Report on the Bank’s corporate governance
and adoption of the Code of Conduct
for Listed Companies
Report on the Bank’s corporate governance and adoption of the Code of Conduct for Listed Companies

(prepared as per art. 89-bis IR, and Section IA.2.6 of the Instructions to the Regulations of the Markets organised and run by Borsa Italiana S.p.A.)

BANCA POPOLARE DI MILANO

Co-operative Bank founded in 1865
Parent Bank of the BPM – Banca Popolare di Milano – Banking Group
Share capital at 31.12.2008: 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

2008
## Introduction

7

### Composition and role of the Board of Directors (arts. 1-3 of the Code)

9

a) Composition and term in office of the Board of Directors
   Profile of the Directors 9
b) Powers of representation 15
c) Functions and powers of the Board of Directors 15
d) Board meetings 19

### Board committees (art. 5)

20

### Appointment and remuneration (arts 6-7)

21

a) Appointment of Directors 21
b) Remuneration of Directors and Senior Management 23

### The Control System (art. 8)

24

a) The internal control system – Internal audit function 24
b) The Compliance Function 24
c) The Risk Management Function 26
d) The Internal Control Committee 27
e) The Executive Director in charge of supervising the internal control system 29
f) The Supervisory Committee (as per Decree Law 231/01) 30

### Independent Auditors

30

### Financial Reporting Manager

31

### “Significant” transactions and related-party transactions

31

### Directors’ interests (Art. 9)

31

### Confidential information and the Code of Conduct on Internal Dealing (art. 4)

35

a) Confidential information 35
b) Code of Conduct on Internal Dealing 36

### Relations with Shareholders and Members

37

a) Relations with Shareholders and Members 37
b) Regulations for Members’ Meetings 38

### Board of Statutory Auditors (art. 10)

39
The Arbitration Committee

Appendix:

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1</td>
<td>Board of Directors, Executive Committee and Committees foreseen by the Code</td>
<td>42</td>
</tr>
<tr>
<td>Table 2</td>
<td>Board of Statutory Auditors</td>
<td>43</td>
</tr>
<tr>
<td>Table 3</td>
<td>Other Code of Conduct requirements</td>
<td>44</td>
</tr>
</tbody>
</table>

Considerations of the Board of Statutory Auditors of Banca Popolare di Milano S.c. a r.l.
For the purposes of the annual disclosure requirement in accordance with the recommendations contained in the Code of Conduct for Listed Companies (hereafter, the “Code", in the March 2006 version), the following is the BPM’s Report on the Corporate Governance, prepared in accordance with Section IA.2.6 of the Instructions to the Regulations of the Markets organised and run by Borsa Italiana SpA, as well as arts. 124-bis CFA and 89-bis of the Issuers’ Regulations (Consob Resolution 11971/1999 and subsequent amendments, hereafter in short “IR”). This report is made available to the general public in Italian and subsequently also in English at the Bank’s head office, at the offices of Borsa Italiana and on BPM’s website www.bpm.it in the “Governance” section.

In preparing this document, the Directors have taken account of the “Guidelines” issued by Borsa Italiana SpA on 12 February 2003, of the “Guide to the Preparation of the Report on Corporate Governance” published by Assonime and Emittenti Titoli SpA in February 2004, as well as the indications to be drawn from the “Experimental Format for the Report on Corporate Governance” drawn up by Borsa Italiana SpA in February 2008, which the Bank considers to be a useful tool for checking completeness and for supplementing the report with additional information considered of interest to Members and to the market, where available.

Attached to this report is a table summarising how BPM has adopted the Code’s main recommendations.

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, 2008 was again characterised in Italy, at a corporate level, 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 of specific functions and markets.

This is the context in which the Bank of Italy introduced various important measures regarding the organisation and corporate governance of banks (the latest with the note dated 19 February 2009, which follows the Governor’s Instructions on this matter dated 4 March 2008). Consob also issued important changes to harmonise the transparency obligations of issuers in the field of company disclosures, situations of incompatibility on the part of members of the boards of statutory auditors, the information to be made public in connection with the appointment of boards of directors and statutory auditors and, currently under completion, related-party transactions and greater openness in board assessments of the independence of its members.

These are only some of the numerous measures issued concerning corporate governance in 2008. Indeed, if considered together with the significant legislative innovations affecting companies in recent years, it is obvious that this has had a considerable impact on the Bank to update all of its procedures, also from an operational point of view. However, it has to be said that the various Authorities have taken a concrete and positive approach in the development of these regulations, and this can be seen from the following points:

- increasingly frequent advance consultation with operators of the sectors affected by new regulations through so-called “consultation documents”, which have often led to joint revisions of the original texts or at least clearer explanations of the criteria underlying the proposed texts;
- greater attention on the part of the Authorities to the operating costs to be incurred in implementing new regulations vis-à-vis the advantages to be expected from them;
- frequent confirmation of the value of statutory independence in the realisation of the expectations and purposes expressed generally in the legislation;
a declared desire for simplification of the formalities required of intermediaries and issuers, through an advance assessment of similar obligations under existing rules and regulations already issued by other national or supranational authorities. The declared efforts to coordinate with best practice contained in the Code of Conduct for Listed Companies (March 2008 version) are undoubtedly to be appreciated in this sense. Indeed, it is to be hoped that a similar type of harmonisation will come about in the rules on related-party transactions compared with current international accounting standards and the new supervisory rules on the risk assets of related parties under art. 58 of the Banking Act, as well as in the unambiguous definition of the “executive” and “independent” status of directors;

increasing consideration for the peculiarities of the co-operative format, a characteristic of various listed entities, which are not always the same as those of joint-stock companies, sometimes in very important aspects; as a result, they require specific regulations or exemptions from generalised legislation; this was reiterated most recently by Consob in its Communication DEM/9017893 of 26 February 2009 regarding the appointment of corporate board members, where listed co-operatives - for which it is not possible to “identify ex ante the controlling shareholders or those of a relative majority” - are expressly exempted from the obligation to disclose in advance any connections between voting lists, though obviously without prejudice to the rules under arts. 147-ter and 148 of the CFA on the representation of “minorities” on corporate boards.

Within this complex legislative picture, BPM has again carried out a constant process of self-assessment of its system of corporate governance in 2008, 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 detailed analysis and interventions already carried out or currently being implemented to bring the Bank’s governance model into line with the Governor’s Instructions of 4 March 2008 have fostered a complete review of the Bank’s 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 is 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 Law 262/05 and Decree 303/06, 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 13 December 2008. These were designed, among other things, to boost minority shareholder representation and the presence of independent directors (as per art. 147-ter of 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 2008 (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.
Composition and role of the Board of Directors (articles 1-3 of the Code)

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

The Bank is managed by a Board of Directors made up of one Chairman, two Deputy Chairmen and seventeen Directors, elected by a single ballot by the Members’ Meeting of 6 May 2006 for the three years 2006-2008.

As regards the number of members of the Board of Directors, we would point out - as emphasised previously - that following the recent amendments to the Articles of Association approved by the Members’ Meeting of 13 December 2008, the current Articles of Association (already applicable for the elections on the agenda of the Members’ Meeting called for 24 and 25 April 2009, respectively in first and second calling) now lay down that the Board of Directors has to consist of a fixed number of sixteen Directors (including the Chairman and two Deputy Chairmen).

These amendments to the Articles of Association also include one (art. 50) that says that this number of sixteen is to 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.

With reference to the present composition of the Board, a complete list of Directors is given below (their CVs are published on the Bank’s website in the section “who we are”) with an indication of the specific roles held on the Board, the date on which their term of office expires (which based on art. 2383 of the Italian Civil Code coincides with the date of the Members’ Meeting that approves the financial statements for the last year of their office) and whether they qualify as Independent Directors as defined in the Code.

<table>
<thead>
<tr>
<th>Name</th>
<th>Office held</th>
<th>Expiry (*)</th>
<th>Independent**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roberto Mazzotta (1)</td>
<td>Chairman</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Mario Artali (1)</td>
<td>Deputy Chairman</td>
<td>2008</td>
<td>yes</td>
</tr>
<tr>
<td>Marco Vitale (1)</td>
<td>Deputy Chairman</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Enrico Airaghi (1) (3)</td>
<td>Director</td>
<td>2008</td>
<td>yes</td>
</tr>
<tr>
<td>Luca Caniato (3)</td>
<td>Director</td>
<td>2008</td>
<td>yes</td>
</tr>
<tr>
<td>Emilio Castelnuovo (1)(2)</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Giuseppe Coppini</td>
<td>Director</td>
<td>2008</td>
<td>yes</td>
</tr>
<tr>
<td>Enrico Corali</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Rocco Corigliano</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Eugenio Crosta</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Piero Lonardi (1) (4)</td>
<td>Director</td>
<td>2008</td>
<td>yes</td>
</tr>
<tr>
<td>Maria Martellini</td>
<td>Director</td>
<td>2008</td>
<td>yes</td>
</tr>
<tr>
<td>Michele Matterlini (1)</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Gianfranco Pittatore (1)</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Marcello Priori (2-bis)</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Jean-Jacques Tamburini</td>
<td>Director</td>
<td>2008</td>
<td>yes</td>
</tr>
<tr>
<td>Graziano Taranini</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Valerio Tavormina</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Michele Zefferino</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
</tbody>
</table>

* at the General Meeting that approves the financial statements indicated
** assessment carried out by the Board of Directors during the meeting of 3 June 2008
(1) Members of the Executive Committee
(2) Secretary to the Board of Directors - (2-bis) Director responsible for supervising the internal control system
(3) representing a “minority” (the “Together for BPM” list)
(4) representing a “minority” (the “Non-staff Members’ Committee” list)
N.B. the list representing the majority is called “Friends of BPM”
Under art. 32 of the Articles of Association, all directors have to be Members of the Bank.

