



## BANCO BPM SHARE-BASED COMPENSATION PLAN

### SHORT-TERM 2018 INCENTIVE PLAN (ANNUAL)

### INFORMATION DOCUMENT

Prepared pursuant to article 114-bis of the Consolidated Law (Italian Legislative Decree no. 58/1998 and following amendments) and article 84-bis of the Issuers' Regulations (Consob Regulation no. 11971/1999 and following amendments).

*(This document is a translation into English of the original document. In case of any discrepancies between the English and the Italian version, the Italian version shall prevail).*

## DEFINITIONS

The meaning of the main terms used in this information document (**Document**) is provided below:

**Banco BPM or Bank or Parent Company** – Banco BPM SpA, the Parent Company of the Banco BPM Banking Group;

**Subsidiary companies** - Banca Popolare di Milano, Banca Akros, Aletti & C. Banca d'Investimento Mobiliare, Aletti Fiduciaria, Banca Aletti & C. (Suisse), ProFamily, Holding di Partecipazioni Finanziarie BP<sup>1</sup>, Release, BPM Covered Bond<sup>1</sup>, BPM Covered Bond 2<sup>1</sup>, BP Covered Bond<sup>1</sup>, Tiepolo Finance<sup>1</sup>, Bipielle Bank (Suisse)<sup>2</sup>, FIN.E.R.T. <sup>1 2</sup>, Società Gestione Servizi BP, Ge.Se.So., BP Property Management, Bipielle Real Estate and BP Trading Immobiliare<sup>1</sup>;

**Remuneration Report** – report prepared pursuant to article 123-ter of the Consolidated Law and article 84-quater of the Issuers' Regulations as well as the relevant Supervisory Provisions issued by the Bank of Italy (Bank of Italy Circular no. 285/2013: 7th revision dated 18 November 2014);

**Policy** - Remuneration policies for the staff of the Banco BPM Banking group, illustrated in the Remuneration Report;

**Consolidated Law** – Italian Legislative Decree no. 58 of 24 February 1998 ("Consolidated Finance Act") and following amendments;

**Issuers' Regulations** - Consob Resolution no. 11971 of 14 May 1999 and following amendments;

**Identified staff** – identified staff, namely the parties whose professional activity has or may have a significant impact on the Group's risk profile;

**Bonus** – the amount of the variable remuneration related to the annual incentive system;

**Award** - the granting of variable remuneration for a specific accrual period, regardless of the actual point in time where the awarded amount is paid;

**Vesting** - the effect by which the member of staff becomes the legal owner of the variable remuneration awarded, regardless of the instrument used for payment or of the fact that the payment is either subject to further maintenance periods or to return mechanisms;

## INTRODUCTION

In accordance with the requirements of article 114-bis of the Consolidated Law and the provisions of article 84-bis of the Issuers' Regulations concerning information on stock-based compensation plans to be disclosed to the market, this Document has been prepared by the Board of Directors of Banco BPM to describe the compensation plan (**Plan**) under which a part of the bonus of the identified staff of the Banco BPM Banking Group is paid in the form of a free-of-charge allocation of

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<sup>1</sup> The holding companies of Partecipazioni Finanziarie BP, BPM Covered Bond, BPM Covered Bond 2, BP Covered Bond, Tiepolo Finance, FIN.E.R.T. and BP Trading Immobiliare do not have any employees.

<sup>2</sup> Company in liquidation.

ordinary shares of Banco BPM as part of the remuneration policies adopted by the Group under the 2018 annual incentive system.

This Document – prepared in accordance with the requirements of Schedule 7 of Annex 3A of the Issuers' Regulations – is submitted for approval to the Ordinary General Shareholders' Meeting of 7 April 2018, as far as regards the disclosure to the public of the terms and conditions established for the Plan and also provides information on the implementation of the compensation plans already approved by previous Ordinary General Meetings of the members of Banco BPM (8 April 2017), of Banca Popolare di Milano Scarl (30 April 2016, 11 April 2015 and 12 April 2014) and of Banco Popolare Soc. Coop. (19 March 2016).

This Document sets out the criteria which must be complied with by the Board of Directors and its proxies in the subsequent implementation phase of the Plan.

In light of the definitions contained in article 84-bis of the Issuers' Regulations, it is hereby noted that with respect to its beneficiaries the Plan is a scheme of “major significance”.

The Document is available to the public at the registered office of Banco BPM, P.za F. Meda 4 Milan, Italy and at Borsa Italiana S.p.A., and may also be consulted on the website of the authorised storage platform [www.emarketstorage.com](http://www.emarketstorage.com) and on the Banco BPM website [www.bancobpm.it](http://www.bancobpm.it) (Corporate Governance section – Remuneration Policies).

## **1. Beneficiaries**

The prospective beneficiaries of the Plan are those include in the scope of Group identified staff.

### ***1.1 Names of beneficiaries who are members of the Board of Directors or Management Board of the stock issuer, the companies controlling the issuer and the companies directly or indirectly controlled by such.***

The following persons have been identified among the prospective beneficiaries of the Plan at the date of preparation of the Document:

1. Giuseppe Castagna - CEO of Banco BPM,
2. Massimo Maria Dorenti - CEO-General Manager of ProFamily,
3. Ottavio Rigodanza - CEO of Società Gestione Servizi BP,
4. Marco Federico Turrina - CEO - General Manager of Banca Akros,
5. Maurizio Zancanaro - CEO of Banca Aletti.

