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REPORT ON CORPORATE GOVERNANCE AND THE SHAREHOLDING STRUCTURE

in accordance with Article 123-*bis* TUF

(traditional administration and control model)

- Issuer: BANCA MONTE DEI PASCHI DI SIENA S.P.A.
- website: www.mps.it
- Year to which the Report relates: 2015
- Report approval date: 25 February 2016

Table of Contents

| | |
|--|-----------|
| DEFINITIONS | 4 |
| 1. ISSUER PROFILE | 5 |
| 2. INFORMATION ON THE SHAREHOLDING STRUCTURE (pursuant to Article 123-bis Par. 1 of the TUF) | 6 |
| <i>a) Structure of the share capital (pursuant to Article 123-bis, Par. 1, Letter a) of the TUF)</i> | <i>6</i> |
| <i>b) Restrictions on the transfer of shares (pursuant to Article 123-bis, Par. 1, Letter b) of the TUF)</i> | <i>9</i> |
| <i>c) Significant equity investments (pursuant to Article 123-bis, Par. 1, Letter c) of the TUF)</i> | <i>9</i> |
| <i>d) Shares with special rights (pursuant to Article 123-bis, Par. 1, Letter d) of the TUF)</i> | <i>10</i> |
| <i>e) Employee share ownership: voting rights exercise mechanism (pursuant to Article 123-bis, Par. 1, Letter e) of the TUF)</i> | <i>10</i> |
| <i>f) Restrictions on voting rights (pursuant to Article 123-bis, Par. 1, Letter f) of the TUF)</i> | <i>10</i> |
| <i>g) Shareholder agreements (pursuant to Article 123-bis, Par. 1, Letter g) of the TUF)</i> | <i>10</i> |
| <i>h) Change of Control Clauses (pursuant to article 123-bis, paragraph 1, latter h), TUF) and the provisions of the articles of association regarding takeover bids (pursuant to article 104, paragraph 1-ter and 104-bis, Par. 1).</i> | <i>10</i> |
| <i>i) Delegated powers to increase share capital and authorisations to buy back stock (pursuant to Article 123-bis, Par. 1 Letter m) of the TUF)</i> | <i>10</i> |
| <i>l) Direction and coordination (pursuant to Article 2497 et seq. of the Civil Code)</i> | <i>11</i> |
| 3. COMPLIANCE (pursuant to Article 123-bis, Par. 2, Letter a) of the TUF) | 12 |
| 4. BOARD OF DIRECTORS | 12 |
| 4.1. <i>APPOINTMENT AND REPLACEMENT (pursuant to Article 123-bis, Par. 1, Letter l) of the TUF)</i> | <i>12</i> |
| 4.2. <i>COMPOSITION (pursuant Article 123-bis, Par. 2, Letter d) of the TUF)</i> | <i>15</i> |
| 4.3. <i>ROLE OF THE BOARD OF DIRECTORS (pursuant to Article 123-bis, Par. 2, Letter d) of the TUF)</i> | <i>18</i> |
| 4.4. <i>DELEGATED BODIES</i> | <i>22</i> |
| 4.5 <i>OTHER EXECUTIVE DIRECTORS</i> | <i>24</i> |
| 4.6 <i>INDEPENDENT DIRECTORS</i> | <i>24</i> |
| 4.7. <i>LEAD INDEPENDENT DIRECTOR</i> | <i>25</i> |
| 5. HANDLING OF CORPORATE INFORMATION | 25 |
| 6. COMMITTEES WITHIN THE BOARD OF DIRECTORS (pursuant to Article 123-bis, Par. 2, Letter d) of the TUF) | 27 |
| 7. APPOINTMENTS COMMITTEE | 28 |
| 8. REMUNERATION COMMITTEE | 30 |
| 9. DIRECTORS' REMUNERATION | 32 |
| 10. RISK COMMITTEE | 32 |
| 11. THE RELATED PARTY TRANSACTIONS COMMITTEE | 35 |

| | |
|--|-----------|
| 12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM..... | 37 |
| 12.1 GENERAL PRINCIPLES OF THE INTERNAL CONTROL SYSTEM..... | 37 |
| 12.2 GOVERNANCE MODEL..... | 38 |
| 12.3 THE ROLES AND RESPONSIBILITIES OF COMPANY FUNCTIONS IN THE CONTROL SYSTEM..... | 39 |
| 12.4 ASSESSMENT OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM..... | 45 |
| 12.5 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON THE FINANCIAL DISCLOSURE PROCESS..... | 45 |
| 12.6 STEPS OF THE EXISTING SYSTEM IN RELATION TO THE FINANCIAL DISCLOSURE PROCESS..... | 46 |
| 12.7 ROLES AND FUNCTIONS INVOLVED IN THE FINANCIAL DISCLOSURE PROCESS..... | 47 |
| 12.8 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM..... | 48 |
| 12.9 THE INTERNAL AUDIT FUNCTION..... | 48 |
| 12.10 ORGANISATIONAL MODEL <i>per Italian Legislative Decree 231/2001</i> | 50 |
| 12.11 INDEPENDENT AUDITORS..... | 52 |
| 12.12 FINANCIAL REPORTING OFFICER..... | 52 |
| 12.13. METHODS OF COORDINATION AND COLLABORATION BETWEEN FUNCTIONS WITH CONTROL TASKS AND COMPANY BODIES..... | 53 |
| 13. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES..... | 56 |
| 14. APPOINTMENT OF STATUTORY AUDITORS..... | 58 |
| 15. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, Par. 2, Letter d) of the TUF)..... | 60 |
| 16. RELATIONS WITH SHAREHOLDERS..... | 62 |
| 17. SHAREHOLDERS' MEETINGS (pursuant to Article 123-bis, Par. 2, Letter c), of the TUF)..... | 63 |
| 18. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Article 123-bis, Par. 2, Letter a) of the TUF)..... | 64 |
| 19. CHANGES SINCE THE CLOSING DATE OF THE REFERENCE YEAR..... | 64 |
| TABLES..... | 65 |
| <i>Table no. 1: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES.....</i> | <i>66</i> |
| <i>Table no.1-bis: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES.....</i> | <i>68</i> |
| <i>Table no. 2: OFFICES HELD BY BANCA MONTE DEI PASCHI DI SIENA DIRECTORS IN LISTED COMPANIES IN REGULATED MARKETS, INCLUDING FOREIGN, BANKING, INSURANCE OR FINANCIAL COMPANIES OR COMPANIES OF A SIGNIFICANT SIZE.....</i> | <i>70</i> |
| <i>Table no. 2-bis: OFFICES HELD BY BANCA MONTE DEI PASCHI DI SIENA DIRECTORS IN LISTED COMPANIES IN REGULATED MARKETS, INCLUDING FOREIGN, BANKING, INSURANCE OR FINANCIAL COMPANIES OR COMPANIES OF A SIGNIFICANT SIZE.....</i> | <i>72</i> |
| <i>Table no. 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS.....</i> | <i>74</i> |
| <i>Table no. 3-bis: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS.....</i> | <i>75</i> |

DEFINITIONS

Director in charge: Director in charge of the internal control and risk management system.

BMPS/Bank/Issuer: Banca Monte dei Paschi di Siena S.p.A..

Code/Corporate Governance Code: the Corporate Governance Code for Listed companies, approved in July 2015 by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Civil Code: the Italian Civil Code.

Board: the Board of Directors of the Issuer.

Financial Reporting Officer: Manager in charge of drawing up the corporate accounting documents pursuant to art. 154-*bis* of the Consolidated Financial Act.

Bank of Italy Supervisory Provisions for Related Parties: Bank of Italy Circular no. 263/2006, Title V, Chapter 5) on risk assets and conflicts of interest with respect to related parties.

Supervisory Provisions concerning the corporate governance of banks: Bank of Italy Circular no. 285/2013, First Part, Title IV, Chapter 1.

Supervisory Provisions regarding the internal control system: Bank of Italy Circular no. 285/2013, First Part, Title IV, Chapter 3.

Year: the financial year to which the Report refers.

Montepaschi Group: Monte dei Paschi di Siena banking group.

Consob Issuer's Regulation: the Regulation for issuers promulgated by Consob with its resolution no. 11971 of 1999 (as subsequently amended).

Consob Market Regulation: the Regulation for issuers promulgated by Consob with its resolution no. 16191 of 2007 (as subsequently amended).

Consob Related Party Regulation: the Regulation for transactions with related parties promulgated by Consob with its resolution no. 17221 of 12 March 2010 (as subsequently amended).

Report: the report on corporate governance and shareholding structure that companies are required to prepare in accordance with Article 123-bis of the TUF.

Consolidated Financial Act/TUF (Testo Unico della Finanza): Italian Legislative Decree no. 58 of 24 February 1998.

Consolidated Banking Law/TUB (Testo Unico Bancario): Italian Legislative Decree no. 385 of 1 September 1993.

1. ISSUER PROFILE

Banca Monte dei Paschi di Siena S.p.A. is a bank with shares listed on the 'Mercato Telematico Azionario' (Electronic Stock Market) organised and managed by Borsa Italiana S.p.A..

The Bank's objective is the various forms of funding and lending in Italy and abroad. It can perform all transactions and banking and financial services permitted by the applicable regulations, establish and manage forms of supplementary pensions, and carry out any other transaction instrumental for, or in any case, connected to the achievement of the company purpose.

As a listed company, BMPS adheres to the legislative provisions relating to issuers of securities listed on a regulated market and, being a bank, is subject to the applicable legislative, regulatory and supervisory provisions for banks and banking groups.

Based on the new Supervisory Provisions concerning the corporate governance of banks, BMPS is classified among the larger banks with more complex operations and is subject to the prudential supervision of the European Central Bank.

BMPS is the parent company of the "Monte dei Paschi di Siena" banking group.

For the Bank, the importance of Corporate Governance goes beyond its traditional technical dimension, i.e., a set of rules and coordinated structures that regulate the relations among shareholders and between shareholders, directors and the Top Management. Consistently with the Bank's mission, Corporate Governance is deemed to be the best form of governance of relations with all stakeholders.

Mission of the Montepaschi Group

The Bank's corporate bodies act in such a way as to pursue the enterprise's success overall.

Through a fair, transparent corporate governance system and a Code of Ethics, BMPS has adopted rules to ensure that all stakeholders' legitimate expectations are considered and that meeting them is a goal for the company's leadership.

Corporate Governance System

The corporate governance system as a whole refers to the Corporate Governance Code for Listed Companies.

Compliance with the Code entails clear-cut segregation of duties and responsibilities, the appropriate assignment of powers, the balanced composition of corporate bodies, and it bases its organisational foundations on effective controls, monitoring all enterprise risks, adequate information flows and on corporate social responsibility.

In particular, the administration and control system adopted by the Bank is of the traditional type, with:

- **Shareholders' Meeting**, with capacity to resolve, inter alia, in ordinary or extraordinary session, upon the appointment and dismissal of the members of the Board of Directors and of the Board of Statutory Auditors and their compensation and responsibilities, the appointment of the independent auditors, the approval of the financial statements and the allocation of profits, remuneration and incentive policies, certain extraordinary transactions, share capital increases and amendments to the Articles of Association, without prejudice to the Board of Director's capacity to resolve upon changes to the Articles of Association required by regulatory provisions and for the deliberation of merger transactions in the cases set out in Articles 2505 and 2505-bis of the Civil Code;
- **Board of Directors**, tasked with the strategic supervision and management of the Bank;
- **Board of Statutory Auditors**, which oversees compliance with laws, regulations and the Articles of Association, proper administration, the adequacy of the company's organisational, control and administrative-accounting systems, independent audit activities, the manner of actual enforcement of the

corporate governance rules prescribed by the Corporate Governance Code and the adequacy of the instructions issued by the Bank to subsidiaries in accordance with Article 114, Par. 2 of the TUF.

The independent audit is attributed to the independent auditors.

In light of the provisions of the Corporate Governance Code (updated as of July 2015) and on the basis of the latest Format for the “Report on Corporate Governance” provided by Borsa Italiana (as of January 2015), this Report on Corporate Governance and the Shareholding Structure was prepared, in accordance with Article 123-bis of Italian Legislative Decree no. 58 of 24 February 1998.

The Report, approved by the Board of Directors at the meeting on 25 February 2016, is published on the Bank’s website - www.mps.it in the section Investors & Research – Corporate Governance.

2. INFORMATION ON THE SHAREHOLDING STRUCTURE (pursuant to Article 123-bis Par. 1 of the TUF)

a) Structure of the share capital (pursuant to Article 123-bis, Par. 1, Letter a) of the TUF)

As at the date of this Report, the company’s share capital is equal to Euro 9,001,756,820.70, fully subscribed and paid-in.

It is represented by 2,932,079,864 ordinary shares without nominal value. All shares are dematerialised. The circulation and legitimacy procedures are regulated by law.

| STRUCTURE OF THE SHARE CAPITAL | | | | |
|--------------------------------|---------------|--------------------|----------------------------------|------------------------|
| | no. of shares | % of share capital | listed/unlisted | rights and obligations |
| Ordinary shares | 2,932,079,864 | 100.00 | Listed (Milan stock exchange) | = |

Certain share capital operations were carried out in 2015, which are described below.

On **16 April 2015**, the extraordinary shareholders’ meeting approved the reduction of the share capital due to losses pursuant to article 2446 of the Civil Code and also authorized a share capital increase of a maximum overall amount of Euro 3 billion, to be subscribed and paid, in one or more tranches, by 30 September 2015. The same shareholders’ meeting also resolved upon the grouping of the bank’s ordinary shares within a ratio of 1 new ordinary share with dividend entitlement to every 20 existing ordinary shares.

On **18 May 2015**, the resolution of the shareholders meeting of the 16 April 2015 regarding the grouping of 5,116,513,875 existing ordinary shares has been implemented, without nominal value - following the cancellation of 15 ordinary BMPS shares (of which 9 shares are held by BMPS itself and 6 shares have been made available to Intermonte SIM S.p.A. for reconciliation of the transaction) -, into 255,825,693 new ordinary shares, without nominal value. Upon completion of the grouping, the share capital remained unchanged at Euro 5,765,522,412.60, in accordance with the share capital reduction pursuant to article 2446 of the Civil Code resolution adopted by the extraordinary bmeps shareholders’ meeting held on 16 April 2015.

On **19 June 2015**, the share capital increase transaction was concluded for a total of Euro 3 billion, bringing the share capital of BMPS to Euro 8,758,683,020.70, subdivided into 2,814,082,623 ordinary shares.

On **1 July 2015** the capital was Euro 9,001,756,820.70 divided into the number of shares indicated in the table above, following the completed assignment to MEF of 117,997,241 new ordinary shares, as payment of the interests accrued on the New Financial Instruments during 2014 (as is specified in the paragraph below).

| OTHER FINANCIAL INSTRUMENTS which entitle holders with the right to subscribe newly-issued shares | | | | |
|---|---------------------------------------|-----------------------------------|--|---------------------------------------|
| | listed/unlisted | no. of outstanding instruments | share category for conversion/exercise | no. of shares for conversion/exercise |
| Floating Rate Equity-Linked Subordinated Hybrid Preferred Securities (“FRESH”) | Listed (Luxembourg stock exchange) | € 28,621,597.64 (total amount) | ordinary shares pro-rata | 406,846 |
| New Financial Instruments | Unlisted | 0,00 (total amount)(*) | ordinary shares | (*) |

(*) In June 2015, the remaining NFIs were entirely repaid in advance to the MEF. Please refer to the following summary reported on the criteria set out in the Prospectus for the payment of the interest accrued up to June 2015

Floating Rate Equity-Linked Subordinated Hybrid Preferred Securities (“F.R.E.S.H.”)

The Shareholders’ Meeting held on 15 January 2004 resolved to increase the share capital of the Bank, in order to issue the convertible bonds named *Floating Rate Equity-Linked Subordinated Hybrid Preferred Securities* (“FRESH”), which are convertible into BMPS shares issued in December 2003.

As a consequence of the request of conversion of the FRESH received, as of the date hereof, , 221,755,923 ordinary shares have been issued (prior to the grouping of the shares on 5 May 2014 and 18 May 2015), corresponding to an amount of € 134,952,651.33. In 2015, no conversion requests were received. As at 31 December 2015, the maximum number of shares to be issued, corresponding to the share capital increase servicing the conversion of the FRESH, amounts to 406,846.

Starting from 30 September 2010, the conversion request can be made at any time, *i.e.* in the month subsequent to the automatic conversion or the conversion in the event of a redemption of the Convertible Preferred Securities, so that such shares gives to its holder all the rights embedded from the conversion date and, within one month from the date of the conversion, the directors shall submit a statement of the share capital increase that took place for registration in the Register of Companies.

On the occasion of each amendment to Article 6 of the Articles of Association, concomitantly with the issue of new shares due to the requests for conversion of FRESH 2003, the values of the total number of shares issued will be updated.

New Financial Instruments

On 28 February 2013, as a result of the Board of Directors’ resolution of 28 November 2012, the Bank issued financial instruments convertible into ordinary shares of the Issuer (the “New Financial Instruments” or “NFI”), in accordance with Article 23-sexies of Italian Law Decree no. 95⁽¹⁾ of 6 July 2012 (“Decree 95”), subscribed by the Italian Ministry of the Economy and Finance (“MEF”) for a total amount of Euro 4,071 million.

(1) Legislative Decree containing urgent provisions for the revision of public expenditure without changing services to citizens and measures to strengthen the capital of companies in the banking sector, converted, with amendments by Italian Law no. 135 of 7 August 2012, and subsequent amendments and additions.

The New Financial Instruments do not have the rights provided for by Article 2351 of the Civil Code and are convertible into shares at the Issuer's request, with assignment to the MEF of a number of shares equal to the ratio between the nominal value of the NFI and the *Theoretical Ex Rights Price* (TERP), discounted by 30% and calculated according to the mathematical formula set out in the issue prospectus of the New Financial Instruments, enclosed to the MEF Decree of 21 December 2012 (the "NFI Prospectus"), which takes into account the total value of the Issuer's shares, calculated as the average closing price in the 5 consecutive trading days prior to the date when the conversion right is exercised, multiplied by the number of shares.

The NFI Prospectus requires the payment of annual interest to be paid in cash for an amount equal to the income for the year, as resulting from the latest financial statements approved before the interest payment date, as determined in the NFI Prospectus. Should such interest exceeds the income for the year, payment shall be made by virtue of the assignment of a number of newly issued ordinary shares to the MEF. The number of shares to be assigned shall be calculated using the formula defined in the NFI Prospectus, which takes into account the amount of outstanding shares multiplied for the ratio of the interest due and the Bank's Stock Market capitalisation (average in the ten consecutive days preceding the date of the Board of Directors' meeting that approved the draft financial statements).

In accordance with Decree 95 and with reference to the New Financial Instruments, the rules pertaining to the mandatory takeover bid prescribed by Articles 106, Par. 1, and 109 of the TUF do not apply with respect to the MEF.

Other terms and conditions, and the additional features of the New Financial Instruments, are described in the NFI Prospectus, to which reference is made for further details.

Solely in support of the Bank's option to convert the NFI into ordinary shares and/or to pay the interest due to the MEF in the form of shares as set out in the NFI Prospectus, the extraordinary Shareholders' Meeting of 25 January 2013 entrusted the Board of Directors with the capacity to resolve upon the increase the share capital according to the terms and conditions set out in the following point i) of this chapter.

Following the completion of the share capital increase of Euro 5 billion in June 2014, on 1 July 2014, the Bank, with the prior authorisation from the Bank of Italy, redeemed Euro 3 billion NFI, together with the new financial instruments issued in payment of the interest accrued on the 2013 financial year, , paying an amount equal to Euro 3,455,620,000.00, such amount includes the effects of the provisions of the NFI Prospectus, as a consequence of the sales of the shares representing the corporate capital of the Bank completed by Fondazione Monte dei Paschi di Siena.

In accordance with the provisions set forth in the NFI Prospectus, in its meeting of 21 May 2015 and in partial and non-definitive implementation of the aforementioned delegation attributed to it in 2013, the Board of Directors resolved upon the increase the share capital as from 1 July 2015, in one tranche and with exclusion of the pre-emption right, by Euro 243,073,800.00 in order to service exclusively the payment in shares of the interest accrued as at 31 December 2014 to the MEF.

On 15 June 2015, the Bank fully repaid the residual NFI for an amounts of Euro 1.071 billion (paying a consideration equal to approximately Euro 1.116 billion, in accordance with the provisions set forth in the NFI prospectus). With this repayment, which follows the one for a nominal amount of Euro 3 billion made on 1 July 2014, and provided that only the remaining interest portion for 2015 remains outstanding, BMPS has essentially completed the repayment of the state aid received in 2013, well in advance of the NFI repayment date which, in accordance with the undertakings assumed toward the MEF and DG Competition of the European Commission, was 2017.

On 1 July 2015, following the aforementioned resolution made by the Board of Directors on 21 May 2015, the attribution to the MEF of 117,997,241^(?) new ordinary shares, equalling 4,024% of the share capital, was concluded, thus the corporate capital is equal to, and has been certified as equal to, Euro 9,001,756,820.70.

^(?) As indicated in the prospectus published in May 2015 on the occasion of the capital increase in option, please note that on these new share, the MEF had taken , in the context of the capital increase , a lock- up restriction in force from July 1 2015 up to the next 180 days.

Stock Granting plans

In 2015, no Stock Granting plans for Montepaschi Group employees through the gratuitous assignment of ordinary BMPS shares have been resolved upon by the shareholders' meeting.

For more information on previous years, please make reference to the relevant information communicated pursuant to Article 84-bis of Consob Issuer's Regulation – Information on the assignment of financial instruments to company representatives, employees or collaborators – and the contents of the Remuneration Report, published, in accordance with Article 123-ter of TUF and Article 84-quater of Consob Issuer's Regulation on the website www.mps.it.

b) Restrictions on the transfer of shares (pursuant to Article 123-bis, Par. 1, Letter b) of the TUF)

The Articles of Association does not contain clauses restricting the transfer of shares. However, Article 6 of the Articles of Association does prescribe that transfers of preferred shares shall be immediately notified by the selling shareholder to the Bank and entail the automatic conversion of the preferred shares into ordinary shares at nominal value.

Moreover, Article 6 of the Articles of Association provides that a shareholder qualifying as banking foundation in accordance with the provisions of Italian Law no. 461 of 23 December 1998 and by Italian Legislative Decree no. 153 of 17 May 1999 (as subsequently amendments and supplemented), or that is directly or indirectly controlled by a banking foundation, may never, under any circumstances, convert its preferred shares into ordinary shares.

In any case, upon completion of the sale in 2012 of the last tranche of preferred shares held by Fondazione Monte dei Paschi di Siena, the Bank's share capital is entirely represented by ordinary shares without nominal value, as specified under a) above.

c) Significant equity investments (pursuant to Article 123-bis, Par. 1, Letter c) of the TUF)

According to the notices received in accordance with Article 120 of the TUF, the shareholders who, as at the date of approval of this Report, directly or indirectly own more than 2% of share capital represented by shares with voting rights, are as follows:

| <i>Declarant</i> | <i>Direct shareholder</i> | <i>% of ordinary shares</i> | <i>% of voting rights (**)</i> |
|--|-----------------------------|-----------------------------|--------------------------------|
| <i>Fintech Advisory Inc. (as manager of Fintech Investments Ltd, parent company of Fintech Europe S.à r.l., in turn a shareholder of the Issuer)</i> | Fintech Europe S.à r.l | 4.500 | 4.500 |
| Ministry of Economy and Finance | | 4.024 | 4.024 |
| <i>AXA S.A. (directly and indirectly through subsidiaries)</i> | Various group companies (*) | 3.170 | 3.170 |

(*) The total shares declared by the AXA Group are held by the following companies: AXA S.A., AXA France LARD, AXA Belgium, AXA Assicurazioni S.p.A., AXA Assurances Vie Luxembourg, AXA Assurances Luxembourg, AXA Leben AG, AXA Versicherungen AG, AXA Insurance UK Plc, AXA Seguros Generales S.a. de Seguros y Reaseguros, AXA Portugal Companhia de Seguros S.a., AXA Versicherung AG, AXA krankenversicherung AG.

(**) The percentages indicated in this column are calculated on the number of ordinary shares that constitute the share capital net of the 147,618 shares, as these have been re-determined following the BMPS share grouping operations of 2014 (in the 1/100 ratio) and 2015 (in the 1/20 ratio) held by JP Morgan Chase & Co., which have been established as a usufruct on behalf of BMPS, the vote of which has been suspended pursuant to article 2357-ter of the Civil Code, second paragraph; these shares correspond 0.001% of the share capital.

Please note that in the period between 31 December 2015 and the date of this Report (February 25, 2016), People's Bank of China (which held ordinary shares representing 2.004% of the share capital) has informed

the Bank that its interest has fallen below the 2% threshold. The update of the data relative to the major shareholders of the Bank can be viewed on the website www.mps.it – Investor Relations-share information.

d) Shares with special rights (pursuant to Article 123-bis, Par. 1, Letter d) of the TUF)

No shares with special control rights have been issued.

BMPS's Articles of Association does not make provision for shares with multiple or increased voting rights.

e) Employee share ownership: voting rights exercise mechanism (pursuant to Article 123-bis, Par. 1, Letter e) of the TUF)

Each employee of the Montepaschi Group holding ordinary BMPS shares deriving from former Stock Granting plans may exercise his/her voting rights at ordinary and extraordinary shareholders' meetings.

f) Restrictions on voting rights (pursuant to Article 123-bis, Par. 1, Letter f) of the TUF)

There are no restrictions on voting rights.

