

COURTESY TRANSLATION

This document is a translation to English of the Qualitative and quantitative composition of the Board of Directors document available on the website of Banco BPM S.p.A. www.bancobpm.it section "Corporate Governance".

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Qualitative and quantitative composition of the Board of Statutory Auditors

(17 February 2020)

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1. Introduction and legal references

Although there is no specific requirement to identify the optimal qualitative and quantitative composition of the Board of Statutory Auditors, after consulting the outgoing Board of Directors, the outgoing Board of Statutory Auditors of Banco BPM S.p.A. ("Banco BPM") considers it useful to provide Shareholders and any interested party with a reference document on the composition of the Board of Statutory Auditors and the ideal profile of the Statutory Auditors of Banco BPM, providing appropriate specifications and recommendations. The aim is to ensure that the most suitable candidates are proposed at the next Shareholders' Meeting of Banco BPM.

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In order to provide complete information, the sources of national and European legislation on the requirements of corporate officers are summarised below:

- Italian Legislative Decree no. 385 of 1 September 1983 (Consolidated Banking Law, "TUB");
- Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Finance Law, "TUF");
- Italian Ministerial Decree no. 161/1998 "Regulation containing rules for identifying the fit and proper requirements for corporate officers of banks and causes for suspension ("DM 161/1998");
- Italian Ministerial Decree no. 162/2000 "Regulation containing rules for establishing the fit and proper requirements for members of the board of statutory auditors of listed companies to be issued under Article 148 of Italian Legislative Decree no. 58 of 24 February 1998 ("DM 162/2000");
- Article 36 of Italian Decree Law no. 201 of 6 December 2011, "Urgent provisions for the growth, equity and consolidation of public finances" ("Salva Italia Decree") converted with amendments by Italian Law no. 214 of 22 December 2011 ("Interlocking Directorship");
- Bank of Italy, Supervisory Regulations for Banks, Circular no. 285 of 17 December 2013 on corporate governance (Part I, Title IV, Chapter 1) ("Supervisory Regulations");
- Corporate Governance Code of Borsa Italiana S.p.A. ("Corporate Governance Code");
- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and Regulation (EU) no. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;
- EBA, Guidelines on internal governance (2017);
- EBA/ESMA, Joint Guidelines on the assessment of the suitability of members of the management body and key function holders of September 2017 ("EBA/ESMA Guidelines");
- ECB, Guide to fit and proper assessments of 15 May 2017, last updated in May 2018 ("ECB Guide").

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Lastly, when drawing up the appropriate recommendations account was also taken of the principles contained in the Draft Ministerial Decree containing the Regulation on suitability requirements and criteria for corporate officers of banks, issued in implementation of Article 26 of the TUB¹, and of sector regulations, including the Rules of Conduct for the Board of Statutory Auditors of Listed Companies (2018).

When drawing up the ideal theoretical profile for Statutory Auditors of Banco BPM, consideration was also given to the Bank's governance system, by referring to the Articles of Association, the internal regulations of the Corporate Bodies and the key governance principles.

This profile shall be made available to the Company's Shareholders in good time, so that the professional requirements can be taken into account when choosing the candidates to present.

2. Role and Duties of the Board of Statutory Auditors

Under the traditional governance model adopted by Banco BPM the Board of Statutory Auditors is entrusted with monitoring compliance with the law and the Articles of Association, observance of the principles of sound administration, and adequacy of the organisational, administrative and accounting structure. The Board of Statutory Auditors also ensures that there is appropriate coordination between all the Bodies, functions and structures involved in the Internal Control System.

Pursuant to Article 38.1 of the Articles of Association, the Board of Statutory Auditors carries out the duties and control functions required by legislation in force at the time, and specifically monitors the following:

- (i) compliance with the provisions of law, regulations and bylaws and observance of the principles of sound administration;
- (ii) adequacy of the Company's organisational, administrative and accounting structure and the financial reporting process, for aspects within its remit;
- (iii) effectiveness and adequacy of the risk management and control system, internal audit and the efficiency and adequacy of the entire Internal Control System;
- (iv) procedure for auditing the annual accounts and the consolidated accounts;
- (v) procedures for practical implementation of the corporate governance rules that the Company declares to follow;
- (vi) adequacy of the instructions issued by the Company to the subsidiary companies when exercising its powers of management and coordination;
- (vii) independence of the auditing firm, with specific regard to the provision of non-audit services.