The names of prospective beneficiaries of the Plan are not provided if the same receive variable remuneration in their capacity as Group employees, even though they hold positions in corporate bodies of Subsidiary companies; information on these parties is provided below.

## **1.2 The categories of employees and non-employed staff of the stock issuer, its controlling companies and its subsidiary companies.**

In addition to the persons named at point 1.1, the Plan is reserved to the top identified staff<sup>3</sup> of the Group, to identified staff for whom the ratio of the variable to fixed component of remuneration exceeds 100%, as well as to certain employees and non-employed staff – also considered identified staff – who may also be awarded a bonus, based on the 2018 incentive system, for an amount exceeding 50,000 euro or which is greater than one third of individual Gross Annual Remuneration GAR<sup>4</sup>. The actual number of prospective beneficiaries of the Plan is established at the end of the process for identifying the risk takers and determining the bonus for 2018.

### **1.3 Names of beneficiaries who are members of the following groups:**

- a) General Managers of the stock issuer;**
- b) other managers with strategic responsibilities of the stock issuer which is not a “smaller company” pursuant to article 3, paragraph 1f) of Regulation no. 17221 of 12 March 2010, if they have received total compensation during the year (obtained as the sum of monetary compensation and stock compensation) that exceeds the highest total compensation received by the members of the board of directors or the management board and the general managers of the stock issuer;**
- c) individuals controlling the stock issuer who are employees or members of the non-employed staff of the stock issuer.**

a) The General Manager, Maurizio Faroni, and the Co-General Managers, Domenico De Angelis and Salvatore Poloni, of Banco BPM are prospective beneficiaries of the Plan.

b) Not applicable.

c) Not applicable.

### **1.4 Description and number by category of:**

- a) managers with strategic responsibilities other than those stated in paragraph 1.3;**
- b) in the case of “smaller companies”, pursuant to article 3, paragraph 1f), of Regulation no. 17221 of 12 March 2010, the total number of managers with strategic responsibilities of the stock issuer;**
- c) any categories of employees or non-employed staff for which the Plan envisages separate features (for example executives, middle managers, employees, etc.).**

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<sup>3</sup> Top identified staff: The CEO, General Manager, Co-General Managers and Heads in the first line of management of the Parent Company, the CEO, General Manager, Co-General Manager and Deputy General Manager (when present) of Banca Popolare di Milano, Aletti & C. Banca d'Investimento Mobiliare, Banca Akros, ProFamily and Società Gestione Servizi BP.

<sup>4</sup> For bonuses recognised for ≤ 50,000 euro and at the same time ≤ 1/3 of GAR, payment is wholly up-front and in cash.

- a) In addition to list of names provided at points 1.1 and 1.3 the Plan is also reserved to 9 managers with strategic responsibilities of Banco BPM.
- b) Not applicable.
- c) There are no other categories of employees or non-employed staff for which the Plan envisages separate features.

## **2. Rationale behind the Plan**

The Group's 2018 incentive system seeks to award staff a bonus to be awarded in the form of cash and ordinary shares of Banco BPM, according to the procedures described here below and provided that pre-defined access terms and conditions and specific performance targets are met.

Under the 2018 incentive system, the way in which the bonuses are paid to identified staff - in keeping with current domestic<sup>5</sup> and EU<sup>6</sup> regulations - is based on up-front and deferred portions in the form of cash and shares over a multiannual timeframe (3 or 5 years). The share allocation structure envisages a retention period (selling restriction) of two years for the up-front portion and one year for the deferred portions: the Plan therefore seeks to align the interests of management and shareholders, by remunerating the Group's strategic resources on the basis of medium-long term value creation.

Reference should be made to the Remuneration Report for details of the reasons underlying the adoption of the Plan.

At this point it should be noted that no support for the Plan is envisaged to come from the special fund for encouraging employee participation in businesses pursuant to article 4, paragraph 112 of Law no. 350 of 24 December 2003.

## **3. Procedure for the approval and timing of share allocations**

### ***3.1 Scope of the powers and duties delegated by the General Shareholders' Meeting to the Board of Directors for implementing the Plan.***

In drawing up its proposal for approval of the Plan to be submitted to the Ordinary General Shareholders' Meeting called for 7 April 2018 (in single session), the Bank's Board of Directors has, among other things, provided that the Board Chairman and the CEO separately on behalf of the Board, should be provided with all the necessary powers for implementing the Plan and the power to delegate, taking into account the provisions of the Remuneration Report.

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<sup>5</sup> Supervisory Provisions of the Bank of Italy (Circular no. 285/2013, 7th revision, First Part, Title IV, Chapter 2 "Remuneration and incentive policies and practices").

<sup>6</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 ("CRD IV").

In this respect, pursuant to the corporate bylaws, the Ordinary General Shareholders' Meeting shall inter alia approve (i) the remuneration and incentive policies for the Board of Directors, the Board of Statutory Auditors and staff; (ii) any stock-based compensation and/or incentive plans.

**3.2 Indication of the persons designated to administer the Plan and their duties and responsibilities.**

In the Parent Company the Human Resources function is responsible for administering the Plan, providing technical assistance to the corporate bodies and preparing support materials preparatory to the establishment of the remuneration policies and the actual implementation of the incentive system and the Plan, with the collaboration of the Risk, Compliance, Planning and Control, Administration and Accounts, Corporate Affairs Secretary and Operations, Asset Management and Purchasing functions, each on the basis of its own responsibilities.