For the purposes of completeness, the provision in article 14, paragraph 7 of the Articles of Association is shown, which sets out that *"If a banking foundation, during the ordinary shareholders' meeting, based on the deductions made by the Chairman during the shareholders' meeting and immediately before the completion of each vote, is able to exercise, based on the shares held by the parties present, the vote which represents the majority of shares present and with voting rights, the Chairman has said situation put on record and excludes the banking foundation from the vote, for the purposes of the resolution taken at the time said situation was recorded, limited to a number of shares which represent the difference, plus one share, between the number of ordinary shares held by said foundation and the total amount of ordinary shares held by the remaining parties present and with voting rights at the time of the vote"*.

g) Shareholder agreements (pursuant to Article 123-bis, Par. 1, Letter g) of the TUF)

As at the reference date of this Report, the Bank is not aware of any shareholders' agreement stipulated in any form pursuant to article 122 of the TUF, concerning the exercise of the rights inherent in the shares or the transfer thereof⁽³⁾.

h) Change of Control Clauses (pursuant to article 123-bis, paragraph 1, latter h), TUF) and the provisions of the articles of association regarding takeover bids (pursuant to article 104, paragraph 1-ter and 104-bis, Par. 1).

BMPS and its subsidiaries did not stipulate, in 2015, any significant agreements that take effect, are modified or extinguished, in the event of a change of control of the contracting company.

The Articles of Association of BMPS do not provide for any exemptions to the Passivity Rule (Article 104, paragraphs 1 and 1-bis of the TUF) and to the neutralisation rules (Article 104-bis, paragraphs 2 and 3 of the TUF) prescribed by the TUF for takeover bids.

i) Delegated powers to increase share capital and authorisations to buy back stock (pursuant to Article 123-bis, Par. 1 Letter m) of the TUF)

– **Delegated powers:**

⁽³⁾ On 26 June 2015 the MPS Foundation has informed the Bank that, following the execution of the capital increase resolved by the Shareholders' Meeting held on 16 April 2015, the shares subject to the shareholders' agreement entered into on March 31, 2014 and amended on May 5, 2014 between the same MPS Foundation, Fintech Advisory Inc. and BTG Pactual Europe LLP and their subsidiaries have been equal to a total of 0.498 % of the Bank's share capital.

The Shareholders' Meeting has resolved to confer the following powers to the Board of Directors regarding share capital increases:

- on 15 January 2004, the share capital increase to service the issue of Convertible Preferred Securities notwithstanding (i) that the deadline for said share capital increase is 30 September 2009, (ii) that the directors will issue the shares to the holders of the Convertible Preferred Securities within the calendar month after the date the conversion request, which may be submitted during the month of September of each year from 2004 to 2010 and, thereafter, at any time, or within i.e. the month following the automatic conversion or the conversion in case of redemption of the Convertible Preferred Securities, so that said shares gives to its holder all the rights embedded from the conversion date and (iii) that the directors, within one month from the conversion date, shall file a certification of the share capital increase for registration in the Register of Companies.

In respect of the Preferred Securities conversion requests received as at 30 December 2011 - date of the last request - a total of 221,755,923 ordinary shares were issued (before the completion of the share grouping transactions, respectively effective from 5 May 2014, in execution of the resolution of the Shareholders' Meeting of 28 December 2013, and effective from 18 May 2015, in execution of the resolution of the Shareholders' Meeting held on 16 April 2015) for an amount of €134,952,651.33. As at the date of this Report, the maximum number of shares yet to be issued, which correspond to the share capital increase servicing the conversion of the securities issued, is equal to 406,846.

- On 25 January 2013, the Board of Directors was granted the power to (i) increase share capital, in one tranche, with exclusion of the pre-emption rights, pursuant to Articles 2443 and 2441, Par. 5 of the Civil Code, through the issuance of ordinary shares for an amount of up to Euro 4,500 million including any share premium, at the exclusive service of the exercise of the Bank's right to convert the NFIs and/or (ii) to increase capital, in one or more tranches, including separately, with exclusion of the pre-emption rights of existing shareholders, pursuant to articles 2443 and 2441, Par. 5 of the Civil Code, through the issuance of ordinary shares for an amount of up to Euro 2,000 million, including any share premium, at the exclusive service of the interest payments to be made in shares pursuant to the regulations applicable to the NFIs. This right can be exercised for a maximum period of 5 (five) years beginning from the aforementioned shareholders' meeting resolution dated 25 January 2013.

When exercising such power, the Board of Directors shall be entitled – *inter alia* – to set the price of issue of newly-issued ordinary shares (including any share premium) in compliance with the above-mentioned limits as set out in the Board of Directors' report to the Shareholders' Meeting and as provided by the applicable laws (see, for the current situation, the preceding paragraph on New Financial Instruments).

– **Purchase of treasury shares**

The Banks holds no treasury shares.

Furthermore, there are no existing authorisations by the Shareholders' Meeting to buy back shares in accordance with Article 2357 et seq. of the Civil Code or for carrying out sales of treasury shares pursuant to article 2357-ter, of the Civil Code.

1) Direction and coordination (pursuant to Article 2497 et seq. of the Civil Code)

BMPS is not subject to management and coordination of any other third party entity in accordance with Article 2497 et seq. of the Civil Code.

* * *

The information required by Article 123-bis, Par. 1, Letter i) of the TUF (“*the agreements between the company and the directors ... that provide indemnity in case of resignation or termination without just cause or discontinuation of their term of office due to a takeover bid*”) and the information about the Directors' remuneration (per Section 9 of the Report) is contained in the report on remuneration, published in accordance with Article 123-ter of the TUF and with

Article 84-*quater* of the CONSOB Issuers' Regulations, to which reference is made. The document is available on the website www.mps.it.

The information required by Article 123-bis, Par. 1, Letter l) of the TUF (“*the rules applicable for the appointment and replacement of directors ... and for amendments to the Articles of Association, if different from the applicable provisions of the law and regulations*”) is provided in the section of this report dedicated to the Board of Directors (Sect. 4.1).

3. COMPLIANCE (pursuant to Article 123-bis, Par. 2, Letter a) of the TUF)

The Bank adheres to the Corporate Governance Code of listed companies (most recently amended in July 2015), accessible to the public on the website of the Committee for Corporate Governance of Borsa Italiana on the page <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf> and on the Bank's website (www.mps.it).

The Board of Directors acknowledged that the Corporate Governance model adopted by the Bank is essentially consistent with the application principles and criteria of the current Corporate Governance Code.

Neither BMPS nor its strategically significant subsidiaries are subject to non-Italian law provisions that influence the Corporate Governance structure of BMPS itself.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (pursuant to Article 123-bis, Par. 1, Letter l) of the TUF)

The Board of Directors consists of a number of members set by ordinary Shareholders' Meetings, but in any case there can be no less than nine or more than seventeen members.

Under penalty of removal from office, no Director of BMPS may simultaneously serve as a member of the board of directors, of the management board or of the supervisory board of competitor banks, which are not part of the Montepaschi Group, that hold a banking license issued by the supervisory authority and are active in the bank funding or ordinary credit markets in Italy. Any director of BMPS who accepts one of the above positions shall promptly inform the Board of Directors of BMPS, which shall immediately declare his/her removal from office. The term of office for Directors shall be three years, expiring on the date of the Shareholders' Meeting convened to approve the financial statements for their last year of office; they can be re-elected for no more than two consecutive terms after the first one, except for the Chief Executive Officer/Chief Executive Officers.

The appointment of the members of the Board of Directors takes place through voting from a list of candidates submitted by the shareholders, according to the procedure indicated under article 15 of the Articles of Association, in which the candidates are listed with a serial number.

Each list which presents a number of candidates equal to or greater than three must specifically indicate the candidates who meet the independence requirements established for statutory auditors pursuant to law and the additional independence requirements set out in the Corporate Governance Code of listed companies, i.e. no less than two and, in any case, equal to at least one-third of candidates presented in the list.

For the purpose of complying with applicable laws regarding equilibrium between the genders⁽⁴⁾, the lists with three or more candidates shall include candidates of different genders, in alternate order and in the same proportion, as specified in the notice of convocation of the Meeting. The same lists may not contain names of persons who, at the date of the Shareholders' Meeting for the renewal of the corporate bodies, are 75 years

⁽⁴⁾ The statutory clauses targeted at compliance with gender balance, according to the principles sanctioned by Law 120/2011 and introduced to Articles 147 – *ter* and 148 of the TUF, were applied at the time of renewal of the corporate bodies of the Bank resolved upon by the shareholders' meeting of 16 April 2015.

old or older, having regard also to the age limits prescribed by the Articles of Association for the office of Chairman of the Board of Directors (70) and for the office of Chief Executive Officer (67).

Together with each list, by no later than the list filing deadline indicated in the notice of convocation of the Shareholders' Meeting, the following documents shall be submitted: (i) the declarations whereby the individual candidates accept their candidacy and certify, under their own responsibility, that there are no reasons for ineligibility and incompatibility, and that any requirements prescribed for the office by current laws and regulations are met; (ii) the statements of the candidates indicated in the list as independent certifying the existence of the independence requirements; and (iii) the *curricula vitae* describing the personal and professional characteristics of each candidate, with the indication of the administration and control positions held in other companies. In particular, candidates shall declare that they do not serve as a member of the board of directors, of the management board or of the supervisory board of competitor banks, which are not part of the Montepaschi Group, that have a banking license issued by the supervisory authority and that are active in the bank funding or ordinary credit markets in Italy. The list presented by the shareholders must be submitted to the registered office of the Company at least 25 days prior to the date set by the Shareholders' Meeting and disclosed according to applicable laws. Each shareholder may individually or jointly present a single list and each candidate may be included in a single list in order to be eligible.

Only shareholders who, individually or jointly with other shareholders, hold a total number of shares representing at least 1% of the Bank's share capital with voting rights at ordinary shareholders' meeting, or the different applicable percentage prescribed by current provisions, have the capacity to present a list of candidates. To prove ownership of the number of shares necessary to present the lists, shareholders who have presented the lists, simultaneously with the presentation of the lists, or afterwards but no later than the deadline for the publication of the lists, shall present and/or deliver to the registered office of the Bank the documents certifying ownership of the aforesaid minimum number of shares, determined with respect to the shares that are registered in the shareholder's name on the day when the lists are deposited.

Lists presented without compliance with the Articles of Association may not be voted.

Each shareholder entitled to vote may do so for only one list.

In accordance with Article 15 of the Articles of Association, directors shall be elected in the following way:

a) directors representing half the number of those to be elected, rounding down to the nearest integer in case of fractions, shall be drawn from the list that obtains the majority of the votes, in their consecutive order of appearance in the list;

b) the remaining directors shall be drawn from the other lists; for this purpose, the votes obtained by the lists shall be subsequently divided by one, two, three, four and so on, depending on the number of directors still to be elected. The resulting points shall be progressively assigned to the candidates of each of said lists, in the order respectively provided therein. The points thus attributed to the candidates of the various lists shall be placed in a single decreasing order.

Those who obtain the highest results shall be elected.

If more than one director has obtained the same number of quotient, the candidate from the list that has not yet had any of its directors elected, or that has had the smallest number of directors elected shall be elected.

If none of said lists has yet had a director elected, or if all lists have had the same number of directors elected, the candidate with the highest number of votes shall be elected from these list.

When the lists have an equal number of votes and of quotient, a new vote by the entire shareholders' meeting shall be called and the candidate who obtains a simple majority of the votes shall be elected.

In any case, notwithstanding the above provisions, at least one director shall be drawn from the minority list that has obtained the highest number of votes and that is not connected in any way, even indirectly, with the parties who presented or voted the list that obtained the majority of the votes.

The Articles of Association of the Bank does not provide, for the purposes of the allocation of the directors to be elected, for the exclusion of the lists that have not obtained a percentage of votes equal to at least half the one required by the Articles of Association for presentation of the lists (see Article 147-ter, Par. 1 of the TUF), i.e. at least 1% of the share capital of the Bank with voting rights in the ordinary Shareholders' Meeting.

If, when the vote is finished, at least one-third of directors meeting the independence requirements have not been appointed, the necessary number of non-independent candidates with the lower number of votes is replaced with the independent candidates - taken from the same lists to which the replaced candidates belonged – who obtained the highest number of quotient.

The candidate replaced to allow the appointment of the minimum number of independent directors may not, in any case, be the director drawn from the minority list that obtained the highest number of votes and that is not connected in any way, even indirectly, with the persons who presented or voted the list that obtained the majority of the votes; in this case, the non-independent candidate who was next to last in terms of quotient obtained shall be replaced.

Moreover, if enforcement of the aforesaid procedures does not make it possible to comply with current gender balance regulations, the portion of votes to be attributed to each candidate drawn from the lists shall be calculated by dividing the number of votes obtained by each list by the consecutive presentation number of each of said candidates; the candidate of the more represented gender with the lowest quotient among the candidates drawn from all lists shall be replaced by the person of the less represented gender who obtained the highest number of quotient in the same list of the replaced candidate. If candidates from different lists have obtained the same quotient, the candidate of the list from which the highest number of directors is drawn shall be replaced, or, subordinately, the candidate drawn from the list that has obtained the lower number of votes shall be replaced, or, in case of equal number of votes, the candidate who obtains fewer votes at the shareholders' meeting in a dedicated vote.

If, in application of the above procedures, due to the lack of replaced independent candidates or of the less represented gender, the required number of directors to respect the minimum number of independent directors and directors from the less represented gender is not elected, the shareholder's meeting will immediately elect the missing directors, on a priority basis, by means of a resolution approved via a simple majority on the basis of the candidacy proposed immediately, on a priority basis, by the subjects who presented the list to which the candidate or candidates to be replaced belong. For the appointment of directors who are, for whatever reason, not appointed in accordance with the above procedures, the shareholders' meeting resolves pursuant to and based on the legal majorities, without prejudice to compliance with the criteria set out in the applicable legislation and the Articles of Association concerning independent directors and gender balance.

For the replacement of directors who leave office during their mandate, the legal provisions shall apply, in observance of the criteria set out in the applicable legislation and the Articles of Association concerning independent directors and gender balance. If, moreover, the majority of directors should leave office, the entire Board of Directors shall be deemed to have resigned, effective from the time a new Board of Director is appointed. Directors may be dismissed by the shareholders' meeting at any time, without prejudice to the director's entitlement to compensation for damages, if dismissal takes place without just cause.

In accordance with Supervisory Provisions governing banks' corporate governance, the Board of Directors, both upon renewal of the entire Board of Directors, and in case of co-optation following the termination of office of directors during their office, shall initiate the procedures necessary to preventively identify the qualitative and quantitative composition of the Board that is considered optimal, identifying and justifying, with the support of the Appointments Committee, the theoretical candidate profile deemed best suited to the objectives indicated in the aforementioned provisions. In case of the renewal of the Board of Directors, the Bank shall publish on its website and file at the company's registered office and the market management company, the evaluations regarding its qualitative and quantitative composition and theoretical candidate profile deemed suitable for this purpose, in time for the shareholders' meeting to take them into account when choosing candidates. After the appointments, the Board shall verify whether the qualitative and quantitative composition considered optimal *ex ante* matches the composition resulting *ex post* from the appointments made by the shareholders' meeting or by co-optation.

In particular, pursuant to the provisions issued by the Bank of Italy, the Boards of Directors of banks are required to identify the qualitative and quantitative composition they consider optimal in relation to the achievement of the objective which is to correctly perform the functions incumbent upon the supervisory and management bodies. Said optimal composition requires that the individuals involved:

- are fully aware of the powers and obligations inherent in the functions that each individual is required to carry out (supervisory or management function, executive and non-executive functions, independent members, etc.);
- have the professional requirements to perform the duties assigned to them, including in any committees within the board itself, commensurate with the operating and dimensional characteristics of the bank;
- have skills that are appropriately diversified, so each of the members, both within the committees that they participate in and in board decisions, may effectively contribute, among other things, to identify and pursue appropriate strategies and ensure effective governance of risk throughout all areas of the bank;
- dedicate adequate time and resources to the complexity of their task, subject to the compliance with the limitations on the plurality of offices as provided in implementation of the CRD IV;
- address their action to the pursuit of the overall interests of the Bank, regardless of the shareholders who voted for them or the list from which they are selected; they shall operate with autonomy of judgment.

For further details on the recommendation approved by the prior Board of Directors regarding the qualitative and quantitative composition considered to be optimal for the new Board of Directors of the Bank, submitted to the shareholders who presented the lists of candidates at the ordinary Shareholders' Meeting held on 16 April 2015 for renewal of the Board, please see the document published on the website www.mps.it – *Corporate Governance* – Shareholders' Meetings.

Furthermore, following the appointment of the directors and statutory auditors and subsequently to this, each year, the Board shall verify compliance with the so-called *Interlocking* prohibition (as pursuant to Article 36 of Legislative Decree 201/2011 – converted into law 214/2011) which is applicable to directors, statutory auditors and general managers of companies or groups of companies that operate in the credit, insurance or financial markets who take on or perform similar duties in competitor groups or companies. To this end, the directors and the statutory auditors in office shall issue an appropriate declaration and provide a list of the offices they hold in other companies or groups of companies that operate in the credit, insurance or financial markets, accompanied by a certification, duly justified, that the incompatibility as set forth in the Legislative Decree does not apply. From the verifications conducted in 2015 and the annual verification carried out by the Board on 25 February 2016, no significant situations emerged regarding the prohibition in question.

For amendments to the Articles of Association, the legal quorums shall apply, exception made for the provision of the Articles of Association for the amendments to the Articles of Association required by law, in relation to which the Board of Directors is competent and the qualified quorum (set out in Article 14, Par. 5 of the Articles of Association), of at least 60% of shares with voting rights in the case of amendments to the Articles of Association pertaining to paragraphs 5 and 7 of Article 14 of the Articles of Association, as well as paragraphs (1.1) and (1.6) Letter a) of Article 15 (regarding the criteria for appointment of the Board of Directors), articles 4 (registered office, management and regional structure), 6.4 (preferred shares) and 6.5 (conversion of preferred shares by a foundation) and, in any case, in which the proposal to convert the preferred shares into ordinary shares is included in the agenda.

Succession plans

As required by the Supervisory Provisions and the best international practices for larger banks or banks with complex operations such as BMPS, a plan has been prepared which shall ensure the orderly identification of the top executive positions (Chief Executive Officer and General Manager, who, in the case of BMPS, are currently the same individual), in order to ensure the going concern basis of the bank and avoid any financial or reputational issues. The identification plan which has been approved by the Board of Directors, with the opinion of the Appointments and Remuneration Committee, as at 28 January 2015, contains the processes for definition of the skills and remuneration profile of the role, as well as identification and appointment for the role of General Manager as well as Chief Executive Officer.

4.2. COMPOSITION (pursuant Article 123-bis, Par. 2, Letter d) of the TUF)

The Board of Directors in office, consisting of 14 members, was appointed by the ordinary shareholders' meeting of 16 April 2015 and shall remain in office until the approval of the financial statements for the year ended 31 December 2017.

The ordinary shareholders' meeting held on 15 September 2015 resolved to appoint Massimo Tononi as a Director and the new Chairman of the Board of Directors for the remaining period that the mandate is effective, following the resignation of the Chairman Alessandro Profumo on 24 July 2015, effective from 6 August 2015⁽⁵⁾.

Each member of the Board of Directors meets the requirements prescribed by the applicable regulations and by the Articles of Association.

The table below shows the current directors in office:

| Name and surname | Office | Date and place of birth: |
|----------------------------|-------------------------|--|
| Massimo Tononi | Chairman | Trento, 22.08.1964 |
| Roberto Isolani. | Deputy Chairman | Milan, 18.06.1964 |
| Fabrizio Viola | Chief Executive Officer | Rome, 19.01.1958 |
| Stefania Bariatti (*) | Director | Milan, 28.10.1956 |
| Béatrice Derouvroy Bernard | Director | Saint-Germain-en-Laye (France), 15.05.1963 |
| Fiorella Bianchi | Director | Siena, 05.05.1954 |
| Daniele Bonvicini (*) | Director | Bologna, 31.01.1949 |
| Lucia Calvosa (*) | Director | Rome, 26.06.1961 |
| Maria Elena Cappello (*) | Director | Milan, 24.07.1968 |
| Alessandro Falciai (*) | Director | Leghorn, 18.01.1961 |
| Fiorella Kostoris (*) | Director | Rome, 05.05.1945 |
| Stefania Truzzoli (*) | Director | Verona, 15.11.1968 |
| Antonino Turicchi (*) | Director | Viterbo, 13.03.1965 |
| Christian Whamond. | Director | Bahía Blanca (Argentina), 11.08.1973 |

(*) *An independent director pursuant to the Consolidated Financial Act and the Corporate Governance Code (article 15 of the Articles of Association).*

At the ordinary Shareholders' Meeting on 16 April 2015, for the renewal of the Board of Directors in office, 3 lists were presented, of which:

1. **List no. 1** – submitted by the shareholders Fintech Europe s.a.r.l., Fondazione Monte dei Paschi di Siena and BTG Pactual Europe LLP, for the candidacies of Alessandro Profumo, Fiorella Kostoris, Fabrizio Viola, Fiorella Bianchi, Christian Whamond, Lucia Calvosa, Roberto Isolani.
2. **List no. 2-** submitted by AXA S.A. and companies controlled by it, for the candidacies of Béatrice Derouvroy Bernard, Antonino Turicchi, Stefania Truzzoli, Alessandro Robin Foti.
3. **List no. 3** - submitted by Millenium Partecipazioni s.r.l. for the candidacies of Alessandro Falciai, Stefania Bariatti, Daniele Bonvicini, Maria Elena Cappello, Marco Almerigogna.

The lack of any connection between the lists presented was verified and declared.

The vote had the following outcome:

- **List no. 1:** total votes 1,099,084,012, i.e. 71.392305 % of the shares entitled to vote;
- **List no. 2:** total votes 190,588,029, i.e. 12.379871% of the shares entitled to vote;
- **List no. 3:** total votes 244,348,499, i.e. 15.871946 % of the shares entitled to vote;

⁽⁵⁾ For completeness, with regard to the previous Board, we remind that the Director David Manuel Martinez resigned on 27 February 2015 and from 4 March 2015 he has been replaced by co-optation by Director Christian Whamond.

The following persons were elected: Alessandro Profumo, Fiorella Kostoris, Fabrizio Viola, Fiorella Bianchi, Christian Whamond, Lucia Calvosa, Roberto Isolani, Béatrice Derouvroy Bernard, Antonino Turicchi, Stefania Truzzoli, Alessandro Falciai, Stefania Bariatti, Daniele Bonvicini and Maria Elena Cappello.

In the same shareholders' meeting, Alessandro Profumo was appointed Chairman of the Board of Directors and Roberto Isolani was appointed Deputy Chairman.

As mentioned above, the Chairman Profumo has been replaced by Chairman Massimo Tononi for the remaining period of his office. The latter was appointed by the ordinary shareholders' meeting held on 15 September 2015, based on the candidacy submitted by the shareholders of Fondazione MPS, Fintech Advisory Inc. and BTG Pactual, with the vote in favour of 99.429624% of the shares entitled to vote.

The procedure regarding the renewal of the Board of Directors, first of all, and the replacement of the Chairman, thereafter, took place in compliance with the Supervisory Provisions for banks regarding corporate governance as illustrated in the paragraph above.

The current composition of the Board of Directors, as verified after its renewal pursuant to the meeting held on 8 May 2015 and confirmed by the Board itself following the appointment of the new Chairman in its meeting of 8 October 2015, is appropriate insofar as its size, composition, type and variety of professional skills and with regard to its operation. The composition considered to be optimal on an *ex ante* the basis as identified by the Board of Directors in March 2015 -and recommended by the shareholders that presented their candidacies for the directorships in order to enhance the guidance, strategic supervision and control of the corporate body, taking into account the governance structure of the Bank, the evolution of Italian and European regulations, the code of conduct suggested for listed companies and the increasing general complexity of the financial system- required the presence of directors with an adequate knowledge of the banking business, the dynamics of the economic – financial system, banking and financial regulations and risk management and control methods. Together with the banking origin/skills profiles, the Board of Directors recommended a selection of the individuals with in depth knowledge of the real economy which the Bank's operations are focused on, such as managers and business people with experience in complex business entities, particularly with specific skills in the following areas:

- (i) analysis and interpretation of the balance sheet, economic and financial data of banks, insurance and/or industrial companies;
- (ii) knowledge in the areas of internal audits and compliance;
- (iii) skills in the legal, corporate and tax areas; and
- (iv) skills in the marketing and digital technologies areas.

The current composition of the Board of Directors, which consists of 14 members, guarantees that minorities are represented, that the age limits set forth in the articles of association (average age of 55) are met and that the requirement of independence (8 directors), gender diversity (7 directors of each gender represented), and diversity insofar as to the skills described above are met.

For detailed information please refer to the *Curricula Vitae* of each director in office, published upon their appointment on the Bank's website (www.mps.it – Corporate Governance – Shareholders' Meetings), in addition to other updated summary information in the section *Corporate Governance – Organizational Structure*.

For additional information on the articulation of the Board of Directors please refer also to Tables no. 1 and no. 1-*bis* attached hereto.

– **Maximum number of positions held in other companies**

The maximum number of offices to be held by members of the Board of Directors is set within the Regulation of the Board of Directors, revised in 2015, which specifies that, indicatively, “*holding corporate offices, in six joint stock companies outside the MPS Group other than BMPS, not resulting from the Group's own designation, can be deemed compatible with the effective performance of the duties of a Director of the Bank*”. In this regard, up to four offices held within the same group count as one; more than four offices count as two.

To the limitation above the maximum number of three offices – save for exceptional cases – in companies of the Montepaschi Group, excluding the Parent Company, or in other companies at the designation of the Group itself, shall be added.

