Report on the Corporate Governance of the Bank and its alignment with the Listed Companies Self-Regulation Code

(as required by Articles 124-bis of the Italian Finance Law or TUF and 89-bis RE, and Section IA.2.6 of the Instructions for the Regulation of Markets Organised and Managed by Borsa Italiana SpA)

2007
Report on the Corporate Governance of the Bank and its alignment with the Listed Companies Self-Regulation Code

(pursuant to Articles 124-bis of the Finance Law (“TUF”) and 89-bis RE, and Section IA.2.6 of the Instructions for the Regulation of markets organised and managed by Borsa Italiana S.p.A.)

For the purposes of annual corporate reporting, on acceptance of the recommendations contained in the Listed Companies Self-Regulation Code (hereinafter also referred to as the “Code”, in the March 2006 version), the “Report on the Corporate Governance of BPM”, drawn up pursuant to Section IA.2.6 of the Instructions for the Regulation of Markets Organised and Managed by Borsa Italiana SpA. and Articles 124-bis of the Finance Law and 89-bis of CONSOB Regulation 11971/1999 (and subsequent amendments, hereinafter referred to briefly as “RE”), is set out below (and made available to the public, in Italian and subsequently in English, at the registered office of Borsa Italiana and on the company website www.bpm.it - “Corporate governance” section).

In preparing the document, the “Guidelines” laid down by Borsa Italiana SpA on 12 February 2003, the “Guide on compiling the Corporate Governance Report” prepared by Assonime and by Emittenti Titoli SpA in February 2004, and the recent indications deduced from the “Trial format of the corporate governance report” prepared by Borsa Italiana SpA in February 2008, considered by the Bank to be a useful means of checking the completeness of the content and, where available, for the possible inclusion in the Report of further information useful to Members and to the market, have also been taken into account.

A table has also been inserted as an Appendix, summarising the procedure by which BPM should adopt the main recommendations of the Code.

* * *

Investors will be aware that 2007 has once more witnessed significant changes in Italian company law, for the most part connected with the coming into force of the so-called “Investor Protection Act” (Law no. 262 of 28 December 2005, “Provisions for the protection of investment and the governance of financial markets”). and the related Legislative Decree no. 303 of 29 December 2006 on the “Coordination with Law no. 262 of 28 December 2005, the Consolidated Banking and Credit Law (T.U.B.) and the Consolidated Financial Intermediaries Law (T.U.F.)” (“Corrective Decree”).

Within that framework, CONSOB, implementing the aforesaid Laws, amended and supplemented the Issuers' Regulations with Decisions nos. 15915 of 3 May 2007 and 15960 of 30 May 2007. In particular, these decisions concerned significant corporate matters, such as the appointment of members of the governing and supervisory bodies, (particularly with the inclusion of provisions for the protection of minorities and to guarantee the presence of independent members), restrictions on multiple memberships of Boards of Statutory Auditors, arrangements for the auditing of the accounts, the position of “the Director responsible for drawing up the company’s accounts” and the arrangements for reporting on the adoption of and compliance with codes of conduct (such as the one adopted by Borsa Italiana which forms the basis for the present Report).


The order issued by the Bank of Italy on 4 March last is therefore of considerable importance to the governance of banks. It contains “Provisions on the supervision of the organisation and corporate governance of banks”, in relation to which the Governor of the Bank of Italy, Professor Mario Draghi, significantly observed, in particular, that “the development of supervision enhances the managerial independence and responsibility of intermediaries and increases the importance of corporate governance which rightly combines productivity objectives and sound and prudent management”.

Governance
The new supervisory provisions are heading in this direction. In regulating the role and functioning of the governing and supervisory bodies and their relations with the company structure, among other things, their general objectives are to clearly distinguish the functions and balancing of powers, the balanced composition of the company bodies, an integrated and effective control system, remuneration mechanisms in keeping with the risk management polices and long-term strategies, and suitable information flows to allow informed managerial choices. Since the deadline for checking compliance (and possible adaptation) of the governance of banks to the new provisions has been fixed at 30 June 2009, BPM has already commenced activities within the Board of Directors for analysing the new regulations and checking the suitability of the current governance system in relation to the individual provisions contained therein, in order to plan the measures required regarding the Articles of Association and internal regulations.

Given this regulatory framework, the Bank continued in 2007 to review its existing system of corporate governance, being well aware of its important function in preserving sound and prudent corporate management. In this sense, we share the approach adopted by the Bank of Italy in the aforesaid decree, which, among other things, affirms that “effective organisation and corporate governance constitute an essential condition for all companies to pursue their corporate objects”.

To establish this self-assessment process for its governance, BPM accordingly proceeded to analyse and compare its existing model of organisation with that required by the Listed Companies Self-Regulation Code, which the Bank had adopted in full on a voluntary basis as early as 2001 (including its later amended version of July 2002 and now in March 2006).

When the self-assessment process had been completed it was clear not only that BPM, by its very nature as a bank (subject, therefore, to the supervision of the Bank of Italy) has always monitored its organisational and control model and adjusted it as required, but also that its current system of corporate governance remains in line with the principles contained in the Code, with the recommendations formulated by CONSOB on the matter, and also with national and international best practice.

From that profile, in accordance with the growing expectations of transparency required by the markets and the Members’ participation in the company activities and in line with the general principles expressly affirmed by the Investor Protection Act and by Legislative Decree no. 303/06, at the General Meeting held in April 2003, BPM introduced “list voting” in the procedure for appointing the Board of Directors, which allowed four Directors representing the “minority members” out of a total of twenty appointed to join the Board of Directors.

This principle was later further confirmed, in 2007 as well, as it had been in the four previous years, in the composition of the Executive Committee, with the inclusion of a member of each of the two current “minority members”. Similarly, the presence of a “minority” Director is planned on the Financing Committee and, again following the inclusion of a specific provision to that effect in the Articles of Association (Article 36, paragraph 7), on all the board committees/commissions of investigative and/or proposal nature. However, in order to maximise the contribution of the “minority members” in the activities of these committees, the presence of the minorities in the current composition of these bodies is even more significant as one Director for each of the two “minority members” is generally present on each committee.

During 2007, the Bank also reformulated its Articles of Association, during the general meeting (21 April 2007) and, pursuant to Article 2365 of the Italian Civil Code, during board meetings (decisions of 26 June and 23 October 2007), in order to incorporate certain recommendations of the Self-Regulation Code (March 2006 version) and, in particular, to adapt the wording of the Articles of Association to the aforesaid new regulations (particularly on the election and composition of governing and supervisory bodies).

With a view to optimising the sharing and communication of strategy with our members and stakeholders in general, the Bank will again be publishing a Social Report for 2007 (also available on its website) which describes the Group’s current profile, its performance in the year, its relationship and initiatives undertaken with stakeholders, and the objectives for improvement in the current year, together with information on the achievement of previous objectives. This is accordingly a further development of the Social Report beyond its 2004 version.
Information on the full incorporation and application of the “Listed Companies Self-Regulation Code” in the March 2006 version

In order to give relevant and conclusive information on the procedure and timing of BPM’s inclusion of the recommendations made by the Code in the March 2006 version, the activities carried out for that purpose are shown below, in chronological order of the meetings of the Board of Directors (and General Meetings) held for that purpose:

19/12/2006:
- acceptance of the Code in the March 2006 version;
- resolution identifying the “controlled subsidiaries with strategic importance” for the purposes of assessing the adequacy of the organisational, administrative and accounting arrangements (Article 1.C.1 b) and checking independence qualifications (3.C.1 b);

16/01/2007:
- approval of the Board timetable of actions planned for full adoption of the March 2006 Code;

06/02/2007:
- naming of the Executive Director charged with superintending the operation and effectiveness of the Internal Control System (Article 8.C.1 b);
- assessment of Directors’ executive/non-executive status (Article 2.C.1.);
- assessment of Directors’ independence status (Article 3);
- assessment ensuring that at least one member of the Internal Control Committee has “adequate accounting and financial experience” (Article 8.P.4.);
- assessment of the conformity of the Committees as presently composed (Article 7.P.3. and Article 8.P.4.);
- assessment of the conformity of the system of Directors’ remuneration (Article 7.C.1. and Article 7.C.2.);

20/02/2007:
- approval of the proposed amendments to the company’s Articles of Association (and associated amendments to the Regulations for General Meetings) providing, among other things, for the new deadline for lodging lists of candidates for appointment as Director or Auditor (Articles 6.C.1. and 10.C.1.); these proposed amendments are to be put to the Extraordinary General Meeting of Members on 20/21 April 2007;
- reformulation of the composition of the Remuneration Committee to bring it into line with the Code (Article 7.P.3.);

13/03/2007:
- self-assessment by the Board of Directors of its size, composition and functioning (Board and its Committees) (Article 1.C.1 g);
- approval of revised “Guidelines on Significant Transactions and Transactions with related parties” (Article 1.C.1 f, and Article 9.P.1.);

03/04/2007:
- assessment and drafting of a proposal concerning the maximum number of corporate offices which the Bank’s Directors may hold (directorships or memberships of Board of Statutory Auditors in listed companies engaged in finance, banking, or insurance or of significant size). (Article 1.C.3.);

21/04/2007:
- amendment of the Articles of Association by the Extraordinary General Meeting regarding the extension of the period from ten to fifteen days for submitting lists of candidates for the position of Director and Auditor (Articles 6.C.1. and 10.C.1.).
a) Composition and term of office of the Board of Directors – Status of individual Directors

The Bank is governed by a Board of Directors made up of a Chairman, two Deputy Chairmen and seventeen Directors appointed all together by the AGM on 6 May 2006.

The table below gives the full list of Directors (whose CVs are available on the corporate website, under “Chi Siamo” – About us), their specific duties, the date of expiry of their term of office (which on the basis of the express provisions of Italian Civil Code Article 2383 coincides with the General Meeting convened to approve the Financial Statements for the last year of their term of office) and their status as “Independent Directors” on the basis of the criteria set forth in the Code.

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
<th>Expiry *</th>
<th>Independent status</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>yes</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>yes</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>Roberto Fusilli (4)</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>no</td>
</tr>
<tr>
<td>Michele Motterlini (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 Tarantini</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
<tr>
<td>Valerio Tavormina</td>
<td>Director</td>
<td>2008</td>
<td>yes</td>
</tr>
<tr>
<td>Michele Zafferino</td>
<td>Director</td>
<td>2008</td>
<td>no</td>
</tr>
</tbody>
</table>

* at the General Meeting convened to approve the Financial Statements of that year

(1) Member of the Executive Committee
(2) Secretary of the Board of Directors - (2-bis) Director appointed to superintend internal controls
(3) Minority representation (list “Together for BPM”)
(4) Minority representation (list “Committee of Non-staff Members”)
N.B.: The majority list is known as the “Friends of BPM”.
Under Article 32 of the company's Articles of Association all the Directors must be Members.

Regarding the executive or non-executive status of the individual Directors, during the course of 2007 the Bank’s Board of Directors made the following assessments of BPM, based on the specific characteristics of governance and the specific operations of the Bank and of the Group:

- there is no Managing Director, nor does any individual Board member have executive powers, except for the specific personal powers awarded to the “Director charged with overseeing the proper functioning of the Internal Control System”;
- none of the Directors holding a directorship in (or Chairmanship of) a controlled subsidiary has any personal executive powers in that subsidiary, nor any predefined role in preparing its company strategy;
- no member of the senior management of the Bank or of any Group company is a member of the Board of Directors;
- the Executive Committee’s function is mainly to prepare, propose and implement decisions of the Board of Directors; membership of the Executive Committee does not give its members any personal executive powers;
- executive management is the task of the General Manager, Mr. Fabrizio Viola, (and of the rest of the management, under the General Manager's direction), within the framework of the strategic guidelines and directives indicated by the governing body;
- within the Board of Directors (where, as noted above, there is no Managing Director), the Chairman, though without any special formal powers, has a leading role in guiding the Board in its activity of preparing company strategy, and in handling relations with Members and related Associations. This means that this officer should in fact be regarded as having 'executive' status.

