REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES
2015
“Report on Corporate Governance and the ownership structures of Banca Popolare di Milano S.c.ar.l.”

(drawn up pursuant to Article 123-bis, of Legislative Decree 58/1998 and according to the provisions of the Listed Companies Code of Conduct promoted by Borsa Italiana S.p.A.)

Two-tier Administration and Control model

2015 Accounting period

Approved by the Management Board on 22 March 2016
Available on the company Web-site www.gruppobpm.it

BANCA POPOLARE DI MILANO

2015 Financial Year
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The European Central Bank: the ECB.

The Management Board: the Issuer’s Management Board.

The Supervisory Board: The Issuer’s Supervisory Board.

Bank of Italy Circular no. 285/2013: Bank of Italy Circular no. 285 of 17 December 2013 (as subsequently amended and supplemented).


Report Date: 22 March 2016, date of approval of this Report by the Bank’s Management Board.


The Bank of Italy Governance Regulations: The First Part, Title IV, Chapter 1 of the Bank of Italy Circular no. 285/2013.

Issuer Regulations or IR: The regulations issued by Consob by Resolution no. 11971 of 1999 (as subsequently amended) concerned with issuers.

The Consob Related Parties Regulations: The regulations containing provisions in the field of operations with related parties, adopted by Consob by resolution no. 17221 of 12 March 2010 as subsequently amended by Resolution no. 17389 of 23 June 2010 (together with the connected interpretative document issued by Consob DEM/10078683 of 24 September 2010).


Articles of Association: Bipiemme’s Articles of Association.

CFL: Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Law).

CBL: Legislative Decree no. 385 of 1 September 1993 (Consolidated Banking Law).
1. ISSUER PROFILE

The Banca Popolare di Milano S.c.ar.l. – founded in 1865 – is a co-operative bank with its Registered Office in Milan, listed on the MTA (Mercato Telematico Azionario), the online equity market organised and managed by Borsa Italiana S.p.A. Bipiemme is the Group holding company of the banking group of the same name and carries out, in addition to its banking business, the functions of directing policy, governance and control over the banking, financial and near-banking companies it controls. The Bipiemme Group is an integrated, multi-functional group, working in the different credit and financial broking sectors with the main emphasis of its business on retail, that is, concentrating on private customers and small to medium-sized businesses.

The Banca Popolare di Milano is: (i) a “significant bank” pursuant to Article 6, paragraph 4 of the European Union Regulation no. 1024/2013, in relation to the setting up of the Single Supervisory Mechanism (SSM), and; from 4 November 2014 – start-up date of the same SSM – has been subject to direct prudential supervision by the ECB; (ii) and, by this reason as also because of the listing of Bipiemme shares on the MTA, comes within the category of the largest banks or those with the most complex operations, pursuant to the First Part, Title IV, Chapter 1 of the Bank of Italy Circular no. 285/2013.

1.1 Corporate Governance Structure

From 22 October 2011 the Banca Popolare di Milano adopted the “Two-tier” system of administration and control.

The juridical nature of a co-operative bank requires, in particular, that each member only has the right to a single vote irrespective of the number of shares owned (one-person one-vote) and no-one can hold shares exceeding 1% of the share capital saving the power under the Articles to make provision for a lower limit although in any case, no less than 0.5% (the so-called “limit on share ownership”). In this regard, please refer to Paragraph 2(b) of this Report for details of the limit imposed by the BPM Articles. This limit on share ownership does not apply to Undertakings of collective investment in Transferable Securities which will be bound by the limits laid down by their own rules. Further, only members registered in the Members’ Register will have the right to participate and vote in General Meetings following the acceptance of the related application. Members not registered in the Members’ Register may only exercise equity-based rights relating to the shares owned.

The Bank’s corporate governance structure takes account of the provisions of the Bank of Italy Governance Regulations and the principles of the Code of Conduct, introduced by Bipiemme as early as 2001. These latter principles, in particular those referring to the Board of Directors and the Board of Statutory Auditors, have been applied, as a matter of principle, to the Management Board and the Supervisory Board. In this regard it should be noted from the first, that the Bank has applied a number of the provisions of the Code actually referring to the Board of Directors to the Supervisory Board, resulting from the two-tier administration and control system and the particular make-up of the governing bodies in terms of composition and their respective spheres of competence, in consideration of the powers granted in the matter of the Code (Article 10.C.1(b), and the related comments). The provisions in question relate to the principles of the directors’ independence and the composition of the board committees in terms of appointment and remuneration.

1.2 Reform of the legislation governing co-operative banks

Article 1 of Law Decree no. 3 of 24 January 2015 converted into law by Law no. 33 of 24 March 2015, amended a number of the CBL’s provisions concerned with CO-OPERATIVE BANK legislation which, in the amended text, inter alia, reserves the possibility of adopting the status of a “co-operative bank” only to those banking intermediaries whose assets do not exceed the value of €8 billion. Those banks exceeding this threshold must take the measures necessary to comply with the legislation such as, for example, the reduction of assets to within the permitted limits, transformation into stockholding companies or voluntary liquidation (cf., paragraphs 2-bis and 2-ter of Article 29 of the CBL).
In relation to the above, taking account of the fact that the BPM Group’s asset value exceeds the €8 billion threshold provided for under the law in force, the Bank now intends to comply with the above law by means of an operation changing its status to that of a stockholding company.

1.3 Organisational Structure

The Bank’s top level organisational structure, as at 31 December 2015, has been set out in the following diagram. In particular, the structure provides that primary functions of governance and control are to be filled by staff of the Managing director and a number of primary central and operational functions having the Managing director as line manager. Each structure is responsible for ensuring adequate governance and policy action by the Group holding company and group companies together with the functional co-ordination of the units of the same name.
In the above context, so far as the company’s annual reporting obligations are concerned, we have set out below the “Report on Corporate Governance and Ownership Structures” for the Bipiemme for the 2015 accounting period, drawn up pursuant to Article 123–bis, of the CFL (made available, including the English translation, to the public on the Company’s Web-site www.gruppobpm.it – section “Governance”, “Report on Corporate Governance”).

The Report also represents compliance with the public disclosure requirements pursuant to the First Part, Title IV, Chapter 1, Section VII of Bank of Italy Circular no. 285/2013. A table has been annexed to this Report under “Annex B” in which those paragraphs of this Report where the information required by the above-mentioned circular can be found.

2. INFORMATION ON OWNERSHIP STRUCTURES (ARTICLE 123–BIS, PARAGRAPH 1, OF THE CFL)

a) Structure of the Company’s share capital (Article 123–bis, paragraph 1(a), of the CFL)

Given the currently co-operative nature of Bipiemme, the Bank’s share capital is variable and amounts, as at 31 December 2015, to €3,365,439,319.02 (fully paid up and subscribed to), exclusively represented by 4,391,784,467 ordinary shares, without par value and identified by the ISINIT Code 0000064482 and listed in the FTSE segment of the Online Share Market managed by Borsa Italiana S.p.A. There are no BPM share categories differing from the ordinary categories.

We have set out below a summary table referring to the share capital structure as at 31/12/2015.

<table>
<thead>
<tr>
<th>Structure of the share capital (31/12/2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of shares</td>
</tr>
<tr>
<td>Ordinary shares</td>
</tr>
<tr>
<td>Shares with limited voting rights</td>
</tr>
<tr>
<td>Shares without voting rights</td>
</tr>
<tr>
<td>Rights and obligations</td>
</tr>
</tbody>
</table>

b) Restrictions on the transfer of securities (Article 123–bis, paragraph 1(b), of CFL)

Article 21 of the Articles provides that no-one may hold shares exceeding 0.5% of the total. As soon as the Bank discovers that the limit has been breached, it will raise an objection against the holder on such grounds and the excess shares must be assigned within one year from the objection. Once this time limit has ended the related asset rights accrued up to the assignment of the excess shares will be acquired by the Bank. The prohibition does not apply to Undertakings for collective investment in transferable securities (UCITS), each of which will be governed by the limits imposed by their own regulations.
c) Significant shareholdings in the share capital (Article 123–bis, paragraph 1(c), CFL)

Significant shareholdings in Bipiemme’s share capital, updated as at the Report date (as revealed by the communications pursuant to Article 120 of the CFL) have been set out in Table 1 of this Report.

d) Securities granting special rights (Article 123–bis, paragraph 1(d), CFL)

There are no securities granting special control rights over the Bank.

e) Staff shareholdings: mechanism for exercising voting rights (Article 123–bis, paragraph 1 (e), CFL)

There is no system for staff shareholding with a mechanism for the exercise of voting rights other than that applicable to all other Bipiemme members.

f) Restrictions on voting rights (Article 123–bis, paragraph 1(f), CFL)

Given the Bank’s current co-operative nature, each member registered on the Members’ Register only has the right to one vote irrespective of the number of shares owned (“one-person one-vote”). Registration on the Members’ Register follows acceptance by the Bank’s Management Board of the related application pursuant to Articles 30 of the CBL and 11 of the Articles. Greater information on the member admission procedure can be found on the Web-site www.gruppobpm.it, in the “BPM Members” and the related sub-sections.

g) Agreements between Members (Article 123–bis, paragraph 1(g), CFL)

Please note that on 9 September 2011 Bipiemme and Fondazione Cassa di Risparmio di Alessandria (hereinafter to be called the “CRAL Foundation”)—concluded a Members’ Agreement relating to the governance of the Bank and other companies of the Bipiemme Group according to which, inter alia, a member designated by the Foundation is currently on Bipiemme’s Supervisory Board (see Article 63 of Bipiemme’s Articles in this regard).

Following the amendments agreed by the Parties during the 2014 accounting period and, most recently on 13 July 2015, the above Members’ Agreement will remain in force up to 13 July 2018 with the express exclusion of any automatic renewal subsequent to the above time limit. Otherwise it will remain in force up to either (i) the date on which the transformation of BPM into a stockholding company or (ii) the date on which a company concentration operation affecting BPM comes into force, whichever is the earlier. The extract of the Members’ Agreement has been published on the Web-site www.gruppobpm.it under “Members’ Agreements and Associations” in the “Governance” section.

On 18 November 2014 the Banca Popolare di Milano was informed of the members’ association called “for the BPM Co-operative”. The associates took steps to comply with the obligations of publication and disclosure to the public and the supervisory authorities laid down by the related provisions in the event that Article 122 of the CFL concerned with Members’ Agreements was applicable. In consideration of the above, the extract of the above association agreement has been published on the Web-site www.gruppobpm.it, under “Members’ Agreements and Associations in the “Governance” section.

No notice has been given pursuant to Article 122 of the CFL of any further Members’ agreements or associations.

h) change of control Clauses (Article 123–bis, paragraph 1(h), CFL) and provisions of the Articles in relation to IPOs (Articles 104, paragraph 1–ter and 104–bis, paragraph 1, CFL)

We can confirm that neither the Bipiemme nor its subsidiaries have concluded significant agreements which gain force and effect, are amended or are extinguished in the case of the change of control of the contracting company. With reference to agreements in force referring to companies subject to significant influence, please refer to the Notes to the Consolidated Financial Statements (Part B, Section 10, paragraph 10.8) in the Bipiemme Group’s 2015 Consolidated Financial Statements available on the web-site www.gruppobpm.it, in the sub-section “Financial Statements” of the section “Investor Relations”.
With reference to the provisions of the Articles in relation to possible take-overs, it should be noted that the Bank’s Articles do not include clauses derogating from the passivity rule set out in Article 104, paragraphs 1 and 1–bis of the CFL. It should also be noted that Article 104–bis, paragraph 1 of the CFL does not recognise powers for a co-operative to introduce neutralisation rules into its Articles of the kind described by Article 104–bis, paragraphs 2 and 3 of the CFL.

i) Agreements between the Company and Directors on the Management or Supervisory Boards

Any information required by Article 123–bis, paragraph 1(i), of the CFL (that is, information relating to possible agreements between the company and directors or members of the Management or Supervisory Boards providing for indemnities in the event of resignation or dismissal without just cause, or if their employment relationship ceases following a take over”) will be found in the Report on Remuneration published pursuant to Article 123–ter of the CFL.

l) Appointment and replacement of the members of Management Board members – Amendments to the Articles (Article 123–bis paragraph 1(l), CFL)

With reference to the rules relating to amendments to the Articles, it should be noted that the Articles require higher quorums than those laid down by the law for resolutions concerned with specified matters. In particular, under Article 31 of the Articles, amendments to the Articles including those concerned with mergers and/or absorptions, must be approved with votes in favour of at least two-thirds of the members voting and in no circumstances less than 500 votes. Further, resolutions resulting in the amendments to the Company objects, that is, under Article 5 of the Articles, of the rules relating to the entitlement to, and exercise of, voting rights, concerned with the transformation of the Company or its early winding up or, finally, any amendment of Article 31 paragraph 3 of the Articles (relating to increased quorums for resolutions), must be approved by members representing at least one seventh of members with voting rights.

Finally, the last paragraph of Article 31 of the Articles, states that quorums applicable to resolutions to be passed to comply with requirements of supervisory authorities issued for reasons of stability or compliance with regulatory or legislative provisions, will be those laid down by the Articles for the Ordinary General Meeting, that is, the absolute majority of those participating in the vote.

Still with reference to amendments of the Articles, it should also be noted that the Management Board may pass resolutions, pursuant to the second paragraph of Article 2365 of the Italian Civil Code, concerned with adapting the Articles to legislative provisions (Article 39, paragraph 2(u, of the Articles). In such cases the Management Board may request the prior, non-binding, opinion of the Supervisory Board, indicating a time limit for the useful provision of the same.

The additional information required by letter l) of the first paragraph of Article 123–bis of the CFL (that is “‘the rules applicable to the appointment and replacement of directors ... and the amendment of the Articles if different from and replacing those applicable under legislative and regulatory provisions’) have been explained under paragraph 4.1 of this Report.

m) Delegated powers to increase share capital and authorisations for the purchase of Treasury shares (Article 123–bis, paragraph 1(m), CFL)

Delegated powers for the increase of share capital

As at the date of this Report no delegated powers have been granted to the Management Board to increase share capital pursuant to Article 2443 of the Italian Civil Code.

Authorisation for the purchase of Treasury shares

On 11 April 2015 the Ordinary General Meeting of Members resolved as follows: (i) to increase the “Treasury shares” Reserve by an amount of €5,515,113.38 to be drawn from the “Extraordinary Reserve” from a total of €19,484,886.62 to a total of €25,000,000 and by effect thereof, to establish the amount usable for the purchase of Treasury shares to a total of €25,000,000; (ii) to authorise operations for the purchase and disposal of Treasury shares for the purposes proposed by the Management Board (cf. the Management Board Report on point 3 of the Agenda of the General Meeting of Members of 10-11 April 2015 available on the company’s web-site www.gruppobpm.it, under “General Meeting of 10-11 April 2015” in the “Archive of General Meetings of the Members”
in the “Governance” section) according to the following procedures and time limits: (a) The purchase may be made on one or more occasions within the limit of the amount in the “Treasury shares Reserve” so that the “accounting value” of the shares purchased by the Bank do not exceed the limit of €25,000,000 and, in any case, in such a way that, even when taking account of the shares held by the Bank’s subsidiaries, the Treasury shares do not exceed limits imposed by law; (b) the authorisation for the purchase of Treasury shares has been resolved with effect from 11 April 2015 up to the General Meeting of the Members when the 2015 Financial Statements are presented; (c) the authorisation includes the power to dispose of the shares in portfolio on one or more occasions, even before having completed the purchases and possibly to re-purchase such shares but always in compliance with the limits and conditions laid down by the General Meeting’s authorisation.

On 23 June 2015, the BPM Management Board, following the issue of the required authorisation by the European Central Bank, approved a programme of the purchase of Treasury shares to be transferred to staff (the “Programme”) in compliance with the resolution of the Ordinary General Meeting of Members of 11 April 2015, in order to:

- implement Article 60 of the Articles in compliance with permitted market practice, providing for the distribution in shares to all serving employees, excepting those holding top management posts, amounting to 5% of the gross period profits of 2014;
- to set up a securities deposit, in compliance with permitted market practices, for the implementation of the Bank’s remuneration policies and, in particular, to achieve the plan for the grant of BPM ordinary shares to “higher-ranked staff” approved by the Ordinary General Meeting of 11 April 2015 pursuant to Article 114–bis of the CFL and Article 84–bis of the Issuer Regulations.

The duration of the Purchase Programme was set by the Management Board from 24 June 2015 to 27 July 2015 (inclusive), and the maximum value of the BPM shares to be purchased in performance of the Programme was decided as a total of €17.1 million.

On 27 July 2015 BPM concluded the above Programme by the purchase, over the period 24 June 2015 to 27 July 2015 (inclusive) of a total of 16,821,746 Treasury shares (amounting to 0.383% of the ordinary shares issued at an average unit price of €0.956481 with a total value of €16,089,677.84.

As at 31 December 2015, the Bank had 1,524,259 Treasury shares in its portfolio.

n) Management Direction and coordination (article 2497 et seq. of the Civil Code)

Banca Popolare di Milano is the Group holding company of the BPM - Banca Popolare di Milano – Banking Group. Given the co-operative nature of the Bank, not permitting the formation of pre-constituted controlling shareholding majorities, it is not subject to management direction and coordination pursuant to Article 2497 et seq. of the Italian Civil Code.

