidity risk are the following:

1. process of transforming maturities through loans and deposit activities of the banking book;
2. investing activities in securities and equity investments;
3. trading activities of Banca Akros various operating desks.

A.2 Internal procedures for managing and controlling liquidity risk

A.2.1. Commercial banks

The process of reorganising the Finance area has involved a progressive concentration of liquidity management operations into the Parent Bank which acts on behalf of the commercial banks of the Group. For their residual liquidity gap hedging needs, the commercial banks can access the interbank market through BPM.
This restrictive structure approved by the Parent Bank's Finance Regulations empowers the Finance Director and the Head of Treasury to manage liquidity risk, albeit with different levels of authority. The liquidity situation is controlled and monitored using both the front office system and specific liquidity management applications.
The liquidity situation at Group level is reviewed weekly by the Liquidity Committee, an executive committee that includes the main Business Executive Offices as well as Planning and Risk Management Offices.
This Committee is also responsible for presenting to the Board of Directors proposals for medium/long-term funding transactions, usually by issuing senior bonds under the EMTN (Euro Medium Term Notes) programmes.

When the annual budget is prepared, the funding mix aimed at supporting the development of commercial loans and financial assets and the policy to be applied to access the interbank market and/or the EMTN market are decided.

A.2.2. Banca Akros

For its own funding activity, Banca Akros raises most of its funding on the interbank deposit market (E-MID), through transactions involving the securities lending market and the repurchase market.
At the end of June 2008, Banca Akros received confirmation from Standard & Poor's of an "A-" long term credit rating, with stable outlook, which had been already assigned to the Bank in 2007.
Banca Akros Treasury Office, which acts primarily in support of liquidity requirements and commitments, including settlement, for the various operating desks, is responsible not only for optimising sources of funding but also for controlling liquidity risk, also through the concentration of information flows from various sectors. The Treasury office is also entrusted with managing and monitoring the valuation of the cash flows related to collateral agreements between the Bank and its counterparties in over-the-counter derivatives transactions.

Quantitative data

Interbank position

The balance of the interbank position at the consolidated level, at the end of the six-month period, is Euro –850 million, closely in line with the position of Euro -689 million, reported at the 2007 year-end. This negative balance is for the most part covered by assets eligible for obtaining refinancing from the Central Bank and that amounted approximately to Euro 1.2-1.3 billion over the last six month period.
As for the commercial banks, the six month period has witnessed a more dynamic growth of loans to customers versus the volume of deposits, which has created a need for liquidity of about Euro 2 billion. This funding need has been partially covered by the Parent Bank through the issue of a senior bond, within the EMTN programme, amounting to Euro 1.25 billion with a 2-year tranche, bearing interest of 3 month Euribor + 60 basis points, as well as of three subordinated bonds for a total of Euro 571 million.
In the first six month period, BPM Ireland's funding need, which is completely covered by the Parent Bank, has decreased by Euro 250 million, due to maturities and gains from its own securities portfolio. Consequently, the debts towards banks (balance before the Group's elisions) has dropped from Euro 1,336 million in 2007 to Euro 1,084 million as of 30 June 2008.
As for Banca Akros, during the first six months of 2008, the average daily need for liquidity was between Euro 1.5 and Euro 2.0 billion, in line with the figures of the previous year. Akros Treasury raised funds through the interbank market of deposits (where the average exposure is approximately Euro 1,100 million versus about Euro 3,900 million of bank balances normally obtainable in the interbank market), using mostly bank balances granted from sources external to the Group; the remaining funding was obtained through securities lending and, to a lesser extent, repurchase agreements.

Medium-long term funding

As mentioned in the previous point, in the first six months of the year, the Parent Bank has issued a senior bond for Euro 1.25 billion, as well as three subordinate bonds for a total of Euro 571 million.
It should be noted that on 15 July, a covered bond was issued by the Parent Bank for Euro 1 billion, with 3-year tranche at the Euribor basis rate at 3 months, after the swap, + 56 basis points. These are debt securities guaranteed by a segregated assets portfolio in favour of the bond holders. The operation occurred within the scope of a programme approved in November 2007 by the Board of Directors of the Parent Bank, which provides for the issue of covered bonds, up to Euro 10 billion.

Following is the plan applied to the maturity of the senior bonds issued on the basis of the EMTN programme (with separate indication of subordinated bonds):

Description	Type of product	Programme number	Date of issue	Early repayment date	Date of maturity	Nominal amount issued (in thousands of euro)	Type	Coupon
Banca Popolare di Milano 2005/2011 STEP-UP 25.01	Fixed rate	EMTN 4	25/01/2005		25/01/2011	40,000	Senior - 6 years	Step-Up
Banca Popolare di Milano 2001/2011 7.625% 29/6 Subordinato Upper Tier 2	UPP22011	EMTN	29/06/2001		29/06/2011	160,000	Subordinated - Upper Tier II	7.625%
Banca Popolare di Milano 2005/2011 3.40% 30/12	Fixed rate	EMTN 3	20/01/2005		30/12/2011	40,000	Senior - 7 years	3.40%
Banca Popolare di Milano 2006/2011 3.40% 30/12	Fixed rate	EMTN 8	30/01/2006		30/12/2011	40,000	Senior - 6 years	3.40%
Banca Popolare di Milano 2006/2012 4% 20/12	Fixed rate	EMTN 10	20/12/2006		20/12/2012	20,000	Senior - 6 years	4.00%
Total fixed-rate bonds						300,000		
Banca Popolare di Milano 2005/2008 TV% 12/12	Floating rate	EMTN 6	12/12/2005		12/12/2008	600,000	Senior - 3 years	3M Euribor + 0.10%
Banca Popolare di Milano 2007/2009 TV 06/04	Floating rate	EMTN 12	05/04/2007		06/04/2009	1,500,000	Senior - 2 years	3M Euribor + 0.10%
Banca Popolare di Milano 15 febbraio 2008/2010 TV	Floating rate	EMTN 13	15/02/2008		15/02/2010	1,250,000	Senior - 2 years	3M Euribor + 0.60%
Banca Popolare di Milano 2006/2011 TV% 16/02	Floating rate	EMTN 9	16/02/2006		16/02/2011	1,000,000	Senior - 5 years	3M Euribor + 0.175%
Banca Popolare di Milano 2007/2014 TV% 31/01	Floating rate	EMTN 11	31/01/2007		31/01/2014	1,000,000	Senior - 7 years	3M Euribor + 0.20%
Banca Popolare di Milano 2004/2014 TV 14/10	Floating rate	EMTN 1	14/10/2004		14/10/2014	50,000	Senior - 10 years	3M Euribor + 0.275%
Banca Popolare di Milano 2005/2015 TV 29/06 Subordinato Lower Tier 2	LOW22015	EMTN 5	29/06/2005	29/06/2010	29/06/2015	600,000	Subordinated - Lower Tier II	3M Euribor + 0.45% until 2010; thereafter 3M Euribor + 1.05%
Total floating-rate bonds						**6,300,000**		
Total bonds under EMTN Programmes						**6,600,000**		