In the light of these considerations, the Board of Directors then made its assessment of the executive/non-executive status of the individual Directors. It determined that two should be regarded as Executive Directors of BPM: Roberto Mazzotta, in his capacity as Chairman of the BPM Board of Directors, and Marcello Priori, in his capacity as “Director charged with superintending the operation and effectiveness of the Internal Control System”. The remaining Directors could be regarded as “non-executive”.

Concerning the Directors’ “independent” status, it should first of all be pointed out that the law makes general provision for this in Italian Civil Code Article 2387 and specific provision in the case of banks in Article 26 of the Banking Law (as amended by Legislative Decree no. 37/04). The latter, however, refers for its detailed content to implementing regulations to be issued by the Ministry of the Economy and Finance, which have still not appeared.

It should also be stated that, for listed persons, Article 147-ter of the Finance Law provides that “at least one of the members of the board of directors, or two if the Board of Directors is composed of more than seven members, must satisfy the requirements of independence laid down for auditors by Article 148, paragraph 3 of the same Decree”, further providing that “an independent Director who, following his appointment, ceases to satisfy the requirements of independence must inform the Board of Directors immediately thereof and, in any event, shall forfeit his office”. The BPM Board of Directors meeting on 16 January 2007 confirmed that the Bank satisfies the requirements under the provision.

The concept of “independence” considered in this report refers, of course, to that defined by Art. 3 of the Code.

Having observed that in general the independent status of directors of co-operative banks is a natural consequence of the one-member-one-vote system which does not allow the formation of pre-established controlling majorities of voting stock, the BPM Board of Directors’ meeting on 6 February 2007 then proceeded to check the independence of each Director based on the recommendations contained in the Code, which, in affirming the principle of “substance over form”, states that Directors may be regarded as independent if they “neither have nor have recently had business dealings with the Bank or its subsidiaries, directly or indirectly or on behalf of others, such as to influence their current autonomy of judgement”, and goes on to give examples of situations which, if they occur more than once, should lead to a reassessment of the Director’s independence (Article 3.C.1.).
Following that verification, the Board noted that:

- two Directors (namely the Chairman of the Board of Directors and the Director encharged with overseeing the proper functioning of the Internal Control System) cannot be classified as independent since they are considered to be “Executive” Directors, for the reasons stated above (within the meaning attributed to those terms by the Code);
- no Director owns (directly, indirectly or through third parties) share investments of such an amount as to allow them to exercise control or a significant influence over the Bank, or has participated in a shareholders’ agreement whereby one or more persons may exercise control or a significant influence over the issuer (Article 3.C.1.a);
- four directors hold significant positions (Chairmen) in subsidiary companies of strategic significance or in companies/bodies having significant financial relations with it (Article 3.C.1.b), having initially pointed out such strategic significance to the Group banks and to the asset management companies (SIMs) and savings management companies (SGRs);
- in particular, with reference to a Director’s direct or indirect “commercial, financial or professional dealings” with the Bank and/or its controlled subsidiaries, (including companies in which the Director holds an important position) of a kind that might compromise the Director’s independence (Article 3.C.1.c), the Board noted that one particularly important feature at BPM was the lending relationship between a company officer (and/or a firm controlled by such an officer) and the Group. In assessing the significance of such dealings, the amount of the loan should as a general rule be taken into account; this should be assessed in relation to the individual Director’s financial situation and also in relation to the proportional impact of this particular relationship by comparison with the overall activities of the Bank and/or the Group. Having said that, this assessment did not reveal any Director having significant commercial, financial or business relations with the Bank, with any of its subsidiaries or with any of the relevant influential representatives;
- one Director was an employee of BPM in the last three financial years (Article 3.C.1.c);
- one Director received substantial remuneration in addition to the fixed fee received as a Director of BPM during the 2004-2006 three-year period (Article 3.C.1.d);
- one Director was a Director of BPM for more than nine years in the last twelve years (Article 3.C.1.e);
- no Director holds the office of Executive Director in another company in which an Executive Director of the Bank holds an office of Director (Article 3.C.1.f);
- no Director is a Member or Director of a company or entity belonging to the network of the audit company entrusted with auditing the Bank’s accounts (Article 3.C.1.g);
- two Directors are close relatives of employees of the BPM Group (Article 3.C.1.h).

Within the scope of the aforesaid verification, it is noted that, pursuant to Article 3.C.5, the Board of Statutory Auditors declared that the criteria laid down by the Code and the assessment procedure used for that purpose had been correctly applied.

Since the requirements laid down by Article 2.C.3. do not apply, the Board did not consider it necessary to appoint an independent Director as “lead independent Director”. Similarly, the independent Directors did not wish to hold the meetings reserved for them by Article 3.C.6.

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

Within this context, Article 19 of the Banking Law (as recently amended by Legislative Decree no. 310/04, also taking into account the provisions of the Investor Protection Act and Legislative Decree no. 303/06 on authorisation for mergers) requires that “Persons who, through subsidiary companies or otherwise, engage in significant business activity in sectors other than banking and finance will not be authorised to acquire equity interests which would result in an overall voting right exceeding 15% of a bank’s voting capital, or in control thereof”.

In fact Italian law has explicitly prevented “industrial” concerns from acquiring dominant positions in the voting stock of banks. As already mentioned, the “one-member-one-vote” system in co-operative banks – which prevents the formation of pre-arranged controlling majorities – is in itself a guarantee that the principle of separation between bank and industry will be respected to the fullest extent; failure to comply with it would result in loss of the proper neutrality which is essential when allocating resources, with serious harm to Members and customers, as well as to the Bank’s image and that of the entire banking industry.

BPM has always paid the utmost attention to this subject, helped in this by its traditional roots in the retail and SME
sectors, which also provide most of its members (99.97% of the Shareholders entered in the Register of Members are represented by families/SMEs).

As demonstrated by recent important transactions (in particular, the admission of CIC [Crédit Mutuel Group] and Fondazione CR Alessandria as Shareholders and in the Board of Directors with one Member each), BPM's strategic partnerships are strictly within the banking/financial sector and are directly geared towards its growth within Italy and beyond. In this sense, no big industrial concern 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 a concern.

As further information on the overall profile of BPM’s present Directors and in accordance with Article 1.C.3. of the Code, the Board of Directors has laid down guidelines on the maximum number of offices of Director and Auditor considered to be compatible with the effective holding of office of Director of the Bank, based on a “mark scheme” drawn up by the Board of Statutory Auditors. In view of the necessary differentiation between marks based on the commitment connected with each role (e.g. Chairman of the Board of Directors, Executive or non-Executive Director), depending on the nature and size of the companies in which the offices are held and whether or not they belong to a group, based on specific schemes compiled by the representatives themselves, the Board of Directors believed that the number of offices in other companies held by the current members of the Board complied with the general criteria defined.

In accordance with the recommendations of Article 1.C.2 of the Code, the following table lists all directorships and memberships of Boards of Statutory Auditors held by these Directors in other companies listed on regulated Italian or foreign stock markets and engaged in finance, banking, or insurance, or of significant size (including any such posts within the Group). On this final point it is noted that, partly adopting the criteria laid down by the CONSOB Regulations on the multiple office-holding of Auditors (Article 144-duodecies RE), “substantial dimensions” are deemed to mean companies exceeding at least two of the following three parameters: i) 250 employees; ii) revenues of Euro 50 million; iii) financial-statement assets of Euro 43 million.

Roberto Mazzotta
- Director, Sogepar S.p.A.
- Director, Crédit Industriel et Commercial
- Director, Aedes S.p.A.
- Director, IC Industria della Costruzione S.p.A.

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

Marco Vitale
- Chairman, Bipiemme Gestioni SGR S.p.A. (BPM Group)
- Director, Etica SGR S.p.A.
- Chairman, Same Deutz Fahr Italia S.p.A.
- Chairman, Vincenzo Zucchi S.p.A.
- Chairman, Supervisory Board, Mid Industry Capital SpA
- Director, Same Deutz Fahr S.p.A.
- Director, A.S.M. Brescia S.p.A.
- Director, Recordati Industria Chimica e Farmaceutica S.p.A.
- Director, Ermenegildo Zegna HoldItalia S.p.A.
- Director, Pictet International Capital Management
- Director, Pictet & C. SIM S.p.A.
- Director, Snaidero R. S.p.A.
- Director, LU-VE S.p.A.
- Director, Smeg S.p.A.
Enrico Airaghi
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Luca Caniato
- General Attorney, Koelliker S.p.A.
- Executive Deputy Chairman and Managing Director, M.M. Automobili Italia S.p.A.
- Executive Deputy Chairman and Managing Director, Hyundai Automobili Italia Importazioni S.p.A.
- Executive Deputy Chairman and Managing Director, Kia Motors Italia S.p.A.
- Executive Deputy Chairman and Managing Director, Symi S.p.A.

Emilio Castelnuovo
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Giuseppe Coppini
- Deputy Chairman, Banca di Legnano S.p.A. (BPM Group)
- Director, Cassa di Risparmio di Asti S.p.A.

Enrico Corali
- Deputy Chairman, Cassa di Risparmio di Alessandria S.p.A. (BPM Group)
- Chairman, Selma Bipiemme Leasing S.p.A.
- Chairman, BAS-Servizi Idrici Integrati S.p.A.

Rocco Corigliano
- Chairman, Banca di Legnano S.p.A. (BPM Group)
- Chairman, Bipiemme Vita S.p.A.
- Director, Vega Finanziaria S.p.A.

Eugenio Crosta
- Director, Banca di Legnano S.p.A. (BPM Group)

Roberto Fusilli
- Director, Banca di Legnano S.p.A. (BPM Group)

Piero Lonardi
- Director, Cassa di Risparmio di Alessandria S.p.A. (BPM Group)
- Acting auditor, AMSA S.p.A.

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

Michele Motterlini
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Gianfranco Pittatore
- Deputy Chairman, REAM SGR S.p.A.
- Director, Banca Akros S.p.A. (BPM Group)
- Director, Bipiemme Vita S.p.A.
- Director, Wise Venture SGR S.p.A.
- Director, Norman 95 S.p.A.

Marcello Priori
- Deputy Chairman, Bipiemme Gestioni SGR S.p.A. (BPM Group)
- Director, Monzino S.p.A.
- Director, Atmos S.p.A.
- Chairman of the Board of Statutory Auditors, Etica SGR S.p.A.
- Chairman of the Board of Statutory Auditors, Carrefour Servizi Finanziari S.p.A.
- Acting auditor, IBI S.p.A.
- Acting auditor, Lucchini S.p.A.
- Acting auditor, Reno De Medici S.p.A.
- Acting auditor, Key Client Cards & Solutions S.p.A.
- Acting auditor, Fomas Finanziaria S.p.A.

Jean-Jacques Tamburini
- Director, Banca di Legnano S.p.A. (BPM Group)
- Director, Crédit Industriel et Commercial
- Chairman and Managing Director, CIC Société Bordelaise
- Chairman and Managing Director, CIC Partecipations SAS
- Chairman and Managing Director, ADEPI SAS
- Chairman and Managing Director, Valimar 3 SAS
- Chairman of Supervisory Board, CIC Capital Privé
- Deputy Chairman of Supervisory Board, CM-CIC Asset Management
- Director, CIC Investissement
- Director, CIC Finance
- Director, Institut de Participation de l'Ouest (IPO)
- Director, Banque de Tunisie
- Director, CIC Est
- Director, S.F.A.P.
- Director, Assurances du Credit Mutuel – IARD SA
- Director of Audit Committee, Banque Marocaine du Commerce Extérieur

Graziano Tarantini
- Chairman, Banca Akros S.p.A. (BPM Group)
- Director, ESN North America Inc.
- Director, Dexia Crediop S.p.A.
- Director, Capfin S.p.A.

Valerio Tavormina
- Director, Banca di Legnano S.p.A. (BPM Group)
- Director, Cassa di Risparmio di Asti S.p.A.