In light of Consob communication no. 10046789 of 20 May 2010, the Regulations of the Board of Directors specifies that “... *said limit of three offices is an adequate safeguard to preserve the directors’ independence from the viewpoint of financial relations with the issuer and its Group, in accordance with the provisions of current regulations and interpretations. The Board of Directors, when making the designations - or the Chairman in case of consultation procedures - shall ensure that said limit is constantly maintained from the substantial viewpoint as well and, with it, that the director’s independence is safeguarded.*”

The assessment of the maximum number of positions, prescribed by current regulations, takes into account the substance of the positions held, rather than their mere number; therefore, it is based on the type of position held (e.g. executive or non-executive director), the nature and size of the company where the positions are held (e.g., listed or unlisted companies), the specific circumstances and, in any case, keeping the Bank’s best interest as the foremost reference criterion.

In its meeting of 25 February 2016, the Board carried out said annual review, in relation to which it resolved to confirm the compatibility of the other corporate offices held by its own members, in addition to the office held within the Bank, with the effective performance of duties as a director of the Issuer.

– **Induction Session**

Once again in 2015, the Chairman of the Board of Directors has attended to the “*Board Induction*” program which consist of a series of periodic seminars given for all members (directors and statutory auditors) by the manager of the Bank, as well as external professionals in relation to issues including asset management, bank-assurance, corporate governance, corporate risks and audit systems, credit, the role and the risks of the Director, commercial issues and banking regulations.

To enhance professionalism while providing continuous updates to the directors, the Bank has initiated a “*Board Practice*” led by a university professor; this program is currently underway, and is open to all Directors and Statutory Auditors. It provides for specific training sessions on corporate governance, internal control systems and risk management (credit risk in particular).

4.3. ROLE OF THE BOARD OF DIRECTORS (pursuant to Article 123-bis, Par. 2, Letter d) of the TUF)

– **Operation**

During 2015, 21 meetings of the Board of Directors were held, with an average duration of 4 hours and 43 minutes.

In February 2016, 4 meetings were held with an average duration of approximately 5 hours and 40 minutes. A further 12 Board meetings have been scheduled for the remainder of 2016, up until the shareholders’ meeting called to approve the financial statements for the year ended 31 December 2015.

For each director’s percentage of attendance at meetings, please see the enclosed Tables no. 1 and 1-*bis*.

Distribution of information is regulated and structured in order to ensure efficient management and effective controls.

In particular, information is made available to directors and statutory auditors using a dedicated procedure available from the Intranet or Extranet on a protected basis, enabling all Directors and Statutory Auditors to view the proposals and associated annexes and obtain all information necessary to participate in discussions and resolutions concerning items in the agenda of the Board’s meetings, in an informed manner, also in accordance with Article 2381, Par. 6 of the Civil Code. More specifically, the Board’s documents are made available, mostly at the time the meeting is convened and the related agenda is announced (5 days before the meeting) or in the following days as soon as they are available (in urgent cases or for additions to the agenda, at least 24 hours before the meeting), by uploading them to a “*Team Site*”, accessible by the Directors and Statutory Auditors, through the Internet or the company’s Intranet, in any case in a protected environment, accessible through personalised login and password.

The Chairman himself shall ensure that adequate and comprehensive information and documentation is provided on the agenda items for the Board meeting for all members with suitable advance notice, correlated to the importance, relevance and complexity of the individual positions to be examined, always complying

with the rule that the documentation shall be made available to Directors and Statutory Auditors sufficiently in advance to enable them to examine and evaluate the proposals on the agenda.

It can occur that for an issue which is nevertheless inserted into the agenda, the documentation is provided to Directors at the time of the meeting; for example, documentation regarding the considerations of the various internal Committees of the Board.

The Board of Directors' meetings are attended by the Secretary, selected among the Executives of the Bank, as prescribed by the Articles of Association. Pursuant to the Board Regulation, in performing his managerial duties and carrying out of the board discussions, the Chairman has relied on the contributions of the persons in charge of the appropriate competent corporate departments.

– **Powers of the Board of Directors**

The Board of Directors has all the ordinary and extraordinary administrative powers to fulfil the Bank's company purpose that are not reserved to the Shareholders' Meeting by law or by the Articles of Association and matters submitted for its examination by the Chairman, the Executive Committee (if appointed) and the Chief Executive Officer(s) (if appointed).

More specifically, the Articles of Association (Article 17, Par. 2) reserve the following powers exclusively to the Board that cannot be delegated:

- defining and approving the business model, the strategic lines of the Bank and the Banking Group it belongs to and approve the relative business, financial and strategic operation plans including a periodic review of these plans;
- overseeing the correct and consistent implementation of the aforesaid guidelines and strategic plans into the management of the Bank and of the banking Group;
- establishing the principles for the Bank's general organisation and approving its organisational structure, ensuring the adequacy thereof over time and approving and amending its main internal regulations;
- expressing the general guidelines for the banking Group's organisation and operation, establishing the criteria for the coordination and management of subsidiaries belonging to the same banking Group, and for the execution of the instructions imparted by the Bank of Italy;
- defining and approving the objectives and governance policies for risks, and the process of recognizing, managing and assessing the latter in time;
- defining and approving the guidelines for the internal control system, verifying its adequacy, coherence, functionality, efficiency and effectiveness in compliance with the relative applicable laws from time to time;
- approving the policies and assessment processes for corporate assets, and, in particular, the financial instruments, assessing their constant adequacy;
- approving the accounting and reporting system;
- assuming the general responsibility for the guidance and control of the information system;
- ensuring that the Financial Reporting Officer has adequate powers and means to perform his/her duties, and that administrative and accounting procedures are enforced.

In addition, as set out in Article 17, Par. 1 of the Articles of Association, in application of Article 2365 of the Civil Code, the Board is responsible for resolving on mergers in the cases provided for by Articles 2505 and 2505-*bis*, on the opening and closing of secondary offices and on the adjustments of the Articles of Association into line with legislative provisions.

The Board of Directors of the Parent Company shall make decisions with regard to the transactions of the Issuer and of its subsidiaries (in this case through the "Parent Company's preventive opinion" instrument) if the transactions have significant strategic, economic, capital or financial relevance, which entail the assumption of additional risks and for all other matters governed/identified as such by the Articles of Association of the Parent Company and the Subsidiaries and by Group Regulations). The above activities are

carried out in accordance with the Articles of Association and internal regulations. In particular, in 2014, the Board updated the regulatory framework for relations between the Parent Company and the Group companies regarding all company processes, with the new “Regulation for the operating governance of the Group”, which regulates, in close synergy with the remaining internal regulations, the strategic and operating responsibilities of the Parent Company and the Group companies regarding company processes, the associated operation mechanisms and the dissemination of information flows, in order to ensure that the common objectives are reached, in observance of the legal autonomy of the Group companies and the principles for their proper corporate and business management. The Board assesses the general operating performance on a quarterly basis through the budget review prepared by the Chief Executive Officer.

On a periodic basis (quarterly/half-yearly/annually and whenever relevant), the heads of the internal control and risk management functions (Internal Audit, Compliance Risk Management, advanced risk management system validation function and anti-money laundering) and the Financial Reporting Officer report to the Board of Directors on matters within their competence.

At least every quarter, the Board of Directors assesses the general business performance, taking into consideration the information received from the delegated bodies, and based on a comparison of the results achieved against those that were forecasted.

With reference to the relevant supervisory and company regulations, the Board of Directors:

- based on the preventive opinion of the Risk Committee:
 - defines the guidelines for the internal control and risk management system, so that the main risks of the Bank and the Group it belongs to are correctly identified, as well as adequately measured, managed and monitored, while also determining the level of compatibility of these risks with Bank management that is coherent with the strategic objectives that have been set;
 - assesses, at least annually, the adequacy of the internal control systems and management of risks for the characteristics of the Bank and the risk profile that has been assumed, as well as its effectiveness;
 - approves, at least annually, the work plans drafted by the managers of the Company Control Functions;
 - examines the periodic reports on the valuation of the internal control and risk management system and the particularly significant reports prepared by the Compliance, Risk Management and Internal Audit Functions;
 - assesses, together with the Financial Reporting Officer and after having received the opinion of the auditors and the Board of Statutory Auditors, the correct usage of the accounting standards and their uniformity for the purposes of drafting the consolidated financial statements;
 - assesses, after consulting the Board of Statutory Auditors, the results presented by the auditors and any comments submitted and the report on the fundamental issues that emerged during the audit; and
 - upon the proposal of the Remuneration Committee, determines the remuneration structure for the Managers of the corporate control functions, as well as with reference to the annual definition of the compensation for the position of these same Managers;
- upon proposal of the Risk Committee, with the prior positive opinion of the Appointments Committee:
 - appoints or revokes the managers of company control functions (internal audit, compliance, anti-money laundering, risk control and internal validation).

Assesses the organisational, administrative and accounting structure of the Bank and, particularly with reference to the internal control system and risk management system, at the consolidated level.

As part of its operations, the significant transactions resolved upon by the Board of Directors in 2015 were:

- the merger by incorporation of Consum.it S.p.A. into Banca Monte dei Paschi di Siena S.p.A. pursuant to article 17 of the Articles of Association and articles 2365 and 2505 of the Civil Code;

- the proposal to the Extraordinary Shareholders' Meeting held on 16 April 2015 of a share capital increase up to a maximum amount of Euro 3 billion, a share grouping transaction, in addition to the amendment of the Articles of Association to adapt them to the applicable Supervisory Provisions on corporate governance issued by the Bank of Italy in 2014 (articles 12, 13, 14, 15, 17, 23, 24 and 27);
- in execution of the delegation received by the Extraordinary Shareholders' Meeting on 16 April 2015: (i) the authorization to group the ordinary shares; (ii) the setting of the final conditions for the share capital increase of Euro 3 billion, determining the maximum number of shares to issue (no. 2,558,256,930), the subscription price (Euro 1.17 per share) and the ratio (no. 10 new shares for each share already held); and (iii) the resolution to increase the share capital, effective as of 1st July 2015, in one tranche and with exclusion of the pre-emption option, in the amount of Euro 243,073,800.00, exclusively for payment in shares of the interests accrued up to 31 December 2014, paid to the MEF in 2015;
- the approval of the full repayment to the MEF of the residual nominal amount of Euro 1.071 billion of NFIs (net of the interest portion for 2015);
- the approval on 8 May 2015 of the new business plan 2015/2018;
- the resolution for the assignment *without recourse* and in its entirety of a portfolio of non-performing loans consisting of consumer loans, personal loans and credit cards originating from Consum.it S.p.A. (a company that merged with the issuer during the year) to Banca IFIS S.p.A. and a securitization vehicle financed by a company associated with Cerberus Capital Management LP. The portfolio assigned is composed of 135,000 positions with a gross book value of approximately Euro 1 billion (Euro 1.3 billion, including the default interest accrued and/other charges that are assigned together with the principal amount);
- the approval of the disposal to Poste Italiane S.p.A. of the 10.3% shareholding the Bank holds in Anima Holding S.p.A., for a consideration of Euro 210 million, plus the 2014 dividends;
- the final approval of the capital strengthening of the subsidiary bank MPS Capital Services Banca per le Imprese S.p.A. and MPS Leasing&Factoring S.p.A. through the increase of the share capital by Euro 1,200 million and Euro 500 million, respectively;
- the stipulation of an early closing agreement for the structured finance transaction named "Alexandria", which had been set up in 2009 with Nomura International PLC;
- the appointment of the new CFO Arturo Betunio, who also holds the position of Financial Reporting Officer;
- the assignment *without recourse* of an entire portfolio of non-performing loans with a gross book value of approximately Euro 1 billion to Epicuro SPV S.r.l., a securitisation vehicle financed by companies that are associated with Deutsche Bank AG.

- **Board Self-assessment**

In line with international best practice and with the provisions of the Corporate Governance Code, the Supervisory Provisions for banks regarding corporate governance, as well as its regulation and the regulation of the self-assessment process, BMPS' Board of Directors carried out its self-assessment and that of the Board committees, relating to the year 2015 ("**Board Review**"), availing itself of the support of the advisory firm Spencer Stuart, an expert advisory firm on Corporate Governance and Board Effectiveness that already handled the self-assessment process in the previous three-year period. It should be noted that Spencer Stuart also headed up the self-assessment process for BMPS' Board of Statutory Auditors and the Board of Directors of the subsidiary Widiba S.p.A..

The objective of the work is to perform a structured assessment of the size, composition (quali-quantitative, diversity, balance guaranteed by non-executive and independent members, adequacy of the appointment processes and selection criteria, professional development) and functioning (holding of meetings, frequency, duration, level and participation methods, trust, collaboration and interaction between members, awareness of the role covered, quality of Board discussions) of the Bank's Board and of its committees and to identify the

opportunities for further improvement, to best accomplish its role of guiding a complex banking Group like the Montepaschi Group.

The role performed by the Board of Directors was also analysed, in relation to specific areas that are particularly important for the purposes of sound and prudent management (e.g. strategies, operating performance, control system).

The 2015 Board Review was conducted by holding direct interviews with Directors, overseen by senior advisors from Spencer Stuart. This self-assessment method, used widely in international practice, allows Directors to participate effectively and in-depth examination of analysis themes. The interviews were held using an “Interview guide”; for each matter discussed, Directors were asked for a quantitative assessment and qualitative comments.

The agenda and minutes of the meetings of the Board of Directors were also examined, in order to understand the areas discussed and the frequency with which they appear on the agenda, the duration and the frequency of meetings.

The operating procedures for Board functioning were also compared with those identified as “Best Practice” in a study by Spencer Stuart, called “Boardroom Best Practice”.

At the end of the analysis, Spencer Stuart prepared a document that outlines the main considerations, the strengths and areas of improvement of the Board of Directors, the proposals for possible actions to be taken, developing the points already raised in the 2014 Board Review and considering the associated initiatives already launched, as summarised below.

* * *

The 2015 self-assessment is the first self-assessment of the Board of Directors in office, appointed by the Shareholders’ Meeting on 16 April 2015 and almost composed by new members. The Chairman was then appointed, on 15 September 2015 and, therefore, on the date the interviews were held relating to the self-assessment, the directors had been in office for 9 months and the Chairman for just 4 months.

The Board of Directors faced a very difficult period, working with great diligence. The Board’s efforts were focused, also in 2015, on some “extraordinary” issues, such as the constant evolution of banking regulations, civil and criminal disputes started in the past, the continuous monitoring of the Supervisory Authorities and the constant media attention on the Bank.

At the meeting on 25 February 2016, the Board examined the results of the 2015 Board Review, the self-assessment of the start of the Board of Director’s mandate, expressing its positive judgment on the adequacy of the size, composition and functioning of both the Board of Directors and the internal Committees.

* * *

4.4. DELEGATED BODIES

– Chief Executive Officer

Following the appointment of the Board by the Shareholders’ Meeting held on 16 April 2015, the Board of Directors subsequently appointed (on 20 April 2015) the General Manager Fabrizio Viola as the Chief Executive Officer of the Bank.

The Chief Executive Officer is attributed with recommendation and decision-making powers, pursuant to the Articles of Association and decided upon by the Board, and can also carry out the resolutions adopted by the Board.

With regard to the powers of recommendation, the Chief Executive Officer submits to the Board of Directors issues concerning: a) the Parent Company’s model and organizational structure and the general guidelines for the operation of the Group, (b) the general criteria for coordination and management of subsidiaries, (c) the internal regulations, policies and directives of the group relative to issues that fall under the competence of the Board of Directors, (d) the development and management policies and the bonus

system for the human resources, (e) the recruitment, appointment, definition of the functions, powers, legal and financial status of the managers and the structures that report directly to the CEO.

As part of the autonomous executive powers conferred to him by the Board of Directors, the Chief Executive Officer can: (a) manage the portfolio of the Bank within the operating limits that have been defined and in compliance with the limits set by the budget and the Risk Appetite definition of the Bank, within the limits defined in terms of the amounts and the quantification of the risk; b) authorise expenses up to a maximum amount of Euro 20 million, within the limits of the budget approved by the Board of Directors; (c) authorize trading/transfers of tangible assets, up to a maximum amount of Euro 10 million; (d) make decisions regarding sales of equity investments which are not significant without changing the banking group up to the amount of Euro 20 million; (e) initiate lawsuits without limitations as to the amount, waive, abandon, rescind the actions and acts and accept similar withdrawals from the other party; authorise court transactions and resolve to waive appeals against decisions against the Bank up to the maximum amount of Euro 5 million for ordinary disputes, labour cases, tax disputes; (f) approve selections of personnel and direct recruitment of individual professionals; define the criteria for the internal distribution of the annual bonuses of all employees (except cases for which the Board of Directors has exclusive responsibility); adopt measures of an expulsive nature; adopt measures leading to the recruitment, appointment, promotion, definition of functions, powers, legal and financial status of central and other managers and order any transfers, secondments, and resolve to terminate at will (except as concerns managers over whom the Board of Directors has exclusive jurisdiction). No specific powers have been attributed in relation to the granting of loans.

As set forth in the policy on internal communication of violations system (the so-called *Whistleblowing*), the Chief Executive Officer receives (together with the Board of Statutory Auditors, the Board of Directors and the Risk Committee) from the Internal Communication Systems Manager a final annual report regarding the correct operation of the internal communication systems, the reports received and the initiatives which were consequently taken. The report is approved by the corporate bodies and provided to the personnel.

With Board resolution on 17 June 2015, the Chief Executive Officer was also nominated “the Director in charge of the internal control system and risk management system” who, as provided by the Corporate Governance Code, is in charge of establishing and maintaining an effective internal control and risk management system.

– **Chairman of the Board of Directors**

The Chairman of BMPS’s Board of Directors has received no management mandate from the Board itself, nor carries out a specific role in drawing up the corporate strategies; at the same time, this person does not have the position of Chief Executive Officer, nor is he the controlling shareholder of BMPS.

As provided in the Regulation of the Board of Directors, the Chairman is responsible for the operation of the corporate governance system and acts as the contact point for the internal control bodies and the internal committees.

Pursuant to article 23 of the Articles of Association, the Chairman is the legal representative of the Bank with third parties and furthermore, if necessary and urgent and the executive committee is unable to do so, the Chairman may make, upon the binding proposal of the General Manager and/or the Chief Executive Officer (if appointed), resolutions regarding any business and operation that falls under the competence of the Board of Directors, except for those cases reserved exclusively to the latter. These decisions must be reported to the competent body in the immediately following meeting.

The Chairman of the Board of Directors also has an important role in promoting internal dialogue and ensuring that the powers are balanced, in line with the duties that are attributed by the Civil Code and the Articles of Association. In particular, with regard to the organisation of the Board’s work, the Chairman is responsible for managing the work and the debates, conducting the discussions, while having the possibility of obtaining illustrative contributions on specific issues, during the meetings of the Board, from bank managers or consultants,. The Chairman of the Board also ensures that the information is circulated so that the appropriate information on the issues set forth under the agenda is provided to all the Directors.

– **Executive Committee (pursuant to Article 123-bis, Par. 2, Letter d) of the TUF)**

The Board of Directors, as renewed by the Shareholders' Meeting of 16 April 2015, has not exercised the power to appoint an Executive Committee as provided by the Articles of Association.

– **Disclosure to the Board of Directors**

The bodies delegated by the Board shall report every quarter on the actual performance of the mandates conferred upon them.

4.5 OTHER EXECUTIVE DIRECTORS

The Board of Directors has defined within its own Internal Regulation (article 5) which directors are to be considered as “executive” directors, in line with the provisions of the Corporate Governance Code for listed companies and in compliance with the principles contained within the Supervisory Provisions and therefore:

- the directors who are members of the Executive Committee;
- the Chief Executive Officer;
- the directors who have received mandates;
- the directors holding the office of Chief Executive Officer in a strategically significant subsidiary;
- the directors who carry out operations relative to the management of the business, such as the directors who hold management positions at the Bank or at one of its subsidiaries, or who are assigned the task to supervise specific areas of the management of the company, through constant presence in the company, acquiring information on the relative operating structures, participating in management committees and reporting to the Board on the activities carried out.

This definition makes it possible to consider all the members of the Board of Directors, except for the Chief Executive Officer, as “nonexecutive directors”, since currently the Board of Directors:

- has not resolved to establish an Executive Committee;
- has not assigned mandates to its own members, except for the Chief Executive Officer;
- there are no directors who are managers of the Bank or one of its subsidiaries, except for the Chief Executive Officer who is also the General Manager of BMPS since 2012;
- there are no directors with executive responsibilities, as these are defined above, in subsidiaries.

4.6 INDEPENDENT DIRECTORS

The Corporate Governance Code, as a point of reference for effective Corporate Governance, indicates that among the duties of the Board of Directors there is: (i) the duty to assess the independence of its non-executive members, on the basis of substance over form; (ii) the duty to assess the relations that could be or to appear to have the capacity to compromise the autonomy of the non-executive directors' judgment, based on information provided by the interested parties and in any case at the disposal of the Issuer.

The Board has decided that the qualification of non-executive director as an independent director does not express a value judgment, but rather indicates a *de facto* situation, such as the absence of relations with the Issuer or individuals connected to the Issuer, that would currently affect the autonomy of judgment and the unbiased appreciation of the Management's work.

The new Board of Directors appointed by the Shareholders' Meeting held on 16 April 2015, has assessed the existence of the independence requirements of its own non-executive members, confirming that eight directors meet such requirements. The assessment was made on the occasion of the verification of the requirements of professionalism, integrity and independence of the directors appointed during the year.

The verifications were conducted according to the criteria defined in article 15 of the Articles of Association, which makes reference to the requirements established for the statutory auditors pursuant to the law (articles 147-ter and 148 of the TUF) and additional requirements indicated within the Corporate Governance Code, based on the information provided by the interested parties or which is nevertheless available to the company

and examined also the credit relations of the Directors considered to be independent, as prescribed by the Supervisory Provisions.

The outcome of these checks was disclosed in a press releases to the market.

The current independent Directors pursuant to article 15 of the Articles of Association are: Stefania Bariatti, Daniele Bonvicini, Lucia Calvosa, Maria Elena Cappello, Alessandro Falciai, Fiorella Kostoris, Antonino Turicchi and Stefania Truzzoli.

The directors Massimo Tononi (Chairman), Roberto Isolani (Deputy Chairman), Béatrice Bernard Derouvroy, Fiorella Bianchi and Christian Whamond were considered as independent only pursuant to the provisions of the TUF.

The number of the Bank's independent Directors (eight) is therefore quite higher than the minimum limit of at least one third as indicated in the Corporate Governance Code for issuers belonging to the FTSE-Mib index and also established by Article 15 of the Articles of Association.

On 25 February 2016, the Board confirmed the existence of the independence requirements for the directors indicated above, following conclusion of the prescribed annual verification.

The Board of Statutory Auditors verifies the correct application of the criteria and assessment procedures adopted by the Board of Directors for the evaluation of its members' independence and will communicate this in its report to the Shareholders' Meeting convened for the approval of the financial statements for the year ended on 31 December 2015.

In compliance with the requirements of the Corporate Governance Code (Article 3, application criteria 3.C.6), the independent directors met, in the absence of the other directors, on 17 December 2015.

There have been no cases of directors who were qualified as independent directors within the Board's appointment lists and committed to maintaining this status for the entire duration of the mandate, who resigned.

4.7. LEAD INDEPENDENT DIRECTOR

In consideration of the fact that the Chairman of the BMPS Board of Directors received no management mandate from the Board itself, nor carries out a specific role in preparing the corporate strategies or acts as the Chief Executive Officer or is the controlling shareholder of BMPS, and lacking a request from the majority of the independent directors, the BMPS Board of Directors has not appointed an independent director as the Lead Independent Director, since the application criterion 2.C.3 of the Corporate Governance Code does not apply.

5. HANDLING OF CORPORATE INFORMATION

The Board of Directors of the Bank has adopted internal regulations for the internal management and external communication of documents and information regarding the Issuer, in order to regulate the flow of such information, in particular privileged information.

The principles and guidelines for identification of an appropriate management process for confidential information are contained in the "Compliance Directive" (hereinafter the "Directive") and the relative operating instructions regarding management of the mandatory fulfilments in relation to market abuse. The internal regulation defines the criteria that govern the conduct, responsibility and macro-operating processes to ensure compliance with the applicable regulatory and legal provisions, in relation to the issues that are significant, also for individuals and entities belonging to the Montepaschi Group. The existing controls apply first of all to the Parent Company in its capacity as a listed issuer and the entities that control it, but also to the other companies belonging to the Group who are intermediaries licensed to provide investment services. The Group companies adopt their own internal regulation, in compliance with the rules and processes described in the Parent Company's regulation, implementing the rules, responsibilities and internal processes in compliance with characteristics and dimensions of each subsidiary.

The internal regulation defines the specific cases of market abuse (“operational manipulation” or “information manipulation”) and of uses of privileged information. The controls required by the regulation consist of:

- the preparation and constant updating of the registry of persons that have access to privileged information who, due to their work or professional activity or the functions they carry out, have access to privileged information (whether at the Parent Company or third party listed issuers), which nevertheless has characteristic of being “price sensitive”;
- in monitoring and communicating to Consob any “suspicious transactions”, that is, the transactions in financial instruments (as these are identified in the regulation) set up or requested by the customers or in the portfolios that belong to the intermediary which, based on reasonable assessments, can be considered as a market abuse and/or abuse of inside information (art. 187-novies of the TUF). This activity is carried out with the assistance of a specific automatic detection software (MAD – Market Abuse Detection) for transactions on which the competent corporate departments carry out the necessary investigations, subject to the obligation of all central and peripheral structures of the company to monitor and communicate the operations/orders that could have significant suspicious elements.

In any case, the management process for inside information aims to ensure that the environment is confidential, protected and monitored insofar as the circulation of the information itself prior to its disclosure to the public, ensuring the elimination, or at least the mitigation, of phenomena such as rumours or information leaks, thereby preventing uses of inside information which are not in line with applicable laws by the persons who came to be aware of such information, whether directly or indirectly.

