

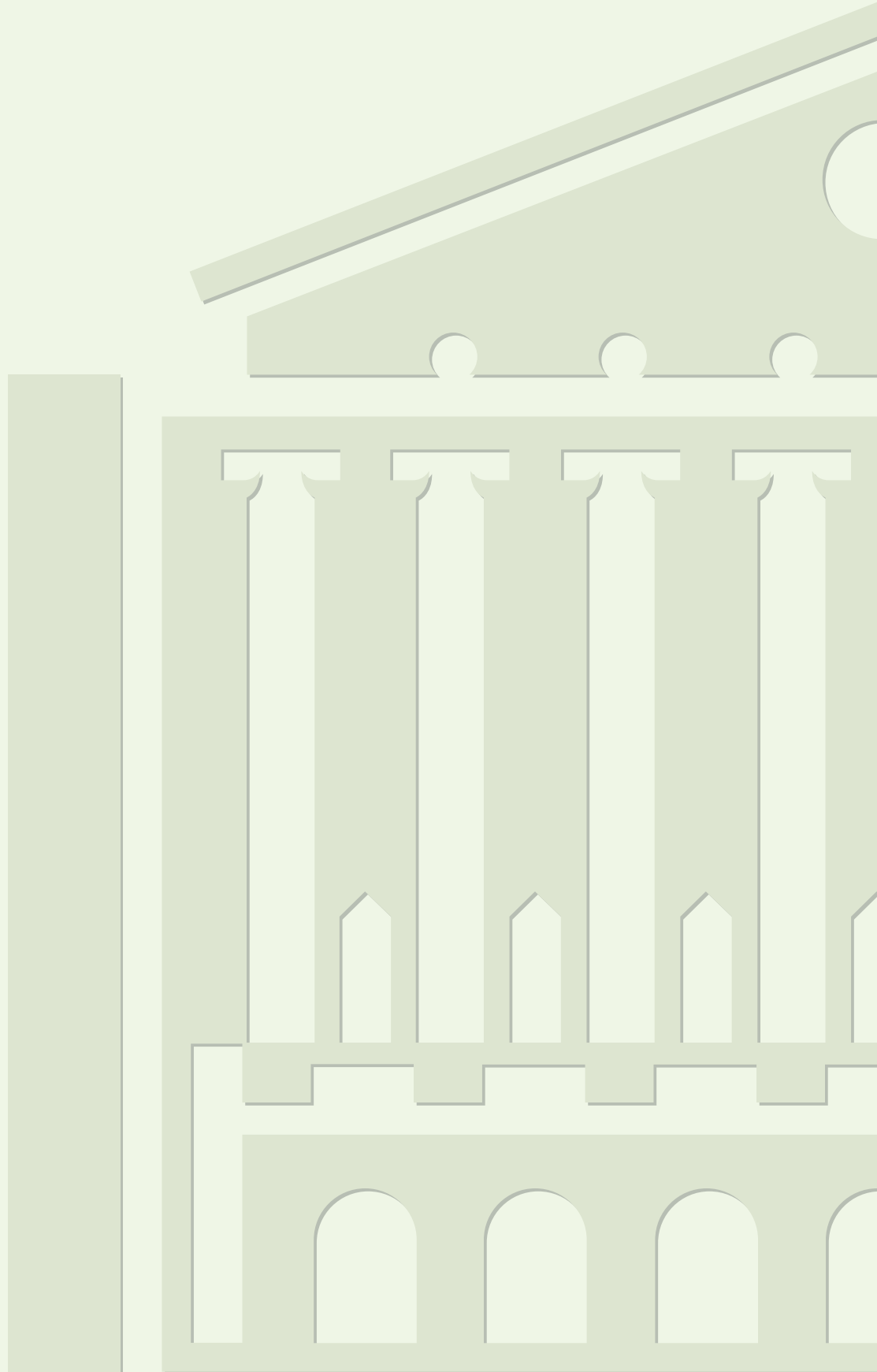
2009

Quarterly Report

of the BPM Group as at 31 March 2009



BANCA POPOLARE
DI MILANO



Quarterly Report of the BPM Group as at 31 March 2009



BANCA POPOLARE
DI MILANO

Co-operative Bank founded in 1865
Parent Bank of the BPM - Banca Popolare di Milano - Banking Group
Share capital at 31.03.2009: Euro 1,660,136,924
Milan Company Register no. 00715120150
Enrolment in the National Register of Cooperative Companies No. A109641
Head Office and General Management:
Piazza F. Meda 4, Milan - Italy
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 - Registered Banking Group

(*) Approved by the Board of Directors
of Banca Popolare di Milano during the meeting of 12 May 2009

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Directors and officers General Management and Independent Auditors

Board of Directors

Chairman

Massimo Ponzellini

Deputy Chairmen

Mario Artali

Graziano Tarantini

Directors

Beniamino Anselmi

Antoniogiorgio Benvenuto

Francesco Bianchi

Giovanni Bianchini

Giuseppe Coppini

Enrico Corali

Franco Debenedetti

Franco Del Favero

Roberto Fusilli

Piero Lonardi

Roberto Mazzotta

Marcello Priori

Leone Spozio

Jean-Jacques Tamburini

Michele Zefferino

Board of Statutory Auditors

Chairman

Salvatore Rino Messina

Statutory Auditors

Carlo Bellavite Pellegrini

Enrico Castoldi

Stefano Salvatori

Ezio Maria Simonelli

Arbitrators

Italo Cancia

Anna Maria Sanchirico

Carlo Felice Varini

General Management

General Manager

Fiorenzo Dalu

Co-General Manager

Enzo Chiesa

Head Office Managers

Maurizio Biliotti

Paolo Croci

Giovanni Damiani

Roberto Frigerio (*)

Angelo Pellegatta

Co-Head Office Managers

Marco Colombo

Giovanni Pipi

Andrea Rovellini

Deputy Head Office Managers

Piero Capperucci

Carlo Cesare Farma

Roberto Ferrario

Aldo Pullicani Colonesi

Sergio Versienti

Independent Auditors

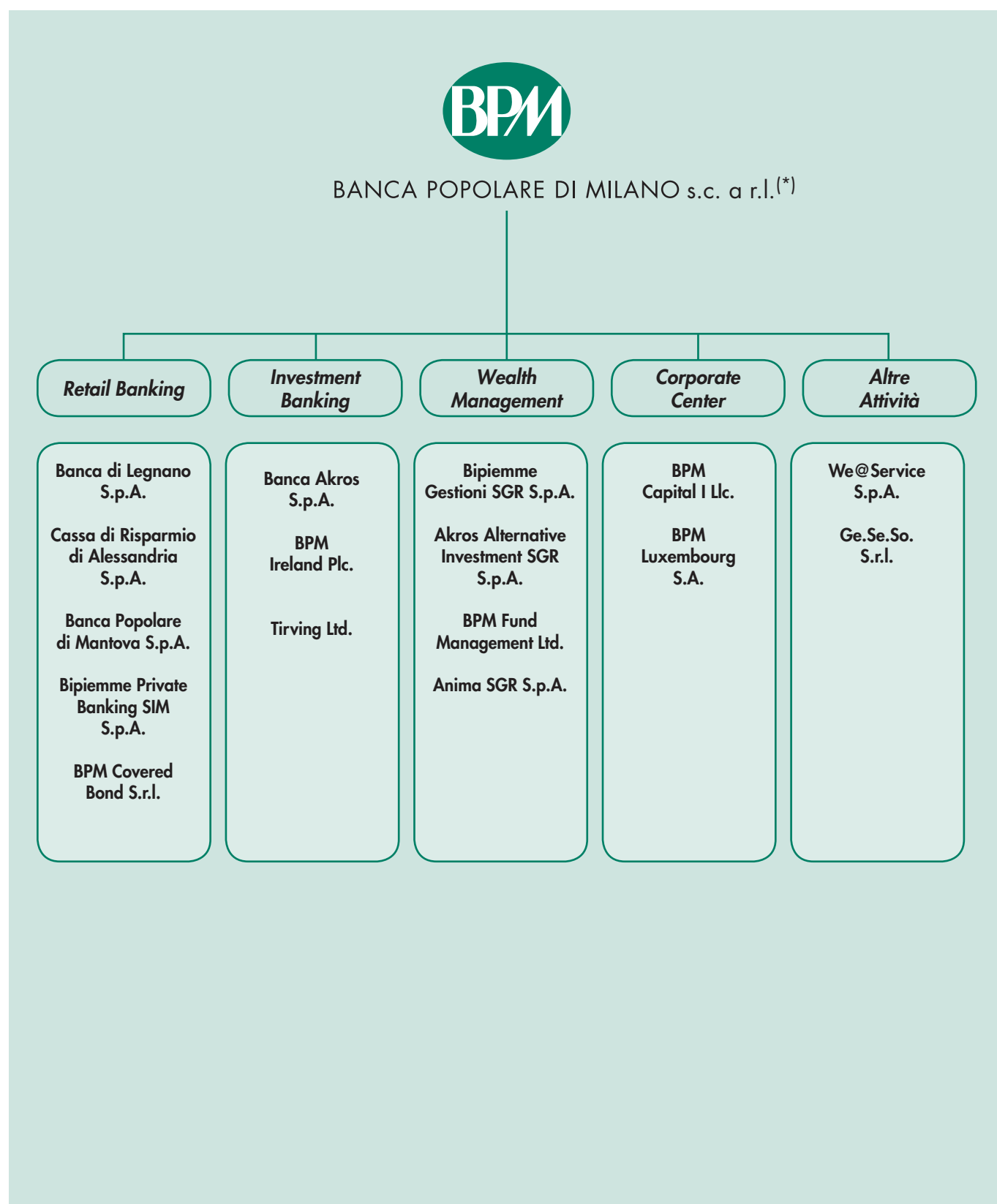
Reconta Ernst & Young S.p.A.

(*) Financial Reporting Manager

BPM Group – key figures and ratios

- BPM Group structure
- Consolidated reclassified balance sheet
- Consolidated reclassified income statement
- Quarterly evolution of the consolidated reclassified income statement
- Key figures
- Ratios

BPM Group structure at 31 March 2009



(*) Banca Popolare di Milano is split into the following segments: Retail Banking, Investment Banking, Corporate Center and Corporate Banking; the other companies are shown in the table according to their principal business activity.

Afterwards, there are some key figures and a number of important economic, financial and productivity ratios relating to the BPM Group. These have been calculated on the basis of the figures contained in the above “reclassified” schedules.

BPM Group - Consolidated reclassified balance sheet

(Euro/000)

Compulsory format codes	Assets	31.03.2009	31.12.2008	31.03.2008	Change A – B		Change A – C	
		A	B	C	(+/-)	%	(+/-)	%
10.	Cash and balances with central banks	212,592	252,708	205,540	-40,116	-15.9	7,052	3.4
	Financial assets at fair value and hedging derivatives:	5,833,372	5,362,142	6,578,003	471,230	8.8	-744,631	-11.3
20.	– Financial assets held for trading	2,400,042	2,348,353	3,345,152	51,689	2.2	-945,110	-28.3
30.	– Financial assets designated at fair value through profit and loss	1,285,177	865,806	1,152,545	419,371	48.4	132,632	11.5
40.	– Financial assets available for sale	1,934,186	1,994,565	2,049,351	-60,379	-3.0	-115,165	-5.6
80.	– Hedging derivatives	213,967	153,418	30,955	60,549	39.5	183,012	n.s.
60.	Loans and advances to banks	4,165,751	3,476,438	3,560,077	689,313	19.8	605,674	17.0
70.	Loans and advances to customers	31,556,195	32,898,927	30,201,620	-1,342,732	-4.1	1,354,575	4.5
100. 120. 130.	Fixed assets	1,867,616	1,777,635	1,651,438	89,981	5.1	216,178	13.1
140. 160.	Other assets	1,637,012	1,270,871	1,347,195	366,141	28.8	289,817	21.5
	Total assets	45,272,538	45,038,721	43,543,873	233,817	0.5	1,728,665	4.0

Compulsory format codes	Liabilities and Shareholders' Equity	31.03.2009	31.12.2008	31.03.2008	Change A – B		Change A – C	
		A	B	C	(+/-)	%	(+/-)	%
10.	Deposits from banks	2,874,958	3,473,930	4,907,827	-598,972	-17.2	-2,032,869	-41.4
20.	Due to customers	20,739,377	20,517,894	19,867,987	221,483	1.1	871,390	4.4
30.	Debt securities in issue	12,759,036	12,009,442	9,342,814	749,594	6.2	3,416,222	36.6
	Financial liabilities and hedging derivatives:	3,654,984	3,658,670	4,195,562	-3,686	-0.1	-540,578	-12.9
40.	– Financial liabilities held for trading	1,416,700	1,120,320	1,356,430	296,380	26.5	60,270	4.4
50.	– Financial liabilities designated at fair value through profit and loss	2,235,767	2,536,335	2,837,639	-300,568	-11.9	-601,872	-21.2
60.	– Hedging derivatives	2,517	2,015	1,493	502	24.9	1,024	68.6
80. 100.	Other liabilities	1,344,211	1,539,170	1,172,452	-194,959	-12.7	171,759	14.6
110. 120.	Provisions for specific use	461,589	451,033	432,087	10,556	2.3	29,502	6.8
140. 160. 170. 180. 190. 200.	Capital and reserves	3,229,055	3,177,278	3,438,069	51,777	1.6	-209,014	-6.1
210.	Minority interests (+/-)	137,161	136,035	124,997	1,126	0.8	12,164	9.7
220.	Net profit (loss) for the period (+/-)	72,167	75,269	62,078	-3,102	n.s.	10,089	16.3
	Total liabilities and Shareholders' Equity	45,272,538	45,038,721	43,543,873	233,817	0.5	1,728,665	4.0

BPM Group - Consolidated reclassified income statement

(Euro/000)

Compulsory format codes	Income statement line items	First quarter 2009	First quarter 2008	Change A/B	
				(+/-)	%
10. 20.	Net interest income	241,114	260,867	(19,753)	-7.6
40. 50.	Net fee and commission income	135,703	136,926	(1,223)	-0.9
di cui 240.	Share of profit (loss) of equity investments valued at equity	(3,523)	2,110	(5,633)	n.s.
70.	Dividend and similar income	795	1,059	(264)	-24.9
80. 90. 100. 110	Net income from financial activities	101,941	(14,464)	116,405	n.s.
220.	Other operating charges/income	13,518	15,383	(1,865)	-12.1
	Operating income	489,548	401,881	87,667	21.8
180.	Administrative expenses:	(254,821)	(242,629)	12,192	5.0
	a) payroll	(183,887)	(170,091)	13,796	8.1
	b) other administrative expenses	(70,934)	(72,538)	(1,604)	-2.2
200. 210.	Net adjustments to property, plant and equipment and intangible assets	(20,073)	(17,489)	2,584	14.8
	Operating costs	(274,894)	(260,118)	14,776	5.7
	Operating profit	214,654	141,763	72,891	51.4
130.	Net impairment adjustments to loans and financial assets	(73,120)	(28,518)	44,602	156.4
190.	Net charges to provisions for risks and charges	(14,489)	(3,413)	11,076	n.s.
240. 250. 260. 270.	Profits (losses) from equity and other investments	0	(162)	162	n.s.
280.	Profit (loss) from current operations before tax	127,045	109,670	17,375	15.8
290.	Income taxes on current operations	(53,691)	(45,336)	8,355	18.4
320.	Net profit (loss) for the period	73,354	64,334	9,020	14.0
330.	Net profit (loss) for the period pertaining to minority interests	(1,187)	(2,256)	(1,069)	-47.4
340.	Net profit (loss) for the period pertaining to the Parent Bank	72,167	62,078	10,089	16.3
	Earnings per share (Euro)	0.176	0.150		
	Diluted earnings per share (Euro)	0.168	0.144		

Method of preparing the reclassified income statement

For management reporting purposes the interim results have been presented in a reclassified format, 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.

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 have been made:

1. The **share of profit (loss) of investments valued under the equity method** (Euro 3,523 thousand at 31 March 2009 and Euro 2,110 thousand at 31 March 2008), recorded in Line item 240 "Share of profit (loss) of equity investments" has been reported in a separate line forming part of "Operating income" in the reclassified format;
2. **"Other operating charges/income"** (line item 220) recorded as part of **"Operating costs"** in the official reporting format have been adjusted to include **"Recoverable indirect taxes"** (Euro 14,070 thousand at 31 March 2009 and Euro 14,154 thousand at 31 March 2008) and to exclude the **"depreciation of leasehold improvements"** (Euro 1,289 thousand at 31 March 2009 and Euro 1,085 thousand at 31 March 2008).

After reclassification, this item has been included in **"Operating income"** in the reclassified income statement;

3. **"Other administrative expenses"** (line item 180 b) have been adjusted to exclude the **"recoverable indirect taxes"** mentioned in point 2) above;
4. **"Net adjustments to property, plant and equipment and intangible assets"** (line items 200 and 210) have been increased in the reclassified income statement by the **"Depreciation of leasehold improvements"** discussed in point 2) above;
5. **"Net impairment adjustments to loans and financial assets"** (Euro 73,120 thousand at 31 March 2009 and Euro 28,518 thousand at 31 March 2008) reported in line item 130 have been reclassified below **"Operating profit"** in the reclassified format.