Michele Zefferino
- Director, Cassa di Risparmio di Alessandria S.p.A. (BPM Group)
- Director, Bipiemme Vita S.p.A.
b) Powers of representation
Under Article 37 of the Articles of Association, “the Chairman and Deputy Chairmen are authorised severally to represent the Bank in dealings with third parties and in court. Any Director may represent the Bank jointly with the General Manager or with any other Director mandated for the purpose by the Board. The Board may also authorise individual Directors and managers, severally or jointly, to carry out specified transactions; it may grant powers of attorney for specified matters. The Chairman or, if he is prevented, either of the Deputy Chairmen, can appoint proxies to implement Board resolutions”.

c) Functions of the Board of Directors and delegated powers
Under Article 36 of the Articles of Association, “the managerial powers of the Board of Directors extend to all matters of an ordinary and extraordinary nature, except those reserved to the General Meeting under the Articles of Association or the relevant legislation. The Board can also approve amendments to the Articles of Association to bring them into compliance with legal and regulatory requirements, pursuant to Article 2365, second paragraph of the Italian Civil Code”.

Article 36 also lays down that the Board of Directors may delegate some of its powers on an annual basis to an Executive Committee made up of the Chairman, the Deputy Chairmen, and other Directors such that the total number of Executive Committee members is not less than five nor more than nine (it currently has a total of eight members, including the Chairman, two Deputy Chairmen and two Directors elected on “minority” lists).

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

At the time of its appointment, the Board of Directors determines the procedure for the functioning of the Executive Committee, which generally meets on a weekly basis. During the course of 2007, the Executive Committee held 41 meetings, each lasting an hour on average, with an overall percentage of attendance of 91% (the percentage of attendance of each member of the Executive Committee is shown in Table 1 attached hereto). So far 12 meetings of the Executive Committee have been held in 2008, and meetings will generally be held on a weekly basis for the rest of the year, except during the summer holiday period.

Decisions of the Executive Committee must be taken unanimously by those present; otherwise they are referred to the decision of the Board of Directors.

Under Article 36 of the Articles of Association the Executive Committee cannot be granted the following powers (nor those that cannot be delegated by law): to buy or sell equity investments or real estate; to determine the structure or powers of general management and head office management; to engage or dismiss senior managers and determine their duties, powers and pay; to appoint the Director charged with drawing up the company’s accounts as per Article 154-bis of the Finance Law; to establish overall strategy for the Bank’s operations and organisation; or to take decisions concerning the granting of loans. Significant and/or related-party transactions must also be examined and approved beforehand by the Board of Directors (see the procedure for this, described below).

At the meeting on 14 May 2007, the Board of Directors granted the Executive Committee the following powers for FY 2007:
- to draft proposals and guidelines for the strategy and general policies to be adopted by the Bank and the BPM Group, formulating the consequent motions for submission to the Board of Directors for approval;
- to prepare the Bank’s financial statements and submit these to the Board for approval;
- to review recruitment plans, organisation charts, training programmes, proposed disciplinary measures involving suspension (for more than two days) or dismissal, and report on these to the Board;
- to conduct preliminary reviews of budgets, with particular reference to expenditure and investment, and of proposals for the sale of property or the divestment of equity interests;
- to approve spending decisions, whether for ordinary operations or for investments not included in the budget, up to a maximum of Euro 1.5 million per operation and within an annual ceiling of 5% of the budget approved by the Board of Directors;
- to carry out all the resolutions, in performance of the duties specifically entrusted to the Executive Committee by the Board of Directors;
- to decide any matter in cases of urgency or other special need when it is not possible to call an immediate meeting of the Board of Directors, subject to ratification by the latter at its next meeting.
The Executive Committee reports back regularly to the Board at its next meeting on all transactions decided on under its delegated powers, and submits to it for ratification any emergency decisions that properly belong to the full Board.

On this point, it should be noted that Article 36 of the Articles of Association provides that delegated bodies “report to the Board of Directors and the Board of Statutory Auditors, at least once per quarter, 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”.

Concerning the granting of credit, Article 38 of the Articles of Association currently provides that “the Board of Directors can:

a) delegate particular powers to the Executive Committee, or to a Financing Committee comprising the Chairman (or Deputy) and 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 powers of approval, within pre-established limits, to the General Manager or 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.

On this point, it should be noted that this matter is at present governed by the Credit Line Regulations currently in force (and the corresponding Implementation Guidelines and Delegated Powers); the latest version of these was approved by the Board of Directors’ resolution on 18 December 2007 and in particular (Article 10) governs the powers, duties and functioning of the Financing Committee. This Committee is made up of the Chairman (or Deputy), seven Directors (six Directors prior to the aforementioned resolution) named by the Board of Directors (including one Director representing each “minority” list) and the General Manager (or representative). The Board of Statutory Auditors is invited to attend this Committee’s meetings, which are also attended, if appointed, by the Joint General Manager (or his nominee), the Corporate Deputy General Manager and senior managers in charge of Credit & Loans and Internal Auditing.

During the course of 2007, the Financing Committee held 44 meetings with an overall attendance of 83%. With reference to that year, the Directors forming the aforesaid Committee are shown below (indicating the respective attendance percentage of each one): Roberto Mazzotta (89%), Mario Artali (73%), Marco Vitale (41%), Emilio Castelnuovo (93%), Giuseppe Coppini (98%), Enrico Corali (95%), Roberto Fusilli (91%), Maria Martellini (75%), and Graziano Tarantini (95%). Following the aforesaid Board of Directors’ resolution of 18 December 2007, the overall number of Directors appointed by the Board was increased to seven, with Enrico Airaghi joining the Financing Committee, representing the minority not yet present.

The Board of Directors may assign special duties to one or more of its members, specifying the characteristics of the assignment, though without prejudice to the limitations specified above. The only personal assignment currently existing is that made to the Chairman to examine and grant charity contributions of up to Euro 6,000 per individual applicant. The Board of Directors is periodically informed of the use of this assignment.

In the light of the foregoing and the Bank’s actual managerial practice, it can therefore be affirmed, as required by the “Guidelines” of Borsa Italiana S.p.A., that at BPM all the items listed in Article 1.C.1. of the Code fall within the general competence of the Board of Directors, which has sole power to make decisions. This competence therefore relates in particular to the following:

- examination and approval of the strategic/industrial/financial plans of the Bank and Group;
- the Bank’s corporate governance system and the Group’s corporate structure;
- an assessment of the suitability of the organisational/administrative/general accounting structure of the Company and the Group (and particularly the subsidiaries of strategic significance), particularly with regard to the Internal Control System and dealing with conflicts of interest;
- the possible assignment and revocation of decision-making powers, after establishing the restrictions and procedure for exercising them, provided the Board of Directors is informed at least quarterly in this respect;
- the remuneration, on the proposal of the relevant Committee and after hearing the opinion of the Board of Statutory Auditors, of the Directors holding particular offices and the distribution of the overall fee laid down by the Articles for the Directors, without prejudice to the competence of the General Meeting to approve the emoluments for the office of director and member of the Executive Committee;
- the assessment of the general management trend, periodically checking the results achieved against those planned;
the transactions conducted by the Bank (and its subsidiaries) of strategic/economic/capital/financial significance for the
Bank, paying particular attention to situations in which one or more Directors have an interest on their own account or on
that of third parties, and more generally with related parties.

Lastly, so far as concerns the Board of Directors obligation to keep the Board of Statutory Auditors informed about all
transactions with a major effect on the income, expenditure, finances, assets or liabilities carried out by the Bank or its
controlled subsidiaries (with particular reference to operations in which Directors have a personal or third-party interest),

it should be noted that at BPM, as required by Finance Law Article 150 and the last paragraph of Article 36 of the Articles
of Association, the Board of Statutory Auditors takes part in all meetings of the Board of Directors and the Executive
Committee, while its members also chair or sit on the Boards of Statutory Auditors of the Group's main subsidiaries.
The Board of Statutory Auditors of BPM is accordingly kept informed about the Group's activities in good time and on
a continuous basis. All documentation examined at meetings of the Executive Committee or the Board of Directors is
simultaneously sent to the Board of Statutory Auditors for 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 Bank's activities, 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

Under Article 34 of the Bank's Articles of Association, the Board of Directors normally meets once a month. During the course
of 2007, the Board of Directors held 22 meetings, lasting an average of 4 hours and 30 minutes, with an overall attendance of
94% (the percentage of attendance of each Director is shown in Table 1 attached hereto). In 2008, five Board meetings have
been held so far and, based on the information available, a further 10 are planned during the course of the year.

Board meetings are convened “by the Chairman by means of a notice accompanied by a detailed agenda of the matters to
be discussed, which must 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 all
necessary documentation in advance, together with any information they need for an adequate background knowledge
of the matters to be discussed at the Board meeting and periodical information on the main corporate dynamics, even
with reference to changes in the legal framework. On this point, Article 34 of the Articles of Association provides that
“The Chairman co-ordinates the work of the Directors and sees to it that they all receive adequate information on the
items appearing on the Agenda”.

During the course of 2007, in accordance with the recommendations laid down by Article 1.C.1.g of the Code and also
based on the results emerging from a questionnaire completed by each Director containing 25 questions (as well as a
final “open” question), with marks awarded in order to establish the degree of suitability and the priority of any resulting
measures, the Board of Directors carried out a thorough self-assessment of the size, composition and functioning of the
Board and its Committees. Following this assessment, the Board of Directors decided on improvements in certain areas
and authorised the Chairman to take the necessary measures.
Establishment and functioning of the committees within the Board of Directors
(Article 5 of the Code)

In view of the collegiate nature of the activities of the Board of Directors, the formation of specific committees with the functions of carrying out investigations, offering advice and making proposals within the Board enables it to take more well-informed decisions. These committees, whose activities essentially involve making proposals, recommendations and opinions, provide a useful support for the Board’s activities, particularly with regard to decisions on sectors of business where there is a higher risk of situations of conflict of interests.

On that basis, BPM’s Board of Directors has set up the following standing committees:

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

Moreover, on 24 July 2007, the Board resolved to set up the “BPM Group Strategic Advisory Committee”, a non-standing committee that will cease to exist once it has carried out the investigations and made the proposals assigned to it. During the course of 2007, this Committee met 8 times, each meeting lasting an average of around an hour and a half, with overall attendance of 96%. Its task is to draw up proposals on the prospects for development of the Bank and the Group, to be submitted for the examination of the Board of Directors.

The names of the Directors currently forming this Committee are as follows (indicating the respective percentage of attendance of each member): Roberto Mazzotta (100%), Mario Artali (88%), Emilio Castelnuovo (100%), Enrico Corali (100%), Maria Martellini (100%), Michele Motterlini (100%) and Gianfranco Pittatore (88%). The General Manager and the Chairman of the Board of Statutory Auditors also participate in the work of the Committee.

In accordance with the recommendations of the Code (Article 5.C.1), all Board Committees present at BPM:

- are composed of not less than three members;
- have been set up by a Board decision which, possibly supplemented or amended by another Board decision, also governs the composition, powers and functioning of the Committee itself;
- in performing their functions, are entitled to access the information and company functions required to perform their tasks and make use of external advisers if necessary;
- needing advisory support from third parties or resources for any other activities connected with their functions obtain from the Board the relevant assignment.

All meetings of each Committee, in which non-members may participate, on invitation, are minuted and entered in suitable, separate meeting books.

Finally, as there are no committees jointly performing the functions of two or more committees at BPM (Article 5.C.1.c), the specific information required by the Code on each committee can be found in the sections of this Report relating to their respective fields of competence, and also briefly in the specific tables appended.
Directors’ appointment and remuneration (Articles 6 and 7 of the Code)

a) Appointment of Directors
The List Voting arrangement for appointing Directors which was instituted by the Extraordinary General Meeting of Members on 19 December 2002 follows (with appropriate adaptation to the composition of the governing body) the format already in use for appointing the Board of Statutory Auditors and has been gradually adjusted to reflect the changes in legislation (the Investor Protection Act, Legislative Decree no. 303/06 and related CONSOB implementing regulations).

In particular, the election of members of the Board of Directors, who remain in office for a period of not more than three financial years and who may be re-elected, currently takes place on a single occasion by means of list voting.