Subordinated bonds not issued under EMTN programme								
Banca Popolare di Milano 16/09/03-13 Sub Mix Performances	LOW22013		16/09/2003	Call da 16/09/2008	16/09/2013	99,379	Subordinated Lower Tier 2	3.01% until 16/09/2006; 6M Euribor until 16/9/2008; 6M Euribor + 0.5% until 16/09/2013
Bpm Capital Trust I – 8.393% Preference shares Tier I			02/07/2001	02/07/2011	Perpetual	160,000	Subordinated Tier 1	8.393% until 2.7.2011, Euribor+4.70% from 2.7.2011
Banca Popolare di Milano – Lower Tier 2 – 4.50% 18 April 2008-2018	LOW22018		18/04/2008		18/04/2018	252,750	Subordinated Lower Tier 2	4.50%
Banca Popolare di Milano – Variable rate – 18 June 2008/2018	UPP22018		18/06/2008		18/06/2018	17,850	Subordinated Upper Tier 2	Eonia + 0.75%
Bpm Perpetual Subordinated Fixed/Floating Rate Notes	T1SUBFIX		25/06/2008	25/06/2018	Perpetual	300,000	Subordinated Tier 1	9% until 25 June 2018.; variable (Euribor 3m + 6.18%) from 25 June 2018
Total subordinated bonds						**829,979**		

1.4 - Operational risks

Qualitative data

A. General aspects, management processes and methods of measuring operational risk

Main sources of operational risk

Operational risks are the risk of loss resulting from the inadequacy or dysfunction of procedures, human resources and internal systems, or from external events. This category includes losses deriving from fraud, human error, interrupted operations, system breakdown, breaches of contract, natural disasters and legal risks, whereas strategic and reputation risks are excluded.

Organisational aspects

BPM Group has implemented a system for the management of operational risks at Group level, as well as for the calculation of the capital absorption, based on the adoption of the standardised method and for the purpose of calculating the capital requirements, as provided for in the first pillar of Basel 2.
This choice was recently confirmed by the Board of Directors of the Parent Bank which, after verifying the adequacy of the implemented system and the favourable opinion issued by the Internal Auditing office, has approved the adoption of the standardised method for the Group's Banks (Banca Popolare di Milano, Banca di Legnano, Cassa di Risparmio di Alessandria and Banca Akros), starting from their individual reporting of 30 September 2008.

The choice of the standardised method involves the possibility, at consolidated level, of a lesser capital absorption with reference to operational risks, compared to the basic method of over Euro 20 million.

In terms of managing operational risks, the BPM Group has chosen to adopt a centralised model which provides for the definition of principles and methodologies to be shared among the banks.
The model consists of a strategic level controlled by the Board of Directors of the Parent Bank and of the single Banks of the Group, by the Board Financing Committee for internal auditing, by the Management Committee of the Parent Bank and by The Risk Management office of the Parent Bank.

At an operational level, the Operational Risk office of the Parent Bank coordinates the Operational Risk Owners of the Parent Bank, in terms of processes and specialised functions, as well as the Operational Risk Managers of the Group's banks, which in turn coordinate the processes and specialised functions carried out by the Owners identified in each bank.

For the purpose of ensuring an effective and efficient management system of Operational Risks, the Parent Bank has accomplished the following:

- sharing with the other Banks the principles and the guidelines of the system for managing the group's operational risks;

- formalising, for the control of operational risks and in compliance with the Group's regulations, all tasks, responsibilities and relationships between the Parent Bank and the Group's Banks;

- obtaining approval by the Board of Directors of the single Banks, of the functions structure that attributes to the various upper management offices of the Bank the responsibility for recognising, evaluating, managing and monitoring the operational risks associated with its internal activities by identifying the owners of processes and specialised functions;

- detailing the operations assigned to all the components of the operational risk management system through the formulation of adequate regulations internal to each Bank;

- preparing periodic reports on operational risks and losses as well as on the calculation of capital absorption at group and bank's levels;

- defining the criteria and methods to be adopted for an internal self-assessment of the adequacy and efficacy of the implemented system.

The operational risk management process provides for:

- the periodic verification of strategies, policies and organisational structure (government model);

- the collection of data on operational losses;

- the assessment, at least annually, of the bank and group's exposure to operational risks (through a risk self-assessment) as well as the propagation of a culture applied not only to risks but also to new processes, products and systems;

- the calculation of individual and consolidated capital ratio;

- the implementation of a periodic reporting system on the relevant strategic and operational functions;

- the annual self-assessment of the adequacy, efficiency and efficacy of the operational risks management process.

Business Continuity Plan

The Business Continuity Plan enables Banca Popolare di Milano to verify its own capacity to re-establish the operations of the vital and critical processes, in the case of disastrous events.
With respect to the Group's companies, BPM has chosen the decentralised model and has provided the following guidelines:

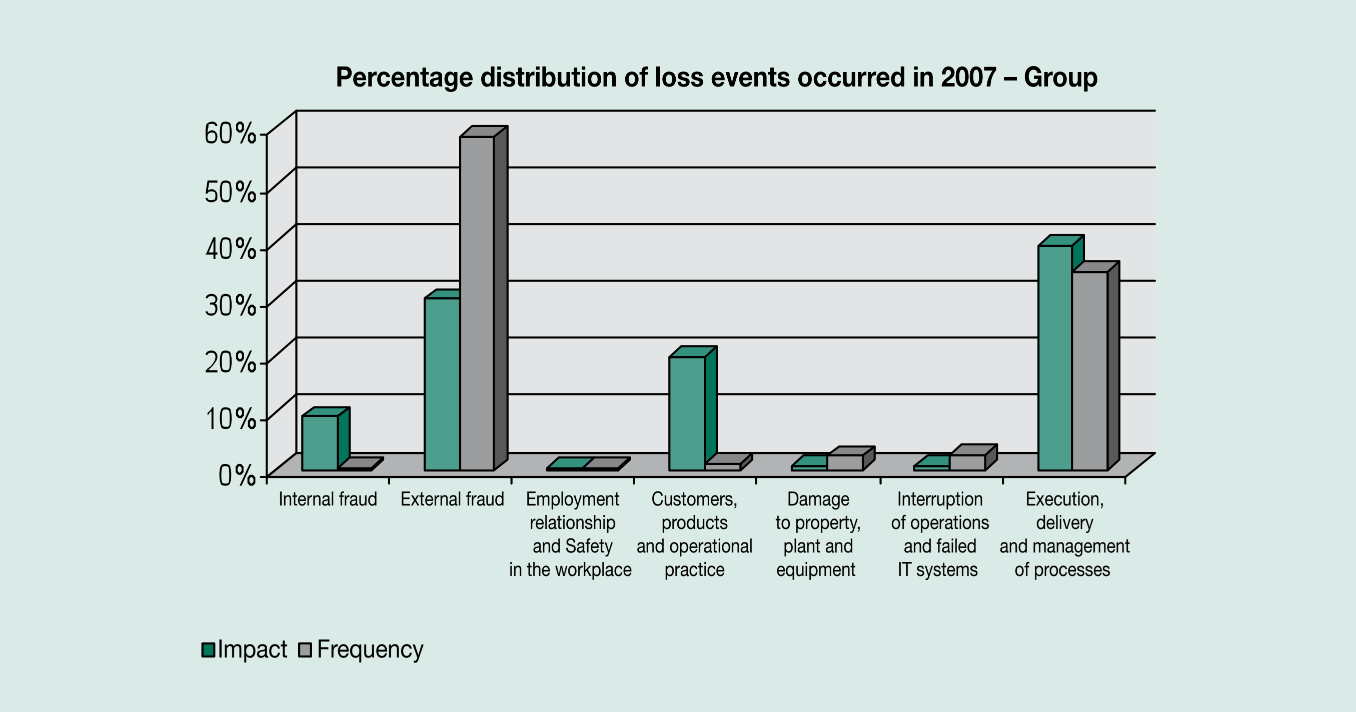
In the course of the year, a dedicated structure (Business Continuity Office), created to manage the Business Continuity Plan, has been assigned the following responsibilities:
- setting up actual maintenance procedures;
- testing the simulation plan for crisis events;
- guaranteeing the continuity of critical, vital processes as well as internal and external communication.

