

PART I – SHARE-BASED PAYMENT AGREEMENTS

A. QUALITATIVE INFORMATION

1. Description of share-based payment agreements

1.1 Remuneration linked to incentive systems: compensation plans based on shares

As the Parent Company, Banco BPM S.p.A. prepares the annual Policy-on-remuneration report and payouts awarded pursuant to the provisions in force on remuneration and incentive policies and practices of the Bank of Italy (Circular no. 285/2013, 37th update of 24 November 2021, Part I, Title IV, Chapter 2 “Remuneration and incentive policies and practices”), of Art. 123-ter of Italian Legislative Decree 58/1998 (“Consolidated Finance Law” or “CFL”) as amended and of Art. 84-*quater* of CONSOB resolution no. 11971/1999 as amended (“Issuers’ Regulation”).

The remuneration policy (“Policy”) provides important managerial leverage, with a view to attracting, motivating and retaining management and staff, and to guide their behaviour towards an approach to limit the risk exposure of the intermediary (including legal and reputational risks), as well as to protect and retain customers, in a spirit of correct conduct and management of conflicts of interest. It also contributes to pursuing sustainable development, which entails creating long-term value for shareholders, while taking the interests of all stakeholders that are important to the Group.

The 2022 Policy defines the guidelines for Group staff remuneration and incentive systems, for the pursuit of long-term strategies, objectives and results, in accordance with the general framework of governance and risk management policies, while complying with levels of liquidity and capitalisation. With regards to ESG aspects (Environmental, Social, Governance), the 2022 Policy continues in the direction taken in previous years, further strengthens the correlation between the variable remuneration of management and staff and strategic actions relating to environmental issues, aspects regarding health and safety and human resource management, with regard to which an inclusive and gender neutral corporate culture is becoming increasingly important. Banco BPM’s remuneration policy for staff is gender neutral.

In accordance with the 2022 Policy, the remuneration of Group employees includes a variable component (incentive) linked to the annual incentive system (Short-Term Incentive Plan). The receipt of an incentive is subject to the contextual verification that the predefined access conditions (gateways) have been met, comprised of indicators of capital adequacy and adequacy of liquidity and profitability. Following verification of the gateways, but prior to any disbursements, the amount of economic resources actually available is determined based on the income statement results achieved (financial adjustment factor) as well as qualitative indicators of a non-financial nature (non-financial adjustment factor). In both cases, conditions are included and monitored, in line with the Group Risk Appetite Framework.

The incentive for identified staff¹ established in the year 2022, is paid over a period of six or five years, and is divided into an up-front portion and five or four annual deferred portions, subject to the successful fulfilment of future conditions.

The up-front portion, regardless of beneficiary, amounts to:

- 60% of the incentive awarded, in cases where the annual individual variable remuneration is less than 435 thousand euro;
- 40% of the incentive awarded, in cases where the annual individual variable remuneration is equal to or greater than 435 thousand euro.

¹ Parties whose professional activity has or may have a significant impact on the Group’s risk profile.

The figure of 435 thousand euro represents for the Group the level of variable remuneration of a particularly high amount, determined in keeping with the criterion established by the Bank of Italy Supervisory Regulations¹.

50% of the up-front portion of the incentive is awarded in Banco BPM ordinary shares.

The deferred portions consist of:

- five annual instalments of the same amount deferred in the five-year period following the year of vesting of the up-front portion, for 55% in Banco BPM ordinary shares, for the senior identified staff, regardless of the amount of the annual individual variable remuneration awarded, and for the heads of the main business lines of Banca Akros or Banca Aletti who report directly to the Chief Executive Officer or senior management of Banca Akros or Banca Aletti, in the event that the amount of the annual individual variable remuneration paid is equal to or greater than 435 thousand euro;
- four annual instalments of the same amount, deferred in the four-year period following the year of vesting of the up-front portion, for 50% in Banco BPM ordinary shares, for identified staff not included in the previous point.

As required by the Supervisory Provisions of the Bank of Italy, in cases where the annual individual variable remuneration is lower than or equal to the significance threshold of 50 thousand euro, and, at the same time, lower than or equal to one third of the total annual individual remuneration, the relative amount awarded is paid out in cash and in a lump sum.

To support the 2021-2024 Strategic Plan and align the interests of the management and shareholders, remunerating the Group's strategic resources based on medium-long term value creation, the Group has introduced the Long-Term Incentive (LTI) plan relating to performance to be achieved in the 2022-2024 three-year period, which joins the 2021-2023 LTI plan launched in 2021, for which, without any additional expense, the objectives at 2023 have been made more challenging.

The scope of the beneficiaries of the LTI Plan includes around 60 positions relating to the Group's identified staff (excluding those belonging to functions with control tasks), selected on the basis of the level of the position and the impact on the business, including the Chief Executive Officer and executives with strategic responsibilities of the Parent Company.

