



**REGULATION ON THE MANAGEMENT OF
TRANSACTIONS WITH PARTIES IN CONFLICT OF
INTEREST**

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Introduction

1.1 Purpose

The Regulation defines the principles, roles and responsibilities for monitoring the risk that potential conflicts of interest, originating from the closeness to decision-making centres of parties in conflict, that could compromise the objectivity and impartiality of decisions relating to the granting of loans and other transactions with such parties.¹

1.2 Scope of application and implementation procedures

The Regulation applies to the Parent Company and all direct or indirect subsidiaries.

More specifically, the regulations on:

- the obligations of bank representatives pursuant to Article 136 of the Consolidated Banking Law apply to all Italian banks and, with equivalent oversight, to the Group's foreign banks. Their application to other Group companies is limited to cases in which these operate as agents for the banks;
- Consob rules on transactions with related parties apply to transactions carried out by Banco BPM directly or through² the other Group banks or subsidiaries;
- risk activities and conflicts of interest involving associated entities of the Bank of Italy applies to Italian banks and supervised intermediaries³ of the Group, while equivalent controls are adopted for foreign banks and companies within the Banking Group;
- interests of directors governed by the Italian Civil Code (art. 2391 for joint-stock companies and art. 2475-ter for limited liability companies) applies to the Parent Company and all Group subsidiaries;
- IAS 24 related party disclosures, as regards financial reporting on related party transactions, applies to the Parent Company and the Group subsidiaries;
- loans to representatives and their related parties pursuant to Article 88, Directive (EU) 2013/36 applies to Group banks.

¹ Additional conflicts are regulated by the:

- Regulation on the management of conflicts of interest - MiFID (IR 16), for investment activities and additional services (as identified in art. 1, paragraphs 5 and 6 of the Consolidated Finance Law) and collective asset management services;
- Regulation on investments in equity instruments (RE 362);
- Regulation on conflicts of interest in the design, management and distribution of insurance products (RE 406), as required by European Directive 2016/97 and IVASS Regulation no. 41.

² These are transactions subject to prior assessment as a result of external or internal regulations, or in any event de facto practices, i.e. approval by Parent Company bodies or authorised parties.

³ See Part Three, Chapter 11, paragraph 3 of Circular 285.

The Regulation applies to the Group insurance companies with reference to the provisions of art. 2391 of the Italian Civil Code and to transactions subject to prior examination by the Parent Company, as well as to financial reporting pursuant to IAS 24.

The Regulation is approved, subject to prior opinion from the Board of Statutory Auditors, by the Board of Directors of Banco PM (hereinafter also the Parent Company) and subsequently by the competent administrative bodies of the subsidiaries which, for matters under their responsibility, resolve and guarantee that any internal regulations are consistent with Group Regulations.

The Regulation is published on the website of the Group banks.

1.3 Summary of updates

Progressive number	Date of update	Update summary content
Initial approval	19/12/2023	<p>New Regulation that brings together and streamlines the content of previous versions in a single document:</p> <ul style="list-style-type: none"> – Regulations relating to obligations of bank representatives pursuant to Article 136 of the Consolidated Banking Law – Regulation and Procedures governing related party transactions; – Regulation, Procedures and Policies to manage at-risk activities and conflicts of interest in relation to Associated Entities.

2 General Principles

The conflict of interest regulations aim to manage risks where transactions are carried out by individuals with significant roles in the Group companies, capable of causing real or potential damage to the company, shareholders, depositors and the market and require the adoption of procedures and controls that guarantee:

- transparency and substantial fairness of all transactions with parties in conflict of interest in reference to the conditions applied and the convenience of their acceptance;
- procedural fairness in reference to the due diligence and decision-making process adopted.

Furthermore, the rules on conflicts of interest are coordinated with the Supervisory Authority provisions regarding controls and prudential limits defined with respect to the same set of parties in conflict of interest (see paragraph 3.2 and Annex 2) and with the administrative and accounting procedures envisaged in Article 154-bis of the Consolidated Finance Law (TUF).

The Regulation governs the criteria for identifying parties in conflict and the due diligence and decision-making process applied to transactions with representatives pursuant to Art. 136 of the Consolidated Banking Law (Legislative Decree no. 385 of 1/9/1993), associated entities (Bank of Italy Circular no. 285, part III - chapter 11) and related parties (Consob Regulation⁴).

The provisions on conflict of interest also include art. 2391 of the Italian Civil Code (art. 2475-ter for limited liability companies), the indications laid down in accounting standard IAS 24 regarding the financial disclosure of related party transactions and Article 88, Directive (EU) 2013/36 on loans to members of the management body and their related parties.

In addition, with reference to the management of conflicts of interest, the Code of Ethics adopted by the Group envisages the obligation of absolute abstention from activities by the interest holder.

Consequently, in addition to the provisions referring to the identification of parties in conflict, the employees and agents of all Group companies must provide notice to their hierarchical superior of every interest that they may have, on their own behalf or that of third parties, in a specific transaction for which their respective company structure is responsible, specifying the nature, terms, origin and scope of the interest and must refrain from instructing, approving or carrying out the said transaction. The due diligence on the transaction must mention this declaration.

As the regulations envisage partially overlapping scopes and differentiated controls and processes, substantial application of the reference regulations and the adoption of procedures and controls in relation to all parties in potential conflict of interest are necessary.

The due diligence for transactions with parties in conflict of interest, in addition to that always required in terms of clarity of the characteristics of a proposed transaction, also highlights:

- the company's interest in carrying out the transaction, e.g. in terms of the consolidation of business relations, the correlation between risk profile and profitability, the possibility or not of concluding more advantageous alternative transactions;
- the convenience of the transaction, e.g. in economic, equity and income terms, providing objective evidence;

⁴ Consob Regulation no. 17221 of 12 March 2010, as amended.

- the substantial fairness of the conditions (rates, commissions, expenses and any other economic terms), providing objective evidence of their consistency with respect to standard or arm's length conditions; otherwise, the reasons for any discrepancies in terms of economic/contractual conditions, where applicable, and other characteristics of the transaction must be indicated.

The Related Parties Committee⁵, composed of independent directors⁶, expresses an opinion during the due diligence on transactions of lesser or greater significance with related parties or associated entities, with the exception of transactions classed as ordinary⁷, intercompany, pursuant to art. 136 of the Consolidated Banking Law or urgent.

If parties in potential conflict of interest are identified in relation to multiple reference regulations,⁸ the due diligence procedure considers the specific requirements of the processes envisaged in each applicable regulation and the resolution will be the responsibility of the highest body.

The company's interest in carrying out the transaction, its convenience and the substantial fairness of the conditions are also indicated in the resolution.

When decision-making responsibility is assigned to the Board of Directors, the director concerned is obliged to promptly issue a statement to the Board and to the Board of Statutory Auditors, at the latest by means of a statement recorded as soon as examination of the agenda item begins, regarding the nature, terms, origin and extent of the interest held on their own account or on behalf of third parties.

If the interest of the director is in conflict with that of their company, as well as for transactions subject to Art. 136 of the Consolidated Banking Law, the director is also required to leave the meeting⁹ until discussion of the item concerning them is complete.

