Report on Corporate Governance and Ownership Structure of Banca Popolare di Milano S.c.ar.l.

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

Two-tier model of administration and control

Year 2014

Approved by the Management Board on 10 March 2015
Available on BPM’s website at www.gruppobpm.it

BANCA POPOLARE DI MILANO

Co-operative Bank founded in 1865
Parent Company of the BPM - Banca Popolare di Milano – Banking Group
Share capital at 31.12.2014: Euro 3,365,439,319.02
Milan Companies Register No. 00715120150
Enrolled on the National Register of Co-operative Companies No. A109641
Registered Office and General Management:
Piazza F. Meda, 4 – Milan
www.gruppobpm.it

Member of the Interbank Guarantee Fund

Registered Bank
and Parent Company of the BPM – Banca Popolare di Milano – Registered Banking Group

Year 2014
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**Glossary**

**European Central Bank:** the ECB.

**Management Board:** the Management Board of the Issuer.

**Supervisory Board:** the Supervisory Board of the Issuer.

**Circular of the Bank of Italy no. 263/2006:** the Circular of the Bank of Italy no. 263 of 27 December 2006 (as subsequently amended).

**Code/Code of Conduct:** the version of the Code of Conduct for listed companies approved in July 2014 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

**Date of this Report:** 10 March 2015, the date of approval of this Report by the Bank’s Management Board.

**Issuer/Bank/Company/Institute/BPM/Bipiemme:** Banca Popolare di Milano S.c.a.r.l., the company to which the Report relates.

**Bank of Italy governance measures:** Circular of the Bank of Italy no. 285, First Part, Title IV, Chapter 1.

**Issuers’ Regulations or IR:** the Regulations issued by Consob with resolution 11971 of 1999 (as subsequently amended) on issuers.

**Consob Regulation on Related Party Transactions:** the regulation adopted by Consob on related party transactions with resolution 17221 of 12 March 2010, and subsequently modified by resolution 17389 of 23 June 2010 (and related Consob interpretative communication DEM/10078683 of 24 September 2010).


**Articles of Association:** the Articles of Association of Banca Popolare di Milano S.c.ar.l.

**CFA:** Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act).

**CBA:** Legislative Decree no. 385 of 1 September 1993 (Consolidated Banking Act).
1. Profile of the Issuer

Banca Popolare di Milano S.c.ar.l. - founded in 1865 - is a co-operative bank with head office in Milan, listed on the MTA (Mercato Telematico Azionario), the electronic equities market organised and run by Borsa Italiana S.p.A.. BPM is the parent company of the Banking Group and, in addition to its banking activity, it performs the functions of policy, governance and control over the banking, financial and near-banking subsidiaries. The BPM Group is a multi-functional integrated banking group that operates in the various sectors of credit and financial intermediation with a predominantly retail vocation, in other words it focuses on individual customers and small and medium-sized enterprises (SMEs).

Banca Popolare di Milano qualifies as (i) a “significant bank” pursuant to article 6, paragraph 4 of Regulation (EU) no. 1024/2013, relating to the introduction of the Single Supervisory Mechanism (“SSM”), and as from 4 November 2014 – date of implementation of the SSM – it is subject to direct prudential supervision by the BCE; (ii) and, for this reason and due to the listing of BPM shares on the MTA, it is included among the largest and most complex banks as per the Bank of Italy Circular no. 285, Part One, Title IV, Chapter 1.

1.1 Corporate governance structure

On 22 October 2011, Banca Popolare di Milano adopted a two-tier system of administration and control.

The juridical nature of a co-operative bank means, in particular, that each shareholder has a right to one vote, regardless of the number of shares owned (“one-man-one-vote”) and that no one can hold more than 1% of the share capital, subject to the statutory right to impose lower limits, but which cannot be less than 0.5 percent (“limit on share ownership”; in this regard, please see paragraph 2 b) of this Report. This limit does not apply to mutual investment funds; the relevant limits in such cases are those imposed by the rules of the fund concerned. Moreover, only shareholders who have had their membership applications accepted and who are registered in the register of members are entitled to attend and vote at general meetings. Shareholders not registered in the register of members may solely exercise rights relating to the shares held.

The corporate governance structure of the Bank takes account of the Governance Measures of the Bank of Italy and the principles of the Code of Conduct for Listed Companies adopted by BPM back in 2001. These principles, and in particular those that refer to the Board of Directors and the Board of Statutory Auditors, have been applied, as a rule, to the Management Board and Supervisory Board, respectively. In this regard, it is worth pointing out immediately that the Bank has applied to the Supervisory Board some of the provisions of the Code that refer to the Board of Directors, because of the two-tier system of administration and control and the particular configuration of the governing bodies in terms of their composition and powers, and considering the options granted in the Code (article 10.C.1.b, and related comments): they consist of, in particular, principles relating to independence requirements for directors and the establishment of nominations and remuneration sub-committees.
1.2 Organisational structure

The Bank’s first level organisational structure at 31 December 2014 is set out in the chart below. In particular, this structure envisages staff reporting to the Managing Director by certain Primary Governance and Control Functions and line reporting to the Managing Director by certain Primary Central and Operational Functions.

Each structure is responsible for ensuring adequate governance and direction of the activities of the Parent Company and Group companies, and functional coordination between units of the same type.

Having said this by way of introduction, the following is the annual “Report on corporate governance and ownership structure” of BPM for 2014, prepared in accordance with art. 123-bis, CFA (available to the general public in Italian and English on the corporate website www.gruppobpm.it – under Governance / Report on Corporate governance).

The Report is also designed to comply with public disclosure requirements laid down by Bank of Italy Circular no. 285, Part One, Title IV, Chapter 1, Sect. VII. Attached to the present Report “Attachment B” is a table which lists the paragraphs of this Report where it is possible to find the information required by the aforementioned Circular.
2. Information on the ownership structure (article 123-bis, paragraph 1, CFA)

a) Structure of the share capital (article 123-bis, paragraph 1.a), CFA

Given BPM’s co-operative nature, the Bank’s share capital is variable and at 31 December 2014 amounts to Euro 3,365,439,319.02 (fully subscribed and paid-in) entirely represented by 4,391,784,467 ordinary shares with no par value, identified by ISIN code IT0000064482 and listed on the Milan Stock Exchange in the FTSE MIB segment of the Screen-Based Equities Market (MTA) run by Borsa Italiana S.p.A. There are no classes of BPM shares other than the ordinary stock.

The following table summarises the share capital structure at 31/12/2014.

<table>
<thead>
<tr>
<th>Ordinary shares</th>
<th>Shares with limited voting rights</th>
<th>Shares without voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,391,784,467</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

b) Restrictions on the transfer of shares (article 123-bis, paragraph 1.b), CFA

Article 21 of the Articles of Association provides that no shareholder’s interest may exceed 0.5% of the share capital. This limit does not apply to mutual investment funds (UCITS); the relevant limits in such cases are those imposed by the rules of the fund concerned.

c) Significant shareholdings (article 123-bis, paragraph 1.c), CFA

Under article 120 of the Consolidated Finance Act (CFA), those holding an interest that exceeds 2% of the share capital of a listed company, which is the case for BPM, must notify the company and Consob: in this regard, note that, at 31 December 2014, under the above regulations, notification had been received of a 5.734% equity interest in the Bank’s share capital held by Athena Capital Sarl (acting as the general partner and manager of Athena Capital Fund SICAV-FIS).

