Report on Corporate Governance and Shareholder Structure of Banca Popolare di Milano S.c.a r.l.
Report on Corporate Governance and Shareholder Structure of Banca Popolare di Milano S.c.a r.l.

(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)

Approved by the Board of Directors on 23 March 2010
Available on BPM’s website at www.bpm.it

BANCA POPOLARE DI MILANO

Co-operative Bank founded in 1865
Parent Bank of the BPM – Banca Popolare di Milano – Banking Group
Share capital at 31.12.2009: Euro 1,660,136,924
Milan Company Register no. 00715120150
Enrolment in the National Register of Cooperative Companies No. A109641
Head Office and General Management:
Piazza F. Meda 4, Milan – Italy
www.bpm.it – e-mail: bipiemme@bpm.it

Member of the Interbank Guarantee Fund

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

2009
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Glossary</strong></td>
<td>7</td>
</tr>
<tr>
<td><strong>Introduction</strong></td>
<td>9</td>
</tr>
<tr>
<td><strong>1. Profile of the issuer</strong></td>
<td>11</td>
</tr>
<tr>
<td><strong>2. Information on the shareholder structure</strong></td>
<td>11</td>
</tr>
<tr>
<td>a) Structure of the share capital</td>
<td></td>
</tr>
<tr>
<td>b) Restrictions on the transfer of shares</td>
<td></td>
</tr>
<tr>
<td>c) Significant shareholdings</td>
<td></td>
</tr>
<tr>
<td>d) Shares that give special rights</td>
<td></td>
</tr>
<tr>
<td>e) Shares held by employees: mechanism for exercising voting rights</td>
<td></td>
</tr>
<tr>
<td>f) Restrictions on voting rights</td>
<td></td>
</tr>
<tr>
<td>g) Agreements between shareholders</td>
<td></td>
</tr>
<tr>
<td>h) Change of control clauses</td>
<td></td>
</tr>
<tr>
<td>i) Agreements between the Company and the Directors</td>
<td></td>
</tr>
<tr>
<td>j) Appointment and replacement of Directors – Amendments to the Articles of Association</td>
<td></td>
</tr>
<tr>
<td>k) Powers to increase the share capital and authorisations to buy treasury shares</td>
<td></td>
</tr>
<tr>
<td><strong>2.1 Management control and coordination</strong></td>
<td></td>
</tr>
<tr>
<td><strong>3. Compliance</strong></td>
<td>16</td>
</tr>
<tr>
<td><strong>4. Board of Directors</strong></td>
<td>16</td>
</tr>
<tr>
<td>4.1 Appointment and replacement</td>
<td></td>
</tr>
<tr>
<td>4.2 Composition</td>
<td></td>
</tr>
<tr>
<td>4.3 Role of the board of directors</td>
<td></td>
</tr>
<tr>
<td>4.4 Chairman, Executive committee and General Management</td>
<td></td>
</tr>
<tr>
<td>4.5 Executive directors</td>
<td></td>
</tr>
<tr>
<td>4.6 Independent directors</td>
<td></td>
</tr>
<tr>
<td>4.7 Lead independent director</td>
<td></td>
</tr>
<tr>
<td><strong>5. Confidential information and internal dealing</strong></td>
<td>32</td>
</tr>
<tr>
<td><strong>6. Board committees</strong></td>
<td>33</td>
</tr>
<tr>
<td><strong>7. Board financing committee</strong></td>
<td>34</td>
</tr>
<tr>
<td><strong>8. Remuneration committee</strong></td>
<td>35</td>
</tr>
<tr>
<td><strong>9. Remuneration of Directors</strong></td>
<td>36</td>
</tr>
</tbody>
</table>
10. Internal control committee and director in charge of supervising the internal control system 37

11. Internal control system
   11.1 Internal audit function (internal auditing department)
   11.2 Compliance function
   11.3 Risk management function
   11.4 Organisational model (decree 231/2001)
   11.5 Independent auditors
   11.6 Financial reporting manager
   11.7 Principal characteristics of current risk management and internal control systems in relation to the process of financial disclosures

12. Directors’ interests and related-party transactions 47

13. Board of Statutory Auditors
   13.1 Appointment of Statutory Auditors
   13.2 Composition and role of the board of Statutory Auditors

14. Relations with shareholders and members 55

15. Members’ meetings 57

16. Other corporate governance practices 58

17. Changes since the end of the year 58

Tables
   Table 1: Structure of the Board of Directors and Committees
   Table 2: Structure of the Board of Statutory Auditors

Report of the Board of Statutory Auditors 61
Glossary

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

Board of Directors: the Board of Directors of the Issuer.

Board of Statutory Auditors: the Board of Statutory Auditors of the Issuer.


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

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.

Civil Code: the Italian Civil Code.

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

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

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

Bank of Italy governance measures: Bank of Italy Provision 264010 of 4 March 2008 regarding “Supervisory Instructions regarding the Organisation and Corporate Governance of Banks” and the related “Clarification Note” of 19 February 2009.

Borsa: Borsa Italiana SpA, the company that organises and runs the market on which the Issuer’s shares are listed.
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, 2009 was again characterised 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 (especially those of a financial or banking nature). They were also designed to give greater protection to shareholder minorities and to small investors and users (with reference to specific functions and markets).

It is in this light that one has to consider, among other things, the introduction into Italian law of Directive 2007/36/CE, the so-called “Shareholders’ Rights Directive”, by Decree 27 of 27 January 2010, the interventions of the Bank of Italy on the Corporate Governance of Banks (in general, the note of 19 February 2009, which followed the Governor’s Instructions dated 4 March 2008 and, on the specific topic of remuneration policies, the Provision of 28 October 2009) and of Consob, among others, on the obligations of issuers’ to disclose information and the public’s right of access to regulated information (in accordance with the Transparency Directive), of the information to be rendered public at the time lists are presented for the election of members of corporate bodies (recommendation 9017893 of 26 February 2009) and, currently being completed, on related-party transactions and the requisites of independent directors.

Within this complex legislative picture, Banca Popolare di Milano has again carried out a constant process of self-assessment of its system of corporate governance in 2009, well aware of the importance of an effective governance system to ensure that the Bank is run in a healthy and prudent way. In this sense, the activities of analysis and the interventions already made to adjust the Bank’s governance model by 30 June 2009, to the said Instructions of 4 March 2008 (and the consequent preparation of a document entitled “Corporate Governance Project”, approved by the Board of Directors on 25 June 2009 and then sent to the Bank of Italy) have fostered a complete review of the Bank’s system of corporate governance.

As regards the requirements of this Report, the Bank has again analysed its system of corporate governance and compared it with the recommendations contained in the Code, which BPM introduced in its entirety back in 2001 (subsequently in the July 2002 version and now that of March 2006).

BPM, by its very nature as a bank and therefore under the supervision of the Bank of Italy, has always monitored and adjusted when necessary its organisational and control model. Accordingly, the review process mentioned above has confirmed that the Bank’s system of corporate governance complies with the regulatory instructions for the sector and is therefore in line with the principles contained in the Code, as well as related recommendations made by Consob and best practice observed both nationally and internationally.

From this point of view and in addition to the numerous interventions made starting in December 2002 (explained in detail in previous Reports), in response to the market’s growing desire for transparency and shareholders’ rising expectations for greater participation in corporate affairs and in compliance with the general principles now contained in the “Reform of Savings”, and in application of the instructions issued by the Bank of Italy and by Consob, BPM has approved significant amendments to the Articles of Association, decided during the General Meeting held on 25 April 2009. These were designed, among other things, to boost minority shareholder representation and the presence of independent directors (art. 147-ter, CFA) on the Board of Directors, as well as to appoint one acting statutory auditor (and an alternate statutory auditor) to represent mutual funds, to reduce the overall number of directors to sixteen, and to include the presence of two additional directors (elected by an open vote of the General Meeting on the basis of a list presented directly by the Board of Directors), this in connection with the commitments taken on with BPM’s two strategic and commercial partners CIC (France’s Crédit Mutuel Group) and Fondazione Cassa di Risparmio di Alessandria, which apply up to the expiry or cancellation of these agreements. The considerable redraft of the Articles of Association is spelled out in detail in this Report.

Lastly, as in recent years, with a view to optimising the sharing and communication of strategy with our Members and stakeholders in general, the Bank will publish a “Social Report” for 2009 (also on its website) which will describe the Group’s current profile, its performance during the year, its relationship and initiatives undertaken with stakeholders, and the objectives for improvement during the current year (together with information on the achievement of previous objectives), which in itself will be a further improvement on the previous social reports which we have prepared since 2004.
Having said this by way of introduction, the following is the annual “Report on Corporate Governance and Ownership Structure” of BPM, prepared in accordance with art. 123-bis, CFA. It will be made available to the general public in Italian and English at the offices of Borsa Italiana and in the Governance section of the Bank’s website (www.bpm.it).

The Report has been prepared taking into account, among other things, the indications given in the “Format for the Report on the Corporate Governance and Ownership Structure” (February 2009 edition) issued by Borsa Italiana with Assonime’s support. This document is not binding, but it was considered a useful instrument for the preparation of a Report that is as complete as possible, in line with the regulations and with best practice.
1. Profile of the issuer

Banca Popolare di Milano Scarl – founded in 1865 – is a co-operative bank with head office in Milan, the Parent Bank of the Banca Popolare di Milano Banking Group, and listed on the MAT (Mercato Telematico Azionario), the electronic equities market organised and run by Borsa Italiana SpA.

As such, the Bank is required to observe the rules of the Italian Civil Code on co-operatives - excluding those that co-operative banks are expressly exempt from under the CBA - and in general those that regulate joint-stock companies (where compatible), the rules contained in the CBA and the CFA (and related rules of implementation adopted by the Bank of Italy, Consob and Borsa for their respective areas 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 Undertakings for Collective Investment in Transferable Securities (UCITS), for which their own rules apply.

The Bank has adopted a “traditional” system of administration and control, made up of a Board of Directors, with a strategic supervisory function, a Board of Statutory Auditors, with a control function (both appointed by the General Meeting of the Members), an Executive Committee (appointed by the Board of Directors) and a General Manager (appointed by the Board of Directors) who has a management function, though the Board of Directors retains overall power.

2. Information on the shareholder structure (art. 123-bis, paragraph 1, CFA) at 31/12/2009

a) Structure of the share capital (art. 123-bis, paragraph 1a, CFA)

Given BPM’s co-operative nature, the Bank’s share capital is variable and at 31 December 2009 amounts to Euro 1,660,136,924 (fully subscribed and paid-in) entirely represented by 415,034,231 ordinary shares of par value Euro 4 each, which are listed on the Milan Stock Exchange in the FTSE MIB segment.

The BPM/CIC 2004/2009 convertible bond loan with a nominal value of Euro 179,999,994.24 – issued by the Bank in execution of the financial part of the agreement between the BPM Group and CIC (Crédit Mutuel Group) and subscribed entirely by CIC and by companies that it controls - was repaid 100% on maturity at 21 December 2009 as the conversion right was not exercised.

Under the mandate granted by the General Meeting of 25 April 2009, the Bank’s Board of Directors, at the meeting held on 26 May 2009, approved the issue of a bond loan with automatic conversion into ordinary shares of Banca Popolare di Milano (called “Convertendo BPM 2009/2013 - 6.75%”) with assignment free of charge of warrants (called “Warrant azioni ordinarie BPM 2009/2013”) at a ratio of 1:1 for each bond.

These bonds, offered for a total nominal value of Euro 695,535,200 (nominal value of Euro 100 each), provide for automatic conversion into BPM ordinary shares on maturity (1 June 2013).

The placement operation, supported by two separate prospectuses, initially took place by exercising option rights (reserved for the shareholders of BPM and the bondholders of the BPM/CIC 2004/2009 convertible bond loan) and subsequently through a public subscription offering. As a result of this entire operation, the total amount issued came to Euro 406,285,100 - 58.41% of the securities on offer (4,062,851 bonds and 4,062,851 warrants). These bonds will be converted into new BPM shares on the first occasion when it will be possible to reimburse the financial instruments at their initial nominal value art. 12, Decree 185/08 (so-called “Tremonti Bonds”), issued on 4 December 2009 by BPM in favour of the Economy and Finance Ministry for an amount of Euro 500 million.

There are no share-based incentive plans (stock option, stock grants, etc.) which entail increases in capital.
The following two tables summarise (at 31 December 2009) 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 (31.12.2009)

<table>
<thead>
<tr>
<th></th>
<th>No. of shares</th>
<th>% of the share capital</th>
<th>Listed/Not listed</th>
<th>Rights and obligations</th>
</tr>
</thead>
</table>
| Ordinary shares      | 415,034,231   | 100%                   | Listed on the MTA run by Borsa Italiana (FTSE MIB segment)    | – For those in the Members’ Register: Normal administrative and capital rights of Members in a listed co-operative.  
  – Only capital rights for those not in the Members’ Register. |
| Shares with limited voting rights | 0            | 0                      | –                 | –                                                                                      |
| Shares without voting rights | 0            | 0                      | –                 | –                                                                                      |

### Other financial instruments (31.12.2009) (giving the right to subscribe newly issued shares)

<table>
<thead>
<tr>
<th>Type of instruments servicing conversion/exercise</th>
<th>No. of instruments in circulation</th>
<th>Listed/Not listed</th>
<th>No. of shares servicing conversion/exercise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convertible bonds</td>
<td>4,062,851 (*)</td>
<td>Not listed</td>
<td>Max 175,000,000 shares</td>
</tr>
<tr>
<td>Warrants</td>
<td>4,062,851 (**)</td>
<td>Not listed</td>
<td>Max 125,000,000 shares</td>
</tr>
<tr>
<td>Shares without voting rights</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

(*) Bond loan with automatic conversion into ordinary shares of Banca Popolare di Milano called “Convertendo BPM 2009/2013 - 6.75%”.
(**) “Warrant azioni ordinarie BPM 2009/2013”, linked to the Convertendo Bond Loan.

b) Restrictions on the transfer of securities (art. 123-bis, paragraph 1, letter 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. From this point of view, during 2009 the Bank challenged 22 shareholders who had apparently exceeded the 0.50% limit, based on reports from intermediaries regarding the collection of dividends for 2008.

Inclusion in the Members’ Register is subject to approval by the Bank’s Board of Directors ("approval clause" – see art. 30 of the CBA and art. 11 of the Articles of Association). The admission of new Members is governed by a specific framework resolution (in the version approved by the Board of Directors on 3 June 2008 and amended on 20 January 2009) concerning “rules for the admission of Members and management of relationships with Members”, detailed in paragraph 14 of this report.

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.
c) Significant shareholdings (art. 123-bis, paragraph 1, letter c), CFA

Based on the communications received pursuant to art. 120, CFA and other information in the hands of the Bank, the largest shareholdings at 31 December 2009 were as follows:

**Significant shareholdings at 31.12.2009 (*)**

<table>
<thead>
<tr>
<th>Declaration by</th>
<th>Direct shareholder</th>
<th>% of share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackrock Inc.</td>
<td>Blackrock Investment Management Ltd UK</td>
<td>3.259%</td>
</tr>
<tr>
<td>Caisse Fédérale du Crédit Mutuel Centre Est Europe - CM</td>
<td>Cicor</td>
<td>(0.169%)</td>
</tr>
<tr>
<td></td>
<td>Adepi</td>
<td>(0.465%)</td>
</tr>
<tr>
<td></td>
<td>CIC Partécipations Sas</td>
<td>(0.465%)</td>
</tr>
<tr>
<td></td>
<td>Placinvest</td>
<td>(0.465%)</td>
</tr>
<tr>
<td></td>
<td>Crédit Ind. et Comm. (CIC)</td>
<td>(0.444%)</td>
</tr>
<tr>
<td></td>
<td>Sofiholding 3</td>
<td>(0.483%)</td>
</tr>
<tr>
<td></td>
<td>Gestunion 3</td>
<td>(0.465%)</td>
</tr>
<tr>
<td></td>
<td>Gestunion 4</td>
<td>(0.500%)</td>
</tr>
<tr>
<td></td>
<td>Pargestion 4</td>
<td>(0.500%)</td>
</tr>
<tr>
<td></td>
<td>Sofiholding 4</td>
<td>(0.500%)</td>
</tr>
<tr>
<td></td>
<td>Valimar 4</td>
<td>(0.067%)</td>
</tr>
<tr>
<td></td>
<td>ACM Vie SA</td>
<td>(0.290%)</td>
</tr>
<tr>
<td></td>
<td>ACM Iard</td>
<td>(0.030%)</td>
</tr>
<tr>
<td></td>
<td>ACM Mutuelle</td>
<td>(0.146%)</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>JP Morgan Securities Limited</td>
<td>3.738%</td>
</tr>
<tr>
<td></td>
<td>JP Morgan Whitefriars Inc.</td>
<td>(2.418%)</td>
</tr>
<tr>
<td></td>
<td>JP Morgan European Fledgeling Inv.T.Plc</td>
<td>(0.363%)</td>
</tr>
<tr>
<td></td>
<td>JP Morgan Bank Ireland Plc</td>
<td>(0.077%)</td>
</tr>
<tr>
<td></td>
<td>JP Morgan Bank as Trustees of Kraft</td>
<td>(0.019%)</td>
</tr>
<tr>
<td></td>
<td>JP Morgan Bank Luxembourg Sa</td>
<td>(0.011%)</td>
</tr>
<tr>
<td></td>
<td>JP Morgan Chase Bank</td>
<td>(0.006%)</td>
</tr>
<tr>
<td>Alliance Bernstein Lp</td>
<td>Alliance Bernstein Lp</td>
<td>2.020%</td>
</tr>
<tr>
<td>Dimensional Fund Advisors Lp</td>
<td>Dimensional Fund Advisors Lp</td>
<td>2.002%</td>
</tr>
</tbody>
</table>

(*) Compared with the “Borsa Format”, figures for the percentage held versus the voting capital are not provided; this is because, as you know, in co-operative banks voting is “by head” and not “by capital” and is reserved to the Members (i.e. those shareholders who have been approved by the Bank and recorded in the Members’ Register).