In cases pursuant to articles 2391 and 2475 ter of the Italian Civil Code and the Code of Ethics, a director who has an interest on their own account or on behalf of third parties in a transaction to be carried out by their company, but not in conflict with the company's interest, has the right to leave the meeting, but not to participate in the meeting and may merely abstain from voting.

The same rules apply to all interested parties when decision-making responsibility is assigned to Management Committees.

⁵ For transactions with associated entities carried out by Italian banks of the Group other than the Parent Company, when the Regulation requires the intervention of the Related Parties Committee, reference should be made to the Committee of Independent Directors of the bank carrying out the transaction.

⁶ Pursuant to Art. 20.1.6 of the Banco BPM Articles of Association.

⁷ Transactions referring to ordinary operating and financial activities as defined in paragraph 2.2.2.2.

⁸ Typically, transactions subject to Art. 136 of the Consolidated Law on Banking with related parties or associated entities.

⁹ In compliance with the 'Regulation for the functioning and organisation of the Board of Directors and self-assessment of the Board of Directors and its Committees'. The discussion may then end and the proposal be put to a vote without the director concerned in any way influencing its free conduct and outcome. As exclusion from the vote of the director concerned is required by law (Art. 53, paragraph 4, Italian Legislative Decree no. 385/1993 and Art. 2391-bis of the Italian Civil Code), the director's attendance nevertheless counts for quorum purposes. After discussion of the topic in question is concluded, the director concerned returns to the meeting room; if not, they must be considered voluntarily absent from that moment and, for the rest of the meeting, will no longer count for quorum purposes.

Transactions with related parties and with associated entities - except those for which application of the enhanced procedure is excluded - are reported in special electronic registers accessible to all functions of the Group companies involved in the transactions.

In addition, in the preparation of the Parent Company financial statements, the consolidated financial statements of the Group and the financial statements of all Group companies prepared in accordance with IAS/IFRS international accounting standards, IAS 24 requires the disclosure of relations, transactions and closing balances with related parties. The same disclosure applies to interim financial statements prepared in accordance with IAS 34 (half-yearly).

For the purposes of Art. 88 of Directive (EU) 2013/36 (CRD), documented data relating to loans granted by banks to parties performing administrative, management and control functions and their related parties are made available to Supervisory Authorities on request.

2.1 Relevant persons for the application of conflict of interest regulations

For the purpose of application of conflict of interest regulations, the persons itemised in the table in Annex 1, which forms an integral part of the Regulation, are considered relevant.

Information relating to such persons is managed through prompt mapping during first-time application and when subsequent events occur that require its updating. The mapping is periodically audited and can be consulted by the Group functions.

The provisions relating to identification of the parties apply to the Group banks and foreign companies in compliance with related country-specific regulations.

2.2 Relevant transactions for the application of conflict of interest regulations

2.2.1 Transactions subject to Art. 136, Consolidated Banking Law

The regulations pursuant to Art. 136 of the Consolidated Banking Law apply to obligations of any nature contracted directly or indirectly by the representative with the administering, managing or controlling bank, regardless of the amount of the obligation.

The regulations apply to relations between each Group bank and their representatives and related parties.

2.2.1.1 Transactions excluded from application of the enhanced procedure

Application of the enhanced procedure pursuant to Art. 136 of the Consolidated Banking Law is excluded for any contractual relationship that does not involve the disbursement of credit, such as savings deposits, subscription of financial instruments or other investment products,

opening of deposits, provided that the standardised conditions¹⁰ in use for customers or employees, or more onerous conditions, are applied.

The following are also excluded:

- mass unilateral changes to the conditions, ordered by the bank pursuant to Art. 118 of the Consolidated Banking Law, as well as the reimbursement of expenses incurred by representatives in relation to their office;
- transactions in implementation of framework resolutions already adopted with application of the enhanced procedure.

These transactions are carried out in compliance with related internal regulations.

2.2.1.2 Transactions subject to application of the enhanced procedure

The main obligations subject to the application of Art. 136 of the Consolidated Banking Law concern:

- transactions and services that involve the disbursement of credit, or the granting of collateral and personal guarantees, or management actions relating to non-performing positions;
- deeds of sale¹¹;
- obligations of any nature, both financial and non-financial¹²;
- transactions with third-party counterparties in which the representative acts, directly or indirectly, as guarantor;
- transactions not involving the disbursement of credit settled at conditions other than the standard conditions in use for customers or employees;
- exceptions to the standard conditions (rates, currencies, expenses and fees) in favour of the representative.

Exceptions to the enhanced procedure based on the amount of the transaction or its materiality are not permitted even if no predetermined or predeterminable economic value is envisaged.

If the transaction conditions have changed (rates, currencies, expenses, fees, etc.), the enhanced due diligence and decision-making process will also apply in the following cases:

- derogation from the conditions if not included in the criteria and limits established in the resolution already adopted with the enhanced procedure in reference to the main obligation;

¹⁰ The conditions published in the information sheets pursuant to Bank of Italy regulations on the transparency of banking and financial transactions and services applied to customers, or included in commercial offers or relating to specific products, as well as those envisaged in general for Group employees.

¹¹ Without prejudice to the provisions of the Property Sale and Lease Regulation (RE 357).

¹² Without prejudice to the prohibition, for self-governance purposes, on professional and non-professional assignments to representatives, directly or through professional firms of which they are partners, associates or owners, or through subsidiaries. No exceptions are allowed. With reference to sponsorships, the provisions of the Regulation on Promotional Initiatives and Sponsorships (RE341) are relevant, in particular in relation to assessment by the Sponsorships Committee. With reference to charitable donations, the relevant internal regulations apply, including the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01.

- loans granted to a party before they became a representative of the bank or the contracting company;
- obligations assumed by representatives of banks participating in a merger procedure, if they remain members of the management and supervisory bodies of the new bank.

The due diligence and, likewise, the decision must contain the reasons behind the interest in carrying out the transaction and its convenience, as well as on the substantial fairness of the conditions, providing objective evidence confirming that they match the standard or arm's length conditions.

In the case of transactions subject to Art. 136 of the Consolidated Banking Law with related parties or associated entities, the related provisions for transactions of lesser or greater significance must also be considered at due diligence stage. For such transactions, members of the Related Parties Committee must be provided with adequate information, sufficiently in advance, on the different profiles of the transaction involved in the decision, such as the counterparty, type of transaction, conditions, convenience to the company and impact on the interests of parties involved. The Related Parties Committee is not required to issue an opinion.

For related party transactions of greater significance, the disclosure document is prepared and made available to the public in accordance with the methods and terms indicated in paragraph 2.4.

Art. 136 of the Consolidated Banking Law states that representative obligations entered into directly or indirectly with the banks are decided unanimously¹³ by the Board of Directors and with vote in favour from all members of the Board of Statutory Auditors regardless of the amount, without prejudice to exclusion from the vote of the representative concerned.¹⁴ The Board of Statutory Auditors vote in favour assumes that the transaction does not conflict with the criteria of sound and prudent management and is settled at arm's length.

2.2.2 Transactions with related parties and associated entities

Transactions with related parties or associated entities are any transaction involving the transfer of resources, services or obligations, regardless of whether a consideration has been agreed, and, for transactions with associated entities, the risk assumed.

The regulations on related parties applies to relations between the Parent Company and relevant persons, even if they are carried out through Group subsidiaries (subsidiary transactions).