The regulation therefore contains specific standards of conduct which employees with access to confidential information must adhere to, always with the greatest degree of confidentiality as imposed by the Code of Conduct for the financial sector, prepared by the Italian Banking Association, the (Italian) Corporate Governance Code for Listed Companies and the internal regulations of the Bank, particularly in relation to the policy on investment services personal transactions, in addition to specific security measures which must be complied with that concern the handling of inside or privileged information.

The Directive also covers the following areas which are connected to market abuse:

- “Internal Dealing”, regarding the duty of disclosure to the market and Consob of the transactions carried out by relevant parties (Directors, Statutory Auditors and strategic managers) also through third parties, involving shares of the listed issuer (the Parent Company) or other financial instruments connected to it. With its resolution of 25 November 2015, the Board of Directors has adopted the new version of the Regulation covering Internal Dealing, with insertion of a clause containing a so-called *Black Out Period*. The current version of the *Internal Dealing* Regulation is published on the Bank’s website: www.mps.it – *Corporate Governance – Internal Dealing*;
- Market practices that identify the conducts that the primary and supervisory regulation identify as “operating practices” which the operators are required to adhere to in order to be covered by the so-called Safe Harbour (i.e. presumed legitimacy of specific conduct, which would otherwise be classified under market abuse);
- “Recommendations”, in relation to studies and research on listed financial instruments which the Parent Company has placed a restriction on, applicable to Group employees.

The contents of the Group Directive on disclosure and external relations are also relevant for the management of confidential information. This Directive indicates for the Group the responsibilities inherent in management the process of disclosure to the public, as part of the strategic supervision carried out by the Board of Directors (as provided by the applicable supervisory provisions). The Directive actually defines three types of external macro-communications (institutional, economic-financial and corporate, commercial) and the so-called “significant” disclosures. Specific safeguards have been identified for each type (by the internal functions and the corporate bodies of the Parent Company and the Group environment overall), with a differing degree of involvement of the corporate bodies, depending on the type and relevance of the information to be published.

The Directive contains a list of the main relevant disclosures which require specific authorisation procedures, or certification of the information or prior or ex post reporting, with indication of the department that is primarily responsible for the content and/or reconciliation between the various functions involved in the specific transaction and/or the review and preparation of the document. Among these information, the most significant is the certification by the Financial Reporting Officer of acts and disclosures to the market relative to the accounting information (press releases, presentations, etc.), where this individual is required to declare, pursuant to Par. 2, article 154-bis of the TUF, the correspondence of the accounting information contained in the documentation published with the actual results as these are set forth in the accounting books and records.

6. COMMITTEES WITHIN THE BOARD OF DIRECTORS (pursuant to Article 123-bis, Par. 2, Letter d) of the TUF)

Pursuant to the relevant applicable laws, art. 17 of the Articles of Association requires the Board of Directors to establish committees with recommendation and consulting functions, comprising 3 to 5 directors, all of whom must be non-executive, and the majority of whom must be independent; additionally, there must also be one director elected by the minority shareholders (where present) in at least one committee.

In 2015, following the renewal of its mandate, the Board of Directors appointed the following internal committees attributing to them the functions set forth in the Articles of Association, the Corporate Governance Code and in compliance with the division of specialised functions criterion as required by the Supervisory Provisions regarding the corporate governance of banks (which actually require the establishment of three distinct committees, specialised in appointments, remuneration and risks):

- **Appointments Committee**, the main duties of which are:
 - to support the Board of Directors in the appointment of Directors, proposing, in the case envisaged under art. 2386, Par. one of the Civil Code, the candidates for the office of director;
 - to support the Board of Directors in the processes of self-assessment and verification of the requirements, and in defining the succession plans for top management positions;
 - to present proposals to the Board of Directors for appointment of the members of the Executive Committee or the Chief Executive Officer.
- **Remuneration Committee**, the duty of which is, in particular, to:
 - present to the Board proposals for the remuneration of the chief executive officers and the other directors with particular duties, monitoring application of the decisions of the Board itself;
 - periodically assess the criteria adopted for the remuneration of the key management and monitor application thereof, providing recommendations to the Board of Directors on this subject;
- **Risk Committee**, the main function of which is to assist the Board of Directors in performing its duties relating to the definition of the guidelines for the internal control and risk governance system, assess its adequacy, efficacy and efficient operation, and approve the policies and processes for assessment of the corporate operations;
- **Committee for related party transactions**, comprised exclusively of independent directors, who provide at least consulting on this issue.

No function of one or more committees has been reserved to the Board in its entirety.

In respect to the requirements for the members of the committees, in addition to independence and non-executive capacity, as defined by the Articles of Association and the laws applicable from time to time, additional specific skills are required for at least one member of the Remuneration Committee (adequate knowledge and experience in finance or pay policies, to be assessed by the Board at the time of the appointment) and for the members of the Risk Committee (for all, knowledge, skills and experience of such a calibre as to allow full comprehension and monitoring of the strategies and the risk guidelines of the Bank and, for at least one Committee member, possession of adequate experience in accounting and finance or risk management).

The committees carry out their operations in compliance with the specific regulations approved by the Board of Directors, the supervisory regulations and the applicable provisions of the laws, the regulations, the Articles of Association and the corporate governance applicable from time to time, in addition to the provisions set forth in the Corporate Governance Code.

The composition, operation, mandate, powers, and resources available are clearly defined in the internal legislative provisions and in particular the specific regulations governing each Committee.

In any case, each Committee appoints its own Chairman, selected from among the independent directors, who is required to convoke and chair the meetings and a Secretary, selected from among the employees of the Bank with a managerial position.

The Chairman of the Board of Statutory Auditors or another statutory auditor designated by him participates in the work of the committees, though other statutory auditors are also allowed to participate.

The following persons may be invited to participate in the meetings (except for the Committee for transactions with related parties): the Chairman of the Board of Directors, the CEO and, for the Risk Committee, the General Manager.

Also in light of the issues to be discussed, the department of the Bank that worked on the report and/or formulated the proposal may be required to participate to the work of the committees, as may one or more representatives of the management and other heads of the Bank's functions and third parties.

The composition of the committees for the year 2015, the date of approval of the relative Regulations, any amendments thereto, their operation and the main duties performed are reported below.

7. APPOINTMENTS COMMITTEE

In its meeting of 20 April 2015, the Board of Directors resolved to establish the Appointments Committee, and attributed to it the functions provided for in the Articles of Association, the Corporate Governance Code and the applicable Supervisory Provisions.

The Appointments Committee regulation was approved by the Board with its resolution on 8 May 2015.

Composition and operation

The current Committee comprises five members of the Board of Directors, all of whom are non-executive, and the majority of whom are independent, as follows: Alessandro Falciai (Chairman), Maria Elena Cappello, Roberto Isolani, Massimo Tononi and Antonino Turicchi.

The Committee is entitled to access to the business information required in order to allow it to carry out its duties and has sufficient financial resources to ensure operating independence, through a specific budget approved annually by the Board of Directors. The Committee may also use external consultants, paid for by the Bank as part of its own budget.

In 2015, beginning from the date of the appointment (20 April 2015), the Committee held 10 meetings the average duration of which was approximately thirty minutes, at which minutes were taken regularly by the secretary. On average, 92% of the members participated in the meetings.

In the period from 1 January to 15 April 2015, the prior Appointments and Remuneration Committee met 5 times, with an average duration of 1 hour per meeting, at which minutes were taken regularly by the secretary. On average, 84% of the members participated in the meetings.

For 2016, no schedule of the meetings has been prepared as meetings will be held upon calling of the Chairman, whenever there are issues that fall under the competence of the Committee to be discussed. In the initial months of 2016, the Committee met 2 times (on 5 February and 16 February 2016).

Functions attributed

The Appointments Committee mainly supports the Board of Directors in the following processes:

- appointment or co-optation of directors;
- self-evaluation of the bodies;

- the verification of the existence of the conditions set forth in the requirements of professionalism, integrity and independence for corporate officers, pursuant to article 26 of the Consolidated Banking Law (TUB), providing also opinions on the size and composition of the Board of Directors and the professional figures whose presence within the Board itself is considered expedient;
- definition of the succession plans for the top executive positions.

In carrying out its duties, the Committee takes into account the objective of avoiding that the decision-making processes of the Board of Directors are dominated by a single individual or groups of individuals that can cause harm to the Bank.

Specifically, the Committee:

A) presents recommendations to the Board of Directors:

- for the appointment of candidates to the office of administrator in the cases provided under article 2386, first paragraph of the Civil Code, when a director needs to be replaced;
- for the appointment of the members of any Executive Committee and, on the indication of the Chairman, for the appointment of the CEO or CEOs;
- for identification of the individuals required to carry out the self- assessment process of the Board of Directors;

B) expresses its opinions to the Board of Directors:

- on recommendation from the Chief Executive Officer, regarding the appointments and succession plans for the Top Management of the Bank (General Manager, department Managers and the individuals in charge of the structures that report directly to the CEO);
- on the proposal of the General Manager, regarding the appointments of the Senior Deputy General Manager and the Deputy General Managers;
- on the recommendation of the General Manager, as regards the process connected to the succession plans relative to the positions of the Managers in charge of the Bank's major functions;
- on the proposal of the Chief Executive Officer, which will be discussed with the Chairman of the Board of Directors, regarding the appointment of directors and statutory auditors in subsidiaries and participated companies, the autonomous decision-making powers of which lie with the Board of Directors or the Executive Committee, if one exists;
- in the event that lists are presented by the Board of Directors to the Shareholders' Meeting, on the appropriateness of the candidates based on an analysis carried out in advance by the Board itself;
- regarding the maximum number of offices as director or statutory auditor in other listed companies in regulated markets (including abroad), financial, banking or insurance companies, or companies of a significant size, which can be considered compatible with effective performance of the office, taking also into account any participation in committees established within the Board of Directors;

C) supports the Board of Directors in its duties and the achievement of its objectives attributed to it by the supervisory regulations:

- in identifying the qualitative and quantitative composition of the Board of Directors considered to be optimal;
- in the subsequent verification of the qualitative and quantitative composition considered to be optimal and the composition that actually ensues from the appointment process;
- in respect of the requirements aimed at ensuring an adequate level of diversification in the overall composition of the body, without prejudice to the mandatory provisions applicable to listed banks, the committee will set a target in terms of the percentage of the less represented gender and prepare a plan in order to increase this percentage up to the target that has been set;

D) provides its own contribution to the Risk Committee:

- for identification and recommendation of the Managers to be appointed to the corporate control functions.

In respect of the above mentioned functions, in 2015 the Committee supported the Board of Directors and the Risk Committee with recommendations and opinions:

- on the appointment of candidates to the office of administrator in the cases provided under article 2386, first paragraph, of the Civil Code;
- on the verification of the requirements of professionalism, integrity and independence of the corporate officers and the qualitative and quantitative composition of the Board of Directors;
- in the process of appointment and/or revocation of the Managing Director and the General Manager;
- in the appointment of the Chief Executive Officer;
- in the appointment of the Bank's Top Management and the managers of the company control functions;
- in the organisational evolution of the *Vice Direzione Generale Crediti* (Credit Department), with consequent duties and responsibilities;
- in the self-evaluation process of the Board of Directors;
- in appointments of Board Directors at subsidiaries and/or participated companies.
- in the appointment of the Bank representatives at ABI and Assonime.

8. REMUNERATION COMMITTEE

In its meeting of 20 April 2015, the Board of Directors resolved to establish the Remuneration Committee, assigning to it the functions provided for in the Articles of Association, the Corporate Governance Code and the applicable Supervisory Provisions.

The Remuneration Committee regulation was approved by the Board with its resolution on 8 May 2015.

Composition and operation

The current Committee comprises five members of the Board of Directors, all of whom are non-executive, and the majority of whom are independent, as follows: Maria Elena Cappello (Chairman), Béatrice Derouvroy Bernard, Alessandro Falciai, Stefania Truzzoli and Christian Whamond.

In addition to the requirements of being non-executive and independent, at least one of the members of the Committee must have adequate knowledge and experience in the financial or remuneration policy areas, a requirement that is assessed by the Board at the time of the appointment.

The Committee is able to access the business information that is required for it to carry out its duties and has sufficient financial resources to ensure operating independence, through a specific budget approved annually by the Board of Directors. It may, with expenses covered by the Bank through the approved budget, use external consultants, experts in remuneration policy issues, provided they do not simultaneously provide strategically significant services to the human resources department, the directors or the managers with strategic responsibilities such as to compromise the independence of their judgment.

In 2015, beginning from the date of the appointment (20 April 2015), the Committee held 7 meetings the average duration of which was approximately one hour, at which minutes were taken regularly by the secretary. On average, 94% of the members participated in the meetings.

In the period from 1 January to 15 April 2015, the prior Appointments and Remuneration Committee met 5 times, with an average duration of approximately one hour per meeting, at which minutes were taken regularly by the secretary. On average, 84% of the members participated in the meetings.

For 2016, no schedule of meetings has been prepared as meetings will be held upon calling of the Chairman, whenever there are issues that fall under the competence of the Committee to be discussed. In the initial months of 2016, the Committee met 3 times (on 12 January, 5 February and 15 February 2016).

Functions attributed

The Remuneration Committee performs the duties as required by the applicable laws, regarding remuneration and incentives policies and practices. In particular, in compliance with the Supervisory Provisions on corporate governance:

- its duties comprise recommendations regarding the compensation of personnel, and the remuneration and incentive systems for the latter are decided upon by the Board of Directors;
- it provides recommendations for determination of the criteria for the remuneration of all the most significant personnel;
- it directly monitors correct application of the rules relative to the remuneration of the managers of the company control functions, in close cooperation with the Board of Statutory Auditors;
- it handles the preparation of the documentation to be submitted to the Board of Directors for the relative decisions to be taken;
- it collaborates with other internal committees of the Board of Directors, in particular the Risk Committee;
- it ensures that the competent corporate functions are involved in the process of setting up and monitoring the remuneration and incentive policies and practices;
- including through the use of information received from the qualified corporate functions, it expresses its opinion on whether the performance objectives connected to the incentive schemes have been reached and ascertains that other terms and conditions set for the granting of the remuneration have been fulfilled;
- it provides a comprehensive report on the activities of the corporate bodies, including the Shareholders' Meeting;
- it expresses an independent opinion regarding the Group's remuneration policies and practices, in general, with reference to the reconciliation of the staff retention objectives and the limitation of the corporate risks;
- in relation to the provision of investment services, it expresses an opinion regarding the efficiency of the policies for the handling of conflicts of interest and in respect of the risk management obligations connected to the conduct of the personnel, so as to ensure that the interests of the customers are not compromised by the remuneration policies and practices adopted over the short, medium and long-terms.

In this context, the Committee carries out the following tasks:

A) presents recommendations to the Board of Directors:

- on the indication of the Chairman of the Board of Directors, in the absence of the directly interested parties, regarding the remuneration of the Chief Executive Officers and other directors with specific duties in compliance with the Articles of Association, including the directors that are members of Committees within the Board of Directors, pursuant to article 17, paragraph 4, of the Articles of Association, including the remuneration by virtue of any stock option plans or allocation of shares;
- in relation to the remuneration of the General Manager, including the remuneration by virtue of any stock option plans or allocation of shares;
- for determination of the remuneration structure for managers of the company control functions, including the remuneration by virtue of any stock option plans or allocation of shares;
- on the indication of the Chief Executive Officer, regarding the remuneration of the Deputy General Managers, department managers and managers of areas and structures that report directly to the Chief Executive Officer himself.

B) expresses its opinions to the Board of Directors:

- on the proposal of the Chief Executive Officer, regarding the Bank's incentive schemes;

- on the determination of the compensation to be granted in the event of early termination of the relation, for the Executive Directors, the General Manager and the Managers, if it is not in line with the policies and practices for remuneration and incentives adopted by the Bank.

In respect of the functions described, during 2015, the Committee provided recommendations and/or consulting on:

- the remuneration of the Chief Executive Officer, the Deputy Chairman and the other directors who, in compliance with the Articles of Association, hold particular offices in the Committees established within the Board of Directors;
- remuneration of the most significant personnel;
- remuneration of the managers of the company control functions;
- planning of variable remuneration;
- remuneration report pursuant to article 123-ter of the TUF.

9. DIRECTORS' REMUNERATION

It is hereby reiterated that:

- article 13 of the Articles of Association establishes that the Ordinary Shareholders' Meeting shall determine the remuneration of the directors and statutory auditors as provided in article 27 and approves the remuneration and incentive policies, the compensation plans based on financial instruments applicable to the members of the board, the employees and collaborators who are not employees of the Bank and the criteria for determination of the compensation payable in the event of early termination of the work relationships or early termination of the office, including the limits set for said compensation in terms of the years of fixed remuneration and the maximum amounts arising from their application;
- article 27 of the Articles of Association provide that upon hearing the opinion of the Board of Statutory Auditors and the recommendation of the Remuneration Committee, the Board of Directors will establish the remuneration of the directors with particular duties in compliance with the Articles of Association, including the directors that are members of the Board's internal committees pursuant to article 17 paragraph 4 (Appointments, Remuneration and Risk Committee and the Committee for transactions with related parties), except for the remuneration of the Chairman of the Board of Directors, which is set by the Shareholders' Meeting.
- the Board of Directors has defined a general policy for the remuneration of the directors and the officers with strategic responsibilities which is contained in the "Report on Remuneration" prepared pursuant to article 123-ter of Legislative Decree 58/98 (Consolidated Financial Act - TUF)" approved by the Shareholders' Meeting on 16 April 2015.

For further information regarding the emoluments of the Bank directors during 2015 and the information relating to transparency of the remuneration paid to executive and non-executive directors and the directors with strategic responsibilities, and the compensations paid to directors in the event of resignation, termination or termination of the employment relationship following a take-over bid, incentive mechanisms for the internal audit department manager and the Financial Reporting Officer, please see the aforementioned Report on Remuneration pursuant to article 123-ter of the TUF, published on the issuer's website (www.mps.it – *Corporate Governance* – Shareholders' Meetings).

10. RISK COMMITTEE

In its meeting of 20 April 2015, the Board of Directors resolved to establish the Risk Committee, and assigned to it the functions provided for in the Articles of Association, the Corporate Governance Code and the applicable Supervisory Provisions.

The Risk Committee regulation was approved by the Board with its resolution on 8 May 2015.

Composition and operation

The current Risk Committee is composed of five directors, all of whom are non-executive and the majority of whom are independent: Antonino Turicchi (Chairman), Stefania Bariatti, Daniele Bonvicini, Roberto Isolani, Christian Whamond.

In addition to the requirements of being non-executive and independent, the Committee has ensured that its members have the requisite accounting and financial skills.

The Committee is able to access the business information that is required for it to carry out its duties and has sufficient financial resources to ensure operating independence, through a specific budget approved annually by the Board of Directors. In carrying out its functions, it is able to use external consultants paid for by the Bank as part of the approved budget and, where necessary, liaise directly with the Internal Audit, Risk Management and the Compliance Departments.

In 2015, from the date of its appointment (20 April 2015), the Committee held 13 meetings the average duration of which was approximately three hours, at which minutes were taken regularly by the secretary. On average, 94% of the members participated in the meetings.

In the period from 1 January to 15 April 2015, the prior “Control and Risk Committee” (then redenominated “Risk Committee”) met 5 times, with an average duration of approximately two hours per meeting, at which minutes were taken regularly by the secretary. On average, 74 % of the members participated to the meetings.

For 2016, the Risk Committee has approved a schedule of meetings which will be held, usually, upon convocation by the Chairman, the day prior to the date set for the meeting of the Board of Directors and/or whenever there are issues to discuss matters in relation to which the Committee is responsible. In the initial months of 2016, the Committee met 3 times (on 13 January, 3 February and 24 February 2016).

Functions attributed

The Committee support the Board of Directors in issues involving risks and the internal control system, with particular attention paid to the activities that are instrumental and required for the Board of Directors to make a correct and effective determination of the RAF (Risk Appetite Framework) and the risk governance policies.

Pursuant to the Supervisory Provisions on internal controls, the Committee:

- identifies and proposes, following the contribution made by the Appointments Committee, the control function officers to appoint and shall express its opinion for the revocation of any appointment;
- expresses its opinion prior to the determination of the remuneration structure of the managers of the corporate control functions, and their annual compensation for this position;
- examines in advance the program of operations (including the audit plan) and the annual reports of the control functions addressed to the Board of Directors;
- expresses its assessments and opinions to the Board of Directors regarding compliance with principles of the internal control system and corporate organization and the requirements that must be fulfilled by the control functions, bringing to the attention of the body any weak points and the consequent corrective actions to be adopted; to this end it will assess the proposals of the Chief Executive Officer and/or General Manager;
- contributes, through assessments and opinions, to the definition of the corporate outsourcing policy of the control functions;
- verifies that the control functions comply with the indications and guidelines provided by the Board of Directors and will assist the latter in preparing the coordination document required by the supervisory provisions on the internal control system (Chapter 7);
- assesses the correct use of the accounting principles for the drafting of the consolidated and separate financial statements and, to this end, will coordinate with the Financial Reporting Officer and the Board of Statutory Auditors.

Particularly with reference to the duties regarding management and control of risks, the committee will provide support to the Board of Directors:

- in the definition and approval of the strategic guidelines and the risk governance policies. For the RAF issue, the Committee provides the recommendations and assessments required in order to allow the Board of Directors to define and approve the Risk Appetite and the Risk Tolerance (Chapter 7), as required by Supervisory Provisions in regard to the internal control system;
- the verification of correct implementation of the strategies, risk governance policies and the RAF;
- defining the policies and the evaluation processes for the corporate operations, including verification that the price and the terms and conditions governing transactions with customers are in line with the business model and the risk strategies.

The Committee will furthermore express its opinion on the adequacy of the number of staff assigned to the Internal Audit Manager for execution of his responsibilities.

Notwithstanding the competences assigned to the Remunerations Committee, the Committee ascertains that the incentives of the Bank's remuneration and incentive system are in line with the RAF.

The Committee and the Board of Statutory Auditors will exchange all the information of reciprocal interest and, where appropriate, coordinate to carry out the respective duties.

In compliance with the requirements set forth in the Corporate Governance Code, it shall provide its prior opinion to the Board of Directors on the occasions when the latter:

- defines the guidelines for the internal control and risk management system, so that the main risks of the Bank and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, while also determining the level of compatibility of these risks with Bank management that is coherent with the strategic objectives that have been set;
- assesses, at least once per year, the adequacy of the internal control and risk management system against the characteristics of the Bank and the risk profile assumed, as well as its effectiveness;
- approves, at least annually, the work schedule prepared by the internal audit department, after having received the opinion of the Board of Statutory Auditors, the director in charge of internal control systems and risk management;
- describes, in the Report on Corporate Governance, the main characteristics of the internal control and risk management system, expressing its own judgment on its adequacy;
- assesses, after consulting the Board of Statutory Auditors, the results presented by the auditor and any comments submitted and the report on the fundamental issues that emerged during the audit, including following specific consultations with the auditors themselves.

The Committee, in assisting the Board of Directors:

- assesses, together with the Financial Reporting Officer and after having consulted the auditors and the Board of Statutory Auditors, the correct use of the accounting standards and their uniformity for the purposes of drafting the consolidated financial statements;
- expresses opinions on the specific aspects inherent in the identification of the main company risks;
- examines the periodic reports, in compliance with the applicable laws, on the assessment of internal control and risk management systems, and those of particular relevance which are prepared by the Company Control Functions;
- monitors the autonomy, adequacy, effectiveness and efficiency of the Company Control Functions;
- may request the internal audit function to audit specific operating areas, while informing the Chairman of the Board of Statutory Auditors;
- reports to the Board of Directors, at least every six months, concomitantly with the approval of the annual and half-yearly financial statements, on the activities carried out as well as the adequacy of the internal control and risk management system. The minutes of the Committee meeting, after approval, are provided to the Board of Directors and the Board of Statutory Auditors.

In respect to the above, during 2015, and as part of its support and assistance provided to the Board of Directors, the Committee provided consulting and gave recommendations in relation to:

- the information flows (Audit reports) received from the internal audit function and the Quarterly Report; the Audit Plan and the specific reports prepared by the internal audit function on the activity carried out and the relative results, the assessment of the control systems of the Group and the various updates made on the system itself, as well as the relative Follow-up; the information provided by the company control functions required by the supervisory provisions;
- the activity plans prepared by the company control functions (Risk Plan, Compliance Plan, Validation Plan, Anti Money Laundering Plan);
- the information flows received by the Risk Department (Group ICAAP Report, outcomes of the Parent Company Risk Management Committee, reports on the activities of the Control Function Coordination Committee, ILAAP Report) and the information provided by the Risk Department in regard to the Supervisory Authority certifications;
- the periodic reports prepared by the Compliance Function on the status of the “conformity” of the Bank and the Group and the various updates carried out during the year on the Group’s “conformity” status (Va.S.Co. report);
- the implementation of the AQR corrective actions;
- the definition of the Risk Appetite Framework;
- the appointment of the new Compliance Department Head and certain control function managers;
- the Group Policy on the classification and assessment of the credit, strategic management of the Bank’s portfolio, non-recourse assignment of Non Performing Loan (NPL) portfolios;
- examinations and updates of particular transactions carried out by the Bank;
- the reports prepared by the Financial Reporting Officer pursuant to law 262/2005;
- the information requests and/updates from the Supervisory Authority.

The Committee has also reported to the Board on its activities and the adequacy of the internal audit and risk management system, on the occasion of the approval of the annual financial statements and the half-yearly financial report.