Pursuant to Article 19 Italian Legislative Decree no. 39/2010 (as amended by Italian Legislative Decree no. 135/2016), the Board of Statutory Auditors is also identified as the "Internal Control and Audit Committee", to which the aforesaid decree assigns the duty of monitoring the financial reporting service, efficiency of the internal control, internal audit and risk management systems, auditing of the annual and consolidated accounts and independence of the external auditor. The Board of Statutory Auditors is specifically responsible for:

¹ Reference is made to Article 26 TUB, as later replaced by Article 1(13) of Italian Legislative Decree no. 72/2015 by which CRD IV was assimilated in Italy.

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- (i) informing the Administrative Body of the audited entity of the outcome of the audit and sending it the additional report referred to in Article 11 of Regulation (EU) no. 537/2014, accompanied by any observations;
- (ii) monitoring the financial reporting process and submitting recommendations or proposals to guarantee its integrity;
- (iii) checking the efficiency of the Company's internal quality control and risk management systems and, if applicable, the internal audit system, with regard to the financial reporting of the audited entity, without breaching its independence;
- (iv) monitoring the auditing of the individual and consolidated financial statements, also taking into account results and conclusions of quality controls carried out by Consob pursuant to Article 26(6) of the aforesaid European Regulation, where available;
- (v) verifying and monitoring the independence of the auditing firm pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of Italian Legislative Decree no. 39/2010 and Article 6 of the aforesaid European Regulation no. 537/2014, also with regard to the appropriateness of the provision of non-audit services to the audited entity, in compliance with Article 5 of the Regulation.

The Board of Statutory Auditors is also responsible for the procedure for selecting the auditing firm and for this purpose prepares a substantiated proposal to submit to the Shareholders' Meeting on the external auditor or the auditing firms to be designated pursuant to Article 16 of the European Regulation.

3. Qualitative and quantitative composition of the Board of Statutory Auditors

3.1 Quantitative composition

Article 35.1 of the Articles of Association of Banco BPM provides that the Board of Statutory Auditors is composed of 5 Standing Auditors, one of whom the Chairman, and 3 Alternate Auditors.

In compliance with current regulations, at least 2 Standing Auditors and 1 Alternate Auditor must be registered in the Register of Auditors and have carried out auditing activities for at least 3 years.

3.2 Qualitative composition: individual suitability requirements for members of the Board of Statutory Auditors

In view of the reference framework outlined above, in preparing the recommendation addressed to Shareholders who shall submit lists of candidates, the optimal composition of the Board of Statutory Auditors of Banco BPM has been defined in order to ensure that there is complementarity in the professional skills, experience and expertise of its members with specific regard to:

- ensuring a balanced combination of profiles and experience within the Control Body;
- promoting profiles with personal characteristics and aptitudes that will ensure optimal performance of the office, also in contexts such as Board Committees in which the Statutory Auditors are invited to participate;
- identifying persons with sufficient time and resources at their disposal to allow

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effective performance of the role;

- further expanding the diversity requirements already present, with specific regard to professional training and experience, gender diversity and age diversity.

3.2.1 Professional requirements

All candidates for the office of member of the Board of Statutory Auditors must meet the professional requirements established by legislation in force at the time (i.e. Article 26 of TUB and related DM 162/2000). More specifically, at least 2 of the Standing Auditors and at least 1 of the Alternate Auditors must be chosen from those registered in the Register of Auditors who have carried out auditing activities for at least 3 years. The Auditors who do not meet this requirement shall be chosen from those who have gained at least three years' experience in:

- administration or control activities or management positions in joint-stock companies with a share capital of at least two million euro; or
- professional activities or university lectureships in legal, economic, financial and technical/scientific subjects, strictly pertinent to the Bank's activity, or
- executive positions in public bodies or public authorities operating in the lending, financial and insurance sectors or in sectors strictly pertinent to the Bank's activity.

3.2.2 Skills and experience criteria

In addition to the rules of law in force, considerable attention has been given to the CRD IV, the Supervisory Regulations, the regulations for listed companies (including the Corporate Governance Code) and the recommendations contained in the EBA-ESMA Guidelines and ECB Guide.

In this regard, when choosing candidates Shareholders should take the following into consideration:

- the candidates' possession of an assortment of technical knowledge, skills and experience that enables the Control Body to understand the main areas of business and the main risks to which the Banco BPM Group is exposed;
- the collective experience accrued, whether through studies and training or through practical experience within the positions held;
- the size, level of operational complexity, business perimeter and associated risks and markets in which the candidates previously worked.

More specifically and with regard to the professional experience requirements, candidates for the role of Statutory Auditor of Banco BPM should preferably have recently gained at least three years' experience in one or more of the following areas:

- banking and finance;
- other financial business;
- legal-economic, corporate and regulatory matters;
- governance and organisational structures in financial institutions;
- risk governance and internal control systems;
- information systems and new technologies used in the banking and financial sector;
- accounting, financial statements and auditing.