The regulations on associated entities applies to relations between Italian Banks and relevant persons; for Group companies other than Italian banks, the controls described in paragraph 3.2 are adopted.

¹³ The unanimous vote refers to the vote in favour of the transaction of all those present at the duly constituted meeting, with the exception of the party concerned.

¹⁴ If any members of the Board of Statutory Auditors are absent, their vote must be formalised in a specific signed document to be kept in company records and this must be indicated in the minutes of the next meeting. The decision cannot be implemented without the vote in favour from all the members, excluding any statutory auditor with an interest in the transaction, as its ratification would not be impossible.

2.2.2.1 Transactions excluded from application of the enhanced procedure

Without prejudice to any disclosure obligations envisaged in applicable regulations, due diligence and decision-making, in compliance with related internal regulations and without the application of enhanced procedures, are required for low-value transactions with related parties and associated entities, i.e. those with a value lower or equal to:

- EUR 250,000 for natural persons;
- EUR 1 million for legal entities (all parties that do not qualify as natural persons).

The following are also excluded from application of the enhanced procedure:

- remuneration paid to administration, management and control function holders, directors holding special offices or executives with strategic responsibilities, if they comply with the supervisory provisions on incentive and remuneration systems of the Group companies and with Shareholders' Meeting resolutions;¹⁵
- reimbursement of expenses incurred as part of official duties by directors, statutory auditors and material risk takers, in compliance with the conditions established by related applicable regulations;
- activities to be carried out on the basis of instructions from Supervisory Authorities, for the purpose of Group stability, or issued by the Parent Company for the execution of such instructions;
- implementation of framework resolutions already adopted with application of the enhanced procedure;
- internal review of credit facilities with no change to the terms, conditions and due dates.

As regards related parties, the excluded transactions also encompass share capital increases under option, also to service convertible bond loans, share capital increases free of charge as envisaged in Art. 2442 of the Italian Civil Code, full or partial demergers applying the proportional share allocation criterion, share capital decreases through reimbursement to shareholders as envisaged in Art. 2445 of the Italian Civil Code and own share purchases pursuant to Art. 132 of the Consolidated Finance Law, i.e. targeting all shareholders under the same conditions. Remuneration plans based on financial instruments approved by the Shareholders' Meeting¹⁶ and related executive transactions are also excluded.

With regard to associated entities, the following are also among the excluded transactions:

- transactions carried out between members of the Banking Group when there is a total control relationship between them, including joint control;
- intercompany transactions transferring funds or collateral, implemented as part of the liquidity risk management system at consolidated Group level.

Transactions of lesser significance are also excluded, as defined in the following paragraphs, applied without distinction to all customers and in which decision-making responsibility is assigned by law to the commercial network structures, where related financial conditions are determined accurately and in advance, involving the use of predefined procedures and conditions and the signing of standard arrangements or contracts.

¹⁵ For related parties, decisions under Shareholders' Meeting responsibility regarding the remuneration of members of the Board of Directors, pursuant to Art. 2389, paragraph 1 of the Italian Civil Code, and members of the Board of Statutory Auditors, pursuant to Art. 2402 of the Civil Code, are also excluded from the enhanced procedure.

¹⁶ Pursuant to Art. 114-ter of the Consolidated Finance Law.

2.2.2.2 Transactions partially exempt from application of the enhanced procedure

In addition to the transactions subject to Art. 136 of the Consolidated Banking Law as defined in point 2.2.1, ordinary transactions of lesser significance, as well as those of lesser or greater significance if intercompany or urgent, are partially exempt from application of the enhanced procedure.

Ordinary transactions of lesser significance

Ordinary transactions of lesser significance are those for amounts between the low value transaction limit and the limit for transactions of greater significance¹⁷ forming part of normal operating and financial activities¹⁸ and concluded at conditions equivalent to standard or arm's length conditions.¹⁹

Ordinary decision-making processes are applied to these transactions as governed by related internal regulations and the opinion of the Related Parties Committee is not required. However, the due diligence must check for any anomalies in the purpose of the transaction, recurrence, size, contractual terms and conditions, also with regard to characteristics of the consideration, the nature of the counterparty and account performance.

In particular, the due diligence and decision must contain the reasons behind the interest in carrying out the transaction and its convenience, as well as on the substantial fairness of the conditions, providing objective evidence confirming that they match the standard or arm's length conditions.

Intercompany transactions

These are transactions that the Group banks carry out with their subsidiaries or associated companies, including subsidiaries of the latter, or transactions carried out between and through subsidiaries, in which no other related parties or associated entities have significant interests.²⁰

¹⁷ See point 2.2.2.3 below.

¹⁸ These are the core business activities that generate revenues for the bank or Group company concerned, including investment or financial activities and related or operating activities. For example: public funding, lending, including the granting and acquisition of guarantees, the provision of investment services (purchase, sale and placement of financial instruments), sale of products and provision of services such as collections and payments, management of current accounts and debit and credit cards, purchase and sale of currencies, asset management, insurance product distribution; investment in current financial instruments; activities other than above undertaken by Group companies and pension funds as envisaged in their respective Articles of Association.

¹⁹ Transactions concluded under conditions similar to those normally applied to unrelated parties for transactions of a similar nature, amount and risk or based on regulated rates or prices imposed, or applied to entities with which the bank or Group company is legally obliged to contract at a specified fee, are considered to be standard or at arm's length.

²⁰ Any equity interest relating to a transaction that could benefit a related party, that is not a counterparty in the transaction, and in the absence of such benefit the transaction would not be concluded or would be concluded under different conditions. Significant interest may exist where, in addition to mere sharing of one or more directors or other executives with strategic responsibilities, they benefit from incentive plans based on financial instruments (or in any event variable remuneration) dependent on results achieved by the subsidiaries or associated companies with which the transaction is performed. The assessment of significance is performed in light of the weight of the remuneration dependent on the subsidiary's performance (including the incentive plans) compared to the total remuneration of the director or executive with strategic responsibilities concerned. However, the simple holding of an equity interest in the subsidiary or associated company by other companies controlled by the listed Company or connected to it does not represent a significant interest per se. The mere

The proposal must contain a precise indication of the elements acquired and, when it does not concern the Parent Company, examine the transaction if the internal management and coordination regulations require prior examination or approval by the bodies or authorised parties of Banco BPM.

Intercompany transactions do not require the opinion of the Related Parties Committee.

The due diligence and, likewise, the decision must provide clear indications regarding the interest in carrying out the transaction, the convenience and the substantial fairness of the proposed transaction, i.e. the due diligence procedure carried out as indicated in the General Principles.

For transactions in which a significant interest of other related parties is confirmed, the due diligence and decision-making process defined for transactions of lesser or greater significance is applied.

Urgent transactions

With the exception of cases referred to in Art. 136 of the Consolidated Banking Law and transactions under Shareholders' Meeting responsibility, if urgent a transaction can be decided without applying the enhanced procedure described in paragraph 2.2.2.3., using the procedures envisaged in Art. 28.3 of the Articles of Association. The Board of Directors in any event retains the decision-making responsibility for transactions of greater significance.

The proposal must justify the reasons for urgency on the basis of objective circumstances not attributable to choices of the decision-maker.