At the end of September 2007, a formal maintenance procedure was set up at the Bank for the purpose of covering all vital, critical and essential processes associated with Collections-Payments services, Credit area, rebooting of the systems, internal and external communication and organisational management of a crisis.

The inclusion into the Business Continuity Plan of the Treasure processes, as well as of the processes needed to guarantee the minimum operations of the branches, is underway; the processes scope, for which the re-establishment procedure had been set up, was expanded.

Reporting operating losses

In the last few years, Banca Popolare di Milano Group has set up a new assessment process for both operating losses and insurance recoveries that is based on the criteria identified by the Basel Committee and on the guidelines agreed upon among all the banks, that are members of the Italian consortium, for reporting operating losses to the Italian Banking Association.
Participation in the Italian Banking Association consortium enabled the Parent Bank to avail itself of system-wide information flows concerning operating losses and of the events that generated them in order to conduct comparisons with internal data, which, along with internal loss trend figures, were subject to reporting and further inquiry by the company's management.
The percent distribution of the losses reported in 2007 shows that the most significant reasons for operating losses are ascribable to external fraud, both in terms of frequency and of economic impact, due to the increase in the cloning of ATM cards and robbery. Other events, which were for the most part due to disputes over financial transactions, errors and internal fraud, had a more moderate impact. The same trend is confirmed also by the losses registered in the first six months of 2008.



Quantitative data

B. Significant legal disputes

Banca Popolare di Milano

As at 30 June 2008, the pending disputes mostly fall into three categories:

- **Improper application of interest rates**: there are currently 151 lawsuits in progress, for which the amount of Euro 4,293 thousand has been set aside for possible losses;

- **Operational errors in providing services to customers**: there are currently 239 lawsuits in progress, for which the amount of Euro 8,118 thousand has been set aside for possible losses;

- **Suits involving financial claims**: pending litigations associated with financial advisory activity (documentation errors, improper disclosure of financial risks, etc.); there are currently 246 lawsuits in progress, for which the amount of Euro 10,442 thousand has been set aside for possible losses.

Banca di Legnano

As at 30 June 2008, the pending disputes mostly fall into three categories:

- **Improper application of interest rates**: there are currently 7 lawsuits in progress, for which the amount of Euro 172 thousand has been set aside for possible losses;

- **Suits involving financial claims**: pending litigations associated with financial advisory activity (documentation errors, improper disclosure of financial risks, etc.); there are currently 4 lawsuits in progress, for which the amount of Euro 74 thousand has been set aside for possible losses.

Cassa di Risparmio di Alessandria

As at 30 June 2008, the pending disputes mostly fall into three categories:

- **Improper application of interest rates**: there are currently 5 lawsuits in progress, for which the amount of Euro 235 thousand has been set aside for possible losses;

- **Operational errors in providing services to customers**: there are currently 7 lawsuits in progress, for which the amount of Euro 92 thousand has been set aside for possible losses;

- **Suits involving financial claims**: pending litigations associated with financial advisory activity (documentation errors, improper disclosure of financial risks, etc.); there are currently 28 lawsuits in progress, for which the amount of Euro 825 thousand has been set aside for possible losses.

Banca Akros

Within its ordinary business activity, Banca Akros has been subjected to a limited number of claims by customers.
The Bank has three pending lawsuits resulting mostly from trading financial instruments. Due to these risks, an amount of Euro 3.3 million has been set aside.
In the first half of 2006, Banca Akros received three out-of-court summonses from the Special Managers of the Cirio Del Monte Group (in extraordinary administration) in which they demanded that the bank, along with other banks and financial institutions, pay compensation for damages allegedly caused in relation to their participation in placement syndicates for bonds issued by Cirio Group companies. We report that there have been no further developments at the reporting date. The Bank has contested the claim, which it considers to be wholly unfounded, and has not made any related provision.
In reference to controversies, claims, and any fees required for the assistance by external professionals, the necessary provisions for risks and charges have been duly set up.

Part F

Consolidated capital

Section 1 – Consolidated capital

A. Qualitative data

The capital management is represented by the set of policies and decisions needed to define the size of the capital, as well as the optimum combination of the various alternative capitalisation instruments that aim to ensure that the BPM consolidated capital and relative ratios are consistent with the risk profile used, in full compliance with regulatory requirements.

The BPM Group is subject to the requirements set for capital adequacy by the Basel Committee, in compliance with the rules defined by the Bank of Italy, according to which the ratio between the capital and the risk-weighted assets, at a consolidated level, must be equal to at least 8%.

Regarding the policies adopted in compliance with capital requirements, as well as with the policies and processes adopted in managing the capital, please refer to Section 2 “Regulatory capital and capital adequacy ratios” below.

B. Quantitative data

The composition and amount of the capital pertaining to the Group or to third parties, is included in section 15 and 16 of the Notes to the liability items of the financial statement.

Section 2 – Regulatory capital and capital adequacy ratios

2.1 Regulatory application

By issuing Circular n. 263 of 27 December 2006 (“New regulations for the prudent supervision of banks”) and subsequent updates, the Bank of Italy has reformulated the prudent regulations applied to Banks and to banking groups adopting the European community directives regarding capital adequacy of the financial intermediaries: New Basel Agreement on Capital (the so-called “Basel 2”).
The new structure of prudent regulations is based on three main principles:

- The first principle emphasises the risk and capital measurements and provides for the compliance to capital requirements in addressing some of the main types of banking and financial risks (credit, counterparty, market and operational); for this purpose, alternative methods for the calculation of capital requirements, characterised by a different levels of complexity in the measurement of the risks and organisational control requirements, are set forth.

