



**Directors' Report  
on the project of merger by incorporation  
into Banche Popolari Unite S.c.p.a.  
of Banca Lombarda e Piemontese S.p.a. and related  
changes to the By-laws**

Bergamo, 19 January 2007

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**Attachment A:** Synoptic table of the new By-laws

**Attachment B:** Table of Articles 3, 23, 28, paragraphs 3 and 4

## Report of the Board of Directors of Banche Popolari Unite S.c.p.a. on the planned merger by incorporation of Banca Lombarda e Piemontese S.p.A.

# 1 Background and reasons for the Merger

## 1.1 The underlying principles of the transaction

As part of its development strategies the Banche Popolari Unite Group examined the opportunities arising from a possible aggregation with other Banking Institutions. To this end, initial contacts were made with the Banca Lombarda e Piemontese Group, aimed at creating a new Banking Group which would establish itself as one of the leading operators at national level, capable of playing a major role.

On 13 November 2006 the Boards of Directors of BPU Banca (hereinafter also referred to as “**the Merging company**”, “**BPU Banca**”, “**BPU**”, the “**Bank**”, the “**Company**” or “**the Parent company**”) and of Banca Lombarda (hereinafter also referred to as “**merged company**”, “**Banca Lombarda**” or “**BL**”), approved an "Memorandum of Intents" to give rise to a New Group whose Parent company will maintain the cooperative status of BPU Banca, will be listed on the Stock Exchange and included in the MIB30 index.

The combination of the two groups, both already characterized by solid foundations, will be supported by the strong coherence of the existing organization models of the two entities. The New Group will adopt a poly-functional, federal and integrated organizational model where several operationally autonomous banking, financial and insurance companies will be called to execute a single entrepreneurial plan by developing strong complementary relationships under the guidance and direction of the Parent company which will be ultimately responsible for defining strategy, promoting integration and controls.

BPU and Banca Lombarda believe that the integration of the two groups is the best solution to achieve common value-enhancing objectives by strengthening competition in the reference markets, maximising economies of scale and scope, increase customer service activities and enhance the value of the respective 'best practice' areas; the transaction is also aimed at safeguarding the autonomy and independence of the banks as well as their contiguity in terms of territory and reference customers.

The two groups intend to pursue such objectives by maintaining and enhancing the strong territorial roots as well as the strength of their respective brands, by combining these elements with greater efficiency by the respective structures and by sharing a common industrial plan characterised by innovation and market-orientation, as well as a corporate governance system that allows both solid unified management and governance and the representation of the original elements deriving from BPU and Banca Lombarda, within the business combination, in accordance with the **equal partnership principle**.

This equal partnership principle is especially reflected in the composition of the governing bodies of the Parent company, as well as in the principle of alternating the top representatives of the corporate bodies of the Parent company with executives of either bank, and their alternate management over time yet safeguarding the higher interest of the company.

## 1.2 Industrial rationale

In the last decade, the credit system has been characterised by increasing competitive pressure also following the intense consolidation process, both nationally and internationally, fostered by evolution drives such as market globalisation and liberalisation, harmonisation of regulation at European level, technological and financial innovation, the growth of capital markets and the progressive opening of the Italian market with the entrance of foreign operators.

Thus, an aggregation process capable of sustaining the achievement of the objectives associated with the strengthening of the competitive position in line with current trends, becomes particularly important for medium-sized banking operators, especially where such process succeeds in preserving the peculiarities that each credit institution expresses at local level in terms of both competencies and bonds with the chosen territory, .

In this context, the integration project involving the BPU Group and the Banca Lombarda Group (hereinafter also referred to as the "**Transaction**") allows the new Group created from the aforesaid aggregation to be one of the top national players.

The integration project, carried out assuming the complete sharing and collaboration between the two Groups, will be implemented as a merger (hereinafter simply referred to as "**the Merger**") of BL into BPU, governed by the legal regulations set forth in Chapter 7 which follows.

The Merger will lead to the integration of the two Parent Banks, establishing a single strategic and unifying entity, that will be listed on the Stock Exchange and capable of defining strategic policies and exercise control over all the structures and companies of the New Group within which, however, all the Network Banks will remain operationally independent in terms of control over the territories of presence.

The New Group will distinguish itself for significant aggregate figures<sup>1</sup>:

- market capitalisation at 18 January 2007 of over € 13.5 billions;
- a network of approximately 1,970 branches (4th network in Italy with a domestic market share of around 6.3%);
- approximately 21,500 employees;
- over 4 million customers;
- direct funding from customers equal to approximately € 82 billion (5th largest bank in Italy and ranking first among the cooperative banks);
- loans to customers equal to approximately € 80 billion (ranking 5th in Italy and 1st among the cooperative banks);
- assets under management equal to approximately € 59 billion (ranking 3rd in Italy and 1st among the cooperative banks), of which € 23 billion relate to private banking activities.
- total assets of approximately € 112 billion (ranking 6<sup>th</sup> in Italy and 2<sup>nd</sup> among the cooperative banks).

The Transaction is strategically important for the two Groups also due to the strong complementarity of the distribution and production structures, the products and the customers

For example, in terms of distribution structure the New Group would display:

- an extremely strong presence in the wealthiest regions of the Country: Lombardy (over 930 branches with a 15.4% market share), Piedmont (approximately 220 branches with an 8.6% market share) and Marche (approximately 110 branches with a 9.8% market share);

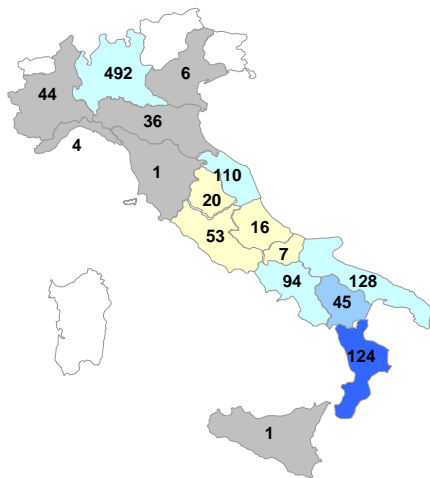
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<sup>1</sup> Balance sheet data as at 30 September, 2006

- leadership in the reference provinces with a market share > 25% : Bergamo (approximately 180 branches with a 26.5% market share), Brescia (approximately 250 branches with a 29.5% market share), Varese (approximately 130 branches with a 29.6% market share) and Cuneo (approximately 130 branches with a 25.9% market share);
- a market share greater than 10% in 21 provinces: besides the 4 provinces indicated above, Milan (the 10.1% share of the New Group is particularly significant in this market), Pavia, Alessandria, Ancona, Macerata, Viterbo, Crotona, Bari, Cosenza, Reggio Calabria, Matera, Potenza, Catanzaro, Vibo Valentia, Brindisi, Foggia and Taranto<sup>2</sup>;
- no significant territorial overlapping.

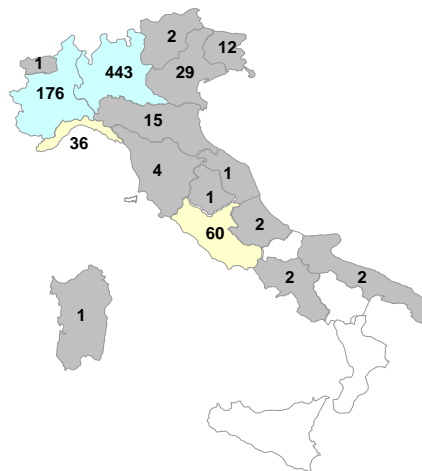
The territorial distribution of the networks under BPU (Figure 1), BL (Figure 2) and the New Group (Figure 3).

**Figure 1. BPU's territorial network**



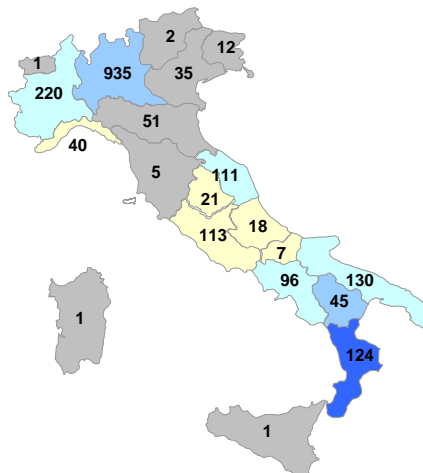
Branches at 30 June 2006 (no.).....	1,181
Market share	3.8%

**Figure 2. BL's territorial network**



Branches at 30 June 2006 (no.).....	787
Market share	2.5%

**Figure 3. New Group's territorial network**



Branches at 30 June 2006 (no.) =	1,968	Market share =	6.3%
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<sup>2</sup> The 10% market share threshold is typically considered relevant in order to take advantage of an increase in the amount of deposits that is more than proportional to the territorial presence in terms of branches.

qdm < 2%  
 2% ≤ qdm < 5%  
 5% ≤ qdm < 10%  
 10% ≤ qdm < 20%  
 20% ≤ qdm < 30%  
 qdm ≥ 30%

In terms of Product Factories, BPU's and BL's portfolio highlights, on the one hand the opportunity to achieve significant economies of scale in the sectors where the two Groups are already present, on the other hand to access a wider customer base in the activity areas where only one of them currently operates (Figure 4).

Figure 4. Main Product Factories<sup>3</sup>

	BPU group	Banca Lombarda e Piemontese group
Asset management	BPU Pramerica (AUM approx. € 23.7bn)	Capitalgest <sup>2</sup> /Grifogest (AUM approx. € 21.6bn)
Leasing	BPU Esaleasing (approx. € 3.3bn in assets under lease, new business approx. € 750m)	SBS Leasing (approx. € 3.2 bn in assets under lease, new business approx. € 900 m)
Consumer credit	B@nca 24-7 (approx. € 2.4bn in loans to customers, new business approx. €720m), focused on mortgages, salary-based loans and credit cards	SILF (approx. € 1.5bn in loans to customers, new business approx. €600m), focused on special purpose loans
Corporate banking	Centrobanca (approx. € 5.6bn in loans to customers, new business approx. €1,770m)	
Factoring		CBI Factor (approx. € 1.2bn in loans to customers, turnover approx. € 1.9bn at 30 June 2006)
Non-life bancassurance	BPU Assicurazioni (approx. € 180m in premium income)	
Life bancassurance	Partnership with Aviva (Aviva Vita, approx. € 550m in premium income) BPU Assicurazioni Vita (€ 230m in premium income)	Partnership with Cattolica (Lombarda Vita, approx. € 1.2bn in premium income)

### 1.3 Integration guidelines

The main integration guidelines may be summarised as follows:

- setting up of a New Group capable of competing with top national operators and equipped with development potentialities at international level, characterised by:
  - cooperative banking status
  - a federal model capable of enhancing the distribution strength of the Network Banks, safeguarding the respective brand identities and territorial roots but also capable of acting as an attraction pole for other credit institutions
  - strong emphasis on the development of human resources and the skills and competencies of each of the two predecessor Groups
- focus on customers' requirements and needs through:
  - service models specifically developed for each segment

<sup>3</sup> Data at 30 September, 2006

- constant offer innovation
- intensive marketing efforts directed at customers combined with top-quality IT systems and personnel training
- initiatives aimed at providing support to customers abroad
- enhancing the Product Factories of the two predecessor Groups, also through partnerships with major international operators, taking the opportunity to:
  - gain access to a broader customer base that is more widely distributed across the national territory
  - internalise the margins in those sectors where one of the two groups is not yet present (Factoring for BPU, Corporate & Investment Banking, *Cessione del Quinto* (loans secured by one-fifth of salary) and Non-life Bancassurance for BL)
  - provide customers with a service level and an offer quality that distinguish the New Group on the market
- rapid achievement of economies of scale, also thanks to the proven track record of the management of the two groups in handling integration processes, in order to:
  - maximise the synergistic potential of the Transaction
  - improve the overall 'cost income ratio' of the New Group and, in the final analysis, increase its profitability
- integrated control over financial, credit and operational risks.

#### **1.4 Value creation**

The Transaction will allow the New Group to benefit from synergies arising from:

- the optimisation of the staffing level in various infrastructural areas (central structures, IT, back office, Product Factories, etc.);
- cuts in administrative costs;
- centralised management of purchases, benefiting from improved negotiating ability;
- uniform application of the best practices applied by each Group (in terms of both cost and revenue);
- better exploitation of specialised areas (e.g. corporate & investment banking, non-life insurance, factoring).

For purely illustrative purposes, on the basis of benchmark analyses to be confirmed upon preparation of the Integration Industrial Plan once the Transaction has been approved by the Shareholders' Meetings of the two Banks, the New Group is expected to generate synergies before tax of approximately € 365 million each year, of which approximately € 225 million from cost cutting (equal to 9.1% of the costs incurred by the two Groups in 2005) and approximately € 140 million from higher revenue (equal to 3.4% of the revenue registered by the two Groups in 2005). The New Group is expected to become fully operational by 2010 and more than 90% of the synergies should be achieved by 2009.

Assuming that the Parent Bank starts its operations within the first six months of 2007, the synergies are likely to be obtained in line with the time schedule included in Table 1.

**Table 1. Expected timing of synergies achievement**

(€million)	2007E	2008E	2009E	2010E
Revenue synergies	5	50	110	140
Cost synergies	25	100	225	225
<b>Total synergies</b>	<b>30</b>	<b>150</b>	<b>335</b>	<b>365</b>

The synergies arising from the following actions have not yet been quantified:

- rationalisation of the distribution network;
- improved management of credit and operating risks;
- easier access to the capital market;
- strengthening of the presence abroad to provide support to customers.

Integration costs have been prudentially estimated at € 380 million, of which € 360 million will be expensed in 2007 and € 20 million will increase the amount of goodwill being directly related to the business combination. The potential value creation therefore will be over € 2.3 billion after integration costs.

#### 1.4.1 Cost synergies

The integration of the two Groups will allow the achievement of cost synergies totalling € 225 million:

- synergies relating to personnel costs are estimated at € 90 million and will arise from a reduction of approximately 1,300 staff. Such efficiency levels will derive mainly from:
  - resorting to voluntary redundancy/early retirement incentives (for approximately 900 staff)
  - natural turnover management / non renewal of temporary or fixed-term work contracts (estimated at approximately 400 staff, based on a report of natural turnover management/ non renewal of temp and fixed-term staff of 1 out of 4)
- cost synergies associated with other administrative costs are estimated at € 135 million, around 17% of the administrative costs of the two Groups, in line with internal and prudential experiences vis-à-vis the market benchmark as they reflect the efficiency level of the two Groups
- the main expenditure synergies will be achieved by:
  - unifying the IT platform: unifying the telecommunication network and the HW equipment and rationalising the software of the banking and Product Factories IT system
  - rationalising the info providers
  - centralising the purchasing function by optimising sourcing policies and obtaining better purchasing terms for volumes achieved
  - rationalising spaces and optimising logistics
  - optimising management, consulting and marketing costs
  - reducing administration costs as a result of the reduction in staff



### 1.4.2 Revenue synergies

The synergies that are expected to be achieved by 2010, when the merged entity is fully operational, amount to approximately € 140 million (€ 80 million by exploiting potential synergies at segment/product level and € 60 million by improving the commercial production of the network):

- potential segment/product synergies include:
  - development of medium-sized enterprises, thanks to the increase in size that is expected to foster the development of traditional and advanced credit business (structured financing) and facilitate the acquisition of specialist competencies
  - assets under management, by exploiting the opportunity arising from the alliance with Pramerica with a broader customer base
  - consumer credit, thanks to a more competitive and larger entity as well as a wider range of products distributed through the network
  - non-life bancassurance through the distribution of BPU Assicurazioni products on BL's network and a wider range of products
  - leasing, thanks to both a more competitive new entity and the synergies resulting from Centrobanca's offer
  - factoring, thanks to the use of BPU's network by CBI Factor
- improvement in commercial productivity is possible by sharing commercial models, supporting tools (CRM), training initiatives, etc.

Among other things, the Transaction will have interesting effects on the business relationships with SMEs. The integration plan will emphasise the competencies of Centrobanca and of the leasing and factoring companies of the New Group, thus fostering the development of support services for medium enterprises to sustain their growth and internationalisation process, also through the creation of new competence areas in structured financing and capital transactions.

### 1.4.3 Integration costs

Integration costs have been prudentially estimated at € 380 million, of which € 360 million will be expensed in 2007 and € 20 million will increase the amount of goodwill being directly related to the business combination. The expensed costs amounting to € 360 million are mainly due to excess of staff and system migration processes/initiatives:

- personnel (€ 210 million): handling excess of staff through voluntary redundancy and/or early retirement incentives and access to the Solidarity fund and adequate training and professional retraining programmes;
- IT (€ 120 million): integration of IT systems (HW, SW, logistics, training, data migration, etc);
- merger costs (€ 30 million): managing the conversion programme and all necessary corporate operations.

### 1.4.4 Main financial objectives of the post-synergies New Group

The main financial objectives of the New Group, taking account of the stand-alone Industrial Plans of the two predecessor Groups and the synergies arising from the Transaction are:

- 'Cost/Income' lower than 45% in 2009;
- net profit in excess of € 1.4 billion in 2009;
- ROE<sup>4</sup> greater than 17% in 2009;

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<sup>4</sup> After deducting the goodwill generated by the Transaction

- dividend policy of the New Parent Bank in line with or more generous than BPU's current one.

## 2 Merged companies

### 2.1 Merging company: BPU

#### 2.1.1 Brief history and recent developments

BPU was established on 1 July 2003 as a result of the merger of three banks and the creation of a completely new entity:

**Banca Popolare di Bergamo-Credito Varesino Scarl** (*Limited liability cooperative company*) (hereinafter “**BPB-CV**”), **Banca Popolare Commercio e Industria Scarl** (*Limited liability cooperative company*) (hereinafter “**BPCI**”) and Banca Popolare di Luino e di Varese SpA (*Joint Stock company*) (hereinafter “**BPLV**”), which in 1996 had shed its original cooperative banking status in order to be able to access the former BPCI Group.

**Banca Popolare di Bergamo**, one of the first Italian cooperative banks, was established on 29 April 1869 under the name Banca Mutua Popolare della Città e Provincia di Bergamo.

The Bank has grown gradually and steadily over time, in line with the gradual development of the economic fabric of the territory of origin. Over the years the Banks has progressively extended its operations to the nearby provinces and, starting from the early eighties, it has gained a leading presence in nationally important centres including Rome.

In parallel with its own development, from 1913 Banca Popolare di Bergamo acquires some small local banks and then a number of ever larger banking institutions, in line with the trend of its development process, aimed at expanding to the neighbouring areas.

In 1984 Banca Popolare di Bergamo acquires a majority shareholding in Credito Varesino S.p.A., and following such acquisition, which took place in the summer of 1992, it decided to change its business name to Banca Popolare di Bergamo-Credito Varesino S.c.r.l..

Still in 1992 Banca Popolare di Bergamo, the leading cooperative bank in Italy, was admitted to the MTA (Electronic Stock Market) of the Milan Stock Exchange.

In 1995/96, with a view to achieve economies of scale and a good rooting in the local markets, the Bank – having already completed its acquisition of the entire share capital of Switzerland-based Banque de Dépôts et de Gestion - further widened its territorial presence by combining a number of selected credit institutions: in the Centre-Southern area, Banca Popolare di Ancona, Banca Popolare di Todi and Cassa di Risparmio di Fano – subsequently sold in 2005, as part of the final settlement of a claim over the control of Banca Popolare di Ancona – as well as Banca Popolare Campana, later acquired by Banca Popolare di Napoli which was in turn acquired by Banca Popolare di Ancona; in the Northwestern area, Piedmont-based Banca Brignone which was acquired in June 2002.

Finally, in 2000, other cooperative banks, which held a stake in it, acquired a number of shareholdings in Centrobanca S.p.A., which enabled Banca Popolare di Bergamo-C.V. to obtain control over the aforesaid institution, with a view to boost the bank's support to enterprises in general.

In January 2002, following an agreement signed with The Prudential Insurance Company of America, the bank obtained a stake in FinanzAttiva Gestioni SGR – a company of the BPU Group, subsequently renamed BPU Pramerica SGR – owned by Prudential International Investments Corporation, thus allowing the development of the management, marketing and sale of products and investment solutions (individual and collective management) for Italian private and institutional customers.

**Banca Popolare Commercio e Industria** was established in Milan on 28 December 1888 upon the initiative of seventy-seven industrialists and traders operating in the silk sector. In the beginning of 1900 the original business activity, which essentially consisted in providing services related to the production and sale of silk, was integrated with financial services for the activities of the sector. As the Country resumed the various production and selling activities in the aftermath of the Second World War, the organization of today's Banca Popolare Commercio e Industria which adopted that name in 1975, began.

The Bank then expanded its presence on the territory thanks to a series of acquisitions and mergers of credit institutions or branches of Italian and foreign banks (including the merger of Banca Popolare di Codogno in 1977, Credito Lodigiano in 1980, Banca Popolare di Vigevano in 1991 and the acquisition of a business unit from American Express Bank Ltd in 1995 and, at the end of 1998, of nineteen branches of Banco di Napoli).

In 1996 the Bank acquired, both through a take-over bid and subsequent piecemeal acquisitions, 61.19% of the share capital of Banca Popolare di Luino e di Varese S.p.A. and, over time, the stake of Banca Popolare Commercio e Industria S.c.r.l. in BPLV increased until it became equal to 79.884%, before the merger with BPB-CV. Still in 1996, following the above acquisition, the "Gruppo Bancario Banca Popolare Commercio e Industria" was established.

In 1998 the Group grew further by setting up Banca Popolare Commercio e Industria International S.A., a Luxembourg-based entity operating in the private banking field. A further and more significant increase in size took place in June 2001 with the completion of the acquisition of a majority stake (75%) in Banca Carime S.p.A., a bank based in Southern Italy with headquarters in Cosenza and well over 300 operating branches.

### **The creation of BPU**

The merger transaction was approved by the Extraordinary Shareholders' Meetings of the banks taking part in the merger on 9 May 2003 (BPLV) and 10 May 2003 (BPB-CV and BPCI). The merger deed was executed on 24 June 2003.

Before the merger was executed and pending its effectiveness, in order to maintain and enhance the presence of the respective brands on the territory, BPB-CV, BPCI and BPLV hived off their individual banking companies made up of a network of branches – except for a single branch of BPB-CV in Bergamo and one of BPCI in Milan – to two new banks, set up as joint stock companies and wholly owned by them: Banca Popolare di Bergamo S.p.A. ("BPB S.p.A.") and Banca Popolare Commercio e Industria S.p.A. ("BPCI S.p.A."). More specifically, the banking units hived off by BPCI and BPLV were sold to BPCI S.p.A., a wholly-owned subsidiary of the two transferring companies, BPCI and BPLV, in proportion to their capital contribution.

BPU, the Parent company, and the entire banking group inherited a tradition of values and cultures that are typical of the cooperating banking sector, which the three original banks have kept up for more than one hundred years; in particular, the close relationship – and not a merely economic one - they have developed with the local territory in which they operate helped reap the advantages of a multi-regional size that is overall more coherent with the evolution of the global market.

With a view to strengthening such relationships, the BPU Group has, since its establishment, adopted a polyfunctional integrated federal model: *federal* as the Network Banks (four so far) supervise all operations with the bank's customers locally, *integrated* because all main support, service and risk monitoring functions are centralised at BPU, and *polyfunctional* thanks to the presence of a number of product companies operating in the asset management, bancassurance, corporate banking, consumer finance and leasing sectors.

## **Evolution of the BPU Group**

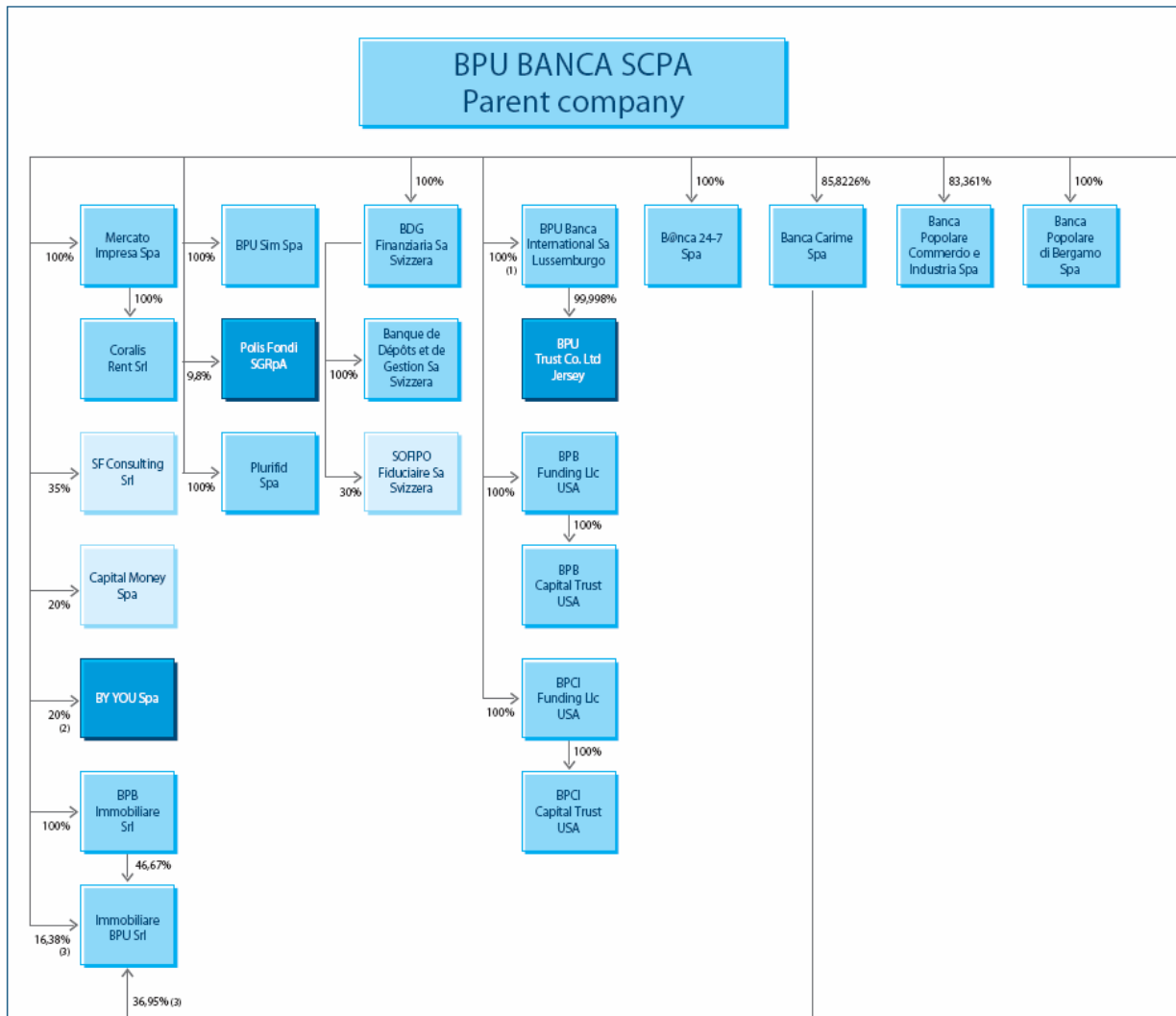
Since 1 July 2003, the BPU Group has carried out a number of important corporate/organizational transactions as part of the overall integration process, including:

- migration of Banca Carime to the Target IT system (May 2004);
- migration of Banca Popolare Commercio e Industria to the Target IT system (November 2004);
- implementation of a divisional distribution structure by customer segment at all the Group's Network Banks (2004), and focusing of the commercial approach through the widespread application of CRM tools;
- settlement of the legal dispute with BPA, with the take over bid for the acquisition of the remaining shares of Banca Popolare di Ancona and sale of the shareholding in Cassa di Risparmio di Fano to Intesa Casse del Centro (3rd quarter of 2005);
- merger by incorporation of Esaleasing into BPU Leasing, with the latter's name being changed to BPU Esaleasing (July 2006);
- centralisation of the IT activities of the Product Companies at BPU Centrosystem, a wholly-owned company of the Parent company (November 2006);
- merger by incorporation of Banca Popolare di Todi into Banca Popolare di Ancona (December 2006);
- repositioning of Centrobanca, emphasizing its role as Corporate Bank for the Group's captive customers;
- extending the partnership agreements in Asset Management (Prudential) and Life Bancassurance (Aviva) to the whole Group and ensuing strengthening of dedicated Product Companies
- gradual rationalisation of the investment portfolio (e.g. Banca Italease, SI Holding, Meliorbanca, Arca Merchant, Arca BIM, ABF Leasing, investments in the private equity sector).