BPM Group - Quarterly evolution of the consolidated reclassified income statement

(Euro/000)

Compulsory format codes	Income statement line items	2009	2008			
		First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
10. 20.	Net interest income	241,114	276,599	263,540	266,701	260,867
40. 50.	Net fee and commission income	135,703	111,993	126,505	142,056	136,926
di cui 240.	Share of profit (loss) of equity investments valued at equity	(3,523)	1,985	1,057	(2,875)	2,110
70.	Dividend and similar income	795	20,210	32,894	124,561	1,059
80. 90. 100. 110.	Net income from financial activities	101,941	(57,525)	(62,475)	(75,524)	(14,464)
220.	Other operating charges/income	13,518	9,651	17,447	14,197	15,383
	Operating income	489,548	362,913	378,968	469,116	401,881
180.	Administrative expenses:	(254,821)	(249,187)	(244,956)	(271,510)	(242,629)
	a) payroll	(183,887)	(158,567)	(168,313)	(195,205)	(170,091)
	b) other administrative expenses	(70,934)	(90,620)	(76,643)	(76,305)	(72,538)
200. 210.	Net impairment adjustments to loans and financial assets	(20,073)	(19,646)	(17,145)	(18,449)	(17,489)
	Operating costs	(274,894)	(268,833)	(262,101)	(289,959)	(260,118)
	Operating profit	214,654	94,080	116,867	179,157	141,763
130.	Net impairment adjustments to loans and financial assets	(73,120)	(127,190)	(56,262)	(26,785)	(28,518)
190.	Net charges to provisions for risks and charges	(14,489)	(16,124)	(12,899)	(2,091)	(3,413)
240. 250. 260. 270.	Profits (losses) from equity and other investments	0	(11,439)	(104)	(33,811)	(162)
280.	Profit (loss) from current operations before tax	127,045	(60,673)	47,602	116,470	109,670
290.	Income taxes on current operations	(53,691)	(6,120)	(30,566)	(48,121)	(45,336)
320.	Net profit (loss) for the period	73,354	(66,793)	17,036	68,349	64,334
330.	Net profit (loss) for the period pertaining to minority interests	(1,187)	(880)	(1,199)	(3,322)	(2,256)
340.	Net profit (loss) for the period pertaining to the Parent Bank	72,167	(67,673)	15,837	65,027	62,078

BPM Group – Key figures

(Euro/000)

Key balance sheet figures	31.03.2009 A	31.12.2008 B	31.03.2008 C	Change A-B		Change A-C	
				(+/-)	%	(+/-)	%
Loans and advances to customers	31,556,195	32,898,927	30,201,620	-1,342,732	-4.1	1,354,575	4.5
<i>of which: net non-performing loans</i>	212,244	195,623	145,040	16,621	8.5	67,204	46.3
Direct deposits (*)	35,734,180	35,063,671	32,048,440	670,509	1.9	3,685,740	11.5
Indirect customer deposits	40,858,610	35,467,630	39,338,593	5,390,980	15.2	1,520,017	3.9
<i>of which: assets under management</i>	21,774,932	15,979,260	18,710,222	5,795,672	36.3	3,064,710	16.4
Total assets	45,272,538	45,038,721	43,543,873	233,817	0.5	1,728,665	4.0
Equity (excluding net profit/loss for the period)	3,229,055	3,177,278	3,438,069	51,777	1.6	-209,014	-6.1
Regulatory capital (**)	3,966,629	4,074,658	3,298,705	-108,029	-2.7	667,924	20.2
<i>of which: Tier 1 capital</i>	2,505,902	2,628,034	2,524,658	-122,132	-4.6	-18,756	-0.7

(Euro/000)

Key income statement figures	31.03.2009 A	31.12.2008 B	31.03.2008 C	Change A-C	
				(+/-)	%
Operating income	489,548	1,612,878	401,881	87,667	21.8
Operating costs	(274,894)	(1,081,011)	(260,118)	14,776	5.7
<i>of which: payroll costs</i>	(183,887)	(692,176)	(170,091)	13,796	8.1
Operating profit	214,654	531,867	141,763	72,891	51.4
Net impairment adjustments to loans and financial assets	(73,120)	(238,755)	(28,518)	44,602	156.4
Profit from current operations before tax	127,045	213,069	109,670	17,375	15.8
Net profit for the period pertaining to the Parent Bank	72,167	75,269	62,078	10,089	16.3

Operating structure	31.03.2009 A	31.12.2008 B	31.03.2008 C	Change A-B		Change A-C	
				(+/-)	%	(+/-)	%
Headcount (employees and other personnel)	9,020	8,902	8,686	118	1.3	334	3.8
Number of branches	792	787	727	5	0.6	65	8.9

(*) This item includes: due to customers, debt securities in issue and financial liabilities valued at fair value.

(**) Regulatory capital for the month of December has been updated following the allocation of the net profit by the General Meeting.

BPM Group – Key ratios

	31.03.2009	31.12.2008	31.03.2008	Change A-B		Change A-C	
	A	B	C	(+/-)	%	(+/-)	%
Structure ratios (%)							
Loans and advances to customers/total assets	69.7	73.0	69.4	-3.3	-4.5	0.3	0.4
Fixed assets/Total assets	4.1	3.9	3.8	0.2	5.8	0.3	8.6
Direct deposits/total assets	78.9	77.9	73.6	1.0	1.3	5.3	7.2
Funds under management/indirect deposits	53.3	45.1	47.6	8.2	18.2	5.7	12.0
Loans and advances to customers/Direct deposits	88.3	93.8	94.2	-5.5	-5.9	-5.9	-6.3
Profitability ratios (%) (annualised)							
Net profit/Equity (excluding net profit for the period) (ROE) (a)	8.9	2.4	7.2	6.5	272.5	1.7	24.2
Net profit/Total assets (ROA)	0.6	0.2	0.6	0.4	218.8	0.0	6.3
Cost-Income	56.2	67.0	64.7	-10.8	-16.2	-8.5	-13.2
Risk ratios (%)							
Net non-performing loans/loans and advances to customers	0.67	0.59	0.48	0.08	14.0	0.19	40.1
Coverage of gross non-performing loans to customers	65.0	65.5	69.8	-0.5	-0.8	-4.8	-6.9
Index of coverage of gross performing loans to customers	0.64	0.59	0.56	0.05	8.5	0.08	14.3
Productivity ratios (Euro/000) (b)							
Direct deposits per employee	3.962	3.939	3.690	23	0.6	272	7.4
Loans and advances to customers per employee	3.498	3.696	3.477	-198	-5.3	21	0.6
Assets under management per employee	2.414	1.795	2.154	619	34.5	260	12.1
Assets under administration per employee	2.116	2.189	2.375	-73	-3.3	-259	-10.9
Capital adequacy ratios (%) (c)							
Tier 1 capital net of preference shares/Risk-weighted assets (Core Tier 1)	6.13	6.47	6.33	-0.34	-5.3	-0.20	-3.2
Tier 1 capital/Risk-weighted assets (Tier 1)	7.25	7.66	6.76	-0.41	-5.4	0.49	7.2
Regulatory capital/Risk-weighted assets (Total capital ratio)	11.48	11.87	8.83	-0.39	-3.3	2.65	30.0
Information on the BPM stock							
Number of shares:	415.034.231	415.034.231	415.034.231	0	0.0	0	0.0
in circulation	410.164.851	412.646.506	414.634.231	-2.481.655	-0.6	-4.469.380	-1.1
treasury shares	4.869.380	2.387.725	400.000	2.481.655	103.9	4.469.380	n.s.
Stock price at the end of the period - ordinary share (Euro)	3.64	4.20	6.97	-0.56	-13.4	-3.33	-47.8

a) Equity at end of period.

b) Number of employees at end of period including personnel with other types of contract.

c) The ratios have been calculated according to the method foreseen in the Basel 2 Capital Accord. The figures at 31 March 2008 have been recalculated according to the same method. Note that the consolidated ratios at 31 March do not have to be reported to the Bank of Italy.

Interim report on operations

- Macroeconomic scenario and banking industry
- Significant events
- Distribution structure and human resources
- The BPM Group's scope of consolidation
- Principal balance sheet aggregates
- Results for the period
- Information on the Parent Bank
- BPM shareholders, stock price and ratings
- Subsequent events and outlook for the rest of the year

Macroeconomic scenario and banking industry

The international economy

The effects of the global financial crisis on the real economy were felt in all their intensity during the first quarter of 2009. Sliding wealth, hard-to-find credit and declining confidence on the part of consumers and businesses all put a brake on demand and output in the advanced economies, where there have also been significant job losses.

The world-wide economic situation, which has been seeing a contraction in GDP in the main advanced economies, is also seeing Emerging Nations struggling with a market slowdown in their rate of growth.

Governments and central banks have intensified steps to maintain a high level of liquidity, to help reinforce the capital conditions of banking systems and stimulate a recovery in lending and overall demand. The European Central Bank lowered its reference rate from 2.50% in December 2008 to 1.25% in April 2009, whereas the Federal Reserve has left interest rates unchanged since the end of last year, keeping the Fed Funds rate within a range between zero and 0.25%.

Despite these measures, the international banking system is still struggling, even if interbank markets seem to be recovering gradually.

The economy of the **United States** continued to contract rapidly during the first quarter of 2009. GDP fell by 6.1% compared with the first three months of 2008, coming in at a level that was a good deal lower than expected. The labour market is steadily weakening, corporate investments have suffered substantial cuts and the real estate sector is continuing its negative trend. There have been positive signs from consumer spending, which reversed the previous trend to post a 2.2% increase in first quarter 2009.

Estimates for the trend in GDP in the **EMU area** by the main research institutes show a further hefty contraction in economic activity during the first quarter of the current year, which they have put at around -1.9% compared with first quarter 2008. Industrial output, which was already sliding fast during the last few months of 2008, is expected to show a downward trend this year as well, as will consumer spending, conditioned by pessimistic expectations on the part of households. Capital investment, another important element of GDP, is also likely to decline because of the ongoing recessionary outlook and credit restrictions. The only positive note at present is the confidence index of companies and consumers, which in April 2009 started rising again for the first time in around two years, apart from a slight upturn in May 2008.

The IMF's forecast for **Japan** indicates a 6.2% contraction in GDP by the end of 2009; this figure is even more significant if one bears in mind that in January the same source was estimating a much lower decline in GDP (-2.6%). This means that the problems that the Japanese economy was already encountering in 2008 still exist and the measures so far adopted by the Government do not yet seem to be an effective remedy to the extremely negative effects of the current crisis. The main feature of Japan's monetary policy has for some months been interest rates of close to zero.

The economies of **Emerging Nations** have also been hit hard as the recession has got worse, forcing even countries like China to implement plans to stimulate growth. China's GDP has been affected by the international financial crisis, slowing to 6.1% on an annualised basis in the first quarter of 2009 compared with 6.8% in the last quarter of 2008; this after five consecutive years of double-digit growth. The situation is similar for the Indian economy, less exposed than China in terms of foreign trade, but still not immune to the global crisis; the banking system, which has a low exposure to the crisis, has been able to guarantee credit to companies, helped by a very expansive policy on the part of the monetary authorities.

The Italian economy

Estimates for the trend in **Italy** indicate a 1.7% contraction in GDP in the first quarter of 2009 compared with the last quarter of 2008, whereas the forecast for the end of the year is of a contraction of more than 4%, mainly because of the decline in capital investment, falling exports and ongoing uncertainty that penalises consumers' willingness to spend. The expected deterioration in the economy will lead to a significant increase in unemployment, which is likely to reach 7.4% in first quarter 2009 (6.9% in last quarter 2008).

The Italian banking industry

The international financial crisis is continuing to affect the trend in bank loans: in first quarter 2009 there was a slight deceleration closely associated with the recession. Total loans in March showed headline growth of +2.8% (+9.2% in March 2008), whereas loans to households and non-financial companies turned in a headline rate of +3.3% (+10.1% in March 2008). Analysing loans to households and non-financial companies by duration, it is possible to see headline growth of 2.6% in the medium/long-term segment, whereas the increase stands at 5% in the short-term segment. As regards individual sectors of the economy, the growth in loans is looking stronger in sea and air services, means of transport and energy products.

Asset quality at the end of February 2009 is reflected in a ratio of gross non-performing loans to total loans of 2.85%; this is slightly higher than at the end of the year (2.34%), but lower than in February 2008 (3.26%).

Bank deposits in March show a substantial consolidation of the funding trend in euro on the part of all Italian financial and monetary institutions. More in particular, at the end of March 2009 bank funding (represented by resident customer deposits and bonds) came to Euro 1,843 billion with a headline rate of growth of +11.3%, boosted more than anything else by bond issues. In fact, considering the trends in the different components, it can be seen how resident customer deposits have turned in a headline rate of growth of +5.5%, whereas bonds are up by +20.5%.

Financial and foreign exchange markets

The main world equity markets turned in hefty losses during the first few months of 2009, generally led by a substantial decline in financial stocks as a result of the worsening global crisis that hit markets last year.

In the first quarter of the year, the **S&P/Mib** index fell by around 18%, in line with the main lists in the euro area. This decline in stock prices is attributable partly to the sharp drop in corporate profits expected this year from listed companies, and partly to a further increase in the risk premium required by investors. The sectors that have been most hit are insurance (-31%), banking (-19%) and companies operating in the service sector (-15%). There have been lower declines in the oil sector and in consumer goods, while commodities have managed to go against the trend (+5%). It was only towards the middle of March that stock prices began to recover, rising from the lowest level reached in the last thirteen years.

At an international level, in the first quarter 2009, the **Standard & Poor's 500** fell by 11.7%, the performance of the Nikkei 225 was negative for 8.5% and the **Dow Jones Euro Stoxx** (which includes the larger companies in the EMU area) went down by 15.4%.

Asset management

After signs of a slowdown in January and February, outflows from open-ended funds began to get worse again in March 2009, reaching Euro 5.1 billion.

Total assets under management at the end of the quarter amounted to Euro 386 billion (Euro 402.3 billion at the end of 2008). Statistics produced by Assogestioni show that the overall increase in outflows has involved almost all categories of funds with the exception of monetary funds.

Significant events

Public Purchase Offer by Banca Popolare di Milano for Anima SGR

The voluntary Public Purchase Offer launched by Banca Popolare di Milano for the ordinary shares of Anima SGRpA was concluded during the quarter.

The acceptance period during which the shareholders of Anima were able to accept the Offer ran from 15 December 2008 to 23 January 2009.

At the end of the acceptance period, the Offer had been accepted by 67,363,087 shares (91.52% of the shares involved in the Offer) which together with the shares already owned by BPM, represented around 94.06% of the SGR's total shares, which meant fulfilling the effectiveness condition of the Offer as regards the Minimum Quantity of acceptances (i.e. two thirds of the Share Capital of Anima SGR).

Given that on completion of the Offer BPM held an interest of more than 90%, but less than 95%, of the share capital of Anima SGR, having already declared in the Offer Document that it did not want to restore an adequate float to ensure regular trading in the shares, the Bank did not go ahead with the Voluntary Reopening of the Acceptance Period, but carried out the Obligatory Purchase of the remaining 6,241,913 ordinary shares of Anima SGR in accordance with art. 108, para. 2 of the CFA.

As agreed with CONSOB and Borsa Italiana, carrying out this Obligatory Purchase involved Reopening the Terms of the Offer during the period from 2 to 20 February 2009, applying the same price for the other shares of Anima SGR as was paid under the Offer, namely Euro 1.45 per share, in accordance with art. 108, para. 3 of the CFA.

On closure of the Reopening of the Terms, acceptances had been received for 3,323,554 ordinary shares of Anima SGR, equal to 3.16% of its share capital.

Adding these shares to the ones already owned at the end of the Acceptance Period, BPM came to hold a total of 102,081,641 ordinary shares of Anima SGR, equal to 97.22% of its share capital, which fulfilled the conditions for an Obligatory Purchase under art. 108, para. 1 of the CFA and the Right to Purchase the 2,918,359 shares of Anima SGR still in circulation, equal to 2.78% of the SGR's share capital, in accordance with art. 111, para. 1 of the CFA.

On 2 March 2009, after exercising its right to purchase the residual shares that had not accepted the original offer, pursuant to art. 111.1 of the Finance Consolidation Act, Banca Popolare di Milano held all of the shares of Anima, which was delisted on the same day.

In total, the outlay for the acquisition of the shares of Anima SGR bought under the Public Purchase Offer amounted to Euro 106.7 million.

Transformation of We@Service into an on-line bank and acquisition of IntesaTRADE SIM

On 2 February 2009, Banca Popolare di Milano signed an agreement with Intesa Sanpaolo for the acquisition of 100% of IntesaTRADE SIM S.p.A., a company that operates in the online trading segment, for Euro 45 million. At 31 December 2008 IntesaTRADE SIM had funds under management of Euro 0.9 billion, 35 thousand customers and more than 3 million orders executed. Equity amounts to Euro 34 million, including net profit for the year of Euro 3 million.

With this deal, the BPM Group will expand and complete its range of investment products and services for the internet channel.

The acquisition of IntesaTRADE SIM, subject to Bank of Italy approval, forms a coherent and integral part of a wider strategic plan on the part of the BPM Group to transform We@Service S.p.A. (100% BPM) into an online bank, changing its name to Webank S.p.A. We@Service currently acts as the technology platform for the Group banks' captive market, though it is being transformed into an online bank in its own right with a very strong mission: to acquire new customers offering a complete banking service. At 31 March 2009 We@Service handles around 389 thousand customers, of which around 44 thousand solely online through the Webank brand, generating 4.3 million instructions in the first quarter.

The complementary nature of the products and services offered by Webank and IntesaTRADE SIM will permit the birth of a new reference operator on the Italian market for online finance, one that is able to cover all of the needs of customers in the direct channel, merging a decade of experience in their respective market segments.

In March 2009 a request was sent to the Bank of Italy for authorisation to acquire a controlling interest in IntesaTRADE SIM and to implement the plan to transform We@Service into an online bank.

Consumer credit project

On 3 March 2009 the Board of Directors of the Bank approved a plan to strengthen the consumer credit sector by creating a finance company under art. 107 of the Banking Code. It will be controlled by BPM, complementing the role of the other Group structures already operating in the production and distribution of consumer credit products to households.

Securitisation of loans

In March 2009, Banca Popolare di Milano completed a securitisation of mortgage loans, selling a portfolio of around 11 thousand positions with a residual debt of some Euro 1.3 billion to BPM Securitisation 2, a special purpose entity that existed already.

The operation consists of a without-recourse assignment to BPM Securitisation 2 of a portfolio of performing loans deriving from first mortgages and unsecured loans originated by BPM.

The purchase of this portfolio was financed by BPM Securitisation 2 with a corresponding payment to BPM of the countervalue, using the proceeds of issuing senior securities listed on the Dublin Stock Exchange with a rating from Fitch Ratings Ltd and unlisted, unrated junior securities. The securities were completely subscribed by BPM and the senior securities are eligible for use by BPM in repo transactions with the European Central Bank.

Banca Italease

The steady deterioration in the economic and financial condition of the Banca Italease Group in last few months of 2008, made it necessary to reorganise and restructure its activities, also with our participation.

As explained in a joint announcement as per art. 114 CFA on 15 March 2009 by Banco Popolare, Banca Popolare dell'Emilia Romagna, Banca Popolare di Sondrio and Banca Popolare di Milano, this operation provides for the following:

- the launch by Banco Popolare of a voluntary public purchase offer for all of the ordinary shares of Banca Italease in circulation listed on the MTA (electronic equities market), not already held by Banco Popolare, and of the companies that it controls, with a view to delisting the shares. BPER, BPS and BPM have undertaken to accept the offer by submitting the shares that they own;

- concentration of part of the assets and liabilities of the Banca Italease Group in two new finance companies, which will be held by Banca Italease itself and/or by Banco Popolare, as well as by BPER, BPS and BPM. This once the offer has been completed and subject to the conditions explained below. The first of the two companies will contain the non-performing and watchlist loans of Banca Italease or of the companies that it controls, deriving from leasing or mortgage loan transactions, based on their book balances at 31 March 2009, for a maximum gross amount of Euro 5 billion; Banca Popolare di Milano will have 2.93% of this company's share capital. The second company will contain the performing loans of Banca Italease or of the companies that it controls, deriving from leasing or mortgage loan transactions originated by the branch networks of Banca Italease's banking shareholders, based on their book balances at 31 March 2009, for a maximum gross amount of Euro 5.9 billion; Banca Popolare di Milano will have 9.83% of this company.