3. COMPLIANCE (Article 123–bis, paragraph 2(a), of the CFL)

Banca Popolare di Milano has voluntarily adopted the Code of Conduct for Listed Companies promoted by Borsa Italiana S.p.A.

As a result of its adoption, each year the Bank analyses its system of corporate governance and compares it with the recommendations contained in the Code of Conduct, already accepted by BPM in 2001. The July 2015 edition of the Code is available to the general public on Borsa Italiana’s website (www.borsaitaliana.it) as well as on the Bank’s own website (www.gruppobpm.it).

Lastly, neither the Bank nor its strategically significant subsidiary companies are subject to foreign laws that influence the Corporate Governance structure of BPM.
4. MANAGEMENT BOARD

4.1. Appointment and replacement (article 123-bis, paragraph 1.1), CFL

The Management Board consists of 5 members appointed by the Supervisory Board pursuant to article 32 of the Articles of Association. The members of the Management Board remain in office as decided by the Supervisory Board, for a maximum period of three years; their term of office expires on the date of the Supervisory Board meeting called to approve the financial statements for their last year in office. In any case, they remain in office until the Management Board has been renewed. They may be re-elected.

The process for the appointment and dismissal of the Management Board by the Supervisory Board is regulated in detail by article 49, paragraph 7, of the Articles of Association (to which reference should be made), which requires a qualified quorum to pass resolutions and the determining vote of the Supervisory Board members nominated by “institutional investors” (UCITS and BPM Group’s strategic partners pursuant to article 63 of the Articles of Association). In this context, the Nominations Committee, set up as a sub-committee of the Supervisory Board pursuant to article 53 of the Articles of Association, will be responsible for selecting and proposing candidates for appointment to the Management Board and has the right to propose a candidate for the position of Managing Director.

If one or more members of the Management Board cease to hold office, the Supervisory Board must replace them without delay pursuant to paragraph 5 of article 2409-duodecies of the Civil Code and article 34 of the Articles of Association – in compliance with current legislation on equal access to administrative and control bodies of companies with shares traded on regulated markets.

Without prejudice to compliance with gender quotas laid down by current legislation on equal access to administrative and control bodies of companies with shares traded on regulated markets, note that article 32 of the Articles of Association, in addition to the requirements of professionalism and integrity imposed by current law, has even more stringent professional requirements and states that (i) at least one of the members of the Management Board has to satisfy the independence requirements pursuant to Article 148, paragraph 3, CFL, (ii) of the five members that make up the Management Board, two of them, including the Chairman, must be non-executive directors.

In accordance with the supervisory provisions issued by the Bank of Italy, the Management Board will check that each Board member satisfies the requirements of professionalism and integrity, the independence requirements pursuant to paragraph 3 of Article 148 of the CFL and article 3 of the Code of Conduct TOGETHER WITH compliance with the limits on the accumulation of offices and that there are no grounds for incompatibility as per article 36 of Legal Decree no. 201/2011, converted into law with amendments by Law 214/2011 (hereinafter “Legal Decree no. 201/2011”) and pursuant to paragraph 6 of article 32 of the Articles of Association. The results of the verification process will be communicated to the public by means of specific press releases.

The Management Board, in compliance with the Bank of Italy Governance Regulations, (i) will define what it considers to be the Board’s optimum number; (ii) will transmit, upon the appointment of the management board members, the results of the analysis undertaken to the Supervisory Board; (iii) will subsequently check the correspondence between what is considered to be the optimum composition from a quantitative and qualitative point of view and the actual composition resulting from the appointments process.

Succession Plans

The Bank, including in compliance with the Bank of Italy Governance Regulations, has adopted a specific succession plan dealing with the position of the Managing director (“Plan”) setting out the procedures to be followed should a new Managing director have to be appointed in observance of the powers granted to the Management Board, the Supervisory Board and the respective Board committees by the Articles of Association and the regulations passed by company bodies. In consideration of the Bank’s Governance structure, the Plan has been approved, with reference to those parts coming under their respective competence, by the Management Board (resolution of 21 July 2015) and the Supervisory Board (resolution of 6 August 2015).
4.2. COMPOSITION (article 123-bis, paragraph 2.d), CFL

On 17 January 2014 the Supervisory Board appointed – as proposed by the Nominations Committee – the Bank’s Management Board for the years 2014/2015/2016, with Mario Anolli as Chairman and Giuseppe Castagna, Davide Croff, Paola De Martini and Giorgio Angelo Girelli as the other members; the aforementioned Management Board members accepted their appointment on 21 January 2014.

On 21 January 2014, the Management Board, taking into account the recommendations made in that regard by the Supervisory Board, appointed Giuseppe Castagna as Managing Director, granting him the powers described in Article 45 of the Articles of Association; at the same meeting, the Management Board also appointed Dr Giuseppe Castagna as the Bank’s General Manager. On 14 February 2014 the Management Board successfully confirmed that its members satisfied the requirements of integrity and professionalism together with the characteristics required, as the case may be, to be independent or executive directors, further acknowledging that (i) the overall composition of the Board complied with the law and the Articles of Association, and (ii) the qualitative composition of the Management Board matched the ideal qualitative composition of the Bank’s Management Body as identified by the previous Management Board on 30 October 2013 and as notified to the Supervisory Board with a view to the appointment of the Management Board currently holding office.

The following table provides a complete list of the Management Board members in office at the Date of this Report, with an indication of the specific offices held on the Board, the date of expiry of their mandate and whether or not they qualify as independent or executive directors – last checked on 2 February 2016 by the Management Board.

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
<th>Age group</th>
<th>Gender</th>
<th>Start of mandate</th>
<th>End of mandate</th>
<th>* Ind. CFL</th>
<th>** Ind. Code</th>
<th>*** Exec.</th>
<th>**** Non Exec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mario Anolli</td>
<td>Chairman</td>
<td>&gt; 50 years</td>
<td>M</td>
<td>21 January 2014</td>
<td>App. fin. stats. 31.12.2016</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Giuseppe Castagna</td>
<td>Managing Director and General Manager</td>
<td>&gt; 50 years</td>
<td>M</td>
<td>21 January 2014</td>
<td>App. fin. stats. 31.12.2016</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Davide Croff</td>
<td>Board member</td>
<td>&gt; 50 years</td>
<td>M</td>
<td>21 January 2014</td>
<td>App. fin. stats. 31.12.2016</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Paola De Martini</td>
<td>Board member</td>
<td>&gt; 50 years</td>
<td>F</td>
<td>21 January 2014</td>
<td>App. fin. stats. 31.12.2016</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Giorgio Girelli</td>
<td>Board member</td>
<td>&gt; 50 years</td>
<td>M</td>
<td>21 January 2014</td>
<td>App. fin. stats. 31.12.2016</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>no. 5</td>
<td>no. 3</td>
<td>no. 1</td>
<td>no. 2 no. 3</td>
</tr>
</tbody>
</table>

(*) Independent director pursuant to article 148, paragraph 3, CFL.
(**) Director qualified as Independent director by the Management Board pursuant to article 3 of the Code of Conduct.
(*** Executive director.
(****) Non-executive director.

The curriculum vita of each member of the Management Board is available on the Bank’s website www.gruppobpm.it, under Management Board in the BPM Governance Model in the Governance section.
The table below shows the length of service (meaning a continuous period during which the individual has held office
as a Member of the management board) of the Board members in office at the Date of this Report.

**TABLE 2**

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of first appointment</th>
<th>Period of office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mario Anolli</td>
<td>21 January 2014</td>
<td>2 years and 2 months</td>
</tr>
<tr>
<td>Giuseppe Castagna</td>
<td>21 January 2014</td>
<td>2 years and 2 months</td>
</tr>
<tr>
<td>Davide Croff</td>
<td>26 October 2011</td>
<td>4 years and 5 months</td>
</tr>
<tr>
<td>Paola De Martini</td>
<td>21 January 2014</td>
<td>2 years and 2 months</td>
</tr>
<tr>
<td>Giorgio Girelli</td>
<td>21 January 2014</td>
<td>2 years and 2 months</td>
</tr>
</tbody>
</table>

**Maximum accumulation of offices that can be held in other companies**

While awaiting the incorporation into Italian law of the limits on the accumulation of offices laid down by Article 91,
paragraph 3 of European Union Directive 2013/36, on 2 February 2016 the Management Board defined its attitude to the
maximum number of administration and control offices, resolving that, without prejudice to the prohibition against interlocking
directorates and pursuant to the provisions of Article 32, paragraph 6, of the Articles of Association,—its own members:
(i) may not hold office as member of an administrative body of more than 5 issuers;
(ii) may not hold other offices in companies limited by capital when the total burden of these offices exceeds 6 points,
calculated on the basis of the criteria laid down by article 144—duodecies and by Annex 5—bis to Consob’s Issuers’
Regulations.

On 2 February 2016, the Management Board confirmed compliance with the above limits on accumulated offices by
each director, further establishing compliance at that date, of the prohibition against interlocking directorates laid down
by Article 36 of Legal Decree 201/2011 and the absence of conditions of incompatibility as defined by the Articles.

In accordance with the recommendations of article 1.C.2. of the Code of Conduct, the following is a list of the positions
held at the Date of this Report by the Bank’s current directors — as members of the administrative and control bodies – in
other companies (including offices held in BPM Group companies).

**TABLE 3**

<table>
<thead>
<tr>
<th>Members of the Management Board</th>
<th>Offices held in other issuers, intermediaries and large companies</th>
<th>No. of other offices held(*)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mario Anolli</td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Giuseppe Castagna</td>
<td>Director of Banca Akros S.p.A. (BPM Group)</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Davide Croff</td>
<td>Chairman of the Board of Directors of Permasteelisa S.p.A.</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Director of Istituto Europeo di Oncologia S.r.l.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director of Gala S.p.A. Director Elica S.p.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paola De Martini</td>
<td>Director Tiscali S.p.A. Manager of STMicroelectronics</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Giorgio Angelo Girelli</td>
<td>Chairman of the Board of Directors of ProFamily S.p.A.</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>(BPM Group)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(*) Understood as offices in companies other than issuers, large-scale intermediaries and companies.

**Training programmes**

The training programme for members of the Management and Supervisory Boards initiated in the 2014 accounting
period continued in 2015. It was organised in four-monthly cycles of meetings (also attended by bank managers
depending on the subject matter concerned).

7 meetings have been held from the beginning of 2015 up to the date of the Report dealing with regulatory and
business matters. It should be noted that the programme will continue for the 2016 accounting period.
4.3. ROLE OF THE MANAGEMENT BOARD (article 123-bis, paragraph 2.d), CFL

Responsibilities of the Management Board

It is the responsibility of the Management Board to run the business, including strategic oversight. To this end, the Management Board carries out all operations, of both ordinary and extraordinary administration, that are necessary, useful or, in any case, opportune to achieve the Company’s objects.

The Articles of Association set out the duties and responsibilities of the Management Board (article 39 of the Articles of Association) and of the Managing Director (article 45 of the Articles of Association), the former being called upon to decide the Bank’s broad strategies and verify that they are implemented, the latter to manage the business on a day-to-day basis. Pursuant to article 39 of the Articles of Association, in addition to the powers that cannot be delegated by law, the Management Board is exclusively responsible for the following matters:

- definition of the general policies and strategies of the Company and of the Group;
- the appointment and dismissal of the Managing Director, as well as the attribution, modification or revocation of the powers granted to him;
- the preparation of business and/or financial plans, as well as the budgets for the Company and the Group;
- risk management and internal controls, without prejudice to the powers and duties of the Supervisory Board;
- the granting, amendment or revocation of mandates and powers and the granting of specific duties or powers to one or more of its members;
- if consistent with the new system of corporate governance, the appointment and dismissal of the General Manager and the members of General Management, the definition of their emoluments, duties and powers, as well as the designation of the Group’s top management;
- the appointment of members of the administrative and control bodies of the companies belonging to the Group;
- the acquisition or disposal of investments that involve changes in the Banking Group;
- the opening and closing of branches and representative offices;
- evaluation of the Company’s organizational, administrative and accounting structure;
- the approval and amendment of Company and Group regulations, without prejudice to the mandatory powers and duties of the Supervisory Board;
- determining the criteria for the coordination and direction of Group companies, as well as the criteria for implementing instructions from the Bank of Italy;
- the appointment and dismissal of the Financial Reporting Manager in accordance with article 154-bis of the CFL and determination of his resources, powers and remuneration, subject to the opinion of the Supervisory Board;
- the appointment and dismissal, subject to the opinion of the Supervisory Board, of the Head of Internal Control and the Compliance Officer, as well as the heads of the various corporate functions and structures that have control duties and responsibilities;
- preparation of the draft financial statements, draft consolidated financial statements and interim reports;
- exercising the mandate for increases in capital granted in accordance with Article 2443 of the Civil Code, as well as issuance of convertible bonds pursuant to Article 2420-ter of the Civil Code;
- the duties relating to the Management Board referred to in Articles 2446 and 2447 of the Civil Code;
- drawing up merger or demerger plans;
- the adoption, pursuant to article 2365, paragraph 2, of the Civil Code of resolutions concerning amendments to the Articles of Association to bring them into line with laws and regulations, as well as mergers and demergers in the cases provided for in articles 2505 and 2506-ter of the Civil Code;
- the definition of criteria for the identification of related party transactions to be submitted for its approval.
Whenever it deems it appropriate, the Management Board can ask the Supervisory Board for a prior non-binding opinion in the cases laid down in subparagraphs h), i) and u) of the preceding paragraph, indicating the deadline by which the opinion should be issued.

In compliance with legislation (including secondary legislation) from time to time in force and the instructions of the Supervisory Authority (including the maintenance of asset requirements imposed by the same), the Management Board, having consulted with the Supervisory Board, may limit and/or delay, in whole or in part and without time limits, the refund of shares and other capital instruments counting towards the Bank’s primary quality regulatory assets (both in the case of withdrawal and following transformation, and in the case of the death or exclusion of a member), including in derogation of the Italian Civil Code and other laws. The decisions in relation to the extent of the limit and/or any extension of the delay of the refunding of shares or other capital instruments will be taken by the Management Board while taking account of the overall prudential situation of the Bank and the Banking Group in compliance with the law and supervisory rules from time-to-time in force. The above will in any case be without prejudice to the authorisations which have to be obtained, pursuant to the relevant provisions, from the Supervisory Authority.

The Management Board, as the Bank’s body entrusted with the function of strategic supervision, will draw up and propose the Bipiemme Group remuneration and incentive policies to the Supervisory Board and the General Meeting for approval in their respective areas of competence. It will also be responsible for the correct implementation of the same. The Management Board will also be responsible for defining the remuneration and incentive system at least for the following (when employed in the Bank): executive directors; the members of the general management and analogous positions, managers responsible for the main business lines, functions or geographical areas; those reporting directly to the Bodies with strategic functions, management and control, and the highest-placed managers and staff in the business control functions. In the above context, the Management Board will be responsible for the determination of the remuneration of the general management.

The functions of the remuneration committee required by the Bank of Italy Governance Regulations will be carried out by the Management Board, in particular with the contribution of its independent members.

Specific details of the duties (including those relating to the internal control system and risk management and control) and functions of the Management Board, as well as the role of the Chairman, the role of the Managing Director and the information flows between corporate bodies and between the latter and the Bank’s structures are contained in the Regulations for the Management Board (last amended with a board resolution of 29 September 2015).

How the Management Board functions

The Management Board meets at least once a month, and any time the Chairman considers it opportune, or whenever at least two members ask for a meeting. Board meetings are called by the Chairman, with notice sent by any suitable means that allows proof of receipt, at least three days prior to the date set for the meeting, except in urgent cases for which the time limit is reduced to one day. Notice of all meetings has to be given to the Supervisory Board in the same way.

The Chairman takes steps to ensure that all Board Members are provided with adequate information regarding the matters on the agenda and, assisted by the secretary of the Management Board, ensures that all the documentation that needs to be produced prior to Board meetings is provided to all members of the Management Board and the Internal Control Committee (this committee is made up of Supervisory Board Members, at least one of whom must participate at meetings of the Management Board).

In 2015, the Management Board held 25 meetings, lasting 3 hours and 20 minutes on average with an overall participation of 98.40% (the percentage attendance of each member is shown in table no. 2). The time limits for giving notice and for the provision of documentation needed for Board meetings were normally complied with during the year. In 2016, up to the Date of this Report, 6 Board meetings have been held.

During these Board meetings, the heads of the Bank’s corporate functions were requested to attend to provide details of items on the agenda within their sphere of competence and to ensure that in-depth discussions could be held by the Board.
Self-assessment of the Management Board

In accordance with the Bank of Italy Governance Regulations (Bank of Italy Circular no. 285, Title IV, Chapter 1, Section VI) and with the application criteria of the Code of Conduct (paragraph 1.C.1., letter g.), the Management Board of Banca Popolare di Milano has commenced the Board self-assessment for the 2015 financial year, based on a specific corporate procedure that sets out the policy for the self-assessment process for BPM’s corporate bodies (“Board Review 2015”).

