Report on Corporate Governance and structure of share ownership
of Banca Popolare di Milano S.c.a r.l.
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(drawn up pursuant to art. 123-bis, Decree 58/1998 and the indications of the Code of Conduct for Listed Companies, promoted by Borsa Italiana SpA – March 2006 version)

Two-tier model of administration and control

Approved by the Management Board on 27 March 2012
Available on BPM’s website at www.bpm.it
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**Glossary**

**Management Board**: the Management Board of the Issuer.

**Supervisory Board**: the Supervisory Board of the Issuer.

**Board of Directors**: the Board of Directors of the Issuer, which no longer exists as a result of the two-tier model being adopted by the Extraordinary General Meeting of 22 October 2011.

**Board of Statutory Auditors**: the Board of Statutory Auditors of the Issuer, which no longer exists as a result of the two-tier model being adopted by the Extraordinary General Meeting of 22 October 2011.

**Circular of the Bank of Italy no. 263/2006**: the Circular of the Bank of Italy no. 263 of 27 December 2006 (as subsequently amended).

**Civil Code**: the Italian Civil Code.

**Code/Code of Conduct**: the Code of Conduct for Listed Companies, in the version approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana SpA.

**2011 Code of conduct**: the new version of the Code of Conduct of Listed Companies, approved in December 2011 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.

**Issuer/Bank/Company/Institute**: Banca Popolare di Milano Scarl, the company to which the Report relates.

**Year**: The financial year to which the Report relates (1 January 2011 – 31 December 2011).

**Bank of Italy Governance Measures**: Bank of Italy Provision 264010 of 4 March 2008 regarding “Supervisory Instructions regarding the Organization and Corporate Governance of Banks” and the related “Clarification Note” of 19 February 2009 and the recent Note of the Bank of Italy dated 11 January 2012.

**Issuers’ Regulations or IR**: the Regulations issued by Consob with resolution 11971 of 1999 (as subsequently amended) on issuers.

**Consob Regulation on Related Party Transactions**: the regulation adopted by Consob on related party transactions with resolution 17221 of 12 March 2010, and subsequently modified by resolution 17389 of 23 June 2010 (and related Consob interpretative communication DEM/10078683 of 24 September 2010).

**Borsa**: Borsa Italiana SpA, the company that organises and runs the market on which the Issuer’s shares are listed.

**Report**: the Report on Corporate Governance and Shareholder Structure that companies are required to prepare under art. 123-bis Consolidated Finance Act (CFA).

**CFA**: Decree 58 of 24 February 1998 (Consolidated Finance Act).

**CBA**: Legislative Decree no. 385 of 1 September 1993 (Consolidated Banking Act).
1. Profile of the issuer

Banca Popolare di Milano Scarl – founded in 1865 – is a co-operative bank with head office in Milan, listed on the MTA (Mercato Telematico Azionario), the electronic equities market organised and run by Borsa Italiana S.p.A.

As such, the Bank is required to adhere to rules laid down by the Italian Civil Code applicable to co-operative companies – with the exception of those specifically excluded for co-operative banks by the CBA – and, generally those laws applicable to limited liability companies (where compatible), as well as the laws contained in the CBA and CFA (and the related implementation instructions issued by the Bank of Italy, Consob and the Stock Exchange, each for their specific area of competence). The juridical nature of a co-operative bank means, in particular, that each shareholder only has a right to one vote, however many shares they own (“one-man-one-vote”) and that no one can hold more than 0.50% of the share capital (“limit on share ownership”), except for UCITS, which apply the limits set in their own rules.

BPM is the parent company of the Banking Group and, in addition to its banking activity, it performs the functions of policy, governance and control over the banking, financial and near-banking subsidiaries. The BPM Group is a multi-functional integrated banking group that operates in the various sectors of credit and financial intermediation with a predominantly retail vocation, in other words it focuses on individual customers and small and medium-sized enterprises (SMEs). The Group’s organizational structure is divided into the following business lines: retail banking, investment banking, wealth management and corporate centre.

1.1 Introduction

As is generally known, following the various novelties introduced recently at legislative and EU level concerning the rules governing issuers and companies in general, as well as the regulation of banks’ activities and governance profile, 2011 was again characterized in Italy by numerous important interventions. These were above all regulatory and were designed to implement this primary legislation or to give greater effectiveness, transparency and homogeneity to governance systems and to the conduct of issuers. They were also designed to give greater protection to shareholders (especially minorities) and to small investors and users (with reference to specific functions and markets).

Being well aware of the importance of corporate governance as a means of ensuring sound and prudent management, in 2011 Banca Popolare di Milano again continued the process of constant self-assessment of its corporate governance system, which culminated in the adoption of the so-called “two-tier” system of administration and control, once the necessary amendments to the Articles of Association had been approved by the Extraordinary General Meeting of 22 October 2011. This system, which was introduced into Italian law with the Company Law Reform of 2003, has as its main characteristic the presence of two bodies that take the place of the Board of Directors and the Board of Statutory Auditors: the Supervisory Board and the Management Board. The former is elected by the General Meeting of Members and appoints the members of the Management Board, approves the separate and consolidated financial statements and carries out control functions; the Management Board and the Managing Director and Chief Executive Officer (MD & CEO), who is appointed from among its members, are responsible for running the business.

The adoption of a new system of administration and control – bearing in mind the cooperative nature of the Bank, and taking into account the characteristics of the members and shareholders, the size and operational complexity, as well as medium and long-term strategic objectives of the BPM Group – aims to ensure:

(i) greater separation of the Bank’s management with respect to the shareholder base, in order to strengthen management’s independence and efficiency in the interest of all of the stakeholders;

(ii) a clear division of duties and responsibilities between the governing bodies: the Management Board, which is responsible for strategic oversight; the MD & CEO, who is responsible for running the business; the Supervisory Board, which is responsible for monitoring and supervisory functions;
a) Structure of the share capital (art. 123–bis, paragraph 1.a), CFA

Given BPM’s co-operative nature, the Bank’s share capital is variable and at 31 December 2011 amounts to Euro 2,865,708,586.15 (fully subscribed and paid-in) entirely represented by 3,229,621,379 ordinary shares with no par value, identified by ISIN code IT0000064482 and listed on the Milan Stock Exchange in the FTSE MIB segment of the Screen-Based Equities Market (MTA) run by Borsa Italiana S.p.A. There are no classes of BPM shares other than the ordinary stock.

At the date of this Report, there are also in circulation 4,062,851 “Warrants for BPM ordinary shares 2009/2013”, identified by ISIN code IT0004497902 (hereinafter, the “Warrants”), issued in 2009 and traded from 10 July 2009 in the Blue Chip segment of the MTA run by Borsa Italiana S.p.A. The Warrants give the holders the right to subscribe – for a period of 30 calendar days from 1 May 2013 to 1 June 2013 – for 9 BPM ordinary shares, at a price of 6.811 euro for each Warrant held.

It should also be noted that no share–based incentive plans have been implemented (stock options, stock grants, etc.) that could have involved increases in capital; as regards the allocation of variable elements of remuneration to employees in the form of shares, see the Report pursuant to art. 123–ter CFA, which is available on the Bank’s website.

The following two tables summarise (at 31/12/2011) the structure of the share capital and the situation of the financial instruments issued by the Bank that could vary the share capital.
Structure of the share capital (31.12.2011)

<table>
<thead>
<tr>
<th>No. of shares</th>
<th>% of the share capital</th>
<th>Listed/Not listed</th>
<th>Rights and obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>3,229,621,379</td>
<td>100%</td>
<td>Listed on the MTA run by Borsa Italiana (FTSE MIB segment)</td>
</tr>
<tr>
<td>Shares with limited voting rights</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Shares without voting rights</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Other financial instruments (31.12.2011) (giving the right to subscribe newly issued shares)

<table>
<thead>
<tr>
<th>Listed/Not listed</th>
<th>No. of instruments in circulation</th>
<th>Type of shares servicing conversion/exercise</th>
<th>No. of shares servicing conversion/exercise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warrants</td>
<td>Listed</td>
<td>4,062,851 (*)</td>
<td>BPM ordinary shares</td>
</tr>
<tr>
<td>Shares without voting rights</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(*) “Warrant azioni ordinarie BPM 2009/2013”, linked to the Convertendo Bond Loan.

b) Restrictions on the transfer of shares (art. 123-bis, paragraph 1.b), CFA)
Given that each Member has the right to a single vote, however many shares they own (“one man, one vote”), art. 30 of the CBA and art. 21 of the Articles of Association provide that no one can hold shares in excess of 0.50% of the share capital (“share owning limit”). This limit does not apply to mutual investment funds (UCITS); the relevant limits in such cases are those imposed by the rules of the fund concerned. Inclusion in the Register of Members is subject to the approval of the Bank’s Management Board (“approval clause” – see art. 30 of the CBA and art. 11 of the Articles of Association). Members have the normal administrative and capital rights. The Shareholders (i.e. those who have not applied for admission as Members or who have not received the required approval under art. 30 of the CBA and art. 11 of the Articles of Association) can only exercise the capital rights relating to the shares that they hold.
Please also note that, pursuant to Directive 2007/44/EC (adopted by Legislative Decree no. 21 of 27 January 2010) and art. 19 of the CBA, authorization is required from the Bank of Italy before one can acquire significant shareholdings in a bank for whatever reason (i.e. shareholdings involving control or the ability to exercise significant influence over the bank or which give at least 10% of the voting rights or of the share capital, taking into account any shares or quotas already held).
c) Significant shareholdings (art. 123–bis, paragraph 1.c), CFA

Based on the communications received pursuant to art. 120, CFA, published on Consob’s website, significant shareholdings in the Bank at 31 December 2011 were as follows:

<table>
<thead>
<tr>
<th>Direct shareholder</th>
<th>% on share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>BI Invest Gp Ltd</td>
<td>8.6024%</td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>6.867%</td>
</tr>
</tbody>
</table>

**SIGNIFICANT SHAREHOLDINGS (*)**

<table>
<thead>
<tr>
<th>Declaration by</th>
<th>Direct shareholder</th>
<th>% on share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>BL Invest Gp Ltd</td>
<td>As General Partner of the INVESTINDUSTRIAL IV LP Fund</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Cabalt Srl (0.3939%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Ivory Srl (0.1503%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Coral Srl (0.3755%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Sienna Srl (0.2993%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Jade Srl (0.4012%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Silver Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Emerald Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Sapphire Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Brown Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Pink Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Yellow Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Orange Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Blue Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings White Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Red Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Green Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Black Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Teal Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Turquoise Srl (0.4767%)</td>
<td></td>
</tr>
<tr>
<td>BI Invest Gp Ltd</td>
<td>Global Fin. &amp; Comm Holdings Crimson Srl (0.3084%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Cicor (0.4706%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Adepi (0.4834%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Cic Partecipations Sas (0.4834%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Placeinvest (0.4834%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Credit Ind e Comm. (Cic) (0.4890%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Sofiholding 3 (0.4401%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Gestunion 3 (0.4239%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Gestunion 4 (0.4565%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Pargestion 4 (0.4565%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Sofiholding 4 (0.4565%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Valimar 4 (0.0615%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Acm Vie SA (0.2460%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Acm Iard (0.0238%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Vtp 5 Ivestiss. Sas (0.4343%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Cic Migrations Sas (0.2222%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Cicoval Sas (0.4783%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Impex Finance Sas (0.4343%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Gestunion 2 (0.0087%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Societe d’Etudes Economiques (0.035%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Marsovalor (0.035%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Pargestion 2 (0.035%)</td>
<td></td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe – CM</td>
<td>Sofiholding 2 (0.035%)</td>
<td></td>
</tr>
</tbody>
</table>
d) Securities that give special rights (art. 123–bis, paragraph 1.d), CFA
As far as BPM is concerned, there are no securities that give special rights of control over the Bank.

e) Shares held by employees: mechanism for exercising voting rights (art. 123–bis, paragraph 1.e), CFA
Subject to the one–man, one–vote system, generally speaking each Member can ask to be represented at the General Meeting by another Member by means of a written proxy, within the limits laid down in art. 2372 of the Italian Civil Code. Under the current Articles of Association, each Member can represent not more than five other Members and by law proxies cannot be given to members of the Management and Supervisory Board, employees of the company and of its subsidiaries.
Postal votes are not allowed.
As foreseen in art. 137 CFA, in listed co–operatives it is forbidden to solicit and collect proxy votes. Lastly, it should be noted that the signature of the person giving the proxy needs to be authenticated by an official at the head office or branches of the Bank, or by the intermediary that issued the communication to attend the Meeting, or by a public official.

f) Restrictions on voting rights (art. 123–bis, paragraph 1.f), CFA
Given the co–operative nature of the Bank, each shareholder who is in the Members’ Register only has the right to one vote, however many shares they own (“one–man–one–vote”).

g) Agreements between shareholders (art. 123–bis, paragraph 1.g), CFA
Note that on 5 December 2011, International Financial and Commercial Holdings 1 SA, [a Luxembourg company wholly owned by the UK UCITS Investindustrial IV LP, which in turn is the sole shareholder of GFCH S. à r.l, a Luxembourg company that indirectly owns a total of 204,055,400 BPM ordinary shares representing 6.63% of BPM’s share capital (hereinafter referred to, respectively, as “IFCH 1”, “Investindustrial” and “GFCH”)], Partenone Srl (hereinafter, “Partenone”), G.B.PAR Srl (hereinafter, “GBPAR”) and Viris SpA (hereinafter, “VIRIS”) signed a co–investment agreement (hereinafter, the “Agreement”) containing, among other things, a number of important arrangements pursuant to art. 122 of the CFA, relating to BPM.
The Agreement provides for Parthenon, GBPAR and VIRIS to make available to GFCH the financial resources for GFCH to buy the rights not exercised at the end of the option period for the increase in capital approved by BPM’s Management Board on 27 October 2011, offered on the Stock Exchange by BPM, pursuant to art. 2441, para. 3, Civil Code, and therefore to subscribe for newly issued BPM shares representing:
(a) 3.36% of BPM after the increase in capital, so that GFCH ends up holding (indirectly) 9.99% of BPM post increase (the “Target Investment”), or
(b) a percentage of BPM, post increase, higher than 3.36%, subject to the consent of the Bank of Italy envisaged by applicable legislation to exceed the Target Investment.
An abridged version of the Agreement is published, inter alia, on Consob’s website (to which you should refer for details) pursuant to art. 122 of the CFA.
There are no known shareholder agreements or other agreements between shareholders pursuant to art. 122 of the CFA.

For completeness of information, note that on 9 September 2011 BPM and Fondazione Cassa di Alessandria (hereinafter, the “Fondazione”) finalized an agreement that, in-keeping with their relationship of mutual cooperation, enabled BPM to carry out operations involving Cassa di Risparmio di Alessandria (CRAL), including its merger with Banca di Legnano (which took place in February 2012).

In particular, the agreement, which provided for the sale of certain assets by the Fondazione to BPM, led to the stipulation of a shareholders’ agreement containing arrangements for the governance of BPM Group companies (hereinafter, the “Fondazione CRAlessandria Facts”).

In light of these agreements and the rules contained in BPM’s Articles of Association, a representative nominated by the Fondazione sits on the Supervisory Board of BPM.

This shareholder agreement has been published in abridged form, with reference to BPM as the issuer and for the possible profile of relevance according to Consob’s regulations, pursuant to art. 122 of the CFA (and is available on the website of the Bank and of Consob, to which you should refer for details).

h) Change of control clauses (art. 123-bis, paragraph 1.h), CFA

As regards important agreements to which BPM or its subsidiaries “are parties and which take effect, are modified or are extinguished in the event of a change of control of the company”, there is an industrial and commercial cooperation agreement between Banca Popolare di Milano and Crédit Industriel et Commercial (Crédit Mutuel Group), which foresees a commitment to favour the appointment of a representative nominated by the counterparty on their respective boards and the right to cancel the agreement, among other things, in the event of a change of control or merger of either of the parties.

With reference to Banca di Legnano SpA (which has absorbed Cassa di Risparmio di Alessandria SpA), note that the agreements between BPM and the Fondazione CRAlessandria provide, among other things, rights of co-sale/transfer to the Fondazione in the event of a change of control at Banca di Legnano.


The information required by Article 123-bis, first paragraph.i) (i.e. information concerning any “agreements between the company and the directors, the members of the management or supervisory board providing for compensation in the event of resignation or dismissal without just cause or if their employment ceases because of a takeover bid”) is contained in the Remuneration Report published pursuant to art. 123-ter CFA.

Moreover, as things stand, BPM has not entered into any “succession plans” (i.e. structured plans for the succession of executive directors), nor are specific mechanisms foreseen in the event of early replacement.

[In this regard, we would point out that, pursuant to art. 5.C.2 of the Code of Conduct 2011, the Management Board did not consider it necessary at the meeting on 27 March 2012 to adopt a plan for the succession of executive directors, in consideration of the fact that the process of appointing and replacing all of the members of the Bank’s Management Board is already very detailed (see par. 4.1 of this Report).]

l) Appointment and replacement of Management Board Members – Amendments to the Articles of Association (art. 123-bis paragraph 1.l), CFA).

As regards the rules for amendments to the Articles of Association, it should be noted that, for certain types of resolutions, the text of the Articles of Association provides for quorums that are higher than those required by law.

In particular, as per art. 31 of the Articles of Association, amendments relating to mergers and/or absorptions, have to be approved by a vote in favour of at least two thirds of the Members involved in voting, but in no case by less than five hundred votes. Moreover, resolutions that involve amending art. 5 of these Articles of Association or the rules regarding who has the right to vote and how it should be exercised, or that concern the Company’s transformation or its early winding up, or any change in art. 31.3 of the Articles (concerning the higher quorums needed to pass resolutions) have to be approved by at least one seventh of the Members with the right to vote.

Lastly, the last paragraph of art. 31 of the Articles of Association requires the application of the quorums required for Ordinary General Meetings in the event of resolutions to be taken to comply with instructions issued by the Supervisory Body in the interests of stability or to adjust to legislative requirements, i.e. an absolute majority of the votes of those taking part in the ballot.

In accordance with art. 2365.2 of the Civil Code, the Management Board can also pass resolutions to bring the Articles of Association into line with new regulatory or legislative requirements (art. 39, para. 2. letter u), of the Articles of Association).
In these cases, the Management Board can ask the Supervisory Board for a prior non-binding opinion, indicating the deadline by which the opinion should be issued. The additional information required by art. 123-bis, first paragraph. 1) CFA (“The rules governing the appointment and replacement of directors … and amendments to the Articles of Association, if different from those laws and regulations applicable as an alternative”) are outlined in Section 4.1 of this Report.

m) Mandates for increases in capital and authorisations for the purchase of treasury shares (art. 123-bis, paragraph 1.m), CFA

Mandates for increases in share capital

With reference to the authorizations to increase the share capital, which specifies that the powers granted – by amending the statutes pursuant to art. 2433, Civil Code – by the Extraordinary General Meetings of 25 April 2009 (in connection with the issue of the “BPM Convertendo Bond 2009/2013 – 6.75%” and the “Warrants on BPM ordinary shares 2009/2013”), and 25 June 2011 (in relation to a cash rights issue and the restructuring of the Convertendo bond) have already been exercised by the Management Body (the Board of Directors up to 22 October 2011 and now the Management Board). At the date of this Report the Management Board has not been attributed any power to increase the share capital pursuant to art. 2433, Civil Code.

Authorisations for the purchase of treasury shares

The General Meeting of 30 April 2011 gave a mandate to the Board of Directors, until the next General Meeting, to manage the “reserve for treasury shares”, i.e. to buy and sell the Bank’s shares on the MTA run by Borsa Italiana in accordance with the procedures set out in article 144 bis, paragraph 1.b) of the Issuers’ Regulations, within the limit imposed by the amount of the reserve and the part of it that gets freed up from time to time by selling shares in the course of normal trading activities designed to promote active trading in the stock; and – in compliance with the provisions contained in the Articles of Association or under schemes for the allocation of shares to employees or to collective funds in which employees have invested – to give shares to employees at prices, even below market value, to be fixed from time to time at the Board’s discretion.

During the year the Bank provided the general public with appropriate notice (see press releases issued to the market on 16 and 22 December 2011, also available on the Bank’s website) of the details of the share purchase programme for treasury shares to be used to pay the variable element of remuneration (the so-called “incentive”) to “key personnel” of the Bank and the BPM Group. The Bank is holding 1,377,575 of its own shares (“treasury shares”) at 31 December 2011.

2.1 Management control and coordination

Banca Popolare di Milano is the Parent Company of the BPM – Banca Popolare di Milano – Banking Group.

Given the co-operative nature of the Bank, which does not allow the formation of pre-established controlling majorities, it is not subject to management control and coordination in accordance with art. 2497 et seq. of the Italian Civil Code.

3. Compliance (as per art. 123-bis, paragraph 2.a), CFA

Banca Popolare di Milano has voluntarily adopted the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A.

As a result of its adoption, each year the Bank analyses its system of corporate governance and compares it with the recommendations contained in the Code of Conduct, which BPM introduced in its entirety back in 2001.

With reference to this code, on 5 December 2011 the Corporate Governance Committee promoted by the Italian Stock Exchange presented a new edition of the code which updates the version approved in 2006. Adoption of the new rules is recommended, subject to specific matters, by the end of the year that begins in 2012, with a requirement to give information to the market by publishing a report on corporate governance to be published in 2013. Note that the information provided in this report refer to the principles outlined in the 2006 edition of the Code of Conduct, except for the recommendations on succession plans for executive directors in art. 5.C.2 of the 2011 edition of the Code of Conduct (and provided in section 2.1) of this Report).
The March 2006 and December 2011 editions of the Code are available on Borsa’s website (www.borsaitaliana.it) and in the “Governance” section of the Issuer’s website (www.bpm.it).

Lastly, neither the Bank nor its significant or strategic subsidiary companies are subject to foreign laws that influence the Corporate Governance structure of BPM.

4. Management Board

4.1. Appointment and replacement (as per art. 123–bis, paragraph 1.1), CFA

The Management Board consists of 5 members, including the Chairman, appointed by the Supervisory Board, pursuant to art. 32 of the Articles of Association.
The members of the Management Board remain in office as decided by the Supervisory Board, for a period of three years maximum; their term of office expires on the date of the Supervisory Board meeting called to approve the financial statements for their last year in office. In any case, they remain in office until the Management Board has been renewed and they can be re-elected.

In order to guarantee the high level of professionalism of the Management Board Members and a suitable composition, note that art. 32 of the Articles of Association states that:

(i) all members of the Management Board must have at least five years’ experience, in Italy or abroad, of management activities in banking, asset management companies or insurance, or in other types of companies providing they have shares traded on an Italian or foreign regulated market;

(ii) at least four members must have gained the experience mentioned in point (i) above in banks, asset management companies or insurance companies or in other companies with shares traded on an Italian or foreign regulated market, having, in any case, a size comparable with that of the Bank and not belonging to the Group, and they must not be employees of the Bank or of other Group companies;

(iii) at least one of the members has to satisfy the independence requirements as per art. 148, para. 3, CFA (these requirements and the one mentioned in point (ii) above may be satisfied by the same person);

(iv) of the five members that make up the Management Board, two of them, including the Chairman, have to qualify as non-executive directors. Of the other three members, one becomes MD & CEO.

In addition to the requirements stated in the Articles of Association, all members of the Management Board have to have professionalism, integrity and independence, as required by law to hold such office. In particular, they have to have the requirements of professionalism and integrity established for bank directors by D.M. 161/1998, and the integrity requirements laid down in D.M. 162/2000 (in accordance with the combined requirements of arts. 147–quinquies and 148, para. 4, CFA). The Chairman of the Management Board and the MD & CEO must also possess the professionalism required by D.M. 161/1998, for the offices of Chairman of the Board of Directors and Managing Director of banks.

The members of the Supervisory Board cannot be appointed as members of the Management Board until at least three years have passed since they left office. Without prejudice to any other reasons for incompatibility envisaged in current regulations, those who are or become directors, employees or statutory auditors of other banks or their subsidiaries cannot act as a member of the Management Board, unless the entities concerned are centralised structures for the co-operative banking movement or banks or companies belonging to the Group. If the reason for incompatibility is not removed within sixty days of the election or, if it arose subsequently, of the person communicating the circumstances, the member concerned will be understood as falling automatically from office.

Art. 32 of the Articles of Association establishes that if a board member no longer meets the independence requirements, pursuant to art. 184, para. 3 of CFA, he does not fall from office providing that the Management Board as a whole do meet them.

Within 30 days of appointment, the Management Board has to verify that each board member satisfies these requirements, in accordance with supervisory rules issued by the Bank of Italy, as well as the independence requirement pursuant to art. 148, para. 3,
CFA. The results of this verification are communicated to the public in accordance with the provisions of art. 144–novies, para. 1–bis, Issuers’ Regulation, providing the information required by it and by the current “Instructions to the Regulations of Markets organised and run by Borsa Italiana SpA” (in particular, art. IA.2.6.7).

The Management Board – in compliance with the Governance Measures of the Bank of Italy and in line with art. 32 of the Articles of Association – defines its ideal board composition with the support of the Nominations Committee, taking into account the need for its members to include persons:

- who are fully aware of the powers and obligations of the functions that each of them is expected to perform (i.e. supervision or management, executive or non-executive, independent or non-independent, etc.);
- who have expertise that is suitable for the role to be filled, also on any board sub-committees, and calibrated in relation to the operational characteristics and size of the Bank;
- with a variety of skills spread among all of the members, suitably diversified in such a way as to allow each of the members to help ensure effective governance of risks in all areas of the Bank, both on the sub-committees of which they may be part and in decisions that are taken collectively;
- who devote adequate time and resources considering the complexity of their role.

The Management Board, with the active contribution of the Nominations Committee, verifies ex post the correspondence between the ideal composition and the actual one resulting from the appointments process.

Replacement and termination

If one or more members of the Management Board can no longer serve, the Supervisory Board has to replace them without delay, pursuant to art. 2409–duodecies, para. 5, of the Civil Code and art. 34 of the Articles of Association. The members that are appointed in this way fall from office at the same time as those that were in office when the former were appointed. If, for whatever reason, there is no longer a majority of the members originally appointed by the Supervisory Board, the entire Management Board is understood as resigning from the date that the new members just appointed take up office. The latter remain in office for the residual period that the Management Board would have had before it resigned.

Procedure for the appointment and dismissal of members of the Management Board

The system of appointment and dismissal of the Management Board by the Supervisory Board is heavily regulated by the Articles of Association, which requires a qualified quorum to pass resolutions and the casting vote of the Supervisory Board members nominated by the “major shareholders” (UCITS and the BPM Group’s strategic partners pursuant to art. 63 of the Articles of Association).

In particular, the Supervisory Board, pursuant to art. 49, para. 7 of the Articles of Association, decides on the appointment and dismissal of the Management Board Members, with the favourable vote of at least three quarters (rounded, if necessary, to the lowest whole number) of the Board Members currently in office, providing that they include at least one Board Member taken from the lists submitted by UCITS and at least one Board Member taken from a list submitted by the Supervisory Board pursuant to Article 63 of the Articles of Association. However, after the third meeting of the Supervisory Board in which a quorum is not met as currently prescribed, even in the presence of different proposals, at its next meeting the Supervisory Board will be able to pass resolutions with the ordinary majorities, subject to the condition that one of the votes in favour is that of at least one Board Member drawn from lists submitted by UCITS and that of at least one Board Member from a list submitted by the Supervisory Board in accordance with art. 63 of the Articles of Association. Moreover, the Supervisory Board is supported by the Nominations Committee, as per art. 53 of the Articles of Association, established as a sub-committee of the Board, to which is assigned the responsibility for selecting and proposing appointments to the Board, and the right to provide indications about the appointment of MD & CEO (see paragraph 12 of this Report).