- The second principle requires that the financial intermediaries adopt a strategy and a process aimed at the control of capital adequacy, both current and estimated, and highlights the importance for the governance as a particularly significant element within the scope of the Supervisory Authority which is entrusted with the verification of the reliability and correctness of this internal evaluation.

- The third principle introduces specific requirements aimed at keeping the public informed on capital adequacy, exposure to risks and general characteristics of the associated management and control systems.

The provisions set forth on regulatory capital and prudential ratios at the consolidated level, apply to the Parent Bank and to the banking, financial and instrumental companies in which the Group holds 20% or more of the voting rights in general shareholders’ meetings.
Consequently, given that the scope of consolidation for financial reporting purposes is broader than that for calculating regulatory capital and consolidated prudential ratios, only the elements related to banking, financial and instrumental companies were included in the calculation.
The calculation of the regulatory capital and of major risks, is based on the banking group’s consolidated data, whereas the capital requirements, as regards the different types of risk (credit, counterparty, market), are counted as the sum of individual requirements of the entities falling into the consolidation area (net of the intra-group positions). The capital requirement in terms of operational risk, is calculated through the basic method and the adoption, as an indicator, of the consolidated net interest and other banking income with reference to the banking group.

2.2 Regulatory capital

A. Qualitative data

The regulatory capital is represented by the sum of the Tier 1 capital – fully included in the calculation – and of Tier 2 capital which is included within the maximum limit of the Tier 1 capital, after the necessary deductions.
In order to determine the impact resulting from the application of international accounting principles on the calculation of regulatory capital, certain "prudential filters" have been introduced. These filters are to be applied to the accounting data (IAS/IFRS) and aim at safeguarding the quality of regulatory capital and reducing the potential volatility caused by the application of said principles.
In general terms, the approach recommended by the Basel Committee and the Committee of European Banking Supervisors (CEBS) contemplates, for assets other than those held for trading, the total deduction of unrealised losses based on fair value from Tier 1 capital and the partial inclusion of unrealised gains based on fair value in Tier 2 capital (the so-called "asymmetrical approach").
50% is deducted from the Tier 1 and the Tier 2 capital. The deductible items are represented by equity interests and, if they meet the requirements for inclusion in the calculation of the governance capital of the issuers, by non-innovative and innovative capital instruments, hybrid capital instruments and subordinated instruments owned in banks, financial companies and insurance companies.
Equity interests and subordinated instruments held in insurance companies, that were purchased before 20 July 2006, are deducted from the total Tier 1 and Tier 2 capital until 31 December 2012.

Subordinated liabilities not counted in the Tier 2 capital and subordinated liabilities of third level, net of negative prudential filters, are the capital components of Tier 3. This aggregate may be used solely to meet capital requirements in respect of market risks.
Subordinated liabilities may not exceed 50% of Tier 1.
Each entry of Tier 1 and Tier 2 capital include the portion pertaining to both the banking group and third parties.

At the financial statement date and according to the rules set forth, the regulatory capital of the BPM group is broken down as follows:

■ **Tier 1 capital**

- **Positive items**: paid-up capital, share premiums, reserves, innovative and non-innovative capital instruments and non-distributed profit recorded for the period;

- **Negative items**: goodwill and other intangible assets;

- **Tier 1 capital prudential filters**: negative reserves on financial assets available for sale and capital resources subject to term purchase commitments;

- **Items to be deducted from Tier 1 capital**: 50% of the equity interests in lenders and finance companies that exceed 10% of the share capital of the investee institution, and of the equity investments in insurance companies.

■ **Tier 2 capital**

- **Positive items**: reserves for the valuation of property, plant and equipment and of financial assets available for sale, hybrid capital instruments and subordinated liabilities of second level;

- **Tier 2 capital prudential filters**: a share, not included in the calculations, of positive reserves on financial assets available for sale and capital reserves subject to term purchase commitments;

- **Items to be deducted from Tier 2 capital**: 50% of securities investments in lenders and finance companies exceeding 10% of the capital of the investee institution and of investments in insurance companies.

■ **Items to be deducted from total Tier 1 and 2 capital**: equity interests and subordinated instruments held in insurance companies that were purchased before 20 July 2006.

B. Quantitative data

Regulatory capital	30.06.2008(*)	31.12.2007
A. Tier 1 capital before the application of prudential filters	**3,058,057**	**2,695,004**
B. Tier 1 capital prudential filters:		
B.1 Positive IFRS prudential filters (+)		
B.2 Negative IAS/IFRS prudential filters (-)	–111,517	–99,074
C. Tier 1 capital gross of elements to be deducted (A + B)	**2,946,540**	**2,595,930**
D. Items to be deducted from Tier 1 capital	–67,515	–68,382
E. Total Tier 1 capital (C – D)	**2,879,025**	**2,527,548**
F. Tier 2 capital before the application of prudential filters	**1,159,285**	**915,373**
G. Tier 2 capital prudential filters:		
G.1 Positive IFRS prudential filters (+)		
G.2 Negative IAS/IFRS prudential filters (-)	–2,914	–21,441
H. Tier 2 capital gross of the elements to be deducted (F + G)	**1,156,371**	**893,932**
J. Items to be deducted from Tier 2 capital	–67,515	–68,382
L. Total Tier 2 capital (H – I)	**1,088,856**	**825,550**
M. Items to be deducted from total Tier 1 and 2 capital	–28,125	–49,493
N. Regulatory capital (E + L – M)	**3,939,756**	**3,303,605**
O. Tier 3 capital		
P. Regulatory capital including Tier 3 (N + O)	**3,939,756**	**3,303,605**

(*) The data as of 30 June 2008 are temporary

In further detail, consolidated regulatory capital at 30.06.08 may be broken down as follows:

A. Tier 1 capital before the application of prudential filters		**3,058,057**
• **Positive items:**		
Share capital	1,709,156	
Share premium	230,322	
Reserves	1,385,759	
Innovative capital instruments	441,981	
Profits for the period attributed to the regulatory capital	54,446	
• **Negative items:**		
Treasury shares or quotas		
Goodwill	–667,517	
Other intangible fixed assets	–96,090	
B. Tier 1 capital prudential filters:		**–111,517**
B.2 Negative IAS/IFRS prudential filters (–)		
Negative reserves on financial assets available for sale	–33,072	
Capital subject to forward purchase commitments	–78,445	
D. Items to be deducted from Tier 1 capital		**–67,515**
50% share of equity investments in lenders and finance companies representing more than 10% of the share capital of the investee institution	–61,091	
50% share of equity investments in insurance companies	–6,424	
E. Total Tier 1 capital		**2,879,025**
F. Tier 2 capital before the application of prudential filters		**1,159,285**
• **Positive items:**		
Valuation reserves: Property, plant and equipment	16,203	
Valuation reserves: Financial aseets available for sale	5,801	
Innovative capital instruments not calculated in Tier 1 capital	11,806	
Hybrid instruments	176,597	
Subordinated liabilities	948,878	
G. Tier 2 capital prudential filters:		**–2,914**
G.2 Negative IAS/IFRS prudential filters (-)		
Share of positive reserves for capital securities and mutual fund shares available for sale not calculable (50%)	–2,900	
Capital subject to forward purchase commitments	–14	
J. Items to be deducted from Tier 2 capital		**–67,515**
50% share of equity investments in lenders and finance companies representing more than 10% of the share capital of the investee institution	–61,091	
50% share of equity investments in insurance companies	–6,424	
L. Total Tier 2 capital (H – I)		**1,088,856**
M. Items to be deducted from total Tier 1 and Tier 2 capital (*)		**28,125**
Equity investment in Bipiemme Vita		20,125
Subordinated liabilities issued by Bipiemme Vita		8,000

At the balance sheet date there were no financial instruments comprising Tier 3 capital.