Members' Project

A wide-ranging project to implement more services for Members was initiated in March 2009 and will be proposed to the public during the first half of 2009.

Solidarity Fund

In March 2009 the General Management of Banca Popolare di Milano initiated the procedures needed to apply and implement Decree 158/2000 relating to the "Solidarity Fund" of bank employees for the staff of the three banks of the BPM Group (Banca Popolare di Milano, Cassa di Risparmio di Alessandria and Banca di Legnano). It is estimated that this scheme, which will involve voluntary access by employees, will lead to an overall reduction in the staff of the three banks of around 500 people during the three-year period 2009-2011.

Measures for the strengthening and stabilisation of the share capital

The Board of Directors of Banca Popolare di Milano at the board meeting on 24 March 2009 approved a series of measures to reinforce the Bank's capital. They are designed to increase BPM's Core Tier 1 ratio to more than 7.5%, giving it a stable, high quality capital base to enable the Bank to operate in the best way possible in a context characterised by growing uncertainty.

The capital reinforcement plan consists of the following measures:

- issuance of financial instruments - to be subscribed by the Economy and Finance Ministry - in accordance with art. 12 of Decree law 185 of 29 November 2008, converted with amendments by Law 2 of 28 January 2009 (so-called "Tremonti bonds") for an amount of Euro 500 million, the proceeds of which will form part of the Bank's Core Tier I capital.
- issuance for an amount of up to Euro 700 million, of a Bond Loan with Obligatory Conversion into shares of the Bank, offered under option to those with rights, together with a bonus issue of warrants up to a maximum of Euro 500 million;
- a public purchase offer for the innovative capital instruments (so-called Tier 1 or preference securities) issued by companies of BPM for a total amount at par of Euro 460 million.

The purpose of this operation is to improve the quality and quantity of BPM's capital base; in particular, to reinforce the core element of the Bank's capital.

The Bonds with Obligatory Conversion are destined to be converted into new BPM shares at the same time as the last date when it is possible to reimburse the Tremonti Bonds at par. In light of this, we have created a situation whereby the element of core capital represented by the Tremonti Bonds can be replaced by own funds with core capital status, stabilising the rise in capital over time. Issuing convertible bonds does in fact make it possible to reimburse the Tremonti Bonds within four years of them being issued, thereby avoiding the application of the higher redemption price in the event of them being reimbursed at a latter date.

Moreover, with a view to rebalancing the hybrid and core elements of the Bank's Tier 1 capital and reinforcing the higher quality portion, a part of the proceeds of issuing the Bonds with Obligatory Conversion will be used to finance a public purchase offer for all of the innovative capital instruments (the so-called Tier 1 or preference securities) issued by companies of the BPM Group, benefiting from the considerable drop in the market prices of hybrid and subordinated securities and the current discount on their nominal value. Issuing Tremonti Bonds and the Public Purchase Offer for the hybrid securities will have a positive impact on BPM's Core Tier 1 ratio of 145 and 55 basis points respectively, assuming that all of the innovative capital instruments in circulation are bought at a price of around 50% of their nominal value.

The extraordinary part of the general meeting of the Members on 25 April 2009 resolved to delegate to the Board of Directors the power to issue this bond loan with obligatory conversion and of the related warrants, to be exercised by 31 December 2009.

The bond loan and the repurchase of the hybrid instruments mentioned above both obtained the necessary authorisations from the Bank of Italy.

Distribution structure and human resources

Distribution network

At 31 March 2009, the BPM Group's distribution network had 821 points of contact with customers, consisting of 792 Retail branches, including the 2 branches of We@Bank, 4 Large Corporate branches and 10 SME units, as well as 15 Private Banking Centres.

The traditional branches, situated in 13 Italian regions, have increased by 5 compared with the end of 2008 and by 65 compared with the first quarter 2008. This increase is the result of the acquisition, which took place in December 2008, of 38 branches from the UniCredit Group and of a majority interest in Banca Popolare di Mantova (8 branches), as well as new branch openings (net of closures) made by the Group's commercial banks (19 branches).

In particular, five new branches were opened during the first quarter of 2009:

- **Banca Popolare di Milano** an opening in the Province of Milan (Corsico);
- **Banca di Legnano** two openings in the Province of Verbano-Cusio-Ossola (Verbania and Stresa) ;
- **Cassa di Risparmio di Alessandria** an opening in the Province of Alessandria (Serravalle Scrivia);
- **Webank** an opening in Milan.

BPM Group distribution network at 31 March 2009

	31.03.2009 A	31.12.2008 B	Change A – B	31.03.2008 C	Change A – C
Distribution network					
Banca Popolare di Milano	572	571	1	527	45
Banca di Legnano	119	117	2	111	8
Cassa di Risparmio di Alessandria	90	89	1	87	3
Banca Popolare di Mantova	8	8	0	0	8
Banca Akros	1	1	0	1	0
Webank	2	1	1	1	1
Total branches	792	787	5	727	65
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	15	0
Total other points of sale	29	29	0	29	0
Total distribution network	821	816	5	756	65

(*) The 10 SME units, which form part of the organisational structure of the Parent Bank, look after enterprises with revenues of up to Euro 50 million, while the four Large Corporate branches, which also belong to the organisational structure of the Parent Bank, handle companies with revenues of more than Euro 50 million.

(**) The 15 "Private Banking Centres" belonging to Bipiemme Private Banking SIM (13) and to Banca Akros (2) provide customised advisory services on financial matters.

Geographical distribution of branches	31.03.2009 A	31.12.2008 B	Change A – B	31.03.2008 C	Change A – C
Lombardy	486	485	1	475	11
Banca Popolare di Milano	373	372	1	372	1
Banca di Legnano	102	102	0	100	2
Cassa di Risparmio di Alessandria	2	2	0	2	0
Banca Akros	1	1	0	1	0
Banca Popolare di Mantova	8	8	0	0	8
Other regions	304	301	3	251	53
Emilia Romagna	39	39	0	32	7
Lazio	86	86	0	58	28
Puglia	41	41	0	38	3
Piedmont	103	100	3	94	9
Other	35	35	0	29	6
<i>of which:</i>			0		0
<i>Banca Popolare di Milano</i>	<i>199</i>	<i>199</i>	<i>0</i>	<i>155</i>	<i>44</i>
<i>Banca di Legnano</i>	<i>17</i>	<i>15</i>	<i>2</i>	<i>11</i>	<i>6</i>
<i>Cassa di Risparmio di Alessandria</i>	<i>88</i>	<i>87</i>	<i>1</i>	<i>85</i>	<i>3</i>
Total Italy	790	786	4	726	64
Webank	2	1	1	1	1
Total branches	792	787	5	727	65

The other distribution channels

Financial advisors

At 31 March 2009, the Bank's network of financial advisors, which complements the traditional network, was made up of 65 sole agents (42 of Banca Popolare di Milano, 19 of Banca Akros and 4 of Bipiemme Private Banking SIM), whose main task is to place asset management and administration products.

Remote channels

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

Internet Banking

At 31 March 2009 the BPM Group offers internet banking services to 389,003 Individual Customers and Companies through the following websites:

- BPM Banking (228,295 individuals and 62,103 companies);
- BL Banking (30,422 individuals and 11,296 companies);
- CRA Banking (8,170 individuals and 4,719 companies);
- Webank (43,369 individuals and 629 companies).

The total number of customers of the Group that use remote channels grew by 18% on last year, when there were 328,621 customers, and by 74% on the end of 2008. During the first three months of 2009 around 19,895 individual customers registered for on-line services, in addition to 4,354 corporate customers.

Overall, around 4.3 million e-banking and e-trading instructions were transmitted through the Group's on-line channel during the first quarter.

Call Center

The BPM Call Centre performs the diversified functions of a phone bank in the strict sense: inbound and outbound. Risponde BPM and Risponde BL are telephone banking services, which at the end of 31 March 2009 had over 145 thousand customers, up on the 116 thousand at the end of March 2008 and on the over 136 thousand at the end of 2008. In addition, we have a multi-lingual call centre to respond to the needs of foreign customers.

Human resources of the Group

Employees of the BPM Group grew by 78 people compared with 31 December 2008, due mainly to the consolidation within the Group of Anima SGR (92 employees). The increase of 325 people compared with 31 March 2008 is attributable partly to the acquisition of Anima SGR and partly to the extraordinary transactions carried out during 2008 (43 employees from Banca Popolare di Mantova and 231 from the UniCredit Group along with the branches).

Personnel mix by grade	31.03.2009	31.12.2008	Change A – B		31.03.2008	Change A – C	
	A	B	(+/-)	%	C	(+/-)	%
Managers	182	168	14	8.3	166	16	9.6
Officials	3,238	3,221	17	0.5	3,079	159	5.2
– of which: 3rd and 4th level	1,728	1,727	1	0.1	1,598	130	8.1
Other employees	5,444	5,397	47	0.9	5,294	150	2.8
Total employees	8,864	8,786	78	0.9	8,539	325	3.8
Staff with project-related and other types of contract	156	116	40	34.5	147	9	6.1
Total personnel	9,020	8,902	118	1.3	8,686	334	3.8

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 can be seen from these tables, BPM as the parent bank maintains its central role in the Group in terms of its contribution to both net profit and consolidated assets.

As regards the changes in the scope of consolidation, which relate to the inclusion of Anima SGR, Banca Popolare di Mantova and the acquisition of the branches from UniCredit, these had a limited impact on the income statement of around 3% of operating income, 4% of operating costs and 1.7% of operating profit.

Contribution made by the individual group companies to consolidated net profit (Euro/000)

Company	% interest (*)	Net profit as per separate financial statements	Share of net profit	Consolidation adjustments	Contribution to consolidated net profit	% contribution to consolidated net profit
Banca Popolare di Milano		58,763	58,763	-3,721	55,042	76.27
Banca Akros	94.29	10,267	9,681	963	10,644	14.75
Banca di Legnano	93.51	6,837	6,393	-260	6,133	8.50
Bipiemme Gestioni SGR	88.08	1,194	1,052	127	1,179	1.63
We@Service	100.00	1,018	1,018		1,018	1.41
Tirving	100.00	565	565		565	0.78
Fondo Akros Long/Short Equity	71.29	792	565		565	0.78
Bpm Fund Management	99.99	411	411		411	0.57
Anima SGR	100.00	401	401		401	0.56
Bipiemme Private Banking SIM	95.19	289	275		275	0.38
Fondo Akros Market Neutral	94.60	231	219		219	0.30
Cassa di Risparmio di Alessandria	80.00	211	169		169	0.23
Fondo Akros Absolute Return	66.44	199	133		133	0.18
Akros Alternative Investments SGR	94.29	123	116		116	0.16
Bpm Luxembourg	99.94	85	85		85	0.12
Fondo Akros Dynamic	92.75	14	13		13	0.02
Ge.Se.So.	100.00	6	6		6	0.01
Bpm Capital I	100.00	-60	-60		-60	-0.08
Banca Popolare di Mantova	56.99	6	3	-123	-120	-0.17
Bpm Ireland	99.99	-4,627	-4,627		-4,627	-6.41
Total			75,181	-3,014	72,167	100.00

(*) Based on equity ratios

Contribution made by individual Group companies to consolidated assets

(Euro/000)

Company	% interest (*)	Total assets	Eliminations and consolidation adjustments	Contribution to consolidated assets	Contribution to consolidated assets
Banca Popolare di Milano		37,504,187	-3,790,359	33,713,828	74.47
Banca di Legnano	93.51	4,698,674	-481,244	4,217,430	9.32
Banca Akros	94.29	3,743,048	-409,927	3,333,121	7.36
Cassa di Risparmio di Alessandria	80.00	2,463,595	-344,932	2,118,663	4.68
Bpm Ireland	99.99	911,551	-1,012	910,539	2.01
Banca Popolare di Mantova	56.99	366,906	15,976	382,882	0.85
Bpm Covered Bond	80.00	1,262,027	-1,154,630	107,397	0.24
Bpm Securitisation 2	n.a.	1,235,216	-1,133,608	101,608	0.22
Anima SGR	100.00	87,004	0	87,004	0.19
Fondo Akros Market Neutral	94.60	120,476	-36,708	83,768	0.19
Bipiemme Gestioni SGR	88.08	64,485	-5,969	58,516	0.13
Fondo Akros Long/Short Equity	71.29	50,838	-8,157	42,681	0.09
Tirving	100.00	32,064	-551	31,513	0.07
Fondo Akros Absolute Return	66.44	37,113	-7,276	29,837	0.07
Fondo Akros Dynamic	92.75	20,636	-3,205	17,431	0.04
Bipiemme Private Banking Sim	95.19	17,579	-5,289	12,290	0.03
We@Service	100.00	26,507	-14,311	12,196	0.03
Bpm Luxembourg	99.94	192,765	-185,635	7,130	0.02
Akros Alternative Investments SGR	94.29	4,576	-1,346	3,230	0.01
Bpm Fund Management	99.99	4,715	-3,812	903	0.00
Ge.Se.So.	100.00	1,322	-975	347	0.00
Bpm Capital I	100.00	192,082	-191,858	224	0.00
Total		53,037,366	-7,764,828	45,272,538	100.00

(*) Based on equity ratios

Principal balance sheet aggregates

Banking intermediation for customers

At 31 March 2009, the Group's total deposits, made up of all customers' funds under management, amount to Euro 76,593 million, an increase of 8.6% on December 2008 and of 7.3% on March 2008. Both increases are attributable to the development of direct deposits and to the consolidation of Anima SGR as part of the BPM Group.

Total customer deposits

(Euro/000)

	31.03.2009	31.12.2008	Change A – B		31.03.2008	Change A – C	
	A	B	(+/-)	%	C	(+/-)	%
Direct deposits	35,734,180	35,063,671	670,509	1.9	32,048,440	3,685,740	11.5
Indirect deposits	40,858,610	35,467,630	5,390,980	15.2	39,338,593	1,520,017	3.9
<i>of which</i>							
Assets under management	21,774,932	15,979,260	5,795,672	36.3	18,710,222	3,064,710	16.4
Assets under administration	19,083,678	19,488,370	-404,693	-2.1	20,628,371	-1,544,693	-7.5
Total direct and indirect deposits	76,592,790	70,531,301	6,061,489	8.6	71,387,033	5,205,757	7.3

Direct deposits

Direct deposits

(Euro/000)

	31.03.2009	31.12.2008	Change A – B		31.03.2008	Change A – C	
	A	B	(+/-)	%	C	(+/-)	%
Due to customers	20,739,377	20,517,894	221,483	1.1	19,867,987	871,390	4.4
Debt securities in issue	12,759,036	12,009,442	749,594	6.2	9,342,814	3,416,222	36.6
Financial liabilities designated at fair value through profit and loss	2,235,767	2,536,335	-300,568	-11.9	2,837,639	-601,872	-21.2
Total direct deposits	35,734,180	35,063,671	670,509	1.9	32,048,440	3,685,740	11.5

Direct deposits: breakdown by company

(Euro/000)

	31.03.2009	31.12.2008	Change A – B		31.03.2008	Change A – C	
	A	B	(+/-)	%	C	(+/-)	%
Banca Popolare di Milano	30,051,632	30,062,140	-10,508	0.0	26,934,166	3,117,466	11.6
Banca di Legnano	3,286,600	3,205,112	81,488	2.5	2,704,848	581,752	21.5
Cassa Risparmio di Alessandria	2,112,842	1,985,017	127,825	6.4	1,808,690	304,152	16.8
Banca Akros	1,098,840	583,485	515,355	88.3	676,776	422,064	62.4
Banca Popolare di Mantova	164,475	152,528	11,947	7.8	-	164,475	n.s.
Other companies (*)	1,561,883	1,641,719	-79,836	-4.9	1,909,446	-347,563	-18.2
Consolidation eliminations/adjustments	-2,542,092	-2,566,330	24,238	0.9	-1,985,486	-556,606	-28.0
Total direct deposits	35,734,180	35,063,671	670,509	1.9	32,048,440	3,685,740	11.5

(*) of which Euro 1,188,568 thousand at 31 March 2009 relates to the debt contracted by "BPM Securitisation 2", a special purpose entity, with the subscribers of the bonds issued for the securitisation (July 2006).

Direct deposits: description

(Euro/000)

	31.03.2009	31.12.2008	Change A – B		31.03.2008	Change A – C	
	A	B	(+/-)	%	C	(+/-)	%
Current and savings accounts	18,711,526	18,271,114	440,412	2.4	16,656,739	2,054,787	12.3
Repurchase agreements (*)	962,088	1,074,599	-112,511	-10.5	1,322,851	-360,763	-27.3
Other types of deposit	1,065,763	1,172,181	-106,418	-9.1	1,888,397	-822,634	-43.6
Due to customers	20,739,377	20,517,894	221,483	1.1	19,867,987	871,390	4.4
Bonds and structured securities	9,136,316	9,016,852	119,464	1.3	8,008,405	1,127,911	14.1
Subordinated liabilities	2,087,639	2,063,920	23,719	1.1	1,047,405	1,040,234	99.3
Other types of deposit	1,535,081	928,670	606,411	65.3	287,004	1,248,077	n.s.
Debt securities in issue	12,759,036	12,009,442	749,594	6.2	9,342,814	3,416,222	36.6
Financial liabilities designated at fair value through profit and loss	2,235,767	2,536,335	-300,568	-11.9	2,837,639	-601,872	-21.2
Total direct deposits	35,734,180	35,063,671	670,509	1.9	32,048,440	3,685,740	11.5

(*) this item includes the repurchase agreements carried out with the securities received under reverse repurchase agreements.

At 31 March 2009, the aggregate **"direct deposits"**, which consists of amounts due to customers, debt securities in issue and financial liabilities designated at fair value through profit and loss, comes to Euro 35,734 million, an increase of 1.9% on the end of 2008 and of 11.5% on 31 March 2008. In detail:

■ the amounts **due to customers** come to Euro 20,739 million, up on the figure at the end of 2008 (+1.1%) and at 31 March 2008 (+4.4%). Within this aggregate: "Current and savings accounts" are up by 2.4% on 31 December 2008 and by 12.3% on 31 March 2008, whereas "Other types of deposit", which include the debt owed to BPM Securitisation 2 for the securitisation of a portfolio of performing loans in 2006, have fallen by 9.1% on the end of 2008 and by 43.6% on 31 March 2008.

■ **debt securities in issue** have risen to Euro 12,759 million, an increase of 6.2% compared with December 2008 and of 36.6% compared with 31 March 2008. Within this aggregate, "Bonds and structured securities" reach Euro 9,136 million (+ 14.1% compared with 31 March 2008) - benefiting from the Covered Bonds issued in July 2008 (Euro 1 billion). Subordinated liabilities amount to Euro 2,088 million (+99.3% compared with March 2008), thanks to the issue of two subordinated Lower Tier 2 bonds (Euro

755 million at par), an innovative capital instruments (so-called Tier 1 instruments) with perpetual characteristics (Euro 300 million at par) and an Upper Tier 2 bond for Euro 18 million;

■ **financial liabilities designated at fair value through profit and loss** come to Euro 2,236 million, 11.9% down on the end of 2008 and 21.2% down on 31 March 2008, mainly as a result of lower placements carried out in 2008.