The 2015 Board Review: (i) had been effected starting from the analyses and results of the self-assessment procedure carried out by the Management Board referred to 2014, conducted with the assistance of an external consultant (“Board Review 2014”). The Review also compared the operational practices adopted by BPM’s Management Board with the reference best practices. (ii) It also constitutes the natural continuation of the 2014 Board Review, sharing both method and objectives of the latter.

The 2015 Board Review looked at issues relating to the composition and functions of the Management Board (and of its sub-committees) and it was conducted through the completion of appropriate questionnaires. For each question, the interviewee was asked to provide a quantitative assessment and a qualitative comment on the topic being covered and the responses and comments were gathered and processed in an anonymous, confidential manner.

It should be noted that the results of the 2015 Board Review – discussed at the Management Board meeting of 22 March 2016 – also took account of the comments to the Bank by the ECB in particular in the context of the Supervisory Review and Evaluation Process – “SREP”). So far as relevant to this Report it should be noted that, with specific reference to Governance, the Supervisory Authority identified further areas requiring improvement, highlighting a number of actions to strengthen the Bank’s internal governance, including the numerical balance of the bodies. These actions may, moreover, be implemented following the transformation into a stockholding company consequential to the reform of co-operative banks.

The results of the 2015 Board Review highlighted in particular, the following: (i) that the Management Board had in substance, adequately implemented the improvement actions identified in the 2014 Board Review over 2015; (ii) in general terms, it was an evolving situation which had recorded improvements over the year with respect to the previous accounting period in consideration both of what was stated in the 2014 Board Review and the comments of the ECB; (iii) The depth of knowledge of the directors in relation to the Bank’s Governance system and the powers and duties connected with the office held (iv) a positive evaluation in relation to the directors’ participation in the Board’s work and the information provided in that context by the Managing director (noting, in that regard, the need to improve the reporting mechanism formalities); (v) the general appreciation of the usefulness and effectiveness of the training plans drawn up and noting at the same time, the need, in view of the different professional skills represented on the body, for the said plan to concentrate more on more specific issues; (vi) that the Chairman and Managing director had carried out their roles effectively; (vii) a favourable assessment of the quality of the information provided by the Managing director and the regularity followed in such provision over 2015; (viii) the fact that the size of the Board was not optimum in relation to the size of the Bank; (ix) the adequate support given to the Board by the Board’s Risk Committee and the effective co-ordinating role conducted by the Chairman of the Management Board between the said committee (which he chairs) and the Board itself.

4.4. DELEGATED BODIES

4.4.1 Managing Director

In accordance with the provisions of law and the Articles of Association, the Management Board delegates its powers to one of its members, who takes on the title of Managing Director.
Pursuant to article 45 of the Articles of Association, the Managing Director is the business’s chief executive and exercises the powers granted by the Management Board and in accordance with the general policies and strategies established by the latter. In particular, the Managing Director:

a) oversees the management of the Company and the Group;
b) looks after strategic coordination and management control of the Company and the Group;
c) ensures implementation of the organizational, administrative and accounting structure decided by the Management Board;
d) exercises, according to the rules and regulations, powers to propose and grant loans, within the limits established by the Management Board;
e) arranges for and supervises personnel management;
f) determines the operational guidelines for General Management;
g) oversees integration of the Group;
h) makes proposals to the Management Board regarding the definition of general policies and strategies for the Company and the Group, as well as for the preparation of business and/or financial plans and budgets of the Company and the Group, ensuring that they are implemented by the General Management;
i) proposes fiscal policy and guidelines on optimising the use and enhancement of resources and submits draft financial statements and interim reports to the Management Board;
j) proposes top management appointments for the Company and the Group to the Management Board, in consultation with the Chairman of the Management Board and having heard the opinion of the General Manager;
k) promotes integrated risk management;
l) redirects any requests for extraordinary inspections or investigations to the internal control function through the Internal Control Committee;
m) handles external communication of information concerning the Company, in agreement with the Chairman of the Management Board.

By resolution of the Management Board the Managing Director has also been granted powers for the day-to-day management of the Bank to supplement and specify the powers granted by the Articles of Association.

On 21 January 2014, the Management Board appointed Giuseppe Castagna as Managing Director and General Manager of the Bank, granting him the powers as per article 45 of the Articles of Association, as well as powers for the day-to-day management of the Bank.

Without prejudice to the requirements concerning interlocking directorates laid down by article 36 of Legal Decree 201/2011, it is hereby disclosed that no cases arose of Giuseppe Castagna, Managing Director, being involved in any cross directorships as defined by article 2.C.5 of the Code.

The Managing Director reports at least quarterly to the Management Board on the performance, outlook and the most significant transactions carried out by the Company and its subsidiaries. The Managing Director also reports monthly to the Management Board on the financial results of the Company, the main subsidiaries and the Group as a whole (article 46 of the Articles of Association).

4.4.2 Chairman of the Management Board

The Articles of Association and the Regulations for the Management Board set out the duties and the responsibilities of the Chairman of the Management Board, in his capacity as the guarantor of effective functioning of the system of corporate governance and of the balance of powers between the Management Board and the Managing Director, as well as being the main interlocutor with the Supervisory Board. The Chairman may not hold individual management powers; his non-executive role is essential for the proper performance of the role entrusted to him within the senior management team of BPM.
4.5 EXECUTIVE DIRECTORS

Article 32 of the Articles of Association states that two of the five members of the Management Board, one of which should be the Chairman, have to be non-executive Board members.

On 2 February 2016, the Management Board assessed the executive or non-executive status of its members in accordance with the Bank of Italy Governance Regulations and the Code of Conduct, and identified:

(i) as executive directors:
   – the Managing Director, Giuseppe Castagna (who also holds the office of General Manager of the Bank), in his capacity as chief executive;
   – the Board member Davide Croff, due to the fact that he is a member of the Credit and Loans Committee;

(ii) as non-executive directors:
   – the Chairman, Mario Anolli and the Board members Paola De Martini and Giorgio Girelli.

4.6. INDEPENDENT DIRECTORS

On 2 February 2016, the Management Board confirmed the independence requirements of its members pursuant to the third paragraph of article 148 of the CFL (to which reference is made by the Articles of Association) and pursuant to article 3 of the Code of Conduct – applying all the qualification criteria laid down thereby, without exception, and by means of confirmation by the Board of the detailed criteria previously adopted at the time of the first confirmation of the requirements of Board Members subsequent to the appointment of the Board (the criteria are set out in paragraph 4.6 of the 2013 Report on Corporate Governance and Ownership Structure) – as a result of which it:

- ascertained that the independence requirements as per article 3 of the Code of Conduct had been met by the Board member Paola De Martini, but had not been met by (i) Mario Anolli, since he holds a key position in the Bank (Chairman of the Management Board); (ii) Giuseppe Castagna, since he was an executive director and held a key position in the Bank (Managing Director and General Manager of the Bank) as well as an employee of the Bank itself (in his capacity as General Manager); (iii) Davide Croff, since he was an executive director (member of the Credit and Loans Committee) and Managing Director of the Bank from October 2013 to January 2014; (iv) Giorgio Girelli, since he was a key person in a subsidiary of strategic importance (Chairman of the Board of Directors of the subsidiary Pro Family S.p.A.);

- ascertained that the independence requirements as per paragraph 3 of article 148 of the CFL had been met by the Board members Mario Anolli, Paola De Martini and Giorgio Girelli, but had not been met by the remaining two Board members (since they were both executive members).

In this regard, note that during the verification performed on 2 February 2016, the Management Board analysed each Board member’s banking and professional relationships, assessing them in terms of the economic and financial situation of the individual Board member and, if appropriate, what they represented in proportion to the overall assets of the Bank and/or the Group or to the total average annual costs incurred by the Bank and/or the Group for professional appointments.

Note also that, on the initiative of the Chairman of the Management Board, meetings with all Board members were held out with official Board meetings to enable, as freely as possible, insights, discussions and an exchange of views between them as indeed, recommended by the Bank of Italy Governance Regulations; no meetings were held that were attended solely by independent Board members.
4.7. LEAD INDEPENDENT DIRECTOR

To date, the circumstances envisaged by the Code of Conduct for the appointment to the Management Board of a lead independent director have not yet materialised.

5. CONFIDENTIAL INFORMATION

With respect to the provisions of article 114 of the CFL, BPM has adopted since 2003 – in accordance with Consob’s position on this matter (see Consob Communication 6027054 of 28 March 2006) – a specific procedure for the internal management and external communication of documents and information concerning the Company, with particular reference to privileged information. The procedure sets out the policy designed to guarantee the confidentiality of corporate information and, in particular, privileged information (as defined in article 181 of the CFL) during the period between the moment the information is generated and the moment when it is decided that the information has to be released to the market, as well as to guarantee timely and non-selective communication of the news. The procedure is available on the website: www.gruppobpm.it in the section on Governance/Corporate Documents.

In compliance with the provisions contained in article 115-bis of CFL (and related Consob rules), the Bank has created a Register of persons with access to privileged information relating to BPM and any third-party issuers by virtue of their employment, profession or duties carried out; at the same time, the Bank has adopted a Regulation concerning the Insider Register. This Regulation with the definition of roles, responsibilities and conduct, governs the identification of persons with privileged information in BPM and the Group in order to register them in the appropriate register.

6. REMUNERATION OF MANAGEMENT BOARD MEMBERS

In addition to reimbursement for any out-of-pocket expenses incurred in carrying out their duties, the members of the Management Board are entitled to remuneration decided by the Supervisory Board – following the opinion of the Remuneration Committee – taking into account whether they are members of sub-committees or hold particular positions of responsibility.

Detailed information on the remuneration of members of the Management Board – as well as of key managers of the Bank with strategic responsibilities – is provided in the “2016 Remuneration Report of the BPM Banking Group”, which is available on BPM’s website www.gruppobpm.it, under Governance / General Meetings of Members/General Meeting of Members 29-30 April 2016.

7. MANAGEMENT BOARD COMMITTEES (as per article 123-bis, paragraph 2. d), CFL)

The Articles of Association provide for the possibility for the Management Board to set up a number of specialist sub-committees with the task of making an active and systematic contribution towards the exercise of its management role, with fact-finding, consultative and decision-making powers.

In this context, the Management Board set up, with a Board resolution of 28 November 2011, a Credit and Loans Committee with decision-making powers in connection with the granting of credit. The Committee consists of 2 Management Board members (currently, the Managing Director, Giuseppe Castagna and the Board member Davide Croff) and Bank executives with relevant experience. The powers and duties of the Credit and Loans Committee are governed by a specific regulation.

During the course of 2015, the Credit and Loans Committee held 25 meetings – which were all minuted – with an overall 79.17% attendance rate.
7.1 RISK COMMITTEE

The Management Board has set up a Board Risk Committee, approving at the same time the related regulation which governs the composition, the duties and the functions of the committee in accordance with the regulations laid down in Bank of Italy Circular no. 285/2013, Title IV, Chapter 1, Sect. IV.

The Board Risk Committee provides support to the Management Board with respect to risk management and control and the internal control system. In this context, the committee pays particular attention to all the necessary steps to ensure that the Management Board is able to arrive at a correct and effective determination of the RAF (Risk appetite Framework) and of risk management policies. In particular, the Board Risk Committee:

a) identifies and proposes, assisted by the Nominations Committee (where this has been set up as a sub-committee of the Management Board), the heads of internal corporate control functions to be appointed;

b) performs a prior review of the work plan (comprising the audit plan) and the reports of the corporate control functions addressed to the Management Board;

c) assesses and issues opinions to the Management Board on compliance with the principles on which the internal control system and the corporate organisation are based and the requirements that the corporate control functions must meet, bringing to the attention of the Management Board any weaknesses and any corrective measures to be employed; to this end, it assesses the proposals made by the Managing Director;

d) contributes, by means of assessments and opinions, to the definition of corporate policy on the outsourcing of corporate control functions in accordance with supervisory instructions issued on this subject by the Bank of Italy;

e) verifies that the corporate control functions correctly comply with the indications and guidelines of the Management Board and assists the latter with the preparation of the coordination document required by the Bank of Italy Circular no. 263, Title V, Chapter 7;

f) assesses the correct application of accounting policies in the preparation of separate and consolidated financial statements, and, to this end, coordinates its work with the Financial Reporting Manager and the Supervisory Board;

g) reports to the Management Board, at least every six months, upon approval of the annual and interim report, on the work performed, as well as on the adequacy of the internal control and risk management system;

h) may request the Internal Audit function to audit specific operational areas, in which case, the Chairman of the Supervisory Board should be notified of the request;

i) it provides support to the Management Board as follows:

- in the definition and approval of strategic considerations in the risk management policy. In the context of the Risk Appetite Framework, the Committee carries out the assessment activities and makes the proposals necessary for the Management Board, as required by the Bank of Italy Circular no. 285/2013, to be able to define and approve the risk objectives (“Risk Appetite”) and “Risk Tolerance”;

- when checking the correct application of the strategy, the risk management policies and the Risk Appetite Framework and its consistency with the business model, the strategic plan, the ICAAP and ILAAP processes and the budget, the business organisation and the internal control system;

- in the definition of policies and business activity assessment policies, including the checking that the price and customer operations conditions are consistent with the business model and risk strategies;

j) In the context of remuneration and incentive policies, it examines whether the incentives provided by the remuneration system take account of risks, capital and liquidity.

The Committee has adequate resources to carry on its duties with information flows provided by the relevant structures of the Bank. The committee also identifies all the further information flows that need to be assessed in terms of risks type, subject, format, frequency etc). The committee, however, has the right to request, through its Chairman, information on the functions and structures of the Bank and/or other Group companies and – where necessary – has the right to speak directly with the internal audit, risk control and compliance functions. The committee and the Supervisory Board exchange information of mutual interest and, where appropriate, coordinate the performance of their respective duties with each other.
The Board Risk Committee is composed, in accordance with Bank of Italy Governance Regulations, of 3 management board members, all of whom are non-executive and currently meet the independence requirements of article 148, paragraph 3, CFL.

As of the Date of this Report, the members of the Board Risk Committee are: Mario Anolli (Chairman), Giorgio Girelli and Paola De Martini.

The Board Risks Committee held 15 meetings, duly minuted, with average duration of about 2 hours with a total percentage attendance of about 93.33%. Over 2016, up to the Report date, the Committee has held 4 meetings.

The main subjects considered over 2015 were, with reference to risk management, the following: (i) details of actual activities over 2014 and planning for 2015; (ii) Risk Appetite Framework and the drawing up of the 2015 budget; (iii) developments in the Risk Appetite Framework; (iv) SREP evaluation; (v) Risk Identification Process; (vi) ICAAP Report and its development in terms of strategy, guidelines and methods; (vii) ILAAP Report; (viii) Recovery Plan; (ix) Self-assessment of the “Operational Risks evaluation Model”; (x) new models and processes for the calculation of ratings on private business segments and LGD, EAD and Specialised Lending models; (xi) development of the Resolution Powers “to reinforce the use of risk parameters in line with the reference legislative provisions; (xii) updating of the “Finance Regulations”; (xiii) IT risk; (xiv) Group Risk Report; (xv) Validation Report of the Internal Model of the market risk of the subsidiary Banca Akros S.p.A; (xvi) the organisational structure relating to the institution of the position of Chief Risk Officer; (xvii) opinion on the appointment of the Chief Risk Officer.


Note also that the Bank’s organisational structure includes a Risk Steering Committee – composed of the Managing Director (who chairs the committee) and senior management of the Bank – with the task of overseeing the integrated management of business risks to which the individual components of the Group and the Group as a whole are exposed.

8. INTERNAL CONTROL SYSTEM

Given that the structure and functioning of the internal control and risk management system, the powers of the strategic supervision and management and control bodies, the internal audit, compliance and Chief Risk Officer functions, as well as internal flows, are governed by BPM Group policy in compliance with the supervisory regulations of the Bank of Italy (especially Bank of Italy Circular no. 285/2013, Title IV, Chapter 3), the following paragraphs provide a description, in general terms, of the internal control system of BPM Group.

BPM Group’s internal control system consists of a set of rules, functions, structures, resources, processes and procedures designed to ensure the achievement of the following goals in accordance with sound and prudent management: (i) checks on the implementation of corporate strategies and policies; (ii) mitigation of risk within the maximum accepted limits (“risk tolerance”); (iii) protection of the value of assets and protection against losses; effectiveness and efficiency of business processes; (iv) reliability and integrity of accounting and management information; (v) operational and legal compliance and compliance with supervisory regulations, policies, plans and internal regulations and procedures. The internal control system must ensure that the Group’s operations comply with the general principles above and individual conduct, the corporate functions and the corporate bodies of the Parent Company and the BPM Group companies must also comply therewith.

The organisational model adopted by BPM Group identifies, as the players in the internal control system, the corporate bodies (Supervisory Board, Management Board and Managing Director), the control functions and the corporate functions, units and offices whose prevailing duty is control. The responsibility for ensuring the completeness, adequacy,
functioning and reliability of the internal control system lies with the corporate bodies, each within their respective spheres of competence, as defined in the relevant internal regulations in accordance with the Bank of Italy Circular no. 285/2013, Title IV, Chapter 3.