In short, this system works as follows:

- the presentation of lists of candidates by at least 300 Members or, alternatively, by Members jointly representing at least 0.5% of the share capital, entered in the Members’ Register for at least 90 days and entitled to participate and vote at General Meetings. Each Member may only submit one list;
- the appointment of a fixed number of Directors (sixteen) included in the list obtaining the highest number of votes at the General Meeting and a variable number of Directors (up to four) voted overall by any “minority members”, for a maximum of twenty Directors;
- the replacement of Directors, if necessary, during the course of their three-year term in office maintaining - where possible;
- the proportion between the majority and any “minorities” as indicated above; the introduction of a “representative quorum” for lists obtaining at least 150 of the votes validly expressed at the General Meeting (lists obtaining less than this minimum threshold are not taken into consideration for the purposes of Board appointments);
- the appointment of the Chairman and the two Deputy Chairmen, respectively, in the same order as the first three candidates shown on the list voted by the majority.

Pursuant to the current Article 32 of the Articles of Association (as amended by the Meeting of Members on 21 April 2007), the lists of candidates, signed by those submitting them, must be filed at the Company's registered office at least fifteen days prior to the date fixed for the General Meeting on the first call and each list must contain at least two candidates satisfying the requirements of independence laid down by Article 147-ter, paragraph 4 of the Finance Law.

Article 32 also requires that the lists “must be accompanied by each candidate's CV and declaration that he/she is personally willing to stand and takes personal responsibility for confirming that there are no grounds for ineligibility or incompatibility, and that the requirements prescribed by law or by the Articles of Association for holding the office of Director have been met”. This also entails a declaration as to the candidate’s status as “independent”, which will already have been expressly required in the notice convening any AGM at which Board appointments are to be made.

Under Article 22 of the present Regulations for General Meetings, “the lists ([of candidates],...) together with their CVs, shall be made available to Members at the Bank's registered office and summarised by the Chairman at the AGM before voting begins”.

On this point, it should be noted that on past occasions when the Agenda of BPM General Meetings included the appointment of governing and supervisory bodies (1 April 2003, 11 April 2005 and 19 April 2006) the Bank took steps to ensure that a special press release was published informing Members and the market beforehand about the lists presented for each position, with all the candidate’s names. Candidates' CVs are regularly published on the corporate website before AGMs, and this is brought to Members’ attention in the notice of convening. However, the publishing of lists of candidates and adequate personal and professional information on them is now expressly governed by the CONSOB (Articles 144-octies and decies RE).

Article 32 of the Articles of Association also provides 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 was first introduced into BPM’s Articles of Association by the Extraordinary General Meeting of 19 December 2002, but has now been enshrined in part in Civil Code Article 2390 (prohibition on working for...
competitors), which provides, among other things, that Directors may not be “Directors or General Managers of competing companies, unless authorised by the General Meeting”.

The Board decided that it was not necessary to set up a Nominations Committee, since it is not obligatory under the Code. This was for the following reasons:
- firstly, the Bank is a co-operative with a broad base of members who take an active and proportionally significant part in its corporate life, meaning that no problems have been encountered to date in procuring suitable nominations which can freely group themselves into lists that then compete, on an equal basis and without any prior intervention by the sitting Directors, to form the future composition of the company’s Boards;
- secondly, since this is a listed institution authorised to carry out banking activities, the characteristics of professionalism, honour and independence of the candidates for the office of Director (as well as Auditor) are analytically laid down by law. With regard to the regulations of the banking sector, reference is made in particular to Article 26 of the Banking Law and to the relevant Supervisory Instructions issued by the Bank of Italy (which currently include Regulation no. 161/98 of the Minister for the Treasury, Budget and Economic Planning, which should be supplemented with regard to the requirement of “independence”), while Articles 147-ter and quinquies of the Finance Law govern issuers (awaiting complete implementation with the planned Ministerial orders). Failure to satisfy the legal requirements for holding office will give rise to forfeiture of the position.

b) Remuneration of Directors and Senior Managers

Article 35 of the Articles of Association states that “emoluments of the members of the Board of Directors and its Executive Committee, including attendance fees, are fixed by the shareholders in General Meeting”. The Board of Directors, having consulted with the Board of Statutory Auditors, determines the remuneration due to Directors assigned special roles, in accordance with the Bank’s Articles of Association” (i.e. the Chairman, Deputy Chairmen, Secretary to the Board, and now the Director charged with overseeing the proper functioning of the Internal Control System).

Article 47 of the Articles of Association, as amended by the General Meeting of 15 February 2007 also provides, inter alia, that the share in the profits reserved for the Board of Directors is equal to 0.25% of the gross profits (which should be deemed to mean the “current operating profit gross of taxes”, determined prior to calculating that share and a further share of 5% reserved for Bank personnel, always in accordance with the provisions of Article 47 of the Articles of Association).

As well as the remuneration described above, the Directors will also (in addition to being reimbursed for any current expenses incurred in the course of their duties) be paid a fee for their attendance at any meetings of Board commissions or committees.

As required by the RE Article 78, details of the total remuneration paid to each Director and each member of the Board of Statutory Auditors and to the General Manager for their duties at BPM and, in aggregate, at other Group companies are given in the section entitled “Transactions with Related Parties” of the explanatory notes which form part of the Bank’s financial statements.

Noting that BPM’s present system for determining the remuneration of non-Executive Directors appears to be in line with the Code’s principles, the Board then checked the remuneration of the two current Executive Directors (the Chairman of the Board and the Executive Director overseeing Internal Controls). Though there are clear differences between the two positions, the general reference-point which the Board chose was the importance of each of these special roles, and the responsibilities connected with each, rather than the Bank’s profits or any specific target set by the Board of Directors. This was felt to be in keeping with the characteristic system of cooperatives, and in particular that of cooperative banks, which traditionally have no Managing Director or stock option plans.

As BPM has no Managing Director, senior managers’ pay in 2007 was not directly linked to the company’s results or to the achieving of any specific targets; nor are there at present any stock option plans envisioned for managers.

On 22 May 2001 the Board of Directors decided to set up a Remuneration Committee. The Code provides that the Remuneration Committee should be composed of non-Executive Directors, with a majority of independent Directors (Article 7.P.3.). During the course of 2007, the Board decided to revise the composition of the company’s Remuneration Committee, in the light of the assessment on 6 February of the individual Directors’ executive/non-executive and
independence status. The Committee is accordingly now composed of the following Directors (all non-executive, and the majority independent): Eugenio Crosta (Chairman), Luca Caniato, Emilio Castelnuovo, Roberto Fusilli and Valerio Tavormina.

Again in accordance with the provisions of the Code, that Committee performs the following duties:

- to submit proposals to the Board for the remuneration of Directors performing particular duties;
- to submit proposals to the Board of Directors for the remuneration of Directors of subsidiary companies, in order to favour uniform Group criteria;
- to monitor the application of the decisions adopted by the Board of Directors on the previous points;
- to periodically assess the criteria adopted for the remuneration of managers of BPM and the subsidiary companies with strategic responsibilities;
- to submit general recommendations on remuneration to the Board of Directors.

In the course of 2007 the Remuneration Committee formulated on 27 February its proposal to the Board concerning the remuneration for the Directors charged with particular duties (the Chairman, Deputy Chairmen, Secretary and the Executive Director charged with overseeing the proper functioning of the Internal Control System), and another concerning the equal distribution among the Board members of the portion of profits allocated to the governing body under Article 47 of the Articles of Association, taking each Director's actual period of service into account.

Noting the above, during the financial year 2007, the aforesaid Committee held 6 meetings, each one lasting on average one hour, with an overall attendance of 97% (the percentage of attendance of each Director is shown in Table 1 attached hereto). With regard to further information required in this connection by the Code, it is noted that the Committee did not need to make use of external advisors.

System of controls (Art. 8 of the Code)

a) The Internal Control System and compliance

As regards the Internal Control System, the company, being a bank, is subject to the far-reaching and detailed regulations on this matter issued by the Bank of Italy.

In this context, the Board of Directors complies with the specific requirements of the supervisory regulations by ensuring the adequacy and effectiveness of the Internal Control System, defining appropriate procedures and providing suitable resources for the control machinery.

In order to organise the Internal Control System in accordance with these supervisory regulations from a functional point of view, some time ago the BPM Board approved a specific “Control Model”, which forms part of the Bank's General Rules and Regulations and was recently amended by the Board of Directors on 15 January 2008. The procedures by which the Control Model is implemented are updated constantly.

In detail:

- the general configuration of the controls applied throughout the BPM Banking Group is based on three fundamental cornerstones: the Board of Statutory Auditors, the Internal Auditing Departments and the inspections carried out by the Parent Bank at subsidiaries, the results of which are regularly reported back to top management;
- the control activities carried out at BPM are co-ordinated as part of the “Corporate Controls System”, based on the following principles:
  - there is a single corporate department responsible for internal audit activities, and this unit does not report to or come under any of the managers in charge of operational departments, but is attached to the General Manager's staff and reports directly to the Board of Directors and the Board of Statutory Auditors. This department (the “Internal Auditing Department”) has the following tasks:
    - to ensure constant compliance on the part of those involved in management, accounting and operations with the regulatory framework of the banking industry, sector recommendations, and the technical principles that govern banking and finance;
management and control activities are clearly separated, so as to ensure that the relationship between manager and inspector are correct both in form and in substance;

- there is a distinction between “line controls” (which develop within the lines of operational management established by each department with executive responsibility for its own operations) and the auditing controls (carried out by the Internal Auditing Department and essentially designed to ensure that the various corporate units function properly);

- a network of line controls superimposed on the operational structure of the Bank and Group is established;

- auditing is extended to all units of the organisation: head office, branches, and Group subsidiaries.

The Internal Control Function has also been in operation for some time, as required by Article 57 of CONSOB Regulation no. 11522/98 and subsequent amendments, now superseded by CONSOB Resolution no. 16190/07. It is appointed directly by the Board of Directors and has responsibility for supervising all aspects of financial dealing, including the following duties:

- constantly verifying that suitable procedures are in place and ensuring compliance with the provisions of the Finance Law and its related implementing regulations;

- monitoring compliance with the internal procedures;

- monitoring compliance with the internal code of conduct;

- managing the register of complaints on financial matters;

- giving advisory support to the Bank’s various departments on issues concerning service levels, conflicts of interest and proper conduct.

As required by law this Function has sent a special report to the Board of Directors and the Board of Statutory Auditors detailing, unit by unit, the checks carried out, the results, the recommendations made, and any resulting decisions on the part of departmental managements or the relevant corporate boards. This report also contains a summary assessment of any anomalous situations found and controls planned for the following year, bearing in mind any complaints that have been received.

Every year, the internal control Function also prepares a special report on the outcome of the complaints regarding investment services, any shortcomings in that sector and proposals for eliminating them.

Subsequent to the regulatory innovations introduced by the Supervisory Provisions of the Bank of Italy (ruling no. 688006 of 10 July 2007) and the Bank of Italy-CONSOB joint Regulation on the organisation and procedures of intermediaries providing investment or collective asset management services of 29 October 2007, with a Board of Directors’ resolution of 18 December 2007, BPM set up a Compliance Control Function starting from 1 March 2008.

This Function is attached to the staff of the General Manager, reports directly to the Board of Directors and has the task of ensuring that the Bank complies with regulations on investment services and other sector regulations, thereby foreseeing any risks of non-compliance and events (deriving from non-compliance with regulations) that could potentially compromise the Bank’s reputation.

At least once a year the Compliance Function will present reports to the corporate bodies on the activities carried out. The reports must detail the checks made and related results, the measures needed to remedy any shortcomings, the state of their implementation and activities planned.

b) The Risk Management Function

BPM’s Internal Control System in the widest sense also includes the Risk Management Function, which handles second-level controls on financial, credit and operating risks and manages methods for risk measurement and economic capital quantification to protect the Bank’s stability.

In particular this function has the task of monitoring the Bank’s overall risk profile and seeing that it respects the tolerance limits set by the Board of Directors. It is therefore responsible for organising and managing the processes of identifying and measuring risk within the Bank. Towards this end, it manages the system regarding methods for risk
measurement, quantification of economic capital and risk-adjusted profitability.

