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Oggetto : Sstock award plan for members of the BoD and key employees and non-employed staff of Banco BPM Group - Share buy-back and disposal proposal

Testo del comunicato

Vedi allegato.



NEWS RELEASE

Approved stock award plan for members of the Board of Directors and key employees and non-employed staff of Banco BPM Group

Approval of the share buy-back and disposal proposal

Verona, 28 February 2017 – Banco BPM announces that the Board of Directors has approved today the main outlines of a stock award plan, pursuant to articles 114-bis of Lgs.D. no. 58/98 (“TUF”) and 84-bis of Regulation no. 11971/1999 and following amendments and additions (“Issuers Regulation”), to be submitted to the approval of the forthcoming Annual General Meeting to be held on 8 April 2017. The shares cover (i) part of the bonus linked to the annual incentive scheme (2017) for “key personnel” (“KP”) and (ii) the bonus under the three-year incentive scheme (2017-2019) for certain members of the Board of Directors, and for top management key employees and non-employed staff of the Banco BPM Banking Group.

Described below, also pursuant to art. 84-bis, paragraph 3, of the Issuers Regulation, are the key characteristics of the short-term 2017 incentive Plan (the “**Annual Plan**”) and of the long-term 2017-2019 incentive Plan (the “**Three-year Plan**”), as well as of the share buy-back to service the Plan, pursuant to articles 144-bis of the Issuers Regulation and IA.2.6.11 of Borsa Italiana's Regulation Instructions, to be submitted to the approval of the above mentioned Annual General Meeting.

Rationale of the Plans

The Annual Plan (expiring in 2024) aims at rewarding, retaining, and motivating our personnel with an incentive to be awarded in the form of cash and ordinary shares of Banco BPM, in keeping with the procedures described below and provided that pre-defined access terms and conditions and specific performance targets are satisfied. Under the 2017 Incentive Scheme, the format of the bonus award to KP - in keeping with current domestic and EC regulations - is based on up-front and deferred tranches, in the form of cash and shares over a multiannual timeframe (3 or 5 years), with the aim of setting up remuneration systems - in the interest of all stakeholders - that are in line with the long-term corporate strategies and objectives, linked to corporate results, adequately adjusted to account for all risks, consistent with capital and liquidity levels that are necessary to sustain the ongoing activities and, in any case, that are designed in such a way as to avoid distorted incentives that might lead to an excessive risk-taking for the bank and for the overall system. The share-based compensation structure requires a retention period of two years for the up-front tranche, and of one year for the deferred tranches.

The Three-Year Plan (expiring in 2024) aims at rewarding our personnel with a share-based only bonus with Banco BPM ordinary shares, in keeping with the procedures described below and provided that pre-defined access terms and conditions and specific performance targets are met, with the aim of bringing the prospective beneficiaries in line with the goals and objectives defined in the 2016-2019 Strategic Plan, and at engaging them in the value creation to the benefit of all shareholders and of the company at large. Under the long-term 2017-2019 Incentive Scheme, the format of the bonus award - in keeping with current domestic and EC regulations - is based on up-front and deferred tranches, over a multiannual timeframe (3 years). The share-

based compensation structure requires a retention period of two years for the up-front tranche, and of one year for the deferred tranches.

Hence, the above-mentioned Plans align incentives with the Group's long term interests, bringing manager and shareholder interests closer together, by compensating the Group key resources based on medium-to-long-term value creation.

Beneficiaries of the Plans

Under the Annual Plan, a consideration under the variable pay is recognized to certain executives of the Board of Directors and employees and non-employed staff falling under the KP category of the Banco BPM Banking Group, in the form of a free-of-charge grant of ordinary shares (the "**Shares**") of Banco BPM S.p.A. (the "**Bank**" or the "**Company**"), proposed as part of the remuneration policies adopted by the Group under the 2017 annual incentive scheme.

Under the Three-year Plan, a consideration under the variable pay is recognized to certain executives of the Board of Directors and employees and non-employed staff belonging to the top management of the Banco BPM Banking Group, in the form of a free-of-charge grant of Shares of the Bank, proposed as part of the remuneration policies adopted by the Group under the long-term 2017-2019 incentive scheme.