Following is a list of innovative capital instruments, hybrid capital instruments and subordinated liabilities which, together with the capital and the reserves, are included in the calculation of the Tier 1 and Tier 2 capital.

	30.06.2008		Amount in original currency		Issue price	Interest rate	Issue/ maturity date	Early repayment from
	Carrying value	Contribution to regulatory capital						
TIER 1 CAPITAL								
Tier 1 innovative capital instruments:								
Preference shares Bpm Capital Trust I – 8.393%	172,886	159,255	160,000	Euro	100	Variable	02.07.2001 Perpetual	02.07.2011
Perpetual Subordinated Fixed/Floating Rate Notes – 9%	292,317	294,532	300,000	Euro	98.955	Variable	25.06.2008 Perpetual	25.06.2018
Total of innovative capital instruments (TIER 1) (*)	**465,203**	**453,787**						
TIER 2 CAPITAL								
Hybrid instruments (upper Tier 2):								
Subordinated loan Banca Popolare di Milano – Upper Tier 2 - 7.625% Notes Due 2011	159,280	158,795	160,000	Euro	99.202	7.625%	29.06.2001 29.06.2011	n.p.
Banca Popolare di Milano's subordinated loan – Variable rate – 18 June 2008/2018	17,878	17,802	17,850	Euro	100	Variable	18.06.2008 18.06.2018	n.p.
Total hybrid instruments (Upper Tier 2):	**177,158**	**176,597**						
Subordinated liabilities (lower Tier 2):								
Subordinated bond: Banca Popolare di Milano Subordinated Mix Performances 16 September 2003/2013	99,448	97,178	99,379	Euro	100	Variable	16.09.2003 16.09.2013	16.9.2008
Subordinated loan Banca Popolare di Milano 2005/2015	599,153	598,990	600,000	Euro	99.716	Variable	29.06.2005 29.06.2015	29.6.2010
Banca Popolare di Milano's subordinated loan – Lower Tier 2 – 4.50% 18 April 2008-2018	243,200	252,710	252,750	Euro	100	4.50%	18.04.2008 18.04.2018	n.p.
Subordinated liabilities (lower Tier 2):	**941,801**	**948,878**						

(*) The innovative capital instruments are included in the calculation of Tier 1 capital for an amount not exceeding 15% of Tier 1 capital (inclusive of the same innovative instruments), before deducting the appropriate items.
Consequently, the amount of innovative capital instruments, Euro 441,981 thousand, to be calculated for Tier 1 capital, and Euro 11,806 thousand for Tier 2 capital.

2.3 Capital adequacy

A. Qualitative data

As at 30 June 2008, the prudential risks are determined, for the first time, at a consolidated level for the BPM Group according to the methods set forth in the Agreement on Capital, by adopting the standard method for the calculation of capital requirements in terms of credit and counterparty risk, and by adopting the basic method for the calculation of operational risks.
The first statement must be sent to the Bank of Italy by 25 October 2008; at the time of the preparation of this Report, only data based on temporary calculations was available.
The comparative ratios relative to 31 December 2007 (Basel 1) were determined by applying the previous methods (Basel 1).
Based on regulatory directives and as a capital requirement in relation to the risk of loss due to a breach committed by the debtors (credit risk), the banking groups must maintain constantly a share of the consolidated governance capital equal to at least 8% of the risk-weighted assets (total capital ratio).
The banking groups are required to continuously respect the capital requirements set for risks generated by market transactions on financial instruments, currencies and goods. With reference to market risks calculated on the entire trading book, the regulations identify and regulate how the different types of risk should be handled: position risk on debt and capital securities, regulatory risk and concentration risk. As regards the entire financial statements, the exchange rate risk and position risk on goods, must be determined.
Within the BPM group, the standard method is applied, with the exception of the subsidiary Banca Akros, which in 2007 was authorised by the Bank of Italy to use internal models for the definition of capital requirements with regard to the market risk arising from trading activities.

The following ratios are also determinant factors in the evaluation of the capital rating:

- Tier 1 capital ratio, represented by the relationship between the Tier 1 capital and the overall risk-weighted assets;

- Core Tier 1 capital ratio, represented by the relationship between the Tier 1 capital (net of the innovative capital instruments) and the overall risk-weighted assets.

As it emerges from the composition of the regulatory capital and the following details of the prudential requirements, the Group reported a ratio between Tier 1 capital and risk-weighted assets (Tier 1 capital ratio) of 7.5% (7.2% as at 31 December 2007) and a ratio between regulatory capital and risk-weighted assets (total capital ratio) of 10.2% (9.4% as at 31 December 2007) greater than the minimum requirement of 8%. It is to be noted that the data referring to 31 December 2007 is calculated by using the methods sets forth in the regulations that were previously in effect (the so-called "Basel 1").

The data in the following table (based on temporary calculations) is not immediately comparable with those of December 2007 which were obtained by using different methods.
In particular, the requirements for credit and counterparty risk are substantially in line with those of December 2007, although following a 7.6% expansion of loans to customers, because the Basel 2 method allows for a better weighting for loans to regulated intermediaries and to companies with external rating. The total of capital requirements shows a growth due to the introduction of the requirement regarding operational risk (equal to 15% of the average consolidated net interest and other banking income, for the three years from 2005 to 2007) which in June 2008 was Euro 242 million.

The improvement in capital ratios (in particular in the Total Capital Ratio) is due mainly to the increment in the regulatory capital following the subordinated issues of the first six months of the year (accounting for Euro 565 million in the regulatory capital).

Net of the amount absorbed by credit risk (70.3%), market risk (1.8%) and operational risks (6.1%), the excess capital amounts to Euro 859 million.