In this context, by control functions are meant those functions, which, for legislative, regulatory, statutory or self-regulatory purposes are dedicated to control, that is: Audit (internal audit function); the Compliance (regulatory compliance function, including the monitoring of investment services); Chief Risk Officer (risk control function); Anti-money laundering; and Financial Reporting Manager.

For further information concerning: (i) the sufficiency of assets, the exposure to risks and the general characteristics of the systems with responsibility for the identification, measurement and management of such risks of the Bipiemme Group, reference should be made to the document “Pillar 3 – the Bipiemme Group’s public disclosure, situation as at 31 December 2015” available on the company website www.gruppobpm.it, “Investor Relations”, section, in the subsection “Public Disclosure – Pillar 3”; (ii) on the Bipiemme Group risk Control and Monitoring Process please refer to the Notes to the Consolidated Financial Statements (Part E – Information on Risks and related hedging policies, Section 1 – Banking Group Risks) included in the period Consolidated Financial Statements of the Bipiemme Group for 2015, available on the company website www.gruppobpm.it, “Investor Relations”, subsection “Financial Statements”.

8.1 MANAGEMENT BOARD MEMBER IN CHARGE OF SUPERVISING THE INTERNAL CONTROL SYSTEM

As regards the role of the Management Board member in charge of supervising the internal control system, we would point out that the Regulations for the Management Board assign to the Managing Director the duties indicated by the Bank of Italy Circular no.285/2013, Title IV, Chapter 3, Section 2, paragraph 3.

8.2 INTERNAL AUDIT FUNCTION

The Internal Audit function comes under the direct responsibility of the Management Board, it has direct access to the Supervisory Board and is able to communicate therewith without any restrictions or intermediaries. The Audit function has not been vested with responsibilities for other areas of operations.

Set out below are details of the main activities of the Audit function:

- to assist the Internal Control Committee in the assessment, at least once a year, of the adequacy, effectiveness and effective functioning of the system of internal control;
- to oversee the activities of the Group internal Audit System Co-ordination Committee which is required to guarantee the adequacy of the internal audit system on a continuous basis, a uniform application of the audit system in all group companies, the necessary updates to Group regulations, effective co-ordination between the group audit functions including in planning their related work;
- to carry out audit activities, both in the field and on a remote basis (helping to design suitable control support systems), designed to identify anomalous trends, violations of procedures and of internal and external regulations;
- to prepare information flows for the administrative and executive bodies of the Bank, as foreseen by the regulations;
- to maintain relations with the supervisory authorities, assisting them in the event of inspections and providing the information requested;
- to guarantee the preparation and constant updating, with the help of the functions in question, of the Organisational Model for the System of Internal Control and, on an autonomous basis, of the operating procedures for Internal Audit in accordance with internal regulations;
- to report to the function in question the need for training to ensure an adequate level of knowledge and professional skills.
BPM’s Audit department also covers all the BPM Group companies, by undertaking audit work outsourced thereto, so as to achieve the best possible results for the lowest possible cost, putting to common advantage the specific technical skills of individual auditors or departments.

The operational audit approach, in application of the requirements of Bank of Italy Circular 285/2013, is laid down by the Internal Audit function through a risk-based, process-oriented approach that tends to establish common patterns of reporting and anything else needed for coordinated, smooth functioning of operations. The methodology is supported by a specific IT application (SPHERA) which is shared by the internal auditing function and certain second level control functions, according to a set system of differentiated access.

More specifically, Internal Audit verifies, both on an ongoing basis and to meet specific needs, and in compliance with international standards, the operation and suitability of the internal control and risk management system for all business processes, by means of a three-year audit plan based on a structured process for the analysis and assessment of the main risks.

The audit plan, which is drawn up each year, is approved by the Management Board, after having been reviewed by the Board Risk Committee. The findings and the results of the audit work are periodically brought to the attention (promptly if they relate to particularly significant events) of the corporate bodies, through regular reports containing adequate information on the work performed, on the methods employed for risk management and compliance with plans for their mitigation as well as an assessment of the suitability of the internal control and risk management system. Furthermore, areas for improvement identified during the course of the audit work are systematically reported to the corporate structures so that they may take appropriate corrective measures, the implementation of which is subject to subsequent monitoring.

In accordance with the combined provisions of articles 39 p) and 51 d) of the Articles of Association, on 17 December 2013, the Management Board, on having sought the opinion of the Supervisory Board, appointed Giuseppe Panetta as head of Internal Audit with effect from 1 January 2014.

The head of internal audit is provided with adequate resources and means for the performance of his duties, particularly through the allocation of funds for the engagement of external advisors, if deemed necessary and does not have any restrictions on access to data, archives and corporate assets.

For information relating to the main activities carried out by the Audit Function over 2015 please refer to the relevant part of the “Report on Management of the Bipiemme Group for the 2015 accounting period” contained in the Bipiemme Group Period Consolidated Financial Statements for 2015, available on the company website www.gruppobpm.it, “Investor Relations”, in the sub-section “Financial Statements”.

8.3 COMPLIANCE FUNCTION

The regulatory compliance function, Compliance, reports to the Managing Director and oversees non-compliance risk management with regard to all business activities, applying a risk based approach to verifying the adequacy of internal procedures for the prevention of this type of risk. For this reason, the regulatory compliance function has access to all the Bank’s central and peripheral activities and to any relevant information useful for the performance of its work, even by means of direct discussions with staff. It has direct access to the Management Board and the Supervisory Board and is able to communicate therewith without any restrictions or intermediaries. The function is directly responsible for regulatory compliance risk management with respect to key regulations that apply to banking and brokerage activities, the handling of conflicts of interest, transparency in dealings with customers and, in general, consumer protection legislation, and for regulations for which there is no specialised form of oversight within the Bank. The Compliance function’s duties, however, may extend to regulations for which there already exists specific oversight.

The Compliance function is responsible, in collaboration with specialist controls, for at least the definition of methodologies for compliance risk assessment and for the identification of related procedures, and verifies the adequacy of the procedures for the prevention of the risk of non-compliance. The Compliance function also assumes the responsibilities laid down by the Joint Bank of Italy / Consob Regulation of 29 October 2007 and subsequent amendments and additions in terms of compliance control and related reporting in connection with investment services and mutual fund management.
For information on the main activities carried out over 2015 by the Compliance Function, please refer to the relevant parts of the “Report on Management of the Bipiemme Group over the 2015 accounting period” included in the Consolidated Financial Statements of the Bipiemme Group – 2015 accounting period, available on the company website www.gruppobpm.it, in “Investor Relations”, in the sub-section “Financial Statements”.

8.4 ANTI-MONEY LAUNDERING FUNCTION

The anti-money laundering function– in accordance with the Bank of Italy Instructions of 10 March 2011 – oversees the mitigation of the risk of money laundering and the financing of terrorism by continuously verifying that the corporate procedures are consistent with the objective of preventing and combating the violation of legislation in force concerning money laundering and the financing of terrorism.

At least once a year, the anti-money laundering function, coming within the area of the Compliance function in terms of organisational structure, reports directly to the Management Board and the Supervisory Board and has operational access to all business activities together with any information relevant to its duties. The Function has indeed, been given the necessary autonomy and independence from operational structures and carries out supervision, at a Group level, of all business structures entrusted with the different duties to be implemented for compliance with the anti-money-laundering provisions. It guarantees a unitary anti-money-laundering oversight within the Bipiemme Group, adopting a risk prevention and management approach. It also provides group companies with consultancy, assistance and support in the identification and interpretation of the reference legislation and the provision of sufficient training in that regard. The Anti-money-laundering Function provides the strategic supervision, management and control bodies with a report noting the initiatives taken, any malfunctioning identified and the related corrective actions to be taken together with details of the staff training programme.

8.5 CHIEF RISK OFFICER FUNCTION

The Chief Risk Officer (“CRO”), reports in the hierarchy to the Managing director and has the role of assisting the senior management bodies in the overall management of risk for the Group through the integrated oversight of the different actual and potential risks, the conduct of checks on risk management and the maintenance of relations with the Supervisory Authority. He also carries out analyses of the impact of the introduction of new regulations in the context of the overall Single Supervisor Mechanism.

The CRO function guarantees the definition of the Group’s Risk Appetite Framework (“RAF”), the related risk governance policies and the various phases that make up the risk management process, as well as the fixing of operational limits for the assumption of various types of risk. In this context he has, inter alia, the duty of establishing the framework for the definition of the RAF together with the related measurements. He is the guarantor for the drawing up and implementation of the Group Recovery Plan in line with legislative requirements.

The CRO function ensures that all internal risk exposure measurement systems are developed consistently with legislative requirements, are in line with market best practices and perform properly. He contributes to integrated risk management by carrying out second level management controls on credit and financial risks consistently with the requirements of supervisory legislation in force. He is responsible for the management of relations with the prudential Supervisory Authorities including overseeing on-site visits and the drafting of the plans to be implemented in response to the findings made during the continuing actions of review and assessment carried out by the regulator (the SREP process). He provides support to senior management bodies through the definition of actions for risk prevention, mitigation and transfer. He has direct access to the Management Board and the Supervisory Board and is able to communicate therewith without any restrictions or intermediaries.

For information relating to the main activities carried out over 2015 by the CRO please refer to the relevant parts of the “Report on Management of the Bipiemme Group for the 2015 accounting period” included in the Consolidated Financial Statements of the Bipiemme Group for the 2015 accounting period, available on the company website www.gruppobpm.it, “Investor Relations”, in the sub-section “Financial Statements”.

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8.6 ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/01

Banca Popolare di Milano adopted an “Organisational, Management and Control Model” for the prevention of criminal offences, pursuant to Legislative Decree 231/2001 (hereinafter, the “Model”). The Model – defined as a set of operational rules and ethical standards adopted by the Bank in respect of specific activities performed thereby with the aim of preventing the commission of criminal offences, as envisaged by Legislative Decree 231/2001 – among other things: (i) identifies the activities carried out by BPM in the conduct of which it may be possible to commit significant crimes as per Legislative Decree 231/2001; (ii) provides for specific protocols aimed at training and the implementation of the Bank’s decisions in relation to the criminal offences to be prevented; (iii) identifies the means of managing financial resources for the purpose of preventing the commission of crimes; (iv) provides for Supervisory Body reporting requirements (see below); (v) defines the sanctions applicable for the failure to comply with the measures indicated by the Model.

The task of supervising the functioning of, observing and updating the Model has been assigned to the Supervisory Committee, which currently has 4 members: Gherardo Colombo (chairman), Gabriella Chersicla, Federico Maurizio d’Andrea and Giuseppe Panetta (Head of the Parent Company’s Audit function and ex officio member of the Committee). The Chairman of the Internal Control Committee is permanently invited to attend the meetings of the Supervisory Committee. The composition and functions of the Supervisory Committee are governed by a specific set of regulations. The Supervisory Committee has free access to all corporate information, with the collaboration of the applicable functions involved in processes under review. It may exchange information with the Independent Auditors if deemed necessary or appropriate within the scope of its duties or responsibilities. The Supervisory Committee makes use of the Bank’s structures for the performance of its supervisory and control duties and, primarily, the Audit function, the Compliance function, anti-money-laundering function and the Chief Risk Officer function.

The main BPM Group companies have also adopted their own Model and have set up their own Supervisory Committee.

The Organisational, Management and Control Model and the connected Code of Ethics (which is an integral part of the Model) are available in the Governance/Supervisory Committee section of the website: www.gruppobpm.it, which provides an e-mail address to be used to report any breaches of the Model or any issues relevant to Legislative Decree 231/01.

8.7 INDEPENDENT AUDITORS

Given that the appointment of Reconta Ernst & Young S.p.A., as legal auditor for the nine years from 2007 to 2015 expired in 2015, the General Meeting of the Members of BPM of 11 April 2015 appointed the company PricewaterhouseCoopers S.p.A. to audit the separate financial statements of the Bank, the consolidated financial statements and the interim report of the BPM Group for the years 2016-2024.

8.8 FINANCIAL REPORTING MANAGER

During the meeting held on 23 September 2013, the Management Board, with the favourable opinion of the Supervisory Board, appointed Angelo Zanzi, taking account of his overall professional experience and the fact that he was at the time head of the Bank’s “Accounting and Financial Reporting” function, as Financial Reporting Manager – with effect from 1 October 2013 – pursuant to article 154-bis of the CFL.

The Financial Reporting Manager was assigned adequate powers and resources – including a specific expenditure budget, which for 2015 was of Euro 50,000 – to carry out his legal duties within the Group.

For a description of the principal characteristics of current risk management and internal control systems in relation to the process of financial reporting (as per article 123-bis, 2, b) CFL), reference should be made to Annex “A” to this Report.
8.9 COORDINATION OF PERSONS INVOLVED IN INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In 2014, the Bank adopted the “Policy guidelines for the internal control system and the coordination thereof”, in which, with reference to BPM’s internal control and risk management system, are set out the duties and responsibilities of the various corporate bodies and control functions; the information flows between the different functions/corporate bodies and between these and the corporate bodies, as well as the means of coordination and cooperation between the control functions and the corporate bodies. In the last quarter of 2015 the management committee “Internal Group controls Co-ordination Committee” was set up whose duties included, among other things, that of strengthening co-ordination and co-operation mechanisms between the business control functions. The above Committee: 

(i) provides a correctly graded and integrated picture of all the risks to which the Group is exposed without prejudice to the specific characteristics and responsibilities of the individual business control functions; 

(ii) will encourage the adoption of detection and measurement methods which are consistent with each other and reporting models for risks which assist the understanding and assessment of the same on the basis of an integrated, logical approach; 

(iii) will operate in the context of the internal control system, establishing relations with the supervisory body pursuant to Legislative Decree 231/2001 and the Internal Control Committee set up under the Supervisory Board.

8.10 INTERNAL SYSTEM FOR REPORTING VIOLATIONS

In compliance with the supervisory instructions set out in the Bank of Italy Circular no. 285/2013, Part I, Title 4, Chapter 3, Section VII (implementing Article 52-bis of the CFL) and in line with the recommendations made in that regard by the Code of Conduct (Comments to paragraph 8), on 1 December 2015 the Management Board approved the business regulations entitled the “Policy Document concerned with the internal system for reporting violations”, governing the internal system set up by the Bipiemme Group for the reporting of acts or events which may constitute violations of the laws governing the banking business by staff.

9. INTERESTS OF MANAGEMENT BOARD MEMBERS AND RELATED PARTY TRANSACTIONS

As is generally known, the rules governing related party transactions aim to limit the risk that the position of particular people (so-called “related parties”) belonging, or, in any case, being close, to the company’s decision-making bodies might compromise the impartiality of corporate decisions and the exclusive pursuit of the company’s interests, with possible distortions in the process of allocating resources, exposure of the company to risks which are not adequately measured or controlled, and potential damage to the company and its stakeholders. In this regard, BPM Group has prepared specific internal regulations, approving the “Regulation governing related parties and connected persons” (hereinafter the “Regulation”), drawn up in accordance with the provisions of prudential supervision issued by the Bank of Italy on connected parties (Circular no. 263/2006, Title V, Chapter 5) and Consob’s Regulation of Related Party Transactions (Resolution no. 17221 of 12.3.2010, and subsequent amendments), as well as pursuant to article 136 of the Consolidated Banking Law (CBL). The Regulation is available on the website www.gruppobpm.it, under Governance / Corporate Documents.

These Group Regulations:

i) set out criteria for identifying the BPM Group’s related parties and connected persons (hereinafter known collectively as “Associated Persons”);

ii) define quantitative limits for the assumption by the Banking Group of risk-weighted assets involving Associated Persons, determining the relevant means for their computation and regulating, at the same time, the system of internal controls over transactions with Associated Persons;

iii) establish the manner in which transactions with Associated Persons are approved, differentiating between transactions of lesser or greater importance and defining in this context the role and the duties of a committee of independent directors;
iv) set out cases for exemptions and exceptions for certain types of transactions with Associated Persons (inclusive of ordinary less important transactions entered into on an arm’s length basis and low value transactions);

v) lay down the requirements for disclosure to the public (also for accounting purposes) as a result of entering into related party transactions.

The committee of independent directors of the Parent Company, set up within the Management Board, is composed of Mario Anolli, Paola De Martini and Giorgio Girelli (members who meet the independence requirements of article 148, paragraph 3 of the CFL). The Committee did not meet in 2015 in that it was not found to be necessary.

For more information on related party transactions in 2015, please see the paragraph on “Related party transactions” in the Report on operations that accompanies the separate financial statements of the Bank for the year ended 31.12.2015 (document available on the website www.gruppobpm.it, under Investor Relations / Financial statements or in the website section relating to the General Meeting of Members of 29-30 April 2016).

Note also that the Bank handles conflicts of interest of members of the Management Board and the Supervisory Board as required by article 2391 of the Italian Civil Code (the requirements of which have been extended to the members of the Supervisory Board based on a specific provision contained in the Regulations for the Supervisory Board), by article 136 of the CBL, by article 148, paragraph 3, and article 150, paragraph 1, of the CFL and by the recommendations of the Code of Conduct, as well as in compliance with legal and regulatory rules (internal and external) concerning related parties and associated persons.