In the interests of full disclosure, it should also be noted that (i) BlackRock Inc has notified the Bank pursuant to the aforementioned article 120 of the CFA that, at 23 October 2014, it held an interest of 4.959% in the Bank’s share capital (as far as the Bank is aware, this company has taken advantage of the exemption option provided for by Article 119−bis, paragraph 7, of Consob’s Issuers’ Regulations); (ii) at the end of 2014, based on information provided by the Thomson Reuters platform, Dimensional Fund Advisors L.P. held an interest of 3.39% in the Bank’s share capital (as far as the Bank is aware, this company has also taken advantage of the aforementioned exemption option provided by Consob’s Issuers’ Regulations).

d) Securities that give special rights (article 123-bis, paragraph 1.d), CFA

There are no securities that give special rights of control over the Bank.

e) Shares held by employees: mechanism for exercising voting rights (article 123-bis, paragraph 1.e), CFA

There are no mechanisms for the exercise of voting rights by employee shareholders other than that envisaged for all other BPM shareholders.

f) Restrictions on voting rights (article 123-bis, paragraph 1.f), CFA

Given the co-operative nature of the Bank, each shareholder who is in the Members’ Register only has the right to one vote, however many shares they own (“one-man-one-vote”). Inclusion in the Register of Members is subject to acceptance of the related membership application by the Management Board of the Bank pursuant to article 30 of the CBA and article 11 of the Articles of Association. More information on the Member admission process is provided on the website www.gruppobpm.it, in the “BPM Members” section and related subsections.
g) Agreements between shareholders (article 123-bis, paragraph 1.g), CFA)

Note that, on 9 September 2011, BPM and Fondazione Cassa di Alessandria (hereinafter “Fondazione CRAL”) entered into a shareholder agreement covering such aspects as the governance of the Bank and of the BPM Group companies, based on which, among other things, a designated officer of the Fondazione has been given a place on the Supervisory Board of BPM (in this regard, see article 63 of the Articles of Association of BPM).

The aforementioned shareholder agreement, as a consequence of amendments agreed between the parties on 28 February and 25 June 2014, will remain in force – also for the purpose of renewing the agreement that was due to expire – until 31 December 2015, with the exclusion of those clauses that envisage automatic renewal after that date. An extract of the shareholder agreement has been published on the website www.gruppobpm.it, under Governance / Shareholder Agreements and Members’ Associations.

On 18 November 2014, it was communicated to Banca Popolare di Milano that a members’ association had been set up called “Per la Cooperativa BPM”. To the extent that art. 122 of Legislative Decree 58/1998 regarding shareholders’ agreements applies, the members intend to fulfil all of the publicity and disclosure requirements vis-à-vis the public and the Supervisory Authorities in accordance with these regulations. In view of the above, an extract of the aforementioned association agreement has been published on the website www.gruppobpm.it under Governance / Shareholder Agreements and Members’ Associations.

h) Change of control clauses (article 123-bis, paragraph 1.h) of the CFA) and provisions contained in Articles of Association on takeover bids (article 104, paragraph 1-ter and article 104-bis, paragraph 1 of the CFA)

It is hereby disclosed that BPM and its subsidiaries are not party to any significant agreements which take effect, are modified or are extinguished in the event of a change of control of the party to the contract.

With respect to takeover bids, the Bank’s Articles of Association do not contain any provisions to opt-out of the passivity rule provided for under paragraphs 1 and 1-bis of art. 104 of the CFA. It should also be noted that the right to include neutralisation rules in the by-laws, as provided for by paragraphs 2 and 3 of art. 104-bis of the CFA, is not permitted for a cooperative company as per paragraph 1 of art. 104-bis of the CFA.

i) Agreements between the Company and Members of the Management or Supervisory Board

The information required by article 123-bis, paragraph 1.i) CFA (i.e. information concerning any “agreements between the company and the directors, the members of the management or supervisory board providing for compensation in the event of resignation or dismissal without just cause or if their employment ceases because of a takeover bid”) is contained in the Remuneration Report published pursuant to art. 123-ter CFA.

l) Appointment and replacement of Management Board Members - Amendments to the Articles of Association (article 123-bis paragraph 1, lett. l), CFA)

As regards the rules for amendments to the Articles of Association, it should be noted that, for certain types of resolutions, the text of the Articles of Association provides for quorums that are higher than those required by law.

In particular, as per article 31 of the Articles of Association, amendments relating to mergers and/or absorptions, have to be approved by a vote in favour of at least two thirds of the Members involved in voting, but in no case by less than five hundred votes. Moreover, resolutions that involve amending article 5 of these Articles of Association or the rules regarding who has the right to vote and how it should be exercised, or that concern the Company’s transformation or its early winding up, or any change in article 31.3 of the Articles (concerning the higher quorums needed to pass resolutions) have to be approved by at least one seventh of the Members with the right to vote.

Lastly, the last paragraph of article 31 of the Articles of Association requires the application of the quorums required for Ordinary General Meetings in the event of resolutions to be taken to comply with instructions issued by the Supervisory Authority in the
interests of stability or to adjust to legislative requirements, i.e. an absolute majority of the votes of those taking part in the ballot. In accordance with article 2365.2 of the Civil Code, the Management Board can also pass resolutions to bring the Articles of Association into line with new regulatory or legislative requirements (article 39, para. 2, letter u), of the Articles of Association. In these cases, the Management Board can ask the Supervisory Board for a prior non-binding opinion, indicating the deadline by which the opinion should be issued.

The additional information required by article 123-bis, first paragraph. l) CFA (“The rules governing the appointment and replacement of directors … and amendments to the Articles of Association, if different from those laws and regulations applicable as an alternative”) are outlined in Section 4.1 of this Report.

m) Mandates for increases in capital and authorisations for the purchase of treasury shares (article 123-bis, paragraph 1.m), CFA

**Mandates for increases in share capital**
At the Date of the Report the Management Board has not been attributed any power to increase the share capital pursuant to article 2443, Civil Code.

**Authorisations for the purchase of treasury shares**
The General Meeting of 12 April 2014 gave a mandate to the Management Board, until the next General Meeting, to manage the “reserve for treasury shares”, i.e. to buy and sell the Bank’s shares on the MTA run by Borsa Italiana in accordance with the procedures set out in article 144-bis, paragraph 1.b) of the current Regulations that implement Decree 58/98 concerning issuers, within the limit imposed by the amount of the reserve as increased from time to time by sales of shares in the course of normal trading activities designed to promote active trading in the stock market; and – in compliance with the provisions contained in the Articles of Association or under schemes for the allocation of shares to employees or to collective funds in which employees have invested - to give shares to employees at prices, even below market value, to be fixed from time to time at the Board’s discretion. The Bank is holding 1,395,574 of its own shares (“treasury shares”) at 31 December 2014.

n) Management control and coordination (article 2497 et seq. Civil Code)
Banca Popolare di Milano is the Parent Company of the BPM - Banca Popolare di Milano – Banking Group. Given the co-operative nature of the Bank, which does not allow the formation of pre-established controlling majorities, it is not subject to management control and coordination in accordance with art. 2497 et seq. of the Italian Civil Code.