In particular, note that – in compliance with the Bank of Italy’s Governance Measures (in particular the note of 11 January 2012) – at the time the Management Board is appointed, the Supervisory Board has to take into account the self-assessments carried out by the Management Board with regard to its ideal composition in qualitative and quantitative terms, as well as any needs that it has expressed or deficiencies found.
4.2. Composition (as per art. 123-bis, paragraph 2.d), CFA

**Composition and term of office of the Management Board**

On the proposal of the Nominations Committee, on 26 October 2011, the Supervisory Board appointed the Bank’s Management Board for the year 2011–2013 with Andrea C. Bonomi as Chairman and Davide Croff, Claudio De Conto, Alessandro Foti and Dante Razzano as the other members.

The Management Board verified the requirements of professionalism, integrity and independence of its members on 21 November 2011. In this context, the Management Board took note of the declarations of the persons concerned and, based on the information at its disposal, checked that its members met the legal and regulatory requirements for holding office, including those of the Articles of Association. With reference to the independence requirements indicated in art. 148, para. 3, CFA, and art. 32, para. 3, point (iii) of the Articles of Association, the Management Board has checked that they are satisfied in the case of Alessandro Foti and Claudio de Conto.

On 10 January 2012, the Supervisory Board of Banca Popolare di Milano – having accepted the resignation of Claudio De Conto as member of the Management Board – appointed on the proposal of the Nominations Committee, Piero Luigi Montani as a member of the Bank’s Management Board for the years 2012–2013. The Management Board’s meeting of the same date took note of this appointment by the Supervisory Board and appointed Piero Montani as the Bank’s MD & CEO, granting him the powers under art. 45 of the Articles of Association (see paragraph 4.4.1 of this Report).

During its meeting of 7 February 2012, the Management Board checked that Piero Luigi Montani met the legal and regulatory requirements for holding office, including those of the Articles of Association. Subsequently, on 28 February 2012, it carried out the assessments regarding the executive status and independence of its members under the 2006 edition of the Code of Conduct, recognizing that the composition of the Board complies with the current requirements of applicable regulations and the Articles of Association.

The following is a complete list of the Management Board members currently in office, with an indication of the specific offices that some of them hold on the Board, the date that their mandate expires and whether or not they qualify as independent or executive directors.

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
<th>Date of appointment</th>
<th>Date of leaving office</th>
<th>*</th>
<th>**</th>
<th>***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrea C. Bonomi</td>
<td>Chairman</td>
<td>26 October 2011</td>
<td>App. fin.stats. 31.12.2013</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Piero Luigi Montani</td>
<td>MD &amp; CEO</td>
<td>10 January 2012</td>
<td>App. fin.stats. 31.12.2013</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Davide Croff</td>
<td>Director</td>
<td>26 October 2011</td>
<td>App. fin.stats. 31.12.2013</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Alessandro Foti</td>
<td>Director</td>
<td>26 October 2011</td>
<td>App. fin.stats. 31.12.2013</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Dante Razzano</td>
<td>Director</td>
<td>26 October 2011</td>
<td>App. fin.stats. 31.12.2013</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>

(* Independent director, art. 148, c. 3, CFA.
(**) Independent director, 2006 Code of Conduct
(***) Executive director)
In accordance with art. 144–decies, IR, as regards the Management Board Members elected (reference should be made to the “Who we are” section of the Bank’s website for each of their CVs) the following is a summary of their personal and professional characteristics.

Andrea C. Bonomi: he is a director of BI–Invest GP Ltd., a part of Investindustrial, which includes independent investment and advisory companies specialised in the acquisition of investments in companies with an industrial approach in Southern Europe. After going to school in France (Institut International Chateaubriand, Cannes) and Great Britain (lycée Français Charles de Gaulle, London), he graduated with a BSc in Business Administration at New York University in 1985.

Davide Croff: he graduated in Economics and Business Studies at the Cà Foscari University of Venice and then specialised in Economics at Pembroke College, Oxford University. Among other things, he is Chairman of Permasteelisa S.p.A., the Italian Advisory Board of Roland Berger and Fondazione Ugo e Olga Levi, as well as Senior Advisor of TPG. He is a Cavaliere di Gran Croce della Repubblica Italiana.

Alessandro Foti: he graduated in Economics and Social Sciences at Bocconi University, Milan. From 1989 to 1996 he worked in the Investments and Special Affairs Office at Mediobanca S.p.A., from 1996 to 2002 he was Managing Director of Lehman Brothers, London. From 2002 to 2007 he was Managing Director and Chief Executive Officer and subsequently Deputy Chairman of the Board of Directors of UBS Corporate Finance (Italy). From 2007 to 2008 he was General Manager and Managing Director of Euraleo. He currently works as an independent consultant in the financial sector and is a director of important industrial and financial companies.

Piero Luigi Montani: He is Cavaliere dell’Ordine al Merito della Repubblica Italiana with vast top management experience in banks, including the position of: General Manager, and then Managing Director, of Banca Popolare di Novara and subsequently, General Manager of Banco Popolare di Verona e Novara S.r.l.; Managing Director of Banca Antonveneta S.p.A.; Managing Director of MedioCredito Centrale S.p.A.. In 2012 he left MedioCredito Centrale S.p.A. and all related positions when he was appointed Managing Director and Chief Executive Officer of BPM; he is currently a Director of CartaSì S.p.A.

Dante Razzano: He is currently Managing Director of Investindustrial Advisors S.p.A. He was Managing Director of Deutsche Morgan Grenfell Italia from 1992 to 2003, which he initially joined as one of the ten directors responsible for the Investment Banking Division in London. In this role, he helped establish Morgan Grenfell’s investment banking activities in Italy. From 1986 to 1992 he was Managing Director (Senior Investment Officer) of Citigroup’s investment banking division in New York, Managing Director of Citibank’s merchant bank in Italy (Citinvest) and the Head of Citigroup’s European Division. He began his career in 1970 at Manufacturers Hanover Trust, New York (now JP Morgan Chase) as Vice–President and Group Executive (Senior Lending Officer) in the Leveraged Lending and Mergers and Acquisitions Division.

For information, the following is the curriculum vitae of Claudio de Conto, who resigned from the board on 10 January 2012

Claudio De Conto: after graduating in Corporate Finance at Bocconi University, Milan, he spent most of his career with the Pirelli Group. In 2000 he became Manager of Administration, Planning and Control of Pirelli SpA. In 2001 he was appointed General Manager of Administration and Control of Pirelli S.p.A.; in November 2006 and Executive General Manager of Pirelli & C. He has been a member of the International Financial Reporting Interpretation Committee (IFRIC), part of the International Accounting Standards Board (IASB) since 2002. Since September 2010 he has been a senior advisor at McKinsey and CVC.
Maximum accumulation of offices that can be held in other companies

On the basis of the indications on this subject by the Bank of Italy (which in its “Governance Measures” provides that banks have to ascertain and assess the number of offices of a similar nature, paying particular attention to those that require greater involvement in the day–to–day activities of the company”) and in compliance with art. 1.C.3 of the 2006 Code of Conduct, on 28 February 2012, the Management Board has taken steps to define its thoughts regarding the maximum number of positions as director that is considered compatible with acting effectively as a Director of the Bank. At the same meeting, the Management Board reckoned that the number of positions held by its current members in other companies complied with the guidelines.

In accordance with art. 1.C.2. of the 2006 Code of Conduct, the following is a list of the positions held by directors – either as directors or statutory auditors – in other listed companies, in Italy and abroad, and in finance companies, banks, insurance or other large companies (including companies of this kind belonging to the Group).

**External activities and offices**

<table>
<thead>
<tr>
<th>Name</th>
<th>Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrea C. Bonomi</td>
<td>Director of the Illy Group, Director of BI–Invest GP Limited, Director of Investindustrial General Partner Limited, Director of Investindustrial Partners Limited, Director of BI–Invest Build–up Limited</td>
</tr>
<tr>
<td>Davide Croff</td>
<td>Chairman of the Board of Directors of Permasteelisa S.p.A., Director of Snam Network Gas S.p.A., Director of Venice NewPort Container and Logistics S.p.A., Senior Advisor of TPG Capital</td>
</tr>
<tr>
<td>Piero Luigi Montani</td>
<td>Director of CartaSì S.p.A.</td>
</tr>
<tr>
<td>Dante Razzano</td>
<td>Managing Director of Investindustrial Advisors S.p.A., Director of Ducati Motor Holding S.p.A.</td>
</tr>
</tbody>
</table>
4.3. Role of the Management Board (as per art. 123–Bis, Paragraph 2.D), CFA)

Responsibilities of the Management Board
It is the responsibility of the Management Board to run the business, including strategic oversight. To this end, the Management Board carries out all operations, of both ordinary and extraordinary administration, that are necessary, useful or, in any case, opportune to achieve the Company’s purpose.

In compliance with the Bank of Italy’s Governance Measures, the Articles of Association identify precisely and analytically the tasks and responsibilities of the Management Board and of the MD & CEO, the former being called upon to decide the Bank’s broad strategies and verify that they are implemented, the latter to manage the business on a day-to-day basis.

Pursuant to art. 39 of the Articles of Association, in addition to the powers that cannot delegated by law, the Management Board is exclusively responsible for the following matters:

- a) definition of the general policies and strategies of the Company and of the Group;
- b) the appointment and dismissal of the MD & CEO, as well as the attribution, modification or revocation of the powers granted to him;
- c) the preparation of business and/or financial plans, as well as the budgets for the Company and the Group;
- d) risk management and internal controls, without prejudice to the powers and duties of the Supervisory Board;
- e) the granting, amendment or revocation of mandates and powers and the granting of specific duties or powers to one or more of its members;
- f) if consistent with the new system of corporate governance, the appointment and dismissal of the General Manager and the members of General Management, the definition of their emoluments, duties and powers, as well as the designation of the Group’s top management;
- g) the appointment of members of the administrative and control bodies of the companies belonging to the Group;
- h) the acquisition or disposal of investments that involve changes in the Banking Group;
- i) the opening and closing of branches and representative offices;
- j) evaluation of the Company’s organizational, administrative and accounting structure;
- k) the approval and amendment of Company and Group regulations, without prejudice to the mandatory powers and duties of the Supervisory Board;
- l) determining the criteria for the coordination and management of Group companies, as well as the criteria for implementing instructions from the Bank of Italy;
- m) the appointment and dismissal of the Financial Reporting Manager in accordance with Article 154-bis of Decree 58 of 24 February 1998 and determination of his resources, powers and remuneration, subject to the opinion of the Supervisory Board;
- n) the appointment and dismissal, subject to the opinion of the Supervisory Board, of the Head of Internal Control and the Compliance Officer, as well as the heads of the various corporate functions and structures that have control duties and responsibilities,
- o) preparation of the draft separate financial statements, draft consolidated financial statements and interim reports;
- p) exercising the mandate for increases in capital granted in accordance with Article 2443 of the Civil Code, as well as issuance of convertible bonds pursuant to Article 2420-ter of the Civil Code;
- q) the formalities relating to the Management Board referred to in Articles 2446 and 2447 of the Civil Code;
- r) drawing up merger or demerger plans;
- s) the adoption, pursuant to Article 2365, para. 2, of the Civil Code of resolutions concerning amendments to the Articles of Association to bring them into line with laws and regulations, as well as mergers and demergers in the cases provided for in Articles 2505 and 2506-ter of the Civil Code;
- t) the definition of criteria for the identification of related party transactions to be submitted for its approval.

Whenever it deems it appropriate, the Management Board can ask the Supervisory Board for a prior non-binding opinion in the cases foreseen in subparagraphs h), i) and u) of the preceding paragraph, indicating the deadline by which the opinion should be issued.

Definition of procedures for the admission and exclusion of members and decisions regarding the acceptance or rejection of applications for admission and exclusion of members are also the responsibility of the Management Board, in accordance with the current requirements of the Articles of Association and the organizational guide–lines established by the Supervisory Board.

How the Management Board functions
A specific regulation is currently being prepared that will regulate, among other things, the functioning of the Management Board in
accordance with the provisions of the law and the Articles of Association.

In accordance with art. 35 of the Articles of Association, meetings of the Management Board are chaired by the Chairman or, in his absence, by the oldest member present in terms of age (with reference to the role of the Chairman of the Management Board, please read paragraph 4.4.2. of this Report).

Pursuant to art. 36 of the Articles of Association, the Management Board meets at least once a month, and any time the Chairman considers it opportune, or whenever at least two members ask for a meeting. The functions of secretary are delegated by the Management Board to a member of the Management Board or to someone else, also from outside the Bank.

Without prejudice to the powers to call a meeting of the Management Board that are reserved by law to the Supervisory Board and to each member of it, the notice of calling, with a summary of the topics on the agenda, is issued by the Chairman and sent by any suitable means that allows proof of receipt, at least three days before the date set for the meeting, at the residence of each member, except in urgent cases for which the term is reduced to one day. Notice of all meetings has to be given to the Supervisory Board in the same way. The Chairman takes steps to ensure that all Board Members are provided with adequate information regarding the matters on the agenda.

For meetings of the Management Board to be valid, more than half of the members currently in office have to be present and resolutions are passed in an open vote, if a majority of the members present vote in favour of them (arts. 36 and 38 of the Articles of Association). Remote participation in meetings of the Management Board is permitted through the use of appropriate equipment for audio–video and/or teleconferencing, providing that all those entitled to attend can do so and can be identified and that they are allowed to follow the meeting and to intervene in the debate in real time, as well as to receive, transmit or view documents, being in a position to review documents and to make decisions at the same time. In this case, the Management Board is considered held in the place where the person chairing the meeting and the Secretary are located.

Meetings of the Management Board can only be attended by members of the Supervisory Board who are also members of the Internal Control and Audit Committee. At least one of these members of the Supervisory Board has to attend meetings of the Management Board. The Management Board can ask the General Manager and one or more Managers, who are experts in the matters under discussion, to attend board meetings, with just a consultative vote.

Information Flows

The Management Board provides the information referred to in Article 150 of Decree 58 of 24 February 1998 to the Supervisory Board on a timely basis; at least quarterly, in any case. Information on the main operating data for the period and a comparison with the system is provided to the Supervisory Board on a monthly basis.

The MD & CEO reports at least quarterly to the Management Board on the performance, outlook and more significant transactions carried out by the Company and its subsidiaries. The MD & CEO also reports monthly to the Management Board on the financial results of the Company, the main subsidiaries and the Group as a whole.

In compliance with the Bank of Italy’s Governance Measures, we are currently updating the Bank’s “Regulation on Information Flows”, also for the purposes of the new system of corporate governance. This regulates the circulation and exchange of information between the governing bodies, and within each of them, and the information flows (periodic or event–related, for individual transactions) that have to be received by the governing bodies from the various corporate functions according to their duties. The Regulation allows full functioning of the governing bodies, highlighting the different levels of responsibility within the organization with particular reference to the control functions (internal audit, compliance and risk management).

During 2011, particularly from 26 October 2011 (date of election) to the year end, the Management Board held 11 meetings, with an average duration of 3 hours and 37 minutes, with 96.3% attendance of (the attendance percentage of each director is shown in table no. 1 attached).

In 2012, to date, there have been 11 Board meetings.

Self-assessment

Following the change in the governance system, the process of redefining the organizational and procedural structure is impacting, among other things, the procedures for carrying out the periodic self-assessment activities required by the Code of Conduct and the Supervisory Provisions issued by the Bank of Italy on assessing the fairness and efficiency of the governing bodies and their sub-committees, requiring these processes to be adjusted for the characteristics of the new structure.

The Bank’s processes of periodic self-assessment are therefore still underway, with particular reference to the methods identified for performing them, as well as the profiles that are subject to review by the governing bodies.
4.4. Delegated Bodies: Managing Director and Chief Executive Officer and General Management

4.4.1 Managing Director and Chief Executive Officer
In accordance with the provisions of law and the Articles of Association, the Management Board delegates its powers to one of its members, who takes on the title of Managing Director and Chief Executive Officer (MD & CEO) and who can also be the General Manager. For the appointment of the MD & CEO, the Management Board takes into consideration the indications of the Nominations Committee pursuant to art. 53 of the Articles of Association.
The MD & CEO is the Company’s chief executive, overseeing its management within the powers granted to him by the Management Board and in accordance with its policies and strategies.

By a resolution of 10 January 2012, the Management Board granted to the MD & CEO Piero Montani the following powers, as per art. 45 of the Articles of Association:

- a) to oversee management of the Company and the Group;
- b) to look after strategic coordination and management control of the Company and the Group;
- c) to ensure implementation of the organizational, administrative and accounting structure decided by the Management Board;
- d) to exercise, according to the rules and regulations, powers to propose and grant loans, within the limits established by the Management Board;
- e) to arrange for and supervise personnel management;
- f) to determine the operational guidelines for General Management;
- g) to oversee integration of the Group;
- h) to make proposals to the Management Board regarding the definition of general policies and strategies for the Company and the Group, as well as for the preparation of business and/or financial plans and budgets of the Company and the Group, ensuring that they are implemented by the General Manager;
- i) to propose fiscal policy and guidelines on optimising the use and enhancement of resources and to submit draft financial statements and interim reports to the Management Board;
- j) to propose top management appointments for the Company and the Group to the Management Board, in consultation with the Chairman of the Management Board and having heard the opinion of the General Manager;
- k) to promote integrated risk management;
- l) to redirect any requests for extraordinary inspections or investigations to the internal control function through the Internal Control Committee;
- m) to handle external communication of information concerning the Company, in agreement with the Chairman of the Management Board.

On 7 February 2012, the Management Board granted to the MD & CEO the power or ordinary management of the Bank, as integration and simplification of the powers attributed to him on 10 January 2012.

Information Flows
The MD & CEO reports at least quarterly to the Management Board on the performance, outlook and more significant transactions carried out by the Company and its subsidiaries. The MD & CEO also reports monthly to the Management Board on the financial results of the Company, the main subsidiaries and the Group as a whole (art. 46 of the Articles of Association).

4.4.2 Chairman of the Management Board
The current Articles of Association – considering the attribution to the Management Board of the duties and responsibilities of the strategic supervision function, and in compliance with the Bank of Italy’s Governance Measures – clearly outline the duties and responsibilities of the Chairman of the Management Board, in his capacity as the guarantor of effective functioning of the system of corporate governance and of the balance of powers between the Management Board and the MD & CEO, as well as being the main interlocutor with the Supervisory Board. In detail, pursuant to art. 41 of the Articles of Association, the Chairman of the Management Board:

- a) is the Company’s legal representative with signature power;
- b) convenes the Management Board, sets the agenda in view of the proposals made by the MD & CEO and coordinates its activities, ensuring that adequate information about the matters on the agenda are provided to all members;
- c) maintain relations with the Supervisory Authority, in consultation with the MD & CEO, as part of the Management Board’s normal activities;
- d) handles relations with the Supervisory Board and its Chairman;
- e) ensures that the Supervisory Board is kept informed in accordance with art. 40 of the Articles of Association;
- f) exercises any other powers needed to perform his duties.
In justified cases of extreme urgency, when it is also impossible to convene the Management Board on a timely basis, the Chairman of the Management Board or, in the event of his absence or impediment, the MD & CEO, can make decisions on any type of operation pertaining to the Management Board, particularly with regard to lending, except for those matters that have to be decided exclusively by the Management Board. The decisions taken must be reported to the Management Board the next time it meets. The signature of the Chairman’s deputy constitutes proof vis–à–vis third parties of the Chairman’s absence or impediment (art. 41 of the Articles of Association).

Under art. 32 of the Articles of Association, the Chairman cannot hold individual management powers. The non–executive role of the Chairman of the Management Board is essential to ensure the proper functioning of BPM’s system of Corporate Governance.

4.4.3 General Management
Under art. 57 of the Articles of Association, General Management consists of the General Manager, if appointed, and other persons appointed for this purpose by the Management Board, including one appointed to act as deputy – in the absence or impediment of the MD & CEO and of the General Manager – with full authority and powers, except for those that necessarily pertain to the MD & CEO.

Under art. 58 of the Articles of Association, the General Manager supervises the activities of General Management within the limits of his powers and in accordance with the guidelines of the Management Board and the MD & CEO. Within such limits and according to the guidelines received, the General Manager manages the Bank’s day–to–day affairs, exercises any powers vested in connection with the granting of loans, expenditure and financial transactions and implements the decisions of the Management Board and of the MD & CEO.

At the board meeting on 17 May 2011, the Bank’s Board of Directors appointed Enzo Chiesa as the Bank’s General Manager, Roberto Frigerio, the Deputy General Manager, to act in his place when necessary (as regards the powers vested in the General Manager in the previous model of administration and control, please refer to paragraph 18.1 of this Report).

Subsequently, considering the different role of the General Manager under the Bank’s new Articles of Association and to complete the transformation of BPM’s corporate governance, which began with the General Meeting on 22 October 2011 and ended with the appointment of the MD & CEO, the Management Board agreed with Enzo Chiesa to terminate his employment with effect from 7 February 2012. Enzo Chiesa therefore resigned from all of the positions that he held within the BPM Group.

4.5. Executive Directors
To help ensure the presence on the Management Board of an adequate number of non–executive members, in compliance with the Bank of Italy’s Governance Measures, the Articles of Association provide in the last paragraph of art. 32 that of the five members of the Management Board, two of them, including the Chairman, should be non–executive directors.

During its meeting of 28 February 2012, the Management Board assessed the executive or non–executive status of its members in accordance with the 2006 Code of Conduct.

In this regard, the Board first laid down certain criteria and parameters for the practical application within BPM of the definition of “executive director” according to the Code of Conduct, taking into account the specific characteristics and operations of the Bank and the Group at a governance level.

Also considering the Bank of Italy’s Governance Measures, the Board took note that in BPM:

- the Management Board includes the MD & CEO, to whom the Articles of Association attribute the role of “chief executive”, whereas none of the other Directors holds individual management or operating powers;
- the Chairman of the Management Board is given the task of promoting effective functioning of the system of corporate governance, guaranteeing the balance of powers vis–à–vis the MD & CEO and any other executive directors. To perform his function correctly, he does not have any management functions, neither in theory nor in practice, except for the right, under exceptional circumstances, to perform management tasks (such as in the circumstances envisaged by art. 41, last paragraph, of the Articles of Association) without this meaning that he has taken on executive status;
- there is no Executive Committee within the Management Board;
- if one or more Board members attend meetings of committees with even limited operating powers in certain areas of the Bank’s day–to–day management (credit and loans, in particular) could mean that such directors take on executive status (in this regard, for BPM it is relevant if directors attend meetings of the Credit and Loans Committee, set up by the Management Board on 28 November 2011);
- none of the Management Board holds office in subsidiaries, except for Alessandro Foti, who is Chairman of the Board of Directors of ProFamily SpA, a subsidiary. However, he has not been vested, with powers of management and he does not have
a specific role in preparing corporate strategy, so he qualifies as a non–executive chairman;

- no member of the Management Board forms part of the General Management of the Bank or of Group companies.

In line with these principles, during the same meeting, the Management Board identified the following as executive directors:

(i) the MD & CEO, Piero Luigi Montani, in his capacity as the Bank’s chief executive;

(ii) Davide Croff and Dante Razzano, given their membership of the Credit and Loans Committee, whereas the Chairman, Andrea C. Bonomi, and the Director, Alessandro Foti, qualify as non–executive.

4.6. Independent Directors

Under the Articles of Association, at least one of the members of the Management Board must meet the independence requirements of art. 148, paragraph 3 of the Consolidated Finance Act (CFA), concerning, in particular, the existence of management positions in Group companies as well as relationships of employment or self–employment or some other type of financial or professional relationship with the company – or with companies that it controls, with companies that control it or which are under joint control – such as to compromise their independence.

In this regard, by asking listed issuers to carry out an assessment whether one or more members of the Board meet the requirements of that clause, the Issuers’ Regulations requires disclosure to the market that such an assessment has been carried out following anyone’s appointment to the Board; it is also up to board members to communicate to the administration and control bodies the information needed to carry out the assessments properly (see the requirements of art. 144–novies, Issuers’ Regulation).

During the board meeting of 21 November 2011, the Management Board checked whether the individual board members met the independence requirements under art. 148, para. 3, CFA, based on the information provided by the persons concerned and any other information available to the Bank; the outcome of this check was that the requirements were met by Alessandro Foti and Claudio De Conto (who handed in his resignation on 10 January 2012).

The Articles of Association do not ask the members of the Management Board to meet the independence requirements of the 2006 Code of Conduct, also in light of the decision taken by the Bank to set up the Supervisory Board Sub–Committees envisaged in the 2006 Code of Conduct, for which these requirements have to be satisfied.

In any case, during the board meeting of 28 February 2012, as part of the checks on their executive status, the Management Board verified the independence requirements of its members, also according to the 2006 Code of Conduct. In this regard, the Management Board first laid down certain criteria and parameters for the practical application within BPM of the definition of “executive director” according to the Code of Conduct, taking into account the specific characteristics and operations of the Bank and the Group at a governance level, also considering the Bank of Italy’s Governance Measures. In this area, the Board noted that:

- no Board Member holds (directly, indirectly or through third parties) a sufficient number of shares that would allow them to exercise control or significant influence over the Bank, nor are any of them members of a shareholders’ agreement by which one or more persons could exercise control or significant influence over the issuer (Section 3.C.1. letter a);

- Andrea C. Bonomi has a key position (Chairman) in the Bank;

- Alessandro Foti has a key position (Chairman) in a subsidiary company with strategic relevance, as the Board established that the banks and finance–sector companies of the Group, among others, had strategic relevance (art. 3.C.1. letter b);

- with reference to “commercial, financial and professional transactions” with the Bank and/or subsidiary companies carried out even indirectly by a Board Member (including with companies where they hold a key position), which could jeopardise their independence (art. 3.C.1.c), BPM considers particularly important, among other things, lines of credit between the Group and the Board Member (and/or companies controlled by them). In assessing the relevance of such dealings, BPM generally took into account the amount of the credit lines, bearing in mind the economic and financial situation of the individual Board Member and what they represented in proportion to the overall activities of the Bank and/or the Group.

- in the previous three–year period, no Board Member received significant supplementary remuneration in addition to the fixed emolument received as a director of BPM (art. 3.C.1.d);

- none of the Board Members has an executive role in a subsidiary company where another executive director of the Bank holds office (art. 3.C.1.f);

- none of the Board Members is a partner or director of a company or entity belonging to BPM’s independent auditors or the same network (art. 3.C.1.g).

- as regards the application criterion of the Code (art. 3.C.1.) which, among other things, does not normally allow someone to qualify as an independent director if they have been an employee of the company in the last three years, the Bank considers it
opportune – applying the principle of substance over form – to qualify as independent any director who is no longer an employee of the Bank (or Group company) for a period of time to be measured in (three) calendar years rather than financial periods.