### **2.1.2 Group structure**

The BPU Group is made up as follows:

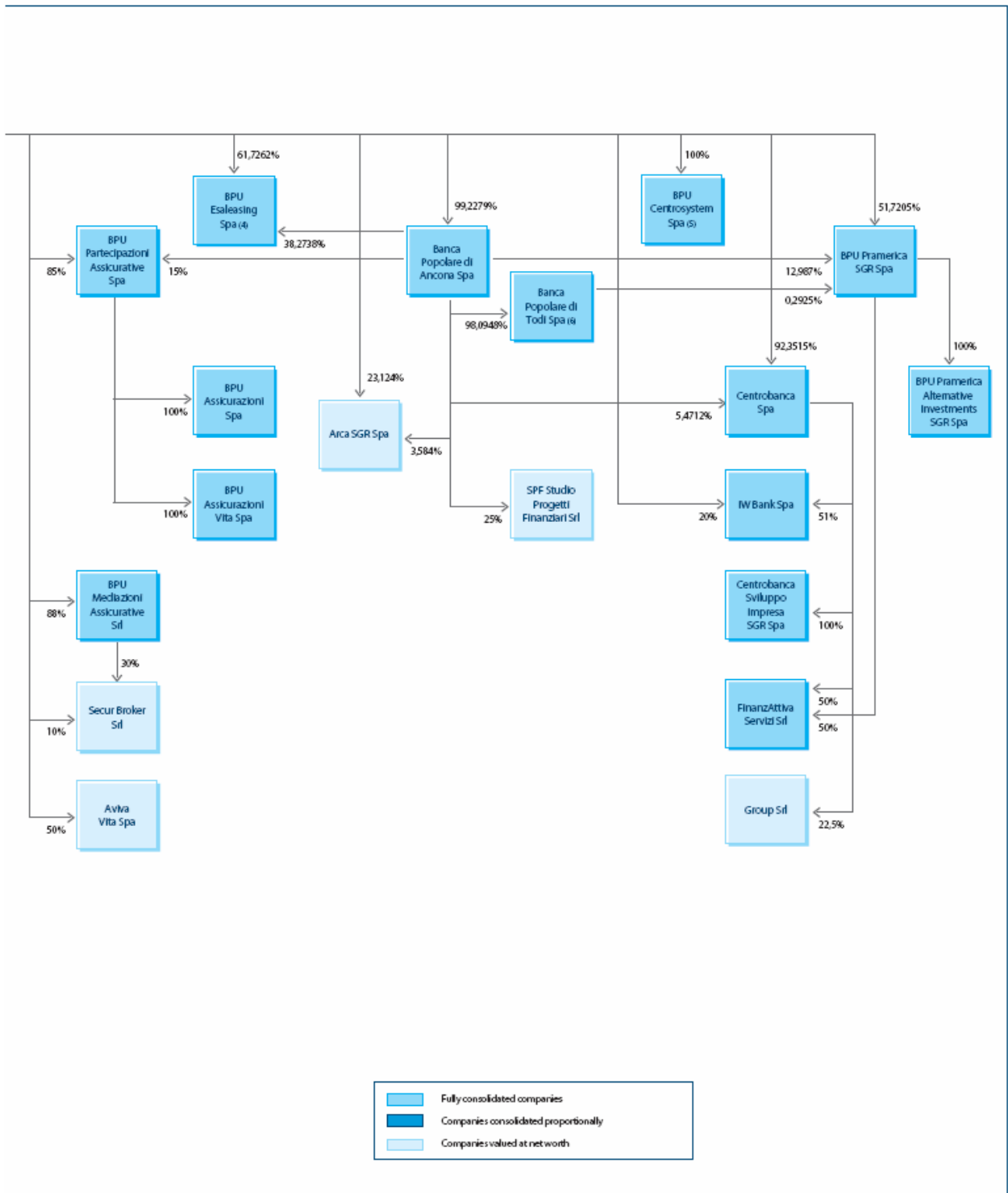
### Structure of the BPU Banca Group as at 30<sup>th</sup> September 2006



In the consolidation perimeter are also included assets and liabilities belonging to the SPVs:

- Albenza Srl, Albenza 2 Srl and Albenza 3 Srl deriving from the securitizations originated in 1999-2000-2001 by the former BPB-CV Srl;
- Orio Finance Nr.1 Pk, Orio Finance Nr.2 Pk and Orio Finance Nr.3 Pk deriving from the securitizations originated in 2000-2001-2002 by BPU International Finance Pk (winded up);
- Sintonia Finance Srl, only for the assets and liabilities related to the securitization originated in 2003 by Centrobanca Spa.

- (1) 99.9975% held by BPU Banca Scpa and 0.0025% held by Centrobanca Spa.
- (2) The ownership percentage - 40% - considered for consolidation purpose, includes an additional 20% referred to the options contained in the new shareholders pact, which probability to become effective is considered very high. The company fully holds: By You Piemonte srl, By You Liguria srl, By You Mutui srl, By You Adriatica srl, Rete Mutui Nord srl, Rete Mutui Centro srl and Rete Mutui Sud srl, all consolidated using the proportional method in the BPU Banca Group.
- (3) On the 30th of October, the participations were sold to BPB Immobiliare srl for the subsequent incorporation of Immobiliare BPU in BPB Immobiliare.
- (4) On July, 8th the merger of Esaleasing in BPU Esaleasing took place, the new company was named BPU Esaleasing.
- (5) On July, 31st 2006, the extraordinary Shareholders Meeting changed the name from Centrosiel SpA to BPU Centrosystem SpA.
- (6) The merger by incorporation in Banca Popolare di Ancona is under way.



### 2.1.3 Balance sheet and income statement data

The following table shows the most significant consolidated balance sheet and income statement figures at 30 September 2006 against the balance sheet and income statement figures at 31 December 2005 and 30 September 2005 respectively.

The data relate to the financial statements drawn up pursuant to Circular no. 262 of 22 December 2005 issued by the Bank of Italy and in accordance with IAS/IFRS.

<b>Assets</b>	<b>30/09/2006</b>	<b>31/12/2005</b>
Financial assets held for trading	3,055,892	2,208,420
Financial assets designated at fair value	5,290,972	5,158,686
Other financial assets (1)	4,780,003	4,782,796
Loans to banks	1,907,591	3,331,015
Loans to customers	49,798,318	47,460,761
Property, plant and equipment and intangible assets	2,607,861	2,616,533
Tax assets	573,229	706,822
Other assets	2,172,660	2,598,601
<b>Total assets</b>	<b>70,186,526</b>	<b>68,863,634</b>

<b>Liabilities</b>	<b>30/09/2006</b>	<b>31/12/2005</b>
Due to banks	6,607,514	6,366,914
Due to customers (2)	52,145,824	50,368,962
Financial liabilities held for trading	449,994	348,941
Tax liabilities	526,596	622,277
Allowances for specific purposes (3)	679,737	681,833
Technical reserves	2,473,415	2,247,693
Other liabilities	2,004,598	3,101,300
Share capital	861,135	860,124
Reserves (4)	3,402,498	2,926,234
Valuation reserves	120,395	241,838
Minority interest	405,743	416,658
Profit for the period	509,077	680,860
<b>Total equity and liabilities</b>	<b>70,186,526</b>	<b>68,863,634</b>

- (1) Total of items 40 and 50
- (2) Total of items 20 and 30
- (3) Total of items 110 and 120
- (4) Total of items 170, 180 and 200

<b>Income statement</b>	<b>30/09/2006</b>	<b>30/09/2005</b>
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Net interest income	1,264,699	1.204,952
Net commissions	609,785	606,029
Gross income	2.033,836	1.948,822
Net operating income from financial activities	1.914,433	1.829,108
Net operating income from banking and insurance activities	1.889,584	1.812,572
Operating costs	(1,088,116)	(1.119,536)
Operating profit before tax	860,183	925,288
Operating profit after tax	542,452	624,704
Profit for the period	542,452	625,002
<b>Profit for the year attributable to the Parent company<sup>5</sup></b>	<b>509,077</b>	<b>593,680</b>

#### Operating structure

	<b>30/09/2006</b>	<b>31/12/2005</b>
Headcount	14,011	14,316
Branches	1,186	1,184

#### **2.1.4 Corporate structure**

On the date of this Report the share capital of BPU was € 861,206,710 and was made up of no. 344,482,684 shares of € 2.50 each.

BPU is a cooperative joint stock company, regulated by the articles of Book 5, Section VI, Chapter I of the Civil Code – as the articles are also applicable to cooperative banks pursuant to the provisions of article no. 150 bis of Legislative Decree no. 310 of 28 December 2004 – and by Chapter V, Section I of Legislative Decree no. 385 of 1 September 1993 (Testo Unico delle leggi in materia bancaria e creditizia - Consolidated Banking Law), hereinafter also referred to as “**TUB**”.

Due to the aforesaid cooperative legal status and pursuant to the provisions of article no. 30 of the TUB, the share capital of BPU is largely held by public shareholders. In fact the shareholding limit is set at 0.50% of the share capital (article no. 30, paragraph 1). The above limit, however, does not apply to mutual funds which instead are subject to the thresholds set by their respective regulations (article no. 30, paragraph 2).

As soon as the Bank detects that the 0.50% shareholding limit has been exceeded, it takes action against the shareholder for having infringed such prohibition. Any excess shares must be sold within one year from the date they are challenged; after that period of time has expired, the related economic rights accrued up to the date of the disposal of the excess shares revert to the Bank.

Still based on the provisions of the abovementioned article no. 30 of the TUB, each shareholder is entitled to one vote, regardless of the number of share held.

To become a shareholder it is necessary to submit a written application addressed to the Board of Directors containing the items requested by article no. 8 of the By-laws. The Board of Directors decides whether to accept or reject applications based on an assessment that takes the objective

<sup>5</sup> Normalized net profit arising from non-recurrent items was equal to €375 million at 30 September 2006, up by more than 13% compared to approximately €330 million at 30 September 2005

interest of the Bank into account, including its independence, autonomy and respect of its cooperative spirit and form.

On the date of drawing up this report, the number of shareholders recorded in the Register of registered shareholders of BPU was no. 60,310.

As an issuer of shares listed on Italian regulated markets, BPU must comply with the specific provisions of Title III, Chapter II, Section I of Legislative Decree no. 58 of 24 February 1998 (Testo Unico delle disposizioni in materia di intermediazione finanziaria – Consolidated law on financial intermediation), hereinafter also referred to as “TUF”.

In particular, as regards shareholding structures, article no. 120 of the TUF (Requirement to disclose significant shareholdings) prescribes that any subject holding more than 2% of the share capital of a quoted joint stock company is required to inform both the company in question and Consob (Italian Stock Exchange Regulatory Commission).

In this regard it is worth noting that, as at the date of this report, a notice dated 10 August 2006 was received from Fidelity International Limited, with head office in Hamilton (Bermuda), stating that on such date the company held no. 6,910,226 shares equal to 2.006% of the share capital.

#### Agreements pursuant to article no.122 of Legislative Decree no. 58 of 24 February 1998

On 1 August 2003 a joint commitment was underwritten by the directors of BPU from former Banca Popolare Commercio e Industria Scrl.

This commitment, taking account of the objectives of the integration transaction between the predecessor banks, is based on the adequate representation of the original corporate bodies within BPU. The agreement, which respects the exclusive management competence of the governing body and the related governance rules, sets up a system whereby the underwriters exchange views on the nomination and/or appreciation of the competence of BPU's Appointments Committee and on submitting issues to the decision of the registered shareholders of former Banca Popolare Commercio e Industria Scrl. The goal of the commitment is to allow the collective assessment of candidates and obtain elements of judgement from all the members of BPU's Board of Directors that are from former Banca Popolare Commercio e Industria scrl.

The commitment specifies the moral rather than the legal value of the obligation undertaken by the underwriters for a three-year period and automatic renewal upon expiry, unless terminated by one or more underwriters at least 6 months before the expiry date.

## **2.2 Company to be merged: Banca Lombarda e Piemontese S.p.A.**

### **2.2.1 Brief history and recent developments**

The Banca Lombarda Group is one of the leading Italian multiregional banking groups with operations mainly in Lombardy and Piedmont and, in particular, in the provinces of Brescia, Cuneo, Pavia and Alessandria. Banca Lombarda e Piemontese S.p.A. is the listed Parent bank of the Banca Lombarda Group. The organizational structure of the Banca Lombarda Group is based on a federal model in which the Parent company is mainly responsible for the strategic planning of the Group and other centralised functions, whereas the commercial banks and the other companies carry out operations autonomously and maintain their own names and brands.

The present structure of the Banca Lombarda Group is the result of the 1998 merger of CAB S.p.A. (“CAB”) into Banca San Paolo di Brescia S.p.A. (“Banca San Paolo”), and subsequent company acquisitions. In the period between 31 December 1997 and 31 December 2005 the Banca Lombarda Group has increased its total assets from € 8.8 billion to € 38.3 billion, and turned from a local banking group into a multiregional one.

Over the years, CAB, which was established in 1883 as a cooperative joint-stock company with the company name "Credito Agrario Bresciano", has pursued a constant development programme, mainly in the province of Brescia, gradually diversifying its activity in new areas of financial intermediation. Since the late 80s, CAB has acquired many local banks thereby consolidating its own position in the reference territory. In 1978, CAB's shares were admitted to listing on the "Mercato Ristretto" of Milan and, in 1995, on the MTA (Italian telematic stock market).

Banca San Paolo was set up in 1888 by exponents of the city of Brescia and environs as a credit cooperative joint-stock company operating under the name "Banca San Paolo". In the following years the bank has progressively developed the areas of its credit activities by diversifying, inter alia, in the asset management and parabanking segments, consolidating its institutional role as a reference bank in the territorial markets where it was more strongly rooted.

In 1996, the shares of Banca San Paolo were admitted to listing on the MTA.

With regard to the consolidation process that affected the entire Italian banking system in the last five years, the CAB Group and the Banca San Paolo Group had recognized the need to increase their size in order to be able to compete with the main national groups hence have the opportunity to further diversify production and consolidate their positions in the markets traditionally controlled them. Through the resolutions of 13 and 14 November 1998, the Extraordinary Shareholders' Meetings of Banca San Paolo and CAB respectively approved the merger by incorporation of Banca San Paolo into CAB and the ensuing change of the Merging company's business name to Banca Lombarda S.p.A., with legal effect from 31 December 1998.

In order to provide the Group with a new organizational structure that would fulfil internal development and external growth objectives, the present federal model was identified and, in 1998 CAB and Banca San Paolo set up a new company named Banco di Brescia San Paolo CAB S.p.A. to which they transferred most of the commercial banking activities that were carried out by Banca Lombarda.

Following such reorganization, Banca Lombarda took the role of Parent bank, based on the federal model outlined above, and became the ultimate entity responsible for strategic planning and control over management, administration, finance, risk management and internal audit, strategic marketing, information technology and logistics (in the 2001 financial year, the last two functions were transferred to the subsidiary Lombarda Sistemi e Servizi S.p.A. ("**Lombarda Sistemi e Servizi**").

Banco di Brescia also took on the role of Group's main commercial bank with the specific aim of developing commercial relationships with customers as well as promoting the Group's products and financial services through its branches.

After the merger of Banca San Paolo and CAB, the Banca Lombarda Group made a number of important acquisitions and established new companies with the aim of strengthening its market position by expanding its operations in Northwest Italy. The main acquisitions and new companies include:

- acquisition of a majority stake in BRE Banca, a credit institution operating mainly in Piedmont and Lombardy;
- acquisition of 100% of the share capital of Banca Cassa di Risparmio di Tortona S.p.A ("**CR Tortona**"), a credit institution operating mainly in the province of Alessandria which, on 25 November 2006 was merged into the subsidiary BRE Banca;
- setting up, with Cattolica Assicurazioni, of Lombarda Vita, an insurance company operating in the life line of business;
- acquisition of 100% of the share capital of Mercati Finanziari SIM S.p.A. ("**Mercati Finanziari**"), a company active in securities intermediation;
- acquisition of the factoring company named Veneta Factoring S.p.A. ("**Veneta Factoring**"), also through the subsidiary CBI Factor S.p.A. ("**CBI Factor**"). Veneta Factoring was subsequently merged into CBI Factor;

- acquisition of 100% of the share capital of Electrolux Financiera S.A., a Spanish company operating in the factoring sector, which subsequently changed its name to Financiera Veneta S.A.
- acquisition of 100% of the share capital of Artesia Bank Luxembourg S.A., a Luxembourg-based credit institution specialised in the private banking sector, subsequently merged into Banca Lombarda International S.A. ("**Banca Lombarda International**"), a credit institution controlled by Banca Lombarda e Piemontese S.p.A.
- acquisition, also through the subsidiary BRE Banca, of 100% of the share capital of Grifogest SGR S.p.A. ("**Grifogest**"), an asset management company;
- setting up of Capitalgest Alternative Investments SGR S.p.A. ("**Capitalgest Alternative**"), a company that manages speculative investment funds;
- acquisition of 100% of the share capital of Banca Idea S.p.A., a credit institution operating mainly through financial brokers; Banca Idea S.p.A. later changed its name to Banca Lombarda Private Investment;
- acquisition, through Banca Lombarda International, of the entire share capital of Caboto International S.A., a Swiss asset management company specialised in securities; the company later changed its name to Gestioni Lombarda (Suisse) S.A.. ("**Gestioni Lombarda (Suisse)**");
- setting up, through a 49% share in Lombarda China Fund Management, of a China-based asset management company.

### 2.2.2 Group structure

The organizational structure of the Banca Lombarda Group is based on a federal model characterised by a high level of integration between the commercial banks and the other operating companies. The Parent bank, Banca Lombarda e Piemontese S.p.A., performs functions that are typical of a bank holding company, namely the provision of guidelines and coordination, especially with regard to strategic planning and control of management, administration, finance, risk management as well as Group's internal audit and strategic marketing.

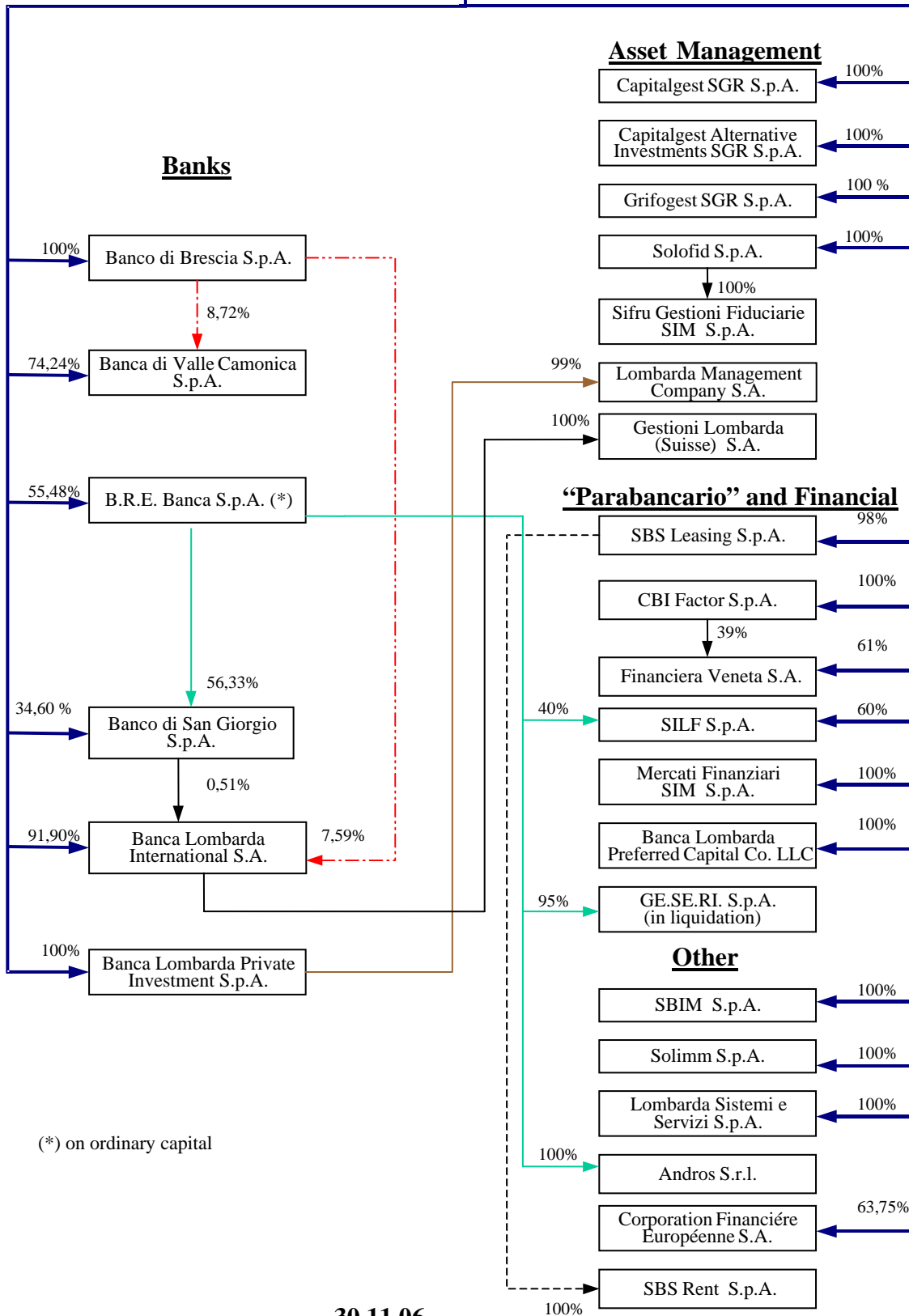
Banca Lombarda e Piemontese S.p.A. also carries out Treasury transactions and manages the securities portfolio of the other commercial banks of the Group; other centralised services (such as information technology and purchases) are provided by Lombarda Sistemi e Servizi.

The other group companies operate in accordance with the strategic lines set by Banca Lombarda e Piemontese S.p.A. through maintaining a certain degree of independence with the aim of preserving the specialization by activity sector that is required to attain positive results.

The federal model allowed the Banca Lombarda Group to attain significant economies of scale, especially in terms of costs, and to ensure the smooth integration of the acquired companies.

The following chart shows the present structure of the Banca Lombarda Group, however it is important to note that the scope of consolidation includes also the following companies (vehicles used for securitisation transactions and trusts for the issue of preferred shares): Banca Lombarda Preferred Securities Trust, Lombarda Lease Finance 1 S.r.l., Lombarda Lease Finance 2 S.r.l.; Lombarda Lease Finance 3 S.r.l., Lombarda Lease Finance 4 S.r.l. and Lombarda Mortgage Finance 1 S.r.l..

**Banca Lombarda e Piemontese S.p.A.  
Structure of the banking Group**



### 2.2.3 Balance sheet and income statement data

The following table shows the most significant consolidated balance sheet and income statement data at 30 September 2006 against the balance sheet and income statement data at 31 December 2005 and 30 September 2005 respectively.

The data relate to the financial statements drawn up pursuant to Circular no. 262 of 22 December 2005 issued by the Bank of Italy and in accordance with IAS/IFRS.

<b>Assets</b>	<b>30/09/2006</b>	<b>31/12/2005</b>
Financial assets held for trading	2,903,739	3,015,182
Other financial assets (1)	1,003,035	864,905
Loans to banks	2,100,772	3,076,529
Loans to customers	29,954,211	28,229,071
Property, plant and equipment and intangible assets	1,466,827	1,468,985
Tax assets	271,375	375,630
Other assets	1,199,623	1,316,834
<b>Total assets</b>	<b>38,899,582</b>	<b>38,347,136</b>

<b>Liabilities</b>	<b>30/09/2006</b>	<b>31/12/2005</b>
Due to banks	2,896,008	3,464,625
Due to customers (2)	30,036,258	28,909,687
Financial liabilities held for trading	555,301	1,220,886
Tax liabilities	347,577	342,210
Allowances for specific purposes (3)	276,751	285,133
Technical reserves	-	-
Other liabilities	1,569,192	1,448,064
Share capital	351,752	322,292
Reserves (4)	1,734,746	1,311,924
Valuation reserves	465,291	359,164
Minority interest	430,057	444,167
Profit for the period	236,649	238,984
<b>Total equity and liabilities</b>	<b>38,899,582</b>	<b>38,347,136</b>

(1) Total of items 40 and 50

(2) Total of items 20 and 30

(3) Total of items 110 and 120

(4) Total of items 170, 180 and 200

<b>Income statement</b>	<b>30/09/2006</b>	<b>30/09/2005</b>
Net interest income	658,991	599,559
Net commissions	357,701	347,025
Total income	1,095,042	999,315
Net operating income from financial activities	1,027,961	932,320
Operating costs	(579,819)	(579,255)
Operating income before tax	457,154	360,259
Operating income after tax	267,705	204,122
Profit for the period	272,528	203,826
<b>Profit for the period attributable to the Parent company</b>	<b>236,649</b>	<b>173,380</b>

#### Operating structure

	<b>30/09/2006</b>	<b>31/12/2005</b>
<b>Headcount</b>	7,518	7,562
<b>Branches</b>	794	787

#### **2.2.4 Shareholding structure**

At the date of this report, the share capital of Banca Lombarda e Piemontese S.p.A., that had been subscribed and paid up, amounted to € 355,015,926 and was made up of no. 355,015,926 ordinary shares of € 1 each.

The shareholders which, based on the information available at the date of this Report and the new share capital, hold a stake above 2% are as follows:

<b>Shareholders</b>	<b>% Share capital</b>
<i>Carlo Tassara S.p.A.</i>	4.95%
<i>Fondazione Cassa di Risparmio di Cuneo</i>	4.93%
<i>Fondazione Banca del Monte di Lombardia</i>	4.89%
<i>Findim Group S.A.</i>	3.51%
<i>Solofid S.p.A.</i> <sup>(a)</sup>	3.43%
<i>Societa` Cattolica di Assicurazione Scarl</i>	2.69%
<i>La Scuola S.p.A.</i> <sup>(b)</sup>	2.10%

(a) Investment held in a fiduciary capacity. None of the trustees, based on the declaration made by the trust itself, owns either directly or indirectly a number of shares in excess of 2% of the share capital.

(b) A company controlled by Opera Educazione Cristiana

The company has approximately 42,000 shareholders.

#### Agreements pursuant to article no.122 of Legislative Decree no. 58 of 24 February 1998

The "Banca Lombarda shareholders' agreement" concerning the block of the shares and the exercise of concerted voting at Extraordinary Shareholders' Meetings convened to resolve upon changes to the By-laws (no. 305 shareholders underwrote the agreement, equal to 46.88% of the current share capital).

### **3 Merger financial statements**

The financial statements of BPU at 30 September 2006 have been drawn up pursuant to the provisions of article no. 2501-*quater* of the Italian Civil Code, and include balance sheet, income statement, statement of changes in net equity and cash flow statement as well as brief explanatory notes. The merger financial statements have been prepared in accordance with the provisions prescribed for annual financial statements hence complying with IAS/IFRS.

The consolidated quarterly report drawn up at the same date was approved by the Board of Directors on 13 November 2006 and published the following day, 14 November 2006.



## 4 Values assigned to the merging companies

The integration of the BPU Group and the Banca Lombarda Group will take place by merging BL into BPU and through the issue, by the Merging company, of new ordinary shares to be allocated to the shareholders of the merged company in exchange for the cancelled shares.

Therefore, the Boards of Directors of the merging banks must calculate the merger exchange ratio, that is the number of BPU ordinary shares to be allocated to BL's shareholders for each share of the company being merged that will be cancelled.

The Board of Directors of BPU engaged Morgan Stanley to help the Board with the assessment and calculation of the exchange ratio. In addition, Banca Leonardo was called upon to make its own valuation and calculation of the exchange ratio, to be used in support of the evidence arising from the analyses performed by Morgan Stanley.

The Directors, sharing the indications provided by Morgan Stanley which were supported by the analyses carried out by Banca Leonardo, adopted them as reference for their calculations.

In particular, the following table summarises the exchange ratios arising from the application of the valuation methods used by Morgan Stanley which are described in detail in chapter 5 which follows.

### Morgan Stanley – Summary results

Valuation methods	Exchange ratio	
	Min	Max
“Analytical ” methods <sup>6</sup>	0.80	0.85
Market Multiples Method	0.72	0.84
<b>Exchange ratio range</b>	<b>0.72</b>	<b>0.85</b>

In support of the evidence provided by the analysis carried out by Morgan Stanley, the following table shows the indications given by Banca Leonardo which essentially produced the same results, despite the methods and assumptions used were sometimes different from those used by Morgan Stanley.

<sup>6</sup> Average of the scores of the Dividend Discount Model and the Warranted Equity Method (a.k.a. the Gordon's Growth Model)

## Banca Leonardo – Summary results

Valuation method	Exchange ratio	
	Min	Max
Dividend Discount Model	0.77	0.84
Gordon's Growth Model	0.76	0.84
Market Multiples Method	0.75	0.85
Market Value Method	0.74	0.85
<b>Exchange ratio range</b>	<b>0.74</b>	<b>0.85</b>
Control method (contribution analysis)	0.70	0.91

On the basis of the above values, it is possible to conclude that a fair merger exchange ratio would be in the range of 0.72 – 0.85 new BPU ordinary shares for each BL's ordinary share. This range, calculated by Morgan Stanley, is basically confirmed by the analyses performed by Banca Leonardo.