B. Quantitative data

(data in millions of Euro)

Categories/Amounts	Weighted amounts/requirements	
	30.06.2008 (*)	**31.12.2007**
A. RISK ASSETS		
A.1 COUNTERPARTY AND CREDIT RISK		
STANDARD METHOD	34,599	34,215
B. REGULATORY CAPITAL REQUIREMENTS:		
B.1 COUNTERPARTY AND CREDIT RISK	**2,768**	**2,737**
B.2 MARKET RISK	**70**	**64**
1. STANDARD METHOD	48	53
2. INTERNAL MODELS	22	11
B.3 OPERATIONAL RISK: basic method	**242**	**n.a.**
B.4 OTHER PRUDENTIAL REQUIREMENTS		
B.5 TOTAL PRUDENTIAL REQUIREMENTS (+B1+B2+B3)	**3,080**	**2,801**
C. RISK ASSETS AND CAPITAL ADEQUACY RATIOS		
C.1 Risk-weighted assets	38,506	35,011
C.2 A) Tier 1 capital (net of innovative capital instruments)/Risk-weighted assets (Core Tier 1 capital ratio)	**6.3%**	**6.8%**
C.2 B) Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	**7.5%**	**7.2%**
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)	**10.2%**	**9.4%**

(*) Temporary data

Part H

Transactions with related parties

1. Information relating to the remuneration of directors and executives

Remuneration paid to Directors and Statutory Auditors

The following table reports the remuneration due to directors and statutory auditors of group companies, even if they held office for only part of the six-month period. The amount shown is the total cost reported in the income statement of the first half of the year.

(Euro/000)

Fees	**First-half 2008**	**First-half 2007**
Board of Directors	3,331	3,687
Board of Statutory Auditors	655	690

Information relating to the remuneration of key management personnel

The following table gives the information required by IAS 24 paragraph 16, in relation to executives involved in the General Management of Group Companies and in the General Management and Central Management of the Parent Bank.

(Euro/000)

	First-half 2008	**First-half 2007**
Salaries and other short-term benefits	6,230	5,924
Post-employment benefits (1)	455	331
Termination benefits (2)	5,573	–
Share-based payments (3)	31	38

(1) Represents the annual charge to the provision for severance indemnities calculated in accordance with applicable legislation.
(2) Represents benefits paid out to terminated executives.
(3) Represents the value of the shares allocated as the share of 2007 net profit earmarked for employees of the Parent Bank.

2. Related party disclosures

Companies subject to joint control and significant influence

Items	First-half 2008			First-half 2007		
	Companies subject to joint control	Companies subject to significant influence	Totals	Companies subject to joint control	Companies subject to significant influence	Totals
Balance sheet: assets	**37,161**	**444,128**	**488,289**	**39,065**	**454,260**	**493,325**
Financial assets held for trading	–	1	**1**	–	216	**216**
Loans and advances to banks	–	–	**–**	–	–	**–**
Loans and advances to customers	37,161	444,127	**481,288**	39,065	454,044	**493,109**
Balance sheet: liabilities	**2,736**	**263,082**	**365,818**	**2,644**	**298,185**	**300,829**
Due to banks	–	–	**–**	–	–	**–**
Due to customers	2,736	47,391	**50,127**	2,644	71,603	**74,247**
Debt securities in issue	–	–	**–**	–	–	**–**
Financial liabilities held for trading	–	2,788	**2,788**	–	1,926	**1,926**
Financial liabilities designated at fair value through profit and loss	–	312,903	**312,903**	–	224,656	**224,656**
Balance sheet: guarantees and commitments	**–**	**9,513**	**9,513**	**–**	**3,715**	**3,715**
Guarantees given	–	9,513	**9,513**	–	3,715	**3,715**
Commitments	–	–	**–**	–	–	**–**
Income statement	**1,534**	**20,742**	**22,276**	**1,401**	**15,447**	**16,848**
Interest income	1,616	10,867	**12,483**	1,457	9,068	**10,525**
Interest charges	(55)	(924)	**(979)**	(56)	(1,265)	**(1,321)**
Fee and commission income	55	11,017	**11,072**	–	9,282	**9,282**
Fee and commission expense	(82)	(358)	**(440)**	–	(1,811)	**(1,811)**
Charge-back of payroll costs for staff seconded to third parties	–	116	**116**	–	44	**44**
Other operating income	–	24	**24**	–	129	**129**

Other related parties

The following table reports transactions and balances between the Group companies and the members of the Boards of Directors and Boards of Statutory Auditors, as well as key management personnel of the Group's companies, and other parties related to them.

Board of Directors		Members of the B.o.D.	Companies controlled by members of the B.o.D.	Relatives of members of the B.o.D.	Companies controlled by relatives of members of the B.o.D.
Loans	Granted	4,671	453	2,774	2,846
	Drawdowns	3,544	310	1,124	2,589
Deposits		11,456	61	4,880	483
Indirect deposits (at market values)		8,868	1	6,007	–
Assets under management (at market values)		10,811	–	5,254	–
Endorsement credits		–	–	–	–
Interest income		112	1	28	94
Interest charges		(143)	–	(70)	(1)
Fee and commission and other income		66	1	75	5
Amounts paid for professional and consultancy services		–	(103)	–	–

Board of Statutory Auditors		Members of the Board of Statutory Auditors	Companies controlled by members of the Board of Statutory Auditors	Relatives of members of the Board of Statutory Auditors	Companies controlled by relatives of members of the Board of Statutory Auditors
Loans	Granted	2,412	315	164	–
	Drawdowns	271	239	155	–
Deposits		1,083	9	62	–
Indirect deposits (at market values)		1,417	–	49	–
Assets under management (at market values)		732	496	19	–
Endorsement credits		–	–	–	–
Interest income		8	8	5	–
Interest charges		(14)	–	(1)	–
Fee and commission and other income		8	2	–	–
Amounts paid for professional and consultancy services		–	–	–	–

General management		Members of Senior Management	Companies controlled by members of Senior Management	Relatives of members of Senior Management	Companies controlled by relatives of members of Senior Management
Loans	Granted	1,871	–	38	–
	Drawdowns	941	–	–	–
Deposits		4,305	–	879	–
Indirect deposits (at market values)		5,500	–	2,763	–
Assets under management (at market values)		5,109	–	2,064	–
Endorsement credits		–	–	–	–
Interest income		18	–	–	–
Interest charges		(60)	–	(11)	–
Fee and commission and other income		25	–	11	–
Amounts paid for professional and consultancy services		–	–	–	–

Percentage of transactions with related parties

On the basis of the provisions of CONSOB Communication no. DEM/6064293, dated 28 July 2006, in addition to the provisions of the International Accounting Standard on the subject of "Disclosure of related-party transactions" (IAS 24), information is provided on the impact that the transactions or positions with related parties have on the Group balance sheet and income statement, as classified by IAS 24.