Related party transactions can be decided upon provided that - if the decision on the transaction is made by the Chief Executive Officer - the Chairman of the Board of Directors is promptly informed of the reasons for urgency and, in any event, before the transaction is performed.

After the decision regarding urgency, without prejudice to its effectiveness, the related party transaction must be submitted to the first available ordinary Shareholders' Meeting, supported by a report containing suitable justification of the reasons for urgency and the assessments of the Board of Statutory Auditors on the grounds for such reasons of urgency.

The report and assessments must be disclosed to the public, by the methods envisaged in Consob's Issuers Regulation, at least twenty-one days before the date scheduled for the Shareholders' Meeting. For transactions of greater significance, the documentation may be included in the disclosure document required by the regulations on related parties. Furthermore, by close of business on the day after the Shareholders' Meeting, information on the vote's outcome must be made public, by the same procedures mentioned above, with particular regard to the total number of votes cast by unrelated shareholders.

In the case of transactions with associated entities under the responsibility of the Board of Directors and undertaken urgently by the Chief Executive Officer, the Chairman of the Board of Directors and the Board of Statutory Auditors must be informed of the reasons for urgency before the transaction is carried out. If one or more of the bodies receiving the prior disclosure or members of the Related Parties Committee do not consider that the transaction is urgent, they must promptly inform the other bodies and, as soon as possible, the Shareholders'

sharing of multiple directors or other executives with strategic responsibilities between Banco BPM and the subsidiaries or associated companies is not considered significant interest.

Meeting. If, however, the transaction is the responsibility of bodies other than the Board of Directors, it is disclosed as envisaged in paragraph 2.5.

2.2.2.3 Transactions subject to application of the enhanced procedure

Extraordinary transactions of lesser significance

For transactions of an amount between the low value limit that defined for transactions of greater significance, other than those referred to in paragraphs 2.2.2.1 and 2.2.2.2, the enhanced due diligence procedures apply.²¹

The following are considered extraordinary: the signing of agreements with external partners; lending; purchase or sale of property, plant and equipment, intangible assets and services; purchase or sale of interests in associates and joint ventures; purchase, sale or transfer of business units; purchase, sale or lease of property and, in general, the establishment, transfer or settlement of property rights;²² purchase or sale of movable assets; charity gifts and donations; sponsorships;²³ corporate demergers and mergers; and structured finance transactions.

These transactions are subject to the non-binding opinion of the Related Parties Committee prior to their approval. The Committee's opinion is expressed in reference to the Company's interest in carrying out the transaction, its convenience and the substantial fairness of the conditions.

The opinion, if necessary accompanied by independent expert appraisals attached to the Committee meeting minutes, is sent to the decision-making body for ordinary transactions, as governed by related internal regulations.

The due diligence and, likewise, the decision must contain the reasons behind the interest in carrying out the transaction and its convenience, as well as on the substantial fairness of the conditions as indicated in the General Principles.

If the transaction is resolved upon in the presence of a negative opinion, or conditional upon Committee findings, detailed justification must be provided of the reasons why it was nonetheless approved, with prompt and specifically evidenced responses to observations made by the Committee. These transactions are reported individually by the decision-making body to the Board of Directors and the Board of Statutory Auditors as soon as they are decided.

²¹ For self-governance, representatives of the banks (and also of the Group Companies) cannot be appointed, directly or through professional firms in which the representative is a shareholder, associate or owner or their subsidiaries, to professional or non-professional roles (i.e. contracts for the provision of goods or services, such as supply, tender or service contracts). The prohibition is absolute and no exceptions are allowed;

²² The Property Sale and Lease Regulation (RE 357) states that property sale and lease transactions with representatives, employees and agents of Group companies, former employees who have retired or left within the last 5 years, close relatives and in-laws up to the 2nd degree of kinship, subsidiaries or companies subject to joint control or significant influence of such parties, or with suppliers, may be authorised, in unusual cases and as justified exceptions, by the Board of Directors of the Parent Company. Subsidiaries must submit similar transactions to their own Board of Directors and the decision of the latter must contain a clause that makes its application subject to compliance with the Parent Company decision.

²³ The Regulation on Promotional Incentives and Sponsorships (RE341) envisages that transactions with parties in conflict of interest are decided unanimously by the Sponsorship Committee for amounts up to EUR 100,000 and, for higher amounts, are assessed by the Sponsorship Committee and submitted to the Parent Company's Chief Executive Officer for decision.

Transactions of greater significance

For transactions, other than those referred to in paragraphs 2.2.2.1 and 2.2.2.2, in which at least one of the following specific ratios is higher than the 5% threshold, enhanced due diligence and decision-making processes are applied:

- the total value materiality ratio, the ratio between the total transaction value and regulatory capital as recorded in the most recently published consolidated balance sheet;
- asset materiality ratio, the ratio between the total assets of the entity involved in the transaction²⁴ and the total assets of the bank taken from the most recently published consolidated balance sheet; in the case of acquisitions, mergers and demergers, the specific provisions of the Supervisory Authorities in the sector apply;
- liability materiality ratio (limited to related parties), the ratio between the total liabilities of the acquired entity and the total assets of the company.

This also encompasses transactions concluded during the year with the same related party or associated entity, which are of similar nature or are executed in implementation of a single plan which, even if qualifying individually as transactions of lesser significance, when considered together exceed the above-mentioned threshold for transactions of greater significance.

The Related Parties Committee, or one or more of its delegated members, are promptly involved in the negotiation and due diligence stage, through receipt of a complete and updated information flow on the transaction which must clearly illustrate the characteristics, methods, terms and conditions, as well as the reasons for the Company's interest in carrying out the transaction, and on the convenience and substantial fairness of the conditions. The Committee issues a justified opinion prior to approval of the transaction, accompanied by any independent expert opinions attached to the minutes of the meeting, which is sent to the Board of Directors.

The due diligence and, likewise, the decision must contain the reasons behind the interest in carrying out the transaction and its convenience, as well as on the substantial fairness of the conditions as indicated in the General Principles.

The decision is the responsibility of the Board of Directors, unless the law or the Articles of Association assign responsibility to the Shareholders' Meeting.

For related parties:

- the disclosure document must be prepared in accordance with the procedures and terms indicated in paragraph 2.4;
- if the Related Parties Committee issues a negative opinion and if approved in any event by the Board of Directors, transactions of greater significance require approval from the Shareholders' Meeting prior to their execution.

²⁴ For transactions concerning the acquisition or disposal of interests in associates and joint ventures that have an impact on the scope of consolidation, the numerator value is the total assets of the equity interest, regardless of the percentage capital being bought or sold. For transactions involving the acquisition or disposal of interests in associates and joint ventures that have no impact on the scope of consolidation, the numerator value for acquisitions is the total transaction value plus the liabilities of the acquired company taken over by the acquiring entity and, for disposals, the consideration agreed for the assets sold. For acquisition and disposal transactions concerning other assets (i.e. not the acquisition of an interest in associates and joint ventures), the numerator value for acquisitions is the higher between the consideration and the carrying amount allocated to the asset and, for disposals, the carrying amount of the asset.