At the same meeting, the Management Board established that none of its members could be qualified as “independent” under the Code of Conduct, for the following reasons:

- the Chairman, Andrea C. Bonomi, as he holds a key position in the Bank and has declared relationships with other members of the Management Board;
- Piero Luigi Montani, Davide Croff and Dante Razzano, as they are executive directors;
- Alessandro Foti, as he has a key position, even if non-executive, in a subsidiary of strategic relevance (Chairman of ProFamily SpA).

5. Confidential information and internal dealing

**Processing of privileged information – Insider Register**

In accordance with art. 114 of CFA, during the year BPM adopted a specific set of guidelines for the internal management and external communication of documents and information concerning the Bank, with particular reference to “price sensitive” information (now called “privileged information”).

In light of the changed legislative context – with particular reference to the Market Abuse Directive and in accordance with Consob approach to this matter (for the latest, see Consob Communication 6027054 of 28 March 2006) – in 2006 the Bank adopted a new set of Regulations of the Banca Popolare di Milano Group concerning communication obligations (updated on 7 February 2012 following the adoption of the two-tier system), regarding the Group’s internal procedures designed to guarantee the confidentiality of privileged information (as defined in art. 181 CFA) during the period between the start of other activities and the moment when it is decided that the information has to be released to the market, as well as to guarantee timely and non-selective diffusion of the news.

With reference to the duties and flow of information defined in these procedures, they specifically require that the Managing Director and CEO, with the agreement of the Chairman of the Management Board has the power to evaluate the extent to which a piece of news is to be considered privileged information under art. 114, CFA and, as a result, to authorise its disclosure.

With specific reference to the publication of privileged information, while the authorisation process remains as above, the internal procedure requires coordinated intervention on the part of the “External Relations”, “Investor Relations” and “Corporate Affairs” functions, in connection with the other competent internal functions.

In compliance with the provisions contained in article 115-bis of CFA (and related Consob rules), the Bank has created a Register of persons with access to privileged information relating to BPM and any third-party issuers by virtue of their employment or profession or the job carried out; at the same time, the Bank has adopted a Regulation concerning the Insider Register.

This regulation (lastly updated on 7 February 2012) with the definition of roles, responsibilities and conduct, governs the identification of persons with privileged information in BPM and the Group in order to register them in the appropriate register.

**Regulation on Information Flows**

As regards the circulation of information, in June 2009 the Bank introduced a specific regulation concerning information flows (which is currently being updated following the adoption of the two-tier system of corporate governance), also in compliance with the indications of the Bank of Italy’s Governance Measures. Its purpose is to identify and regulate:

- the flows towards the corporate bodies: in other words, the information flows between the various functions of the Bank and its corporate bodies;
- the flows within the individual bodies: in other words, the “intrabody flows”, including in this category the tasks and duties of the chairmen of the various corporate bodies relating to the advance information that they provide members of the body prior to a meeting on the topics on the agenda and the availability of such documentation after the event;
- the flows between corporate bodies: in other words, the “interbody flows” foreseen in the Civil Code, in the instructions issued by the Supervisory Authority and in the Articles of Association;
- intraGroup flows: in other words, the flows between the bodies/structures of the Parent Company and those of its subsidiaries.

**Code of Conduct on Internal Dealing**


Further to the introduction of the rules on market abuse, this Code was partly amended to bring it into line with the new Consob rules.
These amendments were approved by the Board of Directors on 14 March 2006. This Code of Conduct (last updated on 7 February 2012 as a result of the adoption of the two-tier system of corporate governance) governs, with immediate effect, the disclosure requirements and any limitations on transactions in listed financial instruments issued by Banca Popolare di Milano and on financial instruments linked to them, carried out by “Relevant Persons” and by “Persons closely associated with Relevant Persons”.

The purpose of the Code (and the associated disclosures) is to ensure the utmost transparency and consistency of information reported to the market on the conduct of Relevant Persons by virtue of their access to privileged information regarding the Bank and the Group. Transactions involving the purchase, sale, subscription or exchange of BPM shares (or financial instruments related to BPM shares) by “Relevant Persons” and “Persons closely associated” with them must be reported to the market if their amount is equal to or greater than Euro 5,000 by the end of the year.

Relevant Persons must report these transactions to Consob and to BPM within 5 trading days of being carried out. BPM itself may provide the relevant notification to Consob within this same term on behalf of the Relevant Persons. The Bank shall then publish this information (through a statement sent to Borsa Italiana SpA, to two press agencies and to Consob) by the end of the trading day after receiving notice from the Relevant Person.

The Bank’s Code of Conduct also bans Relevant Persons from carrying out the transactions in the above-mentioned financial instruments during the 30 days prior; (i) to approval of the draft financial statements by the Management Board (as shown in the “Calendar of corporate events”); (ii) to any extraordinary general meetings (even if it coincides with the annual general meeting called as per art. 2364-bis, para. 2, Civil Code); (iii) to any ordinary general meetings other than the annual general meeting called as per art. 2364-bis, para. 2, Civil Code (so-called “black-out periods”).

The text of this Code and the individual communication of transactions carried out may be consulted on the Bank’s website in the “Governance/Internal Dealing” section (in accordance with Consob recommendations on this matter, see Consob Communication 6027054 of 28 March 2006).

During 2011, internal dealing transactions were communicated to the market and to Consob (and posted on the Bank’s website) on 22 occasions (mainly in connection with the increase in capital).

Personal transactions
In accordance with art. 18 of the Joint Regulation issued by the Bank of Italy and Consob on 29 October 2009, the Bank has adopted a procedure to identify transactions carried out by Relevant Persons (including those recommended, solicited or communicated to third parties), which could give rise to conflicts of interest or which are in violation of the rules on privileged or confidential information. The procedure provides that:

(i) relevant persons have to be aware of these restrictions on personal transactions, and of the measures taken by the Bank in connection with personal transactions and the disclosure of information;

(ii) BPM has to be promptly informed of any personal transaction entered into by a relevant person;

(iii) personal transactions, notified to the bank or identified by it, have to be recorded.
6. Management board committees (as per art. 123–bis, paragraph 2.d), CFA

The Articles of Association provide for the possibility for Management Board to set up a number of specialist sub-committees with the task of making an active and systematic contribution towards the exercise of its management role, with fact-finding, consultative and decision-making powers.

In this context, the Management Board has established various committees, meetings of which are attended not only by the Board Members, but also by the heads of related business functions.

The following committees were set up by Board resolution of 28 November 2011: the Risk Management Committee, the Credit and Loans Committee, the Commercial Policies Committee, the Funding Policies Committee and the Operations & HR Committee.

7. Remuneration of Management Board Members

In compliance with art. 37 of the Articles of Association, in addition to reimbursement for any out-of-pocket expenses incurred in carrying out their duties, the members of the Management Board are entitled to remuneration decided by the Supervisory Board, taking into account whether they are members of sub-committees or hold particular positions of responsibility. They are also awarded attendance fees for participating in meetings of the Management Board and of the commissions and sub-committees established by the Management Board to the extent laid down by the Supervisory Board, as well as the remuneration set by the Supervisory Board for the members of the Management Board appointed to particular positions envisaged in the Articles of Association.

The Articles of Association – by saying that the general meeting of members approves the remuneration policies of the Management Board as required by applicable law and the Bank of Italy’s Supervisory Provisions in force from time to time – give the Supervisory Board the power to establish the Management Board’s compensation after consulting the Remuneration Committee.

Detailed information on the remuneration of members of the Management Board, as well as of key managers of the Bank with strategic responsibilities, is provided in the Remuneration Report pursuant to art. 123–ter, CFA, available on the Bank’s website (www.bpm.it).

8. Internal control system

The Bank’s system of internal control reflects an articulated, systemic vision, which defines the general principles that are designed to guarantee correct and effective management of the systems to be checked, defining in particular how they function and laying guidelines for the strategy, monitoring and coordination of Group companies’ control activities.

As part of a more general process of value creation for the Group, the correct functioning, formalisation and updating of the Organizational Model of the Internal Control System (the latest version is dated November 2010) are also essential conditions for the maintenance of this process, given that the methods of carrying out business processes always have to be suitably aligned with the processes of governance and control. This is a key factor to ensure the vitality and operational efficiency of the entire Bank.

This Model constitutes a point of reference for a common, standard approach on the part of the entire Group, which presumes widespread knowledge of its contents, complete awareness of the underlying assumptions and common acceptance of the values on which it is based.

Banca Popolare di Milano also favours the development of a suitable corporate culture based on customer assistance, providing them with adequate information also regarding complaints and matters that need reporting. This is above all a means of protection for the clientele, while also supplementing the Bank’s own system of internal control.

Based on the principles that are generally accepted in this area, from the instructions of the Supervisory Authorities, in particular the Supervisory Instructions of the Bank of Italy (Circular 229, Title IV, Chapter 11) and the Code of Conduct of Borsa Italian SpA, it is possible to affirm, as far as BPM is concerned, that:

- the system of internal control consists of a set of rules, procedures and organizational structures that through a suitable process of identification, measurement, management and monitoring of the principal risks, is designed to permit the company to be run in a healthy, correct and consistent way in line with objectives set by the governing bodies;
- the system of internal control helps to safeguard the company’s assets, to ensure that it operates efficiently and effectively, that it produces reliable financial data and complies with all laws and regulations.
8.1 Management board member in charge of supervising the internal control system

As regards the role of the Management Board Member in charge of supervising the internal control system, we would point out that in light of the new system of governance – and following a complete review of internal rules and of the organizational structure – the Management Board will consider assigning the powers and functions envisaged in art. 8.C.5 of the Code to one of its Members.

8.2 Internal audit function (internal auditing department)

The Bank has identified the Head of the Internal Auditing Department as the Head of Controls. Internal Audit is an independent function within BPM, represented by the Internal Audit Department. Its activity is already governed by detailed rules that comply with the primary and secondary regulations on this matter.

More specifically, the Internal Auditing Department maintains functional relations with the Management Board, the Supervisory Board, the Internal Control and Audit Committee and the Independent Auditors. Its task is to develop an internal control system that allows the Parent Company to exercise effective control of the overall risk exposure of the Group, through a process of independent supervision.

In particular, BPM’s Internal Auditing Department has the following duties:

- it assists the current board member in charge for supervising the internal control system in evaluating, at least once a year, the adequacy, effectiveness and functioning in practice of the internal control system;
- it evaluates the effectiveness of the overall system of controls and, more in general, the adequacy of the Group’s internal control system;
- it prepares, applies and maintains the annual audit plan to review and assess the adequacy and effectiveness of all control systems, processes, procedures and mechanisms, also to fulfil the MiFID requirements (Directive 2004/39/CE);
- it provides analyses, observations, recommendations and advice regarding the activities examined in order to improve the efficiency and effectiveness of existing controls;
- it carries out audit activities, both in the field and on a remote basis (helping to design suitable control support systems), designed to identify anomalous trends, violations of procedures and of internal and external regulations, having access to all of the information and documentation needed to perform its duties;
- it prepares information flows for the administrative and executive bodies of the Bank, as foreseen by the regulations;
- it provides internal auditing services to Group companies, on request and based on specific contracts, to provide support for their boards and management as part of their operational and control activities;
- it maintains relations with the supervisory bodies, assisting them in the event of inspections and providing the information requested;
- it guarantees the preparation and constant updating, on an autonomous basis, of the Operating Procedures for the Internal Auditing Department in accordance with internal regulations and with the help of the functions in question;
- it reports to the function in question the need for training to ensure an adequate level of knowledge and professional skills;
- it periodically assess the adequacy and effectiveness of the Compliance Function,
- to the extent of its duties, it provides consultative support to the various organizational functions on matters concerning the provision of services, conflicts of interest and the approach to be taken;
- it keeps the Complaints Register in accordance with the reference legislation, providing data on any complaints to the Compliance Function so that it can report on the overall situation to the General Manager and the Board of Directors (the Supervisory Board from 22 October).

Audit results are reported periodically, firstly to the Internal Control Committee, which makes its assessment of the situation, and then to the Board of Directors and the Board of Statutory Auditors. (the Internal Control and Audit Committee, the Management Board and the Supervisory Board, respectively, from 22 October).

Having checked the adequacy of the Internal Control System, the Internal Auditing Department makes proposals for possible improvements to the risk management policies, measurement tools and procedures. The Parent Company’s Internal Auditing Department also operates on behalf of all the subsidiaries, carrying out directly the Internal Control activities and coordinating the annual planning of all of the Group companies’ auditing functions, so as to achieve the best possible results for the lowest possible cost, putting to common advantage the specific technical skills of the individual auditor or office.
To this end, the auditing functions of the individual Group companies send to the Parent Company’s Internal Auditing Department an advance copy of its annual audit plan with any requests for support from inside or outside the Group. The operational audit approach is laid down by the Parent Company’s Internal Auditing Department through a risk–based, process–oriented methodology that tends to establish common patterns of reporting and anything else needed for coordinated, smooth functioning of operations. The methodology is supported by a specific IT application (SPHERA) which is shared by the internal auditing functions of the Parent Company, of the subsidiaries and certain second level control functions, according to a set system of differentiated access.

8.3 Compliance function

In accordance with the Supervisory Provisions of the Bank of Italy (decision no. 688006 of 10 July 2007) and the Joint Regulation issued on 29 October 2007 by the Bank of Italy and Consob for the organization and procedures of intermediaries who provide investment or asset management services, by resolution of the Board of Directors of 18 December 2007, BPM established the Compliance Function with effect from 1 March 2008, giving the person in charge the title of Head of Compliance and Head of MiFID compliance. Subsequently, in April 2008, the Bank took steps to give the Function an organizational model which governed its activities fully in compliance with primary and secondary regulations (revised in November 2010 to clarify the responsibilities of the Parent Company vis–à–vis the Subsidiaries). In order to strengthen second–level controls, from 1 January 2010 the Compliance with and Network Control activities were transferred to the newly established Network Controls and Compliance Department. Following the introduction of the Bank of Italy’s rules on anti–money laundering (AML) and terrorist financing (pursuant to Art. 7 paragraph 2 of Legislative Decree no. 231 of 21 November 2007), from 1 September 2011 this department was also given responsibility for the AML function for both the Parent Company and for both of the Group’s Commercial Banks (as well as for supervision of the other subsidiaries), together with powers to look into and report on suspicious transactions.

In carrying on its activities, the Compliance Function is not responsible for any operational area, nor does it report to any person responsible for operations, but rather reports to the Chief Risk Officer and functionally to the Management Board and the Internal Control and Audit Committee for issues in its sphere of competence and, in any case, at its request.

With the aim of ensuring an assessment of compliance with the rules on the part of the Bank, avoiding the risk of non–compliance and events (resulting from regulatory non–compliance) that could potentially jeopardize the Bank’s reputation, BPM’s Compliance Function performs the following tasks:

- it identifies the rules applicable to the Bank and carries out the assessment of their impact on corporate processes and procedures;
- it ensures the control and assessment of the adequacy and effectiveness of the internal procedures and measurements through assessments or compliance tests;
- it proposes organizational and procedural changes to improve protection against the risk of non–compliance, asking for them to be introduced and making sure that they are implemented;
- it guarantees the activities of consulting and assistance to the Bank’s corporate bodies, top management and other functions in all matters where the risk of non–compliance takes on a certain importance;
- it keeps the Conflict of Interest Register in accordance with the specific regulations issued jointly by the Bank of Italy and Consob;
- it makes every effort to ensure that training courses are developed to make all of the staff more aware about non–compliance risk;
- it carries out compliance checks on corporate behaviour, in particular on second–level controls of branch activities through the Operational Control and Judiciary Research Area, which performs verification services on behalf of the Financial Reporting Manager and Privacy Officer, in addition to those required by the Supervisory Body under Legislative Decree 231/2011;
- it prepares the annual compliance plan of the various activities to be performed over the coming year and an annual compliance report on the activities that it has carried out during the previous year, for submission to the Corporate Bodies (including the Internal Control Committee);
- it monitors the overall situation of complaints received by the Bank, on investment services as well as on operations and banking and financial services, based on the data provided by the function in charge of processing them.

In carrying out its activities, it calls on the support of the References of the Compliance Officer (known as RECOs). They are people who work at the various corporate functions, but who provide support for the Compliance Function in identifying the rules applicable to the Bank and in assessing their impact on its processes and procedures.
The Compliance Officer is also given the responsibility for coordinating the equivalent functions at the subsidiaries. In agreement with the Parent Company and based on a resolution by their own Board of Directors, subsidiaries can delegate all or part of their compliance activities to BPM’s Compliance Function, by means of a specific contract (for example, Banca Popolare di Mantova has outsourced its compliance function to the Parent Company, Banca di Legnano and Cassa di Risparmio di Alessandria the regulatory activities not concerning investment services). Each of the banking/finance companies subject to the Parent Company’s control has to appoint a Compliance Officer, who in addition to his own responsibilities and duties as part of this function, also reports functionally to the Parent Company’s Compliance Officer.

The Compliance Function has access to all of the Bank’s activities, both at head office and at the branches, as well as any other information that may be relevant to carry out its duties, also through a direct relationship with the related personnel.

To carry out the duties assigned to him, the Function is given a reasonable amount of financial resources, which can be increased if the need arises from regulatory obligations.

### 8.4 Risk management function

The Risk Management Function also forms part of BPM’s internal control system, in its broadest sense, given that it monitors risks centrally at Group level and carries out the following processes:

1. risk management, understood as the identification, measurement, evaluation, monitoring, reporting, control and mitigation of the risks to which the Group is exposed;
2. assessing the adequacy of capital and liquidity, in relation to the Group’s risk appetite and risk profile and the macroeconomic and market conditions.

It has to ensure on a timely basis that:

1. any significant risk at Group level is correctly identified and effectively managed, according to an integrated approach;
2. complete, comprehensive and integrated information is given to the Governing Bodies and to the competent Corporate Functions so that they can be fully aware of the Group’s risk profile;
3. corporate policies on risk management are in place and regulatory reports required by the Company and/or the law are prepared.

The Risk Management function is responsible for ensuring compliance with the corporate limits established for the various lines of business and for making certain of the process that involves determining the adequacy of the Group’s capital and liquidity. In collaboration with the Planning and Management Accounting Department, it evaluates the extent to which the allocation of capital is efficient, as a function of the profitability and risk profiles that characterize each strategic area of business.

The Risk Management function operates with adequate resources, independence, authority and access to the Group’s Governing Bodies to carry out effectively its duties, which are clearly separated from those of the functions that take the risks. It has free access to all information that is functional to the achievement of the objectives assigned to it, both at BPM and at Group companies, and it reports on risk exposures and on capital adequacy and liquidity directly to the Governing Bodies and the other Corporate Functions involved.

The Risk Management Function operates with reference to the entire BPM Group according to the complexity and effective risk exposure of the individual subsidiaries. The decentralised units performing risk management activities – to the extent required by specific organizational complexities – report functionally to the Parent Company’s risk management office.

The Parent Company’s Risk Management Department is headed up by the Chief Risk Officer.
8.5 Organizational model (Decree 231/01)

The Supervisory Committee – set up by board resolution on 13 January 2004 pursuant to Decree 231/01 – during the course of 2011 carried on its activity having as its purpose that of preventing the commission of the crimes mentioned in the Decree (and subsequent amendments). This it did by implementing and verifying the adequacy of the Model of Organization, Management and Control and of the Code of Ethics adopted by the Bank, as well as by checking compliance with their provisions.

The composition and functioning of this Committee are governed by a specific regulation approved by the Board of Directors during the meeting of 25 June 2009, the latest update of which was made on 21 December 2010. According to this regulation, the Committee is composed of 4 members appointed by the Strategic Supervision Body (which also nominates the Chairman of the Supervisory Committee).

The members remain in office for the entire duration of the Body that appoints them and expire on the date of approval of the financial statements for the last year of their mandate.

The Committee members come from both inside and outside the BPM Group (with at least one coming from the Parent Company) in order to achieve a balance of professional skills from inside and outside the Board of Directors, which assesses the independence of the Committee and at the same time guarantees that a suitable link is maintained between the Committee and the Board of Directors of the Parent Company.

The current Head of the Parent Company’s Internal Auditing Function is an ex officio member of the Committee; the other members have to have non–executive status.

The Supervisory Committee was given its own budget of Euro 50,000. It is currently made up of Daniele Ripamonti (Chairman), Eugenio Crosta, Michele Zeffirino and Carlo Cesare Farma (the Bank’s Head of Internal Auditing).

During the course of 2011, the Supervisory Committee took steps:
- to follow developments in the law, promoting updates of the Model of Organization, Management and Control and of the Code of Ethics;
- check staff training – in line with the above changes made to the Model of organization and the Code of Ethics – by means of a course delivered through the corporate intranet to all BPM staff, followed by a test to check what they had learnt;
- to review reports on important matters received from Internal Auditing and Network Controls.

Note that since January 2005, a specific section of the Bank’s website is dedicated to the Supervisory Committee as per Decree Law 231/01 (www.bpm.it). This section – to which reference should be made for further information on this matter – gives, among other things, the composition, regulation and principle functions of the Body, the Model of Organization, Management and Control (as per Decree 231/01), the Code of Ethics and the related legislation. It also gives the special e–mail address for reports of violations of the Model and, in general, any issues related to the said Decree.

During 2011, the Committee held 13 meetings lasting an average of around 3 hours each and an overall attendance record of around 90%.

Lastly, all major Group companies have adopted a Model of Organization, Management and Control as per Decree 231/01 and have formed an internal Supervisory Committee.

8.6 Independent Auditors

The General Meeting of the Members of BPM of 21 April 2007 appointed Reconta Ernst & Young S.p.A. to audit the separate financial statements of the Bank, the consolidated financial statements and the half–year report of the BPM Group for the years 2007–2015.
8.7 Financial Reporting Manager

During the meeting of 14 May 2007, the Board of Directors, based on the favourable opinion of the Board of Statutory Auditors, took steps to implement art. 154-k CFA – by appointing the “Financial Reporting Manager” in the person of Roberto Frigerio, taking account of his overall professional experience and the fact that he was at the time Manager in charge of the Administration, Planning and Control Department of the Bank.

The Financial Reporting Manager was assigned adequate powers and resources – including a specific expense budget, which for 2011 was of Euro 50,000 – to carry out his legal duties within the Group.

For a description of the principal characteristics of current risk management and internal control systems in relation to the process of financial reporting (as per art. 123–bis, 2.b) CFA), reference should be made to the next paragraph (8.8) of this Report.

8.8 Principal characteristics of current risk management and internal control systems in relation to the process of financial reporting (as per art. 123–bis, 2.b) CFA)

8.8.1. Introduction

The risk management and internal control systems relating to financial reporting, integrated in the Internal Control System (SCI), is governed by a specific organizational model called the “Control Model as per Law 262/05 – Financial Reporting Manager”. This model permits ongoing verification of the adequacy and effective application of the administrative and accounting procedures at Group level and is designed to ensure the credibility, accuracy, reliability and timeliness of financial reporting and governance controls.

8.8.2. Principal characteristics of the internal control model used for financial reporting

8.8.2.1. The reference model

From a methodological point of view, the model used to address financial reporting risk and the evaluation of adequacy and effective application of administrative and accounting procedures for the preparation of such information has been defined by the Bank and inspired by the “Internal Control – Integrated Framework” – approved by the Committee of Sponsoring Organizations of the Treadway Commission (CoSo) – which is a generally accepted international framework for analysing internal control systems.

The methodology used in evaluating IT procedures (IT – General Controls) is inspired by the “Control Objective for Information and Related Technologies” (COBIT), developed by Information System Audit and Control Association (ISACA).

As regards the evaluation of the potential riskiness of sensitive processes for the purpose of accounting and financial reporting, different approaches are used to ensure:

- a detailed analysis of the processes considered to be high risk in terms of their potential impact on accounting and financial reporting;
- a less detailed analysis of all of the other processes that are considered lower risk/impact, making use of the main corporate functions with control responsibilities with a view to maximising organizational synergies.

Following these analyses, bearing in mind that these processes that have been assessed are periodically monitored, an action plan is prepared to resolve any critical areas found.

8.8.2.2. Operating macro-processes

The control model adopted consists of the following operating macro-processes:

a) definition of the “sensitive” scope of application;

b) monitoring the macro-system of company-level controls;

c) monitoring of sensitive processes for accounting and financial reporting purposes and for the general rules of governance of technologies and application software development (IT General Controls);

d) assessment of the internal control system for accounting and financial reporting purposes.
These operating macro processes are briefly explained below:

a) definition of the “sensitive” scope of application
The scope of applicability is defined according to the following operating steps:

- identification of the Group companies that are relevant for accounting and financial reporting purposes, selected on the basis of certain parameters (such as total assets, gross profit) to which qualitative and quantitative thresholds are applied. The selection is done by quantitative parameters, possibly supplemented by a qualitative analysis that highlights possible factors (e.g. heterogeneity of the business, use of specific systems or processes) that could increase or decrease financial reporting risk;
- selecting financial statement items and significant accounts for each of the companies identified by means of materiality limits;
- associating such accounts and information in the financial statements with the underlying corporate processes through appropriate “account/process” matrices.

Once selected, sensitive processes are evaluated in terms of their potential risk, in order to apply methodologies that entail a greater or lesser degree of analysis. Periodically, the scope of application and the assessment of critical processes is updated, making sure that the Corporate Bodies are adequately informed.

b) monitoring the macro–system of company–level controls
Company–level controls are designed to verify that there is a corporate environment that in general is geared to reducing the risks of errors and incorrect behaviour for accounting and financial reporting purposes. Company–level controls refer to elements of the Internal Control System as identified in the CoSO Framework and include elements such as: adequate systems of governance, standards of behaviour based on ethics and integrity, effective organizational structures, clear allocation of powers and responsibilities, appropriate risk policies, systems, staff disciplinary systems, effective codes of conduct and fraud prevention systems.

The detection of company–level controls makes it possible to assess the adequacy of the size of the internal control model, which is not directly analysed though process analysis (such as control environment, information and communication).

The monitoring of the macro internal control system at company level is based on the maintenance and management of the documentation system and on checking the efficiency and effectiveness of the control system. The Bank and Group company functions involved in maintaining and managing the documentation system have to maintain company documents, regulations and policies regarding the internal control system.

The detection of company–level controls is executed through assessments. Once this periodic assessment has been carried out, leading to summarised judgements regarding the various elements of the internal control system, an action plan is drawn up to improve the system and resolve any critical areas.

c) monitoring of sensitive processes for accounting and financial reporting purposes and for the general rules of governance of technologies and application software development (IT General Controls)
The processes being monitored, having been selected according to the methods explained earlier (see point 4), relate to the macro aggregates resulting from each process:

- business (loans, finance, commercial banking);
- governance (including risk management, risk and managing control);
- transversal and support (including accounting processes and the preparation of financial statements, HR management);
- governance of the technology infrastructure and IT applications (including IT strategic planning, the provision of IT services).