11. THE RELATED PARTY TRANSACTIONS COMMITTEE

The Related Party Transactions Committee (hereinafter the “Committee”) - established for the first time with the name Independent Directors Committee by means of a resolution of the Board of Directors dated 10 November 2010 - assumed its current name based on a resolution of the Board of Directors dated 26 June 2013.

The Board of Directors appointed the Committee currently in office on 20 April 2015. Its regulation was approved by the Board with its resolution of 8 May 2015.

Composition and operation

The current Committee for Transactions with Related Parties comprises five members of the Board of Directors, all of whom are independent: Fiorella Kostoris (Chairman), Stefania Bariatti, Daniele Bonvicini, Lucia Calvosa and Antonino Turicchi.

Loss of the independence requirement is a cause for forfeiture of the office.

A member of the Board of Statutory Auditors takes part in the Committee meetings.

The Chairman can assess whether to invite functions that have proposed the transactions and/or conducted the negotiations, one or more representatives of the management, as well as other managers of bank departments and third party entities (e.g. an independent expert) to take part to the Committee’s works, in

order to explain the transactions that have been submitted and/or proposed for assessment, and for particular information requirements.

In carrying out its duties, the Committee may also use the services of independent external experts, provided that costs and expenses shall be borne by the Issuer.

In 2015, the Committee met 14 times and the average duration of each meeting was approximately 1 hour and thirty minutes. Minutes were regularly kept for the meetings by the secretary. 96% of the members participated in the meetings.

For 2016, no schedule of meetings has been prepared as meetings will be held upon calling of the Chairman, whenever there are issues that fall under the competence of the Committee to be discussed. In the first few months of 2016, the Committee had 2 meetings (14 January and 5 February 2016).

Functions attributed

The Committee carries out the activities and duties attributed to it by the “Global Policy on transactions with related parties and associated parties, the obligations of bank executives” (hereinafter the “Global Policy”) approved by the Board of Directors on 12 November 2014, pursuant to the Consob Related Parties Regulation and the Bank of Italy Supervisory Provisions for connected parties. The Global Policy contains in a single document the aforementioned internal regulations on transactions with related parties and connected parties; for further details on this issue please see Chapter 13 below.

In particular, the Committee:

- assesses the transactions of minor and major importance carried out by the Bank and which are not exempted, and give a justified opinion, which is binding for transactions of higher importance, in regard to the interest of the company to carry out the transaction and also the economic convenience of the transaction and essential correctness of the terms and conditions that are applied;
- once the analysis on the existence of the requirements of interests and economic convenience of the transaction and essential correctness of its terms and conditions is completed, the Committee issues its positive/subject to observations/contrary opinion;
- provides its opinion in the cases required by the Global Policy in relation to the transactions to be carried out by the subsidiaries;
- monitors the transactions carried out, including ordinary transactions of minor significance that are concluded at arm’s length or standard conditions, which are subject to periodic reporting;
- issues a binding opinion, which is analytical and justified, regarding the amendments to the Articles of Association of the Bank which refer to the issue of related parties and connected parties, where required by the supervisory regulations;
- carries out a role in which it evaluates, supports and recommends on issues of organization and conducting internal controls on the overall activity of assuming and managing risks with related parties and connected parties, verifying the coherence of the activity carried out with the strategic and operating guidelines;
- in this context, on the occasion of the updating of the policies regarding controls in accordance with the applicable supervisory provisions, the Committee issues a prior binding opinion, which is analytical and justified also regarding their own appropriateness in achieving the objectives of the supervisory provisions.

The main activities carried out by the Committee during 2015 were the following:

- examination and issuing of a preventive opinion regarding certain proposals for transactions with related parties and connected parties;
- opinion on the Group’s operating limits vis-à-vis connected parties;
- examination of periodic quarterly Reports prepared by the compliance department on transactions with related parties and connected parties;

- examination of Reports on the consolidated analysis of risks *vis à vis* connected parties transmitted by the Risk Department;
- drafting of the quarterly report on the activities of the Committee submitted to the Board of Directors and the Board of Statutory Auditors.

12. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The new “Group Internal Control Systems governing policy”, approved by the Board of Directors on 17 July 2014, represents the reference framework for internal control systems, which incorporates the principles and guidelines which must underpin the design, operation and development of a “complete, adequate, functional and reliable” control system, to ensure sound and prudent management.

The regulatory Framework was designed to be compliant with the legal/regulatory framework, the Group’s organisational structure and international and domestic standards and best practices.

The document implements, in its structure and contents, the Supervisory Provisions on internal control systems⁽⁶⁾.

The Group Policy defines certain aspects, briefly illustrated below:

- the general principles of the internal control system;
- the internal control system governance model;
- methods of coordination and collaboration between the functions with control tasks and company bodies;
- information flows between control bodies and functions;
- relations with the Supervisory Authorities.

In 2015, in compliance with the applicable Supervisory Provisions on internal control systems, the Bank adopted a “Policy on internal systems for disclosure of violations (so-called *Whistle blowing*)”, which governs the criteria and rules for the management of disclosures that the personnel can make in relation to phenomena of fraud and suspicious conduct, as well as irregularities in conducting company business or a violation of the rules governing the banking activity. In particular, in addition to establishing that the personnel can make a disclosure, the rules define: the perimeter of facts and actions that can be disclosed; the procedures and channels through which such disclosure shall be made; the main management obligations for disclosures incumbent upon the structures in charge; the safeguards in place for the whistleblower and the affected individual.

12.1 GENERAL PRINCIPLES OF THE INTERNAL CONTROL SYSTEM

The Internal Control System adopted by the Montepaschi Group comprises a set of rules, functions, structures, resources, processes and procedures which aim to ensure sound and prudent company management.

The Internal Control System plays a central role in the company organisation, i.e.:

- it represents a key element of knowledge for the company bodies to ensure they are fully aware of the situation and effective monitoring of company risks and their interrelationships;
- it directs changes in the strategic guidelines and company policies and makes it possible to adapt to the organisational context in a coherent manner;

⁽⁶⁾ See the 15th update of Bank of Italy Circular no. 263 of 27 December 2006, "New regulations for the prudential supervision of banks" replaced by the 14th update of 25 November 2015 of Circular no. 285 of 17 December 2013 "Supervisory Provision for Banks".

- it oversees the functionality of the management systems and the compliance of the prudential supervisory authorities;
- it fosters the spreading of the proper culture of risks, legality and company values.

Owing to these characteristics the internal control system takes on a strategic role for the Group and the culture of control assumes a significant position in the scale of company values, involving the entire company organisation (company bodies, structures, hierarchical levels, personnel) in the development and the application of logical and systematic methods for identifying, measuring, communicating and managing risks.

In the Group model, the components that characterise the control systems are:

- **the control environment:** the formalisation of the roles and responsibilities in the corporate processes constitutes a necessary condition for an effective company control system. It represents the basis for all the other components, guaranteeing transparency, accountability and compliance with the principles of sound and prudent management;
- **risk control:** the risk governance process consists of the set of activities connected to the identification, valuation, management and monitoring of risks originating from the various operating segments, as well as the definition of management policies for these risks;
- **controls structure:** regarding the rules and instruments the individual company functions use to ensure adequate control activity;
- **information and communication:** the information must be identified, collected and disseminated in the form and within the times that allow each function to fulfil the responsibilities incumbent upon it. In this regard, the IT systems adopted assume a key role for ensuring “sound and prudent management”. The IT systems must guarantee a flow of information which enables all levels of the structure to adequately perform the respective management tasks and adhere to the obligations set by the internal regulations and the legal provisions;
- **monitoring:** the internal control system must be constantly monitored to ensure it functions adequately and to guarantee its design is updated where necessary.

The areas of improvement identified, with a view to integrated risk management, must be communicated to the functions with control tasks in relation to the specific areas of competence, also through mechanisms for coordination and sharing between said entities.

The areas of improvement flagged must also be subject to a systematic “Follow-up”.

12.2 GOVERNANCE MODEL

The Montepaschi Group governance model, in line with the Supervisory Provisions regarding banks’ corporate governance, provides the following:

- the Board of Directors is vested with strategic and management supervision functions;
- the Chief Executive Officer is vested with executive management functions, according to the powers delegated by the Board of Directors and attributed by the Articles of Association;
- the Director in charge of the internal control and risk management system, appointed in compliance with the Corporate Governance Code for Listed Companies, is responsible for setting up and maintaining an effective internal control and risk management system;
- the General Manager is vested with executive management functions. In the event of the absence or impediment of the General Manager, the latter’s functions will be carried out by the Senior Deputy General Manager;
- the Board of Statutory Auditors is vested with with control function.

12.3 THE ROLES AND RESPONSIBILITIES OF COMPANY FUNCTIONS IN THE CONTROL SYSTEM

In terms of the Group's approach, for the purposes of the Internal Control System, the company functions are separated into:

- Company Control Functions, responsible for monitoring the Internal Control System both as regards specific areas of risk (Risk Management, Validation, Compliance and Anti-money Laundering) and the system as a whole (Internal Audit);
- Control Functions, with the responsibility for monitoring the internal control system as regards specific areas of competence attributed by the legislative, regulatory, statutory or self-governance provisions;
- Other Company Functions, responsible for the governance of processes within its competence as part of the Internal Control System.

The term "Functions with control tasks" jointly identifies the Company Control Functions and Control Functions.

Company Control Functions: Functions in charge of overseeing the control system for specific risk areas.

Considering the crossover effect and the complexity of the individual control processes, the Group model provides, in consideration of the clear assignment of the responsibility of each Control function, for the separation of the activities and the duties to the various company structures involved, based on the principle of competence. This approach makes it possible to benefit from economies of scope, reducing negative outsourcing and increasing the effectiveness of the action.

The model adopted consists of the following company control functions, in charge of overseeing the internal control system, for specific risk areas:

- Compliance Function
- Risk Management Function
- Internal Validation function
- Anti-money Laundering Function
- Internal Audit Function.

The first four relate to second-level controls, the Internal Audit Function to third-level controls; the group regulations and individual company regulations define the organisational model, the responsibilities, processes and the operating mechanisms for reconciliation with the Other Company Functions.

To ensure the Company Control Functions carries out its activities properly, the Montepaschi Group has defined specific essential requirements which must be met, valid for each function in relation to:

- Appointment and revocation of managers;
- Independence and authority;
- Functional separation;
- Resources;
- Remuneration criteria;
- Access to corporate information;
- Main activities.

Internal Audit Function

All components of the control systems are subject to internal audit, aimed at assessing their adequacy, functionality and coherence with the Group's organisational evolution and the external legislative framework. The approach is primarily based on risk.

Within this context, the Internal Audit Function performs an independent and objective activity aimed at controlling, on the one hand, based on third-level controls, the regular performance of operations and the evolution of risks and, on the other hand, at evaluating the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the Internal Control System, bringing

any possible improvements to the attention of the company bodies, with particular reference to the RAF, the risk management process, as well as the instruments for measuring and controlling these risks; based on the results of its controls, the Internal Audit Function provides recommendations to the company bodies.

In carrying out its tasks, the Internal Audit Function, which has access to all company data and outsourced activities, adheres to the provisions of the international standards for the profession, incorporated within the Group's Internal Audit Standards and associated Code of Ethics.

The autonomy and impartiality of the function are guaranteed by relational reconciliation mechanisms with the company bodies; the independence requirements provide an organisational position, which precludes hierarchical dependence and/or influence (conditioning) by any manager of the operating structures.

The Internal Audit Function reports to the body with strategic supervision powers (Board of Directors).

For Group companies, based on the proportionality criteria, the activities are assigned to the organisational structures of said companies (decentralised model) or outsourced to the Parent Company's functions (centralised model). In line with the prescriptions for professional standards for the Internal Auditing activity, the function is subjected at least every five years to an external assessment by a qualified company, that can certify the quality of the internal audit services provided.

The function motivates the professional growth of its own resources, allowing them to pursue appropriate certifications and professional qualifications such as that of Certified Internal Auditor (the so-called CIA), the only qualification which is internationally recognized for the profession of internal auditor that identifies a professional of the sector in an unambiguous manner. This certification is issued by the Italian Association of Internal Auditors (AIIA), which is officially recognized as the Italian affiliate of the Institute of Internal Auditors (IIA), the international reference for professional Standards.

If its activities lead to anomalies, the Internal Audit Function ensures the prompt communication and adoption by the competent structures of the opportune measures, monitoring the methods/timescales for their management and mitigation.

The Internal Audit Function also periodically informs the company bodies of the results of its activities and the progress status of "Follow-up" activities; it also provides the Authorities with the necessary reports required by supervisory regulations.

The Risk Control Function

The Risk Control Function is involved in defining the RAF, the risk governance policies (constantly verifying their adequacy) and the various phases that make up the risk management process and establish operating limits on the assumption of various types of risk.

More specifically, the Risk Control Function:

- constantly verifies the adequacy and effectiveness of the risk management process and of the operating limits;
- develops integrated risk analysis and monitoring methods by planning and implementing the operational and regulatory management measurement system and verifying the compliance and adequacy of the mitigation measures;
- analyses the risks of new products and services and those deriving from the entry into new operating and market segments;
- ensures the consistency of the risk measurement and control systems with the processes and methods of evaluation of company activities, coordinating with the company structures concerned;
- develops and applies indicators able to highlight anomalous situations and inefficiencies relating to risk measurement and control systems;
- constantly monitors the effective risk assumed by the bank and its consistency with the risk objectives as well as compliance with the operating limits assigned to the operating structures in relation to the assumption of various types of risk;
- verifies the correct monitoring of the trend in individual credit exposures.

With reference to the RAF, the Risk Control Function is responsible, among other things, for:

- analysing the Group’s risk profile, through the calculation of the risks absorbed and the prospective capital;
- verifying the capital adequacy within the context of the ICAAP process and the adequacy of the liquidity profile within the ILAAP process;
- governing the IT systems responsible for calculating risks, giving prior approval for any necessary change;
- verifying the adequacy of the RAF;
- defining common operating risk evaluation metrics in line with the RAF, coordinating with the Compliance Function, ICT Function and the Lack of Operational Continuity Risk Control Function (BCM);
- providing preventive opinions on the consistency with the RAF of the most significant transactions, by acquiring, if necessary, based on the nature of the transaction, the opinion of the other functions involved in the risk management process.

The Risk Control Function is also required to present the company bodies with an annual report containing the results of the activities performed. This report is also sent to the Supervisory Authorities.

Taking into account the complexity and scope of the activities carried out, the Parent Company’s Risk Control Function may organise itself into specialist structures/units, reporting directly, hierarchically speaking, to the Head of the function, in order to perform its the tasks in an efficient and effective mannner.

The Parent Company’s Risk Control Function reports hierarchically to the body with the management function (Chief Executive Officer).

The current Manager of the Risk Control Function is **Andrea Rovellini**, in charge from 1 January 2013.

With reference to foreign branches, provision is made for a local Risk Control Function, which reports hierarchically to the Parent Company’s Risk Control Function.

The Group opts for a mixed Risk Control Function, based on the following:

- centralised model for Italian subsidiaries identified according to proportionality principles in relation to their complexity; to this end, the Group avails itself of Local Contact Persons who report functionally to the corresponding Parent Company Function, guaranteeing support whenever necessary;
- for foreign subsidiaries, the presence of an appropriate Risk Control Function which reports functionally to the Parent Company Risk Control Function is provided. In order to guarantee the management and coordination of the Parent Company, it is provided that said entity’s Risk Control Function is to be involved in the definition and monitoring of the objectives assigned to the corresponding function of the foreign subsidiary, in observance of the restrictions set forth in local regulations. The hierarchical positioning of the Risk Control Function is formalised in each different subsidiary regulation.

The Risk Management Manager is also in charge of coordinating between the corporate control functions of the second level, with the objective of optimizing the exchange of information flows between them, supporting the planning of control activities and facilitating realization of the corrective interventions that have been identified.

Compliance Function

The Compliance Function oversees, using a risk based approach, the management of non-compliance risk with regard to all corporate activities, checking that the internal procedures are adequate for preventing such risk (see “Group Directive on non-compliance risk management”). The regulatory sectors for which the oversight of risks pursuant to the primary regulation (“Supervisory Body 231” and “Financial Reporting Officer”, referring respectively to Legislative Decree 231/2001 and law 262/2005) is to be guaranteed by another Corporate Control Function or Control Functions are excluded from the competence area of the Compliance Function. unless otherwise provided by specific rules. In this area, should the functions above carry out operating activities of the first level in corporate processes with significant impact in terms of

compliance and reputation of the group, with particular reference to customer relations, the Compliance Function, carries out controls of the second level.

In light of such principles, the Compliance Function is directly responsible for managing non-compliance risk for the regulations considered to be the most significant in terms of non-compliance risk, such as those that refer to the performance of the bank and intermediation activity, the management of conflicts of interests, transparency toward the clientele and, in general, the discipline based on which consumers are protected and the rules for which specific specialized safeguards have not been set within the bank.

On the other hand, regarding other regulatory sectors for which specific safeguards have already been identified, the Function graduate its duties in relation to the outcomes of the assessments regarding the adequacy of specialized controls in relation to the managing of the non-compliance risk profiles; in these circumstances the Compliance Function is nevertheless responsible, in collaboration with the specialized functions in charge, at least for defining the methods or evaluating non compliance risk and identifying the relative procedures, which are also subject to periodic auditing, in order to assess their suitability in order to prevent non compliance risk. Special reporting mechanisms between the specialized oversights and the Compliance Function are in place for this area.

The following are among the main duties of the Compliance Function:

- identification of the regulations which are applicable to the bank and measurement/assessment of their impact on processes and procedures;
- proposing organizational measures and procedures the objective of which is to ensure adequate risk monitoring for non-compliance and verification of their relative effectiveness over time;
- ex ante assessment of all innovative projects that the bank intends to develop in terms of their compliance with regulations, intervening also in preventing and managing conflicts of interest whether between the various activities carried out by the bank or in respect to employees and corporate officers;
- consults and supports Corporate Bodies in issues in which the risk of non-compliance is significant; collaborates in the training activity pertinent to the function, also in order to propagate a corporate culture based on the principles of honesty and correctness.

All the above without prejudice to the other duties specifically identified by other regulations such as, for example, the discipline regarding policies and practices for remuneration and incentives, transparency of transactions, correctness of relations between the bank and its customers, transactions with related parties, activities involving risk and conflicts of interest with related parties.

In the exercise of its own responsibilities, the Compliance Function has access to all the bank's activities, whether central or peripheral, and any significant information, also through direct contact with the personnel.

For the management of non compliance risk, the Compliance Function has in place specific information flows toward the corporate bodies. Among these is an annual report which contains a result of the activities it has carried out, which is also submitted to the Supervisory Authority.

In the Parent Company, the Compliance Function reports to the management body (the Chief Executive Officer).

With reference to foreign branches, a local compliance function is provided, which reports functionally to the Parent Company's Compliance Function.

The Group applies a decentralized Compliance Function model, which provides for the presence of specific Compliance Functions, within the individual Group companies, free from reporting hierarchically to the managers of the operating structures, which respond functionally to the Parent Company Compliance Function. The hierarchical positioning of the compliance function of the Group companies is formalised in each different subsidiary regulation.

Internal Validation function

The Internal Validation Function is required to constantly verify the consistency of the risk measurement systems with the company policies and the regulations of the Supervisory Authorities. The Function is responsible for validating the advanced internal models and the gradual extension to those of Pillar I not used

for regulatory purposes and to those of Pillar II, according to a materiality criterion. Furthermore the function has the task to prepare the mandatory information set in relation to the models validated.

In carrying out said activity, the Internal Validation Function:

- verifies the process of development of internal risk measurement models and the connected management and Data Quality processes, according to a special methodological Framework developed for each risk subject to validation;
- coordinates the functions involved in the validation process which is targeted at assessing the accuracy of the estimates of the internal systems for the measurement of significant risks not used for regulatory purposes, and expressing a judgment on the regular functioning, predictive capacity and performance of the aforementioned internal systems, taking direct action in relation to those falling within the risk perimeter defined;
- monitors the correct functioning of the advanced internal risk measurement models, evaluates the adequacy of measures implemented to fill any gaps and puts the competent bodies into operation if significant delays are identified in the completion of the shared corrective actions;
- periodically informs the company bodies of the results of its activities and the progress status of “Follow-up” activities;
- fulfils an authorisation role prior to the implementation of significant changes to the models, processes and/or procedures connected to the risks validated;
- drafts an annual validation report which summarises the results of the activities performed as well as specific validation reports relating to the risks with the advanced internal model.

Within the Parent Company, the Manager of the Internal Validation Function reports to the Manager of the Risk Control Function.

The Group opts for a centralised internal validation model; to this end, the Internal Validation Function avails itself of local contact points to report functionally to said function, guaranteeing support whenever necessary; for the subsidiaries the presence of a control unit which reports hierarchically to the Parent Company’s Internal Validation Function is provided.

Anti-money Laundering Function

The Anti-money Laundering Function is required to constantly verify that the company procedures are consistent with the objective of preventing and counteracting the violation of external regulations (laws and regulatory provisions) and self-governance regulations regarding money laundering and financing of terrorism.

To this end, the Anti-money Laundering Function has the aim of:

- identifying the applicable regulations and assessing their impact on the internal processes and procedures and collaborate in the identification of the internal controls and procedures targeted at preventing and counteracting current risks;
- verifying the suitability of the internal control system and the procedures adopted and propose the organisational and procedural changes necessary or appropriate for ensuring adequate monitoring of risks;
- providing consulting and assistance to company bodies and to top management; in the case of the offering of new products or services, the Function performs the relevant evaluations in advance;
- verify the reliability of the information system which provides data to the single company database;
- transmit the aggregate data concerning registrations in the Single Database to the Financial Information Unit on a monthly basis;
- handle, while working with the other competent Company Functions, the preparation of an adequate training plan, targeted at providing employees and collaborators with constant updating;

- prepare flows of information to the company bodies.

The Anti-money Laundering Function also performs the following activities:

- reinforced customer verification in cases of transfer of funds with the corresponding entities of non-EU States and regarding transactions, ongoing relations or professional services with politically exposed persons resident in another EU State or in a third country;
- reporting of suspicious transactions.

The Anti-money Laundering Function submits a document to the Board of Directors for approval which defines the responsibilities, duties and operating methods in respect of the management of the risk of money laundering and financing of terrorism. The document is constantly updated, available and easily accessible to all employees and associates.

The Function carries out activities involving the assessment of the adequacy of the internal systems and procedures regarding customer due diligence obligations as well as the systems for the detection, evaluation and reporting of suspicious transactions, the effective identification of other situations subject to communication duties and the appropriate conservation of the documentation and evidence required by the legislation. These activities can be carried out with the help of flows of information received from the other Company Functions, through remote or on-site monitoring techniques on a sampling basis.

The Anti-money Laundering Function monitors the measures for mitigating the risk of non-compliance defined in the annual plan or which continuously originate from the governance of processes, involving the competent Company Functions for the implementation of the procedures (internal regulations, software applications, operating processes, training and controls).

On an annual basis, the Anti-money Laundering Function presents the company bodies with a report on the initiatives undertaken, on the failures identified and on the associated corrective actions to be implemented as well as personnel training activities.

Within the Parent Company, the Manager of the Anti-Money Laundering Function reports to the Manager of the Risk Control Function.

The autonomy and independence of the Anti-money Laundering Function are ensured by mechanisms governing the relations and functional reconciliation with the bodies that have duties of strategic supervision, management and control.

With reference to foreign branches, a local Anti-money Laundering Function, which reports functionally to the Parent Company's Anti-money Laundering Function is provided.

The Group opts for a decentralised model, which provides for the presence of the appropriate Anti-money Laundering Function in each single Group company, free from hierarchical relations with the managers of the operating structures, reporting functionally to the Parent Company's Anti-money Laundering Function.

The hierarchical positioning of the Anti-money Laundering Function of the Group companies is formalised each different subsidiary regulation.

In the Group model, for specific areas of competence, other control functions are provided which are responsible for monitoring, as part of the Internal Control System:

- the Disclosure Reliability Risk Control Function (pursuant to Law 262/05);
- the Planning and Management Control Function;
- the Capital Adequacy Control Function;
- the Lack of Operational Continuity Risk Control Function;
- the Control Function Responsible for Risks regarding Workplace Health and Safety;
- the Control Function in Charge of the Correct Processing of Personal Data;
- the Control Function responsible for the risk of non-monitoring of outsourced activities;
- the Human Resources Cost Planning and Control Function;
- IT Safety Monitoring.

The Policies, Group Directives and Company Regulations define: the organisational model, responsibilities, processes, operating mechanisms for reconciliation with the other Company functions and the information flows to be produced.

For the Group companies, based on the criterion of proportionality, the activities are assigned to organisational units of the company or centralised within the Parent Company Functions. The criteria and choices by the individual companies, for various areas, must be coordinated with the respective Parent Company Function, as governed by the specific regulations on the individual issues. Compliance with the laws and regulatory provisions in force from time to time, the principle of proportionality (level of risk managed) and the functionality of the system of controls (attainment of objectives) must, nonetheless, be guaranteed. In the case of centralisation, specific agreements must be drawn up in line with the provisions of the “Policy governing the outsourcing of company functions”.

The remaining company functions guarantee the evolution of the system consistent with the Group development and productive diversification strategies and with the need for increasingly higher levels of reliability of the processes within its competence, which may give rise to company risks connected with ordinary activities (credit, market, etc.); the trends in certain segments, the decisions to create or handle new products or the decision to develop additional business areas also encourage and shape the process of updating control activities.

12.4 ASSESSMENT OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In 2015, the Board of Directors was informed of the assessment carried out by the Internal Auditing Function (Internal Audit Department) on the adequacy of the control systems - relative to 2014 - and the considerations in this regard expressed by the Risk Committee, which found that the processes and activities carried out by the Internal Audit Area to produce such assessment were adequate. Regular and periodic disclosure is provided by the top management of the company on the areas on which the audit activities are focused.