For associated entities, if a Related Parties Committee opinion is unfavourable or conditional on findings for transactions of greater significance, the Board of Directors also requests a prior opinion from the Board of Statutory Auditors, which must be provided with suitable information - regarding time frames and content - on the transaction. The opinion provided by the Board of Statutory Auditors is subject to the same provisions applied to that of the Committee (justified opinion on the Company's interest in completing the transaction and on the convenience and substantial fairness of the related conditions). These transactions are brought to the attention of the Shareholders' Meeting at least annually.

2.2.2.4 Transactions with special characteristics

Transactions under the responsibility of the Shareholders' Meeting

At due diligence and proposal stage, transactions subject by law or the Articles of Association to a Shareholders' Meeting resolution must follow the rules for transactions of lesser or greater significance, taking into account the different type of transaction, including whether any exclusions or exemptions could be applied.

The transactions are submitted for prior opinion of the Related Parties Committee if no exemption cases apply to the type of transaction in question.

The resolution proposals for submission to the Shareholders' Meeting are approved by the Board of Directors.

If the Shareholders' Meeting is called to approve a transaction of greater significance involving a related party, with a negative opinion from the Related Parties Committee, the resolution is considered rejected in the event of a vote against by the majority of unrelated shareholders, provided that the number of shareholders attending the meeting represent at least 10% of the share capital.

In any case, shareholders²⁵ must abstain from resolutions in which they have a conflicting interest, whether personal or on behalf of third parties.

Transactions relating to disputes

Transactions that give rise to losses, migration to non-performing status, judicial or out-of-court settlement agreements, if lower than or equal to the low value thresholds, are exempt from application of the enhanced due diligence and decision-making process, but must be reported quarterly to the Related Parties Committee.

Transactions of a higher amount, on the other hand, must always be subject to the prior non-binding opinion of the Related Parties Committee before submission to the relevant ordinary decision-making body.

Transactions that fall within the scope of application of regulations on the obligations of banking representatives pursuant to Art. 136 of the Consolidated Banking Law.

Transactions with material risk takers

Material risk takers (MRTs) are identified by the Parent Company pursuant to Bank of Italy provisions on remuneration and incentive policies and practices.

²⁵ Without prejudice to the obligations envisaged in Art. 2391, paragraph 1 of the Italian Civil Code.

Transactions, even of low value, with associated entities classed as material risk takers and with their subsidiaries are the responsibility of the decision-making body higher than that defined for ordinary transactions and, in any event, the decision-making bodies of the central structures.

Low value transactions are exempt from application of the enhanced due diligence and decision-making process, while those of lesser or greater importance are, for due diligence purposes, subject to the rules set out in paragraph 2.2.2.

As envisaged for all employees, material risk takers must refrain from involvement in the establishment, decision or performance of the transaction in question.

2.2.3 Framework resolutions

For infrequent operations, framework resolutions can be adopted with application of the due diligence process envisaged for the type of transaction in question, including whether any exclusions or exemptions could apply.

The framework resolution must not be generic, but instead contain specific instructions, purposeful to the extent that discretionary interpretation elements are excluded.

In addition to typical elements in the resolutions adopted on ceilings, the operators concerned must be clearly identified and the maximum value of the transactions, allocation of risk types, contractual types, applicable conditions must be determined with an indication of criteria, limits and the effective duration of the framework resolution.

The same due diligence and decision-making procedures envisaged in paragraph 2.2.2, including public disclosure obligations where envisaged, apply to framework resolutions.

Framework resolutions have a duration of no more than one year and must be promptly adapted to changes in the situations underlying their adoption. Reviews must be performed using the enhanced due diligence and decision-making process, without prejudice to possible application of exclusions or exemptions.

Based on specific regulations on such matters, individual transactions concluded in the implementation of framework resolutions must be authorised by the central decision-making bodies of the Parent Company, applying the related ordinary procedure. If transactions are to be carried out which, even in individual aspects, deviate from the criteria indicated in the framework resolution, the enhanced due diligence and decision-making process must be applied again, without prejudice to any application of exclusions or exemptions.

2.3 Limits on risk activities for transactions with associated entities

For transactions with associated entities that involve the assumption of risk²⁶, compliance with the quantitative limits defined in supervisory regulations is verified, with reference to risk exposure to the same set of associated entities and additional risk appetite levels defined by the Parent Company referring to all exposures to all associated entities.

²⁶ This refers to the risk-weighted assets calculated for 'large risk' reports.

The compliance check is carried out:

- by the proposing functions at due diligence stage for transactions involving risk activities that must be recorded in electronic registers;
- centrally by the risk control function.

If one or more limits are exceeded, necessary initiatives are taken promptly to bring the risk activities back to within the permitted limits as soon as possible.

The quantitative limits defined by supervisory regulations and the additional levels of risk appetite defined by the Parent Company, as well as the exclusions, are summarised in the attached table.

2.4 Disclosure to the Public

For transactions with related parties of greater significance, other than those referred to in paragraph 2.2.2.1 and intercompany transactions, a disclosure document is prepared and made available to the public in compliance with Annex 4 of the Consob Regulation on Related Parties Transactions and, without prejudice to the provisions of Art. 17 of Regulation (EU) 596/2014, by the methods envisaged in the Consob Issuers' Regulation²⁷, together with the Related Parties Committee opinion and any independent expert opinions.

For transactions of greater significance relating to mergers, demergers or share capital increases for which the Bank is required to prepare a disclosure document pursuant to the Issuers' Regulation, a single disclosure document can be prepared which also contains the information referred to CONSOB guidance on related parties, to be published by the earliest deadline among those envisaged for each applicable provision.

If a related party transaction is disclosed to the public through a press release containing inside information, the press release must also contain the information envisaged in the Issuers' Regulation.

If transactions of lesser significance are approved regardless of a negative opinion expressed by the Related Parties Committee, a disclosure document must be made available to the public,²⁸ using the methods envisaged in the Issuers' Regulation, containing an indication of the counterparty, purpose and consideration for transactions approved during the reference quarter, with reasons why the opinion was not accepted.

²⁷ Within 7 days of approval of the transaction by the Board of Directors, or from the time of signing of the contract (even if only preliminary) if the Board of Directors decides to submit a contractual proposal, or from approval of the proposal to be submitted to the Shareholders' Meeting in cases under its responsibility or requiring its authorisation. If materiality thresholds are exceeded due to the aggregation of transactions, the disclosure document is made available to the public within fifteen days of approval of the transaction or of conclusion of the contract that caused the materiality threshold to be exceeded, and contains information on all transactions considered for aggregation purposes, grouped if similar transactions. If the transactions that result in the materiality threshold being exceeded are carried out by subsidiaries, the disclosure document is made available to the public within fifteen days of the moment the company required to prepare the document is informed of the transaction's approval or conclusion of the contract that gives rise to such materiality.

²⁸ Within 15 days of the end of each quarter

In addition, pursuant to Consob Regulation no. 17221 of 12 March 2010, as amended²⁹, the following information must be provided in the Banco BPM interim and annual reports on operations:

- on individual transactions of greater significance concluded during the reporting period, including intercompany transactions;
- on transactions other than of greater significance, concluded during the reporting period, which had a significant effect on the financial position or profits of Banco BPM;
- on any change or development in the transactions described in the most recent annual report that had a significant effect on the financial position or profits of Banco BPM in the reporting period.

This disclosure requirement may also be fulfilled by express reference in the Report on Operations to the specific section of the notes to the financial statements dedicated to related party transactions (Part H).