Indirect deposits and assets under management

At 31 March 2009, the market value of **indirect deposits from retail customers** came to Euro 40,859 million, compared with Euro 35,468 million at the end of 2008 (+ 15.2 %). The figure for assets under administration does not include securities relating to the individual and collective portfolio management services provided by Bipiemme Gestioni SGR and the insurance products offered by Bipiemme Vita since these are already included in assets under management; nor does it include those relating to institutional investors.

In detail, **assets under management** have gone up by Euro 5,796 million compared with 31 December 2008 (+36.3%), coming in at Euro 21,775 million. This positive trend benefits from the consolidation of Anima SGR, which contributed Euro 6,063 million to the first quarter balance.

Analysing the various segments by type shows the substantial stability of the performance by individual portfolio management, which came in at Euro 4,158 million, a decline of 29.2% compared with 31 March 2008. 40% of this trend is attributable to the closing of "Portfoliofondi" from 1 July 2008, replaced by a new fund of funds product that was proposed to customers; most of the amounts previously invested in "Portfoliofondi" have switched to this new fund.

Following the entry of Anima SGR as part of the BPM Group, the funds component rose considerably on the end of 2008 to Euro 13,588 million (+76.3%), boosting its market share, calculated on the basis of a sample of companies that are members of Assogestioni, to 3.88% at the end of March 2009, up 2.28% on December 2008. On a comparable basis, i.e. without taking Anima SGR's funds into account, the Group's share of the funds market at the end of March 2009 would have been 2.34%. As regards the composition of assets by type of fund, bond funds have increased as a proportion of the total, rising to 71%, while equity funds came at 15.3%.

Lastly, the **insurance-sector reserves** come in at Euro 3,426 million, in line with the amounts reported in December 2008. The net outflow of insurance policies in the first three months of 2009 is positive for Euro 6 million.

Ordinary customers' assets under administration stood at Euro 19,084 million, a slight decrease (at market value) compared with the figure at the end of 2008 (- 2.1%), but a larger one (- 7.5%) compared with the figure at March 2008. This trend has been affected by the deterioration in the market prices of securities: the nominal value of the existing stock held by the Group's commercial banks is unchanged compared with the end of 2008.

Assets under administration only by the Group's commercial banks at 31 March 2009 are made up 18.4% of shares, 44.8% of government securities and the other 36.8% of bonds.

Composition of indirect customer deposits at market value

(Euro/000)

	31.03.2009	31.12.2008	Change A – B		31.03.2008	Change A – C	
	A	B	(+/-)	%	C	(+/-)	%
Funds	13,587,820	7,706,449	5,881,371	76.3	8,712,601	4,875,219	56.0
Individual portfolio management (*)	4,157,610	4,212,578	-54,968	-1.3	5,869,087	-1,711,477	-29.2
Insurance-sector reserves	3,425,812	3,405,016	20,796	0.6	3,504,631	-78,819	-2.2
Other assets under management	603,690	655,217	-51,527	-7.9	623,903	-20,213	-3.2
Total assets under management	21,774,932	15,979,260	5,795,672	36.3	18,710,222	3,064,710	16.4
Assets under administration	19,083,678	19,488,370	-404,693	-2.1	20,628,371	-1,544,693	-7.5
Total indirect customer deposits	40,858,610	35,467,630	5,390,979	15.2	39,338,593	1,520,017	3.9

(*) security portfolio management schemes, fund-based portfolio management schemes and cash accounts.

Assets under management at market value: composition by placement agent

(Euro/000)

	31.03.2009	31.12.2008	Change A – B		31.03.2008	Change A – C	
	A	B	(+/-)	%	C	(+/-)	%
Banca Popolare di Milano	10,910,134	11,183,976	-273,842	-2.4	13,179,931	-2,269,797	-17.2
Banca di Legnano	1,695,246	1,735,119	-39,873	-2.3	1,959,803	-264,557	-13.5
Cassa di Risparmio di Alessandria	673,154	690,601	-17,446	-2.5	816,931	-143,777	-17.6
Banca Popolare di Mantova	8,879	9,512	-633	-6.7	-	8,879	n.s.
Banca Akros	521,489	531,417	-9,928	-1.9	592,102	-70,613	-11.9
Anima Sgr	6,063,185	-	6,063,185	n.s.	-	6,063,185	n.s.
Bipiemme Gestioni SGR	1,891,226	1,816,758	74,469	4.1	2,159,232	-268,006	-12.4
Akros Alternative Investments SGR	11,619	11,878	-259	-2.2	2,223	9,396	n.s.
Total assets under management	21,774,932	15,979,260	5,795,672	36.3	18,710,222	3,064,710	16.4

Assets under administration at market value: composition by placement agent

(Euro/000)

	31.03.2009	31.12.2008	Change A – B		31.03.2008	Change A – C	
	A	B	(+/-)	%	C	(+/-)	%
Banca Popolare di Milano	14,496,352	14,813,841	-317,489	-2.1	15,594,585	-1,098,233	-7.0
Banca di Legnano	1,844,814	1,845,929	-1,115	-0.1	1,927,701	-82,887	-4.3
Cassa di Risparmio di Alessandria	1,232,772	1,349,142	-116,370	-8.6	1,299,956	-67,184	-5.2
Banca Popolare di Mantova	75,683	83,887	-8,204	-9.8	-	75,683	n.s.
Banca Akros	1,579,000	1,530,000	49,000	3.2	1,830,000	-251,000	-13.7
Eliminations	-144,943	-134,429	-10,515	-7.8	-23,871	-121,072	n.s.
Assets under administration	19,083,678	19,488,370	-404,693	-2.1	20,628,371	-1,544,693	-7.5

Loans and advances to customers

At 31 March 2009, loans and advances to customers come to Euro 31,556 million, a reduction of Euro 1,343 million (–4.1%) with respect to the end of 2008, but an increase of 4.5% on 31 March 2008.

Growth continued in the medium/long-term lending sector, especially property loans (including the mortgage loans involved in the securitisation, which are classified under “assets sold and not cancelled”) which amount to Euro 13,591 million (Euro 13,545 at 31 December 2008) with growth of Euro 1,562 million on March 2008 (+13%).

“Other transactions”, which mostly refer to advances on bills, documents and similar instruments subject to collection and other amounts not settled via current accounts, show a decrease, coming to Euro 11,333 million versus Euro 12,423 million at the end of 2008 (–8.8%) and Euro 11,915 million at the end of March 2008 (–4.9%).

Breakdown of loans and advances to customers

(Euro/000)

	31.03.2009 A	31.12.2008 B	Change A – B		31.03.2008 C	Change A – C	
			(+/-)	%		(+/-)	%
Current accounts	4,330,946	4,919,378	–588,432	–12.0	4,624,843	–293,897	–6.4
Repurchase agreements	158,667	99,286	59,381	59.8	181,249	–22,582	–12.5
Mortgage loans	12,495,468	12,383,739	111,729	0.9	10,606,122	1,889,346	17.8
Credit cards, personal loans and salary assignments	750,529	724,366	26,163	3.6	606,274	144,255	23.8
Finance leases	350,620	349,474	1,146	0.3	282,842	67,778	24.0
Other transactions	11,332,671	12,423,478	–1,090,807	–8.8	11,915,447	–582,776	–4.9
Assets sold and not cancelled	1,095,459	1,161,328	–65,869	–5.7	1,422,746	–327,287	–23.0
Impaired assets*	972,994	769,690	203,304	26.4	527,853	445,141	84.3
Total customer lending	31,487,354	32,830,739	–1,343,385	–4.1	30,167,376	1,319,978	4.4
Loans represented by securities	68,841	68,188	653	1.0	34,244	34,597	101.0
Total loans and advances to customers	31,556,195	32,898,927	–1,342,732	–4.1	30,201,620	1,354,575	4.5

(*) includes impaired assets relating to assets sold and not cancelled.

Loans and advances to customers: breakdown by company

(Euro/000)

	31.03.2009 A	31.12.2008 B	Change A – B		31.03.2008 C	Change A – C	
			(+/-)	%		(+/-)	%
Banca Popolare di Milano	26,605,442	27,928,794	–1,323,352	–4.7	26,242,897	362,545	1.4
Banca di Legnano	3,260,334	3,314,965	–54,631	–1.6	3,008,182	252,152	8.4
Cassa di Risparmio di Alessandria	1,859,887	1,920,812	–60,925	–3.2	1,815,061	44,826	2.5
Banca Akros	283,518	271,081	12,437	4.6	318,493	–34,975	–11.0
Banca Popolare di Mantova	345,812	333,676	12,136	3.6	–	345,812	n.s.
Other companies (*)	2,474,985	2,568,017	–93,032	–3.6	1,675,664	799,321	47.7
Consolidation eliminations/adjustments	–3,273,783	–3,438,418	164,635	4.8	–2,858,677	–415,106	–14.5
Total	31,556,195	32,898,927	–1,342,732	–4.1	30,201,620	1,354,575	4.5

(*) of which at 31 March 2009 Euro 1,134 million relating to “BPM Securitisation 2” and Euro 1,080 million to “BPM Covered Bond”.

Asset quality

At 31 March 2009, total impaired cash assets due from customers amount, on a net basis, to Euro 973 million, which is Euro 203 million higher than the figures at the end of 2008, coming in at 3.1% of total loans compared with 2.3% in December 2008 and 1.7% in March 2008.

Net non-performing loans come to Euro 212 million, which is relatively low as a percentage of loans (0.7%), lower than the system average (1.27% at February 2009, the latest figure available). The adjustments made, for Euro 393 million, provide coverage of 65%, in line with 31 December 2008.

Specific adjustments to impaired assets, calculated according to the usual prudent criteria, amount to Euro 541 million, providing overall coverage of 35.7%.

The portfolio adjustments on total performing assets come to Euro 197 million, giving coverage of 0.59%, which is slightly up on the figure of 0.59% at 31 December 2008.

Types of exposure/ amounts	Gross exposure		Specific adjustments		Portfolio adjustments		Net exposure	
	Amount	%	Amount	% coverage	Amount	% coverage	Amount	%

Loans and advances to customers at 31.03.2009								
A. Cash exposures								
Impaired assets	1,513,738	4.7	540,744	35.72	XXX	–	972,994	3.1
a) Non-performing loans	605,728	1.9	393,484	64.96	XXX	–	212,244	0.7
b) Doubtful loans	770,152	2.4	135,934	17.65	XXX	–	634,218	2.0
c) Restructured loans	41,345	0.1	8,302	20.08	XXX	–	33,043	0.1
d) Past due loans	96,513	0.3	3,024	3.13	XXX	–	93,489	0.3
Country risk	XXX	–	XXX	–	XXX	–	XXX	–
Other assets	30,780,100	95.3	XXX	–	196,899	0.64	30,583,201	96.9
Total loans and advances to customers	32,293,838	100.0	540,744	1.67	196,899	0.61	31,556,195	100.0

Loans and advances to customers at 31.12.2008								
A. Cash exposures								
Impaired assets	1,299,569	3.9	529,879	40.77	XXX	–	769,690	2.3
a) Non-performing loans	567,073	1.7	371,450	65.50	XXX	–	195,623	0.6
b) Doubtful loans	560,835	1.7	118,128	21.06	XXX	–	442,707	1.3
c) Restructured loans	83,261	0.2	37,754	45.34	XXX	–	45,507	0.1
d) Past due loans	88,400	0.3	2,547	2.88	XXX	–	85,853	0.3
Country risk	XXX	–	XXX	–	XXX	–	XXX	–
Other assets	32,320,463	96.1	XXX	–	191,226	0.59	32,129,237	97.7
Total loans and advances to customers	33,620,032	100.0	529,879	1.58	191,226	0.57	32,898,927	100.0

Types of exposure/ amounts	Gross exposure		Specific adjustments		Portfolio adjustments		Net exposure	
	Amount	%	Amount	% coverage	Amount	% coverage	Amount	%

Loans and advances to customers at 31.03.2008								
A. Cash exposures								
Impaired assets	993,809	3.2	465,956	46.89	XXX	–	527,853	1.7
a) Non-performing loans	480,005	1.6	334,965	69.78	XXX	–	145,040	0.5
b) Doubtful loans	327,811	1.1	81,905	24.99	XXX	–	245,906	0.8
c) Restructured loans	88,003	0.3	46,458	52.79	XXX	–	41,545	0.1
d) Past due loans	97,990	0.3	2,628	2.68	XXX	–	95,362	0.3
Country risk	XXX	–	XXX	–	XXX	–	XXX	–
Other assets	29,840,022	96.8	XXX	–	166,255	0.56	29,673,767	98.3
Total loans and advances to customers	30,833,831	100.0	465,956	1.51	166,255	0.54	30,201,620	100.0

Net interbank position

The Group's activity on the interbank market shows a positive balance at 31 March 2009 of Euro 1,291 million compared with a positive position at 31 December 2008 of Euro 3 million. The lower growth in loans and advances to customers compared with deposits, led to a lower liquidity requirement, also thanks to the medium/long-term bond issues mentioned previously.

Net interbank position

(Euro/000)

	31.03.2009 A	31.12.2008 B	Change A – B		31.03.2008 C	Change A – C	
			(+/-)	%		(+/-)	%
Loans and advances to banks	4,165,751	3,476,438	689,313	19.8	3,560,077	605,674	17.0
Deposits from banks	-2,874,958	-3,473,930	598,972	17.2	-4,907,827	2,032,869	41.4
Total	1,290,793	2,508	1,288,285	n,s,	-1,347,750	2,638,543	n:s

Financial activities

The **financial assets** of the BPM Group, net of financial liabilities held for trading which are mainly financial derivatives, come to Euro 4,414 million, an increase of 4.1% compared with the figure at 31 December 2008. Financial assets before deducting the liabilities come to Euro 5,833 million, an increase of 8.8% on 31 December 2008.

Group Financial assets/liabilities: composition

(Euro/000)

Line items/Amounts	31.03.2009	31.12.2008	Change A – B		31.03.2008	Change A – C	
	A	B	(+/-)	%	C	(+/-)	%
Financial assets held for trading	2,400,042	2,348,353	51,689	2.2	3,345,152	-945,110	-28.3
Financial assets designated at fair value through profit and loss	1,285,177	865,806	419,371	48.4	1,152,545	132,632	11.5
Financial assets available for sale	1,934,186	1,994,565	-60,379	-3.0	2,049,351	-115,165	-5.6
Hedging derivatives receivable	213,967	153,418	60,549	39.5	30,955	183,012	n,s,
Total financial assets	5,833,372	5,362,142	471,230	8.8	6,578,003	-744,631	-11.3
Financial liabilities held for trading	1,416,700	1,120,320	296,380	26.5	1,356,430	60,270	4.4
Hedging derivatives payable	2,517	2,015	502	24.9	1,493	1,024	68.6
Total net financial assets	4,414,155	4,239,807	174,348	4.1	5,220,080	-805,925	-15.4

Group Financial assets/liabilities: breakdown by company

(Euro/000)

Line items/Amounts	31.03.2009	31.12.2008	Change A – B		31.03.2008	Change A – C	
	A	B	(+/-)	%	C	(+/-)	%
Banca Popolare di Milano	2,688,033	2,736,001	-47,968	-1.8	2,120,675	567,358	26.8
Banca Akros	1,180,412	1,204,955	-24,543	-2.0	1,639,434	-459,022	-28.0
BPM Ireland	815,570	888,068	-72,498	-8.2	1,203,550	-387,980	-32.2
Banca di Legnano	320,378	172,075	148,303	86.2	164,491	155,887	94.8
Cassa Risparmio di Alessandria	177,079	55,193	121,886	220.8	70,382	106,697	151.6
Banca Popolare di Mantova	681	1,398	-717	-51.3	-	681	n,s,
Other companies	278,387	257,774	20,613	8.0	323,054	-44,667	-13.8
Consolidation eliminations/adjustments	-1,046,385	-1,075,657	29,272	2.7	-301,506	-744,879	-247.1
Total net financial assets	4,414,155	4,239,807	174,348	4.1	5,220,080	-805,925	-15.4

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 - show an increase of Euro 52 million (+2.2%) to Euro 2,400 million, more than offset by financial liabilities held for trading.

Financial assets designated at fair value through profit and loss – which include structured debt securities, securities not classified as held for trading, covered by hedges, and open-ended funds for which regular valuations are available from independent sources - come to Euro 1,285 million, an increase compared with the end of 2008 (+48.4%), following the purchase by the Parent Bank of floating interest securities for Euro 500 million.

Financial assets available for sale come to Euro 1,934 million, a decrease of Euro 60 million compared with December 2008 (Euro 1,995 million), due to maturities.

Financial liabilities held for trading, represented essentially by the negative value of trading derivatives, come to Euro 1,417 million, up on December 2008 (Euro 1,120 million, +26.5%).

The **positive value of hedging derivatives**, inherent to fair value hedges, which are offset by the change in the items being hedged, amount to Euro 214 million, whereas the **negative value of hedging derivatives**, which are offset by the change in the fair value of the items being hedged, amount to Euro 2 million.

Fixed assets

At 31 March 2009, **fixed assets**, including **equity investments, property, plant and equipment and intangible assets**, show an increase of Euro 90 million compared with the figure at 31 December 2008 (Euro 1,778 million), coming in at Euro 1,868 million). In detail, **equity investments** amount to Euro 118 million, whereas **property, plant and equipment and intangible assets** in total come to Euro 1,750 million.

Equity investments in companies under joint control (carried at equity) and those over which significant influence is exercised: disclosures (Euro/000)

Company name	Registered office	Nature of holding (1)	Nature of investment		Voting rights (2)	Book value
			Holder	% held		
Joint ventures						
1 Calliope Finance S.r.l.	Conegliano (TV)	1	Banca Popolare di Milano S.c.a r.l.	50.00		359
2 ESN North America Inc.	Delaware (USA)	1	Banca Akros S.p.A.	35.81		865
Companies subject to significant influence						
1 Bipiemme Vita S.p.A.	Milan	2	Banca Popolare di Milano S.c.a r.l.	45.89		57,608
2 SelmaBipiemme Leasing S.p.A.	Milan	2	Banca Popolare di Milano S.c.a r.l.	40.00		49,539
3 Aedes Bipiemme Real Estate SGR S.p.A.	Milan	2	Banca Popolare di Milano S.c.a r.l.	39.00		3,297
4 Società Milanese di Sviluppo e Formazione Musicale S.p.A. in liquidation (*)	Milan	2	Banca Popolare di Milano S.c.a r.l.	33.33		254
5 Etica SGR S.p.A.	Milan	2	Banca Popolare di Milano S.c.a r.l.	27.50		1,053
6 Pitagora 1936 S.p.A.	Turin	2	Banca Popolare di Milano S.c.a r.l.	24.00		4,284
7 GROUP S.r.l.	Milan	2	Banca Akros S.p.A.	22.50		19
8 Wise Venture SGR S.p.A.	Milan	2	Banca Popolare di Milano S.c.a r.l.	20.00		401
Total						117,679

Key:

(1) Nature of holding: 1. Joint control 2. Significant influence

(2) Voting rights at ordinary shareholders' meeting. Voting rights are only shown if they differ from the percentage held in the share capital.