The incentive correlated with the LTI Plan (LTI incentive) is fully assigned in Banco BPM ordinary shares, is awarded at the end of the three-year performance period and is proportional to the level of achievement of the conditions and performance objectives.

For the 2021-2023 LTI incentive, the provisions in force at the time of its adoption are applied and the method of allocation envisaged in the 2021 Policy over six or four years remains confirmed, divided into an up-front share equal to 40% and five or three annual deferred portions, depending on the staff, subject to the successful fulfilment of future conditions. The 2022-2024 LTI incentive is paid in an up-front portion of 40% and in annual deferred portions of the same amount, in accordance with the provisions of the 2022 Short-Term Incentive Plan, subject to the successful fulfilment of future conditions.

For both the Short-Term Incentive and Long-Term Incentive Plans, for vested shares (up-front and deferred), a one-year retention period (selling restriction) is established, which starts from the time of their vesting; the transfer of ownership to the beneficiary takes place at the end of this period.

Both the up-front portions and the deferred portions are subject to malus and claw-back mechanisms, as set forth in the Policy.

Aside from the Banco BPM S.p.A. Share-based compensation plans relating to the 2022 Short-Term Incentive Plan and the 2022-2024 Long-Term Incentive Plan and the raising of the achievement levels of the performance objectives of the 2021-2023 Long-Term Incentive Plan to the more challenging 2023 objectives of the Strategic Plan, the Ordinary Shareholders' Meeting of Banco BPM held on 7 April 2022 approved:

- the 2022 remuneration policy - Section I of the Policy-on-remuneration report and payouts awarded of Banco BPM Banking Group's staff – 2022;
- the report on payouts awarded - Section II of the Policy-on-remuneration report and payouts awarded of Banco BPM Banking Group's staff – 2022 (advisory vote);
- the criteria for calculating any amounts to be granted in the event of early termination of employment or early departure from office of all personnel, including therein the limits set on said amounts;

¹ See Part One, Title IV, Chapter 2, Section III, Paragraph 2: "Particularly high variable remuneration amount means the lower of: i) 25 per cent of the total average remuneration of the Italian high earners, resulting from the most recent report published by the EBA; ii) 10 times the total average remuneration of the bank's employees".

- the request for authorisation to purchase and dispose of own shares in service of the Banco BPM S.p.A. share-based payment plans.

For further information refer to the content of the following documents: 2022 Policy-on-remuneration report and payouts awarded of Banco BPM Banking Group's staff (Section I and Section II), the Information Document on the Banco BPM Share-based compensation plan - 2022 Short-Term Incentive Plan, Information Document on the Banco BPM Share-based compensation plan - 2021-2022-2023 Long-Term Incentive Plan and Information Document on the Banco BPM Share-based compensation plan - 2022-2023-2024 Long-Term Incentive Plan, available on the website www.gruppo.bancobpm.it (Corporate Governance - Remuneration Policies section).

1.2 Share-based compensation plans of previous years

On 1 March 2022, the Banco BPM Board of Directors acknowledged the vesting in the year 2022 of the equity component of the deferred short and long-term incentives referring to the share-based compensation plans currently valid and approved on the basis of previous shareholders' resolutions.

In relation to the equity components attributable to years preceding the founding of the Banco BPM group, the number of ordinary shares of the former Banca Popolare di Milano awarded was converted into Banco BPM shares – by virtue of the merger with the former Banco Popolare - based on the value established for the share swap of 1 Banco BPM share for every 6.386 shares of the former Banca Popolare di Milano.

For more details on the procedures and the terms for the allocation of the shares under the above-illustrated Plans, please refer to the respective information documents drawn up in accordance with Art. 84-bis of the Issuers' Regulation, deposited at the registered office, at Borsa Italiana S.p.A. and also available to the general public on Banco BPM S.p.A.'s website at www.gruppo.bancobpm.it (from 2017: Corporate Governance – Remuneration Policy section; for previous years: Corporate Governance – Shareholders' Meetings – Pre-Merger Shareholders' Meeting section).

1.3 Amounts for early termination of employment

In compliance with regulations in force over time, the Parent Company has the unilateral right to agree – subject to the conditions and in accordance with the methods defined in the Policy – possible amounts for the early termination of employment (for identified staff, golden parachutes), which may be awarded up to the maximum extent of twenty-four months of fixed remuneration (excluding indemnity for lack of notice, determined by legislative provision) and up to the maximum limit of 2.4 million (employee gross amount).

The recognition of the amounts for early termination of the employment relationship is subject to the positive verification of the conditions, related to the previous financial year, of capital adequacy and liquidity; it is also determined considering any element deemed relevant and in any case:

- the positive results achieved over time;
- the circumstances that led to the termination, taking into account the interests of the company also in order to avoid an error of judgement;
- the tasks performed and/or positions held in the course of the employment relationship, also in the sense of risks assumed by the subject;
- the duration of the employment relationship and of the job;
- savings as a result of early termination of employment.