The Board of Directors also approved the schedule of activities for 2015 of the Internal Audit Department.

During 2015, the Board of Directors was also informed of the assessments made by the second level Company Control Functions in respect of 2014, each for its own specific area of reference (Annual Risk Management Report, Annual Compliance Report, Annual Validation Report and Annual Anti-Money Laundering Report) and viewed and approved the annual plans for the activities of these functions for 2015 (Risk Plan, Compliance Plan, Validation Plan and the Anti-Money Laundering Plan), as required by the regulation. The planning of activities also takes into account the findings and deficiencies identified by the Supervisory Bodies (ECB, Bank of Italy and CONSOB) and by the Bank’s internal audit function (Internal Audit Department), as well as domestic and international legislative developments. Periodic and regular information is provided to the governing bodies regarding Risk Management, Compliance, Validation and Anti-money Laundering.

12.5 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON THE FINANCIAL DISCLOSURE PROCESS

The methodological model for overseeing the risk of financial disclosure of the Montepaschi Group is set forth within the “Group Directive regarding implementation of Law 262/2005” and was developed in coherence with the “CoSo Framework” and “COBIT Framework” methodologies, for the IT component, both of which are generally accepted references internationally.

This model, which is integrated into the overall Internal Control System, aims to guarantee reliability, accuracy, trustworthiness and timeliness of the financial disclosures and therefore helps to strengthen governance of the controls.

The Montepaschi Group is required to apply the regulatory provisions set forth in Italian Law 262/2005, within both the separate financial statements of the Parent Company and the consolidated financial statements. To this end, the Group companies have implemented the law and the guidelines issued by the

Parent Company and have defined the roles, responsibilities and expected conduct for the respective areas of their competence.

The Group's Policy regarding the Internal Control System has defined the methods of coordination and collaboration between the functions with control tasks and the company bodies, the methods of coordination between all functions with control tasks and the flows of information between the control bodies and functions. Coordination is ensured by the role of the Appointed Director and the presence of the Committee for the Coordination of the Functions with control tasks, and by the coordinated and integrated management of "areas of improvement".

12.6 STEPS OF THE EXISTING SYSTEM IN RELATION TO THE FINANCIAL DISCLOSURE PROCESS

The reference model indicated above and the methodological approach of the Montepaschi Group are based on two fundamental premises:

- the existence of an adequate internal control system at corporate level able to reduce the risks of error and improper conduct in terms of the accounting and financial disclosures (Entity Level Control – ELC);
- oversight and maintenance of sensitive adequate processes for financial disclosures, through formalisation of the activities and the controls and verification in time of their adequacy and effective application.

The methodological approach was developed according to a succession of macro phases of work that took place prior to releasing the certification, as better detailed below:

- identification of the "sensitive" application perimeter (Companies and Accounts/Processes);
- assessment of the significant administrative and accounting processes⁽⁷⁾ (Risk & Control Assessment⁽⁸⁾). The processes selected are assessed in terms of potential risk for financial disclosure purposes;
- evaluation of the information system (Information Technology General Controls – ITGC). Consists of the assessment of the collection of rules governing the technological infrastructure and software applications supporting the administrative and accounting processes. To this end, the Montepaschi Group opted to hire an independent auditor to carry out the ISAE 3402 Type II Certification relative to the assessment of the design and the actual operation of the Control System within the IT domain of the Service Organisation (Group Operating Consortium);
- assessment of the effectiveness/actual application of the Key Controls⁽⁹⁾ over the reference period carried out by the structure managed by the Financial Reporting Officer and supplemented by two ISAE 3402 certifications for administrative-accounting services: the first one, Type II, regards the following macro-processes: Administration and Accounting, Financial Advisors, Centralised Lending, Payment Cards, Collections and Payments and Network Transactions managed by FRUENDO S.r.l. on behalf of the Montepaschi Group; the second one, Type II, involves the following macro-processes: Accounting, Tax and Supervision, Third-party Finance, Proprietary Finance, Financial Statements and Accounts Monitoring, Control of Proprietary Finance, managed by the Specialist Services Area for the Bank's business;

⁽⁷⁾ The information relevance is assessed having regard to the possible effect of its omission or wrong representation on the decisions of entities informed by means of the financial statements.

⁽⁸⁾ In the Montepaschi Group, Risk Assessment pursuant to Italian Law 262/05 is placed in the "integrated multi Compliance" Area (Operating Risks; Italian Legislative Decree 231/01).

⁽⁹⁾ "Key" controls are those controls whose absence or inadequacy could, in itself, have a significant impact on the correct representation of the financial information.

- Entity Level Control - ELC. In line with the reference Framework, the Montepaschi Group's Internal Control System model makes provision for ongoing verification of the presence of adequate governance systems at the Corporate and the Group levels;
- management of the assessment results. Following the assessment and verification activities described above, any actions for mitigation are defined.

In order to provide further support for the abovementioned process, a secondary certification system has been implemented, whose purpose is to further increase awareness and responsibility of all the group structures involved, both in terms of monitoring of the quality of information produced, as well as confirmation thereof to the Financial Reporting Officer.

The information flows containing the results of the activities carried out are periodically communicated to the Risk Committee and the Board of Directors by the Financial Reporting Officer, in support of the certification of the accounting information.

12.7 ROLES AND FUNCTIONS INVOLVED IN THE FINANCIAL DISCLOSURE PROCESS

In compliance with the rules and the control process described above, an organisational model has been adopted which involves various functions and structures required to perform specific activities and roles.

– Information Quality Oversight and Controls Function pursuant to Italian Law 262/2005

This Function supports the Financial Reporting Officer in the operating management, updating and monitoring of the compliance process of the Group, pursuant to Law 262/2005. To this end, it carries out autonomous checks in order to ascertain the effectiveness of the controls over the administrative and accounting procedures and the actual application thereof.

– Internal Audit Function

This function interacts with the Financial Reporting Officer in assessing the adequacy of the internal control systems (ELC) and the oversight of the risks relating to the administrative and accounting processes.

This same function provides the Financial Reporting Officer with useful information in terms of the facts that emerge, based on the activities carried out, with reference to the risks and the adequacy of the system of controls on the administrative and accounting process.

– Organisation Function

The Organisation Function of the Parent Company and the Organisational Functions of the Group companies carry out analysis and maintain the documentation (operating regulations) for the Group processes.

– Montepaschi Group Operating Consortium

The Montepaschi Group Operating Consortium manages, governs, coordinates and controls correct operation of the Group's ICT systems. In order to ensure consistency with the methodologies identified by the D.P. (COBIT) it employs the ISAE 3402 certification mentioned under point 12.6.

– Local 262 contact persons in the companies that are part of the perimeter

A Financial Reporting Officer is not normally appointed within each Group Company that is in the 262 perimeter, however, there is a local contact person who supports the Financial Reporting Officer. The responsibilities of the Local Contact Persons include the one relating to the secondary certification process, which is concluded with the formal issuing of a certification letter approved by the administrative body and addressed to the Parent Company's Financial Reporting Officer, which declares, among other things, the compliance of the data transmitted with the book results and accounting records.

12.8 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In line with the Corporate Governance Code for Listed Companies, the Board of Directors, with its resolution of 17 June 2015, appointed the Chief Executive Officer Fabrizio Viola as the Director in charge of the internal control and risk management system; he is in charge of the following areas:

- identification of the main corporate risks, taking into consideration the characteristics of the activities carried out by the Issuer and its subsidiaries, which he will periodically submit for examination by the Board of Directors;
- execution of the guidelines defined by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system and verifying its adequacy and effectiveness on an ongoing basis;
- adaptation of this system to the dynamics of the operating conditions and the legal and regulatory environment;
- he will be entitled to request the Internal Audit function to carry out audits on specific operating areas and compliance of the internal rules and procedures in the execution of corporate operations, while informing the Chairman of the Board of Directors, the Chairman of the Risk Committee and the Chairman of the Board of Statutory Auditors;
- he shall immediately report to the Risk Committee (or the Board of Directors) regarding any problems or critical areas that emerge when carrying out his own activities or of which he has, in any case, been informed, so that the Committee (or the Board) is able to take the appropriate action.

In 2015, the appointed director, held a coordination role within the context of the implementation of the project initiatives connected with the changes introduced by Bank of Italy Circular 285/13, as subsequently amended. In this context, he received constant updates on the activities of the Management Committee for Coordination of the functions with control duties, regarding:

- constant verification of the adequacy and effectiveness of the internal control system and risk management system;
- constant monitoring of the mitigation activities identified for the management of the gaps that emerged from the verifications carried out by the supervisory bodies, whether internal to the Bank or external;
- annual plans and reports on the Internal Control System.

As set forth in the Policy dealing with internal communication of violations (the so-called Whistleblowing) the Chief Executive Officer receives (together with the Board of Statutory Auditors, Board of Directors and Risk Committee) from the Internal Communication Systems Manager a final annual report regarding the correct operation of the internal communication systems, the reports received and the initiatives which were consequently taken. The report is approved by the corporate bodies and provided to the personnel.

12.9 THE INTERNAL AUDIT FUNCTION

The Parent Company's Internal Audit Function is assigned to the Internal Audit Department which performs an independent and objective activity aimed at controlling, on the one hand, based on third-level controls, the regular performance of operations and the evolution of risks and, on the other hand, at evaluating the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the Internal Control System ("ICS"), bringing any possible improvements to the attention of the company bodies, with particular reference to the RAF (Risk Appetite Framework), the risk management process as well as the instruments for measuring and controlling these risks; based on the results of its controls, the Internal Audit Function provides recommendations to the company bodies. The Internal Audit Department reports hierarchically to the Board of Directors, directly communicates the results of the audit activities and the evaluations to the Control Bodies (Board of Statutory Auditors and the Supervisory Body pursuant to Italian Legislative Decree 231/2001) as well as to the Chairman of the Board of Directors, to the Risk Committee and to the Chief Executive Officer/Appointed Director. The Internal Audit Department does not report

directly to any operating area and has access to company data and all the activities of the Bank, including those that are outsourced.

In February 2015, the IA Function Quality Certification was concluded (as required by the Internal Audit Standards) by a suitably qualified company, making reference to the former financial year 2014. The ranking of "generally compliant", which is the highest possible, is proof that the Internal Audit Department carries out the activities assigned to it in such a manner as to ensure the efficient and effective operation of the organization and performs its mission according to its mandate.

The autonomy and independence are ensured by mechanisms governing the relations and reconciliation with the Boards that have duties of strategic supervision, management and control, as better described below:

- appointment/revocation of appointment of the Manager of the Internal Audit Function of the Parent company by the Board of Directors, on the proposal of the Risk Committee, with assistance from the Appointments Committee and the Board of Statutory Auditors;
- remuneration structure of the Manager of the Parent Company's Internal Audit Function to be resolved by the Board of Directors, having consulted the Board of Statutory Auditor, on the proposal of the Remuneration Committee, and the preventive opinion of the Risk Committee;
- determination of the Audit Plan by the Board of Directors, based on the report of the Internal Audit Department and following the examination of the Control Bodies;
- possible implementation of internal audits by the Control Bodies, the Risk Committee, the 231/2001 Supervisory Body, the Appointed Director and the Chairman of the Board of Directors;
- reporting of the activities to the Control Bodies and one report assessing the control system submitted at least annually to the Board of Directors;
- composition and size of the structure by the Board of Directors, based on the report submitted by the Internal Audit Department, following the opinion of the Control Bodies;
- approval by the Board of Directors of the guidelines to be followed for management of staff within the Group's Internal Auditing Function (recruitment, training, bonus system) and the economic resources allocated, based on the report of the Internal Audit Department, following the opinion of the Control Bodies;
- the criteria for the remuneration of personnel in the Parent Company's Internal Audit Function, defined by the Board of Directors on the proposal of the Human Resources Function and having consulted the Risk Committee, do not compromise their objectivity and help to create a specific incentives system, different from the one provided for the other functions, consistent with the objectives of the function performed and not related to the achievement of company targets.

These aspects are shown in Regulation no. 1 which defines the model and the organisational structure of the Bank, identifying the responsibilities assigned to the structures.

For the execution of its own duties, the Internal Audit Department has dedicated financial resources which are quantified within the annual budget process (Budget).

In particular, in 2015 the following amounts were allocated in the budget for this Structure:

- approximately Euro 550 thousand for the creation, updating and development of the information instruments in support of the audit activities and implementation of new fraud scenarios on Platform FDS 2, , within the scope of "ICT Master Plan," containing both the maintenance and development costs, which are estimated and managed directly by the Montepaschi Group's Operating Consortium, with the support of the external companies for specific areas;
- Euro 260 thousand for external consulting on project activities for adaptation of the prescriptions of the Supervisory Provisions regarding internal audits – 15th update (OMR, RAF) and for the annual Ethical Hacking activity, within the context of the so-called "Consulting Master Plan";
- Euro 100 thousand for activities to be used for the training of personnel.

The function motivates the professional growth of its own resources, allowing them to pursue appropriate certifications and professional qualifications such as that of Certified Internal Auditor (the so-called CIA)

The two year certification program has involved and is about to be concluded for an initial group of 9 staff members which began in 2014, while the participation of an additional 20 staff members is envisaged for the two year period from 2016 to 2017. The current Manager of the Internal Audit Department is **Fabrizio Leandri**.

During 2015, the Internal Audit function paid particular attention to the in depth analysis and exam of the main processes for the management of financial, operating and credit risks. Additional areas on which the overall audit activities were focused included, among other things: the so-called significant “Compliance” issues (provision of investment services, banking transparency, anti-money laundering, anti-usury, privacy, etc.), protection of the customers in relation to the marketing of financial products through specific consulting platforms, the operating segment of financial promotions, the adequacy of the incentive system for Top Management, the company information systems, as well as the usual area, which is the commercial network.

Overall, in 2015, 589 audits were carried out.

The commitment dedicated to the performance of follow-up activities was also significant, with the follow-up of the elimination of the criticalities flagged deemed to be a crucial factor for the efficiency/effectiveness of the ICS. The areas of improvement which were identified during the audit activities provided the basis for the risk mitigation actions of the company functions; operating implementation of such mitigation actions is the subject to systematic monitoring, periodically reported on to the Top Management.

As it is customary, the information flows to the company bodies were guaranteed in compliance with the applicable Corporate Governance rules and the provisions set forth in the Policy on the Internal Control System, based on defined distribution criteria.

12.10 ORGANISATIONAL MODEL per Italian Legislative Decree 231/2001

The organisational model adopted by the Bank for the prevention of risks pursuant to Italian Legislative Decree 231/2001 contains the ethical and operating rules aimed at preventing the significant offences pursuant to the aforementioned Decree.

The model is updated periodically or, as necessary, upon occurrence of pre-established cases of necessity such as the recognition of the unsuitability of the model for the prevention of offences pursuant to Italian Legislative Decree 231/2001, any significant changes to the organisational structure or processes and/or the addition of new offences to the scope of the Decree.

In compliance with the above, following the expansion of the group of predicate offences (environmental offences, private corruption, etc.) and the organisational changes made to the Bank’s corporate structures, as well as legal developments and those pertaining to legal doctrine on the issue of organisational models, the Board of Directors resolved the Organisation, Management and Control Model on 23 October 2013 (hereinafter the “Model”), currently in force, which consists of the following documents:

- Risk Prevention Policy pursuant to Italian Legislative Decree 231/2001 (“Policy 231”);
- Group Code of Ethics

In particular, the Model is composed of protocols, attached to Policy 231, which set out, for each company organisational unit, the predicate offences which could theoretically be committed, the existing controls, the principles of conduct to adhere to when carrying out sensitive activities and the references to the relevant internal company regulations.

To this end, in the second half of 2015, activities preliminary to the updating of the Model were initiated and are expected to be concluded in the first quarter of 2016. The update became necessary due to the changed organizational systems of the company structures, and also the introduction of the offense of self-laundering by Law 186 of 15 December 2014.

Please note that each company belonging to the Montepaschi Group adopted its own Organisation, Management and Control Model.

In compliance with the provisions set forth in the aforementioned Decree, a Supervisory Body 231 was also established and its duty is to monitor the operation and observance of the Model, and also to handle its updating.

In this respect, the Bank's Board of Directors, at the meeting on 20 April 2015, confirmed the assignment of the duties of monitoring the matters set out in Italian Legislative Decree 231/2001 within an ad hoc board structure, separate from the Board of Statutory Auditors, with the characteristics (in terms of functions, activities, composition and operation method) governed by the Operation Regulation of the Supervisory Body 231 ("SB 231" or "Body"). In particular, the Board deemed it appropriate to establish a "mixed" SB 231 composed of at least three members, two of which external professionals and a director with independence characteristics according to the requirements of the corporate governance code for listed companies. The Supervisory Body is currently composed of the following three members:

- Prof. Giovanni Aspes (Coordinator);
- Salvatore Messina, Esq.;
- Prof. Fiorella Kostoris (independent director)⁽¹⁰⁾.

In relation to the matters being discussed, the Bank's managers or employees and third parties may be called to participate in the work of the SB 231. The Body may also employ external consultants, at costs and expenses of the Bank.

The Coordinator of the Body can invite the Chairman of the Board of Statutory Auditors to its meetings, or can have a member of said Board participate who is authorised by the Chairman. In order to guarantee the most comprehensive performance of the control functions assigned to the Board of Statutory Auditors by the legislation, the Coordinator of SB 231 arranges for the transmission of the minutes of the SB meetings to the Chairman of the Board of Statutory Auditors, once approved.

In exercising its functions the SB 231 bases its actions on the principles of independence, autonomy and continuity, and has been given autonomous powers of initiative and control, including the power to request and acquire information from every level and operating sector of the Bank, through the competent Bank functions.

In fulfilment of its duties, the SB 231 carries out the following activities in particular:

- assesses the adequacy of the Model, that is, its essential capacity to prevent conducts which does not comply with the law;
- monitors the effectiveness of the Model, verifying coherence between the actual conduct and the Model, and informs the Board and the Board of Statutory Auditors of any violations of the provisions contained within the Model;
- analyses the continuous maintenance of the requirements of solidity and functionality of the Model, with specific reference to environmental changes and new risks that have emerged;
- updates the Model, presenting its proposals for amendments to the Board and verifying the implementation and actual functionality of the solutions adopted;
- pursuant to Article 52 of Italian Legislative Decree 231/2007 (the Anti-Money Laundering Law) the SB 231 monitors observance of the rules regarding the counteracting of money laundering and financing of terrorism and, together with the Board of Statutory Auditors, complies with the obligations set out in said Article 52 of Italian Legislative Decree 231/2007;
- promotes initiatives for the dissemination of awareness and comprehension of the Model by all the Bank's personnel, plans and monitors the associated training activities following any modifications and/or significant integrations of the Model adopted;
- prepares an annual schedule of verification actions to be carried out, with the assistance of the Bank's internal control functions, which it informs the Board of Directors and the Board of Statutory Auditors;

⁽¹⁰⁾ Director Fiorella Kostoris joined SB 231 on 20 April 2015, upon renewal of the Board of Directors.

- at least every six months, reports to the Board on the activity carried out in time for examination of the documentation at the time of the approval of the financial statements and the Bank's half-yearly financial report.

Each year, the Board provides the SB 231 with the financial resources it requires in order to acquire the services and consulting needed for the discharge of its institutional duties.

Pursuant to Article 6, Par. 2, Letter d) of Italian Legislative Decree 231/2001, the SB 231 is required to comply with the disclosure requirements set forth in the Model, particularly regarding the communication of information regarding the perpetration or attempt to perpetrate crimes in the interest of or for the benefit of the Bank as indicated in the Decree itself, in addition to any violations of rules of conduct as provided in Model 231. For the protection of its full autonomy and confidentiality, the communication can be made directly to the SB 231, through the appropriate channel provided via the Bank's Intranet portal or by e-mail.

The SB 231 is also in charge of providing guidance for the creation and updating of the models for the Montepaschi Group companies and coordinating the related Supervisory Bodies. During the year the SB 231 received from the various "Supervisory Bodies 231" of the Group Companies periodic reports regarding the controls carried out on the compliance and adequacy of their own Organisational Models 231/2001.

12.11 INDEPENDENT AUDITORS

The Shareholders' Meeting held on 29 April 2011, upon the proposal made by the control body, granted the mandate to carry out the statutory audit of the accounts to Reconta Ernst & Young S.p.A., approved the consideration payable to the independent auditor for the entire duration of the mandate and the criteria for any adjustment of this consideration over the course of the mandate. The duration of the mandate is nine financial years.

12.12 FINANCIAL REPORTING OFFICER

As known, Italian Law 262 of 28 December 2005 (and subsequent amendments) "*Provisions for the protection of savings and the governance of financial markets*", inserting in the TUF Article 154-bis, introduced to the corporate organisation of listed companies in Italy the figure of the Financial Reporting Officer who is in charge of preparing the company's financial documentation.

According to the applicable provisions of law, the Bank's Articles of Association provides that the Board of Directors, upon the proposal of the General Manager and the mandatory opinion of the Board of Statutory Auditors, must appoint a Financial Reporting Officer, to be selected from among the company Managers with proven accounting and finance experience, conferring upon this person appropriate powers and instruments for the exercise of the duties attributed pursuant to the law.

The Financial Reporting Officer prepares appropriate accounting administrative procedures for the drawing up of the financial statements and confirms, with a special report attached to the financial statements and the consolidated financial statements, the adequacy of the internal control system, in relation to the administrative and accounting procedures and their actual application during the period to which the accounting documents refer.

This confirmation is also provided to the Board of Directors.

For the documents, communications and accounting disclosures (including interim) of the Group which are disclosed to the market, this Financial Reporting Officer also prepares a declaration confirming correspondence of the disclosures with the accounting records, the accounting books and the documents.

In implementation of the provisions of the law, the Board of Directors has also approved, through a specific Directive, an internal model for the evaluation of the adequacy of the internal control system for administration and accounting and the verification of its effectiveness; this model takes as a reference the main frameworks at the international level (Cobit and Coso Reports).

As part of this Directive and for the aforementioned purposes, the Financial Reporting Officer has been vested with appropriate powers and instruments: these include the ability both to organise an adequate

structure within his area of activity, as well as to prepare specific dedicated budgets, informing the Board of Directors through ordinary human resources and finance management processes.

Effective from 10 June 2013, the Bank's Board of Directors appointed **Arturo Betunio** as the Financial Reporting Officer. In 2015, he was also appointed as the Bank's Chief Financial Officer – CFO.

A brief *Curriculum Vitae* of Mr. Betunio is provided below, which outlines his expertise and experience: after completing a course at Accademia della Guardia di Finanza, he graduated in Law and Political Science and also achieved a Master in Science of Economic and Financial Security. After an initial stint at Guardia di Finanza (Italian Finance Police) (1983-1995), until 2009 he was the manager of the tax department of some leading banking and insurance groups: I.N.A. S.p.A., Poste Italiane S.p.A., Capitalia S.p.A. and then in the UniCredit Group following the incorporation of Capitalia. Since 2009, he has held the role of manager of the Central Legislative Department of the Italian Revenue Agency. He was appointed CFO of the Bank on 1 October 2015 and is a Director of AXA MPS Assicurazioni Danni S.p.A. and AXA MPS Assicurazioni S.p.A. since November 2015.

The Financial Reporting Officer has issued the confirmations and declarations required, while maintaining, as part of his own activity, all those contacts and relations with other external and internal control body, such as the Board of Statutory Auditors, the Independent Auditor, the Supervisory Authorities, the Control and Risk Committee, the Committee for the Coordination of functions with Control tasks and the Internal Audit Department.

12.13. METHODS OF COORDINATION AND COLLABORATION BETWEEN FUNCTIONS WITH CONTROL TASKS AND COMPANY BODIES

The Parent Company, within the context of the Group's management and coordination activities, equips the Group with a common system of internal controls which permits effective control of both the Group's strategic decisions as a whole and of the management balance of the individual components.

Within this context, the Parent Company carries out the following controls:

- Strategic control, on the evolution of the different areas of activity in which the Group operates and of the risks incumbent on the activities performed;
- Management control, targeted at ensuring that economic, financial and capital equilibrium conditions are maintained by both the individual companies and the Group as a whole; to this end, the Parent Company oversees the preparation of plans, programmes and Budgets (company and Group) and, through an analysis of periodic situations, of interim accounts, of the separate financial statements of the individual companies and of the consolidated financial statements;
- Technical-operating control, aimed at assessing the various risk profiles contributed to the Group by the individual subsidiaries and the overall Group risks.

Within the common system of internal controls of the Group, the Parent Company oversees and defines:

- the formalised procedures for coordination and relationships between the companies in the Group and the Parent Company for all areas of activity;
- the mechanism for the integration of information systems and the data management processes, also in order, not only to ensure the reliability of the data collected on a consolidated basis, but also to reach the IT security and business continuity objectives defined for the entire Group and the individual members;
- the periodic information flows which allow the effective exercise of the various forms of control over all members of the Group;
- the procedures that guarantee, at centralised level, an effective common process of management of Group risks at consolidated level;
- systems for monitoring cash flows, credit relations (in particular the provision of guarantees) and the other relations between Group entities.

The Parent Company is also responsible for formalising and disseminating to all Group companies the criteria which safeguard the various phases that make up the risk management process in order to oversee the Group's achievement of common objectives.

In order to assess the effectiveness of the ICS, the Parent Company's Internal Audit Function periodically conducts on-site checks on the components of the Group, taking account of the relevance of the different types of risk assumed by the different entities.

The company bodies and Functions with Control Tasks promote the most effective and efficient solutions targeted at developing potential synergies between themselves for the management of risks, and in order to foster dialogue between them, in observance of the respective competencies and the principles of independence and separation.