The Board of Directors of BPU:

- considering the trend of the share price of BPU and BL in the period leading up to the signing of the Memorandum of Intents (the ratio between the market capitalization of the two groups at 10 November 2006 being equal to 0.85),
- having regard to the limited range of values identified by the advisors, with a deviation from the min. and max. values not exceeding 18% thus confirming the significance of the range of values provided,
- based on the circumstance that the negotiated exchange rate appears to be within the ranges estimated by the advisors using analytical methods considered to be the most appropriate to express the economic value of the Company,
- in the light of the highly strategic value of the transaction, the significant value creation in terms of cost and revenue synergies and the expected reduction in the risk of result volatility following the increase in size,
- taking account of the different legal status of the two Banks, that was nevertheless reflected in the exchange ratios formulated by the advisors through appropriate calculations,

believes that an Exchange Ratio of 0.83 BPU ordinary shares for each BL ordinary share, in line with the average share prices of the 10 days preceding the signing of the Memorandum of Intents and in the upper end of the exchange ratio ranges identified by the advisors, fairly expresses the economic values of the two Banks and is consistent with the economic interests of BPU's shareholders.

## 5 Criteria followed to establish the exchange ratio and the valuation methods adopted

### 5.1 Foreword

The merger valuations usually raise a complex valuation issue the objective of which is to establish the merger exchange ratio, that is the relationship between the value of the shares of the combining companies.

In this perspective, according to a consolidated principle applied when carrying out this type of valuations, the relative uniformity principle of the valuation criteria applied should be preferred. This is because the aim of merger valuations is not so much that of establishing absolute economic values for the combining companies but that of obtaining comparable values for the determination of the exchange ratio. For this reason, merger valuations become meaningful especially for comparison purposes.

A second principle that is often mentioned in merger valuations is the one that refers to the adoption of the so-called 'stand-alone' perspective, that is based on the current situation as well as the future prospects of the companies being separately considered, that is disregarding the potential synergies deriving from the merger which would generate added value for the two groups of Shareholders.

### 5.2 Report reference date

The income statements and balance sheets of the Banks included in this Report are those at 30 September 2006 (hereinafter, the "**Reference Date**").

### 5.3 Due diligence results

The accounting, legal and administrative due diligence envisaged by the Memorandum of Intents did not reveal significant differences in the economic values considered at the time the Exchange Ratio was calculated, that is events, acts or circumstances which may have a material impact on BL's results or operations.

### 5.4 Main valuation issues

Article no. 2501-*quinquies* of the Italian Civil Code requires directors of companies involved in mergers to report "any valuation issues" identified during the valuation process aimed at estimating the merger exchange ratio.

In the case at hand, the main difficulties faced during the valuation process and the limits of the valuations made are summarised below:

- use of estimates: the analyses were conducted using forecast data which, by nature, present elements of uncertainty:
- estimate of the Adjustment Factor: for the purpose of establishing the fairness of the Exchange Ratio, the values which were calculated by applying economic and analytical criteria have been corrected by an adjustment factor that took account of the different legal status of the Banks involved in the Merger. This "adjustment" was calculated on the basis of estimates and empirical analyses that are, by nature, uncertain and variable.

## 5.5 Valuation criteria adopted

The following chapters set forth a summary of the criteria used by the advisor Morgan Stanley to estimate the exchange ratio and taken into account by the Directors to make their considerations.

On the basis of the "qualitative" characteristics of the Banks and the valuation procedures applied to similar transactions in Italy and abroad, the valuation methods selected by Morgan Stanley to prepare this Report are the following:

- "Analytical" valuation methods:
  - Dividend Discount Model;
  - *Warranted Equity Method*;
- Market Valuation Method:
  - Market Multiples.

In addition, for both Banks and as a control method, Morgan Stanley compared the results obtained using the share prices at the time of the transaction and immediately prior to it ("Share price Method"). Morgan Stanley preferred not to use the Stock price method as one of the principal methods, in order to avoid that possible speculative elements that may have recently occurred could affect the calculation of the Exchange ratio range.

## 5.6 Valuation considerations

Morgan Stanley applied to the Exchange ratio calculated using the analytical methods (DDM and Gordon's Growth Method) an Adjustment Factor that reflects the difference between the market value of the shares of a company with limited contendibility and the market value of the shares of a company with contensible control. More specifically, the Exchange Ratios calculated by applying analytical methods were corrected by the Adjustment Factor using the following formula:

$$\text{Exchange ratio} = \frac{\text{BL Share value}}{\text{BPU share value}} \times \text{Adjustment factor}$$

To estimate the Adjustment Factor, Morgan Stanley analysed the ratio between the market capitalisation and net equity of a sample of cooperative banks, comparing it with the same ratio of a sample of banks with joint stock company status. The sample of cooperative banks used includes BP Verona and Novara, BPU, BP Milano and Credito Valtellinese. The sample of banks with joint stock company status includes Banca Intesa, Sanpaolo IMI, Capitalia, Banca Monte dei Paschi di Siena, Banca Lombarda and Credito Emiliano. The analysis of the differential between the multiples also took account of the different profitability (ROE) of the two samples. Such analysis led to an estimate of the Adjustment Factor of between 1.31 and 1.37.

The Adjustment Factor was not applied to the 'Market' methods as the comparable companies selected for Banca Lombarda were joint stock companies and those selected for BPU were cooperative companies therefore, in theory, including the above mentioned adjustment.

\* \* \*

As regards analytical methodologies alone, Morgan Stanley decided to carry out a separate valuation of Banca Lombarda's shareholding in Banca Intesa based on current market prices. To this end, the main financial data of Banca Lombarda were adjusted to obtain values that were representative of the banking activity alone. The market value of the stake in Banca Intesa was then added to these values.

## 5.7 Valuation methods used

### 5.7.1 Dividend Discount Model

The Dividend Discount Model assumes that the economic value of a bank is equal to the sum of:

- Present value of the future cash flows generated in the chosen time period and distributable to shareholders without affecting the capital base required to maintain the expected future development; and
- "Terminal Value", that is the value of the Bank at the end of the period considered for the analytical estimate of the flows which was calculated using various methods under the assumption that both profitability and growth were sustainable to infinity.

Therefore the DDM method estimates the value of a bank's economic capital using the following formula:

$$W = DIV_a + VT_a$$

where:

W is the value of the bank being evaluated;

DIV<sub>a</sub> is the present value of the future cash flows that could be distributed to the shareholders in a specific period of time, maintaining a satisfactory capital base;

VT<sub>a</sub> is the present value of the Terminal Value of the bank.

The DDM was applied in three stages, namely:

#### *Stage 1. Identification of the future cash flows and the reference time period*

This identification was based on the Business Plans of BPU and Banca Lombarda respectively.

For the purpose of estimating the maximum cash flows distributable, the minimum capital requirements necessary to guarantee the Bank's operations were set and calculated, also taking account of applicable regulations and international best practices, as being equal to a Core capital ratio (Tier I) of 6.0%.

#### *Stage 2. Discount rate setting*

The discount rate used for the cash flows ("Cost of Equity") corresponds to the return on equity required by investors/shareholders for investments with similar risk characteristics ( $K_e$ ), and was calculated on the basis of the Capital Asset Pricing Model, using the following formula:

$$K_e = R_f + \beta \times (R_m - R_f)$$

where:

$R_f$  is the "risk-free rate", that is the rate of return on risk-free investments (in the case at hand it was decided to adopt a value equal to the average of the 30-year Euro Swap rate during the last two years, that is to say 4.1%);

$R_m - R_f$  is the "market premium", that is the premium for the risk of investing in shares rather than in risk-free investments, quantified as being equal to 4,5%;

$\beta$  is the correlation factor between the actual yield of a share (more specifically, of the shares that represent the share capital of the company being evaluated and similar companies) and the overall yield of the reference market (measuring the volatility of

the security compared to the market portfolio). The  $\beta$  applied was equal to 1.09, a forecast value obtained from a sample of comparable companies.

The method set forth above produces an estimated discount rate of 9%. The same Cost of Equity was used for both Banks.

### *Stage 3. Calculation of the Terminal Value*

The Terminal value was calculated using the Perpetual Dividend Growth formula. In order to verify the results obtained, the Terminal Value was also calculated using the Terminal Shareholders' Equity Multiples method.

By applying the formula of the Perpetual Dividend Growth model, the Terminal Value is calculated based on a multiple of the distributable dividends, as obtained at the end of the forecasting period (stage 2). This multiple takes the Cost of Equity ( $K_e$ ) and the growth rate ( $g$ ) into account using the following formula:

$$\text{Terminal Value} = \frac{\text{Last explicit dividend} \times (1+g)}{(K_e - g)}$$

where:

$g$  indicates the long-term nominal sustainable growth rate ("Sustainable Growth Rate"). Long-term Sustainable Growth Rates were calculated based on estimates of the real growth rate and inflation. Morgan Stanley used a Sustainable Growth Rate of 2.5% for both BPU and BL.

$K_e$  indicates the discount rate represented by the Cost of Equity as calculated in the following paragraph.

### **5.7.2 Warranted Equity Method (or Gordon's Growth Model)**

According to the Warranted Equity Method ("WEM", sometimes also referred to as the Gordon Growth Model), the value ( $W$ ) of a bank may be determined on the basis of the relationship between:

- Estimated future profitability (expressed by the ROE – Return On Equity) that the bank can sustain in the long run;
- Sustainable Growth Rate ( $g$ ) of the bank's profits in the long run; the value used coincides with the one used for the Dividend Discount Model;
- Cost of Equity ( $K_e$ ), return rate required for investments with similar risk characteristics; the value used coincides with the one used for the Dividend Discount Model.

The relationship between these three factors is expressed on the basis of the perpetual dividend growth formula, which ensures that the impact of the net profitability of a bank (in terms of ROE) on its valuation is multiplied by the estimated growth:

$$\frac{W}{\text{Net equity}} = \frac{(\text{ROE} - g)}{(K_e - g)}$$

Attention is drawn to the fact that the net equity which the WEM formula refers to is a normalised net equity, that is the net equity required to maintain an adequate capitalization for the proper performance of ordinary business activities. Excess Capital is valued at book value, as it represents capital that is potentially distributable to shareholders.

### 5.7.3 Market Multiples Method

The Market Multiples Method is based on the analysis of the share prices of a sample of banks that are comparable to those being valued. In an efficient market and in the absence of speculative movements, share prices in fact reflect market expectations about the growth rate of companies' future earnings and the degree of risk and volatility associated to it.

For the method to be applied, several ratios ("multiples") - referred to the sample of selected comparable companies – between the market value and a number of significant parameters were calculated (usually multiples are calculated on the basis of expected net income and expected net equity). The average ratios thus obtained are then applied to the expected net equity and net income included in the Business Plan of the company being evaluated in order to obtain the theoretical value attributed to it by the market.

For the purpose of this valuation, Morgan Stanley referred to the "price/expected net income" (P/E) and the "price/book value" (P/B) ratios.

The two sample segments of Italian banks considered to be comparable in terms of size, geographic market and legal status were identified by Morgan Stanley as follows:

- **For BPU:** Banco Popolare di Verona e Novara, Banca Popolare di Milano and Credito Valtellinese;
- **For Banca Lombarda:** Banca Monte dei Paschi di Siena, Banca Carige, Banca Carifirenze and Credito Emiliano.

It was also verified that the shares of the selected banks had regular trading volumes and could express meaningful share prices. According to current practice, the liquidity of the shares of the comparable companies selected was verified through the value of the turnover ratio, that is the ratio between the total annual trading value of a company and its average market capitalization.

### 5.7.4. Methods of Verification

For a further comparison of the swap rates identified, which included support from the analyses performed by the advisors, the Directors applied the direct quotes method and the non simplified UEC method.

#### The trading prices method

The trend for the swap rates between BLP shares and BPU shares expressed in quoted market prices for the shares in question was analysed. In order to find a proper balance between mitigating the effect of daily price volatility and using a sufficiently up-to-date figure, indicative of recent market value of the entity subject to valuation, the average implicit swap rates were observed over a period of up to six months since the announcement of the operation.

The results obtained confirm that the interval identified in this report reflects the stock exchange price trends for the two shares and, more specifically, that the swap rate chosen (0,83) is in line with the most recent data. This consideration may be connected with the circumstance that the

different level of strategic attractiveness between joint stock companies and mutual co-operative companies, connected with their competitiveness, has only been reflected in stock market prices in the course of the last few months, when indiscretions concerning the possible merger operations with BLP leaked onto the market.

### **The UEC Method**

The UEC method provides a summary of the attractiveness of a company which correlates with the dimensions of both its capital assets and its income, by determining the economic value of a bank on the basis of two factors:

- shareholders' equity expressed at present values inclusive of an estimate of intangible assets valued on the basis of the forms of the banking Group's funding and empirical parameters;
- the correction of the goodwill attributable to assets in relation to the company's capacity to produce income above or below the rate of return judged to be satisfactory for the type of investment in question.

The results of applying the method, after the adjustment just mentioned had been made, confirmed the range identified by the principal methods with a range of 0,78 – 0,85 BPU shares for 1 BLP share.



**P/E multiple of the sample of comparable companies**

Listed bank	P/E		
	2006A	2007°	2008A
<b>BPU sample</b>			
BP Milano	14.8x	13.0x	11.5x
BP Verona e Novara	11.8x	11.2x	10.2x
Credito Valtellinese	16.6x	13.0x	10.2x
<b>BL sample</b>			
MPS	15.7x	13.7x	11.9x
Banca Carige	29.7x	26.0x	25.3x
Banca CR Firenze	17.4x	16.0x	13.9x
Credito Emiliano	14.9x	13.1x	11.5x

**P/B multiple of the sample of comparable companies**

Listed bank	P/B		
	2006A	2007°	2008A
<b>BPU sample</b>			
BP Milano	1.50x	1.39x	1.30x
BP Verona e Novara	1.83x	1.68x	1.54x
Credito Valtellinese	1.30x	1.24x	1.16x
<b>BL sample</b>			
MPS	1.86x	1.74x	1.62x
Banca Carige	2.27x	2.18x	2.10x
Banca CR Firenze	2.15x	2.01x	1.85x
Credito Emiliano	2.35x	2.15x	1.96x

**5.8 Summary results**

Based on the application of the methods described above, Morgan Stanley obtained a value per share that was within the ranges shown in the table below. Please note that the results set out below for the "analytical methods" are shown before applying the Adjustment Factor described in Paragraph 5.6.

Summary results	Value per share (€)	
	BPU	BL
<b>Dividend Discount Model</b>	<b>24.8 – 27.2</b>	<b>15.2 – 16.9</b>
<b>Warranted Equity Method</b>	<b>23.6 – 27.3</b>	<b>14.5 – 16.6</b>
<b>Market Multiples<sup>7</sup></b>	<b>18.3 – 23.0</b>	<b>15.2 – 17.2</b>

Based on each of the valuation methods used for the two Banks and combined on a uniform basis, Morgan Stanley indicated a range of values for the Exchange ratio of 0.72x - 0.85x. Furthermore, Morgan Stanley pointed out that the upper end of the Exchange ratio range is in line with the values expressed by the recent share price trends of the two Banks.

In the light of the above and on the basis of the considerations highlighted in Chapter 4 above, the Board of Directors of BPU believes that a Merger Exchange Ratio of 0.83 BPU ordinary shares for each BL ordinary share, for the merger of BL into BPU, is fair and consistent with the economic interests of BPU's shareholders.

<sup>7</sup> Extreme values resulting from the application of the six different market multiples discussed in the previous paragraph

## **6 Method for allocating BPU's shares and their characteristics**

Following the completion of the merger transaction, BL's ordinary shares in circulation will be cancelled and BPU will issue max. no. 294,663,219 ordinary shares of € 2.50 nominal value each to be allocated to BL's shareholders based on the exchange ratio mentioned above, and it will also cancel, with no share swap, any BL's ordinary shares held by the Merging company. At the date of this Report, BPU does not hold any BL shares.

In addition, please note that, still at the date of this Report, the company being merged does not hold own shares.

No adjustments in cash will be made to the shareholders of the companies taking part to the merger nor will special benefits be awarded to the Directors and the Statutory Auditors of those banks.

The merger deed will report on the waive by one or more shareholders of BL of their right to the exchange ratio applicable to the fraction of share required to ensure the overall balancing of the transaction.

In any case, to the shareholders of the company to be merged will be provided a service for the treatment of possible fractions of shares, at market price, without any further charges for expenses, stamp duties or commissions.

The new shares of the Merging company that will be issued in connection with the exchange – which will be listed at the same terms as BPU's currently outstanding shares – will be available to the shareholders of the company to be merged according to the conditions that typically apply to the dematerialised shares subject to the centralised management of Monte Titoli S.p.A., starting from the first working day after the effective date of the merger. Such date will be disclosed in the specific merger notice published in at least one of the national daily newspapers.

The share exchange transactions will take place starting from the first day the merger takes effect, at the branches of the Merging company and of the other companies of the Group, as well as through any other intermediary authorised by the law.

The new ordinary shares of the Merging company that will be issued in exchange for the shares of Banca Lombarda, will have the same rights of the shares of the Merging company that are outstanding at the date of the issue and, therefore, will be entitled to the payment of dividends on the designated due date (1 January 2006).

In this regard, after the effective date of the merger, the competent bodies of the Merging company are expected to resolve on the distribution of a dividend for the 2006 financial year for each post-merger Merging company's share, in favour of all the shareholders of the Merging company, without distinction. The proposed dividend is expected to be equal to € 0.80 per share.

## 7 Legal implications of the merger

As already stated, the integration of the BPU Group and the BL Group will take place by merging BL into BPU. As a result, the provisions of articles no. 2501 and ff. of the Italian Civil Code and the special ones governing bank mergers will apply.

In compliance with the legal provisions referred to above, as of the effective date of the deed, the Merging company will maintain its legal status and will assume all the rights and obligations of the merged company which will be terminated and liquidated as a result of the merger. Therefore, the shares of the merged company will be cancelled and the shareholders of the merged company will be allocated shares of the Merging company in accordance with the exchange ratio described in paragraph 4.

In addition, pursuant to article no. 57, last paragraph of the TUB, any liens and guarantees of whatever nature, given by any person or, in any case, being in place and in favour of BL, will continue to be valid and maintain their ranking without the need for any formality or entry in favour of BPU.

Pursuant to article no. 2504-*bis*, paragraph 2 of the Italian Civil Code, the merger will become effective vis-à-vis third parties from the latter date of the registrations of the merger deed, that is from the following date that will be specified in the deed and, at any rate, from a date not earlier than 1 April 2007. The tax effects of the merger will start from the same date.

For the purpose of issuing a report on the fairness of the merger exchange ratio, the Court of Bergamo and the Court of Brescia respectively appointed, as experts pursuant to article no. 2501-*sexies* of the Italian Civil Code:

- for BPU Banca, the audit company KPMG S.p.A.;
- for Banca Lombarda, the audit company Reconta Ernst &Young S.p.a.

## 8 Accounting and tax implications of the merger

### 8.1 Accounting issues

As regards the accounting aspects of the transaction, BPU and BL, as it is known, started applying the IAS/IFRS for the preparation of their 2005 financial statements.

Therefore, the Merger transaction will be accounted for and recorded in the financial statements of the Parent bank and in the consolidated accounts of the Merging company, BPU, in accordance with both national legal regulations and IFRS 3 dealing with business combinations.

As specified in paragraph 1, the Merger Transaction between BPU and BL was conceived as a merger based on the equal partnership principle - and, as such, the adoption of the so-called "dualistic" system of Corporate Governance is considerably important – where the Merger of BL in BPU merely represents the legal instrument implementing that transaction.

Moreover, under IFRS 3 an acquirer must be identified in all business combinations. According to that principle, to the extent that mergers by incorporation entail the transfer of control, they are considered as acquisitions.

According to the international accounting standards, the acquirer is the entity that obtains control, where control is intended as the power to influence the financial decisions and management of an entity for the purpose of obtaining benefits from its operations. To this end the following elements become significant: (i) number of new ordinary shares with voting rights issued compared to the total number of shares with voting rights which will constitute the Merging company's share capital after the Merger; (ii) fair value of the merging entities; (iii) composition of the new corporate bodies of the Merging company; (iv) entity issuing the new shares.

With regard to the Merger of BPU and BL, based on the elements indicated in (i), (ii) and (iv) (number of new shares issued, fair value of the two Groups, entity issuing the shares), from the "financial reporting-accounting" point of view, BPU should be considered as the acquirer.

Having said that, pursuant to the aforementioned IFRS 3, all business combinations should be accounted for using the purchase method. This method requires the acquirer to account for the transaction by recording the related cost, as indicated below, and allocating it to the fair value of the assets and liabilities of the acquiree.

More specifically, the cost of a business combination is measured at the sum of the fair value, at the date of exchange: (i) of assets given, (ii) liabilities incurred or assumed and (iii) and equity instruments issued by the acquirer in exchange for control of the acquiree. The above amount must then be increased by (iv) any costs directly attributable to the combination.

Thus, in the business combination of BPU and BL the cost of the acquisition will be represented by the fair value, at the date of issue (exchange date), of the shares that BPU will issue in exchange for the shares of the merged company BL.

As the shares are listed, the fair value of BPU's ordinary shares will be represented by the share price of the day when the transaction takes effect (as stated earlier on, the latter date of the registrations of the merger deed, that is the following date specified in the deed and, at any rate, a date not earlier than 1 April 2007), i.e. the last Stock Exchange quotation. The amount thus obtained will then be increased by any transaction costs incurred (for example, professional fees paid to auditors, legal advisors, experts and other consultants for services received in relation to the merger).

The cost of the business combination – as calculated above – should therefore be allocated to the potential assets and liabilities of the acquiree at the date of acquisition.

It will therefore be necessary to prepare a balance sheet at the date the Merger takes effect (accounting validity which coincides, as seen above, with legal validity) measuring the acquired identifiable assets, liabilities and contingent liabilities of the merged company at fair value. The difference between the fair value of the shares issued, as increased by the costs of the transaction, and the values allocated to the assets and liabilities of the merged company may be ascribed to intangible assets not recorded in the financial statements of the merged company. The remaining balance after the above allocation must be recognised as goodwill.

Therefore, in the light of the above, the cost of the acquisition and the deriving merger difference arising from the "pro-forma" documents produced in this Report, determined on the basis of the fair value of the shares of the Merging company and the exchange ratio is, therefore, Transitional as it will need to be updated using the fair value of BPU's ordinary shares at the date the Merger becomes legally effective.

The allocation of the cost needs to be made in the financial statements of the company through the valuation of the assets and liabilities as well as through the identification of the intangible assets of the merged company. The same process needs to be carried out at the consolidation stage.

It is also worth noting that IFRS 3 allows assets, liabilities and contingent liabilities of the acquired company to be measured at a provisional fair value and therefore also the merger difference to be provisionally allocated. The acquirer must however record the adjustments to these provisional figures and complete any initial recordings within twelve months from the date of acquisition with effect from the date of acquisition.

In order to simplify compliance by the merging companies with legal requirements, the Italian Civil Code (article no. 2504-*bis*, paragraph 3 of the Civil Code) sets out that the accounting effects may be backdated to a date prior to the date upon which the merger becomes legally valid. Pursuant to this provision, up until the adoption of IAS/IFRS the accounting effects of mergers were backdated to 1 January of the year in which the transaction was executed in order to avoid having to prepare the financial statements of the merged company. A similar approach was adopted for tax purposes, assuming that the tax period (that was relevant for tax purposes) coincided with the financial year (article no.76, paragraph 2, Decree of the President of the Republic no. 917 of 22 December 1986, setting out the Consolidated Income Tax Act (TUIR)).

This approach, however, is no longer permitted under the new international accounting standards as the accounting data of the merged company must be taken over by the Merging company at the date of acquisition. In fact, despite IFRS 3 merely indicates on which date the accounting data of the acquiree are to be included in the acquirer's books (date when control is transferred), the provision could also mean that the acquirer is not allowed to record the data of the acquiree in its books before the date of acquisition and this interpretation is coherent with the rationale underlying IFRS 3 according to which business combinations are to be treated as business disposals as – and this is renown - the effects of a business disposal cannot be recorded before the disposal transaction has actually been executed.

The date of acquisition is the date on which the acquirer obtains control of the acquired company and it is the date on which the balance sheet values of the latter are first recorded in the books of the acquirer.

According to IAS 27, control of a company is presumed when the acquirer acquires the majority of the voting rights of the acquiree or has power to cast the majority of votes at a meeting of the Board of Directors of the latter, or has the power to govern the financial and operating policies of the acquiree or else the power to appoint or remove the majority of the members of the board of directors. As regards the Merger of BL in BPU these conditions start from the effective date of the Merger. In fact, this latter date coincides with the issue of the new shares and the simultaneous

cancellation of the shares of the merged company which will be stricken off the Companies' Register and its governing bodies disbanded. From that moment onwards the acquirer takes over all the rights and obligations of the dissolved company. Until such date BL's shareholders maintain their rights in full and its directors remain in office. Until that date, the shareholders and the directors of BPU cannot in any way influence the operating policies of the company being merged.

Therefore, pursuant to the provisions of article no. 2501-*ter*, paragraph 1, point 6 of the Italian Civil Code, the transactions carried out by BL, the company being merged, will be included in the financial statements of BPU, the Merging company, starting from the date when the Merger becomes legally valid (date of the last registration of the merger deed in the Companies Register, that is the following date specified in the deed and, at any rate, a date that is not earlier than 1 April 2007). The tax effects of the Merger will also start from that date.

## **8.2 Tax issues**

### **8.2.1. Treatment for the banks**

From the point of view of taxation, the merger transaction is not subject to direct taxes. In fact, pursuant to article no.172 of the TUIR, the merger does not give rise to income or losses for the merging companies (merged company, Merging company and shareholders).

In particular, with respect to the merged company, no latent gains or losses inherent in the company's assets and liabilities (including goodwill) will arise from the transfer of its shareholders' equity to the Merging company.

Similarly, the assets received by the Merging company are recognised in the books of the latter at the same tax value they had in the books of the merged company (principle of the continuity of the "recognised tax values").

The calculation of the Merging company's income does not take account of the surplus or deficit recorded in the financial statements as a result of the exchange ratio of the shares, and the higher values included in the financial statements due to the possible recognition of the deficit to balance sheet items of the merged company, including goodwill, are not taxable for the Merging company and are not recognised for fiscal purposes.

The reserves subject to tax upon distribution, included in the last financial statements of the merged company, must be reallocated in the financial statements of the Merging company and are subject to the provisions of paragraph 5 of the above mentioned article no.172 of the TUIR.

The merger is exempt from VAT and is subject to flat-rate registration, mortgage and cadastral taxes.

With regard to the group taxation regime pursuant to articles no. 117 and ff. of the TUIR (so-called "Domestic Tax Consolidation") in force between BPU and some of its subsidiaries, article no. 124, paragraph 5, of the TUIR provides that if the Merging company (BPU, in the case at hand) merges with companies that are not part of the tax group (BL) it is possible to apply for an extension of the consolidated tax regime by applying to the tax authorities pursuant to article no. 11 of Law no. 212 of 27 July 2000.

### **8.2.2. Treatment for the shareholders**

The exchange of shares of the merged company with shares of the Merging company does not give rise to the realisation of income or losses for the shareholders of the former, as it amounts to a

mere replacement of the shares of the merged company with those of the Merging company. The tax value of the investment in the merged company is transferred to the shares received in exchange from the Merging company.



## 9 Effects of the merger on BPU

### 9.1 Effects on the balance sheet and income statement

This chapter contains the pro-forma consolidated figures of the New Group at 30 September 2006 with the aim of providing details of the significant effects of the merger transaction.

The pro-forma consolidated balance sheet and income statement have been drawn using a format similar to the one published in Bank of Italy's Circular no. 262 of 22 December 2005 and have been prepared in accordance with the international accounting standards issued by the International Accounting Standard Board (IASB) and endorsed by the European Union on 30 September 2006.

The pro-forma consolidated accounting data set out in the following tables are the result of the aggregation of the balance sheets of the BPU Group and the BL Group as published in their respective interim financial statements at 30 September 2006. In order to provide information about the effects of the merger, this data is compared with the consolidated figures of the BPU Group as published in the aforesaid quarterly report at 30 September 2006.

The pro-forma consolidated figures of the New Group were obtained by adjusting the accounting data published in the quarterly financial statements by recording the significant effects produced by the merger transaction. In particular, any effects on assets and liabilities have been included in the pro-forma consolidated balance sheet retrospectively as if the Merger transaction had taken place on 30 September 2006 and the income statement effects have been included in the pro-forma consolidated income statement as if the same transaction had been carried out on 1 January 2006.

The accounting principles used by the two combining entities for the preparation of the interim financial statements used as reference are basically in line and confirm, as a result, the significance of the accounting data summarised in the column of the table of the New Group.