**3.3 Any existing procedures for revising the Plan including with respect to changes in the basic objectives.**

No specific procedures are envisaged for revising the Plan.

**3.4 Description of the means of establishing the availability of the stock on which the Plan is based and the way it will be granted.**

Subject to the authorisation of the Ordinary General Shareholders' Meeting of 7 April 2018 and in accordance with applicable laws and regulations, the Bank's Board of Directors may, also through a so-called "stock of shares", in accordance with permitted market practices pursuant to article 180, paragraph 1, letter c), of the Consolidated Law, buy back own shares to the extent of the maximum number of shares that may be granted to the Plan's beneficiaries (a number estimated on the basis of the maximum result provided by the 2018 incentive system). The share buy-back is in all cases subject to obtaining the prescribed authorisation from the European Central Bank.

The mechanism envisages the free-of-charge allocation of ordinary Banco BPM shares held by the Parent Company according to the procedure described below.

In 2019, following a specific resolution of the Board of Directors regarding the achievement of the conditions for access to the 2018 incentive system, and the determination of the economic resources to be awarded to the staff, the Human Resources department of the Parent Company calculates the individual performance of each prospective beneficiary. The amounts of the individual up-front and deferred portions in cash and in shares will then be calculated for each bonus awarded and the total number of shares awarded will be determined on the basis of the arithmetic average of the official price of the shares during the 30 calendar days preceding the day on which the bonus is awarded, namely the date of payment of the up-front cash portion.

There is a retention period (selling restriction) on the shares accrued of two years for the up-front shares and of one year for the deferred shares; for the latter, the retention period starts from the moment in which the deferred remuneration is accrued. The vesting of the share portions takes place at the same time as the respective cash portions, while the allocation to the beneficiaries (and therefore actual transfer of ownership) takes place at the end of the retention period.

**3.5 Role performed by each director in determining the features of the plans; any conflicts of interest of the directors concerned.**

The Board of Directors, after acknowledging the Remuneration Committee's opinion, has determined the Plan's features, which must be submitted to the Ordinary General Shareholders' Meeting.

Given that the beneficiaries of the 2018 incentive system also include the CEO of Banco BPM, the decisions of the Board of Directors were made in compliance with current legislative, regulatory and company provisions regarding conflicts of interest.

**3.6 For the purposes of the requirements of article 84-bis, paragraph 1, the date of the decision taken by the body responsible for proposing the approval of the plans to the shareholders' general meeting and the date of any proposal made by the Remuneration Committee.**

On 27 February 2018 the Board of Directors approved the Plan for submission to the Ordinary General Shareholders' Meeting called for 7 April 2018 (in single session), acknowledging the Remuneration Committee's opinion of 26 February 2018.

**3.7 For the purposes of the requirements of article 84-bis, paragraph 5a), the date of the decision taken by the appropriate corporate body on the stock allocation and any proposal drawn up by the Remuneration Committee, if applicable, that has been made to such body.**

With regard to currently valid Plans approved on the basis of previous resolutions of the shareholders' meetings, on 27 February 2018, acknowledging the opinion of the Remuneration Committee dated 26 February 2018, the Board of Directors verified the opening of entry gates to the 2017 incentive system, consequently approving the implementation of the Share-Based Compensation Plan of Banco BPM - Short-Term (annual) 2017 Incentive Plan, already approved by the Ordinary General Shareholders' Meeting on 8 April 2017, for an estimated maximum amount of 2,843,400 euro (gross per employee), an amount that is covered by that approved by the Shareholders' Meeting.

Note that (i) the opening of entry gates to the 2017 incentive system entails the vesting of the share component of the deferred portions of the bonus, related to currently valid share-based

compensation plans approved on the basis of previous resolutions of the Shareholders' Meeting of the former Banca Popolare di Milano Scarl, relating to 2014, 2015 and 2016, vesting in 2018, (ii) there are no amounts vesting in 2018 relating to the currently valid share-based compensation plans for 2015 approved on the basis of a previous resolution of the Shareholders' Meeting of the former Banco Popolare Soc. Coop.

If the individual objectives assigned under the 2017 incentive system are achieved, the amounts of the individual up-front and deferred components due in cash and in shares will then be calculated for each bonus awarded and the total number of shares awarded will be determined on the basis of the arithmetic average of the official prices of the shares during the 30 calendar days preceding the day on which the bonus is awarded, namely the date of payment of the up-front cash portion.

There is a retention period (selling restriction) on the shares accrued of two years for the up-front shares and of one year for the deferred shares; for the latter, the retention period starts from the moment in which the deferred remuneration is accrued. The vesting of the share portions takes place at the same time as the respective cash portions, while the allocation to the beneficiaries (and therefore actual transfer of ownership) takes place at the end of the retention period.

For share portions relating to previous years, the number of ordinary shares of the former Banca Popolare di Milano Scarl awarded have been converted into Banco BPM shares – by virtue of the merger with the former Banco Popolare Soc. Coop. – on the basis of the established conversion rate, namely one Banco BPM share for every 6.386 shares of the former Banca Popolare di Milano Scarl; the ordinary shares of the former Banco Popolare Soc. Coop awarded have also been converted into Banco BPM shares - by virtue of the merger with Banca Popolare di Milano Scarl – on the basis of the established conversion rate, namely one Banco BPM share for each share of the former Banco Popolare Soc. Coop.

