



**REPORT OF THE BOARD OF DIRECTORS OF BANCO BPM SPA ON ITEM 4 OF THE AGENDA FOR
THE ORDINARY SHAREHOLDERS' MEETING**

(Prepared pursuant to Article 125-ter of
Italian Legislative Decree no. 58 of 24 February 1998 and subsequent amendments)

Ordinary Shareholders' Meeting of 06 April 2019

Report of the Board of Directors of Banco BPM S.p.A. on item 4 of the Shareholders' Meeting agenda pursuant to Article 125-ter of Italian Legislative Decree no. 58/98 as amended (Consolidated Financial Law – CFL).

Request for authorisation to purchase and dispose of treasury shares in service of incentive plans. Relevant and consequent resolutions.

Dear Shareholders,

In reference to item 4 of the Shareholders' Meeting agenda, also considering the resolutions proposed for previous items of the Shareholders' Meeting agenda, we propose that the Board of Directors be authorised to purchase and dispose of treasury shares of Banco BPM S.p.A. (the "**Bank**" or "**Banco BPM**"), for the reasons and under the conditions indicated below.

A) Rationale for the request for authorisation to purchase and dispose of treasury shares.

The rationale that has led the Board of Directors to submit to the Shareholders' Meeting a request for authorisation to purchase and dispose of treasury shares, in observance of applicable legislation, including that of a regulatory nature, and permitted market practices pursuant to EU Regulation no. 596/2014 ("**Market Practices**"), is to implement the remuneration policies adopted by the Bank. Specifically, these define that for key Group personnel at least 50% of the incentive recognised is issued via allocation of ordinary shares in the Bank.

In any case, all purchase and disposal transactions will be carried out in compliance with the law and applicable regulations, specifically with regard to "market abuse", and ensuring equal treatment of shareholders.

B) Maximum number, category, and nominal value of shares to which the proposed authorisation refers.

The authorisation that the Board of Directors requests from the Shareholders' Meeting regards deeds for the purchase and disposal of the Bank's ordinary shares, with no nominal value.

Without prejudice to the provisions of Article 2357, paragraph 1 of the Italian Civil Code, the requested authorisation involves the purchase of treasury shares, on one or more

occasions, for a maximum number of Banco BPM ordinary shares corresponding to no greater than € 5 million.

The requested authorisation includes the right to subsequently dispose of treasury shares in the portfolio (purchased as part of the above authorisation, or in any case held by the Bank), on one or more occasions, even before having completed the purchases, and possibly to repurchase these shares, in compliance with the limits and conditions established by the Shareholders' Meeting authorisation.

C) Relevant information for evaluating compliance with the provisions of Article 2357, paragraph 3 of the Italian Civil Code.

As at the date of this report, the Bank's share capital is equivalent to € 7,100,000,000, divided into 1,515,182,126 ordinary shares. As stated above, the requested authorisation involves the purchase of treasury shares, on one or more occasions, for a maximum number of Banco BPM ordinary shares corresponding to no greater than € 5 million. In any case, the number of treasury shares that can be purchased may never exceed the limit of one-fifth of share capital, as envisaged by Article 2357, paragraph 3 of the Italian Civil Code, taking into consideration shares already held by the Bank or that may have been purchased by subsidiaries (as of today's date, 20% of the share capital is equal to € 1,420,000,000, or 303,036,425 shares).

At the date of this report, the Bank holds 4,004,510 treasury shares and there are no treasury shares held through subsidiaries, trust companies, or third parties.

D) Duration of requested authorisation.

The authorisation to purchase treasury shares is requested from the date on which the Shareholders' Meeting will adopt the corresponding resolution and until the Shareholders' Meeting at which the 2019 financial statements are submitted, in any case, without prejudice to the limit of 18 (eighteen) months envisaged in Article 2357, paragraph 2 of the Italian Civil Code.

Authorisation to dispose of treasury shares, even before purchases have been completed, is requested without a time limit.

E) Minimum and maximum payment and market valuation.

Purchase of treasury shares

The purchase price of each treasury share, including accessory purchase charges, must be, at a minimum, no more than 15% (fifteen percent) lower and, as a maximum, no more

than 15% (fifteen percent) higher, than the official share price recorded on the Italian Electronic Equity Market (MTA) the day prior to the purchase.

This range is proposed in compliance with the rules contained in the Italian Civil Code that requires that the minimum and maximum payment amount is defined. However, each purchase negotiated on regulated markets cannot take place at a price greater than the highest price between the price of the last independent transaction and the highest current independent offer price in the trading venues where the purchase is carried out, in accordance with Article 3, paragraph 2 of EC Delegation Regulation no. 2016/1052 of 08 March 2016.