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It is recommended that these skills and experience have been gained and acquired in Control and/or Strategic Supervision Bodies or in Board Committees with control functions of listed banking, financial and insurance companies or companies of a comparable size and complexity to Banco BPM.

The Chairman of the Board of Statutory Auditors must have recently gained at least 10 years' professional experience in the aforesaid areas.

3.2.3 Suitability requirements

It is also advisable to take into consideration the suitability requirements established by the EBA/ESMA Guidelines for the role of member of the Board of Statutory Auditors of Banco BPM and specifically:

- independence of mind, and namely the ability to be objective, open-minded and prepared to argue a point; ability to take and defend a position;
- integrity, and namely respect for values and ability to live according to said values; honesty and loyalty; authenticity; awareness and self-confidence;
- commitment and sufficient time, and namely the willingness to invest time and energy to get to know the Bank; commitment and appropriate knowledge.

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3.2.4 Reputation requirements

All candidates for the office of member of the Board of Statutory Auditors must ensure they meet the reputation requirements established by legislation in force at the time. More specifically:

- they must meet the reputation requirements referred to in DM 161/1998 and DM 162/2000;
- they must not be affected by situations that could cause suspension from office pursuant to DM 161/1998.

If the reputation requirements are not met the candidate shall be unable to take office or shall fall from office.

3.2.5 Propriety criteria

Each member of the Board of Statutory Auditors must meet specific propriety criteria with regard to their personal and professional conduct, in compliance with the provisions of the EBA/ESMA Guidelines and the ECB Guide. More specifically, it is important that the candidates for the office of member of the Board of Statutory Auditors:

- have not engaged in behaviour which, while not constituting an offence, is not compatible with the office of Statutory Auditor of the Bank or could seriously compromise the Bank's reputation;
- are not – or have not been in the past – in situations which, with regard to the economic activities and financial conditions of the candidates themselves (or of the companies they control, hold significant investments in or manage) are – or have been – even potentially capable of affecting their reputation.

Newly appointed Statutory Auditors shall be considered to meet the reputation requirements in the absence of elements suggesting the contrary and in the absence of legitimate doubts as to their good repute.

3.2.6 Sufficient time and commitment required of members of the Board of Statutory Auditors

Pursuant to the provisions of applicable regulations, having sufficient time to dedicate to performance of the office, given its nature, quality and complexity, is a fundamental requirement that candidates for the office of Statutory Auditor must be able to guarantee.

With regard to the specific situation of Banco BPM, for information purposes it is noted that in each financial year in the 2017-2019 period, an average of 47 meetings of the Board of Statutory Auditors, 20 meetings of the Board of Directors, 24 meetings of the Internal Control and Risk Committee, 17 meetings of the Appointments Committee and 16 meetings of the Remuneration Committee were held.

On average the members of the Board of Statutory Auditors participated in 100% of the Board's meetings, 100% of the meetings of the Board of Directors and, through the Chairman or the Statutory Auditor delegated by him, in the meetings of the Board Committees.

In addition to the above, it is necessary to include the commitment required for

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participation in induction meetings and recurrent training, as well as for the Statutory Auditors' participation in the business of the Board of Directors and of the Board Committees. Apart from the commitment involved in participating in meetings, it is also necessary to consider the time each Statutory Auditor shall dedicate to preparing for these meetings.

In this regard it should be noted that, based on experience, the resources dedicated by the Chairman of the Board of Statutory Auditors to performance of the role take up a considerable amount of time and Shareholders should take this into due account when identifying the candidates who could be called to hold this office.

Attention is also drawn to the expected threshold of participation in meetings of the Board of Statutory Auditors where Article 2404 of the Italian Civil Code states that "*if during one financial year a statutory auditor fails to participate in two meetings of the Board without justification, he shall fall from office*". Also on the basis of the guidelines issued by the Supervisory Authority it is recommended that candidates are able to ensure their physical presence at meetings, excepting extraordinary meetings. Recalling that Article 149 of the TUF provides that "*statutory auditors who, without justification, fail to attend the Shareholders' Meetings or, during one financial year, two consecutive meetings of the Board of Directors or of the Executive Committee, shall fall from office*", the Board of Directors advises Shareholders to also pay attention to the expected threshold of participation in the meetings of the Company's Board of Directors and Shareholders' Meetings.