After selecting the processes, the next step is to verify the adequacy and effective application of the controls through the following processes:

- periodic verification that corporate processes considered sensitive for financial reporting purposes are adequate in terms of mapping the risks and designing key controls (Risk Control Analysis);
- verification of effective application of key controls, testing for correct execution and documentation (Tests of Control);
- identification of critical areas and corrective action plans (Remediation Plans);
- Monitoring the stage of completion and effectiveness of the corrective action taken.

d) Assessment of the internal control system for accounting and financial reporting purposes
The last stage of the process consists of the final evaluation of the internal control system for financial reporting purposes, based on the evidence relating to:

- the macro system of company–level controls;
- sensitive processes for accounting and financial reporting purposes, taking into account the Risk Control Analysis and Tests of
Control carried out and the stage of completion of the remediation plans introduced, on a half-yearly basis. The assessment is completed by consolidating all of the results of the risk analyses and process control tests at Group level, identifying on the basis of qualitative and quantitative methodologies any anomalies in the control system to be reported to the pertinent corporate and governance structures and, where required by law, to the market.

8.8.3 Roles and Functions involved in the control model for financial reporting purposes

The following is an overview of the organization set up by the Bank to ensure that the system explained previously functions properly.

8.8.3.1 The Financial Reporting Manager

The Financial Reporting Manager defines and monitors the Model described in the preceding paragraphs using his own dedicated structure and, when necessary, making use of other corporate functions in order to:

- identify and formalise the processes, risks and controls that are considered sensitive for accounting and financial reporting purposes;
- verify the adequacy of the related processes and controls, making sure that the latter are effectively applied on an ongoing basis by the operating structures;
- define and monitor any corrective action to be taken;
- carry out a conclusive assessment of the control system for financial reporting purposes and its effective application, which allows him, together with the administration and control bodies, to issue the declarations to be attached to the financial statements and interim reports, certifying that they agree with the balances on the books of account and accounting entries.

The Financial Reporting Manager has adequate powers and instruments to carry out the activities mentioned above, in particular:

- he has his own staff that report to him and their specific objective is to support him in monitoring the internal control system for financial reporting purposes and in maintaining relations with the other corporate functions of the Parent Company and subsidiaries;
- he exercises a policy and coordination role for Group companies in administrative and accounting matters and monitors the internal control system for financial reporting purposes;
- he defines the communication flows versus the Corporate Bodies and exchanges of information with the Independent Auditors;
- in accordance with their respective missions and maintaining the necessary level of independence laid down in the reference legislation and corporate regulations, he collaborates with the other functions of the Bank in order to make as efficient as possible his assessment of the internal control system for financial reporting purposes and to obtain all of the information needed for this purpose.

8.8.3.2 The Financial Reporting Manager’s Staff

The Financial Reporting Manager’s Staff supports the Financial Reporting Manager in his policy activity and overall coordination at Group level on matters of control for financial reporting purposes. In particular:

- they analyse regulatory requirements and identify ways in which the model has to evolve;
- they assist the Manager by:
  (i) defining the guidelines and the scope of application of the model, identifying the processes with an impact on accounting and financial reporting and the related level of risk;
  (ii) planning the various activities involved in risk analysis and the tests of controls;
  (iii) carrying out the final assessment of the internal control system and its effective application, which makes it possible to issue the certifications required by law;
- performing the various activities involved in the assessment of risks and controls and the test of adequacy and effective application of the controls;
- defining the methods of summarising and evaluating risk for reporting the results of the activities involved in the assessment of risk and controls and the test of adequacy and effective application of the controls to permit overall consolidation of the evidence;
- supporting the corporate functions in charge of managing processes that have an impact on accounting and financial reporting in identifying the corrective action deriving from the tests, requiring opportune interventions, also with the help of the organization and IT functions;
- monitoring the effective implementation of the remediation plans;
- coordinating the summarised information for the Financial Reporting Manager and the Parent Company’s Corporate Bodies for periodic reporting of the stage of completion and preparation of the certifications.
8.8.3.3 Internal Auditing Department
In compliance with the principle of autonomy and independence from the other functions of the Bank, the Internal Auditing Department collaborates with the Financial Reporting Manager in order to:
- agree how they are going to exchange information of mutual interest;
- discuss critical areas found in the Group during internal audits, providing opinions on the adequacy of the various Group entities and any improvements that may be needed;
- evaluate together with the Financial Reporting Manager the methods of intervening in sensitive processes.

8.8.3.4 Organization Department
The Organization Department makes sure that the Financial Reporting Manager is able to publish and update company documents and regulations needed at Parent Company level, communicating the related guidelines for their application at Group companies. It coordinates with the Financial Reporting Manager’s Staff to identify the specific needs in terms of the mapping, updating and formalisation of the processes involved in accounting and financial reporting and to acquire important information deriving from the analysis of risk and controls carried out by his Staff.

8.8.3.5 Risk Management Department
The Risk Management Department supports the Financial Reporting Manager in defining the scope of application of the control model, identifying elements to be used in assessing the potential risk in its own area of risk management.

8.8.3.6 IT Department
The IT Department makes sure that the IT systems operate properly and that measures are adopted to safeguard the security and integrity of data and programs. It coordinates with the Financial Reporting Manager’s Staff to help the latter carry out the analyses and related tests on IT processes and automatic controls embedded in business and transversal processes.

8.8.4 Information flows and communications to corporate bodies
The internal control model used for financial reporting provides for a structured system of information flows and relations between the Financial Reporting Manager and the other corporate functions and companies of the Group, which put him in a position to know all of the data and information needed for financial reporting purposes. As part of this, the system provides for a flow of internal certifications from the subsidiaries to the Financial Reporting Manager at the time that the annual financial statements and half-year interim reports are being prepared, which confirm that their compliance.
- the administrative and accounting procedures and controls laid down by internal regulations for the preparation of accounting documents and any other communications of a financial nature;
- timely and complete reporting of all relevant information needed to give a true and fair view of the Group’s assets and liabilities, results and financial position.

As regards communications versus corporate bodies, every six months the Financial Reporting Manager provides the Corporate Bodies with:
- a report on his activities, any critical areas that have emerged and the action taken to resolve them;
- the results of the assessments of the internal control system used for financial reporting with a view to issuing the certifications required by law.

Lastly, the Financial Reporting Manager holds meeting and exchanges information with the Independent Auditors.

9. Interests of Management Board Members and related party transactions
As you know, the rules governing related party transactions aim to limit the risk that the proximity of certain people (so called “related parties”) to the company’s decision-making bodies might compromise the objectivity and impartiality of business decisions, with possible distortions in the resource allocation process, exposure of the company to risks which are not adequately measured or controlled and potential damage to the company and its stakeholders.

Ever since December 2002, following the introduction of the disclosure requirements of art. 71–bis of Consob’s Issuers’ Regulations applicable at that time and in compliance with the recommendations of the Code of Conduct of Listed Companies, the BPM Group
adopted specific and detailed internal procedures for related party transactions, which have subsequently been updated as a result of legislative changes.

In order to implement Article 2391–bis of the Italian Civil Code, Consob issued a special regulation entitled “Regulation on related party transactions” (see Consob resolution no. 17221 of 12 March 2010 and no. 17389 of 23 June 2010), after which Consob laid down specific instructions and application guidelines (Communication DEM/10078683 of 24 September 2010).

In this situation, Banca Popolare di Milano replaced the previous internal procedure and approved the “Regulation of the BPM Group on related party transactions and rules of conduct regarding the interests of directors and managers”, (it is being updated as a result of the adoption of the two–tier system of corporate governance) available in the “Governance” section of Bank’s website www.bpm.it, which should be read for details, and which in particular:

- identifies related parties of the BPM Group;
- lays down how related party transactions are to be handled and approved, differentiating between transactions of greater or lesser relevance and those that are exempt; in this context, it identifies the criteria of “relevance” to be applied and cases of exemptions in line with Consob’s guidelines;
- identifies rules with respect to transactions with related parties carried out by its subsidiaries;
- identifies the concept of “independent director” as defined in said regulation;
- defines the method and timing for which the information on related party transactions, together with any supporting documentation, is provided to the independent directors, who express an opinion on the related party transactions, as well as to the administration and control bodies, prior to approval, as well as during and after execution of such transactions;
- lays down the disclosure (and accounting) requirements as a result of entering into related party transactions.

The Bank then drew up suitable “implementation instructions” to accompany these “Guidelines”. These are designed to define certain aspects regarding the correct management of transactions with related parties, to optimise the monitoring and management of the positions of related party transactions by operators, as well as the relevant powers of authorisation.

In addition to the potential conflicts of interest that arise from the counterparty being a “related party”, there may be situations – in particular within the decision–making body and its members – where someone about to pass a resolution may find that they have an interest in the transaction, which by law would have to be declared.

In this respect the internal rules that govern transactions with related parties also define the code of conduct concerning the interests of corporate officers.

In particular, if one or more members have an interest, even potential or indirect in a transaction – an indirect interest being, for example, concerning close relatives of the Director or Statutory Auditor or a (direct or indirect) subsidiary or associated company of this member or close relatives – must promptly and fully inform the Management Board and Supervisory Board of any interest held, personally or on behalf of third parties, in a certain transaction in which the Company is involved, so that the other members can understand the full extent of these interests, regardless of whether there is a conflict of interest. In such cases, the Board’s resolution must adequately justify its decision and explain how the transaction benefits the company.

Once these information obligations of the director concerned have been fulfilled, without affecting their right to abstain if they consider it opportune, the Management Board evaluates according to the type and importance of the transaction, as well as the nature and extension of the relations existing with the counterparties, whether to request the director or statutory auditor to leave the meeting temporarily, as in the case when there has been declared or found the presence of a “personal” interest on the part of the officer (i.e. an interest of their own or of a close relative or of companies controlled by them, for example in the field of credit lines); also taking into account that if there is not a serious risk of altering the way in which the Board reaches its decision, the participation of the director in the discussion and possibly in the voting may be opportune as an element of “self–responsibilisation” with regard to transactions that the person concerned might know better than the other members (perhaps in intraGroup transactions involving a company where the person holds office).
10. Supervisory Board

The current Articles of Association govern in detail the composition, appointment, powers and functioning of the Supervisory Board, in accordance with the Bank of Italy's Governance Measures and the principles of the 2006 Code of Conduct, with regard to which the following should be noted.

With reference to the composition of this body, the Articles of Association provide for at least 5 Board Members who meet the Code’s independence requirements. Special requirements in terms of professional experience have also been established for Supervisory Board Members before they can take office and at least 3 of the Board Members have to be listed in the Register of Auditors.

With regard to the appointment procedure, the Articles of Association detail how the Supervisory Board is to be elected by means of voting lists; this voting mechanism ensures adequate representation of the various components of the shareholder base, reserving for minorities a significant level of representation on the Board (up to 6 Board Members) and, under certain conditions, the Articles also envisage the appointment of 2 Supervisory Board Members (out of a total of 6 assigned to minorities) by institutional investors and UCITS.

With reference to the powers and functions of the Supervisory Board, we would point out, inter alia, that:

(i) the Supervisory Board has not been given the task of strategic supervision according to art. 2409–terdecies.f–bis) of the Civil Code, a function that belongs exclusively to the Management Board under the current Articles of Association;

(ii) there is a particular mechanism for the appointment and dismissal of the Management Board by the Supervisory Board (providing there is a “qualified quorum”, i.e. a higher quorum than is normally required to pass resolutions), and a casting vote for the Board Members nominated by the “major shareholders” (undertakings for collective investment in transferable securities (UCITS) and the strategic partners of the BPM Group pursuant to art. 63 of the Articles of Association, Crédit Industriel et Commercial and Fondazione Cassa di Risparmio di Alessandria);

(iii) the provisions of the 2006 Code of Conduct with regard to the setting up of the Remuneration, Nominations and Internal Audit Committees are applied to the Supervisory Board. The composition and responsibilities of these committees are governed directly by the Articles of Association, including detailed instructions about the presence and significance of the votes cast by the Board Members nominated by the minorities and by the BPM Group’s strategic partners.

Details are as follows.

10.1. Appointment of Supervisory Board Members

The Supervisory Board consists of 17 Board Members (except as provided by art. 47 of the Articles of Association). Another one or two members can be appointed by the General Meeting, in accordance with Article 63 of the Articles of Association, to meet BPM’s commitments with Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial.

All members of the Supervisory Board have to satisfy the legal and regulatory requirements of professionalism, integrity and independence, as laid down in:

- art. 148, paragraph 3, CFA which establishes the independence requirement for the members of the Board of Statutory Auditors of listed companies; requirements which also apply to the members of the Supervisory Board under the provisions of art. 148, paragraph 4–bis, CFA;
- Regulation 161/98 of the Treasury, Budget and Economic Planning Ministry which establishes the requirements of integrity and professionalism for bank directors pursuant to art. 26 CBA;
- Regulation 162/2000 of the Ministry of Justice, which establishes the requirements of integrity and professionalism for members of the Board of Statutory Auditors of listed companies (including requirements that apply to the members of the Supervisory Boards of listed companies under the provisions of art. 1, paragraph 6–quater, CFA).

In any case, in addition to the legal and regulatory requirements of professionalism, integrity and independence for holding office, art. 47 of the Articles of Association require that:

(i) all of the members, including those appointed under art. 63 of the Articles of Association, must have at least three years’ experience, in Italy or abroad, of administration, management or control activities in banking, asset management or insurance, or management activities in other types of companies providing they have a turnover of more than 1 billion euro in the year prior to their election or shares traded on an Italian or foreign regulated market. Candidates can be elected without this experience as long as they are or have been full-time university professors of law or economics;
(ii) at least five of the members have to meet the independence requirements laid down in the Code of Conduct promoted by Borsa Italiana S.p.A.;

(iii) at least three members have to be chosen from persons listed in the Register of Auditors, who have worked in the field of auditing for not less than three years; these requirements and the one mentioned in point (ii) above may be satisfied by the same person;

Those who do not meet the requirements cannot be elected, and if they have been elected, they immediately fall from office. If a director no longer meets the requirements indicated in subparagraphs (ii) and (iii) above, this does not result in their disqualification, providing there are still enough members in office who meet the requirements.

Within 30 days of appointment, the Supervisory Board has to verify that each board member satisfies these requirements, in accordance with supervisory rules issued by the Bank of Italy, as well as the independence requirement pursuant to art. 148, para. 3, CFA; it also has to check that those who said at the time of their appointment that they met the independence requirements of the 2006 Code of Conduct do in fact have such requisites. The results of this verification are communicated to the public in accordance with the provisions of art. 144–novies, para. 1–a, Issuers’ Regulation, providing the information required by it and by the current “Instructions to the Regulations of Markets organised and run by Borsa Italiana S.p.A.” (in particular, art. IA.2.6.7).

In particular, note that – in compliance with the Bank of Italy’s Governance Instructions and in line with art. 47 of the Articles of Association – the Supervisory Board defines its ideal board composition with the support of the Nominations Committee, taking into account the need for its members to include persons:

- who are fully aware of the powers and obligations of the functions that each of them is expected to perform;
- who have expertise that is suitable for the role to be filled, also on any board sub-committees, and calibrated in relation to the operational characteristics and size of the Bank;
- with a variety of skills spread among all of the members, suitably diversified in such a way as to allow each of the members to help ensure effective governance of risks in all areas of the Bank, both on the sub-committees of which they may be part and in decisions that are taken collectively;
- who devote adequate time and resources considering the complexity of their role.

When the Supervisory Board comes to the end of its term of office, the results of these analyses are to be brought to the attention of the Members on a timely basis, so that the candidates to be included on the voting lists as per art. 47 of the Articles of Association can be selected taking into account the professional skills that are required.

The Supervisory Board, with the support of the Nominations Committee, verifies ex post the correspondence between the ideal composition and the actual one resulting from the appointments process.

Presentation and voting of lists of candidates

The election of members of the Supervisory Board at the General Meeting takes place by means of ballot forms based on lists of candidates presented by the Members, following the methods and terms laid down in art. 47 of the Articles of Association. To avoid the risk of refusal:

a) if a list is presented with a number of candidates equal to or higher than eleven, the list must contain at least five candidates who meet the independence requirements laid down in the Code of Conduct of Listed Companies approved by Borsa Italiana S.p.A., and at least three candidates who are listed in the Register of Auditors and have at least three years’ audit experience, subject to the possibility of overlapping;

b) if the number of candidates is lower than eleven and more than three, the list must contain at least two candidates who meet the independence requirements laid down in the Code of Conduct of Listed Companies approved by Borsa Italiana S.p.A., and at least one candidate who is listed in the Register of Auditors and has at least three years’ audit experience, subject to the possibility of overlapping.

Each list has to be presented by at least three hundred Members or otherwise by Members representing in total at least 0.5% of the share capital, who have been included in the Members’ Register for at least ninety days prior to the date set for the General Meeting at first calling and who can document their right to do so in the prescribed manner. UCITS may also submit a list, providing they hold at least 0.5% of the share capital and can document their possession at the time of submission of the lists in the prescribed manner.

Each Member or UCITS can only submit one list; if this rule is not complied with, the Member’s signature will not be taken into account for any candidate.
The lists of candidates, signed by those presenting them, have to be deposited at the Company’s head office at least thirteen days prior to the date of the General Meeting at first calling and have to be accompanied by each candidate’s curriculum vitae and the declarations by which they individually accept their candidacy and confirm, under their own responsibility, that there are no reasons for ineligibility or incompatibility, and that all or some of the Directors meet the requirements of law or of the Articles of Association to hold office.

Lists that are presented in ways that do not comply with these instructions or that do not follow subparagraphs a) and b) above will not be taken into consideration. However, irregularities that relate to individual candidates do not automatically lead to the exclusion of the entire list, but only of the candidates to whom the irregularities refer, providing the list to which they belonged still meets the requirements of subparagraphs a) and b).

Each candidate can only be included on one list; otherwise, the person will be considered ineligible.

In order to allow the Members to know in advance the names of the candidates and their professional profile, the lists of candidates, accompanied by the required documents: their CVs and related declarations, the list of members sponsoring them and the total percentage of share capital held, are made available at the head office of the Bank, at the offices of Borsa Italiana and on the Bank’s website (www.bpm.it) by the tenth day prior to the date of the General Meeting (see arts 144–octies and decies, Issuers’ Regulation).

**Voting procedures and criteria for allocation of Board Members to the various lists**

Given that each person entitled to vote can only vote for one list, the election of Board Members, the Chairman and Deputy Chairmen proceeds as follows.

If two or more lists have been submitted according to the above indications:

a) eleven Board Members are taken from the list that won the most votes, in the order in which they are listed, including at least two who meet the requirement of being listed in the Register of Auditors with three years’ experience in the field of auditing, and at least three who meet the independence requirements required by the Code of Conduct, subject to the possibility of overlapping;

b) the other Board Members are taken from the other lists (excluding those to be elected in accordance with Article 63 of the Articles of Association and except as provided in art. 47 herein for the submission of lists by UCITS). To this end, the votes obtained by these lists are subsequently divided by one, two, three, four, five and six. The results obtained from this division are then progressively assigned to the candidates on each of these lists, in the order in which they are listed. The results attributed in this way to the candidates on the various lists are then ranked all together in declining order: the candidates that are elected are those with the highest scores. In the event that several candidates have the same score, the one to be elected is the candidate on the list that has not yet elected any Board Member or that has elected the lowest number of Board Members. If lists have the same number of votes, and hence the same result, Board Members are attributed to the lists by drawing lots. If at the end of voting, and taking into account the Board Members elected in accordance with Article 63 of the Articles of Association and those taken from any lists submitted by UCITS, there have not been elected a sufficient number of Board Members who meet the independence requirement of the Code of Conduct promoted by Borsa Italiana S.p.A. and/or the requirement of being listed in the Register of Auditors with three years’ audit experience, the candidate with the lowest score who meets neither of the two requirements just mentioned will be excluded; the candidate excluded will then be replaced by the unelected candidate who, in the ranking, obtained the highest score and meets at least one of the requirements that are lacking; if necessary, this procedure will be repeated until the number of Board Members to be elected has been reached; if, having adopted this method, it was not possible to complete the number of Board Members to be elected, those that are missing will be elected as laid down in the last paragraph of art. 47 of the Articles of Association (see below);

c) the Board Member who features as the leading candidate on the list that won the highest number of votes is elected Chairman;

d) the second and third candidates on the list that won the most votes are elected Deputy Chairmen.

If only one list has received votes, the first seventeen candidates on that list get elected. The first, second and third candidates on the list are elected Chairman and Deputy Chairmen respectively.

If more than two lists are presented, including one by a UCITS, the latter will provide two members of the Supervisory Board, even if it has not obtained a sufficient number of votes for a candidate to be elected, providing it has obtained at least one hundred votes or, alternatively, that it has obtained a number of votes representing at least 2% of the share capital. As a consequence, this will exclude the two candidates that obtained the lowest scores in the ranking. If several UCITS present more than one list that obtains a number of votes that is not sufficient to elect a candidate, providing they obtain at least one hundred votes or, alternatively, that they have obtained a number of votes representing at least 2% of the share capital, the two members of the Supervisory Board are to be taken from the two of these lists that obtained a number of votes representing the higher percentage of share capital.
Pursuant to the last paragraph of art. 47 of the Articles of Association, if seventeen board members are not achieved, the members that are lacking are taken, where possible, from the first unelected candidates on the list that obtained the highest number of votes and who meet the requirements needed for the Supervisory Board to have the correct composition. If seventeen board members are still not reached even in the manner indicated above, the Supervisory Board will be deemed validly constituted, until the natural expiration of its term, providing it is composed of at least eleven members (without taking into consideration those appointed under Article 63 of the Articles of Association, if any) and they meet the requirements specified in the fifth paragraph of this article, failing this, the appointment has no effect and a General Meeting must again be called, without delay, to appoint the entire Supervisory Board.

Method of appointment of Supervisory Board Members as per art. 63 of the Articles of Association

Pursuant to art. 63 of the Articles of Association, even if this makes the total number of Board Members go over seventeen, the General Meeting appoints two Supervisory Board Members taken from the list that the Board has the right to present in order to fulfil the Bank’s commitments with Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial, for as long as the conditions for applying these agreements continue to exist.

To this end, the General Meeting passes resolutions with a relative majority in an open vote. The Board Members appointed under art. 63 of the Articles of Association have the same rights, powers and duties as any other member of the Supervisory Board and they have to meet the requirements of applicable laws and regulations to hold office, as well as the requirements of the Articles of Association.

Unless expressly stated otherwise, any reference in the Articles of Association to the number of members of the Supervisory Board, also for the purpose of calculating quorums for setting up the meeting or passing resolutions, is understood as referring to the number of members of the Supervisory Board including those appointed under art. 63 of the Articles of Association.

Procedure for replacing Members of the Supervisory Board

Pursuant to art. 48 of the Articles of Association, if a member of the Supervisory Board can no longer attend, for whatever reason, he has to be replaced by the first candidate not elected on the list to which the original member belonged, or, in the event that this is necessary to comply with the provisions of Article 47, by the next candidate on the same list who meets the requirements of the member who can no longer attend. If this proves impossible, the member of the Supervisory Board who can no longer attend will be replaced at the next General Meeting with a resolution passed by a relative majority, without any need for voting lists. The Board Members appointed as replacements remain in office up to the end of the period for which their predecessors were appointed.

On the other hand, a General Meeting has to be called without delay if as a result of resignations the Supervisory Board consists of less than eleven members (without taking into consideration those appointed under Article 63 of the Articles of Association).

If the Chairman or the Deputy Chairmen are no longer serving, assuming that the number of Board Members is reintegrated as envisaged previously, the procedure is as follows:

a) if it is the Chairman that is no longer serving, his functions are to be taken over by the more senior of the Deputy Chairmen in terms of age up to the next General Meeting that can elect a new Chairman;

b) if one or both of the Deputy Chairmen, are no longer serving, they have to be replaced at the next General Meeting;

c) if both the Chairman and the Deputy Chairmen are no longer serving, the Chairman’s function is to be taken by the Board Member who was elected in the majority list designated by the Supervisory Board.

Specific provisions are laid down in the event of termination or non-acceptance of the post by the Board Members under art. 63 of the Articles of Association, in which case, the Supervisory Board will proceed by co-option to ensure compliance with the agreements with the Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial. Board Members appointed in this way remain in office until the next General Meeting, which confirms them with a relative majority in an open vote on the proposal of the Supervisory Board.

Dismissal of Supervisory Board Members

Members of the Supervisory Board can be dismissed by the General Meeting at any time – by a resolution adopted with the majority required by law – without prejudice to their right to compensation for damages if the revocation took place without true and just cause.
10.2. Composition and role of the supervisory board (art. 123-bis, paragraph 2.d) CFA

The Supervisory Board currently in office was appointed for three years (2011–2013) by the General Meeting held on 22 October 2011, and will remain in office until the General Meeting to be held in 2014, as per art. 2364-bis. para. 2 of the Civil Code, to approve the 2013 financial statements.

The General Meeting of Members of October 2011 was called to appoint the seventeen Members of the Supervisory Board from the following five lists of candidates:

- **List 1**, with Ulrich Weiss as lead candidate, presented by UCITS no. 1 (Investindustrial IV L.P.), owner of 0.5% of the Bank’s share capital, with the following candidates: Ulrich Weiss, Stefania Chiaruttini, Cesare Piovene Porto Godi, Anna Maria Pontiggia and Roberto Spada.

- **List 2**, with Roberto Perotti as lead candidate, presented by UCITS no. 8 (Fideuram Gestions S.A. – Fonditalia Euro Financials; Fideuram Gestions S.A. – Fonditalia Euro Defensive; Fideuram Gestions S.A. – Fonditalia Flexible Europe; Fideuram Gestions S.A. – Fonditalia Fund Equity Europe; Fideuram Gestions S.A. – Fonditalia Equity Europe; Prima SGR; Pioneer Investment Management SGR.p.A. – Azionario Crescita; Pioneer Asset Management S.A.), together the owner of 0.88% of the Bank’s share capital, with the following candidates: Roberto Perotti, Lucia Calvosa and Francesca Cornelli.

- **List 3**, with Piero Lonardi as lead candidate, presented by 555 members (the list is published on the websites of the Bank and of Borsa Italiana), together the owner of 0.21% of the Bank’s share capital, with the following candidates: Piero Lonardi, Roberto Fusilli, Giovanni Massimello, Emilio Luigi Cherubini, Claudio Danelon, Maurizio Pisati and Guido Castoldi.

- **List 4**, with Filippo Annunziata as lead candidate, presented by 680 members (the list is published on the websites of the Bank and of Borsa Italiana), together the owner of 0.36% of the Bank’s share capital, with the following candidates: Filippo Annunziata, Umberto Bocchino, Giuseppe Coppini, Giovanni Bianchini, Francesco Giairetta, Mario Benito Mazzoleni, Maria Luisa Mosconi, Marcello Priori, Ezio Maria Simonelli, Michele Zefferrino, Maurizio Cavallari, Ruggiero Cafari Panico, Alberto Balestri, Maurizio Dallocchio and Guido Nori.

- **List 5**, with Marcello Messori as lead candidate, presented by 416 members (the list is published on the websites of the Bank and of Borsa Italiana), together the owner of 0.22% of the Bank’s share capital, with the following candidates: Marcello Messori, Carlo Dell’Aria, Mauro Paolini, Massimo Tizzano, Carmine De Robbio, Giovanna Nicodano, Alfredo Malguzzi, Massimo De Felice, Andrea Perrone, Raoul Pisani, Enrico Castoldi and Serenella Rossano.

Under art. 63 of the Articles of Association, the same General Meeting of Members was called upon to appoint another two candidates for the office of Member of the Supervisory Board presented by the Bank as indicated by Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial; They are: (i) Federico Fornaro (nominated by Fondazione Cassa di Risparmio di Alessandria); (ii) Jean–Jacques Tamburini (nominated by Crédit Industriel et Commercial).