The activities of identification and measurement are differentiated according to the type of risk, distinguishing market risks (trading book), credit risk (both as development of the internal rating system and the portfolio model), interest rate risk (banking book), operating risks, liquidity risks and the development of methodological controls to measure and manage economic capital.

The Risk Management Function – which comes under the Management Control Planning and Risk Management Department of the Parent Bank – performs duties throughout the BPM Group, according to the complexity and effective exposure to risk of the individual subsidiaries.

Where specific organisational complexities require decentralised risk management units, these report to the Parent Bank’s Risk Management Function.

c) The Internal Control Committee
The Internal Control Committee was set up by Board resolution on 13 November 2001, which established its functions in line with the guidelines contained in the Code. During 2007 the Internal Control Committee’s investigative and proposal-making role was further defined.

These changes, made partly on the basis of the experience gained in recent years and partly on the provisions of the Code, were approved by the Board of Directors on 5 June 2007.

The Committee is vested with proposal-making, advisory and investigative functions on the internal controls system and risk management. Its activity is centred on the principles of autonomy and independence.

The Committee currently in office was appointed by the Board of Directors on 15 May 2006 and, in compliance with the Code and the Articles of Association, is composed of non Executive Directors, the majority of whom are independent, and two Directors each one acting as minority representatives. More specifically, Enrico Airaghi (Chairman), Eugenio Crosta, Piero Lonardi, Valerio Tavormina and Michele Zefferino serve on the Committee.

The members of the Committee remain in office until their respective mandates of administration expire and, in accordance with Article 8.P.4. of the Code, at least one Committee member must hold suitable experience in accounting and finance. The Board of Directors’ meeting of 6 February 2007 specifically verified that two members of the Committee meet these requirements.

The Chairman of the Committee is invited ex officio to attend meetings of the Supervisory Committee set up under Legislative Decree no. 231/01.

The Committee functions as governed by a specific regulation approved by the Board of Directors and last updated by the Board resolution of 5 June 2007.

The Committee is responsible for performing the following duties:
- to assist the Board of Directors in setting policy guidelines of the Internal Control System, ensuring that the principal risks faced by the Parent Bank and Group companies are correctly identified and properly measured, handled and monitored; and to work out criteria for determining how far these risks are compatible with sound and proper corporate management;
- to evaluate the Internal Auditing Department’s audit plan and review its quarterly reports;
- together with the Director charged with drawing up the accounts and the external auditors, to evaluate how to correctly implement the accounting standards and ensure that they are consistent in the preparation of the consolidated financial statements;
- upon the request of the Executive Director, to express opinions on specific aspects of the identification of the main corporate risks and the design, implementation and management of the Internal Control System;
- to evaluate the audit plans and the results appearing in the reports and suggestion letters;
to monitor the effectiveness of the account auditing process;
- to assess any findings that emerge from the reports of the Internal Auditing Department and the Compliance Function of the Parent Bank and Group companies;
- to report to the Board of Directors, at least every six months (during the approval of the financial statements and the half-year report), on its own activities and the adequacy of the Group's Internal Control System;
- to perform other tasks as required by the Board of Directors;
- to assist the Board of Directors in defining the methods for approving and performing transactions with related parties and transactions in which it is presumed that there is a direct or indirect conflict of interest.

The Executive Director charged with overseeing the proper functioning of the Internal Control System and the Chairman of the Board of Auditors are invited to take part in the activities of the Committee on a permanent basis.

The General Manager may also be invited to take part in Committee meetings, as may, disjointly, any of the following, in relation to specific matters: the heads of the Internal Auditing and Risk Management Departments of the Parent Bank, senior managers of the Parent Bank, and the heads of Group companies.

The Committee meetings are typically held once a month and in any case in due time to resolve on matters that the Committee must refer to the Board of Directors.

In addition to the Committee’s ordinary control activities, in 2007 the Committee conducted specific analyses on:
- the findings of the Internal Control Function’s audit activities – as required by the pro tempore CONSOB Regulation in force;
- the findings of the Internal Auditing Department’s audit activities;
- the Internal Auditing Department’s audit plan for 2007.

Furthermore, as per the “Intervention plan” and taking into account particular situations arising during the year, the Committee has:
- held repeated preliminary meetings with the external audit company on the progress of the activities planned for the audit of the accounts;
- followed the evolution of the compliance function;
- analysed the evolution of the new methodological approach of the Internal Auditing Department and its new relational/reporting methods;
- monitored the progress of the most significant project-related activities, focusing special attention on the following projects concerning:
  - credit risk;
  - Group-level operating risks;
  - integrated management of processes and business regulations;
  - integration of Cassa di Risparmio di Alessandria;
  - the internal control model in compliance with the Investor Protection Act.

During the year the Committee also performed in-depth analyses:
- with the Legal Department on:
  - methods adopted for evaluating impaired loans;
  - the monitoring of litigation cases and accounting matters;
  - debt recovery activities;
  - relations with external counsel;
- with the management of BPM Ireland plc on:
  - classification, credit rating/spread, fair values, duration of the company’s securities portfolio;
  - investment policies, decision-making processes, operating limits and internal control procedures of the Parent Bank;
- with the management of Banca Akros SpA on risk monitoring and management;
- with the Organisation Department on the test results relating to the Operating Continuity Plan and the contingency funds planning;
- on the assimilation of the EU’s new Market in Financial Instruments Directive (MIFID).
During the meeting of 16 January 2007, on the proposal of the Managing Director, the Committee approved the appointment of the new Internal Auditing Manager.

During the course of 2007 the Committee held 17 meetings lasting on average about 3 hours and with a 93% overall percentage of attendance (the percentage of attendance of each Committee Director is reported in Table 1 attached hereto). Meeting minutes are drawn up and sent to the Committee members as well as to the Executive Director charged with overseeing the proper functioning of the Internal Control System and the Chairman of the Board of Auditors.

Lastly, the Internal Control Committee has regularly reported on its activities to the Board of Directors.

d) The Director charged with overseeing the proper functioning of the Internal Control System

With a Board resolution of 6 February 2007 and with the support of the Internal Control Committee and having heard the Board of Statutory Auditors, the Board of Directors appointed Mr. Marcello Priori as the Executive Director charged with overseeing the proper functioning of the Internal Control System.

The Executive Director is in office until his mandate as director expires and is vested with the powers as per Article 8.C.5 of the Code, i.e.:

- to see to identifying the main corporate risks, taking into account the characteristics of the business carried on by BPM and its subsidiaries, and to present a review of these periodically to the Board of Directors for their examination;
- to carry out the general policies laid down by the Board of Directors and contained in particular in the “Internal Control Model of Banca Popolare di Milano”, constantly checking its overall adequacy, effectiveness and efficiency, and assessing the measures needed to adapt the system to changing operational, legislative and regulatory circumstances;
- to make proposals to the Board of Directors for the appointment, dismissal and remuneration of one or more managers responsible for internal control.

Given that the Code and the Finance Law underscore the central role played by the Board of Directors (and, in regards to the former, of the Committees set up within the Board) on matters of internal control and procedure compliance, the work carried out in 2007 focused on increasing the knowledge of BPM Group's Internal Control System through:

- meetings with managers to test their awareness of the overall risks the Group faces when performing its specific activities and the impact of line controls;
- meetings and exchanges of information with the Internal Auditing Department Manager, even regarding the implementation of the new methodological approach in terms of Group-level audits;
- meetings with control managers of the Group's banks in order to have a first-hand look at the degree and uniformity of culture and the intervention methodologies adopted following plans approved by the Board of Directors;
- participating in Control Committee meetings following invitations from the Chairman to analyse, tackle together and discuss during the proposal-making phase the main challenges and solutions concerning the Internal Control System to be submitted to the Board of Directors.

Within this ambit, the Executive Director informed the Board of Directors directly or through the corporate departments as to the steps taken to amend and implement the Internal Control System, the measures adopted to bring this latter into line with the new laws, regulations and the Code recommendations, as well as the main projects completed, underway or planned, including by way of example only:

- the rationalisation of first-level controls, even through monitoring activities based on IT procedures (the tangible results of which will begin to be seen in 2008);
- the establishment at the end of December 2007 of the compliance function (operational from March 2008) which features suitable requirements of independence, authority and professionalism and has the main task of drawing up and managing an adequate and effective programme aimed at strictly enforcing regulations and self-regulation measures;
- the implementation of an ad hoc training plan for network personnel and central functions aimed at raising awareness among personnel at all levels and improving their perception of the value of controls.

By virtue of the tasks assigned to him, the Executive Director, together with the Chairman of the Control Committee and of the Board of Statutory Auditor, while respecting the particular sphere of competence of each and with a view towards active collaboration, as envisaged in the Code, has also defined a work plan geared towards examining specific organisational procedures, processes and functions deemed particularly relevant in keeping the Internal Control System constantly monitored and updated.
The plan is to be implemented also in 2008 and envisions, among other things, assessments on market abuse, credit management, the management control system, as well as vulnerability and IT risk analyses and risk governance.

e) Supervisory Committee (as required by Legislative Decree no. 231/01)
The Supervisory Committee, set up with the Board resolution of 13 January 2004 in accordance with Legislative Decree no. 231/01, in 2007 assessed the adequacy of the organisation, management and control model and the Code of Ethics adopted by the Bank and verified compliance therewith to monitor how they work in order to prevent the committing of the offences described in Legislative Decree no. 231/01 (and subsequent integrations and modifications).

The Supervisory Committee is composed of Alberto Banfi (Chairman), Gino Camillo Puliti, Alessandro De Nicola and Carlo Cesare Farma (Internal Auditing Manager).

In the course of 2007, the Supervisory Committee set up as per Legislative Decree no. 231/01 took the following action:
- kept abreast of evolutions in legislation to ensure that the organisation, management and control model and the Code of Ethics were constantly up-to-date;
- prepared a Guide to assist interpretation of the organisational model by identifying its essential points and those of the Code of Ethics;
- conducted another staff training session (and verified that it actually took place) to match the changes made to the organisational model and the Code of Ethics at the end of 2006, by e-mailing both documents to all Bank staff and by making a course available over the intranet, again for all BPM staff, complete with specific tests to check that the content was assimilated. This initiative served as an opportunity to request checks on the use of the intranet system and e-mail forwarding within the Bank;
- held informational meetings with the General Manager and representatives of the Bank’s different functions (in particular, of the Administrative and Operational Department – now the Administration, Planning and Control Department – the Organisation Department, Staff Education and Training Area, Legal Secretariat of the Human Resources Department);
- provided instructions on the minimum number of members on the Supervisory Committee for the other BPM Group companies;
- set up meetings with representatives to plan legal co-ordination activities of the Supervisory Committees of the other Group companies. This activity was launched through the meetings previously held with representatives of the Supervisory Committees of Banca di Legnano SpA and Banca Akros SpA;
- requested a legal opinion on matters that might be significant in the light of Legislative Decree no. 231/01;
- analysed all e-mails addressed to it, noting and discussing at Committee meetings any significant contents that concern its remit, and forwarding those that do not to the Complaints Office for handling as usual.

Since January 2005 a special section of the BPM website has been dedicated to the Supervisory Committee set up as per Legislative Decree no. 231/01. This section sets out, among other things, the Committee’s composition, regulations, and main functions; it also contains the Code of Ethics and the associated legal and regulatory framework.

During 2007 the Committee met 8 times, with a 97% overall percentage of attendance.
External audit company

On a motion proposed and explained by the Board of Statutory Auditors, the BPM General Meeting of Members of 21 April 2007 entrusted the auditing of the Bank's financial statements and the consolidated financial statements and half-year reports of BPM Group for the 2007/2015 financial years to the audit company Reconta Ernst & Young S.p.A., registered in the special rolls held by CONSOB in accordance with Article 161 of the Finance Law.

Director charged with drawing up the company’s accounts

At the meeting of 14 May 2007, after having obtained the favourable opinion of the Board of Statutory Auditors and in compliance with Article 154-bis of the Finance Law and Article 44, paragraph 2 of the Articles of Association (the text of which had been approved by the extraordinary General Meeting of Members of 21 April 2007), the Board of Directors appointed Mr. Roberto Frigerio as the “Director charged with drawing up the company’s accounts”, in view of his overall professional experience and his current role as Manager of the Administration, Planning and Control Department. The aforementioned Article 44, paragraph. 2 of the Articles of Association states that the Director charged with drawing up the company’s accounts be “chosen from among the managers of the Bank who have performed managerial duties in accounting and administration for at least five years”. The Board also conferred upon Mr. Frigerio the powers and means necessary to exercise the related duties under law within the ambit of the Group.

