Report on the Bank’s Corporate Governance and adoption of the Code of Conduct for Listed Companies

(pursuant to Section IA.2.14 of the Instructions to the Regulations governing the markets organised and run by Borsa Italiana S.p.A.)

2005
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As you will be aware, 2005 has once more witnessed significant changes in Italy’s company laws and regulations. In fact, further to the extensive reform in 2004 of rules governing limited companies and cooperatives (and Decree 310/2004 which established the partial applicability of the new rules to co-operative banks) and implementation of the required amendments to company articles of association, important new measures have been introduced in 2005, particularly Law 62 of 18 April 2005 (known as the “European Community Law 2004” which adopted EC Directive 2003/6 on market abuse, implemented at the regulatory level through CONSOB Resolutions 15232 and 15233 of 29 November 2005) and Law 262 of 28 December 2005 containing “Provisions for protecting investments and governing financial markets”.

Both laws are designed to improve company accountability by increasing the quantity, quality and timeliness of market information, to strengthen internal controls and monitoring by the authorities charged with supervising company conduct, and to enhance the role of minority shareholders, including through the introduction of list voting, and the presence of independent members on governing bodies.

Given this regulatory framework, the Bank continued in 2005 to review its existing system of corporate governance, analysing and comparing it with the recommendations contained in the Code of Code of Conduct for Listed Companies (the “Code”), voluntarily adopted in full by BPM in 2001, as subsequently amended in July 2002. On this subject it should be mentioned that Borsa Italiana S.p.A. presented a new version of this Code in March 2006, which issuers may adopt by the end of the current year, informing the market accordingly in the “Corporate governance report” for 2006. The present report refers to the principles (and articles) contained in the 2002 version of the Code, currently adopted by BPM.

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

This has also been confirmed, at an international level, in a detailed survey published in March 2005 by the
European Investment Agency. This looked at corporate governance in Italy's top 40 listed companies and the extent to which they complied with OECD and European Union recommendations. In fact, the survey placed BPM’s governance at the head of those considered. The OECD recommendations in question relate to shareholder rights, the fair treatment of shareholders, the role of corporate stakeholders, the responsibility of the board of directors, transparency and communication.

In response to the market’s growing desire for transparency and shareholders’ rising expectations for greater participation in corporate affairs and in compliance with the general principles now contained in Law 262/05, since the time of the annual general meeting held in April 2003, BPM has comprehensively overhauled its system of governance, particularly designed - thanks to the introduction of “list voting” - to enhance the presence and contribution of the various shareholder groups on the Board of Directors, with the appointment of four directors representing “minority shareholders” out of the total number of twenty.

The importance given to “shareholder minorities” in governing the Bank has been also been reflected - in 2005, like the two years before - in the composition of the Executive Committee, which includes a representative from each minority, as well as in the presence of one “minority” director on the Board Financing Committee and on all the board committees/commissions carrying out review work and/or making recommendations (with two “minority” directors on the Internal Control Committee and on the Supervisory Committee set up under Decree 231/01).

In parallel with giving greater importance to the various interest groups on board committees, BPM’s strategy for commercial growth has been confirmed in 2005 thanks to internal development and the conclusion of strategic partnerships with other banks. These operations - particularly the commercial and strategic alliance with Crédit Industriel et Commercial and the assimilation of Cassa di Risparmio di Alessandria into the BPM Group - have resulted, in the last three years, in the admission of new “strategic” long-term shareholders (such as CIC and Fondazione CR Alessandria) who share the Bank’s business model and can effectively support its growth and specific mission. In this respect the appointment to the BPM board of a director nominated by Fondazione CR Alessandria – co-opted at the board meeting in June 2004 and confirmed in April 2005 – represents additional confirmation of the long-term strategic breadth of these partnerships. Similarly, the Bank’s shareholders had voted on 12 April 2003 to appoint a representative of Crédit Industriel et Commercial to the Board.

With a view to optimising the sharing and communication of strategy with our shareholders and stakeholders in general, the Bank will publish a “social report” for 2005 (also 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), therefore representing an improvement on the report prepared in respect of 2004.
Composition and role of the Board of Directors (articles 1-5 of the Code)

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

The Bank is administered by a Board of Directors made up of a Chairman, two Deputy Chairmen and seventeen directors (currently sixteen after the death of Renzo Grassi Catapano), appointed under a single ballot taken at the shareholders’ meeting on 12 April 2003 (except for Gianfranco Pittatore, who was co-opted to the board on 29 June 2004 following the resignation of Maria Martellini and confirmed in office by the shareholders’ meeting of 23 April 2005).

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Expiry (*)</th>
<th>Independent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roberto Mazzotta (1)</td>
<td>Chairman</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Paolo Manzato (1)</td>
<td>Deputy Chairman</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Marco Vitale (1)</td>
<td>Deputy Chairman</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Enrico Airaghi (1) (3)</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Mario Artali</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Alberto Banfi</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Giorgio Bianchini Scudellari</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Emilio Castelnuovo (2)</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Giuseppe Coppini</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Rocco Corigliano (1)</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Eugenio Crosta</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Roberto Fusilli (4)</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Renzo Grassi Catapano **</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Piero Lonardi (1) (4)</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
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<tr>
<td>Michele Motterlini (1)</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Gianfranco Pittatore ***</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Alberto Santa Maria (3)</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Jean Jacques Tamburini</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Graziano Tarantini</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
<tr>
<td>Valerio Tavormina</td>
<td>Director</td>
<td>2005</td>
<td>yes</td>
</tr>
</tbody>
</table>

* coinciding with the shareholders’ meeting called to approve the financial statements for the years shown
** vacated office having deceased
*** appointed at the shareholders’ meeting held on 23 April 2005

N.B.: the list representing the majority is called “Friends of BPM”
In accordance with art. 32 of the Articles of Association, all of the Directors have to be members.

As regards the executive or non executive status of the directors, given that no member of BPM’s senior management is a director and that, as things stand, the directors do not have individual operating powers, it is reasonable to say that all of the members of the Board of Directors are to be considered “non executive”.

On the other hand, the Committee that drew up the Code confirms that the legal structure of Italian boards allows for the possibility that Directors who are members of the Executive Committee can also be considered “non executive”, as it is a collegiate body that does not grant individual powers to its members (like in BPM where the Executive Committee’s function is mainly to prepare, propose and implement decisions). We can therefore confirm the “non executive” nature of the directors without operational responsibilities, who may be granted powers but only in cases of urgency (not applicable in BPM’s case).

With regard to the “independence” of directors, this requirement is now generally dealt with in law by civil code art. 2387, and with reference to banks, by art. 26 of Decree 385/93 (as amended by Decree 37/04), which makes reference to as yet unpublished instructions to be issued by the Ministry of Finance. In the case of listed companies, art. 147 ter of Decree 58/98 (as amended by Law 262/05) states that “if the board of directors has more than seven members, at least one of them must satisfy the independence requirements established for statutory auditors in art. 148.3 of this decree”.

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

The “independent” nature of directors of co-operative banks is a direct consequence of the one-man-one-vote system that does not allow the formation of pre-established controlling syndicates. The Bank’s Board of Directors has nonetheless reviewed the independence of its members, in its meetings on 24 February 2004 and, with regard to the above-named co-opted director, on 29 June 2004, and then on 17 May 2005, after the shareholders confirmed the appointment.

As part of this review, the Board of Directors opened its remarks by stating that the office of Managing Director is not envisaged in BPM, and that, as things stand, there are no “executive” directors or even any with operational responsibility. This is because operational responsibility at BPM for implementing strategy and board decisions is delegated to the General Manager and the management team, under the former’s command. It should also be noted that, as things stand, the directors who hold office in subsidiary companies (including the chairmen of these companies) have no “executive” or any other operational responsibility.