(**) Figure updated for the dividend and confirmed by CIC on 25 November 2009.
d) Securities that grant special rights (art. 123-bis, paragraph 1, letter d), CFA
As far as BPM is concerned, there are no securities that grant special rights of control over the Bank.

e) Shares held by employees: mechanism for exercising voting rights (art. 123-bis, paragraph 1, letter 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 (also in the new wording foreseen by Decree 27 of 27 January 2010 which introduces the so-called “Shareholders’ Rights Directive” into Italian law). Under the Articles of Association, each Member can act as a proxy for not more than two other Members. Given that by law “proxies cannot be granted to directors, statutory auditors and employees of the company, nor to companies that they control, nor to the directors, statutory auditors and employees of such companies, employees of the Bank are not allowed to act as proxies for other Members. Postal votes are not allowed. As foreseen in art. 137 CFA, in listed co-operatives it is forbidden to solicit and collect proxy votes (ban confirmed by Decree 27 of 27 January 2010).
Lastly, we would point out that, as foreseen in the Regulations for general meetings, the signature of the person giving the proxy has to be authenticated by an officer at the Bank’s head office or one of its branches, or by the intermediary that issues the certification or by a public official.

f) Restrictions on voting rights (art. 123-bis, paragraph 1, letter 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, letter g), CFA
The Bank is not aware of any agreements between BPM shareholders in accordance with art. 122 CFA on how shareholder rights should be exercised or transferred.
In the interests of full disclosure, it is worth mentioning that on 14 September 2004 - following the integration of Cassa di Risparmio di Alessandria within the BPM Group - a shareholder agreement was signed by the Bank and Fondazione Cassa di Risparmio di Alessandria to regulate governance of the Cassa and which also foresees the presence of a nominee of the Fondazione on the boards of directors of Banca Popolare di Milano and of other Group companies (currently only Banca Akros SpA). This agreement between the Bank and Fondazione Cassa di Risparmio di Alessandria was published at the time in accordance with art. 122 CFA by the legal deadline (solely as regards BPM and on its initiative). The agreement is due to expire on 24 September 2010.

h) Change of control clauses (art. 123-bis, paragraph 1, letter h), CFA
As regards major 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”, the following are worth mentioning:
- the shareholder agreement signed by Banca Popolare di Milano and Fondazione Cassa di Risparmio di Alessandria published (solely as regards the issuer and on its initiative) in accordance with art. 122 CFA, as mentioned previously, which guarantees that the agreements concerning the Bank and BPM Group companies will be maintained, quite apart from any change in the shareholder structure of BPM;
- the 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 of directors 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.
Even taking account of these commitments, following art. 50 of the Articles of Association, BPM has foreseen a specific procedure, which makes it possible to appoint to the Board of Directors two members nominated by the Bank’s current strategic and commercial partners (Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial).

i) Agreements between the Company and the Directors (art. 123-bis, paragraph 1, letter i), CFA
There are no agreements between the Company and the Directors that provide for indemnities in the event of them falling from office prior to the expiry date.
I) Appointment and replacement of Directors – Amendments to the Articles of Association
(art. 123-bis, paragraph 1, letter l), CFA)

The Articles of Association (arts. 32 and 33), the Regulations for Members’ Meetings (arts. 21 et seq.) and paragraph 4.1 of this Report should be consulted for a full explanation of the procedures for appointing and replacing the members of the Board of Directors. The following is a summary of the Articles in question:

a) the Board is made up of a fixed number of Directors equal to 16;

b) The General Meeting appoints the Directors on the basis of lists of candidates presented by the Members, except in the case of a list presented by the Board (sub-point e), and deposited at the head office at least fifteen days prior to the Meeting. 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;

c) only lists that have obtained least one hundred and fifty votes validly cast at the General Meeting will be taken into account for the purpose of appointing Directors;

d) half plus one of the number of Directors to be appointed are to be taken from the list that obtains a majority of the votes; the other Directors (excluding those to be elected in accordance with point sub e) are to be taken from the other lists;

f) Directors are replaced, if necessary, during the course of their three-year term in office maintaining - where possible - the proportion between the majority and any “minorities”. If the General Meeting has to replace Directors who were appointed from the majority list, the appointment takes place with a relative majority vote without any list requirement. If Directors belonging to minority lists have to be replaced, General Meeting chooses them with a relative majority vote, where possible, from among the candidates on the same lists as the Directors being replaced;

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, under art. 31 of the Bank’s current Articles of Association, amendments to the Articles, 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 the] Articles of Association [i.e. the corporate purpose] 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 this paragraph, have to be approved by at least one seventh of the Members with the right to vote”.

Last paragraph to art. 31 of the Articles of Association (introduced by the General Meeting on 13 December 2008) requires “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”.

In accordance with art. 2365, the Board can also pass resolutions to bring the Articles of Association into line with new regulatory or legislative requirements.

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

Without altering the fact that the Bank’s share capital is variable, as mentioned previously, the General Meeting of 25 April 2009 delegated (under art. 2420-ter of the Italian Civil Code, amending art. 17 of the Articles of Association as a result) to the Board of Directors the power to issue a bond loan with automatic conversion in BPM ordinary shares, for a maximum total nominal amount of Euro 700,000,000, also cum warrant, to be offered under option to all those entitled, including the right to increase the share capital, for payment and in one or more tranches, to service the conversion of this loan and to service the potential exercise of the warrants for a maximum number of 300,000,000 ordinary shares (the issue of this loan has already been discussed in paragraph a) of this section).

This General Meeting granted a mandate to the Board of Directors - up until the next General Meeting - to manage the “Reserve for treasury shares” with the right to purchase and sell the Bank’s shares on the MTA, the electronic equities market run by Borsa Italiana, in accordance with the procedures set out in art. 144-bis, paragraph 1, letter b) of the Issuers’ Regulations, within the limit of the amount of the reserve and any part of it that over time becomes available for subsequent disposals, as part of the normal activity of intermediation to encourage circulation of the shares; 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, including below market value, to be fixed from time to time at the Board’s discretion.
2.1 Management control and coordination

Banca Popolare di Milano is the Parent Bank 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 (art. 123-bis, paragraph 2, letter 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, each year the Bank analyses its system of corporate governance and compares it with the recommendations contained in the Code, which BPM introduced in its entirety back in 2001 (and subsequently in the version of July 2002 and now that of March 2006). The Code is available on Borsa’s website (www.borsaitaliana.it) and in the “Governance” section of the Issuer’s website (www.bpm.it).

4. Board of Directors

4.1. Appointment (art. 123-bis, paragraph 1. letter l), CFA)

Procedures for the appointment and replacement of Directors

The “list voting system” introduced by the Extraordinary General Meeting held on 19 December 2002 for the appointment of the Board of Directors, which more or less followed the system already used for appointing the Board of Statutory Auditors, with suitable adjustments to take account of the particular composition of the Board of Directors, has since been refined in line with changes in the law (Law 262/05, Decree 303/06 and Consob’s rules for its implementation), also following the recommendations of the Bank of Italy (Provision of 4 March 2008 and the Note of 19 February 2009) on the mechanisms needed to ensure adequate representation of the various components of the shareholder base on the administrative and control bodies, also considering the high degree of fragmentation in the case of co-operative banks.

The Articles of Association (arts. 32 and 33) and the Regulations for Members’ Meetings (arts. 21 et seq.) should be consulted for a full explanation of the procedures for appointing and replacing the members of the Board of Directors. The following is a summary of the Articles in question, in the version amended by the Members’ Meeting of 13 December 2008 and already applied at the election of the corporate bodies during the Members’ Meeting held on 25 April 2009:

- the Board is made up of a fixed number of Directors equal to 16, in addition of Directors foreseen in art. 50 of the Articles of Association [see below], appointed by the Members’ Meeting in a single ballot;
- the General Meeting appoints the Directors on the basis of lists of candidates presented by the Members, except in the case of a list presented by the Board (art. 50 of the Articles of Association). The lists of candidates, signed by those presenting them, have to be deposited at the Bank’s head office at least fifteen days before the date scheduled for the meeting at first calling. Each list has to be presented by at least three hundred sponsoring Members representing in total at least 0.50% of the share capital, who have been included in the Register of Members for at least ninety days (as established by Consob in art. 144-quater, paragraphs 3 and 4, IR);
- to be admitted, each list has to contain at least two candidates (four if only one list is being presented) who meet the independence requirements laid down in art. 147-ter, paragraph 4, of CFA;
- only lists that have obtained least one hundred and fifty votes validly cast at the General Meeting will be taken into account for the purpose of appointing Directors [see also art. 147-ter, paragraph 1, CFA];
half plus one of the number of Directors to be appointed are to be taken from the list that obtains a majority of the votes; the other directors, excluding those appointed according to art. 50 of the Articles of Association, are taken from the other lists that have obtained the said minimum representation quorum according to the so-called “quotient system”;

In accordance with art. 50 of the Articles of Association, even if this makes the total number of Directors go over sixteen, the General Meeting appoints two Directors taken from the list that the Board of Directors has the right to present in order to fulfil the commitments taken with the Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial, for as long as the conditions for applying these agreements continue to exist;

at least four members of the Board of Directors have to meet the independence requirements laid down in art. 147-ter, paragraph 4, CFA. If a Director no longer meets the independence requirements, as defined above, they do not fall from office providing at least four other Directors do meet them;

Directors may not be appointed for a period of more than three financial years; their term of office expires on the date of the general meeting that approves the financial statements for their last financial year in office and they can be re-elected;

the first, second and third candidates on the majority list are elected Chairman and Deputy Chairmen respectively;

Directors are replaced, if necessary, during the course of their three-year term in office maintaining - where possible - the proportion between the majority and any “minorities”. If one or more Directors can no longer serve during the course of the year, the others have to take steps to replace them by a resolution approved by the Board of Statutory Auditors and providing the majority is still made up of Directors appointed by the General Meeting, choosing, where possible, from among those that were not elected on the same lists as the Directors no longer serving. Directors appointed in this way remain in office until the next General Meeting;

If the General Meeting has to replace Directors who were appointed from the majority list, the appointment takes place with a relative majority vote without any list requirement. If Directors belonging to minority lists have to be replaced, General Meeting chooses them with a relative majority vote, where possible, from among the candidates on the same lists as the Directors being replaced;

If both these Directors can no longer serve, replacements have to be co-opted to ensure compliance with the said agreements. The General Meeting passes the resolution with a relative majority in an open vote on the proposal of the Board.

Publishing the lists of candidates and related documents

Art. 32 prescribes that the lists 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 they meet the requirements prescribed by law or by the Articles of Association for holding office; hence, also whether or not they qualify as “independent” (in the two meanings of the word art. 147-ter, paragraph 4. CFA and art. 3 of the Code), as expressly requested in the notice of calling to the Bank’s General Meetings that have board elections on the agenda. Art. 22 of the current Regulations for Members’ Meetings requires that “the lists (...) together with their curriculum vitae, are available to the shareholders at the Bank’s head office and summarised by the Chairman at the general meeting before the polling stations are opened”.

On this subject, it should be noted that, prior to General Meetings of BPM with the election of corporate bodies on the agenda, the Bank has since 2003 sent shareholders and the market a specific press release containing details of the lists presented for each office and a complete list of candidates.

From this point of view, in addition to what BPM usually does in terms of publishing the lists, it now also does what Consob expressly requests (in art. 144-octies, IR).

At the time of the General Meeting of 25 April 2009, which had, among other things, renewal of the corporate bodies on the agenda, the Bank took steps on 14 April 2009 (so as to comply with the deadline of “at least ten days prior to the date of the general meeting called to vote on the appointment of administration and control bodies” foreseen in art. 144-octies, IR) to make available to the general public, at its head office, at the offices of Borsa and on its own website, the lists of candidates validly deposited by Members and accompanied, among other things, by a list of the sponsoring members, by the curriculum vitae of each candidate and, for the candidates as directors, by a declaration whether they comply with the requisites for independence (as defined by art. 147-ter, paragraph 4, CFA and art. 3 of the Code).
4.2. Composition (art. 123-bis, paragraph 2, letter d), CFA)

Composition and term in office of the Board of Directors - Profile of the Directors

Art. 32 of the Articles of Association of the Bank lays down that the Board of Directors - appointed by the General Meeting of Members for a period not exceeding three years - is composed of a fixed number of sixteen Directors (including the Chairman and two Deputy Chairmen).

This number of sixteen can 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 Board currently in office was appointed for three years (2009-2011) by the General Meeting held on 25 April 2009; the entire Board will therefore expire at the General Meeting called to approve the financial statements at 31 December 2011.

The General Meeting in April 2009 was asked to choose the Directors from the following four lists of candidates:

List no. 1: presented by 739 Members (their names were published on the websites of the Bank and of Borsa), representing a total of 1,212,260 shares, equal to 0.29% of the share capital, whose candidates as Directors were the following: Massimo Ponzellini (lead candidate), Mario Artali, Graziano Tarantini, Beniamino Anselmi, Antoniogiorgio Benvenuto, Giovanni Bianchini, Giuseppe Coppini, Enrico Corali, Marcello Priori and Michele Zefferrino;

List no. 2: presented by 336 Members (their names were published on the websites of the Bank and of Borsa), representing a total of 429,018 shares, equal to 0.10% of the share capital, whose candidates as Directors were the following: Franco Del Favero (lead candidate), Leone Spozio, Paolo Troiano, Alberto Bertoni, Angelo Fedegari, Giordano Pelosato and Enrico Sisti;

List no. 3: presented by 334 Members (their names were published on the websites of the Bank and of Borsa), representing a total of 322,167 shares, equal to 0.08% of the share capital, whose candidates as Directors were the following: Antonello Polita (lead candidate), Andrea Monorchio, Francesco Arcucci, Raffaele Ferrara, Alberto Gambino, Maurizio Farina, Marina Gasparotto Curli, Claudio Mazzesì, Enrico Bernasconi, Federico Cortiana, Vittorio Pessina and Cristina Finocchi Mahne;

List no. 4: presented by 559 Members (their names were published on the websites of the Bank and of Borsa), representing a total of 538,261 shares, equal to 0.13% of the share capital, whose candidates as Directors were the following: Roberto Mazzotta (lead candidate), Piero Lonardi, Roberto Fusilli, Franco Debenedetti, Enrico Airaghi, Paola Piccinini Tosato, Enrico Marcora, Guido Castoldi, Claudio Danelon, Giovanni Massimello, Giuseppe Bernoni and Marco Antonio Bergamaschi.

During the course of this General Meeting, all of the lists presented managed to exceed the threshold of 150 votes validly expressed, obtaining the following results:

- list no. 1 obtained 5,294 votes
- list no. 2 obtained 1,363 votes
- list no. 3 obtained 391 votes
- list no. 4 obtained 2,633 votes

Applying the quotient mechanism, the voting list system resulted in the appointment to the Board of ten Directors on the list that obtained the highest number of votes (list no. 1) and six Directors on two different minority lists (lists no. 2 and no. 4).
Under art. 50 of the Articles of Association, the General Meeting also appoints (unanimously with an open vote) the two Directors presented by the Board of Directors to comply with the commitments taken on by BPM with Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial.

As regards the current composition of the Board of Directors – bearing in mind that under art. 32 of the Articles of Association, all of them have to be Members – the following is a complete list of the Directors, 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 Directors according to art. 147-ter, paragraph 4, CFA and art. 3 of the Code.

<table>
<thead>
<tr>
<th>Name</th>
<th>Office held</th>
<th>Expiry (a)</th>
<th>Executive</th>
<th>Requisite of independence (*)</th>
<th>Requisite of independence (**)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massimo Ponzellini (1)</td>
<td>Chairman</td>
<td>2011</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Mario Artali (1)</td>
<td>Deputy Chairman</td>
<td>2011</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Graziano Tarantini (1)</td>
<td>Deputy Chairman</td>
<td>2011</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Benjamin Anselmi (1)</td>
<td>Director</td>
<td>2011</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Antoniogiorgio Benvenuto</td>
<td>Director</td>
<td>2011</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Francesco Bianchi (1) (4)</td>
<td>Director</td>
<td>2011</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Giovanni Bianchini</td>
<td>Director</td>
<td>2011</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Giuseppe Coppini</td>
<td>Director</td>
<td>2011</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Enrico Corali</td>
<td>Director</td>
<td>2011</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Franco Debenedetti (3)</td>
<td>Director</td>
<td>2011</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Franco Del Favero (1) (2)</td>
<td>Director</td>
<td>2011</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Roberto Fusilli (3)</td>
<td>Director</td>
<td>2011</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Piero Lonardi (1) (3)</td>
<td>Director</td>
<td>2011</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Roberto Mazzotta (3)</td>
<td>Director</td>
<td>2011</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Marcello Priori</td>
<td>Director</td>
<td>2011</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Leone Spazio (2)</td>
<td>Director</td>
<td>2011</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Jean-Jacques Tamburini (5)</td>
<td>Director</td>
<td>2011</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Michele Zefferino</td>
<td>Director</td>
<td>2011</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>

(a) At the General Meeting that approves the financial statements indicated.
(*) Requisites of independence in accordance with art. 147-ter, paragraph 4, CFA (relevant under art. 32 of the Bank’s Articles of Association) assessed by the Board of Directors on 26 May 2009.
(**) Requisites of independence in accordance with art. 3 of the Code of Conduct for Listed Companies (March 2006 version) assessed by the Board of Directors on 26 May 2009.
(1) Member of the Executive Committee, appointed on 28 April 2009.
(2) Minority Director (List no. 2).
(3) Minority Director (List no. 4).
(4) Director elected under art. 50 of the Articles of Association [Fondazione Cassa di Risparmio di Alessandria].
(5) Director elected under art. 50 of the Articles of Association [Crédit Industriel et Commercial].
NB: List no. 1 is the majority list. Applying the quotient mechanism meant that no Director was elected from List no. 3.
In accordance with art. 144-decies, IR, as regards the Directors 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.

Massimo Ponzellini: after numerous prestigious appointments, including Vice President and Managing Director of the EIB and of the Istituto Poligrafico e Zecca dello Stato, he is currently Chairman of Impregilo SpA and Deputy Chairman of INA Assitalia SpA; from 2009 he is the Chairman of Banca Popolare di Milano.

Mario Artali: graduated in Law, then did a post-graduate degree in Business Studies at Milan’s Bocconi University. He has been a councillor of the Municipality of Milan and a member of Parliament. He has held various important positions in industrial groups and has been on the Board of BPM since 2003 (Deputy Chairman since 2006).