***3.8 The market price on the above-mentioned dates of the stock on which the plans are based, if traded on regulated markets.***

The official market prices of ordinary Banco BPM shares at the dates referred to in paragraphs 3.6 and 3.7 of this Document were 3.1272 euro (Remuneration Committee's meeting of 26 February 2018) and 3.1390 euro (Board of Directors' meeting of 27 February 2018).

***3.9 In the case of plans based on stock traded on regulated markets, as part of the steps taken to identify the timing with which the stock will be granted in implementation of the plans, in what terms and by what means the issuer has taken account of a possible time clash between:***

***i) said allocation and any decisions taken by the Remuneration Committee in this respect, and***



- ii) the publication of inside information as may be applicable pursuant to article 17 of (EU) regulation 596/2014; for example, in the cases such information is:**
- a. not already published and may positively influence market prices,**
- or**
- b. already published and may negatively influence market prices.**

On adopting and executing the Plans, disclosures are made to the market as required by the provisions of laws and regulations in force time to time.

Even though the resolutions adopted on stock-based compensation plans are examined in advance by the Remuneration Committee so that it may issue its opinion to the Board of Directors, disclosures to the market, where due, are made at the same time as the latter adopts its resolution.

#### 4. Characteristics of the shares awarded under the Plans

##### 4.1 Description of the ways in which the stock-based compensation plans are structured.

For the prospective beneficiaries of the Plan, 50% of the bonus under the 2018 incentive system is awarded through the free-of-charge allocation of Banco BPM ordinary shares, subject to deferral and retention (selling restriction) clauses. The Board of Directors has established the percentages of the individual cash and share-based portions, based on the categories of beneficiary, as shown in the following table:

	2018	2019	2020	2021	2022	2023	2024	2025
Deferral over 5 years	UP-FRONT MONETARY 20%			UP-FRONT SHARES 20%				
		1 <sup>st</sup> DEFERRED MONETARY 6%	2 <sup>nd</sup> DEFERRED MONETARY 6%	3 <sup>rd</sup> DEFERRED MONETARY 6%	4 <sup>th</sup> DEFERRED MONETARY 6%	5 <sup>th</sup> DEFERRED MONETARY 6%		
			1 <sup>st</sup> DEFERRED SHARES 6%	2 <sup>nd</sup> DEFERRED SHARES 6%	3 <sup>rd</sup> DEFERRED SHARES 6%	4 <sup>th</sup> DEFERRED SHARES 6%	5 <sup>th</sup> DEFERRED SHARES 6%	
Deferral over 3 years	UP-FRONT MONETARY 30%			UP-FRONT SHARES 30%				
		1 <sup>st</sup> DEFERRED MONETARY 6.67%	2 <sup>nd</sup> DEFERRED MONETARY 6.67%	3 <sup>rd</sup> DEFERRED MONETARY 6.66%				
			1 <sup>st</sup> DEFERRED SHARES 6.67%	2 <sup>nd</sup> DEFERRED SHARES 6.67%	3 <sup>rd</sup> DEFERRED SHARES 6.66%			

**Note:** for share components, the time of the actual allocation is shown, which is at the end of each retention period (two years for the up-front portion and one year for the deferred portion). Deferral over five years is envisaged for awarded bonuses exceeding 300,000 euro.

The share-based component breaks down as follows:

- 60% (40% for bonuses exceeding 300,000 euro) vests up-front in 2019 and is subject to a retention clause until 2021;

- the remaining 40% is deferred in three annual portions (60% in five annual portions for bonuses exceeding 300,000 euro) of equal amount, vesting during 2020-2021-2022 (2020-2021-2022-2023-2024 for bonuses exceeding 300,000 euro); each vested share-based deferred portion is subject to a retention clause of one year.

#### **4.2 Indication of the effective implementation of the Plan with respect to any different cycles envisaged.**

The Plan's implementation period runs from the accrual period applicable for measuring the results for the (2018) incentive scheme to the effective availability of the last share-based deferred portion (2023 or 2025 for bonuses exceeding 300,000 euro).

#### **4.3 Termination of the Plan.**

The Plan ends in 2025.

#### **4.4 Maximum number of shares, including in the form of options, awarded in each fiscal year for persons identified by name or for the stated categories.**

At the present time a maximum requirement of approximately 11 million euro has been estimated, of which 1.9 million euro for the payment of any golden parachutes<sup>7</sup>.

The allocation is distributed across the vesting years as shown in point 4.1.

At the present time, it is not possible to indicate the maximum number of ordinary Banco BPM shares that will be awarded pursuant to the Plan, as the exact quantification will depend on whether the conditions of access to the 2018 incentive system are met, on the performance of each of the prospective beneficiaries of the Plan in question, as well as - if relevant - the possible payment of end of employment/position indemnities.

#### **4.5 Means of implementing the Plan and implementation clauses, specifying whether the effective allocation of the shares depends on the occurrence of conditions or the achievement of specific results, including performance; description of those conditions and results.**

In accordance with the Risk Appetite Framework approved by the Board of Directors of the Parent Company, the activation of the Plan is conditioned by the following indicators and relative comparison values:

- consolidated capital adequacy indicator: Common Equity Tier1 (CET1) ratio, greater than the Risk Tolerance threshold defined in the Risk Appetite Framework;

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<sup>7</sup> Remuneration due to identified staff on early termination of the employment contract or position as established in the applicable Supervisory Provisions of the Bank of Italy (Circular no. 285/2013, 7<sup>th</sup> revision, First Part, Title IV, Chapter 2 "Remuneration and incentive policies and practices").