10. SUPERVISORY BOARD

10.1. APPOINTMENT OF SUPERVISORY BOARD MEMBERS

The Articles provide that the Supervisory Board will be made up of seventeen Board Members (except as provided by art. 47 of the Articles of Association). Another one or two members can be appointed, in accordance with Article 63 of the Articles of Association.

Without prejudice to compliance with gender quotas established by current legislation on equal access to administrative and control bodies of companies with shares traded on regulated markets, note that, in accordance with article 47 of the Articles of Association (to which reference should be made) the assumption of office as a member of the Supervisory Board is subject to more stringent professional requirements (in addition to the requirements foreseen under current law) being met and, with respect to the composition of the Board, states that (i) at least five of the members have to meet the independence requirements laid down in the Code of Conduct promoted by Borsa Italiana S.p.A.; and (ii) at least three members have to be chosen from persons listed in the Register of Auditors, who have worked in the field of auditing for not less than three years.

The Supervisory Board has to verify that each board member satisfies these requirements, as well as the independence requirement pursuant to article 148, paragraph 3, of the CFL and article 3 of the Code of Conduct and also has to check compliance with the limits to the accumulation of offices and that there are no grounds for incompatibility as per article 36 of Legislative Decree no. 201/2011. The results of the verification of requirements are communicated to the public by means of press releases.

The Supervisory Board – in accordance with the Bank of Italy Governance legislation, defines its ideal board composition with the support of the Nominations Committee and, upon the appointment of the Supervisory Board, the results of the analysis performed are brought to the attention of the Members in time for the candidate selection procedure to take account of the professional skills required. Subsequently, the Board, with the support of the Nominations Committee, verifies the correspondence between the ideal composition and the actual one resulting from the appointments process.
Procedure for appointment of Members of the Supervisory Board

Article 47 of the Articles of Association sets out the list voting procedure for the election of the Supervisory Board. This voting mechanism – in accordance with current regulations and in compliance with the composition criteria relating to the presence of minority and independent Board members, as well as in compliance with gender balance requirements provided for by Law no. 120/2011 – ensures adequate representation of the various components of the membership base, reserving for minorities up to 6 places on the Board and, under certain conditions, the appointment of 2 Supervisory Board Members by UCITS (out of a total of 6 assigned to minorities).

Note that lists for the appointment of the Supervisory Board may be submitted alternatively:

- by at least three hundred Members, registered in the Members’ Register at least ninety days before the date set for the first calling of the General Meeting of Members and who can document their right to attend and vote at the meeting;
- by Members representing in total at least 0.5% of the share capital, who have been included in the Members’ Register for at least ninety days prior to the date set for the first calling of the General Meeting and who can document their right to do so in the prescribed manner;
- by UCITS, providing they hold at least 0.5% of the share capital and can document their possession at the time of submission of the lists in the prescribed manner.

For further details of the list voting procedure for the election of the Supervisory Board, reference should be made to article 47 of the Articles of Association.

The Articles of Association permit the appointment of a maximum of two members of the Supervisory Board by so-called strategic partners of BPM Group according to an election mechanism regulated by article 63 of the Articles of Association. Based on the foregoing article, even if it results in a total number of Board Members in excess of seventeen, the General Meeting appoints two Supervisory Board members taken from the list that the Board has the right to present in order to fulfil the Bank’s commitments with Fondazione Cassa di Risparmio di Alessandria and Crédit Industriel et Commercial, for as long as the conditions for applying these agreements continue to exist.

As a result of the termination of the industrial and commercial cooperation agreement between Banca Popolare di Milano and Crédit Industriel et Commercial (Crédit Mutuel Group), article 63 of the Articles of Association is no longer applicable as far as the above French group is concerned.

Procedure for replacing Members of the Supervisory Board

Pursuant to article 48 of the Articles of Association, if a member of the Supervisory Board ceases to hold office, for whatever reason, he/she has to be replaced by the first candidate not elected on the list to which the original member belonged, or, in the event that this is necessary to comply with the provisions of article 47 of the Articles of Association, by the next candidate on the same list who meets the requirements of the member who has ceased to hold office and, in any case, in compliance with current regulations on gender balance. If this proves impossible, the member of the Supervisory Board who ceases to hold office will be replaced at the next General Meeting with a resolution passed by a relative majority, without any need for voting lists and, in any case, in compliance with current regulations on gender balance.

Specific provisions are laid down in the event of: (i) replacement of the Chairman and/or the Deputy Chairman/Chairmen [article 48, paragraph 3, Articles of Association]; (ii) termination or non-acceptance of the post by the Board member as per article 63 of the Articles of Association, in which case, the Supervisory Board will proceed by co-option to ensure compliance with existing agreements.

Dismissal of Supervisory Board Members

Members of the Supervisory Board can be dismissed by the General Meeting at any time – by a resolution adopted with the majority required by law – without prejudice to their right to compensation for damages if the revocation took place without true and just cause.
10.2. COMPOSITION AND ROLE OF THE SUPERVISORY BOARD (article 123-bis, paragraph 2.d) CFL

The Supervisory Board currently in office is composed of 18 members and was appointed for the period 2013-2015 by the Ordinary General Meeting of Members of 21 December 2013. For detailed information on the procedure for the appointment at the General Meeting of the Supervisory Board in office, please see paragraph 10.2 of the “2013 Report on Corporate Governance and Ownership Structure” (available on the Bank’s website www.gruppobpm.it, under Governance / Report on corporate governance).

In 2014, the Supervisory Board carried out checks to confirm, with a positive outcome, the professionalism, integrity and independence requirements of its members: (i) having also taken note that the composition of the Board complied with the law and the Articles of Association; (ii) having successfully confirmed – after having consulted the Nominations Committee – that the qualitative composition of the Supervisory Board matched the ideal qualitative composition of the Bank’s Supervisory Body as outlined in the document entitled “Self-assessment of the optimal composition of the Supervisory Board of Banca Popolare di Milano S.c.ar.l.”, approved by the previous Supervisory Board and made available to the General Meeting of Members of 20/21 December 2013, called to appoint the Supervisory Board.

The following table provides details of the composition of the Supervisory Board holding office at the Date of this Report together with information on members of the Supervisory Board who left office in 2015, with an indication of the specific positions held within the Board, the mandate expiry date, the related independence profiles pursuant to the Code of Conduct, checked and confirmed most recently by the Supervisory Board on 16 February 2016.
**TABLE 4**

**BOARD MEMBERS HOLDING OFFICE AT THE DATE OF THIS REPORT**

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
<th>Age bracket</th>
<th>Gender</th>
<th>Start of mandate</th>
<th>End of mandate</th>
<th>* Ind.</th>
<th>** Aud.</th>
<th>*** Min.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dino Piero Giarda</td>
<td>Chairman</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Mauro Paoloni</td>
<td>Deputy Chairman</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Marcello Priori</td>
<td>Deputy Chairman</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Alberto Balestreri</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Andrea Boitani</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Angelo Busani</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Emilio Luigi Cherubini</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>M</td>
<td>11.08.2014</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Maria Luisa Di Battista</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>F</td>
<td>12.04.2014</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Roberto Fusilli</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Carlo Frascarolo</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Donata Gottardi</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>F</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Piero Lonardi</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Alberto Montanari</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Maria Luisa Mosconi</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>F</td>
<td>22.04.2015</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Giampietro Giuseppe Omati</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Luca Raffaello Perfetti</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Cesare Piovene Porto Godi</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Lucia Vitali</td>
<td>Board member</td>
<td>&gt;50 years</td>
<td>F</td>
<td>21.12.2013</td>
<td>2016 General Meeting of Members</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
</tbody>
</table>

**Total**

n. 18  M=14 F=4  17 8 6

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**DIRECTORS WHO LEFT OFFICE DURING 2015**

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
<th>Age bracket</th>
<th>Gender</th>
<th>Start of mandate</th>
<th>End of mandate</th>
<th>*</th>
<th>**</th>
<th>***</th>
</tr>
</thead>
</table>

(*) Considered independent by the Supervisory Board in accordance with article 3 of the Code of Conduct of Listed Companies.
(**) Listed in the Register of Legal Auditors with at least three years’ audit experience.
(***) Minority Board member.

(1) Board member appointed to replace the outgoing Ezio Maria Simonelli (completed in 2014), in accordance with the replacement mechanism regulated by article 48, paragraph 1 of the Articles of Association.
(2) Board member appointed by the General Meeting of Members of 12 April 2014 following the resignation of Claudia Bugno (completed in 2014).
(3) Board member taken from the list submitted by the Supervisory Board as per article 63 of the Articles of Association.
(4) Board member appointed to replace the outgoing Flavia Daunia Minutillo, according to the replacement mechanism governed by Article 48, paragraph 1 of the Articles of Association.
(5) Taken from the list presented by UCITS which won a minority of the votes.
The curriculum vita of each member of the Supervisory Board in office at the Date of this Report is available on the Bank’s website www.gruppobpm.it, under Governance / BPM Governance Model / Supervisory Board.

The table below shows the period of office (meaning a continuous period during which the individual officer held office as a Member of the Supervisory Board) of the Board members in office at the Date of this Report.

**TABLE 5**

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of first appointment</th>
<th>Period of office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dino Piero Giarda</td>
<td>21.12.2013</td>
<td>2 years and 3 months</td>
</tr>
<tr>
<td>Mauro Paolini</td>
<td>22.10.2011</td>
<td>4 years and 5 months</td>
</tr>
<tr>
<td>Marcella Priori</td>
<td>22.10.2011</td>
<td>4 years and 5 months</td>
</tr>
<tr>
<td>Alberto Balestreri</td>
<td>15.11.2012</td>
<td>3 years and 4 months</td>
</tr>
<tr>
<td>Andrea Boitani</td>
<td>21.12.2013</td>
<td>2 years and 3 months</td>
</tr>
<tr>
<td>Angelo Busani</td>
<td>21.12.2013</td>
<td>2 years and 3 months</td>
</tr>
<tr>
<td>Emilio Luigi Cherubini</td>
<td>11.08.2014</td>
<td>1 year and 7 months</td>
</tr>
<tr>
<td>Maria Luisa Di Battista</td>
<td>12.04.2014</td>
<td>1 year and 11 months</td>
</tr>
<tr>
<td>Roberto Fusilli</td>
<td>22.06.2013</td>
<td>2 years and 9 months</td>
</tr>
<tr>
<td>Carlo Frascarolo</td>
<td>21.05.2013</td>
<td>2 years and 10 months</td>
</tr>
<tr>
<td>Donata Gottardi</td>
<td>21.12.2013</td>
<td>2 years and 3 months</td>
</tr>
<tr>
<td>Piero Lonardi</td>
<td>22.10.2011</td>
<td>4 years and 5 months</td>
</tr>
<tr>
<td>Alberto Montanari</td>
<td>21.12.2013</td>
<td>2 years and 3 months</td>
</tr>
<tr>
<td>Maria Luisa Mosconi</td>
<td>22.04.2015</td>
<td>11 months</td>
</tr>
<tr>
<td>Giampietro Giuseppe Omati</td>
<td>21.12.2013</td>
<td>2 years and 3 months</td>
</tr>
<tr>
<td>Luca Raffaello Perfetti</td>
<td>27.04.2013</td>
<td>2 years and 11 months</td>
</tr>
<tr>
<td>Cesare Piovene Porto Godi</td>
<td>21.12.2013</td>
<td>2 years and 3 months</td>
</tr>
<tr>
<td>Lucia Vitali</td>
<td>21.12.2013</td>
<td>2 years and 3 months</td>
</tr>
</tbody>
</table>

**Limits to the accumulation of offices**

The members of the Supervisory Board are not allowed to hold or accept a number of positions as directors or auditors (either as members of management or supervisory boards) of companies or other bodies excess of that laid down in articles 144-duodecies et seq. and Annex 5-bis of the Issuer Regulations, implementing art. 148-bis CFL (as amended).

The Supervisory Board, during the course of the meeting held on 16 February 2016, verified that the limits to the accumulation of offices of its Board members, as laid down by primary and secondary legislation, had been complied with by each member of the Supervisory Board and also ascertained that there had been compliance with the prohibition of interlocking directorates as per article 36 of Legal Decree no. 201/2011.

The following table provides details of the number and nature of offices held, at the Date of this Report, in other companies or entities by each member of the Supervisory Board.
### TABLE 6

<table>
<thead>
<tr>
<th>Board member</th>
<th>Offices held in other issuers, intermediaries and large companies</th>
<th>No. of other offices held</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dino Piero Giarda</td>
<td>Member of the Interbank Guarantee Fund</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>
| Mauro Paoloni              | Chairman of the Board of Directors of Bipiemme Vita S.p.A  
|                            | Acting Auditor of Banca Akros S.p.A. (BPM Group)                                                            | 11                       | 14    |
|                            | Acting Auditor of AlFA-Agenzia Italiana del Farmaco                                                          |                          |       |
| Marcello Priori            | Chairman of the Board of Directors of RGI S.p.A.  
|                            | Chairman of the Board of Directors of F2A SpA  
|                            | Chairman of the Board of Directors of Bipiemme Assicurazioni S.p.A.  
|                            | Chairman of the Board of Statutory Auditors of Banca Akros S.p.A. (BPM Group)  
|                            | Chairman of the Board of Statutory Auditors of DAF Veicoli Industriali SpA  
|                            | Chairman of the Board of Statutory Auditors of Carrefour Italia Finance Srl  
|                            | Acting Auditor of Carrefour Italia S.p.A.  
|                            | Acting Auditor of Carrefour Property Italia S.r.l.  
|                            | Acting Auditor of Bracco Imaging Italia S.r.l.  
|                            | Director of Vivigas S.p.A.  
|                            | Director of Aemme Linea Energie S.p.A.  
|                            |                                                                                                             |                          | 11    |
| Alberto Balestrieri        | Chairman of the Board of Statutory Auditors of Premuda S.p.A.                                             | 1                        |       |
| Andrea Boitani             |                                                                                                             | 1                        | 1     |
| Angelo Busani              |                                                                                                             | 2                        | 2     |
| Emilio Luigi Cherubini     | Acting Auditor of ProFamily S.p.A. (BPM Group)                                                              | 7                        | 8     |
| Maria Luisa Di Battista   |                                                                                                             | 0                        |       |
| Carlo Frascarolo           |                                                                                                             | 11                       | 11    |
| Roberto Fusilli            |                                                                                                             | 0                        |       |
| Donata Gottardi            |                                                                                                             | 0                        |       |
| Piero Lonardi              | Chairman of the Board of Statutory Auditors of AMSA S.p.A.                                                | 8                        | 9     |
| Alberto Montanari          |                                                                                                             | 0                        |       |
| Maria Luisa Mosconi        | Director of Biancamano S.p.A  
|                            | Director of lVenotre S.p.A.  
|                            | Acting Auditor of Prysmian S.p.A.  
|                            | Acting Auditor of Azienda Trasporti Milanesi S.p.A.  
|                            | Acting Auditor of Metalwork S.p.A.  
|                            | Acting Auditor of The Walt Disney Company S.r.l.  
|                            | Acting Auditor of Net S.r.l.                                                                                 |                          | 13    |
| Giampietro Giuseppe Omati  |                                                                                                             | 5                        | 5     |
| Luca Raffaello Perfetti    |                                                                                                             | 0                        |       |
| Cesare Piovene Porto Godi  | Chairman of the Board of Statutory Auditors of GGP Italy S.p.A.  
|                            | Acting Auditor of Banca Akros S.p.A. (BPM Group)                                                            | 2                        | 8     |
|                            | Acting Auditor of Sirti S.p.A.  
|                            | Acting Auditor of H.I.I.T S.p.A.  
|                            | Acting Auditor of Polynt S.p.A.  
|                            | Acting Auditor of Sergio Rossi S.p.A.  
| Lucia Vitali               |                                                                                                             | 0                        |       |

(*) Understood as offices in companies not being issuers, intermediaries and large-scale companies.

**Responsibilities and Functioning of the Supervisory Board**

**Powers of the Supervisory Board**

The Supervisory Board takes over some of the tasks that under the traditional system of corporate governance are the responsibility of the General Meeting of Members, such as the determination of the remuneration of the members of the Management Board, as well as the initiation of liability actions. The Supervisory Board is also responsible for the approval of the period Financial Statements and the Consolidated Financial Statements.
The Supervisory Board is vested with control functions foreseen by law, including those under article 19 of Legislative Decree 39/2010 and exercises all of the powers granted by law and the Articles of Association for this purpose. The Supervisory Board has not been given the task of strategic supervision according to article 2409-terdecies (f-bis) of the Civil Code.