Graziano Tarantini: graduated in Law, then did a post-graduate degree in corporate finance and tax law; he is a lawyer and teaches at the Economics Faculty of Bologna University. He is currently Chairman of the Supervisory Board of A2A SpA and since 1998 he has been a member of the Board of BPM (Deputy Chairman since 2009).

Beniamino Anselmi: has held numerous management posts and board positions in various companies operating in the banking sector.

Antoniogiorgio Benvenuto: graduated in Law and has been a trade unionist and parliamentary journalist; he currently teaches at the Fiscal Police School of the Guardia di Finanza.

Francesco Bianchi: graduated in Economics and Business Studies after working abroad for Morgan Grenfell and subsequently Banca Intesa; he currently operates as an chartered accountant, mainly providing advice in matters of corporate finance.

Giovanni Bianchini: up until 2000, he worked for Banca Popolare di Milano in various management roles; he has been a member of the Board of Directors of various BPM Group companies.

Giuseppe Coppini: 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.

Enrico Corali: graduated in Law and now teaches Public Law at Bergamo University; he is currently Chairman of Banca di Legnano (BPM Group) and a member of the board of various important manufacturing companies (such as Finlombarda SpA and Autostrada Pedemontana Lombarda SpA).

Franco Debenedetti: graduated in Electronic Engineering, specialising in nuclear engineering, he writes for various important Italian newspapers and is a Senator of the Republic; he is currently a member of the board of CIR SpA, Piaggio SpA and Iride SpA (among others).

Franco Del Favero: graduated in Economics and Business Studies; after a long career in BPM, he has been a member of the board of Bipiemme Vita SpA and is now on the board of Banca Akros SpA (BPM Group).

Roberto Fusilli: graduated in Economics and Business Studies, worked for IBM Italia SpA and is now a member of the board of Banca di Legnano SpA (BPM Group).

Piero Lonardi: 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; since 2003 he has been a Director in BPM and since 2004 of Cassa di Risparmio di Alessandria (BPM Group), as well as being a Statutory Auditor in various companies, including AMSA SpA.

Roberto Mazzotta: graduated in Economics from Bocconi University, he has been an MP, Undersecretary of State and Minister and after other important appointments, including Chairman of Cariplo, he has been a Director of BPM since 2000 (and Chairman from 2001 to 2009).

Marcello Priori: graduated in Business Studies, is a Chartered Accountant, an Official Auditor and a technical consultant of the Milan Court; he teaches at Bocconi University and acts as director and statutory auditor in various companies in the financial and industrial sectors.
Leone Spazio: after many years’ experience at BPM, from 2002 to 2009 he was a member of the board of Banca di Legnano (BPM Group).

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.

Michele Zefferino: graduated in Political Science from Milan University and has spent his working life in BPM, taking on positions of increasing responsibility. Currently, he is a member of the board of various companies operating in the banking/insurance sector of the BPM Group or of companies linked to it.

Maximum accumulation of offices that can be held in other companies

Without prejudice to the fact that under art. 32 of the Articles of Association those who are or become directors, employees or statutory auditors of other banks or their subsidiaries cannot act as a Director of BPM, unless the entities concerned are centralised structures for the co-operative banking movement or banks, affiliates or members of an affiliated banking group, the Articles of Association lay down that “a specific regulation sets limits on the accumulation of offices that can be held simultaneously by the Directors, taking account of the nature of the office and the characteristics and size of the companies concerned”.

On the basis of this article, which reflects 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 Code, the Board of Directors has taken steps to define - based on a points system previously developed by the Bank’s Board of Statutory Auditors and adopted by the board - its thoughts regarding the maximum number of positions as director or statutory auditor that is considered compatible with acting effectively as a Director of the Bank.

Different points are necessarily allocated according to the commitment involved in each position, also in relation to the nature and size of the companies in which the positions are held, and whether or not they belong to a group. Based on this system, and using special forms filled in by the officers concerned, the Board Meeting of 26 May 2009 decided that the number of positions held in other companies by the current members of the Board was compatible with the general criteria that it had laid down.

In accordance with art. 1.C.2. of the Code, the following is a list of the positions held by directors - either as directors or statutory auditors - in 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). From this last point of view, we would point out that companies have been considered “of a significant size” if they exceed certain size criteria (in particular, if they exceed at least two of the following three parameters: 250 employees; 50 million euro of revenues; 43 million euro of total assets), as well as other companies that are considered “of a significant size” by the persons concerned, even if they do not satisfy strictly quantitative criteria.
Massimo Ponzellini
- Chairman of Impregilo S.p.A.
- Deputy Chairman of INA Assitalia S.p.A.
- Member of the Supervisory Board of Crédit Industriel et Commercial (CIC)

Mario Artali
- Deputy Chairman of Banca Akros S.p.A. (BPM Group)
- Chairman of Wise Venture SGR S.p.A.
- Director of Sigma Tau Finanziaria S.p.A.

Graziano Tarantini
- Chairman of Banca Akros S.p.A. (BPM Group)
- Chairman of the Supervisory Board of A2A S.p.A.

Beniamino Anselmi
- Director of Banca Akros S.p.A. (BPM Group)
- Chairman of SelmaBipiemme Leasing S.p.A.
- Director of Mid Industry Capital

Antoniogiorgio Benvenuto
- Director of Assiparos S.p.A.

Francesco Bianchi
- Director of Cassa di Risparmio di Alessandria S.p.A. (BPM Group)
- Managing Director of H7 S.p.A.
- Director of H7+ S.r.l.

Giovanni Bianchini
- Chairman of Phidias S.p.A.
- Sole Director of ME.TA. S.r.l.

Giuseppe Coppini
- Director of Cassa di Risparmio di Asti S.p.A.

Enrico Corali
- Chairman of Banca di Legnano S.p.A. (BPM Group)
- Chairman of BAS - Servizi Idrici Integrati S.p.A.
- Director of Finlombarda S.p.A.
- Director of Autostrada Pedemontana Lombarda S.p.A.

Franco Debenedetti
- Director of CIR S.p.A.
- Director of COFIDE S.p.A.
- Director of Iride S.p.A.
- Director of Piaggio S.p.A.
- Chairman of China Milan Equity

Franco Del Favero
- Director of Banca Akros S.p.A. (BPM Group)

Roberto Fusilli
- Director of Banca di Legnano S.p.A. (BPM Group)
Piero Lonardi
- Director of Cassa di Risparmio di Alessandria S.p.A. (BPM Group)
- Director of Errepi S.p.A.
- Chairman of the Board of Statutory Auditors of A. De Pedrini S.p.A.
- Acting Auditor of AMSA S.p.A.

Roberto Mazzotta
- Director of Metalfin UK
- Director of Cariano S.S.

Marcello Priori
- Chairman of ProFamily S.p.A. (BPM Group)
- Director of Cassa di Risparmio di Alessandria S.p.A. (BPM Group)
- Director of Dexia Crediop S.p.A.
- Director of Vivagas S.p.A.
- Director of Monzino S.p.A.
- Chairman of the Board of Statutory Auditors of Carrefour Servizi Finanziari S.p.A.
- Statutory Auditor of Lucchini S.p.A.
- Statutory Auditor of Fomas Finanziaria S.p.A.
- Statutory Auditor of Servola S.p.A.
- Statutory Auditor of Key Client Cards & Solutions S.p.A.
- Statutory Auditor of Carrefour Italia S.p.A.
- Statutory Auditor of Demeter Italia S.r.l.

Leone Spozio

Jean-Jacques Tamburini
- Director of Banca di Legnano S.p.A. (BPM Group)
- Member of the Executive Board of Crédit Industriel et Commercial
- Chairman and General Manager of CIC Société Bordelaise
- Chairman and General Manager of CIC Partécipations SAS
- Chairman and General Manager of Adepis SAS
- Chairman and General Manager of Valimar 3 SAS
- Chairman of the Supervisory Board of CIC Capital Privé
- Chairman of the Board of Directors of S.F.F.P.
- Deputy Chairman of the Supervisory Board of CM–CIC Asset Management
- Member of the Supervisory Board of CIC Production (GIE)
- Director of CIC Investissement
- Director of CIC Finance
- Director of Institut de Partécipation de L’Ouest (IPO)
- Director of Banque de Tunisie
- Director of CIC Est
- Director of S.F.A.P.
- Director of Assurances du Crédit Mutuel – IARD SA
- Director of TV7 Bordeaux
- Member of the Audit Committee of Banque Marocaine du Commerce Extérieur

Michele Zefferino
- Director of Cassa di Risparmio di Alessandria S.p.A. (BPM Group)
- Director of Webank S.p.A. (BPM Group)
- Director of Bipiemme Vita S.p.A.
4.3. Role of the board of directors (art. 123-bis, paragraph 2, letter d), CFA

How the Board of Directors functions

At the meeting held on 25 June 2009, the Board of Directors adopted a specific set of regulations that govern, among other things, how the board is meant to function (obviously in compliance with the law and the Articles of Association).

Board meetings are to be chaired by the Chairman or, in his absence, by the oldest Deputy Chairman in terms of age or, in turn, the other Deputy Chairman; if both the Chairman and the Deputy Chairmen are absent, by the oldest Director in terms of age, unless otherwise indicated by the Chairman.

Each year the Board chooses a Secretary, who does not have to be one of its members. At present, this position is held by Luciano Galimberti, Assistant Head of BPM’s Equity Investments, Regulatory Advice and Corporate Affairs Department.

In 2009 the Board of Directors held 24 meetings, lasting three hours on average with an overall participation of 88% (the percentage attendance of each member is shown in table no. 1).

Up to now, 5 board meetings have been held in 2010 and, based on available information, another 14 meetings are foreseen during the year.

Board meetings are called by the Chairman (or by the Secretary on his behalf) 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 (e.g. e-mail) at least two days prior to the meeting.

Depending on the type and importance of the matters to be discussed and the urgency of the decisions that have to be taken, the members of the Board of Directors and of the Board of Statutory Auditors should normally be sent in advance all of the documentation and information needed to give them adequate background knowledge of the matters being discussed at board meetings, as well as periodic information on the company’s main trends, particularly in connection with any changes in the regulatory framework. In this connection, art. 34 of the Articles of Association says that “the Chairman coordinates the work of the Board of Directors and makes sure that the Directors receive adequate information on the matters on the agenda”.

The General Manager can take part, with a consultative vote, in meetings of the Board of Directors, to which members of management of the Bank and/or the Group can be invited to participate so that they can speak on particular topics being discussed, if required.

Powers of the Board of Directors

The Board of Directors of the Bank is invested with all the powers over the Bank’s ordinary and extraordinary management except those that the law or Articles of Association reserve for the General Meeting.

Under these powers, in addition to the matters that cannot be delegated by law or by regulatory dispositions and in light of the exclusive powers indicated in the Regulations of the Board of Directors, the Bank’s Board of Directors is granted the powers to decide the matters listed in art. 1.C.1. of the Code.

In particular, the Board has the power, among other things, with regard to:

- the review and approval of the Bank’s and Group’s strategic/business/financial plans;
- the corporate governance system and the corporate structure of the Group;
- establishing the criteria for management control and coordination of Group companies and for implementation of the directives issued by the Bank of Italy;
- the lines of strategy for risk management and control of the BPM Group in order to implement an integrated and consistent risk management policy, taking account of the types of operations and related risk profiles of each Group company;
- assessment of the adequacy of the organisational/administrative/accounting structure of the Company and the Group (especially that of strategically important subsidiaries, currently identified as the Group’s banks, asset management companies and securities houses), with particular reference to the internal control system and the handling of conflicts of interest;
- determination of the general policies regarding management, organisation and the granting of loans;
- any attribution and revocation of decision-making powers after defining the limits and methods of exercising them, without affecting the quarterly timing of the information to be provided to the Board on such matters;
- the remuneration of directors who hold particular positions and allocation of the global compensation provided for the directors under the Articles of Association - on the proposal of the Remuneration Committee and after hearing the Statutory Auditors - without affecting the power of the General Meeting to approve the remuneration for the office of Director and member of the Executive Committee;
- the evaluation of general business performance, periodically comparing the actual results against the budget;
- transactions of the Bank (and of its subsidiaries) that are of particular importance from a strategic, economic, balance sheet or financial point of view (paying particular attention to situations in which one or more Directors have an interest on their own
account or that of third parties, and more generally for related-party transactions) and in general those transactions that require
the Bank to make available to the general public an information document drawn up in accordance with Consob’s instructions;
- the appointment of General Management and the Financial Reporting Manager, as well as those in charge of the internal auditing
and compliance functions;
- approval and amendment of internal regulations;
- buying and selling of property and major shareholdings (namely, those that alter the Banking Group’s scope or, in the case of
non-Group shareholdings, those worth more than 20 million euro).

Pursuant to art. 150 of Decree 36/98 and the last paragraph of art. 36 of the Articles of Association, the Board of Directors must
notify the Board of Statutory Auditors of operations with a significant impact on the balance sheet, income statement and financial
position of the Bank and its subsidiaries (with particular reference to operations in which the directors have an interest on their own
account or that of third parties). This requirement is satisfied through the participation by BPM’s Board of Statutory Auditors at all
the meetings of the Board of Directors and Executive Committee. Furthermore, its members are on the Board of Statutory Auditors
of the Group’s principal subsidiaries, to the extent that this is compatible with the expiry and renewal of the various terms of office.
The Board of Statutory Auditors of BPM is therefore promptly informed of the Bank’s activities on a continuous basis. All of the
documentation examined from time to time by the Executive Committee and by the Board of Directors at their respective meetings is
sent simultaneously to the Board of Statutory Auditors for their review.

At the end of each quarter, the Board of Statutory Auditors issues a statement on the information received from the Board of Directors
regarding the activities of the Bank, particularly with regard to the more important economic and financial transactions carried out
by the Bank and its subsidiaries, and with particular reference to operations involving potential conflicts of interest.

Self-assessment
During the course of 2009, the Board of Directors performed a detailed self-assessment of the size, composition and functioning of
the Board and its Committees. This was carried out in accordance with the recommendations of art. 1.C.1. letter g) of the Code,
as well as on the basis of the results that emerged from the questionnaire filled in by each Director. This had 26 questions (as well
as one open question at the end), with points being attributed to the answers in order to establish the degree of adequacy and the
priority of any interventions that might have to be made afterwards.
As a result of this assessment, the Board of Directors decided that there were certain areas that required improvement. This was
especially with regard to the high number of items on the agenda of board meetings (making it difficult for them all to be discussed
in sufficient detail) and therefore the need to increase the number of such meetings; at the same time, the Board will look into the
possibility of these topics being analysed in other meetings at board level (for example, at Executive Committee meetings).

4.4. Chairman, executive committee and general management

Managing Directors
In BPM, the role of Managing Director does not exist and none of the members of the Board has individual executive powers, nor
do they effectively carry out functions regarding the day-to-day running of the business.

Chairman of the Board of Directors
Pursuant to art. 37 of the Articles of Association, “the Chairman and each of the Deputy Chairmen has the power to represent the Bank
vis-à-vis third parties and in court; they also have powers to sign on their own; each of the directors may also represent the Bank jointly
with the General Manager or with one of the directors so designated by the Board. For certain operations, the Board may also give single
or joint signature power to individual directors and managers, and grant powers of attorney for specified matters. The Chairman or, in
the event of his impediment, either of the Deputy Chairmen, can appoint proxies to implement board resolutions”; the Chairman of the Board
of Directors has not been delegated any individual executive powers.
Without prejudice to the Chairman’s important role of representation versus institutional, social and financial entities and the banking
system in general, as well as his role in handling relationships between the Members (and their related associations) and in coordinating
Group companies, his duty to foster fair debate internally and externally and the specific functions attributed to him within the Board of
Directors (especially as regards the organisation of board proceedings and the circulation of information), the Chairman does not have a
specific role in developing corporate strategies.
Executive Committee

In compliance with the Bank of Italy’s “Governance Measures”, BPM is of the opinion that an efficient corporate governance system, based on a balance of powers, requires clear identification and separation of duties, roles and responsibilities among the corporate bodies.

To this end, the Bank has carried out a profound review of its system of governance in order to have a clearer and more balanced division of roles and responsibilities among the various corporate bodies, with specific reference to the distinction between the functions of the Board of Directors and the management activity which is up to the senior ranking officers of the Bank’s organisation (in BPM, this means General Management, and within it, the General Manager).

The amendments to the Articles of Association decided in December 2008 involved, among other things, the composition of the Executive Committee and the determination of its powers. As a result of these amendments, the role of General Management has also been strengthened in his role, and within it that of the General Manager as “Head of the Company”, remodulating the powers attributed to him as a result.

The current Articles of Association provide that the Board of Directors delegate part of its powers each year to an Executive Committee; the power delegated to the Executive Committee can involve in particular “matters relating to personnel, organisation and the buying and selling of minor shareholdings” (art. 36 of the Articles of Association).

In addition to matters that cannot be delegated by law or by instructions from the Supervisory Authorities, the powers delegated may not concern general policies regarding management, organisation and the granting of loans, strategic operations, business and financial plans, buying and selling of property and major shareholdings (namely, those that alter the Banking Group’s scope or, in the case of non-Group shareholdings, those worth more than 20 million euro), the approval and amendment of internal regulations, the matters discussed in art. 44 (namely the appointment of General Management and the General Manager) and the appointment of the Officer responsible for internal audit and compliance functions.

Significant and/or related-party transactions must also be examined and approved beforehand by the Board of Directors (see specific procedure below).

With reference to the composition of the Executive Committee, art. 36 envisages a Committee made up of the Chairman, the two Deputy Chairmen and other Directors, so that the total number of members of the Committee is not less than five and not more than seven.

The Executive Committee appointed by the Board of Directors for a year on 28 April 2009, is made up of seven members, including the Chairman and the two Deputy Chairmen, as well as two Directors elected in the two minority lists and one Director representing one of the two strategic partners.

The Committee is chaired by the Chairman of the Board of Directors.

Each year, the Board appoints the Secretary of the Executive Committee, who is normally the same person as the Secretary to the Board of Directors.

Committee meetings are attended by all members of the Board of Statutory Auditors and the General Manager.

On 25 June 2009, the Board of Directors approved a set of regulations for the Executive Committee, which lays down, among other things, how it is to function, including the fact that, in principle, it has to meet once a week.

In 2009 the Executive Committee held 43 meetings, lasting one hour on average with an overall participation of around 88% (the percentage attendance of each member of the Executive Committee is shown in table no. 1).