3. Compliance (article 123-bis, paragraph 2.a), CFA)
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, which BPM introduced back in 2001. The July 2014 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 website (www.gruppobpm.it).

Lastly, neither the Bank nor its significant or strategic 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.I), CFA

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 period of three years maximum; 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 and they can be re-elected.

The process for the appointment and dismissal of the Management Board by the Supervisory Board is regulated 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 casting 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, as per article 53 of the Articles of Association, which is set up as a sub-committee of the Supervisory Board, is 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 can no longer serve, the Supervisory Board has to replace them without delay - as per 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 established 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 foreseen under current law, has even more stringent professional requirements and states that (i) at least one of the members has to satisfy the independence requirements as per art. 148, para. 3, CFA, (ii) of the five members that make up the Management Board, two of them, including the Chairman, have to qualify as non-executive directors.

In accordance with the supervisory provisions issued by the Bank of Italy, the Management Board verifies that each Board member satisfies the requirements of professionalism and integrity, the independence requirements pursuant to paragraph 3 of art. 148 of the CFA and article 3 of the Code of Conduct and also checks 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, converted with amendments into Law 214/2011 (hereinafter “Legislative Decree no. 201/2011”) and per paragraph 6 of article 32 of the Articles of Association. The results of the verification process are communicated to the public by means of press releases.

The Management Board, in compliance with the Bank of Italy’s Governance Measures, (i) defines its ideal board composition; (ii) transmits to the Supervisory Board, upon the appointment of the management board members, the results of the analysis performed; (iii) subsequently verifies the correspondence between the ideal composition from a quantitative and qualitative point of view and the actual one resulting from the appointments process.

Succession Plans
The situation regarding succession plans (i.e. structured plans for the succession of Executive Directors) is under review and, once this review is completed, appropriate measures will be taken. As things stand –except as provided for by the Articles of Association– no specific mechanisms are foreseen in the event of early replacement.
4.2. Composition (article 123-bis, paragraph 2.d), CFA

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 appointed – taking into account the recommendations made by the Supervisory Board – Giuseppe Castagna as Managing Director, granting him the powers under art. 45 of the Articles of Association; at the same meeting, the Management Board also appointed Giuseppe Castagna as the Bank’s General Manager. On 14 February 2014, the Management Board verified, with a positive outcome, the requirements of integrity and professionalism of its members, as well as whether or not they qualified as independent or executive directors, also taking note that (i) the composition of the Board complies with the law and the Articles of Association, (ii) the composition of the Management Board matches the ideal 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 currently in 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 that some of them hold on the Board, the date that their mandate expires and whether or not they qualify as independent or executive directors (last verified on 24 February 2015 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. CFA</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>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>no. 3</td>
<td>no. 1</td>
<td>no. 2</td>
<td>no. 3</td>
</tr>
</tbody>
</table>

(*) Independent director as per article 148, paragraph 3, CFA
(**) Independent director as per article 3 of the Code of Conduct
(*** Executive director
(****) Non-executive director

The curriculum vitae of each member of the Management Board is available on the Bank’s website www.gruppobpm.it, under Governance / BPM Governance Model / Management 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 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>1 year and 1 month</td>
</tr>
<tr>
<td>Giuseppe Castagna</td>
<td>21 January 2014</td>
<td>1 year and 1 month</td>
</tr>
<tr>
<td>Davide Croff</td>
<td>26 October 2011</td>
<td>3 years and 4 months</td>
</tr>
<tr>
<td>Paola De Martini</td>
<td>21 January 2014</td>
<td>1 year and 1 month</td>
</tr>
<tr>
<td>Giorgio Girelli</td>
<td>21 January 2014</td>
<td>1 year and 1 month</td>
</tr>
</tbody>
</table>

For information on Board members who left office on 21 January 2014, subsequent to the appointment of the Management Board currently in office, please see paragraph 4 onwards 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).

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

The Management Board has set out its position on the maximum number of directorships or auditorships, having decided that – without prejudice to the ban on interlocking directorates and the provisions of article 32, paragraph 6, of the Articles of Association – its 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, calculated based on criteria laid down by article 144–duodecies and by Attachment 5–bis to Consob’s Issuers’ Regulations.

On 24 February 2015, the Management Board concluded that the previously indicated limits to the accumulation of offices by each Board member had been complied with and, on the same date, also ascertained that there had been compliance with the prohibition of interlocking directorates as per article 36 of L.D. no. 201/2011 and that there were no grounds for incompatibility as per BPM’s Articles of Association.

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>1</td>
<td>2</td>
</tr>
<tr>
<td>Davide Croff</td>
<td>Chairman of the Board of Directors of Permasteelisa S.p.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director of Fiera Milano S.p.A.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Director of Genextra S.p.A.</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Paola De Martini</td>
<td>Manager of STMicroelectronics</td>
<td></td>
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<td>Giorgio Angelo Girelli</td>
<td>Deputy Chairman of the Board of Directors of MV Agusta Motor S.p.A.</td>
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<td>Director of Acotel Group S.p.A.</td>
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<td>Chairman of the Board of Directors of ProFamily S.p.A. (BPM Group)</td>
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Training programmes
In 2014 a specific training programme was introduced for members of the Management Board and Supervisory Board (which Bank executives may also attend if interested in the topics covered). The programme consists of modules of a duration of four months that cover regulatory and business issues. In the last four months of 2014, three courses were held covering (i) financial statements of banks, focusing on issues relevant to officers; (ii) the integration of Risk appetite into strategic and operating processes and (iii) the self-assessment process of the composition and functions of the corporate bodies of banks as per Bank of Italy governance measures. The programme will continue in 2015.

4.3. Role of the Management Board (article 123-bis, paragraph 2.d), CFA)

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 purpose.

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 delegated by law, the Management Board is exclusively responsible for the following matters:

a) definition of the general policies and strategies of the Company and of the Group;
b) the appointment and dismissal of the Managing Director, as well as the attribution, modification or revocation of the powers granted to him;
c) the preparation of business and/or financial plans, as well as the budgets for the Company and the Group;
d) risk management and internal controls, without prejudice to the powers and duties of the Supervisory Board;
e) the granting, amendment or revocation of mandates and powers and the granting of specific duties or powers to one or more of its members;
f) 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;
g) the appointment of members of the administrative and control bodies of the companies belonging to the Group;
h) the acquisition or disposal of investments that involve changes in the Banking Group;
i) the opening and closing of branches and representative offices;
j) evaluation of the Company’s organizational, administrative and accounting structure;
k) the approval and amendment of Company and Group regulations, without prejudice to the mandatory powers and duties of the Supervisory Board;
l) determining the criteria for the coordination and management of Group companies, as well as the criteria for implementing instructions from the Bank of Italy;
m) the appointment and dismissal of the Financial Reporting Manager in accordance with article 154-bis of Decree 58 of 24 February 1998 and determination of his resources, powers and remuneration, subject to the opinion of the Supervisory Board;
p) 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,
q) preparation of the draft separate financial statements, draft consolidated financial statements and interim reports;
r) 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;
s) the formalities relating to the Management Board referred to in Articles 2446 and 2447 of the Civil Code;
t) drawing up merger or demerger plans;
u) the adoption, pursuant to article 2365, para. 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;
v) 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 foreseen in subparagraphs h), t) and u) of the preceding paragraph, indicating the deadline by which the opinion should be issued.
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 18 November 2014).