The combined figures, obtained using the above mentioned procedure, have been adjusted to incorporate the effect of the merger, calculating the cost of the business combination on a Transitional basis by valuing the new shares that BPU Banca is required to issue in compliance with the merger exchange ratio based on the price of those shares at 10 November 2006, that is the only quotation available being closer to the date when the Agreement and Plan of Merger was approved by the Boards of Directors of the two Banks (the cost is Transitional because the final value of the share capital increase will be represented by the Stock Exchange quotation of the day when the merger takes effect, that is the last available quotation, as well as the number of shares to be issued at that date).

The difference between the value of BPU Banca shares to be issued and the consolidated net equity of the Banca Lombarda Group at 30 September 2006 was preliminarily recorded as "Merger difference". This merger difference is only indicative and does not represent the exact difference calculated according to the international accounting standards which, instead, should be quantified by taking into account the fair value of assets, liabilities and contingent liabilities of the acquiree at the date of acquisition, rather than the accounting data set out in the following tables. Moreover, the above mentioned merger reserve is determined without considering the costs that are directly attributable to the business combination.

Lastly, the aggregate accounting figures obtained by applying the above procedures are shown after eliminating the most significant balance sheet and economic intra-group transactions occurred between the BPU Group and the Banca Lombarda Group.

It is also worth noting that, for a correct interpretation of the information provided by the pro-forma figures, it will be necessary to consider the following aspects:

- as the representations are based on assumptions, if the merger transaction was actually executed on 30 September 2006 instead of the effective date, the accounting data would not necessarily have been the same as the pro-forma ones;
- the pro-forma accounting data highlights only the effects of the merger transaction that can objectively be measured and does not consider any future potential effects due to changes in management policies and operating decisions taken following the transaction;
- the pro-forma accounting figures and the data of the interim financial statements have different information objectives and are arrived at using different calculation methods for incorporating the effects of the acquisition in the balance sheet and the income statement. As a result, the pro-forma consolidated statements should be read and interpreted independently, considering the specific goals for which they are prepared.

#### Pro-forma consolidated balance sheet at 30 September 2006

<b>Assets</b>	<b>BPU Group</b>	<b>BL Group</b>	<b>New Group pro-forma</b>
Financial assets held for trading	3,055,892	2,903,739	5,959,631
Financial assets designated at fair value	5,290,972		5,290,972
Other financial assets (1)	4,780,003	1,003,035	5,783,038
Loans to banks	1,907,591	2,100,772	4,002,978
Loans to customers	49,798,318	29,954,211	79,569,655
Property, plant and equipment and intangible assets	2,607,861	1,466,827	4,074,688
Merger difference			3,298,814
Tax assets	573,229	271,375	844,604
Other assets	2,172,660	1,199,623	3,366,117
<b>Total assets</b>	<b>70,186,526</b>	<b>38,899,582</b>	<b>112.190,497</b>

<b>Liabilities</b>	<b>BPU Group</b>	<b>BL Group</b>	<b>New group pro-forma</b>
Due to banks	6,607,514	2,896,008	9,309,167
Due to customers (2)	52,145,824	30,036,258	82,182,012
Financial liabilities held for trading	449,994	555,301	1,005,295
Tax liabilities	526,596	347,577	874,173
Allowances for specific purposes (3)	679,737	276,751	956,488
Technical reserves	2,473,415	-	2,473,415
Other liabilities	2,004,598	1,569,192	3,573,790
Share capital	861,135	351,752	1,591,021
Reserves (4)	3,402,498	1,734,746	8,523,215

Valuation reserves	120,395	465,291	120,395
Minority interest	405,743	430,057	835,800
Profit for the period	509,077	236,649	745,726
<b>Total liabilities<sup>8</sup></b>	<b>70,186,526</b>	<b>38,899,582</b>	<b>112,190,497</b>

(1) Total of items 40 and 50

(2) Total of items 20 and 30

(3) Total of items 110 and 120

(4) Total of items 170, 180 and 200

### Pro-forma consolidated income statement at 30 September 2006

<b>INCOME STATEMENT</b>	<b>BPU Group</b>	<b>BL Group</b>	<b>New group pro-forma</b>
Net interest income	1,264,699	658,991	1,924,076
Net commissions	609,785	357,701	967,485
Total income	2,033,836	1,095,042	3,129,263
Net operating income from banking activities	1,914,433	1,027,961	2,942,779
Net operating income from banking and insurance activities	1,889,584	1,027,961	2,917,459
Operating costs	(1,088,116)	(579,819)	(1,668,320)
Operating profit before tax	860,183	457,154	1,317,337
Operating profit after tax	542,452	267,705	810,157
Profit for the period	542,452	272,528	814,980
Minority share of net profit	(33,375)	(35,879)	(69,254)
<b>Group's share of net profit</b>	<b>509,077</b>	<b>236,649</b>	<b>745,726</b>

## **9.2 Effects on the shareholding structure**

Based on the exchange ratio indicated in Paragraph 4 above, approximately 54% of the post-merger share capital will be represented by shares held by BPU's shareholders and approximately 46% by shares held by former shareholders of Banca Lombarda<sup>9</sup>

Starting from the effective date of the Merger, BL's shareholders will become shareholders of the Merging company<sup>10</sup> which will maintain its own cooperative banking status and will therefore become subject to the regulations applicable to banking cooperatives and, in particular, to the provisions of article no. 30 of Legislative Decree no. 385 of 1 September 1993 (TUB).

<sup>8</sup> The book value of Net Equity, calculated as the sum of Share capital, Reserves, Valuation reserves and Profit for the period, amounts in total to 4,893,105 thousand euros for BPU, 2,788,438 thousand euros for BL and 10,980,357 thousand euros for the New Group taking the goodwill arising from the Transaction into account.

<sup>9</sup> Percentages calculated subject to the effects of the withdrawal by shareholders of Banca Lombarda, in compliance with the terms set out in paragraph 10 below.

<sup>10</sup> Please note that BL's shareholders will become automatically registered in the Register of Members of the Merging company, upon execution and as a result of the Merger, by virtue of Transitional Rule I of the By-laws.

As further detailed in paragraph 2.1.3 of this Report, said article prescribes a shareholding limit of 0.50% of the share capital (article no. 30, paragraph 1). The above limit, however, does not apply to mutual funds which instead are subject to the thresholds set by their respective regulations (article no. 30, paragraph 2).

As soon as the Bank detects that the 0.50% shareholding limit has been exceeded, it takes action against the shareholder for having infringed prohibition. Any excess shares must be sold within one year from the date they are challenged; after that period of time has expired, the related economic rights accrued up to the date of the disposal of the excess shares revert to the Bank.

### **9.3 Effects on the agreements pursuant to article no.122 of Legislative Decree no. 58 of 24 February 1998**

As of today no notice has been received from any of the BPU directors from former Banca Popolare Commercio e Industria S.c.r.l. being party of the joint commitment described in paragraph 2.1.3 of this Report about whether all or only some of them will continue or terminate such commitment.

With regard to the Banca Lombarda Shareholders' Agreement concerning the prohibition to transfer the shares and the exercise of concerted voting only at Extraordinary Meetings convened to resolve upon changes to the By-laws (no. 305 shareholders underwrote the agreement and transferred shares of Banca Lombarda, equal to 46.88% of the current share capital, to the voting trust), the Shareholders' Agreement expresses its full appreciation for the merger project of the BL Group and the BPU Group.

In particular, the Banca Lombarda e Piemontese Shareholders' Agreement sent a communication to BL, stating that 100% of the votes of the shares of the Shareholders' Agreement were cast in favour of a resolution to:

- (i) vote in favour of the Merger of BL in BPU at meetings and, as a result, to announce in advance its decision not to exercise the right to withdraw;
- (ii) approve the governance rules that will regulate the New Parent company and the New Group;
- (iii) abstain from promoting or taking part in negotiations regarding hypothetical business combinations that may be alternative to the business combination with BPU that is the subject of the Memorandum of Intents.

The parties to the Banca Lombarda e Piemontese Shareholders' Agreement will promote the setting up of an Association of shareholders of Banca Lombarda e Piemontese (the "**Association**") with the aim of safeguarding, despite the Merger, BL's mission as a credit institution rooted to the local territory and close to the industrial fabric and the entrepreneurs of the province of Brescia and of Northern Italy. Moreover, the planned Association intends to strengthen the cohesion and collaboration of its Associates in order to foster the development of the New Parent company, in line with the criteria that have characterised BL's activity to date.

## 10 The new version of the By-laws

The planned merger of BPU Group and BL Group will entail the adoption of a new version of the By-laws which will be extremely innovative compared to the one that is currently in force, especially due to the fact that the Bank will change from the present "traditional" governance system (based on the Board of Directors and the Board of Statutory Auditors) to the so-called "dualistic" system. In addition to the changes concerning the company administration and control system, several other changes are proposed as a result of the agreements reached by BPU and BL in view of the merger.

In order to make the new By-laws easier to read, a table is attached to this Report showing the text of the By-laws currently in force and the one which would apply following the introduction of the proposed changes (Attachment A).

### 10.1 Changes to the By-laws concerning the new corporate governance: the "dualistic system"

As already anticipated, the planned merger envisages that, as the merger is completed, the Bank replaces the present, traditional governance system and adopts the administration and control system known as the "dualistic" system whose rules, recently introduced in the Italian legal system, are set out in articles 2409-*octies* to 2409-*quinquiesdecies* of the Civil Code. The special provisions pursuant to legislative Decree no. 58/1998 (TUF) apply to the bank as it is a listed company.

The dualistic system is based on a Supervisory Board and a Management Board instead of the traditional governing bodies of the traditional system, which are assigned the power to control and manage the company by the Law and the By-laws.

Due to the change to the dualistic system, some functions which, based on the traditional system, were usually performed by the Shareholders' Meeting (approval of financial statements, appointment of the management body and determination of the related remuneration) are assigned to the Supervisory Board. Moreover, a clearer distinction is made between strategic and control functions, on the one hand, and the day-to-day management function on the other, also to ensure the sound and cautious management of the Bank.

The Supervisory Board combines some of the powers that are typically reserved to the Shareholders' Meeting, functions of the Board of Statutory Auditors and some "top management" powers, thus providing strategic guidance, performing controls and overseeing the substance of corporate management to a greater extent than the Board of Statutory Auditors would typically do in the so-called "traditional" management and control system.

The Management Board is the corporate body that is responsible for managing the company and executing all the transactions that are necessary to attain the company's object, in line with the overall strategic and programmatic policies of the Supervisory Board. The By-laws may set out that, pursuant to article no. 2409 –*terdecies*, paragraph 1, letter *f-bis*), of the Italian Civil Code, such governing body passes resolutions, upon proposal of the Management Board, also with regard to industrial and financial plans, budgets as well as strategic and major economic-financial transactions. The role and the powers of the Management Board are basically the same as those of the Board of Directors under the traditional system, whose rules must be often referred to.

#### **The Shareholders' Meeting (from article no 21 to article no. 29)**

The powers of the Shareholders' Meeting will be changed in order to bring them in line with the legal regulations dealing with the "dualistic" system, including , inter alia, a provision requiring the Shareholders to approve the financial statements in case the Supervisory Board fails to do so.

Furthermore, in line with recent developments in the reference legislation, minority shareholders will be granted some powers such as the possibility of presenting their lists of candidates for the Supervisory Board, according to terms and methods better defined by the law and the By-laws.

#### **The Supervisory Board (articles no. 44 to 48)**

The Supervisory Board of the Bank generated by the merger will comprise 23 members appointed by the Shareholders' Meeting chosen among registered Shareholders possessing the necessary requisites, namely respectability, professionalism and independence as required by applicable legal regulations. At least three of the members of the Supervisory Board must be selected among subjects registered with the Register of Auditors who have performed legal audits for a period of no less than three years. They will remain in office for three financial years.

They will be appointed by vote of lists procedures that are dealt with in more detail in the By-laws (article no.45). Unless prescribed otherwise by the law or other regulatory provisions, the lists should be presented to the outgoing Supervisory Board by at least 500 Shareholders entitled to exercise their right and vote at the Meeting convened to appoint the Supervisory Board and which can provide evidence of such right in compliance with legal regulations currently in force, representing at least 0.50% of the share capital (such limit being fixed by reference to the outstanding share capital of the bank 90 days before the date set for convening the Meeting and to be indicated in the notice of the meeting).

The Supervisory Board will meet, upon notice by the Chairman, at least every 60 days; the meetings will take place, alternatively, in the city of Bergamo and the city of Brescia, and once a year in the city of Milan. The meetings will be considered as being validly held (i.e. the quorum is present) if the meetings are attended by the majority of the Members in office. The Board will pass valid resolutions where the absolute majority of the registered shareholders attending the meeting (resolution quorum) casts a favourable vote, except for those cases where the By-laws prescribe higher quorums (article no. 48).

Besides matters reserved to the Supervisory Board by law, the By-laws (article no. 46) will reserve to the Board the duty to take decisions, upon proposal of the Management Board, concerning the general programmatic and strategic policies of the Company and the Group, to grant the authorizations for strategic transactions and industrial and/or financial plans, budgets of the Parent Company and the Group prepared by the Management Board, as well as for strategic operations, notwithstanding the liability of the Management Board for any action taken. Furthermore, the Supervisory Board will be responsible for granting the authorizations concerning:

- (i) proposals to carry out transactions affecting the share capital, issues of convertible and cum warrant bonds of the Company, mergers and spin-offs;
- (ii) proposals to change the By-laws;
- (iii) purchase or disposal of controlling stakes held by the Company and its subsidiaries in considerably strategic companies or the value of which exceeds a specific threshold, as well as the purchase or sale of businesses, divestitures of block of assets/liabilities, economically and/or strategically important business units;
- (iv) investments or disinvestments that are strategically significant and/or which entail commitments for the Company the total amount of which exceeds a predetermined value per single transaction;
- (v) entering into strategically important commercial, collaboration and shareholders' agreements, it being understood that the authorisation of the Supervisory Board for the transactions listed above will not be necessary if the transactions are contemplated in the industrial plans already approved by the Supervisory Board.

It is worth underlining that additional powers granted to the Supervisory Board include also the power to take decisions regarding:

- a) the policies targeting cultural and charitable initiatives as well as the image of the Parent company and the Group, especially as far as the historical and artistical heritage is concerned, verifying that the planned initiatives are in line with the set objectives;

- b) mergers and spin-offs pursuant to articles no. 2505 and 2505-bis of the Civil Code;
- c) opening or closing down branches;
- d) share capital reduction in the event that a shareholder exercises the right to withdraw;
- e) changes to the By-laws to bring them in line with applicable legal regulations, subject to consultation with the Management Board.

#### **The Chairman of the Supervisory Board (article no. 47)**

In addition to promoting the activity of the Board, the Chairman of the Supervisory Board, consistently with the functions attributed to the Board itself, will play a significant role: - in the supervision and implementation of control procedures and systems over the activity of the Parent Company and the Group also by requesting and obtaining information from the subject in charge of preparing the accounting documents as well as from the subjects responsible for the various functions concerned; - in the relationships between the Supervisory Board and the Management Board, ensuring the efficient coordination of the actions of the Corporate bodies.

The Chairman of the Supervisory Board will convene – at his own initiative and, at any rate, in the cases prescribed by the law or the By-laws – and will chair the meetings of the Board itself, fixing the related agenda, also taking account of the proposals formulated by the Deputy Chairman and the other Deputy Chairmen and ensuring that adequate information about the topics contained in the agenda are provided to all the members of the Supervisory Board.

The members elected respectively as Chairman and Deputy Chairman will be those who ranked first and second in the list that obtained the majority of the votes, and/or in the only list presented, or those members thus nominated by the Shareholders' Meeting, in the event that no list was presented (article no. 45).

#### **Internal control, Remuneration and Appointments Committees (article no.49)**

The By-laws will provide that the Supervisory Board sets up an Internal Control Committee, a Remuneration Committee in charge of fixing the company's top management remuneration and a Appointments Committee. At least the majority of the members of the Internal Control Committee must have the requirements set in Article 44, sub-paragraph 5 of these By-laws. The Internal Control Committee, with the collaboration of the charged internal structures, can proceed to inspections at any time as well as exchange information with the corporate bodies of the companies of the Group with regard to the management and control systems and to the corporate activity.

The document containing the Regulations of the Appointments Committee is one of the Attachments of the Merger Project.

#### **The Management Board (articles no. 30 to 41)**

The Management Board shall comprise a minimum of 7 members and a maximum of 11 members nominated by the Supervisory Board which will determine the number at the time of their appointment. Furthermore it is reminded that: i) at least one of the members of the Management Board must hold the requirements of independence set forth in art. 148, third sub-paragraph, of Lgs. D. no. 58 of February 24th, 1998, ii) at least the majority must have at least a three years experience in management and/or professional activities in financial and/or banking and/or insurance institutions in Italy or abroad.

The members of the Management Board will remain in office for three financial years and may be re-elected. The members of the Supervisory Board cannot be appointed as members of the Management Board as long as they continue to hold that office.

The Management Board shall meet at least once a month, as well as any other time the Chairman shall deem it convenient or when requested by at least 5 members. The meetings will take place, alternatively, in the city of Bergamo and the city of Brescia and, once a year in the city of Milan. In general and unless the resolution must be passed by qualified majorities, the meetings of the Management Board will be considered as being validly held if they are attended by more than half of the members in office. The resolutions of the Management Board will be passed by manifest

voting, with the favourable vote of the majority of the registered shareholders attending, except for the following decisions in respect of which the By-laws (article no. 369) request higher resolution quorums:

- a) proposal to change the By-laws, to be brought to the attention of the Supervisory Board, for subsequent approval by the Extraordinary Shareholders' Meeting,
- b) disposal of all or part of the investments held in the following companies: Banca Popolare Commercio e Industria, Banca Popolare di Bergamo, Banca Popolare di Ancona, Banca Carime, Centrobanca, Banco di Brescia e Banca Regionale Europea, as well as the setting up of any encumbrances on these shares;
- c) determination of the vote to cast at meetings of the companies listed in point b) above, convened to approve share capital increases with the exception of the option right ( by contributions in cash or in kind), the issue of convertible or cum warrant bonds, excluding the option right, which entail, in case of subscription, loss of control by the Company;
- d) determination of the vote to cast at meetings of the companies listed in point b) above, convened to resolve upon the merger by incorporation in the Company or in other companies, their transformation, splitting, early winding-up, change of the company's purposes, change of business name or transfer of registered office in another municipality, transfer of any of the subsidiaries listed in point b) above to third parties outside the Group of the credit institution or of a considerable part of it;
- e) if deemed suitable, assigning one of its members the task of overseeing the operation of the internal control system.

Besides the powers that cannot be delegated by law, the By-laws (article no. 37) will assign several exclusive duties to the Management Board that are strictly connected with the company's management and organization functions though some of them will be subject to approval by the Supervisory Board.

The Management Board will inform the Supervisory Board, through ad hoc reports, about the overall management performance and any major transactions (in terms of size and characteristics) carried out by the Company or its subsidiaries and, at any rate, it will report on the transactions in which the members of the Management Board have an interest, either personally or on behalf of third parties (article no. 38). Such communications will be made at the meetings of the Supervisory Board and, in any case, at least quarterly; it may also be made in writing.

#### **The Chairman of the Management Board (article no. 39)**

The Chairman of the Management Board, who will act as the company's legal representative and authorised signatory, will perform the tasks that are typically carried out by the Chairman of the company's governing body and which it will perform by liaising with the other statutory bodies, if necessary.

The Chairman of the Management Board and the Deputy Chairman of the Management Board – called to perform the Chairman function in the event that the Chairman is absent or unable to act – will be appointed by the Supervisory Board upon proposal of the Appointments Committee (article no. 46).

#### **The Managing Director (articles no. 42 to 43)**

The Management Board is responsible for granting and revoking the powers of delegate of the Managing Director subject to prior consultation with the Supervisory Board (article no.37).

The Managing Director will oversee the management of the Company and the Group, supervising the strategic coordination and management control. It is worth noting that the various powers that the By-laws grant to the Managing director may also include the following (article no. 43):

- a) supervising the implementation of the organizational and business structure established by the Management Board and approved by the Supervisory Board;
- b) setting the operating guidelines for the General Management;



- c) overseeing the integration of the group, consulting with and involving the Deputy Chairman of the Management Board;
- d) submitting the management policies, the strategic and industrial plan as well as the budget to the Management Board, overseeing that they are implemented through the Top Management;
- e) recommending the accounting policy and the other policies concerning the optimization of the use and enhancement of resources and submitting draft financial statements and interim reports to the Management Board;
- f) recommending to the Management Board qualified individuals as nominees for top management and executive posts in agreement with the Chairman and the Deputy Chairman of the Management Board and after consulting with the General Manager;
- g) promoting the integrated supervision of risks.

He reports quarterly to the Management Board and to the Supervisory Board (and to the latter also within the context of the communication provided by Article 38) with regard to the management trend, the predictable developments and on the main operations carried out by the bank and its subsidiaries. He also reports every month to the Management Board and at least every sixty days to the Supervisory Board with regard to the main accounting results of the Company, of the main subsidiaries and of the Group.

#### **Director appointed to oversee the internal control system (article no. 43 bis)**

The Management Board may appoint one of its members to oversee the proper operation of the internal control system with the task – to be carried out in close cooperation and agreement with the Managing director and the General Manager – of supervising the promotion and implementation of an internal control system that is adequate for the Company and its Group in terms of efficiency and effectiveness.

#### **General Management (article no. 50)**

The By-laws will provide for the appointment, by the Management Board, of a General Manager, a Co-general Manager as well as the appointment of one or more Deputy General Managers, in accordance with the organization chart established by the Management Board, which will determine their powers.

The General Manager will be the head of the operating structure and the head of personnel; will oversee (unless differently indicated by the competent administrative bodies) that the resolutions passed by the Management Board and the Managing Director are carried out and will manage the day-to-day activity in line with the policies of the administrative bodies.

The Co-general Manager will cooperate with the General Manager and will support him in overseeing all the functions assigned to him.

### **10.2 Other changes of the By-laws**

The Extraordinary Shareholders' Meeting of BPU will be convened, not only to approve the Merger transaction and the changes to the By-laws that are necessary for introducing the "dualistic" system described above, but also with the aim of deciding on the adoption of a number of additional changes to the By-laws – the most significant of which will be briefly illustrated below – that are required to carry out the overall plan underlying the integration project.

#### **Company name (article no.1)**

The Company will operate under a new business name.

#### **Company's registered office and operating offices (article no. 3)**

The Company's registered office will be based in Bergamo and the operating offices in Bergamo and Brescia. The proposed change is formulated with the aim of guaranteeing the Bank, under the new structure arising from the Merger, a balanced allocation of the central functions that take account of the functional and economic needs of the new structure, also with the aim of promoting the effective implementation of the integration process.

#### **Shareholders' admission requisites (articles no. 6 and 9)**

The third paragraph of article no. 6 of the By-laws currently in force will be cancelled; this article provides that in order to be admitted as shareholder, the aspiring shareholder is expected to have entertained a customer relationship with the Bank or companies of the Group, and/or should be well known for its competencies in the areas in which the Bank and the Group companies operate through their network of branches. The removal of the article is recommended in relation to the proposed introduction of the new second paragraph of article no. 9 according to which, for the purpose of evaluating requisites for membership of the Company, any past relationships of those who presented an admission application to the Group companies will be taken into account, also in the light of the general criteria set forth by the Supervisory Board. The change aims at redefining the criteria and the requisites taken into consideration by the Management Board of the Bank when evaluating the admission applications submitted by aspiring shareholders.

#### **Convening of meetings (article no.22, paragraph 5)**

The By-laws will provide that, where permitted by the law, the Shareholders' Meeting may be convened within 180 days (instead of the usual 120 days) from the accounting year end. In that case, the Management Board will highlight the reasons for the delay in the report prescribed by article no. 2428 of the Italian Civil Code. The proposed change aims at taking advantage of the opportunity allowed by paragraph 2 of article no. 2364 of the Civil Code according to which, in the case of companies that are required to prepare consolidated financial statements or when needs associated with the structure and the object of the company require it, the notice to convene the Ordinary Shareholders' Meeting may be extended from 120 to 180 days from the accounting year end.

#### **Venue of Shareholders' Meetings (article no. 23)**

The Shareholders' Meetings will be held, alternatively, in the city or province of Bergamo and in the city or province of Brescia. The revised version of the article under review is inspired to the equal partnership principle applying to the combining companies which will give rise to the New Parent company. The latter is expected to facilitate, according to equilibrium and equal opportunity criteria, attendance at meetings by both members of the Corporate body of the predecessor banks taking part to the integration project. The above also in compliance with the provision of article no. 13.1 of the Self-regulation Code of the bank, according to which "*The Directors encourage and facilitate the greatest attendance by Shareholders at Meetings*".

#### **Quorum required for the second call of the Extraordinary Shareholders' Meeting (article no. 27)**

The By-laws will provide that, on second call, the Extraordinary Shareholders' Meeting shall be validly held with the attendance, either in person or by proxy, of at least 1/400 of the Shareholders entitled to vote (at present a quorum of 1/200 of the Shareholders entitled to vote is required). The purpose of the proposed change is to adjust the percentage of shareholders required for the Extraordinary Shareholders' Meeting to be validly held on second call to the new entity of the corporate structure of the New Parent company, as it will result from the Merger, also taking account of the average attendance by Shareholders at the meetings of BPU and BL in the last decade.

In fact, it is worth noting that, following the completion of the proposed Merger by incorporation of BL into BPU, the number of shareholders of the New parent company, considering the prescription of Transitional Rule I introduced by this By-laws proposal, would increase from approximately 60,000 to approximately 100,000. Moreover, the provision is in line with the requirements of article no. 2538, paragraph 5 of the Italian Civil Code, applicable to cooperative banks by virtue of the provisions of article no. 150-bis of Legislative Decree no. 385 of 1 September 1993, which states that "The quorums required for meetings to be validly held and for resolutions to be validly passed are established by the Certificate of Incorporation and are calculated based on the number of votes to which the shareholders are entitled". The proposal is also in line with the provisions of article no. 13.5 of the Self-regulation Code of the Bank which states that "In the event of major changes in the number of Shareholders, the Board of Directors shall evaluate the opportunity of proposing changes to the Certificate of Incorporation, with regard to the percentages set for implementing actions and exercising the prerogatives that safeguard minorities".

### **Higher quorums for the change or removal of certain clauses of the By-laws (article no. 28, last paragraph)**

The removal of some qualified resolution quorums is recommended in order to make the By-laws more flexible and to allow the company to pursue future opportunities associated with legal provisions and potential integration processes.

Differently, with regard to some of the provisions considered to be fundamental for the success of the integration process, specific higher resolution quorums would be introduced to abolish or make changes to the By-laws related to the setting up and regulation, within the Supervisory Board, of the Appointments Committee, a body that is already envisaged by the Bank's current By-laws. In fact, this Body is considered to be fundamental for ensuring the application of the governance rules to the proposals regarding the composition of the Corporate bodies of the New Parent company, which aim at ensuring that its members are both from BPU and BL in accordance with the equal partnership principle set out in article no.1 of this By-laws proposal. For the resolutions to be taken upon request of the Authority of Credit Surveillance or in relation to modifications of the By laws or legislative modifications, the Meeting, both ordinary and extraordinary, takes resolutions with the majority of votes; in such cases, for the resolutions attributable to the Supervisory Board, dispositions provided for by article 48, sub-paragraph 5 apply.

### **Manager in charge of preparing accounting documents (article no. 37, paragraph 2, letter n)**

Following the implementation of article no. 154 bis of the TUF, the Management Board, subject to mandatory consultation with the Supervisory Board, will appoint a Manager in charge of preparing the company's accounting documents. The Manager responsible for preparing the company's accounting documents is expected to possess the requisites of respectability prescribed by current legal regulations for those who perform administrative and management function, of professionalism characterised by specific competence, from the administrative and accounting point of view, in the credit, financial, securities or insurance field. Such competence, to be verified by the Management Board, should have been gained through work experience in posts requiring a similar level of responsibility for a significant period of time and in comparable companies.

### **Obligations of bank exponents**

A proposal has been made to remove article no. 41 dealing with the obligations of company's exponents towards the Company or other Group companies. The proposal to abolish article no. 41 currently in force is driven by the opportunity to expunge a provision from the By-laws which almost literally reproduces a precise legal provision (article no. 136 of Legislative Decree no. 385 of 1 September 1993), and as such in force regardless of the need for a specific reference in the By-laws.

### **Profits and Reserves (article no. 52)**

The By-laws will provide that retained earnings and Valuation reserves set up following the application of the international accounting standards cannot be distributed to Shareholders in the cases provided for by the law. The change is related to the text of articles no. 6 and 7 of Legislative Decree no. 38/2005, which include provisions aimed at restricting the distribution of income and reserves arising from the application of the fair value criterion and recognised in the income statement or recorded directly in net equity (article no. 6) or restricting the distribution of some reserves set up upon first-time adoption of IAS/IFRS (article no. 7).