These five lists of candidates and those under art. 63 of the Articles of Association, accompanied by the prescribed documentation, were made available to the general public at the Bank’s head office, at the offices of Borsa Italiana S.p.A. and on the Company’s website on 11 October 2011, and their publication was communicated by means of a press release on the same date.

Once the votes had been counted, the lists had achieved the following results:
- list no. 1 obtained 143 votes;
- list no. 2 obtained 27 votes;
- list no. 3 obtained 1,375 votes;
- list no. 4 obtained 4,246 votes;
- list no. 5 obtained 2,274 votes.

Therefore, applying the quotient system for the election of board members taken from the minority lists – considering that the same General Meeting appointed the two Supervisory Board Members pursuant to art. 63 of the Articles of Association – the voting list mechanism permitted the appointment, within the Supervisory Board, of eleven board members on the list that obtained the highest number of votes (list no. 4), four board members taken from two different minority lists (of which three taken from list no. 5 and the other from list no. 3) and two board members taken from the minority list presented by a UCITS (list no. 1).
The following is a full list of the board members elected as a result of the members’ voting at the General Meeting on 22 October 2011, indicating any specific positions held on the Board, the end of their term of office and their eligibility to qualify as independent directors pursuant to art. 3 of the 2006 Code of Conduct (as declared at the time the lists were presented).

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
<th>Date of leaving office</th>
<th>*</th>
<th>**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filippo Annunziata</td>
<td>Chairman</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Umberto Bocchino</td>
<td>Deputy Chairman</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Giuseppe Coppini</td>
<td>Deputy Chairman</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Giovanni Bianchini</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Maurizio Cavallari</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Stefania Chiaruttini</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Carlo Dell’Aringa</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Federico Fornaro</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Francesco Giaretta</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Piero Lonardi</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Mario Benito Mazzoleni</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Marcello Messori</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Maria Luisa Mosconi</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Mauro Paoloni</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Marcello Priori</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Ezio Maria Simonelli</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Jean-Jacques Tamburini</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Ulrich Weiss</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Michele Zifferino</td>
<td>Director</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
</tbody>
</table>

(*) Candidate qualified as independent under art. 3 Code of Conduct for Listed Companies [2006 version].

(**) Candidate declared that listed in the Register of Auditors and worked in the field of auditing for not less than three years.

(1) Taken from list no. 4, which gained a majority of the votes (4,246).
(2) Taken from list no. 5, which gained a minority of the votes (2,274).
(3) Member taken from list 3, which won a minority of the votes (1,375 votes).
(4) Taken from list no. 1, presented by UCITS (143).
(5) Appointed in accordance with art. 63 of the Articles of Association (Fondazione Cassa di Risparmio di Alessandria).
(6) Appointed in accordance with art. 63 of the Articles of Association (Crédit Industriel et Commercial).
(7) Board member replaced under art. 48 of the Articles of Association by Enrico Castoldi.

Subsequently, the Bank took note of the declaration of Marcello Messori that he did not accept the appointment; he was therefore replaced, under art. 48 of the Articles of Association, by Enrico Castoldi, a candidate taken from the same list (no. 5), who under the Articles of Association will remain in office – like the other members of the current Supervisory Board – until the date of the General Meeting to be held in 2014, as per art. 2364–bis, para. 2 of the Civil Code, to approve the 2013 financial statements.

On 22 November 2011, the Supervisory Board verified the requirements of professionalism, integrity and independence of its members. In this context, the Board took note of the declarations of the persons concerned and, based on the information at its disposal, checked that its members met the legal and regulatory requirements of professionalism, integrity and independence for holding office, including those of the Articles of Association, also taking note that the composition of the Board complies with the law and the Articles of Association.
The outcome of these assessments is summarised in the following table.

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
<th>Date of appointment</th>
<th>Date of leaving office</th>
<th>*</th>
<th>**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filippo Annunziata(1)</td>
<td>Chairman</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Umberto Bocchino(1)</td>
<td>Deputy Chairman</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Giuseppe Coppini(1)</td>
<td>Deputy Chairman</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Giovanni Bianchini(1)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Enrico Castoldi(2) (3)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Maurizio Cavallari(1)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Stefania Chiaruttini(4)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Carlo Dell'Aria(2)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Federico Fornaro(3)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Francesca Giaretta(1)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Piero Lonardi(2)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Mario Benito Mazzoleni(1)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Maria Luisa Mosconi(1)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Mauro Paoloni(3)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Marcello Priori(1)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Ezio Maria Simonelli(4)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Jean-Jacques Tamburini(4)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Ulrich Weiss(4)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Michele Zafferino(1)</td>
<td>Director</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>NO</td>
<td>NO</td>
</tr>
</tbody>
</table>

(*) Independent director as per art. 3 Code of Conduct 2006.
(**) Listed in the Register of Auditors with at least three years’ audit experience.
(1) Taken from list no. 4, which gained a majority of the votes (4,246).
(2) Taken from list no. 5, which gained a minority of the votes (2,274).
(3) Taken from list 3, which won a minority of the votes (1,375 votes).
(4) Taken from list no. 1, presented by UCITS (143 votes).
(5) Appointed under art. 63 of the Articles of Association (Fondazione Cassa di Risparmio di Alessandria).
(6) Appointed under art. 63 of the Articles of Association (Crédit Industriel et Commercial).
(7) Appointed under art. 48 of the Articles of Association (replacement mechanism).

In accordance with art. 144-decies, IR, as regards the members of the Supervisory Board in office at the date of this Report (reference should be made to the “Who we are” section of the Bank’s website for their CVs), the following is a summary of their personal and professional characteristics.

Filippo Annunziata: he graduated in Economics and Business Studies and qualified as a Chartered Accountant and Official Auditor. He is an Associate Professor of Financial Market Law at Bocconi University and a member of the steering committee of the “Paolo Baffi Centre” at the same university. He is a founding member of the “Annunziata e Associati” law firm. He acts as director and statutory auditor in various companies in the financial and industrial sectors.

Umberto Bocchino: he graduated in Economics and Business Studies and qualified as a Chartered Accountant and Official Auditor. Professor of Accounting at the Faculty of Economics of Turin University. He acts as director and statutory auditor in various companies in the financial and industrial sectors.

Giuseppe Coppini: he began his career at Banca del Monte di Credito di Pavia, subsequently holding various management positions at Banca Agricola Milanese (absorbed by BPM in 1997). Over the years, he has been on the Board of Directors of numerous companies belonging to the BPM Group. He is currently Chairman of the Board of Directors of SelmaBipiemme Leasing S.p.A. (Mediobanca Group) and Director of Cassa di Risparmio di Asti S.p.A..

Giovanni Bianchini: up until 2000, he worked for Banca Popolare di Milano in various management roles; he was a member of the Board of Directors of BPM and of other Group companies, including Banca di Legnano S.p.A..
Enrico Castoldi: Chartered Accountant and Official Auditor, he is, among other things, statutory auditor of various companies (including some belonging to the BPM Group).

Maurizio Cavallari: Adjunct Professor of “Banking Information Systems and Computer Science” at the Università Cattolica del Sacro Cuore of Milan and Visiting Lecturer at Oxford University (UK). In addition to teaching and researching, he is a member of the Board of Directors of several financial and industrial companies.

Stefania Chiaruttini: graduated in Economics and Business Studies, Chartered Accountant and Official Auditor, she holds positions of director and statutory auditor in various companies in the financial and industrial sectors.

Carlo Dell’Aringa: he graduated in Political Science and is Professor of Economics at the Cattolica University in Milan. He is the author of numerous publications and alongside his academic activity he has also carried out research assignments in the economic field.

Federico Fornaro: graduated in Political Science, he has held management positions in financial and industrial companies.

Francesco Giaretta: until 1995 he was employed by Banca Popolare di Milano, taking on positions of increasing responsibility. He has been a member of the Board of Directors of various companies in the BPM Group.

Pietro Lonardi: he graduated in Economics and Business Studies and qualified as a Chartered Accountant and Official Auditor; he is currently a Director in various real estate and finance companies. He was a director of BPM and of other Group companies.

Mario Benito Mazzoleni: he graduated in Economics and is an Associate Professor of Business Studies at the Università degli Studi of Brescia. In addition to his scientific and teaching activities, he has held numerous directorships in financial and industrial companies.

Maria Luisa Mosconi: she graduated in Economics and Business Studies and is a Chartered Accountant and Official Auditor. In addition to her professional work, she also acts as statutory auditor in various companies in the industrial and financial sectors.

Mauro Paoloni: graduated in Economics and Business Studies. Chartered Accountant since 1986. He has been listed in the Register of Official Auditors since 1993. He has been Professor of Applied Accounting at the University of Urbino since November 1992.

Marcello Priori: he graduated in Business Studies and is a Chartered Accountant; he acts as director and statutory auditor in various companies in the financial and industrial sectors. He has been a director of Banca Popolare di Milano Scarl and of other Group companies.

Ezio Maria Simonelli: graduated in Economics and Business Studies and is a Chartered Accountant, Official Auditor and journalist. He also acts as statutory auditor in several companies in industry and finance.

Jean–Jacques Tamburini: he is a graduate of the Institut d’Etudes Politiques di Paris and of the Etudes Supérieures de Droit and holds important administrative and management positions with various companies of the French Crédit Industriel et Commercial Group (CM–CIC).

Ulrich Weiss: he worked for the Deutsche Bank Banking Group until 1998, taking on positions of increasing responsibility. He has held directorships in various companies (including listed ones) operating in the financial and industrial sectors.

Michele Zefferino: he graduated in Political Science from Milan University and has spent his working life in BPM, taking on positions of increasing responsibility. He has been a Member of the Board of Directors of Banca Popolare di Milano and of the Boards of Directors of various companies in the banking and insurance sectors of the BPM Group.
Limits to the accumulation of offices

Board Members are individually responsible for assessing the conditions and time commitment needed to perform the duties deriving from their office with diligence, including their participation on Supervisory Board Sub-committees.

As regards the limits on the number of directorships and auditorships that the members of the Supervisory Board of the Bank can accept, the matter is governed by the law. The members of the Bank’s Supervisory Board are not allowed to hold or accept directorships or auditorships (or as members of management or supervisory boards) in more companies and other entities than as laid down in arts. 144-duodecies et seq. and Annex 5-bis of Consob’s Issuer Regulations, implementing art. 148-bis CFA (as amended). These regulations lay down detailed disclosure requirements for the positions held versus Consob, with compliance up to the individual members.

The appendix attached to this Report (table 2) gives the number of directorships or auditorships which the members of the Bank’s Supervisory Board hold in other companies.

Responsibilities and Functioning of the Supervisory Board

Responsibilities of the Supervisory Board

The Supervisory Board takes over some of the tasks that under the traditional system of corporate governance are the responsibility of the General Meeting of Members, such as the appointment and dismissal of members of the Management Board. The Supervisory Board also has the task of approving the separate and consolidated financial statements.

The Supervisory Board is vested with the control functions foreseen by law, being given all of the powers granted by law and the Articles of Association for this purpose.

The Supervisory Board has not been given the task of strategic supervision according to art. 2409-terdecies.f-bis) of the Civil Code, a function that belongs exclusively to the Management Board under the current Articles of Association.

Without prejudice to the additional mandatory powers foreseen in the Articles of Association and in provisions required by applicable laws or regulations, the Supervisory Board:

(i) approves the separate and consolidated financial statements prepared by the Management Board;
(ii) on the proposal of the Nominations Committee, appoints and dismisses the Members of the Management Board, as well as its Chairman; also determines, on the proposal of the Remuneration Committee, the compensation for Members of the Management Board, the Chairman of the Management Board, the MD & CEO and the Members of the Management Board who are assigned to sub-committees, or that have specific responsibilities, duties or powers;
(iii) initiates liability actions against the members of the Management Board;
(iv) performs the supervisory functions provided for in art. 149, first and third paragraphs, of Legislative Decree 58 of 24 February 1998, and in particular:
   - performs the control function by monitoring compliance with laws and the Articles of Association, respect for the principles of proper management, the adequacy of the Company’s organizational structure to carry out its duties, the system of internal control and the accounting system, including the fact that it can be relied on to present a true and fair view of the Company’s affairs;
   - supervises the methods of implementing the governance rules laid down in codes of conduct drawn up by companies that run stock markets or trade associations, which the Company has announced publicly that it has adopted;
   - supervises the adequacy of the instructions given by the Bank to its subsidiaries pursuant to art. 114, para. 2, CFA;
   - informs Consob without delay of any irregularities found during its supervisory activity and sends it the minutes of meetings and of any investigations that it has carried out, as well as any other relevant documentation;
(v) evaluates the efficiency and adequacy of the internal control system, particularly with regard to control over risk, the functioning of the Internal Audit Department and the accounting and reporting system: it also checks that the Bank, as the Parent Company, performs its strategic and management control activities properly over the other Group companies, cooperating with the corresponding bodies at the subsidiaries;
(vi) reports cases of maladministration to the Bank of Italy pursuant to art. 70, paragraph 7, CBA;
(vii) reports in writing to the General Meeting convened pursuant to Article 2364-bis of the Italian Civil Code about its supervisory activities and about omissions or reprehensible situations that may have been found; it also reports in writing to any other Meeting convened in ordinary or extraordinary session about matters that it considers within its competence;
(viii) makes reasoned proposals to the General Meeting on the appointment and revocation of the Independent Auditors;
(ix) expresses the compulsory but non-binding opinion with regard to the Financial Reporting Officer referred to in Article 154-bis
of CFA, the Head of Internal Control and the Compliance Officer, as well as the heads of the various corporate functions and structures that have control duties and responsibilities;

(x) approves, as required by applicable law, the remuneration policies for employees and collaborators who are not employees of the Bank;

(xi) expresses its non–binding opinion on the decisions of the Management Board referred to in subparagraphs h), t) and u) referred to in art. 39.2 of the Articles of Association, when required by the Management Board;

(xii) informs the Bank of Italy without delay of all acts or facts, of which the Board becomes aware during the exercise of their duties, which may constitute a management irregularity or a violation of the rules that govern the banking industry;

(xiii) establishes, in accordance with the current Articles of Association, the general guidelines that the Management Board has to follow in laying down procedures for the admission and exclusion of Members.

In the interests of a more efficient and functional exercise of the Supervisory Board’s powers of acquisition of information from Management Board Members under art. 151–bis of Legislative Decree 58 of 24 February 1998, as a rule, requests are addressed to the Chairman of the Management Board and to the Managing Director through the Chairman of the Supervisory Board or the Chairman of the Internal Control and Audit Committee. Any news has to be given to all members of the Supervisory Board.

The powers of inspection and control assigned to the Supervisory Board by art. 151–bis, para. 4, of Decree 58 of 24 February 1998 will be exercised by the Internal Control and Audit Committee pursuant to art. 52 of the Articles of Association. The Supervisory Board is entitled to provide information to the Internal Control and Audit Committee about the exercise of these powers. This Committee can also perform the functions mentioned in art. 19 of Decree 39/2010.

The Supervisory Board’s participation in meetings of the Management Board, pursuant to Article 2409–terdecies, paragraph 4, of the Civil Code, is restricted to members of the Internal Control and Audit Committee, at least one of whom must attend meetings of the Management Board.

Chairman of the Supervisory Board

With reference to the powers granted to the Chairman of the Supervisory Board, art. 54 of the Articles of Association provides that, subject to the additional duties provided by law and other provisions in the Articles, the Chairman:

a) coordinates the work of the Supervisory Board;

b) receive proposals from the Management Board concerning matters to be submitted to the Supervisory Board;

c) activates the information tools needed to monitor the accuracy and adequacy of the organizational structure and accounting system adopted by the Company and the Group;

d) maintains relations with the Management Board and, in particular, with its Chairman;

e) requests and receives information on specific aspects of the Company’s and Group’s operations and on their results, both current and forward–looking;

f) after consulting the Chairman of the Management Board, plans and oversees implementation of charitable initiatives and projects of public benefit by the Company and the Group, to be submitted to the Supervisory Board;

g) maintains relations with the Supervisory Authorities as part of the routine activities of the Supervisory Board;

h) exercises any other powers needed to perform his duties.

In the event of the absence or impediment of the Chairman of the Supervisory Board, one of the Deputy Chairmen performs his functions. In the absence or impediment of the Chairman and of the Deputy Chairmen, the meeting is chaired by the Board Member who has been in office the longest, or, in the case of a tie, by the oldest member.

How the Supervisory Board functions

In accordance with the provisions of law and the Articles of Association, at its meeting of 13 December 2011, the Supervisory Board adopted a specific set of regulations that govern, among other things, how the board is meant to function.

The Supervisory Board meets at least once every two months. Board meetings are called by the Chairman by means of a notice accompanied by a detailed agenda of the matters to be discussed, which has to be sent out at least one week prior to the meeting or, in an emergency, by telegram, fax, telex or similar method at least two days prior to the meeting.

A board meeting has to be called with the same amount of notice, indicating the matters to be discussed, on the request of at least five Directors, who in case of necessity can call the meeting themselves.
The Chairman coordinates the proceedings of the Supervisory Board and takes steps to ensure that all Board Members are provided with adequate information regarding the matters on the agenda. In particular, well in advance of board or committee meetings, each Board Member will be provided with the information needed for an effective, thorough and non–formal preparation for such meetings. During the course of board meetings, and within the ambit of the agenda, all Board Members have the right to ask for any clarification and information they deem necessary or appropriate for a complete evaluation of the matter to be decided.

Remote participation in meetings of the Supervisory Board is permitted through the use of appropriate equipment for audio–video and/or teleconferencing, providing that all those entitled to attend can do so and can be identified and that they are allowed to follow the meeting and to intervene in the debate in real time, as well as to receive, transmit or view documents, being in a position to review documents and to make decisions at the same time. In this case, the Supervisory Board is considered held in the place where the person chairing the meeting and the Secretary are located.

Pursuant to art. 49 of the Articles of Association, for Board resolutions to be valid, a majority of the Board Members currently in office has to be present at the meeting, including the Members mentioned in art. 63 of the Articles of Association, and resolutions are passed by an absolute majority of votes, though resolutions are considered approved even if the vote was split 50/50, providing the person chairing the meeting voted in favour of the motion.

At the time of board meetings, any Board Members who on their own account or for third parties have an interest in a particular transaction of the Bank have to provide timely and exhaustive information regarding the nature, terms, origin and extent of their interest.

Information Flows

In carrying out its duties, the Supervisory Board makes use of the information flows from the internal control functions and structures; internal audit reports on compliance, risk management and money laundering have to be sent directly by the heads of the respective functions to the Chairman of the Internal Control Committee and the Chairman of the Supervisory Board. The Chairman of the Supervisory Board ensures that such information is made available to the Supervisory Board at its next meeting.

The Supervisory Board receives the information mentioned in art. 150 CFA from the Management Board promptly and at least once a quarter.

The Bank’s “Regulation on Information Flows” – which is currently being updated – regulates the information flows (periodic or event–related, for individual transactions) that have to be received by the governing bodies from the various corporate functions and from control bodies of BPM Group companies.

In 2011, and in particular from 22 October to the end of 2011, the Supervisory Board held 6 meetings, lasting 3 hours and 40 minutes on average with an overall participation of 91.23% (the percentage attendance of each member is shown in table no. 2). In 2012, to date, there have been 8 Board meetings.

* * *

Self-assessment

Following the change in the governance system, the process of redefining the organizational and procedural structure is impacting, among other things, the procedures for carrying out the periodic self–assessment activities required by the Code of Conduct and the Supervisory Provisions issued by the Bank of Italy on assessing the fairness and efficiency of the governing bodies and their sub–committees, requiring these processes to be adjusted for the characteristics of the new structure. The Bank’s processes of periodic self–assessment are therefore still underway, with particular reference to the methods identified for performing them, as well as the profiles that are subject to review by the governing bodies.
10.3 Independent directors

The Supervisory Board, during the meeting of 22 November 2011, verified the professionalism, integrity and independence requirements of its members. As regards its members’ independence, the Supervisory Board carried out the verification with reference to art. 148, para. 3, of Legislative Decree no. 58/98 and the recommendations contained in the Code of Conduct for Listed Companies of 2006.

With reference to the independence requirements under art. 3 of the Code, the Supervisory Board took note that:
- no Board Member holds (directly, indirectly or through third parties) a sufficient number of shares that would allow them to exercise control or significant influence over the Bank, nor are any of them members of a shareholders’ agreement by which one or more persons could exercise control or significant influence over the issuer (Section 3.C.1.a);
- no Board Member holds directorships in subsidiaries (art. 3.C.1.b & f), given that this is prohibited by law;
- with reference to “commercial, financial and professional transactions” with the Bank and/or subsidiary companies carried out even indirectly by a Board Member (including with companies where they hold a key position), which could jeopardise their independence (art. 3.C.1.c), BPM considers particularly important, among other things, lines of credit between the Group and the Board Member (and/or companies controlled by them). In assessing the relevance of such dealings, we generally took into account the amount of the credit lines, bearing in mind the economic and financial situation of the individual Board Member and what they represented in proportion to the overall activities of the Bank and/or the Group;
- in the previous three-year period, no Board Member received significant supplementary remuneration in addition to the fixed emolument received as a director of BPM (art. 3.C.1.d);
- none of the Board Members is a partner or director of a company or entity belonging to BPM’s independent auditors or the same network (art. 3.C.1.g);
- as regards the application criterion of the Code (art. 3.C.1.) which, among other things, does not normally allow someone to qualify as an independent director if they have been an employee of the company in the last three years, the Bank considers it opportune – applying the principle of substance over form – to qualify as independent any director who is no longer an employee of the Bank (or Group company) for a period of time to be measured in 3 calendar years rather than financial periods.

In this connection – without prejudice to the fact that all of the Supervisory Board Members meet the independence requirements of art. 148, paragraph 3, CFA – based on the principles of the Code, the following 12 Members could be considered independent: Filippo Annunziata (Chairman), Umberto Bocchino and Giuseppe Coppini (Deputy Chairmen), Giovanni Bianchini, Enrico Castoldi, Maurizio Cavallari, Stefania Chiaruttini, Federico Fornaro, Maria Luisa Mosconi, Mauro Paoloni, Ezio Maria Simonelli and Ulrich Weiss.

According to the criteria adopted by the Supervisory Board, the other Board Members were not considered independent under the 2006 Code of Conduct for the following reasons:
- Carlo Dell’Aringa, Piero Lonardi and Jean-Jacques Tamburini have held key positions in the Bank during the last three years (as members of the Executive Committee);
- Francesco Giaretta and Michele Zafferino have held key positions during the last three years (as members of the Executive Committee) at strategic subsidiaries: Banca di Legnano S.p.A. and Cassa di Risparmio di Alessandria S.p.A., respectively;
- Mario Mazzoleni and Marcello Priori have held key positions during the last three years (as Chairman of the Board of Directors) at strategic subsidiaries: Bipiemme Private Banking SIM S.p.A. and ProFamily S.p.A., respectively.

Lastly, the Board Members who are considered independent under art. 3 of the Code have not yet found it necessary to meet in the absence of the other Board Members (art. 3.C.6., 2006 Code of Conduct).

10.4 Lead independent director

To date, the circumstances envisaged by the 2006 Code of Conduct for the appointment of a lead independent director have not yet materialised.
11. Supervisory Board Committees

In accordance with arts. 52 and 53 of the Articles of Association, the Supervisory Board is to set up the following sub-committees, determining their duties and how they are to function:

(i) Internal Control and Audit Committee;
(ii) Nominations Committee;
(iii) Remuneration Committee.

By resolution of 6 March 2012, the Supervisory Board has also set up a Related Parties Committee as required by Consob.

In accordance with the recommendations of the 2006 Code of Conduct (art. 5.C.1) and the relevant instructions of the Bank of Italy, at BPM all of the Committees with consultative, investigatory and propositional powers:

- include members who are considered independent under the Code of Conduct and are made up of between three and five members, in line with the tasks entrusted to them;
- they have a specific set of regulations, if necessary integrated or amended by another board resolution, that govern, among other things, their composition, mandate, powers and how they are meant to function;
- in carrying out their functions, they have the right to access any corporate information or function they may need to perform their duties; if necessary, they can also make use of outside consultants;
- if these Committees need resources for third-party consulting support or any other kind of activity connected with their function, it is up to the Board to make them available.

All meetings of each Committee, which can also be attended by non-members, if invited, are minuted and the minutes are filed in separate minute books.

Lastly, having said that BPM does not have any committees that simultaneously perform the functions of two or more committees (art. 5.C.1.c), we would also point out that the specific information required by the Code concerning each of them is available in later sections of this Report.

In fact, the Supervisory Board can set up other sub-committees required by applicable laws and regulations, laying down how they should function; it can also set up technical committees or commissions with a consultative role. In this context, the Supervisory Board has decided to set up specific sub-committees with investigatory and consultative powers, respectively, in the field of “Strategies and Budget” and “Charity.”

In addition, on 24 January 2012 the Management Board and the Supervisory Board – each for the matters within their competence – approved the adoption of the “Framework resolution for rules concerning the admission and handling of members” (see paragraph 17) which, among other things, establishes the “Members’ Relations Commission” made up of two members of the Management Board and the Chairman of the Supervisory Board, with investigatory powers in relation to applications for admission to Membership.
12. Nominations Committee

Duties
The Nominations Committee is responsible for selecting and proposing candidates for appointment to the Management Board and in the cases established by the Articles of Association and the Code of Conduct promoted by Borsa Italiana S.p.A. In particular, the Committee:

a) makes proposals to the Supervisory Board concerning the appointment and dismissal of the Chairman and other members of the Management Board;
b) can provide indications about the appointment of the MD & CEO;
c) can offer an opinion to the Supervisory Board regarding the size and composition of the Supervisory Board and Management Board, as well as on the professional figures whose presence on the Supervisory and/or Management Board is deemed appropriate;
d) carries out any other tasks assigned to it by the Supervisory Board.

In accordance with the Bank of Italy’s Note of 11 January 2012, the Nominations Committee also provides appropriate support to both the Supervisory and Management Board, by issuing opinions of a consultative nature on the following occasions:

(i) periodic self-assessments made by the respective governing bodies about their ideal composition in terms of quality and quantity,
(ii) ex-post reviews carried out by these bodies on the correspondence between the composition considered ideal from a quantitative and qualitative point of view (on completion of the self-assessment process) and the actual one resulting from the appointments process.

So, for the purposes mentioned in paragraphs (i) and (ii) above, the Nominations Committee also takes part in meetings of the Management Board and provides the necessary liaison with the Supervisory Board.

In accordance with the Bank’s “Regulation on Information Flows” (which is being updated), the Committee has adequate instruments to carry on its duties with information flows provided by the various relevant structures of the Bank. The Committee may request information to department and structures of the Bank and/or other Group companies. The Committee can also call on the services of external consultants within the terms and spending limits laid down by the Supervisory and/or Management Board, each according to their respective powers.

The Committee’s Regulations state that if a committee member has an interest in a particular matter being examined by the Committee, whether in his own right or on behalf of others, he has to declare it.

The Committee passes resolutions by a majority vote of its members, providing the votes in favour include those of the member elected from a list presented by UCITS and the member appointed under art. 63 of the Articles of Association.