**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 term 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 and at least one thereof must participate at meetings of the Management Board).

In 2014, the Management Board held 31 meetings, lasting 2 hours and 40 minutes on average with an overall participation of 92.90% (the percentage attendance of each member is shown in table no. 2). The terms for giving notice and for the provision of documentation needed for Board meetings were duly complied with during the year.

In 2015, 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 Bank of Italy governance measures (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 2014 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”).

The Management Board is being advised by Spencer Stuart, a consulting firm specialised in corporate governance and board effectiveness, which had previously advised the Bank’s Supervisory Board on the self-assessment process. The 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 direct interviews with management board members, performed by the consultants using an interviewing guide; 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.

The Board Review findings, which were discussed at the Management Board meeting held on 10 March 2015, highlighted, in particular (i) the extent of the Board members’ awareness of the system of governance adopted by the Bank and of the powers and duties pertaining to the position held; (ii) a predominantly positive assessment of participation by individuals in Board discussions; (iii) the importance placed by all the Board members on training and updates on technical issues such as changes in banking regulations and other specific topics; (iv) that, in 2014, the Board was busy dealing with matters of an extraordinary nature (inclusive of the adoption of a new business plan, the measures implemented for the capital strengthening of the Bank and the Comprehensive Assessment conducted by BCE) and that, in 2015, it will be able to focus more on issues closely related to the Bank’s business; (v) that the Chairman and the Managing Director had performed their roles effectively; (vi) that there was a need to put succession plans in place for senior management and key executives; (vii) suggestions for information flows towards Board members; (viii) a smaller number of Board members in proportion to the size of the Bank; (ix) that, the comparison of the operating practices of the Board against best practice provided confirmation of the positive assessment of how BPM’s Management Board functions.
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 (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 thereby. 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 Manager;

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 simplify 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 Legislative Decree 201/2011, it is hereby disclosed that no cases arose of Giuseppe Castagna, Managing Director, being involved in any cross directorships as contemplated by article 2.C.5 of the Code.

The Managing Director reports at least quarterly to the Management Board on the performance, outlook and more 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). During the course of 2014, the Managing Director complied with the aforementioned disclosure requirements and constantly informed the Management Board of the main activities performed in the exercise of the powers granted.

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 24 February 2015, the Management Board assessed the executive or non-executive status of its members in accordance with Bank of Italy governance measures 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 24 February 2015, the Management Board verified the independence requirements of its members pursuant to the third paragraph of article 148 of the CFA (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 verification 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 (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 ProFamily S.p.A.);

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

In this regard, note that during the verification performed on 24 February 2015, 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 of all Board members were held outwith official Board meetings to enable, as free as possible, insights on, discussions of and an exchange of views on a range of issues; 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 CFA, 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 CFA) 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 diffusion 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 CFA (and related Consob rules), the Bank has created a Register of persons with access to privileged information relating to BPM and any third-party issuers by virtue of their employment or profession or the job carried out; at the same time, the Bank has adopted a Regulation 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, 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 “2015 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 10-11 April 2015.
7. Management Board Committees (as per article 123-bis, paragraph 2. d), CFA)

The Articles of Association provide for the possibility for 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 2014, the Credit and Loans Committee held 50 meetings – which were all minuted – with an overall 76.53% attendance rate.

7.1 Risk committee

The Management Board – in accordance with the regulations laid down in the Bank of Italy Circular no. 285, Title IV, Chapter 1, Sect. IV – 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 foregoing Circular no. 285; in this regard, we would point out that which follows.

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 the Bank of Italy Circular no. 263, Title V, Chapter 7;
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.

The Committee has adequate instruments 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, 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 all 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 measures, of 3 management board members, all of which are non-executive, the majority of which meet the independence requirements of article 148, paragraph 3, CFA.

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

In 2014, the Board Risk Committee, which took office in December 2014, held 1 meeting lasting 1 hour and which was attended by all members. In 2015, up to the Date of this Report, 2 meetings of the Committee have been held.

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 supporting the Management Board in the integrated management of risks to which the individual members of the Group and the Group as a whole are exposed. BPM is evaluating the merits of making potential changes to the duties currently assigned to the Risk Steering Committee, in order to ensure an effective and synergistic coordination of functions with the Board Risk Committee.

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 risk management 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. 263/2006, Title IV, Chapters 7, 8, 9), 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 (Management Board, Supervisory Board and Managing Director), the control functions and the corporate functions, units and roles, the main task of which 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. 263/2006, Title V, Chapter 7, Section 2, paragraphs 2, 3 and 4.

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

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. 263/2006, Title V, Chapter 7, 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 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, both by undertaking audit work outsourced thereto directly and by coordinating the annual planning of all of the Group companies’ audit functions, 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, which was revised in 2014 with effect from 2015 (Audit Universe), in accordance with the requirements of Bank of Italy Circular 263, 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 an 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, with the task of assessing the functionality of the overall system of controls and, in general, the adequacy of the system of internal control of the Group, intended as the system of rules, procedures and organisational structures aimed at guaranteeing compliance with corporate strategies, safeguarding asset values, the reliability of accounting and management data and compliance with all laws and regulations.

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.
8.3 Compliance and anti-money laundering 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. Vice versa, the Compliance function’s duties 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.

The anti-money laundering function reports to the Compliance function and – 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. This ensures there is a sole function that oversees anti-money laundering within BPM Group with a view to risk prevention and management and which provides the Group companies with advice, assistance and support in the identification and interpretation of the applicable regulations and in the provision of adequate training thereon. The anti-money laundering function has access to all the business’s activities, as well as to any relevant information useful for the performance of its work and reports directly to the Management Board and the Supervisory Board.

8.4 Risk management function

The Risk Management function reports to the Managing Director and is involved in 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, it has, among other things, the task of proposing the quantitative and qualitative parameters for the RAF that make reference to stress scenarios and, in the case of changes in the internal and external operating environment of the Bank, the adjustment of these parameters. It has direct access to the Management Board and the Supervisory Board and is able to communicate therewith without any restrictions or intermediaries.

8.5 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, (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 the Head of the Parent Company’s Audit function (ex officio member of the Committee), Giuseppe Panetta. 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 and the Risk Management function.

The main BPM Group companies have also adopted their own Model and have set up their own Supervisory Committee. The Bank, without prejudice to the autonomy of each subsidiary in the adoption of its own Model, has issued Group guidelines on the appointment and composition of Supervisory Committees.

The Organisational, Management and Control Model and the 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.

### 8.6 Independent auditors

The General Meeting of the Members of BPM of 21 April 2007 appointed Reconta Ernst & Young 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 2007-2015.

Taking into account that the foregoing audit appointment will soon come to an end, the General Meeting of Members, which has to be held on 10-11 April 2015, will be called upon to appoint other independent auditors for the period 2016-2024.

### 8.7 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 CFA.

The Financial Reporting Manager was assigned adequate powers and resources - including a specific expense budget, which for 2014 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) CFA), reference should be made to Attachment “A” to this Report.