In view of the above, and also in line with the guidelines issues by the European Central Bank, it is recommended that candidates should accept the office of Statutory Auditor when they believe they can dedicate the necessary time and energy, taking into account factors such as: other personal and professional commitments and circumstances, and positions held in other companies; nature, scope and complexity of the functions performed, size and situation of the companies in positions are held and place or country where they are established.

In this regard and placing a special focus on the proper functioning of the Board of Statutory Auditors and on each member's contribution to the exchange of ideas within the Board, an estimate, to be used as a reference, has been made of the minimum time considered necessary to ensure effective participation in meetings, as summarised in the table below:

Role	Estimated commitment (days/year)
<i>Chairman of the Board of Statutory Auditors</i>	100
<i>Statutory Auditor</i>	80

3.2.7 Limit on the maximum number of external appointments

Pursuant to the provisions of the Articles of Association, the members of the Board of Statutory Auditors are subject to the limits on the maximum number of administration and control appointments that can be held, as established by Consob and by any other applicable provision. According to the provisions of Consob Issuers Regulation no. 11971/99, implementing Article 148-bis of the TUF, the office of member of the Control Body of an issuer cannot be taken up by those who hold the same office in five issuers.

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Members of an issuer's Control Body can take up other administration and control appointments in the companies specified by the aforesaid legislation within the limits established therein. Exempt appointments and administration and control appointments held in small companies (as defined by the cited legislation) are not relevant for calculation of the maximum number.

If a member of the Control Body exceeds these limits for reasons beyond his control, he shall tender his resignation from one or more of the offices previously held, within 90 days of becoming aware that the limit has been exceeded.

With specific regard to the limits on the maximum number of appointments established for corporate officers of banks by the CRD IV Directive, expressly mentioned by the Supervisory Regulations, and without prejudice to any different provisions on the matter that could arise from the decree to be issued by the Ministry of Economy and Finance in implementation of Article 26 of the TUB, the Shareholders' attention is drawn to the specific provisions on the matter contained in the aforesaid Directive and in the "Regulation on limits on the maximum number of appointments" of Banco BPM.

More specifically, pursuant to Article 91 of the CRD IV Directive and Article 3.1 of the Bank's Regulation on "Limits on the maximum number of appointments", members of the Bank's Board of Statutory Auditors may hold at the same time (also taking into account the offices held within the Group) only one of the following combinations of corporate offices:

a) 1 executive position with 2 non-executive positions;

or

b) 4 non-executive positions.

This is set forth in Article 3.1 of the aforesaid Regulation, which establishes the following limits on the number of appointments that can be taken up for Statutory Auditors of Group Banks:

a) those who hold positions with executive functions in Group Banks may not take up executive positions in companies not belonging to the Group, while they may take up 2 non-executive positions in companies not belonging to the Group;

b) those who hold roles with non-executive functions in Group Banks may take up the following combinations of positions:

- 1 executive position in companies not belonging to the Group and 1 non-executive position in companies not belonging to the Group;

or

- 3 non-executive positions in companies not belonging to the Group.

Further details and specifications on the limits on the number of appointments held can be found in the Regulation on "Limits on the maximum number of appointments" available on the Bank's website (www.bancobpm.it – Corporate Governance section).

3.2.8 Causes of ineligibility, forfeiture and incompatibility

Pursuant to Article 148 of TUF, the following persons cannot be elected to the office of Statutory Auditor and, if elected, shall fall from office:

a) those affected by the conditions set forth in Article 2382 of the Italian Civil Code;

b) the spouse, relatives by blood and marriage within the fourth degree of directors of

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the company, the directors, spouse, relatives by blood and marriage within the fourth degree of directors of companies controlled by it, companies that control it and those subject to common control;

- c) those who are linked to the company, or to companies controlled by it, companies that control it and those subject to common control or to directors of the company and to persons referred to in point b) by independent or salaried employment relationships or other financial or professional relationships that compromise their independence.

In compliance with the provisions contained in Article 17 of Italian Legislative Decree no. 39/2010, the office of Statutory Auditor in Banco BPM can also not be held by anyone who was key audit partner and carried out the audit on behalf of Banco BPM's auditing firm, if this activity was terminated less than two years earlier. This prohibition also extends to employees and partners, other than the key audit partner, and to any other natural person whose services were made available to or under the control of the auditing firm, if authorised to exercise the profession of auditor, for a period of two years from their involvement in the audit appointment.