The Board of Directors then examined the position of each director, reporting that they may all be classified as “independent” in the sense that:

- they do not entertain, directly or indirectly or on behalf of third parties, nor have recently entertained business relationships with the Bank or its subsidiaries of such a size as to influence their independence of judgement, bearing in mind the normal and routine nature of the Bank’s lending activity in the relationships that they have with BPM. The directors’ business dealings with the Bank - always carried out at market conditions - are regulated as far as the obligations of bank officers are concerned by art. 136 of Decree 385/93 (as amended by Decree 262/05 with effect from 17 May 2006) and by art. 39 of BPM’s Articles of Association, which states that transactions of this type have to be specifically approved by the Board of Directors, with the entire Board of Statutory Auditors also voting in favour and by art. 6 of the Credit Line Regulations (which already include the amendments required by Law 262/05 after board approval on 14 March 2006);
- they neither own, directly or indirectly or on behalf of third parties, a quantity of shares enabling them to control the company or exercise a considerable influence over the Bank nor participate in shareholders’ agreements to control the Bank;
- they are not “close members of the family” (as defined by IAS 24 and included in the internal procedures defining related-party transactions) of persons finding themselves in the situations described in the two previous points.

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

On this subject, art. 19 of Decree 385/93 (as amended by Decree 310/04) 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, when added to those already held, would result in a holding exceeding 15% of a bank’s voting capital or in its control”. The Bank of Italy refuses or revokes authorisation where there are agreements, however concluded, which would result in such persons holding on a lasting basis “a significant concentration of the power to appoint or remove a majority of the directors (...) such that its sound and prudent management is jeopardised”.

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

BPM has always paid the utmost attention to this subject, in which it has been helped by its traditional roots in the retail and small and medium enterprise segments, also representing its most numerous class of shareholder. As demonstrated by recent, important transactions (particularly, the admission of CIC and Fondazione CR Alessandria as shareholders), BPM’s strategic partnerships are strictly within the banking/financial sector and are directly geared towards its local and international development. In this sense, no member of “big industry” has a significant stake in the Bank’s share capital and hence in defining its strategies, nor is any current director the representative of such concerns.

Again as regards the overall profile of the current directors of BPM and in accordance with art. 1.3 of the Code, below is a list of the positions held by directors - either as director or statutory auditors - in listed companies, in Italy and abroad, and in finance companies, banks, insurance or other large companies (including companies of this kind belonging to the Group).

In detail:

Roberto Mazzotta
- Director of Dexia Banque S.A.
- Director of Sogepar S.p.A
- Director of Crédit Industriel et Commercial
- Director of Aedes S.p.A.

Paolo Manzato
- Chairman of SelmaBipiemme Leasing S.p.A.

Marco Vitale
- Chairman of Bipiemme Gestioni SGR S.p.A
- Director of Cassa di Risparmio di Alessandria S.p.A.
- Director of Etica SGR S.p.A
- Chairman of Same Deutz Fahr Italia S.p.A
- Director of Same Deutz Fahr S.p.A
- Director of A.S.M. Brescia S.p.A.
- Director of Recordati Industria Chimica e Farmaceutica S.p.A.
- Director of Ermenegildo Zegna Holditalia S.p.A
- Director of Miroglio S.p.A
- Director of Pictet International Capital Management
- Director of Pictet & C. SIM S.p.A.
- Chairman of Vincenzo Zucchi S.p.A.
- Director of Sorin Group
- Member of the Supervisory Board of Deutz AG S1063 KOLN

Mario Artali
- Deputy Chairman of Wise Venture SGR
- Deputy Chairman of Banca Akros S.p.A.
- Chairman of Sigma Tau America S.A.
- Chief Operating Officer of Sigma Tau Holding America Inc.
- Deputy Chairman of Sigma Tau Finanziaria S.p.A.
- Deputy Chairman of Sigma Tau Industrie Farmaceutiche Riunite S.p.A.
- Chairman of Sigma Tau International SA.
- Director of Sigma Tau Europe SA.

Alberto Banfi
- Director of Bipiemme Private Banking SIM S.p.A.

Giorgio Bianchini Scudellari
- Director of Banca di Legnano S.p.A.
- Director of SelmaBipiemme Leasing S.p.A
- Chairman of Aedes Bipiemme Real Estate SGR S.p.A.
- Chairman of Locauto S.p.A
- Chairman of Fidimed srl

Emilio Castelnuovo
- Chairman of Bipiemme Vita S.p.A.

Giuseppe Coppini
- Deputy Chairman of Banca di Legnano S.p.A
- Director of Nordest Banca
- Director of Cassa di Risparmio di Asti S.p.A.

Rocco Corigliano
- Chairman of Banca di Legnano S.p.A.
- Director of Vega Finanziaria S.p.A.

Eugenio Crosta
- Director of Banca di Legnano S.p.A.
- Director of Pitagora S.p.A.

Roberto Fusilli
- Director of Banca di Legnano S.p.A.
- Director of Bipiemme Gestioni SGR S.p.A

Piero Lonardi
- Director of Cassa di Risparmio di Alessandria S.p.A.
- Chairman of the Board of Statutory Auditors of AMSA S.p.A.

Gianfranco Pittatore
- Director of Banca Akros S.p.A
- Director of Bipiemme Gestioni SGR S.p.A
- Director of S.I.A.S. Società Iniziative Autostradali e Servizi S.p.A.
- Director of Wise Venture SGR

Alberto Santa Maria
- Director of Bracco S.p.A.
Jean Jacques Tamburini  
- Director of Banca di Legnano S.p.A.
- Managing Director and executive committee member of Credit Industriel et Commercial
- Chairman and Managing Director of Societe Bordelaise de CIC
- Chairman of the Supervisory Committee of Cic Capital Privé
- Director of Cic Capital Developpement
- Director of Cic Finance
- Director of Banque de Tunisie
- Director of Banque de Vizille
- Director of Banque Regional de l’Ouest
- Director of Banque Cial
- Director of Cic Epargne Salariale
- Director of Lyonnaise de Banque
- Director of Societe Nancelienne Varin-Bernier

Graziano Tarantini  
- Chairman of Banca Akros S.p.A
- Chairman of Akros Securities Inc.
- Director of ESN North America Inc.
- Director of Interservice Gestione Partecipazioni S.p.A

Valerio Tavormina  
- Director of Banca di Legnano S.p.A.
- Director of Cassa di Risparmio di Asti S.p.A.

b) Powers of representation

Pursuant to art. 37 of the Articles of Association, “the Chairman and each of the Deputy Chairmen has the power to represent the Bank vis-à-vis third parties and in court; they also have powers to sign on their own. Each of the directors may represent the Bank jointly with the General Manager or with one of the directors so designated by the Board. For certain operations, the Board may also give single or joint signature power to individual directors and managers, and grant powers of attorney for specified matters. The Chairman or, in the event of his impediment, either of the Deputy Chairmen, can appoint proxies to implement board resolutions”.

c) Functions of the Board of Directors and powers delegated by it

Pursuant to art. 36 of the Articles of Association, “the Board of Directors is invested with all the powers over the Bank’s ordinary and extraordinary management except those that the law or articles of association reserve for the shareholders’ meeting”.

Art. 36 also lays down that the Board of Directors may delegate part 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 or more than seven (it currently has a total of seven members, including the Chairman and two Deputy Chairmen, as well as two directors elected on “minority” lists). Committee meetings are attended by all members of the Board of Statutory Auditors and the General Manager.

The Board of Directors, when it is appointed, decides how the Executive Committee will function. In principle the Executive Committee meets once a week. The Executive Committee met 42 times during 2005. Executive Committee resolutions must be passed by unanimous vote all of those present; otherwise, the resolutions are referred to the Board of Directors for decision.

In addition to the matters that cannot be delegated by law, under art. 36 of the Articles of Association the Executive Committee cannot be granted the power: to buy or sell equity investments or real estate; to determine the structure or powers of general management and head office management; to appoint or remove directors or determine their duties, powers and emoluments; 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 specific procedure described below).