- consolidated liquidity adequacy warning indicator: Regulatory Liquidity Coverage Ratio (LCR), greater than the Risk Tolerance threshold defined in the Risk Appetite Framework;
- consolidated profitability indicator: profit from current operating activities before tax (net of non-recurring components), greater than zero<sup>8</sup>.

In addition, once the access conditions have been met, the total amount of economic resources effectively available for bonuses is calculated by applying an adjustment factor to the budgeted amount that is based on the Risk Adjusted Return on Risk Adjusted Capital (RORAC); this adjustment factor is measured at consolidated level.

An individual means of assessment (Management by Objectives – MBO) is associated with each beneficiary by assigning objectives at the beginning of the incentive system, which are then compared with the results achieved at year end; the objective schedules include both performance indicators (quantitative/economic, planning or efficiency) and qualitative indicators (e.g. customer satisfaction, professional assessment, managerial assessment), with an accrual period of one year; in the identified staff schedules, at least one indicator adjusted for risk or linked to risk management is always included.

In addition to the occurrence of the above-mentioned access conditions for the award of the bonus the MBO objectives schedule must at least reach the minimum result prescribed.

The vesting of each of the deferred portions of the bonus is subject to full compliance with the consolidated entry gate conditions and the relative comparison thresholds prescribed for the year prior to that of vesting, taking into account the staff category to which a person belongs in that year; this system of ex-post correction is accordingly a mechanism that operates in the deferral period before the actual vesting of the deferred portions of the bonus.

Any measure leading to suspension from service and from the payment of remuneration shall exclude entitlement to a bonus and the deferred portions of any bonus relating to previous years.

Bonuses are not paid in cases where, including as the result of disciplinary action, it has emerged that the beneficiaries have caused or been involved in causing the following:

- conduct leading to a significant loss for a Group company on the basis of an assessment performed by the CEO of the Parent Company or his proxy (the assessment is remitted to the Board of Directors of the Parent Company for persons whom it directly appoints),
- violation of the duties imposed pursuant to article 26 or, when the person is the party concerned, article 53 of the Consolidated Banking Act,

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<sup>8</sup> The recurring component of the income statement item "profit from current operating activities before tax", as determined on the basis of criteria approved by the Parent Company's Board of Directors.

- fraudulent behaviour or gross negligence damaging a Group company on the basis of an assessment performed by the CEO of the Parent Company or his proxy (the assessment is remitted to the Board of Directors of the Parent Company for persons whom it directly appoints).

**4.6 Indication of any restrictions on the availability of the shares with specific reference to the time periods within which the subsequent transfer to the company or third parties is permitted or prohibited.**

The up-front vested portion of shares is subject to a retention period (selling restriction) of two years, while the deferred portion of shares is subject to a retention period of one year, which starts from the vesting of the corresponding cash portion.

In accordance with the provisions of article 2357-ter of the Italian civil code, rights and/or dividends only vest at the end of the retention period, that is with reference to the period following the transfer to the beneficiary's securities portfolio.

In the case of extraordinary capital operations which provide for the exercising of an option right, the Board of Directors of the Parent Company may assess the resulting adjustments to any share components that have vested but are not yet available to the beneficiaries.

**4.7 Description of any termination clauses concerning the awarding of the Plan in the case in which the beneficiaries carry out hedging operations that enable to cancel any prohibitions on the sale of the allocated shares, including in the form of options, or on the sale of the shares resulting from exercising such options, to be circumvented.**

The Plan does not contain any termination clauses of the above nature.

The Group's staff may not use personal hedging strategies or insurance on remuneration or on other items that may alter or undermine the effects of risk alignment embedded in their remuneration arrangements.

**4.8 Description of the effects caused by the termination of the employment relationship.**

Neither the up-front nor the deferred portions vest on the termination of the employment contract or relationship (without prejudice to specific provisions included in individual or collective agreements or in company agreements or those based on unilateral company decisions, while a case-by-case assessment is always necessary, based on the timing of the termination).

**4.9 Indication of any situations in which the Plan is cancelled.**

The Plan does not provide for any causes for cancellation other than those discussed in paragraph 4.5.

The Group is in any case entitled to assess whether to require the return from the interested parties, of any amounts that may have already been paid as bonuses or portions thereof (clawback clause) as provided in the Remuneration Policies in force time to time.

**4.10 Reasons for the possibility of “redemption” by Banco BPM of the shares forming part of the Plan, provided pursuant to articles 2357 and following of the Italian civil code; indication of the beneficiaries of the redemption stating whether such is only applicable to specific employee categories; the effects of the termination of the employment relationship on such redemption.**

The Plan does not provide for redemption by Banco BPM or any other Group company of the shares forming part of the Plan.

**4.11 Any loans or other benefits granted for the buy-back of the shares pursuant to article 2358 of the Italian civil code.**

The Plan does not provide for the granting of loans or other benefits for the buy-back of the shares forming part of such Plan.

**4.12 Indication of the estimated cost to the company at the date of the relative award, as may be calculated from the terms and conditions already established, stated by total amount and in relation to each of the Plan’s shares.**

A theoretical maximum requirement of euro 11 million has been estimated, of which euro 1.9 million allocated to award any golden parachutes, although it is not possible to make a precise calculation of the expected cost, as this depends on whether the conditions of access to the 2018 incentive system are met, on the performance of each of the prospective beneficiaries of the Plan in question, as well as - if relevant - the possible payment of end of employment/position indemnities.