2.5 Periodic disclosure to the administrative and supervisory bodies

On a quarterly basis, the Board of Directors, the Board of Statutory Auditors and the Related Parties Committee are provided with information flows on the transactions referred to in paragraphs 2.2.2.2, 2.2.2.3 and 2.2.2.4, for the latter limited to transactions of lesser or greater significance relating to disputes and those with material risk takers.

Information flows are provided quarterly to the Board of Directors and the Board of Statutory Auditors on the implementation of framework resolutions.

The information flows must be suitable to allow adequate monitoring of the transactions carried out with related parties and associated entities.

²⁹ See art. 5, paragraph 8, 'Public information on transactions with related parties'.

3 Roles and Responsibilities

3.1 Parent Company

Board of Directors

The Parent Company Board of Directors:

- on approval of the Regulation, defines internal policies on the prevention of risks deriving from potential conflict of interest situations;
- defines risk appetite levels consistent with the strategic profile and organisational characteristics of the Group referring to all exposures to all associated entities;
- assesses the effectiveness of procedures adopted by the Group to monitor risks deriving from conflicts of interest;
- resolves on transactions under its responsibility.

Board of Statutory Auditors

At the time of approval of the Regulation, the Board of Statutory Auditors issues a detailed and reasoned binding opinion on its overall suitability for achieving the objectives of conflict of interest rules and, on an ongoing basis, monitors the compliance of the procedures adopted and their application.

For transactions of greater significance with associated entities, if a Related Parties Committee opinion is unfavourable or conditional on findings, it provides a prior opinion to the Board of Directors.

If the prudential limits on risk activities with associated entities are exceeded, it expresses an opinion on the proposed repayment plan prior to the resolution of the Board of Directors.

In the case of urgent transactions, it assesses the underlying reasons for the urgency.

It receives periodic information flows on transactions with parties in conflict of interest.

Related Parties Committee

At the time of approval of the Regulation, the Related Parties Committee issues a detailed and reasoned binding opinion on its overall suitability for achieving the objectives of conflict of interest rules.

For transactions of lesser and greater importance with related parties and associated entities that are not eligible for exclusion or partial exemption, it issues a non-binding reasoned opinion on the company's interest in carrying out the transaction as well as on the convenience and substantial fairness of the conditions applied. This opinion is attached to the minutes of the Committee meeting. The Committee may be assisted by one or more independent experts of its choice and of recognised professionalism and expertise, whose independence and freedom from conflicts will be assessed.

For transactions of greater significance, it is promptly involved in the negotiation and due diligence stage.

In the case of urgent transactions with associated entities, it assesses the underlying reasons for the urgency.

The Committee monitors the transactions carried out by receiving periodic information flows on transactions with parties in conflict of interest.

3.2 Other Group Companies

The Group companies included in the scope of application of the Regulation must adopt all the principles, criteria, rules, roles and responsibilities defined in the Regulation and implement the provisions of internal regulations.

With specific reference to related party transactions carried out by banks other than the Parent Company, or by subsidiaries, if the type of transaction legally requires its submission for prior opinion or approval of the Parent Company (transactions through subsidiaries, etc.), the latter adopts the same procedure envisaged for its own transactions;

Similarly, in the case of transactions with associated entities carried out by Group companies other than the Italian banks, if the type of transaction legally requires its submission for prior opinion or approval of the Parent Company, the latter adopts the same procedure envisaged for its own transactions. In the other cases, the transactions are prepared and decided within the company.

The Group banks and companies produce the required disclosures for their respective bodies and, if particular aspects have been identified in the context of approval of transactions with parties in conflict of interest, for the Board of Directors of the Parent Company.

The provisions of the Regulation apply to foreign Group Companies in compliance with related country-specific regulations.

3.3 Corporate functions

Corporate Affairs Secretariat

The function is responsible for:

- liaising with the parties that perform administration, management and control functions and with the MRTs of the Parent Company and directly controlled subsidiaries to acquire self-declarations regarding their status and parties attributable to them, updating these at least annually, and recording the parties in conflict in the information system;
- registering the related parties and associated entities referring to investees of Banco BPM and related corporate groups, and referring to parties other than an investee able to appoint directors of Banco BPM and related corporate groups;
- where necessary, supporting the proposing functions in the correct inclusion in electronic registers of transactions with related parties and associated entities and supplementing these with the outcome of opinions expressed by the Related Parties Committee and decisions adopted by the Board of Directors;
- verifying the transactions, by consulting the registers, to calculate any aggregation of those classifiable as of similar nature or executed in implementation of a single plan;
- where required, supporting the company structures responsible for due diligence and proposal of the transactions on interpretation and application issues;
- providing support to the Group proposing structures on formalising information for submission to the Related Parties Committee;
- based on information received from the structures proposing the transaction, preparing periodic reports for the Board of Directors, Board of Statutory Auditors and Related Parties Committee on transactions with related parties and associated entities;

- if required and by the methods stated in legal and regulatory provisions in force, making disclosure documents and Related Parties Committee opinions, accompanied by any opinions provided by independent experts, available to the public.

For clarification on application of the Regulation, the function can request the collaboration of other functions and, in particular, the Compliance, Legal and Regulatory Affairs functions.

Interests in associates and joint ventures

The function is responsible for:

- liaising with the parties that perform administration, management and control functions for the directly controlled subsidiaries to acquire self-declarations regarding their status and parties attributable to them, updating these at least annually, and recording the parties in conflict in the information system;
- registering the related parties and associated entities of investees of banks other than the Parent Company, and supervised intermediaries and related corporate groups, referring to parties other than an investee able to appoint directors of banks other than the Parent Company or supervised intermediaries and related corporate groups, and referring to subsidiaries and associated companies of the Group, including their subsidiaries;
- issuing a specific opinion on the verified existence or absence of significant interest of other related parties or associated entities in reference to each specific intercompany transaction.

Chief Risk Officer and related staff structures

The Enterprise Risk Management structure, reporting to the Chief Risk Officer, is responsible for:

- verifying compliance with the prudential limits and risk appetite in relation to associated entities and promptly reporting any exceeding of thresholds to the operating function concerned, based on the transaction type;
- drawing up a quarterly report for the Board of Directors, Related Parties Committee, Internal Control and Risk Committee and Board of Statutory Auditors, dedicated to the system of limits and risk appetite levels on exposures to associated entities.

As part of the internal capital adequacy assessment process (ICAAP), pursuant to prudential supervisory regulations, the Chief Risk Officer assesses the risks associated with transactions with associated entities, if relevant to the company's operations. If the prudential limits are exceeded, in addition to initiatives envisaged in the recovery plan, the excess is taken into account in the process for determining the total internal capital.

Compliance

This function is responsible for verifying the existence and reliability, on an ongoing basis, of procedures and systems suitable for ensuring compliance with all regulatory obligations and those established by internal regulations.

Audit

This function is responsible for verifying compliance with internal policies, promptly reporting any anomalies to the Board of Statutory Auditors and the Board of Directors and periodically reporting to the corporate bodies on the overall exposure of the bank or the Banking Group to risks deriving from transactions with parties in conflict of interest.

Where necessary, it suggests reviews of the internal policies and the organisational and audit structures as appropriate for strengthening the control of risks relating to conflicts of interest.