### 8.8 Coordination of persons involved in internal control and risk management system

In 2014, work was completed on the drafting of “Policy guidelines for the internal control system and the coordination thereof”, in which – in line with the requirements of the Bank of Italy Circular no. 263/2006, Title V, Chapter 7, Section 2, paragraph 5 – 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.
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 belonging to or, in any case, the proximity of certain people (so-called “related parties”) 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 associated persons (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 Act (CBA). The Regulation is available on the website www.gruppobpm.it, under Governance / Corporate Documents.

These Group Regulations, in the version updated during the first half of 2014:

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 less and more material transactions and defining in this context the role and the duties of a committee of independent directors;

iv. sets out cases for exemptions and exceptions for certain types of transactions with Associated Persons (inclusive of ordinary less material transactions entered into on an arm’s length basis and low value transactions);

v. lay down the disclosure requirements (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 CFA). The committee met twice in 2014.

For more information on related party transactions in 2014, 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 31.12.2014 (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 10-11 April 2015).

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 CBA, by article 148, paragraph 3 and article 150, paragraph 1 of the CFA 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 Supervisory Board consists of seventeen Board Members (except as provided by art. 47 of the Articles of Association). Another one or two members can be appointed by the General Meeting, 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 CFA 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 measures – 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 professionalism 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 (out of a total of 6 assigned to minorities) by UCITS.

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 General Meeting of Members on first call 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 General Meeting at first calling 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 which 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 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 makes the total number of Board Members go over 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 can no longer attend, 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 can no longer attend and, in any case, in compliance with current regulations on gender balance. If this proves impossible, the member of the Supervisory Board who can no longer attend 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) and (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) CFA

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 verified, 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 and (ii) having verified, with a positive outcome – after having consulted the Nominations Committee – that the composition of the Supervisory Board matched the ideal 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.a r.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 2014.

### 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 (1)</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 (2)</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>NO</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>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Carlo Frascaro (3)</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>YES</td>
<td>NO</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>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Flavia Daunia Minutillo</td>
<td>Board member</td>
<td>30-50 years</td>
<td>F</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>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>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>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Luca Raffaello Perfetti (4)</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 Gogi (4)</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>
<tr>
<td><strong>Total</strong></td>
<td><strong>no 18</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16</td>
<td>8</td>
<td>6</td>
</tr>
</tbody>
</table>

**DIRECTORS WHO LEFT OFFICE DURING 2014**

<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>Claudia Bugno</td>
<td>Board member</td>
<td>30-50 years</td>
<td>F</td>
<td>21.12.2013</td>
<td>14.01.2014</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Jean-Jacques Tamburini (3)</td>
<td>Board member</td>
<td>&gt; 50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>20.04.2014</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Ezio Maria Simonelli</td>
<td>Board member</td>
<td>&gt; 50 years</td>
<td>M</td>
<td>21.12.2013</td>
<td>06.08.2014</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
</tbody>
</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 Auditors with at least three years' audit experience.
(***) Minority Board member.

(1) Board member appointed to replace the outgoing Ezio Maria Simonelli, 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.
(3) Board member taken from the list submitted by the Supervisory Board as per article 63 of the Articles of Association.
(4) Taken from the list presented by UCITS which won a minority of the votes.
The curriculum vitae 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>1 year and 2 months</td>
</tr>
<tr>
<td>Mauro Paoloni</td>
<td>22.10.2011</td>
<td>3 years and 4 months</td>
</tr>
<tr>
<td>Marcello Priori</td>
<td>22.10.2011</td>
<td>3 years and 4 months</td>
</tr>
<tr>
<td>Alberto Balestreri</td>
<td>15.11.2012</td>
<td>2 years and 3 months</td>
</tr>
<tr>
<td>Andrea Boitani</td>
<td>21.12.2013</td>
<td>1 year and 2 months</td>
</tr>
<tr>
<td>Angelo Busani</td>
<td>21.12.2013</td>
<td>1 year and 2 months</td>
</tr>
<tr>
<td>Emilio Luigi Cherubini</td>
<td>11.08.2014</td>
<td>6 months</td>
</tr>
<tr>
<td>Maria Luisa Di Battista</td>
<td>12.04.2014</td>
<td>10 months</td>
</tr>
<tr>
<td>Roberto Fusilli</td>
<td>22.06.2013</td>
<td>1 year and 8 months</td>
</tr>
<tr>
<td>Carlo Frascarolo</td>
<td>21.05.2013</td>
<td>1 year and 9 months</td>
</tr>
<tr>
<td>Donata Gottardi</td>
<td>21.12.2013</td>
<td>1 year and 2 months</td>
</tr>
<tr>
<td>Piero Lonardi</td>
<td>22.10.2011</td>
<td>3 years and 4 months</td>
</tr>
<tr>
<td>Flavia Daunia Minutillo</td>
<td>22.06.2013</td>
<td>1 year and 8 months</td>
</tr>
<tr>
<td>Alberto Montanari</td>
<td>21.12.2013</td>
<td>1 year and 2 months</td>
</tr>
<tr>
<td>Giampietro Giuseppe Omati</td>
<td>21.12.2013</td>
<td>1 year and 2 months</td>
</tr>
<tr>
<td>Luca Raffaele Perfetti</td>
<td>27.04.2013</td>
<td>1 year and 10 months</td>
</tr>
<tr>
<td>Cesare Piovene Porto Godi</td>
<td>21.12.2013</td>
<td>1 year and 2 months</td>
</tr>
<tr>
<td>Lucia Vitali</td>
<td>21.12.2013</td>
<td>1 year and 2 months</td>
</tr>
</tbody>
</table>

**Limits to the accumulation of offices**

The members of the Supervisory Board are not allowed to hold or accept directorships or auditorships (or as members of management or supervisory boards) in more companies and other entities than as laid down in articles 144-duodecies et seq. and Annex 5-bis of the Issuer Regulations, implementing art. 148-bis CFA (as amended).

The Supervisory Board, during the course of the meeting held on 10 February 2015, 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 L.D. 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 of Banca Popolare di Milano.