For the year under review, the Board of Directors granted the Executive Committee the following powers and responsibilities at the board meeting held on 10 May 2005:

- to draft proposals and guidelines for the strategy and general policies to be adopted by the Bank and the BPM Group, formulating the associated decisions, for submission to the Board of Directors;
- 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 properties 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 billion per expense and within an annual ceiling of 5% of the budget approved by the Board of Directors;
to implement decisions of the Board of Directors at the Board’s specific request;

- to resolve upon any matter in cases of urgency or other special need when it is not possible to call an immediate meeting of the Board of Directors, subject to ratification by the latter at its next meeting.

The Executive Committee reports to each board meeting on the decisions it has taken in the exercise of its powers and asks the Board to ratify any decisions taken on an urgent basis for which the Board is normally responsible.

On this subject, art. 36 of the Articles of Association (as amended by the extraordinary shareholders’ meeting held in April 2005 in compliance with new civil code article 2381.5) states that “the 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 operations, by size and nature, carried out by the Bank and its subsidiaries”.

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

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

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

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

This area is currently governed by specific Credit Line Regulations (and relevant Delegated Powers), the latest version of which was approved by the Board of Directors on 14 March 2006; art. 10 of these Regulations governs, in particular, the duties and operation of the Board Financing Committee, made up of the Chairman and Deputies, six directors nominated by the Board of Directors (including one director representing a “minority” list) and the General Manager (or his nominee). The Board of Statutory Auditors is invited to attend this committee’s meetings, which are also attended by the Co-General Manager (or his nominee), the Corporate Deputy General Manager and senior managers in charge of credit and loans, and technical and operational controls.

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

In light of the above and considering the way that the Bank operates in practice, it can therefore be said - as requested in the guidelines issued by Borsa Italiana S.p.A. - that at BPM all of the matters listed in art. 1.2 of the Code (i.e. the approval of strategic/business/financial plans, the corporate structure of the Group, decision-making powers, the remuneration of directors who hold particular positions and allocation of the global compensation provided for the directors under the Articles of Association, supervision of the general business performance and any situations of conflict of interest, operations that have particular importance on the balance sheet, income statement and financial position with particular reference to transactions with related parties, verification of the adequacy of the organisational and administrative structure of the Group and Bank, and reports or other sources of information prepared for shareholders’ meetings) are all under the general jurisdiction of the Board of Directors, which has exclusive decision-making power.

Pursuant to art. 150 of Decree 58/98 and the last paragraph of art. 36 of the Articles of Association, the Board of Directors must notify the Board of Statutory Auditors of operations with a significant impact on the balance sheet, income statement and financial position of the Bank and its subsidiaries (with particular reference to operations in which the directors have an interest on their own account or that of third parties). This requirement is satisfied through the participation by BPM’s Board of Statutory Auditors at all the meetings of the Board of Directors and Executive Committee. Furthermore, its members act as Chairmen of the Board of Statutory Auditors or as statutory auditors in the Group’s principal operating companies.

The Board of Statutory Auditors of BPM is therefore promptly informed of the Bank’s activities on a continuous basis. All of the documentation examined from time to time by the Executive Committee and by the Board of Directors at their respective meetings is simultaneously sent to the Board of Statutory Auditors for their review.

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

According to art. 34 of the Bank's Articles of Association, the Board of Directors normally meets once a month. In 2005 the Board of Directors met 17 times, with a 93% attendance record.

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

Depending on the type and importance of the matters to be discussed and the urgency of the decisions that have to be taken, the members of the Board of Directors and of the Board of Statutory Auditors should normally be sent in advance all of the documentation and information needed to give them adequate background knowledge of the matters being discussed at board meetings. In compliance with new civil code art. 2381.1, the extraordinary shareholders' meeting held in April 2005 approved the following addition to art. 34 of the Articles of Association: "The Chairman co-ordinates the work of the directors and sees to it that they all receive adequate information on the matters contained on the agenda".

Appointment and remuneration of directors (art. 7 and 8 of the Code)

a) Appointment of directors

The "list voting system" introduced by the extraordinary shareholders' meeting held on 19 December 2002 for the appointment of the Board of Directors mirrors, with due modification for the specific composition of the board, the system already adopted for appointing the Board of Statutory Auditors. This model provides for:

- a fixed number of directors nominated by the majority shareholders (16) and by any "minority" shareholders (up to 4 in total);
- 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;
- appointment of the Chairman and Deputy Chairmen, respectively, in the same order as the first three candidates shown on the list voted by the majority;
- the introduction of a "representative quorum" for lists obtaining at least 10% of the votes validly expressed at the shareholders' meeting (lists obtaining less than this minimum threshold are not taken into consideration for the purposes of board appointments);
- presentation of the lists of candidates by a group of not less than 300 shareholders who have been included in the Register of Members for at least ninety days, and who have a right to attend and vote at the shareholders' meeting.

Pursuant to art. 32 of the Articles of Association, the lists of candidates signed by the persons presenting them, have to be deposited at the Bank's head office "at least ten days prior to the date scheduled for the shareholders' meeting in first call".

Art. 32 also requires that the lists "have to be accompanied by each candidate's curriculum vitae and the declarations by which they individually accept their nomination and confirm, under their own responsibility, that there are no reasons for ineligibility or incompatibility, and that they meet the requirements prescribed by law or by the Articles of Association for holding office as a director" and that candidates can therefore also be qualified as "independent", as already expressly requested in the notice calling the meeting to make board appointments.

Pursuant to art. 22 of the current Regulations for Shareholders' Meetings, "the lists (...) together with their
curriculum vitae, are available to the shareholders at the Bank’s head office and summarised by the Chairman at the shareholders’ meeting before the polling stations are opened”.

On this subject, it is noted that - like on 1 April 2003 and 11 April 2005 prior to the BPM shareholders’ meeting called to reappoint the entire Board of Directors and Board of Statutory Auditors - the Bank sends shareholders and the market a specific press release before such meetings containing details of the lists presented for each office and the complete list of the related candidates. The candidates’ curricula are usually published on the website before the shareholders’ meeting, as stated in the meeting’s notice.

Art. 32 of the Articles of Association also envisages that “persons who are or who subsequently become directors, employees or statutory auditors of other banks or their subsidiaries cannot become directors, except in the case where the entity concerned is a centralised co-operative banking structure or a bank or company that belongs to an affiliated banking group”.

This provision, which was added to BPM’s Articles of Association at its extraordinary shareholders’ meeting held on 19 December 2002 is now partly reflected in law in the form of civil code art. 2390 concerning the ban on competition which establishes, amongst others, a ban on directors from being “directors or general managers of competitor companies, unless so authorised by the shareholders’ meeting”.

The “list voting” system has made it opportune to introduce a single ballot for the election of directors, as approved by the shareholders’ meeting of 19 December 2002. Directors are therefore elected after a single round of voting, remain in office for three years and can be re-elected.

The Board decided that it was not necessary to set up a Board Nominations Committee, since it is not obligatory under the Code. Particularly as:

- the Bank is a co-operative with a broad base of shareholders who take an active and proportionately significant part in its corporate life, meaning that no problems have been encountered to date in making suitable nominations that can then freely group themselves together in lists that then compete on an equal basis and without any prior intervention by the current directors to form the future composition of the corporate boards;

- BPM is a company that is authorised to do business as a bank, meaning that the professional and ethical characteristics of the candidates for director (and statutory auditor) are laid down in detail - varying according to the position that they are likely to hold (director, chairman or managing director) - in the Supervisory Instructions issued by the Bank of Italy (which currently reflect Regulation 161/98 of the Treasury, Budget and Economic Planning Ministry, which implements art. 26.1 of Decree 385/93 and must be integrated for the requirement of “independence”). The Board of Directors has to verify that candidates satisfy these requisites within 30 days of their nomination, communicating this fact to the Supervisory Body. If it turns out that a director (or statutory auditor) does not satisfy all of the requirements, they automatically lose office. This has to be declared by the Board of Directors, but if it fails to act, the Bank of Italy will do so instead.

b) Remuneration of Directors and Senior Management

As regards directors’ remuneration, art. 35 of the Articles of Association states that “the shareholders’ meeting decides on the fixed portion of the remuneration and the attendance fees due to members of the Board of Directors and Executive Committee. The Board of Directors, having heard the views of the Board of Statutory Auditors, decides on the remuneration due to directors holding particular office in accordance with the Bank’s Deed of Incorporation” (ie. the Chairman, the Deputy Chairmen and the Secretary to the Board).