Administration and Budget

The function is responsible for providing:

- the Equity Investments Function with a periodically updated list of subsidiaries and associated companies of the Group, including companies under their control;
- the IT Function with financial statement parameters useful in determining thresholds to define transactions of greater significance.

The Financial Reporting Manager provides information on related party transactions in the interim and annual reports on operations.

On the basis of information flows envisaged in the process of preparing the separate and interim financial statements, the Administration and Budget Function prepares the related party disclosure in compliance with the provisions of international accounting standards (IAS 34 in particular) or of specific sector provisions (see Consob Regulation no. 17221 of 12 March 2010, as amended).

Human Resources

This function is responsible for communicating the list of material risk takers to the Corporate Affairs Secretariat.

Proposing functions

The Group structures proposing transactions with related parties and associated entities are responsible for:

- preparing the case in accordance with the methods and terms envisaged in previous paragraphs;
- recording transactions in the transaction registers if required by the Regulation;
- preparing the content for information to be submitted to the Related Parties Committee, when required;
- if the prudential limits defined by supervisory regulations on associated entities³⁰ are exceeded, preparing a recovery plan approved by the Board of Directors, within 45 days of the event, after consulting the Board of Statutory Auditors and sending it to the Bank of

³⁰ If the exceeding of limits concerns a related party classed as such because they hold an equity interest in the bank or in a Group company, the administrative rights associated with the equity interest are suspended.

Italy, through Regulatory Affairs, within 20 days of approval, together with the minutes containing the resolutions of the corporate bodies;

- prepare the content of the public disclosure document, if required.
- providing the Board of Directors and Board of Statutory Auditors with a full report on the implementation of framework resolutions, via the Corporate Affairs Secretariat.

Annex 1: Relevant persons for the application of conflict of interest regulations

PARTIES	RELATIONSHIP	136, Consolidated Banking Law (1)	ASSOCIATED ENTITIES	CONSOB RELATED PARTIES (3)	IAS 24 RELATED PARTIES	NUMBER OF OFFICES	2391 (and 2475- ter for Srls) (4)	art. 88, EU Directive
		SCOPE						
		.Banco BPM .Banca Aletti .Banca Akros .Banca Aletti Suisse	.Banco BPM .Banca Aletti .Banca Akros .Banca Aletti Suisse	.Banco BPM	.Banco BPM and Group subsidiaries	.Banco BPM .Banca Aletti .Banca Akros	.Banco BPM and Group subsidiaries	.Banco BPM .Banca Aletti .Banca Akros
Representatives or executives with strategic responsibilities	Members of the Board of Directors (5)	X	X	X	X	X	X	X
	Co-General Managers and General Managers	X	X	X	X	X		X
	Members of the Board of Statutory Auditors (6)	X	X	X	X	X		X
Staff	Executives with strategic responsibilities - Senior operational and management executives (currently: Chief Lending Officer, Chief Innovation Officer, Head of Corporate & Investment Banking); Financial Reporting Manager. Additional department managers as identified by the Board of Directors			X	X			
	Executives with strategic responsibilities - Heads of control functions: Compliance Manager, Audit Manager, Anti-Money Laundering Manager, Chief Risk Officer, Risk Manager			X	X			
	Material risk takers (MRTs)		X					
Investees or equity interests (relating to the Group)	Parent Company Subsidiaries (7) of a Group company or their subsidiaries Companies subject to significant influence (8) from a Group company or their subsidiaries Parties able to appoint directors (9)		X	X (10)	X			
	Holders of controlling interests in Banco BPM, including joint control, holders of significant influence or at least 10% of voting rights or capital and related corporate groups (parent companies, subsidiaries or companies subject to joint control)			X	X			
	Non-Group companies holding more than 20% of voting rights in unlisted companies and 10% in listed companies of the Banco BPM Group, other than Banco BPM					X		
	Parties required to request authorisations referred to in art. 19 et seq., Consolidated Banking Law, and related parent companies or subsidiaries (44)		X					
Family members of representatives or executives with strategic responsibilities	Spouse, civil partner under Italian law, common law partner	X	X	X	X		X	X (12)
	Children of the party, spouse or common law partner		X	X	X		X	X (13)
	Dependents of the party, spouse or common law partner and any other person who could influence (or be influenced by) the representative or executive with strategic responsibilities in relations with the company			X	X		X	
	Cohabiting family members	X					X	
	Siblings, grandparents, grandchildren (direct descendants)		X				X	
Family members of parties able to appoint directors of the Parent Company or a subsidiary and persons required to request authorisations referred to in art. 19 et seq., Consolidated Banking Law	Parents						X	X
	Spouse, civil partner under Italian law, common law partner		X					
	Children of the party, spouse or common law partner		X					
	Siblings, grandparents, grandchildren (direct descendants)		X					
Other parties	Person directly related to a representative, acting in their name and on their behalf (e.g. under a power of attorney)	X					X	
	Multi-member counterparty (14) when the representative is one of those members	X					X	
In-laws of representatives or executives with strategic responsibilities (15)	Parents, siblings, grandparents, grandchildren of the spouse (direct descendants)		X				X	
Companies of representatives or executives with strategic responsibilities	Company or undertaking controlled by representatives/executives with strategic responsibilities	X	X	X	X		X	X
	Company or undertaking in which the representative/executive with strategic responsibilities exercises significant influence, i.e. holds at least 20% of the share capital or voting rights (10% for listed companies)			X	X		X	X
	Unlisted company in which the representative/executive with strategic responsibilities holds 10% to 20% of the share capital or voting rights						X	X
	Professional practice, simple partnership, collective partnership in which the representative is a partner, limited partnership in which the representative is a general partner regardless of the interest held Front agents and dummy agents (16)	X (17)						X
Company of material risk takers	Company or undertaking controlled by material risk takers		X					
Companies of family members of representatives or executives with strategic responsibilities	Company or undertaking controlled by a family member		X	X	X		X	X
	Company in which the family member of the representative or executive with strategic responsibility exercises significant influence (holds 20% of voting rights or 10% for listed companies)			X	X		X	X
	Unlisted company in which the family member of the representative holds 10% to 20% of the share capital or voting rights						X	X
Offices held by representatives	Company in which the representative holds significant offices (18)					X	X	X
	Company in which the representative holds other executive offices						X	X
Offices held by family members of representatives	Company in which a family member of the representative holds significant (18) or executive offices						X	X

Annex 1: Relevant persons for the application of conflict of interest regulations

