

This document is a courtesy translation into English of the Board of Directors' Report on the proposed amendments to the Bylaws. In case of any discrepancies between the English and the Italian version, the Italian version shall prevail.



**EXPLANATORY REPORT  
OF THE BOARD OF DIRECTORS OF BANCO BPM S.P.A.  
ON ITEM 2 OF THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING**

(Prepared pursuant to article 125-ter of Legislative Decree no. 58 of 24 February 1998, as amended and supplemented and pursuant to article 84-ter of the Regulation adopted with Consob Resolution no. 11971 of 14 May 1999, as amended and supplemented)

**Ordinary and Extraordinary Shareholders' Meeting of 7 April 2022**



**Explanatory report of the Board of Directors of Banco BPM S.p.A. pursuant to article 125-ter of Legislative Decree no. 58 of 24 February 1998 as amended (Consolidated Law on Finance) on item 2 of the agenda of the Ordinary Shareholders' Meeting called for 7 April 2022, on single call, regarding the "Resolutions on the allocation and distribution of profits"**

Dear Shareholders,

With reference to item 2 on the agenda, you have been called to the Shareholders' Meeting to resolve on the allocation and distribution of the profit as reported in the financial statements as set forth in art. 2433 of the Italian Civil Code.

The financial statements for the year ended as at 31 December 2021 of Banco BPM show a net profit for the year of € 415,794,001.74.

In relation to the aforementioned result for the year, the Board of Directors proposes:

- (i) the allocation of an amount of € 2,000,000 for assistance, charity and public interest pursuant to art. 5.2 of the Company Articles of Association;
- (ii) distribution of a cash dividend per share of € 0.19. More specifically, the proposal provides for a total distribution of € 287,884,603.94, resulting from a unit amount of € 0.19 for each of the 1,515,182,126 ordinary shares (however, no distribution will be made to any own shares held by the Bank at the record date, which is 20 April 2022. This distribution, if approved by the Shareholders' Meeting, will take place on 21 April 2022 (payment date) with coupon detachment on 19 April 2022 (ex-date). The allocation will be subject to the ordinary tax treatment for dividend distribution.
- (iii) the allocation of the residual profit for € 125,909,397,80 to the available extraordinary reserve.

In connection with the changes recorded in assets and liabilities measured at fair value and the investments carried at equity in the year, the Board also proposes reduction of the unavailability restriction established in previous years amounting to € 158,996,260.20 in order to adjust to € 1,023,802,814.68 the unavailable reserve of profits pursuant to art. 6 of Legislative Decree no. 38/2005.

It should be noted that the provisions of art. 2430 of the Italian Civil Code regarding the obligation to allocate a sum equal to at least 5% of profit to the legal reserve do not apply, given that the maximum amount permitted by said Italian Civil Code has already been allocated to said reserve (20% of share capital), amounting to € 1,420,000,000 in respect of share capital of Euro 7,100,000,000.

Tax restriction pursuant to Decree Law 104/2020 converted with amendment by Law 126 of 13 October 2020 relating to Banco BPM and the merged companies Bipielle Real Estate S.p.A. and Release S.p.A.

Pursuant to the provisions of art. 110 of Decree Law 104 of 14 August 2020 converted with amendments by law no. 126 of 13 October 2020, in 2021, Banco BPM exercised the right to align the fiscally recognised value of the properties owned to their higher book values for a total value of € 621,485,075. The relevant substitute tax was calculated at € 18,644,552.

Art. 110 mentioned above establishes the obligation to recognise a tax restriction on an equity reserve for an amount corresponding to the higher values aligned, net of the substitute tax of € 602,840,523. The restriction must be formally established by the Shareholders' Meeting.

Please also note that on 1 January 2022 the merger by incorporation of the subsidiary Bipielle Real Estate S.p.A. into the Parent Company Banco BPM became effective, and on 21 February 2022 the merger by incorporation of the subsidiary Release S.p.A. into the parent company became effective.

Similarly to the Parent Company, the Boards of Directors of the companies indicated above approved the exercise of the right of realignment of the fiscal value of the properties owned with their book values in 2021. Following the above mergers, the obligation to establish the aforementioned tax restriction was placed under the responsibility of the Shareholders' Meeting of Banco BPM, which is required to also approve the financial statements as at 31 December 2021 of the two companies merged in the meantime.

With circular 6/E dated 1 March 2022, the Tax Authority clarified that a tax restriction applying to the reserves of the merging company must be established if and within the limit in which a merger surplus is recognised.

Considering that the merger by incorporation transactions specified above entail recognition of a merger surplus of € 2,314,093 for Bipielle Real Estate S.p.A. and € 457,687 for Release S.p.A., Banco BPM must establish a restriction on its reserves for the same amount.

In light of the considerations previously made, the Board of Directors proposes to the Shareholders' Meeting to identify the legal reserve of Banco BPM, amounting to € 1,420,000,000, as the reserve on which to establish the tax restriction resulting from the exercise of the right of realignment of the fiscal value of the properties.

For further details, please refer to the annual financial report as at 31 December 2021, which will be published within the legal terms.

\* \* \*

In light of all of the above, we ask you to approve the following proposed resolution:

*"The Ordinary Shareholders' Meeting of Banco BPM S.p.A., having examined the Explanatory Report made available to the public in the form and methods required by applicable provisions, as well as based on the financial statements for the year ended as at 31 December 2021, which closed with a net profit of € 415,794,001.74 and the specific proposals formulated therein,*

*resolves*

- *to identify the legal reserve, amounting to € 1,420,000.00, as the reserve to which to append the tax restriction resulting from the exercise of the right of realignment of the tax value of the properties to their book value carried out by Banco BPM and by the merged companies Bipielle Real Estate S.p.A. and Release S.p.A., up to the limits of a total amount of € 605,612,303;*
- *to reduce by € 158,996,260.20 the unavailability restriction established in previous years pursuant to art. 6 of Legislative Decree 38/2005;*
- *to allocate the net profit of the year 2021 equal to Euro 415,794,001.74, as follows:*
  - *€ 2,000,000 for assistance, charity and public interest pursuant to art. 5.2 of the Company Articles of Association;*
  - *€ 287,884,603.94 for distribution of a dividend of € 0.19 gross of the legal withholdings, for each of the 1,515,182,126 ordinary shares, except for the shares in the portfolio owned by Banco BPM at the record date to which the dividend will not be assigned;*
- *the allocation of the residual profit to the available extraordinary reserve for € 125.909.397,80.*

Milan, 1st March 2022

The Board of Directors