In 2010 up to now 12 meetings of the Executive Committee have been held, which will be followed by weekly meetings for the rest of the year, excluding the holiday period.

The Executive Committee has a quorum of at least five of its members are present, including at least one from the Chairman’s office (i.e. the Chairman himself or one of the two Deputy Chairmen) and resolutions can only pass with the favourable vote of at least five of its members; otherwise, resolutions have to be referred to the Board of Directors for a decision.
During the meeting on 28 April 2009, the Board of Directors resolved to grant the Executive Committee the following:

**Decision-making powers:**
- on the proposal of the General Manager of the Bank, it can choose the General Manager of Group companies and other affiliates;
- it can 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;
- it can 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;
- it can resolve upon any matter in cases of urgency or other special need when it is not possible to call an immediate meeting of the Board of Directors, subject to ratification by the latter at its next meeting;

**And the following investigatory, propositional and implementation powers:**
- it can 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;
- it can review on a preliminary basis the proposals of the General Manager for the organisational structure of General Management and the various departments of the Bank;
- it can review on a preliminary basis the draft consolidated and separate financial statements, as well as the interim reports of the Bank and the Group;
- it can 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;
- it can review on a preliminary basis the proposals of the General Manager to be submitted to the Board of Directors for approval related 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 Executive Committee has to report to the Board on a timely basis (at the next board meeting) on any urgent resolutions that it had to take, as well as any decisions that it made on the basis of the powers delegated to it. At least once every three months, the Committee reports to the Board of Directors and the Board of Statutory Auditors on the Bank’s performance (including the trend in risks) and outlook, as well as on the more important transactions, by size and nature, carried out by the Bank and its subsidiaries.

**General management**

As mentioned previously, with a view to a clearer distinction between roles and in compliance with the principle of balancing powers between corporate bodies, at the time that it made the amendments to the Articles of Association regarding the powers that can be delegated to the Executive Committee, the Bank also took steps to define more clearly in the Articles of Association, the powers and duties of the General Manager.

Articles 44 and 45 of the Articles of Association spell out the functions of the General Manager as the “Head of the entire structure of the Bank”; as such, he manages all of the Bank’s day-to-day affairs, he is responsible for coordinating Company and Group operations and implements resolutions adopted by the Board of Directors and Executive Committee.

The same articles envisage a new structure for General Management for which another person is appointed by the Board of Directors to act as deputy – in the General Manager’s absence or impediment – with full authority and powers. This has in fact already taken place, even without express provision in the Articles of Association, from 1 August 2008 when the Board of Directors appointed Mr. Fiorenzo Dalu and Mr. Enzo Chiesa, respectively as General Manager and Co-General Manager.

Moreover, at the meeting on 16 December 2009, the Board of Directors appointed - from 1 January 2010 - as Deputy General Manager Roberto Frigerio, the Bank’s current Head of Administration, Control and Corporate Governance.

As a result of the remodulation of the powers of General Management in the Articles of Association, the Board of Directors passed a resolution on 19 January 2010 to delegate specific policy, governance and management powers to the General Manager, in the following terms.

As regards the policy and governance powers, the General Manager:
- can, together with the Chairman, define proposals to be made to the Board of Directors on questions of strategic policy and options of the Bank and the Group;
- he supervises the planning process of the Bank and Group and helped by the Co-General Manager and the Deputy General Manager, formulates the strategic plans and budget of the Bank and Group. To this end, he submits guidelines and targets for the Group to the Bank’s Board of Directors;
after informing the Chairman, he can make proposals to the Board of Directors concerning the organisational structure of General Management and the persons in charge of the various departments of the Bank, implementing the structure decided by the Board of Directors;

helped by the Co-General Manager and the Deputy General Manager, he ensures implementation of the Bank’s organisational, administrative and accounting structure as decided by the Board of Directors;

after having informed the Chairman, he proposes to the Board of Directors the appointment, removal from office and the attribution of powers to the persons in charge of the various departments of the Bank. He handles the appointment, removal, attribution of powers and functions, level and remuneration of the persons in charge of the various operating units, both at head office and at the branches, subsequently informing the Board of Directors;

he can submit to the Board of Directors the policy guidelines for the Bank’s personnel and the general human resources policies for the Group in line with the objectives of BPM’s long-term plans and budgets, implementing the policies decided by the Board of Directors;

he can make proposals to the Board of Directors, after informing the Chairman and having heard the opinion of the Remuneration Committee, concerning the emoluments of the Head Office Managers;

he decides on the fixed emoluments for the Managers in charge of the various corporate function (i.e. Co-Head Office Managers, Head Office Assistant Managers and Members of Central Management) and proposes to the Board of Directors, after informing the Chairman and heard the opinion of the Remuneration Committee, the overall amount to be set aside for their bonus system and how it should be applied;

he can submit to the Board of Directors proposals of disciplinary measures that might involve dismissal;

in agreement with the Chairman, he can propose to the Board of Directors the nomination of the General Manager of Group companies and exercise the powers pertaining to the Parent Bank under Group Regulations to authorise proposals for appointments to the Board of Directors, top management and operational management of subsidiary companies;

in agreement with the Chairman and assisted by the Co-General Manager and the Deputy General Manager, he maintains and follows dealings with senior representatives of the Bank of Italy;

he ensures implementation of Group Regulations by issuing specific instructions on how they are to be applied.

As regards management powers, except as foreseen in legislation and current in-house regulations on conflict of interest and related-party transactions, the General Manager:

manages the Bank’s day-to-day affairs in accordance with the guidelines laid down by the administrative bodies (Board of Directors and Executive Committee);

he can take part in meetings of the Board of Directors and Executive Committee, and, in accordance with the related regulations, in any other board committee meeting, with a consultative vote; in addition, he can attend meetings of the Board Financing Committee with full voting power;

he supervises management of the Bank and of the Group, as well as their strategic coordination and operational control, making use of the Operational Management Committee;

assisted by the Financial Reporting Manager, he submits to the Board of Directors the draft separate and consolidated financial statements and interim reports;

he is responsible for new hires, dismissals, promotions, salaries and transfers involving managers in accordance with the staff regulations approved by the Board of Directors;

he can grant or authorise loans and guarantees, take on financial debt and carry out or authorise financial transactions of any kind, according to the pertinent regulations approved by the Board of Directors;

in addition to obligatory expenses without limit of amount, he can authorise any expense according to the pertinent regulations approved by the Board of Directors;

he can make any kind of arrangements regarding properties, businesses or business units and equity investments, which do not involve a change in the banking group, for a unit value not exceeding Euro 2 million;

he has full powers to instigate independently any legal proceedings considered appropriate to protect the Bank’s assets;

as part of the powers delegated to him, the General Manager can independently carry out all of related and consequent acts, including the conferral of specific powers of attorney and making professional appointments.

The General Manager, helped by the Co-General Manager and the Deputy General Manager and, if necessary, other Managers for the matters involving their areas of responsibility, reports to the Board of Directors at least once a month on the key figures for the period, and at least quarterly on the Bank’s and Group’s operational performance (especially on matters such as liquidity, profitability, risks and capital adequacy), as well as on the outlook for the future.

The General Manager also reports to the Board of Directors once a quarter on how he has exercised the powers attributed to him.
The General Manager can make proposals and provide information on internal control matters exclusively to the Board of Directors. The General Manager makes sure that the resolutions passed by the Board of Directors and Executive Committee are implemented. Pursuant to art. 44 of the Articles of Association, in the General Manager’s absence or impediment, the Co-General Manager is to act as his deputy with full powers and authority.

4.5. Executive directors

As regards the executive or non-executive status of the individual directors, at the board meeting on 26 May 2009 - based on the specific characteristics of governance system and the effective activity of the Bank and the Group, also taking account of the new rules introduced recently by the Bank of Italy regarding the composition of the corporate bodies - the Board of Directors made the following assessments:

- the position of Managing Director does not exist and none of the members of the board is granted individual operating or management powers, nor are any of them effectively involved in running the business;
- none of the Directors who hold office in subsidiary companies (including the Chairmen of these companies) have individual management responsibilities in them, nor do they have a pre-established role in developing corporate strategies;
- no Director has responsibility for supervising particular operational areas of the Bank or the Group;
- no member of the General Management of the Bank or of Group companies is a member of BPM’s Board of Directors;
- the executive profile given in previous years to the “Director in charge of supervising the internal control system” was essentially based on a literal interpretation of the Code. Once applied, the Code then became subject to various interpretations and as a result of this process, it became obvious that the genuine (and not just formal) existence of an executive profile had to be verified case by case, based on the type of powers effectively delegated. This was particularly true of co-operative banks, where traditionally the role of Managing Director is not envisaged, bearing in mind that the Code generally expects the Managing Director to be given this particular responsibility. Considering that the “Director responsible for supervising the internal control system” is only granted the powers foreseen by the Code (i.e. limited to the power to interface with various structures and to highlight where action needs to be taken) and not management powers (given that the person concerned is not granted operational powers), it is clear that the Director in charge of supervising the internal control system is not an executive;
- operational responsibility for implementing strategy and board decisions is delegated to the General Manager and the management team, under the former’s command;
- as regards the assessment of the executive profile of the members of the Executive Committee - as part of a wider process of revising the Bank’s governance, with a view to a clearer and more balanced separation of roles and responsibilities among the various corporate bodies, with specific reference to the distinction between the functions of the Board of Directors and the management role of the person the top of the corporate structure (i.e. the General Manager) – at the board meetings held on 3 February 2009 and 28 April 2009, the Board of Directors reinforced the powers delegated to the Executive Committee. This body, which in BPM traditionally only performed investigatory and/or propositional activities for the resolutions to be taken by the Board (thereby claiming that its members were not executives in accordance with the Code’s principle of substance over form), has now been attributed decision-making powers. This means that its members clearly have an executive role (as envisaged by the Bank of Italy, which expressly identifies the members of an executive committee as executive directors);
- considering the important role of the General Manager in running the business, as well as the power that he has to make proposals to the Executive Committee, 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) does not mean that the Chairman is involved in managing the company, nor does he have an executive profile (as expressly indicated by the Bank of Italy in the Clarification Note of 19 February 2009).
In light of these considerations, the Board of Directors proceeded at the meeting on 26 May 2009 to assess the executive profile of the individual Directors, as a result of which the following qualified as Executive Directors of BPM: Mario Artali, Graziano Tarantini, Beniamino Anselmi, Francesco Bianchi, Franco Del Favero and Piero Lonardi, as Members of the Executive Committee, excluding any executive profile – taking into account the above considerations – on the part of Massimo Ponzellini, Chairman of the Board of Directors and of the Committee. All of the other Directors are considered non-executive.

4.6. Independent directors

As regards the “independence” of Directors, this requirement is now generally dealt with in law by art. 2387 C.C., and with reference to banks, by art. 26 of the CBA, which makes reference to the implementation instructions which are still to be issued by the Economy and Finance Ministry.

In the case of listed companies, art. 147 ter, paragraph 4, CFA states that “at least one member of the Board of Directors, or if the Board of Directors has more than seven members, at least two of them must satisfy the independence requirements established for statutory auditors in art. 148.3 of this decree [CFA]”.

Moreover, the Bank of Italy’s Governance Measures now require the boards of directors of banks to ensure the presence of independent members who can monitor management with a certain autonomy of judgement. This should help make sure that the company is run in the interests of the shareholders and in line with the objectives of healthy and prudent administration. The Bank of Italy also points out that until the ministerial regulation implementing art. 26 CBA is adopted, the banks “will have to indicate in their articles of association the definition of independence that they intend to adopt (...) as well as the number of board members to which it has to apply”.

This is the context for BPM’s Articles of Association, which require at least four members of the Board of Directors to have the requisites of independence laid down in art. 147-ter, paragraph 4, CFA, with mechanisms to ensure that there is this minimum number of independent directors, both at the time that lists of candidates are presented, and during their term of office.

The “independent” nature of directors of co-operative banks is a direct consequence of the one-man-one-vote system that does not allow the formation of pre-established controlling syndicates. The Bank’s Board of Directors has nonetheless reviewed the independence of its members, at the meeting on 26 May 2009, both on the basis of the Articles of Association (as required by the CFA) and on the basis of the recommendations contained in the Code, which, in confirming the principle of “substance over form”, prescribed that, in general, Directors are considered “independent” when “they do not entertain, directly or indirectly or on behalf of third parties, nor have recently entertained business relationships with the Issuer or its subsidiaries of such a size as to influence their independence of judgement”, giving examples of situations (art. 3.C.1.) which, if recurring, have to form the basis of the assessment of a Director’s independence.

On the result of that assessment, the Board noted (verifying the individual hypotheses of “non-independence” art. 147-ter, CFA and art. 3 of the Code based on the forms filled in and signed by the persons concerned) that:

- Mario Artali, Graziano Tarantini, Beniamino Anselmi, Francesco Bianchi, Franco Del Favero and Piero Lonardi cannot be considered independent neither under the CFA nor under the Code as they are considered “executive directors” for the reasons given in paragraph 4.5 of this Report (from this point of view, it was decided not to qualify an executive director as independent for CFA purposes, even if this is not foreseen in art. 147-ter, CFA);

whereas the other Directors qualify as “non-executive”:

with reference to the requisites of independence for CFA purposes (as referred to in the Articles of Association):

- Enrico Corali, Roberto Fusilli, Marcello Priori, Jean-Jacques Tamburini and Michele Zeffertino hold offices in companies controlled by BPM and cannot therefore qualify as independent directors under art. 147-ter, CFA and art. 32 of the Articles of Association, because of the terms of art. 148.3.b), CFA;
Massimo Ponzellini, Antoniogiorgio Benvenuto, Giovanni Bianchini, Giuseppe Coppini, Franco Debenedetti, Roberto Mazzotta and Leone Spozio do qualify as independent directors under the CFA and the Articles of Association, as they do not incur the terms of art. 148.3, CFA;

with reference to art. 3 of the Code:
- no Director holds (directly or indirectly or on behalf of third parties) a quantity of shares enabling them to control or exercise a considerable influence over the Bank nor participate in shareholders’ agreements to control or exercise a considerable influence over the Issuer (art. 3.C.1.a);
- Roberto Mazzotta held a key position at the Bank (Chairman) during the last three years;
- Enrico Corali holds a key position (Chairman) at a subsidiary of strategic importance, given that the Board had identified strategic importance in the case of the Group’s banks, SIMs (security houses) and SGRs (asset management companies) (art. 3.C.1.b);
- With reference to commercial, financial and professional transactions with subsidiary banks or companies carried out even indirectly by Directors (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 Directors (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 Director and what they represented in proportion to the overall activities of the Bank and/or the Group;
- in the previous three-year period, no Director received significant supplementary remuneration in addition to the fixed remuneration received as a director of BPM (art. 3.C.1.d);
- no Director holds the office of executive director in another company where an executive director of the Bank holds the office of director (art. 3.C.1.f);
- none of the Directors is a member or a director of a company or an entity belonging to BPM’s external auditors (art. 3.C.1.g);
- Roberto Fusilli is a close member of the family of certain employees of the BPM Group (art. 3.C.1.h);
- Leone Spozio is a close member of the family of certain employees of the BPM Group (art. 3.C.1.h) and has held a key position (executive director as a member of the executive committee with decision-making powers) in a subsidiary of strategic importance during the last three years (art. 3.C.1.b);
- 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.
- therefore Massimo Ponzellini, Antoniogiorgio Benvenuto, Giovanni Bianchini, Giuseppe Coppini, Franco Debenedetti, Marcello Priori, Jean-Jacques Tamburini and Michele Zefferino have been qualified by the Board of Directors as independent directors under art. 3 of the Code.

As part of this review, the Board of Statutory Auditors - pursuant to art. 3.C.5. - have declared that the criteria established in the Code were applied correctly, as were the assessment procedures used for this purpose.
The Directors who qualified as independent have not so far deemed it necessary to meet without the other Directors (art. 3.C.6. of the Code).
4.7 Lead independent director

Note that, in the absence of the requirements of art. 2.C.3., the Board did not consider it necessary to appoint an independent director as “Lead Independent Director”.

5. Confidential information and internal dealing

Processing of privileged information
In accordance with art. 114 of CFA, the Board of Directors, meeting on 25 February 2003, 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) - the Board of Directors passed a resolution on 25 July 2006 to give the Bank a new set of “Regulations of the BPM Group concerning communication obligations pursuant to art. 114, CFA”, 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 not selective diffusion of the news.

With reference to the duties and flow of information defined in these procedures, they specifically require that the Board of Directors, if possible, or the Chairman of the Board (or a person delegated by him) have 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” and “Corporate Affairs” functions, in connection with the other competent internal functions.

With a view to summarising the overall picture of the internal regulations regarding the management of the entire category of corporate information (i.e. including non-privileged information), we are currently working on an integration to the current regulations as per art. 114, CFA so as to expand its scope to these areas as well.

In compliance with the provisions contained in article 115-bis, 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 art. 115-bis, CFA”.

This regulation, updated by resolution of 27 March 2009, 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.

Regulation on Information Flows
As regards the circulation of information, in June 2009 the Bank introduced a specific regulation concerning information flows, 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 Bank and those of its subsidiaries.
**Code of Conduct on Internal Dealing**

In compliance with the "Regulations governing the markets organised and run by Borsa Italiana S.p.A.", the Bank adopted its own Code of Conduct on Internal Dealing by resolution of the Board of Directors on 10 December 2002.

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.

The updated version of this Code effectively regulates disclosure requirements and any restrictions on dealings in quoted financial instruments issued by Banca Popolare di Milano and related financial instruments 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 to approval of the draft financial statements by the Board of Directors (as shown in the “Calendar of corporate events”) and during the 30 days prior to any ordinary or extraordinary general meetings not involving approval of the financial statements or, if earlier, from the date the general meeting is called by the Board of Directors (so-called “black out periods”).

This Code and the individual communication of transaction carried out may be consulted on the Bank’s website in the section “Internal dealing” (in accordance with Consob suggestions on this matter, see Consob Communication 6027054 of 28 March 2006).

During the course of 2009, “internal dealing” transactions were communicated to the market and to Consob (and posted on the Bank’s website) on 34 occasions (a number that is considerably higher than the average for previous years because of the issuance during 2009 of the “BPM Convertendo 2009/2013 – 6.75%” bond loan with automatic conversion. This resulted in, among other things, reports of the transactions in option rights linked to the shares of the Directors and Statutory Auditors who are obliged to be Members of the Bank, as already mentioned in this Report).