PARTIES	RELATIONSHIP	136, Consolidated Banking Law (1)	ASSOCIATED ENTITIES	CONSOB RELATED PARTIES (3)	IAS 24 RELATED PARTIES	NUMBER OF OFFICES	2391 (and 2475-ter for Srls) (4)	art. 88, EU Directive
		.Banco BPM .Banca Aletti .Banca Akros .Banca Aletti Suisse	.Banco BPM .Banca Aletti .Banca Akros .Banca Aletti Suisse	.Banco BPM	.Banco BPM and Group subsidiaries	.Banco BPM .Banca Aletti .Banca Akros	.Banco BPM and Group subsidiaries	.Banco BPM .Banca Aletti .Banca Akros
Pension Funds	Pension funds for Group employees			X	X			
Notes:								
(1) The scope is identified in reference to each bank								
(2) The scope of associated entities considered is unique to the Banking Group, even if identified in reference to each Group bank or supervised intermediary whose capital exceeds 2% of the consolidated regulatory capital.								
(3) The scope refers to Banco BPM as it is a listed company. The preliminary and decision-making procedures are also applied to transactions carried out on its behalf by subsidiaries								
(4) Key function holders pursuant to art. 2391 (and 2475-ter) of the Italian Civil Code include, to the extent applicable, those considered in art. 136 of the Consolidated Banking Law, Consob/IAS24 Related Party Disclosures, Associated Entities, Number of Offices and art. 88 of the EU Directive								
(5) Also includes liquidators and sole directors								
(6) Art. 136 of the Consolidated Banking Law also considers alternate auditors; in other cases, standing auditors only								
(7) Pursuant to Article 23 of the Consolidated Banking Law, in addition to the cases envisaged in Article 2359, paragraphs 1 and 2 of the Italian Civil Code (considering subsidiaries to be companies in which another company holds the majority of voting rights exercisable at ordinary shareholders' meetings or has sufficient votes to exercise dominant influence at the ordinary shareholders' meeting), control is also assumed in cases where, as their purpose or effect, contracts or statutory clauses grant management and coordination powers and in cases of control in the form of dominant influence. Also identified as control are situations of joint control, i.e. contractually-established sharing of control of a business. In this case, controlling entities include: a) entities with the power to exercise decisive influence over the strategic financial and operating decisions of the undertaking; b) other entities able to influence management of the undertaking on the basis of equity interests held, agreements in any form, statutory clauses which as their purpose or effect grant the power to exercise control. Control also exists when exercised indirectly, through subsidiaries, trusts, public entities or third parties. Companies and undertakings controlled by entities in turn subject to joint control are not considered indirectly controlled.								
(8) Significant influence: the power, also through shareholder agreements, to participate in financial and operating policy decisions of an investee, without having control. Significant influence is assumed when a direct or indirect interest is held that is equal to or greater than 20% of the share capital or voting rights at ordinary shareholders' meetings or other equivalent body of the investee, or 10% interest in a company with shares traded on regulated markets (for the purpose of the Consob Related Parties Regulation, though not in the scope of related parties pursuant to the provisions of paragraph 9(b)(vi) IAS 24, these companies are included for self-governance). If the interest held is below the aforementioned percentages, specific in-depth analyses must be conducted to ascertain the existence of significant influence at least if the following indicators apply and in consideration of any other relevant circumstances: (i) being a member of the management function or strategic supervisory function of the investee. Mere representation of minority interests in accordance with the regulations for issuers of shares traded on regulated markets is not an indicator of significant influence per se; (ii) participating in the strategic decisions of a company, particularly if sufficient voting rights are held to be a determining factor in shareholders' meeting decisions regarding financial statements, profit allocation, distribution of reserves, without a situation of joint control being in place; (iii) the existence of transactions of greater significance, exchange of managerial staff, the provision of essential technical information. Significant influence also exists when exercised indirectly through subsidiaries, trusts, public entities or third parties. Investees of entities in turn subject to joint control are not considered indirectly subject to significant influence.								
(9) For the purpose of regulations on associated entities, the controlling entities or undertakings, subsidiaries or entities jointly controlled by parties able to appoint directors of the Parent Company or of a subsidiary are also included.								
(10) For the purpose of Consob related party regulations, joint ventures and their subsidiaries are included								
(11) Art. 19, Consolidated Banking Law: "The following require prior authorisation: a) the acquisition on whatever basis of an equity interest in a bank that grants the exercise of control or significant influence over the bank or that assigns a share of the voting rights or capital equal to at least 10%, including any shares or investment units already held; b) changes in equity interests when the share of voting rights or capital reaches or exceeds 20%, 30% or 50% and, in any event, when the changes grant control of the bank; c) the acquisition of a company that holds equity interests as indicated under letter a): 1) controlling interest; 2) a share of the voting rights or capital when, as a result of the acquisition, one of the cases indicated in art. 22, paragraph 1, letter b) applies; d) the acquisition on whatever basis - without the purchase of equity interests - and also through a contract with the bank or a clause in its articles of association - of control or significant influence over the bank, or a share of voting rights or capital equal to at least 10%, 20%, 30% or 50%, including shares or investment units already held."								
(12) For parties falling under the definition in art. 88, Directive (EU) 2013/36, the common law partner is not considered								
(13) For parties falling under the definition in art. 88, Directive (EU) 2013/36, only the children of the party are considered								
(14) For example, in the event of purchase of an asset from co-owners or the signing of a credit agreement with a single debtor with multiple liable parties								
(15) Information relating to in-laws is kept available for any Bank of Italy requests; the provisions of the Regulation do not apply to these parties.								
(16) Front agent action by a natural person or legal entity: granting of a mandate without representation or through a trust or similar. Dummy agent action: subjective simulation of the contracting party								
(17) Transactions with the following parties are not cases of indirect obligation: companies or undertakings not controlled by representatives, even if they hold office as director or statutory auditor, or hold a minority interest; companies or undertakings subject to significant influence (but not control) from the representative.								
(18) The following are significant offices: Chief Executive Officer, Sole Director, General Manager, Co-General Manager, Deputy General Manager, Executive Committee member, Director with delegated operating powers, Director without delegated powers, member of the Board of Statutory Auditors and member of the Management Control Committee.								

Annex 2: Limits on risk exposure for transactions with associated entities

Verification of risk exposure to the same set of associated entities

The quantitative limits defined in supervisory regulations apply separately, are expressed as percentages of total own funds at consolidated and individual company level and are differentiated by type of related party.

At consolidated level, the sum of risk exposures¹ to the same set of associated entities cannot exceed the following thresholds:

	Financial related party and associated entities	Non-financial related party and associated entities
Company representatives	5%	5%
Controlling shareholders or those able to exercise significant influence	7.50%	5%
Shareholders, other than the above, with the power to independently nominate one or more members of the corporate bodies	10%	7.50%
Other cases	20%	15%

At individual company level, in compliance with the consolidated limits, the bank may assume risk exposure to the same set of associated entities up to a limit of 20% of the individual own funds.

In order to avoid exceeding the prudential limit, a high usage alert threshold of 18% is envisaged for financial counterparties. Furthermore, for the first three, monthly monitoring of compliance with the threshold is envisaged to take into account market volatility with a potential impact on Group capital.

Verification of risk exposure to all associated entities

In order to limit the assumption of risk exposure to associated entities, the following limits are defined in reference to the total exposure to all associated entities in relation to the regulatory capital of the Group and the individual banks.

	Cumulative risk appetite for exposures to associated entities
Banco BPM Group	55%
Banco BPM S.p.A.	60%
Banca Akros S.p.A.	40%
Banca Aletti & C. S.p.A.	10%

¹ Risks related to transactions between the Regulatory Banking Group companies and to insurance investees in which there is a significant investment after authorisation pursuant to Article 49(1) CRR are not considered. The own funds instruments held in these companies and the equity interests held in an insurance undertaking (ref. Part three, Chapter 11, Section 2.2 of Circular 285) are not deducted. However, low value transactions and transactions partially exempt from the enhanced procedure are also included for compliance with the limits.