Art. 47 of the Articles of Association also lays down that 1% of net profit for the year, net of appropriations to the legal and statutory reserves, should be allocated to the Board of Directors.

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

Pursuant to art. 78 of CONSOB resolution 11971/99 (and subsequent amendments) the remuneration paid to directors, statutory auditors and the general manager for offices held in BPM and, in aggregate, in other Group companies is disclosed for each individual under the section entitled “transactions with related parties” in the explanatory notes to the 2005 statutory financial statements.

The remuneration of BPM senior management for the year 2005 was not linked to the Bank’s results or to meeting specific targets, nor are there any plans at present to introduce stock options.

You are reminded that on 22 May 2001 the Board of Directors decided to set up a “Remuneration Committee”, made up of three non-executive, independent directors who are not members of the Executive Committee, namely Giorgio Bianchini Scudellari (committee
chairman), Eugenio Crosta and Alberto Santa Maria (elected on a “minority” list).

This Committee has the task of making proposals for the remuneration to be paid to those directors who hold particular positions; it also decides on the criteria for remunerating the Bank’s senior management. It also carries out reviews and makes proposals regarding the remuneration of the subsidiary company directors, in order to ensure a standard approach throughout the Group.

During its meetings held on 11 May 2005 and 13 December 2005, the Remuneration Committee examined the remuneration-related problems arising from adopting IAS and the level of BPM’s senior management compensation. It also put forward proposals to the Board of Directors on the emoluments of directors invested with particular office (ie. the Chairman, Deputy Chairmen and Secretary), which were confirmed at the same level as in 2003 and 2004. It also proposed that the share of net profit attributed to the Board of Directors under art. 47 of the Articles of Association should be split equally between its members (bearing in mind the effective period in office by each director).

This Committee held 2 meetings in 2005 and - in accordance with the disclosure required by the Code - did not need to use the services of outside consultants.

System of controls (art. 9 and 10)

a) The internal control system

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 functional effectiveness and adequacy of the internal control system, defining appropriate procedures and providing suitable resources for the control structure.

In order to organise the internal control system from a functional point of view in compliance with these supervisory regulations, some time ago BPM’s board approved a specific “Control Model”, which forms part of the Bank’s General Rules and Regulations. The procedures by which the controls are implemented are also 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 control units 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:
  - the fact that there is a single corporate structure responsible for “technical operating control”, which does not report to any of the persons in charge of operational areas, but rather to the General Manager; it reports functionally on the results of its activities to the Board of Directors and Board of Statutory Auditors. The duties of this structure (called the “Technical and Operating Controls Department”) are to:
    - ensure ongoing 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;
    - verify consistency of the subsidiaries and their related organisational structures with company needs;
    - ensure a clear separation of duties between those involved in operations and those involved in control activities, so as to ensure (both in form and in substance) the right level of objective criticism between manager and controller;
    - maintain the distinction between “line controls” (which form part of the operating lines established by each Department which has executive responsibility for individual activities) and “technical operating controls” (which are carried out by the Technical and Operating Controls Department to ensure that the various corporate units function properly);
    - establish a network of “line controls” superimposed on the operating structure of the Bank/Group;
    - extend these “technical and operating controls” to all organisational units: the Parent Bank’s central units (head office), peripheral units (branches) and the various companies that make up the Group.

The “Internal Control Function” has also been in operation for some time, as required by art. 57 of CONSOB Regulation 11522/98 and subsequent amendments. It was appointed directly by the Board of Directors and has responsibility for supervising all aspects of financial intermediation, which means that it has to:
constantly verify that suitable procedures are in place and ensure compliance with the provisions of Decree 58/98 and related implementation rules;

- check compliance with internal procedures;
- check compliance with the internal code of conduct;
- keep the register of financial complaints;
- provide advisory support to the various sectors involved in organisation on matters concerning the provision of services, conflicts of interest and the resulting approach to be adopted.

By law, this Function has to send a report at least once a year to the Board of Directors and Board of Statutory Auditors with details, unit by unit, of the checks carried out, the results, the recommendations made, as well as any decisions taken by unit management or the relevant corporate boards. This report has to contain a summary that evaluates all of the anomalous situations found, bearing in mind any complaints that have been received. There should also be an audit plan detailing the work to be carried out the subsequent year.

The Internal Control Function must also prepare an annual report on the procedures for providing investment services, as well as a specific report, within 40 days of the end of each half year, on the follow-up to complaints about investment services, any shortcomings encountered in this area and the recommendations for their removal.

The Technical and Operating Controls Department reports to the corporate boards every three months (after review by the Internal Control Committee), so that the Board of Directors and the Board of Statutory Auditors are kept constantly informed. The Internal Control Function therefore reports with the same frequency.

In view of the importance and delicacy of the subject matter, in the meeting held on 21 October 2003, BPM’s Board of Directors decided to formalise (i) the reporting procedures and deadlines for these reports to the Internal Control Committee and the Board of Statutory Auditors, and (ii) the different stages for examining the issues raised. The purpose was to enable a more detailed examination of the contents of these reports and the formulation of related observations/recommendations.

b) The Risk Management function

In its wider definition BPM’s system of internal control also covers the Risk Management function in its role as manager of the risk measurement process.

This function is charged with monitoring the Bank’s overall risk profile and seeing that it respects the limits of tolerance set by the Board of Directors. It is therefore responsible for organising and managing the processes of identifying and measuring risks within the Bank, for which it uses:

- methods of risk measurement;
- a matrix that associates risky events to the business lines.

The activities of identification and measurement are differentiated according to the type of risk, distinguishing between market risks (trading book), credit and interest rate risk (banking book) and operational risks (company processes).

The Risk Management function - which reports organisationally to the Parent Bank’s general management team - performs its activities for the entire BPM Group, according to the complexity and exposure to risk by individual subsidiaries.

The decentralised units performing risk management activities - to the extent required by specific organisational complexities - report functionally to the Parent Bank’s risk management office.

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 2005 this committee expanded its consultative, proposal-making role, with particular reference to related-party transactions and potential conflicts of interest, also with regard to subsidiary companies. These changes, made partly on the basis of the experience gained, were approved by the Board of Directors on 19 April 2005.

The Committee’s duties are therefore as follows:

- to assist the Board of Directors in setting policy guidelines and periodically checking the adequacy and working of the internal control system of the Parent Bank and group companies, ensuring that the principal business risks (credit, financial and operational) are properly identified and managed in liaison with the departments responsible for them;
- to evaluate the work plan prepared by those in charge of internal control and review their quarterly reports;
- to evaluate together with the independent auditors, the Parent Bank’s head of administration and other competent officers of group companies, the adequacy
of the accounting policies used and their consistent application throughout the Group for consolidation purposes;

- to evaluate the proposals made by independent auditors for the audit engagement, as well as the audit plan prepared for the independent audit and the results thereof as set out in the audit report and management letter;

- to assess any findings emerging from audit reports for the Parent Bank and group companies, received through the Technical and Operating Controls Department, the Boards of Statutory Auditors and/or other channels;

- to report to the Board of Directors at least every six months - at the time of approving the annual financial statements and half-year report - on the work performed and the adequacy of the Group's internal control system;

- to perform other tasks so requested by the Board of Directors, especially regarding the relationship with the independent auditors.

The Committee may also be consulted for assessing significant transactions with related parties, and in relation to transactions where a conflict of direct or indirect interest may be presumed to exist.