Composition
The Nominations Committee is made up of five Members, including: (i) the Chairman of the Supervisory Board, who chairs the committee; (ii) a member selected from among those taken from the list submitted by UCITS (it being understood that if both the Board Members taken from these lists fail to vote in favour, the Board shall appoint a Board Member from the list submitted or voted by the UCITS that had the largest number of shares at the time the Supervisory Board voted); (iii) a member taken from the list submitted by the Supervisory Board pursuant to art. 63 of the Articles of Association (it being understood that if both the Board Members taken from these lists fail to vote in favour, the Board shall appoint a Board Member appointed by Fondazione Cassa di Risparmio di Alessandria or Crédit Industriel et Commercial, depending on which had the highest number of shares at the time the Supervisory Board voted, taking associated entities into account as well). The other members are taken unconditionally from within the Supervisory Board.

The majority of the members of the Nominations Committee have to meet the independence requirements foreseen in the Code of Conduct promoted by the Borsa Italiana S.p.A., as well as the additional independence requirements provided for by applicable laws and regulations.

On 26 October 2011, the Supervisory Board appointed the following people as members of the Nominations Committee: Filippo Annunziata (Chairman), Maria Luisa Mosconi, Ezio Maria Simonelli, Jean-Jacques Tamburini and Ulrich Weiss. Their term of office lasts for three years.
Subsequently, at the meeting on 22 November 2011, having checked the professionalism, integrity and independence requirements, the Supervisory Board noted that the composition of the Committee met the guidelines of the 2006 Code of Conduct and the provisions of art. 53 of the Articles of Association. The Committee is made up of a majority of board members who meet the independence requirements of art. 3 of the Code of Conduct (4 out of a total of 5 members) and in accordance with the provisions of art. 53 of the Articles of Association and in line with the Bank of Italy’s Governance Measures, the following are members of the Committee: (i) Filippo Annunziata, who chairs it; (ii) Jean–Jacques Tamburini, as a board member taken from the list presented under art. 63 of the Articles of Association, (iii) Ulrich Weiss, as a board member taken from the list presented by UCITS.

During the period October 2011 – January 2012, the Committee performed the duties delegated to it by the Articles of Association and the rules approved by the Supervisory Board on 13 December 2011. In particular, the Committee presented to the Supervisory Board its nominations for appointment to the Management Board and, having selected and examined various candidates, given its indications regarding the appointment of the Bank’s MD & CEO.

During 2011, and precisely from 26 October 2011 (date of appointment) to the end of the year, the Committee held 2 meetings, both properly minuted, lasting an average of 2 hours and 45 minutes, with an overall attendance of 80% (the attendance of each member is indicated in table 2 attached).

In 2012, it has held 3 meetings to date.

13. Remuneration committee

Duties
The Remuneration Committee is responsible for making proposals on the determination of remuneration in the cases established by applicable laws and regulations, the Articles of Association and the Code of Conduct promoted by Borsa Italiana S.p.A. In particular, the Committee:

a) has a consultative role in determining the criteria for the remuneration of employees as mentioned in the Bank of Italy’s “Supervisory Provisions concerning remuneration policies and practices and incentives in banks and banking groups” applicable at the time;

b) presents to the Supervisory Board proposals concerning the remuneration of the members of the Management Board, the Chairman of the Management Board, the MD & CEO and of Management Board Members who are assigned to Committees or Commissions, or who have been granted particular offices, duties or mandates;

c) submits to the Supervisory Board proposals concerning the establishment of performance objectives linked to any variable element of the Management Board’s compensation in accordance with the Bank of Italy’s guidelines on remuneration policies and practices and incentives in banks and banking groups applicable at the time;

d) expresses its opinion to the Supervisory Board on whether the Board should approve the remuneration policies and the policies relating to the adoption of incentive systems for employees and collaborators who are not employees of the Bank. If requested by the Supervisory Board, the Committee assists the Board in defining these remuneration policies;

f) ensures proper implementation of the rules on the remuneration of the heads of internal control functions, in close collaboration with the Internal Control and Audit Committee;

g) prepares the documentation to be submitted to the Management Board for its decisions regarding remuneration, monitoring and verifying implementation of such decisions, in particular, the effective achievement of performance objectives, as well as the fact that the incentives that underlie the remuneration system are consistent with management of the risk, capital and liquidity, so that it is ensured that the incentive systems are properly adjusted to take account of all the risks assumed by the Bank, using methods that are consistent with those that the Bank uses to manage risk for domestic regulatory purposes;

h) expresses its opinion, also on the basis of the information received from the relevant company departments, on the achievement of the performance objectives to which the incentive plans are linked and on the fulfillment of other conditions for the payment of remuneration;

i) ensures the involvement of the pertinent corporate functions in the process of preparing and monitoring of remuneration policies and practices;

j) provides adequate feedback on its activities to the governing bodies, including the General Meeting of the Members;

k) makes recommendations and gives general advice on remuneration to the Supervisory and Management Boards;

l) works together with the other Supervisory Board sub-committees;
m) evaluates periodically – at least every six months – the adequacy, overall consistency and practical application of the general policy for the remuneration of the Management Board (with particular emphasis on its executive members and those with special duties) and managers of the Bank with strategic responsibilities, using the information provided by the Management Board in the latter case;

n) assists the Supervisory Board and the Management Board, each according to the respective functions, in supervising, monitoring and updating the rules and principles underlying the Group’s remuneration policies, so as to ensure compliance with the Supervisory Instructions issued from time to time by the Bank of Italy, as well as with the dispositions of law and regulations in force at the time;

o) carries out any other tasks assigned to it by the Supervisory Board.

Committee meetings have a quorum when it is attended by a majority of its members and resolutions are passed by a majority of those present.

In accordance with the Bank’s “Regulation on Information Flows”, the Committee has adequate instruments to carry on its duties with information flows provided by the relevant structures of the Bank. In any case, it is entitled to request information from the functions and structures of the Bank or other Group companies. The Committee can also call on the services of external consultants within the terms and spending limits laid down by the Supervisory and/or Management Board, each according to their respective powers.

The Committee’s Regulations state that if a committee member has an interest in a particular matter being examined by the Committee, whether in his own right or on behalf of others, he has to declare it.

Composition

The Remuneration Committee consists of five members, including: (i) the Chairman of the Supervisory Board, who chairs the committee; (ii) a member selected from among those taken from a list other than that of the majority and different from those submitted by UCITS or by the Supervisory Board pursuant to Article 63 of the Articles of Association (it being understood that if the Board Members taken from these lists fail to vote in favour, the Board shall appoint the most senior of them); (iii) a member selected from among those taken from the list submitted by UCITS or by the Supervisory Board pursuant to Article 63 below (it being understood that if the Board Members taken from these lists fail to vote in favour, the Board shall appoint a Board Member who represents the shareholders with the largest number of shares, based on the same criteria as mentioned previously for the Nominations Committee). The other members are taken unconditionally from within the Supervisory Board. The majority of the members of the Remuneration Committees have to meet the independence requirements foreseen in the Code of Conduct promoted by the Borsa Italiana S.p.A., as well as the additional independence requirements provided for by applicable laws and regulations.

On 26 October 2011, the Supervisory Board appointed the following people as members of the Remuneration Committee: Filippo Annunziata (Chairman), Enrico Castoldi, Giuseppe Coppini, Mario Benito Mazzoleni and Jean–Jacques Tamburini. Their term of office lasts for three years.

Subsequently, at the meeting on 22 November 2011, having checked the professionalism, integrity and independence requirements, the Supervisory Board noted that the composition of the Committee met the guidelines of the 2006 Code of Conduct and the provisions of art. 53 of the Articles of Association, considering that it is made up of a majority of board members who meet the independence requirements of art. 3 of the Code of Conduct (3 out of a total of 5 members) and in accordance with the provisions of art. 53 of the Articles of Association and in line with the Bank of Italy’s Governance Measures, the following are members of the Committee: (i) Filippo Annunziata, who chairs it; (ii) Jean–Jacques Tamburini, as a board member taken from the list presented under art. 63 of the Articles of Association, (iii) Enrico Castoldi, as a board member taken from the list presented by UCITS and by the Supervisory Board as per art. 63 of the Articles of Association. It is also worth pointing out that, in line with the Principle 7.P.3 of the 2006 Code of Conduct, two members of the Committee, namely Filippo Annunziata (Chairman) and Enrico Castoldi, have adequate knowledge and experience in accounting and financial matters.

During the period October 2011 – March 2012, the Committee performed the duties delegated to it by the Articles of Association and the rules approved by the Supervisory Board on 13 December 2011. In particular, the Committee makes proposals to the Supervisory Board regarding the remuneration of the members of the Management Board and expresses its opinion regarding the approval by the Supervisory Board of the “document on remuneration policies”, which also contains the Remuneration Report as per art. 123-ter, CFA (available on the Bank’s website: www.bpm.it).
In 2012, the Committee has to date held 6 meetings, all properly minuted, lasting an average of 1 hour and 30 minutes, with an overall attendance of 84%.

### 14. Internal control and audit committee

**Duties**

The Committee is the instrument through which the Supervisory Board performs its control functions; the Committee has to respond to it with up-to-date and timely information. The Internal Control and Audit Committee is an ongoing point of reference for the Company’s organizational structures that perform control functions; it receives periodic information from these structures about specific situations or trends in the Company. Within the Supervisory Board’s sphere of competence the Committee has propositional, consultative and investigatory functions, also giving its opinion when this is foreseen by the law or by the Articles of Association, and supporting the Supervisory Board in the performance of the supervisory activities assigned to it.

In particular, the Committee Rules approved by the Supervisory Board on 13 December 2011 provide that:

a. the Committee monitors (pursuant to art. 19 of Decree 39/2010): (i) the financial reporting process; (ii) the effectiveness of the systems of internal control, internal audit (if applicable) and risk management; (iii) the audit of the separate and consolidated financial statements; (iv) the independence of the Independent Auditors, especially as regards performing non-audit services for the Bank;

b. it promptly informs the Supervisory Board of any significant act or fact under art. 52 of Decree 385 of 1 September 1993 and on any report or complaint made to the competent organs or authorities;

c. using of the pertinent structures (Internal Audit and Compliance), it can at any time carry out inspections and controls, also on the recommendation of the Supervisory Board, and can exchange information with the supervisory bodies of BPM Group companies on their administration and control systems and general business trends;

d. it is heard by the Supervisory Board on the proposed appointment of the auditors that it will make to the General Meeting;

e. it is heard by the Supervisory Board with regard to the opinion that the Board gives to the Management Board on the appointment of the Financial Reporting Manager, the heads of the internal control and compliance functions, and with regard to the heads of corporate functions and structures with control duties and responsibilities;

f. it assists the Supervisory Board in assessing the degree of efficiency and adequacy of the internal control system and related Group procedures, with particular attention to risk control, the functioning of internal audit and the accounting and reporting system, bringing the results of their checks to the attention of the Supervisory Board on a timely basis; in the event of weaknesses or anomalies, it must promptly inform the Supervisory Board by making proposals to it on the matters in question, including requests and proposals of recommendations to be made to the Management Board for the adoption of appropriate measures. It promptly informs the Supervisory Board about resolutions or initiatives taken by the Operational Management Committee that are not consistent with the objectives of capital allocation and the levels of risk and liquidity needed to finance the business;

g. it examines the monthly reports prepared by the Financial Reporting Manager in support of the legal certifications;

h. it monitors the effectiveness of the audit process, exchanging information with the auditors, also in accordance with art. 150, para. 3, CFA, and any data relevant to the performance of their duties;

i. it examines the periodic reports sent in by the heads of internal control functions, as well as the reports on specific situations or on business trends, adding observations to the Supervisory Board and making proposals to it on the matters in question; in the event of weaknesses or anomalies, it must promptly inform the Supervisory Board by making proposals to it on the matters in question, including requests and proposals of recommendations to be made to the Management Board for the adoption of appropriate measures;

j. it assesses any remarks contained in the reports received by the Head of Controls and the Compliance Department, as well as the reports about specific situations or business trends. It makes observations and submits to the Supervisory Board any proposals, including any proposals for recommendations to be addressed to the Management Board for the adoption of appropriate operational measures;

k. it assesses, with the support of the Bank’s Corporate Social Responsibility structure and, possibly, the internal audit function, compliance with the principles and values contained in the Bank’s Code of Ethics and Charter of Values and Commitments;

l. with the support of the relevant structures of the Bank, it collaborates with the Supervisory Board in preparing the report to be submitted to the General Meeting on the supervisory activities carried out, and on any omissions and wrongful acts found, as well as any other reports that the Supervisory Board is required to make to the General Meeting;

m. it reports periodically to the Supervisory Board on its activities and on the adequacy of the internal control system;
n. it supports and assists the Supervisory Board with regard to its supervision activities according to the Articles of Association and the law (or regulations) in force at the time;
o. it carries out any other tasks assigned to it by the Articles of Association, by the law (or regulations) and by the Code of Conduct, as well as any tasks assigned to it by the Supervisory Board.

At least one of the members of the Committee has to attend meetings of the Management Board. This participation must take place with the physical presence of the Committee member(s) at the meeting; participation by means of appropriate audio–video conferencing and/or teleconferencing equipment, in accordance with the terms of art. 6.1., can therefore only occur under exceptional circumstances, in the event of emergency meetings or other situations which make it objectively impossible for one or more members to be physically present at the meeting. The Committee, through its Chairman or another member designated from time to time, informs the Supervisory Board about significant matters that emerged during the meetings of the Management Board at the next meeting of the Supervisory Board; when required for reasons of urgency, the Chairman of the Committee informs the Chairman of the Supervisory Board that it would be a good idea to hold a special meeting of the Supervisory Board or to update the agenda if a meeting has already been convened.

The Committee, making use of the pertinent structures, may at any time carry out inspections and controls, also on the recommendation of the Supervisory Board, and can exchange information with the supervisory bodies of Group companies on their administration and control systems and general business trends.

The Internal Control and Audit Committee is an ongoing point of reference for the Company’s organizational structures that perform control functions; it receives periodic information from these structures about specific situations or trends in the Company and informs the Supervisory Board on any relevant act or fact as per Article 52 of the CBA.

In accordance with its Regulation, the Internal Control Committee meets frequently enough to make sure that it can carry out its functions effectively. The Chairman of the Internal Control and Audit Committee is entitled to invite to meetings representatives of all relevant structures of the Bank to report on the agenda items; he can also make use of external consultants within any terms and spending limits established by the Supervisory Board. In this regard, the Chairman of the Committee can send specific requests in the name and on behalf of the Committee. Moreover, when carrying out its duties, the Committee can – already at the investigatory stage – ask through the Chairman for the collaboration of the functions and structures of the Bank or of other Group companies.

In accordance with the Bank’s “Regulation on Information Flows”, the Committee has adequate instruments to carry on its duties with information flows provided by the relevant Bank’s structures. In any case, it is entitled to request information from the functions and structures of the Bank or other Group companies. The Committee can make use of external consultants within any terms and spending limits established by the Supervisory Board.

The Committee’s Regulations state that if a committee member has an interest in a particular matter being examined by the Committee, whether in his own right or on behalf of others, he has to declare it.

Composition
The Internal Control and Audit Committee is made up of five members of the Supervisory Board. At least four members of the Internal Control and Audit Committee have to meet the independence requirements foreseen in the Code of Conduct promoted by Borsa Italiana S.p.A., as well as the additional independence requirements provided for by applicable laws and regulations. At least three members have to be listed in the Register of Auditors and have to have at least three years’ audit experience. At least one member must be a Board Member elected from a list other than that of the majority and different from those submitted by UCITS or by the Supervisory Board pursuant to art. 63 of the Articles of Association (it being understood that if the Board Members taken from these lists fail to vote in favour, the Board shall appoint the most senior of them). At least one member must be a Board Member elected from a list submitted by UCITS (it being understood that if both the Board Members taken from these lists fail to vote in favour, the Board shall appoint a Board Member from the list submitted or voted by the UCITS that had the largest number of shares at the time the Supervisory Board voted). Lastly, at least one member must be a Board Member taken from the list submitted by the Supervisory Board pursuant to art. 63 of the Articles of Association (it being understood that if both the Board Members taken from these lists fail to vote in favour, the Board shall appoint a Board Member appointed by Fondazione Cassa di Risparmio di Alessandria or Crédit Industriel et Commercial, depending on which had the highest number of shares at the time the Supervisory Board voted, taking associated entities into account as well). If there are no Board Members taken from the
lists submitted by UCITS or by the Supervisory Board pursuant to art. 63 of the Articles of Association, the number of members of the Internal Control and Audit Committee to be chosen from the other minority lists increases correspondingly. The Chairman of the Internal Control and Audit Committee is chosen from among the members listed in the Register of Auditors. The Supervisory Board can replace members of the Internal Control and Audit Committee by a suitably motivated resolution. In the event of termination of a Member for whatever reason, he will be replaced by the Supervisory Board in accordance with the rules laid down in its Regulations.

On 26 October 2011, the Supervisory Board appointed the following people as members of the Internal Control and Audit Committee: Umberto Bocchino (Chairman), Stefania Chiaruttini, Federico Fornaro, Mauro Paoloni and Marcello Priori. Their term of office lasts for three years.

Subsequently, at the meeting on 22 November 2011, having checked the professionalism, integrity and independence requirements, the Supervisory Board noted that the composition of the Committee met the guidelines of the 2006 Code of Conduct and the provisions of art. 52 of the Articles of Association, considering that it is made up of a majority of board members who meet the independence requirements of art. 3 of the Code of Conduct (4 out of a total of 5 members) and 4 members listed in the Register of Auditors with at least three years’ audit experience, including the Chairman. Moreover, in accordance with the provisions of art. 53 of the Articles of Association and in line with the Bank of Italy’s Governance Measures, the following are members of the Committee: (i) Federico Fornaro, as a board member taken from the list presented under art. 63 of the Articles of Association, (ii) Stefania Chiaruttini, as a board member taken from the list presented by UCITS, (iii) Mauro Paoloni, as a board member taken from a list other than those mentioned above and from the majority list.

During 2011, and precisely from 26 October 2011 (date of appointment) to the end of the year, the Committee held 7 meetings, all properly minuted, lasting an average of 2 hours, with an overall attendance of 91.43% (the attendance of each member is indicated in table 2 attached). During this period, the Internal Control and Audit Committee has:

- met with the Head of the Audit Function, the Chief Risk Officer, the Head of the Compliance Function and the Risk Manager;
- discussed the audit approach in detail with the Head of Internal Audit;
- received and considered the information flows received from the Internal Audit Department and the Compliance Function;
- followed the work on preparation of the Regulations governing the Committee’s activities;
- examined the Business Continuity Plan in the event of an emergency and received information about the tests performed during the period;
- examined, together with the Supervisory Board, the stage of completion of the initiatives on anti-money laundering and established an information flow to this body for the timely exchange of information relevant to the performance of its duties;
- reported on its activities to the Supervisory Board.

Up to now, 15 meetings have been held in 2012 (up to the date of approval of this report) and based on available information, another 40 meetings are scheduled for the rest of the year. During this period the Internal Control and Audit Committee has:

- prepared a work plan to organise its activities;
- monitored the status of implementation of the corrective measures to resolve the matters raised by the Bank of Italy’s inspectors;
- received information on the proposed rationalization of the second-level control functions;
- met the Independent Auditors Ernest & Young and the heads of the audit and compliance functions at certain subsidiaries;
- carried out a detailed review of the “New model for the financial advisory service” and obtained an update from the Compliance Function, on the checks performed on the investment advisory service and on implementation of the measures adopted and communicated to Consob.

To date, the Committee has not made use of external consultants to carry out its duties.
15. Related parties committee

Duties
The Committee performs the duties assigned to it by the Regulation on Related Party Transactions and Rules and the BPM Group’s own rules on related parties, especially on the issuance of opinions and, if applicable, to the Committee’s involvement in the negotiation phase and the initial investigation; it also performs other tasks as assigned by the Supervisory Board.
In this regard, please refer to the “Regulation of the BPM Group on related party transactions and rules of conduct regarding the interests of directors and managers”, which can be found on the Bank’s website (www.bpm.it).

Composition
The Committee consists of a minimum of 3 and a maximum of 5 Members of the Supervisory Board. It is up to the Supervisory Board to determine the actual number of Members, as well as to appoint and dismiss them, including the choice of who is to chair the Committee. The Committee remains in office for three years, unless the Supervisory Board decides on a different term, and expires on the date of approval of the last financial statements covered by their mandate.
Members that have an interest as a related party in a transaction that has to be approved do not take part in the Committee meetings making the decisions, and:
(i) if the Regulation on Related Party Transactions require the intervention of a committee made up entirely of independent directors, Members who fail to meet the independence requirements of the Code will not be called upon to serve on the Committee. If, as a result of applying these criteria, the Committee has less than three unrelated, independent Members, the independent and unrelated Members of BPM’s Remuneration Committee will be called upon to join the committee (in order of age, starting from the eldest), until a committee of three independent and unrelated Members has been formed;
(ii) if the Regulation on Related Party Transactions requires the intervention of a committee with a majority of independent Members, the above criteria of composition and integration apply – if necessary and to the extent compatible – until a committee made up of at least three unrelated Members is formed, the majority of them independent.

For attending committee meetings, the Members are only entitled to the attendance fee established by BPM’s General Meeting.

In the event of termination of a Member for whatever reason, he will be replaced by the Supervisory Board.
On 6 March 2012, the Supervisory Board appointed the following as Members of the Related Parties Committee until approval of the 2013 financial statements: Giuseppe Coppini (Chairman of the Committee), Federico Fornaro and Ezio Simonelli.
16. Remuneration of the Supervisory Board Members

The Articles of Association require the General Meeting to establish the remuneration of the Members of the Supervisory Board, including the remuneration of those with specific responsibilities in accordance with these Articles of Association. The General Meeting also approves the remuneration policies for the Members of the Supervisory Board, as required by applicable law and the Bank of Italy’s Supervisory Provisions in force at the time.

The Ordinary General Meeting of Members of 22 October 2011 established the remuneration of the Supervisory Board for the three years 2011–2013, in accordance with art. 50 of the Articles of Association, as follows:
- Euro 50,000 gross for each member of the Supervisory Board;
- and the following amounts, in addition to the above, for the Members with specific responsibilities in accordance with the Articles of Association:
  - Euro 150,000 gross for the Chairman,
  - Euro 80,000 gross for each Deputy Chairman,
  - and in addition
  - Euro 60,000 gross for the Chairman of the Internal Control and Audit Committee;
  - Euro 30,000 gross for each Member of the Internal Control and Audit Committee;
- all of this, plus reimbursement of any out-of-pocket expenses incurred, and the award of an attendance fee, which is not cumulative if several meetings are held on the same day, of Euro 450 gross for attending each meeting of the Supervisory Board, Management Board, Internal Control and Audit Committee, Nominations Committee, Remuneration Committee and other Board Sub-committees, technical committees, and commissions with consultative roles, if established under art. 53, last paragraph, of the Articles of Association.

In this regard, note that the Supervisory Board does not have any variable element of remuneration, in compliance with the Bank of Italy’s Governance Measures.

Detailed information on the remuneration of members of the Supervisory Board is provided in the Remuneration Report pursuant to art. 123-ter, CFA, which is available on the Bank’s website (www.bpm.it).

17. Relations with Shareholders and Members

In the interests of a constant dialogue with the shareholders in general, and with institutional investors in particular and in order to comply with its required reporting requirements, the Bank makes use of an Investor Relator function, a position created in May 2001. The main task of this person is to manage relations with institutional, domestic and international investors, rating agencies and financial analysts in order to ensure a constant, timely and transparent flow of information on the Group’s performance and strategies.

A separate section of the Bank’s website (www.bpm.it) is currently devoted to “Investor Relations” with a view to ensuring timely information for the market and facilitating access to information by institutional investors. This section provides a wide range of constantly updated financial and other documents concerning the Bank.

There is also a special e-mail address – investor.relations@bpm.it – allowing financial analysts and institutional investors to request information on the BPM Group’s strategy, financial information and results.

As regards relations with Members (also structured into a specific function of the Bank, the “Members’ Sector”) and the ways in which the qualification of Member is acquired, please read art. 11 of the Articles of Association, which states that:

The status of member is acquired through subscription to newly-issued shares, or through the purchase or inheritance of existing shares. Prospective members must in any case apply to the Management Board in writing, according to the methods and terms laid down by the Board.

Resolutions to approve or reject applications for membership are taken by the Management Board following the guidelines laid down by the Supervisory Board. They have to be taken within sixty days of the application being submitted; they have to be motivated, bearing in mind the Bank’s interests, the rules embodied in these articles and the spirit of the co-operative principle; they also have to be notified to the person concerned within ten days. If no decision is taken to approve or reject an application within sixty days of it being submitted, it is considered accepted.
The Management Board must reconsider an application for membership when requested to do so by the Arbitration Committee established under these articles, supplemented by a representative of the prospective member. A request for reconsideration must be submitted within thirty days of communication of the resolution for rejection. The Arbitration Committee must announce its findings within twenty days of receiving the request for reconsideration.

Those whose applications for membership have been refused by the Management Board continue to exercise the rights relating to the shares that they hold, subject to the current limits on ownership of interests in cooperative banks.

On 24 January 2012 the Management Board and the Supervisory Board – each for the matters within their competence – approved the adoption of the “Framework resolution for rules concerning the admission and handling of members” [said document is available on the Bank’s website].

At 31 December 2011, there are 55,500 Members; in addition there are 57,015 Shareholders not recorded in the Members’ Register, for a total of 112,515 names.

18. General meetings (as per art. 123–bis, paragraph 2.c), CFA

The General Meeting represents all Members and takes on a central role in company life, being the fundamental moment in the relationship among Members and between the Members and the administration bodies, especially in listed companies and even more so in co-operatives (where the individuality of the Member and his relationship with the company are of particular importance when contact is made at General Meetings).

General meetings are called, according to the rules laid down in current legislation, by publishing a notice of calling in the “Official Gazette” or in “Il Sole 24 Ore”, a financial newspaper, pursuant to art. 28 of the Articles of Association. The notice of calling has to be published in any case in two daily newspapers with nationwide distribution to ensure that the Members are adequately informed.

The notice of calling has to specify: a) the day, time and place of the Meeting; b) the matters to be discussed, including any proposals by Members, as per art. 25 of the Articles of Association; c) the day, time and place of the Meeting at second calling, if required, as per art. 30 of the Articles of Association.

An Ordinary General Meeting has to be called at least once a year, without 120 days from the end of the financial year, at the Company’s head office or in another place indicated in the notice of calling, providing it is in Italy. Pursuant to art. 26 of the Articles of Association, the Ordinary General Meeting:

a) appoints and dismisses the members of the Supervisory Board, establishes their remuneration and elect its Chairman and two Deputy Chairmen;

b) decides on the responsibility of the members of the Supervisory Board and, pursuant to Article 2393 and Article 2409–decies of the Civil Code, also on the responsibility of the members of the Management Board, without prejudice to the concurrent powers of the Supervisory Board;

c) decides on the distribution of profits, after presentation of the separate and consolidated financial statements, if approved by the Supervisory Board; if they have not been approved by the Supervisory Board, the Ordinary General Meeting decides on the distribution of profits at the same time as it approves the separate financial statements;

d) appoints and dismisses the Independent Auditors on the basis of a reasoned proposal on the part of the Supervisory Board;

e) appoints the Arbitrators;

f) approves the Regulations for General Meetings;

g) approves the remuneration policies for the members of the Management Board and Supervisory Board, as required by applicable law and the Supervisory Provisions in force at the time;

h) decides on other matters delegated to it by law or the Articles of Association.