**6. Board committees (art. 123-bis.2.d), CFA)**

Considering the collegial nature of the Board of Directors’ activity, the setting up of specific committees with investigatory, consultative and propositional functions within the Board of Directors allows it to make decisions with a greater awareness of what is involved. In fact, these committees, which except for the Executive Committee, essentially make proposals, recommendations and opinions, provide useful support for the Board’s work, above all in relation to decisions concerning areas of activity where there is a greater risk of conflicts of interest (as now expressly foreseen by the Bank of Italy provision of 4 March 2008).

Having said this, BPM’s Board of Directors has created the following permanent sub-committees:

- Executive Committee (paragraph 4.4 of this Report);
- Board Financing Committee (paragraph 7 of this Report);
- Remuneration Committee (paragraph 8 of this Report);
- Internal Control Committee (paragraph 10 of this Report);
- Members’ Relations Commission (paragraph 14 of this Report).
BPM’s Board of Directors decided that it was not necessary to set up an “Appointments Committee”, even though one is foreseen in the Code, albeit on a voluntary basis. This decision was reached as:

- the Bank is a co-operative with a broad base of shareholders who take an active and proportionately significant part in its corporate life, meaning that no problems have been encountered to date in making suitable nominations that can then freely group themselves together in lists that then compete on an equal basis and without any prior intervention by the current directors to form the future composition of the corporate boards;
- among other things, as BPM is a company that is authorised to do business as a bank, the professional and ethical characteristics of the candidates for director (and statutory auditor) are laid down in detail in the law. In particular, reference is made as regards the rules governing the banking sector to art. 26, CBA and the related instructions (in particular Regulation 161/98 of the Treasury, Budget and Economic Planning Ministry and which will have to be integrated by the independence requisite), while in relation to the rules governing issuers, we would mention arts. 147-ter of quinquies, CFA (awaiting complete implementation with the usual ministerial provisions). The absence of the requirements for holding the office as prescribed by law leads to forfeiture.

In compliance with the recommendations of the Code (art. 5.C.1) and the Provisions of the Bank of Italy, at BPM all of the Committees with consultative, investigatory and propositional powers:

- these include Independent Members and are made up of three to five members, depending on the tasks given 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 the sections in this Report on the various topics that they handle, as well as in summary form in the specific tables included in the attachments.

7. Board financing committee

On the subject of granting credit, art. 38 of the Articles of Association provides that “the Board of Directors can:

a) delegate particular powers to the Executive Committee, or rather to a Financing Committee, comprising the Chairman, a representative of the Board of Directors and general management, laying down year by year the extent of its powers and the frequency with which it has to meet;

b) delegate power of approval, within pre-established limits, to the general manager and to other employees invested with particular powers, to branch managers and to members of their staff;

c) delegate powers of approval to internal committees made up of managers and/or other company employees”.

This area is currently governed by specific Credit Line Regulations (and relevant Delegated Powers), the latest version of which was approved by the Board of Directors on 19 January 2010; art. 10 of these Regulations governs, in particular, the duties and operation of the Board Financing Committee, made up of the Chairman and the two Deputy Chairmen, seven directors nominated by the Board of Directors (including one director representing each “minority” list) and the General Manager (or his nominee). The Board of Statutory Auditors is invited to attend this committee’s meetings, which are also attended by senior managers in charge of credit and loans, internal auditing and commercial matters.
Following complete renewal of the corporate bodies at the General Meeting on 25 April 2009, at the board meeting on 28 April 2009, the Board of Directors appointed the members of the Board Financing Committee, which is currently made up of the following directors: Massimo Ponzellini, Mario Artali, Graziano Tarantini, Beniamino Anselmi, Giovanni Bianchini, Giuseppe Coppini, Enrico Corali, Roberto Fusilli, Leone Spozio and Jean-Jacques Tamburini.

The Board Financing Committee generally meets once a week. During the course of 2010, the Board Financing Committee held 45 meetings, with overall attendance of 83% (the attendance record of each member is shown in table 1).

8. Remuneration committee

A Remuneration Committee was set up by resolution of the Board of Directors of 22 May 2001 (after the amendment of December 2008, this is now foreseen in the Articles of Association as well).

Composition and functioning of the Remuneration Committee (art. 123-bis.2.d), CFA

The Remuneration Committee, which now has its own regulations approved by the Board of Directors on 25 June 2009, consists of a minimum of 3 and a maximum of 5 directors, all of them non-executive, the majority independent and at least one of them a director elected on a minority list.

The Committee remains in office for one year, unless the Board of Directors gives it a three-year mandate.

Following the complete renewal of the corporate bodies at the General Meeting of 25 April 2009, the Board of Directors proceeded to appoint the members of this Committee at the board meeting of 28 April 2009, with subsequent adjustment following the assessment of executive and independent status at the board meeting of 26 May 2009. The Committee was appointed for one year (until approval of the 2009 financial statements) and is currently made up of the following directors (all non-executive, the majority independent as per the Code and the CFA, and with members taken from both minority lists): Michele Zefferino (Chairman), Giovanni Bianchini, Giuseppe Coppini, Franco Debenedetti and Roberto Fusilli.

Having said this, note that the Committee held 10 meetings in 2009 lasting an average of one and a half hours each and an overall attendance record of around 90% (the participation of each director is shown in table 1).

The Chairman of the Board of Statutory Auditors or another Statutory Auditor nominated by him is always invited to meetings of the Remuneration Committee, for which minutes are prepared.

In accordance with the Bank’s “Regulation on Information Flows”, the Committee has adequate instruments to carry on its duties with information flows provided periodically by the structures of the Bank involved in matters concerning remuneration. These include the Human Resources Department for the remuneration of managers and the Equity Investments, Regulatory Advice and Corporate Affairs Department for the remuneration of those holding key positions. The Committee can also call on the services of other structures and functions of the Bank and/or of other Group companies, also during the investigatory stage, as well as those of external consultants within the terms and spending limits laid down by the Board of Directors.

Lastly, 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 this during the discussion and if the director declares that he has a personal interest in the outcome, he has to leave the meeting.
Functions of the Remuneration Committee
As envisaged by the Code and by the Bank of Italy, according to its Regulations, the functions of the Remuneration Committee are as follows:

a) to make proposals to the Board of Directors regarding the fixed compensation of the Directors that hold particular positions (Chairman of the Board of Directors, Deputy Chairmen of the Board of Directors, the Secretary to the Board of Directors and the Director responsible for supervising the internal control system);
b) to make proposals to the Board of Directors regarding the emoluments of the members of the Supervisory Committee under Decree 231/01;
c) to make proposals to the Board of Directors regarding the emoluments of the members of General Management of the Bank;
d) to make proposals to the Board of Directors regarding the remuneration of the directors of subsidiaries;
e) to express an opinion to the Board of Directors as to how the portion of pre-tax earnings reserved for the Board of Directors should be split between the members of the board in accordance with art. 47 of the Articles of Association;
f) to express an opinion to the General Manager on the emoluments of the Head Office Managers, as well as the overall amount and criteria for the application of the bonus system for the managers in charge of corporate functions (Head Office Managers, Co-Head Office Managers, Head Office Assistant Managers and Members of Central Management);
g) to evaluate periodically the criteria adopted for the remuneration of managers with strategic responsibilities in BPM and the subsidiaries and to collect the evidence;
h) to make general recommendations on remuneration to the Board of Directors;
i) to monitor the application of board resolutions concerning management’s remuneration;
j) to assist the Board of Directors 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;
k) to make proposals, express opinions and assist the Board of Directors in the cases laid down by regulations and the articles of association.

During the course of 2009, at the meeting held on 15 June, the Remuneration Committee made a proposal to the Board of Directors regarding the remuneration of directors holding particular positions (Chairman, Deputy Chairmen and the Director responsible for supervising the internal control system); it also made a proposal for splitting equally among the directors the portion of profits attributable to the Board under art. 47 of the Articles of Association, taking account of the effective period that each director has been in office.

Lastly, during the board meeting of 19 January 2010, the Board of Directors delegated to the Remuneration Committee to prepare the “Document on the Bank’s Remuneration Policies” (see paragraph 10 of this Report) to be presented to the next Members’ Meeting. As part of this activity, the Committee analysed the Bank’s remuneration system, identifying a number of areas where improvements could be made. It also got the various corporate functions involved in the process of defining pay policies to ensure correct application of the principles and criteria laid down in the regulations.

9. Remuneration of directors and senior management

In accordance with the guidelines of the Bank of Italy (Provision of 4 March 2008, Clarification Note of 19 February 2009 and, most recently, the Provision of 28 October 2009), the Ordinary General Meeting of Members has the power to approve the remuneration policies for directors, employees or external consultants, as well as any share-based payment plans. The General Meeting has to be given adequate information regarding the implementation of remuneration policies.

Having said this, the General Meeting called for 23-24 April 2010 (at first and second calling, respectively) will be asked to approve a “Document on the Remuneration Policies of Banca Popolare di Milano” containing, among other things, all the necessary information on pay mechanisms, as well as an indication of the criteria chosen to define the Bank’s remuneration policies.

Reference should therefore be made to this document for a detailed explanation of the Bank’s policies for remunerating key members of management. The following is a summary of the system used to remunerate the Bank’s directors and managers with strategic responsibilities.
Directors
Directors receive fixed fees, which differ according to whether they are members only of the Board of Directors or of the Executive Committee as well, and reimbursement of out-of-pocket expenses incurred in the line of duty.

Based on the resolution of the General Meeting of 25 April 2009, the gross annual fees of the Directors were set for the three-year period 2009-2011 at Euro 32,000 for each member of the Board of Directors, in addition to Euro 26,000 for each member of the Executive Committee.

The same General Meeting also granted the Directors an attendance fee of Euro 250 gross for each meeting of the Board of Directors and of the Board Commissions and Committees, set up under the Articles of Association (arts. 36.7, 36.8 and 38).

Moreover, those Directors who are members of the Bank’s Supervisory Committee, set up under Decree 231 of 8 June 2001, are granted, in addition to the above, a fixed fee and an attendance fee of an amount that is decided by the Board of Directors.

The particular positions that under art. 35.2 of the Articles of Association can entail an additional fixed fee for the Directors that hold them in BPM are: The Chairman, Deputy Chairman, Director responsible for supervising the internal control system and the Secretary to the Board of Directors, if appointed from among the Directors.

These additional fees are decided by the Board of Directors on the proposal of the Remuneration Committee and after hearing the opinion of the Board of Statutory Auditors, taking into account the responsibilities, commitment and representative role of the Bank involved in each position.

Moreover, art. 47 of the Articles of Association provides that the Board has the right to 0.25% of the pre-tax profit (understood as the “profit from current operations before tax”, calculated before deducting this quota and the other quota of 5% reserved for the Bank’s staff, again under art. 47 of the Articles of Association). This is a particular custom that is widespread among co-operative banks and is a reflection of the mutualistic spirit that is their main characteristic. This emolument, which is not awarded to the Directors individually, but more democratically to the entire Board, does not depend on achieving particular objectives set in advance.

At present, the Directors do not have any share-based payment plans, nor are there any agreements between the Bank and the Directors that provide for indemnities in the event of them losing office prior to the natural expiry.

Pursuant to art. 78, IR, the remuneration paid to Directors, Statutory Auditors and the General Manager for offices held in BPM and, in aggregate, in other Group companies is disclosed for each individual under the section entitled “related-party transactions” in the explanatory notes to the separate financial statements of the Bank.

General Management and managers with strategic responsibilities
As regards the remuneration of BPM’s senior management in 2009, it is worth mentioning that, where a Managing Director is not foreseen, it was not linked to the Bank’s results or to meeting specific targets. Similarly, there is no provision for stock option plans for managers either.

With reference to the members of General Management and the other Managers of specific strategic relevance, the Bank is currently working on the definition of even more objective and prudent criteria for the quantification and payment of the variable element of remuneration, without altering the fact that it is intended purely as a bonus that is complementary to the fixed element of remuneration.

10. Internal Control Committee and executive director in charge of supervising the internal control system

The Internal Control Committee was set up by Board resolution on 13 November 2001, which also established its functions in accordance with the guidelines laid down in the Code. It is now envisaged in the Articles of Association of BPM as well.

Composition and functioning of the Internal Control Committee (art. 123-bis.2.d), CFA

According to the Regulations of the Internal Control Committee – approved by the Board of Directors on 25 June 2009 and amended most recently on 16 February 2010 - the Committee consists of a minimum of 3 and a maximum of 5 directors, all of them non-executive, the majority independent and at least one of them a director elected on a minority list.

The Committee remains in office for one year, unless the Board of Directors gives it a three-year mandate. The members’ term of office expires on the date of approval of the financial statements for the last year of their mandate and until new members have been appointed.

Following the complete renewal of the corporate bodies at the General Meeting of 25 April 2009, the Board of Directors proceeded
to appoint the members of this Committee at the board meeting of 28 April 2009. The Committee was appointed for one year (until approval of the 2009 financial statements) and is currently made up of the following directors (all non-executive, the majority independent as per the Code and the CFA, and with a member taken from a minority list): Marcello Priori (Chairman), Antoniogiorgio Benvenuto, Giovanni Bianchini, Giuseppe Coppini and Franco De Benedetti.

At the time that the Committee was appointed, the Board of Directors ascertained that the composition guaranteed adequate experience in accounting and financial matters. This it did, above all, by taking note of the professional characteristics of the chairman, though it also made sure that all of the members were suitable, both personally and professionally.

Normally the Committee meets at least once a month, and in any case, frequently enough to make sure that it can carry out its functions effectively.

Having said this, note that this Committee held 15 meetings in 2009 lasting an average of around two hours each and an attendance record of around 92% (the participation of each member is shown in table. 1).

10 meetings have been scheduled for the first half of 2010 (of which 5 have already been held).

Committee meetings are always minuted and permanent invitations are sent to the General Manager, the Head of Controls (who is the Head of the Internal Auditing Department), the Compliance Officer and the Board of Statutory Auditors.

In accordance with the Bank’s “Regulation on Information Flows”, the Committee has adequate instruments to carry on its duties with information flows provided periodically by the Bank’s Internal Auditing, Compliance and Risk Management Departments and by the Financial Reporting Manager.

However, the Committee has the right to invite leading representatives of all structures of the Bank and/or the Group who are able to report on the matters that are on that meeting’s agenda.

In compliance with the stringent requirements of confidentiality when acting as a director of a bank that has shares listed on the stock exchange, the members of the Committee have to maintain all of their activities and any information they may acquire when performing their duties strictly confidential.

The Chairman of the Internal Control Committee has a permanent invitation to attend meetings of the Supervisory Committee set up under Decree 231/01.

The Committee has propositive, consultative and investigatory functions with regard to the internal control system, risk management and the IT system. In particular, it has to:

- assist the Board of Directors in the definition of guidelines for the internal control system, so that the principal risks of the Parent Bank and Group companies are correctly identified and suitably measured, managed and monitored, also deciding on criteria of compatibility of these risks with healthy and correct business management;
- ensure that the Compliance Officer applies the Board of Directors’ policies for managing non-compliance risk and that the Internal Audit Department implements the Board of Directors’ policies on how third-level controls are to be carried out;
- analyse the guidelines for internal audit activities and evaluate the annual control plan drawn up by the Head of Controls whose periodic reports it receives and who it can ask to carry out specific audit checks not foreseen in the annual plan;
- assess any observations that may arise from the reports received from the Head of Controls and Compliance Officer of the Parent Bank and of Group companies or from investigations and/or examinations carried out by third parties;
- evaluate, together with the Financial Reporting Manager and the Independent Auditors, the correct use of the accounting policies and their consistency for the purposes of the consolidated financial statements;
- consider the work performed by the Independent Auditors and the results mentioned in their report(s) and in any management letters; it also has to monitor the effectiveness of the consolidated financial statements;
- examine, in accordance with the responsibilities assigned by law to the Board of Statutory Auditors, the criteria and methods that will be used to select the Independent Auditors;
- express its opinion on the procedures used to identify and handle related-party transactions of the Parent Bank and of subsidiary companies;
- express an opinion on the appointment and/or revocation of the Heads of Controls;
- carry out any other tasks assigned to it by the Board of Directors;
- report to the Board of Directors, at least once every six months, on its activities and on the adequacy of the internal control system.
During the course of 2009, the Committee has concentrated mainly on the following areas:

- the results of the analyses carried out by the Internal Auditing Department and by the Compliance and Risk Management Departments, consolidating and improving the information flows that existed already;
- meetings with the heads of the main functions of the Bank and of the Group, as well as with the Independent Auditors and the Financial Reporting Manager. The Committee has also had meetings with top management of certain subsidiaries with the participation of the Internal Auditing, Compliance and Risk Management Departments, who all commented on the work that they had performed;
- the adequacy of the company’s procedures in preparation for the new “MiFID” rules;
- the model and coordination of first and second level controls;
- the adequacy, from a qualitative and quantitative point of view, of the staff involved in control functions and their interaction with other corporate functions;
- relations with the Supervisory Authorities, carrying out suitable detailed checks and asking for timely updates on such matters.

The Board of Directors has been informed about its activities and about the adequacy of the internal control system.

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

During the board meeting of 28 April 2009, the Board of Directors appointed Marcello Priori as the Director responsible for supervising the internal control system, given the positive experience he has gained in this position in previous years. He will also chair the Internal Control Committee.

As regards the question of the same person being simultaneously Chairman of the Internal Control Committee and Director responsible for supervising the internal control system, at the time of the appointment the Board acknowledged that the two bodies held different opinions on certain matters while the Director responsible for supervising the internal control system obviously had greater power of intervention. However, it also decided that there were no points of conflict between the two positions; indeed, on the contrary, it noted that there would be a constant, positive liaison between the two bodies which would make for greater coordination between the various internal functions called upon to perform control activities.

The powers of Mr. Priori under art. 8 of the Code, which he also carried out as Chairman of the Internal Control Committee, were therefore confirmed.

In particular, during the first quarter of 2010, the Director responsible for supervising the internal control system asked the Bank’s management to rationalise the Group’s control functions.

The main benefits expected to come from developing an integrated risk management model will be to make the internal control system more efficient and effective, taking advantage of potential synergies, avoiding useless overlaps between the various structures involved and improving communication, coordination and information versus corporate bodies and stakeholders.