In compliance with the Supervisory Regulations, members of the Board of Statutory Auditors also cannot hold offices in bodies other than those with control functions in other Group Companies in which Banco BPM directly or indirectly holds a strategic investment, meaning an investment equal to at least 10% of the share capital or of the voting rights in the ordinary shareholders' meeting of the investee company and 5% of the consolidated regulatory capital of the Banking Group. Lastly, without prejudice to the other incompatibility rules established by current legislation (including the prohibition on interlocking directorships pursuant to Italian Law no. 214 of 22 December 2011), the office of Statutory Auditor is incompatible with political offices, meaning member of the Italian parliament and member of the government. It is also recommended that the office of Statutory Auditor is not held by persons holding the office of member of the European parliament or member of the regional, provincial and municipal councils and governments (only with regard to municipalities that are provincial capitals).

3.2.9 Independence

Without prejudice to the cases of ineligibility established by legislation, in order to comply with the principles of the Corporate Governance Code, lists of candidates must be composed in such a way as to guarantee that Statutory Auditors are chosen from persons that can be classified as independent in accordance with application criterion 3.C.1. of the Corporate Governance Code regarding directors².

² Application criterion 3.C.1. of the Corporate Governance Code provides for the following: "The Board of Directors shall evaluate the independence of its non-executive members having regard more to the substance than to the form and keeping in mind that a director usually does not appear independent in the following events, to be considered merely as an example and not limited to: a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or third parties, or is able to exercise a dominant influence over the issuer, or participates in a shareholders' agreement through which one or more persons can exercise a control or dominant influence over the issuer; b) if he/she is, or has been in the preceding three fiscal years, a significant representative of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement; c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship: - with the issuer, one of

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All members of the Board of Statutory Auditors must act with independence of mind, pursue sound and prudent management of the Bank and comply with all applicable legislation.

It is therefore recommended that when selecting candidates the focus should be placed on identifying persons who shall fulfil the office with objectivity and integrity, without any direct or indirect interests that could affect their independent judgment.

3.2.10 Guidelines on diversity

Without prejudice to regulatory provisions in force from time to time, in order to ensure an appropriate exchange of ideas within the Control Body, it is considered necessary to ensure that the composition of the Control Body reflects an adequate degree of diversification in terms of gender and skills and also to adopt an age policy.

More specifically, the composition of the Board of Statutory Auditors must ensure gender balance in accordance with the provisions of applicable legislation in force³, according to which a quota equal to at least two fifths of the Standing Auditors elected must be reserved to the under-represented gender for six consecutive mandates.

Moreover, without prejudice to regulatory provisions in force from time to time, in order to ensure that the Control Body as a whole ensures effective performance of the duties assigned, it is important that the composition of the Control Body provides for the balanced and diversified presence of Statutory Auditors who have individually gained the skills and experience indicated in paragraph 3.2.2 above.

Lastly, the Board of Directors has also approved a policy on the age of officers, establishing that candidates for the position of Statutory Auditor of Banco BPM must not be over 75 years of age, without prejudice to the possibility of passing resolutions that derogate from this criterion on justified and proven grounds.

3.3 Collective suitability of the Board of Statutory Auditors

In order to ensure the collective suitability of the Board of Statutory Auditors, candidates should together have a well balanced portfolio of experience and technical knowledge (in the areas indicated below), enabling the Control Body to understand the main areas of business and the main risks to which the Banco BPM Group is exposed and specifically:

- banking and finance;
- other financial business;

its subsidiaries, or any of its significant representatives; - with a subject who, also jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives or is, or has been in the preceding three fiscal years, an employee of the above-mentioned subjects; d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration (compared to the "fixed" remuneration of non-executive director of the issuer and to remuneration of the membership in the committees that are recommended by the Code) also in the form of participation in incentive plans linked to the company's performance, including stock option plans; e) if he/she was a director of the issuer for more than nine years in the last twelve years; f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director; g) if he/she is shareholder or director of a company or entity belonging to the same network as the company appointed for the auditing of the issuer; h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs".

³ Article 148(1-bis) of the TUF as amended by paragraph 303 of Italian Law no. 160 of 27 December 2019.

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- legal-economic, corporate and regulatory matters;
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- risk governance and internal control systems;
- information systems and new technologies used in the banking and financial sector;
- accounting, financial statements and auditing.

* * *

Induction and training

In Banco BPM a permanent induction programme is in place for members of the Board of Directors and is also available to members of the Board of Statutory Auditors. The programme includes sessions to facilitate the integration of new Statutory Auditors and recurrent training sessions to ensure they retain their reserve of technical expertise required to fulfil the role in an informed manner.

Individual training plans shall also be provided if it should prove necessary to strengthen specific technical knowledge and experience, also in order to extend the degree of diversity and the collective experience of the Control Body.