



**REPORT
OF THE BOARD OF DIRECTORS OF BANCO BPM S.P.A.
ON POINT 5 OF THE AGENDA OF THE ORDINARY SHAREHOLDERS'
MEETING**

(Drawn up pursuant to Article 125 *ter* of Italian Legislative Decree No. 58 dated 24 February 1998, as subsequently amended, and pursuant to Article 84 *ter* of the Regulation adopted by means of Consob Resolution No. 11971 dated 14 May 1999, as subsequently amended and supplemented)

Ordinary and Extraordinary Shareholders' Meeting held on 4 April 2020

Report of the Board of Directors of Banco BPM S.p.A. on point 5) of the agenda of the ordinary Shareholders' Meeting called for 4 April 2020, in sole session, with regard to: "Banco BPM S.p.A. share-based remuneration plan: annual incentive system (2020). Inherent and consequent resolutions".

Dear Shareholders,

With reference to point 5) of the agenda, you have been called to the Shareholders' Meeting, pursuant to Article 114 *bis*, paragraph 1, of Italian Legislative Decree No. 58 dated 24 February 1998 and subsequent amendments and additions ("**TUF**"), with regard to the share-based remuneration Plan of Banco BPM S.p.A.: annual incentive system or 2020 short-term incentive plan (the "**2020 Plan**" or "**Plan**") which envisages the valorisation by means of assignment of ordinary shares (the "Shares") of Banco BPM S.p.A. (the "Bank" or the "Company") of a portion of the variable component of the remuneration, addressing the executive members of the Board of Directors and employees of the Banco BPM Banking Group attributable to the category of identified staff; the Plan is proposed within the sphere of the remuneration policies adopted by said Group under the 2020 short-term incentive Plan.

The features of the Plan are detailed in the disclosure document (the "**Disclosure Document**") drawn up by the Bank of Italy in accordance with Article 84 *bis* of Consob Regulation No. 11971/1999 and subsequent amendments and additions (the "**Issuers' Regulations**"); the structure of the Group's incentive and remuneration policies is illustrated in the "Report on the remuneration policies and remuneration paid of the Banco BPM Banking Group – 2020" (the "**Remuneration Report**").

The Disclosure Document and the Remuneration Report are made available to the Shareholders and the general public in accordance with the law, on the website of the authorised storage mechanism www.emarketstorage.com and on the website of said Bank at the following address www.bancobpm.it (Corporate Governance – Remuneration Policies).

Over the last few years, the aspect of the remuneration of the executive members of the Board of Directors and the identified staff of listed companies and, more specifically, the financial sector, has been treated with growing attention by international bodies and regulators, with the aim - *inter alia* - of guiding the companies to adopt incentive and remuneration systems in line with the long-term company values, the strategies and the objectives.

The Plan envisages as potential beneficiaries around 160 parties and, for these, at least 50% of the incentive recognised under the 2020 short-term incentive Plan is awarded via the assignment of Shares, subject to deferral and retention (restriction on sale) clauses.

Each share vested is subject to a retention period lasting one year. The Plan's implementation period runs from the reference year for the recognition of the results for the 2020 short-term incentive Plan to the effective availability of the last Share-based deferred portion (2025 or 2027 in the event of five annual portions).

Considering the retention period, the Plan will conclude in 2027.

The maximum requirement has been estimated as Euro 5 million (bank cost) for around 160 potential beneficiaries of the Plan; this amount also comes from the application of more stringent rules envisaged by the Supervisory Provisions of the Bank of Italy with regard to the greater percentage of the share-related component on the total of the incentive acknowledged.

The Plan is therefore proposed so as to align the interests between Management and shareholders, remunerating the most important staff of the Group in relation to the creation of value over the medium/long-term.

For further information - including that concerning the reasons which motivate the adoption of the Plan, the beneficiaries, the approval process and the assignment timescale for the Shares - reference is made to the Disclosure Document and the Remuneration Report.

* * *

In light of the above, we hereby invite you to approve the following resolution proposal:

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

- having duly noted the contents of the Disclosure Document relating to the 2020 remuneration plan, made available to the Shareholders and the general public under the formalities and by the deadlines envisaged by current legislation;*
- having taken into account the aspects illustrated in the Report made available to the general public in the forms and as per the formalities envisaged by applicable provisions;*

RESOLVES

to approve, pursuant to Article 114 bis of the Consolidated Finance Law (TUF) and Article 84 bis of the Issuers' Regulations, the 2020 Plan, which envisages the valorisation of a portion of the variable components of the remuneration by means of assignment of ordinary shares of Banco BPM S.p.A., addressing the executive members of the Board of Directors and employees and non-employed workers of the Banco BPM Banking Group attributable to the category of identified staff, proposed within the sphere of the remuneration policies adopted by said Group in relation to the 2020 short-term incentive Plan, under the terms and formalities described in the documentation referred to previously;

providing mandate to the Chairman of the Board of Directors and the CEO, acting separately and with the faculty to sub-delegate, for the purpose of correctly and promptly executing this resolution and the formalities and acts associated with and/or consequent to the same, assigning them all the necessary powers for this purpose including therein that of introducing in the same any changes or additions which may become necessary and/or appropriate in relation to requests or recommendations of the Supervisory Authorities or the market management company".

18 February 2020

The Board of Directors