The cost is in any case spread over the vesting years.

**4.13 Indication of any dilutive effects on capital caused by the allocation of the shares.**

Given the means by which it is implemented, adopting the Plan will not lead to any dilutive effects on the Group’s capital.

**4.14 Any envisaged restrictions on voting rights and on the assignment of dividend rights.**

With the exception of the retention (selling restriction) period, there are no restrictions on voting rights or on the assignment of dividend rights.

**4.15 If the shares are not traded on regulated markets, the information required to make a complete assessment of their value.**

The Plan envisages the sole use of shares traded on regulated markets.

Reference should be made to the 2018 Remuneration Report for any matters not discussed herein.

*27 February 2018*

The Board of Directors

Annex: "Stock-based compensation plans" tables.

## Stock-based compensation plans

### Table 1 of Schedule 7 of Annex 3A of Regulation no.11971/1999

#### Section 1 – Shares relating to currently valid plans approved on the basis of previous Shareholders' Meeting resolutions

Name and Surname or Category	Office held (to be entered only for those persons whose names are displayed)	FRAME 1							
		Financial instruments other than <i>stock options</i>							
		Section 1 Instruments related to plans, currently valid, approved on the basis of previous Shareholders' Meeting resolutions							
		Date of the Shareholders' Meeting Resolution	Type of financial instruments	Number of Financial Instruments	Assignment date	Instrument Purchase Price	Market price at the time of assignment	Vesting Period	
<b>Giuseppe Castagna</b>	CEO of Banco BPM	08/04/2017	Ordinary Shares of Banco BPM	39.892 (1)	07/02/2018 (2)	ND	€ 3,00810 (3)	2017 - 2018	
<b>Ottavio Rigodanza</b>	CEO of Società Gestione Servizi BP	08/04/2017	Ordinary Shares of Banco BPM	3.590 (1)	07/02/2018 (2)	ND	€ 3,00810 (3)	2017 - 2018	
<b>Marco Federico Turrina</b>	CEO - General Manager of Banca Akros	08/04/2017	Ordinary Shares of Banco BPM	20.943 (1)	07/02/2018 (2)	ND	€ 3,00810 (3)	2017 - 2018	
<b>Maurizio Zancanaro</b>	CEO of Banca Aletti	08/04/2017	Ordinary Shares of Banco BPM	17.472 (1)	07/02/2018 (2)	ND	€ 3,00810 (3)	2017 - 2018	
<b>Maurizio Faroni</b>	General Manager of Banco BPM	08/04/2017	Ordinary Shares of Banco BPM	24.334 (1)	07/02/2018 (2)	ND	€ 3,00810 (3)	2017 - 2018	
<b>Domenico De Angelis</b>	Co-General Manager of Banco BPM	08/04/2017	Ordinary Shares of Banco BPM	26.328 (1)	07/02/2018 (2)	ND	€ 3,00810 (3)	2017 - 2018	
<b>Salvatore Poloni</b>	Co-General Manager of Banco BPM	08/04/2017	Ordinary Shares of Banco BPM	26.328 (1)	07/02/2018 (2)	ND	€ 3,00810 (3)	2017 - 2018	
<b>N. 9</b>	Strategic Executives of Banco BPM in 2017 (identified among the 2017 "identified staff")	08/04/2017	Ordinary Shares of Banco BPM	83.769 (1)	07/02/2018 (2)	ND	€ 3,00810 (3)	2017 - 2018	
<b>N. 57</b>	Other persons identified among the 2017 "identified staff" of Gruppo Banco BPM (4)	08/04/2017	Ordinary Shares of Banco BPM	292.335 (1)	07/02/2018 (2)	ND	€ 3,00810 (3)	2017 - 2018	

Notes: 2017 Incentive System - upfront portion

#### Notes

(1) Amounts estimated on the basis of the maximum bonuses payable and the market price taken as reference on 07/02/2018.

(2) The actual allocation will be made at a later date, following the resolutions adopted by the Ordinary General Shareholders' Meeting called for 7 April 2018.

(3) Share price on 07/02/2018 (date of the Board of Directors' meeting that approved the draft annual financial statements and the consolidated financial statements for 2017). The actual allocation will be made at a later date, following the resolutions adopted by the Ordinary General Shareholders' Meeting called for 7 April 2018.

(4) Based on the provisions of the 2017 Policy on the payment of bonuses in shares, on the date of allocation, the number of parties could change on the basis of the bonus actually awarded.

## Stock-based compensation plans

### Table 1 of Schedule 7 of Annex 3A of Regulation no.11971/1999

#### Section 1 – Shares relating to currently valid plans approved on the basis of previous Shareholders' Meeting resolutions