Disposal of treasury shares

As regards the disposal of purchased shares, to be performed in compliance with applicable legislation, only the minimum sale price to third parties is defined, which must not be less than 95% (ninety-five percent) of the average of official prices recorded on the Italian Electronic Equity Market (MTA) in the three days prior to the sale. This price limit may be waived in the case of the allocation of treasury shares in implementation of remuneration policies adopted by the Bank and, in any event, the assignment of shares (or share options) in execution of compensation plans based on financial instruments.

F) Methods for purchasing and disposing of treasury shares.

The purchase transactions must be carried out in accordance with Article 132 of the CFL and Article 144-bis of the regulation adopted by Consob with Resolution no. 11971/99 ("**Issuers' Regulations**") and according to procedures allowed by legislation that is in effect at a given time. In particular, purchases must be made through a public purchase or exchange offer, or on the market, according to the operating procedures established by the market management company that do not allow direct matching of purchase negotiation proposals with pre-determined sales negotiation proposals, or by means of other procedures envisaged in Article 144-bis of the Issuers' Regulations (with the exception of the provisions of letter c) of the first paragraph of said article), or otherwise permitted in compliance with regulations in effect at a given time, taking into account the need to respect the principle of equal treatment of shareholders.

Purchases may take place in one or more tranches.

With regard to disposal of the shares in question, this may take place, on one or more occasions, even before the purchases have been completed, for the purposes referred to in paragraph A), by means of sale on the stock exchange and, in any case, using other

procedures allowed by law, including European Community regulations, that may be in effect at any given time.

G) Information on the use of the purchase to reduce share capital.

Note that the purchase of treasury shares in question is not a tool for reducing share capital.

H) Authorisations

The purchase of treasury shares authorised by the Shareholders in compliance with this proposal may be carried out on the basis of and observing the authorisation of the European Central Bank pursuant to the applicable provisions of Regulation (EU) no. 575/2013 and of the Delegated Regulation (EU) no. 241/2014.

In light of the above, we ask that you adopt the following resolution:

"The Ordinary Shareholders' Meeting of Banco BPM S.p.A.,

- having acknowledged the Report of the Board of Directors and governing laws and regulations,

- without prejudice to compliance with regulations that are applicable at a given time,

RESOLVES

1) to authorise the purchase of Banco BPM ordinary shares for a total maximum amount equivalent to € 5 million;

2) to authorise purchase and disposal transactions of treasury shares for the purposes and within the limits indicated in this Report of the Board of Directors' and always in compliance with regulations applicable at a given time, according to the following methods and conditions:

- the purchase may be divided into one or more batches, with the maximum limit of € 5 million, and in any case to the extent that, also considering the shares held by the subsidiaries of Banco BPM S.p.A. - the treasury shares do not exceed the legal limit;

- the authorisation to purchase treasury shares is resolved from the date of this Shareholders' Meeting and until the Shareholders' Meeting at which the 2019 financial statements are submitted;

- the authorisation includes the right to subsequently dispose of treasury shares in the portfolio, on one or more occasions, even before having completed the purchases, in compliance with the limits and conditions established by this authorisation;

- purchase operations must be carried out in compliance with article 132 of the CFL and article 144-bis of the Issuers' Regulations: (i) through a public purchase or exchange offer, (ii) on the market, according to the operating procedures established by the market management company, (iii) by means of other procedures envisaged in Article 144-bis of the Issuers' Regulations (with the exception of the provisions of letter c) of the first paragraph of said article), or otherwise permitted in compliance with regulations in effect at a given time and/or the Market Practices; in any event, in observance of all applicable regulations, including those of the European Community, and taking into consideration the need to ensure equal treatment of shareholders;
- the purchase price of each treasury share, including accessory purchase charges, must be, at a minimum, no more than 15% (fifteen percent) lower and, as a maximum, no more than 15% (fifteen percent) higher, than the official share price recorded on the Italian Electronic Equity Market (MTA) the day prior to the purchase;
- the sale price to third parties must not be less than 95% (ninety-five percent) of the average of official prices recorded on the Italian Electronic Equity Market (MTA) in the three days prior to the sale. - This price limit may be waived in the case of the allocation of treasury shares in implementation of remuneration policies adopted by Banco BPM S.p.A. and, in any event, the assignment and/or sale of shares or share options in execution of compensation plans based on financial instruments;
- authorisation to dispose of treasury shares, even before purchases have been completed, is assigned without a time limit;

3) to delegate to the Board of Directors and, through it, the Chairman, as well as to the Managing Director and General Manager, separately and with the power of sub-delegation, to execute the present resolution, granting them the relative powers, including any broader power necessary or appropriate to carry out, upon obtaining legal authorisations, the purchase of treasury shares and for the completion of the deeds of sale, disposal and/or use of all or part of the treasury shares held and, in any case, to implement the above resolutions, as well as to make changes or supplements to the Shareholders' Meeting resolutions that are merely formal and not substantial and that become necessary and/or opportune in relation to any requests or recommendations of supervisory authorities or of market management companies."

Milan, Italy, 28 February 2019

The Board of Directors