Without prejudice to the additional mandatory powers laid down in the Articles of Association and in mandatory laws or regulations, the Supervisory Board:

i) approves the separate and consolidated financial statements prepared by the Management Board;

ii) on the proposal of the Nominations Committee, appoints and dismisses the Members of the Management Board, as well as its Chairman; also determines, on the proposal of the Remuneration Committee, the remuneration of Members of the Management Board, the Chairman of the Management Board, the Managing Director and the Members of the Management Board who are assigned to sub-committees, or with specific responsibilities, duties or powers;

iii) initiates liability actions against the members of the Management Board;

iv) performs the supervisory functions provided for in article 149, paragraphs 1 and 3, of CFL, and in particular:
   - performs the control function by monitoring compliance with laws and the Articles of Association, observance of the principles of proper management, the adequacy of the Company’s organizational structure to carry out its duties, the system of internal control and the accounting system, including the reliability of the latter in presenting a true and fair view of the Company’s affairs;
   - supervises the methods of implementing the governance rules laid down in codes of conduct drawn up by companies that run stock markets or trade associations, which the Company has announced publicly that it has adopted;
   - supervises the adequacy of the instructions given by the Bank to its subsidiaries pursuant to article 114, para. 2, CFL;
   - informs Consob without delay of any irregularities found during its supervisory activity and sends it the minutes of meetings and of any investigations that it has carried out, as well as any other relevant documentation;

v) evaluates the efficiency and adequacy of the internal control system, particularly with regard to control over risk, the functioning of the Internal Audit Department and the accounting and reporting system: it also checks that the Bank, as the Group holding company, performs its strategic and management control activities properly over the other Group companies, cooperating with the corresponding bodies at the subsidiaries;

vi) reports cases of maladministration to the Bank of Italy pursuant to article 70, paragraph 7, CBL;

vii) reports in writing to the General Meeting convened pursuant to article 2364-bis of the Italian Civil Code about its supervisory activities and about omissions or reprehensible situations that may have been found; it also reports in writing to any other Meeting convened in ordinary or extraordinary session about matters that it considers within its competence;

viii) makes reasoned proposals to the General Meeting on the appointment and revocation of the Independent Auditors;

ix) expresses the compulsory but non-binding opinion with regard to the Financial Reporting Officer referred to in article 154-bis of CFL, the Head of Internal Control and the Compliance Officer, as well as the heads of the various corporate functions and structures that have control duties and responsibilities;

x) approves, as required by applicable law, the remuneration policies for employees and collaborators who are not employees of the Bank;

xi) expresses its non-binding opinion on the decisions of the Management Board referred to in subparagraphs h), t) and u) referred to in article 39, paragraph 2, of the Articles of Association, when required by the Management Board;

xii) informs the Bank of Italy without delay of all acts or facts, of which the Board becomes aware during the exercise of its duties, which may constitute a management irregularity or a violation of the rules that govern the banking industry;

xiii) establishes, in accordance with the current Articles of Association, the general guidelines that the Management Board has to follow in laying down procedures for the admission and exclusion of Members.
In the interests of a more efficient and functional exercise of the Supervisory Board’s powers of acquisition of information from Management Board Members under article 151-bis of the CFL, as a rule, requests are addressed to the Chairman of the Management Board and to the Managing Director through the Chairman of the Supervisory Board or the Chairman of the Internal Control Committee. Any information has to be given to all members of the Supervisory Board.

The powers of inspection and control assigned to the Supervisory Board by article 151-bis, para. 4, CFL will be exercised by the Internal Control Committee pursuant to article 52 of the Articles of Association. The Supervisory Board is entitled to provide information to the Internal Control Committee about the exercise of these powers.

The Supervisory Board’s participation in meetings of the Management Board, pursuant to article 2409-terdecies, paragraph 4, of the Civil Code, is restricted to members of the Internal Control Committee, at least one of whom must attend meetings of the Management Board.

Specific details of the duties and functions of the Supervisory Board, as well as the role of the Chairman of the Supervisory Board are contained in the Regulations for the Supervisory Board (last amended with a board resolution of 17 November 2015).

**Chairman of the Supervisory Board**

Article 54 of the Articles of Association (to which reference should be made) and the Regulations for the Supervisory Board set out the duties and the responsibilities of the Chairman of the Supervisory Board, in his capacity as the guarantor of effective functioning of the Supervisory Board. The Chairman of the Supervisory Board, among other things, (i) maintains relations with the Supervisory Authorities as part of the routine activities of the Supervisory Board; (ii) promotes the use of IT tools needed for the effective oversight of the internal control system, the RAF, the organisational structure and accounting system and makes requests to the Management Board, and, in particular, to its Chairman, for information on specific aspects relating to the strategy for, and the management of, the Bank and of the Group.

**How the Supervisory Board functions**

The Supervisory Board meets at least once every two months and Board meetings are called by the Chairman with a specific detailed agenda, which has to be sent out at least one week prior to the meeting or, in an emergency, by telegram, fax, telex or similar method at least two days prior to the meeting. A board meeting has to be called with the same amount of notice, indicating the matters to be discussed, on the request of at least five Directors, who in case of necessity can call the meeting themselves.

The Chairman coordinates the proceedings of the Supervisory Board and takes steps to ensure that Board Members are provided with adequate information regarding the matters on the agenda. In particular, well in advance of board or committee meetings, each Board Member will be provided with the information needed for an effective, thorough and non-formal preparation for such meetings. During the course of board meetings, and within the ambit of the agenda, all Board Members have the right to ask for any clarification and information they deem necessary or appropriate for a complete evaluation of the matter to be decided.

In 2015, the Supervisory Board held 22 meetings, lasting 3 hours on average with an overall participation of 96.65% (the percentage attendance of each member is shown in table no. 3).

In 2016, 5 Board meetings have been held up to the Date of this report.

During these Board meetings, those requested to attend to provide details of items on the agenda and to ensure that in-depth discussions could be held by the Board, were the Chairman of the Management Board, the Managing Director and the heads of the Bank’s corporate functions (inclusive of the heads of the Internal Audit, Compliance, Chief Risk Officer and Anti-money laundering functions).
Self-assessment of the Supervisory Board

The self-assessment of the Supervisory Board was carried out with the support of Spencer Stuart, a leading consulting firm specialised in corporate governance and board effectiveness. In compliance with the provisions issued by the Bank of Italy, the self-assessment process dealt with aspects relating to the composition and activities of the Supervisory Board. As regards the composition, there was a general consensus on decreasing the number of members (this is not possible under the current Articles of Association). As regards the Board’s activities, results showed wide appreciation for the accessibility and timing of the documentation made available to the Board. The role of the Chairman and the internal committees were also assessed and generally positive opinions were expressed; however, a note was made on the possibility to define more clearly the mission of the Remuneration Committee, also in the light of the changes to the applicable regulation. The relationships between the Supervisory Board and Management Board were also examined; the assessments of the individual members of the Supervisory Board showed a general negative opinion on the balance of power in the Bank’s current Articles of Association. Several individuals also stated that they felt uneasy about the limited involvement of the Supervisory Board in the Bank’s current activities.

10.3 INDEPENDENT DIRECTORS

At the meeting held on 16 February 2016, the Supervisory Board verified the independence requirements of its members pursuant to article 148, paragraph 3 of the CFL and pursuant to the recommendations contained in the Code of Conduct, applying all the qualification criteria laid down thereby, without exception, and by means of confirmation by the Board of the detailed criteria previously adopted at the time of the first verification of the requirements of Board Members subsequent to the appointment of the Board (the criteria are set out in paragraph 10.3.1 of the 2013 Report on Corporate Governance and Ownership Structure). In this regard, an analysis was performed of each Board member’s banking and professional relationships, assessing them in terms of the economic and financial situation of the individual Board member and, if appropriate, what they represented in proportion to the overall assets of the Bank and/or the Group or to the total average annual costs incurred by the Bank and/or the Group for professional appointments.

Based on the findings of the checks performed – without prejudice to the fact that all of the members of the Supervisory Board meet the independence requirements of article 148, paragraph 3, CFL – it appears that the following Board members meet the independence requirements of the Code of Conduct: Dino Piero Giarda (Chairman), Mauro Paoloni (Deputy Chairman), Marcello Priori (Deputy Chairman), Alberto Balestreri, Andrea Boitani, Angelo Busani, Emilio Luigi Cherubini, Maria Luisa Di Battista, Roberto Fusilli, Donata Gottardi, Piero Lonardi, Alberto Montanari, Maria Luisa Mosconi, Giampietro Giuseppe Omati, Luca Raffaello Perfetti, Cesare Piovene Porto Godi and Lucia Vitali. The Board member Carlo Frascarolo did not meet the independence requirements of the Code of Conduct, given that he has held key positions in strategic BPM Group companies until May 2013.

10.4 LEAD INDEPENDENT DIRECTOR

To date, the circumstances envisaged by the Code of Conduct for the appointment of a lead independent director have not yet materialised.
11. SUPERVISORY BOARD COMMITTEES

In accordance with articles 52 and 53 of the Articles of Association, the Supervisory Board is to set up the following sub-committees, determining their duties and how they are to function:

(i) Internal Control Committee;
(ii) Nominations Committee;
(iii) Remuneration Committee.

Taking account of the recommendations of the Code of Conduct (article 5.C.1.), all of the Committees with consultative, investigatory and propositional powers:

- are made up of independent members in accordance with the Code of Conduct and have a minimum of 3 and a maximum of 5 members, in line with the tasks entrusted to them;
- their period of office is laid down by the Supervisory Board and they have a specific set of regulations, if necessary, integrated or amended by another board resolution, that govern, among other things, their composition, mandate, powers and how they are meant to function;
- in carrying out their functions, they have the right to access any corporate information or function they may need to perform their duties; if necessary, they can also make use of outside consultants;
- have adequate resources allocated to them should the above mentioned Committees need third-party consulting support or any other kind of activity connected with their function.

All meetings of each Committee – which may also be attended, if invited, by executives or consultants to ensure in-depth analysis and discussions of each item on the agenda – are minuted and the minutes are filed in separate minute books. Lastly, it should be noted that BPM does not have any committees that simultaneously perform the functions of two or more committees (article 5.C.1. c) of the Code).

Lastly, note that the Supervisory Board has set up a number of commissions reporting to it with consultative and investigatory functions with respect to specific topics, such as the Financial Reporting Commission and Charity Commission.

12. NOMINATIONS COMMITTEE

The Nominations Committee is responsible for selecting and proposing candidates for appointment to the Management Board and in the cases established by the Articles of Association and the Code of Conduct. In particular, the Committee:

a) makes proposals to the Supervisory Board concerning the appointment and dismissal of the Chairman and other members of the Management Board;

b) can provide indications about the appointment of the Managing Director;

c) carries out any other tasks assigned to it by the Supervisory Board.

By means of a motion passed by the Supervisory Board on 20 January 2015, at the Date of this Report, the members of the Nominations Committee are: Dino Piero Giarda (Chairman), Angelo Busani, Carlo Frascarolo, Alberto Montanari and Luca Raffaello Perfetti.

The Committee is made up of a majority of Supervisory Board Members who meet the independence requirements of article 3 of the Code of Conduct (4 out of a total of 5 members) and in accordance with the provisions of article 53 of the Articles of Association, the following are members of the Committee: Dino Piero Giarda, who chairs the committee; Carlo Frascarolo, as a board member taken from the list presented under article 63 of the Articles of Association and Luca Raffaello Perfetti, as a board member taken from the list presented by UCITS.
In 2015 the Nominations Committee conducted a positive review of the profile (in terms of professional qualifications, independence and accumulation of other offices) of the Supervisory Board member Maria Luisa Mosconi, who took on the office during 2015.

During 2015 the Committee held one meeting, duly minuted, with a duration of about 20 minutes, with attendance percentage of about 80% (the attendance percentage of each Board member has been set out in the annexed Table 3). The Committee has held one meeting in 2016 up to the date of this Report.

13. REMUNERATION COMMITTEE

The remuneration committee has powers to make proposals with regard to the determination of remuneration in the cases laid down by legislation and regulations in force, the Articles of Association and the Code of Conduct. In particular, the Committee: (i) makes proposals to the Supervisory Board – in compliance with the remuneration policies approved by the General Meeting, for the remuneration to be paid to the Management Board members, including the pay for those members holding particular offices and/or also being members of committees; (ii) assists the Supervisory Board in its activities concerned with remuneration.

At the date of this Report the following are members of the Remuneration Committee pursuant to the resolution of the Supervisory Board of 20 January 2015: Piero Giarda Dino (Chairman), Andrea Boitani, Carlo Frascarolo, Roberto Fusilli and Lucia Vitali.

The majority of the Committee is made up of Supervisory Board members who satisfy the independence requirements pursuant to Article 3 of the Code of Conduct (4 out of a total of 5). Committee Members complying with Article 53 of the Articles of Association are: Dino Piero Giarda, the Chairman, Carlo Frascarolo who is a member taken from a list presented pursuant to Article 63 of the Articles of Association, Roberto Fusilli who is a member taken from a list other than that of the majority or those presented either by UCITS or by the Supervisory Board pursuant to Article 63 of the Articles of Association.

In 2015 the Remuneration Committee carried out the activities allocated to it by the applicable law and business regulations. Following reference to the business function with competence in this sphere, it obtained access to the information necessary for the conduct of its duties. In particular, in 2015 the Committee assisted the Supervisory Board in the examination of the Bipiemme Group’s remuneration and incentives policies, also providing its opinion in relation to the approval by the Supervisory Board (so far as coming within the latter’s sphere of competence), of the 2015 Remuneration Report, drawn up pursuant to the relevant supervisory provisions issued by the Bank of Italy, and contained in Article 123-ter of the CFL and Article 84-quater of the Issuer Regulations.

In 2015, the Committee held 6 properly minuted meetings, lasting an average of around 1 hour and 17 minutes, with an overall attendance of some 83.33% (the attendance of each member is indicated in the attached table 3). In 2016, up to the Date of this Report, the Committee has met once.

14. INTERNAL CONTROL COMMITTEE

The Internal Control Committee supports the Supervisory Board in the performance of the control activities assigned to it and has propositional, consultative and investigatory functions with regard to the internal control system. It also gives its opinion when this is foreseen by the law or by the Articles of Association. In particular, the Regulations for the Internal Control Committee, last amended with a Supervisory Board resolution of 13 January 2015, state that the committee:

a) promptly informs the Supervisory Board of any significant act or fact under article 52 of the CBL and on any report or complaint made to the competent organs or authorities;
b) using of the pertinent structures (Audit, Chief Risk Officer and Compliance), it can at any time carry out inspections and controls, also on the recommendation of the Supervisory Board, and can exchange information with the supervisory bodies of BPM Group companies and outsourcers on their administration and control systems and general business trends;

c) examines the periodic reports sent in by the internal control functions, as well as the reports on specific situations or on business trends, adding observations to the Supervisory Board and making proposals to it on the matters in question; in the event of weaknesses or anomalies, it must promptly inform the Supervisory Board by making proposals to it on the matters in question, including requests and proposals of recommendations to be made to the Management Board for the adoption of appropriate measures;

d) shall prepare, supported by the competent structures of the Bank, a draft of the report for approval by the Supervisory Board as per article 153 of the CFl, to be submitted to the General Meeting of Members on the supervisory activities performed, on findings relating to omissions or acts open to censure as well as on any other reports that the Supervisory Board is required to provide to the General Meeting of Members;

e) it reports periodically to the Supervisory Board on the work performed and assesses the internal control system; it carries out any other tasks assigned to it by the Articles of Association, by the law (or regulations) and by the Code of Conduct, as well as any tasks assigned to it by the Supervisory Board.

The Internal Control Committee is a point of reference for the Company’s organizational structures that perform internal control functions; it receives periodic information from them about specific situations or trends in the Company.

The Committee has adequate instruments to carry on its duties with information flows provided by the relevant structures of the Bank, and in any case it is entitled to request information from the functions and structures of the Bank or other Group companies. The Committee can make use of external consultants within the terms and spending limits established by the Supervisory Board.

By means of a motion passed by the Supervisory Board on 17 June 2015, at the Date of this Report, the members of the committee are: Alberto Balestrieri (Chairman), Carlo Frascarolo, Maria Luisa Di Battista, Piero Lonardi and Cesare Piovene Porto Godi. Over 2015 Dino Piero Giarda, Mauro Paoloni and Emilio Luigi Cherubini were also committee members.

The Committee consists of a majority of members who meet the independence requirements of article 3 of the Code of Conduct (4 members out of a total of 5) and of 4 members listed in the Register of Legal Auditors with at least three years’ audit experience, including the Chairman. Moreover, in accordance with article 52 of the Articles of Association, those currently serving as committee members are: (i) Carlo Frascarolo, a board member taken from the list presented under article 63 of the Articles of Association; (ii) Cesare Piovene Porto Godi, a board member taken from the list presented by UCITS; (iii) Piero Lonardi, a board member taken from a list other than either those mentioned above or the majority list.

During 2015, the Committee held 30 meetings, all properly minuted, lasting an average of 2.31 hours and with an overall attendance of 97% (the attendance of each member is indicated in table 3 annexed). In 2016, up to the date of this Report, the Committee has held 9 meetings.