Name and Surname or Category	Office held (to be entered only for those persons whose names are displayed)	FRAME 1 Financial instruments other than <i>stock options</i>							
		Section 1 Instruments related to plans, currently valid, approved on the basis of previous Shareholders' Meeting resolutions							
		Date of the Shareholders' Meeting Resolution	Type of financial instruments	Number of Financial Instruments	Assignment date	Instrument Purchase Price	Market price at the time of assignment	Vesting Period	
<b>Giuseppe Castagna</b>	CEO of Banco BPM	08/04/2017	Ordinary Shares of Banco BPM	ND (1)	2020 (2)	ND	ND (3)	2017 - 2023	
<b>Ottavio Rigodanza</b>	CEO of Società Gestione Servizi BP	08/04/2017	Ordinary Shares of Banco BPM	ND (1)	2020 (2)	ND	ND (3)	2017 - 2023	
<b>Marco Federico Turrina</b>	CEO - General Manager of Banca Akros	08/04/2017	Ordinary Shares of Banco BPM	ND (1)	2020 (2)	ND	ND (3)	2017 - 2023	
<b>Maurizio Zancanaro</b>	CEO of Banca Aletti	08/04/2017	Ordinary Shares of Banco BPM	ND (1)	2020 (2)	ND	ND (3)	2017 - 2023	
<i>Notes: 2017-2019 Long term incentive system</i>									
<b>Maurizio Faroni</b>	General Manager of Banco BPM	08/04/2017	Ordinary Shares of Banco BPM	ND (1)	2020 (2)	ND	ND (3)	2017 - 2023	
<b>Domenico De Angelis</b>	Co-General Manager of Banco BPM	08/04/2017	Ordinary Shares of Banco BPM	ND (1)	2020 (2)	ND	ND (3)	2017 - 2023	
<b>Salvatore Poloni</b>	Co-General Manager of Banco BPM	08/04/2017	Ordinary Shares of Banco BPM	ND (1)	2020 (2)	ND	ND (3)	2017 - 2023	
<i>Notes: 2017-2019 Long-term incentive system</i>									
<b>N.5</b>	Strategic Executives of Banco BPM in 2017 (identified among the 2017 "identified staff")	08/04/2017	Ordinary Shares of Banco BPM	ND (1)	2020 (2)	ND	ND (3)	2017 - 2023	
<i>Notes: 2017-2019 Long-term incentive system</i>									
<b>N.14</b>	Other persons identified in 2017 among the 2017 "identified staff" of the Group Banco BPM	08/04/2017	Ordinary Shares of Banco BPM	ND (1)	2020 (2)	ND	ND (3)	2017 - 2023	
<i>Notes: 2017-2019 Long-term incentive system</i>									



**Notes**

(1) The exact number of shares will be established in 2020, dependent on whether the 2019 entry gate conditions are met and based on actual performance figures for 2017-2019. The maximum number of shares that may be awarded has been determined on the basis of the arithmetic average of official prices for the 30 calendar days preceding the date of the Ordinary General Shareholders' Meeting of 8 April 2017, corresponding to euro 2.66491.

(2) The actual allocation will be made in 2020, following the resolutions adopted by the Ordinary General Shareholders' Meeting. The allocation date coincides with the date of the actual award of the long-term bonus, namely the vesting date of the relative up-front portion.

(3) For accounting purposes, the plan in question is considered an "equity settled" transaction, pursuant to accounting standard IFRS 2 - "Share-based Payments". Based on the provisions of this standard, an estimate of the cost of the plan for the shares to be awarded must be made, to be distributed over the envisaged vesting period. For the plan in question, the estimated cost relating to 2017 amounts to euro 912,000; said cost has been recognised under staff costs, with a balancing entry as an increase of a specific net equity reserve.

## Stock-based compensation plans

### Table 1 of Schedule 7 of Annex 3A of Regulation no.11971/1999

#### Section 1 – Shares relating to currently valid plans approved on the basis of previous Shareholders' Meeting resolutions of the former Banca Popolare di Milano Scarl