### **Transitional Rule I**

Making an exception to the regulations concerning the admission of new Shareholders, holders of former BL's shares that as a result of the merger exchange ratio are entitled to at least one share of the Merging company, will automatically acquire, without the need to fill in any application form and/or complying with any other formality, the shareholder status with full rights in the Merging company as of the effective date of the Merger. The proposed introduction of this transitional rule is justified by the need to safeguard the participation rights of BL's shareholders in the Merging company, thus allowing the regular attendance of the latter starting from the Shareholders' Meeting convened to approve the distribution of 2006 net profit.

### **Transitional Rule II**

Making an exception to the provisions of the By-laws, all Shareholders' Meetings starting from the one convened to approve the distribution of 2007 net profit will be chaired by the Chairman of the Management Board unless the latter is absent or unable to act. The proposed rule, which represents an application of the power assigned to the Chairman of the Supervisory Board by paragraph 2 of article no. 26 of this By-laws proposal, reflects the agreements reached by BPU and BL for the purpose of implementing the integration project.

### **Transitional Rule III**

The Company resulting from the merger of BPU and BL will adopt the Regulation of the Appointments Committee as of the effective date of the merger. For details about the reasons underlying the above rule please refer to the change relating to article no. 28, last paragraph, of the new By-laws.

### **Transitional Rule IV**

Departing from the provisions of the By-laws, the first members of the Supervisory Board and of the Management Board may also be chosen among shareholders, even if these have been registered in the Register of registered Shareholders for less than 90 days. The objective of the proposed rule is to facilitate the implementation of the agreements reached by BPU and BL with regard to the execution of the Integration Project.

### **Transitional Rule V**

The rule provides for a special procedure for appointing the first members of the Supervisory Board. More specifically, the rule provides that the members of the Supervisory Board are initially appointed by the Ordinary Shareholders' Meeting of BPU in application of the Transitional rules contained in the By-laws. These provide for the appointment of 23 members of the Supervisory Board who will remain in office for three financial years and be appointed by vote of lists as article no. 44 of BPU's By-laws currently in force prescribes for the appointment of the Board of Statutory Auditors. According to this mechanism the first 22 candidates of the list which obtains the majority of votes will be elected along with the first candidate of the list which obtains the second highest number of votes. The lists that do not achieve at least 10% of the total votes cast at the Meeting will not be taken into consideration; where only one of the lists presented exceeds that threshold, all the members of the Supervisory Board will be chosen from it. If only one list or no valid list is presented, the Shareholders' Meeting will resolve to appoint the members by relative majority. Where two or more lists obtain the same number of votes, these lists will be resubmitted to the voting process until one of the lists obtains a higher number of votes. The proposed rule aims at applying the mechanism for appointing the Supervisory Board by vote of lists starting from the Ordinary Shareholders' Meeting of the Merging company that will be held at the same time as the Extraordinary Shareholders' Meeting required for the change of the By-laws, called to appoint the first Supervisory Board, establishing in particular the rules required to allow the Shareholders interested to present a preliminary list of candidates for the aforesaid office.

### **Transitional Rule VI**

The rule provides that the Meeting called to approve the distribution of the profit related to the 2006 financial year could assign, after deducting the part destined to reserve, 1% of the 2006 profit of the merging company to the remuneration of the Board of Directors in force until 31st December 2006.

\* \* \*

With regard to the adoption of the new text of the By-laws, attention is drawn to the fact that some of the new clauses entail, pursuant to article no. 28 of the By-laws of the Merging company currently in force, an change to the By-laws to be adopted with the favourable votes of at least 1/20 of all the shareholders entitled to vote.

Therefore, if the resolution to approve the By-laws (attachment *sub A*) is passed by a smaller majority than the one just referred to above, the subject of the resolution will be deemed to be the approval of the By-laws – attachment A below - but with the replacement of articles no. 3, 23, 28,31 and 36 with the corresponding articles set forth in Attachment B.

## 11 Considerations made by the Board of Directors on the potential exercise of withdrawal rights by shareholders

The Merger transaction submitted to the approval of the Shareholders' Meeting will not give rise to the exclusion of BPU shares from listing on the Stock Exchange. Thus the shareholders of the Bank that did not vote in favour of the resolution on the merger have no right to withdraw pursuant article no. 2437 quinquies of the Italian Civil Code.

Likewise, as none of the hypothesis contemplated in article no. 2437, paragraphs 1 and 2 of the Civil Code applies, the shareholders of the Bank who did not vote in favour of the resolution approving the merger are not entitled to the right to withdraw provided for in the aforesaid article.

Attention is drawn to the fact that the implementation of the Integration will entitle the shareholders of the company to be merged, BL, who did not vote in favour of the approval of the merger project at the Shareholders' Meeting, to exercise their right to withdraw for all or part of their shares pursuant to the provisions of article no. 2437, paragraph 1, letter b) and g) of the Civil Code. In this case, the shareholders who exercised such right to withdraw will be paid an amount calculated by reference to the arithmetic average of the closing share prices of the six months prior to the publishing of the notice to convene the Extraordinary Shareholders' Meeting called to resolve on the Merger by incorporation into BPU.

The liquidation procedure will be regulated by article no. 2437 quater of the Civil Code.

The effectiveness of the Merger as well as the signing of the Merger deed concerning the incorporation of BL into the Merging company are subject to the condition that BL's shareholders will not exercise their withdrawal right with respect to more than 10% (ten per cent) of the share capital. This condition may be waived by joint agreement of the Merging company and the Company to be merged within 10 (ten) business days from the day when the final data relating to the exercise of the right to withdraw have been communicated by BL to the Merging company.

If the shareholders exercise their right to withdraw and the option offer pursuant to article no. 2437 *quater* of the Italian Civil Code is carried out after the effective date of the merger, the entitled shareholders will be offered BPU shares in option – in place of those of Banca Lombarda – in proportion to the number of shares held by the shareholder as a result of the application of the merger exchange ratio.

Bergamo, 19 January 2007

**Banche Popolari Unite S.c.p.a.**  
The Chairman of the Board of Directors

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## ENCLOSURE A

OLD CORPORATE BY-LAWS	NEW CORPORATE BY-LAWS
SECTION I	SECTION I
CONSTITUTION, NAME, DURATION AND REGISTERED OFFICE OF THE COMPANY	CONSTITUTION, NAME, DURATION AND REGISTERED OFFICE OF THE COMPANY
ARTICLE 1	ARTICLE 1
<p>With deed of June 24th, 2003 (Index no. 17551 – File 5312), as per notarial act issued by Prof. Piergaetano Marchetti, the “Banche Popolari Unite Società cooperativa per azioni” company (the “Company”), shortened to “BPU Banca”, was set up. The Company was set up due to the merger on July 1st, 2003 of the Banca Popolare di Bergamo - Credito Varesino limited liability co-operative company (“Popolare Bergamo”), the Banca Popolare Commercio e Industria limited liability co-operative company (“Popolare Commercio Industria”) and the Banca Popolare di Luino e di Varese Joint-stock company (“Popolare Luino e Varese”).</p>	<p>The joint-stock co-operative company [-] (the “Company”), which obtained this name due to the merger - inspired by the principle of joint nature among participating companies - of “Banche Popolari Unite Società cooperativa per azioni” (shortened to “BPU Banca”) and “Banca Lombarda e Piemontese Società per Azioni” (shortened to “Banca Lombarda”) is in force.</p>
ARTICLE 2	ARTICLE 2
<p>The duration of the Company is established as up to and including December 31st, 2100 and can be extended.</p>	<p>The duration of the Company is established as up to and including December 31st, 2100 and can be extended.</p>
ARTICLE 3	ARTICLE 3
<p>The registered office and general management of the Company is based in Bergamo.</p>	<p>The registered office of the Company is based in Bergamo and its operating offices are located in Brescia and Bergamo.</p>
<p>The provision of the previous sub-paragraph may be modified only with the majorities provided for by the last sub-paragraph of art. 28.</p>	
<p>The Company, with the resolution of the Board of Directors and in compliance with the law provisions, may establish, close and transfer sub-offices, branch offices and representative offices, both in Italy and abroad.</p>	

<b>SECTION II</b>	<b>SECTION II</b>
<b>BUSINESS PURPOSE</b>	<b>BUSINESS PURPOSE</b>
<b>ARTICLE 4</b>	<b>ARTICLE 4</b>
Drawing its inspiration from the traditional principles of Cooperative Societies, the purpose of the Company is the collection of savings and credit management in various forms, both directly and through subsidiary companies, both towards shareholders and towards non-shareholders.	Drawing its inspiration from the traditional principles of Cooperative Societies, the purpose of the Company is the collection of savings and credit management in various forms, both directly and through subsidiary companies, both towards shareholders and towards non-shareholders.
To this end, it may, provided it complies with the legislation in force and subject to the obtainment of the prescribed authorisations, both directly and through subsidiary companies, carry out any transactions and banking or financial services, as well as any other activity credit institutions are allowed to conduct, including issue of bonds and granting of loans regulated by special laws.	To this end, it may, provided it complies with the legislation in force and subject to the obtainment of the prescribed authorisations, both directly and through subsidiary companies, carry out any transactions and banking or financial services, as well as any other activity credit institutions are allowed to conduct, including issue of bonds and granting of loans regulated by special laws.
Furthermore, the Company may carry out any other transaction serving as a means or in any case connected to achieving the corporate purpose.	Furthermore, the Company may carry out any other transaction serving as a means or in any case connected to achieving the corporate purpose.
The Company, in pursuing the Shareholders' benefit, pays special attention to the enhancement of the resources of the territory where it is located through its own distribution network and that of the Group. In compliance with its own institutional aims, the Company grants special terms to the Shareholder customers with regard to the enjoyment of specific services.	The Company, in pursuing the Shareholders' benefit, pays special attention to the enhancement of the resources of the territory where it is located through its own distribution network and that of the Group. In compliance with its own institutional aims, the Company grants special terms to the Shareholder customers with regard to the enjoyment of specific services.
In order to attain its purposes, the Company may become a member of associations and consortia within the banking system, both in Italy and abroad.	In order to attain its purposes, the Company may become a member of associations and consortia within the banking system, both in Italy and abroad.
The Company, in its position as parent company of the Banche Popolari Unite Group, shortened to BPU Bank Group (the "Group"), pursuant to article 61, fourth sub-paragraph, of the Legislative Decree no. 385 of September 1st, 1993, issues, in exercising its activities of management and co-ordination, provisions regulating the companies belonging to the	The Company, in its position as parent company of the [-] Group, (the "Group"), pursuant to article 61, fourth sub-paragraph, of the Legislative Decree no. 385 of September 1st, 1993, issues, in exercising its activities of management and co-ordination, provisions regulating the companies forming the Group, also for carrying out instructions

Group, also for carrying out instructions issued by Banca d'Italia and in the interest of the Group's stability.	issued by Banca d'Italia and in the interest of the Group's stability.
<b>SECTION III</b>	<b>SECTION III</b>
<b>SHARE CAPITAL, SHAREHOLDERS AND SHARES</b>	<b>SHARE CAPITAL, SHAREHOLDERS AND SHARES</b>
<b>ARTICLE 5</b>	<b>ARTICLE 5</b>
The share capital is variable and unlimited; it is represented by registered shares of the par value of Euro 2.50 (two point fifty) each.	The share capital is variable and unlimited; it is represented by registered shares of the par value of Euro 2.50 (two point fifty) each.
The issue of new shares may be decided:	The issue of new shares may be decided:
a) exceptionally, by the Shareholders' extraordinary meeting, in compliance with what is provided by article 2441 of the Italian Civil Code, with the majorities and the <i>quorum</i> provided by these By-laws for the setting up and the resolutions of the Shareholders' extraordinary meeting, with the right to give proxies to the Board of Directors for exercising, in compliance with the regulations in force, the rights provided by articles 2420 <i>ter</i> and 2443 of the Italian Civil Code.	a) exceptionally, by the Shareholders' extraordinary meeting, in compliance with what is provided by article 2441 of the Italian Civil Code, with the majorities and the quorum provided by these By-laws for the setting up and the resolutions of the Shareholders' extraordinary meeting, with the right to give proxies to the Management Board, but subject to prior authorisation of the Supervisory Board, in compliance with the regulations in force, for exercising the rights provided by articles 2420 <i>ter</i> and 2443 of the Italian Civil Code.
b) normally, by the Board of Directors according to the law provisions and the prescribed regulations in force in this field.	b) normally, by the Management Board according to the law provisions and the prescribed regulations in force in this field.
The share capital may be increased both in monetary terms and by contribution in kind.	The share capital may be increased both in monetary terms and by contribution in kind.
As long as the shares of the Company are listed on controlled markets, the issue of new shares may occur only through the resolution of the shareholders' extraordinary meeting, according to what is provided by the previous sub-paragraph 2 point a).	As long as the shares of the Company are listed on controlled markets, the issue of new shares may occur only through the resolution of the shareholders' extraordinary meeting, according to what is provided by the previous sub-paragraph 2 point a).
An increase in share capital, open till December 31st, 2006, of nominal maximum surpluses Euro 4,567,637.50 is contemplated, by issuing a	



<p>maximum number of surplus 1,827,055 ordinary shares of the par value of Euro 2.50, cum-coupon, excluding the right of option, serving the stock option plan already provided for the managers of the former Popolare Commercio Industria and of the former Banca Popolare Commercio e Industria Group.</p>	
<b>ARTICLE 6</b>	<b>ARTICLE 6</b>
Natural persons, excluding those under the conditions provided in the following article 7, are allowed as Shareholders.	Natural persons, excluding those under the conditions provided in the following article 7, are allowed as Shareholders.
Corporate bodies and other joint bodies can become Shareholders of the Company provided that they appoint in writing the natural person authorised to represent them; no change of the latter can be opposed to the Company till this has been notified with registered letter with acknowledgement of receipt.	Corporate bodies and other joint bodies can become Shareholders of the Company provided that they appoint in writing the natural person authorised to represent them; no change of the latter can be opposed to the Company till this has been notified with registered letter with acknowledgement of receipt.
Without prejudice to what is provided by the following art. 9, for the purposes of being admitted as shareholder, it is important for a candidate Shareholder to have an experienced customer relation with the Company or with the companies of the Group; or it is important that the Shareholder is favourably known in the areas in which the Company or the companies belonging to the Group are active through their branch network for their entrepreneurial capacities, professional capacities or for the offices they hold.	Minors may be admitted as Shareholders on request of their legal representative who substitutes for them in all the relations with the Company.
Minors may be admitted as Shareholders on request of their legal representative who substitutes for them in all the relations with the Company.	The persons appointed as above, the legal representatives of natural persons, as well as the common representatives as per the second subparagraph of article 15 of these By-laws, may exercise all the rights pertaining to the Shareholders, but, in this capacity, they cannot be appointed in corporate positions.
The persons appointed as above, the legal representatives of natural persons, as well as the common representatives as per the second subparagraph of article 15 of these By-laws, may exercise all the rights pertaining to the Shareholders, but, in this capacity, they cannot be appointed in corporate positions.	

<b>ARTICLE 7</b>	<b>ARTICLE 7</b>
Disqualified, disabled and non-discharged bankrupt persons as well as all those who were sentenced with disqualification also temporarily from holding public offices cannot be admitted as Shareholders.	Disqualified, disabled and non-discharged bankrupt persons as well as all those who were sentenced with disqualification also temporarily from holding public offices cannot be admitted as Shareholders.
<b>ARTICLE 8</b>	<b>ARTICLE 8</b>
Those who intend to become Shareholders must show the Board of Directors the participation certificate to the centralised management system and submit to the Board the request in writing indicating the shares held as well as personal details, domicile, nationality and any other information and/or declaration due by law or by the By-laws or requested by the Company in general.	Those who intend to become Shareholders must show the Management Board the participation certificate to the centralised management system and submit to the Board the request in writing indicating the shares held as well as personal details, domicile, nationality and any other information and/or declaration due by law or by the By-laws or requested by the Company in general.
The presentation of the certification attesting the ownership of at least 250 shares is requested to be admitted as Shareholder.	The presentation of the certification attesting the ownership of at least 250 shares is requested to be admitted as Shareholder.
The Board of Directors has the right to determine the extent of the preliminary investigation expenses, if accepted, to be placed to the charge of the new admitted Shareholder.	The Management Board has the right to determine the extent of the preliminary investigation expenses, if accepted, to be placed to the charge of the new admitted Shareholder.
The candidate Shareholder must declare in the application his/her commitment to the obligations provided by the By-laws, the regulations and corporate resolutions.	The candidate Shareholder must declare in the application his/her commitment to the obligations provided by the By-laws, the regulations and corporate resolutions.
<b>ARTICLE 9</b>	<b>ARTICLE 9</b>
Knowing the law provisions on credit societies, any decision on the acceptance of the Shareholder applications is taken by the Board of Directors considering the objective interests of the Company, including those concerning its independence, as well as the observance of the spirit of the co-operative form; the party concerned is informed of this decision.	Knowing the law provisions on credit societies, any decision on the acceptance of the Shareholder applications is taken by the Management Board, also in the light of the general principles indicated by the Supervisory Board, considering exclusively the objective interests of the Company, including those concerning its independence, as well as the observance of the spirit of the co-operative form; the party concerned is informed of this decision. For the purposes of evaluating these requirements, any previous relation of those submitting the application with companies of the Group will be taken into

	consideration.
<b>ARTICLE 10</b>	<b>ARTICLE 10</b>
The non-acceptance as shareholder, suitably justified, must be notified in writing to the domicile of the applicant no later than 60 (sixty) days from when the application is received by the Company.	The non-acceptance as shareholder, suitably and consistently justified in relation to the principles as per Article 9, must be notified in writing to the domicile of the applicant no later than 60 (sixty) days from when the application is received by the Company.
<b>ARTICLE 11</b>	<b>ARTICLE 11</b>
The non-acceptance may be submitted by the party concerned to the analysis of the Board of Arbitrators, set up in compliance with the By-laws and integrated with a representative of the candidate Shareholder, pursuant to art. 30 sub-paragraph 5 of Lgs. D. 385/93.	The non-acceptance may be submitted by the party concerned to the analysis of the Board of Arbitrators, set up in compliance with the By-laws and integrated with a representative of the candidate Shareholder, pursuant to art. 30 sub-paragraph 5 of Lgs. D. 385/93.
The only effect produced by the non-acceptance as Shareholder, for those holding regularly Company shares, is to prevent exercising rights other than those having an economic value.	The only effect produced by the non-acceptance as Shareholder, for those holding regularly Company shares, is to prevent exercising rights other than those having an economic value.
<b>ARTICLE 12</b>	<b>ARTICLE 12</b>
The capacity to act as a Shareholder is acquired, following the acceptance resolution of the Board, with the admission in the Shareholders' register.	The capacity to act as a Shareholder is acquired, following the acceptance resolution, with the admission in the Shareholders' register.
Without prejudice to what is provided by the previous art. 5, fourth sub-paragraph, if the new shareholder is admitted following the issue of shares decided normally by the Board of Directors pursuant to art. 5, sub-paragraph 2, letter b), the shareholder must pay the amount of the subscribed shares, the surplus determined according to art. 2528 second sub-paragraph of the Italian Civil Code, the registration fee, as well as readjustment interests.	Without prejudice to what is provided by the previous art. 5, fourth sub-paragraph, if the new shareholder is admitted following the issue of shares decided normally by the Managem Board pursuant to art. 5, sub-paragraph 2, letter b), the shareholder must pay the amount of the subscribed shares, the surplus determined according to art. 2528 second sub-paragraph of the Italian Civil Code, the registration fee, as well as readjustment interests.
For all intents and purposes of the By-laws and of the law, each Shareholder, acting in this capacity, elects domicile at the registered office of the Company, except for the right of notifying in writing a different domicile.	For all intents and purposes of the By-laws and of the law, each Shareholder, acting in this capacity, elects domicile at the registered office of the Company, except for the right of notifying in writing a different domicile.

<b>ARTICLE 13</b>	<b>ARTICLE 13</b>
Apart from the cases provided for by the law, the Board of Directors may decide on the ouster of a Shareholder in the event of:	Apart from the cases provided for by the law, the Management Board may decide on the ouster of a Shareholder in the event of:
a) disqualification, disablement or sentenced with disqualification also temporarily from holding public offices;	a) disqualification, disablement or sentenced with disqualification also temporarily from holding public offices;
b) bankruptcy or subjection to other proceedings;	b) bankruptcy or subjection to other proceedings;
c) proven detrimental activity for the interest and the prestige of the Company;	c) proven detrimental activity for the interest and the prestige of the Company;
d) non-fulfilment of the contract obligations towards the Company.	d) non-fulfilment of the contract obligations towards the Company.
The ouster approval must be notified to the party concerned with registered letter with acknowledgement of receipt.	The ouster approval must be notified to the party concerned with registered letter with acknowledgement of receipt.
If the ouster Shareholder does not intend to interpose a demurrer pursuant to the third sub-paragraph of article 2533 of the Italian Civil Code, it may appeal to the Board of Arbitrators, no later than 60 (sixty) days from the notification. The Board of Arbitrators decides on the review of the resolution no later than 60 (sixty) days from receiving the claim and the Board of Directors finally decides with justified decision.	If the ouster Shareholder does not intend to interpose a demurrer pursuant to the third sub-paragraph of article 2533 of the Italian Civil Code, it may appeal to the Board of Arbitrators, no later than 60 (sixty) days from the notification. The Board of Arbitrators decides on the review of the resolution no later than 60 (sixty) days from receiving the claim and the ManagementBoard finally decides with justified decision.
The oustering takes effect when it is recorded in the Shareholders' register. The redemption of shares occurs in compliance with provisions of law.	The oustering takes effect when it is recorded in the Shareholders' register. The redemption of shares occurs in compliance with provisions of law.
<b>ARTICLE 14</b>	<b>ARTICLE 14</b>
The withdrawal from the Company is allowed only in the cases provided for by the law, according to the methods and effects provided by the regulations in force.	The withdrawal from the Company is allowed only in the cases provided for by the law, according to the methods and effects provided by the regulations in force.
<b>ARTICLE 15</b>	<b>ARTICLE 15</b>
Shares are indivisible.	Shares are indivisible.
In the event of co-ownership of a share, the co-owners' rights are exercised by a mutual representative appointed according to the methods provided by the regulations in force. If the mutual representative has not been appointed or if the Company has not been informed of this	In the event of co-ownership of a share, the co-owners' rights are exercised by a mutual representative appointed according to the methods provided by the regulations in force. If the mutual representative has not been appointed or if the Company has not been

<p>appointment, the communications and declarations made by the Company to any one of the co-owners are effective towards everyone.</p>	<p>informed of this appointment, the communications and declarations made by the Company to any one of the co-owners are effective towards everyone.</p>
<p>Shares can be transferred according to the law. As long as the transferee of the shares has not been admitted as a Shareholder, it is allowed to exercise only the rights having an economic value.</p>	<p>Shares can be transferred according to the law. As long as the transferee of the shares has not been admitted as a Shareholder, it is allowed to exercise only the rights having an economic value.</p>
<p>The transfer by the Shareholder of the overall shareholding, taken over by the Company, implies the loss of the capacity as Shareholder.</p>	<p>The transfer by the Shareholder of the overall shareholding, taken over by the Company, implies the loss of the capacity as Shareholder.</p>
<p>The Board of Directors may purchase or pay up the shares of the Company according to the provision of article 2529 of the Italian Civil Code, within the limits of the distributable profits and of the available reserves deriving from the last duly adopted financial statements, intended for these purposes by the Shareholders' Meeting. Purchased shares may be reinvested or discharged.</p>	<p>The Management Board may purchase or pay up the shares of the Company according to the provision of article 2529 of the Italian Civil Code, within the limits of the distributable profits and of the available reserves deriving from the last duly adopted financial statements, intended for these purposes by the Shareholders' Meeting. Purchased shares may be reinvested or discharged.</p>
<p>In all cases of redemption, the Shareholder or its assignees are obliged to deliver the certification attesting the ownership of the relevant shares.</p>	<p>In all cases of redemption, the Shareholder or its assignees are obliged to deliver the certification attesting the ownership of the relevant shares.</p>
<p>The amount of the redemption is non-interest bearing.</p>	<p>The amount of the redemption is non-interest bearing.</p>
<p><b>ARTICLE 16</b></p>	<p><b>ARTICLE 16</b></p>
<p>In any case, shares are considered, by corporate agreement, subjected to a lien for the benefit of the Company, in guarantee of all the direct and indirect obligations of the Shareholder towards the Company.</p>	<p>In any case, shares are considered, by corporate agreement, subjected to a lien for the benefit of the Company, in guarantee of all the direct and indirect obligations of the Shareholder towards the Company.</p>
<p>With reference to what was mentioned above, the Board of Directors, without prejudice to any other and different procedure, may order, totally or partially, the sale of the shares of the defaulting Shareholder without its putting in default and without proceeding formalities, by means of a notary or qualified intermediary, transferring the obtained amount to the curtailment or to the repayment of the debt. Any excess is deposited in a non-interest bearing current account of the Shareholder.</p>	<p>With reference to what was mentioned above, the Management Board, without prejudice to any other and different procedure, may order, totally or partially, the sale of the shares of the defaulting Shareholder without its putting in default and without proceeding formalities, by means of a notary or qualified intermediary, transferring the obtained amount to the curtailment or to the repayment of the debt. Any excess is deposited in a non-interest bearing current account of the Shareholder.</p>
<p><b>ARTICLE 17</b></p>	<p><b>ARTICLE 17</b></p>
<p>Sharing in the net worth and in the profits is proportioned to the shares</p>	<p>Sharing in the net worth and in the profits is proportioned to the shares</p>

held.	held.
Dividends that have not been collected within five years from the date on which they became collectable shall be transferred to the Company in order to increase the legal reserve.	Dividends that have not been collected within five years from the date on which they became collectable shall be transferred to the Company in order to increase the legal reserve
<b>ARTICLE 18</b>	<b>ARTICLE 18</b>
No Shareholder is allowed to hold a number of shares greater than the maximum number allowed by the law.	No Shareholder is allowed to hold a number of shares greater than the maximum number allowed by the law.
If the above-mentioned limit is exceeded, the Company does not enter the surplus into the Shareholder's register.	If the above-mentioned limit is exceeded, the Company does not enter the surplus into the Shareholder's register.
<b>ARTICLE 19</b>	<b>ARTICLE 19</b>
In the event of the Shareholders' death, the corporate relation continues with the successors of the deceased. The transfer of shares can be opposed to the Company provided that the formalities prescribed by the law are fulfilled and the successors who are not already Shareholders obtain the authorisation provided by the third sub-paragraph of art. 15 of these By-laws. Co-ownership is governed by the second sub-paragraph of the said article 15.	In the event of the Shareholders' death, the corporate relation continues with the successors of the deceased. The transfer of shares can be opposed to the Company provided that the formalities prescribed by the law are fulfilled and the successors who are not already Shareholders obtain the authorisation provided by the third sub-paragraph of art. 15 of these By-laws. Co-ownership is governed by the second sub-paragraph of the said article 15.
<b>SECTION IV</b>	<b>SECTION IV</b>
<b>CORPORATE BODIES</b>	<b>CORPORATE BODIES</b>
<b>ARTICLE 20</b>	<b>ARTICLE 20</b>
The carrying on of the corporate functions, according to their competence, is delegated:	The carrying on of the corporate functions, according to their competence, is delegated:
<ul style="list-style-type: none"> <li>a) to the Shareholders' Meeting;</li> <li>b) to the Board of Directors;</li> <li>c) to the Executive Committee;</li> <li>d) to the Managing Director;</li> <li>e) to the Board of Auditors;</li> </ul>	<ul style="list-style-type: none"> <li>a) to the Shareholders' Meeting;</li> <li>b) to the Management Board;</li> <li>c) to the Supervisory Board;</li> <li>d) to the Managing Director;</li> <li>e) to the General Management;</li> </ul>

f) to the Board of Arbitrators; g) to the General Management.	f) to the Board of Arbitrators.
<b>SECTION V</b>	<b>SECTION V</b>
<b>SHAREHOLDERS' MEETING</b>	<b>SHAREHOLDERS' MEETING</b>
<b>ARTICLE 21</b>	<b>ARTICLE 21</b>
The regularly convened Shareholders' Meeting represents all of the shareholders; its resolutions, taken in compliance with the law and these By-laws, are binding for all Shareholders, even if absent or dissenting.	The regularly convened Shareholders' Meeting represents all of the shareholders; its resolutions, taken in compliance with the law and these By-laws, are binding for all Shareholders, even if absent or dissenting.
<b>ARTICLE 22</b>	<b>ARTICLE 22</b>
<p>The Shareholders' Meeting is ordinary or extraordinary.</p> <p>The Shareholders' Meeting is called by the Board of Directors and meets in all the cases provided for by the law and by these By-laws.</p> <p>In any case, the ordinary Meeting is called at least once a year no later than 120 (one hundred and twenty) days from the end of the financial year in order to resolve on subject matters falling under its competence as provided for by law or by the By-laws.</p> <p>The extraordinary Meeting is called in all the cases provided for by the law and by these By-laws.</p> <p>The Board of Directors may also call the Meeting whenever it deems it necessary; it must convene the meeting without delay when the Board of Auditors requests it subject to the indication of the agenda at the time of the request.</p> <p>The call of the ordinary and extraordinary Meeting on the Shareholders' request occurs without delay following the submission of the justified application containing the agenda which must be undersigned by at least one tenth of the Shareholders entitled to vote on the date of the request.</p>	<p>The Shareholders' Meeting is ordinary or extraordinary.</p> <p>The ordinary Meeting:</p> <p>a) appoints and removes the members of the Supervisory Board, determines the fees pursuant to Article 44 and elects the Chairman and Deputy Vice-Chairman, according to the methods as per Article 45;</p> <p>b) decides with reference to the responsibility of the members of the Supervisory Board and, pursuant to art. 2393 and art. 2409-<i>decies</i> of the Italian Civil Code, with reference to the responsibility of the members of the Managing Board, without prejudice to the concurrent competence of the Supervisory Board;</p> <p>c) decides on the distribution of profits, subject to the filing of the financial statements and of the consolidated financial statements approved pursuant to art. 2409-<i>terdecies</i> of the Italian Civil Code;</p> <p>d) appoints and removes the auditing company in charge of the auditing;</p> <p>e) adopts the financial statements if the Supervisory Board fails to approve it or if this is required by at least two thirds of the members of the Supervisory Board;</p>