(*) The company has been put into liquidation following the resolution of the General Meeting of 21/04/2009.

Provisions for specific use

At 31 March 2009, provisions for specific use amount to Euro 462 million, of which Euro 194 million relating to severance indemnities and Euro 268 million to provisions for risks and charges.

Equity and capital adequacy

At 31 March 2009, **equity**, including the net profit for the year, amounts to Euro 3,301 million. Share capital and reserves come to Euro 3,229 million. Within this figure, valuation reserves show a negative balance of Euro 46 million a reduction of Euro 13 million compared with 31 December 2008 due to the lower book value of financial assets available for sale.

Consolidated equity

(Euro/000)

Line items/Amounts	31.03.2009 A	31.12.2008 B	Change A – B		31.03.2008 C	Change A – C	
			(+/-)	%		(+/-)	%
1. Share capital	1,660,137	1,660,137	–	–	1,660,137	–	–
2. Share premium	188,076	188,023	53	0.0	187,827	249	0.1
3. Reserves	1,440,812	1,367,531	73,281	5.4	1,544,598	–103,786	–6.7
4. (Treasury shares)	–18,528	–9,567	–8,961	–93.7	–2,890	–15,638	n.s.
5. Valuation reserves	–45,652	–33,056	–12,596	–38.1	44,187	–89,839	n.s.
6. Equity instruments	4,210	4,210	–	–	4,210	–	–
7. Net profit for the year pertaining to the Group	72,167	75,269	–3,102	n.s.	62,078	10,089	16.3
Total	3,301,222	3,252,547	48,675	1.5	3,500,147	–198,925	–5.7

Minority interests

At 31 March 2009, minority interests amount to Euro 137 million, which is higher than the figure at 31 December 2008 (Euro 1 million).

Minority interests

(Euro/000)

Line items/Amounts	31.03.2009 A	31.12.2008 B	Change A – B		31.03.2008 C	Change A – C	
			(+/-)	%		(+/-)	%
1. Share capital	49,817	49,817	–	–	49,029	788	1.6
2. Share premium	49,159	49,159	–	–	42,297	6,862	16.2
3. Reserves	33,569	25,913	7,656	29.5	27,763	5,806	20.9
4. (Treasury shares)	–	–	–	–	–	–	–
5. Valuation reserves	3,429	3,489	–60	–1.7	3,652	–223	–6.1
6. Equity instruments	–	–	–	–	–	–	–
7. Minority interests	1,187	7,657	–6,470	n.s.	2,256	–1,069	–47.4
Total	137,161	136,035	1,126	0.8	124,997	12,164	9.7

Regulatory capital

Consolidated regulatory capital amounts to Euro 3,967 million, which is down on the figure at 31 December 2008 (Euro 4,075 million), and consists of Tier 1 capital of Euro 2,506 million, Tier 2 capital of Euro 1,461 million and Tier 3 capital of Euro 44 million, from which will be deducted the insurance investments of Euro 44 million.

BPM's total capital ratio, which is used as an overall measure of solvency and calculated as the ratio between regulatory capital and total risk-weighted assets, comes to 11.48%, which is lower than at December 2008 (11.87%).

The Tier1 capital ratio, calculated as the ratio between Tier 1 capital and risk-weighted assets, comes to 7.25% (versus 7.66% in December 2008), whereas the Core Tier 1 ratio, which does not include preference shares in Tier 1 capital, comes to 6.13%.

Results for the period

The first three months of 2009 close with a **net profit** of Euro 72.2 million, compared with Euro 62.1 million of the same period in 2008, with a growth of 16.3%, mainly due to the net income from financial activities, which recorded a balance of Euro 101.9 million versus a loss of Euro 14.5 million of March 2008.

Operating income

At 31 March 2009, operating income comes to Euro 489.5 million, an increase of Euro 87.7 million (+21.8%) with respect to the previous year.

Net interest income comes to Euro 241.1 million, with a decrease of Euro 19.7 million (-7.6%) mainly due to the increase in the cost of funding on institutional markets and the contraction in the interest spread applied to customers despite the increase in the volume of business.

As regards customer volumes, in average annual terms and based on internal management figures, loans to customers grew by 6.9% and deposits by 11.1% (including the bonds issued under the Euro Medium Term Notes programme, Covered Bonds and subordinated bonds).

As regards the interest rates applied to customers, in average annual terms and based on the ECB's harmonised statistics, there was a contraction in the spread between interest income and expense as the result of an average decrease in the rates on loans of 87 b.p. accompanied by a smaller decrease in the rates on deposits of 39 b.p.

Net interest income

(Euro/000)

Line items	First quarter 2009	First quarter 2008	Change	
			(+/-)	%
Interest and similar income	453,012	541,772	(88,760)	-16.4
Interest expense and similar charges	(211,898)	(280,905)	(69,007)	-24.6
Total net interest income	241,114	260,867	(19,753)	-7.6

Net interest income: breakdown by company

(Euro/000)

	First quarter 2009	First quarter 2008	Change	
			(+/-)	%
Banca Popolare di Milano	182,826	215,356	(32,530)	-15.1
Banca di Legnano	30,265	35,367	(5,102)	-14.4
Cassa Risparmio di Alessandria	18,188	19,329	(1,141)	-5.9
Banca Akros	3,384	(12,930)	16,314	n.s.
Banca Popolare di Mantova	2,246	-	2,246	n.s.
BPM Ireland	2,700	2,210	490	22.2
Other companies	3,439	1,841	1,598	86.8
Consolidation eliminations/adjustments	(1,934)	(306)	(1,628)	n.s.
Total net interest income	241,114	260,867	(19,753)	-7.6

Net fee and commission income are in line with the first quarter 2008, amounting to Euro 135.7 million (- 0.9%). Within this aggregate "net commission from management, dealing and advisory services" decline by 3.8% and "collection and payment services" by 5.1%. "Other services" on the other hand are up (+ 7.4%).

Net fee and commission income

(Euro/000)

Services/Amounts	First quarter 2009	First quarter 2008	Change	
			(+/-)	%
Fee and commission income	161,690	154,891	6,799	4.4
Fee and commission expense	(25,987)	(17,965)	8,022	44.7
Total net fee and commission income	135,703	136,926	(1,223)	-0.9
Composition:				
guarantees given and received	6,856	6,535	321	4.9
credit derivatives	(236)	(58)	(178)	n.s.
management, dealing and advisory services	68,478	71,219	(2,741)	-3.8
collection and payment services	22,719	23,949	(1,230)	-5.1
servicing for securitisation transactions	-	-	-	-
other services	37,886	35,281	2,605	7.4
Total net fee and commission income	135,703	136,926	(1,223)	-0.9

The "profit (loss) of investments valued under the equity method" show a balance of Euro 3.5 million, compared with a positive result of Euro 2.1 million recorded in the same period of 2008.

"Dividends and similar income" amount to Euro 0.8 million, compared with Euro 1.1 million at 31 March 2008.

"Net income from financial activities" shows a positive balance of Euro 101.9 million, which compares with a negative balance in 2008 of Euro 14.5 million 2008.

Net income from financial activities

(Euro/000)

Line items	First quarter 2009	First quarter 2008	Change	
			(+/-)	%
Net trading income	104,889	31,484	73,405	233.2
Net income from hedging	569	(400)	969	n.s.
Gains on disposal of financial assets/liabilities	3,266	1,073	2,193	204.4
Net gain (loss) from financial instruments designated at fair value	(6,783)	(46,621)	(39,838)	-85.5
Total net income of financial activities	101,941	(14,464)	116,405	n.s.

Within this aggregate:

■ **"Net trading income"**, shows a positive balance of Euro 104.9 million compared with Euro 31.5 million in the first quarter of 2008, principally due to transactions in derivatives on interest rates stipulated at the beginning of the year to hedge the expected fall in interest rates. The sudden decline in interest rates, which took place in the first quarter of the current year (over 150 b.p. in the short-term segment) generated significant unrealised gains (Euro 60.3 million) which have been included in the result of assets held for trading;

■ **"net income from hedging"** was positive for Euro 0.6 million;

■ **"gains on disposal of financial assets/liabilities"**: are positive for Euro 3.3 million, recording an increase of Euro 2.2 million compared with March 2008 principally due to the partial sale of the equity investment held in SIA-SSB S.p.A.;

■ **"net gain (loss) from financial instruments designated at fair value" was negative for Euro 6.8 million which compares with a negative balance of Euro 46.6 million in the first quarter 2008.** The negative result in the first quarter is attributable to the portfolio of BPM Ireland, which continues to be affected by the turbulence on financial markets.

Other operating income (charges), amounted to Euro 13.5 million, reporting a decrease with respect to March 2008 (-12.1%).

Operating costs

Operating costs, consisting of administrative expenses and net adjustments to property, plant and equipment and intangible assets, amounted to Euro 274.9 million at 31 March 2009, with an increase of Euro 14.8 million; the cost to income ratio comes to 56.2%, 8.5 p.p. higher than at 31 March 2008 (64.7%).

Operating costs: composition

(Euro/000)

Line items/Amounts	First quarter 2009	First quarter 2008	Change	
			(+/-)	%
Administrative expenses:	(254,821)	(242,629)	12,192	5.0
a) payroll	(183,887)	(170,091)	13,796	8.1
b) other administrative expenses	(70,934)	(72,538)	(1,604)	-2.2
Net adjustments to property, plant and equipment and intangible assets	(20,073)	(17,489)	2,584	14.8
Total	(274,894)	(260,118)	14,776	5.7

In detail, **payroll** amounts to Euro 183.9 million, an increase of Euro 13.8 million compared with the previous year. The increase is mainly attributable to the growth in personnel, as already mentioned, and to the costs incurred for retired personnel.

Payroll: composition

(Euro/000)

Type of expense	First quarter 2009	First quarter 2008	Change	
			(+/-)	%
1) Employee payroll costs	(179,926)	(166,376)	13,550	8.1
2) Other payroll costs	(1,690)	(1,898)	(208)	-11.0
3) Directors and Statutory Auditors	(2,271)	(1,817)	454	25.0
Total	(183,887)	(170,091)	13,796	8.1

Other administrative expenses amounted to Euro 71 million, net of the reclassification for recoverable indirect taxes. They decreased by Euro 1.6 million on March 2008. In particular, there was:

- an overall decrease of Euro 4.7 million in "purchases of professional services" and "purchases of assets and non professional services", due to lower legal expenses and professional fees;
- an increase of Euro 2.5 million in property leases.

Other administrative expenses: composition

(Euro/000)

Type of expense	First quarter 2009	First quarter 2008	Change	
			(+/-)	%
IT expenses	(20,231)	(19,252)	979	5.1
Expenses for buildings and furniture	(16,097)	(13,640)	2,457	18.0
<i>Property leases</i>	<i>(11,328)</i>	<i>(8,818)</i>	<i>2,510</i>	<i>28.5</i>
<i>Other expenses</i>	<i>(4,769)</i>	<i>(4,822)</i>	<i>(53)</i>	<i>-1.1</i>
Purchases of assets and non professional services	(17,040)	(18,970)	(1,930)	-10.2
Purchases of professional services	(7,036)	(9,784)	(2,748)	-28.1
Insurance premiums	(1,159)	(1,130)	29	2.6
Advertising expenses	(3,357)	(3,083)	274	8.9
Indirect taxes and duties	(16,408)	(16,550)	(142)	-0.9
Other	(3,676)	(4,283)	(607)	-14.2
Total	(85,004)	(86,692)	(1,688)	-1.9
Reclassification of "recoverable indirect taxes"	14,070	14,154	(84)	-0.6
Total	(70,934)	(72,538)	(1,604)	-2.2

Net adjustments to property, plant and equipment and intangible assets amounted to Euro 20.1 million, up by 14.8% on March 2008.

Other items relating to current operations

The aggregate consisting of net impairment adjustments to loans and financial assets and net charges to provisions for risks and charges amounted to Euro 87.6 million, with an increase on March 2008 of Euro 55.7 million. In particular:

- net adjustments reached Euro 73.1 million (+ Euro 44.6 million compared with March 2008) of which Euro 69 million on receivables, Euro 2 million on financial assets available for sale and Euro 2.1 million on other financial assets;
- provisions for risks and charges amounted to euro 34.5 million, mainly relating to recovery procedures and legal disputes.

Net impairment adjustments to loans and financial assets: composition (Euro/000)

Transactions/ Income elements	Adjustments			Writebacks			First quarter 2009	First quarter 2008	Change	
	Specific	Portfolio	Total	Specific	Portfolio	Total			(+/-)	%
Receivables:	(87,266)	(7,572)	(94,838)	25,364	500	25,864	(68,974)	(29,861)	39,113	131.0
Loans and advances to banks	(29)	–	(29)	–	417	417	388	(107)	(495)	n.s.
Loans and advances to customers	(87,237)	(7,572)	(94,809)	25,364	83	25,447	(69,362)	(29,754)	39,608	133.1
Financial assets available for sale	(2,002)	–	(2,002)	–	–	–	(2,002)	–	2,002	n.s.
Other financial transactions	(988)	(2,697)	(3,685)	925	616	1,541	(2,144)	1,343	3,487	259.6
Total	(90,256)	(10,269)	(100,525)	26,289	1,116	27,405	(73,120)	(28,518)	44,602	156.4

Net profit (loss) for the period

At 31 March 2009, **profit from current operations before tax** achieved Euro 127 million, with an increase of Euro 17.4 million (+15.8%) compared with March 2008.

Having booked income taxes on current operations of euro 53.7 million, with an effective tax rate of 42.3% (41.2% in the same period of the previous year), the net profit amounted to Euro 73.3 million, which is Euro 9 million higher than the same period of the previous year.

After deducting Euro 1.2 million in **minority interests**, **net profit for the year pertaining to the Parent Bank** came to Euro 72.2 million, up Euro 10.1 million (+16.3%) on March 2008.

Information on the Parent Bank

Banca Popolare di Milano - Reclassified balance sheet

(Euro/000)

Compulsory format codes	Assets	31.03.2009	31.12.2008	31.03.2008	Change A – B		Change A – C	
		A	B	C	(+/-)	%	(+/-)	%
10.	Cash and balances with central banks	166,077	195,280	157,081	-29,203	-15.0	8,996	5.7
	Financial assets at fair value and hedging derivatives:	2,970,369	2,985,264	2,576,819	-14,895	-0.5	393,550	15.3
20.	– Financial assets held for trading	472,643	751,225	1,014,905	-278,582	-37.1	-542,262	-53.4
30.	– Financial assets designated at fair value through profit and loss	836,930	377,375	395,173	459,555	121.8	441,757	111.8
40.	– Financial assets available for sale	1,554,172	1,780,314	1,135,786	-226,142	-12.7	418,386	36.8
80.	– Hedging derivatives	106,624	76,350	30,955	30,274	39.7	75,669	244.4
60.	Loans and advances to banks	3,645,503	3,306,155	3,175,475	339,348	10.3	470,028	14.8
70.	Loans and advances to customers	26,605,442	27,928,794	26,242,897	-1,323,352	-4.7	362,545	1.4
100. 110. 120.	Fixed assets	2,572,406	2,470,974	2,313,019	101,432	4.1	259,387	11.2
130. 150.	Other assets	1,544,390	1,160,617	1,114,189	383,773	33.1	430,201	38.6
	Total assets	37,504,187	38,047,084	35,579,480	-542,897	-1.4	1,924,707	5.4

Banca Popolare di Milano - Reclassified balance sheet

(Euro/000)

Compulsory format codes	Liabilities and shareholders' Equity	31.03.2009	31.12.2008	31.03.2008	Change A – B		Change A – C	
		A	B	C	(+/-)	%	(+/-)	%
10.	Deposits from banks	2,690,799	3,114,458	3,672,864	-423,659	-13.6	-982,065	-26.7
20.	Due to customers	16,756,288	17,022,280	16,095,126	-265,992	-1.6	661,162	4.1
30.	Debt securities in issue	11,500,678	11,049,180	8,701,474	451,498	4.1	2,799,204	32.2
	Financial liabilities and hedging derivatives:	2,077,002	2,239,943	2,593,710	-162,941	-7.3	-516,708	-19.9
40.	– Financial liabilities held for trading	279,819	247,248	454,651	32,571	13.2	-174,832	-38.5
50.	– Financial liabilities designated at fair value through profit and loss	1,794,666	1,990,680	2,137,566	-196,014	-9.8	-342,900	-16.0
60	– Hedging derivatives	2,517	2,015	1,493	502	24.9	1,024	68.6
80. 100.	Other liabilities	1,038,777	1,232,413	931,615	-193,636	-15.7	107,162	11.5
110. 120.	Provisions for specific use	347,506	336,495	318,631	11,011	3.3	28,875	9.1
130. 150. 160. 170. 180. 190.	Capital and reserves	3,034,374	2,973,446	3,215,984	60,928	2.0	-181,610	-5.6
200.	Net profit (loss) for the period (+/-)	58,763	78,869	50,076	-20,106	n.s.	8,687	17.3
	Total Liabilities and shareholders' Equity	37,504,187	38,047,084	35,579,480	-542,897	-1.4	1,924,707	5.4

Principal balance sheet aggregates

With reference to the performance of the Parent Bank at 31 March 2009, we analyse the **principal balance sheet aggregates** with the comparison with 2008.

Direct deposits

The aggregate of direct deposits – consisting of deposits from customers, debt securities in issue and liabilities valued at fair value – amounts to Euro 30,052 million substantially in line (–10 million) with the amounts at the end of 2008, but with an increase of 11.6% on 31 March 2008. Within this aggregate:

- the amounts due to customers stood at Euro 16,756 million, with a slight decrease (–1.6%) compared with the figure at the end of 2008 due to the decline in repurchase agreements (–Euro 320 million); compared with 31 March 2008 there was a rise of 4.1% (+ Euro 661 million).

- debt securities in issue come to Euro 11,501 million, and increase compared with December 2008 (+ Euro 451 million, + 4.1%). This rise is attributable for Euro 493 million to the issue of short-term certificates of deposit subscribed by customers;

- financial liabilities designated at fair value through profit and loss, essentially represented by structured bond loans, come to Euro 1,795 million, which is slightly down on 2008 (–Euro 196 million).

On average terms and based on internal management figures, customer deposits grew by 12% on the first quarter of 2008.

Indirect customer deposits

At 31 March 2009, **indirect deposits** stood at Euro 25,406 million, Euro 591 million lower compared with 31 December 2008 (– 2.3%) and Euro 3,368 compared with 31 March 2008 (–11.7%).