The Committee consists of a maximum of 6 independent directors, a majority of whom are not members of the Executive Committee and one of whom, under art. 36.7 of the Articles of Association, must be elected on a minority list. At least one of its members must also be a member of the Supervisory Committee set up under Decree 231/01.

Following the death of Renzo Grassi Catapano, the Committee currently has 5 members (of whom 4/5 do not sit on the Executive Committee and 2 of whom were elected on minority lists) as follows: Enrico Airaghi (committee chairman), Alberto Banfi, Eugenio Crosta, Roberto Fusilli and Valerio Tavormina.

Committee meetings are also attended by the Chairman of the Board of Statutory Auditors or another auditor appointed by him.

The General Manager may also be invited to take part in meetings. The following persons may also be invited to attend meetings in relation to specific matters: the heads of the Technical and Operating Controls Department and the Parent Bank’s Risk Management function, members of the Parent Bank’s senior management and persons in charge of group companies.

The Committee's procedures are governed by a specific set of rules, which were formalised in the meeting of 22 November 2005 and approved by the Board of Directors on 20 December 2005.

The Internal Control Committee met 12 times during 2005. The Committee's work involved matters, examinations and reviews relating to the internal control system and to other specific topics, such as compliance relating to operations in financial instruments, conflicts of interest, management of company processes and the introduction of the new accounting standards.

As a result of its work, the Committee always made proposals and requested the adoption of the necessary measures to remove the problems noted.

The topics discussed during these meetings and the conclusions reached taken by the Committee are contained in minutes, recorded in a specific minute book.

Lastly, the activities performed by the Internal Control Committee were regularly reported to the Board of Directors.

d) The Supervisory Committee (set up under Decree 231/01)

In its meeting of 13 January 2004, the Board of Directors voted to set up the “Supervisory Committee” required by Decree 231/01, granting it full, autonomous powers to assess the adequacy of the organisational/management/control models and Code of Ethics adopted by the Bank, and of monitoring how they are applied, in order to prevent the committing of the offences described in Decree 231/01 (and subsequent amendments).

The Supervisory Committee currently comprises: Alberto Santa Maria (Chairman, as well as a director elected under a “minority” list), Enrico Airaghi (director elected under a “minority” list, as well as Chairman of the Internal Control Committee), Mario Artali (director), Alberto Banfi (director and member of the Internal Control Committee) and Claudio Bonadio (Head of the Technical and Operating Controls Department) who was replaced after going into retirement by Sergio Bortolani who took over this function from November 2005. All the directors sitting on the Committee are non-executive and independent, and, except for Enrico Airaghi, do not belong to the Executive Committee, whose predominant function in BPM is nonetheless to provide advice and make proposals to the Board of Directors.

During 2005, the Supervisory Committee:

- reviewed the suitability and status of organisational models, with the support of in-house functions and specifically the Technical and Operating Controls Department and by exchanging information with similar committees in subsidiary banks;
defined suitable steps for spreading awareness among staff and consultants of the Bank’s organisational/management/control models and its Code of Ethics through training, by instructing the Planning and Training function in the Resources and Contractual Policies Department to draw up a compulsory training programme for all employees, involving a final test of the level of knowledge acquired using a specific multiple-choice based questionnaire;

reported periodically to the Board of Directors on its work, specifying future activities where necessary;

implemented an effective system of internal communication that, by guaranteeing the utmost confidentiality and protection to the reporter, allows anyone learning of unlawful acts, or situations that fail to comply with the organisational/management/control models and Code of Ethics, to report these to the head of their relevant departments and to provide the Supervisory Committee with every relevant fact for the purposes of Decree 231/01. These include, but are not limited to, those resulting from:

- the outcome of control activities (monitoring, summary reports, final indices);
- anomalies or unusual situations observed in the conduct of various activities;
- decisions relating to the request, disbursement and utilisation of public funds;
- request for legal assistance sent by managers and/or employees for proceedings relating to the offences described in Decree 231/2001;
- notices and/or information from the police or other authority announcing the conduct of investigations, including against unknown persons, for the offences described in Decree 231/2001;
- information relating to contracts granted by public organisations or parties who perform functions of public utility;
- organisational/procedural amendments relating to Decree 231/01.

Since January 2005 a special section of the BPM website has been dedicated to the Supervisory Committee (set up under Decree 231/01 and subsequent amendments). This section reports, amongst others, the Committee’s composition, its rules and main functions, as well as the Code of Ethics and the associated legal framework.

The Supervisory Committee met 7 times during 2005.

“Significant” transactions and related-party transactions (art. 11 of the Code)

At BPM, the Board of Directors has always had exclusive decision-making power - under its Articles of Association and internal regulations - which cannot therefore be delegated, to approve operations with a major impact on its income statement, balance sheet and financial position (“significant transactions”), as defined on the basis of possibly conflicting criteria:

- of a quantitative nature (such as credit lines exceeding 15% of equity pursuant to art. 10 of the current Credit Line Regulations) and/or
- of a qualitative nature (such as the purchase and sale of equity investments or real estate in accordance with art. 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 Regulations).

“Significant” transactions, as defined in articles 1.2.e) and 11 of the Code, include transactions with related parties and those in potential conflict of interest.

New art. 71 bis of CONSOB Regulation 11971/99 (and subsequent amendments) took effect on 1 January 2003, introducing a new disclosure requirement (by means of a specific report or as part of the normal flow of information foreseen in specific cases) for related-party transactions, even if carried out through subsidiary companies, 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 completeness or fairness of the information on the issuer, also of an accounting nature”.

Accordingly, at the meeting on 10 December 2002, the Board of Directors reviewed the new regulations and concluded above all that the Bank - by law, internal rules or normal practice - already guaranteed the substantial and procedural fairness of any transactions with related parties. In any case, the Board reserved the right to implement the internal regulations by laying down more comprehensive criteria for the recognition of related-party transactions and the rules of conduct to be applied in such cases.

On this basis, the Board of Directors approved a detailed set of procedures on 21 October 2003, entitled “Guidelines on significant transactions with related parties”. The purpose is (i) to identify “significant” transactions by BPM (and the entire BPM Group) and specifically those with related parties, (ii) to provide all the persons...
concerned with guidelines as to when to notify the Bank of their position as a “related-party” in their dealings with it and (iii) to regulate the process of authorising such transactions in order to ensure their substantial and procedural fairness.

The “Guidelines” firstly define “significant” transactions (regardless of with whom) 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 consortia and, in any case, the creation, in any form, of partnerships or strategic alliances;
- the grant of secured and unsecured loans and/or guarantees to an individual party or group which taken together represents over 15% of share capital, as stated in art. 10 of the current Credit Line Regulations;
- the issue of financial instruments;
- the purchase and sale of fixed assets and the acquisition and disposal, in any form, of real estate in general;
- the grant of credit lines to organisations whose purpose is the pursuit of ends described in art. 5 of the current Credit Line Regulations;
- transactions that require the Bank to provide the public with a written report in accordance with CONSOB instructions, for example mergers/spin-offs, or acquisitions/disposals of equity investments or acquisitions/disposals of businesses or parts thereof, fixed assets or those involving contributions in kind.

For the purposes of determining the principles of “materiality” the “Guidelines” refer to the recommendations contained in CONSOB Communiqué DIS/9801334 of 19 October 1998.

With reference to these transactions, the guidelines require “the Board of Directors to examine and approve the above-mentioned transactions, supported by adequate information on the Bank’s interest in completing the transaction, its economic feasibility, its consistency with the BPM Group’s strategies and the returns that it is expected to generate”. "Guidelines" define the concept of “related parties” which - further to CONSOB Resolution 14990 of 14 April 2005 - now refers to persons identified as such under IAS 24.

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

Thirdly, the guidelines state that certain transactions when conducted with related parties are always treated as “significant”, regardless of the amount and their inclusion in the categories listed earlier. Such transactions will always require board approval. These specifically refer to those transactions defined by art. 136 of Decree 385/93 (“Obligations of bank corporate officers”) and to credit lines, for any amount, given to subsidiary and associated companies or even mere equity investments, in accordance with art. 10 of the current Credit Line Regulations.