<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>
</table>
| Dino Piero Giarda     | Director of Istituto Centrale delle Banche Popolari Italiane S.p.A.  
 Member of the Interbank Guarantee Fund                                                                                   | 5                         | 7     |
| Mauro Paolini         | Acting Auditor of Banca Akros S.p.A. (BPM Group)  
 Chairman of the Board of Directors of Bipiemme Vita S.p.A.  
 Director of Servizi Italia S.p.A.  
 Acting Auditor of AIFA - Agenzia Italiana del Farmaco                                                                       | 10                        | 14    |
| Marcello Priori       | Chairman of the Board of Statutory Auditors of Banca Akros S.p.A. (BPM Group)  
 Director of Alerion Clean Power S.p.A.  
 Statutory Auditor of Carrefour Italia S.p.A.  
 Acting Auditor of Carrefour Property Italia S.r.l.  
 Chairman of the Board of Directors of RGI S.p.A.  
 Chairman of the Board of Directors of Bipiemme Assicurazioni S.p.A.  
 Acting Auditor of Banca Farmafactoring S.p.A.  
 Director of Vivigas S.p.A.  
 Director of Aemme Linea Energie S.p.A.                                                                                       | 3                         | 12    |
| Alberto Balestrieri   | Chairman of the Board of Statutory Auditors of Premuda S.p.A.                                                                 | 1                         | 1     |
| Andrea Boitani        | New                                                                                                                            | 1                         | 1     |
| Angelo Busani         | New                                                                                                                            | 0                         | 0     |
| Emilio Luigi Cherubini| New                                                                                                                            | 7                         | 7     |
| Maria Luisa Di Battista| New                                                                             | 0                         | 0     |
| Roberto Fusilli       | New                                                                                                                            | 0                         | 0     |
| Carlo Frascarolo      | Chairman of the Board of Statutory Auditors of Immobiliare Miraldo S.r.l.                                                    | 14                        | 15    |
| Donata Gottardi       | New                                                                                                                            | 0                         | 0     |
| Piero Lonardi         | Chairman of the Board of Statutory Auditors of AMSA S.p.A.                                                                    | 9                         | 10    |
| Flavia Daunia Minutillo| Acting Auditor of Actavis Italy S.p.A.  a socio unico  
 Acting Auditor of E-MID SIM S.p.A.  
 Acting Auditor of Milan Entertainment S.r.l.  
 Acting Auditor of I.M.S. Health S.r.l.  
 Acting Auditor of Molmed S.p.A.                                                                                           | 5                         | 10    |
| Alberto Montanari     | New                                                                                                                            | 0                         | 0     |
| Giampietro Giuseppe Omati| Director of Fiera Milano S.p.A.                                                                                              | 7                         | 8     |
| Luca Raffaello Perfetti| New                                                                             | 0                         | 0     |
| Cesare Piovene Porto Godi| Chairman of the Board of Statutory Auditors of Sorin S.p.A.  
 Chairman of the Board of Statutory Auditors of GGP Italy S.p.A.  
 Acting Auditor of Banca Akros S.p.A. (BPM Group)  
 Acting Auditor of Sirti S.p.A.  
 Acting Auditor of H.I.I.T S.p.A.  
 Acting Auditor of Polymt S.p.A.                                                                                           | 5                         | 11    |
| Lucia Vitali          | New                                                                                                                            | 0                         | 0     |
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 also has the task of approving the separate and 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, lett. f-bis) of the Civil Code.

Without prejudice to the additional mandatory powers foreseen in the Articles of Association and in provisions required by applicable 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 compensation for 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 that have 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, first and third paragraphs, of Legislative Decree 58 of 24 February 1998, and in particular:
   - performs the control function by monitoring compliance with laws and the Articles of Association, respect for 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 fact that it can be relied on to present 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, CFA;
   - 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 Parent 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, CBA;
(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 CFA, 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 their 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 CFA, 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 news 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, CFA 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 13 January 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 2014, the Supervisory Board held 21 meetings, lasting 2 hours and 56 minutes on average with an overall participation of 96.37% (the percentage attendance of each member is shown in table no. 3).

In 2015, 6 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, Risk Management and Anti-money laundering functions).
**Self-assessment of the Supervisory Board**

Whereas, for full disclosure, reference should be made to paragraph 4.3 on the Management Board self-assessment process, we would point out that which follows.

The Supervisory Board self-assessment took place with the support of Spencer Stuart, a consulting firm specialised in corporate governance and board effectiveness. The self-assessment process was concerned with the composition and the functioning of the Board. As regards the composition, prevailing opinion was in favour of a decrease in the number of members. Discussions were held on and assessments were made of communication flows from and to the Management Board and also on the weighting to assign, in the performance of the Board’s work, to the analysis of the management and performance of the Bank. Moreover, an assessment was made of the role of the Chairmen of the Sub-committees and judgement passed thereon was largely positive, while suggestions were made regarding: (a) communication flows, (b) how to resolve the disparity of information between those who participate in the Management Board or who, due to their role, have more contact with members of the Management Board and other Board members, (c) the setting of Group remuneration, (d) the opportunity to address the exceptional situation that the Board encountered at the beginning of 2014 in relation to the review of the Business Plan, of the annual financial statements and of the budget, (e) a reconsideration of the role of the Charity and Financial Reporting Commissions in relation to the traditional responsibilities of the Internal Control Committee.

10.3 Independent directors

At the meeting held on 20 February 2015, the Supervisory Board verified the independence requirements of its members pursuant to article 148, paragraph 3 of the CFA 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, CFA – it results 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 Balestri, Andrea Boitani, Angelo Busani, Emilio Luigi Cherubini, Maria Luisa Di Battista, Donata Gottardi, Piero Lonardi, Flavia Daunia Minutillo, Alberto Montanari, Giampietro Giuseppe Omati, Luca Raffaello Perfetti, Cesare Piovene Porto Godi and Lucia Vitali.

The Board members Carlo Frascarolo and Roberto Fusilli did not meet the independence requirements of the Code of Conduct, given that they have held key positions in strategic BPM Group companies during the last three years.

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.

In accordance with the recommendations of the Code of Conduct (article 5.C.1.) and the relevant instructions of the Bank of Italy, at BPM 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 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) it also provides appropriate support to both the Supervisory and Management Board, by issuing opinions of a consultative nature on periodic self-assessments made by the respective governing bodies;

d) 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. In 2014, Jean-Jacques Tamburini served as a member of the committee and, following his resignation, was replaced by Carlo Frascarolo. 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 Raffaello Perfetti, as a board member taken from the list presented by UCITS.

In 2014, the Nominations Committee proposed to the Supervisory Board (i) the appointment of Mario Anolli, Giuseppe Castagna, Davide Croff, Giorgio Girelli and Paola De Martini as members of the Bank’s Management Board for the years 2014/2015/2016; (ii) the appointment of Mario Anolli as Chairman of the Bank’s Management Board for the years 2014/2015/2016; (iii) to indicate, pursuant to article 53 of the Articles of Association, Giuseppe Castagna to the Management Board as a candidate for the position of Managing Director.
The Nominations Committee also (i) gave a positive opinion on the ex-post reviews carried out by the Supervisory Board and the Management Board – as per the Bank of Italy Note of 11 January 2012 – concerning the correspondence of the composition of the Board to the ideal composition as outlined in the self-assessment document approved by the previous corporate bodies; (ii) provided support to the Supervisory Board for the definition of the profile (in terms of professionalism, independence and accumulation of offices) of the candidate for the position of Supervisory Board member to be appointed (by the Annual General Meeting of Members held on 12 April 2014) as a replacement for the outgoing Claudia Bugno; (iii) positively assessed the profiles (in terms of professionalism, independence and accumulation of offices) of the Supervisory Board members Emilio Luigi Cherubini and Maria Luisa Di Battista, who were appointed to the Board in 2014.

During 2014, the Committee held 5 meetings, all properly minuted, lasting an average of 50 minutes, with an overall attendance of 96% (the attendance of each member is indicated in table 3 attached). In 2015, up to the Date of this Report, no committee meetings had been held.