As regards the executive or non-executive status of the individual directors, at the board meeting on 3 June 2008 - based on the specific characteristics of governance system and the effective activity of the Bank and the Group - the Board of Directors made the following assessments (confirming what took place in 2007):

- the role of Managing Director does not exist and none of the members of the Board has individual executive powers, except as regards the specific powers individually granted to the “executive Director responsible for supervising the internal control system” to allow him to fulfil that specific role.
- the Directors who hold office in subsidiary companies (including the Chairmen of these companies) have no “executive” or any other operational responsibility, nor they have a pre-established role in designing strategies;
- no member of the General Management of the Bank or of Group companies is a Member of the Board of Directors;
- operational responsibility for implementing strategy and board decisions is delegated to the General Manager and the management team, under the former’s command;
- within the Board of Directors (where, as mentioned previously, the role of Managing Director does not exist), the principal role of the Chairman, even without specific powers, in coordinating the Board’s activity of strategic development and in the management of the relationships with Members and the related Associations, does in fact involve an executive profile on the part of this officer, also in compliance with the principle of the Code of “substance over form”.

With particular reference to the Executive Committee, during the meeting of 3 June 2008, the Board of Directors – in confirming the investigatory, propositive and implementary nature of this Committee with respect to the Board and reiterating the fact that none of the individual members has any executive power of their own from the mere fact of belonging to the Committee – has excluded any executive profile based on art. 2 of the Code with regard to the members of the Committee.

In light of these considerations, during the meeting of 3 June 2008, the Board of Directors carried out an assessment of the executive profile of the individual Directors, at the end of which the following Directors were qualified as “Executive Directors”: Mr. Roberto Mazzotta, in his position of Chairman of the Board of Directors of the Bank, and Mr. Marcello Priori, as “Executive Director responsible for supervising the internal control system”, concluding that under the Code the other Directors have “Non-executive” status.

As regards the “independence” of Directors, this requirement is now generally dealt with in law by civil code art. 2387, and with reference to banks, by art. 26 of the Banking Act (as amended by Decree 37/04), which makes reference to the implementation instructions which are still to be issued by the Economy and Finance Ministry.

It is worth noting that, in the case of listed companies, art. 147 ter para. 4 of 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)”. From this point of view, the Board of Directors of BPM ascertained some time ago that Mr. Enrico Airaghi and Mr. Luca Caniato satisfied the requisites of this regulation governing listed issuers.

This is the background for the change in the Articles of Association decided by the General Meeting of 13 December 2008 concerning the independence requirements of Directors.

In this connection, we would point out that these amendments to the Articles of Association - made last December to implement the Instructions contained in the Provision of the Governor of the Bank of Italy of 4 March 2008 concerning the “Supervisory instructions regarding the organisation and corporate governance of banks” (as foreseen in the related “Clarification note” of 19 February 2009) - establish that “at least four members of the Board of Directors have to have the requisites of independence laid down in art. 147-ter, para. 4, decree 58/98 (and subsequent amendments)”, as a result providing for mechanisms designed to ensure the minimum number of Independent Directors foreseen in the Articles, both during the presentation of voting lists and during the term of office.

Having said this, the concept of “independence” considered in this report refers to that defined by art. 3 of the Code.

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 3 June 2008, 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" as per art. 3 of the Code based on the forms filled in and signed by the persons concerned) that:

- Mr. Roberto Mazzotta and Mr. Marcello Priori (respectively Chairman of the Board of Directors and the Director responsible for supervising the internal control system, although without executive powers) do not qualify as independent as they are considered “Executive” Directors (in the meaning of the Code) for the reasons mentioned above;
- 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);
- Mr. Marco Vitale, Mr. Enrico Coralia, Mr. Rocco Corigliano and Mr. Graziano Tarantini hold, or have held in the three previous periods, key positions (Chairman) at subsidiaries of strategic importance, given that the Board had identified such strategic importance in the case of the Group banks, SIMs (security houses) and SGRs (asset management companies) (art. 3.C.1. lett. b);
- with reference to commercial, financial and professional transactions with subsidiary banks or companies carried out even indirectly by a Director (including with companies where he holds a key position), which could jeopardise his/her independence (art. 3.C.1.c), BPM considers particularly important, among other things, lines of credit between the Group and the Director (and/or companies controlled by him/her). 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. Having said this, the result of this assessment indicates that Mr. Gianfranco Pittatore holds a key position (Chairman) in Fondazione Cassa di Risparmio di Alessandria, a strategic industrial partner of BPM and has significant financial relations in terms of lines of credit with the subsidiary Cassa di Risparmio di Alessandria (20% of which is held by the Fondazione);
- Mr. Michele Zeffireno was an employee of BPM during the three previous years (art. 3.C.1. lett. c);
- in the previous three-year period, no Director received significant supplementary remuneration in addition to the fixed emolument received as a director of BPM (art. 3.C.1. lett. d);
- Mr. Emilio Castelnuovo, Mr. Michele Motterlini and Mr. Valerio Tavormina have been Directors of BPM for over nine years in the last twelve years (art. 3.C.1. lett. e);
- 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. lett. 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. lett. g);
- Mr. Eugenio Crosta and Mr. Roberto Fusilli are close relations of employees of the BPM Group (3.C.1. lett. h);
- according to the Board of Directors, Mr. Mario Artali, Mr. Enrico Airaghi, Mr. Luca Caniato, Mr. Giuseppe Coppini, Mr. Piero Lonardi, Ms. Maria Martellini and Mr. Jean Jacques Tamburini therefore qualify as Independent Directors as per 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.

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”. Similarly, the Directors who qualified as Independent did not deem necessary to meet without the other Directors [art. 3.C.6. of the Code].

The issue of directors’ independence becomes entangled in certain cases - like with potential conflicts of interest - with the delicate matter of the relationship between bank and industry.

More specifically, art. 19 of the Banking Act (as amended by Decree 310/04 and now also by Law 262/05 and Decree 303/06 concerning the authorisation of aggregations) provides that “persons or entities operating, also through subsidiary companies, in a significant way in non-banking or non-financial sectors cannot be authorised to acquire equity investments if the interest held exceeds 15 per cent of the voting rights or when the result is in any case control of the bank”.

In practice, the Italian legislator has explicitly prevented “industrial” concerns from acquiring dominant positions in the capital
of banks. As mentioned previously, the “one-man-one-vote” system in co-operative banks - which prevents the formation of pre-established controlling majorities - is in itself a guarantee that the bank/industry separation is maintained. Failure to comply with this principle would result in the loss of that due and essential neutrality when allocating resources, with serious harm to shareholders and customers, as well as to the bank’s image and that of the entire banking industry.

Banca Popolare di Milano has always paid the utmost attention to this subject, in which it has been helped by its traditional roots in the retail and small and medium enterprise segments, which represent its most numerous class of shareholder (in this sense, over 99% of the shareholders recorded in the Register of Members is represented by households or SMEs).

As demonstrated by important transactions - particularly, the admission of CIC (Gruppo Crédit Mutuel) and Fondazione CR Alessandria as shareholders (and in the Board of Directors with a member each, which is now also a rule contained in the Articles of Association), BPM’s strategic partnerships are strictly within the banking/financial sector and are directly geared towards its local and international development. In this sense, no member of “big industry” has a significant stake in the Bank’s share capital and hence in defining its strategies, nor is any current director the representative of such concerns.

Again as regards the overall profile of the current Directors of BPM and in accordance with art. 1.3 of the Code, the Board of Directors has taken steps - using a points-based model developed by the Board of Statutory Auditors of the Bank and adopted by the Board - to define its own approach regarding the maximum number of positions as director or statutory auditor that can be considered compatible with being a Director of the Bank. Different points are necessarily allocated according to the commitment involved in each position (e.g. Chairman of the Board of Directors, Executive or Non-Executive Director), 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 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 that exceed at least two of the following three parameters have been considered “of a significant size”, using in part the criteria used in the Consob rules on the accumulation of positions held by Statutory Auditors (see art. 144-duodecies IR): i) 250 employees; ii) 50 million euro of revenues; iii) 43 million euro of total assets.
Roberto Mazzotta
- Director of Crédit Industriel et Commercial
- Director of IC Industria della Costruzione S.p.A.