More specifically, art. 136 of the Banking Act (as amended by Decree 37/04 and now also by Law 262/05) provides that “persons performing administrative, managerial and supervisory functions in a bank may not contract obligations of any kind or enter directly or indirectly into purchase or sale agreements with the bank which they administer, manage or control, without a prior resolution adopted unanimously by the governing body and with the favourable vote of all the members of the supervisory body (statutory auditors), without prejudice to civil code obligations relating to directors’ interests.”

The same provisions also apply to financing transactions that such parties may undertake with other BPM Group companies and now, under Law 262/05, also to the obligations undertaken with companies controlled by these persons or in which they perform administrative, managerial or supervisory functions, or with companies controlled by such companies or which control them or which are associated with them.

It goes without saying that the examination and approval by the board does not usually include transactions with related parties forming part of the ordinary services offered by the Bank at standard conditions (eg. opening of current accounts or custody of securities, order to purchase securities, various customer services, etc.).

Fourthly, the guidelines define significant transactions with related parties and especially those subject to disclosure requirements under art. 71 bis of CONSOB Regulation 11971/99 (and subsequent amendments), dividing them into:

- intercompany transactions (ie. directly conducted by the Bank or through other Group companies, with subsidiary and associated companies or with those companies the majority of whose board members are the same as BPM’s) and
transactions with other related parties (especially related parties of BPM or their close family members, entities controlled by these persons or their close family members or over which they exercise a significant influence).

More specifically, for the purposes of identifying transactions governed by art. 71 bis of CONSOB Regulation 11971/99 (and subsequent amendments) and the resulting reporting requirements, significant transactions with related parties (as defined above) include those that are atypical, unusual or carry terms that are differ substantially from standard ones (and as such are able to endanger the Bank's net asset value or impact the completeness and transparency of the information relating to BPM, including of an accounting nature). Transactions are defined as:

- atypical and/or unusual if their purpose or nature does not fall within the Bank’s normal course of business and if they present particular elements of risk in terms of their characteristics, the nature of the counterparty (and associated exposure) or term for their fulfillment;

- at non-standard terms if the conditions differ significantly from those usually applied by the Bank or are nonetheless different from those applied to the best customers or employees.

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

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

In general, all transactions with related parties – including those realised through controlled companies – must respect the principles of substantial and procedural fairness, where substantial fairness means the transaction’s economic fairness (in relation to the Bank’s interest and in a group logic) and procedural fairness refers to respect for procedures that seek to ensure the transaction’s substantial fairness. BPM’s Board of Directors (or that of its subsidiary company involved in transactions with related parties of BPM) must be provided with prior information concerning:

- the nature of the relationship and frequency of similar transactions with the same related party;

- the transaction’s principal characteristics, terms and mode of execution;

- BPM’s interest in carrying out the transaction and any associated risks;

- substantial fairness of the transaction.

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

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

- its purpose (whether the transaction falls within or outside BPM’s normal business and its commercial or financial nature);

- its remuneration (whether the consideration is in line or out of line with market prices, whether it is being carried out at standard conditions applied to customers or employees, and whether it is broadly in line with similar transactions with unrelated parties);

- its manner (whether the manner of the transaction’s execution is unusual or atypical compared with similar transactions);

- its timing (specific timing of the transaction, eg. 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 “materiality” of the transaction in quantitative terms relative to BPM’s equity), or

- the completeness and fairness of the information, including of an accounting nature, on BPM (especially with regard to stakeholders and with reference to information that will subsequently be reported in quarterly, half-yearly and year-end financial statements).

Lastly, the “Guidelines” lay down certain rules of conduct by the directors. More specifically, if one or more of the directors has an interest, even potential or indirect, in a transaction – where an indirect interest is defined as that relating to close family of the director or a company controlled directly or indirectly by the director or their close family – they must:
provide the Board of Directors will full and prompt information on the existence of the interest and its circumstances, in order that the other directors can fully evaluate the extent of these interests, regardless of the existence of a conflict of interests. This duty is now reflected and developed in art. 6 of the Credit Line Regulations (as approved by the Board of Directors on 14 March 2006) which explicitly establishes that “pursuant to civil code art. 2391, the directors of group companies shall inform the other directors and the Board of Statutory Auditors of the company in which they hold office of any interest they have in a specific transaction, on their own account or that of third parties, disclosing its nature, terms, origin and extent. The subsequent board resolution must adequately justify the reasons and benefits of the transaction to the company”;

abstain from the related resolution, by temporarily leaving the meeting (recommendation to be evaluation in light of civil code art. 2391).

As a result of art. 12 of Decree 310/04, the issue of related-party transactions (and the associated reporting duties and procedures) is now reflected in the civil code in art. 2391 bis.

Confidential information and the Code of Conduct on Internal Dealing (art. 6 of the Code)

a) Confidential information

In accordance with art. 114 of Decree 58/98 and based on the guidelines and principles contained in the Code and the “Guide to market disclosures”, the Board of Directors, meeting on 25 February 2003, adopted a specific set of guidelines for the internal management and external communication of documents and information concerning the Bank, with particular reference to “price sensitive” information. This issue should now be seen in the context of the detailed rules introduced by Law 62/05 and by the Issuers’ Regulations (as amended by CONSOB Resolution 15232 of 29 November 2005, applicable from 1 January 2006) and also in light of the Group's new internal regulations on the list of “insiders” required by art. 115 bis of Decree 58/98.

With reference to the duties and flow of information defined in these procedures, they specifically require that price sensitive information should be handled exclusively by the Chairman, with the assistance of the General Manager. This implies that it is exclusively up to the Chairman, assisted by the General Manager, to evaluate whether or not an authorised transaction or a corporate event that has taken place is “significant”, to evaluate whether or not it would be advisable (where possible) to have the text of the statement reviewed by other members of the Board, to give final authorisation for the statement to be sent to CONSOB and the market through the Bank’s relevant offices, to issue statements to the press (or to authorise other officers of the Bank or of group companies to do so) with regard to such transactions or events.

With specific reference to the publication of price sensitive statements, while the authorisation process remains as above, the internal procedure requires coordinated intervention on the part of the “External Relations” and “Parent Bank Corporate Affairs” functions, in connection with the other competent internal functions and, in the case of statements being issued by subsidiaries, with the help of the Bank’s “Strategic Planning” and “Equity investments” functions.

b) Code of Conduct on Internal Dealing

In compliance with the “Regulations governing the markets organised and run by Borsa Italiana S.p.A.”, the Bank adopted its own Code of Conduct on Internal Dealing by resolution of the Board of Directors on 10 December 2002. Further to the introduction of the new rules on market abuse - and specifically new art. 114.7
of Decree 58/98 (as amended by Law 62/05) and, since 1 April 2006, articles 152 sexies/152 opties of the Issuers' Regulations (as amended by CONSOB in Resolution 15232 of 29 November 2005) – this Code was partly amended to bring it into line with the new CONSOB rules. These amendments were approved by the Board of Directors on 14 March 2006.

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

The purpose of the Code (and the associated disclosures) is to ensure the utmost transparency and consistency of information reported to the market on the conduct of Relevant Persons by virtue of their access to price sensitive information regarding the Bank and the Group.

Transactions involving the purchase, sale, subscription or exchange of BPM shares (or financial instruments related to BPM shares) by “Relevant Persons” and “Persons closely associated” with them must be reported to the market if their amount is equal to or greater than Euro 5,000 by the end of the year.

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

The Bank's Code of Conduct also bans Relevant Persons from carrying out the transactions in the above-mentioned financial instruments during the 30 days prior to approval of the draft financial statements by the Board of Directors (as shown in the “Calendar of corporate events”) and during the 30 days prior to any ordinary or extraordinary shareholders’ meetings not involving approval of the financial statements or, if earlier, from the date the shareholders' meeting is called by the Board of Directors (so-called “black out periods”).