## 13. Remuneration Committee

For the purpose of this Report, disclosure is hereby given that:

- by means of a motion passed by the Supervisory Board on 20 January 2015, the members of the Remuneration Committee are Piero Giarda Dino (Chairman), Andrea Boitani, Carlo Frascarolo, Roberto Fusilli and Lucia Vitali. In 2014, Jean-Jacques Tamburini served as a member of the committee and, following his resignation, was replaced by Carlo Frascarolo;
- in 2014, 11 properly minuted meetings of the Remuneration Committee were held, lasting an average of around 3 hours, with an overall attendance of some 100% (the attendance of each member is indicated in the attached table 3);
- in 2015, up to the Date of this Report, the Remuneration Committee has met 3 times.

For further information on the Remuneration Committee (duties, functions and work performed) please see Section I, paragraph 3.1, letter f and Section II, Part 1, paragraph 1.1 of the “2015 Remuneration Report of the BPM Banking Group” (document available on BPM’s website at www.gruppobpm.it, under General Meetings of Members / General Meeting of Members 10–11 April 2015 and under Governance/Remuneration policies.

## 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:

- promptly informs the Supervisory Board of any significant act or fact under article 52 of the CBA and on any report or complaint made to the competent organs or authorities;
- using of the pertinent structures (Audit, Risk Management 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;
- 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;
- 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 CFA, to be submitted to the General Meeting of Members on the supervisory activities performed, on findings relating to omissions or wrongful acts 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.

Note that, by means of a motion passed by the Supervisory Board on 13 January 2015, the functions as per article 19 of Legislative Decree 39/2010, previously assigned to the committee, were reassigned to the Supervisory Board by amendments to the Regulations for the Internal Control Committee and the Regulations for the Supervisory Board.

The Committee, making use of the pertinent structures, may 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 Group companies on their administration and control systems and general business trends.

The Internal Control Committee is an ongoing point of reference for the Company’s organizational structures that perform internal control functions; it receives periodic information from these structures about specific situations or trends in the Company and informs the Supervisory Board on any relevant act or fact as per article 52 of the CBA. The Committee has adequate instruments to carry on its duties with information flows provided by the relevant structures of the Bank. 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 any terms and spending limits established by the Supervisory Board.

During 2014 and up to the motion passed by the Supervisory Board on 20 January 2015, those who served as Committee members were Alberto Balestrieri (Chairman), Carlo Frascarolo, Mauro Paoloni, Cesare Piovene Porto Godi and Ezio Maria Simonelli (who, after his resignation, was replaced by the Board member Emilio Luigi Cherubini).

By means of a motion passed by the Supervisory Board on 20 January 2015, at the Date of this Report, the members of the committee are: Alberto Balestrieri (Chairman), Carlo Frascarolo, Dino Piero Giarda, Cesare Piovene Porto Godi and Piero Lonardi.

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 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, as a board member taken from the list presented under article 63 of the Articles of Association,
(ii) Cesare Piovene Porto Godi, as a board member taken from the list presented by UCITS,
(iii) Ezio Maria Simonelli, as a board member taken from a list other than those mentioned above and from the majority list.

During 2014, the Committee held 32 meetings, all properly minuted, lasting an average of 2.30 hours, with an overall attendance of 94.4% (the attendance of each member is indicated in table 3 attached).

During 2014, the Internal Control Committee has in particular:

- set out the areas to be addressed by its work;
- shared the planning criteria and objectives of the audit and compliance activities for 2014;
- reviewed the audit work performed in 2013 and the annual reports issued by the Compliance function and the person responsible for anti-money laundering;
- analysed the validation reports of the Internal Rating System of BPM and of the Internal model for market risk of Banca Akros;
- met with the control functions of ProFamily, Banca Akros, WeBank and Banca Popolare di Mantova;
- monitored the progress of the internal audit, compliance, risk management and anti-money laundering activities;
- carried out preparatory activities for the audit of the financial statements;
- met the Independent Auditors Ernst & Young and the Financial Reporting Manager on more than one occasion.

Furthermore, the committee carried out detailed reviews of specific areas, such as:

- monitoring the stage of completion of the resolution of critical issues raised by the Internal Audit and Compliance functions;
- monitoring of costs for external consultants;
- review of the requirements of the Bank of Italy Circular no. 263 – 15th update – and monitoring the implementation of measures taken by the Bank as a result of a gap analysis;
- changes in legislation concerning the measurement of the loan portfolio;
- analysis of criteria for the development of the Risk Appetite Framework;
status of the Comprehensive Assessment conducted by the ECB;
- review of the issues relating to the merger of Webank into Banca Popolare di Milano;
- procedures, regulations and responsibilities in connection with the tax affairs of the Bank and of the Group;
- structure and functions of first-level controls;
- developments concerning BPM Group’s Financial Advisors;
- issues and changes in legislation concerning investment services.

In 2015, up to the date of this Report, the Committee has held 8 meetings.

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 “2015 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 10-11 April 2015.

16. Relations with Shareholders and Members

In the interests of a dialogue with the shareholders in general, and with institutional investors in particular and in order to comply with its required reporting requirements, the Bank makes use of an Investor Relator function. The main task of this person is to manage relations with institutional, domestic and international investors, rating agencies and financial analysts in order to ensure a constant, timely and transparent flow of information on the Group’s performance and strategies.

A separate section of the Bank’s website (www.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 - bpm.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, lett. c), CFA)

The 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 earnings, 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.

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 have to present 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-man, 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 five 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 foreseen in art. 137 CFA, 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 Legislative Decree 58/98 – Members who represent at least a fortieth of the total number of the Members of Banca Popolare di Milano.

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 terms and means used 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 means 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, BPM makes available to the members – by publishing in the website section dedicated to each general meeting (www.gruppobpm.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), CFA)

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 among the Members by the General Meeting, evaluates and 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 relations between shareholders.

The mandate for the Committee members holding office at the Date of this Report (Guido Mina, Italo Ciancia and Anna Maria Sanchirico) will come to an end at the next General Meeting of Members to be held on 10–11 April 2015, called to appoint Acting and Alternate Arbitrators for the years 2015, 2016 and 2017.

Milan, 10 March 2015

The Management Board
Table 1 – Information on the ownership structure

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

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<th>Declaration by</th>
<th>Direct shareholder and % held on share capital</th>
<th>Total % held on share capital</th>
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<tr>
<td>NORGES BANK</td>
<td>NORGES BANK</td>
<td>2.048%</td>
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<tr>
<td>ATHENA CAPITAL SARL</td>
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<td>(acting as the general partner and manager of Athena Capital Fund SICAV-FIS which controls the companies that hold the equity investments)</td>
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<td>5.734%</td>
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<td>POP 15 S.A.R.L.</td>
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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 2014, there were 56,185 shareholders included in the Members’ Register.
### Table 2 – Structure of the Management 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>Exec.</th>
<th>Non Exec.</th>
<th>Indep. as per Code</th>
<th>Indep. as per CFA</th>
<th>(%)</th>
<th>No. of offices</th>
<th>% Credit and Loans Committee</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></td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>100</td>
<td>1</td>
<td>X</td>
<td>100</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></td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>87.10</td>
<td>3</td>
<td>X</td>
<td>64.58</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></td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>93.55</td>
<td>9</td>
<td>X</td>
<td>88</td>
</tr>
<tr>
<td>Board member</td>
<td>Paola De Martini</td>
<td>1962</td>
<td>21.01.2014</td>
<td>21.01.2014</td>
<td></td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>90.32</td>
<td>2</td>
<td>X</td>
<td>100</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></td>
<td>NO</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>93.55</td>
<td>5</td>
<td>X</td>
<td>100</td>
</tr>
</tbody>
</table>