To date, the following managers have been identified among the prospective beneficiaries of the Annual Plan and of the Three-year Plan:

- Giuseppe Castagna * - CEO of Banco BPM
- Maurizio Faroni* - General Manager of Banco BPM
- Domenico De Angelis* - Co-General Manager of Banco BPM
- Salvatore Poloni* - Co-General Manager of Banco BPM
- Massimiliano Becheroni ** - Managing Director of ProFamily
- Ottavio Rigodanza* - Managing Director of Società Gestione Servizi BP
- Marco Federico Turrina* - Managing Director – General Manager of Banca Akros
- Maurizio Zancanaro* - Managing Director of Banca Aletti

Please note that some of the prospective beneficiaries of the Group's 2017 Incentive Scheme and of the long-term 2017-2019 Incentive Scheme, in addition to fulfilling their managerial responsibilities in line with their role, also fill management offices in companies controlled by Banco BPM. Considering that these officers are among the prospective beneficiaries of variable remuneration as they are Group employees, their names are not indicated.

In light of the definition indicated in art. 84-bis, paragraph 2, of the Issuers Regulation, please note that the Plans, considering the associated beneficiaries, display the characteristics of "significant plans".

Main characteristics of shares awarded under the Plans

The Plans provide for the granting of shares contingent on the occurrence of conditions precedent triggering the activation of the incentive schemes and based on the corporate and individual results attained.

Upon activation of the Plans, subject to their approval by the above-mentioned General Shareholders' Meeting and with regard to the mentioned incentive schemes, Banco BPM shall award ordinary shares to members of the Board of Directors and to certain Group employees and non-employed staff.

For the prospective beneficiaries of the Annual Plan, 50% of the bonus under the 2017 Incentive Scheme is recognized through the free-of-charge award of Banco BPM ordinary shares, subject to

* Prospective beneficiary of the Annual Plan and of the Three-year Plan

** Prospective beneficiary of the Annual Plan only

deferral and retention clauses. The Board of Directors has defined the percentages of the single in cash and share-based tranches based on the beneficiary categories.

The share-based component breaks down as follows:

- 60% (40% for bonuses exceeding Euro 300,000) vests up-front in 2018 and is subject to a retention clause up until 2020;
- the remaining 40% is deferred in three annual tranches (60% in five annual tranches for bonuses exceeding Euro 300,000) of equal amount, vesting between 2019-2021 (2019-2023 for bonuses exceeding Euro 300,000); each vested share-based deferred tranche is subject to a retention clause of one year.

For the prospective beneficiaries of the Three-year Plan, the bonus under the long-term 2017-2019 Incentive Scheme is recognized through the free-of-charge award of Banco BPM ordinary shares, subject to deferral and retention clauses. The Board of Directors has defined the percentages of the single tranches.

The bonus breaks down as follows:

- 40% vests up-front in 2020 and is subject to a retention clause up until 2022;
- the remaining 60% is deferred in three annual tranches of equal amount and vests between 2021-2023; each vested share-based deferred tranche is subject to a retention clause of one year.

With regard to the Plans, both the up-front and the deferred tranches do not vest in case of contract or employment relationship termination (without prejudice to specific provisions included in individual or collective agreements, in company agreements or based on unilateral company decisions, while a case-by-case assessment is always necessary, based on the timing of the termination).

To date it is impossible to indicate the maximum number of Banco BPM ordinary shares to be awarded under the Plans, as their exact quantification depends on the occurrence of the access terms and conditions, as well as on the Incentive Scheme result attained by each of the beneficiaries of the Plans.

With regard to the Annual Plan, for the time being the estimated maximum theoretical requirement is roughly 12 million Euro, of which 5 million to serve the payment of golden parachutes, if applicable; as to the Three-year Plan, the total maximum theoretical cost may not exceed 1% of the estimated pre-tax consolidated income from continuing operations (net of non-recurring items) at the end of the Strategic Plan period, amounting to approx. 14 million euro.