**11. The 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 Organisational Model of the Internal Control System (the latest version is dated April 2008) 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 itself, 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 organisational 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 set objectives.
- 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.

11.1 Internal Audit Function (Internal Auditing Department)

The Board of Directors has identified the Head of the Internal Auditing Department as the Head of Controls. Internal Audit is an independent function within BPM, which 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 Board of Directors, the Board of Statutory Auditors, the Director responsible for supervising the internal control system, the Board Committees involved in matters of control and with the Independent Auditors. Its task is to develop an internal control system that allows the Parent Bank 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:

- assists the Director responsible 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, 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 Model for the Internal Auditing Manuals 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 organisational 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.

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.

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 Bank's Internal Auditing Department also operates on behalf of all the subsidiaries, 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 Bank's Internal Auditing Department an advance copy of its annual audit plan with any requests for support from inside or outside the Group.
The entire Group adopts the same approach to internal auditing, which is defined by the Parent Bank’s Internal Auditing Department through the METOPA Project. This also establishes common planning periods, common reporting models and anything else needed to perform their work in a coordinated and standard fashion.

The methodology is supported by a specific IT application (SPHERA) which is shared by the internal auditing functions of the Parent Bank and of the subsidiaries according to a set system of differentiated access.

### 11.2 Compliance function

Following the legislative changes introduced by the Bank of Italy’s Supervisory Instructions (Prov. 688006 of 10 July 2007) and the Bank of Italy and Consob Joint Regulation on the organisation and procedures of intermediaries that provide investment or collective asset management services dated 29 October 2007, the Bank’s Board of Directors passed a resolution on 18 December 2007 which set up a Compliance Function from 1 March 2008.

Subsequently, in April 2008, the Bank formalised the role of the Compliance Function as part of the Organisation Model, defining the duties of this function in accordance with the primary and secondary regulations.

It guarantees compliance on the part of the Bank with all rules and regulations, avoiding the risk of non-compliance and any events (deriving from non-compliance with the rules) which could potentially jeopardise the Bank’s reputation. This involves carrying out the following tasks:

- it ensures the performance of all of the tasks laid down in the Bank of Italy’s supervisory rules, as well as the Bank of Italy/Consob Joint Regulation that implemented the MIFID Directive;
- it ensures the control and assessment of the adequacy and effectiveness of the procedures and internal measurements used to fulfil the legal obligations of the intermediary and the related measures of prevention and minimisation of the risk of non-compliance;
- 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 also monitors the overall situation of complaints received by the Bank, as well as operations and banking and financial services, based on the data provided by the function in charge of processing it;
- it keeps the Conflict of Interest Register in accordance with the specific regulations issued jointly by the Bank of Italy and Consob in connection with the MIFID Directive;
- it prepares the annual compliance plan and the annual compliance report for the Board of Directors on its activities;
- it carries out compliance checks on corporate behaviour.

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.

The Compliance Function collaborates with the other bodies or functions that form part of the corporate controls system; in particular, it cooperates with the Risk Management Department to define the measurement methods for non-compliance risk.

In carrying out its activities, it makes use of the support of the References of the Compliance Officer (known as RECOs) at the various corporate functions.

It makes every effort to ensure that training courses are developed to make all of the staff, both internal and external, more aware about non-compliance risk, with particular regard to the operating lines.

The person responsible for the Compliance Function is appointed Compliance Officer and MIFID Compliance Officer, as per the law, with a specific mandate from the Board of Directors.

In carrying on its activity, the Compliance Function reports hierarchically to the General Manager and functionally to the Board of Directors.

As regards the activity of this function at Group level, the role of Compliance Officer has been created at the Parent Bank. He has the tasks and responsibilities of ensuring compliance in investment services (MIFID Compliance as per the Consob/Bank of Italy Joint Regulation) and compliance with the supervisory regulations (as per the Bank of Italy’s Supervisory Instructions).

The Compliance Officer is also given functions and responsibility for coordinating the subsidiaries, to ensure compliance there as well. Based on an agreement with the Parent Bank and a resolution passed by their Board of Directors, the subsidiaries have the right to delegate, by means of a specific contract, to BPM’s Compliance Function all or part of the general and MIFID compliance activities, as defined in this model.
Each of the banking/finance companies under the control of the Parent Bank has to appoint a Compliance Officer, who in addition to his own responsibilities and duties as part of this function, as defined in the internal and external regulations, also reports functionally to the Parent Bank’s Compliance Officer.

In order to reinforce second-level controls, since 1 December 2009, Compliance activities and those of Network Controls have been combined in the new Network Controls and Compliance Department.

### 11.3 Risk management function

The Risk Management Function also forms part of BPM’s internal control system, in its broadest sense, given that it centrally monitors the second-level controls over financial, credit and operational risk. It is also responsible for the methods of measuring risk and the quantification of the overall amount of internal capital needed to safeguard the Bank’s stability.

This function is charged with monitoring the Bank’s overall risk profile and seeing that it respects the limits of tolerance set by the Board of Directors. It is therefore responsible for organising and managing the processes of identifying and measuring the various types of risk within the Bank. To do this, it is responsible for the methodology used for measuring risk and for quantifying the overall internal capital requirement and risk-adjusted profitability.

Identification and measurement differ depending on the type of risk, distinguishing between market risk (trading book), credit risk (both as the development of the internal rating system and as a portfolio model), interest risk (banking book), operational risk and liquidity risk. It also develops methodological control systems for measuring and managing overall internal capital.

The Risk Management Function, which reports to the Parent Bank’s Planning, Management Accounting and Risk Management Department, 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 organisational complexities - report functionally to the Parent Bank’s risk management office.

### 11.4 Supervisory committee (Decree 231/01)

The Supervisory Committee - set up by board resolution on 13 January 2004 pursuant to Decree 231/01 - during the course of 2009 carried on its activity, as always, having as its purpose that of preventing the commission of the crimes mentioned in the Decree (and subsequent amendments). It did so by implementing and verifying the adequacy of the Model of organisation, 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, the latest update of which was approved by the Board of Directors on 25 June 2009. According to this regulation, the Supervisory Committee is composed of 4 members appointed by the Board of Directors (which also nominates its chairman).

The members remain in office for the entire duration of the Board of Directors 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 Bank) 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 Bank.

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

The Supervisory Committee was given its own budget for 2009 of Euro 50,000. Following the appointments made by the Board of Directors at the meeting of 12 May 2009, the Committee is currently made up of Raffaele Ferrara (Chairman), Eugenio Crosta, Michele Zafferino and Carlo Cesare Farma (the Bank’s Head of Internal Auditing).

The Chairman of the Board of Statutory Auditors (or another Statutory Auditor nominated by him), the Chairman of the Internal Control Committee and the Compliance Officer of the Bank have a permanent invitation to meetings of this Committee.
During the course of 2009, the Supervisory Committee (as per Decree Law 231/01) took steps:

- to follow developments in the law, promoting updates of the Model of organisation, management and control and of the Code of Ethics;
- check staff training - in line with the above changes made to the Model of organisation 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 (http://www.bpm.it/vigilanza/chi_siamo_vigilanza.shtml). This section explains, amongst other things, the Committee’s composition, its rules and main functions, the Model of Organisation, Management and Control as per Decree 231/01, as well as the Code of Ethics and associated legal framework.

During 2009, the Committee held 9 meetings lasting an average of around 3 hours each and an overall attendance record of around 97%.

11.5 Independent Auditors

The General Meeting of the Members of BPM of 21 April 2007, based on a reasoned proposal made by the Board of Statutory Auditors, appointed Reconta Ernst & Young S.p.A. (registered in the Special Role of Auditors kept by Consob pursuant to art. 161 CFA) 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.

11.6 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-bis CFA and art. 44 of the Articles of Association - 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 the Manager in charge of the Administration, Planning and Control Department of the Bank (from 1 December 2009 the Administration, Control and Corporate Governance Department) and from 1 January 2010 Deputy General Manager.

Art. 44 of the Articles of Association provides that a Financial Reporting Manager should be “chosen from the senior managers of the Bank who have carried out management functions for at least five years in the accounting and administrative field”.

The Financial Reporting Manager was assigned adequate powers and resources - including a specific expense budget for 2009 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 (11.7) of this Report.
1. Introduction
The system of internal control of the BPM Group defines the general principles that are designed to guarantee correct and effective management of the systems to be checked, explaining in particular how they function and laying guidelines for the strategy, monitoring and coordination of Group companies’ control activities.
The risk management and internal control systems relating to financial reporting are an integral part of this system, being governed by a specific organisational 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.

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

2.1. The reference model
The adequacy and effective application of the administrative and accounting procedures is periodically assessed on the basis of rules and methods defined by the Bank. These are in turn based on the COSO Report, which is generally accepted internationally as a methodological framework of reference for internal control systems.
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:
- 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 organisational 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.

2.2. Operating macro-processes
The control model adopted can be split into four distinct macro-processes:
- a) definition of the scope of applicability;
- b) monitoring of the macro-system of internal controls at company level;
- c) monitoring of sensitive processes for accounting and financial reporting purposes;
- d) assessment of the internal control system for accounting and financial reporting purposes;
which are briefly explained below.

a) Definition of the scope of applicability
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 qualitative and quantitative thresholds;
- selection, for each of the companies previously identified, of the accounts and other balance sheet information considered significant according to qualitative and quantitative criteria;
- association of such accounts and information with the underlying corporate processes.

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 of the macro-system of internal controls at company level
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. These controls support the definition of the scope of application of the control model.

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.

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
The processes being monitored, having been selected according to the methods explained earlier, relate to the macro aggregates resulting from each process:
- business (loans, finance, commercial banking);
- governance (including risk management);
- 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. The operating process is made up as follows:
- 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 internal controls at company level (“Company Level Control”);
- 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 action plans introduced (“Remediation Plans”), 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.

3 Roles and Functions involved in the control model for financial reporting purposes
The following is an overview of the organisation set up by the Bank to ensure that the system explained previously functions properly.

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 Board of Directors, 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 means to carry out these activities, 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 Bank 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;
- and lastly, in accordance with their respective missions and maintaining the necessary level of independence laid down in the reference legislation and corporate regulations, 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.

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:
  - 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;
  - planning the various activities involved in risk analysis and the tests of controls;
  - 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;
- they perform the various activities involved in the assessment of risks and controls and the test of adequacy and effective application of the controls;
- they define 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;
- they support 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 organisation and IT functions;
- they monitor the effective implementation of the corrective action (or “Remediation”) plans;
- they coordinate 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.

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.

3.4. Organisation Department

The Organisation Department makes sure that the Financial Reporting Manager is able to publish and update company documents and regulations needed at Parent Bank 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.

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.
3.6. IT and Operations Department
The IT and Operations 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.

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 they have complied with:
- 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 Board of Directors 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.

This information is also presented to the Director in charge of supervising the internal control system, to the Board Controls Committee and to the Board of Statutory Auditors.
Lastly, the Financial Reporting Manager holds meeting and exchanges information with the Independent Auditors.

12. Directors’ interests and related-party transactions
At BPM, the Board of Directors has always had exclusive decision-making power - under its Articles of Association and internal regulations - which cannot therefore be delegated, to approve operations with a major impact on its income statement, balance sheet and financial position (“significant transactions”), as defined on the basis of possibly conflicting criteria:
- of a quantitative nature (such as the purchase and sale of property and major shareholdings art. 36 of the Articles of Association, granting loans in excess of 15% of the Bank’s capital art. 10 of the current Credit Line Regulations) and/or
- of a qualitative nature (such as loans - of whatever amount - granted to affiliates or organisations of a political, trade union or religious nature, as well as companies or entities that own national publications or radio/TV stations or individuals who carry on political activity as per arts. 10 and 5 of the current Credit Line Regulations).

“Significant” transactions, as defined in articles 1.C.1.1 and 9 of the Code, include related-party transactions and those in potential conflict of interest.
As is generally known, art. 71-bis of the current IR introduced the disclosure requirement (with a specific information document or within the normal flow of information foreseen in specific cases) for related-party transactions - also carried out through subsidiaries - that “because of their purpose, amount, method or timing, could have effects on the Bank’s assets or on the completeness and fairness of the accounting and other information on the issuer”.

Accordingly, at the meeting on 10 December 2002, the Board of Directors reviewed the new regulations and concluded above all that the Bank - by law, internal rules or normal practice - already guaranteed the substantial and procedural fairness of any related-party transactions. In any case, the Board reserved the right to implement the internal regulations by laying down more comprehensive criteria for the recognition of related-party transactions and the rules of conduct to be applied in such cases.
On this basis, the Board of Directors approved a detailed set of procedures on 21 October 2003, entitled “Guidelines on significant related-party transactions”. The purpose is (i) to identify “significant” transactions by BPM (and the entire BPM Group) and specifically those with related parties, (ii) to provide all the persons concerned with guidelines as to when to notify the Bank of their position as a “related party” in their dealings with it and (iii) to regulate the process of authorising such transactions in order to ensure their substantial and procedural fairness.
the formation of companies, temporary business consortia and, in any case, the creation, in any form, of partnerships or strategic alliances;

and indirect transactions by such parties with the Bank (which are also specifically disclosed, on an aggregate level, in the specific information to all the parties concerned. This data has been used to compile a computerised database for use in reporting both direct and indirect transactions related to them have been identified, permit the direct recording of the correlation and hence systematic monitoring of any transactions carried out by those counterparties.

In the first place, the “Guidelines” define “significant” transactions [whoever the counterparty is]. They may include the following types [taking into account the latest changes to the Articles of Association in December 2008]:

- the purchase and sale of property and major shareholdings;
- the formation of companies, temporary business consortia and, in any case, the creation, in any form, of partnerships or strategic alliances;
- the grant of secured and unsecured loans and/or guarantees to an individual party or group which taken together represents over 15% of share capital, as stated in art. 10 of the Credit Line Regulations;
- the issue of financial instruments;
- the grant of credit lines to organisations whose purpose is the pursuit of ends described in art. 5 of the current Credit Line Regulations;
- transactions that require the Bank to provide the public with a written report in accordance with CONSOB instructions, for example mergers/spin-offs, or acquisitions/disposals of equity investments or acquisitions/disposals of businesses or parts thereof, fixed assets or those involving contributions in kind.

For the purposes of determining the principles of “materiality” the “Guidelines” refer to the recommendations contained in Consob Communiqué DIS/98081334 of 19 October 1998.

Secondly, the “Guidelines” define the concept of “related parties” which - further to Consob Resolution 14990 of 14 April 2005 - now refers to persons identified as such under IAS 24.

The BPM Group has conducted a census of the positions that might qualify as “related parties” by sending specific requests for information to all the parties concerned. This data has been used to compile a computerised database for use in reporting both direct and indirect transactions by such parties with the Bank (which are also specifically disclosed, on an aggregate level, in the specific section of the explanatory notes to the financial statements).

Thirdly, the guidelines state that certain transactions when conducted with related parties are always treated as “significant”, regardless of the amount and their inclusion in the categories listed earlier. Such transactions will always require board approval. These specifically refer to those transactions defined by art. 136 of the CBA (“Obligations of bank corporate officers”) and to credit lines, for any amount, given to subsidiary and associated companies or even mere equity investments, in accordance with art. 10 of the current Credit Line Regulations.

More specifically, art. 136 of the CBA (as amended by Law 262/05 and most recently by Decree 303/06) provides that “persons performing administrative, managerial and supervisory functions in a bank may not contract obligations of any kind or enter directly or indirectly into purchase or sale agreements with the bank which they administer, manage or control, without a prior resolution adopted unanimously by the governing body and with the favourable vote of all the members of the supervisory body (statutory auditors), without prejudice to civil code obligations relating to directors’ interests and related-party transactions”. The same provisions also apply to any lending transactions carried out by such persons with other Group companies and to obligations with companies controlled by them or in which they perform functions of administration, management or control, as well as with companies controlled by them or that control them. On the other hand, obligations contracted between companies belonging to the same banking group or between banks for transactions on the interbank market are excluded from application of this legislation.
It goes without saying that the examination and approval by the board does not usually include related-party transactions forming part of the ordinary services offered by the Bank at standard conditions (e.g. opening of current accounts or custody of securities, order to purchase securities, various customer services, etc.).

Moreover, with particular reference to the transactions that form part of the Bank’s main business, i.e. granting credit (and changes in credit terms), the IT procedures currently used by the Bank make it possible, among other things, the immediate reporting - and consequent automatic centralisation with the right head office structures - of all credit line operations (and related changes) to all persons that come under the concept of a related party.

In fourth place the procedure defines significant related-party transactions, in particular those subject to disclosure obligations art. 71-bis IR, distinguishing between:

- intercompany transactions, i.e. those carried out by the Bank, directly or through other Group companies, with companies directly or indirectly controlled, also jointly, by BPM, or companies linked to it, even indirectly, such as associated companies of subsidiaries and subsidiaries of associated companies;
- transactions with other related parties, particularly with officers of BPM (or of the Group) or their "close relatives", with companies controlled (also jointly) by these officers or their close relatives or on which they exercise a significant influence or in which they hold, directly or indirectly, a significant percentage of voting rights.

More specifically, for the purposes of identifying transactions governed by art. 71 bis IR and the resulting reporting requirements, significant related-party transactions (as defined above) include those that are atypical, unusual or carry terms that differ substantially from standard ones (and as such are able to endanger the Bank’s net asset value or impact the completeness and transparency of the information relating to BPM, including of an accounting nature). Transactions are defined as:

- atypical and/or unusual, these transactions that for their importance, characteristics, nature of the counterparties (and related risks), object of the transaction (in particular in relation to ordinary operations), methods of determination of the transfer price and timing of the event (particularly near to the end of the year) present particular elements of a critical nature or in any case may raise doubts about the fairness or completeness of the information in the financial statements, conflict of interest, safeguarding the Bank’s assets, protection of the minority shareholders (see Consob Communication DEM/6064293 of 28.07.2006), as well as those extraneous to the Bank’s normal course of affairs.
- at non-standard terms if the conditions differ significantly from those usually applied by the Bank or are nonetheless different from those applied to the best customers or employees.

Considering that the regulations extend to parties that are not always immediately identifiable by the Bank, BPM reserves the right to request counterparties of significant transactions to provide a prior statement regarding the existence of any related party relationships.