	<p>f) decides on the other issues that fall within its competence pursuant to the law or these By-laws.</p> <p>The extraordinary Shareholders' Meeting shall resolve on any amendments to the corporate by-laws, on the appointment, removal, substitution and powers of liquidators and on any other subject that falls within its competence pursuant to the law.</p> <p>The Meeting is convened in all the cases provided for by the law and by these By-laws, and it is called by the Management Board, or, pursuant to art. 151-<i>bis</i> of Lgs. D. no. 58 of February 24th, 1998, by the Supervisory Board or by at least two of its members, without prejudice to the other convening powers provided by the law.</p> <p>In any case, the ordinary Meeting is called at least once a year no later than 120 (one hundred and twenty) days from the end of the financial year in order to resolve on subject matters falling under its competence as provided for by law or by the By-laws. If the law requirements occur, the Shareholders' Meeting can be called within 180 (one hundred eighty) days from the closing of the corporate year. In such cases, the Managing Board shall indicate the reasons for the postponement in the report provided for by art. 2428 of the Italian Civil Code.</p> <p>The call of the ordinary and extraordinary Meeting on the Shareholders' request occurs within one month from the submission of the justified application containing the agenda which must be undersigned by at least one tenth of the Shareholders entitled to vote on the date of the request.</p> <p>According to the methods, within the terms and limits established by the law, a number of Shareholders not less than 1/40 of the entitled shareholders on the date of request may request in writing the integration of the agenda, as it results from the notice convening the shareholders' meeting. The signatures of the Shareholders must be authenticated pursuant to the law or by the employees of the Company or of its authorised subsidiaries. Further evidence of the authorisation of asserting the right is given by the appropriate documentation attesting</p>
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	the ownership of the shares on the filing date of the request.
<b>ARTICLE 23</b>	<b>ARTICLE 23</b>
The Meeting is convened at the registered office of the Company or in another place in the province of Bergamo.	The Meeting is convened, alternatively, in the city or province of Bergamo and in the city or province of Brescia.
<b>ARTICLE 24</b>	<b>ARTICLE 24</b>
The Meetings are convened by the Board of Directors by means of notice – specifying the agenda, the place, the day and the time of the meeting and whatever is prescribed by the applicable law provisions - published as prescribed by the regulations in force and posted up in the Company branches.	The Meetings are convened by means of notice - specifying the agenda, the place, the day and the time of the meeting and whatever is prescribed by the applicable law provisions - published as prescribed by the regulations in force on the Official Gazette of the Italian Republic. The notice must also be posted up in the Company branches.
The Meeting in second call may be announced with the same notice convening the first call, for the following day, but not longer than the thirtieth day from the one fixed for the first call.	The Meeting in second call may be announced with the same notice convening the first call, for the following day, but not longer than the thirtieth day from the one fixed for the first call.
<b>ARTICLE 25</b>	<b>ARTICLE 25</b>
In compliance with the law regulations, those having the right to vote for which the intermediary in charge has notified the company at least 2 (two) working days before the day fixed for the first call, pursuant to art. 2370 and any special law and prescribed provisions, have the right to attend the meeting.	In compliance with the law regulations, those having the right to vote for which the intermediary in charge has notified the company at least 2 (two) working days before the day fixed for the first call, pursuant to art. 2370 of the Italian Civil Code and any special law and prescribed provisions, have the right to attend the meeting.
The shareholder cannot withdraw the shares or the relevant certification before the Meeting.	The shareholder cannot withdraw the shares or the relevant certification before the Meeting.
The capacity to act as a Shareholder must be held for at least 90 (ninety) days starting from the registration in the shareholders' register in order to attend the Meeting, exercise one's vote and be eligible to be appointed in corporate positions.	The capacity to act as a Shareholder must be held for at least 90 (ninety) days starting from the registration in the shareholders' register in order to attend the Meeting, exercise one's vote and be eligible to be appointed in corporate positions.
<b>ARTICLE 26</b>	<b>ARTICLE 26</b>
The Shareholders is entitled to one vote whatever the number of shares held.	The Shareholders is entitled to one vote whatever the number of shares held.

The Shareholder has the right to be represented by means of written proxy issued to another Shareholder entitled to attend the Meeting.	The Shareholder has the right to be represented by means of written proxy issued to another Shareholder entitled to attend the Meeting.
Representatives may not be chosen among members of the administrative or controlling bodies or among employees of the Company, or among companies controlled by the company itself; the same applies to members of the administrative or controlling bodies and to the employees of such companies.	Representatives may not be chosen among members of the administrative or controlling bodies or among employees of the Company, or among companies controlled by the company itself; the same applies to members of the administrative or controlling bodies and to the employees of such companies.
Except for what is provided by art. 2372, sub-paragraph 2, the proxy may be conferred only for each Meeting, effective also for the following meetings, and cannot be conferred without the name of the representative.	Except for what is provided by art. 2372, sub-paragraph 2, of the Italian Civil code, the proxy can be conferred only for each Meeting, effective also for the following meetings, and cannot be conferred without the name of the representative.
Each Shareholder may not represent by proxy more than 3 (three) Shareholders.	Each Shareholder may not represent by proxy more than 3 (three) Shareholders.
Voting by mail is not allowed.	Voting by mail is not allowed.
The Directors cannot vote in the resolutions concerning their responsibility.	The members of the Management Board as well as the members of the Supervisory Board, cannot vote in the resolutions concerning their responsibility.
Only the Shareholder is entitled to the right to vote in case of pledge or usufruct on the shares.	Only the Shareholder is entitled to the right to vote in case of pledge or usufruct on the shares.
<b>ARTICLE 27</b>	<b>ARTICLE 27</b>
The ordinary and extraordinary meetings are effectively convened, in first call, when at least one twentieth of the Shareholders with the right to vote is present on its own or by representation and proxy.	The ordinary and extraordinary meetings are effectively convened, in first call, when at least one twentieth of the Shareholders with the right to vote is present on its own or by representation and proxy.
In second call, the ordinary Meeting is regularly convened whatever the number of Shareholders present, the extraordinary Meeting is regularly convened when at least 1/200 (one two hundredth) of the Shareholders with the right to vote is present on its own or by representation and proxy.	In second call, the ordinary Meeting is regularly convened whatever the number of Shareholders present, whereas the extraordinary Meeting, without prejudice to what is provided for in the following article 28, is regularly convened when at least 1/400 (one four hundredth) of the Shareholders with the right to vote is present on its own or by representation and proxy.
If the agenda is not completed during the day, the Chairman of the Meeting will order its continuation not longer than the seventh following	If the agenda is not completed during the day, the Chairman of the Meeting will order its continuation not longer than the seventh

<p>day, informing those present orally without the need of another notice.</p> <p>During the second session, the Meeting is convened and decides with the same majorities established for the validity of the call and resolutions of the Meeting that is being continued.</p>	<p>following day, informing those present orally without the need of another notice. During the second session, the Meeting is convened and decides with the same majorities established for the validity of the call and resolutions of the Meeting that is being continued.</p>
<b>ARTICLE 28</b>	<b>ARTICLE 28</b>
<p>The ordinary and extraordinary meetings, save as otherwise provided by the last sub-paragraph of this article, decide with the majority vote of those present; with an equal number of votes, the proposal is rejected.</p>	<p>The ordinary and extraordinary meetings, save as otherwise provided by these By-laws, decide with the majority vote of those present; with an equal number of votes, the proposal is rejected.</p>
<p>The corporate positions must be appointed by secret vote and relative majority vote: with an equal number of votes, the eldest candidate is elected.</p>	<p>The corporate positions must be appointed, for what pertains the Meeting, by secret vote and according to the methods as per Article 45.</p>
<p>In any case, without prejudice to any other mandatory law regulation, the favourable vote of at least one twentieth of all the Shareholders with the right to vote is required, also during the Meeting in second call, for the passing of the resolutions concerning the change of the business purpose, company transformation, relocation of the registered office, early winding-up of the Company determined by facts provided by the law, excluding the assumption set forth in no. 6 of article 2484 of the Italian Civil Code, the cancellation and modification of articles 23, 31,36, 39 <i>bis</i> and 43 of the By-laws and/or the insertion of any other provision inconsistent with the text of these articles, and the modification and cancellation of this paragraph and/or of the resolution <i>quorum</i> provided in it.</p>	<p>In any case, without prejudice to any other mandatory law regulation, the favourable vote of at least one twentieth of all the Shareholders with the right to vote is required, also during the Meeting in second call, for the passing of the resolutions concerning the change of the business purpose, the closing of the operating offices of Brescia and Bergamo as provided and identified by Article 3, early winding-up of the Company determined by facts provided by the law, excluding the assumption set forth in no. 6 of article 2484 of the Italian Civil Code, the cancellation or modification of articles 23 and 36 of the By-laws and/or the insertion of any other provision inconsistent with the text of these articles, as well as the approval of the modification or cancellation of this paragraph and/or of the resolution quorum provided in it.</p> <p>Always without prejudice to any other mandatory law regulation, the favourable vote of at least one twentieth of all the shareholders with the right to vote, which in turn represent at least 20% of the fully subscribed and paid-up share capital on the ninetieth day before the meeting, is required, also during the Meeting in second call, for the passing of the resolutions concerning the cancellation or modification of Article 45, sub-paragraph 6, Article 48, sub-paragraph 6 and Article 49, sub-paragraphs 2, 3, 4 and of the By-laws, as well as of this</p>

	paragraph and/or of the resolution quorum provided in it.
	For the resolutions to be taken upon request of the Authority of Credit Surveillance or in relation to modifications of the By laws or legislative modifications, the Meeting, both ordinary and extraordinary, takes resolutions with the majority of votes; in such cases, for the resolutions attributable to the Supervisory Board, dispositions provided for by article 48, sub-paragraph 5 apply.
<b>ARTICLE 29</b>	<b>ARTICLE 29</b>
The ordinary and extraordinary meetings are chaired by the Chairman of the Board of Directors or, if absent, by the Deputy Vice-Chairman and, if absent, by one of the two Deputy Chairmen in order of seniority or, if absent, by the most senior Director in terms of office and, seniority being equal, by the eldest one.	The ordinary and extraordinary meetings are chaired by the Chairman of the Supervisory Board or, if absent, by the Deputy Vice-Chairman of the Supervisory Board or, in case of absence or impediment, by the Chairman of the Management Board or, in case of absence or impediment, by the Vice Chairman of the Managing Board; in case of absence or impediment also of the latter, by another person appointed by the Meeting itself.  The Chairman of the Supervisory Board may always appoint the Chairman of the Management Board to chair the Shareholders' Meeting, and the Chairman of the Management Board will report the appointment occurred at the opening of the meeting works.
The Chairman of the Meeting is responsible for ascertaining the regularity of the proxies and, generally, the identity and the right of attendance at the Meeting, checking that the Meeting has been regularly convened and set up, directing and controlling the discussion and the execution of the Meeting, as well as establishing the ways in which the voting must be carried out, by ascertaining the relevant results.	The Chairman of the Meeting is responsible for ascertaining the regularity of the proxies and, generally, the right of attendance at the Meeting, checking that the Meeting has been regularly convened and set up, directing and controlling the discussion and the execution of the Meeting, as well as establishing the ways in which the voting must be carried out, by ascertaining the relevant results.
The Meeting, upon the proposal of the Chairman, appoints a Secretary and two or more vote-counters.	The Meeting, upon the proposal of the Chairman, appoints a Secretary and four vote-counters.
In the event of an extraordinary Meeting, or when the Chairman deems it advisable, the Secretary functions are held by a notary appointed by the Chairman of the Meeting.	In the event of an extraordinary Meeting, or when the Chairman deems it advisable, the Secretary functions are held by a notary appointed by the Chairman of the Meeting.

<b>SECTION VI</b>	<b>SECTION VI</b>
<b>BOARD OF DIRECTORS</b>	<b>MANAGEMENT BOARD</b>
<b>ARTICLE 30</b>	<b>ARTICLE 30</b>
The Board of Directors consists of 21 (twenty one) members elected among the Shareholders with the right to vote.	The Management Board consists of a minimum of 7 (seven) members to a maximum of 11 (eleven) members, including a Chairman, a Vice-Chairman and a Managing Director, elected among the Shareholders with the right to vote by the Supervisory Board, upon the proposal of the Appointment Committee after determining their number.
The directors are eligible for re-election and, except for what is provided in the Memorandum of Association with reference to the first Board of Directors of the Company, shall hold office for a period not longer than 3 (three) financial years. Their office shall expire on the date on which the Meeting is convened for the approval of the financial statements corresponding to the last financial year of their office.	The members of the Management Board shall hold office for three financial years and their term of office shall elapse on the date upon which the meeting of the Supervisory Board is called to approve the financial statements relating to the last financial year of their office. In any case, they shall hold office until the renewal of the Management Board pursuant to Article 46, letter a) and they are eligible for re-election.
The Directors are exempted from putting down security.	The members of the Management Board are exempted from putting down security.
When setting up the first Board of Directors of the Company, 8 (eight) members are expected to hold office for one year, 8 (eight) members for two years and the remaining 5 (five) must be appointed for three years. After setting up the first Board of Directors, one third of the Directors will be renewed every year in such a number as to guarantee the tenure of office of 21 (twenty one) Directors.	Those individuals who are under situations of ineligibility or loss of office according to art. 2382 of the Italian Civil Code or lack the requirements of respectability and professionalism, or any other requirement, established by law and/or by implementing regulations shall not be entitled to be appointed as members of the Management Board. In any case, i) at least one of the members of the Management Board must hold the requirements of independence set forth in art. 148, third sub-paragraph, of Lgs. D. no. 58 of February 24th, 1998, <i>ii</i> ) at least the majority must have at least a three years experience in management and/or professional activities in financial and/or banking and/or insurance institutions in Italy or abroad.
The Board of Directors presents the candidacies proposed by the Appointment Committee set forth in art. 39 <i>bis</i> to the Meeting.	The members of the Management Board may be Directors, members of the Management Board or General Managers of competing companies;

	moreover, the authorisation of the Supervisory Board is required in case of external companies of the Group or companies not participated by the Bank.
The Directors must have the requirements of respectability, professionalism and independence prescribed by the regulations in force in order to hold this office. The Directors may be Directors or General Managers of competing companies, with the approval of the Meeting, necessary in case of external companies of the BPU Bank Group or companies not participated by the Bank.	The members of the Supervisory Board cannot be appointed members of the Management Board as long as they hold this office.
<b>ARTICLE 31</b>	<b>ARTICLE 31</b>
The Board of Directors, with the absolute majority resolution of the Directors holding office, elects among its members the Chairman, a Senior Deputy Chairman and two Vice-Chairmen that hold office for all the term of their mandate.	The Chairman of the Management Board and the Vice-Chairman of the Management Board – appointed to carry out the functions as Chairman in case of absence or impediment of the former – are appointed by the Supervisory Board according to what is provided by Article 46.
The Secretary functions are delegated by the Board of Directors to a Director or to the General Manager or to another manager or to another external subject of the Company or of the Group.	The Secretary functions are delegated by the Management Board to a member of the Management Board itself or to the General Manager or also to another manager or to another external subject of the Company or of the Group.
<b>ARTICLE 32</b>	<b>ARTICLE 32</b>
In case of vacant positions in the Board of Directors, the Directors holding office replace the missing persons provided that the majority always consists of directors appointed by the Meeting. The board resolution is subject to the approval of the Board of Auditors. The so-appointed Directors shall hold office until the next Meeting.	In case of expiry of one or more members of the Management Board, the Supervisory Board shall replace them without delay, always upon the proposal of the Appointment Committee. The so-appointed members shall expire at the same time as the members holding office at the time of their appointment.
Should the majority of the Directors appointed by the meeting no longer hold office, the Directors that are still holding office shall convene the Meeting for the replacement of the missing Directors.	Should the majority of the members originally appointed by the Supervisory Board no longer hold office for any reason, all the Management Board is considered expired starting from the date of assumption of the office by the new appointed members. The latter shall hold office for the residual duration that the expired Management Board

	would have had.
Directors elected by the Meeting instead of the missing persons shall take on the position and seniority of those they replace and, in case of contemporary appointments of positions with different terms, those with the greatest number of votes are entitled to longer terms, prevailing, with an equal number of votes, the eldest one, unless otherwise provided by the proposal submitted to the approval of the Meeting.	
In the event that all of the Directors no longer hold office, the Shareholders' Meeting for their substitution shall be called with urgency by the Board of Auditors, which can perform ordinary management transactions in the meantime.	
<b>ARTICLE 33</b>	<b>ARTICLE 33</b>
The Board of Directors is chaired by the Chairman or, if absent, by the Deputy Vice-chairman or by one of the two Vice-Chairmen in order of seniority. Should they be absent, the Board of Directors is chaired by the eldest Director.	The meetings of the Management Board are chaired by the Chairman or, if absent, by the Vice Chairman. Should they be absent, they are chaired by the eldest member.
The powers provided by the legislative and regulatory provisions in force are assigned to the Chairman; more specifically, the Chairman must coordinate the works and see that each director receives an appropriate report on the items on the agenda.	The minutes of the meetings of the Management Board, drawn up by the Secretary, are read and submitted to the approval of the Board itself in the immediately following session or, at the latest, in the next one; they are signed by the person who chaired the Meeting and by the Secretary.
The minutes of the meetings of the Board of Directors, drawn up by the Secretary, are read and submitted to the approval of the Board itself in the immediately following session or, at the latest, in the next one; they are signed by the person who chaired the Meeting and by the Secretary.	
<b>ARTICLE 34</b>	<b>ARTICLE 34</b>
The Board of Directors is convened at least once every two months, as well as each time the Chairman deems it advisable to convene it or when 5 (five) Directors or the Board of Auditors request it.	The Management Board is convened at least once a month, as well as each time the Chairman deems it advisable to convene it or when 5 (five) members request it.  The Meetings shall take place, alternatively, in the city of Bergamo and

	in the city of Brescia, and once a year in the city of Milan.
Without prejudice to the calling powers expressly vested in the Auditors by the law, the call, with the indication of the items on the agenda, is made by the Chairman, with notice to be sent in any means, at least 3 (three) days before the day of the meeting, to the domicile of each Director, except for the urgent cases for which the term is reduced to one day. Regular Auditors must be informed of the calls in the same way.	Without prejudice to the calling powers expressly vested in the Supervisory Board and in each of its members, the call, with the brief indication of the items on the agenda, is made by the Chairman, with notice to be sent in any means, at least 3 (three) days before the day of the meeting, to the domicile of each member, except for the urgent cases for which the term is reduced to one day. The members of the Supervisory Board must be informed of the calls in the same way.
The meetings shall be deemed valid in the presence of the majority of the Directors holding office.	The meetings of the Management Board shall be deemed valid in the presence of the majority of the members holding office, without prejudice to the provision of Article 36.
The remote participation to the meeting of the Board of Directors is allowed by using proper audio-videoconference and/or teleconference systems, provided that all the persons entitled may participate and be identified, and that they shall be allowed to follow the meeting and intervene in real time on the agenda, as well as receive, send or view documents, by implementing a simultaneous deliberative analysis and decision. In this case, the Board of Directors' meeting is considered carried out in the place where the person chairing the meeting and the Secretary are found.	The remote participation to the meeting of the Management Board is allowed by using proper audio-videoconference and/or teleconference systems, provided that all the persons entitled may participate and be identified and that they shall be allowed to follow the meeting and intervene in real time on the agenda, as well as receive, send or view documents, by implementing a simultaneous deliberative analysis and decision. In this case, the Management Board's meeting is considered carried out in the place where the person chairing the meeting and the Secretary are found.
<b>ARTICLE 35</b>	<b>ARTICLE 35</b>
Apart from the profit sharing set forth in art. 51 of these By-laws and the refund of expenses, the Directors shall be entitled to presence medals for taking part in the meetings of the Board and of the Executive Committee as well as to the meetings of the commissions and committees set up by the Board of Directors as established by the Meeting, and to fees – determined by the Board of Directors after hearing the Board of Auditors – for any special office provided by the By-laws.	Apart from the profit sharing set forth in Article 52 of these By-laws and the refund of expenses, the members of the Management Board shall be entitled to presence medals for taking part in the meetings of the Management Board as well as to the meetings of the commissions and committees set up by the Management Board itself as established by the Supervisory Board, and to fees – determined by the Supervisory Board itself – for the members of the Management Board appointed with special offices provided by the By-laws.
<b>ARTICLE 36</b>	<b>ARTICLE 36</b>



<p>The resolutions of the Board of Directors are taken by open voting.</p>	<p>The resolutions of the Management Board are taken by open voting, with the favourable vote of the majority of the members present.</p>
<p>The resolutions are taken with the majority vote of the persons present, except for the following subjects, whether they are resolved by the Board of Directors or proposed by the Board of Directors to the Meeting, for which the favourable vote of at least 16 (sixteen) Directors is required:</p>	<p>The favourable vote of at least 8 members of the Management Board (or of all the members minus one, for the case in which the Management Board consists of 7 or 8 members) are required for the resolutions concerning:</p>
	<p>a) the proposal, to be submitted to the attention of the Supervisory Board for the following approval of the extraordinary Meeting, of statutory alterations;</p>
<p>a) total or partial transfer to third parties of the shareholding held by the Company in Banca Popolare Commercio e Industria S.p.A., when this implies that the Company has lost the control of it, meaning for the purposes of this article 36 by “control” the one defined in article 2359, first sub-paragraph, of the Italian Civil Code, as well as the setting up of any kind of encumbrances to the right of dividend on the shares of Banca Popolare Commercio e Industria S.p.A.;</p>	<p>b) total or partial transfer of the shareholdings held in the following companies: Banca Popolare Commercio e Industria S.p.A., Banca Popolare di Bergamo S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A., Centrobanca S.p.A., Banco di Brescia S.p.A. and Banca Regionale Europea S.p.A., as well as the setting up of any kind of encumbrances on their shares;</p>
<p>b) determining the vote to be given in the meetings of the Banca Popolare Commercio e Industria S.p.A. convened for the approval of increases in share capital excluding the right of option (upon payment or for contribution in kind), issuing convertible bonds or bonds with warrant, excluding the right of option, that imply, if subscribed, that the Company has lost the control of Banca Popolare Commercio e Industria S.p.A., meaning by “control” the one defined in the previous point a);</p>	<p>c) determining the vote to be given in the meetings of the companies listed under b) convened for the approval of increases in share capital excluding the right of option (upon payment or for contribution in kind), issuing convertible bonds or bonds with warrant, excluding the right of option, that imply, if subscribed, the loss of control by the Company;</p>
<p>c) determining the vote to be given in the meeting of Banca Popolare Commercio e Industria S.p.A. convened for deciding on the merger through incorporation of Banca Popolare Commercio e Industria S.p.A. in the Company or in other companies, its transformation, splitting, early winding-up, changes in the business purpose, name alteration or relocation of the registered office out of Milan, the transfer to third parties not forming part of the BPU Bank Group of the banking company of Banca Popolare Commercio e Industria S.p.A. or a substantial part of</p>	<p>d) determining the vote to be given in the meetings of the companies mentioned above under b) convened for deciding on the merger through incorporation in the Company or in other companies, their transformation, splitting, early winding-up, changes in the business purpose, name alteration or relocation of the registered office out of the municipality in which they are currently located, the transfer to third parties not forming part of the group of the banking company or of a</p>

it;	substantial part of it ;
	e) appointing the office of member of the board of directors and of the board of auditors of the companies listed sub b) , in the respect of the proposals of the Appointment Committee if provided;
d) the proposal, to be submitted to the approval of the Meeting of the company, of modifying or cancelling this paragraph, as well as articles 28, last sub-paragraph, 39 <i>bis</i> and 43 and the adoption and alteration of the regulation of the Appointment Committee set forth in art. 39 <i>bis</i> .	F) assignment, if considered suitable, of the task to supervise the proper operation of the internal auditing system to one's own member. appointing a member to in charge of the internal control function
The vote cast by the Chairman shall prevail with an equal number of votes.	
<b>ARTICLE 37</b>	<b>ARTICLE 37</b>
The Board of Directors is vested with all the ordinary and extraordinary management powers of the Company, excluding those falling under the competence of the Shareholders' Meetings.	The Management Board is responsible for the business management in compliance with the general programmatic and strategic policies approved by the Supervisory Board, upon the proposal of the Management Board itself. For this purpose, it carries out all the operations required, useful or advisable for achieving the business purpose, whether they are of ordinary and extraordinary management.
Decisions concerning the following aspects shall be reserved to the exclusive jurisdiction of the Board of Directors, in addition to the functions which cannot be delegated according to law:	Decisions concerning the following aspects shall be reserved to the exclusive jurisdiction of the Management Board, in addition to the subjects which cannot be delegated according to law:
<ul style="list-style-type: none"> <li>- determining the general management policies and the Company's general structure</li> <li>- determining the criteria for the co-ordination and management of companies of the Group;</li> <li>- determining the criteria for carrying out instructions issued by Banca d'Italia;</li> <li>- appointing the members of the Executive Committee and determining its functions;</li> <li>- appointing the Management Director that holds office until the expiry of its board mandate, unless cancelled, and determining</li> </ul>	<ul style="list-style-type: none"> <li>a) defining, upon the proposal of the Managing Director, the general programmatic and strategic policies of the Company and of the Group to be submitted to the approval of the Supervisory Board;</li> <li>b) assigning and revoking the proxies to the Managing Director; the identification of the member of the Management Board to whom the proxies must be assigned must be carried out upon the proposal of the Supervisory Board, decided in turn, subject to the designation of the Appointment Committee; if this designation has not been formulated by the Appointment Committee with the legal numbers prescribed by the relevant Regulation, the proposal of the Supervisory Board to be</li> </ul>