Within this context, in 2007 and in compliance with the Investor Protection Act, together with the advisory firm PriceWaterhouseCoopers, BPM developed a special project for the definition of a control model to verify the adequacy and effective application of internal controls relating to the accounting and financial disclosures of BPM Group. To this end, the elements that are essential to an organisational practice of reference were identified, consistent with the Governance model of the BPM Group and with the operational model supporting the “Director charged with drawing up the company's accounts”. This model is inspired by the “CoSo Framework” (Internal Control Integrated Framework), the standard of reference for implementing and evaluating internal control systems.

Based on the logical scheme of reference, the auditing company:
- defined the perimeter of applicability (scoping) on the basis of quantitative and qualitative criteria;
- formalised processes and performed risk and control analyses, identifying “key controls”;
- carried out a “testing” phase to evaluate the effective application of the key controls;
- performed a final evaluation on the adequacy and effective application of the administrative and accounting procedures of BPM Group aimed at correctly drawing up BPM’s individual financial statements and the consolidated financial statements of the Group.

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

At BPM, the Board of Directors has always had sole decision-making power under the Articles of Association and its own Regulations. This means that there can be no delegation of its authority to approve transactions which have a major impact on its income statement, balance sheet or financial position (“significant transactions”), as defined on the basis of one or more of the following criteria:
- quantitative criteria (such as lending amounts greater than 15% of the Bank’s share capital, as per Article 10 of the current Credit Line Regulations) and/or
- qualitative criteria (such as the purchase and sale of equity investments or real estate as defined in Article 36 of the Articles of Association, credit lines for any amount to affiliated companies or to organisations of a political, trade union or religious nature, or to national publishing or broadcasting companies or individuals who carry on political activities, according to Articles 10 and 5 of the current Credit Line Regulation, respectively.
“Significant” transactions, as defined in Articles 1.C.1.f and 9 of the Code, include transactions with related parties and transactions where there is a potential conflict of interests.

Article 71-bis introduced an obligation to disclose (by means of a special reporting form or as part of the normal flow of reporting required in particular cases) any transactions with related parties (including any made through controlled subsidiaries) which because of the “object of the transaction, the amount paid, the method used or the timing of the transaction could have an impact on the company’s net asset value or on the full and fair reporting of the company involved, including its financial reporting.”

In view of the coming into force of this regulation, the Bank’s Board of Directors considered the matter at its meeting on 10 December 2002. First of all, it concluded that the Bank’s existing regulations (enshrined in law, internal rules or standard management practice) were already such as to guarantee the substantive fairness and proper procedural handling of any transactions with related parties; the Board might however wish in future to codify BPM’s internal governance in the form of 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 guidance for all those concerned as to when they must 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 substantive fairness and proper procedural handling.

During 2007 and after having obtained the favourable vote of the Internal Control Committee, the Board of Directors approved updating the aforementioned “Guidelines” to reflect the changes occurred in the legal and regulatory framework (most recently with reference to the significant transactions as per Article 136 of the Banking Law, as amended by Legislative Decree no. 303 of 29 December 2006). Further provisions concerning the scenarios envisaged under Article 2391 of the Italian Civil Code were inserted (i.e., those in which a Director has a personal or third-party interest) in order to specify the legal framework of Board members’ obligations in situations where there is a potential conflict of interests, with particular reference to those obligations that specifically concern Group office-holders.

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

In the first place the Guidelines define “significant transactions” (whatever the other party) as those that, by way of example, fall into the following categories:

- the acquisition and disposal, in any form, of equity investments, businesses or parts thereof;
- the formation of companies, temporary business consortiums or any kind of partnership or strategic alliance;
- the granting of secured or unsecured loans and/or guarantees to any individual or group which in total represents over 15% of the Bank’s share capital, as in Article 10 of the current Credit Line Regulations;
- the issuing of financial instruments;
- the purchase or sale of fixed assets and the acquisition or disposal in any form of real estate in general;
- the granting of credit lines to organisations whose purpose is the pursuit of ends described in Article 5 of the present Credit Line Regulations;
- transactions that require the Bank to publish a written report under CONSOB rules, for example mergers/demergers, or the acquisition or disposal of equity investments or of businesses or parts thereof, fixed assets or acquisitions or disposals involving contributions in kind.

For the purposes of determining the criteria for “significance”, the Guidelines then refer to the indicators listed in CONSOB Circular DIS/98081334 of 19 October 1998.

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

Secondly, the Guidelines define the concept of “related party” which – in accordance with CONSOB Resolution 14990 of 14 April 2005 – now refers to persons identified as such under IAS 24.

The BPM Group has conducted a census (which is regularly updated) of the positions that might qualify as “related parties” of the Bank 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 with the Bank by such parties (which are also specifically disclosed, on an aggregate level, in the appropriate section of the explanatory notes accompanying the financial statements).

Thirdly, the Guidelines state that certain transactions when conducted with related parties are always treated as “significant”, regardless of the amount or their classification in the categories listed earlier. Such transactions will always require Board approval. These specifically refer to those transactions defined by Article 136 of the Banking Law (“Obligations of Bank Corporate Officers”) and to credit lines, for any amount, given to wholly-owned, associated or even part-owned companies, in accordance with Article 10 of the Credit Line Regulations.

More specifically, Article 136 of the Banking Law (as amended by the Investor Protection Act and more recently Legislative Decree no. 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; this is in addition to Civil Code obligations relating to directors’ interests and transactions with related parties.” The same provisions also apply to loan transactions that such parties may enter into with other BPM Group companies and also to obligations undertaken by BPM to companies controlled by such persons or in which they perform administrative, managerial or supervisory functions, or companies controlled by such companies or which control them. Obligations between companies belonging to the same bank group or between banks as part of transactions on the interbank market are, on the other hand, excluded from the scope of this provision.

It goes without saying that subject to the exceptions above, the Board’s examination and approval is not usually required for transactions with related parties which merely form part of the ordinary services offered by the Bank on standard terms (e.g. opening of current accounts or custody of securities, orders to purchase securities, various customer services, etc.).

Fourthly, the Guidelines give a definition of significant transactions with related parties and especially those subject to disclosure requirements under RE Article 71-bis, dividing them into:

- **intra-Group transactions** (i.e., transactions conducted by the Bank, directly or through other Group companies, with companies directly or indirectly controlled or jointly controlled by BPM, or companies linked with BPM, even indirectly: for instance, companies part-owned by BPM’s controlled subsidiaries, or controlled subsidiaries of companies part-owned by BPM);
- **transactions with other related parties**, meaning BPM (or Group) office-holders or their close family members, or with organisations controlled or jointly controlled by such office-holders or their close family members, or over which such persons have a significant influence, or in which they directly or indirectly wield a significant proportion of voting rights.

More specifically, for the purposes of identifying transactions governed by RE Article 71-bis and its reporting requirements, significant transactions with related parties (as defined above) include those that are atypical or unusual or are concluded on terms that differ substantially from standard ones (and as such could put the Bank’s net asset value at risk, or compromise BPM’s full and transparent reporting, including its published accounts). The following definitions apply:

- **“atypical and/or unusual”**: transactions whose size/significance, characteristics, other contracting party (and related risks), assets involved (especially so far as “ordinary management” is concerned), price determination or timing arrangements (especially near the financial year’s end) present particularly critical or suspicious features or could in any way afford grounds for doubting the fullness or accuracy of the information in the financial statements, or suspecting a conflict of interests, or a threat to the company’s assets or the protection of its minority interests (also see CONSOB Circular DEM/6064293 of 28 July 2006); and also any transactions outside the normal course of the Bank’s business;
- **“non-standard” terms**: terms significantly different from those usually applied by the Bank, or in any way differing from those applied to its prime customers or to its staff.
Considering that the regulations extend to parties that are not always immediately identifiable by the Bank, BPM reserves the right to ask its trading partners in any significant transaction to provide a prior statement regarding the existence of any grounds for being regarded as a related party.

**Fifthly**, the Guidelines specify how the Board of Directors should examine and approve such transactions.

In general, all transactions with related parties – including those carried out through controlled companies – must respect the principles of substantive fairness and proper procedural handling, where “substantive” refers to the propriety of the transaction’s economic terms (in relation to the Bank’s interests, seen in terms of the whole Group) and “procedural” refers to compliance with the procedures intended to ensure the transaction’s substantive fairness. The BPM Board of Directors (having first considered the opinion of the Internal Control Committee) or the Board of its controlled subsidiary must therefore as a matter of course be informed beforehand about the following details:

- the nature of the relationship, and the frequency of similar transactions with the same related party;
- the transaction’s principal features, terms and mode of execution;
- BPM’s interest in carrying out the transaction, and any associated risks;
- the substantive 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 valuers with recognised expertise in valuing the assets concerned and providing financial, legal or technical advice. This means that independent audit companies and other experts may be employed to issue fairness opinions, and lawyers to issue legal opinions.

For the purposes of applying RE Article 71-bis and complying with the consequent reporting requirements, the Board of Directors will use this information to evaluate the transaction on the basis of:

- its object (whether the transaction falls within or outside BPM’s normal business and its commercial or financial nature);
- its financial terms (whether the consideration is in line with market prices or not, whether it is being carried out on standard terms applied to customers or employees, and whether it is essentially in line with similar transactions that have been carried out with unrelated parties);
- its mode of execution (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:

- the Bank’s net asset value (especially with regard to the “significance” of the transaction in quantitative terms relative to BPM’s share capital), or
- the fullness and fairness of BPM’s reporting, including its published accounts (especially its stakeholder reporting and information that will subsequently be published in quarterly, half-yearly and year-end financial statements).

**Lastly**, the Guidelines lay down certain rules of conduct for 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 one relating to the Director’s close family or to a company controlled directly or indirectly by the Director or his close family – he must promptly and fully disclose the existence and circumstances of the interest to the other Directors and to the Board of Statutory Auditors so that they can thoroughly assess its importance, whether there actually is a conflict of interests or not.

This duty has now been developed and generalised in Article 6 of the Credit Line Regulations, which explicitly provides that “as required by Article 2391 of the Italian Civil Code, a Director of the Bank or of another Group company must give the other Directors and the Board of Statutory Auditors of the company in which he holds such office notice of any interest he has, on his own account or that of others, in a particular transaction, and must give precise details of the transaction’s nature, terms, origin and scale. The subsequent resolution of the Board of Directors must properly explain the reasons for the transaction and its benefit to the company”.

Once the Director concerned has discharged this reporting duty, the Board of Directors then proceeds, in accordance with the general principles indicated by CONSOB under Article 2391-bis of the Italian Civil Code, to decide, in view of the
transaction’s type and size and the nature and closeness of the relationship with the other contracting party, whether:

- to authorise the Director to take part in the discussion and any decision concerning the transaction, without prejudice to his right to abstain if he thinks fit, or
- to ask the Director to withdraw temporarily from the meeting, as it must if it finds that he has a “personal” interest (i.e., a personal interest of his own or of a family member or a company controlled by any such person, in the case, for instance, of a loan).

Confidential information and Code of Conduct on “Internal Dealing”  
(Article 4 of the Code)

a) Handling of confidential information

In connection with the provisions of Article 114 of the Finance Law, and on the basis of the recommendations and principles contained in the Code and in the “Guide to Market Disclosures”, the Board of Directors’ meeting of 25 February 2003 adopted a special procedure for the internal management and external communication of documents and information concerning the Bank, with particular reference to “price sensitive” information (now referred to as “privileged information”).