This Code may be consulted on the Bank's website.

Relations with the Shareholders and Members – Regulations for Shareholders’ Meetings (art. 12 and 13)

a) Relations with the Shareholders and Members

In the interests of a constant dialogue with the shareholders in general, and with institutional investors in particular and in order to comply with its required reporting requirements, the Bank makes use of an Investor Relations function, a new position created by the Board of Directors in May 2001 and which reports to the General Manager. The main task of this person is to manage relations with institutional, domestic and international investors, rating agencies and financial analysts in order to ensure a constant, timely and transparent flow of information on the Group's performance and strategies, raising awareness on financial markets.

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

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

As regards relations with the members, in implementing the Code's recommendations, the Bank's Board of Directors confirmed on 1 April 2003 the general resolution concerning the "rules for the admission and management of relationships with members".

In detail this resolution:

- confirmed the establishment of the “Members’ Relations Commission”, comprising five directors with powers to review applications for admission, to exclude members and waive the preferred guarantee restriction on the company's shares;

- defined requirements and procedures for admission, stating how and what documentation is required for admitting Italian and foreign entities and introducing a minimum holding of 100 shares and a written undertaking to maintain this number of shares over time;

- dictated requirements and procedures for excluding members;

- outlined the criteria for maintaining the Register of Members and Register of Shareholders.
defined the procedures for granting any special treatment or benefits to members.

The “Members’ Relations Commission”, the majority (4 out of 5) of whom are directors who are not members of the Executive Committee and including one “minority” director – currently consists of the following directors: Valerio Tavormina (as Coordinator), Giorgio Bianchini Scudellari, Emilio Castelnuovo, Giuseppe Coppini and Piero Lonardi.

This Commission met 12 times during 2005, mainly to review the 545 applications received for membership.

In keeping with other co-operative banks, on 20 December 2005, and based on the efforts of the Commission, the Board of Directors passed a resolution to cancel 4,159 names from the Register of Members, being people who no longer owned any shares. As communicated to the individual names, they could be reinstated in the Register of Members provided they were able to prove that they held at least one share on 30 November 2005, deposited with other banks or intermediaries or still held in the form of a paper certificate.

As a result, at 31 December 2005, there were 54,478 members.

b) Regulations for Shareholders’ Meetings

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

In compliance with the recommendations contained in the Code, the shareholders’ meeting of 20 April 2002 approved the “Regulations for shareholders’ meetings” which govern proceedings at ordinary and extraordinary meetings, ensuring that they are conducted in an orderly fashion. The Regulations lay down in detail what shareholders have to do to attend a meeting and the deadlines by which they have to do it, the Chairman’s powers when running such meetings in full respect of each shareholder’s right to take the floor to speak on the topics on the agenda and to make proposals, how ballot papers should be arranged, how voting should take place and how votes should be counted.

These Regulations, which are fully institutionalised by being included in the Articles of Association, were updated at the ordinary shareholders’ meetings on 19 December 2002 and 21 April 2005, following the amendments to the Articles of Association to introduce the “list voting” system for appointing members of the Board of Directors and to reflect the recent regulatory and statutory changes.

The latest version of BPM’s “Regulations for Shareholders’ Meetings” may be consulted on the website in the section on “Shareholders and Members”. 
Board of Statutory Auditors  
(art. 14 of the Code)

The Board of Statutory Auditors - appointed by the shareholders' meeting held on 12 April 2003 - is made up of the chairman, four acting auditors and four alternate auditors, who are elected from among the Bank's members. Art. 41 of the Articles of Association reflects the provisions of the previously applicable art. 148.2 of Decree 58/98, now repealed by Law 262/05 which grants the power to decide rules on appointments to CONSOB. Art. 41 entitles minority shareholders to elect two acting auditors and two alternate auditors.

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

<table>
<thead>
<tr>
<th>Office held</th>
<th>Members</th>
<th>Other appointments held in listed companies in Italy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Marco Baccani</td>
<td>Auditor of Cairo Communications S.p.A.</td>
</tr>
<tr>
<td>Auditor</td>
<td>Enrico Castoldi</td>
<td></td>
</tr>
<tr>
<td>Auditor</td>
<td>Emilio Cherubini (*)</td>
<td></td>
</tr>
<tr>
<td>Auditor</td>
<td>Ezio Maria Simonelli</td>
<td>Auditor of Cremonini S.p.A.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chairman of the Board of Statutory Auditors of MARR S.p.A.</td>
</tr>
<tr>
<td>Auditor</td>
<td>Ettore Maria Tosi (*)</td>
<td>Auditor of Autogrill S.p.A.</td>
</tr>
<tr>
<td>Alternate auditor</td>
<td>Rino Salvatore Messina (*)</td>
<td></td>
</tr>
<tr>
<td>Alternate auditor</td>
<td>Antonio Ortolani</td>
<td></td>
</tr>
<tr>
<td>Alternate auditor</td>
<td>Carlo Radaelli (*)</td>
<td></td>
</tr>
<tr>
<td>Alternate auditor</td>
<td>Enrico Radice</td>
<td></td>
</tr>
</tbody>
</table>

(*) auditor elected on a "minority" list

As shown in the above table, you are informed that the shareholders' meeting of 23 April 2005 appointed Marco Baccani as Chairman of the Board of Statutory Auditors - an office already held since 8 July 2004 after Giovanni Giunta, the board's previous chairman, resigned due to serious ill health - Enrico Castoldi as an acting auditor and Antonio Ortolani as an alternate auditor. The mandate of these replacement auditors will expire, along with that of the rest of the Board of Statutory Auditors, at the shareholders' meeting called to approve the financial statements for the year ended 31 December 2005.

In accordance with art. 41 of the Articles of Association, the Board of Statutory Auditors is elected on the basis of lists presented by at least 300 shareholders who have been included in the Register of Members for at least 90 days.

The lists of candidates, signed by those presenting them, have to be deposited at the Bank's head office at least 10 days before the date scheduled for the meeting in first call; they also have to be accompanied by each candidate's curriculum vitae and the declarations by which they individually accept their candidacy and confirm, under their own responsibility, that there are no reasons for ineligibility or incompatibility, and that they meet the requirements prescribed by law or by the Articles of Association for holding office. For this purpose, it will be borne in mind that the business topics and sectors strictly related to those of the Bank are banking, finance and insurance.

Like in the case of the directors, art. 22 of the current Regulations for Shareholders' Meetings requires that "the lists (...) together with their curriculum vitae, are available to the shareholders at the Bank's head office and summarised by the Chairman at the shareholders' meeting before the polling stations are opened".

On this subject, it is confirmed that, before shareholders' meetings to appoint the Board of Statutory Auditors, the Bank sends its members and the market a specific press release containing details of the lists presented for each office and the complete list of the related candidates. The candidates' curricula are usually published on the website before the shareholders' meeting, as stated in the meeting's notice.

Art. 41 of the Articles of Association also provides that persons cannot be appointed as statutory auditors, and they fall from office if elected "if they do not have the prescribed prerequisites or if they hold office as a
statutory auditor in five or more other companies whose stocks are listed on Italian regulated markets or if they are members of the boards of directors or statutory auditors of other banks, unless they are affiliates or centralised co-operative banking structures". This provision has now being expanded to reflect new civil code art. 2399 (which has considerably extended the previous rules on the ineligibility and loss of office by statutory auditors) and particularly, as a listed company, art. 148.3 of Decree 58/98 (as now amended by Law 262/05).

The Board of Statutory Auditors takes part in all meetings of the Board of Directors and Executive Committee and the Chairman (or one of the acting auditors delegated by him) also takes part in meetings of the Internal Control Committee. The Board of Statutory Auditors also takes part in person at meetings of the Board Financing Committee and the Supervisory Committee (set up under Decree 231/01).