Payment thereof occurs according to the same methods provided for by the Short-Term Incentive Plan, defined in the remuneration policy in force on the date of termination, with reference to the last position for which payment of the amount was assessed, without prejudice to specific conditions envisaged by the Bank of Italy Supervisory Regulations. The amounts for early termination of the employment relationship, both for identified staff and the remaining personnel, shall only be disbursed in the absence of fraudulent conduct or gross negligence committed by the person who has terminated his/her employment. In the case of directly appointed personnel, the Parent Company's Board of Directors ascertains whether significant misconduct is present; for remaining employees, this assessment is made by the Chief Executive Officer of the Parent Company. If misconduct is determined, the portions that have not yet been paid are cancelled (malus) and any previously paid ones must be returned (clawback). The assessment takes into account a five-year period starting from the time of their vesting.

The remuneration components for the identified staff described above, which establish the payment based on shares of Banco BPM, are "equity-settled" plans in accordance with the provisions in IFRS 2. These share-based payments are recorded in the income statement under the item "Personnel expenses" as a balancing entry to an increase in the "Reserves" of consolidated shareholders' equity and the Parent Company's shareholders' equity.

Subsidiaries, on the other hand, in their separate financial statements, record the cost for the period in the income statement item "Personnel expenses" as a balancing entry of an increase in the balance sheet liability item "Provisions for risks and charges", in that the incentive plans for identified staff establish payment based on the shares of the Parent Company, which will be settled by the individual subsidiaries and, therefore, are considered cash-settled transactions.

B. QUANTITATIVE INFORMATION

1. Annual changes

The balance of the "stock of shares" as at 1 January 2022, entirely held by the Parent Company Banco BPM, consisted of 3,569,511 ordinary shares of Banco BPM.

In 2022, in implementation of the remuneration policy, a total of 1,992,671 ordinary shares of Banco BPM S.p.A. were delivered to 95 beneficiaries.

1.1 Own share purchase programme to service the share allocation plans for Banco BPM Group's identified staff

Please recall that the Ordinary Shareholders' Meeting of Banco BPM S.p.A. of 15 April 2021 approved, inter alia, the request for the authorisation to purchase and dispose of own shares to service the share-based compensation plans and that - based on the authorisation issued by the European Central Bank in accordance with the applicable provisions of Regulation (EU) no. 575/2013 and Delegated Regulation (EU) no. 241/2014 - Banco BPM implemented the own share purchase programme to support all short- and long-term incentive plans in place, which make provision for deferred portions.

In particular, please note that, in accordance with the press releases distributed most recently on 24 February 2022, as part of the above share purchase programme, Banco BPM purchased a total of 4,582,640 own shares (equal to 0.30% of the ordinary shares outstanding) on the Euronext Milan Market during the period from 15 to 24 February 2022, inclusive, at an average unit price of 3.491437 euro, for a total value of 16 million.

Following the above-mentioned transactions and taking into account the previous stock of own shares in addition to the share deliveries made in 2022 which took place as part of the implementation of the remuneration and incentive policies, as at 31 December 2022 Banco BPM directly owns 6,159,480 own shares.

2. Other information

With reference to the resolution passed by the Banco BPM Board of Directors on 1 March 2022 with regard to the share-based compensation plan approved by the Ordinary Shareholders' Meeting in 2021, a total of 1,345,934 shares were granted to 73 beneficiaries, of which (i) 736,732 relating to the vested up-front portion and (ii) 609,202 relating to the deferred portions, as appropriate, in the three or five years after 2022, the vesting of which remains subject to positive verification of future consolidated conditions as well as the absence of misconduct; as regards this plan, note that the Parent Company granted 1,167,690 shares to its beneficiaries, of which 631,097 shares relating to the vested up-front portion and 536,593 shares related to the differed portions as specified above.

The same resolution also determined the vesting of deferred portions relating to previous years (2016, 2017, 2018, 2019, 2020 and 2017-2019 LTI) for a total of 882,919 Banco BPM shares to 81 beneficiaries, of which 747,532 shares vested in favour of Banco BPM beneficiaries.

2.1 Economic impact in 2022

With regard to the Share-based Incentive systems for identified staff in 2022, the Group allocated 8.9 million, the most significant amounts are attributable, for 3.4 million to the 2022 short-term incentive plan and to the 2021-2023 and 2022-2024 long-term plans for 3.6 million and 1.3 million, respectively, and the difference is due to the negative adjustment of the short-term plans of previous years.

It should be noted that the amount attributable to the Parent Company, for these Incentive Systems, is 7.9 million.