**No. of meetings in 2014**
- Management Board: 31
- C&L Comm.: 50
- Risk Comm.: 1

**NOTES:**
(*): This column shows directors’ participation at meetings of the Management Board (no. of times attended/no. of meetings held during the term of office of the person concerned).
(**): This column shows directors’ participation at meetings of the Management Board and of the Credit and Loans Committee (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 24 February 2015 (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 Credit and Loans 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/s)</th>
<th>Indep. as per Code</th>
<th>Indep. as per CFA (%)</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 100</td>
<td>8</td>
<td>X 100</td>
<td>X 100</td>
<td>X 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 100</td>
<td>15</td>
<td>P 100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deputy Chairman</td>
<td>Masseria Piori</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 100</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Alberto Balestrieri</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>90.48 2</td>
<td>96</td>
<td>X 100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Angela Busani</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>95.24 1</td>
<td>100</td>
<td></td>
<td></td>
<td></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 100</td>
<td>8</td>
<td>P 100</td>
<td></td>
<td></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 100</td>
<td>1</td>
<td></td>
<td></td>
<td></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 95.24</td>
<td>16</td>
<td>X 100</td>
<td>X 100</td>
<td>X 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>NO</td>
<td>YES 100</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Donata Gattardi</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 95.24</td>
<td>1</td>
<td></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 100</td>
<td>11</td>
<td></td>
<td></td>
<td>X 100</td>
</tr>
<tr>
<td>Board member</td>
<td>Flavia Daunia Minutillo</td>
<td>1971</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 100</td>
<td>11</td>
<td></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>YES 100</td>
<td>1</td>
<td>X 100</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>YES 71.43</td>
<td>1</td>
<td>X 80</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>YES 100</td>
<td>12</td>
<td></td>
<td>X 77</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 100</td>
<td>1</td>
<td></td>
<td></td>
<td>X 100</td>
</tr>
</tbody>
</table>

**DIRECTORS WHO LEFT OFFICE DURING 2014**

<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/s)</th>
<th>Indep. as per Code</th>
<th>Indep. as per CFA (%)</th>
<th>No. of offices ***</th>
<th>Nominations Committee (%) **</th>
<th>Internal control committee (%) **</th>
<th>Remuneration Committee (%) **</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board member</td>
<td>Ezio Maria Simonelli</td>
<td>1958</td>
<td>21.12.13</td>
<td>21.12.13</td>
<td>06.08.14</td>
<td>M</td>
<td>YES</td>
<td>YES 100</td>
<td>11</td>
<td>P 99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board member</td>
<td>Jean Jacques Tamburini</td>
<td>1947</td>
<td>22.10.11</td>
<td>21.12.13</td>
<td>20.04.14</td>
<td>s</td>
<td>NO</td>
<td>YES 85.71</td>
<td>100</td>
<td>P 100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 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).


**NOTES:**

(*) The use of the letters “M,” “m,” “s” and “A” in this column indicate whether the member was elected from the list voted by the majority (M), 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), at the date of the Board meeting when the limits to the accumulation of offices were verified by the Supervisory Board (see paragraph 10.2 of this Report).

(****) This column indicates (i) with an “X” the members of the Supervisory Board on the Committee, and 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.
ATTACHMENT A

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) CFA

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 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” 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” scope of application

The scope of 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 done 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 limits;
- 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. Periodically, the scope of application and the assessment of critical processes is updated, 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.

2.3 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 versus 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 as efficient as possible his assessment of the internal control system for financial reporting purposes 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 scope of application of the model, 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.

### 3.4 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.

### 3.5 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 scope of application of the control model.

### 3.6 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.
### PUBLIC DISCLOSURES

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

<table>
<thead>
<tr>
<th>INFORMATION REQUIRED BY BANK OF ITALY CIRCULAR No. 285, PART ONE, TITLE IV, CHAPTER 1, SECT. VII</th>
<th>PARAGRAPHS OF THE REPORT THAT PROVIDE THE INFORMATION REQUIRED</th>
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</thead>
<tbody>
<tr>
<td>Information on the guidelines for organisational structures and corporate governance.</td>
<td>Paragraph 1, Profile of the issuer.</td>
</tr>
<tr>
<td>Substantiated reason for allocation of bank to category in question.</td>
<td>Members of the Management Board:</td>
</tr>
<tr>
<td></td>
<td>– Paragraph 4.2, Composition of the Management Board, Tables 1 and 2;</td>
</tr>
<tr>
<td></td>
<td>– Paragraph 4.6, Independent directors;</td>
</tr>
<tr>
<td></td>
<td>– Table 2, Structure of the Management Board.</td>
</tr>
<tr>
<td></td>
<td>Members of the Supervisory Board:</td>
</tr>
<tr>
<td></td>
<td>– Paragraph 10.2, Composition and role of the Supervisory Board, Table 4;</td>
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<tr>
<td></td>
<td>– Paragraph 10.3, Independent directors;</td>
</tr>
<tr>
<td></td>
<td>– Table 3, Structure of the Supervisory Board.</td>
</tr>
<tr>
<td>Total number of members that hold office in corporate bodies. Breakdown of members at least by age, gender and length of period of office.</td>
<td>Number of Board members that meet independence requirements.</td>
</tr>
<tr>
<td>Members of the Management Board:</td>
<td>Members of the Management Board:</td>
</tr>
<tr>
<td>– Paragraph 4.2, Composition of the Management Board, Table 1;</td>
<td>– Paragraph 4.2, Composition of the Management Board, Table 1;</td>
</tr>
<tr>
<td>– Paragraph 4.6, Independent directors;</td>
<td>– Paragraph 4.6, Independent directors;</td>
</tr>
<tr>
<td>– Table 2, Structure of the Management Board.</td>
<td>– Table 2, Structure of the Management Board.</td>
</tr>
<tr>
<td>Members of the Supervisory Board:</td>
<td>Members of the Supervisory Board:</td>
</tr>
<tr>
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<td>Number of Board members representing minorities.</td>
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<td>Sub-committees of the Management Board:</td>
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<td>– Paragraph 4.2, Composition of the Management Board, Table 3;</td>
<td>Board Credit and Loans Committee: paragraph 7.</td>
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<td>Board Risk Committee: paragraph 7.1.</td>
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<td>Nominations Committee: paragraph 12.</td>
</tr>
<tr>
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<td>Remuneration Committee: paragraph 13 (for further information on the Remuneration Committee, the foregoing paragraph refers to the “2015 Remuneration Report of the BPM Banking Group”, which is available on BPM’s website at <a href="http://www.gruppobpm.it">www.gruppobpm.it</a>, under General Meetings of Members/General Meeting of Members 10–11 April 2015).</td>
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<td>Internal Control Committee: paragraph 14.</td>
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<td>Any succession plans in place, the number and nature of positions in question</td>
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<td>Number of proxies assigned to each member</td>
<td>Paragraph 4.1, Appointment and replacement of the Management Board.</td>
</tr>
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<td>Percentage of share capital needed for:</td>
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