<p>the relevant powers;</p> <ul style="list-style-type: none"> <li>- appointing and determining the salary of the General Manager and of the other managers, taking on any other provision with reference to these subjects, as well as approving the proposals made by the General Manager pursuant to art. 50 last subparagraph of the By-laws.</li> <li>- establishing and appointing commissions and committees that are entrusted with special research, study, promotion and control tasks;</li> <li>- establishing, transferring and eliminating branches and representative offices;</li> <li>- purchasing, selling, exchanging and building real assets;</li> <li>- acquiring and selling participations – without prejudice to the fact that the assumption of shareholdings in other companies implying an unlimited liability for their obligations, is reserved to the exclusive competence of the Meeting – as well as the transactions having a significant economic importance with correlated parties;</li> <li>- promoting legal proceedings relevant to legal deeds or acts of extraordinary administration and the right to waiver the said deeds, compound them and commit them in arbitration.</li> </ul>	<p>submitted to the Management Board shall be decided with the favourable vote of at least 17 (seventeen) members of the Supervisory Board. The revocation of the proxies is decided by the Management Board with the favourable vote of at least 8 (eight) members of the Management Board (or of all the members minus one, for the case in which the Management Board consists of 7 or 8 members), after hearing the Supervisory Board;</p> <ul style="list-style-type: none"> <li>c) preparing, upon the proposal of the Management Director, industrial and/or financial plans, as well as the budgets of the Company and of the Group to be submitted to the approval of the Supervisory Board pursuant to art. 2409-terdecies of the Italian Civil Code;</li> <li>d) the management policy of risks and internal auditing;</li> <li>e) assigning, modifying or revoking proxies and powers as well as assigning special functions or proxies to one or more Directors;</li> <li>f) appointing and removing the General Manager, the Joint General Manager and the members of the General Management, defining their functions and competences, as well as appointing corporate top management of the Group;</li> <li>g) appointing the office of member of the board of directors and of the board of auditors of the companies belonging to the group, upon proposal of the Appointment Committee, if expected;</li> <li>h) acquiring and selling participations;</li> <li>i) opening and closing branches and representative offices;</li> <li>l) determining the organisational, administrative and accounting structure of the company, as well as, without prejudice to the exclusive competence of the Supervisory Board set forth in Article 49 of these By-laws, setting up Committees or Commissions with advisory, preliminary, controlling or co-ordinating functions;</li> <li>m) determining the criteria for the co-ordination and management of Group's companies, as well as the criteria for carrying out instructions issued by Banca d'Italia;</li> <li>n) subject to the compulsory opinion of the Supervisory Board,</li> </ul>
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	<p>appointing and removing the Manager in charge of drawing up the accounting documents, pursuant to art. 154-bis of Lgs.D. no. 58 of February 24th, 1998, and determining its fee. The Manager in charge of drawing up the corporate accounting documents must have, apart from the requirements of respectability prescribed by the regulations in force for those carrying on administrative and management functions, requirements of professionalism characterised by a specific competence, from the administrative and accounting point of view, in the field of credit, finance, securities or insurance. This competence, which must be ascertained by the Management Board itself, must be acquired through work experiences in an appropriate position of responsibility for a congruous period of time and in undertakings comparable with the Company;</p> <p>o) appointing or removing the Person in charge of the internal auditing function, as well as the persons in charge of the functions whose appointment belongs exclusively to the Management Board as provided by the legislative and regulatory provisions;</p> <p>p) drawing up the draft financial statements and the draft consolidated financial statements;</p> <p>q) exercising the proxy for the increases in share capital granted pursuant to art. 2443 of the Italian Civil Code, as well as issuing convertible bonds pursuant to art. 2420-ter of the Italian Civil Code, subject to the authorisation of the Supervisory Board;</p> <p>r) the duties referring to the Management Board set forth in art. 2446 and 2447 of the Italian Civil Code;</p> <p>s) drawing up merger or splitting projects;</p> <p>t) transactions with a significant strategic, economic and financial importance or preparing the transactions to be submitted to the authorisation of the Supervisory Board;</p> <p>u) defining the identification criteria of the transactions with correlated parties to be reserved to one's own competence.</p>
<p>Moreover, the Board of Directors is responsible for passing the</p>	

<p>resolutions concerning the adjustment of the corporate By-laws to regulatory provisions as well as those concerning mergers in the cases set forth in art. 2505 and 2505 <i>bis</i> of the Italian Civil Code.</p>	
<p><b>ARTICLE 38</b></p>	<p><b>ARTICLE 38</b></p>
<p>The Board of Directors shall timely report to the Board of Auditors about the business carried out and the most important operations at an economic, financial and balance sheet level completed by the Company and/or the subsidiaries; particularly, it shall report on the operations creating a self-interest for the members of the Board on their own account or on behalf of third parties.</p>	<p>The Management Board shall timely report to the Supervisory Board on the general management trend and on the most important operations, for what concerns size and characteristics, carried on by the Company and its subsidiaries and it shall report on the operations in which the members of the Management Board have a self-interest on their own account or on behalf of third parties.</p>
<p>The communication is made during the meetings of the Board of Directors and in all cases at least quarterly; it may be provided also in writing.</p>	<p>The communication is made during the meetings of the Supervisory Board and in any case, at least quarterly; it may be provided also in writing.</p>
<p><b>ARTICLE 39</b></p>	<p><b>ARTICLE 39</b></p>
<p>The Board of Directors, in compliance with the law provisions and By-laws, may delegate its own tasks that do not fall within its exclusive competence pursuant to the law or these By-laws to the Executive Committee and to one of its members, determining the limits of the proxy.</p>	<p>The Chairman of the Management Board:</p> <ul style="list-style-type: none"> <li>a) shall have the legal representation of the company and the corporate signature, as stated more in detail in the following Article 40;</li> <li>b) shall convene the Management Board, establish the agenda taking into account also the resolution proposals formulated by the Vice-Chairman and by the Management Director, by ensuring that adequate information regarding the items on the Agenda is provided to all members;</li> <li>c) shall maintain the relations with the Supervisory Authorities, in agreement with the Vice-Chairman and the Management Director;</li> <li>d) shall maintain the relations with the Supervisory Board and with its Chairman;</li> <li>e) shall see that the Supervisory Board is informed at least quarterly pursuant to the previous Article 38 and in any case</li> <li>f) shall maintain, in agreement with the Chairman of the Supervisory Board and with the Managing Director, the external communication of the information concerning the company;</li> </ul>

	g) shall exercise all the other powers relevant to the carrying on of his office.
The delegated bodies shall report to the Board of Directors and to the Board of Auditors, usually on occasion of the Board meetings and in any case at least every three months, with regards to general management trend and predictable developments, risk tendency as well as to those transactions carried out by the Company and by its subsidiaries, which, because of their size and features, are deemed to be particularly significant. The Managing Director may offer the above-mentioned report within the informative report provided by art. 43 last subparagraph of the By-laws.	The Vice-Chairman of the Management Board shall be consulted and involved by the Managing Director on the integration process resulting from the merger of BPU Banca and Banca Lombarda.
Decision-making powers, concerning loan disbursement and whatever is related to risk bearing of typical banking, except those that cannot be delegated, may be delegated to special committees, consisting of Directors and managers and also, within preset amount limits, to the General Manager, to managers, to officers, as well as to persons in charge of branches.	In the event of absolute justified urgency, and if the Management Board cannot be immediately convened, the Chairman of the Management Board or, in case of absence or impediment, the Vice- Chairman or, in case of absence or impediment of the aforementioned, the Management Director, may take decisions with regard to any transaction pertaining to the Management Board, and in particular in the field of loan disbursement, except for the subjects of exclusive competence of the Management Board. The Management Board must be informed of these decisions at its next meeting.
The Board of Directors shall delegate powers also to each Director in order to carry out single deeds and acts.	
In any case, the decisions taken by those holding the proxies must be notified to the upper body according to the methods established by the special regulations approved by the Board of Directors and, for the overall amounts, to the Board itself.	
In the event of absolute justified urgency and if the Board of Directors cannot be immediately convened, the Executive Committee or, if the latter cannot meet, the Chairman of the Board of Directors, after informing the Deputy Vice-Chairman, the Vice-Chairmen and the Managing Director, may take decisions pertaining to the Board of Directors, provided that they are not assigned to the exclusive	

competence of the Board itself by mandatory law regulations, or to the Executive Committee, with the obligations of making them known to the Board of Directors or to the Executive Committee, respectively, at the next meeting.	
<b>ARTICLE 39 BIS</b>	<b>SEE ART. 49</b>
The Board of Directors sets up an Appointment Committee, an Internal Control Committee and a Top Management Remuneration Committee consisting of some of its members, by determining their powers and operating rules.	
<b>ARTICLE 40</b>	<b>ARTICLE 40</b>
The Chairman, Senior Deputy Chairman, each Vice-Chairman and the Managing Director shall represent the Company severally before third parties and in legal proceedings, before any Court of all levels and stages, and they are also entitled to free corporate signature.	The Chairman of the Management Board, the Vice Chairman of the Management Board and the Managing Director shall represent the Company severally before third parties and in legal proceedings, before any Court of all levels and stages, and they are also entitled to free corporate signature.
The Chairman, the Senior Deputy Chairman, the Vice-Chairmen and the Management Director have individually the right to start legal proceedings for all the deeds concerning the corporate management and administration, appeal to all the Legal and Jurisdictional Authorities, the Administrative and tax Authorities and Commissions, grant proxies to general and special warrant of attorneys with choice of domicile, also for bringing an action against third parties.	The Chairman of the Management Board, the Vice-Chairman of the Management Board and the Managing Director have individually the right to start legal proceedings for all the deeds concerning the corporate management and administration, appeal to all the Legal and Jurisdictional Authorities, the Administrative and tax Authorities and Commissions, grant proxies to general and special warrant of attorneys with choice of domicile, also for bringing an action against third parties.
The Chairman, the Deputy Vice-Chairman, the Vice-Chairmen and the Management Director, individually and with their powers, appoint attorneys ad hoc for specific deeds or categories.	The Chairman, the Deputy Vice-Chairman and the Managing Director, individually and with their powers, appoint attorneys ad hoc for specific deeds or categories.
The Board of Directors may delegate the corporate signature to the Director to whom the powers according to the regulation of article 39 have been granted.	<b>ARTICLE 41</b>
The Board of Directors has the right to grant the corporate signature jointly or individually, with the limitations and specifications it shall	The Management Board has the right to grant the corporate signature jointly or individually, with the limitations and specifications it shall

deem proper, to the General Manager, to the managers, to the officers and to other personnel of the premises and branches, and to appoint attorneys also with certain powers.	deem proper, to the General Manager, to the managers, to the officers and to other personnel of the premises and branches, and to appoint attorneys also with certain powers.
Likewise, the Board of Directors has the right to grant to the subjects indicated in the previous sub-paragraph its own powers relevant to the write-off and reduction of mortgages, also if they are not respectively related to the paying off or decrease of loans granted by collaterals.	Likewise, the Management Board has the right to grant to the subjects indicated in the previous sub-paragraph its own powers relevant to the write-off and reduction of mortgages, also if they are not respectively related to the paying off or decrease of loans granted by collaterals.
<b>ARTICLE 41</b>	
The Directors cannot directly or indirectly contract obligations of any kind, carry out deeds of sale with the Company unless following consistent resolution that must be unanimously passed by the Board of Directors, without any abstention (except that of the party concerned) and with the favourable vote of all the regular members of the Board of Auditors.	
In this case, the unanimity of the Directors present is required provided in such a number to make the board meeting valid, since the interested Director or Directors are not included in this calculation.	
Pursuant to art. 2391 of the Italian Civil Code, the Director who is interested on its own account or on behalf of third parties in the transaction to be decided must inform the other Directors and the Board of Auditors according to the methods provided by the aforementioned article. If the above-mentioned case occurs, the Managing Director shall also refrain from carrying out the transaction, investing the Board of Directors with it.	
<b>SECTION VII</b>	
<b>EXECUTIVE COMMITTEE</b>	
<b>ARTICLE 42</b>	
The Board of Directors appoints an Executive Committee within itself, determining its powers.	



<p>The Executive Committee consists of 9 (nine) members and holds office for one financial year. Their office shall expire on the date on which the Meeting is convened for the approval of the financial statements relevant to the financial year of their office. The Chairman, the Deputy Vice-Chairman, the two Vice-Chairmen and the Management Director belong to the Executive Committee by right.</p>	
<p>The Executive Committee is chaired by the Chairman of the Board of Directors; if absent, by the Deputy Vice-Chairman or, if the latter is also absent, by one of the two Vice-Chairmen in order of seniority.</p>	
<p>The Executive Committee, carrying out the functions established by the Board of Directors, is convened at least once a month, as well as each time the Chairman deems it advisable to convene it or when at least 3 (three) members request it.</p>	
<p>The members and the Regular Auditors must be immediately informed of the call at least 3 (three) days before the meeting so that they can attend it, except for the urgent cases in which only one days' notice is given.</p>	
<p>The Secretary of the Board of Directors acts as Secretary of the Executive Committee.</p>	
<p>The meetings of the Executive Committee shall be valid when the majority of the members holding office are present; resolutions shall be taken with the majority vote of the attendants and, votes being equal, the vote of the person chairing the meeting shall prevail.</p>	
<p>The remote participation to the meeting of the Executive Committee is allowed by using proper audio-videoconference and/or teleconference systems, provided that all the persons entitled may participate and be identified and that they are allowed to follow the meeting and intervene in real time on the agenda, as well as receive, send or view documents, by implementing a simultaneous deliberative analysis and decision. In this case, the Executive Committee's meeting is considered carried out in the place where the person chairing the meeting and the Secretary are found.</p>	
<p>The Board of Directors is informed of resolutions of the Executive Committee at its next meeting.</p>	

<p>Minutes of the meetings and of the resolutions of the Executive Committee shall be drawn up and entered in the relevant Register, as well as signed by the person who chaired said meetings and by the Secretary.</p>	
<p><b>SECTION VIII</b></p>	<p><b>SECTION VII</b></p>
<p><b>MANAGING DIRECTOR</b></p>	<p><b>MANAGING DIRECTOR</b></p>
	<p><b>ARTICLE 42</b></p>
	<p>The Management Board, in compliance with the law provisions and By-laws, and particularly with what is provided in Article 37, delegate its own tasks, that do not fall within its exclusive competence pursuant to the law or these By-laws, to one of its members, who acts as Management Director, without prejudice to what is provided for the urgent case of Article 39, last sub-paragraph.</p> <p>Decision-making powers, concerning loan disbursement and whatever is related to risk bearing of typical banking, except those that cannot be delegated, may be delegated to special committees, consisting of Directors and managers and also, within preset amount limits, to the General Manager, to managers, to officers, as well as to persons in charge of branches.</p> <p>The Management Board shall delegate powers also to each of its members in order to carry out single deeds and acts.</p>
<p><b>ARTICLE 43</b></p>	<p><b>ARTICLE 43</b></p>
<p>The Board of Directors elects a Managing Director among its members. For the first two offices after setting up the first Board of Directors, the appointment and removal of the Managing Director will be approved with the favourable vote of the two thirds of the members of the Board of Directors.</p>	<p>The following powers shall be granted to the Managing Director:</p>
<p>The Managing director, within the powers granted to him and within the decisions and lines taken by the Board of Directors, supervises the management of the Bank and of the Group, carries out the co-ordination and control functions and formulates the lines for the current activity of the General Management.</p>	<ul style="list-style-type: none"> <li>a) supervise the business and Group management;</li> <li>b) take care of the strategic co-ordination and of the business management and Group control;</li> <li>c) take care of the implementation of the organisational and <i>business</i> structure determined by the Management Board and approved by the Supervisory Board;</li> </ul>

	<ul style="list-style-type: none"> <li>d) determine the working directives for the General Management;</li> <li>e) supervise the Group integration, consulting and involving the Vice-Chairman and the Management Board;</li> <li>f) submit to the Management Board the management policies, the industrial and strategic plan, the <i>budget</i> and take care of their implementation by means of the General Management;</li> <li>g) propose the budgetary policy and the policies on optimisation when using and enhancing the resources and submit the draft financial statements and the periodical statements to the Management Board;</li> <li>h) propose the appointments of the corporate top management of the Group to the Management Board, in agreement with the Chairman and Vice-Chairman of the Management Board and after hearing the General Manager;</li> <li>i) promote the integrated risk control.</li> </ul> <p>The Managing Director reports quarterly to the Management Board and to the Supervisory Board (and to the latter also within the context of the communication provided by Article 38) with regard to the management trend and predictable developments and, every month, with regard to the main accounting results of the Company, of the main subsidiaries and of the Group; he also reports monthly to the Management Board and at least every 60 days to the Supervisory Board on the main accounting results of the company and of the main subsidiaries.</p>
<p>The Managing director reports at each meeting to the Board of Directors and to the Executive Committee, together with the General Manager, on the performance of the activities of the Bank and of the Group.</p>	
	<p><b>ARTICLE 43 BIS</b></p>
	<p>The Management Board may instruct one of its members to supervise the proper operation of the internal auditing system with the task – to be carried out with a close co-operation and agreement with the Management Director and the General Manager – of supervising the promotion and realisation of the internal auditing system suitable for the Company and Group from which it depends for what concerns efficacy and efficiency.</p>

<b>SECTION IX</b>	<b>SECTION VIII</b>
<b>BOARD OF AUDITORS</b>	<b>SUPERVISORY BOARD</b>
<b>ARTICLE 44</b>	<b>ARTICLE 44</b>
<p>Every three financial years, the Shareholders' Meeting elects 5 (five) Regular Auditors and 2 (two) Alternate Auditors and appoints the Chairman of the Board of Auditors among the Regular Auditors. The auditors' office shall expire on the day on which the Shareholders' meeting is called to approve the financial statements relating to the third financial year of the office. The termination of the Auditors' office due to expiration shall become effective from the moment the new Board is established.</p>	<p>The Supervisory Board consists of 23 (twenty three) members elected among the Shareholders with the right to vote, including a Chairman, a Senior Deputy Chairman, appointed by the meeting according to what is provided by art. 45, and two Vice-Chairmen chosen by the same Supervisory Board among its own members. The members of the Supervisory Board shall hold office for three financial years and shall expire on the Shareholders' meeting date provided by the second subparagraph of art. 2364-<i>bis</i> of the Italian Civil Code.</p> <p>The termination due to the end of their term in office shall become effective from the moment the Supervisory Board - that in the meantime maintains full powers - is established.</p> <p>If, during the course of the year, the Supervisory Board lacks one or more members, the meeting replaces them without delay according to what is provided by Article 45.</p>
<p>In compliance with the regulations in force, at least 2 (two) Regular Auditors and one alternate auditor must be chosen among those entered in the register of the auditors who have exercised the legal auditing for a period not shorter than 3 (three) years. The Auditors without this requirement must have acquired an overall experience of at least a period of three years carrying on the following activities:</p>	<p>The members of the Supervisory Board must have the requirements of respectability and professionalism as well as the requirements of independence provided by the regulations in force</p>
<p>a) administration and control or executive functions with joint-stock companies with a share capital not lower than two million euros, or</p>	<p>In particular, at least 3 (three) members of the Supervisory Board must be chosen among the persons entered in the Register of the Auditors who have exercised the legal auditing for a period not shorter than three years.</p>
<p>b) professional activities such as lawyer or professional accountant or teaching at a university level in the fields of law, economics, finance, - science and technical subjects, directly connected to banking, finance, insurance, or</p>	<p>Except for other mandatory provisions of the law, regulatory or of the Supervisory Authorities, persons already holding offices of regular auditor or members of other controlling bodies in more than five listed companies and/or their parent companies or subsidiaries cannot hold</p>

	office as member of the Supervisory Board.
c) executive offices held at public bodies or public administrations operating in the credit, financial and insurance sector or in any case in sectors directly connected to that of the Company's business.	If the reason of incompatibility of the previous sub-paragraph is not eliminated within 60 (sixty) days from the election or, if occurred, from the notification to the person concerned, the Director shall automatically fall from office.
The Auditors are eligible for re-election and are appointed on the basis of lists submitted by the Shareholders, in which 5 (five) candidates for the office of Regular auditor and 2 (two) candidates for the office of Alternate auditor must be indicated and numbered in progressive order.	Apart from the profit sharing set forth in Article 52 of these By-laws and the refund of expenses, the members of the Supervisory Board are entitled to presence medals for taking part in the meetings of the Supervisory Board, as well as to the meetings of the commissions and committees set up by the Supervisory Board itself as established by the Meeting, and to fees – always determined by the Meeting – for any special offices provided by the By-laws.
The lists of the candidates, signed by those who present them, shall have to be deposited at the registered office of the Company at least 15 (fifteen) days before the Meeting is held on first call. The signature of each presenting Shareholder must be duly authenticated pursuant to the law or by the employees of the Company or of its subsidiaries intentionally delegated by the Board of Directors.	
Declarations, including appropriate documentation, in which each single candidate accepts to stand as a candidate and attests, under its responsibility, the absence of causes of ineligibility and incompatibility, as well as the fulfilment of the requirements prescribed by the law and by the By-laws for their appointment shall have to be deposited along with each list, otherwise the same shall be deemed ineligible.	
Each Shareholder may contribute to the presentation of only one list: In case of non-observance, his signature is not calculated in any list.	
Each candidate may acknowledge joining only one list, otherwise the same shall be deemed ineligible.	
Each list must be presented by at least 500 (five hundred) Shareholders who have the right to attend and vote during the Meeting convened to elect the Board of Auditors, who support this right by documentary evidence according to the regulations in force, who represent at least	

<p>0.50% of the share capital, this limit being determined with reference to the capital existing 90 days before the date established for calling the Meeting and to be indicated in the notice convening it.</p>	
<p>The lists not pursuant to such provisions shall be considered as never submitted.</p>	
<p>Each Shareholder may vote only one list.</p>	
<p>The appointment of the members of the Board of Auditors shall proceed as follows:</p>	
<p>a) 3 (three) Regular auditors and one Alternate auditor are taken from the list which obtained the majority of votes expressed by shareholders, following the progressive order with which they appear in the same list;</p>	
<p>b) among the remaining lists, 2 (two) Regular Auditors and the second Alternate auditor are taken from the list that has obtained most votes, following the progressive order with which they appear in the same list;</p>	
<p>The lists that have not reached at least 10% of all the votes expressed during the Meeting shall not be taken into consideration for voting purposes; if only one of the presented lists has exceeded this limit, all the Regular and Alternate Auditors shall be taken from it and the first five candidates in progressive order shall be elected as Regular Auditors and the sixth and seventh as Alternate auditors.</p>	
<p>In case of an equal number of votes, the Meeting will carry out a new voting to elect all the Board of Auditors or the fourth and fifth Regular auditor and the second Alternate auditor.</p>	
<p>If only one list is proposed or if no list is presented, the Meeting shall appoint the Board of Auditors by a majority vote; with an equal number of votes, the eldest candidate shall be appointed.</p>	
<p>The Chairmanship of the Board belongs to the Regular auditor indicated in the first position of the list that obtained the majority of votes, or in the only list presented, or to the Regular auditor appointed as such by the Meeting, if no list was presented.</p>	

<p><b>ARTICLE 45</b></p>	<p><b>ARTICLE 45</b></p>
<p>Those individuals who lack the requirements of professionalism, respectability and independence established by law or are under situations of ineligibility, incompatibility or loss of office according to law shall not be entitled to be appointed as Auditors and if elected shall fall from office. The office of Regular auditor is not compatible with the carrying out of the same office in more than 5 (five) other companies with listed shares. For this purpose, each Regular auditor shall produce for the Board of Directors a special declaration mentioning, if necessary, the waiver of the incompatible offices.</p> <p>If no declaration as per the previous sub-paragraph is shown within 30 (thirty) days from the appointment or the following acceptance of incompatible offices, the Auditor shall fall from office. Alternate auditors shall present the aforementioned declaration within 30 (thirty) days from when they become regular.</p> <p>The occurrence of the forfeiture causes as per the previous sub-paragraphs shall be ascertained by the Board of Directors.</p> <p>The Meeting shall determine the yearly cheque pertaining to each Regular auditor for the whole term of the office; the Auditors shall also be entitled to presence medals for the sessions of the Board of Directors and of the Executive Committee as well as to the meetings of the commissions and committees set up by the Board of Directors, according to the extent determined by the Meeting, apart from the refund of expenses incurred in the performance of their duties.</p>	<p>The Meeting shall elect the members of the Supervisory Board according to lists that may be presented by the Shareholders or by the Supervisory Board, as follows.</p> <p>The lists of the candidates, signed by those who present them, shall have to be deposited at the registered office of the Company at least 15 (fifteen) days before the Meeting is held on first call. In the event of presentation by the Shareholders, the signature of each presenting Shareholder must be duly authenticated pursuant to the law or by the employees of the Company intentionally delegated by the Management Board.</p> <p>Declarations, including appropriate documentation, in which each single candidate accepts to stand as a candidate and attests, under its responsibility, the absence of causes of ineligibility and incompatibility, as well as the fulfilment of the requirements prescribed by the law and by the By-laws for their appointment and the list of the administration and control offices held in other companies shall have to be deposited along with each list, otherwise the same shall be deemed ineligible.</p> <p>In the event of list presentation by the Shareholders, and without prejudice to any other mandatory law or regulation, each list must be presented by at least 500 Shareholders who have the right to attend and vote during the Meeting convened to elect the Supervisory Board, who support this right by documentary evidence according to the regulations in force, who represent at least 0.50% of the share capital, this limit being determined with reference to the capital existing 90 days before the date established for calling the Meeting and to be indicated in the notice convening it.</p> <p>Each Shareholder may contribute to the presentation of only one list: in case of non-observance, his signature is not calculated in any list.</p> <p>The presentation of a list by an outgoing Supervisory Board must</p>

	<p>occur upon proposal of the Appointment Committee and with the favour of at least 17 (seventeen) of its members.</p> <p>Each candidate may be placed in only one list, otherwise the same shall be deemed ineligible.</p> <p>The lists not pursuant to such provisions shall be considered as never submitted.</p> <p>Each Shareholder may vote only one list.</p> <p>Only the lists that have reached at least 10% of the votes validly expressed during the Meeting shall be taken into consideration for the appointments.</p> <p>The appointment of the members of the Supervisory Board shall proceed as follows:</p> <ul style="list-style-type: none"><li>a) 22 members of the Supervisory Board are taken from the list that has obtained the majority of votes expressed by the Shareholders, following the progressive order with which they appear in the same list;</li><li>b) a member of the Supervisory Board is taken from the list that has obtained the second majority of votes, as the first person appearing in the list.</li></ul> <p>If only one list is proposed or if no list is presented, the Meeting shall appoint the Supervisory Board by a majority vote; with an equal number of votes, the eldest candidate is appointed.</p> <p>If two or more lists obtain an equal number of votes, these lists will be voted again, until the number of votes obtained differs.</p> <p>The offices of Chairman and Senior Deputy Chairman of the Board belong to the member indicated in the first and second position, respectively, of the list that has obtained the majority of votes, or in the only list presented or to the members appointed as such by the Meeting, if no list was presented.</p> <p>The independent member (minority list) is appointed according to regulations and laws; it is applicable what is set forth in Article 45, sub-paragraphs 4,10 and 11.</p>
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	<p>If, during the course of the year, the Board lacks one or more members for the case of substitution of the Directors elected in the majority list, the appointment occurs by a relative majority vote with no list obligation, since the Supervisory Board itself may present candidacies, if necessary, upon proposal of the Appointment Committee.</p> <p>If the Directors belonging to the minority list must be replaced, the Meeting shall choose them by a relative majority vote, if possible, among the candidates on the list to which the Director to be replaced belonged and who confirmed in writing their candidacy at least ten days prior to the Meeting, together with the declarations concerning the non-existence of any causes for ineligibility and incompatibility, as well as their fulfilment of the requirements provided for by law and by the By-laws for the office.</p>
<p><b>ARTICLE 46</b></p>	<p><b>ARTICLE 46</b></p>
<p>In the event of death, waiver or forfeiture of Auditors, they shall be replaced by the substitutes elected in the same list of the Auditors to be replaced, in order of age, or the substitutes elected without voting list, according to law prescriptions.</p> <p>If the Chairman of the Board of Auditors is not present, until the next meeting, the function is carried out by the Regular auditor with the highest seniority in office elected in the same list of the Chairman to be replaced or the Regular auditor with the highest seniority in office in the case of appointment occurred without list voting.</p> <p>Seniority and requirements being equal, he shall be replaced by the eldest person.</p> <p>The new Auditors hold office until the next Meeting, which must appoint the Regular and Alternate Auditors in order to complete the Board of Auditors and, if necessary, appoint the Chairman.</p> <p>The newly appointed auditors shall fall from office at the same time of those still holding office.</p> <p>If the Board of Auditors is not completed with the Alternate auditors, the</p>	<p>The Supervisory Board:</p> <p>a) appoints, upon proposal of the Appointment Committee, and removes the members of the Management Board and its Chairman and Vice-Chairman, determining their fees after hearing the Remuneration Committee; determines, after hearing the Remuneration Committee, the fees of the members of the Management Board vested with special offices, tasks or proxies or assigned to committees; without prejudice to what is provided by Article 32, sub-paragraph 2, of the By-laws, and without prejudice to the case of substitution of members of the Management Board suspended before time, the Supervisory Board renews the Management Board in the first meeting following its appointment by the Meeting;</p> <p>b) upon proposal of the Management Board, decides on the definition of the general programmatic and strategic policies of the Company and of the Group;</p> <p>c) adopts the financial statements and the consolidated financial statements prepared by the Management Board;</p>

Meeting must be convened to complete the Board of Auditors.