Independent Auditors

The accounting firm PricewaterhouseCoopers S.p.A. is auditing the Bank’s financial statements and interim reports for the three-year period 2004/2006, in accordance with its appointment by the shareholders’ meeting of 24 April 2004 which expires with the approval of the financial statements for the year ended 31 December 2006.

The Arbitration Committee

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

The shareholders’ meeting of 23 April 2005 appointed Alfiero Fontana, Italo Ciancia and Sergio Serafini, as arbitrators, and Gianfranco Carugati and Dario Mezgec as alternate arbitrators. During its meeting of 4 May 2005, the Committee voted to appoint Alfiero Fontana as its chairman.
# Table 1: Structure of the board of Directors and committees

<table>
<thead>
<tr>
<th>Office held</th>
<th>Members</th>
<th>Exec.</th>
<th>Non exec.</th>
<th>Indep.</th>
<th>****</th>
<th>Number of other appoint.</th>
<th>***</th>
<th>****</th>
<th>****</th>
<th>****</th>
<th>****</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Roberto Mazzotta</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Paolo Manzato</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Marco Vitale</td>
<td>X</td>
<td>yes</td>
<td>59</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Enrico Airaghi *</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>0</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Mario Artali</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Alberto Banfi</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>1</td>
<td>X</td>
<td>92</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Giorgio Blanchini Scudellari</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>5</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Emilio Castelnuovo</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Giuseppe Coppini</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Rocco Corigliano</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Eugenio Crosta</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>2</td>
<td>X</td>
<td>92</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Roberto Fusilli *</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>2</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Renzo Grassi Catapano</td>
<td>X</td>
<td>yes</td>
<td>0</td>
<td>0</td>
<td>X</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Piero Lonardi *</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Michele Motterlini</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>0</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Gianfranco Piltatore</td>
<td>X</td>
<td>yes</td>
<td>76</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Albero Santa Maria*</td>
<td>X</td>
<td>yes</td>
<td>94</td>
<td>1</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Jean Jacques Tamburini</td>
<td>X</td>
<td>yes</td>
<td>41</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Graziano Tarantini</td>
<td>X</td>
<td>yes</td>
<td>100</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Valerio Tavormina</td>
<td>X</td>
<td>yes</td>
<td>88</td>
<td>2</td>
<td>X</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Number of meetings held during the year

<table>
<thead>
<tr>
<th>Number of meetings held during the year</th>
<th>Board of Directors:</th>
<th>Internal Control Committee:</th>
<th>Remuneration Committee:</th>
<th>Executive Committee:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17</td>
<td>12</td>
<td>2</td>
<td>42</td>
</tr>
</tbody>
</table>

### NOTES:

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

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

*** These columns indicate with an "X" the director's membership of the committee in question.

**** This column indicates directors' attendance record at meetings of the Board of Directors and the Committees.

### Meetings held during the whole of 2005 and directors' attendance record:

- Board of Directors: 17 meetings, with a 93% attendance record
- Executive Committee: 42 meetings, with a 92% attendance record
- Financing Committee: 45 meetings, with an 83% attendance record
- Internal Control Committee: 12 meetings, with a 97% attendance record
- Members' Relations Commission: 12 meetings, with an 85% attendance record
- Remuneration Committee: 2 meetings, with a 100% attendance record
- Supervisory Committee set up under Decree 231/01: 7 meetings, with an 89% attendance record
<table>
<thead>
<tr>
<th>Office held</th>
<th>Members</th>
<th>Attendance record at board meetings</th>
<th>Number of others appointments **</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Marco Baccani</td>
<td>87</td>
<td>1</td>
</tr>
<tr>
<td>Auditor (appointed by the shareholders’ meeting of 23 April 2005)</td>
<td>Enrico Castoldi</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td>Auditor *</td>
<td>Emilio Cherubini</td>
<td>93</td>
<td></td>
</tr>
<tr>
<td>Auditor</td>
<td>Ezio Maria Simonelli</td>
<td>85</td>
<td>2</td>
</tr>
<tr>
<td>Auditor</td>
<td>Ettore Maria Tosi</td>
<td>82</td>
<td>1</td>
</tr>
<tr>
<td>Alternate auditor *</td>
<td>Rino Salvatore Messina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternate auditor (appointed by the shareholders’ meeting of 23 April 2005)</td>
<td>Antonio Ortolani</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternate auditor *</td>
<td>Carlo Radaelli</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternate Auditor (until 23 April 2005)</td>
<td>Enrico Radice</td>
<td>86</td>
<td></td>
</tr>
</tbody>
</table>

Number of meetings held during the year: 60

Quorum required for minorities to present lists for the election of one or more acting auditors (pursuant to previously applicable art. 148 of the Consolidated Finance Act): each list has to be presented by at least 300 shareholders who have been recorded in the Register of Members for at least ninety days.

NOTE:
* Indicates whether the statutory auditor was nominated through lists presented by the minority

** This column indicates the number of other appointments as a director or statutory auditor held by this person in other listed companies in Italy. Full details of the appointments are provided in the Report on Corporate Governance.
<table>
<thead>
<tr>
<th>Table 3: Other Code of Conduct Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>System of granting powers and monitoring related-party transactions</strong></td>
</tr>
<tr>
<td>Has the Board of Directors granted powers, establishing their:</td>
</tr>
<tr>
<td>a) limits</td>
</tr>
<tr>
<td>b) manner of exercise</td>
</tr>
<tr>
<td>c) and frequency of reporting?</td>
</tr>
<tr>
<td>Has the Board of Directors reserved for itself the examination and approval of transactions with a significant impact on the company’s income statement, balance sheet and financial situation (including related-party transactions)?</td>
</tr>
<tr>
<td>Has the Board of Directors established guidelines and principles for identifying “significant” transactions?</td>
</tr>
<tr>
<td>Are the guidelines and principles referred to above described in the report?</td>
</tr>
<tr>
<td>Has the Board of Directors defined specific procedures for examining and approving related-party transactions?</td>
</tr>
<tr>
<td>Are the procedures for approving related-party transactions described in the report?</td>
</tr>
<tr>
<td><strong>Conduct of the most recent appointment of directors and statutory auditors</strong></td>
</tr>
<tr>
<td>Were the names of candidates for the office of director filed at least ten days in advance?</td>
</tr>
<tr>
<td>Were the nominations for the office of director accompanied by full and sufficient information?</td>
</tr>
<tr>
<td>Were the nominations for the office of director accompanied by an indication of their suitability to qualify as independent directors?</td>
</tr>
<tr>
<td>Were the name of candidates for the office of statutory auditor filed at least ten days in advance?</td>
</tr>
<tr>
<td>Were the nominations for the office of statutory auditor accompanied by full and sufficient information?</td>
</tr>
<tr>
<td><strong>Shareholders’ Meetings</strong></td>
</tr>
<tr>
<td>Has the company approved a set of Regulations for Shareholders’ Meetings?</td>
</tr>
<tr>
<td>Are the Regulations annexed to the report (or is it stated where they may be obtained/downloaded)?</td>
</tr>
<tr>
<td><strong>Internal Control</strong></td>
</tr>
<tr>
<td>Has the company appointed the persons responsible for internal control?</td>
</tr>
<tr>
<td>Are the persons appointed hierarchically not responsible to persons in charge of operational areas of the business?</td>
</tr>
<tr>
<td>Organisational unit in charge of internal control (pursuant to art. 9.3 of the Code)</td>
</tr>
<tr>
<td>Technical and Operating Controls Department</td>
</tr>
<tr>
<td><strong>Investor relations</strong></td>
</tr>
<tr>
<td>Has the company appointed someone to be responsible for investor relations?</td>
</tr>
<tr>
<td>Organisational unit and references of person responsible for investor relations (address/tel/fax/e-mail)</td>
</tr>
<tr>
<td>Investor Relations Office</td>
</tr>
<tr>
<td>Piazza Meda 4 – 20121 Milan</td>
</tr>
<tr>
<td>fax: 02/77002950 tel. 02/77002574 – 02/77003758</td>
</tr>
</tbody>
</table>