In the light of the altered legislative and regulatory context (in particular the Market Abuse Directive and the CONSOB guidance on this subject most recently in CONSOB Communication no. 6027054 of 28 March 2006) the Board decided on 25 July 2006 that the Bank should have a new set of rules entitled “Banca Popolare di Milano Group Rules on Disclosure Obligations under Finance Law Article 114”. These specify the Group’s internal procedures for ensuring that privileged information (as defined by Finance Law Article 181) is kept confidential throughout the stage between the commencement of any business dealings and the point at which there is a market disclosure obligation, as well as ensuring that such disclosures are then made promptly and without discrimination.

As to the powers, duties and reporting flows specified in this procedure, it prescribes that the Board of Directors, if possible, or otherwise the Chairman of the Board of Directors or his nominee, shall assess whether the confidentiality of a given item of information makes it “privileged” for the purposes of Finance Law Article 114, and if so who, if anyone, should be authorised to receive it.

With specific reference to the publication of statements concerning privileged information, while the authorisation process remains as above, the internal procedure now specifies the particular powers and duties of the present “External Relations” and “Parent Bank Corporate Affairs” (now “General Affairs”) departments and their co-ordination, together with those of other relevant company units. In the case of statements by controlled subsidiaries, the text of these is sent to the Parent Bank Corporate Affairs (now “General Affairs”) Department, which first checks their nature and suitability and then forwards them to the External Relations Department for distribution as appropriate.

At the meeting of 26 February 2008, the Chairman of the Internal Control Committee, together with the Executive Director charged with supervising the controls and the Chairman of the Board of Statutory Auditors, presented the Bank’s Board of Directors with a summary report summarising the complete regulatory framework on the management of all corporate-related information (even non-privileged information). Said report also summarises officer obligations relative to the aforementioned regulations and, even in the light of the relevant interventions required by the Bank of Italy Ruling of 4 March 2008, will probably serve as the basis of wider and more complex internal regulations. After evidencing that the “circulation of information among and within corporate bodies is a necessary condition for achieving effective management and efficient control objectives”, the Ruling charges banks with the task of taking “special care in establishing forms of communication and exchanges of information that are exhaustive, timely and accurate between bodies with strategic supervisory, management and control functions, in relation to each one’s duties and within each body. Organisational supervisory functions will be set up to avoid the risk that confidential information is improperly divulged”.

Furthermore, in accordance with Article 115-bis of the Finance Law (and the associated CONSOB Regulations), BPM now keeps a register of persons who because of their work or professional activities or their particular duties have access to
so-called “privileged information”. The Bank has also adopted special “Banca Popolare di Milano Group Rules on the Insiders’ Register required by Article 115-bis of the Finance Law”.

By specifying roles, responsibilities and rules of conduct, these rules identify the individuals in possession of privileged information within BPM and its Group for the purposes of their inclusion in the special register.

As permitted under RE Article 152-bis, BPM also manages the Insiders’ Register of its controlled subsidiaries (with reference, of course, to privileged information about BPM itself).

b) Internal Dealing Code of Conduct

In accordance with the then current provisions of the “Regulations for Markets Organised and Managed by Borsa Italiana SpA”, the Bank’s Board of Directors decided on 10 December 2002 to adopt its own Code of Conduct on “Internal Dealing”.

Following the coming into force of the new regulations concerning market abuse – and in particular of the new Article 114, paragraph 7 of the Finance Law (as amended by Law no. 62/05) and, from 1 April 2006, of Articles 152-sexies/152-octies RE (as amended by CONSOB Resolution no. 15232 of 29 November 2005) – this BPM Code was partly amended by the Board of Directors on 14 March 2006 to bring it into line with the new CONSOB rules.

The updated version of this Code very effectively regulates disclosure requirements and any restrictions on dealings by “Relevant Persons” (Insiders) or “Persons closely associated with Insiders” in listed financial instruments issued by Banca Popolare di Milano, or related financial instruments.

The purpose of the Code (and the associated disclosures) is to ensure the utmost transparency and consistency of market disclosures about the conduct of Insiders (persons with access to privileged information concerning the Bank and the Group).

Transactions of Euro 5,000 or more involving the purchase, sale, subscription or exchange of BPM shares (or financial instruments related to BPM shares) by Insiders or their “Closely Associated Persons” must be reported to the market by the end of the year.

Insiders must report such transactions to CONSOB and to BPM within five trading days of execution. BPM itself may see to the notification to CONSOB on the Insider’s behalf, by the same deadline. The Bank must then publish this information (through a statement sent to Borsa Italiana SpA, to two press agencies and to CONSOB) by the end of the next trading day after receiving notification from the Insider.

The Bank’s Code of Conduct also bans Insiders from carrying out any transactions in the above financial instruments during the so-called “black-out periods”. These are the 30 days prior to the meeting of the Board of Directors convened to approve the draft financial statements (as shown in the “Calendar of Corporate Events”) and the 30 days prior to the date of any Ordinary or Extraordinary General Meeting not involving approval of the financial statements, or any longer period between the notice convening the General Meeting and the Meeting itself.

The text of this Code and all individual notifications of transactions executed are available for consultation on the Bank’s website in the section entitled “Code of conduct on Internal Dealing” (as indeed recommended in the CONSOB guidance on this subject, in particular CONSOB Communication no. 6027054 of 28 March 2006).

In the course of 2007 three such transactions have been notified to the market and to CONSOB (and published on the website).
a) Relations with Shareholders and Members
To maintain a constant dialogue with the Shareholders in general, and with institutional investors in particular, and also in order to comply with its reporting requirements, the Bank has an Investor Relator (the role currently held by Roberto Peronaglio), a function set up by the Board of Directors in May 2001 and subsequently structured to become a unit. The main task of this unit 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 special section of the Bank’s website (www.bpm.it) is currently devoted to Investor Relations, again 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-economic and other documents concerning the Bank.

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

As regards relations with Members (also supervised through a special unit), the Bank’s Board of Directors has implemented the Code’s recommendations by confirming on 1 April 2003 its general resolution concerning the “rules for the admission of Members and the management of relationships with them”.

In particular, this resolution:

- confirms the establishment of the “Members’ Relations Commission” with powers to review applications for admission, to exclude Members and to waive the preferred guarantee restriction on membership shares. The Commission is composed of six Directors;
- defines requirements and procedures for admission, specifying the arrangements (including the documentation required) for the admission of Italian or foreign corporations, in addition to the minimum shareholding (100 shares) and a written undertaking to maintain this number of shares over time;
- lays down requirements and procedures for excluding Members;
- outlines the criteria for maintaining the Register of Members and the Register of Shareholders;
- specifies the procedures for granting any special treatment or benefits to Members.

In 2007, the Members’ Relations Commission met nine times (with each meeting lasting on average about 35 minutes and having an overall 89% attendance percentage).

The majority of the Commission is composed of independent Directors. The Commission currently consists of the following Directors (with the percentage of attendance of each): Valerio Tavormina (Chairman, 100%), Enrico Airaghi (89%), Giuseppe Coppini (67%), Roberto Fusilli (100%), Marcello Priori (89%) and Michele Zefferino (86%).

In 2007 the Commission’s main function has been to review membership applications, of which there have been 637 in all (of which 635 were accepted and 2 were denied because the documentation the applicants presented was incomplete/unsuitable).

In line with other co-operative banks, and on the basis of preparatory work by the Commission, the Board of Directors decided in November 2007 to remove 3,581 names from the Register of Members since they appeared no longer to be shareholders. The individuals were informed that they could be reinstated in the Register of Members if they were able to prove that on 31 October 2007 they held the required shares, lodged with another bank or intermediary or still held in the form of a paper certificate.
As of 31 December 2007, there were 47,278 Members and a further 46,518 Shareholders not entered into the Register of Members, for an overall total of 93,796 names.

b) Regulations for General Meetings
The need to adopt such a set of Regulations arises from the central role played in listed companies by the General Meeting as a key part of the relationship between Members and the Board of Directors, and indeed from the very structure of BPM as a co-operative bank, where individual membership and Members’ relations with the company are of key importance especially during meetings.

With this in mind and in accordance with the Code’s recommendations, the ordinary meeting of 20 April 2002 approved the “Regulations for General Meetings”, which govern the efficient and orderly conduct of ordinary and extraordinary General Meetings of Members. The Regulations specify in detail the arrangements and deadlines for participation in the General Meeting, the Chairman’s powers to conduct the Meeting’s work while respecting every Member's right to address it on any agenda item and to formulate motions, and the practical arrangements for preparing the ballot papers, and for holding and counting votes.

These Regulations, now of legal force having been duly incorporated in the Articles of Association, were updated by the ordinary meetings held on 19 December 2002, 23 April 2005 and more recently on 21 April 2007 following the amendments to the Articles of Association for appointing members of the Board of Directors.

It should be noted that the Regulations are being updated even in the course of this financial year to comply with regulatory provisions and more specifically with the proposal (to be submitted to the Members’ Meeting of 18/19 April 2008) to integrate the provisions on the methods for the presentation of lists (already assimilated into the Articles of Association through meeting resolutions, in accordance with Article 2365 of the Italian Civil Code, of 26 June and 23 October 2007).

The latest version of BPM’s Regulations for General Meetings may be consulted on the website in the “Members and shareholders” and “Corporate governance” sections.
Board of Statutory Auditors (Article 10 of the Code)

The Board of Statutory Auditors was last appointed by the Members’ Meeting of 6 May 2006 and consists of a Chairman, four Acting auditors and four Alternate auditors, who are elected from among the Bank’s Members. In particular, Article 41 of the Articles of Association reserves two Acting and two Alternate positions to representatives of minority interests.

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

The names of all members of BPM’s Board of Statutory Auditors are given below, together with details of other appointments held by them in other listed companies.

<table>
<thead>
<tr>
<th>Office</th>
<th>Name</th>
<th>Other offices held in companies listed on Italian regulated markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Antonio Ortolani</td>
<td>Acting auditor, D.C.M. S.p.A.  Acting auditor, CAMFIN S.p.A.</td>
</tr>
<tr>
<td>Acting auditor</td>
<td>Marco Baccani</td>
<td>Acting auditor, Cairo Communications SpA</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>Alternate auditor</td>
<td>Salvatore Rino Messina(**)</td>
<td></td>
</tr>
<tr>
<td>Alternate auditor</td>
<td>Enrico Radice</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>

* minority representation (list “Together for BPM”)
** minority representation (list “Committee of Non-staff Members”)

The term of office of the entire Board of Statutory Auditors expires at the General Meeting convened to approve the financial statements for 31 December 2008.

The Investor Protection Act and, most recently, Legislative Decree no. 303/06 (and its implementing CONSOB Regulations) have made considerable changes to the arrangements for appointing corporate bodies. BPM made the necessary changes to its Articles of Association at its General Meeting of 20/21 April 2007 and later with meeting resolutions, as per Article 2365 of the Italian Civil Code, of 26 June and 23 October 2007. This should be borne in mind when studying the following description of the current arrangements at BPM for the election of the Board of Statutory Auditors.

Under Article 41 of the present Articles of Association, the Board of Statutory Auditors is elected on the basis of lists, each presented by at least 300 Members representing overall 0.50% of the share capital and who have been included in the Register of Members for at least 90 days.

The lists of candidates, signed by those presenting them, must be lodged at the Bank’s registered office at least fifteen days before the date scheduled for the meeting on first convening; they must also be accompanied by each candidate’s CV and declaration that he/she is personally willing to stand and takes personal responsibility for confirming that there are no grounds for ineligibility or incompatibility, and that the requirements prescribed by law or by the Articles of Association for holding this office have been met. For this purpose it should be borne in mind that the areas of business strictly related to the Bank’s activities are banking, finance and insurance.
As in the election of Directors, so in that of the Board of Statutory Auditors, Article 22 of the present Regulations for General Meetings provides that “the lists together with their curriculum vitae, are available to Members at the Company's head office and announced in summary form by the Chairman at the Meeting before the polling stations are opened.” On this point, it should be noted again that when the Agenda for a BPM General Meetings includes the appointment of the Board of Statutory Auditors, the Bank takes steps to ensure that a special press release is published to inform Members and the market beforehand about the lists presented, with all the candidate's names. Candidates' CVs are regularly published before the General Meeting on the corporate website, and this is brought to Members’ attention in the notice of convening. In addition, it should be noted that the publication of the candidate lists and their CVs including personal and professional information is now expressly governed by CONSOB (RE Articles 144-octies and decies).