Percentage of transactions or positions with related parties on:	**30.06.2008**			**30.06.2007**		
	Carrying amount	**Related parties**		**Carrying amount**	**Related parties**	
		Absolute value	**%**		**Absolute value**	**%**
Assets:						
20. Financial assets held for trading	3,089,844	1	0.000%	3,637,763	216	0.006%
70. Loans and advances to customers	32,041,895	490,461	1.531%	28,242,620	521,290	1.846%
Liabilities:						
20. Due to customers	21,402,585	73,345	0.343%	20,805,036	95,069	0.457%
40. Financial liabilities held for trading	1,240,289	2,788	0.225%	1,172,447	1,926	0.164%
50. Financial liabilities designated at fair value through profit and loss	2,722,041	312,903	11.495%	3,166,005	224,656	7.096%
Income statement:						
10. Interest and similar income	1,110,173	12,757	1.149%	967,473	11,139	1.151%
20. Interest and similar charges	(582,605)	(1,279)	0.220%	(466,808)	(1,568)	0.336%
40. Fee and commission income	315,968	11,265	3.565%	339,036	9,531	2.811%
50. Fee and commission expense	(36,986)	(440)	1.190%	(36,810)	(1,811)	4.920%
180. Administrative expenses (*)	(543,155)	13	n,a,	(532,182)	(56)	0.011%
220. Other operating income/expense	56,490	24	0.042%	57,532	129	0.224%

(*) The highlighted amount due to related parties is equal to the balance between the recharges for the Group's personnel seconded to associated companies, and the administrative fees due to other related parties.

Part I

Share-based payments

A. Qualitative data

1. Description of share-based payments

The agreement described below applies exclusively to Parent Bank employees. There are no other agreements in existence with respect to the other companies of the Group.

Allocations of net profit The general shareholders' meeting of the Parent Bank, held on 15 February 2007, amended Article 47 of the Articles of Association, in effect from the financial statements that ended 31 December 2006, and provided for the possibility of annually reserving an amount to be paid to current employees, or for collective funds equal to 5% of the gross profit (income statement item "Profit before tax from continuing operations"), calculated prior to determining the amount, unless the general meeting resolves not to distribute dividends from the year-end profits. The forms and methods of payment, which may be made wholly or partially in cash or in shares, are delegated to the Board of Directors. If the Board resolves to pay in shares, the reference value will be established based on the average quotation over the 30 days preceding the assignment.
All employees in service will be assigned shares in accordance with the following distribution criterion based on trade union agreements: a fixed amount (60% of the total paid out) and an amount linked to length of service (the other 40%).
In accordance with IFRS 2, the amount to be paid to employees must be recognised as expenses, recognised at fair value, for the services received, with the contra account under "other liabilities", if on the reporting date the payment is expected to be made in cash or in shares already outstanding, or with the contra account in equity if new shares are issued.

The availability of the necessary shares is ensured – within the context of the mandate granted to the Board of Directors by the general shareholders' meeting – through the use of the "provision for the purchase of treasury shares", without therefore increasing the overall number of shares issued.

B. Quantitative data

2. Other information

In the month of May, the Parent Bank paid to its employee Euro 26,771 thousand, equal to 5% of the gross profit for the year 2007: 70% in shares (Euro 18,740 thousand) and 30% in cash (Euro 8,031thousand). The amount corresponding to 70% has involved the assignment of 2,480,412 BPM shares with a nominal value of Euro 7.555.

Attachments

List of significant shareholdings in unlisted companies pursuant to Article 126 of CONSOB Regulation no. 11971 of 14 May 1999

Pursuant to Article 126 of the CONSOB Regulation no. 11971 of 14 May 1999 and subsequent amendments, regarding the disclosure of significant interests and the transparency of shareholder agreements, the following list reports the companies in which the Group holds more than 10% of the voting rights.

Subsidiary and associated companies included in the scope of consolidation

	Company name	Registered office	Held by	Voting rights (1)
	A. Subsidiary companies			
1	Banca Popolare di Milano S.c.a r.l.	Milan		
2	Banca di Legnano S.p.A.	Legnano	Banca Popolare di Milano S.c.a r.l.	93.51
3	Cassa di Risparmio di Alessandria S.p.A.	Alessandria	Banca Popolare di Milano S.c.a r.l.	80.00
4	Banca Akros S.p.A.	Milan	Banca Popolare di Milano S.c.a r.l.	56.89
			Banca di Legnano S.p.A.	40.00
5	Akros Alternative Investments SGR S.p.A.	Milan	Banca Akros S.p.A.	100.00
6	WE@Service S.p.A.	Milan	Banca Popolare di Milano S.c.a r.l.	99.99
			Banca Akros S.p.A.	0.01
7	BPM Ireland Plc.	Dublin	Banca Popolare di Milano S.c.a r.l.	99.99
8	BPM Fund Management Ltd.	Dublin	Bpm Ireland Plc.	100.00
9	Tirving Ltd.	Dublin	Banca Popolare di Milano S.c.a r.l.	100.00
10	BPM Capital I Llc.	Delaware (USA)	Banca Popolare di Milano S.c.a r.l.	100.00
11	BPM Luxembourg S.A.	Luxembourg	Banca Popolare di Milano S.c.a r.l.	99.00
			Banca Akros S.p.A.	1.00
12	Bipiemme Private Banking SIM S.p.A.	Milan	Banca Popolare di Milano S.c.a r.l.	51.00
			Banca di Legnano S.p.A.	19.00
			Bipiemme Gestioni SGR S.p.A.	30.00
13	Bipiemme Gestioni SGR S.p.A.	Milan	Banca Popolare di Milano S.c.a r.l.	55.16
			Banca di Legnano S.p.A.	34.35
			Cassa di Risparmio di Alessandria S.p.A.	1.00
14	Ge.Se.So. S.r.l.	Milan	Banca Popolare di Milano S.c.a r.l.	100.00
15	BPM Covered Bond S.r.l.	Rome	Banca Popolare di Milano S.c.a r.l	80.00
	B. Jointly-controlled companies			
1	Calliope Finance S.r.l.	Conegliano	Banca Popolare di Milano S.c.a r.l.	50.00
2	ESN North America Inc.	Delaware (USA)	Banca Akros S.p.A.	35.81
	C. Companies subject to significant influence			
1	Bipiemme Vita S.p.A.	Milan	Banca Popolare di Milano S.c.a r.l.	45.89
2	SelmaBipiemme Leasing S.p.A.	Milan	Banca Popolare di Milano S.c.a r.l.	40.00
3	Aedes Bipiemme Real Estate SGR S.p.A.	Milan	Banca Popolare di Milano S.c.a r.l.	39.00
4	Società Milanese di Sviluppo e Formazione Musicale S.p.A.	Milan	Banca Popolare di Milano S.c.a r.l.	33.33
5	Anima SGR p.a. (*)	Milan	Banca Popolare di Milano S.c.a r.l.	29.90
6	Etica SGR S.p.A.	Milan	Banca Popolare di Milano S.c.a r.l.	27.50
7	Pitagora 1936 S.p.A.	Turin	Banca Popolare di Milano S.c.a r.l.	24.00
8	Group S.r.l.	Milan	Banca Akros S.p.A.	22.50
9	Wise Venture SGR S.p.A.	Milan	Banca Popolare di Milano S.c.a.r.l.	20.00

Key: (1) Voting rights at ordinary shareholders' meeting

(*) Company listed in the Borsa Italiana - Standard segment (Class 1).