Fifthly, the “Guidelines” specify how the Board of Directors should examine and approve these kind of transactions.

In general, all related-party transactions - including those realised through subsidiaries - must respect the principles of substantial and procedural fairness, where substantial fairness means the transaction’s economic fairness (in relation to the Bank’s interest and in a Group logic) and procedural fairness refers to respect for procedures that seek to ensure the transaction’s substantial fairness. In these cases, the Bank’s Board of Directors (after hearing the Internal Control Committee) or, similarly, the board of the subsidiary concerned will normally have to be informed in advance of the following:

- the nature of the relationship and the frequency of similar transactions with the same related party;
- the transaction’s principal characteristics, terms and mode of execution;
- the interest of the company in carrying out the transaction and possible risks associated with it;
- substantial fairness of the transaction.

If the transaction’s nature, value or other characteristics so require, the Board of Directors will see that it is completed with the assistance of independent experts, with recognised expertise in valuing the assets concerned and providing financial, legal or technical advice. This means that independent auditors and other experts may be employed to issue fairness opinions and lawyers to issue legal opinions.

For the purposes of applying art. 71-bis, IR and complying with the resulting reporting requirements, the Board of Directors will use this information to evaluate the transaction on the basis of:

- its purpose (whether the transaction falls within or outside BPM’s normal business and its commercial or financial nature);
- its remuneration (whether the consideration is in line or out of line with market prices, whether it is being carried out at standard conditions applied to customers or employees, and whether it is broadly in line with similar transactions with unrelated parties);
- its manner (whether the manner of the transaction’s execution is unusual or atypical compared with similar transactions);
its timing (specific timing of the transaction, e.g. if close to the year end).

Having verified the existence or otherwise or one or more of these "anomalies", the Board evaluates whether such a situation may affect:
- protection of the Bank’s asset values (especially with regard to the “materiality” of the transaction in quantitative terms relative to BPM’s equity), or
- the completeness and fairness of the information, including of an accounting nature, on BPM (especially with regard to stakeholders and with reference to information that will subsequently be reported in quarterly, half-yearly and year-end financial statements).

Lastly, the “Guidelines” lay down certain rules of conduct by the directors. More specifically, if one or more of the directors has an interest, even potential or indirect, in a transaction – where an indirect interest is defined as that relating to close family of the director or a company controlled directly or indirectly by the director or their close family – they must provide the Board of Directors with full and prompt information on the existence of the interest and its circumstances, in order that the other directors can fully evaluate the extent of these interests, regardless of the existence of a conflict of interests.

This duty is now reflected and developed in art. 6 of the Credit Line Regulations which explicitly establishes that “pursuant to civil code art. 2391, the directors of group companies shall inform the other directors and the Board of Statutory Auditors of the company in which they hold office of any interest they have in a specific transaction, on their own account or that of third parties, disclosing its nature, terms, origin and extent. The subsequent board resolution must adequately justify the reasons and benefits of the transaction to the company”.

Once these information obligations of the director concerned have been fulfilled, the Board of Directors, in accordance with the general principles indicated by Consob pursuant to art. 2391-bis of the Civil Code, 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 authorise the Director to take part in the discussion and decision on the transaction, without affecting the Director’s right to abstain if he considers it opportune;
- to request the Director to leave the meeting temporarily, as in the case when there is the presence of a “personal” interest on the part of the Director (i.e. an interest of his/her own or of a close relative or of companies controlled by them, for example in the field of credit lines).

Lastly, it is worth mentioning that the question of related-party transactions was recently the subject of a regulatory intervention on the part of the Supervisory Authority. Consob (with resolution 17221 of 12 March 2010) adopted a new and distinct “Regulation on related-party transactions”. It combines in a single provision the transparency requirements and the procedural principles that companies have to adopt in order to ensure that related-party transactions are handled correctly.

These new rules, which provide for a transitional regime with two deadlines (the transparency regime will take effect from 1 October 2010, while the new procedures for the decision-making mechanisms will be introduced from 1 January 2011), will inevitably mean that the Bank will have to review its “Guidelines” to see if they have to be supplemented or adjusted in some way.
13. Board of statutory auditors

13.1. Appointment of statutory auditors

The Articles of Association (arts. 40 and 41) and the Regulations for Members’ Meetings (arts. 21 et seq.) should be consulted for a full explanation of the procedures for appointing and replacing the members of the Board of Directors. The following is a summary of the Articles in question, in the version amended by the Members’ Meeting of 25 April 2009.

Procedure for the appointment of Statutory Auditors

The Board of Statutory Auditors consists of the Chairman, four Acting Statutory Auditors and four Alternate Statutory Auditors; the election of two Acting Auditors and two Alternate Auditors (including the Chairman of the Board of Directors) is reserved for the minority shareholders.

The General Meeting appoints the Statutory Auditors on the basis of lists of candidates presented by the Members, in which the candidates are progressively numbered.

The lists of candidates have to be deposited at least fifteen days prior to the Meeting. Each list has to be presented by at least three hundred sponsoring Members representing in total at least 0.50% of the share capital, who have been included in the Register of Members for at least ninety days (this is also in line with the requirements of Consob for the presentation of lists for the election of corporate bodies under art. 144-quater, 3 and 4, IR).

In the event that more than one list is presented, the procedure for electing the Board of Statutory Auditors is as follows:

- three acting auditors and two alternate auditors are taken from the list that won the most votes, in the order in which they are listed;
- one auditor and one alternate auditor are taken from the list that obtains the second highest number of votes, in the order in which they are listed; the remaining auditor and alternate auditors are taken from the list that obtains the most votes after the second one, in the order in which they are listed;
- if only one list is presented, all of the acting auditors and alternate auditors are to be taken from it; if only two lists are presented, the two acting auditors and two alternate auditors to be elected by minority shareholders are taken from the list that obtained the second highest number of votes;
- if more than two lists are presented, of which one by a mutual fund, this list will provide one acting auditor and one alternate auditor, providing it obtained at least 5% of the total votes cast; if several mutual funds each present their own list and they all obtain the minimum number of votes, the acting auditors and the alternate auditor are to be taken from the one that obtained the most votes;
- if two or more lists obtain the same number of votes and this is relevant for the composition of the Board of Statutory Auditors, another round of voting is held between such lists by all of the Members present at the meeting;
- the acting auditor who features as the leading candidate on the list that won the highest number of votes is elected Chairman of the Board of Statutory Auditors;

In the event that only one list is presented, the Meeting votes on that list; the first five candidates progressively numbered are elected as auditors and the next four candidates after them are elected as alternate auditors.

If there are no lists, the Board of Statutory Auditors and its Chairman are to be appointed by relative majority vote of the General Meeting from among the candidates presented at the Meeting.

Procedure for replacing Statutory Auditors

In the event that a statutory auditor dies, resigns or falls from office, they are to be replaced by the alternate auditor belonging to the same list as the one no longer serving, giving preference to the senior one in terms of age if there is more than one alternate auditor on the same list.

If the Chairman of the Board of Statutory Auditors has to be replaced, the position is to be taken by the acting auditor from the same list as the chairman who is no longer serving or, if there is none, by the senior alternate auditor in terms of age taken from the same list; if it not possible to make replacements in this way, a General Meeting has to be called to integrate the Board of Statutory Auditors.
Publishing the lists of candidates for the position of Statutory Auditor and related documents

The lists of candidates, signed by those presenting them, have to be deposited at the Bank’s head office at least 15 days before the date scheduled for the meeting at first calling; they also 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 they meet the requirements prescribed by law or by the Articles of Association for holding office. For this purpose, it is taken into account that the business sectors closely related to those of the Company are banking, finance and insurance.

Like in the case of the directors, art. 22 of the current Regulations for General Meetings requires that “the lists (...) together with their curriculum vitae, are available to the Members at the Bank’s head office and summarised by the Chairman at the General Meeting before the polling stations are opened”. On this subject, it is confirmed that, before general meetings to appoint the Board of Statutory Auditors, the Bank sends its members and the market a specific press release containing details of the lists presented for each office and the complete list of the related candidates. The candidates’ curricula are usually published on the website before the general meeting, as stated in the meeting’s notice.

We would also point out that the publication of the lists of candidates and suitable accompanying information on their personal and professional characteristics, is now also expressly regulated by Consob (arts. 144-octies & decies, IR).

In this connection, at the time of the General Meeting of 25 April 2009, which had, among other things, renewal of the corporate bodies on the agenda, the Bank took steps on 14 April 2009 (so as to comply with the deadline of “at least ten days prior to the date of the general meeting called to vote on the appointment of administration and control bodies” foreseen in art. 144-octies, IR) to make available to the general public, at its head office, at the offices of Borsa and on its own website, the lists of candidates validly deposited by Members and accompanied, among other things, by a list of the sponsoring members and by the curriculum vitae of each candidate.

13.2. Composition and role of the board of Statutory Auditors (art. 123-bis, 2.d) CFA

The Board of Statutory Auditors, pursuant to art. 40 of the Articles of Association, is made up of the Chairman, four acting auditors and four alternate auditors, elected from among the Members. In particular, art. 41 of the Articles of Association the election of two acting auditors and two alternate auditors is reserved for minority interests.

The Board of Statutory Auditors currently in office was appointed for three years (2009-2011) by the General Meeting held on 25 April 2009. The entire Board will therefore expire at the General Meeting called to approve the financial statements at 31 December 2011.

The General Meeting in April 2009 was called to choose the Statutory Auditors from the following four lists of candidates:

**Lista n. 1**: presented by 739 Members (a list of them has been published on the websites of the Bank and of Borsa), in total representing 1,212,260 shares, equal to 0.29% of the share capital, with the following persons as candidates for the office of statutory auditor: Enrico Castoldi (lead candidate), Stefano Salvatori, Ezio Simonelli, Enrico Radice and Giuseppe Zanzottera;

**List no. 2**: presented by 336 Members (a list of them has been published on the websites of the Bank and of Borsa), in total representing 429,018 shares, equal to 0.10% of the share capital, with the following persons as candidates for the office of statutory auditor: Carlo Bellavite Pellegrini (lead candidate) and Giorgio Zoia;

**List no. 3**: presented by 334 Members (a list of them has been published on the websites of the Bank and of Borsa), in total representing 322,167 shares, equal to 0.08% of the share capital, with the following persons as candidates for the office of statutory auditor;

**List no. 4**: presented by 559 Members (a list of them has been published on the websites of the Bank and of Borsa), in total representing 538,261 shares, equal to 0.13% of the share capital, with the following persons as candidates for the office of statutory auditor: Salvatore Rino Messina (lead candidate), Emilio Luigi Cherubini, Luigi Manfredi, Claudio Solenghi and Paolo Donzelli.

Bearing in mind that no lists were presented by mutual funds (or UCITS) and that there is no minimum number of votes for the election of statutory auditors, the lists presented obtained the following results:

- list no. 1 obtained 5,046 votes;
- list no. 2 obtained 1,364 votes;
- list no. 3 obtained 369 votes;
- list no. 4 obtained 2,210 votes.
So applying the rules contained in the Articles of Association for the appointment of statutory auditors, list no. 1 was assigned three
acting auditors and two alternate auditors; list no. 4, one acting auditor (who takes the chair) and one alternate auditor; list no. 2
one acting auditor and one alternate auditor.
The following are the current members of BPM’s Board of Statutory Auditors with the list that they belong to.

<table>
<thead>
<tr>
<th>Office held</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Salvatore Rino Messina (b)</td>
</tr>
<tr>
<td>Acting auditor</td>
<td>Carlo Bellavite Pellegrini (c)</td>
</tr>
<tr>
<td>Acting auditor</td>
<td>Enrico Castoldi (a)</td>
</tr>
<tr>
<td>Acting auditor</td>
<td>Stefano Salvatori (a)</td>
</tr>
<tr>
<td>Acting auditor</td>
<td>Ezio Simonelli (a)</td>
</tr>
<tr>
<td>Alternate auditor</td>
<td>Emilio Luigi Cherubini (b)</td>
</tr>
<tr>
<td>Alternate auditor</td>
<td>Enrico Radice (a)</td>
</tr>
<tr>
<td>Alternate auditor</td>
<td>Giuseppe Zanzottera (a)</td>
</tr>
<tr>
<td>Alternate auditor</td>
<td>Giorgio Zoia (c)</td>
</tr>
</tbody>
</table>

(a) Auditor taken from List no. 1, which obtained the most votes.
(b) Auditor taken from List no. 4, a minority list.
(c) Auditor taken from List no. 2, a minority list.

In accordance with art. 144-decies, IR, as regards the members of the Board of Statutory Auditors (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:
Salvatore Rino Messina: graduated in Economics and Business Studies and works as a Chartered Accountant in Milan; he is also a
Registered Expert of the Milan Court and an Official Auditor.
Carlo Bellavite Pellegrini: graduated in Economics and Business Studies and qualified as a Chartered Accountant and Official
Auditor; he teaches corporate finance at Milan’s Università Cattolica.
Enrico Castoldi: qualified as a Chartered Accountant and Official Auditor, he acts as statutory auditor for various BPM Group
companies.
Stefano Salvatori: graduated in Business Studies and is a professor at the Bocconi School of Management where he runs numerous
masters and executive courses.
Ezio Simonelli: graduated in Economics and Business Studies and is a Chartered Accountant, Official Auditor and journalist.
Emilio Cherubini: graduated in Economics and Business Studies, operates as an independent consultant and has been appointed by
the Milan Court to work on bankruptcy proceedings and the application of “voluntary jurisdiction”.
Enrico Radice: graduated in Economics and Business Studies; in addition to acting as an auditor, he is also a director and statutory
auditor in various companies.
Giuseppe Zanzottera: works as an independent accountant and auditor, acting as a statutory auditor in various companies of the
BPM Group.
Giorgio Zoia: graduated in Economics and Business Studies; after working for many years with the Cerrutti 1881 Group with
management responsibilities, since 1997 he has operated as a Chartered Accountant and Official Auditor.
Role of the Board of Statutory Auditors
During the meeting of 25 June 2009, the Board of Statutory Auditors adopted a specific regulation that governs, among other things, the composition, functioning and duties/powers of the Board in accordance with the law and the articles of association. Under this regulation, the Board of Statutory Auditors:
- periodically verifies its own adequacy in terms of powers, functioning and composition, taking account of the size, complexity and the activities carried on by the Bank;
- monitors, among other things, compliance with the rules of law, regulations and the articles of association, correct administration, the adequacy of the organisational and accounting structures of the Bank;
- monitors the workings of the Bank’s complex system of internal controls, ascertaining the effectiveness of the structures and internal functions involved in the control system, ensuring that they are adequately coordinated and promoting remedial action to correct any weaknesses or irregularities that may have been found;
- monitors the adequacy of the risk management and control systems and the process for determining internal capital in accordance with the regulatory requirements;
- checks that the Bank exercises its role as Parent Bank of Group companies properly in terms of its strategic and management control activities;
- has all of the powers to carry out its duties according to the law and the Articles of Association, including the power/duty to inform and report to the Supervisory Authority any operating irregularities or regulatory infringements;
- expresses its opinion on the appointment of the Financial Reporting Manager and has to be consulted on any decisions regarding the appointment of those in charge of internal control functions (internal auditing, compliance and risk management) or fundamental aspects of the internal control system (such as powers, responsibilities, resources, information flows and the handling of conflicts of interest);
- has tasks in connection with the assessment of the adequacy and efficiency of the accounting structure, including the related IT systems, so as to ensure a true representation of the company’s affairs. In carrying out this task, the Board has ask for the support and collaboration of other corporate functions, above all the administration, planning and control, compliance and internal auditing functions. The Board also supervises the methods of implementing the governance rules laid down in the codes of conduct adopted by the Bank.

At the time of board meetings, any Statutory Auditor who on own account or for third parties has an interest in a particular transaction of the Bank has to provide timely and exhaustive information regarding the nature, terms, origin and extent of their interest and, if a personal interest emerges (i.e. on their part, that of a close relative or of companies controlled by them), they have to leave the meeting room temporarily.

Limits to the accumulation of auditorships
Under art. 41 of the Articles of Association and the Regulation of the Board of Statutory Auditors, the Statutory Auditors cannot hold or accept directorships or auditorships with third-party companies or entities in excess of the number laid down in the Consob rules implementing art. 148-bis, CFA (and subsequent amendments). Without affecting the limits to the accumulation of auditorships under current regulations, under the Articles of Association the members of the Board of Statutory Auditors cannot act as directors or statutory auditors of other banks, unless they are affiliates or centralised structures for the cooperative banking movement. In any case, the Statutory Auditors cannot accept positions in bodies other than as statutory auditors at other Group companies, as well as at companies in which the Bank directly or indirectly has a strategic investment (i.e. more than 10% of the affiliate’s share capital and 5% of the consolidated regulatory capital of the banking group).

Under art. 144-quinquiesdecies, IR, a list of the offices held by the Statutory Auditors in other companies is attached to the report prepared by the Board of Statutory Auditors in accordance with art. 153.1, CFA.

Requisites of 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 compliance with art. 10.C.2. of the Code, in 2009 the Board of Statutory Auditors also verified the existence of the requisites of independence of their members prescribed by art. 3 of the same Code. The result of this check was that each of the Acting Auditors satisfied the independence requirement of the Code.
Meetings of the Board of Statutory Auditors
During the course of 2009, the Board of Statutory Auditors held 73 meetings, which lasted an average of around two and a half hours with overall participation of around 85% (the attendance record of each Auditor at meetings is shown in Table 2). All of the Statutory Auditors can take part in the proceedings of the Board Committees/Commissions and to this end it is up to the Chairman 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 also takes part in person at meetings of the Board Financing Committee and the Supervisory Committee (set up under Decree 231/01).

14. 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 (this position is currently held by Roberto Peronaglio), a position created by the Board of Directors 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 regard relations with Members (also structured into a Sector) the Bank’s Board of Directors - in application of the Code’s recommendations - renewed at the meeting of 3 June 2008 (updated on 20 January 2009), the framework resolution concerning “Rules for the Admission of Members and Management” (originally adopted in February 2002 and subsequently updated with the resolution of 1 April 2003).