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.

Marco Vitale
- Chairman of Same Deutz Fahr Italia S.p.A.
- Chairman of Vitale Novello Zane s.r.l.
- Chairman of Vitale Novello & Co. S.r.l.
- Chairman of Vincenzo Zucchi S.p.A.
- Director of Etica SGR S.p.A.
- Director C. Borgomeo & Co. s.r.l.
- Director Connect Sud s.r.l.
- Director LU-VE S.p.A.
- Director of Recordati Industria Chimica e Farmaceutica S.p.A.
- Director of Same Deutz Fahr S.p.A.
- Director of Smeg S.p.A.
- Director of Snaidero R. S.p.A.
- Director of Ermenegildo Zegna HoldItalia S.p.A.
- Director of Belfort SA Luxembourg

Enrico Airaghi
---

Luca Caniato
---

Emilio Castelnuovo
- Deputy Chairman of Banca di Legnano S.p.A. (BPM Group)

Giuseppe Coppini
- Deputy Chairman della Cassa di Risparmio di Alessandria S.p.A. (BPM Group)
- Director of Cassa di Risparmio di Asti S.p.A.

Enrico Corali
- Chairman of Banca di Legnano S.p.A. (BPM Group)
- Chairman Selma BPM Leasing S.p.A.
- Chairman of BAS – Servizi Idrici Integrati S.p.A.
- Director of Finlombarda S.p.A.

Rocco Corigliano
- Chairman of Bipiemme Vita S.p.A.

Eugenio Crosta
- Director of Banca di Legnano 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)
- Acting Auditor of AMSA S.p.A.
- Acting Auditor of AMSA DUE s.r.l.

Maria Martellini
- Deputy Chairman of Banca di Legnano S.p.A. (BPM Group)
- Director of Bipiemme Private Banking SIM S.p.A (BPM Group)
- Director of Class Editori S.p.A.
- Director of RCS Pubblicità S.p.A.
- Director of RCS Investimenti S.p.A.
- Director of RCS Periodici S.p.A.
- Chairman of the Board of Statutory Auditors of Italcementi S.p.A.

Michele Motterlini

Gianfranco Pittatore
- Director of Banca Akros S.p.A (BPM Group)
- Deputy Chairman of Ream SGR S.p.A.
- Director of Bipiemme Vita S.p.A.
- Director of Wise Venture SGR S.p.A.

Marcello Priori
- Director of Cassa di Risparmio di Alessandria S.p.A. (BPM Group)
- Chairman of the Board of Statutory Auditors of Etica SGR S.p.A.
- Chairman of the Board of Statutory Auditors of Carrefour Servizi Finanziari S.p.A.
- Acting Auditor of Fomas Finanziaria S.p.A.
- Acting Auditor of Etnastore S.p.A.
- Acting Auditor of Fertilvita s.r.l.
- Acting Auditor of Lucchini S.p.A.
- Acting Auditor of Servola S.p.A.
- Acting Auditor of Key Customers Cards & Solutions S.p.A.
- Acting Auditor of Bracco Imaging Italia s.r.l.
- Director of Monzino S.p.A.

Jean-Jacques Tamburini
- Director of Banca di Legnano S.p.A. (BPM Group)
- Membre du Directoire du Crédit Industriel et Commercial
- Président Directeur General de CIC Société Bordelaise
- Président Directeur General Cic Participations Sas
- Président Directeur General Adepi SAS
- Président Directeur General Valimar 3 SAS
- Président du Conseil de Surveillance de CIC Capital Privé
- Vice-Président du Conseil de Surveillance de CM-CIC Asset Management
- Administrateur de CIC Investissement
- Administrateur de CIC Finance
- Administrateur de l’Institut de Participation de l’Ouest (IPO)
- Administrateur de la Banque de Tunisie
- Administrateur du CIC Est
- Administrateur de la S.F.A.P.
- Administrateur de la Assurances du Credit Mutuel – IARD SA
- Membre du Comité d’Audit de la Banque Marocaine du Commerce Extérieur
b) Powers of representation

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 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”.

c) Functions and powers of the Board of Directors

Pursuant to art. 36 of the Articles of Association, “the Board of Directors 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. 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”.

In compliance with the Instructions of the Bank of Italy of 4 March 2008, 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.

This Report describes these changes, providing information on the powers given to the Board from that month onwards, and still in force, making reference to the 2007 Report on Corporate Governance for a detailed explanation of the previous situation.

Talking of which, during 2008, partly in response to the matters that emerged during the process of periodic self-assessment of its functional efficiency (under art. 1.C.1. lett. g of the Code) carried out by the Board of Directors, the Bank evaluated the need for a reinforcement of the powers that can be granted to the Executive Committee, a body that in BPM traditionally has only ever performed investigatory and/or propositive activities regarding the resolutions to be taken by the Board.

The current Articles of Association (art. 36) foresee that the power delegated to the Executive Committee can involve in particular “matters relating to personnel, organisation and the buying and selling of minor shareholdings”.

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].

With reference to the composition of the Executive Committee, art. 36 sets out that the Committee has to be made up of a Chairman, two Deputy Chairmen and other Directors, so that the total number of members of the Committee is no less than five and no more than seven.

Under the previous wording of art. 36 (where the number of members was between five and nine), given the imminence of the renewal of the corporate bodies at the General Meeting scheduled for April 2009, the Committee has continued to be made up of eight members, including the Chairman and two Deputy Chairmen and two Directors elected from the two “minority” lists.

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

The Board of Directors, when it is appointed, decides how the Executive Committee will function. In principle the Executive Committee meets once a week. The Executive Committee met 46 times during 2008. Meetings lasted around one hour and a half on average, with a participation of around 85% (the percentage attendance at Executive Committee meetings by each member is shown in the attached table 1). In 2009 up to now 13 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 if 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 3 February 2009, the Board of Directors resolved to grant the following powers to the Executive Committee, to replace the resolution taken on 22 April 2008:

**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, propositive and implementationary 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, 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, relating to the appointment, removal and granting of powers to the persons responsible for managing the various departments of the Bank, as well as any disciplinary measures that might involve dismissal.
The Executive Committee reports to each board meeting on the decisions it has taken in the exercise of its powers and asks the Board to ratify any decisions for which the Board is normally responsible, taken by the Executive Committee for reasons of urgency.

Art. 36 of the Articles of Association prescribes that “at least once every three months, committees report to the Board of Directors and the Board of Statutory Auditors on the Bank’s general performance (including its exposure to risks) and outlook, as well as on the more important transactions, by size and nature, carried out by the Bank and its subsidiaries”.

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 1 April 2008; 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.

During the course of 2008, the Board Financing Committee held 48 meetings, with a global presence of 83%. With reference to 2008, we report below (with an indication of the attendance record for each member) the name of the Directors that are members of this Committee: Roberto Mazzotta (85%), Mario Artali (94%), Marco Vitale (6%), Enrico Airaghi (94%), Emilio Castelnuovo (94%), Giuseppe Coppini (100%), Enrico Coralì (98%), Roberto Fusilli (96%), Maria Martellini (71%) and Graziano Tarantini (90%).

The Board of Directors may assign special duties to one or more of its members, specifying the characteristics of the assignment, and without prejudice to the limitations specified above. The only personal power that currently exists is that of the Chairman to make charitable donations of up to Euro 6,000 per recipient. He has to report back to the Board regarding such donations on a regular basis.

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.

To this end, the Bank’s General Meeting of December 2008 amended certain articles (44 and 45), which now 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.

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 13 January 2009 to delegate specific policy and governance powers to the General Manager, in the following terms.

**Policy and governance powers:**
- in agreement with the Chairman, he can define proposals 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, formulates the strategic plans and budget of the Company 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 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;

- he proposes to the Board of Directors, after having informed the Chairman, 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 senior managers in charge of the head office departments, as well as the overall amount and criteria for the application of the bonus system for the managers in charge of corporate functions;

- 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, he is to maintain and follow dealings with senior representatives of the Bank of Italy;

- he has to ensure implementation of Group Regulations by issuing specific instructions on how they are to be applied;

Management powers:

- he can take part in meetings of the Board of Directors and Executive Committee, and 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 can submit to the Board of Directors, assisted by the Financial Reporting Manager, 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 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 2 million;

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

Additional tasks of the General Manager

- The General Manager, helped by the Co-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 has to report to the Board of Directors quarterly on how he has exercised the powers attributed to him.
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.

In light of the above and considering the way that the Bank operates in practice, it can be said that at BPM all of the matters listed in art. 1.C.1 of the Code are under the general jurisdiction of the Board of Directors, which has exclusive decision-making power in such matters. In particular:

- 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;
- the assessment of the adequacy of the organisational/administrative/accounting structure of the Company and the Group (especially that of strategically important subsidiaries), with particular reference to the internal control system and the handling of conflicts of interest;
- 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 specific board 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;
- for 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 transactions with related parties.