With regard to point b), the Articles of Association do not allow the General Meeting to approve the financial statements if this is requested by at least one third of the members of the Management Board or Supervisory Board; this power is given in the event that the financial statements are not approved by the Supervisory Board.

In addition, with reference to the determination of the remuneration of the Supervisory Board Members, art. 50 of the Articles of Association provides that the General Meeting determines the remuneration of the members of the Supervisory Board, including the remuneration of those with specific responsibilities in accordance with the Articles of Association.

An Extraordinary General Meeting has to be called whenever required by law and shall act in accordance with art. 27 of the Articles of Association, on matters in its sphere of competence, including any increase in capital when the issue of new shares is not done in the ordinary way.
In any case, a General Meeting has to be called without delay after receiving a written request, with authenticated signature, also by an officer of the Company, indicating the topics to be discussed, made by at least 2,000 Members entitled to vote as of the date that the request is presented.

General meetings are called by the Management Board and can also be called by the Supervisory Board or, according to art. 151–bis, CFA, by at least two of its Members, one of whom is a member of the Internal Control and Audit Committee.

The General Meeting, whether ordinary or extraordinary, is validly constituted and has a quorum at first calling when at least one tenth of the Members are present, even in those cases where the law requires a special majority. At second calling, the General Meeting is validly constituted and has a quorum however many Members are present at an ordinary meeting, and with the presence of at least 1,000 Members at an extraordinary meeting.

General Meetings can also be validly held on a remote basis by using teleconferencing facilities, providing they guarantee the identification of the Members entitled to participate and the possibility for them to follow the proceedings and to cast their votes in resolutions and, if expressly foreseen in the notice of calling, to join in the debate on the matters being discussed. In any case, the Chairman and the Secretary to the Meeting have to present in the place indicated in the notice of calling, which is considered the official location of the meeting. The Regulations for General Meetings establish the criteria and methods for holding General Meetings by means of remote communication systems.

The General Meeting passes resolutions by an absolute majority of votes of those taking part in the voting.

As already mentioned in paragraph 2 lett. l of this report, the amendments to the Articles of Association, including those relating to mergers and/or absorptions, have to be approved by a vote in favour of at least two thirds of the Members involved in voting, but in no case by less than five hundred votes.

Moreover, resolutions that involve amending art. 5 of these Articles of Association or the rules regarding who has the right to vote and how it should be exercised, or that concern the Company's transformation or its early winding up, or any change in art. 31.3 of the Articles (concerning the quorums needed to pass resolutions) have to be approved by at least one seventh of the Members with the right to vote.

A secret ballot is held for the appointment of board members and officers, without prejudice to the terms of art. 63 and art. 47 of the Articles of Association, regarding the favourable vote of lists presented by UCITS, for the purpose of calculating 2% of the share capital. The resolutions to be taken to comply with the requirements of the Supervisory Authority, issued to maintain stability or to adjust to regulatory or legislative provisions, are passed with the quorums envisaged in these Articles of Association for Ordinary General Meetings.

General meetings are chaired by the Chairman of the Supervisory Board or, in the event of his absence or impediment, by one of the Deputy Chairmen of the Supervisory Board or, in case of their absence or impediment, the Chairman of the Management Board; if he too is absent or impeded, by another person appointed by the Meeting.

If approved by the Supervisory Board, the Chairman of the Supervisory Board can also delegate to the Chairman of the Management Board to preside over the General Meeting; the Chairman of the Management Board then has to explain the circumstances at the beginning of the Meeting. The Secretary to the Management Board also acts as the Secretary for the General Meeting, unless the Meeting decides otherwise.

The role of Secretary is taken on by a notary public at Extraordinary General Meetings or whenever the Chairman considers it opportune. The General Meeting can appoint two or more scrutineers.

It is up to the Chairman to ascertain that participants have the right to attend the Meeting, to run proceedings, lead the debate and organise the voting, laying down the methods, without prejudice to the provisions of law, the Articles of Association and the Regulations for General Meetings.

Members have the right to take part in General Meetings providing they have been included in the Register of Members for at least ninety days prior to the date of the Meeting at first calling and providing that he has complied with the obligations prescribed in art. 83–sexies of the CBA. In addition to such Members, the members of the corporate bodies and of the management of the Bank have the right to take part in the General Meeting.

General Meetings can be attended, without any right to speak or to vote, by professionals, consultants, experts, financial analysts, qualified journalists and persons other than Members, if expressly authorised.

Minutes are kept of the proceedings of General Meetings and have to be made available at the head office and on Borsa Italiana S.p.A. and on the Bank’s website by the legal deadline.
Regulations for General Meetings

In compliance with the recommendations contained in the Code of Conduct, the general meeting of 20 April 2002 approved the “Regulations for General Meetings” which govern proceedings at ordinary and extraordinary meetings, ensuring that they are conducted in an orderly fashion.

The Regulations lay down in detail what Members have to do to attend a meeting and the deadlines by which they have to do it, the Chairman’s powers when running such meetings in full respect of each shareholder’s right to take the floor to speak on the topics on the agenda and to make proposals, how ballot papers should be arranged, how voting should take place and how votes should be counted.

These Regulations, which are fully institutionalised by being included in the Articles of Association, were constantly updated. The last time at the ordinary General Meeting of Members of 25 June 2011.

In this regard, the General Meeting of Members convened for 27/28 April 2012 (on first and second call) is called to deliberate on a series of changes resulting from the adapt the regulation to the current Articles of Association.

The text of the Regulations for General Meetings of BPM can be read on the company’s website, in the sections entitled “Shareholders and Members” and “Governance”.

With reference to the information mentioned in art. 1.c.4. of the 2006 Code of Conduct, we hereby inform you that, in the period from 1 January 2011 to the date of this report, the General Meeting has not given any general and preventive authorisations in derogation of the non-compete provisions of art. 2390 of the Civil Code.

19. Other corporate governance practices (as per art. 123-bis, paragraph 2.A), CFA

Arbitration Committee

Pursuant to art. 55 of the Articles of Association, the Arbitration Committee, made up of three acting and two alternate members chosen from among the Members by the General Meeting, evaluates and any disputes deferred to it by the Articles of Association and seeks to resolve any disputes that might arise between Members or between Members and the Bank for reasons involving relations between shareholders.

The General Meeting of 25 April 2009 appointed as Acting Arbitrators for the three-year period 2009–2011 Italo Ciancia (subsequently appointed chairman of the Committee), Anna Maria Sanchirico and Carlo Felice Varini, and as Alternate Arbitrators Guido Mina and Giuseppe Molinari (who subsequently resigned on 22 June 2009).

The Arbitration Committee will expire on approval of the 2011 financial statements; therefore, the General Meeting of Members convened on 27/28 April 2012 (at first and second calling respectively) will be called to appoint the Arbitrators for the three years 2012–2014.

20. Changes since the end of the year

As already reported in the chapter on the Management Board, on 10 January 2012, the Supervisory Board of Banca Popolare di Milano – having accepted the resignation of Claudio De Conto as member of the Management Board and the suggestions of the Nominations Committee – appointed Piero Luigi Montani as a member of the Bank’s Management Board. The Board of Management, having accepted the appointment by the Supervisory Board, appointed on the same date Piero Luigi Montani as the Managing Director and Chief Executive Officer (MD & CEO) of the Bank, giving him the powers under art. 45 of the Articles of Association.

21. Corporate bodies that no longer exist as a result of adopting the two-tier model of administration and control

Up until 22 October 2011, the Bank had the traditional model of corporate governance with a Board of Directors and a Board of Statutory Auditors, both appointed by the General Meeting of Members.

The previous system assigned to the Board of Directors the role of strategic supervision through the usual powers that could not be
delegated under the primary regulations (such as approval of the draft financial statements, increases in capital pursuant to art. 2443 C.C., etc.) and secondary regulations (such as decisions concerning lines of strategy and business and financial plans, the acquisition and disposal of major shareholdings, the appointment of the General Manager, etc.) and to the General Manager the day-to-day running of the Company based on specific powers delegated by the Board of Directors. The position of Managing Director as the Bank’s chief executive officer was not envisaged, and none of the members of the Board of Directors had individual operating or management powers.

The following are the main characteristics of the Bank’s previous system of corporate governance. For further information, you should refer to the “Report on Corporate Governance and Ownership Structure” for 2010 (hereinafter, the “2010 Governance Report”), which has been published on the Bank’s website (www.bpm.it).

21.1 Board of Directors

Up until 22 October 2011, the Bank had the traditional model of corporate governance with a Board of Directors and a Board of Statutory Auditors, both appointed by the General Meeting of Members.

The previous system assigned to the Board of Directors the role of strategic supervision through the usual powers that could not be delegated under the primary regulations (such as approval of the draft financial statements, increases in capital pursuant to art. 2443 C.C., etc.) and secondary regulations (such as decisions concerning lines of strategy and business and financial plans, the acquisition and disposal of major shareholdings, the appointment of the General Manager, etc.) and to the General Manager the day-to-day running of the Company based on specific powers delegated by the Board of Directors. The position of Managing Director as the Bank’s chief executive officer was not envisaged, and none of the members of the Board of Directors had individual operating or management powers.

The following are the main characteristics of the Bank’s previous system of corporate governance. For further information, you should refer to the “Report on Corporate Governance and Ownership Structure” for 2010 (hereinafter, the “2010 Governance Report”), which has been published on the Bank’s website (www.bpm.it).

21.1 Board of Directors

The Board of Directors – appointed by the General Meeting of Members for a period not exceeding three years – was composed of a fixed number of sixteen Directors (including the Chairman and two Deputy Chairmen).

This number of sixteen could be increased by another two members in order to comply with the commitments taken on by the Bank with Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial (Crédit Mutuel Group) as part of the strategic and commercial partnership agreements approved at the time by the Board of Directors and for as long as such agreements last (see art. 50 of the Articles of Association).

The procedure for nominating and voting the board of directors established by the previous Articles of Association is described in detail in para. 4.1 of the 2010 Governance Report.

The Board of Directors which ceased to exist on 22 October 2011 had been appointed – for the three years 2009/2011 – by the General Meeting of Members of 25 April 2009; this means that the entire Board would have expired with the General Meeting called to approve the financial statements at 31 December 2011. Detailed information about the election of the Board of Directors by the General Meeting of 25 April 2009 can be found in para. 4.2 of the 2010 Governance Report.

As regard the directors elected in 2009, we would point out that the General Meeting of 30 April 2011 appointed Claudio Danelon and Carlo Dell’Aringa to replace two directors who were no longer in office (Roberto Mazzotta and Beniamino Anselmi). On 30 March 2011 Mr. Francesco Bianchi ceased to be a Director of the Bank following his resignation (having been appointed by the General Meeting of Members of 25 April 2009, as per art. 50 of the Articles of Association, as the representative of Fondazione Cassa di Risparmio di Alessandria. As a result of this resignation, the General Meeting of Members of 25 June 2011 appointed Carlo Frascarolo, pursuant to art. 50 of the Articles of Association ruling at the time. Lastly, due to the resignation of Franco De Benedetti on 27 June 2011, at the board meeting of 26 July 2011 the Board of Directors co-opted Giovanni Massimello under art. 2386 of the Civil Code.

So at the date that the Board of Directors ceased to exist, it consisted of the following 18 directors: Massimo Ponzellini (Chairman), Mario Artali (Deputy Chairman), Graziano Tarantini (Deputy Chairman), Antoniogiorgio Benvenuto, Giovanni Bianchini, Giuseppe Coppini, Enrico Corali, Claudio Danelon, Franco Del Favero, Carlo Dell’Aringa, Carlo Frascarolo, Roberto Fusilli, Piero Lonardi, Giovanni Massimello, Marcello Priori, Leone Spozio, Jean-Jacques Tamburini and Michele Zeffirino.
A summary of the professional profiles of the directors no longer in office can be found in para. 4.2 of the 2010 Governance Report, except for those of Carlo Dell’Aringa, Carlo Frascarolo and Giovanni Massimello, which are summarised below.

Carlo Dell’Aringa: as a current member of the Bank’s Supervisory Board, please refer to paragraph 10.2 of this Report.

Carlo Frascarolo: Chartered Accountant and Auditor, technical advisor to the Court of Alessandria, he holds positions of director and statutory auditor in various companies in the financial and industrial sectors. He has also been Chairman of the Board of Directors of Cassa di Risparmio S.p.A. (BPM Group). He is currently Deputy Chairman of the Board of Directors of Banca di Legnano S.p.A. (BPM Group).

Giovanni Massimello: graduated in electronic engineering, after experience at IBM Italia where he was Large Bank Information Systems Manager, he served as Managing Director of Prime Consulting SIM S.p.A. (Iti Monte Paschi Group, then FIAT Group). He has been a director in various important companies operating in the financial and insurance sector and was Deputy Chairman of Assoreti.

During the board meetings of 31 May and 25 August 2011, in the presence of the Board of Statutory Auditors and based on special forms filled in by the officers concerned, the Board of Directors assessed the executive status and independence requirements of all its members.

As regards its members’ independence, the Board of Directors carried out the verification with reference to art. 147-ter, para. 4, of Legislative Decree no. 58/98 and the recommendations contained in the 2006 Code of Conduct for Listed Companies, taking into account the indications of the Bank of Italy in this area (in particular, the Instructions issued by the Bank of Italy on 4 March 2008 and the related “Clarification Note” dated 19 February 2009).

The outcome of these assessments is summarised in the following table:

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Massimo Ponzellini (a)</td>
<td>Chairman</td>
<td>NO</td>
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<td>NO</td>
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<tr>
<td>Mario Artali (a)</td>
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<tr>
<td>Graziano Tarantini (a)</td>
<td>Deputy Chairman</td>
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<tr>
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<td>YES</td>
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<tr>
<td>Giovanni Bianchini</td>
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<tr>
<td>Giuseppe Coppini</td>
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<td>Marcello Priori</td>
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<tr>
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<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Michele Zeffirino</td>
<td>Director</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>

**Directors who left office during the year**

- Franco Debenedetti: Director
  - NO | YES | YES

* Executive Director
** Director considered by the Board to be independent under art. 147-ter, para. 4, CFA (important for the purposes of art. 32 of the Bank’s Articles of Association then in force, which required the presence of at least four independent directors as defined by the CFA).
*** Director qualified by the Board of Directors as independent according to art. 3 of the 2006 Code of Conduct.

(a) Member of the Executive Committee, appointed by the Board of Directors on 12 May 2011. Taking account of the current decision-making powers of the Executive Committee, the Board of Directors also acknowledged as part of the assessment process that the members of this committee had executive status. In this connection, considering the important role of the General Manager in running the business, as well as the power that he had to make proposals to the Executive Committee, the Board decided that giving the chair of the Executive Committee to the Chairman of the Board of Directors (without giving him a casting vote in the event of a tie) did not mean that the Chairman was involved in managing the company, which meant that he did not have executive status, as expressly indicated by the Bank of Italy in the Clarification Note of 19 February 2009.
We would therefore emphasise that under the provisions of the Articles of Association in force at the time, the Bank of Italy’s Governance Measures and in line with the Code of Conduct, the former Board of Directors consisted of: 12 non–executive directors, 6 executive directors, 8 independent directors in accordance with art. 148, paragraph 3, CFA and 6 independent directors according to the Code of Conduct.

**Duties and functions**

The duties and functions of the Board of Directors are described in para. 4.3 of the 2010 Governance Report, which should be consulted for more detailed information.

The Board of Directors assessed:

- the general performance of the Bank, taking into account, in particular, the information received from the Executive Committee and the General Manager, periodically comparing the actual results with those budgeted;
- the adequacy of the organizational, administrative and accounting structure of the Bank and Group companies prepared by the General Manager, with particular reference to the internal control system and the handling of conflicts of interest.

As a result of these assessments, during the meeting of 19 July 2011, the Board of Directors approved the business plan (subsequently supplemented on 27 September 2011), prepared on the basis of the strategic actions already undertaken in 2010 (see press releases of that date and the presentation made to financial analysts, available on the Bank’s website).

During 2011, in particular from 1 January 2011 to 22 October 2011 (date of the General Meeting of Members which adopted the two–tier system of governance), the Board of Directors held 22 meetings, lasting an average of 3 hours and 54 minutes, with an overall attendance of 95.9% (the attendance of each director is shown in table 3 attached).

**Executive Committee**

For the composition and functions of the Executive Committee, please refer to paragraph 4.4 of the 2010 Governance Report.

In this report we would only highlight the fact that at the board meeting of 12 May 2011 the Board of Directors delegated the following powers to the Executive Committee.

**Decision–making powers:**

- on the proposal of the General Manager of the Bank, the power to choose the General Managers of Group companies and other affiliates;
- the power to authorise the purchase and sale of property and make any kind of arrangements regarding businesses or business units and equity investments, which do not involve a change in the banking group, for a unit value not exceeding euro 20 million;
- the power to approve expenditure, whether for ordinary operations or for capital investment not included in the budget, up to a maximum of euro 2 million per project and up to an overall annual limit of 5% of the budget approved by the Board of Directors;
- the power to provide voting indications for the ordinary general meetings of subsidiaries, associates and affiliates, without prejudice to the power of the Board of Directors to appoint directors and statutory auditors to their respective Corporate Bodies;
- the power to decide any matter in cases of urgency or other special need when it is not possible to call an immediate meeting of the Board, subject to ratification by the latter at its next meeting.

**Investigatory, propositional and implementation powers:**

- the power to review on a preliminary basis the proposals and indications of the Chairman and the General Manager to be submitted to the Board of Directors regarding the general strategy and policy of the Bank and the Group, and the resulting proposals for final decisions,
- the power to review on a preliminary basis the proposals of the General Manager for the organizational structure of General Management and the various departments of the Bank,
- the power to review on a preliminary basis the draft consolidated and separate financial statements, as well as the interim reports of the Bank and the Group,
- the power to conduct preliminary reviews of budgets of the Bank and of the Group, with particular reference to costs and capital expenditure, making any proposals to be submitted to the Board of Directors,
- the power to review on a preliminary basis the proposals of the General Manager to be submitted to the Board of Directors for approval, relating to the appointment, removal and granting of powers to the persons responsible for managing the various departments of the Bank, as well as any disciplinary measures that might involve dismissal,
- the power to review the periodic reports prepared by the various corporate functions already submitted for review by the other board sub-committees, in the event that such reports do not have to be approved at board level by law;
- the power to monitor the implementation of resolutions and projects/transactions approved by the Board of Directors;
- the power to carry out investigations regarding the designation of representatives of the Bank on the boards of Group companies and other affiliates;
- the power to implement all resolutions, the execution of which is specifically delegated by the Board of Directors to the Board itself.

At the date that it ceased to exist, the Committee was made up of the following directors: Massimo Ponzellini (Chairman); Mario Artali, Graziano Tarantini, Enrico Corali, Franco Del Favero, Piero Lonardi and Jean-Jacques Tamburini.

In 2011, in particular from 1 January 2011 to 22 October 2011, the Committee has held 36 meetings, lasting an average of 48 minutes, with an overall attendance of 91.4% (the attendance of each member is indicated in the attached table 3).

**Director in charge of supervising the internal control system**

The Board of Directors of Banca Popolare di Milano appointed, from within the board, a director in charge of supervising the internal control system with a resolution dated 6 February 2007, implementing the rules contained in the Code of Conduct for Listed Companies. Marcello Priori was invited to fill this position, with the agreement of the Internal Control Committee.

Given the experience gained in previous years, on 28 April 2009 the Board of Directors reappointed Marcello Priori to this position, also asking him to chair the Committee for Internal Control as the two roles are complementary and it was useful to grant the two tasks to the same person.

During the period 1 January 2011 to 22 October 2011, Priori was the reference person for the organizational structures of the Bank and Group who perform control activities and who, through the Internal Control Committee, coordinated and interacted with the Board of Statutory Auditors in order to share the operational guidelines for the conduct of their respective areas of competence.

**General Management**

As regards the position of General Manager under the Bank’s previous system of corporate governance, please refer to paragraph 4.4 of the 2010 Governance Report.

In this report we would point out that – following the agreed interruption of the employment relationship with the General Manager Fiorenzo Dalu on 3 May 2011 – during the board meeting of 17 May 2011, the Board of Directors appointed Enzo Chiesa as General Manager of the Bank, giving Roberto Frigerio, the Deputy General Manager, the right to take his place in his absence or impediment. At the time of his appointment, the Board of Directors gave the General Manager, Enzo Chiesa, the powers to run the Bank’s operations.

The General Manager reported to the Board of Directors on a quarterly basis on the exercise of the powers granted to him. The General Manager could make proposals and provide information on internal control matters exclusively to the Board of Directors. The General Manager made sure that the resolutions passed by the Board of Directors and Executive Committee were implemented. Considering the different role of the General Manager under the Bank’s new Articles of Association and to complete the transformation of BPM’s corporate governance, which began with the General Meeting on 22 October 2012 and ended with the appointment of the MD & CEO, the Management Board agreed with Enzo Chiesa to terminate his employment with effect from 7 February 2011. Enzo Chiesa therefore resigned from all of the positions that he held within the BPM Group.

**21.2 Board Sub-committees**

BPM’s Board of Directors set up the following sub-committees:
- Executive Committee;
- Board Financing Committee;
- Remuneration Committee;
- Internal Control Committee;
- Related Parties Committee;
- Members’ Relations Commission.

BPM’s Board of Directors decided that it was not necessary to set up a “Nominations Committee”, even though one is foreseen in the Code, albeit on a voluntary basis. The reasons for this choice are given in paragraph 6 of the 2010 Governance Report.
All meetings of each Committee, which could also be attended by non-members, if invited, are minuted and the minutes are filed in separate minute books.

Lastly, we point out that BPM did not have any committees that simultaneously perform the functions of two or more committees (art. 5.C.1.c), we would also point out that the specific information required by the Code concerning each of them is available in the 2010 Governance Report, under the specific chapters.

The names of the directors belonging to each sub-committee are as of 22 October 2011.

Board Financing Committee: Massimo Ponzellini (Chairman); Mario Artali, Graziano Tarantini, Giovanni Bianchini, Giuseppe Coppini, Enrico Corali, Carlo Dell’Arlinga, Carlo Frascarolo, Roberto Fusilli and Leone Spozio.

Internal Control Committee: Marcello Priori (Chairman), Antoniogiorgio Benvenuto, Giovanni Bianchini, Giuseppe Coppini and Claudio Danelon.

Remuneration Committee: Michele Zafferino (Chairman), Giovanni Bianchini, Giuseppe Coppini, Roberto Fusilli and Leone Spozio.

Members’ Relations Commission: Antoniogiorgio Benvenuto (Chairman), Giovanni Bianchini, Giuseppe Coppini, Piero Lonardi and Leone Spozio.

Related Parties Committee: Antoniogiorgio Benvenuto (Chairman), Giovanni Bianchini, Giuseppe Coppini and Claudio Danelon.

As regards the composition of the Remuneration and Internal Control Committees, they had at least 3 independent directors according to the Code of Conduct; each committee also had at least one member drawn from a minority list following the vote at the General Meeting on 25 April 2009.

The main activities of the Remuneration, Internal Control and Related Parties Committees and of the Members’ Relations Commission during the period 1 January 2011-22 October 2011 were as follows.

**Remuneration Committee**

Remuneration Committee, which has its own Regulation approved by the Board of Directors on 25 June 2009 and amended most recently in 2011 to include the indication contained in art. 7 of the 2006 Code of Conduct, consisted of 5 directors, all of them non-executive, the majority independent, including at least 1 with adequate knowledge and experience of accounting and financial matters, and at least one of them a director elected on a minority list.

On the assumption that the Committee had adequate instruments and information flows on remuneration provided by the relevant structures of the Bank to carry on its duties in accordance with the “Regulation on Information Flows”, the Committee could also make use, during the preliminary investigation, of other functions and structures of the Bank and of other Group companies, as well as of external consultants within any terms and spending limits established by the Board of Directors.

The Committee’s Regulations stated that if a committee member had an interest in a particular matter being examined by the Committee, whether in his own right or on behalf of others, he had to declare it.

See paragraph 8 of the 2010 Governance Report with regards to the duties of the Committee. The main activities of the Committee during the period 1 January 2011-22 October 2011 were as follows. In detail, the Committee:

(a). expressed a prior opinion on the Document on the Remuneration and Incentive Policies of the Bank, approved by the Board of Directors and submitted for approval to the General Meeting of 30 April 2011;

(b). expressed an opinion on the Documents on Remuneration and Incentive Policies of the Banks of the BPM Group;

(c). expressed its opinion on the additions to the Document on the Remuneration and Incentive Policies of the Banca Popolare di Milano Group, approved by the Board of Directors and submitted for approval to the General Meeting of 25 June 2011 with a view to reviewing the remuneration and incentive policies approved by the General Meeting on 30 April 2011 to fully implement the “Supervisory Provisions concerning remuneration policies and practices and incentives in banks and banking groups” of 30 March 2011;

(d). expressed its opinion on the Supplementary Documents on the Remuneration and Incentive Policies of the Group Companies in order to verify compliance with new supervisory provisions in this area and their compliance with the Parent Company’s guidelines highlighted in the “Document on the Remuneration and Incentive Policies of the BPM Group” approved on 25 June 2011;

(e). expressed its views on the fees payable to Members of General Management and to Managers with strategic responsibilities.
As part of the activities mentioned in points (a) - (d) above, for a correct application of the principles and criteria specified in the relevant legislation, the Committee involved the relevant company departments in the definition of the remuneration policies (inviting the heads of department to meetings of the Committee). During the period 1 January 2011 to 22 October 2011, the Remuneration Committee did not make use of any external consultants. During 2011, in particular from 1 January 2011 to 22 October 2011, the Committee held 21 meetings, lasting an average of 1 hours and 27 minutes, with an overall attendance of 93.3% (the attendance of each director is shown in table 3 attached).

**Internal Control Committee**

The Internal Control Committee consisted of a minimum of 5 members, all of them non-executive, the majority independent and at least one of them a director elected on a minority list in accordance with art. 36, para. 7 of the Articles of Association then in force. The Chairman of the Internal Control Committee was also the Director in charge of supervising the internal control system with duties and powers in line with those envisaged in the 2006 Code of Conduct.

The composition of the Internal Control Committee in office up to 22 October 2011 ensured adequate experience in accounting and financial matters, as verified by the Board of Directors at the time the Committee was appointed.

Permanent invitations to attend the Committee meetings were sent to the General Manager, the Head of Controls, the Compliance Manager, the Risk Manager, the Chairman of the Board of Statutory Auditors and the Acting Statutory Auditors.

The Chairman of the Internal Control Committee invited pertinent key managers of the Bank and of the Group, as well as the Independent Auditors, Ernst & Young, to take part in discussions on specific agenda items. The Chairman of the Internal Control Committee had a permanent invitation to attend meetings of the Supervisory Committee set up under Decree 231/01.