Within this aggregate, **assets under management** come to Euro 10,910 million for a decrease of Euro 274 million (–2.4%) compared with 31 December 2008, due to negative net inflows since the start of the year of Euro 117 million and the fall in stock prices. This downward trend reflects a negative period for the entire fund industry; in the first three months of 2009, the asset management industry posted a net outflow of funds of more than Euro 5 billion.

An analysis by type compared with December 2008 shows a decline in both mutual funds (–2.9%) and individual portfolio management (–3.6%). Compared with the same period last year, there has been a decline in the segment represented by individual portfolio management (–38.7%), which was affected by the process of rationalisation of portfolio management services, which involved offering customers a new fund of funds product into which most switched their assets previously invested in “Portfoliofondi”. Despite this contribution, the funds area shows a reduction of 14% compared with March 2008.

The amount of **insurance-sector reserves** posts a slight decline compared with both 31 December 2008 (–1%) and March 2008 (–1.7%).

Assets under administration come to Euro 14,496 million, a decrease of Euro 317 million (–2.1%) compared with the end of 2008 and of Euro 1,098 million compared with first quarter 2008 (–7%). The weighting of the equity component has fallen below 20%.

Loans and advances to customers

At 31 March 2009 **loans and advances to customers** came to Euro 26,605 million, a decrease of Euro 1,323 million on the end of 2008 (–4.7%); compared with the previous 12 months, there has been an increase of 1.4%.

In particular, compared with 31 December 2008, it is worth mentioning that the aggregate of mortgage loans (including those subject to securitisation) remains substantially unchanged (+ Euro 16 million) at Euro 10,980 million. New mortgage loans granted reach Euro 600 million in the period, 28% less than in the first quarter 2008.

“Other transactions” decreased by Euro 986 million. This aggregate mostly refers to advances on bills, documents and similar instruments subject to collection, other amounts not settled via current accounts. It amounted to Euro 10,973 million, with a decrease of 8.2% versus December 2008. The line item “current accounts” decreases by Euro 540 million compared with the end of 2008 (–14.6%).

On average terms and based on internal management figures, loans grew by 5.7%. The growth of the medium/long term component (mortgages and loans) amounted to 14.2% compared with the first quarter of 2008.

Asset quality

At 31 March 2009, total impaired assets, prior to adjustments, amount to Euro 1,245 million, an increase of Euro 163 million compared with 31 December 2008 (+15%), 4.6% of total loans, which is up on the figure of 3.8% at the end of 2008.

Net non-performing loans come to Euro 163 million, which is low as a percentage of loans (0.6%). Related adjustments to Euro 315 million provide coverage of 66%.

Specific adjustments to impaired assets, calculated according to the usual prudent criteria, amount to Euro 436 million, with a slight decrease of Euro 3 million compared with the end of 2008.

Portfolio adjustments on performing loans” amount to Euro 157 million (+ Euro 5 million compared with the end of 2008), with a coverage of 0.6%.

Net interbank position

The **net interbank position** at 31 March 2009 is as a creditor (lender) for Euro 955 million, an increase of Euro 192 million on the end of 2008.

Net financial assets

Financial assets come to Euro 2,688 million, for a decrease of Euro 48 million compared with the figure at 31 December 2008. In detail, within this aggregate:

■ **financial assets held for trading** show a reduction of Euro 279 million (–37.1%), coming in at Euro 473 million because of the trend in maturities;

■ **financial assets designated at fair value through profit and loss** have risen sharply compared with the figure at the end of 2008, reaching Euro 837 million (+122%) for the purchase of floating-rate securities (Euro 500 million);

■ **financial assets available for sale** report a fall of Euro 226 million, to Euro 1,554 million (–12.7%), again because of the trend in maturities;

■ **hedging derivatives**, almost entirely relating to fair value hedging, which are offset by the change in hedged items, amount to Euro 107 million;

■ **financial liabilities held for trading**, entirely consisting of the negative value of derivatives, come to Euro 280 million, an increase of Euro 33 million (+ 13.2%);

■ lastly, the **negative value of hedging derivatives**, which are offset by the change in the fair value of the items being hedged, amount to Euro 2 million.

Fixed assets

At 31 March 2009, **fixed assets** show an increase of Euro 101 million compared with the figure at 31 December 2008, coming in at Euro 2,572 million.

In detail, **equity investments** amount to Euro 1,722 million, reporting an increase of Euro 111 million with respect to the end of 2008 following:

- the increase of Euro 108 million in the equity investment in Anima SGR, the interest of which passed from 29.9% to 100% after the PPO;
- completion of the increase in capital of We@Service by Euro 6.5 million;
- writedown of Euro 5 million in the equity investment in BPM Ireland.

Property, plant and equipment total Euro 606 million, down by Euro 7 million compared with Euro 613 million at the end of 2008, whereas **intangible assets** stand at Euro 244 million with a slight decline compared with the figure at the end of 2008.

Equity

At 31 March 2009, **equity**, including the net profit for the period, amounts to Euro 3,093 million. In this ambit, capital and reserves come to Euro 3,034 million, an increase of Euro 61 million compared with 31 December 2008. This increase is due to the temporary allocation to reserves of the net profit for 2008 (Euro 79 million) prior to allocation by the General Meeting of 25 April 2009, against which there is a reduction of Euro 9 million in the Valuation reserves due to the lower value reported by financial assets available for sale and the decline of Euro 9 million following the completion of the programme to purchase treasury shares approved by the Board of Directors in October 2008.

Banca Popolare di Milano – Reclassified income statement

(Euro/000)

Compulsory format codes	Income statement line items	First quarter 2009	First quarter 2008	Change	
				(+/-)	%
10. 20.	Net interest income	182,826	215,356	(32,530)	-15.1
40. 50.	Net fee and commission income	92,753	99,946	(7,193)	-7.2
70.	Dividend and similar income	912	1,188	(276)	-23.2
80. 90. 100. 110	Net income from financial activities	81,573	(16,050)	97,623	n.s.
190.	Other operating charges/income	16,282	16,695	(413)	-2.5
	Operating income	374,346	317,135	57,211	18.0
150.	Administrative expenses:	(190,492)	(186,040)	4,452	2.4
	a) payroll	(135,519)	(127,393)	8,126	6.4
	b) other administrative expenses	(54,973)	(58,647)	(3,674)	-6.3
170. 180.	Net adjustments to property, plant and equipment and intangible assets	(14,749)	(13,521)	1,228	9.1
	Operating costs	(205,241)	(199,561)	5,680	2.8
	Operating profit	169,105	117,574	51,531	43.8
130.	Net impairment adjustments to loans and financial assets	(57,601)	(21,420)	36,181	168.9
160.	Net charges to provisions for risks and charges	(14,114)	(3,072)	11,042	n.s.
210. 240.	Profits (losses) from equity and other investments	(4,627)	(17,206)	(12,579)	-73.1
250.	Profit (loss) from current operations before tax	92,763	75,876	16,887	22.3
260.	Income taxes on current operations	(34,000)	(25,800)	8,200	31.8
290.	Net profit (loss) for the period	58,763	50,076	8,687	17.3
	Earnings per share (Euro)	0.143	0.121		
	Diluted earnings per share (Euro)	0.137	0.117		

Method of preparing the reclassified income statement

For management reporting purposes the results at 31 March have been presented in a reclassified format, 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 between the reclassified income statement and the compulsory format, the code numbers from the compulsory format are shown beside each item in the reclassified statement. The following reclassifications have been made:

1. **“Other operating charges/income”** (line item 190) recorded as part of “Operating costs” in the official reporting format have been adjusted to include “Recoverable indirect taxes” (Euro 11,263 thousand at 31.03.2009 and Euro 10,959 thousand at 31.03.2008) and to exclude the “depreciation of leasehold improvements” (Euro 1,050 thousand at 31.03.2009 and Euro 834 thousand at 31.03.2008). “Other operating charges/income” thus adjusted have been reported as part of “Operating income” in the reclassified income statement;
2. **“Other administrative expenses”** (line item 150 b) have been adjusted to exclude the “recoverable indirect taxes” mentioned in point 1) above;
3. **“Net adjustments to property, plant and equipment and intangible assets”** have been increased in the reclassified income statement by the “depreciation of leasehold improvements” mentioned in point 1) above;
4. **“Net impairment adjustments to loans and financial assets”** (Euro 57,601 thousand at 31.03.2009 and Euro 21,420 thousand at 31.03.2008) reported in line item 130 have been booked after “Operating profit” in the reclassified format.

Banca Popolare di Milano – Quarterly evolution of the reclassified income statement (Euro/000)

Compulsory format codes	Income statement line items	2009	2008			
		First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
10–20	Net interest income	182,826	215,571	205,247	213,798	215,356
40–50	Net fee and commission income	92,753	79,548	91,840	99,379	99,946
70.	Dividend and similar income	912	2,394	2,571	107,163	1,188
80–90–100– 110	Net income from financial activities	81,573	(29,602)	(21,698)	(2,527)	(16,050)
190.	Other operating charges/income	16,282	7,875	16,026	15,521	16,695
	Operating income	374,346	275,786	293,986	433,334	317,135
150.	Administrative expenses:	(190,492)	(190,475)	(191,377)	(209,130)	(186,040)
	a) payroll	(135,519)	(116,811)	(129,230)	(148,855)	(127,393)
	b) other administrative expenses	(54,973)	(73,664)	(62,147)	(60,275)	(58,647)
170 –180	Net adjustments to property, plant and equipment and intangible assets	(14,749)	(15,098)	(13,002)	(14,349)	(13,521)
	Operating costs	(205,241)	(205,573)	(204,379)	(223,479)	(199,561)
	Operating profit	169,105	70,213	89,607	209,855	117,574
130.	Net impairment adjustments to loans and financial assets	(57,601)	(116,438)	(46,179)	(22,409)	(21,420)
160.	Net charges to provisions for risks and charges	(14,114)	(15,160)	(12,161)	(3,068)	(3,072)
210–240	Profits (losses) from equity and other investments	(4,627)	(21,134)	(48)	(35,085)	(17,206)
250.	Profit (loss) from current operations before tax	92,763	(82,519)	31,219	149,293	75,876
260.	Income taxes on current operations	(34,000)	1,000	(16,500)	(53,700)	(25,800)
290.	Net profit (loss) for the period	58,763	(81,519)	14,719	95,593	50,076

Results for the period

With reference to the analysis of **economic figures** of the Parent Bank, the first three months of 2009 close with a **net profit** of Euro 58.8 million compared with Euro 50.1 million of the same period of 2008 (+ 17.3%).

Operating income

At 31 March 2009, **operating income** increased by 18%, reaching Euro 374.3 million.

Within this aggregate, there has been a decline of 15.1% in net interest income, coming in at Euro 182.8 million, principally due to the rise in the cost of funding on institutional markets and the deterioration in interest spreads applied to customers, despite the growth in the volume of business.

Net fee and commission income comes to Euro 92.7 million, which is down for Euro 7.2 million (-7.2%) on the previous year. Within this aggregate the following line items report significant decreases:

- there was a Euro 4.8 million (-10.3%) decline in net fees and commissions on management, dealing and advisory services, mainly due to lower commissions earned on the placement of securities and as a custodian bank, due to the particular moment that is being experienced by financial markets and the asset management industry;
- the reduction of Euro 1.2 million for collection and payment services and of Euro 1.9 million for various services.

Dividend and similar income report a fall of Euro 0.3 million, coming to Euro 0.9 million.

The **net income from financial activities** records a positive balance of Euro 81.6 million, which compares with a negative balance of Euro 16.1 million reported in the same period of 2008. Within this aggregate:

- the improvement of Euro 77.4 million in **net trading income**, which shows a positive balance of Euro 76 million;
- the increase of Euro 0.6 million in **net hedging gains (losses)**, which shows a positive balance of Euro 0.2 million;
- the rise in **gains from the sale of financial assets available for sale** (+ Euro 3.3 million), which include gains from the partial sale of the investment in SIA SBB (Euro 1.6 million);
- the **net gain (loss) from financial instruments designated at fair value** shows a positive balance of Euro 0.5 million, which compares with a negative balance of Euro 14.9 million at March 2008, due to the improvement in the valuation of the hedge funds held in portfolio.

Other operating income (charges), amounted to Euro 16.3 million, in line with the previous year.

Operating costs

Operating costs stood at Euro 205.2 million, and increased compared with the same period of last year (+ 2.8%). The cost/income ratio comes to 54.8%, a reduction of 8.1 p.p. compared with the figure for the first three months of 2008 (62.9%).

In detail, within this aggregate, **payroll costs** reached Euro 135.5 million, with a growth of Euro 8.1 million (+ 6.4%). In particular, there was:

- an increase of Euro 2.8 million in wages and salaries and to social security charges, after the increase in the headcount;
- an increase of Euro 3.6 million in costs incurred for retired personnel.

Other administrative expenses amounted to Euro 55 million, and decreased by 6.3% on the same period last year. Among the main changes in cost items, there is, in particular, the decrease of Euro 2.3 million for lower legal expenses and Euro 1.3 million of lower charges for sub-contract work, which more than offset the increase in rents paid of Euro 2 million.

Net **adjustments to property, plant and equipment and intangible assets** amount to Euro 14.7 million, an increase of Euro 1.2 million (+ 9.1%) compared with first quarter 2008, due above all to higher net adjustments to intangible assets (+ Euro 1.3 million) related to the amortisation of core deposits resulting from the purchase of the UniCredit branches.

Therefore, at 31 March 2009, the **operating profit** stood at Euro 169.1 million, recording a rise of Euro 51.5 million (+ 43.8%) compared with the corresponding period of last year.

Overall net **adjustments due to the impairment of loans and financial assets** comes to Euro 57.6 million, with an increase of Euro 36.2 million compared with the same period of last year; provisions for risks and charges increased by Euro 14.1 million (+ Euro 11 million) because of the net rise in the provision for recovery procedures (+Euro 13.3 million).

Profits (losses) from equity and other investments shows a negative balance of Euro 4.6 million, attributable to writedowns of the equity investment in BPM Ireland for the same amount.

Net profit for the period

At 31 March 2009, the **profit from current operations before tax** comes to Euro 92.8 million, an increase of Euro 16.9 million (+22.3%) compared with the previous year.

After booking **income taxes** for Euro 34 million, with an effective tax rate rising to 36.7% compared with 34% at March 2008, **net profit for the period** comes to Euro 58.8 million, which is Euro 8.7 million better (+ 17.3%) than for the first three months of last year.

BPM shareholders, stock price and ratings

Shareholders

The total number of shareholders at 31 March 2009 is 96,076 of whom 49,453 are Members and 46,623 shareholders who are not registered as Members. In the first three months of 2009, 2,916 new members have been admitted, in addition to 3 readmissions for minimum ownership ascertained after the resolution of exclusion on 20 January 2009. 1,685 members were excluded for lack of share ownership, for breach of contractual obligations and because of death.

According to the information held by the Bank at 31 March 2009, the following 4 relevant persons have been identified (with their percentage shareholding):

■ **Crédit Mutuel Group:** with 4.843% of the share capital held directly in the following companies: Gestunion 4 (0.5%), Pargestion 4 (0.5%), Sofiholding 4 (0.5%), Sofiholding 3 (0.482%), Adepi (0.465%), CIC participations (0.465%), Placinvest (0.465%), Gestunion 3 (0.464%), CIC Sa (0.444%), ACM Vie Sa (0.29%), CICOR (0.1686%), Valimar 4 (0.067%) and Acm Iard (0.03%);

■ **Credit Suisse Group:** with 3.412% of the share capital held directly by the following companies: Credit Suisse International (2.403%), Credit Suisse Securities Europe Limited (0.98%) and Credit Suisse (0.029%);

■ **Barclays Group** with a total holding of 2.775% (reporting companies **Barclays Plc.** for Ownership with 0.763% and **Barclays Global Investors Uk Holdings Ltd.** for Individual Portfolio Management with 2.011%);

■ **Dimensional Fund Advisors L.P.** with 2.002% of the share capital with holding split between 26 subsidiary companies/funds and certain individual portfolio management schemes.

The composition of BPM's shareholders reflects its status as a "listed co-operative bank". In fact, if on the one hand one can see the presence in the Bank's share capital of a large number of small shareholders, confirming the importance of the personal profile and mutual bond between the Members, which are the historical principles that inspire the co-operative banking movement, on the other, in recent years there has been a growing proportion of institutional investors, confirming the constant interest that the market has versus the BPM Group.

Performance of BPM stock

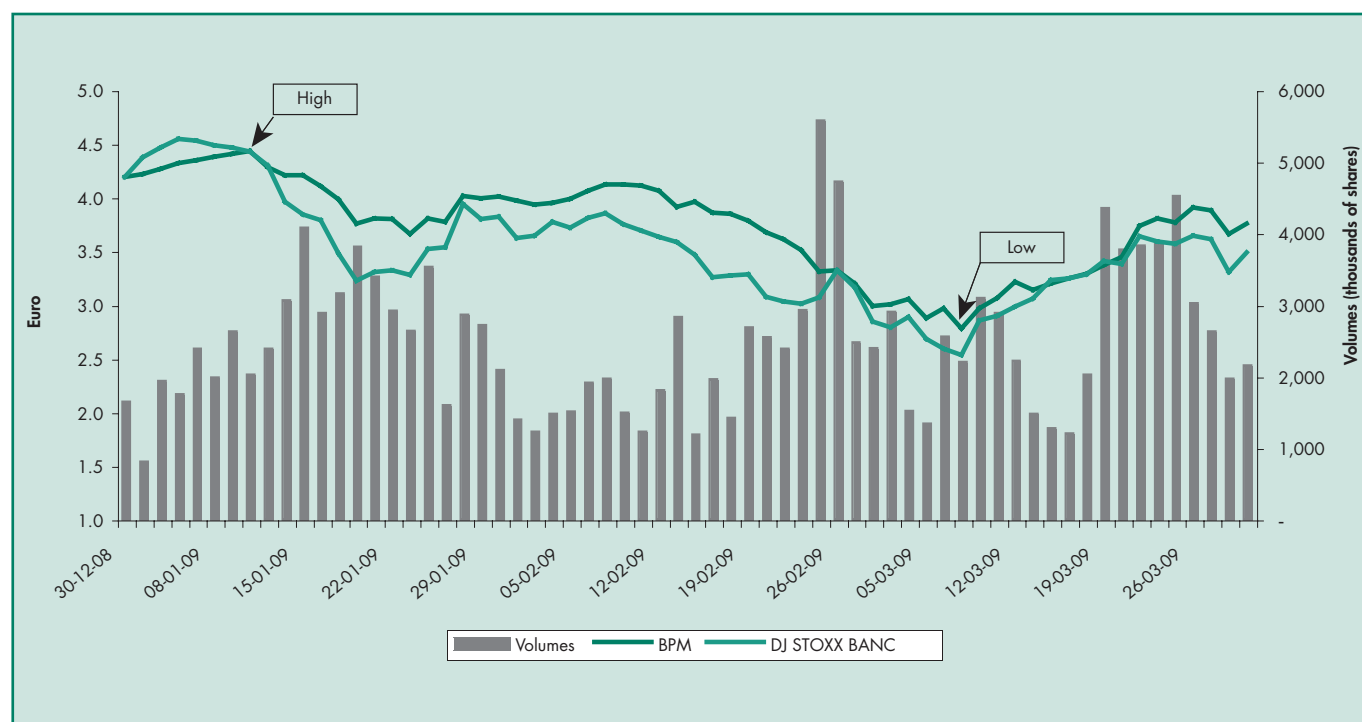
During first quarter 2009, the macroeconomic context has continued its recessionary trend; the spread of the crisis from the financial sector to the real economy has generated the worst economic crisis since the Great Depression in the 1930s. On the other hand, financial markets showed signs of recovery during the latter part of the quarter; the easing of tensions on the interbank market considerably reduced risk premiums on the money market and a certain confidence seems to have returned to the main European stock markets during the last few weeks of March (having lost on average 40% from September 2008 to March 2009).