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 act as Chairmen of the Board of Statutory Auditors or as Acting Auditors in the Group’s principal operating companies. 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.

d) Board meetings

According to art. 34 of the Bank’s Articles of Association, the Board of Directors normally meets once a month. In 2008 the Board of Directors held 21 meetings, lasting three and a half hours on average with a total participation of 93% (the percentage attendance of each member is shown in table no. 1). Up to now, 8 board meetings have been held in 2009 and, based on available information, another 12 meetings are foreseen during the year.

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

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 fact, as per art. 34 of the Articles of Association “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”.
During the course of 2008, 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., lett. 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 25 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 on certain areas that required improvement, especially on the question of whether it was opportune to increase the powers and responsibilities of the various board committees, including the Executive Committee. In this area, following the decision of the General Meeting on 13 December 2008 to amend the Articles of Association, the Board revised the powers of the Executive Committee (as explained above in the specific paragraph on that Committee).

### Setting up and functioning of the committees that form part of the Board of Directors (art. 5 of the Code)

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;
- Board Financing Committee;
- Internal Control Committee;
- Remuneration Committee;
- Members’ Relations Commission.

In compliance with the recommendations of the Code (art. 5.C.1) and the Provision of the Bank of Italy of 4 March 2008, at BPM all of the Committees with consultative, investigatory and propositional powers:

- these include Independent Members and are usually made up of three to five members, depending on the tasks given to them;
- these were set up by Board resolution, sometimes supplemented or amended by another resolution, which establishes their composition, mandate, powers and functioning, as well as the resources made available to each Committee;
- 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.

From the point of view of the composition of these Committee, it is worth mentioning that following the assessment of the independence requirements carried out by the Board of Directors in June 2008, Emilio Castelnuovo and Valerio Tavormina turned out to be “non-independent” (as per art 3.C.1, e, of the Code) as they had been Directors of the Bank for more than nine years out of the last twelve.

This criterion, whose formalism appears to be not entirely in line with the spirit of the Code - where substance is meant to be preferred over form - has still been applied to the letter by the Bank. It has therefore had to consider these directors as non-independent, which according to the Code has created an imbalance in the mix of independent and non-independent directors on the committees.

Moreover, considering the imminent renewal of all the corporate bodies (in April 2009) and taking account of the fact that the passing of this period of time (9 out of 12 years) does not in itself necessarily imply an effective loss of independence on the part of the director concerned, the Bank decided not to revise the committees concerned immediately, assessing that maintaining the
same directors over this short period of time would still allow the committees to achieve the standard of independence required by the Code.

In this context, we would point out that, in any case, even with this composition, all of the Committees set up according to the Code have members who are all non-executive directors with at least one independent.

Lastly, having said that BPM does not have any committees that simultaneously perform the functions of two or more committees (as per 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.

Appointment and remuneration of directors (art. 6 and 7 of the Code)

a) Appointment 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 corporate bodies, also considering the high degree of fragmentation in the case of co-operative banks.

In particular, the election of the members of the Board of Directors, who remain in office for a maximum of three years and can be re-elected, takes place with a single ballot using the list voting system.

The Articles of Association [arts. 32 and 33] and the Regulations for General 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 Meeting of 13 December 2008:

a) the Board is made up of a fixed number of Directors equal to 16, in addition of Directors foreseen in sub e);

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 (point sub 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 150 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 (including those mentioned in art. 50) are to be taken from the list that obtains a majority of the votes the other directors, excluding those appointed according to point e), are taken from the other lists that have obtained the said minimum representation quorum according to the so-called “quotient system”;

e) 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;

f) directors may not be appointed for a period of more than three financial years; their term office expires on the date of the General Meeting that approves the financial statements for their last financial year in office;
g) the first, second and third candidates on the majority list are elected Chairman and Deputy Chairmen respectively;

h) 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.

In accordance with the current version of art. 32 of the Articles of Association (already amended by the General Meeting of 21 April 2007 to comply with the recommendations of the Code regarding the minimum period of deposit and therefore already in line with what the Consob rules now say on this matter), 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.

Following the amendment of 13 December 2008, the Articles of Association now provide that each list has to contain an indication of at least two - or four if only a single list is presented - candidates that have the requisites of independence according to art. 147-ter, para. 4, CFA; otherwise it will not be admitted.

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 as per art. 147-ter, para. 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.

Pursuant to art. 22 of the current Regulations for General Meetings, “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 is noted that - like on 1 April 2003, 11 April 2005 and 19 April 2006 prior to the BPM General Meeting called to reappoint the entire Board of Directors and Board of Statutory Auditors - the Bank sends shareholders and the market a specific press release before such meetings containing details of the lists presented for each office and the complete list of the related candidates.

From this point of view, in addition to what BPM usually does in terms of publishing the lists, we now also do what Consob expressly requests (in art. 144-octies IR). The Bank will therefore make available to the general public at the head office, at Borsa Italiana and on our website, at least ten days prior to the date of the meeting called to elect the corporate bodies, the lists of the candidates, accompanied by a list of their sponsoring members, the CVs of the candidates and, for the candidates for a directorship, also by the declaration on whether they have the requisites for independence (in the two meanings of the word as per art. 147-ter, para. 4, CFA and art. 3 of the Code).

Art. 32 of the Articles of Association also envisage that “persons who are or who subsequently become directors, employees or statutory auditors of other banks or their subsidiaries cannot become directors, except in the case where the entity concerned is a centralised co-operative banking structure or a bank or company that belongs to an affiliated banking group”. This provision, which was added to BPM’s Articles of Association at its extraordinary shareholders’ meeting held on 19 December 2002 is now partly reflected in law in the form of civil code art. 2390 concerning the ban on competition which establishes, amongst others, a ban on directors from being “directors or general managers of competitor companies, unless so authorised by the General Meeting”.

Moreover, also with a view to complying with the Bank of Italy’s Provision of 4 March 2008, BPM will issue a specific board resolution to set limits on the accumulation 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.

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 freely group themselves together in lists that then compete on an equal basis and without any prior intervention by the current directors to form
b) Remuneration of Directors and Senior Management

As regards directors’ remuneration, art. 35 of the Articles of Association states that “the General Meeting decides on the fixed portion of the remuneration and the attendance fees due to members of the Board of Directors and Executive Committee. Having heard the views of the Board of Statutory Auditors, the Board of Directors decides on the remuneration due to directors holding particular office in accordance with the Bank’s Deed of Incorporation” (i.e. the Chairman, the Deputy Chairmen and the Secretary to the Board and the Director responsible for supervising the internal control system).

The same Articles of Association, in art. 47 – as amended by the General Meeting of 15 February 2007 - now foresees, among other things, that the share of profits reserved for the Board of Directors amounts to 0.25% of the gross profit (by which is meant the “profit from current operations before tax”, determined prior to the calculation of the directors’ share and of the other 5% share reserved for the Bank staff, again in accordance with art. 47 of the Articles of Association).

In addition to the above, the directors are also reimbursed for any out-of-pocket expenses and paid an attendance fee for taking part in meetings of any Board Commissions or Committees that may have been set up.

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.

As regards the remuneration of directors, bearing in mind that the current system of remuneration of the non-executive directors appears to be in line with the principles of the Code, the remuneration of the two current executive directors (i.e. the Chairman of the Board and the Director in charge of supervising internal control), even if with obvious differences according to their offices, makes reference in general to the importance of the specific role and the related responsibilities; so it is not linked to the Bank’s financial results nor to specific objectives set by the Board of Directors. This is typical of mutual banks - co-operative banks in particular - where traditionally there is no Managing Director and there is no provision for stock option plans.

As regard the remuneration of BPM’s senior management in 2008, 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.

As regards the Bank’s remuneration and incentive plans, on 7 April 2009 the Board passed a resolution (as per art. 2365 of the Civil Code) which modified subject to the authorisations required by law - the Articles of Association to implement the Bank of Italy’s Provision of 4 March 2008. This provides for approval by the Ordinary General Meeting for any remuneration policies in favour of directors or other professionals who are not full-time employees of the Bank, as well as any share-based payments.

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).

This Committee is made up of the following directors (all non-executive): Eugenio Crosta (Chairman), Luca Caniato, Emilio Castelnuovo, Roberto Fusilli and Valerio Tavormina.

As regards its functions, this committee has the following duties, based on the recommendations of the Code:

- to make proposals concerning the remuneration of directors that hold particular positions;
- to make proposals to the Board of Directors regarding the remuneration of the directors of subsidiaries, also with a view to encouraging a standard approach throughout the Group;
to monitor the application of the decisions taken by the Board of Directors on the above points;
- to evaluate periodically the criteria adopted for the remuneration of managers with strategic responsibilities in BPM and the subsidiaries;
- to make general recommendations on remuneration to the Board of Directors.

During the course of 2008, at the meeting held on 22 April, the Remuneration Committee made a proposal to the Board of Directors regarding the remuneration of directors holding particular positions (Chairman, Deputy Chairmen, Secretary and Executive 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.