To perform its duties, the Internal Control Committee could make use, during the preliminary investigation, of other functions and structures of the Bank and/or the Group and could delegate to one or more of its Members to go into greater detail on certain matters on request; it could also make use of external consultants within any terms and spending limits established by the Board of Directors. During the period 1 January 2011 to 22 October 2011, the Internal Control Committee did not make use of any external consultants.

The following are the main activities carried on by the Internal Control Committee during the period 1 January 2011 to 22 October 2011:

- it received and considered the information flows received from the Internal Audit Department and the Compliance Function, making comments where appropriate to General Management and the Board of Directors;
- it received and examined the reports prepared each year by the Internal Audit Department and the Compliance Function, making an assessment of their planning books;
- it analysed the internal rating system;
- it examined the risk management report;
- it carried out work on the review of the Bank’s liquidity policy;
- it followed the evolution of the initiatives undertaken for the transparency of banking and financial services, with particular reference to Directive 2008/48/EC on credit agreements for consumers (the “Consumer Credit Directive” or CCD);
- it examined the documents prepared by the proposing function in order to issue an opinion on a transaction with a related party, requesting further information to assess this type of operation;
- it followed progress on the “Investment Centre and MiFID Level 3” project and initiatives communicated to Consob;
- it reviewed the running of the Legal Department;
- it met those in charge of the internal audit and compliance functions at certain subsidiaries;
- it held various meetings with the Independent Auditors, Ernst & Young, to review progress on the audit as planned;
- it held meetings with the Financial Reporting Manager, as prescribed by Law 262/2005, to obtain periodic reports on the preparation of the separate and consolidated financial statements;
- it examined the main characteristics of the Bank’s IT processes;
- it followed the evolution of the methodology for monitoring IT performance;
- it examined the major initiatives aimed at improving the security of information systems and the prevention of computer crimes, as part of the “Strategic Security Plan”;
- it took part in meetings of the Supervisory Committee and followed the progress of work to make the Bank compliant in the field of anti-money laundering;
- it reported to the then Board of Directors and made considerations regarding the strength of the internal control system. During 2011, in particular from 1 January 2011 to 22 October 2011, the Committee held 18 meetings, lasting an average of 1 hours and 36 minutes, with an overall attendance of 94.4% (the attendance of each director is shown in table 3 attached).
Related Parties Committee
In accordance with the Regulation of the BPM Group on related party transactions then in force, the Internal Control Committee was given the separate function of the Related Parties Committee, until July 2011. Subsequently, the Board of Directors set up a separate Committee for this purpose. This Committee received from the relevant structures of the Bank or the Group a complete and timely information flow and, in the case of transactions “of greater relevance” as defined by the internal regulation, the Committee could request information and make comments to those responsible for the conduct of negotiations or investigations. The Chairman of the Board of Statutory Auditors and the other Acting Statutory Auditors were invited to meetings of the Related Parties Committee. The Committee carried out the functions assigned to it under the regulation of the BPM Group on related party transactions, especially on the issuance of opinions and, if applicable, to the Committee’s involvement in the negotiation phase and the initial investigation. The Related Parties Committee met 3 times during the period 1 January 2011 to 22 October 2011. It reviewed the documentation received from management, expressing the opinions within its sphere of competence.

Members’ Relations Commission
During 2011, in addition to the usual preparations for presentation to the Board of Directors of the resolutions for admission to and exclusion from membership (which in 2011 saw the acceptance of 4,866 applications for membership), the Commission dealt with a number of important projects approved by the Board of Directors from time to time:
- the “Members’ Project”, a long-term plan to relaunch a policy of paying particular attention to the members in order to expand the shareholder base and to increase the clientele and create greater customer loyalty. This plan aims to generate “more and better” content for the mutualistic nature of the Bank, as well as to promote and facilitate participation in the life of the co-operative;
- the Charter of Values and Commitments, a document that the various structures of the Bank have devoted a lot of work to, focuses on the positive steps to be taken. It acts as a point of reference in terms of values and guidelines for the decision-making processes and day-to-day acts performed by those who operate in the Group to ensure that they are coherent with the culture, mission and Corporate Social Responsibility (CSR) of the Bank, thereby affirming the strategic and not contingent choice of the “Charter” and of CSR in BPM;
- the so-called “portability of proxies”: to encourage even greater Member participation at the AGM and accepting the recommendations of the Bank of Italy - which, under the provisions that are intended to strengthen the organizational standards and corporate governance of banks, foresees that “where the shareholding is highly fragmented (as is the case in cooperative banks) mechanisms must be provided to facilitate a meaningful participation of Members at General Meetings” - the Commission prepared a series of proposals aimed at this; these proposals led to changes in the Articles of Association regarding an increase in the number of proxies and the introduction of the possibility of holding General Meetings of the Bank also by means of remote communication systems.
Moreover, various topics were discussed at meetings of the Commission held during the course of 2011, including: the possibility of creating a Bond Issue specially for the Members; implementing a new way of opening sub-deposits in the name of minors; it also reviewed the observations made by the Bank of Italy to provide support for the Board of Directors in its discussion of possible counter-arguments.

In keeping with other co-operative banks, in January 2011, and based on the efforts of the Commission, the Board of Directors passed a resolution to cancel 1,241 names from the Register of Members, being people who no longer owned any shares.

During the course of 2011, the Members’ Relations Commission met 17 times, lasting an average of one hour per meeting, with an overall participation of 95%.
21.3 Board of Statutory Auditors

The Board of Statutory Auditors was given the role of supervision of the control function (the duties of this body are given in section 13.2 of the 2010 Governance Report).

The Bank’s Board of Statutory Auditors consisted of the Chairman, 4 Acting Statutory Auditors and 4 Alternate Statutory Auditors. The Board of Statutory Auditors, which has ceased to exist, was appointed for the years 2009-2011 by the General Meeting of 25 April 2009, expiring on the date of approval of the financial statements for the year ended 31 December 2011. Detailed information on the election of the Board by the General Meeting of 25 April 2009 is given in section 13.2 of the 2010 Governance Report. It should be noted, in this regard, that the General Meeting of 30 June 2011 appointed Luca Zanzottera as Alternate Statutory Auditor in the place of Giuseppe Zanzottera, who ceased during the year.

A summary of the professional profiles of the Statutory Auditors no longer in office can be found in section 13.2 of the 2010 Governance Report, except for that of Luca Zanzottera, which is summarised below.

Luca Vincenzo Luigi Zanzottera: graduated in Economics and Business Studies, qualified as a Chartered Accountant and acts as a tax and accounting consultant.

Requisites of the Statutory Auditors

During the board meeting of 26 May 2009, the Board of Directors checked whether the acting and alternate members appointed by the General Meeting of 25 April 2009 had the attributes required by law and the Articles of Association to be a Statutory Auditor. In accordance with art. 10.C.2. of the Code, the Board of Statutory Auditors also took steps to check that its members met the independence requirements prescribed by art. 3 of the Code in 2011. The result of this check was that each of the Acting Auditors satisfied the independence requirement of the Code.

During 2011, and up to the date that it ceased to exist, the Board of Statutory Auditors held 54 meetings with an overall attendance of 80.38% (the attendance of each auditor is shown in table 4 attached).

All of the Statutory Auditors were invited to take part in the proceedings of the Board Committees/Commissions and, to this end, it is up to the Chairman of the Board of Statutory Auditors to send the notices of calling to the other acting members of the Board (if it is not already foreseen in the regulations of the individual committees and commissions that all of the statutory auditors should be invited).

The Board of Statutory Auditors took part in person at meetings of the Board Financing Committee and the Supervisory Committee (set up under Decree 231/01).

The Board of Statutory Auditors monitored the independence of the Independent Auditors, checking their compliance with legal requirements and the nature and extent of non-audit services provided to the issuer and its subsidiaries by the same auditing firm and entities belonging to its network.

The Board of Statutory Auditors, in carrying out its work, coordinated with the Internal Audit Function and with the Internal Control Committee.

21.4 Remuneration of the corporate bodies and management

With reference to the remuneration of the corporate bodies for 2011, which have ceased to exist, reference should be made to the “Document on the Remuneration and Incentive Policies of the BPM Group” approved by the General Meeting held on 25 June 2011 and to the report as per art. 123-ter CFA. Both documents are available on the Bank’s website.

Milan, 27 March 2012

The Management Board
### Table 1 – Management Board (for the period 26.10.2011 – 31.12.2011)

<table>
<thead>
<tr>
<th>Office</th>
<th>Members</th>
<th>In office from</th>
<th>In office up to</th>
<th>Exec.</th>
<th>Non Exec.</th>
<th>Indep. as per Code</th>
<th>Indep. as per CFA</th>
<th>(%) *</th>
<th>No. of other offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Andrea C. Bonomi</td>
<td>26.10.2011</td>
<td>App. fin. stats. 31.12.2013</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>100</td>
<td>5</td>
</tr>
<tr>
<td>MD &amp; CEO</td>
<td>Piero Luigi Montani</td>
<td>10.01.2012</td>
<td>App. fin. stats. 31.12.2013</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Director</td>
<td>Davide Croff</td>
<td>26.10.2011</td>
<td>App. fin. stats. 31.12.2013</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>90.9</td>
<td>4</td>
</tr>
<tr>
<td>Director</td>
<td>Alessandro Foti</td>
<td>26.10.2011</td>
<td>App. fin. stats. 31.12.2013</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>100</td>
<td>3</td>
</tr>
<tr>
<td>Director</td>
<td>Dante Razzano</td>
<td>26.10.2011</td>
<td>App. fin. stats. 31.12.2013</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>90.9</td>
<td>2</td>
</tr>
</tbody>
</table>

**DIRECTORS WHO LEFT OFFICE DURING THE YEAR**

| Director     | Claudio De Conto   | 26.10.2011     | 10 January 2012     | NO    | 100       | 3                 |

**NOTES:**

(*) this column shows directors’ participation at meetings of the Management Board (no. of times attended/no. of meetings held during the term of office of the person concerned).

(**) this column shows the number of directorships or auditorships held by each director or auditor in other companies listed on regulated markets, including foreign companies, banks, insurance companies or large companies. This list of companies with reference to each director is included in the report, with an indication of whether or not the company belongs to the BPM Group.
### Table 2 – Supervisory Board (for the period 22.10.2011 – 31.12.2011)

<table>
<thead>
<tr>
<th>Office</th>
<th>Members</th>
<th>In office from</th>
<th>In office up to</th>
<th>List (M/m/s)*</th>
<th>Indep. as per Code</th>
<th>Indep. as per CFA</th>
<th>(%) **</th>
<th>No. of offices ***</th>
<th>****</th>
<th>(%)*</th>
<th>****</th>
<th>(%)*</th>
<th>****</th>
<th>(%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Filippo Annunziata</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>100</td>
<td>8</td>
<td>X</td>
<td>100</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Umberto Bocchino</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>100</td>
<td>16</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Giuseppe Cappini</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>100</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Giovanni Bianchini</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>50</td>
<td>1</td>
<td>X</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Director</td>
<td>Enrico Castaldi</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>m</td>
<td>YES</td>
<td>YES</td>
<td>100</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Maurizio Cavallari</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>100</td>
<td>2</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Stefania Chiaruttini</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>m</td>
<td>YES</td>
<td>YES</td>
<td>83.3</td>
<td>31</td>
<td>X</td>
<td>57.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Carlo Dall’Arringa</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>m</td>
<td>NO</td>
<td>YES</td>
<td>66.6</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Federico Fornaro</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>s</td>
<td>YES</td>
<td>YES</td>
<td>100</td>
<td>1</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Director</td>
<td>Francesco Giaretta</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>100</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Piero Lanardi</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>m</td>
<td>NO</td>
<td>YES</td>
<td>100</td>
<td>12</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Director</td>
<td>Maria Benito Mazzoleni</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>100</td>
<td>8</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Director</td>
<td>Maria Luisa Mascioni</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>100</td>
<td>23</td>
<td>X</td>
<td>100</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Director</td>
<td>Mauro Paolani</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>m</td>
<td>YES</td>
<td>YES</td>
<td>100</td>
<td>16</td>
<td>X</td>
<td>100</td>
<td></td>
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<td></td>
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<tr>
<td>Director</td>
<td>Marcello Priari</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>100</td>
<td>12</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Ezio Simonelli</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>83.3</td>
<td>21</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Jean-Jacques Tamburini</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>s</td>
<td>NO</td>
<td>YES</td>
<td>83.3</td>
<td>15</td>
<td>X</td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Ulrich Weiss</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>m</td>
<td>YES</td>
<td>YES</td>
<td>66.6</td>
<td>4</td>
<td>X</td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Michele Zafferino</td>
<td>22.10.2011</td>
<td>General Meeting of Members 2014</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>100</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DIRECTORS WHO LEFT DURING THE YEAR**

Each list has to be presented by at least three hundred Members or otherwise by Members representing in total at least 0.5% of the share capital, who have been included in the Members' Register for at least ninety days prior to the date set for the General Meeting at first calling and who can document their right to do so in the prescribed manner. UCITS may also submit a list, providing they hold at least 0.5% of the share capital and can document their possession at the time of submission of the lists in the prescribed manner (art. 47, Articles of Association).

**No. of meetings in 2011**

| SB: 6 | NC: 2 | ICC: 7 | RC: 0 |

**NOTES:**

(*) This column shows “M” or “m” or “s” depending on whether the member was elected from the list voted by the majority (M), by a minority (m) or under special clauses in the articles of association (s). The list to which they belonged or the articles of association relating to the appointment are detailed in the report.

(**) This column shows directors’ participation at meetings of the Supervisory Board and of the various Committees (no. of times attended/no. of meetings held during the term of office of the person concerned).

(*** This column shows the number of directorships or auditorships held by each director or auditor in other companies. The list of offices considered relevant according to art. 148-bis CFA is published by Consob on its website (www.consob.it) pursuant to art. 144-quinquiesdecies of the Issuers’ Regulations.

(****) This column indicates with an “X” the members of the Supervisory Board on the Committee.
### Table 3 – Board Of Directors (ceased to exist on 22 October 2011)

<table>
<thead>
<tr>
<th>Office</th>
<th>Members</th>
<th>In office from</th>
<th>In office up to</th>
<th>List (M/M/s)</th>
<th>Exec.</th>
<th>Non Exec.</th>
<th>Indep. as per Code</th>
<th>Indep. as per CFA</th>
<th>(%) **</th>
<th>No. of other offices held ***</th>
<th>**** (%)</th>
<th>**** (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Massimo Ponzellini</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>100</td>
<td>6</td>
<td>X 94.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Mario Antali</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>95.4</td>
<td>3</td>
<td>X 94.4</td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Graziana Tarantini</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>100</td>
<td>3</td>
<td>X 91.6</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Antoniogiorgio Benvenuto</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>100</td>
<td>1</td>
<td>X 100</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Giovanni Bianchini</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>90.9</td>
<td>1</td>
<td>X 88.8</td>
<td>X 90.4</td>
</tr>
<tr>
<td>Director</td>
<td>Giuseppe Coppini</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>95.4</td>
<td>2</td>
<td>X 100</td>
<td>X 100</td>
</tr>
<tr>
<td>Director</td>
<td>Enrico Carali</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>100</td>
<td>3</td>
<td>X 100</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Claudio Danielon (a)</td>
<td>2010</td>
<td>2011</td>
<td>m</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>90.9</td>
<td>0</td>
<td>X 83.3</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Franco Del Favero</td>
<td>2009</td>
<td>2011</td>
<td>m</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>100</td>
<td>0</td>
<td>X 94.4</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Carlo Dell’Arlinga (a)</td>
<td>2010</td>
<td>2011</td>
<td>–</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>86.3</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Carlo Frascarolo (b)</td>
<td>2011</td>
<td>2011</td>
<td>s</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>100</td>
<td>18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Roberto Fusilli</td>
<td>2009</td>
<td>2011</td>
<td>m</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>100</td>
<td>1</td>
<td>X 95.2</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Piero Lonardi</td>
<td>2009</td>
<td>2011</td>
<td>m</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>100</td>
<td>12</td>
<td>X 100</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Giovanni Massimello (c)</td>
<td>2011</td>
<td>2011</td>
<td>m</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>100</td>
<td>12</td>
<td>X 100</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Marcello Priori</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>100</td>
<td>14</td>
<td>X 100</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Leone Spazio</td>
<td>2009</td>
<td>2011</td>
<td>m</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>95.4</td>
<td>0</td>
<td>X 80.9</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Jean–Jacques Tamburini</td>
<td>2009</td>
<td>2011</td>
<td>s</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>77.2</td>
<td>15</td>
<td>X 50</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Michele Zellerina</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>100</td>
<td>3</td>
<td>X 100</td>
<td></td>
</tr>
</tbody>
</table>

**DIRECTORS WHO LEFT DURING THE YEAR**

| Director      |                          | 2009           | 2011            | m            | NO    | YES       | YES                 | YES               | 92.3   |                               |           |           |
| Director      | Franco Debenedetti        | 2009           | 2011            | m            | NO    | YES       | YES                 | YES               | 91.6   |                               |           |           |
| Director      | Francesco Bianchi         | 2009           | 2011            | s             | YES   | NO        | NO                  | NO                | 100    |                               | X 100     |           |

Quorum required to present lists at the time of these appointments: each list has to be presented by at least three hundred Members or otherwise by Members representing in total at least 0.5% of the share capital, who have been included in the Members’ Register for at least ninety days (as per art. 32, para. 8 of the Articles of Association in force at the time).

**No. of meetings in 2011 up to 22.10.2011**

| BOD: 22 | EC: 36 | ICC: 18 | RC: 21 |

**NOTES:**

(*) This column shows the letters “M” for those elected on a majority list, “m” for those on a minority list and “s” for those elected under special clauses of the Articles of Association. The lists to which they belong and the special clauses of the articles of association regarding appointments are detailed in the 2010 Corporate Governance Report.

This column shows the percentage participation of directors at meetings of the BoD, the EC and the other committees foreseen by the Code of Conduct of Listed Companies (no. of times attended/no. of meetings that have taken place during the effective period of office of the person concerned).

(****) This column indicates the number of other positions as a director of statutory auditor held by this person in other listed companies, in Italy or abroad, and in financial, banking, insurance or other large companies. The list of these companies with a reference to each director is included in Table 3A attached to this report, with an indication of whether or not they belong to the BPM Group.

(****) An “X” in this column indicates that the director is a member of the committee in question.

(a) Director coopted and appointed by the General Meeting of Members of 30 April 2011.

(b) Director coopted and appointed by the General Meeting of Members of 25 June 2011.

(c) Director coopted as per art. 2386, C.C. by the Board of Directors on 26 July 2011, taken from a minority list.
Table 3A: List of other directorships or auditorships held by directors in other companies listed on regulated markets (including foreign companies), financial companies, banks, insurance companies or other large enterprises.

<table>
<thead>
<tr>
<th>Offices</th>
<th>Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massimo Ponzellini</td>
<td>Chairman of Impregilo S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Deputy Chairman of ASSITALIA S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Member of the Supervisory Board of Crédit Industriel et Commercial</td>
</tr>
<tr>
<td></td>
<td>Director of Istituto Europeo di Oncologia S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Director of Fondazione Teatro alla Scala</td>
</tr>
<tr>
<td></td>
<td>Member of the Advisory Board of Fondazione Hangar Bicocca</td>
</tr>
<tr>
<td>Mario Artali</td>
<td>Chairman of Wise Venture SGR S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director of Sigma Tau Finanziaria S.p.A.</td>
</tr>
<tr>
<td>Graziano Tarantini</td>
<td>Director of Fondazione Museo del Design</td>
</tr>
<tr>
<td></td>
<td>Chairman of Banca Akras S.p.A. (BPM Group)</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Supervisory Board A2A S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Member of the Board of Fondazione Cariplo</td>
</tr>
<tr>
<td>Antoniogiorgio Benvenuto</td>
<td>Director of GPA S.p.A.</td>
</tr>
<tr>
<td>Giovanni Bianchini</td>
<td>Director of Banca di Legnano S.p.A. (BPM Group)</td>
</tr>
<tr>
<td>Giuseppe Coppini</td>
<td>Chairman of SelmaBipiemme Leasing S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director of Cassa di Risparmio di Asti S.p.A.</td>
</tr>
<tr>
<td>Enrico Corali</td>
<td>Chairman of Banca di Legnano S.p.A. (BPM Group)</td>
</tr>
<tr>
<td></td>
<td>Chairman of BAS - Servizi Idrici Integrati S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director of Finlombarda S.p.A.</td>
</tr>
<tr>
<td>Claudio Danelon</td>
<td>——</td>
</tr>
<tr>
<td>Franco Del Favero</td>
<td>——</td>
</tr>
<tr>
<td>Carlo Dell’Aringa</td>
<td>Director of Webank S.p.A. (BPM Group)</td>
</tr>
<tr>
<td></td>
<td>Chairman of Ricerche per l’Economia e la Finanza S.r.l.</td>
</tr>
<tr>
<td>Carlo Frascarolo</td>
<td>Chairman of Cassa di Risparmio di Alessandria S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director of Consorzio Alessandrino per l’Energia</td>
</tr>
<tr>
<td></td>
<td>Director of Dotto S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of Alfieri &amp; St. John S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of Crivelli S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of Expo Piemonte S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of Immobiliare Miralto S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of La Centrale del Latte di Alessandria e Asti S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of Pharma – Novara S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of Picchiotti S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor of Alias S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor of Compagnia Italia Rimorchi S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor of FARM. AL. S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor of Grassano S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor of IGIM S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor of Mediterranea Finanziaria S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor of Aceaeri in liquidation</td>
</tr>
<tr>
<td></td>
<td>Chairman of Board of Statutory Auditors of The World Political Forum</td>
</tr>
<tr>
<td>Roberto Fusilli</td>
<td>Director of Banca di Legnano S.p.A. (BPM Group)</td>
</tr>
</tbody>
</table>

cont.
<table>
<thead>
<tr>
<th>Name</th>
<th>Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piero Lonardi</td>
<td>Director of Cassa di Risparmio di Alessandria S.p.A. (BPM Group)</td>
</tr>
<tr>
<td></td>
<td>Director of Errepi S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Sole Director and Member of FinArco S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Director of L’Altra Meta S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Sole Director of Visnaf S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Sole Director of Immobiliare Emanuela S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of AMSA S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of A. De Pedrini S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of Nitrolchimica S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of Fondazione HiTech Brianza</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor of MIR Milan Immobili e Reti Srl</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor of GUT Edizioni S.p.A.</td>
</tr>
<tr>
<td>Giovanni Massimello</td>
<td>Director of Prima SGR S.p.A.</td>
</tr>
<tr>
<td>Marcello Priori</td>
<td>Chairman of ProFamily S.p.A. (BPM Group)</td>
</tr>
<tr>
<td></td>
<td>Director of Cassa di Risparmio di Alessandria S.p.A. (BPM Group)</td>
</tr>
<tr>
<td></td>
<td>Director of Vivgas S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director of Montzino S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director of Alerian Clean Power S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director of Asset Management Holding S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director of Dexia Crediop S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Director of Prima Holding S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Statutory Auditors of Carrefour Italia S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Acting auditor of Bracco Imaging Italia S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Statutory Auditor of Carrefour Italia S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor of Carrefour Property Italia S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Acting Auditor of Il Bosco S.r.l.</td>
</tr>
<tr>
<td></td>
<td>Statutory Auditor of Key Client Cards &amp; Solutions S.p.A.</td>
</tr>
<tr>
<td>Leone Spazio</td>
<td>—</td>
</tr>
<tr>
<td>Jean-Jacques Tamburini</td>
<td>Director of Banca di Legnano S.p.A.</td>
</tr>
<tr>
<td></td>
<td>Member of the Executive Board of Crédit Industriel et Commercial</td>
</tr>
<tr>
<td></td>
<td>Chairman of General CIC Sud Ouest</td>
</tr>
<tr>
<td></td>
<td>Chairman of General CIC Participations Sas</td>
</tr>
<tr>
<td></td>
<td>Chairman of General ADERI SAS</td>
</tr>
<tr>
<td></td>
<td>Chairman of General Valimar 3 SAS</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Supervisory Board of CIC Capital Privé</td>
</tr>
<tr>
<td></td>
<td>Deputy Chairman of the Supervisory Board of CMCIC Asset Management</td>
</tr>
<tr>
<td></td>
<td>Director of CIC Investissement</td>
</tr>
<tr>
<td></td>
<td>Director of CIC Finance</td>
</tr>
<tr>
<td></td>
<td>Director of Institut de Partecipation de l'Ouest (IPO)</td>
</tr>
<tr>
<td></td>
<td>Director of CIC Est</td>
</tr>
<tr>
<td></td>
<td>Director of S.F.A.P.</td>
</tr>
<tr>
<td></td>
<td>Director of Assurances du Credit Mutuel IARD SA</td>
</tr>
<tr>
<td></td>
<td>Member of the Audit Committee of Banque Marocaine du Commerce Extérieur</td>
</tr>
<tr>
<td>Michele Zefferino</td>
<td>Director of Cassa di Risparmio di Alessandria S.p.A. (BPM Group)</td>
</tr>
<tr>
<td></td>
<td>Director of Webank S.p.A. (BPM Group)</td>
</tr>
<tr>
<td></td>
<td>Director of Bipiemme Vita S.p.A. (BPM Group)</td>
</tr>
</tbody>
</table>
Table 4 - Board of Statutory Auditors (ceased to exist on 22 October 2011)

<table>
<thead>
<tr>
<th>Office</th>
<th>Members</th>
<th>In office from</th>
<th>In office up to</th>
<th>List (M/m)</th>
<th>Independence as per Code</th>
<th>(%) **</th>
<th>No. of other offices held ***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Salvatore Rino Messina</td>
<td>2009</td>
<td>2011</td>
<td>m</td>
<td>YES</td>
<td>100</td>
<td>11</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Carlo Bellavite Pellegrini</td>
<td>2009</td>
<td>2011</td>
<td>m</td>
<td>YES</td>
<td>74</td>
<td>8</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Enrico Castoldi</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>85.1</td>
<td>9</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Stefano Salvatori</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>75.93</td>
<td>5</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Ezio Simonelli</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>66.6</td>
<td>19</td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Emilio Luigi Cherubini</td>
<td>2009</td>
<td>2011</td>
<td>m</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Enrico Radice</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Luca Zanzottera (1)</td>
<td>2011</td>
<td>2011</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Giorgio Zoia</td>
<td>2009</td>
<td>2011</td>
<td>m</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Quorum required to present lists at the time of these appointments: Each list has to be presented by at least three hundred Members or otherwise by Members representing in total at least 0.5% of the share capital, who have been included in the Members’ Register for at least ninety days (as per art. 41, para.3 of the Articles of Association in force at the time).

No. of meetings held in 2011: 54

NOTES:

(*) This column shows the letters “M” for those elected on a majority list and “m” for those on a minority list. The list to which they belong is indicated in the Report.

(**) This column shows the percentage participation of the Statutory Auditors at meetings of the Board of Statutory Auditors (no. of times attended/no. of meetings that have taken place during the effective period of office of the person concerned).

(*** This column indicates the number of other positions as a director or statutory auditor held by this person in other companies. The list of offices considered relevant according to art. 148 bis CFA is published by Consob on its website (www.consob.it) as per art. 144-quinquiesdecies of the Issuers’ Regulations.

(1) Luca Zanzottera was coopted by the General Meeting of Members of 25 June 2011 to replace Giuseppe Zanzottera, who resigned.