From the start of the year to the end of March 2009, the principal European markets continue to show negative trends, though they are still doing better than in the whole of 2008: Milan (S&P/Mib -18.4%, Mib30 -16.2%), Paris (CAC40 -12.7%), Frankfurt (DAX100 -15.5%) and London (FTSE100 -10.6%).

During the first three months of 2009 BPM's stock posted a decline of 10.3%, a relative performance that is considerably better than that reported by the DJ Stoxx 600 for Banks (-16.8%).

The BPM stock fluctuated in a range between a high of Euro 4.43 on 12 January 2009 and a low of Euro 2.77 on 9 March 2009 with average volumes of 2.5 million shares.

Performance of the share price of Banca Popolare di Milano during the first three months of 2009



At 31 March 2009 Banca Popolare di Milano held 4,869,380 treasury shares in portfolio, acquired following the Purchase Plan started on 10 October 2008 using the "Reserve for treasury shares" in compliance with the authorisation granted by the General Meeting of 19 April 2008. This programme was completed in April 2009, so at the date of the general meeting, the Bank was holding 4,875,000 treasury shares. After authorisation had been given by the general meeting, part of these treasury shares (2,459,820 to be precise) were allocated to employees of BPM, according to the terms of art. 47 of the Articles of Association, while the rest remain in BPM's portfolio.

Rating

The following table on "Ratings" summarises the ratings given by the international rating agencies of Moody's, Fitch Ratings and Standard and Poor's.

BPM Rating

Rating agency	Last update	Long-term debt	Short-term debt	Outlook
Moody's	14 November 2008	A1	P-1	Stable
Fitch Ratings	13 June 2008	A	F1	Stable
Standard & Poor's	20 March 2009	A-	A-2	Negative

Subsequent events and outlook for the rest of the year of the BPM Group

The following significant events took place after the end of the first quarter 2009:

Amendment to arts. 26, 32, 36, 40 and 41 of the Articles of Association

On 7 April 2009 the Board of Directors of Banca Popolare di Milano, having seen arts 2365, para. 2, of the Italian Civil Code. and 36, para. 1 of the Articles of Association and, with the favourable opinion of the Board of Statutory Auditors, resolved to amend arts 26, 32, 36, 40 and 41 of the Articles of Association with a view to bringing the text completely into line with the recommendations of the Governor of the Bank of Italy dated 4 March 2008 concerning the "Supervisory instructions regarding the organisation and corporate governance of banks".

In particular, taking into account that many of these instructions were already included in the Articles of Association at the General Meeting last December, the amendments approved concerned:

- the methods of revoking members of the corporate bodies (arts 26, 32 and 40);
- the powers of the Ordinary general Meeting of the Members with regard to the approval of any compensation policies for Directors, employees or freelance staff not employed by the Bank, as well as any share-based payment plans (arts. 26 and 36);
- clarification of the powers and duties of the Board of Statutory Auditors (art. 40);
- the insertion of specific references to internal regulations approved by the Board of Directors with regard to the composition and powers of the Board Committees, as well as the rules governing the accumulation of appointments by Directors of the Bank (arts. 32 and 36);
- greater detail on the reasons for incompatibility of members of the Board of Statutory Auditors as a result of administrative positions held in other companies (art. 41).

Outlook for the rest of the year of the BPM Group

Subsequent to 31 March 2009 the Commercial and Corporate Banking activities have shown a trend in line with the first quarter of the year, with a rise in deposits which is still well above the growth in loans. The interest rate structure could to a certain extent feel the effect of the ECB's cuts in the refinancing rate.

Consolidated financial statements of the BPM Group

- Consolidated balance sheet
- Consolidated Income statement
- Statement of changes in consolidated equity at 31 march 2009
- Statement of changes in equity of minority interests at 31 march 2009
- Statement of changes in consolidated equity at 31 march 2008
- Statement of changes in equity of minority interests at 31 march 2008
- Consolidated cash flow statement

BPM Group – Consolidated balance sheet

(Euro/000)

Assets		31.03.2009	31.12.2008	31.03.2008
10.	Cash and balances with central banks	212,592	252,708	205,540
20.	Financial assets held for trading	2,400,042	2,348,353	3,345,152
30.	Financial assets designated at fair value through profit and loss	1,285,177	865,806	1,152,545
40.	Financial assets available for sale	1,934,186	1,994,565	2,049,351
50.	Financial assets held to maturity	0	0	0
60.	Loans and advances to banks	4,165,751	3,476,438	3,560,077
70.	Loans and advances to customers	31,556,195	32,898,927	30,201,620
80.	Hedging derivatives	213,967	153,418	30,955
90.	Fair value change of financial assets in hedged portfolios (+ / -)	0	0	0
100.	Equity investments	117,679	200,118	229,393
110.	Technical insured reserves reassured with third parties	0	0	0
120.	Property, plant and equipment	791,954	780,047	778,731
130.	Intangible assets	957,983	797,470	643,314
	<i>of which:</i>			
	– goodwill	810,620	658,913	547,656
140.	Tax assets	504,088	487,429	466,259
	<i>a) current</i>	241,360	240,956	244,959
	<i>b) deferred</i>	262,728	246,473	221,300
150.	Non-current assets (or disposal groups) held for sale and discontinued operations	0	0	0
160.	Other assets	1,132,924	783,442	880,936
Total assets		45,272,538	45,038,721	43,543,873

BPM Group – Consolidated balance sheet

(Euro/000)

Liabilities and Shareholders' Equity		31.03.2009	31.12.2008	31.03.2008
10.	Deposits from banks	2,874,958	3,473,930	4,907,827
20.	Due to customers	20,739,377	20,517,894	19,867,987
30.	Debt securities in issue	12,759,036	12,009,442	9,342,814
40.	Financial liabilities held for trading	1,416,700	1,120,320	1,356,430
50.	Financial liabilities designated at fair value through profit and loss	2,235,767	2,536,335	2,837,639
60.	Hedging derivatives	2,517	2,015	1,493
70.	Fair value change of financial liabilities in hedged portfolios (+ / -)	0	0	0
80.	Tax liabilities	168,335	100,683	119,694
	a) current	130,114	62,389	46,616
	b) deferred	38,221	38,294	73,078
90.	Liabilities associated with non-current assets held for sale and discontinued operations	0	0	0
100.	Other liabilities	1,175,876	1,438,487	1,052,758
110.	Provision for severance indemnities	193,811	196,683	199,081
120.	Provisions for risks and charges:	267,778	254,350	233,006
	a) pensions and similar commitments	117,627	117,027	110,153
	b) other	150,151	137,323	122,853
130.	Technical reserves	0	0	0
140.	Valuation reserves	-45,652	-33,056	44,187
150.	Redeemable shares	0	0	0
160.	Equity instruments	4,210	4,210	4,210
170.	Reserves	1,440,812	1,367,531	1,544,598
180.	Share premium	188,076	188,023	187,827
190.	Share capital	1,660,137	1,660,137	1,660,137
200.	Treasury shares (-)	-18,528	-9,567	-2,890
210.	Minority interests (+/-)	137,161	136,035	124,997
220.	Net profit (loss) for the period (+ / -)	72,167	75,269	62,078
Total liabilities and Shareholders' Equity		45,272,538	45,038,721	43,543,873

BPM Group - Consolidated income statement

(Euro/000)

Income statement line items		1st qtr 2009	1st qtr 2008
10.	Interest and similar income	453,012	541,772
20.	Interest expense and similar charges	(211,898)	(280,905)
30.	Net interest income	241,114	260,867
40.	Fee and commission income	161,690	154,891
50.	Fee and commission expense	(25,987)	(17,965)
60.	Net fee and commission income	135,703	136,926
70.	Dividend and similar income	795	1,059
80.	Net trading income	104,889	31,484
90.	Net hedging gains (losses)	569	(400)
100.	Gains (losses) on disposal or repurchase of:	3,266	1,073
	a) loans and advances	0	0
	b) financial assets available for sale	720	1,073
	c) financial assets held to maturity	0	0
	d) financial liabilities	2,546	0
110.	Net gain (loss) from financial instruments designated at fair value	(6,783)	(46,621)
120.	Net interest and other banking income	479,553	384,388
130.	Net impairment adjustments/writebacks:	(73,120)	(28,518)
	a) loans and advances	(68,974)	(29,861)
	b) financial assets available for sale	(2,002)	0
	c) financial assets held to maturity	0	0
	d) other financial transactions	(2,144)	1,343
140.	Net income from financial activities	406,433	355,870
150.	Net premium income	0	0
160.	Other insurance income/charges, net	0	0
170.	Net income from financial and insurance activities	406,433	355,870
180.	Administrative expenses:	(268,891)	(256,783)
	a) payroll	(183,887)	(170,091)
	b) other administrative expenses	(85,004)	(86,692)
190.	Net charges to provisions for risks and charges	(14,489)	(3,413)
200.	Net adjustments to property, plant and equipment	(10,210)	(10,106)
210.	Net adjustments to intangible assets	(8,574)	(6,298)
220.	Other operating charges/income	26,299	28,452
230.	Operating costs	(275,865)	(248,148)
240.	Share of profit (loss) of equity investments	(3,523)	2,110
250.	Net gains (losses) arising on fair value adjustments to property, plant and equipment and intangible assets	0	0
260.	Adjustments to goodwill	0	0
270.	Gains (losses) on disposal of investments	0	(162)
280.	Profit (loss) from current operations before tax	127,045	109,670
290.	Income taxes on current operations	(53,691)	(45,336)
300.	Profit (loss) from current operations after tax	73,354	64,334
310.	Profit (loss) after tax on non-current assets held for sale	0	0
320.	Net profit (loss) for the period	73,354	64,334
330.	Net profit (loss) for the period pertaining to minority interests	(1,187)	(2,256)
340.	Net profit (loss) for the period pertaining to the Parent Bank	72,167	62,078

Earnings per share (Euro)	0.176	0.150
Diluted earnings per share (Euro)	0.168	0.144

BPM Group - Statement of changes in consolidated shareholders' equity as at 31 March 2009

	Balance at 31.12.2008	Change in opening balance	Balance at 1.1.2009	Allocation of prior year results		Changes in the period							Equity at 31.03.2009
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Net profit (loss) at 31.03.2009
(Euro/000)													
Share capital:	1,660,137	0	1,660,137	0	0	0	0	0	0	0	0	0	1,660,137
a) ordinary shares	1,660,137	0	1,660,137			0							1,660,137
b) other shares	0	0	0										0
Share premium	188,023	0	188,023			0	53						188,076
Reserves:	1,367,531	0	1,367,531	75,269	0	-1,988	0	0	0	0	0	0	1,440,812
a) from earnings	1,367,531	0	1,367,531	(*) 75,269		-1,988							1,440,812
b) other	0	0	0										0
Valuation reserves:	-33,056	0	-33,056	0	0	-12,596	0	0	0	0	0	0	-45,652
a) available for sale	-46,530	0	-46,530			-12,596							-59,126
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	-9,567	0	-9,567					-8,961					-18,528
Net profit (loss) for the period	75,269	0	75,269	(*) -75,269									72,167
Equity	3,252,547	0	3,252,547	0	0	-14,584	53	-8,961	0	0	0	0	3,301,222

(*) The 2008 net profit has been temporarily allocated to "Reserves" awaiting the allocation decided by the General Meeting of the Parent Bank on 25 April 2009.

BPM Group - Statement of changes in minority interests as at 31 March 2009

	Balance at 31.12.2008	Change in opening balance	Balance at 1.1.2009	Allocation of prior year results		Changes in the period							Equity at 31.03.2009
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Net profit (loss) at 31.03.2009
(Euro/000)													
Share capital:	49,817	0	49,817	0	0	0	0	0	0	0	0	0	49,817
a) ordinary shares	49,817	0	49,817			0	0						49,817
b) other shares	0	0	0										0
Share premium	49,159	0	49,159			0	0	0					49,159
Reserves:	25,913	0	25,913	7,657	0	-1	0	0	0	0	0	0	33,569
a) from earnings	25,913	0	25,913	(*) 7,657		-1							33,569
b) other	0	0	0										0
Valuation reserves:	3,489	0	3,489	0	0	-60	0	0	0	0	0	0	3,429
a) available for sale	760	0	760			-60							700
b) cash flow hedges	0	0	0										0
c) other:	2,729	0	2,729			0							2,729
Exchange differences	0	0	0			0							0
Special revaluation laws	5	0	5										5
Revaluation law no.342/2000	2,724	0	2,724			0							2,724
Equity instruments	0	0	0										0
Treasury shares	0	0	0										0
Net profit (loss) for the period	7,657	0	7,657	(*) -7,657	0								1,187
Equity of minority interests	136,035	0	136,035	0	0	-65	0	0	0	0	0	0	137,161

(*) The 2008 net profit has been temporarily allocated to "Reserves".

BPM Group - Statement of changes in consolidated shareholders' equity as at 31 March 2008

	Balance at 31.12.2007	Change in opening balance	Balance at 1.1.2008	Allocation of prior year results		Changes in the period							Equity at 31.03.2008
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Net profit (loss) at 31.03.2008
(Euro/000)													
Share capital:	1,660,137	0	1,660,137	0	0	0	0	0	0	0	0	0	1,660,137
a) ordinary shares	1,660,137	0	1,660,137			0							1,660,137
b) other shares	0	0	0										0
Share premium	187,827	0	187,827			0	0	0	0	0	0	0	187,827
Reserves:	1,221,183	0	1,221,183	323,761	0	-346	0	0	0	0	0	0	1,544,598
a) from earnings	1,221,183	0	1,221,183	(*) 323,761		-346							1,544,598
b) other	0	0	0										0
Valuation reserves:	78,058	0	78,058	0	0	-33,871	0	0	0	0	0	0	44,187
a) available for sale	64,584	0	64,584			-33,871							30,713
b) cash flow hedges	0	0	0										0
c) other:	13,474	0	13,474			0							13,474
Exchange differences	0	0	0			0							0
Special revaluation laws	13,474	0	13,474			0							13,474
Equity instruments	4,210	0	4,210										4,210
Treasury shares	0	0	0				20	-2,910					-2,890
Net profit (loss) for the period	323,761	0	323,761	(*) -323,761	0								62,078
Equity	3,475,176	0	3,475,176	0	0	-34,217	20	-2,910	0	0	0	0	3,500,147

(*) The 2007 net profit has been temporarily allocated to "Reserves" awaiting the allocation decided by the General Meeting of the Parent Bank on 19 April 2008.

BPM Group - Statement of changes in minority interests as at 31 March 2008

	Balance at 31.12.2007	Change in opening balance	Balance at 1.1.2008	Allocation of prior year results		Changes in the period							Equity at 31.03.2008
				Reserves	Dividends and other allocations	Changes in reserves (*)	Issue of new shares (**)	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Net profit (loss) at 31.03.2008
(Euro/000)													
Share capital:	49,029	0	49,029	0	0	0	0	0	0	0	0	0	49,029
a) ordinary shares	49,029	0	49,029			0	0						49,029
b) other shares	0	0	0										0
Share premium	42,297	0	42,297			0	0	0	0	0	0	0	42,297
Reserves:	16,206	0	16,206	11,558	0	-1	0	0	0	0	0	0	27,763
a) from earnings	16,206	0	16,206	(*) 11,558		-1							27,763
b) other	0	0	0										0
Valuation reserves:	3,686	0	3,686	0	0	-34	0	0	0	0	0	0	3,652
a) available for sale	957	0	957			-34							923
b) cash flow hedges	0	0	0										0
c) other:	2,729	0	2,729			0							2,729
Exchange differences	0	0	0			0							0
Special revaluation laws	5	0	5										5
Revaluation law no.342/2000	2,724	0	2,724			0							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	(*) -11,558	0								2,256
Equity of minority interests	122,776	0	122,776	0	0	-35	0	0	0	0	0	0	124,997

(*) L'utile dell'esercizio 2007 è stato temporaneamente allocato alla voce "Riserve di utili".

BPM Group – Consolidated cash flow statement – indirect method

(Euro/000)

A. OPERATING ACTIVITIES	31.03.2009	31.03.2008
1. Cash generated from operating profits	222,867	182,599
– net profit for the period (+/-)	72,167	62,078
– gains/losses from financial assets held for trading and financial assets/liabilities designated at fair value through profit and loss (-/+)	-17,231	22,900
– gains/losses from hedging activities (-/+)	-569	400
– net impairment adjustments (+/-)	73,120	28,518
– net adjustments to property, plant and equipment and intangible assets (+/-)	18,784	16,404
– net charges to provisions for risks and charges and other costs/revenues (+/-)	19,381	9,073
– net uncollected premiums (-)	-	-
– other uncollected insurance income/charges (-/+)	-	-
– unsettled taxes (+)	53,691	45,336
– net adjustments to disposal groups, net of the tax effect (+/-)	-	-
– other adjustments (+/-)	3,524	-2,110
2. Cash generated/absorbed by financial assets	-238,033	-1,502
– financial assets held for trading	-11,358	458,099
– financial assets designated at fair value through profit and loss	-410,161	70,859
– financial assets available for sale	58,377	72,468
– loans and advances to banks: on demand	192,397	-102,494
– loans and advances to banks: other receivables	-881,322	145,395
– loans and advances to customers	1,274,411	-464,640
– other assets	-460,377	-181,189
3. Cash generated/absorbed by financial liabilities	63,616	-196,080
– deposits from banks: on demand	239,733	643,302
– deposits from banks: other payables	-838,705	-27,689
– due to customers	221,483	-1,747,963
– debt securities in issue	660,272	1,277,282
– financial liabilities held for trading	296,380	-5,719
– financial liabilities designated at fair value through profit and loss	-332,878	-7,443
– other liabilities	-182,669	-327,850
Net cash generated/absorbed by operating activities	48,450	-14,983
B. INVESTING ACTIVITIES		
1. Cash generated by	-	359
– sale of equity investments	-	344
– dividends collected on equity investments	-	-
– sale of financial assets held to maturity	-	-
– sale of property, plant and equipment	-	15
– sale of intangible assets	-	-
– sale of subsidiary companies and business divisions	-	-
2. Cash absorbed by	-79,658	-2,589
– purchase of equity investments	-	-
– purchase of financial assets held to maturity	-	-
– purchase of property, plant and equipment	-902	-1,411
– purchase of intangible assets	-3,292	-1,178
– purchase of subsidiary companies and business divisions	-75,464	-
Net cash generated/absorbed by investing activities	-79,658	-2,230
C. FINANCING ACTIVITIES		
– issue/purchase of treasury shares	-8,908	-2,890
– issue/purchase of equity instruments	-	-
– dividends distributed and other allocations	-	-
Net cash generated/absorbed by financing activities	-8,908	-2,890
NET CASH GENERATED/ABSORBED IN THE PERIOD	-40,116	-20,103

Reconciliation

Line items	31 Mar 2009	31 Mar 2008
Cash and balances with central banks at beginning of period	252,708	225,643
Total net cash generated/absorbed in the period	-40,116	-20,103
Cash and balances with central banks: effect of change in exchange rates	-	-
Cash and balances with central banks at end of period	212,592	205,540

Key: (+) generated (-) absorbed

Accounting Policies

- Form and contents of the interim report on operations
- Subsequent events
- Accounting policies

Form and contents of the interim report on operations

Declaration of conformity with IFRS

The interim report on operations of the BPM Group at 31 March 2009 has been prepared in accordance with art. 154-ter of Decree 58 dated 24 February 1998 (the so-called "Transparency Directive") and in compliance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), with the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC) as approved by the European Commission, pursuant to the EC Regulation no. 1606 of 19 July 2002.