Having said this, note that this Committee held 10 meetings in 2008 lasting an average of one and a half hours each and an attendance record of 98% (the participation of each member is shown in table 1). With reference to additional information required by the Code, we would point out that this Committee did not need to use external consultants.

The control system (art. 8 of the Code)

a) The internal control system – Internal audit function (internal auditing department)

The system of internal control of Banca Popolare di Milano 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 Organisation 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 institution.

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 is 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.

The system of internal control is therefore based on the assumption that:
- control is an integral part of everyday operating procedures;
- those in charge of structures and processes are identified as such and they are aware of their role within the Internal Control System;
- those in charge of structures and processes effectively monitor the underlying activities for which they are responsible;
- the system is efficient and effective.
Corporate Governance

The adequacy, efficiency and effective functioning of the Internal Control System are evaluated at least once a year by the Director in charge of supervising the internal control system and by the Internal Auditing Function, according to their respective duties.

Legislative references and international best practices help define the elements making up the Internal Control System, which have been identified as follows:
- Scope of control
- Risk evaluation
- Control activities
- Information flow and reporting
- Monitoring

The Scope of Control, defined in the general policies set by the Bank’s top management, determines and identifies the corporate culture and the level of employee awareness of the need for control; it represents the basis of all the other elements of internal control, providing the organisational assumptions of the entire Internal Control System.

The factors affecting it are:
- ethical values (based on ethical rules of reference) and staff competence,
- management philosophy and style geared to creating a control culture,
- methods of delegating responsibilities,
- definition offices and duties,
- HR organisation and motivation policy

The Risk Assessment and Control Activities are handled by the Business & Services Lines through special information flows.

Control activities are carried out at all hierarchical and functional levels of the organisational structure. All company functions and structures are required to exercise control over the processes and operations under their responsibility according to the responsibilities and duties set out in the Bank’s Functional Rules and Group Regulations.

The various elements of the Internal Control System constitute a single model, with significant links and synergies, which functions in a dynamic way, evolving along with changes in the company’s conditions and the external context of reference, in line with the strategy adopted by the Bank and with the operational activities carried out to pursue the business and control objectives.

The internal control system therefore has to be declined as part of the overall corporate structure and finds concrete and cogent implementation with the ambit of the regulatory system, its planning and construction is designed to guarantee its overall consistency and effectiveness.

The internal audit activity, which is an independent function, represented in Banca Popolare di Milano by the Internal Auditing Department, is amply explained in the company’s internal regulations which comply with the primary and secondary regulations on this subject.

The activities and duties of BPM’s Internal Auditing function are summarised below:
- it maintains functional relations with the Board of Directors, the Board of Statutory Auditors, the Executive Director in charge of supervising the internal control system, the Internal Control Committee and the Independent Auditors.
- it evaluates the effectiveness of the overall system of controls and, more in general, the adequacy of the Group’s Internal Control System. The latter identifies the set of organisational rules, procedures and structures that are designed to ensure:
  - compliance with corporate strategies,
  - protection of asset values,
  - protection against losses,
  - the reliability and integrity of all accounting and management information,
  - compliance of all transactions with the law, supervisory rules, as well as policies, plans, regulations and internal procedures;
■ 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 Board of Directors 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 reports to the function in question the need for training to ensure an adequate level of knowledge and professional skills;
■ it periodically evaluates the adequacy and effectiveness of the Compliance Function, checking with particular reference to investment services:
  • that suitable procedures are in place to ensure compliance with the provisions of the Banking Act and related implementation rules;
  • compliance with current instructions regarding the separation of administrative and accounting duties, separate custody of assets belonging to customers and the rules of conduct;
  • respect for the procedures and the internal code of conduct of corporate boards, employees and other personnel;
■ 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.

To perform its duties, the Internal Auditing Department is staffed by a sufficient number of people with the right professional experience. It is guaranteed access to all corporate activities, both at the head office and at the branches.

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.

b) The 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, BPM’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.

The purpose of the Compliance Function is to create value for the company. As stated by the Bank of Italy, it does this by reinforcing and preserving the good name of the Bank and public confidence that it operates and is managed properly. Having said this by way of introduction, the activities and duties of the Compliance Function within BPM are summarised below:
■ 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.
■ 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 execution and minimisation of the risk of non-compliance.
■ It guarantees, with the collaboration of specialist functions, 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 guarantees, to the extent of its duties and with the help of specialist functions, consulting and assistance to Relevant Persons involved in investment services for the purposes of complying with the MiFID Directive.
- It also monitors the overall situation of complaints received by the Bank regarding securities intermediation (investment services, related services and investment activities) 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. In particular, with the help of the relevant functions, it guarantees that the register is kept up to date, noting the types of investment services, related services or investment activities involved and the situations in which a conflict of interest has arisen or could arise with the risk of causing damage to one or more customers.
- 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, making use of the audit checks performed by other corporate functions, based on suitable internal service agreements.
- It provides assistance to the other corporate bodies or functions that form part of the corporate control system (for example, the person in charge of processing personal data and the person in charge of making accounting entries).
- It takes part in the Supervisory Committee set up in accordance with Decree 231/2001.
- It 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.
- It cooperates with the Risk Management Department to define the measurement methods for non-compliance risk.
- 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.
- 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 reports to the function in question the need for training to ensure an adequate level of knowledge and professional skills.

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.

c) The 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, liquidity risk and in the development of methodological controls 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 department.
d) The Internal Control Committee

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. After the amendments made by the General Meeting on 13 December 2008, it is now envisaged in the Articles of Association as well.

The Committee currently in office was appointed by the Board of Directors on 15 May 2006 and consists of the following non-executive directors:

- Mr. Enrico Airaghi (Chairman), who coordinates and plans the activities of the Committee and organises proceedings during committee meetings;
- Eugenio Crosta;
- Piero Lonardi;
- Valerio Tavormina;
- Michele Zafferino.

The members of the Committee remain in office until their term of office as a director expires; the present composition ensures adequate experience in accounting and financial matters, as ascertained by the Board of Directors at the time of their appointment.

The Committee is governed by the regulations approved by the Board of Directors.

Normally the Committee meets at least once a month, and in any case, in time to decide on the matters on which it has to report to the Board of Directors.

The following have a permanent invitation to attend meetings of the Committee: the Executive Director in charge of supervising the internal control system, the General Manager, the Head of the Internal Auditing Department (head of controls), the Compliance Officer and the Chairman of the Board of Statutory Auditors (or another Auditor designated by him).

In addition, and if necessary, the Committee uses any other information channel that can help it perform its duties.

The Chairman of the Committee has a permanent invitation to attend meetings of the Supervisory Committee as per Decree 231/01.

The Committee has propositive, consultative and investigatory functions with regard to the internal control system and risk management and its activity is based on principles of autonomy and independence.

In particular, the Committee performs the following tasks:

- 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;
- to examine the work plan prepared by the Heads of Internal Control and the periodic reports prepared by them;
- to evaluate, together with the Financial Reporting Manager and the Independent Auditors, the correct use of the accounting policies and their consistency in preparing the consolidated financial statements;
- to express, on the request of the Executive Director in charge of supervising the internal control system, opinions on specific aspects concerning identification of the principal risks and on the design, development and management of the internal control system;
- to evaluate the work plans prepared by the Independent Auditors and the results expressed in their reports and management letters;
- to check the effectiveness of the audit process;
- to assess any observations made in the reports submitted by the Internal Auditing Department and the Compliance Function of the Parent Bank and of Group companies;
- to report to the Board of Directors at least every six months - at the time of approving the annual financial statements and half-year report - on the work performed and the adequacy of the Group’s internal control system;
- to carry out any other tasks assigned to it by the Board of Directors;
- to assist the Board of Directors in defining the methods of approving and carrying out related-party transactions, as well as those in which there is presumed to be, directly or indirectly, a conflict of interest.
During the course of 2008 the Committee held 13 meetings. The meetings were duly minuted in a specific minute book kept by the Chairman at the Bank’s head office and made available to the Board of Directors.

The meetings lasted an average of 3 hours with 92% attendance on the part of the members of the Committee (the attendance record of each member is shown in table 1).

The attendance record of the Executive Director in charge of supervising the internal control system was 100% and that of the Chairman of the Board of Statutory Auditors (or another Auditor designated by him) was 85%.

Moreover, the Chairman of the Committee, together with the Executive Director in charge of supervising the internal control system, had various meetings with the divisional heads and top management of the Bank and the Group, which on average lasted 3 hours.

During the course of 2008 the activity of the Committee was regular during the year, carrying out the tasks assigned to it.