Approval of the share buy-back and disposal proposal

The Board of Directors resolved to submit the request to authorize share buy-back and disposal transactions to the forthcoming Shareholders' Meeting, in compliance with current laws and regulations, in order to:

- (i) implement – also by setting up a “share reserve”, in compliance with “accepted market practices” pursuant to article 180, paragraph 1, letter c), of TUF – the remuneration policies adopted by the Bank (including, when applicable, the compensation policies adopted in prior years by Banco Popolare - Soc. Coop. and/or Banca Popolare di Milano Scarl). Notably, under the above policies, (a) for the Group's “key personnel”, part of the up-front bonus tranche and part of the deferred bonus tranches must be granted in the form of Bank shares (b) for certain officers belonging to the Group Top Management, the bonus upfront tranche and deferred tranches under the three-year incentive scheme must be granted in the form of Bank shares, and (c) any benefits tied to the termination of certain KP (*golden parachute*) must be granted partly as Bank shares, with upfront and deferred tranches;
- (ii) carry out, in compliance with “accepted market practices” (acknowledged by Consob) and with applicable regulations, EC included, the ordinary brokering activities necessary to favor the circulation of shares and a regular trading activity.

In any case, all purchase and sale transactions will obviously be carried out in accordance with applicable laws and regulations, in particular with respect to "market abuse" and ensuring the fair treatment of shareholders.

Without prejudice to article 2357, paragraph 1, of the Italian Civil Code, the requested authorization refers to the purchase of own shares, in one or more tranches, up to a number of Banco BPM ordinary shares no greater than 1% of the share capital, i.e., to date, corresponding to max. no. 15,151,821 shares. In any case, the number of own shares that can be purchased may never exceed the threshold of one fifth of the share capital provided for by article 2357, paragraph 3, of the Italian Civil Code, including the Bank shares already owned or that might be purchased by subsidiaries.

The stock repurchase authorization is requested to start on the date the Shareholders' Meeting passes the related resolution and will expire on the date of the Shareholders' Meeting convened to approve the 2017 Annual Report, without prejudice in any case to the 18 (eighteen) month limit established by article 2357, paragraph 2, of the Italian Civil Code. The authorization to dispose of own shares (repurchased under the above proposal, or in any case held by the Bank), even before repurchases have been completed, is requested with no time limits.

The purchase price of each own share, including purchasing costs, must not be min. 15% (fifteen percent) below or max. 15% (fifteen percent) above the official price reported by the stock on the Italian MTA (Mercato Telematico Azionario) the day before the purchase.

This range is proposed in compliance with the provisions of the Italian Civil Code, which require that a minimum and maximum price be defined. In any case, each buy transactions executed on regulated markets may not take place at a price higher than the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out, pursuant to article 5, paragraph 1, of Regulation EC 2273/2003.

As to the sale of repurchased shares, only the minimum price at which the shares can be sold to third parties is defined, which in any case may not be less than 95% (ninety-five percent) of the official price average reported by the stock on the Italian MTA (Mercato Telematico Azionario) over the three days prior to the sale. This price limit can be overridden in case of stock grants under the remuneration policies adopted by the Bank and, in any case, stock awards (or stock options) under equity-based compensation plans.

Repurchases shall be executed in compliance with article 132 of TUF and article 144-bis of the Issuers Regulation and in any case based on allowed procedures in compliance with from time to time current regulations. Notably, purchases shall be executed through a public tender or exchange offer, or on the open market, in compliance with the operational procedures established by the company managing the stock market, that bar the direct matching between bids and specific offers, or through additional procedures provided for under article 144-bis of the Issuers Regulation, or in any case allowed in compliance with from time to time current regulations, with due consideration to the need to abide by the principle of fair treatment of shareholders.

In any case, the stock repurchase is subject to the issuance of the required authorization by the European Central Bank. To date, Banco BPM holds no own shares in its portfolio.

The executive reports of the Board of Directors and the information documents regarding the Plans shall be made available to the public according to the terms and procedures required by applicable law.

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