IAS/IFRS have been 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 materiality.

Account has been taken not only of the instructions contained in the Bank of Italy's Circular 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) on applying IFRS in Italy.

General method of preparation

The interim report on operations is made up of the consolidated financial statements (balance sheet, income statement, statement of changes in equity and cash flow statement) and the specific explanatory notes provided in summary form and by the declaration required by art. 154.2-bis of the Consolidated Finance Act.

This report relates to the companies (subsidiaries, associates and joint ventures) included in the scope of consolidation, as detailed in the next chapter entitled "Scope of consolidation and consolidation procedures", which explains the changes that have taken place during the period.

The interim report on operations has been prepared using the euro as the reporting currency. The amounts shown in the schedules and in the notes are expressed in thousand of euro, unless stated otherwise. Roundings have been made taking into account the Bank of Italy's instructions.

The financial statement schedules comply with those laid down in the Bank of Italy Circular no. 262/2005. They show not only the accounting figures at 31 March 2009, but also the following comparative information, suitably adapted where necessary to ensure that it is comparable;

- Balance sheet: 31 December 2008 and 31 March 2008;
- Income statement: first quarter 2008;
- Statement of changes in equity: 31 March 2008;
- Cash flow statement: 31 March 2008.

In particular, it is stated that:

- the comparative balance sheet figures at 31 December 2008 include the figures for the acquisition of the branches from Unicredit and the line-by-line consolidation of the balance sheet only of Banca Popolare di Mantova; these two acquisitions were completed on 1 December 2008 and 22 December 2009, respectively. On the other hand, they do not include the effects of acquiring 100% of Anima SGR SpA, which took place on 2 March 2009;
- the comparative income statement figures at 31 March 2008 do not include the effects of these transactions.

The interim report on operations has been prepared on the basis of the accrual principle and the method of cost, except for the following financial assets and liabilities, which have been measured at fair value: financial instruments held for trading (including derivatives), financial instruments valued at fair value (in application of the fair value option) and financial instruments available for sale. The accounting principles have been adopted with a view to the Group companies continuing in business as going concerns; they also respond to the accrual principle, the concepts of relevance and materiality of accounting information, and the prevalence of substance over form. Assets and liabilities and expenses and income have only been offset if required or allowed by a standard or its interpretation.

This interim report on operations has not been audited.

Interim report on operations: reclassified consolidated financial statements

For management reporting purposes the quarterly 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. For the purposes of easily reconciling the reclassified balance sheet and income statement with the compulsory reporting format, the code numbers from the compulsory format are shown beside each item in the reclassified financial statements. The following reclassifications have been made:

1. The share of profit (loss) of investments valued under the equity method, recorded in line item 240 "Share of profit (loss) of equity investments" has been reported in a separate line forming part of "Operating income" in the reclassified income statement;
2. "Other operating charges/income" (line item 220) recorded as part of "Operating costs" in the official reporting format have been adjusted to exclude "Recoverable indirect taxes" and to include the "depreciation of leasehold improvements". "Other operating charges/income" thus adjusted have been reported as part of "Operating income" in the reclassified income statement;
3. "Other administrative expenses" (line item 180 b) have been reduced by the "Recoverable indirect taxes" discussed in point 2) above;
4. Net adjustments to property, plant and equipment and intangible assets" (line items 200 and 210) have been increased in the reclassified income statement by the "Depreciation of leasehold improvements" discussed in point 2) above;
5. "Net impairment adjustments to loans and financial assets" reported in line item 130 have been reclassified below "Operating profit" in the reclassified income statement".

Scope of consolidation and consolidation procedures

Equity investments in subsidiaries and companies under joint control (carried at equity) and those over which significant influence is exercised: disclosures

Company name		Share capital in Euro/ Original currency	Registered office	Nature of holding (1)	Nature of investment		Voting rights (2)
					Holder	% held	
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	Banca Popolare di Mantova S.p.A.	1,826,640	Mantua	1	Banca Popolare di Milano S.c.a r.l.	56.99	
6	Akros Alternative Investments SGR S.p.A.	1,200,000	Milan	1	Banca Akros S.p.A.	100.00	
7	WE@Service S.p.A.	10,000,000	Milan	1	Banca Popolare di Milano S.c.a r.l.	100.00	
8	BPM Ireland Plc.	257,586	Dublin	1	Banca Popolare di Milano S.c.a r.l.	99.99	
9	BPM Fund Management Ltd.	190,500	Dublin	1	Bpm Ireland Plc.	100.00	
10	Tirving Ltd.	GBP 5,000	Dublin	1	Banca Popolare di Milano S.c.a r.l.	100.00	
11	BPM Capital I Llc.	24,500,000	Delaware (USA)	1	Banca Popolare di Milano S.c.a r.l.	100.00	
12	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	
13	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	
14	Anima SGR S.p.A.	5,250,000	Milan	1	Banca Popolare di Milano S.c.a r.l.	100.00	
15	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	
16	Ge.Se.So. S.r.l.	10,329	Milan	1	Banca Popolare di Milano S.c.a r.l.	100.00	
17	BPM Covered Bond S.r.l.	10,000	Rome	1	Banca Popolare di Milano S.c.a r.l.	80.00	
18	Fondo Akros Market Neutral (*)	–	Milan	4	Banca Popolare di Milano S.c.a r.l.	94.60	n.a.
19	Fondo Akros Dynamic (*)	–	Milan	4	Banca Popolare di Milano S.c.a r.l.	92.75	n.a.
20	Fondo Akros Long/Short Equity (*)	–	Milan	4	Banca Popolare di Milano S.c.a r.l.	71.29	n.a.
21	Fondo Akros Absolute Return (*)	–	Milan	4	Banca Popolare di Milano S.c.a r.l.	55.05	n.a.
					Banca Akros S.p.A.	12.08	n.a.
22	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 carried at equity						
B. 1	Companies under 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.	103,500,000	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. – in liquidazione (**)	3,000,000	Milan	8	Banca Popolare di Milano S.c.a r.l.	33.33	
5	Etica SGR S.p.A.	4,000,000	Milan	8	Banca Popolare di Milano S.c.a r.l.	27.50	
6	Pitagora 1936 S.p.A.	6,800,000	Torino	8	Banca Popolare di Milano S.c.a r.l.	24.00	
7	Group S.r.l.	80,000	Milan	8	Banca Akros S.p.A.	22.50	
8	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 holding:

1. majority of voting rights at shareholders' meetings
2. dominant influence at ordinary shareholders' meeting
3. agreements with other shareholders
4. other forms of control (IAS 27 para. 40)

5. co-ordinated control under art. 26.1 of Decree 87/92
6. co-ordinated control under art. 26.2 of Decree 87/92
7. joint control
8. significant influence

(2) Voting rights at ordinary shareholders' meeting. Voting rights are only shown if they differ from the percentage held in the share capital.

(*) These companies are consolidated line-by-line as the Group has most of the benefits and risks (SIC 12 "Consolidation – Special purpose entities").
(**) The company has been put into liquidation following the resolution of the General Meeting of 21 April 2009.

Scope of consolidation of the BPM Group at 31 March 2009

Sector	Company			
Banking companies	Banca Popolare di Milano S.c.a r.l.	Banca Akros S.p.A. 94.29%	Banca di Legnano S.p.A. 93.51%	Cassa di Risparmio di Alessandria S.p.A. 80%
	Banca Popolare di Mantova S.p.A. 56.99%			
Finance-sector companies	Tirving Ltd. 100%	BPM Capital I Llc. 100%	BPM Ireland Plc. 99.99%	BPM Luxembourg S.A. 99.94%
	Calliope Finance S.r.l. 50%	ESN North America Inc. 33.77%	Pitagora 1936 S.p.A. 24%	
(Special purpose entity)	BPM Covered Bond S.r.l. 80%	BPM Securitisation 2 S.r.l. n.a.		
Asset management and mutual funds	Anima SGR S.p.a. 100%	BPM Fund Management Ltd. 99.99%	Akros Alternative Investments SGR S.p.A. 94.29%	Bipiemme Gestioni SGR S.p.A. 88.08%
	Aedes Bipiemme Real Estate SGR S.p.A. 39%	Etica SGR S.p.A. 27.5%	Wise Venture SGR S.p.A. 20%	
(Hedge funds)	Fondo Akros Market Neutral 94.60%	Fondo Akros Dynamic 92.75%	Fondo Akros Long/Short Equity 71.29%	Fondo Akros Absolute Return 66.44%
Broker-dealers	Bipiemme Private Banking SIM S.p.A. 95.19%			
Insurance companies	Bipiemme Vita S.p.A. 45.89%			
Leasing companies	SelmaBipiemme Leasing S.p.A. 40%			
Other activities	WE@Service S.p.A. 100%	Ge.Se.So. S.r.l. 100%	Soc. Mil. di Sviluppo e Form. Musicale S.p.A. (in liquidation) 33.33%	Group S.r.l. 21.22%

■ Companies consolidated line-by-line

■ Companies consolidated using the equity method

The percentage shareholdings are based on equity ratios.

Other information

The BPM Group's interim report on operations includes the financial statements at 31 March 2009 of Banca Popolare di Milano (parent bank) and its direct and indirect subsidiaries. As required by the new standards, the scope of consolidation now includes companies operating in dissimilar sectors to that of the parent as well as funds, managed by fund management companies belonging to the Group, in which the Group itself, having subscribed to the majority of shares, is exposed to most of the variability in the fund's risks and returns.

The scope of consolidation also includes special purpose entities when they are under the Group's effective control, whether or not it has an equity interest in them. Assuming they satisfy the required conditions, special purpose entities formed for the purposes of securitisations carried out after 1 January 2004 have been consolidated in accordance with SIC 12, and the derecognition rules contained in IAS 39 have been applied.

Controlling interests are consolidated on a line-by-line basis, while non-controlling interests are reported using the equity method. According to IAS 31, equity investments in joint ventures (companies jointly controlled) are carried at equity.

Line-by-line consolidation: line-by-line consolidation involves combining together "line by line" the contents of subsidiary company balance sheets and income statements. Once their portion of equity and net profit has been allocated to minority interests, shown separately, the value of the equity investment is eliminated against the residual equity of the subsidiary.

Subsidiaries are defined as all those companies and entities over which the Group has the power to control their financial and operating policies; this is normally deemed to be the case when the parent owns more than half of the voting power.

Both existing and potential voting power at the date of preparing the financial statements is taken into account for the purposes of verifying the existence of control by the Group.

Subsidiaries are consolidated line-by-line commencing from the date when control was effectively transferred to the Group; They are excluded from the scope of consolidation from the date on which control is transferred outside the Group.

If control is lost over a consolidated company, the consolidated financial statements include its net profit or loss for the portion of the year in which the parent company held control.

Acquisitions are reported using the purchase method under which all business combinations, except for those between companies under common control, are treated like genuine business acquisitions for accounting 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 identifiable assets acquired, and related liabilities, including contingent ones 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. This 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 immediately expensed to income for the period.

In relation to acquisitions/sales of portions of companies that are already controlled, in the absence of a specific standard or interpretation, based on IAS 8 (Net profit or loss for the period, fundamental errors and changes in accounting policies), the Group:

- in the case of an **acquisition**, it books to the balance sheet any goodwill that arises as the difference between the acquisition cost and the book value of the assets and liabilities acquired;

- in the case of a **sale**, it books to the income statement the difference between the sale proceeds and the corresponding book value (the so-called "Parent entity extension method").

All intragroup balances and transactions, including any unrealised post-tax profits resulting from intragroup transactions, are eliminated in full 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 in the consolidation are generally prepared on the basis of the same accounting policies as the parent. Consolidation adjustments are made to standardise the reporting of like items affected by the application of different accounting policies.

Companies that are not equity investments but for which voting shares have been received in pledge are not consolidated in view of the fact that the purpose of this instrument is to secure credit and not to exercise control and power over financial and economic policies.

Consolidation using the equity method: The equity method requires the investment to be initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. This method is used for associates and joint ventures. 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 all those enterprises over which the Group is able to exercise significant influence but not control. This influence is presumed to exist when the Group has between 20% and 50% of the voting power.

The Group considers as joint ventures those companies that carry on a business activity under joint control, or those companies for which it is contractually foreseen that all strategic financial and management decisions relating to the activity require the unanimous consent of the parties that share control.

The value of these equity investments includes any goodwill identified at the date of acquisition (less any losses recognised for impairment).

After acquisition, the Group's share of profits or losses is recorded in the consolidated income statement, while any post-acquisition changes in the investee's reserves are reported as movements in consolidated reserves. If the losses are greater than the carrying value of the investment, the Group books the losses to the extent of that value, i.e. writing it down to zero without recognising any additional loss, unless it has an obligation to make payments on behalf of the associate.

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

For the purposes of consolidating investments in associated companies, their financial statements at the reporting date have been used. If the financial information has been prepared under local accounting standards and not under IAS/IFRS, then it is either adjusted accordingly or used directly for consolidation purposes provided there are no or insignificant differences in the local accounting standards relative to the international ones.

Translation of financial statements of foreign operations

The financial statements of foreign subsidiaries, whose business is based or conducted in a country or a currency different to the parent company's, are translated into euro, using the following procedures:

- a) the assets and liabilities of each foreign entity are translated at the closing rates at the balance sheet date;
- b) income and expense items in the income statements of each foreign entity are translated using average rates for the period;
- c) the exchange differences relating to the equity of consolidated subsidiaries are recognised in a specific reserve forming part of consolidated equity and reversed to the income statement when the subsidiary is sold.
- d) for investments carried at equity expressed in a currency other than the euro, the historical exchange rate is applied for individual purchases and sales, whereas changes attributable to the recognition of the investee's results are translated at the average exchange rate for each period of reference.

Change in the scope of consolidation

The scope of consolidation has changed since 31 December 2008 both in relation to the companies consolidated line-by-line and those carried at equity.

Anima S.G.R. S.p.A.

The Public Purchase Offer launched by BPM for Anima SGR S.p.A. was concluded successfully during the first quarter, leaving BPM with 100% control. It should be remembered that at 31 December 2008 BPM already had a 29.9% stake in this company, which was carried at equity as a result; the company is now consolidated on a line-by-line basis, starting from this interim report.

The total cost of the investment (including the stake held previously) amounts to 185.4 million euro. Consolidation of the subsidiary gave rise to a "positive consolidation difference" of 138.4 million euro; this difference has been temporarily booked to "goodwill" until such time that the Purchase Price Allocation process is completed during the year. Also booked to goodwill is an amount of 13.3 million euro, which had already been determined by Anima SGR in connection with the mutual fund business acquired from DWS.

We@Service

On 24 February 2009 the Board of Directors of Banca Popolare di Milano decided to increase the share capital of We@Service from Euro 3,520,000 to Euro 10,000,000. This was done by changing the par value of the shares from 352 euro to 1 euro and issuing 6,480,000 shares with a par value of 1 euro. Banca Popolare di Milano, as the sole shareholder, subscribed the entire increase in capital of Euro 6,480,000.

Banca Popolare di Mantova

On 25 March 2009, in compliance with the resolution of the Board of Directors of Banca Popolare di Milano of 24 February 2009, another six shares of Banca Popolare di Mantova were purchased at a price of Euro 185.16 each. After this transaction, Banca Popolare di Milano now holds 403,521 shares, whereas its percentage holding (56.99%) is more or less the same.

Fondi Akros

The interests held by the Group in the funds managed by Akros have gone through the following changes:

■ the units held by the Parent Bank in the **Akros Long/Short Equity Fund and the Akros Market Neutral Fund** were reduced to 71.29% (72.22% at 31.12.2008) and 94.60% (95.72% at 31.12.2008);

■ the **Akros Equity Hedge Fund** has been combined with the **Akros Absolute Return Fund**. Therefore, Banca Akros, which at 31 December 2008 held 82.32% of the units of the Equity Hedge Fund, has been assigned 12.08% of the Absolute Return Fund. In addition, there is the interest held by the Parent Bank (55.05%).

Subsequent events

The Board of Directors of the Parent Bank has examined the BPM Group's interim report on operations and gave authorisation for its publication on 12 May 2009. No facts or events have occurred since the end of the period such as to require adjusting the interim financial statements at 31 March 2009.

Accounting policies

The accounting policies followed in preparing the consolidated interim report on operations, as regards the reclassification, recognition, measurement and derecognition of the various asset and liability items, as well as the recognition of revenues and costs, are those in force at 31 March 2009, as approved by the European Commission.

For a complete explanation of the accounting principles used in preparing this report, reference should be made to the 2008 Financial Statements of the BPM Group.

Declaration pursuant to art. 154.2-bis
of the Consolidated Finance Act

Declaration pursuant to art. 154.2-bis of the Consolidated Finance Act

Massimo Ponzellini, as Chairman of the Board of Directors, and Roberto Frigerio, as the Financial Reporting Manager of Banca Popolare di Milano S.c.a r.l., certify, taking into account art. 154-bis, para. 2 of the Consolidated Finance Act, that the interim report on operations agrees with the balances on the books of account and accounting entries.

Milan, 12 May 2009

The Chairman
of the Board of Directors
Massimo Ponzellini



The Financial
Reporting Manager
Roberto Frigerio



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