Its main activities included:
- dealing with the results of scheduled and unscheduled audit visits by the Internal Auditing Department, as well as the outcome of monitoring the state of implementation of corrective actions planned by the operating lines to resolve the situations commented on during the audits;
- the results of checks carried out by the Internal Auditing and Compliance Functions;
- the periodic report on the comments received;
- various meetings with the Financial Reporting Manager and the Independent Auditors concerning the separate and consolidated financial statements;
- following the stage of completion of work on the more important planning activities with a particular focus on the related projects.
  * implementation of the new European directive on financial markets (MiFID) and the adoption of policies for the classification of customers, profiling and controls, service model, best execution, and conflict of interest;
  * adoption of the “Guidelines on controlling market abuse” and operating procedures;
  * adoption of the guidelines for monitoring liquidity risk;
  * model of risk management at branch level;
  * protection of IT assets;
  * containment of risk in the credit card segment.

The Board of Directors has been informed from time to time on the specific activities performed.

e) The Executive Director in charge of supervising the internal control system
During the meeting of 6 February 2007, the Board of Directors appointed Marcello Priori as the Executive Director in charge of supervising the internal control system (hereafter “Executive Director”) - with the duties and functions indicated in the Code - who will remain in office until the end of his term of office as a member of the Board of Directors.

According to point 8.P.2. of the Code of Conduct, the approach taken by the Executive Director, agreed with the Chairman of the Internal Control Committee, the Financial Reporting Manager and the Board of Statutory Auditors according to their specific spheres of competence and with a view to active collaboration, had the dual purpose of verifying the validity of the internal control system to safeguard the Bank’s assets, as well as the efficiency and effectiveness of the organisation in breaking down its strategic objectives into specific objectives for individual processes, considering the means and the buffers prepared to achieve them, based on the policies of risk acceptance and compliance with all laws and regulations.

The areas of research were those relating to credit management, an analysis of IT risk and vulnerability, market abuse, monitoring liquidity and financial risk, and the management of agency risk.

In carrying out his duties, the Executive Director held meetings with managers of the Bank and the Group and reported to the Board of Directors any critical areas identified and the initiatives undertaken.
f) The Supervisory Committee (as per Decree Law 231/01)

The Supervisory Committee - set up by board resolution on 13 January 2004 pursuant to Decree 231/01 - during the course of 2008 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). This it did 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 Supervisory Committee – to which a specific expense budget of Euro 50,000 was granted for 2008 - is made up of Mr. Alberto Banfi (Chairman), Mr. Gino Camillo Puliti, Mr. Alessandro De Nicola and Mr. Carlo Cesare Farma (Internal Auditing Manager).

The members of the Board of Statutory Auditors, the members of the Internal Control Committee and the Compliance Officer of the Bank have a permanent invitation to the meetings of this body.

During the course of 2008, 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 in light of the new rules on anti-money laundering and the financing of terrorism, safety and health in the workplace and computer crime;
- to promote (and then check that it was effectively carried out) a further session of 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 define and request the company functions involved for information flows that facilitate its duties;
- to review reports from the Internal Auditing Department and the HR Department on illicit behaviour on the part of employees;
- to organise meetings with representatives of the Supervisory Committees of all BPM Group companies to discuss matters of reciprocal interest.

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. This section explains, amongst other things, the Committee’s composition, its rules and main functions, as well as the Code of Ethics and associated legal framework.

During the course of 2008 this Committee met 11 times with an attendance record of 97%.

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 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.
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 is currently the Manager in charge of the Administration, Planning and Control Department. 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 2008 of Euro 50,000 - to carry out his legal duties within the Group.

As part of the control procedures applied, the Manager, with the assistance of PriceWaterhouseCoopers, a consultancy, developed and applied the “model of control for the verification of the adequacy and effective application of the internal controls” relating to the accounting and financial information of the BPM Group; this model is based on the “CoSo Framework” (Internal Control Integrated Framework), which is the standard of reference for the implementation and evaluation of internal control systems.

The operating model used to support the work of the Financial Reporting Manager in accordance with the BPM Group’s governance model and the logical reference system adopted, is made up of the following stages:

- definition of the scope of applicability of the “scoping” model, based on quantitative and qualitative criteria;
- overall summary analysis at Company and Group level of the control system, known as “Company Level Controls (CLC”, designed to check the existence of a corporate context which is generally suitable to reduce the risk of errors and incorrect behaviour in the preparation of accounting and financial information;
- formalisation of the processes and analysis of the control points at individual company level, aimed particularly at identifying “key controls” (“Risk and Control Analysis”);
- assessment of the effective application of key controls “testing”;
- final assessment of the adequacy and effective application of the administrative and accounting procedures of the BPM Group, designed to ensure the correct formation of the separate financial statements of BPM and the consolidated financial statements of the Group;
- implementation of the “remediation plan”, to resolve anomalies that emerged during the analysis and identification of key controls.

This operational model is kept constantly up-to-date to take account of all organisational, procedural and accounting changes made by the Group, as well as any changes that have taken place in the scope of consolidation.

With regard to this last point, during the first half of 2008, following the complete integration of Cassa di Risparmio di Alessandria with the BPM Group from an organisational and IT point of view, the necessary checks were made on its administrative and accounting procedures.

“Significant” transactions and related-party transactions – Directors’ interests (Art. 9 of the Code)

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 as per art. 36 of the Articles of Association, granting loans in excess of 15% of the Bank’s capital as per 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.f) and 9 of the Code, include transactions with related parties 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 transactions with related parties. 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 transactions with related parties”. 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.

Subsequently, on 13 March 2007 the Board of Directors - having acquired the favourable opinion of the Internal Control Committee – approved the update of the said “Guidelines” to take account of the new legislative and regulatory framework (the latest change being with reference to significant transactions pursuant to art. 136 of the Banking Act, as amended by Decree 303 of 29 December 2006), inserting other specific provisions regarding the situations governed by art. 2391 of the Italian Civil Code (i.e. those in which a director has an interest on his own account or for third parties), designed to point out the legislative context of the conduct obligations officers at board meetings in situations of potential conflict of interest, with particular reference to those regarding solely the office held in the Group.

The Bank then drew up suitable “implementation instructions” to accompany these “Guidelines”. These are designed to optimise the monitoring and management of the positions of related-party transactions by operators, as well as the relevant powers of authorisation. From this point of view, the Bank has therefore implemented IT solutions that, once the processes and the sensitive 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 of 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.

With reference to these transactions, the guidelines require “the Board of Directors to examine and approve the above-mentioned transactions, supported by adequate information on the Bank’s interest in completing the transaction, its economic feasibility, its consistency with the BPM Group’s strategies and the returns that it is expected to generate”.

32
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 Banking Act (“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 Banking Act (as amended by Decree 262/05 and now also by Law 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 transactions with related parties 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 transactions with related parties, in particular those subject to disclosure obligations as per 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 transactions with related parties (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 transactions with related parties - 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, we would point out that the question of related-party transactions will be the subject of a new legislative framework as a result of the regulatory instructions being issued by the Supervisory Authority.

In particular, in April 2008 Consob issued a consultation document on the “Rules governing the implementation of art. 2391-bis of the Civil Code on related-party transactions” which to date is still not definitive. With these rules, which will integrate and modify the Issuers’ Regulations, Consob will dictate rules concerning the competence, motivations and disclosure requirements for related-party transactions, after defining the general principles of transparency and the substantial and procedural fairness of related-party transactions.

Confidential information and the Code of Conduct on Internal Dealing (art. 4 of the Code)

a) Confidential information

In accordance with art. 114 of CFA and based on the guidelines and principles contained in the Code and the “Guide to market disclosures”, 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 relevance as per art. 114 of CFA the nature of privileged information of an information, and 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 “Parent Bank Corporate Affairs” (now General Affairs) functions, in connection with the other competent internal functions. In the event of press releases by subsidiary companies, they have to transmit the text of the press release to the “Parent Bank Corporate Affairs” (now “General Affairs”) function, which, after verifying its adequacy and type, transmits it to the “External Relations” function which handles its distribution.

With a view to summarising the overall picture of the internal regulations regarding information flows between corporate bodies and 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 also to these areas. This also in light of the Bank of Italy’s Provision of 4 March 2008 and the observations on this subject by the Bank’s control bodies.

In compliance with the provisions contained in article 115-bis of CFA (and related Consob rules), the Bank has created a Register of persons with access to privileged information relating to BPM and any third-party issuers by virtue of their employment or profession or the job carried out; at the same time, the Bank has adopted a “Regulation of the Banca Popolare di Milano Group concerning the insider register as per 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.
b) 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 new rules on market abuse - and specifically new art. 114.7 of the Banking Act (as amended by Law 62/05) and, since 1 April 2006, articles 152 sexies /152 opties of the Issuers’ Regulations (as amended by CONSOB in Resolution 15232 of 29 November 2005) – 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).

In 2008, 34 transactions were communicated to the market and to Consob (and disclosed on the website).
Relations with Shareholders and Members – Regulations for General Meetings (art. 11 of the Code)

a) Relations with the 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 and subsequently structured in an appropriate Sector. 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 resolution of 1 April 2003).