The appointment of the Auditors in order to complete the Board of Auditors shall be carried out by the Meeting as follows:

- if the Auditors elected without list voting or in the list that obtained the majority of votes must be replaced, the appointment, with possible appointment of the Chairman of the Board of Auditors, shall occur by a relative majority vote with no list obligation;
- if the Auditors elected in the list set forth in article 44, subparagraph 11, letter b) must be replaced, the appointment shall occur, by a relative majority vote, choosing, if possible, among the candidates indicated in the list to which the Auditors to be replaced belonged, who have confirmed their candidacy and the declarations relevant to the absence of causes of ineligibility and incompatibility, as well as the fulfilment of the requirements prescribed for the office at least 15 (fifteen) days before the day established for the Meeting; if this is not possible, the choice shall occur among candidates with no list obligation.

d) authorises the Management Board to exercise the proxy for increases in share capital or for issuing convertible bonds if granted by the meeting pursuant to art. 2443 of the Italian Civil Code and/or of art. 2420-ter of the Italian Civil Code;

e) attends the meetings of the Management Board delegating to it the Chairman and the Senior Deputy Chairman;

f) carries out the supervision functions provided by art. 149, first and third sub-paragraphs, of the Lgs.D. no. 58 of February 24th, 1998;

g) promotes the exercise of the liability action towards the members of the Management Board;

h) presents the statement to Banca d'Italia pursuant to art. 70, subparagraph 7, Lgs.D. no. 385 of September 1st, 1993;

i) reports in writing to the Shareholders' Meeting convened pursuant to art. 2364-bis of the Italian Civil Code on the supervisory activity carried out, on the neglects and blameworthy events observed as well as, on occasion of any other ordinary or extraordinary Meeting convened, for what concerns the subject-matters considered part of its competences;

l) informs Bank of Italy without delay of all the deeds or facts, that comes to its notice when carrying out its duties, which may consist of a mismanagement or of a violation of the rules governing banking;

m) expresses a binding opinion concerning the person in charge of drawing up the corporate accounting documents set forth in art. 154-bis of Lgs.D. no. 58 of February 24th, 1998;

n) upon proposal of the Management Board, decides on the authorisations relevant to the strategic operations, as well as to the industrial and/or financial plans and to the budgets of the Company and of the group prepared by the Management Board, in any case without prejudice to its liability for the fulfilled deeds. In particular, the Supervisory Board decides on the authorisations relevant to:

(i) proposals of transactions on the share capital, issuing convertible bonds and cum warrant in Company securities, merger and splitting;

	<p>(ii) proposals of statutory modifications;</p> <p>(iii) purchases or transfers by the Company and by the Subsidiaries of controlling interests in companies with important strategic value or with a total value higher than the 5% of the consolidated net worth, as well as the purchase or sale of undertakings, relations in bulk, business units with an important economic and/or strategic value;</p> <p>(iv) strategically important investment and/or divestments and/or implying commitments for the Company whose overall amount exceeds, for each transaction, the 5% value of the consolidated net worth;</p> <p>(v) stipulation of strategically important trade, collaboration and corporate agreements,</p> <p>without prejudice to the fact that the authorisation of the Supervisory Board on the operations indicated in the above-mentioned list shall not be necessary in case of operations specifically contemplated in the industrial plans already approved by the Supervisory Board;</p> <p>o) decides on the lines relevant to cultural and charitable initiatives as well as to the image of the Company and of the Group, with a special reference to the valorisation of the historical and artistic legacy, checking the meeting of the programmed initiatives with the undertaken aims;</p> <p>p) decides on the merger and splitting set forth in art. 2505 and 2505-<i>bis</i> of the Italian Civil Code;</p> <p>q) exercises any other power provided by the temporary regulations in force or by the By-laws.</p> <p>The Supervisory Board is also exclusively assigned, in compliance with art. 2436 of the Italian Civil Code, the resolutions concerning:</p> <p>a) the opening and closing of secondary offices;</p> <p>b) the decrease in the share capital in case of a Shareholder's withdrawal;</p> <p>c) adjustment of the By-laws to regulatory provisions, subject to consultation with the Management Board.</p>
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	The Supervisory Board and its members exercise the powers set forth in art. 151-bis of the Lgs.D. no. 58 of February 24th, 1998, pursuant to the terms and conditions therein provided.
<b>ARTICLE 47</b>	<b>ARTICLE 47</b>
<p>The Board of Auditors shall supervise the observance of the principles of proper administration of the Company, on the observance of the law, the By-laws, the regulations and the corporate decisions and shall fulfil all the functions delegated to it by the law.</p> <p>The board is convened whenever necessary and normally at least every 90 (ninety) days. Resolutions shall be adopted by absolute majority.</p> <p>The Minutes and the acts of the Board of Auditors shall have to be signed by all those present.</p> <p>The remote participation to the meeting of the Board of Auditors is allowed by using proper audio-videoconference and/or teleconference systems, provided that all the persons entitled may participate and be identified and that they are allowed to follow the meeting and intervene in real time on the agenda, as well as receive, send or view documents, by implementing a simultaneous deliberative analysis and decision. In the presence of these requirements, the meeting of the Board of Auditors shall be deemed as being held where the Chairman is present.</p>	<p>The Chairman of the Supervisory Board convenes on its own initiative and in any case in all the cases provided for by the law and by these By-laws, and chairs the meetings of the Board itself, establishes the agenda, taking into account also the proposals formulated by the Deputy Vice-Chairman and by the other Vice-Chairmen, by ensuring that adequate information regarding the items on the Agenda is provided to all members of the Supervisory Board.</p> <p>Moreover, the Chairman of the Supervisory Board:</p> <ul style="list-style-type: none"> <li>a) attends, together with the Senior Deputy Chairman, the meetings of the Management Board with the right to instruct another member of the Supervisory Board to replace him;</li> <li>b) receives the proposals of the Management Board concerning subject-matters to be submitted to the approval of the Supervisory Board, including those concerning the strategies and general policies of the Company and of the Group, formulating proposals on this point;</li> <li>c) formulates to the Supervisory Board the proposals relevant to the auditing of the company management, with a special attention to its consistency with the strategies and general policies approved by the Supervisory Board;</li> <li>d) supervises and enables the procedures and auditing systems on the activity of the Company and of the Group, and this also by asking and receiving information from the subject in charge of drawing up the corporate accounting documents and from the subjects in charge of the different functions concerned;</li> <li>e) enables the IT tools required for monitoring the correctness and adequacy of the organisational structure, of the administrative and accounting system used by the Company and by the Group;</li> </ul>

	<p>f) convenes and chairs the Appointment Committee;</p> <p>g) maintains the relations with the Supervisory Authorities within and for the purposes of the auditing and supervising activity of the Supervisory Board;</p> <p>h) keeps up the required and advisable relations with the Management Board and, in particular, with its Chairman and/or Vice-Chairman and/or Managing Director;</p> <p>i) requests and receives information on specific aspects of the Company and Group management and on the general management, also in perspective;</p> <p>l) supervises, for what is within the competence of the Supervisory Board, the management of the external communication of information concerning the Company, in agreement with the Chairman and the Vice-Chairman of the Management Board and with the Managing Director; plans, after hearing the Chairman and the Vice-Chairman of the Management Board and the Managing Director, and takes care of the realisation of the cultural and charitable initiatives of the Company and of the Group, to be submitted to the Supervisory Board, with a special reference to the valorisation of the historical and artistic legacy;</p> <p>m) exercises all the other powers relevant to the carrying on of his office.</p> <p>In case of absence or impediment of the Chairman of the Supervisory Board, the Deputy Vice-Chairman of the Supervisory Board fulfils his functions; in case of absence or impediment of the latter, the functions are carried out jointly with the two Vice-Chairmen, or, in case of their absence or impediment, by the most senior member of the Supervisory Board in terms of office present and, seniority being equal, by the youngest.</p>
<b>ARTICLE 47 BIS</b>	
The auditing of the Company is carried out, pursuant to the law, by an Auditing company registered in the special roll, according to the appointment assigned by the Meeting subject to the opinion of the Board	

of Auditors.	
<b>ARTICLE 48</b>	<b>ARTICLE 48</b>
<p>Due to their office, the Auditors do not contract other liabilities than those determined by the law.</p> <p>Accepting obligations of any kind and stipulating deeds of sale, directly or indirectly, with the Company by the Auditors, is subject to the same provisions established for the Directors by article 41.</p>	<p>The Supervisory Board shall convene at least every 60 (sixty) days; the Meetings take place, alternatively, in the city of Bergamo and in the city of Brescia, and once a year in the city of Milan.</p> <p>It is convened by registered letter, telegram, fax, e-mail or other means that can be proved by documents.</p> <p>The notice convening the meeting contains the agenda and is sent at least four days prior to the meeting except for urgent cases in which only one days' notice is given.</p> <p>In order for meetings to be deemed valid, the majority of Board members in office at that time must be present.</p> <p>The Board decides with the favourable vote by the absolute majority of the Directors present. However, the Board shall decide with the favourable vote of at least seventeen of its members to approve the amendments to the Regulation of the Appointment Committee.</p> <p>The same majority provided by the second point of the previous sub-paragraph is required for the amendment proposals to the corporate by-laws, and for the other subject-matters with reference to which these By-laws provide reinforced majorities.</p> <p>The remote participation to the meeting of the Supervisory Board is allowed within the limits and under the conditions set forth in Article 34 last sub-paragraph of these By-laws.</p> <p>The Board may appoint a Secretary, also permanently, who need not be a member.</p>
	<b>ARTICLE 49</b>
	<p>The Supervisory Board sets up an Internal Control Committee whose members range from 3 (three) to 5 (five), by determining their powers and operating rules.</p> <p>At least the majority of the members of the Internal Control Committee must have the requirements set in Article 44, sub-paragraph 5 of these</p>

	<p>By-laws. The Internal Control Committee, with the collaboration of the charged internal structures, can proceed to inspections at any time as well as exchange information with the corporate bodies of the companies of the Group with regard to the management and control systems and to the corporate activity.</p> <p>Moreover, it also sets up a Top Management Remuneration Committee consisting of some of its members, by determining their powers and operating rules.</p> <p>It also sets up an Appointment Committee consisting of six members, including the Chairman of the Supervisory Board, acting as Chairman, and the Senior Deputy Chairman.</p> <p>The Appointment Committee shall operate and be governed, also with reference to the valid passing of the relevant resolutions, by a regulation approved by the Supervisory Board with the favourable vote of at least 17 of its members.</p> <p>The Appointment Committee, in compliance with what is provided elsewhere in these By-laws, among other things:</p> <ul style="list-style-type: none"> <li>A) appoints the candidates for the offices as members of the Supervisory Board to be sent to the Supervisory Board itself to present the list to the Meeting;</li> <li>B) appoints the candidates for the offices as members of the Management Board to be submitted to the Supervisory Board;</li> </ul> <p>The Chairman of the Management Board, the Vice-Chairman of the Management Board and the Managing Director attend without the right to vote the meetings of the Appointment Committee whose agenda consists of appointments pertaining to the Management Board with reference to the offices in the subsidiaries.</p>
<b>SECTION X</b>	<b>SECTION X</b>
<b>BOARD OF ARBITRATORS</b>	<b>BOARD OF ARBITRATORS</b>

<b>ARTICLE 49</b>	<b>ARTICLE 51</b>
The Board of Arbitrators consists of a Chairman, 2 (two) regular members and 2 (two) alternate members, elected by the Meeting among the Shareholders and non-Shareholders of the Company. The Auditors shall remain in office for 3 (three) financial years and can be re-appointed. They perform their office for free, except for refund of expenses.	The Board of Arbitrators consists of a Chairman, 2 (two) regular members and 2 (two) alternate members, elected by the Meeting among the Shareholders and non-Shareholders of the Company. The Auditors shall remain in office for 3 (three) financial years and can be re-appointed. They perform their office for free, except for refund of expenses.
If, during the three-year period, a regular Auditor is not present, he is replaced by the alternate member in order of age. If the Chairman of the Board is not present, the eldest regular Auditor takes the chair for the remaining part of the three-year period.	If, during the three-year period, a regular Auditor is not present, he is replaced by the alternate member in order of age. If the Chairman of the Board is not present, the eldest regular Auditor takes the chair for the remaining part of the three-year period.
The Board of Arbitrators to whom reference can be made to settle any dispute between the Company and/or Shareholders relating to the interpretation or application of the By-laws and relating to any other resolution or decision of the bodies of the Company on social relations, decides as out of court by the absolute majority of votes.	The Board of Arbitrators to whom reference can be made to settle any dispute between the Company and/or Shareholders relating to the interpretation or application of the By-laws and relating to any other resolution or decision of the bodies of the Company on social relations, decides as out of court by the absolute majority of votes.
Without prejudice to the assumptions provided by the regulations in force, resorting to the Board of Arbitrators is optional and its decisions are not binding for the parties and do not hinder the proposal of judicial controversies or before any competent authority.	Without prejudice to the assumptions provided by the regulations in force, resorting to the Board of Arbitrators is optional and its decisions are not binding for the parties and do not hinder the proposal of judicial controversies or before any competent authority.
The Board of Arbitrators controls the carrying out of the judgement as it deems it advisable with no procedural formalities.	The Board of Arbitrators controls the carrying out of the judgement as it deems it advisable with no procedural formalities.
The Board of Directors and the General Manager or the employee appointed by him are obliged to supply the Auditors all the information and news required by them concerning the controversy to be resolved.	The Management Board and the General Manager or the employee appointed by him are obliged to supply the Auditors all the information and news required by them concerning the controversy to be resolved.
For all purposes, the domicile of the Board of Arbitrators is elected at the registered office of the Company.	For all purposes, the domicile of the Board of Arbitrators is elected at the registered office of the Company.
<b>SECTION XI</b>	<b>SECTION IX</b>
<b>GENERAL MANAGEMENT</b>	<b>GENERAL MANAGEMENT</b>
<b>ARTICLE 50</b>	<b>ARTICLE 50</b>



<p>General Management consists of the General Manager and, if appointed, of one or more Deputy General Managers, according to the personnel defined by the Board of Directors, who determines its functions.</p> <p>The General Manager, within the limits of the powers assigned to it and according to the lines of the Board of Directors and of those adopted by the Managing Director when carrying on its business, manages day-to-day business, exercises the powers in the field of loan disbursement, expense and financial operations within the limits of the ceilings assigned to it, supervises the organisation and operation of the networks and services, carries out the resolutions passed by the Board of Directors, by the Executive Committee, by the Managing Director and those urgently passed according to article 39. In the exercise of its duties, the General Manager works with the other members of the General Management. It reports, together with the Managing Director, to the Board of Directors and, together with the Managing Director, maintains the relations with the financial community.</p> <p>The General Manager is liable to the Management Director in relation to the exercise of its functions.</p> <p>The General Manager shall take part in the Meetings of the Board of Directors and of the Executive Committee with advisory vote.</p> <p>The General Manager is the head of the personnel; he can make hiring, promotion, dismissal or removal proposals to the Board of Directors; he may temporarily suspend any employee, reporting later to the Board of Directors at the first meeting.</p>	<p>General Management consists of the General Manager and Joint General Manager, if appointed, of one or more Deputy General Managers, according to the personnel defined by the Management Board, who determines its functions.</p> <p>If the Management Board consists of 11 members, the General Manager, the Joint General Manager and the Vice General Managers are appointed by the Management Board itself with the favourable vote of at least eight members. If the Management Board consists of a smaller number of members, the above-mentioned offices shall be appointed with the favourable vote of all the members minus one.</p> <p>The Management Board may also appoint one or two Vice General Managers, with simple majority.</p> <p>The General Manager:</p> <ul style="list-style-type: none"> <li>a) is responsible for the operating structure;</li> <li>b) is the head of the personnel;</li> <li>c) sees, as a rule (unless otherwise indicated by the competent administrative bodies), to the carrying out of the resolutions of the Management Board and of the Managing Director;</li> <li>d) manages day-to-day business in compliance with the policies of the administrative bodies;</li> <li>e) attends, with advisory vote, the meetings of the Management Board;</li> <li>f) sees to the business and Group working co-ordination.</li> </ul> <p>The Joint General Manager helps and supports the General Manager to supervise all the functions assigned to it.</p>
<b>SECTION XII</b>	<b>SECTION XI</b>
<b>FINANCIAL STATEMENTS, PROFITS AND RESERVES</b>	<b>FINANCIAL STATEMENTS, PROFITS AND RESERVES</b>
<b>ARTICLE 51</b>	<b>ARTICLE 52</b>
The corporate year shall close at December 31st of each year.	The corporate year shall close at December 31st of each year.
The Board of Directors draws up the financial statements, after observing the law regulations.	The Management Board draws up the financial statements, after observing the law regulations.

<p>Within the relations set forth in art. 2428 and 2429 of the Italian Civil Code Directors and Auditors supply the information required by art. 2528 and art. 2545 of the Italian Civil Code.</p>	<p>Within the relations set forth in art. 2428 of the Italian Civil Code, the members of the Management Board supply the information required by art. 2528 and art. 2545 of the Italian Civil Code.</p>
<p>The net profit recorded in the financial statements, after deducting the legal reserve to the minimum extent provided for by the law and the amounts decided by the Meeting for setting up or increasing the extraordinary or other reserves, according to precautionary rules, is distributed as follows:</p>	<p>The net profit recorded in the financial statements, after deducting the legal reserve to the minimum extent provided for by the law and the amounts decided by the Meeting for setting up or increasing the extraordinary or other reserves, according to precautionary rules, is distributed as follows, for the distributable part:</p>
<p>a) 2.75% for social securities and allowances for the benefit of personnel to be used first of all for the needs of the corporate social security and assistance institutions; any rest must be disbursed at the discretion of the Board of Directors;</p>	<p>a) 2.75% for social securities and allowances for the benefit of personnel to be used first of all for the needs of the corporate social security and assistance institutions; any rest must be disbursed at the discretion of the Management Board;</p>
<p>b) 1% to the Board of Directors to be distributed among its members;</p>	
<p>c) 1.5% for initiatives and institutions with charitable, humanitarian, social, cultural and artistic purposes, to be disbursed at the discretion of the Board of Directors with a special attention to the territories of reference of the Group;</p>	<p>b) 1.5% for initiatives and institutions with charitable, humanitarian, social, cultural and artistic purposes, to be disbursed at the discretion of the Management Board, in compliance with the lines decided by the Supervisory Board, with a special attention to the territories of reference of the Group;</p>
<p>d) the rest, as a dividend to be assigned to the shares, according to the resolution of the Meeting, which decides also on the allocation of any surplus.</p>	<p>d) the rest, as a dividend to be assigned to the shares, according to the resolution of the Meeting, which decides also on the allocation of any surplus.</p>
<p>During the financial year, the Board of Directors may resolve on the distribution of down payments on dividends in accordance with the procedures and requirements laid down by law.</p>	<p>Accumulated earnings and surplus reserves formed by applying the international accounting principles cannot be allocated among the Shareholders in the cases provided for by law.</p> <p>During the financial year, the Management Board may resolve on the distribution of down payments on dividends in accordance with the procedures and requirements laid down by law.</p>
<p><b>SECTION XIII</b></p>	<p><b>SECTION XII</b></p>
<p><b>WINDING-UP AND LIQUIDATION OF THE COMPANY</b></p>	<p><b>WINDING-UP AND LIQUIDATION OF THE COMPANY</b></p>

<b>ARTICLE 52</b>	<b>ARTICLE 53</b>
For the assumption provided in no. 6 of art. 2484 of the Italian Civil Code, the early winding-up resolution of the Company must be passed during the extraordinary Meeting attended, also in second call, by at least one thirtieth of the Shareholders with the right to vote, without prejudice to the provision of the third paragraph of article 28 of these By-laws.	For the assumption provided in no. 6 of art. 2484 of the Italian Civil Code, the early winding-up resolution of the Company must be passed during the extraordinary Meeting attended, also in second call, by at least one thirtieth of the Shareholders with the right to vote, without prejudice to the provision of the third paragraph of article 28 of these By-laws.
The said extraordinary Meeting appoints the liquidators determining their powers, as well as the methods of liquidation, except for mandatory provisions of the law and the authorisations and prescriptions provided by the law provisions in this field.	The said extraordinary Meeting appoints the liquidators determining their powers, as well as the methods of liquidation, except for mandatory provisions of the law and the authorisations and prescriptions provided by the law provisions in this field.
The extraordinary Meeting, with its own resolution, may remove the liquidators.	The extraordinary Meeting, with its own resolution, may remove the liquidators.
<b>SECTION XIV</b>	
<b>TRANSITIONAL PROVISIONS</b>	<b>TRANSITIONAL REGULATIONS</b>
<b>ARTICLE 53</b>	
Considering the appointments made when setting up the Bank and distribution of the relevant terms (8 directors for one year, 8 directors for two years and 5 directors for three years), in order to allow in the following years the possibility of renewing one third of the Board of Directors every year, according to the provision of art. 30, in anticipation of the renewal of the directors falling from office with the Shareholders' Meeting convened to adopt the 2005 financial statements (five directors appointed when setting up the Bank), it is acknowledged that two directors falling from office in the following years have already expressed their willingness to hand over their own office in advance.	
	<b>I</b>
	Making an exception to the regulation concerning the admittance of new shareholders, contained in the articles 6 and subsequent of the By-

	<p>laws, the shareholders owning shares of former Banca Lombarda e Piemontese S.p.A. who due to the conversion ratio of the merger set forth in Article 1 of these By-laws hold at least one share of the merging Company, automatically become, without the need of any procedure, formality, application, or acceptance, shareholders with full rights of [-] from when the merger is effective.</p> <p>Those holding the shares of former Banca Lombarda e Piemontese S.p.A. have however the right, making an exception to what is provided for in Article 25 of the By-laws, to attend the meetings of the company effective from the date of the merger itself.</p>
	<b>II</b>
	<p>Making an exception to what is provided by the first sub-paragraph of Article 29, all the Shareholders' Meetings until the one convened to approve the distribution of profits relevant to the 2007 financial year shall be chaired by the Chairman of the Management Board. In case of his absence or impediment, the Meeting shall be chaired by the first subject of those available listed in the first sub-paragraph of article 29.</p>
	<b>III</b>
	<p>The Company resulting from the merger between BPU Banca and Banca Lombarda adopts, effective from the merger day, the Appointment Committee Regulation enclosed with the merger project.</p>
	<b>IV</b>
	<p>Making an exception to what is established by Article 25, last sub-paragraph, by Article 30, first sub-paragraph and by Article 44, first sub-paragraph, the first members of the Supervisory Board and of the Management Board may also be appointed among subjects as Shareholders even if registered in the shareholders' register for less than 90 (ninety) days.</p>
	<b>V</b>
	<p>Also making an exception to these By-laws, which shall be in force when the merger between BPU Banca and Banca Lombarda is</p>

	<p>effective, 23 members of the Supervisory Board shall be appointed for the first time, for a period of three financial years, by the ordinary Meeting of the merging company BPU Banca applying the list voting provisions described below.</p> <p>The Shareholders shall be invited to present lists where the candidates for the office of member of the Supervisory Board must be indicated.</p> <p>The lists signed by those who present them shall have to be deposited at the registered office of the Company at least 15 days before the Meeting is held on first call. The signature of each presenting Shareholder must be duly authenticated pursuant to the law or by the employees of the Company or of its subsidiaries intentionally delegated by the Board of Directors.</p> <p>Declarations, including appropriate documentation, in which each single candidate accepts to stand as a candidate and attests, under its responsibility, the absence of causes of ineligibility and incompatibility, as well as the fulfilment of the requirements prescribed by the law and by the rules of these By-laws for the members of the Supervisory Board, and the list of the administration and control offices held in other companies shall have to be deposited along with each list, otherwise the same shall be deemed ineligible.</p> <p>Each Shareholder may contribute to the presentation of only one list: in case of non-observance, his signature is not calculated in any list.</p> <p>Each candidate may acknowledge joining only one list, otherwise the same shall be deemed ineligible.</p> <p>Each list must be presented by at least 500 (five hundred) Shareholders who have the right to attend and vote during the Meeting convened to elect the Supervisory Board, who support this right by documentary evidence according to the regulations in force, who represent at least 0.50% of the share capital, this limit being determined with reference to the capital existing 90 (ninety) days before the date established for calling the Meeting and to be indicated in the notice convening it.</p> <p>The lists not pursuant to such provisions shall be considered as never</p>
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	<p>submitted.</p> <p>Each Shareholder may vote only one list.</p> <p>The appointment of the members of the Supervisory Board shall proceed as follows:</p> <ul style="list-style-type: none"> <li>a) 22 members of the Supervisory Board are taken from the list that has obtained the majority of votes expressed by the Shareholders, following the progressive order with which they appear in the same list;</li> <li>b) a member of the Supervisory Board is taken from the list that has obtained the second majority of votes, as the first person appearing in the list.</li> </ul> <p>The lists that have not reached at least 10% of the all the votes expressed during the Meeting shall not be taken into consideration for voting purposes. If only one of the presented lists has exceeded this limit, all the members of the Supervisory Board shall be taken from it.</p> <p>If only one list is proposed or if no list is presented, the Meeting shall appoint the Supervisory Board by a majority vote; with an equal number of votes, the eldest candidate is appointed.</p> <p>If two or more lists obtain an equal number of votes, these lists will be voted again, until the number of votes obtained differs.</p> <p>The offices of Chairman and Senior Deputy Chairman of the Board belong to the member indicated in the first and second position, respectively, of the list that has obtained the majority of votes, or in the only list presented or to the members appointed as such by the Meeting, if no list was presented.</p>
	<p><b>VI</b></p>
	<p>The Meeting called to approve the distribution of the profit related to the 2006 financial year could assign, after deducting the part destined to reserve, 1% of the 2006 profit of the merging company to the remuneration of the Board of Directors in force until 31st December 2006.</p>

## **ENCLOSURE B**

### **Article 3**

The registered office and general management of the Company is based in Bergamo.

The Company has also operating offices in Brescia.

The provision of the previous sub-paragraphs may be modified only by the majorities provided for by the third sub-paragraph of art. 28.

### **Article 23**

The Meeting is convened at the registered office of the Company or in another place in the province of Bergamo.

### **Article 28**

The ordinary and extraordinary meetings, save as otherwise provided by these By-laws, decide with the majority vote of those present; with an equal number of votes, the proposal is rejected.

The corporate positions must be appointed, for what pertains the Meeting, by secret vote and according to the methods as per Article 45.

In any case, without prejudice to any other mandatory law regulation, the favourable vote of at least one twentieth of all the Shareholders entitled to vote is required, also during the Meeting in second call, for the passing of the resolutions concerning the change of the business purpose, company transformation, relocation of the registered office, early winding-up of the Company determined by fact provided by the law, excluding the assumption set forth in no. 6 of article 2484 of the Italian Civil Code, the cancellation or modification of articles 23, 31, 36, 42, 43 and 49 of the By-laws and/or the introduction of any other provision inconsistent with the text of these articles, as well as the approval of the modification or cancellation of this paragraph and/or of the resolution quorum provided by the same.

Always without prejudice to any other mandatory law regulation, the majority set forth in the previous sub-paragraph is required for the passing of the resolutions concerning the cancellation or modification of Article 45, sub-paragraph 6, and Article 48, sub-paragraph 6 of the By-laws, as well as of this paragraph and of the resolution quorum provided by the same.

For the resolutions to be adopted upon request of the Authority of Credit Surveillance or in relation to modifications of the By laws or legislative modifications, the Meeting, both ordinary and extraordinary, takes resolutions with the majority of votes; in such cases, for the resolutions attributable to the Supervisory Board, dispositions provided for by article 48, sub-paragraph 5 apply.

### **Article 31**

The Chairman of the Management Board and the Vice-Chairman of the Management Board – appointed to carry out the functions as Chairman in case of absence or impediment of the former – are appointed by the Management Board by absolute majority of its members, when not appointed by the Supervisory Board according to what is provided by Article 46. They are appointed for the whole term of their office.

The Secretary functions are delegated by the Management Board to a member of the Management Board itself or to the General Manager or also to another manager or to another external subject of the Company or of the Group.

## Article 36

The resolutions of the Management Board are taken by open voting, with the favourable vote of the majority of the members present.

The favourable vote of at least 8 members of the Management Board (or of all the members minus one, for the case in which the Management Board consists of 7 or 8 members) are required for the resolutions concerning:

- a) the proposal, to be submitted to the attention of the Supervisory Board for the following approval of the extraordinary Meeting, of statutory alterations;
- b) total or partial transfer of the shareholdings held in the following companies: Banca Popolare Commercio e Industria S.p.A., Banca Popolare di Bergamo S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A., Centrobanca S.p.A., Banco di Brescia S.p.A. and Banca Regionale Europea S.p.A., as well as the setting up of any kind of encumbrances on their shares;
- c) determining the vote to be given in the meetings of the companies listed under b) convened for the approval of increases in share capital excluding the right of option (upon payment or for contribution in kind), issuing convertible bonds or bonds with warrant, excluding the right of option, that imply, if subscribed, the loss of control by the Company;
- d) determining the vote to be given in the meetings of the companies mentioned above under b) convened for deciding on the merger through incorporation in the Company or in other companies, their transformation, splitting, early winding-up, changes in the business purpose, name alteration or relocation of the registered office out of the municipality in which they are currently located, the transfer to third parties not forming part of the group of the banking company or of a substantial part of it of some of the subsidiaries mentioned above under b);
- e) the appointment to the post of member of the Board of Directors and of the Statutory Board in the companies listed in point b), taking into consideration the proposals of the Appointment Committee, if applicable;
- f) assignment, if considered suitable, of the task to supervise the proper operation of the internal auditing system to one's own member.

With an equal number of votes, the Chairman of the Management Board has the casting vote.