Name and Surname or Category	Office held (to be entered only for those persons whose names are displayed)	FRAME 1								
		Financial instruments other than <i>stock options</i>								
		Section 1 Instruments related to plans, currently valid, approved on the basis of previous Shareholders' Meeting resolutions								
		Date of the Shareholders' Meeting Resolution	Type of financial instruments	Number of Financial Instruments	Assignment date	Instrument Purchase Price	Market price at the time of assignment	Vesting Period		
<b>Giuseppe Castagna</b>	Managing Director - General Manager of Banca Popolare di Milano	30/04/2016	Ordinary Shares of Banco BPM	14.695	27/07/2017 (3)	ND	€ 3,06219	2016-2018		
<b>Marco Federico Turrina</b>	CEO - General Manager of Banca Akros	30/04/2016	Ordinary Shares of Banco BPM	6.038	27/07/2017 (3)	ND	€ 3,06219	2016-2018		
<b>N. 9</b>	Strategic Executives of Banca Popolare di Milano in 2016 (identified among the 2016 identified staff)	30/04/2016	Ordinary Shares of Banco BPM	15.440	27/07/2017 (3)	ND	€ 3,06219	2016-2018		
<b>N. 6</b>	Other persons identified among the 2016 "identified staff" of Gruppo Bipiemme	30/04/2016	Ordinary Shares of Banco BPM	10.439	27/07/2017 (3)	ND	€ 3,06219	2016-2018		
<i>Notes: 2016 Incentive System of former Banca Popolare di Milano Scarl - 1<sup>st</sup> deferred portion</i>										
<b>Giuseppe Castagna</b>	Managing Director - General Manager of Banca Popolare di Milano	11/04/2015	Ordinary Shares of Banco BPM (2)	19.135	27/07/2016 (3)	ND	€ 0,39280 (4)	2015 - 2018		
<b>Marco Federico Turrina</b>	CEO - General Manager of Banca Akros	11/04/2015	Ordinary Shares of Banco BPM (2)	7.291	27/06/2016 (3)	ND	€ 0,48323 (4)	2015 - 2018		
<b>N. 11</b>	Strategic Executives of Banca Popolare di Milano in 2015 (identified among the 2015 identified staff)	11/04/2015	Ordinary Shares of Banco BPM (2)	14.310	27/06/2016 (3)	ND	€ 0,48323 (4)	2015 - 2018		
<b>N. 4</b>	Other persons identified among the 2015 "identified staff" of Gruppo Bipiemme	11/04/2015	Ordinary Shares of Banco BPM (2)	11.572	27/06/2016 (3)	ND	€ 0,48323 (4)	2015 - 2018		
<i>Notes: 2015 Incentive System of former Banca Popolare di Milano Scarl - 2<sup>nd</sup> deferred portion</i>										
<b>Giuseppe Castagna</b>	Managing Director - General Manager of Banca Popolare di Milano	12/04/2014 (1)	Ordinary Shares of Banco BPM (2)	6.677	27/07/2015 (3)	ND	€ 0,95686 (4)	2014 - 2018		
<b>Marco Federico Turrina</b>	CEO - General Manager of Banca Akros	12/04/2014 (1)	Ordinary Shares of Banco BPM (2)	3.728	27/06/2015 (3)	ND	€ 0,94500 (4)	2014 - 2018		
<b>N. 8</b>	Strategic Executives of Banca Popolare di Milano in 2014 (identified among the 2014 identified staff)	12/04/2014 (1)	Ordinary Shares of Banco BPM (2)	3.822	27/06/2015 (3)	ND	€ 0,94500 (4)	2014 - 2018		
<b>N. 5</b>	Other persons identified among the 2014 "identified staff" of Gruppo Bipiemme	12/04/2014 (1)	Ordinary Shares of Banco BPM (2)	4.526	27/06/2015 (3)	ND	€ 0,94500 (4)	2014 - 2018		
<i>Notes: 2014 Incentive System of former Banca Popolare di Milano Scarl - 3<sup>rd</sup> deferred portion</i>										

**Notes**

(1) Date of approval of the 2014 Remuneration Policies on the basis of which the 2014 Incentive System was activated.

(2) The Ordinary Shares of the former Banca Popolare di Milano Scarl awarded were converted to Banco BPM shares – by virtue of the merger with Banco Popolare Soc. Coop. – on the basis of the value established for the exchange of 1 Banco BPM share for every 6.386 shares of the former Banca Popolare di Milano Scarl.

(3) The allocation date coincides with the date of actual recognition of the bonus, namely the date on which the up-front portion in cash is paid.

(4) Price determined on the basis of the arithmetic average of official prices for the 30 calendar days preceding the date of allocation. For the 2014-2015 Incentive Systems the price relates to the Ordinary Shares of the former Banca Popolare di Milano Scarl.

**Stock-based compensation plans**  
**Table 1 of Schedule 7 of Annex 3A of Regulation no.11971/1999**  
**Section 2 – Newly-granted shares**

Name and Surname or Category	Office held (to be entered only for those subjects whose names are displayed)	FRAME 1 Financial instruments other than <i>stock options</i>						
		Section 2 Newly assigned instruments based on a resolution from the Board of Directors of 27/02/2018 proposed to the Shareholders' Meeting						
		Date of the Shareholders' Meeting Resolution	Type of financial instruments	Number of Financial Instruments	Assignment date	Instrument Purchase Price	Market price at the time of assignment	Vesting Period
<b>Giuseppe Castagna</b>	CEO of Banco BPM	07/04/2018	Ordinary Shares of Banco BPM	ND	2019	ND	ND	ND
<b>Massimo Maria Dorenti</b>	CEO - General Manager of ProFamily	07/04/2018	Ordinary Shares of Banco BPM	ND	2019	ND	ND	ND
<b>Ottavio Rigodanza</b>	CEO of Società Gestione Servizi BP	07/04/2018	Ordinary Shares of Banco BPM	ND	2019	ND	ND	ND
<b>Marco Federico Turrina</b>	CEO - General Manager of Banca Akros	07/04/2018	Ordinary Shares of Banco BPM	ND	2019	ND	ND	ND
<b>Maurizio Zancanaro</b>	CEO of Banca Aletti	07/04/2018	Ordinary Shares of Banco BPM	ND	2019	ND	ND	ND
<i>Notes: 2018 Incentive System</i>								
<b>Maurizio Faroni</b>	General Manager of Banco BPM	07/04/2018	Ordinary Shares of Banco BPM	ND	2019	ND	ND	ND
<b>Domenico De Angelis</b>	Co-General Manager of Banco BPM	07/04/2018	Ordinary Shares of Banco BPM	ND	2019	ND	ND	ND
<b>Salvatore Poloni</b>	Co-General Manager of Banco BPM	07/04/2018	Ordinary Shares of Banco BPM	ND	2019	ND	ND	ND
<i>Notes: 2018 Incentive System</i>								
<b>N. 9</b>	Strategic Executives of Banco BPM in 2018 (identified among the 2018 identified staff)	07/04/2018	Ordinary Shares of Banco BPM	ND	2019	ND	ND	ND
<i>Notes: 2018 Incentive System</i>								
<b>ND</b>	Other persons identified among the 2018 "identified staff" of Group	07/04/2018	Ordinary Shares of Banco BPM	ND	2019	ND	ND	ND
<i>Notes: 2018 Incentive System</i>								