In detail, this resolution (the text of which is available on the Bank’s website, in the section “Shareholders and Members”):

- confirms the setting up of a “Members’ Relations Commission” made up of a maximum of five members of the Board of Directors, all without executive powers, including at least one independent 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. At 31 December 2008, the Commission, whose composition is still governed (up to the renewal of the corporate bodies in April 2009) by the preceding Framework Resolution and therefore the version of the text approved on 1 April 2003, consists of six Directors (including a majority of non-members of the Executive Committee and two representing “minorities” at General Meetings);

- 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, establishing methods and documentation necessary for admission of the Italian and foreign legal persons, in addition to the minimum number of shares owned (one hundred) and a declaration of commitment to keep them;

- no longer mentions among the situations that do not permit admission to Membership of the rigid criterion that referred simply to residence in a tax haven or in a country on the “black list” (as prescribed in the previous text of the Framework Resolution), instead establishes as situations that do not permit admission to Membership, in particular, in addition to conditions similar to those indicated in the Articles of Association for the declaration of exclusion, the applicant’s ascertainment status as a “nominee” if this does not permit an assessment of the requisites for membership and the absence of other circumstances preventing admission also with respect to the principal (i.e. the real owner of the shares). In addition, the attachments and the declarations needed for the Members’ Commissions and the Board of Directors have been redefined 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;

- defines the procedures for granting any special treatment or benefits to members.
In 2008, the Members’ Relations Commission held 14 meetings (lasting an average of 40 minutes each and an attendance record of 96%).

At present the Commission is made up of the following Directors (with an indication of each one’s attendance record): Valerio Tavormina (Chairman, 93%), Enrico Airaghi (100%), Giuseppe Coppini (100%), Roberto Fusilli (100%), Marcello Priori (86%) and Michele Zefferino (100%).

In 2008, the Commission carried out an investigatory activity regarding applications for admission for a total of 1,092 (of which 1,091 accepted and 1 rejected because the prospective member carried out acts that are damaging or in contrast with the interests of the Bank.

In keeping with other co-operative banks, in January 2009, and based on the efforts of the Commission, the Board of Directors passed a resolution to cancel 1,631 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 2008, deposited with other banks or intermediaries or still held in the form of a paper certificate.

At 31 December 2008, there are 48,219 Members; in addition there are 44,602 Shareholders not recorded in the Members’ Register, for a total of 92,821 names.

In order to widen the shareholder base, especially the traditional cooperative Members (retail households and SMEs) and offer Members services that as much as possible match their particular status within the Cooperative, also raising their loyalty as customers of the Bank, a wide-ranging project was initiated to implement more services for Members. In addition to a redesign of the banking, financial and insurance products and services, this project also envisages a loyalty plan that will enable Member customers to obtain further benefits by using their own Bank. The new project will be proposed to the public during the first half of 2009.

However, it is worth pointing out at this stage that compared with a downward trend over the last decade, the fact that the Bank is paying more attention to raising the loyalty of existing Members and to acquiring new ones has been achieving significant results in recent months, with more than 2,500 applications for Membership during the period December 2008-February 2009.

b) Regulations for General Meetings
The need to adopt a set of regulations arises from the central role played by the shareholders’ meeting for listed companies, as a key part of the relationship between shareholders and the Board of Directors. The very structure of BPM, as a co-operative bank, where the shareholders’ individuality and their relationship with the company are of key importance, also explain the requirement for such a set of rules.

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 shareholders 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”.

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, as per art. 41 of the Articles of Association the election of two Acting Auditors and two Alternate Auditors is reserved for minority interests.

The general meeting of 6 May 2006 appointed Antonio Ortolani as Chairman of the Board of Statutory Auditors, Marco Baccani, Enrico Castoldi, Emilio Cherubini and Paolo Troiano as Acting Auditors, and Salvatore Rino Messina, Enrico Radice, Giuseppe Zanzottera and Giorgio Zoia as Alternate Auditors.

The names of the members of BPM’s Board of Statutory Auditors are shown below, together with details of other appointments held in other listed companies.

<table>
<thead>
<tr>
<th>Office held</th>
<th>Members</th>
<th>Other appointments held in listed companies in Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Antonio Ortolani</td>
<td>Chairman of the Board of Statutory Auditors of D.C.M. S.p.A.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Acting Auditor of CAMFIN S.p.A.</td>
</tr>
<tr>
<td>Acting Auditor (up to 30.09.2008)</td>
<td>Marco Baccani (1)</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Enrico Castoldi</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Emilio Cherubini(***)</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Paolo Troiano(*)</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor (from 1.10.2008)</td>
<td>Enrico Radice (2)</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Salvatore Rino Messina(**)</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Giuseppe Zanzottera</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Giorgio Zoia(*)</td>
<td></td>
</tr>
</tbody>
</table>

* elected on the “Insieme per la BPM” minority list
** elected on the “Non-staff Members Committee” minority list
(1) resigned office on 30 September 2008
(2) appointed Acting Auditor from 1 October 2008

The term of office of three years of the entire Board of Statutory Auditors – appointed by the General Meeting of 6 May 2006 – ends at the General Meeting that approves the financial statements at 31 December 2008.

Having pointed out that Law 262/05 and, lastly, Decree 303/06 (and the related Consob implementation rules) have significantly changed the methods of appointing the corporate bodies and that BPM made the necessary amendments to its Articles of Association at the General Meeting held on 20-21 April 2007 and subsequently with board resolutions as per art. 2365 of the Civil Code of 26 June and 23 October 2007, the following is a brief description of the rules currently in force at BPM for the election of the Board of Statutory Auditors, also taking into account the latest modifications approved by the General Meeting in December 2008.

As per art. 41 of the Articles of Association, the Board of Statutory Auditors is appointed on the basis of lists presented by at least three hundred Shareholders or Shareholders 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.

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 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 shareholders’ meeting before the polling stations are opened”. On this subject, it is confirmed that, before shareholders’ 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 shareholders’ 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). BPM will therefore take steps at least ten days prior to the date of the General Meeting called to approve the appointment of the corporate bodies, to make available to the general public the lists of candidates, together with, among other things, the list of sponsoring members and the candidates’ CVs, at the head office, Borsa Italiana and on its own website.

Art. 41 of the Articles of Association foresees that those who do not meet the requirements or who are members of the boards of directors or statutory auditors of other banks, unless they are affiliates or centralised structures for the cooperative banking movement, cannot be elected as Statutory Auditors, and if they have been elected, they immediately fall from office. The same limits to the accumulation of directorships and auditorships laid down in art. 148-bis of the CFA (including subsequent amendments) and related implementation regulations are to be applied.

In compliance with art. 10.C.2. of the Code, in 2008 the Board of Statutory Auditors verified the existence of the requisites of independence of their members prescribed by art. 3 of the same Code. As a result of this review Marco Baccani turned out to be “non-independent” as he has been an Auditor of the Bank for over nine of the last twelve years.

In referring to the considerations made above about the rigidity and formalism of this rule on “non-independence” in the section of this report that talked about the Committees, we would point out that this situation on not total compliance on the part of the Board of Statutory Auditors was resolved by the resignation of Mr. Baccani as Acting Auditor from 30 September 2008.

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.

As regard the method of appointing Members of the Board of Statutory Auditors, this is summarised as follows.

Three acting auditors and two alternate auditors are elected, in the order in which they are listed, from the list that won the highest number of votes at the General Meeting. An acting auditor and an alternate auditor are elected from the list that obtained the second highest number of votes, always 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 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. 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.

To ensure adequate representation on the corporate bodies of the various components of the shareholder base, for example qualified investors (as expressly mentioned in the Bank of Italy’s Provision of 4 March 2008) and in consideration of the high presence of institutional investors in the shareholder structure, which are often bearers of significant holdings, BPM, with the intention of enhancing this qualified presence, in December 2008 took steps to amend its Articles of Association (art. 41), envisaging the possibility of appointing an acting member and an alternate member of the Board of Statutory Auditors, taken from lists presented by members that fall into the category of “undertakings for the collective investment of transferable securities” (UCITS).

Without affecting full compliance with the rules on guarantees for minority shareholders (who appoint the Chairman of the Board of Statutory Auditors), the only condition required of the list of members representing institutional investors for the appointment of their candidate as an acting member of the Board of Statutory Auditors (a control function that the Bank considers particularly adapt to the nature and professionalism typical of this category of shareholders) is to reach a quorum of representativity of at least 5% of the overall votes cast at the General Meeting.
During the course of 2008, the Board of Statutory Auditors held 83 meetings (of which 72 at Company’s Head Office), which lasted an average of one and three-quarters hour with 82% overall participation (the attendance record of each Auditor at meetings is shown in Table 2).

In addition, the Board took part in all of the meetings of the Board of Directors, all of the meetings of the Executive Committee, and in the person of the Chairman (or of an Acting Auditor delegated by him) in all of the meetings of the Internal Control Committee and Remuneration Committee. 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).

With reference to the powers granted to the Board of Statutory Auditors, the Board of Directors of the Bank, during the meeting of 7 April 2009, changed the Articles of Association - under art. 2365. 2 of the Italian Civil Code. and 36. 1, of the Articles of Association, subject to the authorisation permitted by the law – explaining in the text, as required by the Provision of the Bank of Italy of 4 March 2008, the powers and duties of the Board of Statutory Auditors.