Within the Internal Controls System of the Group, coordination of the various components is ensured:

- by the role of the Appointed Director, who is responsible for establishing and maintaining an effective internal control and risk management system;
- by the Committee for the Coordination of Functions with Control Tasks, which is responsible for coordination activities between these functions and implementing them a continuous basis;
- by the collaboration between the Functions with Control Tasks, and between the latter and the Control Functions, also through interaction and participation in Management Committees, for the integrated management of the risks to which the Group is exposed;
- by the coordinated management of the areas of improvement originating from the Company Control Functions, the Control Functions and the Supervisory Authorities, with the aim of assessing their relevance and, subsequently, defining the overall intervention strategies;
- by the coordination in Reporting activities, interrelationships and communication with the Supervisory Authorities regarding the Internal Control System;
- by Reporting instruments able to ensure:
 - constant, extensive and homogenous information regarding the risk profiles the Bank is exposed to and the methods used to monitor these;
 - that the anomalies identified are promptly brought to the knowledge of the appropriate levels (company bodies, if significant) so that they can take the necessary corrective actions in a timely fashion;
 - the complete mapping and unique taxonomy of the company processes and risks , adequately structured and meets the needs, qualitatively speaking, of effectiveness and efficiency required by the individual functions able to allow constant and updated alignment of the processes within the Group and the adoption of a common language;
 - valuation metrics, which though different between company functions with control duties, nevertheless guarantee the dissemination of a common risk management language.

It is also envisaged that the Risk Department Manager will promote coordination between the second-level Company Control Functions within the Parent Company in order to optimise the exchange of information flows between them, support the planning of control activities and make it easier to implement the corrective actions identified.

Furthermore, in order to ensure coordination between the Company Control Functions and the Parent Company Control Functions and the other companies belonging to the Group, the Parent Company established the "Committee for coordination of functions with control duties".

In line with the provisions of the policy for the Internal Control System, the Manager of the Risk Department took on the role of the Committee Coordinator.

The Manager of the Internal Audit Department is invited, on a permanent basis, to ensure maximum visibility and completeness of the information exchanged between the control functions.

The Director in charge of the internal control and risk management system is constantly kept informed also by receiving the minutes of the aforementioned Committee.

The Committee has been set up in order to act as a link and a comparison between the various functions with Control Duties in order to:

- share operating and methodological aspects to identify possible synergies and avoid potential overlapping and duplication of activities;
- define the necessary phases and timescales for governing overall planning and reporting activities in relation to company bodies;
- monitor the annual plans of the functions with control duties;
- coordinate the different ICS project initiatives with the aim of optimising the actions by identifying possible synergies, overlapping and areas for rationalisation in terms of costs/benefits;
- share “areas of improvement” deriving from all functions with control tasks and the Supervisory Authorities, with the aim of assessing their relevance and subsequently defining the overall intervention strategies with a view to integrated Gap management;
- periodically monitor the process for the resolution of the anomalies identified and formalised by said functions to the central functions.

The circulation of information between the company bodies and the functions with control tasks represents an essential condition for the actual achievement of the objectives pertaining to the efficiency of the management and effectiveness of the ICS. In addition, the preparation of adequate information flows and in times which are consistent with the relevance and complexity of the information, ensures that the different levels of responsibility within the company organisation are fully exploited. To this extent, the Group is equipped with a mapping of information flows targeted at ensuring “valuable interaction in exercising duties (guidance, implementation, verification and evaluation)” between the entities that comprise the Group’s ICS. Within said mapping, the following are identified:

- the vertical flows, or structured and formalised information, exchanged between the company bodies and the functions with control tasks;
- the horizontal flows, or structured and formalised information, exchanged between the Company Control Functions and the other Control Functions, both between functions with control tasks and the committees with management duties.

For each information flow identified, the frequency and expiry (if applicable) is also defined.

The relations with Supervisory Authorities are managed by the individual companies of the Group and the Parent Company, according to their respective competences.

To this extent:

- the reports provided by laws or regulations are drawn up by the Company Function which is entrusted with the the relevant responsibility/duty. Whenever these reports contain information of patrimonial, economic or financial nature, the Owner function must verify its compliance with the data contained in the documents and communications of the company already circulated to the market and certified by the Disclosure Reliability Risk Control Function (Financial Reporting Officer).
- for matters that are significant in terms of the risk of non-compliance, the Compliance Function must be involved;
- for matters that are significant in terms of the quantification of risks, the involvement of the Risk Control Function (Risk Management) is required;
- all reports produced by functions other than the Internal Audit Function are made available to the latter;
- the company functions must promptly inform the Internal Audit Function of all reports and communications with the Supervisory Bodies (e.g. information requests, supervisory meetings, various

insights, etc.) including any inspection visits by it. The Internal Audit Functions of the Group companies must inform the Parent Company Internal Audit Function whenever the requests made by the Supervisory Authority generate impacts including at the Group level or involve an issue of significant interest for said party.

In compliance with the obligations set out in the Supervisory Provisions regarding internal control systems, the Parent Company coordinates and sends the following reports annually to the Supervisory Authorities, for all the banks of the Group:

- on the activities performed by the Risk Control Functions (Risk Management), Compliance and Internal Audit Function;
- on the outsourced activities (drafted by the Internal Audit Function);
- on the assessments made on Group companies.

In 2015, the Parent Company's Appointed Director handled the forwarding of the aforementioned reports to the Supervisory Authorities, once approved by the Board of Directors.

13. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

On 12 November 2014, the Parent Company's Board of Directors approved the "Global Policy governing transactions with related parties and connected parties, obligations of bank representatives" (hereinafter also "Global Policy" or "Policy"), which incorporates in a single document the provisions that apply to the Group regarding the regulation of conflicts of interest pursuant:

- to Consob Regulation 17221/10, implementing the power attributed to Consob by Article 2391-bis of the Civil Code in relation to the transparency and substantive and procedural correctness of transactions with related parties entered into by listed companies;
- to Bank of Italy Circular 263/2006 Title V, Chap. 5, implementing the power attributed to the Bank of Italy by Article 53 of the T.U.B. in relation to the conditions and limits for the banks' assumption of risks from the engaging into activities with those who can exercise, directly or indirectly, an influence over the management of the bank or the banking group as well as entities related to them;
- art. 136 of the TUB on the obligations of bank executives⁽¹⁾.

The Global Policy was approved with the preventive opinion in favour of the Committee for Transactions with Related Parties and the Board of Statutory Auditors.

The Global Policy sets out the principles and rules for the Montepaschi Group for the monitoring of risk deriving from situations involving a possible conflict of interest with certain persons close to the Bank's decision-making centres; in particular, it establishes, among the other provisions, the composition and operation of the aforementioned Committee, the perimeter of related parties and connected parties, the obligations connected with the authorisation process of transactions with the said parties, the decisions regarding the exceptions applicable to the transactions (exclusion of the prior opinion of the Committee).

With specific reference to the provisions governing the obligations of bank representatives, in line with the resolution adopted by the Board of 4 June 2013, the Policy applies the procedure pursuant to Article 136 of the TUB to the following obligations undertaken with the bank in which the representative performs his administration, management or control duties: (i) obligations undertaken directly or indirectly by the representative himself (ii) by companies of which the representative has unlimited liability; (iii) by the joint stock companies of which the representative is the sole shareholder (with unlimited liability); (iv) by companies controlled by the representative; (v) by individual companies owned by the representative; (vi) by the spouse of the representative under community property rights; (vii) by the dependent children of the

⁽¹⁾ Art. 136 of the TUB, as amended by Legislative Decree 179 of 18 October 2012, converted into Law no. 211 of 17 December 2012 and art.1, par. 48 a) of Legislative Decree no. 72 of 12 May 2015.

representative, without prejudice to the fact that the representative can indicate other companies or entities in which he has overriding interests, even if indirectly, and which he therefore considers should be prudentially subject to the law in question.

In compliance with the provisions of Consob and Bank of Italy regulations, the Global Policy is published on the Bank's website which can be accessed from the following link: <https://www.mps.it/investors/corporate-governance/sistema-di-governance-e-Policy/Pagine/default.aspx>

The Global Policy has been integrated into a special internal Group Policy which also includes the provisions for internal controls on this issue⁽¹²⁾.

The Policy was also adopted by other Italian banks that belong to the Group, after adapting them as necessary to their particular needs. For other members of the Group, the Parent Company's Global Policy provides specific instructions and directives that are implemented by the relevant administrative bodies.

At the same meeting on 12 November 2014, BMPS's Board approved the update to the "Policies on controls over the risk assets and conflicts of interest involving associated parties," already approved by the board on 13 November 2012. In the aforementioned document, the Parent Company defined the rules applicable to the Group, the purpose of which is to ensure continuous compliance with the prudential limits and decision-making procedures and prevent potential conflicts inherent in any relationship with related parties. The aforementioned document was also implemented by the subsidiaries.

The most significant cases of transactions with related parties carried out by the Bank in 2015 are described in detail in Part H of the Notes to the Financial Statements.

None of those transactions has required compliance with the disclosure obligations pursuant to Article 5 of Consob Regulation 17221/10.

For the purposes of the above regulations, the Bank has put in place, with the cooperation of all the representatives and the other related parties, the necessary requirements for maintaining a complete and updated archive of significant parties pursuant to the law on transactions with related parties and associated parties and Article 136 of the TUB.

As conflicts of interest could arise between customers and the Bank, other group companies, the Bank's own managers or employees, other persons that have a relationship with the Bank, whenever any service and investment activity or ancillary service or combination thereof is provided, pursuant to the external regulations that are applicable, the Bank has adopted reasonable measures for the handling of such conflicts, in order to prevent abuse and protect its customers.

With regard to the issue of personal transactions in the provision of investment services (article 18 of the joint regulation issued by Consob and the Bank of Italy), the Board of Directors has defined principles and rules in the specific "Policy on personal transactions in the provision of Investment services", which outlines the general rules of the Group that ensure observance of the discipline by the relevant parties, that is those who are involved in activities that could give rise to conflicts of interest when investment services are carried out or that have access to privileged or confidential information. The personal transactions carried out by these persons, whether within the Group's banks or through third party intermediaries, are filed in a specific electronic "Registry".

The Policy establishes for the parties that hold a particular role with the intermediary, or for the personnel involved in the provision of the investment services and/or who are in possession of confidential, privileged or reserved information, the management policy applicable to personal transactions, the measures adopted in regard to the disclosure of information, the restricted behaviours, and the restricted operations. In particular, the policy aims to prevent relevant parties or persons associated with them from carrying out personal transactions which are not allowed, or to advise or solicit any other person, outside the usual environment of their work, to carry out transactions on financial instruments that are not allowed or communicate to others, outside of the normal working environment, information or opinions, knowing or reasonably being expected to know that, due to said communication, the individual that receives the information will or could reasonably be expected to carry out transactions that are not allowed.

⁽¹²⁾ Internal Group policy on transactions with related parties, related individuals and obligations with bank executives (D1978).

Also significant in terms of this issue are certain provisions of the Articles of Association which provide for particular information flows in cases of interests of the members of the internal administration, management and supervisory bodies or which could involve the independence of directors and statutory auditors.

In fact, Article 17 of the Articles of Association requires the Board of Directors to immediately inform the Board of Statutory Auditors of any activity carried out and the most significant financial, economic and capital transactions of the company, including through its own delegated bodies and the subsidiaries; in particular, the Board must report on transactions in which its own members had an interest on their own behalf or on behalf of a third party.

The communication is provided, at least quarterly, verbally at Board Meetings or through a written memorandum addressed to the Board of Statutory Auditors, and notwithstanding the obligation of each Director to inform the other directors and the Board of Statutory Auditors of any interest which, within a specific transaction of the Issuer, that director has on his own behalf or that of a third party, under Article 2391 of the Civil Code.

Article 21 of the Articles of Association also requires compliance with the provisions of Article 136 of the TUB, the obligation of the members of the Board of Directors and the Executive Committee to inform the Board itself and the Board of Statutory Auditors on any business in which they have a personal interest or which refers to entities or companies in which they are directors, statutory auditors or employees, unless this is a Group company.

14. APPOINTMENT OF STATUTORY AUDITORS

The Board of Statutory Auditors consists of three effective members and two substitute members.

The appointment of the members of the Board of Statutory Auditors is based on a list presented by the shareholders in accordance with the paragraphs below, composed of two sections, one for the appointment of the effective auditors and the other for the substitute auditors; the number of candidates on the list must be progressive and no higher than the number of members to be elected. The lists that present a number of candidates equal to or greater than three must include, in the section of the candidates for effective auditors, candidates of a different gender than those in the first two positions on the list, as specified in the notice of convocation of the Shareholders' Meeting, for compliance with the applicable laws on gender balance. If the substitute auditors section of such lists has only two candidates, these must belong to different genders.

The list presented by the shareholders must be submitted to the registered office at least twenty five days prior to the date set by the Shareholders' Meeting and disclosed according to applicable laws.

Only shareholders who, individually or jointly with other shareholders, hold a total number of shares representing at least 1% of the Issuer's share capital with voting rights at ordinary Shareholders' Meetings, are entitled to present lists, without prejudice to the case of application of a different legal threshold.

Together with each list, within the deadline for submission, the following must also be submitted to the registered offices of the Company: (i) information on the identity of the shareholders submitting the list, with an indication of the total percentage stake held, together with a certification attesting to ownership of said shareholding, determined in relation to the shares registered in favour of the shareholder on the day in which the lists are presented; (ii) statements in which each candidate accepts their candidacy and certifies, under their own responsibility, the inexistence of any reasons for their ineligibility or incompatibility, including therein the limit on the maximum number of positions (pursuant to Article 26, par. 6 of the Articles of Association) and the inexistence of the requirements that were prescribed for office by the applicable legal and regulatory provisions; and (iii) the *Curricula Vitae* describing the personal and professional characteristics of each candidate, with an indication of the administration and control positions held in other companies. In addition, in the event a list is presented by shareholders other than those who hold, including jointly, a controlling interest or relative majority, the list must also be accompanied by a statement from the shareholders presenting the list, certifying the absence of associate relationships, as defined by the applicable legislative and regulatory provisions, with shareholders who hold, including jointly, a controlling interest or relative majority. Lists presented without compliance with the Articles of Association may not be voted.

The certification attesting to ownership of the minimum number of shares required for presenting lists may also be produced after the filing of the lists, provided within the deadline set for their publication.

In the event in which, on the date of expiry of the deadline for filing the list, only one list has been filed, or only lists have been filed which were presented by shareholders who, based on the applicable legal and regulatory provisions, are connected with one another, lists can be presented until the subsequent term set by the applicable legislation. In this case, the threshold for presenting the lists envisaged in the previous paragraph is reduced by half.

Each shareholder entitled to vote may do so for only one list.

Upon election of the members of the Board of Statutory Auditors, the following must take place:

a) the first two candidates on the list which obtains the highest number of votes and the first candidate on the list which comes in second in terms of number of votes and which is not connected, even indirectly, according to the applicable legal and regulatory provisions, with individuals who submitted or voted the list ranked first by number of votes, will be elected effective auditors;

b) the first candidate on the list which obtains the highest number of votes and the first candidate – or the second candidate if the first is the same gender as the first candidate of the list that obtains the highest number of votes - on the list which comes in second in terms of number of votes and which is not connected, even indirectly, according to the applicable legal and regulatory provisions, with individuals who submitted or voted the list ranked first by number of votes, will be elected Substitute Auditors;

c) in the event of an equal number of votes between the first two or more lists, a new vote will be held by the Shareholders' Meeting, based only on the lists that received an equal number of votes. The same rule applies in the event of a tie between the lists ranked second by number of votes and which are not connected, including indirectly, according to the applicable legal and regulatory provisions, with individuals who submitted or voted the list ranked first by number of votes;

d) in the event that an elected candidate is not able to accept the office, the first of the candidates not elected on the list of the candidate who did not accept will replace him or her;

e) the chairmanship will be held by the effective member from the list ranked second in terms of number of votes and which is not connected, including indirectly, according to the applicable legal and regulatory provisions, with individuals who submitted or voted the list ranked first by number of votes.

In the event of death, resignation or forfeiture of the office of Chairman of the Board of Statutory Auditors, until the board is reconstituted pursuant to Article 2401 of the Civil Code, this position will be assumed by the Substitute Auditor elected from the list ranked second in terms of number of votes and which is not connected, including indirectly, according to the applicable legal and regulatory provisions, with individuals who submitted or voted the list ranked first by number of votes.

In the event of death, resignation or forfeiture of the office of a Effective Auditor, the Substitute Auditor belonging to the same list as the Effective Auditor will replace him.

If, based on the aforementioned criteria for the replacement of the Substitute Auditor, the gender balance is not observed, the Effective Auditor will be replaced by an Substitute Auditor belonging to the less represented gender regardless of the fact said individual belongs to the list of the replaced Auditor.

For the appointment of Statutory Auditors who are not, for any reason, appointed in accordance with the procedure described above, the Shareholders' Meeting resolves on the basis of the legal majorities, except in the case of compliance with the principle of the necessary representation of minorities and the gender balance principle set forth by the applicable legislation.

The appointment of the Statutory Auditors for the composition of the Board pursuant to Article 2401 of the Civil Code is made by the Shareholders' Meeting based on a relative majority. This is done, at any rate, except in the case of compliance with the principle of the necessary representation of minorities and the gender balance principle set forth by the applicable legislation.

Persons whose situation is incompatible pursuant to the law and who do not meet the requirements as set forth in applicable provisions, cannot be elected as Statutory Auditors, or if they are elected, they will forfeit their position. This is without prejudice to the limits on the maximum number of positions established by the applicable legislation. Statutory Auditors cannot hold other positions in banks other than those belonging to the MontePaschi Group and those in which a joint control situation is in place.

The Statutory Auditors are not allowed to take offices in bodies other than the control bodies in other Group companies or a financial conglomerate, or the companies in which the Bank holds, even indirectly, a strategic equity investment.

At least one of the Effective Auditors and at least one of the Substitute Auditors, appointed in accordance with the methods established in paragraph 3 of this article, must be registered with the Register of Auditors and have been auditors for a period no less than three years.

A maximum number of two effective auditors and one substitute auditor can be appointed, including persons who do not fulfil the requirements above, provided they have total experience of at least three years in:

- a) the administration or control or management of joint stock companies with a share capital no lower than Euro two million, or
- b) professional activities or university teaching in legal, economic, financial, credit, insurance and technical scientific areas, which are strictly related to the company's activities, or
- c) managerial functions with public entities or public administrations operating in the credit, financial or insurance sector or which are closely connected to the company's activities, meaning subjects and sectors strictly related to the company's activities.

15. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, Par. 2, Letter d) of the TUF)

The Board of Statutory Auditors was appointed by the ordinary Shareholders' Meeting of 16 April 2015 and shall remain in office until the shareholders' meeting called to approve the 2017 financial statements. Three lists were presented for its appointment:

1. **List no. 1** - presented by shareholders Fintech Europe s.a.r.l., Fondazione Monte dei Paschi di Siena and BTG Pactual Europe LLP:
 - for the candidacy of Effective Auditor: Elena Cenderelli and Alessandro Carretta;
 - for the candidacy of Substitute Auditor: Carmela Regina Silvestri.
2. **List no. 2** - personated by AXA S.A. and companies controlled by it:
 - for the candidacy of Effective Auditor: Paolo Salvadori
 - for the candidacy of Substitute Auditor: Gabriella Chersicla.
3. **List no. 3** – presented by Millenium Partecipazioni s.r.l.:
 - for the candidacy of Effective Auditor: Anna Girello.
 - for the candidacy of Substitute Auditor: Marco Piemonte.

The lack of any connection between the lists presented was verified and declared.

The vote had the following outcome:

- **List no. 1:** total votes 627,626,723, i.e. 40,800021% of the shares entitled to vote;
- **List no. 2:** total votes 654,634,727, i.e. 42.555726% of the shares entitled to vote;
- **List no. 3:** total votes 250,819,126, i.e. 16.304955 % of the shares entitled to vote;

The following persons were elected:

Effective auditors:

- Elena Cenderelli (Chairman), named in list no. 1, was second in number of votes received;
- Paolo Salvadori named in list no. 2, who received the highest number of votes;
- Anna Girello, named according to article 26 point (3 5) of the Articles of Association.

Substitute auditors:

- Carmela Regina Silvestri, named in list no. 1, who obtained the highest number of votes;
- Gabriella Chersicla is named in list no. 2 and was second in terms of number of votes.

* * *

For information regarding the *Curriculum Vitae* of the members of the Board of Statutory Auditors, please see the publication on the Bank's website regarding the renewal of the Board in April 2015 www.mps.it – *Corporate Governance* – Shareholders' Meetings and the updated profiles on the Bank's website www.mps.it – *Corporate Governance* – Organisational Structure.

None of the members of the Board of Statutory Auditors is related to other members of the Board of Statutory Auditors, the members of the Board of Directors, the Financial Reporting Officer, the General Manager and the main executives of the company.

The number and the type of duties covered by the statutory auditors is in line with the regulations governing the limits on the maximum number of positions for members of Control Bodies, as set forth in Title V bis, Section V, Item II of Consob Issuers' Regulation.

For the structure of the Board of Statutory Auditors, please see Tables no. 3 and 3-bis attached hereto.

* * *

We first of all specify that this Report also refers to the supervisory activity carried out by the previous Board of Statutory Auditors in office from 1 January to 16 April 2015 (the date the board currently in office was appointed).

During 2015, the Board of Statutory Auditors met 67 times and the average duration of the meetings was 2 hours. The members of the Board of Statutory Auditors had verified that they continue to meet the independence requirements and the non-existence of situations which may influence their autonomy of judgment.

For 2016, a schedule of the Statutory Auditors' activities has been compiled, as has a preliminary calendar of the Board meetings. As at the date of approval of this Report, 15 meetings of Board of Statutory Auditors were held.

Pursuant to the applicable Corporate Governance Code (application criterion 8.C.3), any BMPS auditor who, on his own behalf or that of third parties, has any interest in a specific transaction of the Issuer, shall immediately and exhaustively inform the other auditors and the Chairman of the Board of Directors regarding the nature, terms and conditions, origin, and scope of this interest.

In order to adequately perform its supervisory tasks pursuant to the principles of correct administration, the Board of Statutory Auditors participated in 2 shareholders' meetings, 21 meetings of the Board of Directors held during the financial year (with a 100% participation percentage), examining beforehand all the issues discussed at the aforementioned meetings and, when considered necessary, these issues were investigated further and clarifications were obtained also by requesting more information from the bodies of the Bank or the competent functions.

The Board verified the correct application of the criteria and procedures adopted by the Board to assess the independence of its members.

The Board has constantly worked with the Internal Audit Function, both to receive the necessary assistance for the execution of its own audits, and as the recipient of all the inspection reports containing the outcomes of the assessments that this Function carried out during the year. The Statutory Auditors were thus able to assess the reliability and efficiency of the internal control system adopted by the Bank, not only based on its own corporate setup, but also as a structure overseeing a banking group.

Constant and immediate information was also exchanged with the Risk Committee, also thanks to the fact that, as provided in the latter committee's Regulation, the Chairman of the Board of Statutory Auditors or a Statutory Auditor appointed by the latter, among others, also participates in the work of this committee.

During 2015, the consolidated cooperation with the Supervisory Body pursuant to Italian Legislative Decree 231/2001 continued as part of the activities required of the two bodies pursuant to Italian Legislative Decree 231/2007 on "anti-money laundering."

The Board also participated, through its own representative, in the meetings of the Risk Committee, the Committee for Transactions with Related Parties, the Appointments Committee, the Remuneration Committee and the Supervisory Board pursuant to Legislative Decree 231/2001.

The Board paid also particular attention so that the transactions carried out with individuals with administration, management and control functions within the Bank and the Group companies were always carried out in compliance with Article 136 of the TUB and the Supervisory Instructions and, in any case, were the object of a resolution made with the unanimous vote of the administrative body and all the Statutory Auditors, without prejudice to the obligations set forth under Article 2391 of the Civil Code on Directors' interests.

The Statutory Auditors also verified that the transactions with Related Parties took place in compliance with the criteria of transparency and substantive and procedural correctness as indicated in the reference legislation, and that they were concluded as part of ordinary operations on an arm's length basis and resolved on the basis of assessments of mutual economic advantages and in the interests of the Bank.

The Board also supervised the Issuer's administrative and accounting System through assessments conducted either directly or through the periodic exchange of information with the audit firm, Reconta Ernst & Young S.p.A..

As part of its own verification of the independence of the aforementioned audit firm, and with regard to compliance with the applicable laws, the Board of Statutory Auditors did not find any critical aspects and received confirmation in this regard pursuant to the provisions of Article 17, par. 9, letter a) of Italian Legislative Decree 39/2010.

The Board of Statutory Auditors also carried out the functions of the Committee for Internal Control and Audit required in public entities by the aforementioned Italian Legislative Decree 39/2010, supervising the financial disclosures process and analysing the contents of the work plan provided by the aforementioned audit firm, verifying its adequacy in terms of the size and organisational and business complexity of said Bank.

Finally, it is to be noted that amongst other things, the Statutory Auditors verified the Bank's organisational structure also in terms of the size and characteristic of its company purpose. To this end, they conducted special audits with the Top Management, the domestic and foreign network and through meetings held with the Managers of the various company structures.

The Parent Company's Board of Statutory Auditors also exchanged information with the corresponding bodies of certain subsidiaries regarding their systems of administration and control and the general performance of company activities.

After the closing of the financial year which this Report refers to, the Board of Statutory Auditors supplemented its own Regulation, which had been reviewed and approved in 2015, with the introduction of specific provisions which refer to the self-evaluation process. As at the approval date of this Report, the self-evaluation of the Board is almost completed, with the assistance of a major independent consulting firm.