Over 2015 the Internal Control Committee carried out the following activities in particular: (i) examined the annual reports of the control functions (the Audit, Compliance, Chief Risk Officer and the anti-money-laundering functions); (ii) shared the criteria and objectives used in the planning of the audit and compliance activities; (iii) met with the control bodies and internal control functions of the subsidiaries ProFamily S.p.A., Banca Akros S.p.A., and Banca Popolare di Mantova S.p.A.; (iv) monitored the state of progress of the Audit, Compliance and Risk Management activities together with those of the Anti-money-laundering Officer; (v) checked the progress in resolving critical problems identified by the internal control functions on a continuing basis, (vi) examined the structure and development of the Risk Appetite Framework; (vii) examined the information provided by the Human Resources function relating to disciplinary measures on a continuing basis.
The Committee also carried out specific investigations into the following main considerations: (i) the keeping of the Single Computerised Archive and critical problems connected with it; (ii) effectiveness of the organisational structure of the first level controls (i.e. 2nd request); (iii) the issue of new rating models and processes on business segments; (iv) the issue of new rating models and processes for private segments; (v) Compliance with “Provisions concerned with Transparency of Banking, financial Operations and Services – Propriety of relations between intermediaries and Customers”; (vi) Examination of the Resolution or problems connected with the merger of WeBank with Banca Popolare di Milano; (vii) Analysis of computer risk, management of IT security and the data management system; (viii) Loan policy and the evolution of the BPM Group loan portfolio; (ix) evolution of the organisational structure, of the responsibilities and internal controls of the Tax Affairs function.

15. REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

The Articles of Association require the General Meeting to establish the remuneration of the Members of the Supervisory Board, including the remuneration of those with specific responsibilities. The General Meeting also approves the remuneration policies for the Members of the Supervisory Board, as required by current law.

Detailed information on the remuneration of members of the Supervisory Board is provided in the “2016 Remuneration Report of the BPM Banking Group”, which is available on BPM’s website www.gruppobpm.it, under General Meetings of Members / General Meeting of Members 29-30 April 2016.

16. RELATIONS WITH MEMBERS AND MEMBERS

In the interests of a dialogue with the members in general, and with institutional investors in particular and in order to comply with its reporting requirements, the Bank makes use of an Investor Relator function. The main task of this officer is to manage relations with institutional, domestic and international investors, rating agencies and financial analysts in order to ensure a constant, timely and transparent flow of information on the Group’s performance and strategies. A separate section of the Bank’s website (www.gruppobpm.it) is currently devoted to “Investor Relations” with a view to ensuring timely information for the market and facilitating access to information by institutional investors. This section provides a wide range of financial and other documents concerning the Bank. There is also a special e-mail address – investor.relations@bpm.it – allowing financial analysts and institutional investors to request information on the BPM Group’s strategy, financial information and results.

As regards relations with Members (handled by the Members’ Secretariat function of the Bank) and the manner in which it is possible to become a Member, reference should be made to article 11 of the Articles of Association and the information reported on the website www.gruppobpm.it, in the section on BPM Members and related subsections.

In this regard, note that the Management Board and the Supervisory Board, within their sphere of competence, have set up a Members’ Relations Commission composed of the Chairman of the Supervisory Board and two Management Board members, the tasks of which are to review applications for admission to membership and cases for exclusion of Members. The Members’ Relations Commission is currently made up of Dino Piero Giarda (Chairman of the Supervisory Board) as Chairman, the Managing Director Giuseppe Castagna and the Management Board member Paola De Martini.

17. GENERAL MEETING OF MEMBERS (article 123–bis, paragraph 2(c), CFL)

The ordinary General Meeting of the Members is a fundamental occasion as regards the relationship among Members and between the Members and the administration and control bodies of the Company.
The General Meeting of the Members:

a) appoints and dismisses the members of the Supervisory Board, establishes their remuneration and elects its Chairman and two Deputy Chairmen;

b) decides on the responsibility of the members of the Supervisory Board and, pursuant to art. 2393 and art. 2409-decies of the Civil Code, also on the responsibility of the members of the Management Board, without prejudice to the concurrent powers of the Supervisory Board;

c) decides on the distribution of profits, after presentation of the separate and consolidated financial statements, if approved by the Supervisory Board; if they have not been approved by the Supervisory Board, the Ordinary General Meeting decides on the distribution of profits at the same time as it approves the separate financial statements;

d) appoints and dismisses the Independent Auditors on the basis of a reasoned proposal on the part of the Supervisory Board;

e) appoints the Arbitrators;

f) approves the Regulations for General Meetings;

g) approves the remuneration policies for the members of the Management Board and Supervisory Board, as required by applicable law and the Supervisory Authority’s instructions in force at the time;

h) decides on other matters delegated to it by law or the Articles of Association.

An extraordinary General Meeting has to be called whenever required by law and shall act in accordance with article 27 of the Articles of Association, on matters in its sphere of competence, including any increase in capital when the issue of new shares is not done in the ordinary way.

Proceedings for the General Meeting of Members are laid down by the “Regulations for General Meetings”, the current text of which is available on the website www.gruppobpm.it, under “Governance”, “Corporate Documents”, “Regulations and Rules for participation in General Meetings”.

Members have the right to take part in General Meetings providing they have been included in the Register of Members for at least ninety days prior to the date of the Meeting at first calling.

General Meetings can also be validly held on a remote basis by using teleconferencing facilities, providing they guarantee the identification of the Members entitled to participate and the possibility for them to follow the proceedings and to cast their votes in resolutions and, if expressly foreseen in the notice of calling, to join in the debate on the matters being discussed. In any case, the Chairman and the Secretary to the Meeting must attend in the place indicated in the notice of calling, which is considered the official location of the meeting. The Regulations for General Meetings establish the criteria and methods for holding General Meetings by means of remote communication systems. Postal votes are not allowed.

Subject to the one-person, one-vote system, generally speaking each Member can ask to be represented at the General Meeting by another Member by means of a written proxy, within the limits laid down in article 2372 of the Italian Civil Code. Under the current Articles of Association, each Member can represent not more than 10 other Members and by law proxies cannot be given to members of the Management and Supervisory Board, employees of the company and of its subsidiaries. As laid down in art. 137 CFL, it is forbidden to solicit and collect proxy votes. It should be noted that the signature of the person giving the proxy needs to be authenticated by an employee legitimately empowered to do so at the head office or branches of the Bank, or by the intermediary that issued the communication to attend the Meeting, or by a public official.

The right to ask for topics to be added to the agenda for the General Meeting of Members lies with – pursuant to article 126-bis of CFL – Members who represent at least one fortieth of the total number of the Members of the Bank.

For other information concerning the General Meeting of Members, please see the Articles of Association and the Regulations for General Meetings, in particular, for (i) the time limits and procedures for giving notice of meetings, see articles 25 and 28 of the Articles of Association; (ii) the quorum needed to hold a meeting and voting majorities, see
articles 30 and 31 of the Articles of Association; (iii) the manners of participation at the General Meeting of Members, see articles 2 to 10 of the Regulations for General Meetings.

Lastly, note that, prior to each General Meeting of Members, as required by current legislation, the Bank makes available to the members – by publishing in the website section dedicated to each general meeting (www.gruppo bpm.it, under Governance/General Meetings of Members) – appropriate documents containing relevant information or instructions concerning participation at the general meeting and the exercise of members’ rights.

18. OTHER CORPORATE GOVERNANCE PRACTICES (article 123-bis, paragraph 2.a), CFL

Arbitration Committee

Pursuant to article 55 of the Articles of Association, the Arbitration Committee, made up of three acting and two alternate members chosen from the Members by the General Meeting, assesses any disputes deferred to it by the Articles of Association and seeks to resolve any disputes that might arise between Members or between Members and the Bank for reasons involving company relations.

At the date of this Report, pursuant to the resolution of the General Meeting of Members of 11 April 2015, the following have been appointed members of the Arbitration Committee for the three-year period 2015 to 2017: Italo Ciancia, Cinzia Finazzi and Guido Paolo Mina (currently acting arbitrators), Piergiovanni Rizzo and Giancarlo Tarantola (supplementary arbitrators).

Milan, 22 March 2016
The Management Board
TABLE 1 – INFORMATION ON THE OWNERSHIP STRUCTURE

Based on the communications received pursuant to article 120 of the CFL, significant shareholdings in BPM at the Date of this report were as follows:

### SIGNIFICANT SHAREHOLDINGS

<table>
<thead>
<tr>
<th>Declaration by</th>
<th>Direct member and % held of share capital</th>
<th>Total % held of Share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATHENA CAPITAL SARL (acting as the general partner and manager of Athena Capital Fund SICAV-FIS which controls the companies that hold the equity investments)</td>
<td>POP 1 S.A.R.L.</td>
<td>5.734%</td>
</tr>
<tr>
<td></td>
<td>POP 2 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 3 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 4 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 5 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 6 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 7 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 8 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 9 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 10 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 11 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 12 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 13 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 14 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>POP 15 S.A.R.L.</td>
<td></td>
</tr>
<tr>
<td>BLACKROCK INC</td>
<td>BLACKROCK INVESTMENT MANAGEMENT (UK)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLACKROCK INTERNATIONAL LIMITED</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLACKROCK ASSET MANAGEMENT DEUTSCHLAND AG</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLACKROCK ADVISORS LLC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLACKROCK FUND ADVISORS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLACKROCK ASSET MANAGEMENT CANADA LIMITED</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLACKROCK FINANCIAL MANAGEMENT INC.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLACKROCK INVESTMENT MANAGEMENT LLC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLACKROCK INVESTMENT MANAGEMENT [AUSTRALIA] LIMITED</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLACKROCK ADVISORS (UK) LIMITED</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLACKROCK INSTITUTIONAL TRUST COMPANY, NATIONAL ASSOCIATION</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLACKROCK JAPAN CO LTD</td>
<td>5.288%</td>
</tr>
<tr>
<td>NORGES BANK</td>
<td>NORGES BANK</td>
<td>2.048%</td>
</tr>
<tr>
<td>STANDARD LIFE INVESTMENTS LTD</td>
<td>STANDARD LIFE INVESTMENTS LTD</td>
<td>2.021%</td>
</tr>
<tr>
<td>CANADA PENSION PLAN INVESTMENT BOARD</td>
<td>CANADA PENSION PLAN INVESTMENT BOARD</td>
<td>2.013%</td>
</tr>
</tbody>
</table>

Compared with the “Borsa Format”, figures for the percentage held versus the voting capital are not provided; this is because, in co-operative banks voting is restricted to Members (included in the Members’ Register of the Bank) and is “per head”. In the interests of full disclosure, note that, at 31 December 2015, there were 46,926 members included in the Members’ Register.
<table>
<thead>
<tr>
<th>Office</th>
<th>Members</th>
<th>Year of birth</th>
<th>Date of first appointment</th>
<th>In office from</th>
<th>In office up to</th>
<th>Exec.</th>
<th>Non Exec.</th>
<th>Indep. as per Code</th>
<th>Indep. As per CFL</th>
<th>(%) *</th>
<th>No. of offices ***</th>
<th>(%) **</th>
<th>Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Mario Anolli</td>
<td>1963</td>
<td>21.01.2014</td>
<td>21.01.2014</td>
<td>App. fin. stats. 31.12.2016</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>100%</td>
<td>1</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Managing Director</td>
<td>Giuseppe Castagna</td>
<td>1959</td>
<td>21.01.2014</td>
<td>21.01.2014</td>
<td>App. fin. stats. 31.12.2016</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>100%</td>
<td>2</td>
<td>78.33%</td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Davide Croff</td>
<td>1947</td>
<td>26.10.2011</td>
<td>21.01.2014</td>
<td>App. fin. stats. 31.12.2016</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>96%</td>
<td>7</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Giorgio Angelo Girelli</td>
<td>1959</td>
<td>21.01.2014</td>
<td>21.01.2014</td>
<td>App. fin. stats. 31.12.2016</td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>100%</td>
<td>6</td>
<td>X</td>
<td>93%</td>
</tr>
</tbody>
</table>

No. of meetings in 2015

Management Board: 25  C&L 2Comm.: 25  Risk Comm.: 15

NOTES:

(*) This column shows directors’ participation at meetings of the Management Board and of committees (no. of times attended/no. of meetings held during the term of office of the person concerned).

(**) This column shows the number of positions held by the person in question as director or auditor at 2 February 2016 (see paragraph 4.2 of this Report) in other companies (including BPM).

(***) This column indicates with an “X” the members of the Management Board on the Loans Committee and/or the Risks Committee.
### TABLE 3 – STRUCTURE OF THE SUPERVISORY BOARD

<table>
<thead>
<tr>
<th>Office</th>
<th>Members</th>
<th>Year of birth</th>
<th>Date of first appointment</th>
<th>In office from</th>
<th>In office up to</th>
<th>(M/m/A)*</th>
<th>Indep. as per Code</th>
<th>Indep. As per CR (%)</th>
<th>No. of offices **</th>
<th>Nominations Committee ***</th>
<th>Internal control committee ****</th>
<th>Remuneration Committee ****</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Dino Piero Giarda</td>
<td>1936</td>
<td>21.12.13</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>100%</td>
<td>7</td>
<td>X</td>
<td>100%</td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Mauro Paoloni</td>
<td>1960</td>
<td>22.10.11</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>100%</td>
<td>15</td>
<td>P</td>
<td>100%</td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Marcello Priori</td>
<td>1964</td>
<td>22.10.11</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>100%</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Alberto Balestri</td>
<td>1960</td>
<td>15.11.12</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>95.45%</td>
<td>2</td>
<td>X</td>
<td>100%</td>
</tr>
<tr>
<td>Board member</td>
<td>Andrea Botani</td>
<td>1955</td>
<td>21.12.13</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>95.45%</td>
<td>2</td>
<td>X</td>
<td>83.33%</td>
</tr>
<tr>
<td>Board member</td>
<td>Angelo Buoni</td>
<td>1960</td>
<td>21.12.13</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>100%</td>
<td>3</td>
<td>X</td>
<td>100%</td>
</tr>
<tr>
<td>Board member</td>
<td>Emilio Luigi Cherubini</td>
<td>1945</td>
<td>11.08.14</td>
<td>11.08.14</td>
<td>2016 General Meeting of Members</td>
<td>m</td>
<td>YES</td>
<td>YES</td>
<td>100%</td>
<td>9</td>
<td>P</td>
<td>100%</td>
</tr>
<tr>
<td>Board member</td>
<td>Maria Luisa Di Battista</td>
<td>1953</td>
<td>12.04.14</td>
<td>12.04.14</td>
<td>2016 General Meeting of Members</td>
<td>A</td>
<td>YES</td>
<td>YES</td>
<td>100%</td>
<td>1</td>
<td>X</td>
<td>100%</td>
</tr>
<tr>
<td>Board member</td>
<td>Carlo Frascarola</td>
<td>1956</td>
<td>21.05.13</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>s</td>
<td>NO</td>
<td>YES</td>
<td>100%</td>
<td>12</td>
<td>X</td>
<td>100%</td>
</tr>
<tr>
<td>Board member</td>
<td>Roberto Fusilli</td>
<td>1942</td>
<td>22.06.13</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>m</td>
<td>YES</td>
<td>YES</td>
<td>100%</td>
<td>1</td>
<td>X</td>
<td>X 66.67%</td>
</tr>
<tr>
<td>Board member</td>
<td>Donato Gottardi</td>
<td>1950</td>
<td>21.12.13</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>95.45%</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Piero Lonardi</td>
<td>1944</td>
<td>22.10.11</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>m</td>
<td>YES</td>
<td>YES</td>
<td>100%</td>
<td>10</td>
<td>X</td>
<td>100%</td>
</tr>
<tr>
<td>Board member</td>
<td>Maria Luisa Mascioni</td>
<td>1962</td>
<td>22.04.15</td>
<td>22.04.15</td>
<td>2016 General Meeting of Members</td>
<td>m</td>
<td>YES</td>
<td>YES</td>
<td>100%</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Alberto Montanari</td>
<td>1941</td>
<td>21.12.13</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>M</td>
<td>YES</td>
<td>86.36%</td>
<td>1</td>
<td>X 0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Giampietro Giuseppe Omati</td>
<td>1940</td>
<td>21.12.13</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>100%</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Luca Raffaello Perfetti</td>
<td>1964</td>
<td>27.04.13</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>m</td>
<td>YES</td>
<td>72.73%</td>
<td>1</td>
<td>X 100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Cesare Piovene Porto Gadi</td>
<td>1947</td>
<td>21.12.13</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>m</td>
<td>YES</td>
<td>90.91%</td>
<td>9</td>
<td>X 93.33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Lucia Vitali</td>
<td>1941</td>
<td>21.12.13</td>
<td>21.12.13</td>
<td>2016 General Meeting of Members</td>
<td>M</td>
<td>YES</td>
<td>YES</td>
<td>100%</td>
<td>1</td>
<td>X</td>
<td>83.33%</td>
</tr>
</tbody>
</table>

**NOTES:**

(*) The use of the letters “M”, “m”, “s” and “A” in this column indicate whether the member was elected from the list turning out to be that of the majority, by a minority (m), under special clauses in the articles of association (s) or by a relative majority of members in general meeting without any need for voting lists, as per article 48 of the Articles of Association (A).

(**) This column shows directors’ participation at meetings of the Supervisory Board and of the various Committees (no. of times attended/no. of meetings held during the term of office of the person concerned).