List of significant shareholdings in unlisted companies pursuant to Article 126 of CONSOB Regulation no. 11971 of 14 May 1999

Other equity investments with interest exceeding 10%

Company name	Registered office	% voting rights	Holder
Leasemac S.p.A. – in liquidation	Milan	33.40	Banca di Legnano S.p.A.
Cassa di Risparmio di Asti S.p.A.	Asti	20.00	Banca di Legnano S.p.A.
Tayar Receivables Co. (*)	Dublin (Ireland)	16.47	Tirving Ltd.
Gal Borba Due Leader S.r.l.	Ponzone (AL)	15.00	Cassa di Risparmio di Alessandria S.p.A.
Otto Valli S.c.a r.l.	Ponzone (AL)	15.00	Cassa di Risparmio di Alessandria S.p.A.
Emprimer S.p.A. – in liquidation	Milan	12.26	Cassa di Risparmio di Alessandria S.p.A.

(*) Based on instructions from the Bank of Italy, the equity investment in Tayar held by Tirving is listed under "Loans and advances to customers".

Minority investments in which Banca Popolare di Milano holds voting rights of 10% of share capital or more

Company name	Registered office	% voting rights	Reason for holding voting rights
Nardi Costruzioni Aeronautiche S.p.A. (a)	Milan	100.00	Collateral
Minoco S.r.l.	Milan	100.00	Collateral
Fitco S.r.l.	Milan	100.00	Collateral
Effediemme S.r.l.	Carpi (MO)	100.00	Collateral
A.R.Tapes S.r.l.	Gessate (MI)	100.00	Collateral
Immobiliare Bordoni S.r.l.	Milan	93.86	Collateral
Istituto Lombardo per la Medicina Iperbarica S.r.l.	Milan	92.73	Collateral
Polyu Italiana S.p.A.(c)	Sedriano (MI)	71.65	Collateral
Colombo Immobiliare S.r.l.	Cernusco Sul Naviglio (MI)	70.00	Collateral
Medical Consulting Centre S.r.l.	Milan	51.28	Collateral
Industria Casearia Bonalumi S.r.l. in liquidation	Cologno M.se (MI)	33.33	Collateral
Milanocarri S.p.A.	Milan	15.00	Collateral
Abitare Cernusco S.r.l.	Milan	11.35	Collateral
Tiemme Raccorderie S.p.A. (b)	Castegnato (BS)	100.00	Collateral
Elettromeccanica di Marnate S.p.A. (b)	Brescia	99.50	Collateral

(a) The collateral is in favour of a pool of banks in which Banca Popolare di Milano S.c.a.r.l. is lead manager. The company is currently involved in bankruptcy proceedings.
(b) Undivided assets pledged as collateral in favour of a pool of creditors. The creditors holding the collateral have voting rights at ordinary and extraordinary meeting, although from time to time this right can be waived or can be delegated to the person or entity providing the collateral.
(c) Collateral in the process of being revoked.

List of significant shareholdings in unlisted companies pursuant to Article 126 of CONSOB Regulation no. 11971 of 14 May 1999

Minority investments in which Banca di Legnano holds voting rights of 10% or more of share capital

Company name	Registered office	% voting rights	Reason for holding voting rights
Newcam 96 S.r.l.	Genoa	100.00	Collateral
Oltrecaffè S.r.l.	Milan	100.00	Collateral

Investments of more than 10% in the following companies, currently in liquidation and valued at zero, are included in "Financial assets available for sale - Equities":

Company in liquidation	Registered office	% voting rights
Ricostruzioni Ansa S.r.l. – in liquidation	Milan	100.00
Immobiliare Zenith Terza S.r.l. – in liquidation	Milan	100.00
Leasing Levante S.p.A. – in liquidation	Bari	14.29

Statement on the condensed half-year report pursuant to art. 81-ter of Consob Regulation n. 11971 of 14 May 1999 and subsequent amendments and supplements

1. The undersigned, Mr. Roberto Mazzotta, in the capacity of Chairman of the Board of Directors and Mr. Roberto Frigerio in the capacity of Director entrusted with drawing up the accounts of Banca Popolare di Milano S.c.a.r.l., pursuant to art. 154-bis, paragraphs 3 and 4 of legislative decree of 24 February 1998, n. 58, confirm the following:

- the adequacy of the enterprise characteristics and

- the actual application of administrative and accounting procedures to the preparation of the short six months report pertaining to the first six months of 2008.

2. The evaluation of the adequacy of the administrative and accounting procedures adopted in the preparation of the financial statements as at 30 June 2008, is based on a model defined by Banca Popolare di Milano, in line with that of the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents an internationally accepted framework of reference. During the first six months of the year, the organisational and information integration of Cassa di Risparmio di Alessandria was completed. This has enabled the Parent Bank to perform the required verification on the administrative and accounting procedures implemented by Cassa di Risparmio di Alessandria.

3. It is also confirmed that:

3.1 The condensed six-month report:

a) has been prepared in compliance with the international accounting principles approved by the European Community, pursuant to Regulation (EC) n. 1606/2002 of the European Parliament and Council of 19 July 2002;

b) reflects the results of the books and accounting records (also as far as the data of the Banca Popolare di Milano Parent Bank is concerned);

c) is in compliance with the provisions of art. 154-ter of legislative decree of 24 February 1998, n. 58, and it is suitable to provide a true and faithful representation of the issuer's economic and financial position and of the enterprises in general included in the consolidation.

3.2 The interim directors' report contains references to important events that occurred in the first six months of the year and their impact on the short six months report, along with a description of the main risks and uncertainties for the remaining six months of the period, as well as information on significant transactions with related parties.

Milan, 26 August 2008

The Chairman of the Board of Directors	The Director entrusted with the preparation of the company's accounts
Roberto Mazzotta	Roberto Frigerio

Independent Auditors' Report

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Banca Popolare di Milano S.c a r.l.

1. We have reviewed the interim condensed consolidated financial statements of Banca Popolare di Milano S.c. a r.l. (and its subsidiaries) (the "Bipiemme Group") as of June 30, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. Management of Banca Popolare di Milano S.c. a r.l. is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review consists primarily of obtaining information on the accounts included in the interim condensed [consolidated] financial statements and the consistency of the accounting principles applied, through discussions with management and by applying analytical and other review procedures. A review does not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we express on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on April 1, 2008 and on September 26, 2007, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca Popolare di Milano S.c. a r.l. as of June 30, 2008 are not prepared, in all material respects, in conformity with IAS 34.

Milan, August 28, 2008

Reconta Ernst & Young S.p.A.
Signed by: Massimo Colli, partner

This report has been translated into the English language solely for the convenience of international readers

Prepared by the
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of Banca Popolare di Milano

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