16. RELATIONS WITH SHAREHOLDERS

The Bank has focused over time on establishing the proper relations with the shareholders as a whole. In order to monitor its correct positioning within the market and the attractiveness of its own securities, BMPS has established dedicated company structures, in particular:

- the Research & Investor Relations Area – e-mail address: investor.relations@mps.it - tel. +39.0577.299350, which handles relations with the main investors and operators of the domestic and international financial community; Mr. Andrea Da Rio is the Manager of this Area.
- The Corporate and Legal Area – e-mail address: settore.societario@mps.it - tel. +39.0577.298850, fax +39.0577.294109; Mr. Riccardo Quagliana, Esq. is the Manager of this Area.

In order to provide immediate and easy access to information that is significant for its shareholders, the Bank uses its own website, in Italian and English, for the dissemination of on-line information regarding Corporate Governance, financial statements and summary data, presentations, Ratings, press releases, corporate events and presentations.

In particular, to promote relations with shareholders and the major investors, the *Corporate Governance - Shareholders' Meetings* section of the website www.mps.it was inserted, which contains the entire documentation that is required for knowledgeable exercise of the shareholders' rights.

Pursuant to Article 135-undecies of the TUF, at each shareholders' meeting the Bank designates a representative *“to whom the shareholders can confer, within the end of the second day on which the market is open prior to the date set for the shareholders meeting, including in a convocation subsequent to the first one, a power of attorney with voting instructions for some or all of the proposals on the agenda. This power of attorney will be applicable only to the proposals in relation to which voting instructions have been given. The power of attorney is provided by signing a special form, the content of which complies with the Consob regulation. The granting of the power of attorney does not involve any expenses for the shareholder ...”*.

On 10 February 2014, a memorandum of understanding was signed by Banca Monte dei Paschi di Siena and the Small Shareholders Associations “Azione MPS” and “Associazione Buongoverno MPS” and the Coordinamento Nazionale delle Associazioni di Piccoli Azionisti the national coordination of small shareholders association, CONAPA. The memorandum provides a significant precedent in the relationship between listed companies and the shareholder base, in terms of a productive dialogue with small shareholders through the association they belong to. In compliance with the existing regulatory provisions and the respective institutional and functional autonomies, a joint analysis stage is being planned for the identification of the steps still to be taken, including amendments to the articles of association aimed at facilitating voting by the employees who are shareholders, as provided by Article 137 of the Consolidated Financial Act (TUF).

To date, the Bank can provide its customers with participation certifications for its own shareholders' meetings as well as those of other listed companies, via Home Banking.

17. SHAREHOLDERS' MEETINGS (pursuant to Article 123-bis, Par. 2, Letter c), of the TUF)

The BMPS Articles of Association provide that individuals with a right to vote who can demonstrate their legitimate right according to the procedures set forth within the applicable laws can do so at the Shareholders' Meeting.

Shareholders who, including jointly, represent at least one fortieth of the share capital can request, pursuant to the terms of the law, an addition to the agenda items, indicating in their request the additional issues proposed by them, or present a resolution proposal on issues already on the agenda by delivering a report containing the reasons for the request and the documentation to prove their legitimate right.

Communication will be provided, within the times set by the law and in the same forms prescribed for publication of the notice of convocation, of the additions to the agenda items that the Shareholders' Meeting will discuss and the presentation of the resolution proposals on issues already on the agenda, following the aforementioned request.

The addition to the list of issues to be discussed is not allowed for issues on which, pursuant to the terms of the law, the Shareholders' Meeting will deliberate on the proposal of directors or on the basis of a draft or report prepared by them other than those under Article 125-ter, Paragraph 1 of the TUF.

The Shareholders' Meeting usually takes place in Siena; it can also be convened to meet outside the corporate headquarters, provided the meeting place is in Italy.

Persons with a right to vote can be represented at the Shareholders' Meeting provided compliance with the provisions of the law is ensured. Persons with the right to vote are also entitled to grant their power of attorney by e-mail, according to the terms and procedures established by the law. Notification of the power of attorney by e-mail can take place through the appropriate section of the Bank's website or, alternatively, by certified e-mail, to the specific e-mail address, pursuant to the terms and conditions established within the notice of convocation.

Persons who intend to take the floor at the Shareholders' Meeting are required to fill out the appropriate “request for intervention form” provided for the issues on the agenda, indicating their identification data, bringing with them the televoter provided to each individual with a voting right or the person delegated by the individual, which contains the identification code of the voter and the relative shares represented, and then to report to the special “Intervention collection” station, at the entrance to the shareholders' meeting room, to deliver it.

The Chairman has full powers to manage and coordinate the discussion and will exercise this prerogative in the interest of ensuring the correctness of the vote, establishing, where necessary, that the duration of the work carried out by the shareholders' meeting does not undermine the possibility of participating and casting a vote, while also ensuring that the regular execution of the shareholders' meeting is not disturbed. The Chairman establishes the terms and conditions with which to formulate requests for intervention and the maximum duration and order of the interventions. At each Shareholders' Meeting, the Chairman will report regarding the publication of the call notice as well as submission to the company's headquarters and Borsa Italiana S.p.A. of the documentation required by the applicable laws, so that it is at the disposal of the public.

Currently, the information concerning the Bank which is significant for its shareholders is available in the sections that have been established for this purpose on the company's website www.mps.it.

The applicable Shareholders' Meeting Regulation, approved by the Shareholders' Meeting on 29 April 2013, is made available to the public at each shareholders' meeting, through filing at the company's headquarters and Borsa Italiana S.p.A. while it is also inserted on the website www.mps.it - *Corporate Governance* – Shareholders' Meetings.

The regulation contains instructions regarding the conduct that is required for an orderly and functional meeting to take place, the correct sequence of interventions and the relative replies, as well as the flow of the meetings at the their venues.

18. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Article 123-bis, Par. 2, Letter a) of the TUF)

The additional corporate governance practices adopted by the Bank are specified, if any, in the previous sections of this Report dedicated to the various issues, to which reference should be made.

As fully explained in the report, pursuant to Legislative Decree 231/2001, the Bank has adopted the Organisation Model described under art. 6 of the aforementioned Decree; the Bank furthermore continues to monitor the regulatory changes, and the updates of the Model itself.

19. CHANGES SINCE THE CLOSING DATE OF THE REFERENCE YEAR

The various changes in the Corporate Governance structure as from the closing date of the financial year are indicated within the relevant paragraphs of this Report.

TABLES

Table no. 1: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES
(from 1 January 2015 to 16 April 2015)

| Board of Directors | | | | | | | | | | | | | Control And Risk Committee | | Appointments and Remuneration Committee | | Committee for Transactions with Related Parties | | Executive Committee | | Supervisory Body 231 | |
|--------------------------------|----------------------------|---------------|-----------------------------|----------------|---|---------------|------|-----------|-------------|-----------------------|-----------------------------|------|----------------------------|------|---|------|---|------|---------------------|------|----------------------|--|
| Office | Members | Year of birth | Date of first appointment * | In office from | In office from shareholders' meeting called to approve the financial statements | List (M/m) ** | Exec | Non-exec. | Indep. Code | Indep. as per the TUF | Number of other offices *** | (**) | (*) | (**) | (*) | (**) | (*) | (**) | (*) | (**) | | |
| Chairman | Alessandro Profumo | 1957 | 27/04/2012 | 27/04/2012 | 16/04/2015 | M | | X | | | 2 | 100 | | | | | | | P | | | |
| Deputy Chairman (a) | Pietro Giovanni Corsa | 1955 | 27/04/2012 | 27/04/2012 | 16/04/2015 | m | | X | X | X | - | 100 | P | 100 | M | 100 | | | M | | | |
| Chief Executive Officer () (A) | Fabrizio Viola | 1958 | 27/04/2012 | 27/04/2012 | 16/04/2015 | M | X | | | | 3 | 100 | | | | | | | M | | | |
| Director | Alberto Giovanni Aleotti | 1972 | 27/04/2012 | 27/04/2012 | 16/04/2015 | m | | X | | | - | 100 | | | | | | | M | | | |
| Director | Béatrice Derouvroy Bernard | 1963 | 24/09/2013 | 24/09/2013 | 16/04/2015 | n.a | | X | | X | 3 | 100 | | | | | | | | | | |
| Director | Daniele Discepolo | 1947 | 14/11/2013 | 14/11/2013 | 16/04/2015 | n.a | | X | X | X | 2 | 71 | M | 80 | | | P | 80 | | | | |
| Director | Angelo Dringoli | 1947 | 27/04/2012 | 27/04/2012 | 16/04/2015 | M | | X | X | X | - | 86 | | | M | 80 | M | 80 | | | | |

| | | | | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|------|------------|------------|--------------------------|-----|--|---|---|---|---|-----|---|-----|---|-----|---|-----|---|--|---|-----|
| Director | Lorenzo Gorgoni | 1942 | 27/04/2003 | 27/04/2012 | 16/04/2015 | m | | X | | | 1 | 100 | | | M | 100 | | | M | | | |
| Director | Roberto Isolani. | 1964 | 09/10/2014 | 09/10/2014 | 16/04/2015 | n.a | | X | | X | - | 100 | M | 80 | | | | | M | | | |
| Director | Marco Miccinesi | 1956 | 14/11/2013 | 14/11/2013 | 16/04/2015 | n.a | | X | X | X | - | 100 | M | 100 | P | 100 | M | 100 | | | | |
| Director | Marina Rubini | 1969 | 14/11/2013 | 14/11/2013 | 16/04/2015 | n.a | | X | X | X | 1 | 86 | | | | | | | | | M | 100 |
| Director | Christian Whamond. | 1973 | 04/03/2015 | 04/03/2015 | 16/04/2015 | n.a | | X | | X | 2 | 75 | M | 100 | M | 100 | | | | | | |
| Directors who resigned during the financial year under review | | | | | | | | | | | | | | | | | | | | | | |
| Director | David Manuel Martinez | 1957 | 09/10/2014 | 09/10/2014 | Resignation 27/2/2015 | n.a | | X | | X | 3 | 100 | M | 0 | M | 0 | | | | | | |
| Minimum participation in the capital required for submission of lists for the final appointment: 1% | | | | | | | | | | | | | | | | | | | | | | |

NOTES

- (a) Office of Deputy Chairman assumed on 29 April 2013.
- (●) The symbol indicates the Director in charge of the internal control and risk management system.
- (A) The symbol indicates the main Bank manager (Chief Executive Officer - CEO)
- * Date on which the director was appointed for the first ever time to the Issuer's Board.
- ** This column indicates M/m depending on whether the member was elected from a list voted by the majority (M) or the minority (m).
- *** This column shows the number of offices that a director or statutory auditor holds in other listed companies, in regulated markets, including abroad, in financial, banking, insurance companies or companies of a significant size. A list of these companies, with reference to each director, is attached to this Report, with a specification as to whether the company in which the office is held is part of the group which the Issuer is part of, or not.
- (*) This column indicates the role of the director in the Committee: "P"- Chairman; "M"- member.
- (**) This column shows the percentage of participation at meetings of the Board and the committees (no. of presences/no. of meetings held during the period that the individual was in office, expressed as a percentage).

**Table no.1-bis: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES
(from 16 April 2015 – 31 December 2015)**

| Board of Directors | | | | | | | | | | | | Risk Committee | | Appointments Committee | | Remuneration Committee | | Committee for Transactions with Related Parties | | Supervisory Body 231 | |
|-----------------------------|----------------------------|---------------|-----------------------------|----------------|--|---------------|--------|--------------|--------------|------------------------|-----------------------------|----------------|-----|------------------------|-----|------------------------|-----|---|-----|----------------------|-----|
| Office | Members | Year of birth | Date of first appointment * | In office from | In office from shareholder s' meeting called to approve the financial statements | List (M/m) ** | Exec . | Non - exec . | Indep . Code | Indep . as per the TUF | Number of other offices *** | (*) | (*) | (**) | (*) | (**) | (*) | (**) | (*) | (**) | |
| Chairman | Massimo Tononi | 1964 | 15/09/2015 | 15/09/2015 | 2017 | n.a | | X | | X | 3 | 100 | | | M | 100 | | | | | |
| Deputy Chairman | Roberto Isolani | 1964 | 09/10/2014 | 16/04/2015 | 2017 | M | | X | | X | 1 | 86 | M | 77 | M | 80 | | | | | |
| Chief Executive Officer (A) | Fabrizio Viola | 1958 | 27/04/2012 | 27/04/2012 | 2017 | M | X | | | | 3 | 100 | | | | | | | | | |
| Director | Stefania Bariatti | 1956 | 16/04/2015 | 16/04/2015 | 2017 | m | | X | X | X | 2 | 100 | M | 100 | | | | M | 100 | | |
| Director | Béatrice Derouvroy Bernard | 1963 | 24/09/2013 | 24/09/2013 | 2017 | m | | X | | X | 3 | 100 | | | | M | 71 | | | | |
| Director | Fiorella Bianchi | 1954 | 16/04/2015 | 16/04/2015 | 2017 | M | | X | | X | 2 | 93 | | | | | | | | | |
| Director | Daniele Bonvicini | 1949 | 16/04/2015 | 16/04/2015 | 2017 | m | | X | X | X | - | 93 | M | 92 | | | | M | 80 | | |
| Director | Lucia Calvosa | 1961 | 16/04/2015 | 16/04/2015 | 2017 | M | | X | X | X | 2 | 86 | | | | | | M | 100 | | |
| Director | Maria Elena Cappello | 1968 | 16/04/2015 | 16/04/2015 | 2017 | m | | X | X | X | 4 | 100 | | | M | 90 | P | 100 | | | |
| Director | Alessandro Falciai | 1961 | 16/04/2015 | 16/04/2015 | 2017 | m | | X | X | X | 1 | 100 | | | P | 100 | M | 100 | | | |
| Director | Fiorella Kostoris | 1945 | 16/04/2015 | 16/04/2015 | 2017 | M | | X | X | X | - | 93 | | | | | | P | 100 | M | 100 |
| Director | Stefania | 1968 | 16/04/2015 | 16/04/2015 | 2017 | m | | X | X | X | 3 | 100 | | | | | M | 100 | | | |

| | | | | | | | | | | | | | | | | | | | | | | |
|--|--------------------|------|------------|------------|-----------------------|---|--|---|---|---|---|-----|---|-----|---|-----|---|-----|---|-----|--|--|
| | Truzzoli | | | 5 | | | | | | | 0 | | | | | | | | | | | |
| Director | Antonino Turicchi | 1965 | 16/04/2015 | 16/04/2015 | 2017 | M | | X | X | X | 3 | 100 | P | 100 | M | 100 | | | M | 100 | | |
| Director | Christian Whamond | 1973 | 04/03/2015 | 16/04/2015 | 2017 | M | | X | | X | - | 100 | M | 100 | | | M | 100 | | | | |
| Directors no longer in office during the financial year | | | | | | | | | | | | | | | | | | | | | | |
| Chairman | Alessandro Profumo | 1957 | 27/04/2012 | 27/04/2012 | Resignation 7/24/2015 | M | | X | | | 2 | 100 | | | M | 100 | | | | | | |
| Minimum participation in the capital required for submission of lists for the final appointment: 1% | | | | | | | | | | | | | | | | | | | | | | |

NOTES

- (●) The symbol indicates the Director in charge of the internal control and risk management system.
- (Λ) The symbol indicates the main Bank manager (Chief Executive Officer - CEO)
- * Date on which the director was appointed for the first ever time to the Issuer's Board.
- ** This column indicates M/m depending on whether the member was elected from a list voted by the majority (M) or the minority (m). N/a means that the appointment was made without list vote).
- *** This column shows the number of offices that a director or statutory auditor holds in other listed companies, in regulated markets, including abroad, in financial, banking, insurance companies or companies of a significant size. A list of these companies, with reference to each director, is attached to this Report, with a specification as to whether the company in which the office is held is part of the Group which the Issuer is part of, or not.
- (*) This column shows the percentage of participation at meetings of the Board and the committees (no. of presences/no. of meetings held during the period that the individual was in office, expressed as a percentage).
- (**) This column indicates (X) the membership of the Board Member in the committee.

Table no. 2: OFFICES HELD BY BANCA MONTE DEI PASCHI DI SIENA DIRECTORS IN LISTED COMPANIES IN REGULATED MARKETS, INCLUDING FOREIGN, BANKING, INSURANCE OR FINANCIAL COMPANIES OR COMPANIES OF A SIGNIFICANT SIZE

(from 1 January 2015 - 16 April 2015)

| DIRECTOR | LIST OF OFFICES | Companies belonging to the MPS Group | |
|---|---|--------------------------------------|----|
| | | YES | NO |
| Alessandro Profumo - Chairman | Member of the International Advisory Board of Itaù Unibanco | | X |
| | Member of the Supervisory Board of Sberbank | | X |
| Fabrizio Viola - Chief Executive Officer | Chairman of the Board of Directors of Banca Widiba SpA | X | |
| | Board Member at AXA MPS Assicurazioni Vita S.p.A. | | X |
| | Board Member at AXA MPS Assicurazioni Danni S.p.A. | | X |
| Beatrice Derouvroy Bernard | Board Member at AXA MPS Assicurazioni Vita S.p.A. | | X |
| | Board Member at AXA MPS Assicurazioni Danni S.p.A. | | X |
| | Chairman of the Board of Directors of AXA MPS Financial limited | | X |
| Daniele Discepolo | Board Member at Piaggio S.p.A. | | X |
| | Chairman of the Board of Directors of Risanamento S.p.A. | | X |
| Lorenzo Gorgoni | Board Member at Telecom Italia Media S.p.A. | | X |
| David Manuel Martinez <i>(resigned from office on 27 February)</i> | Board Member at Banco Sabadell | | X |

| | | | |
|---|-------------------------------------|--|---|
| 2015) | Board Member at Alfa SA | | X |
| | Board Member at Vitro SA | | X |
| Marina Rubini | Director of Finmeccanica S.p.A. | | X |
| Christian Whamond (<i>in office from 4 March 2015</i>) | Board Member of Fintech Europe SaRL | | X |
| | Director of Sea Mex Ltd. | | X |

**Table no. 2-bis: OFFICES HELD BY BANCA MONTE DEI PASCHI DI SIENA DIRECTORS IN LISTED COMPANIES IN REGULATED MARKETS, INCLUDING FOREIGN, BANKING, INSURANCE OR FINANCIAL COMPANIES OR COMPANIES OF A SIGNIFICANT SIZE
(from 16 April 2015 to 31 December 2015)**

| DIRECTOR | LIST OF OFFICES | Companies belonging to the MPS Group | |
|---|---|--------------------------------------|----|
| | | YES | NO |
| Alessandro Profumo - Chairman (<i>no longer in office since 6 August 2015</i>) | Member of the International Advisory Board of Itau Unibanco | | X |
| | Member of the Supervisory Board of Sberbank | | X |
| Massimo Tononi - Chairman (<i>in office since 15 September 2015</i>) | Chairman of the Board of Directors of Prysmian S.p.A. | | X |
| | Chairman of the Board of Directors and member of the Executive Committee of Istituto Atesino di Sviluppo S.p.A. | | X |
| | Board Member at Italmobiliare S.p.A. | | X |
| Roberto Isolani – Deputy Chairman | Board Member at BSI S.a. | | X |
| Fabrizio Viola - Chief Executive Officer | Chairman of the Board of Directors of Banca Widiba SpA | X | |
| | Board Member at AXA MPS Assicurazioni Vita S.p.A. | | X |
| | Board Member at AXA MPS Assicurazioni Danni S.p.A. | | X |
| Stefania Bariatti | Board Member at ASTM S.p.A. | | X |
| | Chairman of the Board of directors of SIAS S.p.A. | | X |
| Béatrice Derouvroy Bernard | Board Member at AXA MPS Assicurazioni Vita S.p.A. | | X |
| | Board Member at AXA MPS Assicurazioni Danni S.p.A. | | X |
| | Chairman of the Board of Directors of AXA MPS Financial limited | | X |
| Fiorella Bianchi | General Manager of Conad del Tirreno Soc.Coop. | | X |
| | Managing Director of Futura S.r.L. | | X |
| Lucia Calvosa | Board member and Chairman of the Risk and Control Committee at Telecom Italia S.p.A. | | X |
| | Board Member at Editoriale Il Fatto S.p.A. | | X |
| Maria Elena Cappello | Board Member and member of the Internal Control Committee at Prysmian S.p.A. | | X |
| | Board Member and Chairman of the Remuneration Committee at Saipem S.p.A. | | X |
| | Board Member and Member of the Control Committee at Seat Pagine Gialle S.p.A. | | X |
| | Board Member at A2A S.p.A. | | X |

| DIRECTOR | LIST OF OFFICES | Companies belonging to the MPS Group | |
|---------------------------|---|--------------------------------------|----|
| | | YES | NO |
| Alessandro Falciai | Sole Director of Millenium Partecipazioni S.r.l. | | X |
| Stefania Truzzoli | Board member, Chief Operating Officer and Director of Small Medium Enterprise Business Unit of BT Italia S.p.A. | | X |
| | Managing Director at Atlanet S.p.A. | | X |
| | Member of the Management Council of the consortium TOPIX | | |
| Antonino Turicchi | Chairman of the Board of Directors of ALSTOM S.p.A. and Country President for Italy of the ALSTOM Group | | X |
| | Board Member of Alitalia – CAI (Compagnia Aerea Italiana) S.p.A. | | X |
| | Board Member of Autostrade per l'Italia S.p.A. | | X |

**Table no. 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS
(from 1 January 2015 to 16 April 2015)**

| Board of Statutory Auditors | | | | | | | | | |
|--|-----------------------------|----------------------|--|-----------------------|---|--------------------|---------------------------------|------------|---|
| Office | Members | Year of birth | Date of first appointment * | In office from | In office until shareholders' meeting called to approve the financial statements | List ** | Independence as per Code | *** | Number of other offices **** |
| Chairman | Paolo Salvadori | 1947 | 27/04/2012 | 28/04/2012 | 2014 | m | YES | 92 | n.a |
| Effective Auditor | Stefano Andreadis | 1956 | 27/04/2012 | 16/05/2014 (1) | 2014 | M | YES | 100 | n.a |
| Effective Auditor | Claudio Gasperini Signorini | 1966 | 27/04/2012 | 28/04/2012 | 2014 | M | YES | 96 | n.a |
| Substitute Auditor | Franco Michelotti | 1958 | 18/07/2013 | 18/07/2013 (2) | 2014 | n.a | n.a | n.a | n.a |
| Statutory auditors who resigned during the financial year under review | | | | | | | | | |
| n.a | | | | | | | | | |
| Minimum participation in the capital required for submission of lists for the final appointment: 1% | | | | | | | | | |

NOTES

* Date of first appointment means the date on which the statutory auditor was appointed for the first time ever to the Board of Statutory Auditors of the Issuer.

** This column indicates M/m depending on whether the member was elected from a list voted by the majority (M) or the minority (m).

*** This column shows the percentage of participation of statutory auditors in meetings of the Board of Statutory Auditors (no. of presences/no. of meetings held during the period that the individual was in office).

**** This column indicates the number of offices held, as a director or statutory auditor, by the individual that are significant pursuant to art. 148 bis of the TUF. The full list of offices is published by Consob on its website pursuant to art. 144-quinquiesdecies of Consob Issuer's Regulation.

(1) Appointed substitute auditor by the ordinary Shareholders' Meeting on 27 April 2012; took over office of effective auditor on 16 May 2014, following the resignation of effective auditor Paola Serpi.

(2) On 28 May 2013, the substitute auditor Gianni Tarozzi resigned from office. On 18 July 2013, the Shareholders' Meeting appointed Franco Michelotti as an substitute auditor.

**Table no. 3-bis: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS
(from 16 April 2015 to 31 December 2015)**

| Board of Statutory Auditors | | | | | | | | | |
|--|--------------------------|---------------|-----------------------------|----------------|--|---------|--------------------------|-----|------------------------------|
| Office | Members | Year of birth | Date of first appointment * | In office from | In office until shareholders' meeting called to approve the financial statements | List ** | Independence as per Code | *** | Number of other offices **** |
| Chairman | Elena Cenderelli | 1947 | 16/04/2015 | 17/04/2015 | 2017 | m | YES | 100 | n.a |
| Effective Auditor | Anna Girello | 1971 | 16/04/2015 | 17/04/2015 | 2017 | n.a | YES | 100 | 14 |
| Effective Auditor | Paolo Salvadori | 1947 | 27/04/2012 | 17/04/2015 (1) | 2017 | M | YES | 93 | n.a |
| Substitute Auditor | Carmela Regina Silvestri | 1967 | 16/04/2015 | 17/04/2015 | 2017 | M | YES | n.a | n.a |
| Substitute Auditor | Gabriella Chersicla | 1962 | 16/04/2015 | 17/04/2015 | 2017 | m | YES | n.a | n.a |
| Statutory auditors who resigned during the financial year under review | | | | | | | | | |
| n.a | | | | | | | | | |
| Minimum participation in the capital required for submission of lists for the final appointment: 1% | | | | | | | | | |

NOTES

* Date of first appointment means the date on which the statutory auditor was appointed for the first time ever to the Board of Statutory Auditors of the Issuer.

** This column indicates M/m depending on whether the member was elected from a list voted by the majority (M) or the minority (m).

***This column shows the percentage of participation of statutory auditors in meetings of the Board of Statutory Auditors (no. of presences/no. of meetings held during the period that the individual was in office).

**** This column indicates the number of offices held, as a director or statutory auditor, by the individual that are significant pursuant to art. 148 bis of the TUF. The full list of offices is published by Consob on its website pursuant to art. 144-quinquiesdecies of Consob Issuer's Regulation.

(1) Chairman of the Board of Statutory Auditors from 28/04/2012 to 16/04/2015.