Article 41 of the Articles of Association also provides that persons cannot be appointed to the Board of Statutory Auditors and they fall from office if they have been elected if “they do not have the prescribed prerequirements or if they are Acting members of the Board of Statutory Auditors of five or more other companies whose securities are listed on regulated Italian markets, or who are members of the governing or supervisory body of any other bank unless it is either a central banking association or a BPM subsidiary”. This provision of the Articles of Association now needs to be amended within the ambit of regulations on listed companies in the light of Article 148, paragraph 3 of the Finance Law on the independence requirements of auditors and Article 148-bis of the Finance Law (and Articles 144-duodecies et seq of RE) concerning restrictions on multiple office-holding for members of supervisory bodies.

Pursuant to Article 10.C.2. of the Code, in 2007, the Board of Statutory Auditors conducted checks that showed that its members successfully met the independence requirements in accordance with Article 3 of the Code.

During Board meetings, Auditors who on their own behalf or on that of third parties have an interest in certain transactions of the Bank provide timely and exhaustive information on the nature, term, origin and size of their personal interest and if it emerges that they have an interest (i.e., their own, their family's, or that of their controlled company) they temporarily leave the meeting.

Regarding the methods for appointing the members of the Board of Statutory Auditors, as it emerges following the amendments made to the Articles of Association resolved on by the extraordinary Meeting in April 2007, the following should be noted. Three Acting auditors and two Alternate auditors are selected, in consecutive order, from the list with the most votes obtained from the Meeting. One Acting auditor and one Alternate auditor are selected, also in consecutive order, from the list with the second highest number of votes. The remaining Acting auditors and Alternate auditors are selected, in consecutive order, from the list with the third highest number of votes, if any. If only two lists have been presented, the two Acting auditors and the two Alternate auditors reserved for election by the minority are all selected from the list with the second highest number of votes. The Chairman of the Board of Statutory Auditors is the leading Acting auditor on the minority list with the most number of votes.

During the course of 2007, the Board of Statutory Auditors met 71 times, with each meeting lasting on average one and a half hours (the percentage of attendance of each Auditor is reported in Table 2 attached hereto).

The Board of Statutory Auditors takes part in all meetings of the Board of Directors and of the Executive Committee and (in the person of the Chairman or his nominee, who must be an Acting auditor) in meetings of the Internal Control Committee. Members of the Board of Statutory Auditors may also be deputed to attend meetings of the Financing Committee, and those of the Supervisory Committee set up as per Legislative Decree no. 231/01.
Under Article 42 of the Articles of Association, the Arbitration Committee – consisting of three acting and two alternate members elected from among the Members by the General Meeting – considers disputes reserved to it by the Articles of Association and seeks to resolve any disagreements that arise between Members, or between Members and the Bank’s Managers or Directors, concerning matters involved in their corporate relationships.

So that appointments to all the Bank’s bodies (Board of Directors, Board of Statutory Auditors and Arbitration Committee) might in the future be made on one occasion, the General Meeting of 6 May 2006 renewed the appointment of the Arbitration Committee which had been elected in April 2005 for a new three-year period (i.e. for the years 2006 – 2008).

Alfiero Fontana (who was then appointed Chairman of the Committee), Italo Ciancia and Sergio Serafini were accordingly elected Acting members of the Arbitration Committee for this three-year period, and Gianfranco Carugati and Dario Mezgec as Alternate members.

***

Milan, 1 April 2008

Board of Directors
Table 1: composition of the Board of Directors, the Executive Committee and the Committees provided for under the Code

<table>
<thead>
<tr>
<th>Office</th>
<th>Name</th>
<th>Executive</th>
<th>Non-executive</th>
<th>Independent</th>
<th>No. of other posts**</th>
<th>Internal Control Committee</th>
<th>Remuneration Committee</th>
<th>Executive Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Roberto Mazzotta</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td>4</td>
<td>X</td>
<td>98</td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Mario Artali</td>
<td>X</td>
<td>yes</td>
<td>91</td>
<td>3</td>
<td>X</td>
<td></td>
<td>88</td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Marco Vitale</td>
<td>X</td>
<td>yes</td>
<td>82</td>
<td>14</td>
<td>X</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Enrico Airaghi*</td>
<td>X</td>
<td>yes</td>
<td>95</td>
<td>--</td>
<td>X</td>
<td>94</td>
<td>98</td>
</tr>
<tr>
<td>Director</td>
<td>Luca Caniato*</td>
<td>X</td>
<td>yes</td>
<td>91</td>
<td>5</td>
<td>X</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Emilio Castelnuovo</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>--</td>
<td>X</td>
<td>100</td>
<td>95</td>
</tr>
<tr>
<td>Director</td>
<td>Giuseppe Coppini</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Enrico Corali</td>
<td>X</td>
<td>yes</td>
<td>95</td>
<td>3</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>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Eugenio Crosta</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td>1</td>
<td>X</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Director</td>
<td>Roberto Fusilli*</td>
<td>X</td>
<td>no</td>
<td>95</td>
<td>1</td>
<td>X</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Piero Lonardi*</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>2</td>
<td>X</td>
<td>88</td>
<td>100</td>
</tr>
<tr>
<td>Director</td>
<td>Maria Martellini</td>
<td>X</td>
<td>no</td>
<td>91</td>
<td>7</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></td>
<td></td>
<td>95</td>
</tr>
<tr>
<td>Director</td>
<td>Gianfranco Pittatore (**)</td>
<td>X</td>
<td>no</td>
<td>77</td>
<td>5</td>
<td></td>
<td></td>
<td>75</td>
</tr>
<tr>
<td>Director</td>
<td>Marcello Priori</td>
<td>X</td>
<td>no</td>
<td>100</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Jean-Jacques Tamburini</td>
<td>X</td>
<td>yes</td>
<td>73</td>
<td>16</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>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Valerio Tavormina</td>
<td>X</td>
<td>yes</td>
<td>95</td>
<td>2</td>
<td>X</td>
<td>88</td>
<td>83</td>
</tr>
<tr>
<td>Director</td>
<td>Michele Zefferino</td>
<td>X</td>
<td>no</td>
<td>95</td>
<td>2</td>
<td>X</td>
<td>94</td>
<td></td>
</tr>
</tbody>
</table>

NOTES:

* Indicates that the Director was elected through a “minority list”.
** Indicates the number of other offices as directors or auditors held in other companies listed on regulated markets in Italy and/or abroad or companies engaged in finance, banking, or insurance, or of significant size (including Group companies of this type). Full details of these appointments are given in the Report on Corporate Governance.
*** BoD member on the Committee.
**** Directors’ percentage of attendance at Board and Committee meetings respectively.

(*) Gianfranco Pittatore was appointed as a member of the Executive Committee on 14 May 2007. Therefore, his percentage of attendance refers to the 24 Committee meetings held after his appointment.

Meetings held in the course of the entire year 2007 and overall percentage of attendance by Directors:

- Board of Directors: 22 meetings; overall attendance 94%
- Executive Committee: 41 meetings; overall attendance 91%
- Financing Committee: 44 meetings; overall attendance 83%
- Internal Control Committee: 17 meetings; overall attendance 93%
- Members’ Relations Commission: 9 meetings; overall attendance 89%
- Remuneration Committee: 6 meetings; overall attendance 97%
- Strategic Advisory Committee: 8 meetings; overall attendance 96%
- Supervisory Committee set up as per Legislative Decree no. 231/01: 8 meetings; overall attendance 97%
### Table 2: composition of the Board of Statutory Auditors

<table>
<thead>
<tr>
<th>Office</th>
<th>Name</th>
<th>Percentage of attendance at meetings of the Board of Statutory Auditors</th>
<th>Number of other offices held in other listed companies**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Antonio Ortolani</td>
<td>85</td>
<td>2</td>
</tr>
<tr>
<td>Acting auditor</td>
<td>Marco Baccani</td>
<td>68</td>
<td>1</td>
</tr>
<tr>
<td>Acting auditor</td>
<td>Enrico Castoldi</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td>Acting auditor *</td>
<td>Emilio Cherubini</td>
<td>89</td>
<td></td>
</tr>
<tr>
<td>Acting auditor *</td>
<td>Paolo Troiano</td>
<td>76</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>Enrico Radice</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 FY 2007: 71

Methods required for list presentation: each list must be presented by at least three hundred Members or, alternatively, by Members representing in total a stake of 0.5% of the share capital and who have been entered into the Register of Members for at least ninety days; Article 41, paragraph 3 of Articles of Association).

NOTES

* Indicates that the auditor was elected through a “minority list”.
** Indicates the number of other offices as directors or auditors held in other companies listed on regulated markets. Full details of these appointments are given in the Report on Corporate Governance.
Table 3: other provisions of the Self-Regulation Code

<table>
<thead>
<tr>
<th>System of delegated powers and transactions with related parties</th>
<th>YES</th>
<th>NO</th>
<th>Summary of any divergences from the Code's recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the BoD granted mandates and specified:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) limits</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) mode of exercise</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) reporting frequency?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has the Board reserved authority to examine and approve</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>transactions of particular importance to the firm’s income,</td>
<td></td>
<td></td>
<td>expenditure, assets, liabilities and/or finances (including</td>
</tr>
<tr>
<td>transactions with related parties)?</td>
<td></td>
<td></td>
<td>transactions with related parties)?</td>
</tr>
<tr>
<td>Has the Board of Directors established guidelines and</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>principles for identifying &quot;significant&quot; transactions?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are the guidelines and principles referred to above described</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>in the report?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has the Board of Directors defined specific procedures for</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>examining and approving related-party transactions?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are the procedures for approving related-party transactions</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>described in the report?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procedure followed in the latest appointment of directors and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>auditors (6 May 2006)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Were the names of candidates for the office of Director filed</td>
<td>X</td>
<td></td>
<td>The ten-day term for filing the names of the candidates as</td>
</tr>
<tr>
<td>at least ten days in advance (Article 7.1 of the 2002 Code)?</td>
<td></td>
<td></td>
<td>provided for in the 2002 Code was applied during the last</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>office renewal (6 May 2006). Having assimilated the 2006</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Code, BPM has extended the term to fifteen days (Articles</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>32 and 33 of the Articles of Association).</td>
</tr>
<tr>
<td>Were the nominations for the office of Director accompanied</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by full and sufficient information?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Were the nominations for the office of Director accompanied by</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>an indication of their suitability to qualify as independent</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Were the name of candidates for the office of auditor filed</td>
<td>X</td>
<td></td>
<td>The ten-day term for filing the names of the candidates as</td>
</tr>
<tr>
<td>at least ten days in advance (Article 7.1 of the 2002 Code)?</td>
<td></td>
<td></td>
<td>provided for in the 2002 Code was applied during the last</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>office renewal (6 May 2006). Having assimilated the 2006</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Code, BPM has extended the term to fifteen days (Article 41</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>of the Articles of Association).</td>
</tr>
<tr>
<td>Were the nominations for the office of member of the Board of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory Auditors accompanied by full and sufficient</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>information?</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**General Meetings**

| Has the company approved a set of Regulations for General     |     |    |                                                           |
| Meetings?                                                    | X   |    |                                                           |
| Are the Regulations attached to the report (or an indication  |     |    |                                                           |
| given where they may be obtained/downloaded)?                | X   |    |                                                           |

**Internal Control**

| Has the company appointed the persons responsible for internal control? | X   |    |                                                           |
| Are these persons organisationally independent of those responsi- |     |    |                                                           |
| ble for operational departments?                                  | X   |    |                                                           |
| Name of organisational unit in charge of internal control (under Article 9.3 of the Code, now Articles 8.C.1. and 8.C.6) | Internal Auditing Manager Carlo Farma |

**Investor relations**

| Has the company appointed an Investor Relations Manager?        | X   |    |                                                           |
| Organisational unit and contact details (address/telephone/fax/) of the Investor Relations Manager | Investor Relations Sector – P.zza Meda no. 4 – 20121 Milan; Fax: 02/77002950 - Tel. 02/77002574; 02/77002211; 02/77002008 Manager: Giancarlo Peronaglio |