The 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 shareholders’ 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 6 May 2006, appointed for the three years from 2006 to 2008, Alfiero Fontana (who then became Chairman of the Arbitration Committee), Italo Ciancia and Sergio Serafini as acting arbitrators, Gianfranco Carugati (who died on 4 May 2008) and Dario Mezgec as alternate arbitrators.

The General Meeting called for 24 and 25 April 2009, at first and second calling respectively, will be invited to appoint the Arbitration Committee for the three years from 2009 to 2011.

* * *

Milan, 7 April 2009

The Board of Directors
Table 1: Board of Directors, Executive Committee and Committees foreseen by the Code

<table>
<thead>
<tr>
<th>Office held</th>
<th>Members</th>
<th>Executive</th>
<th>Non-executive</th>
<th>Independent</th>
<th>****</th>
<th>No. of other offices held**</th>
<th>***</th>
<th>****</th>
<th>***</th>
<th>****</th>
<th>***</th>
<th>****</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Roberto Mazzotta</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td>2</td>
<td>X</td>
<td></td>
<td>93</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Mario Artali</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>3</td>
<td>X</td>
<td></td>
<td>96</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Marco Vitale</td>
<td>X</td>
<td>no</td>
<td>52</td>
<td>14</td>
<td>X</td>
<td></td>
<td>41</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Enrico Airaghi *</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td></td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Luca Caniato *</td>
<td>X</td>
<td>yes</td>
<td>95</td>
<td></td>
<td>X</td>
<td></td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Emilio Castelnuovo</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td>1</td>
<td>X</td>
<td>90</td>
<td>96</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Giuseppe Coppini</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>2</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Enrico Corali</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td>4</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Rocco Corigliano</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Eugenio Crosta</td>
<td>X</td>
<td>no</td>
<td>95</td>
<td>1</td>
<td>X</td>
<td>92</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Roberto Fusilli *</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td>1</td>
<td>X</td>
<td></td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Piero Lonardi *</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>3</td>
<td>X</td>
<td>85</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Maria Martellini</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>7</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Michele Motterlini</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td></td>
<td>X</td>
<td></td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Gianfranco Pittatore</td>
<td>X</td>
<td>no</td>
<td>76</td>
<td>4</td>
<td>X</td>
<td></td>
<td>57</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Marcello Priori</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td>11</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Jean-Jacques Tamburini</td>
<td>X</td>
<td>yes</td>
<td>52</td>
<td>16</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Graziano Tarantini</td>
<td>X</td>
<td>no</td>
<td>95</td>
<td>2</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Valerio Tavormina</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td>2</td>
<td>X</td>
<td>85</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Michele Zeffirino</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td>2</td>
<td>X</td>
<td></td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of meetings held during the year

<table>
<thead>
<tr>
<th>Board of Directors: 21</th>
<th>Internal Control Committee: 13</th>
<th>Remuneration Committee: 10</th>
<th>Executive Committee: 46</th>
</tr>
</thead>
</table>

NOTES:

* Indicates whether the director was nominated on lists presented by a minority.

** This column indicates the number of other positions as a director or statutory auditor held by this person in other listed companies, in Italy or abroad, and in financial, banking, insurance or other large companies. These positions are spelled out in the Report on Corporate Governance.

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

**** This column shows the directors’ attendance record at meetings of the Board of Directors and Committees.

Meetings held during the whole of 2008 and directors’ attendance record:

Board of Directors: 21 meetings, with 93% attendance
Executive Committee: 46 meetings, with 85% attendance
Financing Committee: 48 meetings, with 83% attendance
Internal Control Committee: 13 meetings, with 92% attendance
Members’ Relations Commission: 14 meetings, with 96% attendance
Remuneration Committee: 10 meetings, with 98% attendance
Supervisory Committee - Decree 231/01: 10 meetings, with 93% attendance
Table 2: Board of Statutory Auditors

<table>
<thead>
<tr>
<th>Office held</th>
<th>Members</th>
<th>Attendance record at board meetings (%)</th>
<th>No. offices in other listed companies **</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Antonio Ortolani</td>
<td>89</td>
<td>2</td>
</tr>
<tr>
<td>Acting Auditor (up to 30.09.2008) (1)</td>
<td>Marco Baccani</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor</td>
<td>Enrico Castoldi</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor*</td>
<td>Emilio Cherubini</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor*</td>
<td>Paolo Troiano</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>Acting Auditor (from 1.10.2008) (2)</td>
<td>Enrico Radice</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor*</td>
<td>Salvatore Rino Messina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor</td>
<td>Giuseppe Zanzottera</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor*</td>
<td>Giorgio Zoia</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of meetings held in 2008: 83 (of which 72 at Company’s Head Office)

Methods for the presentation of lists: Each list has to be presented by at least three hundred Members or otherwise by Members representing in total at least 0.5% of the share capital, who have been included in the Members’ Register for at least ninety days (as per art. 41.3 of the Articles of Association).

NOTES:

* Indicates whether the statutory auditor was nominated on lists presented by a minority.
** This column indicates the number of other positions as a director or statutory auditor held by this person in other listed companies in organised markets. These positions are spelled out in the Report on Corporate Governance.

(1) Mr. Marco Baccani resigned on 30 September 2008 (so his 74% attendance record at board meetings relates to the period 1.01.2008 to 30.09.2008)

(2) Mr. Enrico Radice took over as acting auditor on 1.10.2008 (so his 71% attendance record at board meetings relates to the period 1/10/2008 to 31/12/2008).
Table 3: Other Code of Conduct requirements

<table>
<thead>
<tr>
<th>System of granting powers and monitoring related-party transactions</th>
<th>YES</th>
<th>NO</th>
<th>Summary of reasons for any discrepancy with the Code’s recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the Board of Directors granted powers, establishing their:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) limits</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>b) manner of exercise</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>c) and frequency of reporting?</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Has the Board of Directors reserved for itself the examination and approval of transactions with a significant impact on the company’s income statement, balance sheet and financial situation (including related-party transactions)?</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Has the Board of Directors established guidelines and principles for identifying “significant” transactions?</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Are the guidelines and principles referred to above described in the report?</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Has the Board of Directors defined specific procedures for examining and approving related-party transactions?</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Are the procedures for approving related-party transactions described in the report?</td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Procedures for the most recent appointment of directors and statutory auditors (6 May 2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Were the names of candidates for the office of director filed at least ten days in advance [art. 7.1. of the 2002 Code]?</td>
</tr>
<tr>
<td>Were the nominations for the office of director accompanied by full and sufficient information?</td>
</tr>
<tr>
<td>Were the names of candidates for the office of statutory auditor filed at least ten days in advance [art. 7.1. of the 2002 Code]?</td>
</tr>
<tr>
<td>Were the nominations for the office of statutory auditor accompanied by full and sufficient information?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Members’ Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the company approved a set of Regulations for Members’ Meetings?</td>
</tr>
<tr>
<td>Are the Regulations annexed to the report (or is it stated where they may be obtained/downloaded)?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Internal Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the company appointed the persons responsible for internal control?</td>
</tr>
<tr>
<td>Are the persons appointed hierarchically not responsible to persons in charge of operational areas of the business?</td>
</tr>
</tbody>
</table>

| Organisational unit in charge of internal control (pursuant to art.9.3 of the Code), now arts B.C.1. and B.C.6) | Internal Auditing Department |

<table>
<thead>
<tr>
<th>Investor relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the company appointed someone to be responsible for investor relations?</td>
</tr>
</tbody>
</table>

| Organisational unit and references of person responsible for investor relations (address/tel/fax/e-mail) | Investor Relations Office – P.zza Meda 4 – 20121 Milan; Fax: 02/77002950 Tel. 02/77002574; 02/77002211; 02/77002008 |
Considerations of the Board of Statutory Auditors of Banca Popolare di Milano S.c. a r.l.
This report, which was approved by the Board of Directors on 7/4/2009, explains the rules of Corporate Governance that have been adopted by the Company and the changes made during the course of 2008, as per arts 124 ter CFA and 89-bis of Consob’s Issuers’ Regulations.

By resolution of the Board of Directors on 19/12/2006 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.

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 2008 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;
  □ in June 2008 the Board carried out a self-assessment of the characteristics of the individual Directors, including their independence; this showed that two Directors who were previously independent have now held office for nine out of the last twelve years, which the Code considers the limit for independence, with the result that they automatically lose their status as independent directors. Formally, this has led to a situation of non-compliance with the minimum number of independent directors required to be present at board meetings (Principle 3 of the Code);
  □ 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, Principle 8 of the Code, Law 262/2007);

- 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);

- 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;

- 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).

Milan, 7 April 2009

The Board of Statutory Auditors

Antonio Ortolani
Enrico Castoldi
Emilio Cherubini
Enrico Radice
Paolo Troiano