



**REPORT OF THE BOARD OF DIRECTORS OF BANCO BPM SPA ON ITEM 3 OF THE AGENDA FOR
THE ORDINARY SHAREHOLDERS' MEETING**

(Prepared pursuant to Article 125-ter of Italian Legislative Decree no. 58 of 24 February
1998 as amended)

Ordinary Shareholders' Meeting of 06 April 2019

Report of the Board of Directors of Banco BPM S.p.A. on item 3 of the Shareholders' Meeting agenda pursuant to Article 125-ter of Italian Legislative Decree no. 58 of 24 February 1998 as amended (Consolidated Financial Law – CFL).

Remuneration policies:

- a. decisions on remuneration and incentive policies; approval of the report in compliance with the current legal provisions. Relevant and consequent resolutions.**
- b. approval of the criteria for calculating the amounts to be granted in the event of early termination of employment or early cessation of service, including the limits set on such amounts. Relevant and consequent resolutions.**
- c. share-based compensation plan of Banco BPM S.p.A.: annual incentive scheme (2019). Relevant and consequent resolutions.**

Dear Shareholders,

We have called this meeting to report to you on the application by the Banco BPM Group of remuneration policies for the year ended as at 31 December 2018 and specifically to submit for your approval the Group remuneration policies, drawn up by the Board of Directors, along with relative accompanying documentation.

This report refers to letter c) of point 3) of the Shareholders' Meeting agenda "Share-based compensation plan of Banco BPM S.p.A.: annual incentive scheme (2019). Relevant and consequent resolutions". The report relative to letters a) and b) of point 3) of the Shareholders' Meeting agenda will be made available in compliance with the terms and procedures of applicable legislation.

Remuneration policies:

c) a share-based compensation plan of Banco BPM S.p.A.: annual incentive scheme (2019). Relevant and consequent resolutions.

Dear Shareholders,

You have been called to resolve, pursuant to Article 114-bis, paragraph 1 of the CFL, on a compensation plan (the "**Plan**"), that which provides for the valorisation through assignment of ordinary shares (the "**Shares**") of Banco BPM S.p.A. (the "**Bank**" or the "**Company**") of a portion of the variable remuneration, addressed to executive components of the Board of Directors and to employees and collaborators of the Banco BPM banking group, included in the category of identified staff; the Plan is proposed as part of the remuneration policies adopted by the Group under the 2019 annual incentive system.

The characteristics of the Plan are illustrated in detail in the information document (the "**Information Document**") prepared by the Bank pursuant to Article 84-bis of Consob Regulation 11971/1999 as amended (the "**Issuers' Regulations**"). The structure of the Group's remuneration and incentive policies is illustrated in the Banco BPM Banking Group 2019 Remuneration Report.

The Information Document and the Remuneration Report are made available to the Shareholders and the public pursuant to law, *inter alia*, on the website of the authorised storage mechanism www.emarketstorage.com and on the Bank's website at www.bancobpm.it (Corporate Governance – Remuneration Policy section).

In the last few years, the issue of remuneration of executive members of the Board of Directors and of the identified staff of listed companies and, more specifically, companies in the financial sector has been handled with increasing attention by international organisations and regulators, with the goal, among others, of guiding companies to adopt remuneration and incentive systems in line with the company values, strategies and long-term objectives.

The Plan defines around 150 individuals as potential recipients and, for these, at least 50% of the awarded bonus under the 2019 incentive system is paid in Shares, subject to the deferral and retention clause (sale restriction).

Where the awarded incentive is equal to or greater than € 430,000, the portion subject to deferral is equal to 60% of the incentive itself, whilst otherwise it is 40%.

Duration of the deferral period is 5 years and 55% of the deferred portion is composed of

Shares, regardless of the awarded amount, for the senior identified staff; for roles reporting directly to the CEO of Aletti & C. Banca d'Investimento Mobiliare and of Banca Akros, this provision is applicable if the amount assigned is equal to or greater than € 430,000. In the remaining cases, the deferral period is three years.

Each vested portion of shares is subject to a retention period of one year. The Plan's implementation period runs from the accrual period applicable for measuring the results of incentive system (2019) to the effective availability of the last Share-based deferred portion (2024, or 2026 in the case of five annual portions).

Considering the retention period, the Plan concludes in 2026.

The maximum requirement is estimated at € 5 million (bank cost) for around 150 potential Plan recipients. This amount is also the product of stricter rules defined by the Supervisory Provisions of the Bank of Italy, relative to the greater percentage for the share-based portion in relation to the total awarded incentive.

Thus, the Plan is proposed under the remuneration policies adopted for 2019, to align the interests of the management and shareholders, remunerating the Group's strategic resources based on the creation of value over the medium/long term.

For additional information – also regarding the reasons underlying adoption of the Plan, the recipients, the approval process and the timescale for allocation of the Shares – refer to the Information Document and the Remuneration Report.

Milan, Italy, 28 February 2019

The Board of Directors

Dear Shareholders,

In light of all of the above, we ask that you approve the following proposed resolution (on which separate votes will be proposed based on the topic, one for each point of resolution, each with its own mandate for execution):

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

- acknowledging the content of the Information Document on the 2019 compensation plans, made available to the Shareholders according to the methods and within the terms set out in regulations in force;*
- considering the contents of the Report made available to the public in compliance with the formats and procedures defined by applicable provisions,*

RESOLVES

to approve, pursuant to article 114-bis of the CFL and article 84-bis of the Issuers' Regulations, the 2019 compensation plan, that defines the valuation of a portion of the variable component of remuneration by assignment of Banco BPM S.p.A. ordinary shares, addressed to executive members of the Board of Directors and employees and collaborators of the Banco BPM Banking Group in the category of identified staff, proposed as part of the remuneration policies adopted by the Group under the 2019 annual incentive system, with the terms and procedures described in the previously referenced documentation;

granting a mandate to the Chairman of the Board of Directors and the Managing Director, severally and with the right to sub-delegate, for the purpose of correct and prompt execution of these resolutions and the formalities and deeds related thereto and/or resulting therefrom, assigning them all the necessary powers for such purpose, including the power to make any changes or additions thereto that may be necessary and/or opportune in relation to requests or recommendations of the Supervisory Authorities or the market management company".

Milan, Italy, 28 February 2019

The Board of Directors