In particular, this resolution (the text of which is available on the Bank’s website, in the “Shareholders and Members” section, which also contains all of the Bank’s press releases and company documents - usually in both Italian and English - and all of the information needed for Members to take part in General Meetings, as well as the instructions and forms to be used to apply for admission as a Member):

- confirms the setting up of a “Members’ Relations Commission” with its own regulation approved by the Board of Directors on 25 June, made up of a maximum of five members of the Board of Directors, all without executive powers, including a majority of independent directors and at least one elected in a minority list, with investigatory powers regarding applications for admission and the exclusion of Members and the waiver of the preferred guarantee restriction on the company’s shares;
- defines requirements and procedures for the admission of new members, which depends on the prospective member’s effective espousal of the Bank’s aims, its objective interests and its co-operative spirit. This requirement is deemed to be satisfied if the application is presented by a Shareholder with a minimum holding of 100 shares and is accompanied by a written undertaking to maintain this number of shares over time;
- includes in the situations that do not permit admission to Membership not only the same conditions as those indicated in the Articles of Association for the declaration of exclusion, but also the verified condition of “intermediary” of the real applicant, where it is not possible to assess the existence of the requisites and the absence of situations that do not permit admission also in the case of the real shareholder who appointed the intermediary;
- redefines the attachments and the declarations needed for the Members’ Commissions and the Board of Directors to assess applications;
- establishes the conditions and procedures for cancelling a member, confirming the cases envisaged under the Articles of Association, specifying that these include a member’s failure to retain the required number of shares over time or, in any case, the observation on the part of the Bank that the person no longer owns any shares;
- outlines the criteria for maintaining the Members’ Register and the Shareholders’ Register, envisaging the creation of a specific “Members Address File”, in which, after obtaining their express consent, we insert their addresses (as well as their other personal details, which are already contained in the Members’ Register) so that this information can be consulted (and extracts obtained) by other members wanting access, also to favour more acquaintances and interrelations among the shareholders;
provides – following the said amendment of 20 January 2009 – an integration of the methods by which the request for admission to Member can be delivered, namely: “Shareholders that use other banks can still hand in their application personally at any branch of the BPM Group, where they will be identified and their signature authenticated; Shareholders who are customers of on-line banks must always hand in their application personally to the Members’ Sector, or through a bank, including the branches of the BPM Group, where they will be identified and their signature authenticated.

In 2009, the Members’ Relations Commission held 20 meetings, lasting an average of around 1 hour each and an attendance record of around 91% (the participation of each member is shown in table 1). Following the complete renewal of the corporate bodies at the General Meeting of 25 April 2009, at the board meeting of 28 April 2009 the Board of Directors proceeded to appoint the members of this Commission, which currently consists of the following directors: Antoniogiorgio Benvenuto (Chairman), Giovanni Bianchini, Giuseppe Cappini, Leone Spozio and Michele Zeffirino.

During the course of 2009, the Commission carried out its usual investigations prior to the presentation to the Board of Directors of the resolutions of admission to and exclusion from Membership. These were particularly significant in 2009 as the Commission had to examine 4,543 applications, all of which were accepted. Then, on the Board’s request, it also looked after two strategic projects for the Bank for which it laid down the policy guidelines and had them approved at the board meetings held on 3 March and 7 July 2009:

- 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 and Corporate Social Responsibility (CSR) of the Bank, thereby affirming the strategic and not contingent choice of the “Charter” and of CSR in BPM.

In keeping with other co-operative banks, in January 2010, and based on the efforts of the Commission, the Board of Directors passed a resolution to cancel 981 names from the Register of Members, being people who no longer owned any shares. As communicated to the individual names, a Member could be reinstated in the Register of Members provided he was able to prove that he held at least one share on 31 December 2009, deposited with other banks or intermediaries or still held in the form of a paper certificate.

At 31 December 2009, there are 50,823 Members; in addition there are 45,868 Shareholders not recorded in the Members’ Register, for a total of 96,691 names.
15. General Meetings (art. 123-bis, paragraph 2, letter c), CFA

General Meeting of Members
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 Board of Directors, 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).

The General Meeting of Members has to be called at least once a year within 120 days from the end of the financial year, at the head office or in another place indicated in the notice of calling providing it is in Italy. It is called by the Board of Directors in the terms laid down in current regulations by means of a notice of calling to be published in the “Gazzetta Ufficiale della Repubblica” or in “Il Sole 24 Ore”, a financial daily. 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.

In any case, the Directors have to call a General Meeting 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.

At least fifteen days prior to the General Meeting, the Bank makes available all of the documentation regarding the points on the agenda at the head office, on Borsa’s website and on its own website (www.bpm.it, in the section dedicated to general meetings).

The Ordinary General Meeting:
- discusses and votes on the financial statements, having heard the report of the Board of Directors and the report of the Statutory Auditors;
- appoints the Chairman, two Deputy Chairmen and the other Directors and decides on their fees as laid down in these Articles of Association;
- appoints the Board of Statutory Auditors, designating the Chairman and decides on their remuneration;
- appoints the Arbitrators;
- revokes the members of the corporate bodies (Board of Directors and Board of Statutory Auditors) according to specific methods laid down by law and by these Articles of Association;
- approves the Regulations for General Meetings;
- approves any compensation policies for the members of the Board of Directors, employees and external consultants, as well as any share-based payment plans;
- decides on other matters on the agenda for which the Members are responsible.

The Extraordinary General Meeting decides on those matters for which it is solely responsible, including any increase in capital involving an issue of new shares not in the ordinary manner.

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 the various formalities mentioned in art. 2370.2 of the Italian Civil Code have been completed at least two working days prior to the date of the said Meeting.

In addition to such Members, the Directors, the members of the Board of Statutory Auditors and the members of General Management 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 by the Board of Directors or by the Meeting’s Chairman.

The Chairman of the Meeting directs proceedings and to ensure that the Meeting takes place properly, he makes use of technological instruments, also to record the proceedings, with the help of personnel made available by the Company.

Each Member has the right to take the floor and to make proposals on any topic on the agenda. To this end, Members wanting to speak have to make a written request and have it delivered to the Chairman’s table, indicating the point on the agenda that they want to discuss before the debate on that point is declared closed.

The members of the Board of Directors and the Statutory Auditors can ask to join the debate and, on the Chairman’s invitation, the managers of the Bank and the directors and managers of Group companies can also take the floor.

Minutes are kept of the proceedings of General Meetings and have to be made available at the head office and on Borsa’s website by the legal deadline.
Regulations for General Meetings
In compliance with the recommendations contained in the Code, 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 updated at the ordinary general meetings on 19 April 2008 and 13 December 2008, following the amendments to the Articles of Association relating to the method of appointing members of the Board of Directors.
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”.

16. Other Corporate Governance Practices (art. 123-bis, paragraph 2, letter A), CFA)

Arbitration Committee
Pursuant to art. 42 of the Articles of Association, the Bank has an Arbitration Committee, made up of three acting and two alternate members chosen from among the members by the general meeting, which reviews disputes referred to it under the Articles of Association and seeks to resolve all the disputes that might arise between shareholders or between the shareholders and directors concerning the conduct of the business.
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).

17. Changes since the end of the year

Approval of the 2010-2012 Strategic Plan
During the meeting of 19 January 2010, the Board of Directors approved the 2010-2012 Strategic Plan of the BPM Group, which confirms the central role of customers and proximity to the territory at the centre of the Group’s plans to develop volumes and profitability, while raising the level of efficiency.
The principal guidelines of the plan are to enhance the competitive advantages of the BPM Group, using its strengths (such as its territorial roots and customer relations) as leverage, initiatives to increase market share and commercial penetration, increasing operational efficiency (also by transforming certain fixed costs to variable) and a capitalisation in line with the Group’s risk profile.

Change in share capital
The following bonds were converted on 12 February 2010 and 9 March 2010 respectively: 60 bonds (for a total nominal value of 6,000 euro) and 84 bonds (for a total nominal value of 8,400 euro) of the “Convertendo BPM 2009/2013 6.75%” bond loan that came with the “Warrant Azioni Ordinarie BPM 2009/2013”.
As a result of these conversions, the Bank’s share capital has gone up from 1,660,136,924 euro to 1,660,145,144 (issuing a total of 2,055 ordinary shares of par value 4 euro each).
The market was informed of these transactions by means of press releases issued through Borsa Italiana, which were also posted on the Bank’s website.

* * *

Milan, 23 March 2010

The Board of Directors
### TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS  
(situation between 25 April 2009 and 31 December 2009)

<table>
<thead>
<tr>
<th>Office held</th>
<th>Members</th>
<th>In office from</th>
<th>In office to</th>
<th>List (M/m/s)</th>
<th>Exec.</th>
<th>Non Exec.</th>
<th>Indep. as per Code</th>
<th>(%)**</th>
<th>No. of other offices held ***</th>
<th>Executive Committee</th>
<th>Internal Control Committee</th>
<th>Remuneration Committee</th>
<th>Members’ Relations Commission</th>
<th>Board Financing Committee</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>YES</td>
<td>100</td>
<td>3</td>
<td></td>
<td>X 86</td>
<td></td>
<td></td>
<td>X 80</td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Mario Arghili</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>100</td>
<td>3</td>
<td></td>
<td>X 96</td>
<td></td>
<td></td>
<td>X 97</td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Graziano Tarantini</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>100</td>
<td>2</td>
<td>X 89</td>
<td>X 87</td>
<td></td>
<td></td>
<td>X 87</td>
</tr>
<tr>
<td>Director</td>
<td>Beniamino Anselmi</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>87</td>
<td>3</td>
<td>X 93</td>
<td>X 80</td>
<td></td>
<td></td>
<td>X 80</td>
</tr>
<tr>
<td>Director</td>
<td>Antonio Giorgio Benvenuto</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>100</td>
<td>1</td>
<td>X 85</td>
<td>X 100</td>
<td></td>
<td></td>
<td>X 100</td>
</tr>
<tr>
<td>Director</td>
<td>Francesca Bianchi</td>
<td>2009</td>
<td>2011</td>
<td>s</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>73</td>
<td>3</td>
<td></td>
<td>X 61</td>
<td></td>
<td></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>100</td>
<td>2</td>
<td>X 100</td>
<td>X 100</td>
<td>X 78</td>
<td>X 90</td>
<td></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>100</td>
<td>1</td>
<td>X 100</td>
<td>X 100</td>
<td>X 100</td>
<td>X 100</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Enrico Corali</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>X 100</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Franco De Benedetti</td>
<td>2009</td>
<td>2011</td>
<td>m</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>87</td>
<td>5</td>
<td>X 70</td>
<td>X 83</td>
<td></td>
<td></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>X 100</td>
<td></td>
<td></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>93</td>
<td>X 83</td>
<td></td>
<td></td>
<td></td>
<td>X 97</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>X 100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Roberto Mazzotta</td>
<td>2009</td>
<td>2011</td>
<td>m</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>80</td>
<td></td>
<td></td>
<td>X 100</td>
<td></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>YES</td>
<td>NO</td>
<td>100</td>
<td>X 100</td>
<td></td>
<td></td>
<td>X 90</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>YES</td>
<td>100</td>
<td></td>
<td></td>
<td>X 100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Jean Jacques Tamburini</td>
<td>2009</td>
<td>2011</td>
<td>s</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>33</td>
<td>X 19</td>
<td></td>
<td></td>
<td></td>
<td>X 7</td>
</tr>
<tr>
<td>Director</td>
<td>Michele Zafferino</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>100</td>
<td></td>
<td></td>
<td>X 100</td>
<td></td>
<td>X 100</td>
</tr>
</tbody>
</table>

Quorum required to present lists: Each list has to be presented by at least three hundred sponsoring Members representing in total at least 0.50% of the share capital, who have been included in the Register of Members for at least ninety days (art. 32.2 of the Articles of Association).

No. of meetings held (from 25 April 2009 to 31 December 2009)  
BoD: 15  
EC: 28  
ICC: 13  
RC: 6  
Memb. C: 9  
BFC: 30

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 Report.  
(**) This column shows the percentage participation of directors at meetings of the BoD and its committees (no. of presences/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 the report, mentioning 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.
### TABLE 2: Structure of the Board of Statutory Auditors (from 25 April 2009 to 31 December 2009)

<table>
<thead>
<tr>
<th>Office held</th>
<th>Members</th>
<th>In office from</th>
<th>In office 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>91</td>
<td>10</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>79</td>
<td>7</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Enrico Castoldi</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>86</td>
<td>8</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Stefano Salvatori</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>86</td>
<td>3</td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Ezio Simonelli</td>
<td>2009</td>
<td>2011</td>
<td>M</td>
<td>YES</td>
<td>74</td>
<td>22</td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Emilio Luigi Cherubini</td>
<td>2009</td>
<td>2011</td>
<td></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>Giuseppe Zanzottera</td>
<td>2009</td>
<td>2011</td>
<td>M</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: each list has to be presented by at least three hundred sponsoring Members representing in total at least 0.5% of the share capital, who have been included in the Register of Members for at least ninety days (art. 41.3, Arts of Assoc.).

No. of meetings held (from 25 April 2009 to 31 December 2009): 43

**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 at meetings of the Board of Statutory Auditors (no. of presences/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 for the purposes of art. 148-bis CFA. Under art. 144-quinquiesdecies, IR, a list of the offices held by the Statutory Auditors in other companies is attached to the report prepared by the Board of Statutory Auditors in accordance with art. 153.1, CFA.
Report of the Board of Statutory Auditors on the Corporate Governance and Ownership Structure of Banca Popolare di Milano S.c. a r.l.
This report, which was approved by the Board of Directors on 23 March 2010, explains the rules of Corporate Governance that have been adopted by the Company and the changes made during the course of 2009, as per arts 123-bis Cfa and 89-bis of Consob’s Issuers’ Regulations.

By resolution of the Board of Directors on 19 December 2006 the Company also adopted the latest version of the Code of Conduct of Borsa Italiana (March 2006), implementing all of the recommendations made in it.

Moreover, during 2009, also as a result of Directive 2007/36/CE [Decree 27 of 27 January 2010] being introduced into Italian law and the interventions made by the Bank of Italy and Consob, Banca Popolare di Milano performed constant self-assessment of its system of corporate governance.

We can confirm, to the extent of our responsibilities and as per art. 149.1.c-bis) of Decree 58/98, that we have checked:

**as regards the Board of Directors:**
- that the requirements for Executive and Independent Directors are correctly assessed and observed (art. 147 ter CFA and Principles 2 and 3 of the Code);
- that a regulation has been drawn up, approved by the Board of Directors and implemented, limiting the number of appointments that Directors can hold in other companies (the new text of art. 32 of the Articles of Association now make direct reference to this regulation) and that in 2009 the Board of Directors carried out the self-assessment to check that the regulation was being respected (art. 147 ter CFA and principle 1 of the Code);
- it was not considered necessary to appoint a “Lead Independent Director” among the Independent Directors, nor have they held separate meetings;
- during the meeting of 26 May 2009 the Board carried out a self-assessment of the characteristics of the individual Directors, including their independence, concluding that the number of appointments that the current members of the Board hold in other companies is in compliance with the general guidelines;
- the subsidiaries of strategic importance have been identified and the agreements outstanding with such strategic subsidiaries have been indicated; particular attention is also given to their systems of internal control;
- in accordance with the legal requirements, the Board has drawn up procedures to regulate flows of information, both inside and outside the company; the same applies to the procedures on privileged information (art. 114–115 bis and 181 CFA and Principle 4 of the Code);
- the Board has received periodic information on the activities of the various Committees that it has set up: the Internal Control Committee, the Remuneration Committee, the Members’ Relations Commission (Principle 5 of the Code);
- a Financial Reporting Manager has been appointed and given the necessary powers (art. 154 bis CFA);
- a Director in charge of the internal control system has been appointed (Principle 8 of the Code) and the Internal Control Committee has been given the necessary powers;
- it was not considered necessary to set up an Appointments Committee, which in any case was only suggested without being obligatory (Principle 5 of the Code);
- a Members’ Commission has been formed with a suitable structure to look after relations with the Members (Principle 11 of the Code);
as regards new regulations, we can confirm that, once prepared, they are constantly brought to the attention of those concerned, depending on their various needs, especially as regards specific operational or regulatory methods in the field of:

- the treatment of “privileged (confidential, price-sensitive) information” and “internal dealing” (Art. 114-115 bis and 181 CFA and Principle 4 of the Code);
- related-party transactions (Art. 2391 bis of the Italian Civil Code and Principles 1 and 9 of the Code);
- transactions in which the individual has an interest (Art. 2391 of the Italian Civil Code and Principles 1 and 9 of the Code);
- particularly large transactions;
- activity of the Internal Control Committee (Principle 8 of the Code);
- activity of the Remuneration Committee;
- particular attention has been paid to the system of internal control, as well as to the analysis of the various types of risk, to compliance, to the procedures for the gathering and analysis of accounting data and of the information for the Financial Reporting Manager (Art. 154 bis CFA, Principle 8 of the Code, Law 262/2005);
- particular care has been applied in implementing the ICAAP (Internal Capital Adequacy Assessment Process);
- validation checks have been carried out on the procedures for the gathering and the flow of data to the Financial Reporting Manager, also from the subsidiaries, so as to be certain that the procedures are applied properly and the accounting information is correct (Art. 154 bis CFA);
- the Regulations for the Admission of Members have been amended to simplify the procedure with a view to expanding the number of members. The Regulations for General Meetings were also updated to reflect the new text of the Articles of Association;

as regards the Board of Statutory Auditors:

- we have monitored the methods of applying the rules of Corporate Governance, as per art. 149 letter c-bis CFA;
- we took part in meetings of the Internal Control Committee (Principles 8 and 10 of the Code);
- we also checked compliance with the rule that lays down a limit on the number of appointments that directors can hold, under art. 148 bis of the CFA, as well as the self-assessment of the legal requirements, including that of independence, according to the interpretation provided by the Code of Conduct (Principle 10 of the Code);
- as part of the ICAAP process, we have monitored that the methods used comply with those laid down in the regulations.

Milan, 7 April 2010

The Board of Statutory Auditors

The Chairman
Salvatore Rino Messina

Acting Statutory Auditors
Carlo Bellavite Pellegrini
Enrico Castoldi
Stefano Salvatori
Ezio Simonelli
Prepared by the
General Affairs Office
of Banca Popolare di Milano

Lay-out
Agema Corporation S.p.A. – Milan, Italy

This report
has been produced using FSC
recycled ecological paper and eco-compatible vegetable
inks from Agema Corporation S.p.A. – Milan
a company certified for eco-sustainable development.