(***) This column shows the number of positions held by the person in question as director or auditor in other companies (including BPM) as of 16 February 2016.

(****) This column indicates (i) with an “X” the members of the Supervisory Board on the Committee; and (ii) with a “P” the Board members who were members of the related Committee, but no longer formed part thereof at the Date of this Report.

---

**DIRECTORS WHO LEFT OFFICE DURING 2015**

<table>
<thead>
<tr>
<th>Board member</th>
<th>Flavia Daunia Minutillo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of birth</td>
<td>1971</td>
</tr>
<tr>
<td>Date of first appointment</td>
<td>22.06.13</td>
</tr>
<tr>
<td>Date of last appointment</td>
<td>21.04.2015</td>
</tr>
<tr>
<td>Quorum required, as per the Articles of Association, for the submission of lists on the occasion of the last appointment: Each list has to be presented by at least three hundred Members or otherwise by Members representing in total at least 0.5% of the share capital, who have been included in the Members’ Register for at least ninety days prior to the date set for the General Meeting at first calling and who can document their right to do so in the prescribed manner. UCITS may also submit a list, providing they hold at least 0.5% of the share capital and can document their possession at the time of submission of the lists in the prescribed manner (article 47, Articles of Association).</td>
<td></td>
</tr>
</tbody>
</table>

**No. of meetings in 2015**

| SB: 22 | NC: 1 | ICC: 30 | RC: 6 |

**NOTES:**

(*) The use of the letters “M”, “m”, “s” and “A” in this column indicate whether the member was elected from the list turning out to be that of the majority, by a minority (m), under special clauses in the articles of association (s) or by a relative majority of members in general meeting without any need for voting lists, as per article 48 of the Articles of Association (A).

(**) This column shows directors’ participation at meetings of the Supervisory Board and of the various Committees (no. of times attended/no. of meetings held during the term of office of the person concerned).

(***) This column shows the number of positions held by the person in question as director or auditor in other companies (including BPM) as of 16 February 2016.

(****) This column indicates (i) with an “X” the members of the Supervisory Board on the Committee; and (ii) with a “P” the Board members who were members of the related Committee, but no longer formed part thereof at the Date of this Report.
1. Introduction

The risk management and internal control systems relating to financial reporting, integrated in the Internal Control System (SCI), is governed by a specific organizational model called the “Control Model as per Law 262/05 – Financial Reporting Manager”. This model permits ongoing verification of the adequacy and effective application of the administrative and accounting procedures at Group level and is designed to ensure the credibility, accuracy, reliability and timeliness of financial reporting and the strengthening of governance controls.

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

2.1. The reference model

From a methodological point of view, the model used to address financial reporting risk and the assessment of adequacy and effective application of administrative and accounting procedures for the preparation of such information has been defined by the Bank in compliance with the standards indicated in the “Internal Control – Integrated framework” – approved by the Committee of Sponsoring Organizations of the Treadway Commission (CoSo) – which is a generally accepted international framework for analysing internal control systems. The methodology used in evaluating IT procedures (IT – General Controls) is inspired by the “Control Objectives for Information and Related Technology” (COBIT), developed by Information System Audit and Control Association (ISACA).

In order to assess the level of potential risk of sensitive processes for accounting and financial reporting purposes, use is made of approaches that differ, based on the risk, to ensure:

- detailed analysis of the processes considered to be high risk in terms of their potential impact on accounting and financial reporting;
- a less detailed analysis of all of the other processes that are considered lower risk/impact, making use of the main corporate functions with control responsibilities with a view to maximising organizational synergies.

Following these analyses, bearing in mind that these processes that have been assessed are periodically monitored, an action plan is prepared to resolve any critical areas found.

2.2. Operating macro-processes

The control model adopted consists of the following operating macro-processes:

a) definition of the “sensitive” perimeter delineating scope of application;

b) monitoring the macro-system of company-level controls;

c) monitoring of sensitive processes for accounting and financial reporting purposes (Process Level Controls) and for the general rules of governance of technologies and application software development (IT General Controls);

d) assessment of the internal control system for accounting and financial reporting purposes.
These operating macro processes are briefly explained below:

a) definition of the “sensitive” perimeter delineating scope of application

The perimeter delineating applicability is defined according to the following operating steps:

- identification of the Group companies that are relevant for accounting and financial reporting purposes, selected on the basis of certain parameters (such as total assets, gross profit) to which qualitative and quantitative thresholds are applied. The selection is made by quantitative parameters, possibly supplemented by a qualitative analysis that highlights possible factors (e.g. heterogeneity of the business, use of specific systems or processes) that could increase or decrease financial reporting risk;
- selecting financial statement items and significant accounts for each of the companies identified by means of materiality thresholds;
- associating such accounts and information in the financial statements with the underlying corporate processes through appropriate “account/process” matrices.

Once selected, sensitive processes are assessed in terms of their potential risk, in order to apply a verification approach that entails a greater or lesser degree of analysis. The application perimeter and the assessment of critical processes is updated periodically, making sure that the Corporate Bodies are adequately informed.

b) monitoring the macro-system of company-level controls

Company-level controls are designed to verify that there is a corporate environment that in general is geared to reducing the risks of errors and incorrect behaviour for accounting and financial reporting purposes. Company-level controls refer to elements of the Internal Control System as identified in the CoSO Framework and include elements such as: adequate systems of governance, standards of behaviour based on ethics and integrity, effective organizational structures, clear allocation of powers and responsibilities, appropriate policies for the managing and monitoring of risk, staff disciplinary systems, effective codes of conduct and fraud prevention systems.

The detection of company-level controls makes it possible to assess the adequacy of the effectiveness of the internal control model, which is not directly analysed through process analysis. The monitoring of the macro internal control system at company level is based on the maintenance and management of the documentation system and on checking the efficiency and effectiveness of the control system. In this context, the competent Bank and Group company functions maintain company documents, regulations and policy guidelines regarding the internal control system.

The detection of company-level controls is regularly executed through assessments; an action plan may also be prepared for the resolution of any critical issues that arise.

c) monitoring of sensitive processes for accounting and financial reporting purposes (Process Level Controls) and for the general rules of governance of technologies and application software development (IT General Controls)

The processes being monitored, having been selected according to the methods explained earlier (see point a), are aggregated in accordance with the taxonomy of the processes identified by the Organisation function of the Bank, that is:

- Policy and control: which includes business processes relating to risk management, internal control and legislative requirements;
- Governance and Support: comprises processes relating to the management of operational processes of the Bank (performance of administrative duties, human resources and external reporting and communications, etc.) and the governance of the technological infrastructure (IT strategic planning, provision of IT services and security and business continuity management);
- Commercial: includes customer relationship management, banking services and collection and payment services;
- Finance: comprises processes relating to the management of financing and treasury management;
- Credit: comprises the granting, renewal and monitoring, as well as the management of problem loans.
After selecting the processes, the next step is to verify the adequacy and effective application of the controls as described below:

- periodic verification that corporate processes considered sensitive for financial reporting purposes are adequate in terms of mapping the risks and designing controls (Risk Control Analysis);
- verification of the effective application of the controls (Tests of Control) by testing their correct execution and documentation;
- identification of any critical issues arising from the assessment of processes and testing, with the consequent preparation of a corrective action plan (Remediation Plan);
- monitoring of the status of the corrective actions that have been taken.

d) assessment of the internal control system for accounting and financial reporting purposes
The final assessment of the system of internal control for financial reporting is made based on the evidence relating to:

- the macro system of company-level controls;
- sensitive processes for accounting and financial reporting purposes, the tests carried out and the status of the remediation plans introduced.

The assessment is made by consolidating the aforementioned results at Group level and by identifying, on the basis of specific qualitative and quantitative methodologies, any anomalies in the control system to be reported to the pertinent corporate and governance structures and, where required by law, to the market.

3 Roles and Functions involved in the control model for financial reporting purposes

The following is an overview of the organization set up by the Bank to ensure that the system explained previously functions properly.

3.1 The Financial Reporting Manager

The Financial Reporting Manager defines and monitors the Model described in the preceding paragraphs using his own dedicated structure and, when necessary, making use of other corporate functions in order to:

- identify and formalise the processes, risks and controls that are considered sensitive for accounting and financial reporting purposes;
- verify the adequacy of the related processes and controls, making sure that the latter are effectively applied on an ongoing basis by the operating structures;
- define and monitor any corrective action to be taken;
- carry out a conclusive assessment of the control system for financial reporting purposes and its effective application, which allows him, together with the administration and control bodies, to issue the declarations to be attached to the financial statements and interim reports, certifying that they agree with the balances on the books of account and accounting entries.

The Financial Reporting Manager has adequate powers and instruments to carry out the activities mentioned above, in particular:

- he has his own staff that report to him and their specific objective is to support him in monitoring the internal control system for financial reporting purposes and in maintaining relations with the other corporate functions of the Parent Company and subsidiaries;
- he exercises a policy and coordination role for Group companies in administrative and accounting matters and monitors the internal control system for financial reporting purposes;
- he defines the communication flows to the Corporate Bodies and exchanges of information with the Independent Auditors;
in accordance with their respective missions and maintaining the necessary level of independence laid down in the reference legislation and corporate regulations, he collaborates with the other functions of the Bank in order to make his assessment of the internal control system for financial reporting purposes as efficient as possible and to obtain all of the information needed for this purpose.

3.2 The Financial Reporting Manager’s Staff

The Financial Reporting Manager’s Staff supports the Financial Reporting Manager in his policy activity and overall coordination at Group level on matters of control for financial reporting purposes. In particular:

- they analyse regulatory requirements and identify ways in which the model has to evolve;
- they assist the Manager by:
  i) defining the guidelines and the model’s application perimeter, identifying the processes with an impact on accounting and financial reporting and the related level of risk;
  ii) planning the various activities involved in risk analysis and the tests of controls;
  iii) carrying out the final assessment of the internal control system and its effective application, which makes it possible to issue the certifications required by law;
- performing the various activities involved in the assessment of risks and controls and the test of adequacy and effective application of the controls;
- defining the methods of summarising and evaluating risk for reporting the results of the activities involved in the assessment of risk and controls and the test of adequacy and effective application of the controls to permit overall consolidation of the evidence;
- supporting the corporate functions in charge of managing processes that have an impact on accounting and financial reporting in identifying the corrective action deriving from the tests, requiring opportune interventions, also with the help of the organization and IT functions;
- monitoring the effective implementation of the remediation plans;
- coordinating the summarised information for the Financial Reporting Manager and the Parent Company’s Corporate Bodies for periodic reporting of the stage of completion and preparation of the certifications.

3.3 Internal Audit Function

In compliance with the principle of autonomy and independence from the other functions of the Bank, the Internal Auditing Function collaborates with the Financial Reporting Manager in order to:

- agree how they are going to exchange information of mutual interest;
- discuss critical areas found in the Group during internal audits, providing opinions on the adequacy of the various Group entities and any improvements that may be needed;
- evaluate together with the Financial Reporting Manager the methods of intervening in sensitive processes.

The Financial Reporting Manager will, using the staff complement under him, communicate the assessment of the processes subject to investigation to the Audit Function on an annual basis in order to produce an integrated report on the results of the activities of the control functions.

3.4 The Compliance Function

In the context of the Bank of Italy’s supervisory instructions, a service agreement was concluded in 2015 between the Compliance Function and the Financial Reporting Manager for the use of the latter’s specialist team in the context of economic and financial disclosure. Indeed, within the supervisory instructions referred to above, the Compliance function is required to directly oversee the rules concerning banking activities although it is nonetheless permitted to take advantage of the activities carried out by functions set up in the capacity of control oversight by other legislation.
The setting up of specialist teams was resolved on by the Management Board on 10 March 2015. As a consequence, the specialist team managed by the Financial Reporting Manager in the context of economic-financial reporting in order to:

- monitor new legislation
- provide consultancy
- carry out risk assessment in relation to the new legislation
- conduct, as part of its ordinary activities, checks of legislative and operational compliance
- provide specific training for other functions.

The service agreement envisages information flows between the functions involved, consisting in six-monthly and annual reports submitted to the Management Board as also in any circumstances when fact or events are identified which might have an impact on the assessment of the Banks risk profile with regard to non-compliance.

3.5 Organisation function

The Organisation function makes sure that the Financial Reporting Manager is able to publish and update internal regulations and regulations needed at Parent Company level, by communicating the related guidelines for their application to Group companies. It coordinates with the Financial Reporting Manager’s Staff to identify the specific needs in terms of the mapping, updating and formalisation of the processes involved in accounting and financial reporting and to acquire important information deriving from the analysis of risk and controls carried out by his Staff.

3.6 Risk management function

The Risk Management Function, as part of its risk monitoring activities, identifies elements to be used in assessing the potential risk that are useful for the definition of the application perimeter of the control model.

3.7 IT Function

The IT Function makes sure that the IT systems operate properly and that measures are adopted to safeguard the security and integrity of data and programs. It coordinates with the Financial Reporting Manager’s Staff to help the latter carry out the analyses and related tests on IT processes and automatic controls embedded in business and transversal processes.

4. Information flows and communications to corporate bodies

The internal control model used for financial reporting provides for a structured system of information flows and relations between the Financial Reporting Manager and the other corporate functions and companies of the Group, which put him in a position to know all of the data and information needed for financial reporting purposes. As part of this, the system provides for a flow of internal certifications from the subsidiaries to the Financial Reporting Manager at the time that the annual financial statements and half-year interim reports are being prepared, which confirm that they comply with:

- the administrative and accounting procedures and controls laid down by internal regulations for the preparation of accounting documents and any other communications of a financial nature;
- timely and complete reporting of all relevant information needed to give a true and fair view of the Group’s assets and liabilities, results and financial position.
As regards communications to corporate bodies, the Financial Reporting Manager communicates the verification plan on an annual basis and every six months provides the Corporate Bodies with:

- a report on his activities, any critical areas that have emerged and the action taken to resolve them;
- the results of the assessments of the internal control system used for financial reporting with a view to issuing the certifications required by law.

Lastly, the Financial Reporting Manager holds meetings and exchanges information with the Independent Auditors.
**ANNEX B**

**PUBLIC DISCLOSURES**

*(in accordance with Bank of Italy Circular no. 285/2013, Part One, Title IV, Chapter 1, Sect. VII)*

<table>
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<th>INFORMATION REQUIRED BY BANK OF ITALY CIRCULAR No. 285/2013, PART ONE, TITLE IV, CHAPTER 1, SECT. VII</th>
<th>PARAGRAPHS OF THE REPORT THAT PROVIDE THE INFORMATION REQUIRED</th>
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<td>Information on the guidelines for organisational structures and corporate governance.</td>
<td>Paragraph 1, Profile of the issuer</td>
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<tr>
<td>Substantiated reason for allocation of bank to category in question.</td>
<td>Paragraph 1, Profile of the issuer</td>
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| Total number of members that hold office in corporate bodies. Breakdown of members at least by age, gender and length of period of office. | Members of the Management Board:  
  – Paragraph 4.2, Composition of the Management Board, Tables 1 and 2;  
  – Table 2, Structure of the Management Board  
Members of the Supervisory Board:  
  – Paragraph 10.2, Composition and role of the Supervisory Board, Tables 4 and 5;  
  – Table 3, Structure of the Supervisory Board. |
| Number of Board members that meet independence requirements.                                      | Members of the Management Board:  
  – Paragraph 4.2, Composition of the Management Board, Table 1;  
  – Paragraph 4.6, Independent directors;  
  – Table 2, Structure of the Management Board.  
Members of the Supervisory Board:  
  – Paragraph 10.2, Composition and role of the Supervisory Board, Table 4;  
  – Paragraph 10.3, Independent directors;  
  – Table 3, Structure of the Supervisory Board. |
| Number of Board members representing minorities.                                                 | Members of the Supervisory Board:  
  – Paragraph 10.2, Composition and role of the Supervisory Board, Table 4;  
  – Table 3, Structure of the Supervisory Board. |
| Number and type of positions held by each corporate officer in other companies or entities.       | Members of the Management Board:  
  – Paragraph 4.2, Composition of the Management Board, Table 3;  
Members of the Supervisory Board:  
  – Paragraph 10.2, Composition and role of the Supervisory Board, Table 6. |
| Number and name of sub-committees that have been set up, their functions and duties.             | Sub-committees of the Management Board:  
  Board Credit and Loans Committee: paragraph 7.  
Board Risk Committee: paragraph 7.1.  
Sub-committees of the Supervisory Board:  
  Nominations Committee: paragraph 12.  
Remuneration Committee: paragraph 13.  
Internal Control Committee: paragraph 14. |
| Any succession plans in place, the number and nature of positions in question.                    | Paragraph 4.1, Appointment and replacement of the Management Board. |
| Percentage of share capital needed for:                                                          | Paragraph 10.1, Appointment of Supervisory Board members, Procedure for appointment of Members of the Supervisory Board.  
  – submission of lists for the appointment of Board members;  
  – request for items to be added to the agenda for a General Meeting of Members. |
| Number of proxies assigned to each member                                                         | Paragraph 17, General Meeting of Members                          |